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Fiscal 2013 Earnings Webcast & Conference Call

August 1, 2013

HR. Payroll. Benefits.

Forward Looking Statements

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Agenda

- **Opening Remarks** Carlos Rodriguez, President & CEO
- **Full-year & Fourth Quarter Fiscal 2013 Highlights** Jan Siegmund, CFO
- **Fiscal 2014 Guidance** Jan Siegmund, Carlos Rodriguez
- **Closing Remarks** Carlos Rodriguez
- **Q&A** Carlos Rodriguez, Jan Siegmund
- **Summary** Carlos Rodriguez
- **Appendix** Full-year & Fourth Quarter Fiscal 2013 Detailed Results

Opening Remarks

- **Very solid results with business segments performing well**
 - Despite negative impact from lower yield on client funds
- **Growth in Employer Services key business metrics**
 - Strong new business bookings for Employer Services and PEO Services combined
 - Double-digit growth in all markets in the fourth quarter, better than anticipated
 - \$1.35 billion sold in fiscal 2013
 - Record client revenue retention
 - Growth in client fund balances
 - Increased U.S. pays per control (same-store-sales employment metric)
- **PEO Services growth in average worksite employees**
- **Dealer Services growth driven by:**
 - Digital marketing advertising revenues
 - Market share gains driven by good win/loss rates
 - Strong transaction volumes on growth in North American auto sales

Fiscal 2013 Highlights

	FY13 Total Revenues	FY13 Organic Revenues
ADP	↑ 7% to \$11.31 B	↑ 6%
Employer Services	↑ 7%	↑ 6%
<ul style="list-style-type: none">- Record client revenue retention of 91.3%, ↑ 0.4 percentage point- U.S. pays per control ↑ 2.8%- Average client balances ↑ 7%		
PEO Services	↑ 11%	↑ 11%
<ul style="list-style-type: none">- PEO average worksite employees paid ↑ 9%		
Dealer Services	↑ 9%	↑ 8%
<ul style="list-style-type: none">- Increased digital marketing advertising revenues- Strong transaction volumes on growth in North American auto sales- Market share gains driven by good win/loss rates		
Strong new business bookings – ES/PEO ↑ 11%		

Fiscal 2013 Highlights (continued)

	FY13 As Reported	FY13 As Adjusted*
Pretax Earnings Cont. Ops.	↓ 1% to \$2.08 B	↑ 4% to \$2.13 B
Pretax Margin	18.4%, ↓ 140 basis points	18.8%, ↓ 40 basis points
Effective Tax Rate	↑ 0.1 pts to 34.6% from 34.5%	↓ 0.6 pts to 33.9% from 34.4%
Net Earnings Cont. Ops.	↓ 1% to \$1.36 B	↑ 5% to \$1.41 B
Diluted EPS Cont. Ops.	Unchanged at \$2.80	↑ 6% to \$2.89 from \$2.72

Share Repurchases - acquired 10.4 million shares at a cost of \$647 million during fiscal 2013

* "As Adjusted" results exclude the impact of a \$43 million pretax, non-cash goodwill impairment charge (\$43 million after tax, \$0.09 per share) recorded in the fourth quarter of fiscal 2013 related to the 2011 acquisition of ADP AdvancedMD, and a \$66 million pretax gain on a sale of assets relating to a third-party expense management platform (\$41 million after tax, \$0.08 per share) recorded in the second quarter of fiscal 2012

Fiscal 2013 Highlights (continued)

Impacts Included in FY13 Results

	YOY Change As Adjusted*	Decline in Client Funds Interest	Rev/Earnings impact from 2Q12 Sale of Assets; Expiration of Tax Credits	Unfavorable Foreign Exchange Rates	FY12 Acquisitions
Revenues	↑ 7%	↓ 1%	↓ 0.5%	↓ ~0.5%	↑ 1%
Pretax Earnings Cont. Ops.	↑ 4%	↓ 4%	↓ ~2%	minimal	minimal
Pretax Margin	↓ 40 bps	↓ 110 bps	↓ 20 bps	minimal	↓ 20 bps
Effective Tax Rate	↓ 0.6 pts				
Net Earnings Cont. Ops.	↑ 5%	↓ 4%	↓ ~2%	minimal	minimal
Diluted EPS Cont. Ops.	↑ 6%	↓ \$0.12, or ↓ 4%	↓ \$0.04, or ↓ 1%	minimal	minimal

