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ADP - Q4 2013 Automatic Data Processing Earnings Conference Call

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OVERVIEW:

ADP reported FY13 total revenues of $11.3b. Expects FY14 total revenue growth to be about 7% and diluted EPS growth to be 8-10%.

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PRESENTATION

Operator

Good morning, my name is Christie, and I will be your conference operator. At this time I would like to welcome everyone to ADP's fourth-quarter fiscal 2013 earnings webcast. I would like to inform you that this conference is being recorded and all lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. (Operator Instructions). Thank you. I will now turn the conference over to Ms. Elena Charles, Vice President Investor Relations. Please go ahead.

Elena Charles *- Automatic Data Processing, Inc. - VP, IR*

Thank you. Good morning. I'm here today with Carlos Rodriguez, ADP's President and Chief Executive Officer, and Jan Siegmund, ADP's Chief Financial Officer. Thank you for joining us for our fiscal 2013 earnings call and webcast. Our slide presentation for today's call and webcast is available for you to print from the Investor Relations homepage of our website at ADP.com.

As a reminder, the quarterly history of revenue and pretax earnings for our reportable segments has also been posted to the Investor Relations section of our website. These schedules have been updated to include the fourth quarter of fiscal 2013. The website schedules also include a statement of consolidated earnings for fiscal 2012 and each quarter restated for the discontinued operations we spoke about in the first quarter of fiscal 2013.

During today's conference call we will make some forward-looking statements that refer to future events and as such involve some risks. And these are discussed on page 2 of the slide presentation and in our periodic filings with the SEC. With that I will now turn the call over to Carlos for his opening remarks.

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

Thank you, Elena. Good morning and thank you for joining us. I will begin today's call with some opening remarks about our fourth-quarter and fiscal year results. Then I will turn the call over to Jan who will take you through the detailed results after which I will return to provide you with our fiscal 2014 forecast. And before we take your questions I'll provide some concluding remarks.

As you read in this morning's press release, we adjusted our earnings for certain nonrecurring items. Excluding these items ADP reported very solid results for fiscal 2013. Total revenues for the year grew 7% with 6% organic growth. On a comparable basis the last year pretax earnings grew 4%, net earnings grew 5% and earnings per share increased 6%.

I view these results as good given the slow pace with the global economic recovery and the negative impact on revenues and earnings from the decline in client funds interest. I'm particularly pleased with our worldwide new business bookings growth of 14% for the quarter and 11% for the year. This beat our 8% to 10% expectations for the year and is particularly noteworthy given the tough grow over comp we had in last year's fourth-quarter growth of 20%.

As a result of the strong new bookings growth the new business expense was also higher than anticipated and negatively impacted fiscal 2013 earnings per share about $0.02 or 1%. As we have said over many years, strong bookings growth adding some incremental selling expense is a good problem to have.

Let's continue with ADP's results. The most significant economic headwind we continue to face is the low market interest rate environment. Jan will take you through the year-over-year drag from lower interest rates for fiscal 2013 and how this is expected to lessen in fiscal 2014.

Now let's move to the business highlights. Our business segments performed well, achieving good revenue growth and pretax margin expansion. Importantly, organic revenue growth has improved each quarter during the year. As I mentioned a moment ago, I'm also very pleased with the execution of our salesforce in Employer Services and PEO Services during the fourth quarter.

I'm particularly pleased as this strong performance was across the board. Our major market segments in the US, our best-of-breed solutions in the international markets, and global view and streamline serving our multinational market all achieved double-digit new bookings growth in the quarter. New business bookings were strong in absolute dollar terms as well and totaled $1.35 billion for the year. And to remind everyone, our new business bookings represent the anticipated annual recurring revenue that will come into our P&L as we install this new business.

To give you more color on our core offerings in the US, in the small business division of Employer Services in the US bookings for our RUN solution were again strong and we are pleased with our market share gains in that space.

Moving to the midmarket space, you may recall hearing on our last earnings call that our newest version of Workforce Now is now in general release and available across North America. And new bookings for this solution were also good. This version comes with additional functionality and language capabilities for a total HCM solution with a global system of record.

New bookings for larger companies in the US were also strong. We continue to be pleased with the new bookings of our Vantage solution and attach rates for the year were good with 100% of the Vantage deals coming with HR, 80% with benefits, 85% with time and attendance and 60% with talent. Sales productivity and efficiencies also continue to be very solid.

Now moving from our bookings to our other key business metrics, client retention increased during the fourth quarter and for the year to a new record level in Employer Services. Achieving such high retention rates provides a good step-off point for fiscal 2014 as the two most important drivers of future revenue growth, our new booking and retention of our existing revenues.

Client balances continue to grow and the number of employees on our clients' payrolls in the US, as measured by same-store pace per control, also increased. The PEO continued to grow nicely with solid worksite employee growth of 9% for the year. The PEO also had a great fourth-quarter for new business bookings where we had seen mixed results earlier in the year. So the step-off point in fiscal 2014 for the PEO continues to show positive momentum.

Moving on to Dealer Services, the outlook for the automotive landscape in North America is good and the market forecast for calendar 2013 vehicle sales is the strongest it has been in five years. Dealer is performing very well -- transaction volumes were up this year; new bookings growth was solid; growth in our digital advertising business is strong; our win/loss rates were good as we continue to gain market share; and I'm pleased that Dealer Services' worldwide revenue retention also improved.

On the acquisition front, in the fourth quarter ADP closed the acquisition of Payroll S.A., headquartered in Chile with operations in Argentina and Peru. This is an important strategic transaction for Employer Services. The addition of Payroll S.A. significantly increases our presence in Latin America where we already served more than 3,000 local and multinational clients from our offices in Brazil.

You may have noticed in today's press release, in the About ADP section, that we updated our client count. We now have more than 620,000 clients worldwide. This is a 5% increase from a year ago. I am pleased that we are growing our client base, especially in the small business division of Employer Services, and believe this is in large part due to our focus on product innovation and providing stellar service to our clients.

And now before turn the call over to Jan I want to discuss the charge we took in the fourth quarter relating to the 2011 acquisition of AdvancedMD. This non-cash charge was a result of our annual goodwill impairment review. While ADP AdvancedMD has grown its revenues our expectations for the future growth and profitability of this business are lower than previous estimates.

Having said that, ADP AdvancedMD is well aligned with our strategic pillar to grow and deepen our solutions offering to ensure our key adjacencies are market leaders. With that I will turn it over to Jan to provide the financial highlights and a look at next year's forecast for our client funds investment strategy.

Jan Siegmund - ***Automatic Data Processing, Inc. - CFO***

Thank you, Carlos, and good morning, everyone. Let's now turn to slide 5. Total revenues grew 7% to $11.3 billion for the year, Employer Services grew total revenues 7%, the PEO grew 11% and dealer grew 9%. On an organic basis total revenues grew 6% with Employer Services growing 6% and Dealer Services growing 8%. The PEO revenue growth was 11%, all organic.

I'm pleased that ADP's organic revenue growth improved each quarter during the year. As Carlos noted, combined worldwide Employer Services and PEO Services new bookings growth of 11% was strong and beat our own expectations. Solid new bookings growth over several quarters now, along with the acquisitions we made in fiscal year 2011 and 2012 to complement our solution set and expand geographically, continue to positively impact revenue growth.

In Employer Services, revenue growth was broad-based. We are pleased to have ended the year with strong client revenue retention of 91.3% which improved 40 basis points from a year ago. Same-store pays per control Employer Services in the US were strong with an increase of 2.8%. However, same-store pays per control continue to decline across Europe as anticipated, though at a lesser rate of decline than in previous two quarters.

