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ADP - Q1 2014 Automatic Data Processing Earnings Conference Call

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OVERVIEW:

Co. announced 1Q14 revenue was up 8% from 1Q13. Co. reaffirmed previous guidance.

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PRESENTATION

Operator

Good morning. My name is Victoria and I will be your conference operator. At this time I would like to welcome everyone to ADP's Q1 2014 Automatic Data Processing earnings conference call.

All lines -- 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)

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. I am 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 first-quarter fiscal 2014 earnings call and webcast.

Starting today we are modifying how we conduct ADP's investors calls. We are no longer speaking to formal presentation slides; however, a slide deck containing this quarter's financial results has been posted on the Investor Relations section of our website at ADP.com. As a reminder, the quarterly history of revenue and pretax earnings for our reportable segments is also available on the Investor Relations section of our website.

These schedules have been updated to include the first quarter of fiscal 2014. When you review these schedules it is important to note that we have made changes to what is included in our segment reporting to align our financial reporting with how management views the businesses. As a result, effective this quarter we are no longer allocating a cost of capital charge to the segment and all prior periods presented have been restated to conform.

Additionally, we are no longer restating prior-year segment results for current year budgeted foreign exchange rates for these periods. Rather, the segment results for the current and prior period are presented at actual foreign exchange rates. As a result of these changes, you will no longer see reconciling items on our website schedules attributable to cost of capital or foreign exchange.

And as we have gotten feedback from many of you on the effect of our restatements -- the effect that the restatements have had on your models, this should greatly simplify your process.

I would like to remind everyone that during today's conference call we will make some forward-looking statements that refer to future events and, as such, involves some risks. And these are discussed in our earnings release 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 would like to start the discussion with an update on how we are executing against our growth strategy and focus my comments on human capital management, which we refer to as HCM.

I will also provide my thoughts on our results and update you on how our business is doing. Then Jan will take you through the financial highlights for the quarter and our current forecast before we take your questions.

From an overall standpoint, ADP is growing an integrated suite of cloud-based HCM, benefits, and payroll solutions, which is at the core of who we are. I am pleased to state that ADP is delivering on this growth initiative by enhancing and innovating across our HCM platform for companies of all sizes.

Our RUN platform for small businesses continues to sell well. Through our deep experience in servicing this segment of the market, ADP understands that small business owners need work solutions that are as effective as those used by larger organizations. We are pleased by the continued success of RUN and have about 285,000 clients on this platform. In fact, the number of RUN clients now exceeds the number of clients on our former platform by more than two to one.

We also recently introduced exciting enhancements to our ADP Workforce Now and ADP Vantage HCM solutions in the US. Today more than 40,000 employers who use these integrated platforms can benefit from some exciting innovations. We have added analytics that support data-driven decision-making, a new digital document management solution that stores the myriad of employee records within ADP's secure ecosystem, which average about 50 documents per employee, and a new global human resources system of record for US-based midsized and larger businesses that helps to manage employee populations in multiple countries.

It is important to note that our global human resources system of record builds on ADP's long-standing expertise in managing the global needs of businesses. And finally, we have enhanced ADP's mobile solutions app, which is already used by nearly 1.5 million workers and is frequently rated as a top business app in iTunes.

We realize that both employers and employees are dramatically changing how they do business and mobile is a large part of that story. I am proud that ADP is pushing the boundaries of how mobile solutions help employers and employees manage their human resources needs, and I view this as a market differentiator.

The last product innovation that I want to leave you with today is our next-generation recruiting platform that we just introduced to the public at ADP's first innovation day. This sophisticated recruiting platform is a significant enhancement that rounds out the spectrum of our HCM solution set. Its deep integration with social media differentiates ADP in the marketplace and is an important means for employers to identify top talent and communicate with prospective employees.

I also want to discuss the Affordable Care Act, commonly referred to as ACA. You have heard us say that compliance has always been a key part of ADP's value proposition, and we believe that the ACA creates opportunity for ADP to assist our clients in managing numerous compliance requirements.

ADP is uniquely positioned at the intersection of payroll, time and attendance, and benefit administration, which is the core of our HCM solutions, making our platforms ideal for employers to navigate their responsibilities under ACA. I hope you are as excited as I am about the new innovations that ADP has brought to market and I look forward to sharing more with you on future calls.

Now let's move to the first-quarter results. ADP reported solid results for the first quarter, starting the fiscal year with strong revenue and earnings growth. I am pleased that revenues grew 8% and earnings per share grew 10%. Our business segments performed well and achieved solid revenue growth during the quarter with good pretax margin expansion.

Jan will take you through more of the details, but before he does I will provide you some comments on our business segments and more detail on employer services and PEO services new bookings.

Overall, employer services delivered solid results. The integration of Payroll SA, a small strategic acquisition we completed in Latin America in last year's fourth quarter, is going well and the business is performing in accordance with our expectations.

Worldwide client revenue retention continued at a very strong level. As you read in this morning's press release, new business bookings growth for employer services and PEO was 1%. I want to remind you that on our last call we stated that our past experiences with very strong year-end finishes, as was the case with this fourth quarter, often lead to soft first-quarter bookings growth.

In the US, small business bookings were very strong; however, large multinational enterprise market bookings fell short of last year's first quarter due in large part to a very strong finish in fiscal 2013. I also want to remind you that these larger transactions create lumpiness in bookings growth from quarter to quarter.

In the US, we are actively rebuilding the pipeline for potential new transactions. For large multinational companies I am pleased that the pipeline's potential and multinational transactions for our GlobalView platform is growing.

And we are investing in our sales force and plan to increase our sales headcount by 4% for the year. Our hires will be concentrated up-market in the US and in markets outside the US. Having said all this, we are confirming our guidance of 8% to 10% growth in new business bookings for the year.

Turning from Employer Services, the PEO continued to grow nicely. Our PEO is the largest in the US in terms of worksite employees and I'm excited that we reached a new milestone, serving 300,000 worksite employees during the quarter.

