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EDITED TRANSCRIPT

ADP.OQ - Automatic Data Processing Inc Investor Day

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OVERVIEW:

Company Summary

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PRESENTATION

Matthew Keating - *Automatic Data Processing Inc - Vice President - Investor Relations*

Good morning, everyone. Welcome, and thank you for joining ADP's 2025 Investor Day. We really appreciate your interest in our company. I'm Matt Keating, ADP's VP of Investor Relations.

And before we get started, I just have a few reminders. First, this event is being webcast and all materials can be found on our investors website at investors.adp.com. And of course, we will be making forward-looking statements today that refer to future events and involve some risk. We encourage you to refer to the Form 10-K filed with the SEC for more information on these risk factors that could cause actual results to differ materially from our current expectations. We'll also be referring to non-GAAP measures today, and you can find in our filings with the SEC, a reconciliation of these non-GAAP measures to their most comparable GAAP measures.

Now for the fun part. We have a great agenda planned for this morning. We'll begin with our President and CEO, Maria Black, who will talk about where ADP has come from and more importantly, where we are headed. Sreeni Kutam, our President of Global Product & Innovation, will then talk about how we're infusing AI into our organization and driving innovation to deliver the best possible products and experiences for our clients.

Then David Foskett, our President of Global Sales, will talk about our distribution and how we leverage it as a competitive advantage. After David, we'll switch gears to our business units where Joe DeSilva, our EVP of North America and Chief of Operations, will cover our largest growth opportunities for our Employer Services segment in North America. Following Joe, we'll have Virginia Magliulo, our Executive Vice President of Employer Services International, speak about our significant international opportunity and in particular, highlight our meaningful opportunity to expand beyond payroll outside the United States.

We'll then take a short -- we'll then have Brian Michaud, our Executive Vice President of Smart Compliance and HR Outsourcing, talk about our meaningful opportunity in the HR outsourcing space. We'll then take a short break before we'll have Peter Hadley, our Corporate Treasurer and incoming CFO, provide a look at our financial framework and outline our medium-term objectives.

Following this financial update, we'll host a Q&A session. And after that concludes, we'll break off for lunch and product demos.

It is now my pleasure to turn the stage over to our President and CEO, Maria Black. Maria?

Maria Black - *Automatic Data Processing Inc - President, Chief Executive Officer, Director*

Thank you, Matt, and good morning, everyone. I am so excited to be here.

As Matt said, I'm Maria Black, President and CEO of ADP, and we are incredibly grateful to have you with us this morning and for your support and your interest in our company. Today, we're going to do a deep dive of ADP. We're going to talk about where ADP has been, and we're going to talk to you about our journey ahead. And we're going to talk to you about how we are differentiated from every other HCM provider out there.

Today's message is about scale. It is about dependability and it is about innovation, the qualities that have driven ADP's durable revenue growth and the qualities that have allowed us to extend our HCM leadership. ADP, we are the world's largest HCM provider with more than \$19 billion in fiscal 2024. We serve 1.1 million clients, including 80% of the Fortune 500. We pay more than 42 million wage earners, our clients' employees in over 140 countries. We moved more than \$3.1 trillion in client funds in the United States each and every year.

Scale is more important than ever in the HCM industry. The landscape around us is getting increasingly complex and the needs of our clients are wide-ranging and evolving. And of course, there is the promise of artificial intelligence.

ADP, we are big, but we are also broad. We support clients' every single HCM need. This includes HR, payroll time, benefits, HR outsourcing, talent, compliance, and retirement. Our products and our services, they span the entire life cycle of employment from hire to retire. And along the way, we have the opportunity at ADP to gain significant insight into the world of work.

We are also the only HCM provider that supports clients of every single size, whether you're one employee small business on main street or you're the largest enterprise with more than 1 million employees that you pay on payday, ADP, we are prepared to meet our clients' needs.

So we've built over the last 50-some-odd years, a global network that serves our clients in 140 countries. Our global reach is unparalleled and deep, and we see meaningful opportunities to leverage our strength in Global Payroll and increase our revenue streams outside of the United States. We're focused on deploying our HR and workforce management solutions all across our international markets to support our global and multinational clients.

Our scale, ADP scale, it significantly differentiates us in the market. We're the only HCM provider that can support every single HCM need, serve all of the client sizes and consistently execute for our global and multinational clients. The diversification of our business, it's what's allowed us to consistently deliver durable growth and we're really proud to have and deliver a strong revenue growth and overall financial performance over all macroeconomic cycles.

We're also very, very fortunate to operate in such an attractive market. The HCM total addressable market exceeds \$180 billion globally including payroll, HR, benefits, talent, HR outsourcing, analytics, and workforce management. It's really great to operate in such a large market, but it's even

better to be operating in one that is growing, and we continue to expect that the HCM market will continue to grow in the mid-single digits across our medium-term forecast. And as the world of work continues to evolve, we believe the HCM's market durable growth positions ADP for our continued growth in the years to come and hopefully the decades to come.

We are the world's largest HCM provider but we're also only scratching the surface of our opportunity. While our revenue has increased substantially over the last decade, our share of addressable market has remained largely the same. We see significant growth and runway for growth across all of the HCM categories that we address, and we're really excited about what lies ahead for ADP.

We're very confident in our future, and this stems from the mission-critical nature of what it is that we do in the HCM industry. The HCM industry is mission-critical because it manages a company's most valuable asset, its workforce. And paying employees is not optional. It's not discretionary. Employees need to be paid on time and accurately every time.

Effective HCM solutions, they help with streamlining HR processes, improving efficiency, and providing data-driven insights to help clients in their decision-making to help maximize their employee potential. And the HCM industry, it's also always changing, continuously changing the relationship between the employee and the employer and new work models that have continued to evolve. And of course, there's the regulatory and the compliance landscape that is definitely continuing to shift. Our deep understanding of this and our deep appreciation of these industry characteristics have allowed ADP to thrive for decades and that also will continue to position us for success.

We appreciate all of the magnitude of these challenges and what it means that our clients face. Demographics are shifting, health care costs are rising, and the pool of payroll and HR talent is shrinking and meanwhile, workforces are becoming more global and employees and employers, they are demanding everything real-time. The technology landscape, this we know, this we know that it is evolving rapidly, especially as all of the AI is advancing and changing the complexities and the opportunities around us.

But fortunately, at ADP, we're very lucky because we set up our company to keep the client at the center of everything we do. And this means that we think about our clients deeply and understand their needs, not just so that we can proactively develop solutions to support them, but so that we can continue to help them in their journeys and their continued success.

Clients have relied on ADP for over 75 years. And we have established ourselves as a brand and a company that clients can depend on. This reflects the values-driven culture that our founders were very careful to instill so many years ago that placed a clear emphasis on ethics and integrity. At ADP, we believe integrity is everything, and we honor our commitments. We thrive on delivering insightful expertise. We are obsessed with our client experience and with service excellence. We are focused on inspiring innovation and finding those new ways to support our clients and help them grow.

At ADP, each person counts, every client and every associate. We have a results-driven work ethic and accountability is meaningful and prudent risk-taking is important, and for 75 years, we valued social responsibility, and we deeply believe in giving back to the communities where we work and we live. In our culture and our values, they have enabled our success and they will continue to serve as our guideposts in the future.

Innovation at ADP, it's in the fabric of who we are. It is in our DNA. We've consistently been at the forefront of payroll and HR innovation. And in fact, we've enjoyed a few firsts. We invented payroll outsourcing back in 1949. We were the first in the cloud, and we were the first with a mobile app in our industry. And we were the first to create an online HCM marketplace for our industry and to roll out a chat-based payroll app.

Our scale supports our innovation and we invested nearly \$1.3 billion in R&D alone in fiscal '24. And certainly, AI represents the next frontier and our industry-leading data set married to our best-in-class distribution offers ADP a competitive, distinct advantage as we will bring those things together to meaningfully improve the workplace and the lives of workers. I am really excited to have all of you hear our innovation story today and more about the potential of AI as it gets of use infused across ADP.

In addition to growth initiatives for each one of our businesses, we've also identified three strategic priorities that apply across all of ADP and that will help guide our future growth. Our first priority is to lead with best-in-class HCM technology. Put simply, we want to design, develop, and deliver the most innovative solutions possible for our clients. We believe, and you will see today, we are in a very strong position today, but we also see

opportunities to further enhance our solutions, leverage creative partnerships, and, of course, consider acquisitions that might accelerate our pace of innovation.

Our second priority is to provide our clients with unmatched expertise and outsourcing. This client service emphasis, it applies equally across all of our clients whether you're a basic payroll client to a fully outsourced client where we take over and become part of, if not all, of the HR department. Payroll, HR, benefits, tax, and time, they are complex. And we have the deep domain expertise required to assist our clients. And it's not just here, but it's also across the globe.

And our third strategic priority is to benefit our clients with our global scale. We have the industry's broadest global reach, and we bring together our incredible data, array of partners and integrated solutions to help our clients around the world navigate the changing world of work. Innovation is critical to our continued success across these three priorities, and we benefit from a comprehensive innovation approach where we build, partner -- where we build, buy, partner, and invest. This flywheel allows us to innovate at a pace that allows us to address our current -- our clients' current and future needs.

From a build standpoint, we're always investing in our existing products to add new capabilities and develop new platforms to address our clients' needs. Today, you're going to hear a lot about how excited we are for our next-gen products and the benefits that we anticipate from our holistic approach to infusing AI throughout our business.

From a buy perspective, we're always on the lookout for acquisitions that complement without complicating our business. M&A, it can help us innovate faster. It can help us address product opportunities that are within our product portfolio. From a partnership perspective, ADP, we've always believed in an open ecosystem, and we strive to come together with our partners to collaborate and to leverage each other's strengths in order to deliver the best possible outcomes for our clients. And lastly, invest. You will hear this morning, in a few minutes, in fact, about how we keep the finger on the pulse of the HCM industry to ensure that we understand what's happening with HCM innovation through our corporate venture capital fund that we launched in fall of 2023.

In the past two years, since we introduced our strategic priorities, we've made considerable progress across all of them. We launched ADP Lyric HCM, and we've been really encouraged by the strong reception in the market. We also acquired WorkForce Software, which meaningfully enhanced our ability in the time and attendance space and the broader workforce management needs of our clients, and we purchased Sora, a workflow automation and data integration tool that helps unify disparate business applications like HR, IT and other systems.

At the same time, we augmented our global reach by acquiring payroll businesses like BTR in Sweden and most recently, PEI in Mexico. We've also forged mutually beneficial partnerships such as the one with Fiserv, where we've teamed up with them to offer U.S. small businesses access to an integrated all-in-one solution that combines the full power of the RUN platform and the Clover small business management platform. And we also plan to introduce Fiserv's integrated accounts payable and receivables platform into RUN later this year, which will offer our smaller clients the ability to manage their cash flow more efficiently.

