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PRESENTATION

Unidentified Participant

Back on track. I'd like to introduce ADP. ADP, Automatic Data Processing, has more than \$10 billion in revenues and approximately 600,000 clients, is one of the world's largest providers of business outsourcing solutions. And today, to introduce you to the Company is Jan Siegmund, the CFO. Jan?

Jan Siegmund - Automatic Data Processing Inc. - Corporate VP and CFO

Thank you. Good morning, everybody. I appreciate your time here and welcome to my overview of ADP, a global leader in Human Capital Management and Business Process Outsource Solutions. It's my delight to introduce you to the Company and talk a little bit about the markets and market trends we face and how we are planning to win in those markets. Today, you've seen that chart, I will make forward-looking statements and we're describing the risks on this chart and all periodic filings, you should consider those.

My presentation is going to be centered around a few items. Being here in Europe, you might not be as familiar with ADP. I will start with a quick overview about our Company, introduce you to the business segments that we serve. And then, we'll dive in right into our core markets, which are the Human Capital Management markets globally and share with you our strategy, how we're planning to capture those trends and translate them into business success. We'll be closing with a little bit of overview about ADP's financial structure and our strength, which I think is particularly attractive to investors and summarize my words, so I hope to be on a German time frame here and close out within the allotted slot. So let's start and dive in.

Who is ADP? We are a provider of business outsourcing solutions, driven by cloud-based technology that covers the whole range of Human Capital Management Solutions. Many of you will have heard us as a payroll provider, but our scope of services is much broader. We're covering HR benefit, retirement solutions, tax and compliance solutions across the board and in most countries on the globe. We feature also a gemstone in our Company portfolio dealer services and we'll talk about them; a specialized solution for car dealers globally doing very well and I will mention them at towards the end of my presentation.

We're a large company and are lucky to count 600,000 clients our own and serve those with their HR needs in 125 countries. That includes a particular strength in the small business sector with 124,000 clients; we serve clients in the sector of one to 50 and particular in the US to do. I talked about car dealerships. We have a high market share servicing about 25,000 -- or 26,000 car dealers, but going even beyond truck and light vehicle, RV, a whole range of dealerships with our comprehensive outsourcing solutions in that space. Strength in our up market as well as in the down market and you see here a few examples; many of the largest companies in the globe use ADP and we have an in-country presence of more than 40 countries.

We're organized really around two business units. Employer Services is our core Human Capital Management organization; our reporting segments split that out into the PEO, Professional Employment Organization and our Employer Services division, really servicing the same markets and our Dealer Services group that I talked about, that partners with our OEM car manufacturers and car dealers to deliver the best solutions to distribute really cars and maintain them successfully.

Let me give you a few fast facts about ADP that describe the scope of our operation and our reach. We pay one in six workers in the US. You may have heard our National Employment Report really predicting employment in the US with a very high position, just indicating the strength of and depth of our services and client relationships that we have in particular in the US. We're paying also 10 million employees abroad, indicating the global reach of our business.

A particular characteristic of our business is our money movement and money distribution business that is attached mostly to our payroll business. As we collect client funds, we distribute them to tax authorities as well as to employees and this is quite a large number with \$1.3 trillion moved every year to compare that to Visa's or MasterCard's card volume in the US, you'll see similar-size number. So, of course, we're the largest distributor of money to the federal government in the US, I think, much appreciated these days. We process about \$50 billion W-2 [source of] year-end tax statements in the US and in our relationship with the [IRS].



And the number of characteristics listed here indicate also our strength of market leadership in HR systems way beyond the payroll system. And today, the Company represents itself really as an integrated provider of systems of Human Capital Management that have a number of modules attached to them, that feature Talent Management and HR, as well as benefit processing and payroll, of course.

You see, we have an exceptional financial strength to offer. We're one-off with a very strong balance sheet. We're one of four AAA-rated companies in the US and our short of \$11 billion revenues represents the size that we do. We are displaying conservative with no balance sheet on our debt and you'll hear later about it, I think a very shareholder friendly approach towards the distribution of our free cash flows back to our shareholders.

Let me dive into our HR strategy in the markets. So we're starting easy with key market trends and you'll be familiar in the technology sector with these trends, because I think many companies face similar trends. Innovation is accelerating and in our HR space, that has been for many decades a relatively slow developer, we've seen rapid development of new [techniques], solutions, cloud-based solutions and really a strong emphasis on easy use by employees, practitioners and managers of them.