Moving on to Dealer Services, the outlook for the automotive landscape in North America is good and the market forecast for calendar year 2013 vehicle sales is strong. The automotive landscape across continental Europe is still soft, though our international business continues to grow on strength in the Asian markets.

Dealer Services is also innovating with continued investment in digital and layered applications. For example, Dealer has exciting new cloud-based workflow platforms that seamlessly join predictive digital advertising in a superior consumer experience while significantly improving dealership productivity. And with that I will turn it over to Jan to provide the financial highlights and a look at the full-year forecast.

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

Thank you, Carlos, and good morning, everyone. ADP delivered strong revenue growth of 8% for the quarter. Over 7% of this growth was organic.

We achieved 7% pretax earnings growth, 9% net earnings growth on a lower effective tax rate, and 10% EPS growth on fewer shares outstanding. These are very solid results in my view and I am pleased that revenue growth was strong across our business segments.

Employer Services grew total revenues 8%, the PEO grew 12%, and Dealer grew 7%. In Employer Services revenue growth was across the board. Each of our strategic pillars -- human capital management, our HR BPO solutions, global and adjacent solutions -- contributed to growth this quarter.

We continue to focus on providing excellent service to our clients, and as a result, we continue to enjoy strong client revenue retention. Additionally, as we continue to successfully migrate our existing client base to ADP Workforce Now and sell more bundled HCM solutions in the mid and large markets, we believe client retention rates are higher than our older stand-alone solutions.

Same-store pays per control in US Employer Services were strong with an increase of 2.6%. However, same-store pays per control declined 0.8% across Europe as anticipated. Although the Eurozone recession has officially ended, economic growth lags the US and unemployment remains high.

Average client fund balances were strong during the quarter, increasing 8%, driven by new client growth, especially in small business services and increased pays per control. The positive impact from the January 1, 2013, expiration of Social Security tax holidays also contributed to balanced growth, and once anniversaried, the year-over-year comparison for balanced growth is expected to become more difficult in the second half of the year.

Additionally, the holding period for certain tax liabilities was larger in the quarter than in last year's first quarter due to certain remittance dates falling on a weekend this year. And we anticipate this will reverse on us as we progress through the fiscal year.

The PEO had a solid quarter with 12% revenue growth, driven by 11% average worksite employee growth. First-quarter new business bookings were strong in the PEO.

Moving on to Dealer Services. The North American core business drove just over half of the revenue growth in the quarter and benefited from continued strong transactional revenues. Revenues from digital advertising, websites, and search are strong and growing.

ADP's overall total pretax margin declined slightly for the quarter. Margin expansion in the business segments was offset by the negative impact from the decline in high-margin client fund interest revenues due to lower interest rates. The strong pretax margin expansion in both Employer Services and in Dealer Services was driven primarily by operating leverage.

The lower level of new business bookings for Employer Services resulted in slower growth in sales cost, which benefited the Employer Services margin this quarter, but is anticipated to turn around as the fiscal year progresses.

As Carlos mentioned, we are confirming our full-year new bookings forecast. In achieving this bookings forecast we anticipate that next quarter sales expense will grow faster and, therefore, not contribute to the pretax margin expansion at the same level as we saw this quarter.

The success achieved by our in-house sales organization is another area of positive contribution to pretax margin expansion. We are seeing the benefit from their use of online tools to drive efficiency and through better partnering with our feet-on-the-street sales force.

And before we leave the discussion on the quarter's results, I want to point out that the decline in client interest revenues resulting from lower interest rates continues to be the most significant drag on ADP's results. As anticipated, ADP's revenue growth was muted nearly 1 percentage point as the lower yield more than offset the benefit from the 8% growth in balances.

Pretax margin was negatively impacted by 110 basis points and diluted earnings per share was lower by 3%, or 5 percentage points for the quarter -- by $0.03, I apologize, or 5 percentage points for the quarter. Excluding these impacts, it is evident that the leverage in ADP's business model is strong and intact.

The important takeaway I want to leave you with related to the client fund investment strategy is that we believe the bottom of the cycle in terms of size of the year-over-year decline was last fiscal year and the worst is behind us.

Now looking ahead for the year I am pleased to reaffirm our initial financial 2014 guidance that we provided to you on August 1. And before we take your questions I want to remind you that ADP has continued its shareholder-friendly actions. We have repurchased 4.2 million ADP shares in the quarter for a total cost of $303 million.

I will turn it over to the operator to take your questions.

QUESTION AND ANSWER

Operator

(Operator Instructions) Paul Thomas, Goldman Sachs.

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

Good morning and thanks for taking my questions. I guess starting off on the new sales growth, was any hesitation related to the government shutdown? At least in magnitude, the drop looks similar to what we saw last year ahead of the fiscal cliff.

And any update on new sales one month into the December quarter?

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

I think that, when you think about the timing of when the shutdown took place, it doesn't feel like it was a major factor. I think we believe that a bigger factor was the very strong finish in the fourth quarter. When we look at our overall sales results, we had really good results that were in line with our expectations in every segment except for in the up market where there is a great deal more lumpiness. And this theme has been recurring for years, if not decades, at ADP.

It is -- when you have a very, very strong finish in the large market, it tends to drain the pipeline into the following quarter. So we believe that that was a -- the most significant factor was the strong finish in 2013, and then just poor execution on our part, overall of not making sure that we had sufficient pipeline in going into the first quarter.

We also had a difficult compare with last year's first quarter, so that also doesn't help, but I wouldn't ascribe a great deal of blame to government shutdown, at least not on our sales results. Perhaps on what you saw this morning with the employment report and then maybe other factors.

And our October results may have been affected by some chipping away of confidence, or whatever you want to call it, as a result of the government shutdown, but the quarter was basically done by the time the government shutdown issues really emerged.

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

Okay, thanks. And you have spoken in the past about your new sales goals for the year. Do you expect to meet those roughly half from sales force productivity and half from headcount growth? And the 4% increase in headcount you talked about; was that is in reaction to the slow start of the year or was that already part of your plan entering the fiscal year?

