



# 1Q Fiscal 2016 ADP Earnings Call & Webcast

October 28, 2015



# Forward Looking Statements

This presentation and other written or oral statements made from time to time by ADP may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like “expects,” “assumes,” “projects,” “anticipates,” “estimates,” “we believe,” “could” and other words of similar meaning, are forward-looking statements. These statements are based on management’s expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include: ADP’s success in obtaining, retaining and selling additional services to clients; the pricing of products and services; changes in, or interpretations of, existing legislation or regulations, or compliance with new legislation or regulations; overall market, political and economic conditions, including interest rate and foreign currency trends; competitive conditions; our ability to maintain our current credit rating and the impact on our funding costs and profitability; vulnerability to security breaches, fraudulent acts, and system interruptions and failures; employment and wage levels; changes in technology; availability of skilled technical associates; and the impact of new acquisitions and divestitures. These factors are not exhaustive. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties, along with the risk factors discussed under “Item 1A. - Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 should be considered in evaluating any forward-looking statements contained herein.

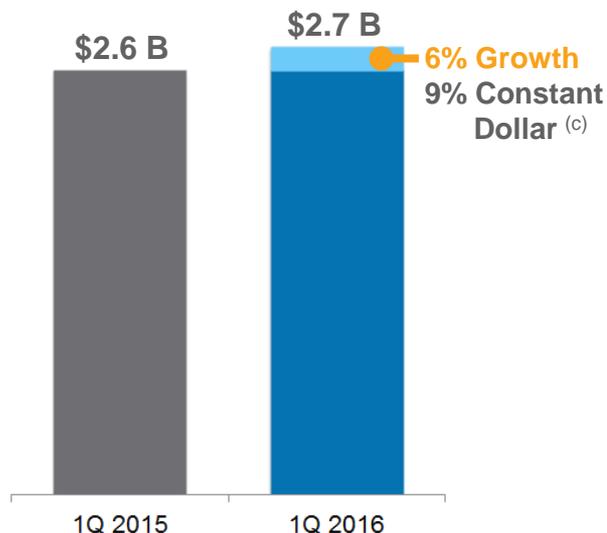
# CEO's Perspective

- Continued strong performance in new business bookings – now forecasting fiscal 2016 growth of at least 10%
- Investing in operational resources to support HCM solutions
- Ongoing commitment to shareholder friendly actions
- Continued focus on client retention
- Full year earnings per share growth expected to be at lower end of forecasted range

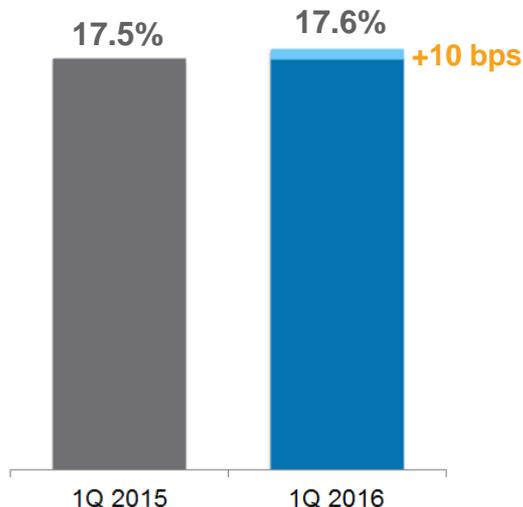


# 1Q Fiscal 2016 Financial Highlights

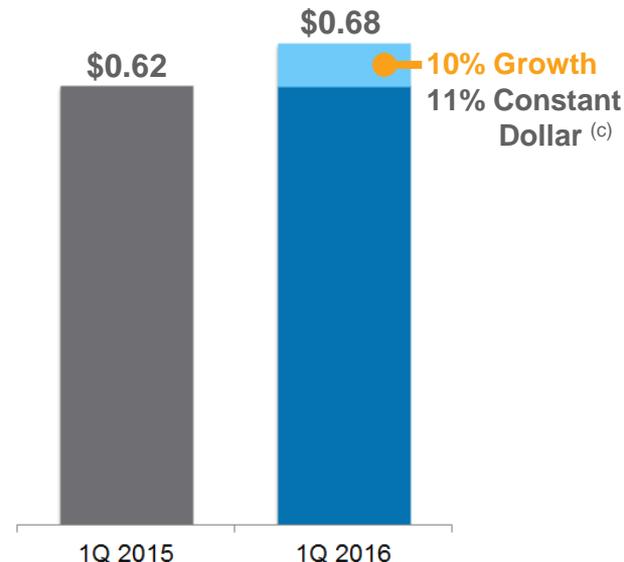
Total Revenues (unaudited)