The full-year decline in Europe was just under 1%. And to remind you of the sensitivity on these metrics, a 1% change in this metric across Europe has an impact of about $5 million to $6 million to annual revenues versus a 1% change in the US pace for control of about $20 million annually. Average client fund balances increased 7% for the year driven by new client growth especially in small business services and increased pays per control.

PEO revenue grew 11% for the year with 9% growth in the average number of worksite employees to about 277,000 worksite employees.

Moving on to Dealer Services, the automotive backdrop in the US is quite healthy, as is the Asian marketplace. Across Europe, however, we are seeing little sign of recovery in the automotive market. Digital Marketing continued to drive nearly half of the revenue growth and the North American core business drove nearly half as well.

The North American core business benefited from continued strong transactional revenues which are tied to auto sales volumes, which were good this year. Overall Dealer Services continues to execute well. We are effectively selling layered apps into our client base, retention is improving and we are gaining market share.

Now let's turn to slide 6 and continue with the highlights for the year. As Carlos spoke earlier, this year's fourth quarter we took a non-cash goodwill impairment charge; the charge was $43 million on both a pretax and after-tax basis. This represents $0.09 per share. You likely saw this charge, which is a separate line item on the statement of consolidated earnings and is reported with the other category in our business segment reporting.

Additionally, in last year's second fiscal quarter we sold assets related to a third-party expense management platform that resulted in a pretax gain of $66 million, $41 million after-tax and $0.08 per share. As these are nonrecurring items we are excluding them for comparative purposes. So although we have shown the year-over-year results both including and excluding items -- these items on the slide, I'm going only to take you through the results excluding these items as detailed on the next slide.

But before we move to slide 7 I want to remind you that ADP has continued its shareholder friendly actions. We repurchased 10.4 million ADP shares during the fiscal year for a total cost of $647 million and returned $806 million through dividend payments. And for your models, basic shares outstanding at June 30 are 483 million.

Our cash and marketable securities position was strong at $2 billion at June 30, or $1.8 billion excluding assets related to outstanding reverse -- reverse repurchase agreements in support of our extended investment strategy for the client fund's portfolio in Canada. Repayment occurred on July 2.

Now let's turn to slide 7. I know this is a busy chart, but we wanted to be transparent in what we present to you. As you see, we achieved a 7% revenue growth and on the adjusted basis pretax earnings grew 4%, net earnings grew 5% as we improved our effective tax rate and EPS grew 6% on fewer shares outstanding.

The largest negative impact to our result, as Carlos stated earlier, is the continued impact from low interest rates. ADP's revenue growth was muted at 4 percentage points due to the decline in client interest revenues that resulted from lower interest rates more than offsetting the benefit from the healthy 7% growth in balances for the year. This continues to be the most significant drag on ADP's earnings and margins as well, negatively impacting growth in pretax and net earnings and diluted earnings per share of 6 percentage points for the fourth quarter and 4 percentage points for the year.

As anticipated, the negative impact to the pretax margin was 120 basis points in the fourth quarter and 110 basis points this year. Excluding these impacts you can clearly see the leverage in ADP's business model is strong and intact.

Additionally, we had a small drag from unfavorable exchange rates, foreign-exchange rates as well as from lost revenue and earnings associated with the prior year's asset sale and the expirations of certain tax credits in our tax credit services business. You can also see the impact from fiscal year 2012 acquisitions here.

Before we turn to slide 8, I want to let you know that the details of the fourth-quarter results are included in the appendix section of the slide presentation for your reference.

Now turning to slide 8, I will take you through the forecast on the client fund's investment strategy and support of our overall ADP forecast that Carlos will take you through in a few moments. Before I get into the details of the forecast I would like to inform you that objectives of our investment strategy remain safety, liquidity and diversification. At June 30 approximately 83% of our fixed income portfolio was invested in AAA and AA rated securities.

We continue to base the interest rate assumptions and our forecast on the Fed Fund's futures contracts and the forward yield curve for the 3.5 and 5 year US government agencies as we do not believe it is possible to accurately predict future interest rates, the shape of the yield curve or the new bond issuance behavior of corporations and other issuers.

I also remind you that our strategy usually results in 15% to 20% of investments maturing each year and are therefore subject to reinvestment risk each year. However, as you see from our quarterly SEC filings, we anticipate less than 10% of the investments will mature in fiscal year 2014, while the maturities in fiscal year 2015 will be more in line with the 15% to 20% range.

Focusing now on the slide, you see a summary of the anticipated pretax earnings impact of the extended investment strategy for the client fund's investment portfolio for fiscal year 2014. We anticipate average client fund balances for fiscal year 2014 in the range of $20 billion to $20.2 billion which represents about 5% growth. We anticipate a yield on the client fund's portfolio of 1.8% to 1.9%, down 30 to 40 basis points from fiscal year 2013.

We anticipate a year-over-year decline in client funds interest of $40 million to $50 million and, as you can see in the lower right of the chart in terms of the total pretax impact of the extended investment strategy, we anticipate a decline of $50 million to $60 million for the fiscal year 2014.

As anticipated this forecast decline for fiscal year 2014 is lower than the $88 million decline in fiscal year 2013 which we had previously communicated as the bottom of the cycle in terms of the size of the year-over-year decline. Now I will turn back to Carlos to take you through the remainder of the forecast for fiscal year 2014.

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

Thank you, Jan. We are now on slide 9. First I'm going to take you through our fiscal 2014 forecast for our reportable segments. For Employer Services we are forecasting revenue growth of about 7% with pretax margin expansion of 50 to 100 basis points. While client retention is at an all-time high we always strive for incremental improvement each year. We anticipate an increase in our pays per control metric in the US of 2% to 3%.

For PEO Services we are forecasting 10% to 12% revenue growth with slight pretax margin expansion. We are forecasting 8% to 10% growth in the annual dollar value of ES and PEO worldwide new business bookings from the $1.35 billion sold in fiscal 2013. And for Dealer Services we are forecasting about 8% revenue growth with about 100 basis points of pretax margin expansion.

Let's turn to slide 10 for total Company guidance. We anticipate total revenue growth of about 7%. We anticipate slight pretax margin improvements for total ADP from 18.8% last year which excludes the goodwill impairment charge recorded in the fourth quarter of fiscal 2013. We expect the effective tax rate to be about flat with fiscal 2013's effective tax rate of 33.9%. We anticipate 8% to 10% growth in diluted earnings per share compared with $2.89 from fiscal 2013 which again excluded the goodwill impairment charge recorded in the fourth quarter of fiscal 2013.

As is our normal practice, no further share buybacks are contemplated in the forecast beyond anticipated dilution related to employee equity comp plans, though it is clearly our intent to continue to return excess cash to our shareholders depending obviously on market conditions.

Before we move on I want to give you some perspective on our range of 8% to 10% earnings per share guidance. They're both opportunities and challenges that will impact ADP's ability to achieve either the high or low end of the range in fiscal 2014. For example, typical things to think about as being impactful to earnings would include employment levels at our clients, our ability to implement the fourth-quarter's strong new business booking and our client retention levels.

Additionally, the interest rate environment will impact our new purchase rates and foreign-exchange rates could move either up or down. So this is early in the year and we provided you with a range that Jan and I believe has contemplated both the opportunities and the challenges.

While we don't provide quarterly guidance, I want to give you some insights into the fiscal 2014 year-over-year comparisons as they impact our total ADP guidance. Let's turn to slide 11. As Jan mentioned, we had previously communicated that we believe that fiscal 2013 represented the bottom of the cycle in terms of the size of the year-over-year decline in client funds interest revenues.

And as Jan district you through on the forecast related to our client funds investment strategy, we are forecasting a decline of $50 million to $60 million for fiscal 2014 compared with the $88 million decline in fiscal 2013. As you read and this morning's press release, we anticipate that almost half of this decline will occur in the first quarter of fiscal 2014.