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

That is actually a great question because as I was reading it I was wondering if someone would ask that question because it is a logical question. And no, the -- we were just kind of reaffirming that we are -- we had a few other things that we were going to talk about that we are continuing to invest in on the sales side. Like we are doing a lot of investment in search engine marketing and trying to increase the number of leads to our sales force. We are also investing in headcount.

So, no, there was no -- that comment was really just to reaffirm that we are doing the same things we have always been doing so you didn't get the impression that we had underinvested or that we were underinvesting in sales. So that is in line with our plans and we just wanted to make sure that we reaffirmed that.

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

Okay, thanks. Maybe one more from my end. On your Innovation Day you highlighted some of the new document management and recruiting functions.

I just want to be clear; as part of the product refresh were there any features added specifically for the reporting requirements of the Affordable Care Act? You talked a little bit about that in your prepared comments. Is there more to come, or you are expecting those to be met with the features you already have?

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

No, there will be -- through the reporting, but also through workflow adjustments, specifically in this case as they relate mostly to the management of part-time versus full-time employees and other enrollment actions in each of them. So the reporting will support, but there will be also these use cases that flow and workflow spaces will be both HCM applications.

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

We have a dedicated group working on solutions to help with compliance of ACA. And we have had one thing that we already had to help our clients with from a communications standpoint regarding ACA, but it didn't really require any technology. It was basically a communication to all employees about their coverage that was required as part of ACA.

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

All right. Thanks a lot, guys.

Operator

Bryan Keane, Deutsche Bank.

Ashish Sabadra - ***Deutsche Bank - Analyst***

This is Ashish Sabadra calling on behalf of Bryan Keane. I just had a follow-up question on the sales booking. So you highlighted that the bookings were strong in the small businesses; the weakness was mostly in the national accounts I believe. How about the midmarket? If you could just provide some more color by different margin sizes.

And also just a follow-up on that. Going into your peak selling season how do you feel about the competitive environment? And if you could just comment on that as well.

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

In terms of some additional color on sales, I think in the fourth-quarter call we talked about -- again, just to reiterate when we have, just voice of experience. When we have these strong finishes, and we really did have an exceptionally strong finish in the fourth quarter of 2013, that we always tend to struggle in terms of the first quarter.

So we had planned, and I think we signaled that in our last call, that our sales growth -- we don't disclose quarterly sales growth in terms of our plans, but I think we did signal that we expected the first quarter to be below the full year in terms of sales growth. Of course, that is what we got which was obviously even below what we expected, the 1%.

We expected weakness anyway, and so the rest of the business units outside of the up-market basically delivered results in line with those expectations. So not in the strong double digits because of the strong finish we had in 2013, but in, call it, the high single digits, which we consider to be strong based on the backdrop of the strong finish in 2013. So really the entire sales force performed as expected and, in our view, a strong manner except for the up-market.

In terms of going into the selling season, heard us reaffirm our guidance. We believe we have the headcount, we believe we have the products, and we believe we need to execute in order to get those numbers. So we don't -- at least right now it's too early for us to say that we either can't make it or that we are going to exceed it, so that is why we kept the guidance the same in the 8% to 10% range.

So I think that would tell you that we have not seen any material difference in the competitive environment in our ability to win, but we expect to have a very strong selling season.

Ashish Sabadra - ***Deutsche Bank - Analyst***

And just a quick follow-up on pricing, have you seen any change in pricing dynamics in the industry?

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

No, we have not seen any material change in the pricing dynamics in any of our markets.

Ashish Sabadra - ***Deutsche Bank - Analyst***

Okay, thanks.

Operator

George Mihalos, Credit Suisse.

George Mihalos *- Credit Suisse - Analyst*

Thanks for taking my question, guys. Just to go back one final time on the new sales growth, is there a way to think about the percentage of new sales that typically comes in through the first quarter as we go through the year?

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

I seriously doubt it will be the last question about sales, but we will answer your question anyway. So Jan may be busily trying to find what that percentage is, but it is not 25% because our first-quarter skew is typically lower than the second and the third quarter. So I am confident that it is less than 25%, but I don't know the exact number.

So I think your math -- I think it is a fair question. I don't think it helps us that much; like we still have a lot of work to do. So we have a lot of wood to chop to get back up to the 8% to 10% range, because although it is true that the first quarter isn't as important as other quarters, we have big numbers.

We have one -- I think our forecast for the year is over $1.4 billion in sales. So even if the first quarter is 20% and another quarter is 28% or 30%, it is still challenging. We have a lot of work to do.

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

Again, we don't disclose our quarterly sales volumes, but the skewing is in a few percentage points, not in the double-digit changes.

George Mihalos *- Credit Suisse - Analyst*

Okay, that is helpful. Then just a follow-up on Europe. I think you said that pays per control were down 0.8%. I think that was largely in line with what you saw last quarter, if I'm not mistaken. Do you think that Europe in aggregate is starting to bottom?

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

This is a question that I also discussed at length with the team. I was last -- a couple of weeks ago in Europe and trying to sniff out if we see the early signs of that recovery. It is really exactly the same number that we had on the last quarter.

Notionally, we feel it should have bottomed out and we want to see slight improvements, but -- and that is kind of what the gut-feel tells you and me. But the numbers are really exactly what we expected and we have not seen an up-shift, but it is almost smelling that there could be spring in the air. But we have not seen it in the numbers.

It continues to be that southern Europe is struggling and that is where most of the challenges are. The four countries feel like that they are at the verge of getting better.

George Mihalos *- Credit Suisse - Analyst*

Okay, great. Thank you.

Operator

Sara Gubins, Bank of America.

Sara Gubins - ***BofA Merrill Lynch - Analyst***

Thank you. I will start off with an HCM question. How do you think employers are thinking about switching HCM providers as opposed to upgrading systems? And I'm wondering because there has been some research that suggested that there would be more interest in replacement as opposed to upgrades now versus in the past. I'm kind of wondering what you think about that and what it could mean for ADP.