Adj. EBIT Margin from Continuing Operations (unaudited) <sup>(a)(b)</sup>



Adj. Diluted EPS from Continuing Operations (unaudited) <sup>(a)</sup>



(a) "Adjusted" results exclude the impact of the gain on sale of the AdvancedMD business. See appendix for reconciliation of non-GAAP financial measures to their comparable GAAP measures.

(b) The EBIT performance measures include interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy. We believe these amounts to be fundamental to the underlying operations of our business model. Our calculation of EBIT may differ from similarly titled measures used by other companies.

(c) The presentation of growth rates on a constant dollar basis represent a non-GAAP measure and are calculated by restating current period results into U.S. dollars using the comparable prior period's exchange rates.

# New Business Bookings and Reportable Segment Results



## Worldwide New Business Bookings

- ↑ 13% representing annualized recurring revenues anticipated from new orders



## Employer Services

- Revenues ↑ 3% Reported  
↑ 7% Constant dollar
- Worldwide client revenue retention  
↓ 160 basis points
- U.S. pays per control ↑ 2.3%
- Average client funds balances  
↑ 3% Reported  
↑ 6% Constant dollar
- Margin ↓ 50 basis points



## PEO Services

- Revenues ↑ 18%
- Average worksite employees paid  
↑ 13% to 389,000
- Margin ↑ 130 basis points

# Fiscal 2016 Outlook

## Revenues

↑ 7% - 8% Growth

↑ 8% - 9% Constant Dollar

- Revised down from prior forecast of 7% - 9% due to divestiture of AdvancedMD business
- ES Revenue ↑ 5% - 6% Reported  
↑ 6% - 7% Constant dollar
- PEO Revenue ↑ 15% - 17%

## Margin Expansion

ADP Adjusted EBIT Margin

↑ ~ 50 basis points

- ES Margin ↑ ~100 basis points
- PEO Margin ↑ ~50 basis points

## Adj. Diluted EPS

↑ 12% - 14% Growth

↑ 13% - 15% Constant Dollar

- Expected to be at the lower end of the range
- Includes anticipated additional net interest expense from September debt offering and share repurchases over the next 24 months

## Worldwide New Business Bookings

↑ At least 10% compared to prior forecast of 8% - 10% growth

## U.S. Pays per Control

↑ 2% - 3% compared to 3.0% increase in fiscal 2015

## Adj. Effective Tax Rate

↑ Increase to 33.7% from 33.5% in fiscal 2015

Note: The fiscal 2016 outlook excludes the impact of the gain on sale of the AdvancedMD business.

# Appendix



A more human resource.™

# Client Funds Portfolio Extended Investment Strategy

- Average Client Funds Balances ↑ 3-5% from \$21.8 billion in FY15; includes anticipated negative impact of one percentage point from unfavorable foreign currency translation
- Yield on the Client Funds Portfolio flat compared to 1.7% in FY15
- Client Funds Interest Revenue increase up to \$5 million from \$378 million in FY15, compared to prior forecast of ↑ \$5-15 million
- Impact from Extended Investment Strategy about flat compared to \$419 million in FY15, compared to prior forecast of ↑ up to \$10 million

	FY16 Forecast		
	Average Balance	Average Yield	Client Funds Interest
Client Short	~\$4.3 – 4.4B	~0.3%	~\$15M
Client Extended	9.3 – 9.4B	~1.6%	~150M
Client Long	8.9 - 9.1B	~2.4%	210 - 215M
<b>Total Client Funds</b>	<b>\$22.5 - 22.9B</b>	<b>~1.7%</b>	<b>\$375 - 380M</b> (a)
Corporate Extended Interest Income	~2.9B	~1.6%	~50M (b)
Borrowing Days Interest Expense	~2.9B	~0.3%	~(10)M
<b>Net FY16 Impact From Client Funds Extended Investment Strategy</b>			<b>\$415 - 420M</b>

Interest on the Extended Portfolio flows into two separate sections of the Statements of Consolidated Earnings.