On the AI front, we successfully introduced ADP Assist, which provides the latest AI-driven capabilities into our products and similarly, we've deployed these tools broadly across ADP to drive efficiencies in our sales, service, and technology functions. ADP Assist was recently the winner in the 2025 Artificial Intelligence Excellence Award presented by the Business Intelligence Group, earning recognition for driving innovation and possibilities in AI.

AI technologies, the ones we are deploying, they are not just a triumph of imagination and execution, they are the future. And I can't wait to see what our teams dream up next. And finally, we've done all this while driving strong revenue and adjusted diluted EPS growth. We also recently hit a major milestone increasing our dividend for 50 consecutive years, which speaks to the consistency of our financial performance.

Our client satisfaction scores, they continue to reach new record highs. During the past three years, our client satisfaction scores measured by Net Promoter Score, NPS, increased 40%. These strong NPS scores, they support our client revenue retention as they also sit at near-record highs, but they also serve as further proof how we keep the client at the center of everything that we do.

Our impressive execution has positioned us as an industry leader. It's incredibly gratifying to have all of these efforts recognized, but it's also an incredible responsibility to ensure that we help drive this industry forward. We must continue to develop and deploy best-in-class HCM technology which, together with our deep level of data and insight and expertise, will meaningfully improve the world of work.

To wrap up, we are bullish on the HCM industry and our future in it for several reasons. We operate in a dynamic market. It's large, it's growing and it is always evolving. We have a track record of leading in innovation. Technology is moving at a rapid pace, and Sreeni is going to join us here in a minute to tell you all about it.

We have a leading go-to-market and distribution. David will come up, after Sreeni, and explain why ADP's distribution is one of our biggest and most important and differentiated assets for ADP.

We also have scale that sets us apart from every other HCM provider. The scale helps us serve every client's HCM need, size, location, with an unrivaled data set that powers and inspires our products and innovation. You will hear a lot more about how we leverage this scale across our business units, today.

Finally, we continue to demonstrate durable financial performance. You're going to hear all about that from Peter.

With that, it's my honor to bring up our President of Global Product and Innovation to help tell our innovation story, Sreeni Kutam.

Sreenivasa Kutam - *Automatic Data Processing Inc - President, Global Product and Innovation*

Good morning. Thanks, Maria. Thanks for joining us today and your continued support in our team.

In our session, I would like to share some answers to four key questions.

Number 1: What have we been doing since the last Investor Day. We've been doing a lot. I'll share it with you.

Second: How are we thinking about AI within ADP?

And third: What are the key highlights from some of our flagship products and how those products would be differentiated in an increasing commoditized SaaS applications?

And the last, as Maria said: How are we going to keep this innovation flywheel keep going with our outside-in perspectives, as well?

Let's dive in.

As I said, we have done a lot since Investor Day I want to highlight some of the products and platforms that may not get a lot of limelight, compared to our flagship market-facing products.

Why is that important? Let me walk you through a few of the products: One Data, One Mobile, One UX, Marketplace, et cetera.

Take One Data as an example. By the way, if you ask engineers to name products, that's what we get, One Data. Basically, all the data in one place, okay? That's what it does.

Why is that important? You may have heard of a national employment report.

Nela is there. Hi, Nela. You may have seen her on CNBC every month, or every week, for that matter.

One Data powers our national employment report. So think about millions and millions of data points in one data set and what are the advantages we get and the monetization of data through our Data Solutions Business that does the employment verification, income verification, et cetera. And Analytics, we can bring insights across the products into this data set and power insights through analytics assist through AI.

So there's more and more applications that come as a result of this One Data platform. And most importantly, as we're taking the journey of AI, AI without data is not that effective. And having all the data in one place powers that AI innovation.

So I hope it makes sense why that is a platform that continues to power innovation within ADP.

Let's think about that at the database layer. Like, if you think about a SaaS application, it has primarily three layers: database, processing, and the presentation layer.

Let's go to ADP Mobile. We did not build -- for each of our market-facing products, it's One Mobile application. We did not. We build One Mobile application. And that application knows, when you log in, which products you are using and what tasks you're trying to get done; and it routes the transaction to the underlying product and brings the information back. That's pretty cool.

To do that engineering-wise, it's very hard. But our team has done that. So that's the advantage of cross-product layers sitting at the top.

Same for One UX. All the UX on all of our product looks, feel, behaves the same way. That's very hard to do, as well.

My point on this slide is really simple: the whole is bigger than the sum of the products. And all these horizontal things help bring that whole very valuable to our clients.

Let's shift to AI. Before I talk about ADP's strategy, let's zoom out. What's happening, for the last couple of decades, when it comes to automation, as well as AI?

You all heard of RPA, heard of big data, you heard of machine learning. We've been at it. This is not new to us. However, what is interesting now is where are we going? Let's focus and zoom in actually on Agentic AI because you all have heard of that.

What is an agent? Let's take a look at the three flavors of Agentic AI.

An agent simply is a combination of information and action coming together to do a task. A simple agent, as a logical extension of that, is you do a simple task by providing input information and connecting to an action through an API to get a single task done.

Let me give you an example. You all probably hired somebody, right, to work for you. The recruiter initially ask you, okay, okay, you have an opening; I need to know the details about the job you're trying to hire the person for. So you write a job description. You can go to any market-facing product today in Gen AI and ask the Gen AI to write a job description. But what is important (inaudible) to feed the information of your past company job description so you have some disclaimers, you have some tone there; as well as maybe we should look at the job description of how other companies are doing and see if there are any best practices, we can take it.

All of that is information required for this task of writing a job description. That's a good example to understand a simple agent.

However, an advanced agent is, okay, what happens after you write the job description? You have to post it somewhere in the market so the candidates can apply. Once the candidates apply, you need to screen them, you have to schedule the interviews; and then, keep moving forward until you generate the offer letter.

Each of those tasks could be, by their own definition, agent. An advanced agent: it sequences these simple agents together in such a way that end-to-end process can be done. So that's how to think about an advanced agent. It's a multi-turn.

But there is always a human in the middle to move it forward one step at a time. The autonomous agent is really the degree of the human in the loop, basically. Autonomous, by nature, is as you move forward in the sophistication of this agentic journey, less and less dependence. So that's how to think about it.

What are the possibilities as we think about agentic AI? In that example, I gave a recruiting agent, basically. So you can build a recruiting agent that does all these tasks. You can extend that and create an HR business partner agent. You can do a payroll agent. You can do benefits agent. Those are all the possibilities.

But as you can see: as you build these advanced agents, it takes time. Because you need to know all the tasks, how to connect all the APIs. So it takes time. However, we don't need to wait for that long to build all these role-based agents. We can deliver feature sets -- which we have done via ADP Assist in all of our products. I'll share those updates in a bit.

Before we move on this slide, though, agent interoperability is a must. You may have seen that APIs, industries -- not only HCM industry, all the software industry -- they built the APIs. Why did they build the APIs? For interoperability.

Think about agents a higher level above that. Agents, our clients would have agents from other systems that they have in their environment. All those providers might be developing the agents you would expect, right? And those agents have to interact with our agents within ADP.

So we are building interoperability as a foundational principle when we do our agents, okay? And we're using market-leading framework, such as MCP and ATA and few others, I'm sure, the market would be introducing. So that's an important point, agent interoperability.

But to do all of these things, as Maria said, you need data. And we have the biggest data set in this industry. Just having the biggest data set is not enough, when you think about data, there are two ways to think about it: structured data and unstructured data.

Also, there are multiple flavors of data. Public information, let's say, IRS or a country-specific regulation or minimum wage rules. This is all public information you need to know. And then, you have client-level information: how many locations, how many employees, where do they operate from. And then, you have groups within the company, what departments, sales, service, operations, R&D; and what are the policies in each country that you need to apply to.

So you see some of that is restructured, some of that is unstructured. How do you organize that data in such a way you can build meaningful relationship between different entities?

It takes some knowledge and good engineering work. I go back to the One Data platform that I introduced you on the first slide. We have that. We've been at it. And we've been organizing the data with the right way so that we can power AI, moving forward.

Okay. Let's look at strategy. Now that we understood all of that, what is our strategy? Our strategy, simply, is based on two pillars:

One, we will build role-based agents in our client-facing products. I already talked about recruiting agent. So just the extension of that. I don't know if you guys know this: I used to be CHRO of this company before I took this job two years ago.

HR departments are not homogeneous as you might think. There are multiple groups. There is a recruiting department. There is benefits department. There is a HR business partner. There is compensation person, et cetera, et cetera. Each of those roles have set of responsibilities.

So our strategy is to build those role-based agents, okay? That's great.

What about internal ADP operations? We are applying the same principle to our internal ADP operations.

So what are the roles within ADP? We have service people. We have implementation people. We have R&D people. We have sales. So we are building agents for each of those roles. That's the way to think about the overall strategy of ADP AI, okay?

Now, what we have done, so far, in our products? As you see, 4 million interactions on ADP Assist.

So one of the key persona that our clients have is an employee, right? It's a very generic employee. And employees have questions and they want to do some transactions. In the past, SaaS applications have self-service capabilities: you come to an HR system payroll system, you do those self-service transactions. Now, you can apply AI agents on top of that. And that's what we have done.

We have plans to roll out more capabilities throughout. So those 4 million transactions you're talking about are through the ADP Assist, they are employee self-service, manager self-service, and practitioner self-service, okay?

Let's think about -- let's go to service. Similar to the HR role-based agents, for our service agents, what we have done was, so far, call summarization. Because if you think about the services say, what happens, there's a reactive and a proactive approach -- somebody calls you for information on an action or you're reaching out to a client for information sharing or having them take an action.

So what we are doing is we are providing answers in such a way they are accurate, as well as very effective in connecting all the dots from One Data platform. When I say One Data, by the way, it's not just the product transactional information. We're ingesting our One Data platform with our call transcripts, our chat transcript, transactional logs. All of that will be there so that we can take meaning out of it: information, insight, and power the answers that the service assists are required to do. We are seeing very good productivity from there.

Let's keep going to sales. What are we doing in the sales agent realm? In the sales agent realm, we are answering three key questions. We delivered that. 40% of our sales assists are already using it.

Who to call, when to call, and what product to pitch? Simple, you would think that, well, it's not that hard to do. It's not that hard to do. Adoption, changing the behaviors, and effectiveness of all these things powered through the AI channel, we're seeing good results. And we would be delivering more capabilities through our sales agent realm, very soon.

Last but not the least, let's talk about R&D. As you see, 100% of our developers have access to our AI tools. What they are focusing on is documentation, test automation, as well as the code generation. We are seeing very good results, so far. And we will continue to power and build a developer agent along the way, okay?

In summary, think about role-based agents inside our product and inside our operations, all the tools that we are using with our associates, okay? That's our strategy for AI? And we're making good progress.