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

We have seen, I think, a lot of different research that comes to -- everybody has different conclusions depending on who funds the research. That is why we prefer independent research.

I think there is no question that the changes in technology's infrastructure around cloud have created a potential opening for people to reconsider and think -- not just for HCM, but other parts of their business -- how they use technology. Whether they want to make those infrastructure investments themselves or they want to have them reside in someone else's backyard.

So I think it is possible that the acceptance and the growth of cloud-based solutions across multiple industries will create a greater propensity or more openness towards potentially switching versus simply just upgrading. So that is a possibility.

We believe that we would be beneficiaries of that because, at the end of the day, we are kind of the ultimate cloud provider and have always provided our clients on a hosted basis, if you will, on an outsourced basis. So I think the willingness of people to rethink how they do things and willingness to outsource more around their infrastructure in the cloud I think is something that we hope will benefit us.

Sara Gubins - ***BofA Merrill Lynch - Analyst***

Great. And then a question on RUN and EasyPay. Is the overall count of clients when you combine RUN and EasyPay going up? And given the shift in the pace towards RUN, do you think it will still take about 18 months to get everybody on RUN, or could that actually happen faster? And as it does, if you could talk about the cost benefit of maybe not having to run EasyPay that would be great. Thank you.

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

Yes, the combination of EasyPay and RUN, our unit growth is in the 4% to 5% range year over year, which is quite strong. Looking for fact check on that, but in the 4% to 5% range, which obviously we are extremely pleased with that because it does feel like we are gaining market share and certainly doing well against the competition in that space.

We are selling very little EasyPay now, so obviously it is just a combination of what we are selling and what we have on RUN and then what is attriting, if you will, on EasyPay. But the answer to your question, if you combine those two, is that we have very good growth in that part of our business.

And as we disclose our unit growth numbers overall for ADP, it is important to remember that because of the skewing of how many clients we have in that space, which is over 400,000, it does tend to skew the growth number. In other words, i.e., most of the growth for units for us is taking place in that space, a combination of RUN and EasyPay.

I'm sorry, the second part of your question was?

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

Migration.

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

On migrations -- how could I forget? It was one of my favorite topics. We are having some internal discussions, if you will -- I would almost call them fun if they weren't so serious -- about how fast we can get off of EasyPay.

Because we do think that it has value financially for us, which is I think the nature of your question, but it has also much more value for us symbolically in terms of our push to just overall focus more on migrations. Not just in small business, but really across all of ADP.

So this concept of really simplifying our platforms and migrating clients is a big deal for us internally. We don't talk about it a lot externally, but we do have a lot of focus on it. As of right now, I had a discussion last week with the leader of that business, Anish, who is -- they are working very, very hard on bringing that 18-month time horizon in closer to 12 to 15 months.

But we also don't want to, obviously, leave clients to the competition. We want to make sure that we migrate those clients in an orderly fashion and that we consider what their needs are and that we make sure that we have the right level of support and service for them when we bring them on to RUN. I would say that the short answer to your question is it's 18 months at the longest and I am hoping that it is shorter than that.

Sara Gubins - ***BofA Merrill Lynch - Analyst***

Thank you.

Operator

David Togut, Evercore.

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

Thank you and good morning. Carlos, you addressed the migration timeline from EasyPay to RUN, but can you also give us an update on timelines for Workforce Now?

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

I know Jan is going to -- can give you some of the specifics. But again, anecdotally, I also happened to speak with the other leader of that business, Regina, last week as well and very, very pleased with the progress in our midmarket in terms of client migrations as well there.

So heard some, seen some really great results in terms of some older versions, if you will, of Workforce Now and our previous platform, PCPW and another one Pay eXpert that have been -- a couple of which have been retired. So we still have work to do to get all of our midmarket clients on to Workforce Now, but I think this is another place where I think we are ahead of our plans. I am really pleased with the focus of the organization and the pace that we are going at.

So I don't know, Jan, if you have --?

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

No, I believe we have approximately 15,000 clients left on PCPW. And both in RUN for the first quarter as well as for PCPW we are ahead of our plan, so the migration teams are working well and migrations are accelerating in pace basically overall. So that gives us that comfort that the timeframe is -- the ranges that we gave you is probably more comfort towards the earlier than the later finish.

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

And we're very -- part of the strategy behind migrations is, first of all, it is the right thing to do because the clients should be on our best platforms, because we believe they really help them run their businesses. But it also, as a side benefit, reduces the size of the pond in which our competitors fish.

We believe that head-to-head competition our platforms today sell very well, compete very well, and we need to really get those clients on those platforms to really keep the competition from getting to them first.

David Togut *- Evercore Partners - Analyst*

Second question, if we add back the impact from lower interest rates on your earnings it looks like you would have posted 15% earnings per share growth, ex the lower interest rate, which is a rate of earnings growth I don't think we have seen since before the financial crisis. And even then you still had the brokerage business, at least up until about a year before the financial crisis.

So more of a longer-term question, based on the results you have recently seen and some of the new products that you have introduced, is it possible we could be looking at a higher earnings growth rate than we have seen historically once we get past the negative impact of lower interest rates on float income?

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

Let me start answering the question by focusing on revenues. Some of the times that you are mentioning in terms of periods back where we had slower earnings growth, we also had lower revenue growth. And so our model really does benefit quite a lot from a margin and profitability standpoint when we can accelerate revenues, which is why we have been so focused on this concept of net new business and the difference between sales or the business we start versus the business that we lose.

In the last two or three years, we have gotten decent traction in terms of that net new business contributing to our revenue growth. So when you combine that with pays per control growth and a little bit of price increase, we are getting as you can see into the 7% to 8% growth range revenue wise, and that is with the 1% drag from interest income.

Because interest income doesn't only drag the bottom line, but because of the way we report interest revenue because it's part of our core business, it also affects our revenue growth. So getting solidly into the 8% to 10% revenue growth range really provides us with a lot of opportunity to drive margin improvement and also to invest in the business, whether it is in some of our technology and product or in the sales force.