As we continue through the year, while we do anticipate a year-over-year decline in each quarter, we expect a reduced negative impact to ADP's financial results each quarter as we progress through the year. The forecasted decline for fiscal 2014 translates to a 0.5 percentage point drag on ADP revenue growth with nearly a full percentage point negative impact in the first quarter alone. We anticipate a negative impact to the pretax margin for the full year of 70 to 80 basis points with a drag of about 110 basis points in the first quarter.

Taking it down to EPS, the $50 million to $60 million anticipated decline in pretax earnings equates to a drag of $0.07 to $0.08 in earnings per share, the drag of about $0.03 per share in the first quarter.

So to sum this up for you, the drag related to the client funds investment strategy does not significantly lessen until the fourth quarter of fiscal 2014. As a result, for at least the first half of the year we anticipate that earnings per share from continuing operations growth will be below the low end of our full-year forecast range.

Now turning to slide 12, I would like to leave you with some closing remarks before we open it up for your questions.

Overall we are very pleased with our results for fiscal 2013. Our performance has been good. ADP's organic revenue growth improved throughout the year and each business segment achieved good revenue growth and drove strong pretax margin expansion.

We are keenly focused on our four strategic pillars for growth which are -- number one, to grow our integrated suite of cloud-based HCM benefits and payroll solutions to serve the US market and were executing on this pillar with RUN, Workforce Now and Vantage, which are all growing nicely. And we are pleased that our client migrations to RUN and Workforce Now are progressing quite well.

Number two, to invest and grow -- to grow and scale our HR business Processing Solutions by leveraging our platforms and processes. The PEO and ADP resource serving small businesses, comprehensive services serving the midmarket, and our Comprehensive Outsourcing Services for large companies are all performing well.

Number three, to leverage our global presence to offer clients HCM benefits and payroll solutions where they do business. We have been successful in executing against our multinational strategy for large companies with multi country presence around the globe. And even though the economic environment across continental Europe is soft, we are growing our multinational offering there and have been successful in newer and growing markets such as Latin America, India and China.

And four, grow and deepen our solutions offering to ensure our key adjacencies are market leaders. Dealer Services is our largest adjacency and, as you heard, is performing quite well. And of course we are also focused on delivering stellar service to our clients and creating an environment that fosters innovation, thereby positioning ADP as the leading global Human Capital Management provider.

ADP also remains committed to shareholder friendly actions and returned nearly $1.5 billion in excess cash to shareholders through dividends and share buybacks during fiscal 2013. We have a good step off heading into fiscal 2014, though there are reasons to be somewhat cautious. The continued low market interest rates coupled with historically low amounts of maturities in our client funds portfolio in fiscal 2014 results in diminished reinvestment opportunities.

The economic indicators remain mixed in the US and the economic backdrop in continental Europe is still soft. I'm also pleased that ADP continues to be rated AAA by both Standard & Poor's and Moody's, reflecting the strength of our business model and of our balance sheet. And finally, I believe we are doing the right things to grow the business and to enhance long-term shareholder value. And now I would like to turn the call over to the operator to take your questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). David Togut, Evercore Partners.

David Togut - ***Evercore Partners - Analyst***

Nice to see the better than expected ES global bookings growth in the quarter. Could you give a little more granularity on growth by small business, majors and nationals? And in particular, if you could quantify the number of new clients you've signed for Vantage HCM both in the June quarter and since the product was made available for general release?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

I think Jan probably can give you the specifics on the numbers on Vantage. Just in terms I will make a couple of general comments that really the growth for the quarter was really strong across the board. So we typically don't get into specific percentages by business unit, but it was well into the double digits for each of the segments that you mentioned, and some of them actually got into the high double-digits.

So it was really an impressive performance in the quarter and really across the year we had very good performance across all of the segments as well. So can't tell you how pleased we are because, as we've mentioned many times before, for us to be able to lift the organic revenue growth of our business.

Given that it is a recurring revenue business there is really no other way to do it other than to drive multiple years of double-digit new bookings growth while at the same time either holding onto or slightly improving our client retention, which we did this year. So this is a very important part of our acceleration of our organic growth and we are very pleased with the results in the fourth quarter. And Jan probably has the numbers on Vantage.

Jan Siegmund - ***Automatic Data Processing, Inc. - CFO***

Yes, David, the rollout of Vantage continues to accelerate. And not only did we sell more clients than we ever sold per quarter in our short history of Vantage, but we also got a large number of clients live and generating revenue, which is both good news on both sides.

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I want to start to talk a little bit more about our annual impact that we have. And so this quarter I think we sold a little bit short of 20 new units for approximately 50 units for this fiscal year, slightly ahead of our original plan, so performance of Vantage continues to be good.

And as you asked for client growth by segment, I think we can also give information that in the down market segment in our small segment, really driven by the success of run, the client growth was above the average that we just gave you for the 5% total ADP. We achieved a new record there also because we sold really more than 100,000 RUN units this year which is a great milestone to achieve.

David Togut - ***Evercore Partners - Analyst***

Good to hear. And just a quick follow-up, could you provide the gross price increase you put through in Employer Services at the beginning of FY 2014? And if you could give us a sense of how much is sticking or what you are seeing in terms of a net price increase?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

I'm going to let Jan answer that question, but I was just looking at my numbers and I just want to clarify that for the quarter we did have in the up market, it was slightly below double-digits, so I want to make sure that I got my facts right.

For the year the up market actually grew in the low 20s, so still incredibly pleased with the year. And a comparable for the quarter, last year they had very, very high growth, which I can't -- I won't even say what it was, so they had a very, very difficult comparable. So I just want to make sure that I got my facts straight. So, Jan, if you want to on the price increase.

Jan Siegmund - ***Automatic Data Processing, Inc. - CFO***

On the price increase pretty, yes, David, what we like to talk about is net impact on revenues for our price increase. And I think we had talked in the past about approximately 1% of our revenue growth was driven by price increases. And we anticipate to continue with our balanced pricing strategy, maximizing the value for the business in the long-term while reaping the pricing opportunities that we see in the market for this year. So you should not expect a change in our pricing philosophy.

David Togut - ***Evercore Partners - Analyst***

Understood. Thank you very much.

Operator

Rod Bourgeois, Bernstein.

Rod Bourgeois - ***Sanford Bernstein - Analyst***

I wanted to talk about the fiscal 2014 guidance assumption of having 8% to 10% bookings growth plus 2% to 3% pays per control growth. Those are pretty strong guidance assumptions, especially on top of the performance you put up on the bookings front in fiscal 2013. So my question is, can you give us some insight into the underlying factors that to give you confidence in the guidance assumptions for bookings and pays per control in fiscal 2014?

On bookings growth, can you give us any insight into how much of the bookings growth will come from a salesforce increase versus sales productivity increase and to what extent you are assuming better progress on small business formation?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

A great question and I will start just by talking a little bit about -- on the last point that you just made, which is an incredibly important one to us on a number of -- for a number of reasons. So the issue of around much of the improvement in 2013 and forecasted for 2014 comes from productivity versus headcount growth. As you can imagine, it gives us tremendous operating leverage in our business model if we can accelerate our new bookings growth while we are getting better productivity out of the sales force.

In other words, if we don't have to add as much headcount growth as we get growth in new bookings, it's a very powerful lever for us in terms of our business model. And that is what we have done over the last couple of years. In fiscal 2013 more than half of our growth came from productivity improvements versus headcount growth.

For next year for fiscal 2014 and the way we typically plan our year is to have about half of the growth coming from productivity and half from headcount growth. And as you can see, we exceeded that target this year in 2013. So that is really how we plan our salesforce headcount and our productivity.

