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Fiscal 2013 Second Quarter Earnings Webcast & Conference Call

February 5, 2013

HR. Payroll. Benefits.

Forward Looking Statements

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Agenda

- **Opening Remarks** Carlos Rodriguez, President & CEO
- **Second Quarter Fiscal 2013 Highlights** Jan Siegmund, CFO
- **Fiscal 2013 Guidance** Jan Siegmund, Carlos Rodriguez
- **Closing Remarks** Carlos Rodriguez
- **Q&A** Carlos Rodriguez, Jan Siegmund
- **Summary** Carlos Rodriguez
- **Appendix Results** Second Quarter Fiscal 2013 Detailed
Fiscal 2013 Guidance History

Opening Remarks

- **Good results, with business segments performing well**
- **Total company results reflect the challenges and tough comparisons we faced heading into the quarter, as previously communicated**
- **Growth in Employer Services key business metrics**
 - New business bookings for Employer Services and PEO Services combined
 - Client fund balances
 - U.S. pays per control (same-store-sales employment metric)
 - Client revenue retention
- **Dealer Services growth driven by:**
 - Digital marketing
 - Continued positive win/loss rates and increased transaction volumes on growth in North American car sales
 - Adjacent markets such as heavy equipment dealers
 - One-time international license fees

Second Quarter Fiscal 2013 Highlights

	2Q13 Results	Year-over-year Change Including 2Q12 Gain*	Year-over-Year Change Excluding 2Q12 Gain*
Revenues	\$2.7 billion	↑ 7%	↑ 7%
Pretax Earnings Cont. Ops.	\$528.8 million	↓ 8%	↑ 4%
Pretax margin	19.2%	↓ 320 bps	↓ 60 bps
Effective Tax Rate	33.4%	↓ 1.9 pts	↓ 1.6 pts
Net earnings Cont. Ops.	\$352.0 million	↓ 6%	↑ 6%
Diluted EPS Cont. Ops.	\$0.72	↓ 5%	↑ 7%
Share Repurchases			
<ul style="list-style-type: none"> – Acquired 2.0 million shares at a cost of about \$116 million during 2Q13 – Acquired 5.9 million shares at a cost of about \$341 million fiscal year-to-date 			

* Gain on the sale of assets relating to a third-party expense management platform

bps – basis points

Second Quarter Fiscal 2013 Highlights *(continued)*

2Q13 Results Excluding 2Q12 Gain

Impacts included in 2Q13 Results Excluding Acquisitions:

	YOY Change Excluding 2Q12 Gain	Impact of Acquisitions	Unfavorable Foreign Exchange Rates	Decline in Client Funds Interest	Rev/Earnings impact from 2Q12 Sale of Assets; Expiration of Tax Credits
Revenues	↑ 7%	↑ 1%	↓ 0.5%	↓ 1%	↓ 1%
Pretax Earnings Cont. Ops.	↑ 4%			↓ 4%	↓ 2%
Pretax Margin	↓ 60 bps	↓ 20 bps		↓ 110 bps	↓ 30 bps
Effective Tax Rate	↓ 1.6 pts				
Net Earnings Cont. Ops.	↑ 6%			↓ 4%	↓ 3%
Diluted EPS Cont. Ops.	↑ 7% to \$0.72			↓ \$0.03, or ↓ 4%	↓ nearly \$0.02, or ↓ 3%

bps – basis points

Second Quarter Fiscal 2013 Highlights

	2Q13 Total Revenues	2Q13 Organic Revenues	Impact from Lost Revenues from 2Q12 Sale of Assets; Expiration of Tax Credits
Employer Services	↑ 7%	↑ 6%	↓ 1%
<ul style="list-style-type: none"> ▪ U.S. pays per control ↑ 2.6% ▪ Client revenue retention ↑ 0.8 ppt ▪ Average client balances ↑ 9% 			
PEO Services	↑ 13%	↑ 13%	
<ul style="list-style-type: none"> ▪ PEO average worksite employees paid ↑ 10% 			
Dealer Services	↑ 11%	↑ 9%	
New business bookings – ES/PEO ↑ 5%			