And so we feel extremely good about the progress on the margins in the quarter. I think your statement was accurate, but I just want to make sure that I added context. In terms of two or three years ago, it would have been hard to generate the kind of earnings growth that we just delivered this quarter just because the revenue growth wasn't there. And some of that was the backdrop of the economy, coming out of a difficult recession in terms of sales and losses and so forth.

So we have had the benefit, I think, of the economy recovering. I think we've had good execution from sales with two years now of double-digit sales growth, and I think we are really getting that top-line revenue growth that allows us -- provides us a lot of flexibility in terms of generating resources, both to give back to shareholders in the form of earnings growth, but also to reinvest in the business.

So I am not to get into the math. The math that you, I think, laid out is accurate, and it is the math.

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

Maybe to be the conservative CFO for a tiny bit, David; consider also that we had slight help on the [NSE] because of our weaker sales results in the quarter that helped a little bit. Not much actually, not as much as the degree we talked about it in the fourth quarter. So there is a little bit of quarter-specific items in here that make the margin expansion really nice for the quarter.

David Togut *- Evercore Partners - Analyst*

Got it. Thank you so much.

Operator

Jason Kupferberg, Jefferies.

Jason Kupferberg *- Jefferies & Company - Analyst*

Good morning, guys. Can you just remind us where you delineate in terms of number of employees between small, mid, and large enterprise? I don't know if that has changed at all. I feel like we haven't discussed that in a while.

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

Actually a great question because we are trying to delineate less and less in a sense that -- again, I think we have said this on a couple of calls and it is worth reiterating that we are selling our platforms across market segments. And so the bright lines that we had five, 10 years ago I think are fading for the right reasons because those bright lines are not market oriented.

So as an example, we sell our RUN platform into the midmarket and we sell Workforce Now into the national accounts market. But to give you the specifics on the answer to your question, internally we have a business leader responsible for zero to 50 employees. We have another business leader responsible for 50 to 999 or to 1,000. And then above 1,000 we have a different business leader and we consider that to be national accounts or upmarket.

But all these leaders are part of the same team; they are part of my team. And one of the things we have been focused on a lot over the last several years, and this goes back probably three or four years, is figuring out how we sell the right platform to the right client irrespective of the segment.

We have actually executed quite well against that in the sense that we are selling a lot of RUN into our major accounts segment and we are selling a lot of Workforce Now down into the small business market when it is a complex client or a client that has complex needs. Just this last quarter we had really robust sales of Workforce Now in our national accounts space where that platform is a good solution for many clients where the Vantage platform may not necessarily be the right fit.

Jason Kupferberg *- Jefferies & Company - Analyst*

Okay, understood. Just going back to your comments earlier around rebuilding the pipeline for the large enterprise. I mean I just want to get a sense, because I know the sales cycles are obviously long in that segment.

So as you sit here with, I guess what do we have, eight months left in the fiscal year is there enough time to rebuild the pipeline and then actually convert the pipeline into sales to make sure that you get to that 8% to 10%? Or do you think it is really just going to come down to how a few deals break either way in Q4?

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

It's actually both things. You are quite correct about the few deals breaking things. This is one of the things that has been true for years. In global view in the national accounts a few deals do make a difference, particularly in one quarter.

And so we probably need a couple of deals to break our way over the course of the next eight months. Then we also need to rebuild that pipeline and close some of that business. Just remember that for us, again, from a revenue standpoint, we want to close the business and then get it started.

So right now we are actually benefiting from all the strong sales we have had over the last couple of years, including the last quarter, and we need to kind of rebuild that. But from a revenue standpoint, doesn't have a huge impact on us in the short term, because this is all about getting the signature on the deal. We still have to then start the deal after that.

So as we rebuild these pipelines and execute and close the business and get the sales there is still a six- to 12-month lag for that business to become revenue. I know you all know that, but I just want to kind of put that reminder out.

But you have heard our guidance; we believe that we can rebuild those pipelines and that we can get enough business closed to help us get to that 8% to 10%. But I think you also hear us being somewhat cautious in the sense that we would have preferred to have ended up in the mid-single-digits growth for the quarter in sales and not low-single-digits.

Jason Kupferberg *- Jefferies & Company - Analyst*

Yes, that is fair. Just last question for me. You made a brief reference to the national employment report you guys put out this morning. It looked like the jobs number was somewhat below consensus; I think it has declined for the four straight months or so now.

Is this turning into a potential pattern that we should be concerned at all about in terms of possibly reversing the trend of improving US employment that we had been witnessing for a while?

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

I think when you listen to the economist Mark Zandi, who really helps and kind of has the real data behind the numbers that we report, we do believe in this case, unlike in our sales results, that the government shutdown did have an impact. And so if you listened to him this morning describe where he is, he believes that that number probably had a 20,000 to 30,000 impact, if you will, from the government shutdown. But even excluding that, that gets you back to, call it, around 150,000, which is really below the trend back six months ago.

So when I look at these numbers I try to look at more than just one month. If you look at, excluding October, the previous two quarters, the last quarter was down sequentially about 20,000 per month on average than the previous quarter.

So the trend was definitely down but it feels like 150,000 is where Zandi would say we are right now, which is not where we were before at 170,000 or 190,000, but right now it doesn't seem like it is a number that is -- there is no clear indication yet that that is going to break even lower than that 150,000 trend because this month had some noise in it because of the government shutdown.

Jason Kupferberg *- Jefferies & Company - Analyst*

Right, understood. All right, thanks for all the color.

Operator

Kartik Mehta, Northcoast Research.

Kartik Mehta *- Northcoast Research - Analyst*

Good morning. Carlos, as you look at the payroll business do you see competition changing at all, especially now that you have more COG-based products? Is that allowing others to maybe enter the industry that you didn't see previously?