In terms of how we get that productivity, besides really having excellent execution in providing hopefully better tools and helping our salesforce be more productive, hiring the right people, etc., all those things, the other thing that we think we're doing is we are providing them great products for them to be able to win in the marketplace and win more often.

So the strategy that we have of focusing more on innovation and on product I think is related to trying to drive salesforce productivity because it is an important lever in the overall P&L for ADP to drive some reasonable level of productivity as we try to grow that new bookings number.

In terms of our confidence for next year, it's a great question. As we finished the year as strong as we did, as you can probably imagine, we had to adjust some of our plans internally in order to be able to maintain that 8% to 10% forecast that we are committed to, which made it even more difficult for folks in the field because the strong finish really creates a need to sell even more in the following year.

But our confidence is really related to the years that we've had over the last two or three years of being able to execute around that half productivity and half headcount growth and really achieving the numbers that you've seen we have been able to achieve over the last couple of years.

So there is no question that it gets harder as you go forward and you continue to execute well, but that is really our job is to continue to march forward and deliver those kinds of results so that we can continue to lift that organic growth.

I will add that when we have these kinds of strong finishes in the fourth quarter, which we have a number of levers in place to drive, so we have a lot of incentives to drive salesforce results particularly toward the end of a fiscal year, we do sometimes end up starting soft at the beginning of the following quarter. So if you look at our history, we have had some soft first quarters after following up on a year and a quarter like the one we just had.

So we are still very confident based on what we're seeing in terms of our products and our headcount plans and our historical productivity improvements that we will achieve the full-year result, but my sense would be that we will get off to a slow start here in July.

Rod Bourgeois - ***Sanford Bernstein - Analyst***

Great. And then -- hey, that is very helpful color. Can you specify -- I mean, it sounds like you adjusted your plan given the tough comparison in order to maintain the 8% to 10% number. What adjustments were made to the plan? I mean, did you decide to add more to the salesforce or invest more in sales productivity tools?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

We decided to add more to the salesforce.

Rod Bourgeois - ***Sanford Bernstein - Analyst***

Okay. And will that be, what, around 5% growth in salesforce or maybe more than that?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

That is correct. You should plan on or expect somewhere around 4% to 5% headcount growth.

Rod Bourgeois - ***Sanford Bernstein - Analyst***

Okay, great. Thanks, Carlos.

Jan Siegmund - ***Automatic Data Processing, Inc. - CFO***

Rod, if I follow up on your questions on pay for control, the numbers that we are forecasting was 2% to 3% of course is similar to our past performance. It is faster than the US economy is growing as you know from our national employment report but the job market is quite solid and our clients have been hiring faster than that and we have seen that trend to be very stable. Just as a reminder, a sensitivity of that 1% more or less in pays per control will have a revenue impact of annualized $20 million.

Rod Bourgeois - ***Sanford Bernstein - Analyst***

Excellent, thanks, guys.

Operator

Paul Thomas, Goldman Sachs.

Paul Thomas - ***Goldman Sachs - Analyst***

Last year you talked about client fund interest potentially being down $35 million to $45 million in FY 2014 and you are guiding for a decline a bit wider than that. Is there any conservatism built into your expectations for that guidance? I would have thought interest rate trends would have made -- indicated a little narrower decline this year.

Jan Siegmund - ***Automatic Data Processing, Inc. - CFO***

Yes, so, the forecast is really based on the most recent forecast that you can draw from the forward yield curves of the US government agencies. And we have this low maturity issue that we alluded in the beginning of the call, and it is really only 8% of our client fund balances that are available for reinvestment throughout the year 2013.

So we benefit from the higher long-term rates really only for those securities that mature plus the growth in the client fund balances. And the impact is really very mathematical, so we don't really -- we don't even make a big adjustment to it. Also, the embedded rate that is maturing is around 4%, so there is still a steep decline of the maturing rates that we see. So altogether it gives you really -- we try to be very transparent about these assumptions; there is really not a particular conservatism built in.

Paul Thomas - ***Goldman Sachs - Analyst***

Okay, thanks. And then on the competitive environment, can you update us there with record retention rates? Where do see the most risk for rising competition?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

Well, just to be clear, in terms of the retention improvement also was really across the board. We had softness in a sub segment of one of our segments, a very small business and we really had great retention across the board. So what do we -- we attribute it I think in part to a better competitive position, but there's just a lot of people doing a lot of great things around client servicing.

And this is our culture -- besides this strong focus we have a new business bookings to help grow our business organically, we have an equal focus on client retention. Because any slippage in client retention makes it harder and harder to grow organically despite whatever number we get on new business bookings. Because obviously if you are losing it out the bottom it is hard to replace it on the top.

And so we have a lot of work being done by literally thousands of associates and leaders trying to provide stellar service to our clients so that they stay with us longer and longer and that is exactly what we have been able to do. And I think it is a cultural issue across all of ADP and it is been around for decades. And I think we just happen to be executing really well over the last couple of years.

And there is some bumpiness in that number. As you recall last year's fourth quarter, we had a couple of large losses in our up market related to the mergers and other factors. And as we expected, that kind of bounced back. So that does make the fourth-quarter comparable I think relatively easy. But having said that, when you look at the full-year results, a 40 basis point improvement and the fact that it is really across the board all of the segments is incredibly pleasing.

And I think -- I wish it were a simple answer as to what we've done to be able to accomplish that, but it is a number of different things. I think the product strength helps, the fact that we are migrating clients I think, believe it or not, helps even though in the short-term it is hard because sometimes trying to get clients to migrate in theory creates some risk.

But what we've seen so far in our key products is that we really have probably strengthened our position versus the competition by taking our clients off of some of our older legacy platforms. So that is probably helping us a little bit.

Paul Thomas - ***Goldman Sachs - Analyst***

All right. Thanks a lot, guys.

Operator

David Grossman, Stifel Nicholas.

David Grossman - ***Stifel Nicolaus - Analyst***

Carlos, I wonder if we could just expand on that last question. And specifically as it relates to the midmarket, can you talk a little bit about how you view how your marketshare is trending in the midmarket, the timing of the upgrade of the installed base with the new version of Workforce Now? And what changes, if any, you are making within the sales approach to drive attach rates and higher revenue per client?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

We had a meeting a couple weeks ago with a number of constituents from sales, service and other parts of the organization to actually talk about our competitive position in the midmarket. I think the way I would summarize the discussion is that we feel quite comfortable about our competitiveness on both the product, the pricing, the breadth on a number of fronts in the midmarket.

So we feel very, very comfortable from a selling standpoint that we are well positioned and that we -- and this is, again, coming from our salesforce. It doesn't mean, by the way, that it isn't hard to get the business, but I think they feel that we have positioned them well and positioned ourselves will to be able to win in the marketplace.

I think that on the existing base, the installed base which we are, as you mentioned, slowly migrating, our goal is to make the pond that our competition fishes in smaller and smaller. And I think we are doing that and we have made a lot of progress over the last couple years.

So our view is that once we transition all of those clients onto our newer strategic platforms that our competitive position will be much stronger and will put us in a position to hopefully be able to grow and gain marketshare in the midmarket where it has, admittedly, been tough for us against the competition over the last few years.

David Grossman - ***Stifel Nicolaus - Analyst***

So, I think when we last spoke, if I am remembering right, you talked about the end of next fiscal year to fully upgrade at the installed base. Is that still a good target? Could you perhaps do it a little sooner? Or do you think you are maybe trending a little bit slower than that?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

At the same meeting that topic also came up, brought up by myself because it's an important topic for me. And I received some very good news that they had made a good deal of progress in being able to accelerate, I think, our plans. But I think that the timing you just mentioned I think is still what our plan is. But I feel more -- I guess more positive, more confident, more optimistic than I have in the last few quarters that we are actually going to get that done.