Let's shift to our product portfolio. The breadth and the depth is unparalleled in this space. We cover one employee company, as Maria said, to 1 million employee companies. We have products that do Software-as-a-Service and all the way up to outsourcing. Domestic to global. Great portfolio and very proud to represent that.

However, differentiation: How do we think about, in an increasing commoditized role, differentiation? This is where we came up with a philosophy, what we call it: Make it Easy, Make it Smart, Make it Human.

What does it mean? Let me walk you through an example so that you understand what that means. It's a philosophy. We're trying to operationalize that within our products.

Most of the software vendors try to get the Easy part done; meaning, introduce automation, introduce self-service so that a particular transaction is easy to do with less friction. That is "Easy" to understand.

However, Smart. With AI coming in, you can build insights on top of the transaction so that the decision-making power gets better and better, okay? The human part is hard to understand but let me walk you through an example.

So let's say I am a shift worker and my manager is setting me up for a shift change because something else happened. Through ADP Assist, he just says, change Sreeni's shift tomorrow from X time to Y time or change tomorrow to the day after. I'm not supposed to work day after.

But imagine the ADP Assist is smart enough, powered by our One Data insight, to say, that is the day Sreeni's son is having a birthday. But the manager has no idea, right, because that has nothing to do with the shift change.

So imagine the ADP Assist comes back and tells that manager that, hey, here is an issue. Are you still okay to do it? And at that point, manager has a choice to make.

Let's say he has no other choice, he still needs Sreeni to do the shift: he says, yes, I still need to do it. But then, ADP assist comes back and says, do you want me to send a birthday cake to Sreeni's home?

That is human. Because what happens when Sreeni goes home after the shift, there is a birthday cake sent by the manager. That's what I'm talking about.

We build people systems. But we stuck at the easy layer -- how to change the shift easily. But what are all the things that you should be thinking about? That's what we believe in.

Because ADP (inaudible) is always designing for people. And what do people have? Emotions. Nobody is addressing those things through our people systems.

So why can't we do that? Why can't we do that? Not every single transaction is going to be fit for that. But those few that you raise the plain from easy, smart to human, that's when our users would allow our products even more.

That's worth the journey to go after. And that's what we are going after. So that's the philosophy we believe in. And we hope we can continue to deliver on that promise.

Let's go through quickly our products. These are flagship products. You guys are very familiar: 900,000 clients, amazing. Even the skeptics would agree with that.

One of the things that is key for RUN platform is the integration of retirement solutions and insurance solutions. This is absolutely value added, within our RUN platform. Our clients tell us every day.

They are not well understood but I want to highlight the seamless experience that our clients have with RS and IS integration. And then, how do we continue to move forward within that RUN platform?

Embedded Payroll. Maria talked about Clover integration, which is live; and few other things that we're thinking about that. We're not satisfied just putting it in the other wholesale providers? But operations-wise, digital onboarding, we continue to see huge progress; especially with AI coming in.

And then, on top of that, we have a few other things. I hope you get an opportunity to see the demos, today. Our RUN platform, right there; and WFN Analytic.

Let's keep going. This is our mid-market leader, WFN. You all know that. The scale is, again, amazing: 900,000-plus.

In mid-market, having HR, payroll, benefits, compensation all in one place is very, very key because they don't have the sophistication, the resources to go put best-of-breed products together and integrate it all into one. That is a key factor in the buying decision. Our product delivers on that promise.

And what else is happening in the platform is we released our NextGen in a couple of market segments, and we're seeing fantastic traction and in very near term, that is going to be the leading offering in the mid-market, WFN NextGen. It's connected to our single Global Payroll platform.

To continue to the scaling of this product, we are integrating it with all the major ERPs and we are also doing industry-specific solutions such as construction, restaurants, et cetera, coming through. And obviously, AI infusion, as I described earlier.

Let's go through our newest entrant, Lyric. First time ever in ADP's history, we have a Global HR platform. And why is that important? So think about -- we are known for Global Payroll, now we're going upstream, connecting that to Global HR with the integration of WFS that we bought recently. We have global time, and we're also known for global service. So with these four components, we have created a unique offering in the market: Global HR, Global Payroll, Global Time, Global Service. Nobody has this in the enterprise segment.

Our competitors have a few of those, but nobody have put together these assets in such a way that it is market compelling. And we are very enthusiastic about this and the traction from sales and implementation backlog is amazing.

And last, I want to cover ventures, as Maria talked about. The hypothesis behind this is really simple. As good as we are, and we have been good for 75 years, we also believe, they're truly differentiated solutions some start-up founders have been developing. And their dream is to put their product in front of as many clients as possible, and we have the biggest distribution network.

So why can't we combine the forces, bring those products, give it to our distribution and let's test them out. And of course, we will invest in those companies where it makes sense so that we can influence the road map, better integration with our ADP product and see how the market reacts to those innovative solutions. If the market loves those things, then potentially, they become our M&A pipeline. So the venture fills that innovation flywheel very well, and we are very excited about that.

So in conclusion, we'll continue to build great products with a philosophy that is easy smart human, continue to drive AI infusion with role-based agents inside and outside, and then continue that innovation journey with an outside in perspective through our venture capital.

So thank you for your time. Appreciate it. Also, it's a privilege to be standing in front of you representing the work of all the associates at ADP, all the good work they've been doing. All this innovation, though, is meaningless if we can't distribute it. So fortunately, we have the best distribution in this industry.

So to talk all about that, let's welcome David.

David Foscett - *Automatic Data Processing Inc - President, Global Sales*

It's always great to follow, Sreeni, because he always ends with no pressure kind of thing. So if you're anything like me, just hearing what the stuff that Sreeni's talking about, it's incredibly exciting every single time we hear it. So Sreeni, thank you for that, and thank you for the introduction.

So good morning, everybody. My name is David Foscett, I'm the President of Global Sales at ADP, and I'm happy to share with you today as Maria talked about, Sreeni has just touched on our distribution at ADP.

I thought I would just maybe level set us, first of all, with who we are. So Maria touched on it, these are FY24 results and data. So we have \$2.5 billion in worldwide new business bookings. Included in that is 200,000 new logos. So we sell 200,000 new logos every single year.

That is distributed through our huge sales force, biggest in the HCM market. Maria talked about scale. Our scale of sellers is 8,500 people. And that is split between field and what we call digital. So some of you know that as inside sales, we call it digital sales.

So we split our distribution through field and digital. Maria touched on it. We cover -- we have coverage across 140 countries, so we're selling into 140 countries around the world.

And we also have a big network and distribution through partnerships. So partnerships are incredibly important to us. 50%-plus of what we sell comes through partners and relationships with partners. So whether that's CPAs, brokers, private equity, they all help us, and they help us win new logos. So as you can see, there's a lot here.

We've got a big distribution. We sell a lot of new logos, and we've got a lot of sellers. What I'd like to do is maybe look forward and look forward as we look into kind of FY26 and beyond, and we anchor our growth as we go forward to innovation and to scale. So we're kind of going to talk through with you five key areas this morning.

Firstly, from a productivity point of view. So we talked about we have a lot of sellers, our distribution is critical, and our productivity is critical. So whether that's recruitment, whether that's onboarding, whether that's training and then enabling our sellers as well through AI technology, which Sreeni touched on and we're going to go a little bit deeper on that as well.

Products is obviously key. Innovation is critical to our scale and to our continued growth, whether that be opening new target audience for us, helping us increase our win rates and of course, growing our share of wallet with clients or with new opportunities as well.

Marketing, so we continue to extend our digital demand generation. It's a critical thing for us, and we'll come on to that as well.

Channels, so I touched on our extensive partner ecosystem regardless in the world. We partner with many different organizations at many different scale.

And then headcount. We'll touch on headcount and how we continue to expand our sales force, grow our sales force as a critical growth engine for us also.

So first up, just product. Sreeni kind of touched on this. I don't want to go too deep on it because he does a much better job on that than I do. But innovation is critical to us. As we continue to grow our bookings, Innovation is key. It allows us to reach new target audiences, obviously, and it also allows us to grow our share of wallet and sell into existing clients as well.

I'll just give you a couple of examples on the screen. So in our small business market RUN, Sreeni just talked about it a second ago, RUN is our award-winning platform. It continues to win with small businesses, and we continue to see record levels of new logos as well. In the mid-market, the flexibility of WorkForce Now or WFN, we love acronyms, you guys know that. Our flexibility there allows us to sell technology. It allows us to sell outsourcing or allows us to sell full PEO on the same platform.

And then in the upmarket and in the global space, Lyric and WorkForce Software. So Global HR, Global Time, Global Payroll, Global Service with that human-centric approach. We continue to see that opening new opportunities. We're continuing to see good growth in pipeline as well. So we're kind of covering all sectors, as Maria touched on earlier.

So with the largest HCM sales force, obviously, productivity is key for us. And we enable our sellers in three ways. I'm just going to walk you through those now as well.

Recruitment is obviously key. We're going to continue to add headcount, as I touched on. So recruitment is absolutely key to us. So we have a variety of different methods, as you would expect, we have on-campus recruiting and internship programs. We have a strong referral program from other associates within ADP. We also have a global recruiting team focused on sales recruitment. So this allows us to recruit the best talent in the HCM market.

Once we recruit the best talent, onboarding and training is obviously key as well. So we have the best onboarding program in the industry. So whether that's by segment or whether that's by role, we focus on new hires, obviously, but we also focus on our tenured associates as well as our leaders to make sure that every single sales associate or every single leader is the best onboarded or the best trained in the industry.

And then enabling with technology. So we enable our sellers with best-in-class tools and technology, whether that's leveraging third-party technology or whether that's our own developed technology as well, which we'll dig into a little bit now.

So Sreeni touched on some of the AI sales portals that we use. We have a thing called The Zone. So we call it The Zone. This is leveraging industry-leading solutions, it's using ADP technology, and it's using our own data set. As Sreeni said, we've got it in the hands of around 40% of our sellers right now, and we continue to roll it out to more sellers over time.

What this gives us and the very simple premise behind The Zone to begin with, was to provide insights to our sellers, not only to give them answers when they're talking to opportunities, but to try and put them in front of the right buyer at the right time, with the right product, with the right message. And this is across all segments and all roles. So we're rolling it out to everybody. As I said, at the moment, we've got it in the hands of just under half of our sellers. We continue to roll it out more and more.

And my thought I would do is -- we've got a short video we're going to show you in a second. But what I also thought we would do is maybe share a little bit around how we use it and how we use it for targeting, gaining access and then ultimately selling as well. So anybody that's ever sold, the hardest thing is, who do I contact, when should I contact them? And what solution should I potentially propose?

So what we have with The Zone and what we allow our sellers access to is hundreds of different inputs every day and every week that we put in front of them. Who's most likely to purchase and what solution best fits their needs.