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

I think that we've had a lot of competition forever, so as long as I have been around at ADP, and I obviously have the benefit of talking to a lot of people who have been around even longer than I have. So we have had a lot of good competitors for a very long time; been multiple changes in technology.

And so we have been around, as you know, more than 60 years and so we have gone all the way from punch cards to PCs to the cloud and we have had competition all along the way. That is just the nature of the beast, both in the US and globally. I think, as Jan said, we haven't seen any indications yet from a pricing standpoint that there is any issues around pricing.

In terms of the amount of competition or the fierceness, if you will, of the competition I think our sales results, notwithstanding the first quarter, speak for themselves. We had two very, very strong years that even the year before that we just missed being double digit.

So we have almost three years of double-digit sales growth and two years of solid double-digit sales growth. And I think that is the best indication of all of kind of your competitive position is whether you are winning market share or whether you're not winning market share. We feel pretty good about our position and the pivots we have made to really address the changes in technology around cloud.

So we feel comfortable where we are, but we understand very well, more than anyone else, that there is a lot of competition, because everyone is obviously aiming at us and we have lots of people to aim at.

Kartik Mehta - ***Northcoast Research - Analyst***

Then just to go back on your comment, you said you see less delineation in your customer segments. Is that the result of just all your customers wanting technology or almost the same level of technology? Is that the primary reason or are there other reasons for your comment?

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

I think, frankly, the reason for my comment was really more around internal issues around the blurring of our silos and our segments where we have been -- again, my observation of my tenure at ADP is that we have made a lot of progress now on being able to focus on the client and not on the business unit leader and their specific segment that is their responsibility.

I think we have worked really hard over the last five to 10 years to blur those lines. And I think it helps us because it makes it harder for the competition and I think it gets the clients the right solution that they need to get the job done.

Kartik Mehta - ***Northcoast Research - Analyst***

Thank you very much.

Operator

Jeff Silber, BMO Capital Markets.

Jeff Silber - ***BMO Capital Markets - Analyst***

Thanks so much. Carlos, you had talked about the addition to headcount on the sales force side being up about 4% this year. Can you remind us how that compares to prior years? I am also curious; has that already happened this year or is it going to be more kind of smooth throughout the entire year this year? Thanks.

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

I think that that is pretty close to last year's headcount growth, because we had obviously very strong sales results. And so we had more than double, if you will, the number of headcount growth from a productivity standpoint, which we were very pleased by, but we hadn't planned on and we weren't counting on. And we are certainly not counting on for this year.

So last year we had around the same headcount growth, but had just some amazing productivity gains that ended up giving us the double-digit results at the end of the year. I believe our plan for this year is to be around that 4% and I think right now we are in that range, around 4%.

Jeff Silber - ***BMO Capital Markets - Analyst***

Okay, great, that is helpful. Then I am shifting back to the bookings number; I'm sorry about this, but you talked about past experience having a strong fourth quarter and then potentially a softer first quarter. How long does it take to get back to a more normalized trend? Will we see it in the second quarter or it will be more backend loaded?

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

Could you repeat the question one more time? We were checking on your headcount growth number, which is 4% this year. And I am just looking at last year was 3%.

Jeff Silber - ***BMO Capital Markets - Analyst***

Okay, great. That is helpful. My question was on bookings. You mentioned the strong fourth quarter leading to a softer first quarter. I am just curious historically how long it takes to get back to normal. Will we see it bounce back in the second quarter or it will be more gradual throughout the year?

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

Unfortunately, there is more moving parts in terms of the comparison to the previous second quarter also matters. So last year's second quarter versus this second quarter will have some impact as well. As you can imagine, there are potential other moving parts, like we are not seeing anything yet in our sales results, but the government shutdown hit the confidence, if you will, or people delaying decisions could have had an impact on our results in October or in the second quarter.

So there is a lot of other moving parts in terms of how quickly that number comes back. The real key to focus on is the pipeline; is, do you have the headcount and do you have the pipeline? And we believe we do.

Notwithstanding that, there will be noise along the way, whether it is fiscal cliffs or government shutdowns or other factors -- strong fourth quarters and strong compares or difficult compares. All those things are factors. But fundamentally you have to have the headcount and you have to have the pipeline. Those are the numbers that Jan and I spent some time looking at and is why we believe that we can reaffirm our guidance.

Jeff Silber - ***BMO Capital Markets - Analyst***

All right, great. Thanks so much.

Operator

Mark Marcon, Robert W. Baird.

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

Good morning. One more just on the booking side. When I was over at HR Tech it looked like there had been some nice product improvements in terms of Vantage and it sounds like the number of clients on that has been growing.

Can you talk a little bit about what you are seeing there in -- you did mention that the bookings were softer on the upper end of the market. What are you seeing in terms of the win rates that are currently going in terms of the actual engagements that you are going through or the RFPs that you are going through at this point? And is it more a question of pipeline build as opposed to improving win rates?

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

I think that the upmarket for us besides Vantage -- just to be clear, the Vantage sales themselves are one, frankly, relatively small part of the overall sales results in upmarket. So in addition to Vantage we have our multinational sales which were, I think weak would be an understatement for the first quarter because we had none in GlobalView.

We usually don't disclose that but we -- that is a very, very lumpy business, so whether or not you get one or two deals in a quarter in GlobalView is very normal. Sometimes we will have two or three in a quarter and they help us a lot. In this quarter we had none, so that hurt us in terms of that growth rate in the upmarket.

We also have our upmarket BPO solution in those results, which also tends to be a very large sales number when we sell those what we call COS deals. And this quarter also happened to be weak from an upmarket BPO standpoint.

By the way, we had a very strong year and a very strong fourth quarter in BPO, so there is no -- I don't think there is any negative news to report there other than the pipeline having been emptied. And then you come back to we have a lot of other products that we sell in our national accounts space in addition to Vantage, such as stand-alone benefit solutions and other solutions for the benefit space.

Unfortunately, it was weak across the board, but it really wasn't a Vantage issue. Vantage is still selling well. We had a good first quarter in terms of the number of new clients that we have sold.

