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# **Fiscal 2013 Third Quarter Earnings Webcast & Conference Call**

**May 3, 2013**

**HR. Payroll. Benefits.**

# Forward Looking Statements

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# Agenda

- **Opening Remarks** Carlos Rodriguez, President & CEO
- **Third 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** Third Quarter Fiscal 2013 Detailed Results  
Fiscal 2013 Guidance History

# Opening Remarks

- **Good results with business segments performing well**
  - **Despite negative impact, particularly to earnings and margins, from lower yield on client funds**
- **Growth in Employer Services key business metrics**
  - New business bookings for Employer Services and PEO Services combined
    - Strength in U.S., weakness in Continental Europe
  - Client revenue retention
  - U.S. pays per control (same-store-sales employment metric)
  - Client fund balances
- **Dealer Services growth driven by:**
  - Digital marketing advertising revenues
  - Continued strong transaction volumes on growth in North American auto sales
  - One-time international license fees

# Third Quarter Fiscal 2013 Highlights

	3Q13 Results	Year-over-year Change	Impacts included in 3Q13 Results	
			Decline in Client Funds Interest	FY12 Acquisitions
<b>Revenues</b>	\$3.1 billion	↑ 7%	↓ 1%	↑ 1%
<b>Pretax Earnings Cont. Ops.</b>	\$724.8 million	↑ 6%	↓ 3%	↓ ~1%
<b>Pretax Margin</b>	23.3%	↓ 20 bps	↓ 100 bps	↓ 30 bps
<b>Effective Tax Rate</b>	33.4%	↓ 0.6 pts		
<b>Net Earnings Cont. Ops.</b>	\$482.7 million	↑ 7%	↓ 3%	
<b>Diluted EPS Cont. Ops.</b>	\$0.99	↑ 9%	↓ \$0.03, or ↓ 3%	

## Share Repurchases

- Acquired 1.5 million shares at a cost of \$91 million during 3Q13
- Acquired 7.1 million shares at a cost of \$415 million fiscal year-to-date

# Third Quarter Fiscal 2013 Highlights (continued)

	3Q13 Total Revenues	3Q13 Organic Revenues
<b>Employer Services</b>	↑ 7%	↑ 6%
<ul style="list-style-type: none"><li>▪ U.S. pays per control ↑ 2.7%</li><li>▪ Client revenue retention ↑ 0.4 ppt</li><li>▪ Average client balances ↑ 7%</li></ul>		
<b>PEO Services</b>	↑ 10%	↑ 10%
<ul style="list-style-type: none"><li>▪ PEO average worksite employees paid ↑ 7%</li></ul>		
<b>Dealer Services</b>	↑ 8%	↑ 8%
<b>New business bookings – ES/PEO</b>	↑ 9%	

# FY13 Guidance - Client Funds Portfolio Extended Investment Strategy

	FY13 (F)		FY12		Change	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
<b>Balances:</b>						
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
<b>Pretax P&amp;L Impact:</b>						
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** ↑ 6% - 7%
- **Pretax Margin** ↓ 30 to 40 basis points from 19.2%
- **Effective Tax Rate** ↓ ~50 basis points from 34.5%
- **Diluted EPS from Continuing Operations** ↑ 6% - 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)