The approach allows our sellers to actually look at what the -- what our opportunities need and what solutions they potentially need. So once we've targeted and once we've helped them with that, it's then about gaining access. So why now? What should I say? And will this resonate?

Our sales associates get a targeted list of who, based on the hundreds of inputs, do we think our sellers should contact and who should they connect with. The idea being that when they connect and when they speak, they are having meaningful conversations with clients and with opportunities. The Zone takes into account a number of different items that we believe are top of mind for these individual buyers.

That might be a trigger event. So that might be a trigger event in a state or a change in regulation that we believe is important to that -- to the buyer. It might be key changes within their business. So they might be opening a new location. It enables our sellers to have a much more personalized interaction with a buyer.

So once they've gained access, obviously, the selling part comes in. So The Zone will continue to help them with that as well. So how do I answer buyer questions? What's the next best action and then that continuous improvement, how can I be better? So once they are engaged, they must be ready to answer any questions.

The Zone can help them with that. And then after the engagement, there's the opportunity to reflect, to think about what they did, to have coaching with their leader and to think about what questions came up and how can they answer those complex questions differently. The Zone is at every step of the way with our sellers. And like I said, we're excited to keep rolling it out. We're excited we've got so many people using it, and we're excited to keep rolling it out.

So I said, we had a video. So rather than maybe hearing from me about it, we have a couple of our sales associates who are just going to talk about how they use The Zone. So if we can roll the video.

(video playing)

So obviously, thank you to Dana and for Colton for spending time to do that with us. And hopefully, that gives you a flavor of how our sellers are using it. We are beyond excited to use it with our sellers that have it today as well as the continued rollout that we see of The Zone.

So if we switch gears maybe to marketing and to demand generation, our digital demand generation function operates at an unmatched scale. You can see here, we create over 350,000 leads for our sellers each year. The team leverages a variety of different parts, as you would expect. And

as AI tools become more and more common in the world, whether that's for bio search, whether that's for discovery, or whether that's for self-education, we believe we're in a great position to continue to ensure that we get an outside share of that digital demand.

As we go-to-market with our extensive ecosystem of partners, as I shared, we have a well-oiled machine. We have a strong brand, as you all know, and we have a reputation of delivering for clients over 75 years. So whether you're in the small business and whether you're a small business sector, we tend to focus on centers of influences for entrepreneurs, so whether that's CPAs, banks, point-of-sale providers. In the mid-market, we focus on financial advisers, benefit brokers and franchises. I should probably note like some of these do cross between the three segments as well.

And then finally, for our domestic and multinational and our large enterprises, PE firms, ERPs, and systems integrators are all helping us drive bookings.

One of the things I'd be remiss if I didn't talk about, the immense pride it gives me that these partners want to work with us and do work with us. We don't take that lightly. We work with them every day. We definitely feel a sense of obligation that we are delivering for them, and we continue to partner with them, and we are incredibly excited with our huge partner ecosystem that we have.

The final piece is around headcount. So we have almost doubled our headcount since FY10. So we're showing the kind of the graphic up here, that's across field and digital. And we continue to see that as a big opportunity for us. It helps us with new products. It helps us with adjacencies. It also helps us with existing clients and cross-sell to existing clients as well. So we continue to see headcount growth as a key growth lever for us as we go forward.

So to summarize, we continue to drive bookings through innovation and scale, whether that's through enabling increased seller productivity with the tools and technology that we've just talked about, whether that's capitalizing on new products and enhancements to existing offers that Sreeni has talked about, our marketing approach to continue to generate leads for our sellers, our wonderful channel and partner ecosystem that we work with every day, and of course, our continued strong appetite for headcount growth as well.

So as we look to the medium term, we anticipate our target for continued growth around that 6% to 7% mark, and you can kind of see it up on the screen. So thank you for listening to me.

I'm now going to pass to our EVP for North American Global Operations, Joe DeSilva, Joe?

Joseph DeSilva - Automatic Data Processing Inc - Executive Vice President, North America and Chief of Operations

Good morning, everyone. Nice to see all of you again. As David shared, my name is Joe DeSilva. I'm responsible for our HCM businesses here in North America as well as leading global operations for ADP and service delivery for our 1.1 million clients.

You've heard today about our strategic direction from Maria. You've heard our approach to innovation from Sreeni, and now, you just heard about our differentiated go-to-market from David. Now, it's about bringing this all to life through our client-facing business units.

Our business units allow us to move fast, staying tightly aligned to our clients, delivering cutting-edge software, exceptional service. Our global scale and our deep-rooted service culture within our business units allow us to grow with our clients from their very first employee right through global expansion.

But it's not just about delivering technology to our clients. It's that human touch that's very important to us and core to who we are. And I point that out because as AI becomes more prevalent, it's those personal connections that are going to matter more than ever.

In front of you, you will see a list of our client-facing business units. As Maria shared earlier, we are the only HCM provider to service clients of all size around the globe. This business diversification is unique in the HCM industry and just one of the many things that has ADP standing out. And as you could see, we delivered over \$19 billion in revenue in FY24.

Today, I'm going to cover small business services, major accounts or our mid-market, national accounts or enterprise space. I'm then going to pass the floor to Virginia Magliulo, who will cover our international opportunity, and we'll round it out with Brian Michaud, who will cover our HRO businesses. Between the three of us, we will cover the majority of the business units you see on this slide. And our goals today are actually quite simple. We want to show you how far we've come, and we want to give you a taste of what's on the journey ahead.

So let's start with small business. An area where ADP has long been a leader evolving beyond payroll and HR, bringing value to the entire client ecosystem. Who are our small business clients? I want you to think about restaurant owners, accountants. They are the backbone of the economy.

They care deeply about their businesses. They care deeply about their people. They care deeply about themselves. They're hands on, recruiting, hiring, ordering, servicing. They're stretched in front office, back office, internal, external, vendor, partner.

And they're trust-driven. Trust is important to them from the people that they hire to the vendors that they hire to the partners that they work with. They are not HR or finance experts. They need help navigating the fragmented solutions that are out there, the complex regulatory environments, rising costs.

Their needs are actually quite simple. They want to be able to offer simple and affordable payroll, they want to be compliant, and they want to be able to offer benefits to their employees without having to be the benefits expert. And most importantly, they tend to stick with providers that they trust and make it easy for them end to end.

And speaking of easy and trusted providers, let's talk about where we are in small business. We have come a long way since the days of paper-based payroll processing. Over \$3.4 billion in revenue, servicing over 900,000 clients, record client satisfaction. Over the last three years improving our client satisfaction 7% in the small business, which, by the way, is no small accomplishment for this business unit because they've long led the charge within ADP amongst our other business units.

David talked earlier about our trusted network of partners where we refer leads and we cultivate business together. And we're excited about expanding that reach with the recent announcement of our relationship with Fiserv, stepping into embedded payroll. We've enhanced our offerings to include integrated workers' compensation and insurance services, G2 naming us number one best product for small business. And our Retirement Services product ranked number one by PLANSPONSOR, giving clients and our employees -- and their employees the confidence to retire. We are extremely proud of how far we've come. We're really excited about what's on the road ahead.

So what's next for small business? We're going to extend our leadership position. We're going to expand the HCM suite, and we're going to integrate further into the SMB ecosystem.

First up, we're going to extend our leadership position in payroll, HR and retirement by continuing to invest in AI, automation and employee modernization, all while continuing to focus and invest in onboarding accuracy and usability at scale. We're going to drive deeper penetration into and across the HCM suite by expanding our time and attendance offering, strengthening our benefits offering through partners and integrating all of those capabilities directly into RUN to maintain that simplicity for our clients.

And finally, we're going to integrate further into the SMB technology ecosystem. Our relationship with Fiserv is a great example of just that, a seamless experience, but beyond embedded payroll, a seamless back-office experience to things like accounts receivable, accounts payable, cash flow. All of this to say, we want to be the go-to-market platform to run a small business, not just pay people, but protect them and help owners grow with confidence. While we're thrilled at how far we've come, we're excited about the journey ahead.

Let's flip the page and talk about the mid-market. So who are our typical mid-market clients? They're midsized companies. They're growing in operational complexity. Think about a regional service provider, a manufacturer, professional services firm, a fast growing company.

They typically have small but dedicated HR finance teams, but those teams have growing expectations, growing expectations around efficiency, insights, scale, all while the company continues to grow. They're growing, and they need the systems that can keep up with them. They're fragmented,

often dealing with disconnected tools across payroll, benefits, HR, slowing them down and driving inefficiency and they're discerning. They want modern, integrated solutions.

In the mid-market space, platform cohesion matters most. Clients want automation. They want integration, and they want one system of record to run their workforce confidently.

We're in a great spot in the mid-market. The first to introduce an HR system of record to the mid-market with WFN, a major industry innovation. And over time, we've continued to invest in our service models and expand our service models. We've expanded our referral network. We've invested in automation to drive efficiency. We currently benefit from the most digitally advanced payroll offering on the market. AI-enabled, mobile-first design, comprehensive HCM suite, delivering over \$2.9 billion in revenue, a mid-market leader, two years of record client satisfaction.

And over the three-year horizon, improving client satisfaction in the mid-market 21%, which is important to point out that's evidence of and a nod to smoother go-lives, faster time to value and our consistently strong client service.

And finally, customizable HCM experiences through ADP Marketplace, making WFN a true HCM hub, where clients can create their own tech stack and don't have to rely on APIs and integrators and the cost and complication that come along with that. It's great to be a mid-market leader, but we're even more excited about the road ahead.

So what's next for major accounts? We're going to accelerate our technology deployment. We're going to broaden our solution set, and we're going to enhance and expand our integrations.

First up, we are going to accelerate the deployment of WFN NextGen, a transformational leap forward, easier and faster to implement, lower cost to serve, better client experience on the public cloud, placing us in a true technology leadership position.

Additionally, in WFN, we've been working hard to address the functionality and capabilities of those complex, larger mid-market clients. And as a result, as time goes on here, we expect a larger percentage of those clients to end up on our WFN offering.

Next, we're going to broaden our industry-specific solutions. You heard Sreeni talk about WFN for construction. Next up, WFN for restaurants, and we'll enhance and expand our integrations with ERPs. It's great to be a mid-market leader, but we're super excited about extending that leadership position moving ahead.

Finally, let's talk about national accounts. Who are our national account clients? They're large enterprises, MNCs that typically operate across multiple geographies, multiple business units, multiple regulatory environments. Decisions typically held at the CHRO office, CIO office, or some transformational leader, typically with very lengthy RFP processes. These clients are complex, multilayered, diverse systems. They're strategic.

Enterprise clients aren't looking for a vendor. They're looking for a partner. And they want a partner that's got long-term transformation in mind, and they're sophisticated. They have high expectations of scale and configurability.