We actually increased our starts by 50% so we have -- we have doubled the number of clients that we have actually already, that actually started, not just sold, in Vantage. So we really don't -- it is not really an issue of Vantage and of singling out Vantage as a problem for the quarter.

Mark Marcon *- Robert W. Baird - Analyst*

Great. So it sounds like -- just a little bit broader based, but just in terms of the general question in terms of pipeline versus win rates, was there any change in terms of the win rates in terms of the RFPs that went through?

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

No. Number one, of course, deal volume was a little bit lower here overall so it is a little -- that is probably not a material change. Now we are talking here statistical numbers on the percentage rates which one way or the other, but nothing that has changed really relating to the competitive advantage that we can see.

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

I think some of it is just the nature of the large account market in terms of the lumpiness as part of it, and I think we believe also we had some execution issues where I think we have -- all of us put an enormous amount of pressure on each other to make sure that we get the sales results every quarter.

But there is also an expectation from a leadership standpoint that you maintain your platforms that you have enough the next quarter and the quarter after that. We dropped the ball and we didn't execute, which I think is, at the end of the day, part of the challenge.

Mark Marcon *- Robert W. Baird - Analyst*

Great. Thanks for the color on that. Then with regards to the migration, I didn't get the migration schedule for both RUN and for Workplace. Can you talk a little bit more about -- I mean for Workforce. Can you talk a little bit about how we should think about that and then what the implications would be for the margins?

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

We talked, I think, in the last fiscal year -- RUN, we migrated approximately 24,000 RUN clients over and about half of them were migrated in the last quarter. So we had a very steep ramping of the migration pace.

Now in the first quarter migration accelerated another 50% above that rate in the last quarter, so we are still ramping, although that is not going to continue. It is going to level at some point in time, so we are getting close to that level that we anticipate is good and sustainable. But we have still a rapid acceleration in pace for migrations in this quarter it seems.

We want to get out of this accounting for the quarter here, but a general guidance that within -- now we are a quarter, we said 18 months. So the game here is really how fast in fiscal 2015 are we going to be off the platform or not, and as Carlos indicated that is moving more towards the beginning of FY15 than at the end of it if you want guidance.

So the pace of migrations in RUN is really nice and ahead of our plan and scaling well, and so forth. The same thing in Workforce Now. We increased the number of migrations quarter over quarter, but they kind of have the teams going -- they go fairly stable.

Last year we migrated approximately 10,000 clients. Now I said we have about 15,000 clients I think on PW, so clearly now we are going to come into a more tricky client situations. Clients that were highly satisfied with that PCPW environment and so forth and we want to treat them right.

So as you get a smaller base to convert that could be slowing in pace, more indicating just the bowl to fish in is getting smaller. But same thing, the Workforce Now team is really doing a great job and they have finished also ahead of their goals for the quarter.

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

I think just in terms of again general dates, I think -- we think that RUN we may be able to get done earlier in calendar 2015 than what we previously anticipated. Because we, I think, previously thought it would take us kind of towards the middle of calendar 2015. We think we can pull that in a little sooner, and I think Workforce Now and the PCPW migrations are probably somewhere in the same timeframe.

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

Great. I know you are going to continue to invest for innovation, but can you talk about just what that would free up in terms of funds to invest for innovation?

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

I don't know that we have that level of detail to be able to share yet. I think it is a fair question. As we get closer to the time and we are able to quantify more the numbers, because the pure R&D dollars, for example, that we spent on EasyPay, that alone is nothing to write home about frankly.

We will take it and we will reinvest it in innovation. But I think there are ancillary costs related to friction around having multiple platforms, around having multiple service people, multiple implementation methodologies, so I think it is broader than just the R&D. And so I think it is a fair to do for us, because we are doing some of it internally.

But I think finding a way to communicate with all of you what we think might be the outcomes of that I think is a fair question. So we will work on that, but it is not as simple as just the R&D costs, because we know what those dollars are, but we think it is a broader benefit to us.

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

As we have stated before, I think the increased focus on innovation will result effectively that at this point we are aiming to keep the ratio of R&D spend relative to revenue growth in line but in the area that we are not planning to scale significantly. Within that R&D budget we fund portfolio of initiatives and innovation that we allocate, so this will give us effectively more room to invest into our strategic platforms, accelerate the pace of innovation to make a even further difference for our products.

Then the operational scale that the reduction of complexity would yield will, in my point of view, support our general guidance of gaining operational leverage that we need to and want to provide to our shareholders as we have been done successfully in this quarter in particular. So if you think about it, those are part of our plans for the long run to feel comfortable that the operational scale will be maintained at a good pace.

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

Thank you. I really appreciate the thoughtful answers.

Operator

Glenn Greene, Oppenheimer.

Glenn Greene - ***Oppenheimer & Co. - Analyst***

Good morning. Just a couple of follow up questions. First, on the ES margins.

Obviously really nice 160 basis points year over year and I think you sort of called out partly the benefit of the lower sales commissions sort of tied to the bookings trends we've all been talking about. Is there any way to sort of quantify directionally how much of the margin benefit year over year was from the lower-than-expected sales commissions?

I think you sort of were suggesting that that could conversely be a drag into 2Q, and just looking at your sales comparison it looks like 2Q is your easiest comp of the year. So it kind of implies that you should see a nice acceleration in bookings into 2Q. So it is kind of two questions there.

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

There are two questions. I will take the margin questions. It is less than 50 basis points on the margins that has helped, so it is less than $0.01 and so forth. So it is really smaller on the sales cost line, but it did help us a little bit.

In the second quarter compare, I think you are an astute observer that the second quarter last year was hampered by Sandy impact and also the government friction that we experienced which gave us that quarter. So your observance is correct, but we are not even closing October yet. We are just in the process of closing October so, yes, that will be our quarter that we have to roll over.