FY13 Guidance - Client Funds Portfolio Extended Investment Strategy

	FY13 (F)		FY12		Change	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
Balances:						
Average Client Short Portfolio Balance	\$3.5 – 3.6 B	~ 0.3%	\$3.5 B	0.3%	~\$0.1 B	~ flat
Average Client Extended Portfolio Balance	7.9 – 8.0	~2.1%	7.6	2.9%	0.3 – 0.4	↓ 70-80 bp
Average Client Long Portfolio Balance	7.4 – 7.5	~3.2%	6.9	3.9%	0.5 – 0.6	↓ 60- 70 bp
= Average Client Funds Balance	\$18.8 – 19.1 B	~2.2%	\$17.9 B	2.8%	\$0.9 – 1.2 B	↓ ~60 bp
Average Corporate Extended Investment Balance	\$2.6 – 2.7 B	~2.0%	\$2.6 B	2.7%	\$0.0 - \$0.1 B	↓ 60-70 bp
Average U.S. Commercial Paper Borrowings	\$2.3 – 2.4 B	~0.2%	\$2.3 B	0.1%	\$0.0 - \$0.1 B	↑ ~10 bp
Average U.S./Canadian Reverse Repurchase Borrowings	~0.3	~0.8%	0.3	0.6%	~ flat	↑ ~10 bp
= Average Short-term Borrowings	\$2.6 – 2.7 B	~ 0.3%	\$2.6 B	0.2%	\$0.0 - \$0.1 B	↑ ~10 bp
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	~\$10 M		\$10 M		~flat	
Interest on Funds Held for Clients – Client Ext'd	~170		218		↓ ~50 M	
Interest on Funds Held for Clients – Client Long	~240		265		↓ ~25	
= Total Interest on Funds Held for Clients	~\$420 M		\$493 M		↓ ~\$75 M	
Corporate Extended Interest Income	~55		68		↓ ~10	
Corporate Interest Expense - Short-term	(5 – 10)		(5)		flat – ↓ 5	
	\$465 - 470 M		\$556 M		↓ \$85 – 90 M	

FY13 Guidance – Total ADP

All guidance figures exclude the FY12 Q2 gain on the sale of assets and the results of discontinued operations

- **Total Revenues** ↑ 5% - 7%
- **Pretax Margin** ↓ 30 to 40 basis points from 19.2%
- **Effective Tax Rate** ↓ ~30 basis points from 34.5%
- **Diluted EPS from Continuing Operations** ↑ 5% - 7%
 - Up from adjusted \$2.72 from continuing operations in FY12
 - No share buybacks beyond offset to anticipated dilution related to employee benefit plans contemplated in guidance

FY13 Guidance – Total ADP (continued)

Expected Impacts to Total Company Guidance

	YTD Q2 FY13 vs. YTD Q2 FY12	Q3 FY13 vs. Q3 FY12	Q4 FY13 vs. Q4 FY12	FY13 vs. FY12
Foreign Exchange Rates				
Revenues	↓ 1+ ppt	minimal impact		↓ up to 1 ppt
Pretax earnings		minimal impact		
Client Funds Portfolio Extended Investment Strategy				
Revenues	↓ 1 ppt ↓ \$31 million	↓ 1 ppt ↓ ~\$20 million	↓ 1 ppt ↓ \$20 - \$25 million	↓ 1 ppt ↓ ~\$75 million
Pretax earnings	↓ \$42 million	↓ \$20 - \$25 million	↓ \$20 - \$25 million	↓ \$85 – \$90 million
Pretax margin	↓ ~100 bps	↓ ~100 bps	↓ ~120 bps	↓ ~110 bps
Diluted EPS	↓ \$0.06	↓ ~\$0.03	↓ ~\$0.03	↓ ~\$0.12
Fiscal 2012 Acquisitions				
Revenues	↑ ~2 ppt	↑ ~1 ppt	none	↑ ~1 ppt
Pretax earnings		minimal impact		
Pretax margin	↓ ~30 bps	↓ ~20 bps	none	↓ ~20 bps
2Q12 Sale of Assets; Expiration of Tax Credits				
Revenues	↓ 1 ppt	none	none	↓ ~0.5 ppt
Pretax margin	↓ ~40 bps	none	none	↓ ~20 bps
Diluted EPS	↓ ~\$0.04	none	none	↓ ~\$0.04

ppt – percentage point

bps – basis points

FY13 Guidance – Reportable Segments

- **Employer Services**
 - Revenues ↑ 6% – 7%
 - Pretax margin ↑ at least 50 basis points
 - Pays per control ↑ 2.0% – 3.0%
- **PEO Services**
 - Revenues ↑ 12% - 13%
 - Slight pretax margin expansion
- **Annual dollar value of ES & PEO Worldwide New Business Bookings**
 - ↑ 8% – 10% compared to over \$1.2 billion in FY12
- **Dealer Services**
 - Revenues ↑ 8% - 9%
 - Pretax margin ↑ over 100 basis points