Social media is an important factor for HR solutions as employees work together and really want to communicate in a new virtual world. Also are good trends for ADP as they really play to the traditional strength of ADP. For the longest time, we have delivered cloud-based solutions, one of the largest vendors that offers B2B cloud-based applications and our innovation is a trademark of ADP. Innovating really early on 60 years ago with a brand-new service that you would cloud -- today a cloud-based outsourced solution, payroll services, our [inhibition] has continued throughout the years. And just in the last year or so, we were really leading with new mobile solutions, for example, on payroll functionality to deliver HR functions directly to the palm of our users, but also our client needs are changing.

Clients demand more and more integrated solutions. When we have talked historically about our offerings, we have talked about benefit solutions, we talked about HR solutions, we talked about payroll solutions. Now, we're talking about integrated systems of Human Capital Management and clients are looking forward to that type of integration when it comes to operating and to reporting and using. Globalization is of course a key factor that more and more clients not only multinationals, but large and medium-sized clients demand as part of their solutions and ADP is, of course, uniquely qualified to satisfy those globalizing needs as a true leader of offering global HR solutions to any kind of company.

Big data is a -- today, mostly still in the early stages of buzzwords, but if you think about the unparalleled depth of data that ADP's system capture as part of our offerings across the HR spectrum, we are really looking forward to leveraging the power on behalf of our clients for deep insights in how companies are doing and how you can compare the performance of your own company versus benchmarks and best practices delivered by comparison of our very large client base and insight. So big data will offer a great opportunity for ADP to differentiate our clients, our offerings versus our competitors, just leveraging the sheer strength of our client relationships.

And in particular in the US where about 80% of our revenues are generated, our clients face significant regulatory challenges, regulatory challenges that you all aware of that are ongoing in Washington as we try to figure out how to implement the financial reform and changes to the tax code, but even more so for the ongoing and in process healthcare reform in the US.

Healthcare reform is of course the topic in the HR world and of course it will require service and technology and compliance strength to really maximize the benefit and master the challenges that the healthcare reform requires us to do and ADP will be at the side of our clients to do so. Tax filing is always a complicated business not only in the US, but also in many states of -- in many countries of around the world and Europe is no exception to that and ADP has a long, long history of mastering compliance and tax questions that are really related to employment we bring to the table. And those are questions that become more and more important for our clients.

We have been fairly stable executing against a corporate strategy that consisted of five core strategic pillars. Those five core strategic pillars that we've listed here on the left-hand side on the chart, we modified them in April and presented them to our investors in our April conference. And we felt that it was a good time after successfully executing a strategy to review and update our strategic direction to the market environment that I just described to you. And so I want to spend a few seconds or few minutes going through our four core strategic initiatives that will guide our initiatives and our investments going forward.

I talked already about the importance of offering integrated and cloud-based HCM solutions. Today, ADP offers all of our four strategic platforms in that technology and the importance is the depth and scope of our services. No other vendor can offer really the breadth of services that ADP can bring to each of our clients, ranging from not only the core transaction-based HR solutions like payroll benefits and HR administration, but also including the more strategic functions of talent management, recruiting and compensation management and learning as you name it.

ADP's unique strength is to offer this technology not only as a cloud-based software solution, that's where many vendors [stop] today, but we have our strength and service, our understanding and compliance, and our partnership with our clients augments those solutions through what many call HR BPO services, we call them, obviously, ADP-type services that really help our clients not only to operate a technology solutions, but really find the end solution that they seek maybe with questions regarding their taxes or their regular environment -- regulatory environment that they may face over time and labor management, et cetera.



It's very important, ADP pairs our technology solutions with an HR BPO solution and our clients process on our systems, that allows the Company ADP to offer a predictable service and gain scale and margin in traditionally low-margin businesses and allows our clients to expect and have a predictable service from us. So it has proven to be really a market-leading approach for -- to deliver HR BPO services across the globe. ADP has been in the global business for many decades and our presence in all our countries is unprecedented and today, we pay, of course, associates in more than 150 countries really across the globe.