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

If I can just add, I think, as Jan described the margin issue I just want to make sure that this does not come easily, the margin improvement. I just want to complement our field operations groups who were able to deliver this. It has been a lot of hard work around driving productivity and efficiency in the field to basically deliver the results we want to deliver to all of you, but also be able to reinvest in the business. They certainly have come through in the first quarter and we expect that they're going to continue to come through.

So I just want to make sure that I got that out there that this does not come easily, because your observation is correct that it was -- that is an impressive margin improvement. And even backing out the benefit of lower sales costs it is still pretty impressive.

Glenn Greene - ***Oppenheimer & Co. - Analyst***

Okay. Then a little bit different direction. The RUN product, obviously, has been -- you continue to put up good numbers there, good unit growth. It seems to me gaining nice market share at that end of the market and maybe just sort of color or commentary on it. I don't know if -- doubt you would have any specifics on it, but is there any way to sort of think about the market share gains you have had with RUN since you have rolled it out?

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

It feels, again -- again, back to the research -- if you look at research reports and you look at the growth of the market itself, new business formations, there is a bunch of things you could look at that would lead you to believe that we are getting some market share. But those numbers are so big and so squishy in terms of the range of error in terms of -- it's like every time I look at some of these numbers it makes me uncomfortable.

The only thing that I want to see is for us to continue to grow. It feels great when it feels like we are gaining market share, but we need to focus on ourselves. We obviously need to focus on what the competition is doing to win, but this is about us, not about competitors. We think we are doing well and we are executing, and that is what we are going to continue to focus on.

Glenn Greene - ***Oppenheimer & Co. - Analyst***

Okay, great. Thank you.

Operator

David Grossman, Stifel.

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

Thank you. I jumped on a little bit late, so if any of this has been already asked and answered we can take it offline. But the first thing I wanted to ask is just could you give us some updated thoughts on the Affordable Care Act and what impact, if any, you are thinking it may have on the PEO business, whether that be positive or negative?

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

Yes, we had actually quite strong sales results in the PEO in this first quarter, and so obviously it doesn't seem like it is having an effect yet. We think that the position of the PEO is quite strong in terms of providing an alternative because when you really get down to it the PEO is an exchange. It is a very large employer option for small companies.

This is the way the business has always been managed and it's just the nature of the business that you are creating scale in what we call the PEO for small companies. Not just for healthcare, but also for workers' compensation, for technology, for HR services, for a number of things. In other words, giving small companies things that typically are only accessible to large companies and healthcare plans are in that category.

So the quality of our health plans and the price of our health plans we believe has always been a differentiator for us in the marketplace. And we believe that is what is allowing it to be successful through what is now other options. So there are other options being created for individuals and for small companies as a result of ACA, but we believe that the PEO is one of those options that is very viable. And in fact, it is executing quite well and growing quite nicely.

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

Okay. Then in terms of the alternatives -- and the alternative would be, at least on the healthcare side, the private exchanges that emerge. Any thoughts on how we should think about the scale of your business versus potentially what these other exchanges could look like, or is it just too early to really kind of make that assessment?

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

I can give you a little bit of color in the sense that not every PEO will be the same in terms of how it handles ACA changes. So as an example, our average wage and the profile of our client tends to be more white collar, higher average pay, greater participation in benefits, and a greater percentage of contribution to those benefits by the employers themselves, by the small business clients that are part of our PEO.

So that is a fundamentally important issue to keep in mind, because where there is potentially the biggest risk is from an exchange, is where you have low average wage, low benefits participation, and an exchange may provide a very attractive alternative. So this is not to say that it won't be an attractive alternative to some small business clients, but the types of small business clients that we target in our PEO we don't believe will be immediately tempted to move to an exchange, although some I am sure will. But we don't -- we believe that we have some advantage in dealing with the change because of the nature of the types of clients that we attract and that we actually have in our PEO.

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

Okay, got it. Thanks for that. Then just a second question just gets back to -- on the product side, obviously, one of the great benefits of the new platforms is the ability to sell a suite of different ADP products. And, again, perhaps given where we are in the migrations it is a little early to kind of provide an update on some of the anecdotal data points that you have provided in the past.

But is there anything new you can share, now that we are three or four months further into this? What the take rates look in terms of your ability to sell suite? And how the sales force is gearing up to do that, and changes you have made to incent them to do that?

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

There are two questions. In the migration, we mentioned in the past that we upsell certain product components because clients learn about the product and immediately buy some more. We have seen upsell activity, I think I disclosed this; about 20% higher revenue in the migration that happens in Workforce Now as we do -- that is really where this is relevant. And we have not seen any change in that momentum so we should anticipate that that continues.

Those are new sales to us. Only the 20% upsell component that flows into our continuous bookings and is reflected in the thing, so as migrations do that has been part of the last year's new business numbers. So there is no change in that. I think that is now fairly stable on it.

Secondly, selling of bundled solutions. The attach rates remain very high in Vantage on the deals that we have sold. No change really to the rates that we have reported back. A slight error of statistics here and there, but are really essentially the same. So I think we have -- we are delighted with the high attach rates that our upmarkets products achieve and the upsell opportunity that we have in Workforce Now.

The incentives have been the same. Our sales force gets only incented on generating new recurring revenue. That has been a historic model for ADP and we didn't have to change that for this process, so the incentive structure is supportive of our strategy.

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

Okay, great. Thanks very much.

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***

Thank you all for joining us today. As you can tell, we are very pleased with our results. We continue to do the right things from a shareholder standpoint -- paying our dividends, executing our share buybacks when the market allows.

You heard a lot of our discussion and our focus on innovation, which I think you are going to continue to care about. I think it is really developing a set of products where we have, I think, offerings that are both deep but also broad in terms of back to this issue around attach rates and the number of additional platforms that we sell along with our payroll solutions.

So all of that I think is better positioning us to meet the needs of our clients and actually around the entire globe, not just in the US. And so we look forward to sharing more of these thoughts with you about our HCM strategy in future calls and we thank you again for joining us today.

Operator

Thank you for your participation. This concludes today's conference. You may now disconnect.