## Quarterly Impacts to Total Company Results & Guidance

	Q1 FY13 vs. Q1 FY12	Q2 FY13 vs. Q2 FY12 (excludes Q2 FY12 gain on sale of assets)	Q3 FY13 vs. Q3 FY12	Q4 FY13 vs. Q4 FY12 Forecast	FY13 vs. FY12 Forecast
<b>Foreign Exchange Rates</b>					
Revenues	↓ 2 ppt	↓ 0.5 ppt	minimal impact	minimal impact	↓ up to 1 ppt
Pretax earnings	minimal impact	minimal impact	minimal impact	minimal impact	minimal impact
<b>Client Funds Portfolio Extended Investment Strategy</b>					
Revenues	↓ 1 ppt ↓ \$15 million	↓ 1 ppt ↓ \$16 million	↓ 1 ppt ↓ \$21 million	↓ 1 ppt ↓ \$20 - \$25 million	↓ 1 ppt ↓ ~\$75 million
Pretax earnings	↓ \$20 million	↓ \$21 million	↓ \$22 million	↓ \$20 - \$25 million	↓ \$85 – \$90 million
Pretax margin	↓ 100 bps	↓ 110 bps	↓ 100 bps	↓ ~120 bps	↓ ~110 bps
Diluted EPS	↓ \$0.03	↓ \$0.03	↓ \$0.03	↓ ~\$0.03	↓ ~\$0.12
<b>Fiscal 2012 Acquisitions</b>					
Revenues	↑ ~2 ppt	↑ 1 ppt	↑ 1 ppt	none	↑ ~1 ppt
Pretax earnings	minimal impact	minimal impact	↓ ~1 ppt	none	minimal impact
Pretax margin	↓ ~40 bps	↓ 20 bps	↓ ~30 bps	none	↓ ~20 bps
<b>2Q12 Sale of Assets; Expiration of Tax Credits</b>					
Revenues	↓ 1 ppt	↓ 1 ppt	none	none	↓ ~0.5 ppt
Pretax margin	↓ ~50 bps	↓ 30 bps	none	none	↓ ~20 bps
Diluted EPS	↓ ~\$0.02	↓ ~\$0.02	none	none	↓ ~\$0.04

ppt – percentage point

bps – basis points

# FY13 Guidance – Reportable Segments

- **Employer Services**
  - Revenues ↑ ~7%
  - Pretax margin ↑ at least 50 basis points
  - U.S. Pays per control ↑ 2.0% – 3.0%
- **PEO Services**
  - Revenues ↑ ~12%
  - 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

- **Strong Q3 performance**
  - Key business metrics positive, though mixed across Europe
- **Focused on global HCM strategy, supported by investment in innovation**
  - Fostering an agile environment across ADP to keep close pace with ever-changing market expectations
  - Pleased with progress to date, evidenced by high attach rates on Workforce Now and Vantage solutions
  - Very good traction with mobile apps for both employers and employees
  - Making good progress on client migrations
- **Most significant challenge remains continued low market interest rates**
- **Well-positioned to leverage opportunities of large, global HCM market**
- **Committed to shareholder-friendly actions of returning excess cash to shareholders through dividends and share buybacks**
- **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 3Q13 – Employer Services

- Revenues ↑ 7%, ↑ 6% organic
- Pretax margin 34.5%, ↑ 90 basis points
  - Increased operating efficiencies offset by a 50 basis points drag from fiscal 2012 acquisitions, as anticipated
- U.S. pays per control, same-store-sales – AutoPay ↑ 2.7%
- Worldwide client retention ↑ 0.4 percentage points
- Annual dollar value of new business bookings ↑ 9% (Employer Services and PEO Services combined)

## Segment Results 3Q13 – PEO

- Revenues ↑ 10%, all organic
- Pretax margin 9.6%, ↑ 70 basis points
  - Primarily due to slower growth in pass-through costs
- Average number of worksite employees paid ↑ 7% to approximately 279,000

## Segment Results 3Q13 – Dealer Services

- **Revenues** ↑ 8%, all organic
  - Increased advertising in Digital Marketing
  - Higher transaction volumes
  - Increased software license fees in international business
- **Pretax margin** 19.1%, ↑ 80 basis points
  - Increased operating scale and increase in certain non-recurring high-margin revenues