We don't want to forget about our key adjacencies. Dealer is our foremost division in that and we're proud to feature a number of those that you may not be what quite as aware, but they're an important contributor to overall ADP's growth and long-term prospects, in particular. I list here Dealer Services. We have a small foray into the physician practice management system. And we service our clients who choose not to use our fantastic HR or payroll solutions with supplemental tax and compliance services that seamlessly integrate with large ERP systems, we call them our [CFL] solutions.

So we have a round strategy that in essence says -- tells you that a comprehensive, integrated set of HR solutions on the latest technology supplemented by HR BPO support throughout the globe, a [winning] factor and that creates a fantastic market opportunity for us. We estimate that our global market opportunity exceeds \$90 billion on spend annually, plenty of room to grow for our Company. And if you see the growth rates that these markets across the globe offer with 7% more than two times general assumed long-term GDP growth, these are attractive growth markets for us to participate, offering us long-term growth opportunities for years to come.

I cannot overemphasize the global footprint that ADP offers and just this little map shows you the reach of ADP's solutions we have been for many years. In Europe, of course, our market-leading position, I'll talk about that in our next chart. But you'll see our in-country presence in the fast-growing Latin America and Brazil has been our hub for that, Australia, China, India. We entered India with an in-country solution just last year, focusing to capture, of course, where long-term global growth will be to parallel the growth our clients with our solutions.

Being in Europe, I would be remiss and of course, close to the fatherland, I would be remiss not to talk about our strength in our European countries. We not only serve multinational countries globally, but we have built significant country presence across and in particular in Europe. You'll see the countries and our market position relative to payroll processing listed on this chart. For many years, we have the leading positions in The Netherlands and France and Germany, just to name a few. Italy, we completed an acquisition in our market entry about two years or three years ago and are really rounding out our offering with our European clients.

What are the offerings that we bring to the table? We really service, in our strategy, three -- as we think three customer segments. These segments have different needs as they are specific to the type of company that represent and are largely driven by their complexity that they offer. There is overlap, but it's a good guidepost to think about small companies up to 50 employees, medium-sized companies between 50 employees and 1,000 employees, and large companies with more than 1,000 employees. And as we think about that, we offer really a dedicated and specific bundle of services to each of these client segments and leveraging scope and scale for where these services can be centralized.

Small HR -- small companies have key HR needs, of course, mostly driven off payroll realistically but also have needs around more fully outsourced service that we offer simple example to our PEO services in the US, time and labor management and simple insurance needs, probably different insurance needs and as healthcare reform is being implemented. And then, as you grow, other needs emerge for medium and large companies' talent management, recruiting solutions, more complex HR functions are being added and our integrated product portfolios really leverage those. We talk -- we love to talk about our product and technology set, our small clients leverage a platform that is called RUN, a real winner for the last few years contributing to significant client growth in our small market segment and gaining share in the overall US economy.

Our mid-sized solution is Workforce Now; it is the traditional strength of ADP with high market shares in the mid-market. We're really proud of our Workforce Now 4.0 Solution, a cloud-based offering, version-less and multi-tenant, that forms the backbone of numerous outsourcing services that we attached to that platform. And in the US, our large clients enjoy either our [synergy] platform Vantage, which is really basically a fuller and more comprehensive, more tailored set of a full set of HR solutions for our global clients with multinational [needs] to leverage our really market-leading GlobalView product to process in the many countries of the world that I described to you.

The next chart really summarizes for you the span and how do we think about what type of services to include in the HR solutions that ADP brings to the table and it really starts from the very first thing of supporting our recruiting needs of our clients going through the [span, our] very logical standard, I don't need to [meet] you here point by point down to retirement solutions and succession planning solutions at the end of an employee life cycle.

And we spent really a lot of time to develop, to integrate these products over the last ten years and we feel we have reached really a great state of success in building out these platforms. And it is -- I'm emphasizing it here again that it's really very important to understand that ADP in a unique way combines leading technology solutions with a service solution and that service solution focuses to really help the client to deliver the best value to the employees of them and fulfill the regulatory compliance and risk environment that many HR and CFOs face today.



The integration is seamless, the broad portfolio is broad than you think of, ranging from mobile solutions, a very convenient way and only really in an ADP way, integrated with so many of those functions that one employee can really access all these elements of HR solutions to one mobile app and not to ten mobile apps of using numerous vendors and need for integration. Self Service Solutions, of course, a state-of-the-art, ranging over to our core product set, end-to-end and really deriving in-depth analytics going forward, leveraging the data resources that our 600,000 clients naturally create on our systems.