(a) Reported as Interest on Funds Held for Clients in the revenue section of the Statements of Consolidated Earnings.

(b) A component of Interest Income on Corporate Funds, reported within Other Income, net, on the Statements of Consolidated Earnings.

# 1Q Fiscal 2016 Financial Summary

(Continuing Operations)

	1Q FY16, Actual	1Q FY16, As Adjusted <sup>(a)</sup>
Revenues	↑6%	↑6%
Earnings Before Interest, Taxes (EBIT) <sup>(b)</sup>	↑13%	↑6%
<i>EBIT Margin<sup>(b)</sup></i>	↑120 bps	↑10 bps
Effective Tax Rate	↓90 bps	↓50 bps
Net Earnings	↑14%	↑6%
Avg. Diluted Shares Outstanding	↓3%	↓3%
Diluted EPS	↑16%	↑10%

(a) "As Adjusted" results exclude the impact of the gain on sale of the AdvancedMD business. See reconciliation of non-GAAP financial measures to their comparable GAAP measures.

(b) The EBIT performance measures include interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy. We believe these amounts to be fundamental to the underlying operations of our business model. Our calculation of EBIT may differ from similarly titled measures used by other companies.

# GAAP Reconciliations

(Continuing Operations, \$ in millions, except per share data)

	1Q FY16	1Q FY15	% Change	
			As Reported	Constant Dollar
Earnings before Income Taxes	\$505.0	\$450.4	12%	14%
Interest Expense	3.0	0.4		
Interest Income	(2.0)	(2.2)		
Earnings before Taxes, Interest (EBIT)	\$506.0	\$448.6		
Gain on Sale of Business	(29.1)	-		
Adjusted EBIT	\$476.9	\$448.6	6%	8%
Provision for Income Taxes	\$167.5	\$153.8	9%	11%
Tax Impact from Gain on Sale of Business	(7.3)	-		
Adjusted Provision for Income Taxes	\$160.2	\$153.8	4%	6%
Net Earnings	\$337.5	\$296.6	14%	16%
Gain on Sale of Business	(29.1)	-		
Tax Impact from Gain on Sale of Business	7.3	-		
Adjusted Net Earnings	\$315.7	\$296.6	6%	8%
Diluted EPS	\$0.72	\$0.62	16%	19%
Gain on Sale of Business	(0.05)	-		
Adjusted Diluted EPS	\$0.68	\$0.62	10%	11%

**Note:** The tables above reconcile the Company's results for the three months ended September 30, 2015 to adjusted results that exclude certain interest amounts and a gain on the sale of our AdvancedMD business. The Company uses certain adjusted results, among other measures, to evaluate the Company's operating performance in the absence of certain items and for planning and forecasting of future periods. The Company believes that the adjusted results provide relevant and useful information for investors because it allows investors to view performance in a manner similar to the method used by the Company's management and improves their ability to understand the Company's operating performance. Since adjusted earnings from continuing operations before interest and income taxes ("adjusted EBIT"), adjusted provision for income taxes, adjusted net earnings, adjusted EPS, and adjusted EBIT margin are not measures of performance calculated in accordance with U.S. GAAP, they should not be considered in isolation from, or as a substitute for, earnings, provisions for income taxes, EPS and pre-tax margin, and they may not be comparable to similarly titled measures employed by other companies. The adjusted EBIT performance measure includes interest income earned on investments associated with our client funds strategy and interest expense from our commercial paper and reverse repurchase borrowings. These amounts are incurred in connection with our client funds extended investment strategy which we believe to be fundamental to the underlying operations of our business model.