# Client Funds Portfolio Extended Investment Strategy – 3Q13

	<u>3Q13</u>		<u>3Q12</u>		<u>Change</u>	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
<b>Balances:</b>						
Average Client Short Portfolio Balance	\$5.9 B	0.2%	\$5.6 B	0.3%	\$0.3 B	↓ 10 bp
Average Client Extended Portfolio Balance	9.8	2.1%	9.2	2.8%	0.5	↓ 70 bp
Average Client Long Portfolio Balance	<u>7.5</u>	<u>3.1%</u>	<u>6.9</u>	<u>3.8%</u>	<u>0.7</u>	↓ 70 bp
= Average Client Funds Balance	\$23.2 B	1.9%	\$21.7 B	2.5%	\$1.5 B	↓ 50 bp
Average Corporate Extended Investment Balance	\$0.7 B	1.8%	\$0.7 B	2.6%	\$0.1 B	↓ 70 bp
Average U.S. Commercial Paper Borrowings	\$0.6 B	0.2%	\$0.5 B	0.1%	\$0.1 B	↑ 10 bp
Average U.S./Canadian Reverse Repurchase Borrowings	<u>0.1</u>	<u>1.0%</u>	<u>0.1</u>	<u>1.0%</u>	<u>0.0</u>	↓ 10 bp
= Average Short-term Borrowings	\$0.7 B	0.3%	\$0.7 B	0.3%	\$0.1 B	flat
<b>Pretax P&amp;L Impact:</b>						
Interest on Funds Held for Clients – Client Short	\$3 M		\$4 M		↓\$1 M	
Interest on Funds Held for Clients – Client Ext'd	50		65		↓ 15	
Interest on Funds Held for Clients – Client Long	<u>59</u>		<u>65</u>		↓ <u>6</u>	
= Total Interest on Funds Held for Clients	\$112 M		\$133 M		↓ \$21 M	
Corporate Extended Interest Income	3		4		↓ 1	
Corporate Interest Expense - Short-term	<u>(0)</u>		<u>(0)</u>		flat	
	\$115 M		\$137 M		↓ \$22 M	

# Appendix: FY2013 Guidance History

	5/3/13 Forecast	2/5/13 Forecast	11/1/12 Forecast	8/1/12 Forecast
<b>Total ADP</b>				
<b>Revenues</b>	↑ 6% - 7%	↑ 5% - 7%	↑ 5% - 7%	↑ 5% - 7%
<b>Pretax Margin</b>	↓ 30 to 40 bp	↓ 30 to 40 bp	↓ ~30 bp	↓ ~30 bp
<b>Effective Tax Rate</b>	↓ ~50 bp	↓ ~30 bp	↓ ~30 bp	↓ ~30 bp
<b>Diluted EPS from Continuing Operations</b>	↑ 6% – 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 \$2.72 from continuing operations in Fiscal 2012	↑ 5% – 7%* compared with adjusted \$2.74 in Fiscal 2012
<b>Employer Services (ES)</b>				
<b>Revenues</b>	↑ ~7%	↑ 6% - 7%	↑ 6% - 7%	↑ 6% - 7%
<b>Pretax Margin</b>	↑ at least 50 bp	↑ at least 50 bp	↑ at least 50 bp	↑ at least 50 bp
<b>Pays per Control</b>	↑ 2.0% – 3.0%	↑ 2.0% – 3.0%	↑ 2.0% – 3.0%	↑ 2.0% - 3.0%
<b>PEO Services</b>				
<b>Revenues</b>	↑ ~12%	↑ 12% - 13%	↑ 13% - 14%	↑ 13% - 15%
<b>Pretax Margin</b>	slight improvement	slight improvement	flat to slight improvement	flat to slight improvement
<b>ES &amp; PEO New Business Bookings, Worldwide</b>				
	↑ 8% - 10%	↑ 8% - 10%	↑ 8% - 10%	↑ 8% - 10%
<b>Dealer Services</b>				
<b>Revenues</b>	↑ 8% - 9%	↑ 8% - 9%	↑ 7% - 9%	↑ 7% - 9%
<b>Pretax Margin</b>	↑ over 100 bp	↑ over 100 bp	↑ ~100 bp	↑ at least 50 bp