Let me talk a little bit about Dealer Services. Dealer Services is a \$1.7 billion division of ADP and really a gem. We're the global market leader in providing dealer -- car dealerships with an end-to-end ERP solution that spans even further. We have become the partner number one and of choice for car dealers, not only for their vertical-specific ERP system, but helping them from services that range today from -- ranging from the back office and the inventory management system that a car dealer needs to the support of administration, the support of front office services like the cross-selling of insurance or the lead generation and digital marketing support that car dealers today demand.

In this, we have very strong partnerships with OEMs and are really in the center of an ecosystem that is poised for growth in the years to come and we have seen very good results coming out of the great recession a few years ago. Dealer Services has performed extremely well going out of it and you can see, of course, their results in our filings. These two divisions constitute the strategic pillars of ADP and creating really the backbone of what is our financial strength and let me talk a little bit about it.

We're very proud of our AAA rating. We are the smallest of the four AAA-rated US companies. And I think we receive that honor by the strength of our business system, the range of our free cash flow, the stability of our client relationships, the high retention rates of 90% that we enjoy and the strong growth characteristics that we have delivered over decades and for years to come. That recurring revenue base and the cash flow generation enables us to, a) invest sufficiently into our business and also return on a very consistent basis cash to shareholders.

Our business itself faces fairly low capital requirements. I think a number of \$150 million to \$200 million may be a good number for you to think about and we use our free cash flow carefully. Historically, we have acquired small and very carefully evaluated tuck-in acquisitions that helped us to build out our product portfolio, helped us to gain market share to roll out acquisitions, but these acquisitions have been small and really very strategic. In addition to that, we return our cash to shareholders. Our dividend payout ratio today is 55% to 60% and the stock yields approximately 3%, [has] a very solid dividend yield for a growth stock like ADP. In addition, we have returned cash to shareholders through our very longstanding share repurchase program. It is probably good for you to think about our return to shareholders through share repurchases, adding approximately 2% to our earnings growth. The high ROE is a result of the business model that we pursue and should please shareholders going forward.

In summary, ADP is a company that has really embodied innovation in the HR industry for a long time. We are excited about the trends that face us and we have really a fantastic product and service set to master the future product leadership, market leadership in many of the markets that we have developed really as a pioneer is really the strength -- testament to the strength of ADP. We're proud of our service excellence and really the ability to reach small and large clients and service them really in every of their single needs in particular in the HR industry. That leadership in the market, that leadership with our clients is reflected with numerous awards that we're proud to report, I'm not going through them, read about them, but they are really testament that not only ADP sees the success or clients see the success, but our industry analysts follow us.

I appreciate your time. I think I have three minutes to go, so trains run well on the German side, if you have a few questions, I'll be delighted to take them.

QUESTION AND ANSWER

Unidentified Audience Member

Hi, just perhaps if you give some comments on your new competitors, let's say a Workday or an Ultimate Software, how often do you run into them, what's your win rate against them and what kind of dynamics are important that -- sorry, what kind of dynamics determine whether you win or whether they win in those kind of bakeoffs?

Jan Siegmund - Automatic Data Processing Inc. - Corporate VP and CFO

Thank you for the question. As a global company, ADP faces really a very broad set of competitors. The names that you mentioned are just some of the competition that we face, ranging really from low-end regional player -- small-market regional players to traditional payroll players to the ERP systems and to some of them more



newer entrants that are software cloud-based players. I tried to explain that our service and value proposition is really slightly different compared to what pure cloud-based vendors offer, because we pride ourself of the strength and service and the roundout of support that we deliver versus really hosted software solution.

So the buyers that choose ADP really see the ROI of a completely outsourced solutions as a predominant and valuable value proposition that are compared to buyers who may focus a little bit more on the technology pure choice of the thing. So very important to consider that we do have different -- that we cater to different segments and clients make the choice I believe based on the value proposition that they do, and we feel good about the value proposition that ADP offers.

We also service really traditionally a segment that is very much focused on the core of the US or global economy, with a particular strength for companies in the space up to 20,000 employees, maybe 30,000 employees and some of the vendors that you mentioned may serve even larger clients and with a strategic focus. So I think we have -- we are feeling good about where we stand competitively and where our products are -- how our products taken up on the market. That's it? That was an easy case. I appreciate your time. Thank you so very much.

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