And again, in our world I would love to have it happen overnight, but that would be irresponsible and not practical. And if the timing that we have now we actually execute on, we are going to be extremely happy and I think our competitors are going to be extremely unhappy.

David Grossman - ***Stifel Nicolaus - Analyst***

All right, great. Thanks for that. And if I could just sneak one thing in on the rates -- I mean I think I understand your commentary about the trend during the year. So if rates at the current yield curve stay where they are does that imply that we will still have a headwind in fiscal 2015 or do things flatten out pretty much as you get into fiscal 2015, particularly given that you've got the turn in the portfolio increasing next year?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

If I can give you just a couple of -- first, I just want to say that -- what the position we are in now is, the way I would describe it is we see the light at the end of the tunnel with regards to interest rate and it is still longer a train. It has been a tough couple of years as we were kind of facing what was coming down the pike for us, which was this last year that we just passed, which was very difficult in terms of the size of the drag.

So the fact that the organization was able to drive the kind of margin improvement to almost overcome the entire drag was really quite impressive, but it was very, very difficult headwind. So really the fourth quarter -- I'm sorry, the first quarter of this fiscal year, as we said multiple times in our speaking here, is really kind of the last quarter where we have what I would call really an enormous headwind from a P&L standpoint. And that headwind does get smaller as the year progresses.

To put it in perspective, this year we have -- and this is again in our I think publicly available documents where we have provided a slide that shows for each year how much of our portfolio is maturing and what the embedded yield is of those maturities. And just to put it in perspective, I believe that for 2014 we have around $1.5 billion in maturities with an embedded yield of around 4% -- 4.1%.

For 2015 we have $3.5 billion in maturities and an embedded yield of 2.7%. And then for 2016 we have $4.5 billion in maturities and a 2% embedded yield. So I think you can probably do some of the math yourself and you could probably come to the conclusion that 2015 is probably -- assuming things stay as they are today, will be a year where we might see some actual positive lift, if not flat to probably positive.

Clearly we don't give guidance this far in advance, but I'm just running you through numbers that we have already provided publicly where people should be able to do the math themselves. So I don't know if Jan has something he wants to add.

Jan Siegmund - ***Automatic Data Processing, Inc. - CFO***

Yes, like if I do the math for you and you assume that our balances continue to grow at a pace that is in line with our current guidance and the yield curve doesn't move materially, I think about a flattish impact on the client fund strategy on our bottom-line is not a bad assumption in 2015.

David Grossman - ***Stifel Nicolaus - Analyst***

Great, thanks very much for that.

THOMSON REUTERS

Operator

Joe Foresi, Janney Montgomery.

Jeff Rosetti *- Janney Montgomery Scott - Analyst*

Good morning, this is Jeff Rosetti in for Joe. Thanks for taking my question. Just wanted to see if you could give some more detail around the migration of platforms and its impact on your retention rate and how you view your retention rate with respect to your FY 2014 guidance?

Jan Siegmund *- Automatic Data Processing, Inc. - CFO*

Yes, we made good progress on our migrations and we moved significantly more than 10,000 clients in Workforce onto our Workforce Now platform in the midmarket, so good progress. We have approximately 20,000 clients to go, so you can see at these rates how they multiply with potential movement and progress and productivity, how that -- how our forecast for migration is evolving.

We continue to be very pleased with the client satisfaction during those migrations and the retention impact, if anything, is slightly positive for these clients and we have a slight revenue uptick in midmarket by clients buying as they migrate to a broader solution buying more bundles. So that is an all good story in the midmarket.

A similar thing we can report for RUN and Easy Pay which is our legacy platform, Easy Pay. In the down market we moved about 25,000 clients making very good progress in both categories succeeding our own internal plans. So we feel comfortable of our migrations and there is really no measurable impact, if any a slight positive impact on the retention rates, but really probably for planning purposes no impact is a good assumption.

Jeff Rosetti *- Janney Montgomery Scott - Analyst*

Okay, thanks, and just regarding the Affordable Care Act, I just wanted to see if there was any update on developing products for reporting requirements? Thank you.

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

We have got a lot of people working on solutions to help our -- I mean this is really right in ADP's sweet spot is helping clients with compliance challenges and the Affordable Care Act is quite a challenge from a reporting and a compliance standpoint. So we have a number of initiatives underway, probably not enough time to get into them today, but we will certainly provide more information as we go along.

But we expect this to be a big event for our clients and the employees of our clients. And we expect to be there to help them through it and to provide them help and assistance. And I think our plan is to not only provide specific solutions around the Affordable Care Act, i.e., reporting tools and compliance solutions, but our plan is really to try to market much more strongly our integrated HCM platform solutions that really are almost central to being able to comply with the new Affordable Care Act regulation.

Because you really need time and attendance systems that are connected to payroll systems that are connected to benefit administration systems in order to be able to effectively and smoothly get the information you need to be able to comply.

So I think it presents an opportunity not just for us in the short term to provide reporting tools and compliance solutions for the Act itself, but it also presents a real opportunity for us to help our clients with our fully bundled integrated HCM solutions, which I think are really the key to being able to keep up with all of these regulations.

Operator

Sara Gubins, Bank of America-Merrill Lynch.

Sara Gubins - ***Bank of America-Merrill Lynch - Analyst***

First, just a follow-up on the question about ACA. I think it is probably too small, but did the delay of Health Care Reform implementation by a year have a negative impact on your expectations for fiscal 2014 at all?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

I think that it clearly was -- there was a lot of discussion in the press about the delay. Just to be clear, that is only one aspect and it's clearly one that is important and gets a lot of attention. But it is only one aspect, so it is not like the entire law was delayed by a year. I know you know that, but some people in the press may not have been completely clear on kind of the fact that there are numerous other compliance requirements and regulations that still are going to go forward and be enacted at the beginning of the new calendar year.

As to the delay itself in terms of our business plans, we see it as kind of a wash in terms of negatives and positives because it really does give us more time to communicate and talk to our clients about a fully integrated HCM solution both in our midmarket and also in the up market. So I think it gives us more time to get to clients and to be able to move them on -- either existing ones or new ones onto these HCM integrated solutions.

So at the same time it does provide more time for the competition to get ready and it provides more time for clients to make decisions. And so, net-net and probably in our view, we haven't seen any negative repercussions yet in our business as a result of the delay, but there's probably positives and negatives as a result of the delay.

Sara Gubins - ***Bank of America-Merrill Lynch - Analyst***

Thank you. And then separately, now that we are kind of a little bit past mid-year and the macro environment in the US is probably feeling a bit better than businesses would have expected headed into the year -- can you talk about whether or not you are seeing any changes in client decision-making processes? Are they speeding up their decisions and is that reflected in the strong new bookings? Thanks.

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

I think that is a great question and I wish we had a scientific answer, because I think we, over the last couple of years, typically give you anecdotal stories around that topic, right. When we hear -- for example, when we had the fiscal cliff issues we think that there were -- we were hearing anecdotal stories that there were people kind of waiting to see what was going to happen with the resolution of the fiscal cliff.

And so, we don't have any scientific evidence one way or the other. What we do have is our results. And if you look historically at our new bookings and how they relate to the economy and you look at it kind of in your rearview mirror, it does get harder in a more difficult economy to sell. It helps a lot to have great products, to have a great salesforce and to execute well but it does get a little harder.

So, I have to believe that some of the strength of our new bookings is as a result of some better decision-making environment out in the economy, both in the US and also outside of the US. But we really don't have any specific thing that we could point to to give you evidence about that.