* "As Adjusted" results exclude the impact of a \$43 million pretax, non-cash goodwill impairment charge (\$43 million after tax, \$0.09 per share) recorded in the fourth quarter of fiscal 2013 related to the 2011 acquisition of ADP AdvancedMD, and a \$66 million pretax gain on a sale of assets relating to a third-party expense management platform (\$41 million after tax, \$0.08 per share) recorded in the second quarter of fiscal 2012

FY14 Guidance - Client Funds Portfolio Extended Investment Strategy

	FY14 (F)		FY13		Change	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
Balances:						
Average Client Short Portfolio Balance	\$~3.6 B	~ 0.2%	\$3.7 B	0.2%	~(\$0.1) B	~ flat
Average Client Extended Portfolio Balance	8.6 – 8.7	1.7 – 1.8%	8.0	2.1%	0.6 – 0.7	↓ 30-40 bp
Average Client Long Portfolio Balance	7.8 – 7.9	<u>2.7 – 2.8%</u>	<u>7.5</u>	<u>3.2%</u>	<u>0.3 – 0.4</u>	↓ 40- 50 bp
= Average Client Funds Balance	<u>\$20.0 – 20.2 B</u>	<u>1.8 – 1.9%</u>	\$19.2 B	2.2%	<u>\$0.8 – 1.0 B</u>	↓ 30-40bp
Average Corporate Extended Investment Balance	\$2.6 – 2.7 B	1.7 – 1.8%	\$2.8 B	1.9%	(\$0.1-\$0.2) B	↓ 10-20 bp
Average U.S. Commercial Paper Borrowings	\$2.4 – 2.5 B	~0.2%	\$2.4 B	0.2%	\$0.0-\$0.1 B	~flat
Average U.S./Canadian Reverse Repurchase Borrowings	<u>~0.2</u>	<u>~1.0%</u>	<u>0.4</u>	<u>0.7%</u>	<u>~(0.2)</u>	↑ ~30 bp
= Average Short-term Borrowings	\$2.6 – 2.7 B	~ 0.2%	\$2.8 B	0.2%	(\$0.1-\$0.2) B	~flat
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	~\$10 M		\$8 M		~flat	
Interest on Funds Held for Clients – Client Ext'd	145 – 150		171		↓ 20 - 25 M	
Interest on Funds Held for Clients – Client Long	<u>215 – 220</u>		<u>242</u>		↓ 20 - 25	
= Total Interest on Funds Held for Clients	\$370 - 380 M		\$421 M		↓ \$40 – 50 M	
Corporate Extended Interest Income	~50		54		↓ 5 – 10	
Corporate Interest Expense - Short-term	<u>~(10)</u>		<u>(7)</u>		~flat	
	\$410 – 420 M		\$468 M		↓ \$50 – 60 M	

FY14 Guidance – Reportable Segments

- **Employer Services**
 - Revenues ↑ ~7%
 - Pretax margin ↑ 50 – 100 basis points
 - U.S. pays per control ↑ 2.0% – 3.0%
- **PEO Services**
 - Revenues ↑ 10% – 12%
 - Slight pretax margin expansion
- **Annual dollar value of ES & PEO Worldwide New Business Bookings**
 - ↑ 8% – 10% compared to \$1.35 billion in FY13
- **Dealer Services**
 - Revenues ↑ ~8%
 - Pretax margin ↑ ~100 basis points

FY14 Guidance – Total ADP

- **Total Revenues** ↑ ~7%
- **Pretax Margin** slight expansion from adjusted 18.8% in FY13
- **Effective Tax Rate** about flat compared to adjusted 33.9% in FY13
- **Diluted EPS from Continuing Operations** ↑ 8% - 10%, compared to adjusted \$2.89 from continuing operations in FY13

Guidance notations:

- Excludes the impact of the goodwill impairment charge recorded in 4Q13 related to the 2011 acquisition of ADP AdvancedMD
- Excludes the results of discontinued operations
- No share buybacks contemplated in guidance beyond offset to anticipated dilution related to employee benefit plans

FY14 Guidance – Total ADP (continued)

Impact from expected \$50 - \$60 million decline related to client funds extended investment strategy

- **Revenues**

- ~0.5 percentage point drag in FY14
- Nearly 1.0 percentage point drag in 1Q14

- **Pretax Margin**

- 70 to 80 basis point drag in FY14
- ~110 basis point drag in 1Q14

- **Diluted EPS from Continuing Operations**

- Negative impact of \$0.07 – \$0.08, or 2% to 3%, in FY14
- Negative impact of ~\$0.03, or 5%, in 1Q14