ADP's enterprise strength was long built on best-in-class payroll with modular HCM components like recruiting, benefits, talent management. And while we delivered on all of those individually, over time, enterprise expectations have evolved. They've evolved to things like unification, intelligence, global readiness. But the good news is, while their expectations have evolved, so has our approach.

We have been very, very busy in this space and the future is extremely bright. Our national accounts business delivering over \$1.2 billion in revenue, improving customer satisfaction three times over in the last three years. We have been very active enhancing and expanding our product set, scaling WFN to the 1 to 3,000 space for those clients that are looking for a preconfigured pre-integrated, looking for scale and simplicity in a platform.

We launched Lyric, our next-gen HCM offering, flexible, intelligent, human-centric. We acquired WorkForce Software, expanding our capabilities in time, scheduling, labor optimization, and we maintain our leadership position in Global Payroll, serving clients in over 140 countries. All this

time, all of this effort, all of this focus and all of this innovation responding directly to the characteristics of the enterprise clients, complex, strategic, and sophisticated.

So what's up next for the enterprise space? First, we're going to accelerate our growth in the US. Next, we are going to integrate and scale our newest asset. And third, we're going to extend our leadership position globally.

First, we are going to accelerate our US growth by scaling WFN and leveraging the strength of Lyric's modern capabilities to bring access to this integrated HCM suite to our existing client base and the prospect business at large.

Next, we are going to continue and complete the integration of WorkForce Software directly into all of our core HCM platforms, providing the most seamless customer experience. We're going to scale WorkForce Software across our enterprise and global clients leveraging our expanded go-to-market.

And I think now is a good time to remind everybody in the room, why owning this asset is great for ADP. First and foremost, we now have control over the future road map and what we build out in the WorkForce Software platform. Second, it provides leverage and provides operational and financial leverage. And third, it allows us to unify the global experience as we bring together payroll and HR.

And last up, we're going to extend our leadership position globally. Continue to leverage the capabilities in Global Payroll, all while encompassing Global HR and Global Time.

In the enterprise space, our primary objective is to make our clients' lives easier by unifying the global client experience. And we now have the pieces of the puzzle to do that. Building on our already capabilities in Global Payroll, the acquisition of WorkForce Software, and the addition of Global Time and the rollout of Lyric with Global HR, we have evolved to a true global HCM provider offering a fully integrated suite to our global clients across payroll, time, HR, talent, analytics, and workforce management. And combined with ADP's unmatched service and implementation expertise and our global scale, we are becoming the unified partner that enterprise clients have long needed, delivering technology and execution at scale, a true global HCM provider.

So I'm going to end where I started because I want to make sure it's clear. We have been extremely busy in the enterprise space, and the future is extremely bright.

And with that, I'd like to welcome to stage Virginia Magliulo, who will cover our international opportunity.

Virginia Magliulo - Automatic Data Processing Inc - Executive Vice President, Employer Services International

Thank you, Joe, and good morning, everyone. I am Virginia Magliulo from Italy, and I lead for ADP the international space. So I'm going to take it off from where Joe left it saying how big is the opportunity in front of ADP, not only US but also outside of US. So in the next 10 minutes, I'm going to cover how we continue to keep winning in this space and also some of our achievements.

I'm going to start by our global footprint. Our footprint is truly global, and this is not only based on the features of the products or the services that we offer, but on our truly global client base. We service 65,000 clients outside of the United States, and we pay 50 million of people across more than 140 countries.

Now, this map is dynamic. It changes all the time. Maria referred to the last acquisitions we did in Mexico, the prior one we did in Sweden, before that, we acquired a business in South Africa. We keep evolving both organically and inorganically following our clients' needs. We want to be where they need us to be.

The way we go to market in international is through two main type of offers. We have single-country offers, which we provide to clients that have operations in just one country. And then we have the multi-country offer that we provide to multinational type of clients. So a typical single country client would ask us to manage for them payroll and taxes end-to-end in the local language in one country.

When it comes to the Global Payroll offer, we addressed this type of clients that Joe just described, complex, sophisticated, multinational with populations that spans across the border. And in this case, they would ask ADP to manage their payroll, taxes, time and attendance across the boundaries. For both type of clients, we have a last mile ecosystem that allow us to interact with local authorities and to manage compliance locally everywhere.

Now, why our offer is so compelling? I'm going to go through that. I want to cover the slide, so first, let me go back to the footprint. Why it is so important? Well, our clients don't look for a vendor, they look for a trusted partner that can grow with them.

Many of our clients have operations across multiple countries. The largest we serve across 100 countries. And typically, they have, in some countries, large populations. In some other countries, they may just have a sales office with a few employees. We are able to manage their populations regardless to the size across all the geographies. And so this is why our footprint is so important.

Then, of course, in all of these geographies, we need to manage for them compliance. Local regulations are very complex. We manage for them countries such as Brazil, but eSocial is very complex, or if you think about France, France is the most complex country for the payroll calculations. And to calculate taxes for one individual, we need more than 500 data points.

We are truly experts in this field. We have a deep local expertise that our clients value enormously. We understand the best work of regulations, and we are able to manage compliance for our clients in all the geographies where we are.

Then, of course, security, data security, regulations around data privacy. You know that there are many regulations out there in the likes of GDPR for Europe and many others. Now, data security is paramount. It's very important for our clients, and our product and our services are designed to guarantee that at every step.

Then you heard Maria talking about innovation and innovation being in the DNA of ADP. Well, that is the case also for Global Payroll. We keep enhancing and refining our offer at every step. We have worked to deliver a global consistent experience investing on UX, so user experience, integrations, reporting. Of course, we are deploying GenAI, as you heard from Sreeni, and we keep investing in security and compliance. And everything we do is innovation at scale. So we make it available for our clients across the border.

I mentioned our investment in reporting and analytics. That is truly important for our clients. Enhanced analytics allow our clients to have full visibility of their workforce across the globe, as well as doing a zoom in when needed on a given country or any given employee. We allow them through enhanced analytics to benchmark the productivity of their service teams. We provide them recommendation based on best practices.

So all in all, we provide them with actionable insight on the data so that they can take decisions in a timely manner and that they need to take strategically.

So I would like you to hear not only from me but from one of our clients that we are very proud to serve, which is the London Stock Exchange, what they think about the partnership with ADP.

(video playing)

So I think you could see how we truly partner together to design and implement the transformation journey of the payroll of this client and also how we manage to add value to save for the client time and money and to keep them compliant. Actually, she did such a good job that I could finish the presentation here, but I won't. I'm going to go still with a couple of slides like Jodi to explain where we are and where we are going.

You can see here, we keep investing on innovation. And the way we do it is in a client-centric manner, we have client advisory boards in each and every region to make sure we listen to our clients, and we solve real problems of real clients, adding real value for them.

We keep enhancing our user experience, and so we have delivered a consistent global user experience that is accessible from everywhere. It's agnostic and accessible from every device. We keep being really obsessed with the quality of the services.

If you look at the NPS result, it's amazing. We have been increasing that 76% across the last years, and this goes and match the high retention that we have with our clients. So looking at our retention in the enterprise global space, we are in the high-90s. So we really have long-lasting relationship with our clients.

And we don't rest on our laurels. We keep investing on business process improvement, on tools, on people. Just last year, we run 30 academies to train hundreds of payroll specialists to make sure that we always have the best talent to serve our clients.

We also know that the payroll doesn't stay on its own. And we need to integrate with other systems. So we have invested in a marketplace ecosystem to make sure that our clients can always access, implement their solutions end to end, and receive full service from us. And then last but not least, of course, we keep expanding our footprint, as I commented already.

Now, this -- our market credentials are not recognized only from our clients, as you heard, also, industry analysts recognize us as a leader in this industry. So where are we going? We're going to keep investing. We're going to keep investing on innovation at scale with AI to make sure that our solutions are even more intuitive and responsive and we can provide all the -- sorry, the fantastic innovation that you have seen explained by Sreeni previously.

We have also noticed in the market that our clients need more and more service, comprehensive services -- type of services, so we want to deepen the breadth of the service we provide for them across the globe.

And then the most exciting part of all, which Joe touched upon. If you think about what we do now in international, most of our revenue is related to payroll only. So we do pay 50 millions of employees, but you've seen the revenue in the prior page, we have \$2.6 billion out of 19. So if you do the math, you understand we could contribute more to the revenue of ADP if you could tackle more than payroll.

So for us, it's very exciting to have the possibility now to leverage WorkForce Software and Lyric to combine together payroll, time and attendance, and HR underpinned by our global services capability and by our compliance expert. So this is really exciting for us, and we look forward to it.

So to summarize what I said, the opportunity out there is really impressive, and we are going to go after it by continuing our innovation at scale, by deepening the service content of what we offer internationally and by putting together an end-to-end value proposition, which combines Global Payroll, Global Time, and Global HR, and we will do this at scale where our clients need to be.

Thank you. And with that, I invite on the stage, Brian Michaud, Executive Vice President of Smart Compliance Solutions and Human Resources Outsourcing.

Brian Michaud - Automatic Data Processing Inc - Executive Vice President, Smart Compliance and HR Outsourcing

Thank you, Virginia. I'm Brian Michaud, and I have the privilege of leading both Smart Compliance and our Human Resource Outsourcing business, or you'll hear it referenced as HRO. Today, I'm going to spend a little bit of time talking about all of our HRO offerings, but I'll also do a deeper dive on PEO, okay?

So the HRO has two distinct offerings. We have ADP TotalSource or what we call our PEO and HRO managed services. Both of these businesses are unique in the sense that they span all of our traditional offerings that Joe talked about today, small businesses, major accounts, and national accounts. We sell to all pay sizes. But the buyer profiles between the solutions differ depending on what the prospect or the client is seeking from the offer.

Within our PEO, they're typically small or medium-sized businesses. They are growing. They have multiple locations, and they're generally in a white or gray collar industry. They like to leverage us for Fortune 500-style benefits, compliance, dedicated support, and technology across the HR realm to manage all their processes.

In HRO managed services, clients are seeking administrative relief, both in payroll, HR and benefits in order to find efficiencies in their business. They leverage us for compliance monitoring and best practices, and we serve this offering up in an a la carte model so we can tailor it to what clients need most.

Now, these offerings within HRO share some commonality. From a client lens, both deliver expertise and compliance and both are unique in the sense that we are providing service and support to their employees in the area of payroll HR benefits to really demonstrate that value that comes along with the proposition.

From an ADP standpoint, they share commonality as well. They're both natural extensions of our traditional offerings and both have significantly driven growth for us historically despite economic headwinds.

So I'd like to spend a little bit of time on sharing how our PEO helps clients. We leverage a co-employment relationship with them, which allows us to provide a holistic solution across the HCM spectrum, whether that's payroll, benefits, HR, risk management, retirement and so much more.

These are all areas in which we help clients navigate a very complex regulatory environment, one that's in constant flux. There are so many examples here, but I'll give you a couple to illustrate what clients really appreciate ADP and partnering with us.