Sara Gubins - ***Bank of America-Merrill Lynch - Analyst***

Okay, thank you.

Operator

Bryan Keane, Deutsche Bank.

Bryan Keane - ***Deutsche Bank - Analyst***

I guess I keep hoping that Europe will start to turn and still sounds soft. So I am hoping for some green shoots you could talk about on the European outlook.

Jan Siegmund *- Automatic Data Processing, Inc. - CFO*

Ever so slightly, Bryan, our pays per control decline softened in the fourth quarter, probably too small for statistically significance, but we do see it. And as we in our last quarterly call I think talked about Europe being weak on the new sales side, we did see Europe coming back in the fourth quarter and we had in particular success with European multinational deals.

So, in all our reporting about Europe being economically weak, in this quarter we did have some good results. I wouldn't make a full long-term story out of it, but at least for this quarter we saw some signs of improvement for it. I mean you'll see the unemployment numbers and the economic news out of Europe, so we see the same thing. So we are cautious about Europe for the next fiscal year.

Bryan Keane *- Deutsche Bank - Analyst*

Okay. And then overall guidance -- I know client growth was up 5%, pricing was up about a point or so. Are those similar metrics that are in the guidance? And is there a way to think about it more on a longer-term basis? Are those about the right numbers or do you expect the economy to rally and new business starts to get better that we could even see better numbers than those?

Jan Siegmund *- Automatic Data Processing, Inc. - CFO*

Well, a 5% client growth is an excellent number for our size of the Company. I would caution you that client number and the revenue number are asymmetrical in our client base. So we have a large number of clients in our small market, so 5% client growth does not equate to 5% revenue growth at all really.

But the strength in our down market with client growth even ahead of the 5% is a strong indicator of our strength in down market. You saw the PEO growing very nicely, also rebounding in sales. So, in the down market we see really good momentum in the business, which is exciting. And then as we roll out these platforms in the up market we feel -- I mean you will see it reflected in our sales growth number that we are forecasting -- kind of good about that going forward.

I don't know if -- we don't forecast really and we don't guide to the client count number, but it is also a number that has been moving fairly steadily. So I think you almost don't need our guidance for that.

Bryan Keane *- Deutsche Bank - Analyst*

Okay, last question if I could just sneak it in. On the strong bookings growth, just remind us how that translates into revenue growth. There's a slight lag there, but I just want to make sure I know the moving pieces. Thanks so much.

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

I think that is a good question. I think Jan was just kind of alluding to the fact that some of our strength, even though it was across the board, some of our strength in the fourth quarter really was around very large up market domestic and multinational clients. Some of those clients won't start literally for a year. Having said that, we had really good strong growth in the quarter and for the year across all of our other segments and that will continue to push up our organic growth rate.

And so, the model is probably using kind of a half year convention. The real challenge for our business model, which is also an incredible positive, is that it is a recurring revenue model. So, when you do the math and use half your convention, so you take half of last year's sales and they turn into revenue this year and half of the following year's sales and turn them into revenue for that year and you sprinkle in retention and you sprinkle in price increase and all the other things that we talk about, driving at that organic growth rate is not easy because you have this large recurring revenue base.

But that is also a wonderful thing because every year we are starting with 91.3% of the revenue that we had in the prior year. But if you kind of do the math that I do a lot you start to figure out that to move our organic growth rate up 0.5 to 1 percentage point requires multiple years of double-digit sales growth, which is exactly what we have had, and good client retention.

So, I think what you need to think about in terms of from when you add all that stuff together is that in an environment like we are in now where we are really executing on just about every front, I think it's really call it 0.5 point to 1 point of organic growth. And there's obviously a lot of other stuff and the mix, FX, acquisitions and whatnot, but that is really the core of our business and that is the core job that Jan and I have which is to move that number up.

Bryan Keane - ***Deutsche Bank - Analyst***

Okay, great. Thanks for the color.

Operator

Jason Kupferberg, Jefferies.

Jason Kupferberg - ***Jefferies & Co. - Analyst***

I just wanted to start with a question on the fiscal 2014 revenue growth forecast for Employer Services. And can you break that apart into core payroll versus ancillary? And also give us a sense whether there is any meaningful amount of acquisition revenue in that ES number? I know you did the deal in LatAm but not sure how big that is. Thanks.

Jan Siegmund - ***Automatic Data Processing, Inc. - CFO***

Yes, Jason, take the last question first. Really this is a good organic number that you see this year. We're entering the year with virtually no impact on acquisitions on our revenue number. We stopped reporting the breakout between payroll and non-payroll payroll while ago and it is really a consequence of how we sell our product. We sell it really now as an integrated bundle and we've started reporting really more on the progress we are making with our core strategic platform.

So I don't think the payroll number versus non-payroll number is that meaningful. I would allocate revenues in a way that would make it really not that insightful for everybody to do it. As a matter of fact, we don't quite do it internally either anymore. So we are focusing on our core strategic platforms. And when you hear us talking about the progress we are making with Workforce Now, Vantage and RUN, those are I think also internal key metrics that we watch for our success.

Jason Kupferberg - ***Jefferies & Co. - Analyst***

Okay, understood. And just to follow-up, I know you were asked the question around marketshare in the midmarket earlier, but I wanted to focus on the small business side. I know you indicated that the client growth in small business was actually greater than the 5% which was the corporate average. So, that is quite a bit more small business client growth than your biggest competitor in that space is seeing, would certainly seem to point to some marketshare gains.

And obviously you have talked about RUN in the past. But maybe you can just talk about feedback that you actually get on the ground from the salesforce, qualitative or quantitative, to support the fact that those marketshare gains are in fact occurring if in fact you agree with that statement?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

Just one clarification. I don't think that we said that the small business market actually grew more than the 5% and that the 5% was the corporate average. So even though the corporate average is 5%, I think what Jan was really saying was that just because of the skewing of our business the majority of our clients, not the majority of our revenues, but the majority of our clients are in the small business segments. We have about 400,000 clients in the low end of the market.

So from a growth rate standpoint, which again, is not necessarily tied to revenue, I think Jan was clear on that, most of the 5% growth actually took place in the low end of the market. So having said all that, that's outstanding growth and we believe that it is faster than the market and faster than a number of our competitors. So we are very confident that we are gaining marketshare just from the facts and the math.

In terms of anecdotal evidence from the salesforce, we do see, both on the retention and on the new business sales side, good evidence that our folks are executing well both on the product side, in other words, they are putting a product out in the market that is resonating and helping us sell new business and new units and is also helping us to hold onto the clients that we already do have. And so, we have a number of I think pieces of evidence that point to I think really good strength competitively in the low end of our business.

Jan Siegmund *- Automatic Data Processing, Inc. - CFO*

I think there is the element of our product, but we also have a unique 24/7 service offering that finds great response in our client base. We have a fantastic set of supplemental products and our attach rates are rising actually nicely across the board contributing to good revenue growth in the small segment.

So the combination, we have great success within the channels, our channel partners are pleased with the feature functionality that the product set offers in the SBS market. All these factors together give you the momentum that we have been seeing and that has been really going on for now a couple few years, so it is not really a recent change; that momentum continued in this quarter.

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

And I think just one other thing on small business in terms of the migrations. I think we put out a press release I believe when we reached 200,000 clients on RUN. So clearly now we are at 2 --.

Jan Siegmund *- Automatic Data Processing, Inc. - CFO*

253.

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

-- 253,000. And so, our clients on Easy Pay are down. As you can imagine, if we have 400,000 and we have 250,000 on RUN, (multiple speakers) probably do the math. So we are -- even though Jan said that we move 25,000 clients this year from Easy Pay on to RUN, the pace at which we are moving those clients now is much faster than that. So it is been an accelerating trend.