Closing Remarks

- **Overall good fiscal 2013 performance**
 - Continued organic revenue growth improvement
 - Strong new business bookings and client revenue retention
 - Key business metrics positive, though mixed across Continental Europe
- **Focused on global HCM strategy, supported by investment in innovation**
 - Cloud-based HCM, benefits and payroll in the U.S.
 - HR BPO
 - Global
 - Adjacencies
- **Most significant challenge remains continued low market interest rates, though year-over-year decline is anticipated to be lower in fiscal 2014**
- **Committed to shareholder-friendly actions; returned nearly \$1.5 billion in 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

Fourth Quarter Fiscal 2013 Highlights

	4Q13 Total Revenues	4Q13 Organic Revenues
ADP	↑ 7% to \$2.81 B	↑ 7%
Employer Services	↑ 8%	↑ 7%
<ul style="list-style-type: none">- Client revenue retention ↑ 0.8 percentage point- U.S. pays per control ↑ 2.8%- Average client balances ↑ 6%		
PEO Services	↑ 11%	↑ 11%
<ul style="list-style-type: none">- PEO average worksite employees paid ↑ 8%		
Dealer Services	↑ 9%	↑ 9%
Strong new business bookings – ES/PEO	↑ 14%	

Fourth Quarter Fiscal 2013 Highlights (continued)

	4Q13 As Reported	4Q13 As Adjusted*
Pretax Earnings Cont. Ops.	↓ 7% to \$365.1 M	↑ 4% to \$407.8 M
Pretax Margin	13.0%, ↓ 200 basis points	14.5%, ↓ 50 basis points
Effective Tax Rate	↑ 2.9 pts to 37.8% from 34.9%	↓ 1.0 pt to 33.9% from 34.9%
Net Earnings Cont. Ops.	↓ 11% to \$227.0 M	↑ 5% to \$269.7 M
Diluted EPS Cont. Ops.	↓ 10% to \$0.47 from \$0.52	↑ 6% to \$0.55 from \$0.52
Share Repurchases – acquired 3.6 million shares at a cost of \$248 million during 4Q13		

* “As Adjusted” results exclude the impact of a \$43 million pretax, non-cash goodwill impairment charge (\$43 million after tax, \$0.09 per share) recorded in the fourth quarter of fiscal 2013 related to the 2011 acquisition of ADP AdvancedMD

Fourth Quarter Fiscal 2013 Highlights (continued)

	Year-over-year Change	Impacts Included in 4Q13 Results	
		Decline in Client Funds Interest	Unfavorable Foreign Exchange Rates
Revenues	↑ 7%	↓ 1%	minimal
Pretax Earnings Cont. Ops.	↑ 4%	↓ 6%	minimal
Pretax Margin	↓ 50 bps	↓ 120 bps	minimal
Effective Tax Rate	↓ 1.0 pts		
Net Earnings Cont. Ops.	↑ 5%	↓ 6%	minimal
Diluted EPS Cont. Ops.	↑ 6%	↓ \$0.03, or ↓ 6%	minimal

bps – basis points

Segment Results FY13 – Employer Services

- Revenues ↑ 7%, ↑ 6% organic
- Pretax margin 27.0%, ↑ 60 basis points
 - Increased operating efficiencies partially offset by a 50 basis points drag from fiscal 2012 acquisitions
- U.S. pays per control (same-store-sales) ↑ 2.8%
- Record worldwide client revenue retention of 91.3%, ↑ 0.4
- Annual dollar value of new business bookings ↑ 11% (Employer Services and PEO Services combined)

Segment Results 4Q13 – Employer Services

- Revenues ↑ 8%, nearly all organic
- Pretax margin 23.5%, ↑ 120 basis points despite higher selling expense related to stronger than anticipated new business bookings
- U.S. pays per control (same-store-sales) ↑ 2.8%
- Worldwide client revenue retention ↑ 0.8 percentage points
- Annual dollar value of new business bookings ↑ 14% (Employer Services and PEO Services combined)

Segment Results FY13 & 4Q13 – PEO

Fiscal 2013

- Revenues ↑ 11%, all organic
- Pretax margin 10.1%, ↑ 50 basis points, primarily due to slower growth in pass-through costs
- Average number of worksite employees paid ↑ 9% to ~277,000

4Q13

- Revenues ↑ 11%, all organic
- Pretax margin 9.9%, ↓ 30 basis points, due to drag from higher selling expense related to stronger than anticipated new business bookings
- Average number of worksite employees paid ↑ 8% to ~286,000