We manage leaves and absence process for them, which is very complex. When is somebody eligible? How long can they come up? Can they be out of the office? When do they have to return? And what's really complex is it is very different from state to state based on their laws.

Clients also rely on us to offer benefits to their employees both timely and compliantly under the rules of the Affordable Care Act or ACA. But what I think is really unique, clients will involve us in their employee coaching or disciplinary practices to protect themselves from employment liability.

So the point is, the clients get access to all this expertise and compliance in all these areas on top of this Fortune 500-style benefit program that is generally reserved only to the largest organizations.

In all these areas, we're helping our clients reduce risk, find administrative relief, go out and attract and retain, compete for the best talent, compete within their marketplaces because we're helping them focus on their core competencies. If I could sum it up in one way, we help owners pursue their passions without the worries of the onerous burdens that come along with being an employer across the HCM spectrum from hire to retire.

So ADP TotalSource, our PEO is uniquely positioned and differentiated to continue to win share. Our scale as the largest PEO affords us the opportunity to offer a wide choice to our clients of benefit offerings and medical plans.

Those medical plans include the largest -- four of the largest carriers offered in the United States, but more local to specific markets to give our clients more choice and to give them an offering that's competitive and relevant in the market that they serve. That same scale that I talked about provides our clients with the greatest protection from insurance cost fluctuations. And we deliver all this on our leading HCM and proprietary HCM technology, WorkForce Now, where we provide personalized support to every client.

Our associates often develop deep relationships with our clients. In fact, they're often considered an extension of their staff. Through all this, we're delivering very easy compliance for a brand that employers trust, ADP, and our client satisfaction scores are high and continue to rise. So leveraging all these advantages gives us the privilege to serve over 17,000 clients, approximately 750,000 worksite employees, all while delivering \$6.2 billion in revenue to ADP in '24.

Another distinct advantage. Upgrading clients within our ecosystem to the PEO creates a ton of value for ADP. You've heard us talk about it before. About 50% of our business is coming from within our four walls, meaning we're upgrading them from major accounts or small business. And when we do upgrade them, that provides us with 10 to 12 times the revenue.

It also provides from a client lens more robust services for them and a deeper value proposition. It allows us to deepen our relationships with our clients. And certainly, helps us increase wallet share.

But from a client perspective, this is where it's really a win-win. Change management and friction from switching vendors is significantly reduced. And clients enjoy and are familiar with WorkForce Now technology. They don't have to learn a new system. Implementations are largely automated, quick, and easy.

And our addressable market for the PEO is vast. We define this in a couple of different ways. Clients that fit our size range that we typically service and prospects that are offering benefits to their employees, most specifically health benefits.

We estimate that the total market size is 30 million worksite employees, with PEO only serving about 5 million. The way I look at that is 83% of the market is available or 25 million, up for grabs and for ADP to earn.

And if you use that same methodology I just talked about in sizing, more than 4 million of those worksite employees are within our traditional offerings, within our four walls in the SBS or majors base and our ability to capture this incremental share relies on us continuing to execute on identifying clients that have a high propensity to buy and that can really benefit from PEO services. You heard David Foskett talk about earlier, and we're doing just that with our AI technology, The Zone.

So summing up here, future is really bright for HRO. We have a market-leading position, a large addressable market, and we're confident in our strategic direction, which includes capitalizing on those opportunities that are right in front of us, our clients, and as I mentioned, we'll leverage The Zone, but all the leading sales AI tools to increase our effectiveness in that market.

We'll also evolve the offerings in PEO that means tailoring the service model to specific clients. In HRO managed services, we are already bringing these offerings to our NextGen technology. We'll continue to expand there. And we are launching new managed service offerings based on client demand. From a go-to-market standpoint to get after the net new ADP prospects, we will continue to leverage and build upon our broker channel.

That way, we can expand our coverage as well as earn new share. And then, of course, you can always rely on us to optimize our service operations, we could deliver on our unwavering promise to our clients that exceed their expectations. And of course, along with that comes driving efficiencies.

So in closing, we're bullish on HRO, and we look forward to getting after the opportunities right in front of us.

With that, we're going to take a short 10-minute break. And when we come back, you'll hear from our incoming CFO, Peter Hadley, on our financial frameworks. Thank you.

(break)

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

Great. Hi, everyone. If you could please take your seats, we'll get started momentarily.

Okay. Great. Well, without further ado, I'd like to pass the stage over to Peter Hadley, our incoming Chief Financial Officer. Peter?

Peter Hadley - Automatic Data Processing Inc - Incoming Chief Financial Officer

Thank you, Matt. Welcome, everybody, back from the break, and good morning to you all. I'm Peter Hadley, ADP's Corporate Treasurer; and as Matt said, incoming Chief Financial Officer.

This morning, we've discussed our strategy and our vision. Our approach to product and innovation, our distribution advantages and how all of this comes together at the business unit level in our markets to deliver growth for our company.

I'm now going to be reviewing our financial framework, where we continuously strive to deliver both returns for our shareholders as well as to invest in our business to lay the foundation for future growth.

Our well-established financial strategy has helped us to deliver consistent growth in revenues, in earnings and in cash flows for decades, and I am very excited for hopefully much more of this as we move forward into the future.

Before we get started on the future, let me first take a minute to review our financial performance against the medium-term financial objectives that we previously shared at our November 2021 Investor Day. And I'm really pleased that it's a really good story on all key metrics.

For revenue, for adjusted EBIT and for adjusted earnings per share, we came in at the high end of the growth objectives we set ourselves for the period. And we share this not to pat ourselves on the back or to congratulate ourselves but to illustrate for you the power of our financial model and the consistent, repeatable growth that it helps us to deliver. Delivering on our financial objectives remains a key priority for ADP, and we look forward to continuing this track record of delivery as we move ahead.

Let's take a look now at ADP's investment thesis. Why you all should own ADP? As you've heard this morning, we are the leader in a very large, attractive and growing market. We benefit from high levels of client -- of recurring revenue and very strong client revenue retention. We deliver mission-critical solutions that are not discretionary.

We have a portfolio of businesses that cover all segments of the market, all industry verticals and all corners of the globe. We enjoy the benefits of diversification, while at the same time, we remain laser-focused on the human capital management space.

We have a strong track record of delivering margin expansion, which enables our earnings to grow faster than our revenues. And our results are enhanced by our extended investment strategy for our client funds portfolio, which delivers us an incremental level of interest income over time and at the same time, lessens our exposure to short-term interest rate volatility.

We also continue to operate a low capital-intensive business model. We also maintain and continue to maintain a strong balance sheet, and these two factors together enable us to be highly cash flow generative.

Our model importantly allows us to make appropriate levels of investment back into the business, while at the same time, continually and consistently expand our margins and grow our earnings.

We continue to take a thoughtful approach to M&A and also to financial leverage. And we have long maintained our commitment to shareholder-friendly actions and to returning excess cash to our shareholders.

So my next several slides will attempt to bring these important investment attributes to life.

First, durable top-line growth. At ADP, we have a history of delivering consistent, strong revenue growth. Over the last decade, we grew our revenue at an average annualized growth rate of 6.5%. And during that decade, we grew our revenue every single year, including right through the middle of the COVID-19 pandemic.

Our ability to deliver this consistency of growth stems from all of the factors I just mentioned, our position as the leader in a very attractive market, our recurring revenue model and high levels of client retention, the fact that we deliver mission-critical nondiscretionary solutions, the benefits that we enjoy from our diversified portfolio of businesses that cover all segments and geographies within the global human capital management market.

A further look at our diversified portfolio and how it helps us drive growth. Some of you may remember, we first provided a revenue disaggregation at the business unit level at our November 2021 Investor Day. And then earlier this morning, Joe presented the same revenue view for fiscal year 2024.

Here on the screen, you can see the change in revenue view over that period of time by business unit. What is most pleasing for us is that every single business unit was able to grow its revenues over that period from '21 through to '24.

Different segments and different geographies within the market perform differently during various stages of the macroeconomic cycle. Being a leader in all segments of the market allows us to drive consistent, total revenue growth over time, and we continue to see significant growth opportunities for each and every one of our businesses in their respective markets.

Moving on now to margins.

Consistent strong revenue growth remains a key enabler for us to continually expand our margins.

Additionally, as I said, our approach is to make appropriate levels in the business to drive future growth, while at the same time to manage our expenses carefully, and also to drive productivity improvements across our business, allowing us to consistently expand our margins.

We recognize that as shareholders, you want to see healthy growth in both revenues and margins each and every year. So we take a look again at the last decade. We were able to deliver around 700 basis points of margin expansion across that 10-year period. And further, we delivered consistently year after year, with only a single year being fiscal year '21, showing a small retreat in margin levels from the year prior around 40 basis points, and this was during the height of the COVID pandemic.

Now I'd like to share some more details about how our extended investment strategy for our client funds portfolio enhances ADP's financial profile.

To quantify the benefits that we enjoy from this strategy, as you can see on the screen, we have delivered an incremental level of interest income of about \$1.8 billion from the inception of the strategy in fiscal year 2001 through the end of fiscal year 2024.

Our strategy is enabled by our strong balance sheet and our high investment grade credit ratings. It involves extending and laddering the maturities of securities in our investment portfolio, while at the same time utilizing short-term financing arrangements to satisfy our client fund obligations. In other words, our financial strength and our ability to continuously source liquidity allows us to take advantage of upward sloping yield curves, being the predominant shape of the yield curve over time.

So while safety of principle, diversification, and liquidity remain the primary objectives of our client funds portfolio, this extended investment strategy also allows us to optimize our interest income returns over time, and as I said, minimize our exposure to short-term rate volatility.

Our extension and laddering strategy differentiates us from our competitors, and we expect that it will provide us tailwinds over the next few years. As you can see from the screen, we have around \$13 billion in client funds investments scheduled to mature in aggregate over the next two years.

The average embedded yields on those maturing securities are just 1.5% in fiscal year '26 and 2.6% in fiscal year '27. These embedded yields are meaningfully below the expected reinvestment rates during the periods, if we look at the current forward yield curves.

Accordingly, we anticipate meaningful, positive reinvestment rate differentials through fiscal year '26 and fiscal year '27, that along with the overall growth in client funds balances that we are projecting during that period, to provide us tailwinds from client funds interest income going into fiscal year 2028.

And this is one factor that gives us the line of sight we need to continue to make the necessary investments back into our business to drive future growth, while at the same time to consistently deliver earnings growth during the period that's covered by our upcoming medium-term financial objectives.

We're going to move on now to capital allocation.

Our first priority, as I've mentioned, is to continue making organic investments in our business. Next comes strategic M&A and we'll talk more about that in a few minutes. And third, we very much intend to continue our commitment to shareholder friendly actions and to returning excess cash to our shareholders through our dividend and our share repurchase programs.