Closing Remarks

- **Solid Q2 performance**
- **Strong business momentum, but remain cautious due to:**
 - Economic uncertainty
 - Continued low market interest rates
- **Position ADP as the global HCM market leader**
 - Focused on four strategic pillars for growth
 - Cloud-based HCM solutions
 - Market-leading HRBPO solutions
 - Leverage our global presence
 - Grow and deepen our key adjacencies
- **Committed to shareholder friendly actions of returning excess cash to shareholders through dividends and share buybacks**
- **AAA credit rating reflects strength of business model and balance sheet**
- **Doing the right things to grow the business and enhance long-term shareholder return**

There are no slides during this portion of the presentation

Appendix

Segment Results 2Q13 – Employer Services

- Revenues ↑ 7%, ↑ 6% organic
- Pretax margin 25.4%, ↑ 70 basis points
 - Increased operating scale and sales efficiencies offset by a 50 basis points drag from fiscal 2012 acquisitions, as anticipated
- U.S. pays per control, same-store-sales – AutoPay ↑ 2.6%
- Worldwide client retention ↑ 0.8 percentage points
- Annual dollar value of new business bookings ↑ 5% (Employer Services and PEO Services combined)

Segment Results 2Q13 – PEO

- Revenues ↑ 13%, all organic
- Pretax margin 10.7%, ↑ 40 basis points
 - An easier year-over-year comparison and slower growth in pass-through costs
- Average number of worksite employees paid ↑ 10% to approximately 276,000

Segment Results 2Q13 – Dealer Services

- **Revenues** ↑ 11%, ↑ 9% organic
 - Increased advertising in Digital Marketing
 - Increased software license fees in international business
- **Pretax margin** 19.2%, ↑ 180 basis points
 - Increased operating scale and increase in certain non-recurring high-margin revenues

Client Funds Portfolio Extended Investment Strategy – 2Q13

	<u>2Q13</u>		<u>2Q12</u>		<u>Change</u>	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
Balances:						
Average Client Short Portfolio Balance	\$2.6 B	0.3%	\$2.2 B	0.4%	\$0.5 B	↓ 10 bp
Average Client Extended Portfolio Balance	6.8	2.3%	6.7	3.0%	0.1	↓ 70 bp
Average Client Long Portfolio Balance	<u>7.5</u>	<u>3.3%</u>	<u>6.7</u>	<u>3.9%</u>	<u>0.8</u>	↓ 70 bp
= Average Client Funds Balance	\$17.0 B	2.4%	\$15.6 B	3.0%	\$1.4 B	↓ 60 bp
Average Corporate Extended Investment Balance	\$4.2 B	1.8%	\$3.6 B	2.6%	\$0.6 B	↓ 70 bp
Average U.S. Commercial Paper Borrowings	\$3.7 B	0.2%	\$3.3 B	0.1%	\$0.4 B	↑ 10 bp
Average U.S./Canadian Reverse Repurchase Borrowings	<u>0.4</u>	<u>0.7%</u>	<u>0.3</u>	<u>0.7%</u>	<u>0.1</u>	↓ 10 bp
= Average Short-term Borrowings	\$4.2 B	0.2%	\$3.6 B	0.1%	\$0.6 B	↑ 10 bp
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	\$2 M		\$2 M		\$0 M	
Interest on Funds Held for Clients – Client Ext'd	39		50		↓ 11	
Interest on Funds Held for Clients – Client Long	<u>61</u>		<u>66</u>		↓ <u>5</u>	
= Total Interest on Funds Held for Clients	\$102 M		\$118 M		↓ \$16 M	
Corporate Extended Interest Income	19		24		↓ 4	
Corporate Interest Expense - Short-term	<u>(3)</u>		<u>(1)</u>		↓ <u>1</u>	
	\$119 M		\$140 M		↓ \$21 M	