And so, we have some belief that we might be able to get off of Easy Pay within the next 18 months and the momentum that that is creating already for that business and is going to create down the road in terms of both retention and just new business sales, because having the entire energy and focus of that organization be on our strategic platform, one that is versionless, one that is cloud based is going to be enormously powerful.

Jason Kupferberg *- Jefferies & Co. - Analyst*

Interesting. Thank you.

Operator

Jeff Silber, BMO Capital.

Jeff Silber *- BMO Capital Markets - Analyst*

I know it is late, I will just ask one. In terms of -- I know you don't give quarterly guidance, but you mentioned in your remarks about the -- I guess the rate of change and the decline of interest income getting less worse throughout the year, and maybe some potential softness early on because you had such a strong fourth quarter. Is there anything else we need to know on a quarterly basis when we are doing our modeling?

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

I think you got it. But I think it is not just the first quarter, I think the first half. I would -- even though we don't give quarterly guidance I think it is good to think about the first half, particularly the first quarter, being well below the guidance that we are giving for the full year in terms of EPS growth.

And think about the headwind of, for example, just interest, because we plan to continue to run our business and execute in terms of the core businesses which really doesn't vary that much quarterly just because of the nature of the business.

But for your models it is important to understand this interest rate drag. And it is probably in the first quarter in line, in terms of amount, with what it was on a quarterly basis during fiscal 2013. And then begins to abate and I would say that by the fourth quarter the abatement is significant would be a good way to describe it.

Jeff Silber *- BMO Capital Markets - Analyst*

Okay, great. That is very helpful. Thanks so much.

Operator

Jim Macdonald, First Analysis.

Jim Macdonald *- First Analysis Securities - Analyst*

Just a question on ES growth this quarter was up to 8% organic, then you have it dropping down to 7%. Was there something unusual that impacted that number?

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

No, I think it is probably seasonality or there may have been a little bit of something that happened around -- I don't know if there is -- I guess that excludes FX for the segment. But, no, there is nothing meaningful. I mean I think that the -- we still see acceleration for the full year versus what we had for the full year this year.

So, there may be some noise in the quarter that we would have to, again, look a little bit deeper into. But there is no secret there underneath; it is still an acceleration for the year in 2014 versus 2013 in terms of organic growth. And some of that is as a result, obviously, of a couple of softer quarters at the beginning of the year, in 2013.

Jim Macdonald *- First Analysis Securities - Analyst*

And just quickly one more ACA question. Anything you are doing differently in the PEO to deal with the ACA?

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

Well, again, that is another one where it's probably -- there are pluses and minuses because the formation of additional, if you will, options in terms of exchanges could provide competition for the PEO. But as you saw from our sales results, it is also kind of causing people to look for alternatives.

So I don't think that everyone is going to go to an exchange and not everyone will stay where they are. But what it is certainly doing is it is creating activity. So it is creating an opportunity for our salesforce to have a discussion with people in the marketplace about what their goals are and really help them find the best solution for them. And that is a good thing.

So I think anything that creates activity and opportunity and opening is usually a good thing. So we are seeing some of that. But having said that, could there be some client -- particularly in the small business market, in the PEO, where a delay for a year of the requirements for employers to provide healthcare, that may delay some of the decision-making. For large clients these decisions have to be made well in advance of any kind of execution of the decision.

So I think the extra time is probably a net positive for us in the up market, whereas I think in a place like the PEO you could see someone who was potentially planning to move to the PEO or to make some other changes to say, well now I have a little bit more time, I think I will just wait another quarter or two. That is obviously not what we are encouraging them to do, but that is obviously a possibility.

Jim Macdonald - ***First Analysis Securities - Analyst***

Okay, thanks.

Operator

George Mihalos, Credit Suisse.

George Mihalos - ***Credit Suisse - Analyst***

Just wanted to circle back on the client migrations and the good progress you are banking there. Can you maybe ballpark for us what client migration costs or how client migration costs compare in 2014 -- or in 2013 versus 2012? And maybe kind of your outlook for migration costs perhaps coming down in 2015 from the 2014 level?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

So, I don't know that we can talk about 2015 just yet. But our 2014 plans obviously have migration costs included. And what is really, again, very satisfying and very pleasing about the performance of the organization is that we are able to drive the kind of margin improvement. When you really normalize for the interest rate drag, we had really great margin improvement at the segment level and you will see that in our segment results. And there are migration costs embedded in those results.

And so the fact that the organization is basically overcoming at the segment level those migration costs and making the progress that they are making is obviously a sign that there is no -- and I think we've told you this for the last couple years, that as we kind of focused on this issue of migrations there are clearly additional expenses and additional costs and we certainly hear that from our folks in the field. But we weren't expecting and aren't expecting to have some big announcement that we have some tens of millions of dollars extra expense that we are putting into our run rate.

We are a highly disciplined organization and we are finding a way to get this done within the resources that we have by trying to focus less on other things and more on the migration. And so I wish I could give you -- make it more exciting -- big news there, but what you see is what you get and you are going to see more of it in 2014.

George Mihalos - ***Credit Suisse - Analyst***

Okay. And then just last question for me. Can you give us an update on GlobalView? I think that was slated to achieve profitability or at least hit breakeven here in the fourth quarter. Did that happen? And kind of how is the sales outlook for it?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

Yes, it did occur in the fourth quarter and they had a great fourth quarter in terms of sales. As you know, as I just mentioned a few minutes ago, for those sales to convert into revenue takes a while, particularly in GlobalView. These are large, complex multinational implementations that take a while.

But we had kind of over 20% revenue growth for the year. We have now almost 1.5 million paid employees, which is up more than 20% for the business. We have over 100 clients, 110 clients as of the end of the year. So we feel pretty good. And I think in fairness, we look at our multinational business as a combination of GlobalView and Streamline, both of which are performing very, very well.

And now we have those under one umbrella as we have kind of changed our organizational structure. And we really believe that that is going to drive I think even more effective selling, if you will, and also client relations by having all of our multinational solutions under one umbrella. And the combination of GlobalView and Streamline, the growth rate looks even more positive and that's, over the next couple years, going to be a $500 million business.

George Mihalos - ***Credit Suisse - Analyst***

Great, thanks.

Operator

Tim McHugh, William Blair & Company.

Tim McHugh - ***William Blair - Analyst***

One short one I guess is just PEO, can you elaborate a little bit more on what has changed versus early in the year when you said you had a little softer trend? Is it the market or is it something different in terms of how you approached the business?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

I think it is probably a combination of things including great sales leadership. It is really one of the more remarkable turnarounds I have seen in a long time at ADP. We had a couple of others, by the way, in the quarter that did really remarkably well as well having had a tough beginning to the year. But really PEO was a standout in terms of the turnaround in terms of their sales performance.

So again, I attribute it to good execution and good cooperation. As we exited the first half of the year our sales leaders in the PEO, but also in our other major segments who feed a great deal of leads to the PEO, gathered together and figured out how they were going to fix this problem and they fixed it. And we really dramatically increased the number of leads to the PEO in the second half and the PEO was able to close on those and execute well.

Tim McHugh - ***William Blair - Analyst***

So was the number of leads going into there was -- I guess if there was a problem with it was that early in the year?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

I wouldn't call it a problem. I think that we just noticed that there was -- we have a lot of products and we have a lot of opportunities in the marketplace. And keeping our salesforce focused and having the right incentives is very, very important. And so, there was really no problem, we just I think sat down and our sales leaders and Ed Flynn who runs our sales organization made some great moves that obviously worked in terms of making sure that those incentives were properly aligned.

Tim McHugh - ***William Blair - Analyst***

Okay, thank you.

Operator

Craig Maurer, CLSA.