# Appendix: Fiscal 2013 Guidance History

Client Funds Portfolio Extended Investment Strategy	FY13 5/3/13 Forecast		FY13 2/5/13 Forecast	
	\$	Yield/ rate	\$	Yield/ rate
<b>Balances:</b>				
Average Client Short Portfolio Balance	\$3.5 – 3.6 B	~ 0.3%	\$3.5 – 3.6 B	~ 0.3%
Average Client Extended Portfolio Balance	7.9 – 8.0	~2.1%	7.9 – 8.0	~2.1%
Average Client Long Portfolio Balance	<u>7.4 – 7.5</u>	<u>~3.2%</u>	<u>7.4 – 7.5</u>	<u>~3.2%</u>
= Average Client Funds Balance	\$18.8 – 19.1 B	~2.2%	\$18.8 – 19.1 B	~2.2%
Average Corporate Extended Investment Balance	\$2.6 – 2.7 B	~2.0%	\$2.6 – 2.7 B	~2.0%
Average U.S. Commercial Paper Borrowings	\$2.3 – 2.4 B	~0.2%	\$2.3 – 2.4 B	~0.2%
Avg. U.S./Canadian Reverse Repurchase Borrowings	<u>~0.3</u>	<u>~0.8%</u>	<u>~0.3</u>	<u>~0.8%</u>
= Average Short-term Borrowings	\$2.6 – 2.7 B	~ 0.3%	\$2.6 – 2.7 B	~ 0.3%
<b>Pretax P&amp;L Impact:</b>				
Interest on Funds Held for Clients – Client Short	~\$10 M		~\$10 M	
Interest on Funds Held for Clients – Client Ext'd	~170		~170	
Interest on Funds Held for Clients – Client Long	<u>~240</u>		<u>~240</u>	
= Total Interest on Funds Held for Clients	~\$420 M		~\$420 M	
Corporate Extended Interest Income	~55		~55	
Corporate Interest Expense - Short-term	<u>(5 – 10)</u>		<u>(5 – 10)</u>	
	\$465 – \$470 M		\$465 – \$470 M	

# Appendix: Fiscal 2013 Guidance History

Client Funds Portfolio Extended Investment Strategy	FY13 11/1/12 Forecast		FY13 8/1/12 Forecast	
	\$	Yield/ rate	\$	Yield/ rate
<b>Balances:</b>				
Average Client Short Portfolio Balance	\$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 – 2.2%	8.0 – 8.1	2.1 – 2.2%
Average Client Long Portfolio Balance	<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 – 2.3%	\$18.8 – 19.1 B	2.2 – 2.3%
Average Corporate Extended Investment Balance	\$2.4 – 2.5 B	2.1 – 2.2%	\$2.3 – 2.4 B	2.2 – 2.3%
Average U.S. Commercial Paper Borrowings	\$2.1 – 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 – 0.9%</u>	<u>~0.2</u>	<u>0.9 – 1.0%</u>
= Average Short-term Borrowings	\$2.4 – 2.5 B	0.2 – 0.3%	\$2.3 – 2.4 B	0.2 – 0.3%
<b>Pretax P&amp;L Impact:</b>				
Interest on Funds Held for Clients – Client Short	~\$10 M		~\$10 M	
Interest on Funds Held for Clients – Client Ext'd	~170		170 – 175	
Interest on Funds Held for Clients – Client Long	<u>240 – 245</u>		<u>240 – 245</u>	
= Total Interest on Funds Held for Clients	\$420 – 425 M		\$420 – 430 M	
Corporate Extended Interest Income	~55		~55	
Corporate Interest Expense - Short-term	<u>~(5)</u>		<u>~(5)</u>	
	\$470 – 475M		\$470 – 480M	

**Thank You**