Appendix: FY2013 Guidance History

	2/5/13 Forecast	11/1/12 Forecast	8/1/12 Forecast
Total ADP			
Revenues	↑ 5% - 7%	↑ 5% - 7%	↑ 5% - 7%
Pretax Margin	↓ 30 to 40 bp	↓ ~30 bp	↓ ~30 bp
Effective Tax Rate	↓ ~30 bp	↓ ~30 bp	↓ ~30 bp
Diluted EPS from Continuing Operations	↑ 5% – 7%* compared with adjusted \$2.72 from continuing operations in Fiscal 2012	↑ 5% – 7%* compared with adjusted \$2.72 from continuing operations in Fiscal 2012	↑ 5% – 7%* compared with adjusted \$2.74 in Fiscal 2012
Employer Services (ES)			
Revenues	↑ 6% - 7%	↑ 6% - 7%	↑ 6% - 7%
Pretax Margin	↑ at least 50 bp	↑ at least 50 bp	↑ at least 50 bp
Pays per Control	↑ 2.0% – 3.0%	↑ 2.0% – 3.0%	↑ 2.0% - 3.0%
PEO Services			
Revenues	↑ 12% - 13%	↑ 13% - 14%	↑ 13% - 15%
Pretax Margin	slight improvement	flat to slight improvement	flat to slight improvement
ES & PEO New Business Bookings, Worldwide			
	↑ 8% - 10%	↑ 8% - 10%	↑ 8% - 10%
Dealer Services			
Revenues	↑ 8% - 9%	↑ 7% - 9%	↑ 7% - 9%
Pretax Margin	↑ over 100 bp	↑ ~100 bp	↑ at least 50 bp

Appendix: Fiscal 2013 Guidance History

Client Funds Portfolio Extended Investment Strategy	FY13 2/5/13 Forecast		FY13 11/1/12 Forecast		FY13 8/1/12 Forecast	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
Balances:						
Average Client Short Portfolio Balance	\$3.5 – 3.6 B	~ 0.3%	\$3.5 – 3.6 B	0.2 – 0.3%	\$3.5 – 3.6 B	0.2 – 0.3%
Average Client Extended Portfolio Balance	7.9 – 8.0	~2.1%	7.9 – 8.0	2.1 – 2.2%	8.0 – 8.1	2.1 – 2.2%
Average Client Long Portfolio Balance	<u>7.4 – 7.5</u>	<u>~3.2%</u>	<u>7.4 – 7.5</u>	<u>3.2 – 3.3%</u>	<u>7.3 – 7.4</u>	<u>3.2 – 3.3%</u>
= Average Client Funds Balance	\$18.8 – 19.1 B	~2.2%	\$18.8 – 19.1 B	2.2 – 2.3%	\$18.8 – 19.1 B	2.2 – 2.3%
Average Corporate Extended Investment Balance	\$2.6 – 2.7 B	~2.0%	\$2.4 – 2.5 B	2.1 – 2.2%	\$2.3 – 2.4 B	2.2 – 2.3%
Average U.S. Commercial Paper Borrowings	\$2.3 – 2.4 B	~0.2%	\$2.1 – 2.2 B	~0.2%	\$2.1 – 2.2 B	0.2 – 0.3%
Avg. U.S./Canadian Reverse Repurchase Borrowings	<u>~0.3</u>	<u>~0.8%</u>	<u>~0.3</u>	<u>0.8 – 0.9%</u>	<u>~0.2</u>	<u>0.9 – 1.0%</u>
= Average Short-term Borrowings	\$2.6 – 2.7 B	~ 0.3%	\$2.4 – 2.5 B	0.2 – 0.3%	\$2.3 – 2.4 B	0.2 – 0.3%
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	~\$10 M		~\$10 M		~\$10 M	
Interest on Funds Held for Clients – Client Ext'd	~170		~170		170 – 175	
Interest on Funds Held for Clients – Client Long	<u>~240</u>		<u>240 – 245</u>		<u>240 – 245</u>	
= Total Interest on Funds Held for Clients	~\$420 M		\$420 – 425 M		\$420 – 430 M	
Corporate Extended Interest Income	~55		~55		~55	
Corporate Interest Expense - Short-term	<u>(5 – 10)</u>		<u>~(5)</u>		<u>~(5)</u>	
	\$465 – \$470 M		\$470 – 475M		\$470 – 480M	

Thank You