Craig Maurer - ***CLSA - Analyst***

My questions have been asked and answered. Thanks.

Operator

Mark Marcon, RW Baird.

Mark Marcon - ***Robert W. Baird - Analyst***

I was wondering what is embedded in your plan with regards to client retention? It is obviously at record levels, you have done a great job there. How much more upside do you think is possible?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

As you probably know, we have to -- we kind of put our plan together before the year actually finishes. And so, our budget for 2014 was -- we started it two or three months ago and we finalized it before we knew what our client retention rates were going to be for the year. So we almost never plan for flat client retention.

But I must say that this is one of those situations where it is very, very difficult for us to go and change everything especially when, as you said, it is at record levels. And so I think that we would hope that we get some improvement here again, but right now as it stands it will be flat -- flattish, client retention from year-to-year, which again I have to say -- I won't say that I would be happy with that because I think we would love to have some improvement. But --.

Mark Marcon - ***Robert W. Baird - Analyst***

It seems like you should be able to get some improvement with regards to the continued migration. And then you have continued to improve your service support as well.

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

I think there is -- to be clear, there is a difference between hope and desire and incentives versus what we plan for financially. And so I think that it is prudent and correct to plan for flattish client retention but that is not our ambition.

Mark Marcon - ***Robert W. Baird - Analyst***

I hear you. And then with regards to Vantage, what would your expectations be in terms of -- that is earlier in terms of roll out. How should we think about that over the next couple of years?

Jan Siegmund - ***Automatic Data Processing, Inc. - CFO***

Well, maybe a rough indicator for the national accounts space is we fell -- it varies a little bit, but we fell between 100 and 200 new deals each year in the national account space. And you will see us hopefully continue with acceleration of growth on Vantage deals. So we feel kind of a little bit perspective relative to the number of deals that we had this year. Also I want to get -- obviously Vantage is an important product and want to make a big (inaudible) into the national accounts space.

Mark Marcon - ***Robert W. Baird - Analyst***

Great. And then lastly, when I think about all of your logical competitors across your various sub segments, and I don't have to elaborate on who those are. It seems like they are all seeing some improvement. When we think about broadly speaking your new sales growth, who is that coming from?

Or is it that there is just a greater level of implementation particularly with regards to attach rates in certain areas where, for example, you switched somebody over to Workforce Now and maybe they were only doing a few modules and now they have expanded the number of modules. Can you just help us think conceptually the sources of growth?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

Yes, we can give you some color. We are such a broad based competitor that it really isn't as simple as one or two competitors. In some ways it would be nice if it were that --.

Mark Marcon - ***Robert W. Baird - Analyst***

No, I am aware of all of your competitors, at least within domestic -- the domestic market across your segments. So --.

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

Let me pick -- so I will pick one -- so we happened to be studying that topic a couple of nights ago and if you look in the midmarket we made some really good progress against the competition in terms of some of what we call our regional competitors that you I'm sure are quite aware of. I also looked at our National Account competitors, so in the up market, and saw very little discernible pattern in terms of all of a sudden one competitor is doing incredibly better than us or another one doing incredibly worse.

So it really is kind of just methodical improvement across the board and it's really a mixed picture. I mean particularly in that up market segment we have ERP competitors as well is the one or two cloud-based competitors that you are aware of. And I think we are pleased with what is happening competitively in that market as we are in major accounts and as we are in the low end of our market.

And I wish I could tell you there is one specific competitor or one company that we could point to that is making the difference. But I can tell you that the improvement is there and it is more -- across the board is not the right word because it is mixed, some better, some worse. And I have multiple years of data that show what has happened with our losses and what has happened with our new starts against each competitor.

But overall it has been an improvement in each of the three segments. And so very, very pleased with that. What I have to say -- having said all of that, that in the low end of the market is probably where we have had the most visible success.

Mark Marcon - ***Robert W. Baird - Analyst***

Great, thank you very much.

Operator

Tien-tsin Huang, JPMorgan.

Tien-tsin Huang - ***JPMorgan - Analyst***

Hi, thanks. I know it's a long call. I will mix it up and just like about dealer. That came in ahead of our plan, looks like strong organic growth. How much of that is market share gain versus underlying growth? Just trying to better gauge that plus the visibility into the eight this year, what is driving that?

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

Well, they did have continued market share gains. That is a business that tracks very carefully their win/loss ratio and market share and they're kind of in the 2 to 1 ratio of wins to losses. And so, we're very pleased with that. And they kind of edged their marketshare up in their core North American business. I think the Digital Marketing business also performed very well this year.

So again, you see the results. I mean that is an adjacency that is clearly accretive to ADP's relevant success right now. So really good performance on the revenue side and also on the margin side. And again, they are doing some of the same things that we are talking about in Employer Services.

So a very, very big focus on product innovation there and integration of their own products within the dealer management suite. And I think they are just, again, executing well, have made some good investments and good changes on the product development side. And I think that they are winning in the marketplace.

Tien-tsin Huang *- JPMorgan - Analyst*

8% visibility there -- Carlos, hi -- I guess not assuming anything unusual in [SARS]; it's more just backlog conversion, etc.?

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

I think you -- I think some of it is -- I think we have pretty good visibility in that business as we do in Employer Services. But I think you are right that if there was a major change in the backdrop you would want to probably rethink that. But we don't see any -- I mean the SARS rate is around [$]15 million plus and the forecast is for even more strength there. I think the market in Europe has been weak, but probably hard to imagine it is not bottoming or at least close to a bottom there. So I think we feel pretty good about the forecast on dealer.

Jan Siegmund *- Automatic Data Processing, Inc. - CFO*

One thing that you may want to include in your thinking is the strength that we have in Digital Marketing growth that has been accelerating the average. And so, that is clearly our highest grower in that portfolio of businesses. And it has continued to drive and I think we feel good about that extension to the overall 8%.

Tien-tsin Huang *- JPMorgan - Analyst*

Can you update us on the how big that is now?

Jan Siegmund *- Automatic Data Processing, Inc. - CFO*

The Digital Marketing business on the revenue side, approximately $400 million.

Tien-tsin Huang *- JPMorgan - Analyst*

Okay. So it has gotten quite large. Okay, so it maps well to your Analyst Day. Sticking with the Analyst Day and I will jump off. Just I'm thinking in the past at analyst events, investor conferences you had talked about the mix of revenues across ES, right -- small, majors, nationals, internationals. Since the fiscal year just ended can you give us some rough sense of what the contribution from each bucket was for the year?

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

No.

Tien-tsin Huang *- JPMorgan - Analyst*

Okay, I figured I'd try. Maybe at the next event.

Carlos Rodriguez *- Automatic Data Processing, Inc. - President & CEO*

Okay.

Tien-tsin Huang - ***JPMorgan - Analyst***

Thank you for the time.

Operator

This concludes our question-and-answer portion for today. I am pleased to hand the program over to Carlos Rodriguez for closing remarks.

Carlos Rodriguez - ***Automatic Data Processing, Inc. - President & CEO***

Well, thank you very much for joining us today. As you can tell, we are very pleased with our fiscal 2013 results. I really think the business is performing well and, as you heard, we are growing our client base.

I also want to thank each and every one of our 60,000 associates worldwide for helping us deliver the sales and retention results that we delivered this year. It really was an amazing performance and it takes every single one of those 60,000 -- whether in the field delivering the service or making the sale, everyone else is behind the scenes supporting them. So I really appreciate their efforts.

I think we're very well-positioned going into next year. I think we're doing the right things and, as you know, we're going to continue to be shareholder friendly and deliver value to our shareholders in addition to our clients and to our associates. So thank you very much for joining us today and we look forward to talking to you soon.

Operator

This does conclude today's conference call. You may now disconnect.