Organic investments, we currently have several high return organic investment opportunities which will help us drive sustainable growth in the medium term and also in the longer term. On the technology front, our investments are centered around continuing to scale our operational capabilities for our product Lyric, as well as adding and improving feature functionality for the product and broadening its global reach.

Additionally, in the technology space, we intend to continue investing in the integration of workforce software with existing ADP HCM solutions. We also intend to continue investing in extending the addressable market for next-generation workforce now. We're also continuing to modernize our technology footprint, and we're investing in delivering AI capabilities and technologies in and infusing through our product set.

In terms of distribution and service, we intend to continue to grow our sales force. We intend to continue to nurture and optimize our partner channels. We intend to continue to invest in lead generation via digital marketing. And we intend to continue to invest in industry-leading tools and AI technologies to enable our frontline teams to win in the market and to also best serve and support our clients.

On the M&A front, our M&A strategy is tightly linked to the three ADP strategic priorities that Maria was talking about earlier this morning. First, we look at it at -- excuse me, at potential acquisition targets that have best-in-class technology solutions that we believe will complement our existing suite of products.

Second, these targets should bring incremental expertise to ADP. And third, we look for acquisitions that will enable us to continue to benefit our clients with our global scale.

We continue to remain thoughtful and disciplined when it comes to M&A, both from a valuation perspective and from a target risk profile perspective. The third pillar of our capital allocation program again is returning excess cash to our shareholders.

So we have a long-standing track record, as many of you know, for capital return. And that track record now includes 50 consecutive years of dividend increases, allowing us to join a small, exclusive group of companies known as the dividend kings.

Our strategy is to continue to grow our dividend as our earnings grow, within a target payout ratio range of 55% to 60%, while returning any remaining excess cash to shareholders beyond that through our share repurchase program.

As you can see from the slide, we have returned around \$30 billion in cash to shareholders in the form of dividends and share repurchases over the last decade alone. We also intend to continue our thoughtful approach to our capital structure and to our leverage levels.

Our intent is to continue with leverage levels that are commensurate with high investment grade credit ratings. Strong ratings are important to our model because they enable us the access to the short-term financing arrangements that underpin our extended investment strategy with respect to our client funds portfolio.

Okay, moving ahead to our medium-term financial objectives. Before I share the objectives, although I know everyone has already read them and they've been posted via the 8-K and probably many other means, I do want a level set -- it's important that I level set, that these are based on a set of macroeconomic assumptions that are broadly consistent with the current economic environment. They do not contemplate any meaningful acceleration in economic activity, and similarly, they're not predicated on any recession scenarios.

Our financial objectives do not incorporate any meaningful effect or significant impact from unannounced M&A nor any meaningful changes in either the current yield curve environment or corporate tax rates.

And finally, you can think of our medium-term horizon as the next three to four years, with our financial objectives representative of what we would anticipate to deliver on an annualized basis over that period of time, meaning that individual years may be either higher or lower than the financial objectives I'm about to share.

Okay. The contribution from Employer Services new business bookings growth that David spoke to earlier this morning, together with continued strong client retention, we believe will drive approximately 6% employer services revenue growth on an annualized basis across the medium term.

Additionally, we're anticipating 6% to 8% revenue growth for the PEO on an annualized basis over the same time period. For both employer services and the PEO, we are not assuming any significant revenue impacts from changes in pace per control growth or from changes in price increase levels across the period. On a consolidated basis, this rolls up to 6% to 7% expected revenue growth on an annualized basis for ADP over the medium-term horizon.

Taking a look at margins now. We expected adjusted EBIT to grow 8% to 10% annualized over the medium term, which implies around 50 to 75 basis points of margin expansion each year. This should support earnings per share growth of around 9% to 11% annualized across the period, which assumes that we will continue to retire around 1% of our outstanding share count each year. And adding in a 2% dividend yield brings our total shareholder return to an expected range of 11% to 13% on an annualized basis across the medium term.

To sum it all up, we are bullish on the human capital management industry, and we are very bullish on ADP's future in it. We are the leader in a large and growing market, and we have significant runway for future growth. We're innovating at pace to deliver best-in-class HCM technology and we are well placed to harness the power of AI.

Our industry-leading distribution differentiates us from our competition, and we're extending our lead by deploying AI-infused sales tools and leveraging the partner ecosystems that we've built. Our unrivaled scale sets us apart in our markets and helps us to drive growth as we continually seek to enhance the client experience and to improve on our record client satisfaction levels.

And finally, we are really proud of our ability and our consistent delivery of strong financial performance. We look forward to continuing to deliver on our financial objectives and also to delivering healthy returns for you, our shareholders.

And with that, thank you very much for listening. We're going to transition, I should say, in a moment to Q&A. Maria is going to join me momentarily on stage as these chairs come up. And we also have -- my apologies, we also have all of today's presenters sitting here in the front row, ready to take your questions.

I'm going to pass back to Matt in a moment. He's going to give us the road safety rules on on the Q&A. And looking forward to taking your questions, but thank you very much for listening.

QUESTIONS AND ANSWERS

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

Thank you so much, Peter. (Event Instructions)

So maybe we'll start with Dan Dolev there in the back.

Dan Dolev - Mizuho - Analyst

Hey guys, Dan Dolev here at Mizuho. Great presentation; great Analyst Day. Thank you so much. I wanted to ask, so those medium-term targets are obviously fantastic. I just wanted to ask, maybe you can give us some color on more of the near-term if you can on how '26 ties into that?

How should we think about the trajectory over the next two to three years? I think that would be really helpful for modeling purposes. Thank you.

Peter Hadley - Automatic Data Processing Inc - Incoming Chief Financial Officer

I'll take that. So yes, no, we're not really prepared to talk about '26 at the moment. The good news, Dan is, as you know, you don't have to wait very long. Our earnings call is scheduled for July 30. So roughly six weeks, I think.

Again, our focus is on the medium term. Some years may be a little higher, some years may be a little lower. But we'll -- we still have quite a lot to do. I know it's June 12, but as you know, I think the fourth quarter and even the month of June is a really big month for us, certainly, in terms of bookings, also in terms of things like retention, for example, in our PEO, like we're right in the middle of those cycles at the moment. So we prefer to wait to July when we have the output of the year where we're stepping into '26 to share on '26.

But certainly, we feel confident around our ability to deliver those medium-term targets over that period of time, which obviously includes FY26.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

Maybe we'll go to the front front here Mark.

Mark Marcon - Robert W. Baird & Co. - Analyst

Mark Marcon from Baird. Terrific presentation. I've got a question, maybe it's for Sreeni, maybe it's for Maria. But I'm wondering when you think about all of the different technology steps that you're going through, can you give us a little bit of a sense for WorkForce Software, what would you anticipate would be the time for having that fully integrated? And when would we start seeing benefits from that?

If we think about Next Gen Payroll, when will that be fully integrated into WorkForce Now and Lyric? Anything on the AI front, anything else that people should really key in on in terms of key benchmarks to help you accomplish the goals that you set up financially?

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

Yes. Fantastic, and thank you, Mark. Always appreciate the question. By the way, it's not often I get to sit here and see all the hands up. So thank you all for participating this morning.

I'll start and then to your request, I'll have Sreeni comment because you're actually asking the same question that I generally ask Sreeni. He has the luxury of sitting almost next to me and I ask him the same question almost every day, which is when, when, when and faster, faster, faster. But the reality is, we are actively working on each of the things that you mentioned.

So as it relates to WorkForce Software, we are in motion of integration, specifically with Lyric. That is a big piece of our growth story. It's a big piece of our execution story, as you heard from both David and Joe, as we come together with a Global Payroll, Global HR, Global Time, and Global Service offer.

Now when all of that gets integrated and ultimately, when it starts contributing to our financial models, which I think is the second piece to your question, I think it's in some time. So while it will meaningfully impact bookings this year, we've talked about our expectations for Lyric.

We saw that in '24. We see that thus far in '25. We expect that it will continue to meaningfully impact our bookings. In the medium term, when it starts hitting revenue, I think, will take a bit more time.

I think that's a consistent message for each of the products you mentioned. We have Next Gen Payroll deployed, as Joe mentioned, to a subset of our mid-market at this juncture. Each day, we are continuing to expand that. That is meaningfully impacting bookings and then will start meaningfully impacting revenue over time.

So what I would say to you is it's over this horizon and the future decades as all of these things come together and then start contributing to the financial outcomes and the financial model. But as it stands, they are all contributing and will continue to accelerate in contribution specifically to bookings.

So in terms of when and when is it going to go faster, I'll leave that to Sreeni to answer.

Sreenivasa Kutam - Automatic Data Processing Inc - President, Global Product and Innovation

I didn't realize that I have to actually answer the questions after my presentation. But thanks, Mark. I appreciate it. I'll give the same answer I generally give it to Maria, soon. No, I'm just joking.

The WFS, the way to think about integration is like multiphase. So think about single sign-on, meaning client has both our product as well as WFS, right, already. So let's connect it so you don't have to enter the user ID and password again. Like this is simple. It's already delivered.

And then the data integration, meaning let's have the time entries come into the payroll system and payroll data goes back there vice versa, right? So that's already being done.

Third would be the UX integration. Can the look and feel can be integrated into Lyric, GlobalView and WFN, et cetera. That's being worked upon. In the next few months that would be done as well. So that's on the WFS front.

And similar to what Maria said on the Global Payroll integration with WFN. So obviously, mid-market segment is already being live and thousands of clients on it already. We are just introducing to the different segment in the mid-market, upmarket above 150 or so, and the traction is very good so far. So I would say, in the next few months, we're going to have more and more clients joining the journey there.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

We'll go to Bryan Bergin.

Bryan Bergin - TD Cowen - Analyst

Great presentation today. Bryan Bergin from TD Cowen. I guess I'll got two here. The first one, Maria, bookings, I got to go there. 6% to 7% target is bullish.

Curious, the means to getting there and how important the upmarket pushes now with the lean-in on Lyric and Global Payroll relative to the other solutions you've been strong in the down in the mid-market. So how much more important is upmarket to getting to that 6% to 7%? Anyway you could rank order that?

And then as it relates to modeling here, just in ES and PEO, can you double click a little bit more on the employment of PBC and the worksite employee growth? Are we talking this fiscal '25 type levels? Or are we kind of thinking back to normal levels?

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

ExecutiveFair. I'll start, not surprised that you're asking a bookings, bookings, bookings question. We are bullish on the 6% to 7%. I think the contribution as mentioned, is about headcount. It's about investment into productivity, and it is about product.

It is also about broad-based contribution. So from a modeling perspective, I don't know that we want to delineate how we're building the sales plan by business, but from a contribution perspective, the investments we've made both organically as well as through the acquisitions to position ourselves in the enterprise space is meaningfully different. And as such, we are looking toward broad-based contribution across each one of the businesses as we think about that 6% to 7%.