Segment Results FY13 & 4Q13 – Dealer Services

- **Revenues** benefited from increased advertising in Digital Marketing and higher transaction volumes
 - **Fiscal 2013** ↑ 9%, ↑ 8% organic
 - **4Q13** ↑ 9%, all organic
- **Pretax Margin** expansion driven by increased operating efficiencies and an increase in certain non-recurring high-margin revenues
 - **Fiscal 2013** 18.5%, ↑ 180 basis points
 - **4Q13** 18.4%, ↑ 300 basis points

Client Funds Portfolio Extended Investment Strategy – FY13

	<u>FY13</u>		<u>FY12</u>		<u>Change</u>	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
Balances:						
Average Client Short Portfolio Balance	\$3.7 B	0.2%	\$3.5 B	0.3%	\$0.2 B	↓ 10 bp
Average Client Extended Portfolio Balance	8.0	2.1%	7.6	2.9%	0.4	↓ 70 bp
Average Client Long Portfolio Balance	<u>7.5</u>	<u>3.2%</u>	<u>6.9</u>	<u>3.9%</u>	<u>0.7</u>	↓ <u>60 bp</u>
= Average Client Funds Balance	\$19.2 B	2.2%	\$17.9 B	2.8%	\$1.3 B	↓ 60 bp
Average Corporate Extended Investment Balance	\$2.8 B	1.9%	\$2.6 B	2.7%	\$0.2 B	↓ 70 bp
Average U.S. Commercial Paper Borrowings	\$2.4 B	0.2%	\$2.3 B	0.1%	\$0.2 B	↑ 10 bp
Average U.S./Canadian Reverse Repurchase Borrowings	<u>0.4</u>	<u>0.7%</u>	<u>0.3</u>	<u>0.6%</u>	<u>0.1</u>	<u>flat</u>
= Average Short-term Borrowings	\$2.8 B	0.2%	\$2.6 B	0.2%	\$0.2 B	↑ 10 bp
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	\$8 M		\$10 M		↓ 2 M	
Interest on Funds Held for Clients – Client Ext'd	171		218		↓ 47	
Interest on Funds Held for Clients – Client Long	<u>242</u>		<u>265</u>		↓ <u>23</u>	
= Total Interest on Funds Held for Clients	\$421 M		\$493 M		↓ \$72 M	
Corporate Extended Interest Income	54		68		↓ 14	
Corporate Interest Expense - Short-term	<u>(7)</u>		<u>(5)</u>		↓ <u>2</u>	
	\$468 M		\$556 M		↓ \$88 M	

Client Funds Portfolio Extended Investment Strategy – 4Q13

	<u>4Q13</u>		<u>4Q12</u>		<u>Change</u>	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
Balances:						
Average Client Short Portfolio Balance	\$4.2 B	0.2%	\$4.2 B	0.3%	\$0.0 B	↓ 10 bp
Average Client Extended Portfolio Balance	8.6	1.9%	7.8	2.7%	0.9	↓ 80 bp
Average Client Long Portfolio Balance	<u>7.6</u>	<u>3.0%</u>	<u>7.2</u>	<u>3.6%</u>	<u>0.3</u>	↓ <u>60 bp</u>
= Average Client Funds Balance	\$20.4 B	2.0%	\$19.2 B	2.5%	\$1.2 B	↓ 50 bp
Average Corporate Extended Investment Balance	\$2.5 B	1.7%	\$2.5 B	2.3%	\$0.0 B	↓ 70 bp
Average U.S. Commercial Paper Borrowings	\$2.1 B	0.1%	\$2.2 B	0.2%	(\$0.1) B	↓ 10 bp
Average U.S./Canadian Reverse Repurchase Borrowings	<u>0.4</u>	<u>0.6%</u>	<u>0.3</u>	<u>0.7%</u>	<u>0.1</u>	↓ <u>10 bp</u>
= Average Short-term Borrowings	\$2.5 B	0.2%	\$2.5 B	0.3%	\$0.0 B	↓ 10 bp
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	\$2 M		\$3 M		↓\$1 M	
Interest on Funds Held for Clients – Client Ext'd	41		52		↓ 11	
Interest on Funds Held for Clients – Client Long	<u>57</u>		<u>66</u>		↓ <u>8</u>	
= Total Interest on Funds Held for Clients	\$101 M		\$120 M		↓ \$20 M	
Corporate Extended Interest Income	10		15		↓ 4	
Corporate Interest Expense - Short-term	<u>(1)</u>		<u>(2)</u>		<u>0</u>	
	\$110 M		\$133 M		↓ \$24 M	

Thank You