And we believe we have, as you heard from Joe today, the best products in each one of the spaces. From Brian and Virginia, inclusive of the enterprise and Global Space and PEO. But the basic assumption is broad-based contribution based on products, offerings as well as productivity, things as well as headcount. So that's kind of the answer on all of it.

Peter Hadley - Automatic Data Processing Inc - Incoming Chief Financial Officer

Yes. And Bryan, on the pays per control question. So yes, to your question, we are not expecting to be back at the levels we communicated as sort of normal, so to speak, in our previous Investor Day, so for employer services closer to current levels than to sort of traditional norms, so to speak. And for the PEO, yes, I mean, we're still quite a way below the levels we were at back then, and we're not really contemplating returning to those levels through this medium term.

And the reason for that, obviously, is really just the macro environment. When you look at 4.2% unemployment and sort of various policies like where is sort of outsized, if you like, versus where we're at today, labor growth going to come from. So we're really not counting on any meaningful uptick in that as part of our projections.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

I think there might be a question in the back.

Samad Samana - Jefferies - Analyst

Hi, Samad Samana from Jefferies. I'll echo the congrats, great job, everybody, and appreciate all the progress you've made. This is going to be an AI related question, but there's two parts because they pay us by the question over here. So if I think about internally, you mentioned having 12,000 service agents, 8,500 quota-carrying reps. So that's about 20,000 employees that face your customers.

How are you thinking about how AI will impact what the growth of that has looked like historically versus maybe going forward? Or should we think about that more in productivity terms? And then related, as you think about AI facing your customers, how are you thinking about monetization beyond just adding value? Is there a specific monetization mechanism? Sorry for the two-part question.

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

No, it's great. And great to see you, Samad. Thank you for the question. I'll start, and then certainly, Peter, you can add to it from a modeling perspective. So as it relates to the work that we are doing to continue the journey of digital transformation, it is about productivity.

It is about enhancing whether it's our sellers' ability to execute more sales or it's our service associates' ability to handle more clients, that is a journey. If you remember, Sreeni's slide, that is the journey ADP has been on, candidly, even beyond the horizon of his slide and really the innovation journey that we've been on for 75 years.

So I think the number one thing that I would suggest as it relates to the AI work that we are doing into our house and really even into our clients, HR, payroll, tax, domains is to make everybody more efficient and more productive as it relates to this discipline.

Now in terms of the second part of the question, which is how will you ultimately look at that from a productivity over time? And does it have an impact to where your headcount goes and as you hire? Our job and our goal is always to become more efficient and to -- our step-up point is to solve with technology, but we are also a growing business.

So I think it's too early to sit here and tell you what does the head count look like in X number of years out, Y number of years out? I think what we're working on right now is the journey that we've been on, which is digital transformation, productivity, efficiency.

By the way, all of that removes friction and allows us to sell more and keep more clients. And that is fundamentally the most important part of our business model. So I think over time, it's a bit to be determined in terms of the impact on our overall headcount.

Before I turn it over to Peter, and he can comment on both. I'll comment quickly on data monetization as well because I think that was your second piece because it's related to the overall AI work. As Sreeni mentioned, the foundation of all of that is One Data and what we can do with that data. Today, we do data monetization in various ways. Some of it is using that information internally to become more productive.

You saw that as an example with The Zone. You see that, as Sreeni mentioned, we're consuming all of our chat transcripts and call transcripts, probably sounds boring, but we take tens of millions of calls and chats per year that we're consuming. That's allowing us to feed information back into our client base. That will make our clients happier and ultimately allow us to take price where appropriate.

The other part of data monetization is also the data. Again, the One Data that we use for the NER, we also use that data to monetize it outside of our walls. The best example of that is the work that we do in employment verification to solve that use case for clients. And we have lots more use cases there as we think about how to leverage that data on a go-forward basis to monetize and then take all of that and marry it to others data, marry it to AI tools.

And undoubtedly, there are more data monetization opportunities in our horizon, undoubtedly in the future. So, yes, I'll let you comment.

Peter Hadley - Automatic Data Processing Inc - Incoming Chief Financial Officer

Yeah. No, I mean I think that was very well answered. The only thing I would add would be that I just want to stress, it's not all work now for benefits in the future. Like we are materializing and realizing like real benefits now, and we have been since we started this journey. What you don't necessarily see or maybe why you're asked the question around the financials is, we're seeing the benefits already in the areas where we have deployed.

But we're a broad company, a large company. We have a governed sort of managed process in terms of how we roll out these technologies. It's not just deployed on mass to our 60-odd thousand associates and tell them do what you like with it. We certainly have a programmatic method to approaching this.

So we're already seeing productivity improvements, benefits from the technologies that get rolled out, the benefits start to get realized and the staffing models adjust and then the benefits come from, the financial benefits I'm talking about, come from productivity. But at the same time, we're then starting to roll out in the next area and the next area and the next area.

So we're in a little bit of a net investment sort of position, if you like, from like a generative AI rollout position, Samad, and we anticipate that that will probably continue through a good portion of the medium-term horizon that we're sharing just given our size and scale and the opportunity we have with GenAI. But I do want to stress that we are seeing benefits now like real benefits from the areas that these tools have been rolled out, whether it's through Sreeni's team or the business units or what have you.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

I think there's a question in the back. Zachary Gunn.

Zack Gunn - FT Partners - Analyst

Zack Gunn, FT Partners. I wanted to ask a little bit about the Clover partnership and the opportunity there. So Clover has 750,000, 800,000 merchants. It's a pretty large opportunity when considering the 900,000 clients you have in the SMB business today.

Can you help us think about -- is there anything that prohibits you from going after the entire Clover merchant base? What the go-to-market looks like there? And anything in terms of thinking about a realistic cross-sell opportunity and what portion of Clover you can capture over time? Thanks.

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

Sure. And it's a great question. We are incredibly excited about embedded payroll, and we are equally excited about this exclusive partnership that we formed with Fiserv specifically as it relates to running Clover. A big piece of the thesis of that partnership is exactly what you just said in terms of their -- I think they call it their back book, we call it a client base, they call it a back book, but what they call their back book and the number, hundreds of thousands of clients that they have and the almost 1 million clients that we have on the RUN payroll.

Now invariably, there will be some overlap. But to your point, and that's some of what we're working through right now, where does that overlap exists. But undoubtedly, there is a tremendous opportunity for each of us to penetrate each other's basis with our various offering. In our case, it's putting -- marrying RUN payroll with Clover. In their case, it's putting CashFlow Central into our run offer and both of those present themselves to be incredible opportunities.

The go-to-market today is exactly what you'd expect from two companies that have best-in-class distribution. So we're working through how to go to market together, whether that's in the field, it's in digital, inside sales. It's from digital distribution, all the different ways that we can serve up our offers inside each other's product and allow for self buying as well as field or seller enabled buying. Those are all the motions we're, I would say, perfecting, and it's an important piece because the other part of your question was just how big can it be and is there anything stopping you from full penetration?

I would say there's nothing stopping us but we're early in the journey of perfecting the model. And a lot of that is, again, I'm a client-centric person by nature. It's understanding where is that small business owner making the decision and at what juncture of their entrepreneurial journey.

And where do we meet them? Where does Clover meet them? How do we meet them together and how do we facilitate this journey together. And so today, it's done through exactly what you'd imagine, which is co-selling and referrals and things of that nature. But I think we've only just gotten started in terms of just how broadly this could be deployed across both of our bases.

Peter Hadley - Automatic Data Processing Inc - Incoming Chief Financial Officer

Yes. And just as a reminder for everyone, if you weren't already aware, I mean in terms of the Clover client base, RUN is sitting now on the Clover dashboard. I'm not sure if it's fully rolled out to the entire client base. I think they were doing that over the period of a few months. But it will be sitting there available for anyone, as Maria was talking about, to self buy.

So like to me, at least, the addressable opportunity is something like the total -- sorry, the entire Clover user base absent where the overlap is because obviously, they already have RUN. So we're very bullish about it, but as Maria said, it's still early stages and will probably take some time to feed through.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

Kartik?

Kartik Mehta - Northcoast Research - Analyst

Kartik Mehta, Northcoast Research. Peter, just to make sure I understood. On the ES guidance you gave pricing, would that be back to the historical levels or kind of the levels we're at today, just to make sure that we understand that part?

Peter Hadley - Automatic Data Processing Inc - Incoming Chief Financial Officer

Yes. Good question, Kartik, more like the levels we're at today. So I think we said around 50 basis points back in 2021. Obviously, the environment was quite different. Inflation was -- although it's becoming lower, it's still nowhere near what it was through the pandemic period.

So we're contemplating more -- as we have lower pays per control than we had back then, we have a little bit more in terms of price. But our philosophy has not changed on price. So our philosophy still remains that we take the long-term view. We have long client life cycles.

As you know, we have great marginal profitability on most of our clients. And we also, as David was talking about, we also get around half of our bookings from our client base. So retention and lifetime value is most critical to us, taking price. We take price, what price we think is appropriate, but we don't get greedy on price. So it's more driven by the macro assumption, if you like, and where the world is at today with respect to price increases than some change in philosophical approach at ADP to pricing.

Kartik Mehta - Northcoast Research - Analyst

And then just on AI. I know you said it's benefiting you now. But as you look at it from a financial perspective, do you think -- is it a drag on margins today? Or do you think it's a benefit? And if it's a drag, when do you think it can become a benefit?

Peter Hadley - Automatic Data Processing Inc - Incoming Chief Financial Officer

At the moment, it's still a drag, but not a hugely significant drag. In terms of the investments we're making, some of the product investments we were talking about and scaling our operational capabilities around Lyric are a bigger impact on margins than what the net position is on Gen AI.

We don't really have a specific date yet in terms of like when will that equation flip. It's not -- like I said, we're talking tens of millions of dollars of net investment, not hundreds of millions of dollars. So it's it will come.

Whether it's in two years or three years or four, I think, remains to be seen. But our focus at the moment is really landing the opportunities where we have deployed and then looking for the next opportunity to deliver. And it's not just about margins or even about financials. As Maria said, it's about client experience, associate experience, client retention and obviously, there's economic benefits to it as well.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

I think there's a question in the middle. James Faucette.

James Faucette - Morgan Stanley - Analyst

James Faucette, Morgan Stanley. Wanted to follow up on the question around Clover and maybe make it a little more generalized. It seems like you guys are being able to build an interesting network of partnerships across lots of different businesses.

And I guess the questions that I have first is in the relationship with Fiserv, how should we think about if there's going to be any meaningful change in where the impact is on a gross margin versus operating margin basis. I don't know if we should be thinking about that.

And then another question that we've been getting actually from investors is one of the most interesting probably developments from an employee standpoint in new offerings over the last couple of years has been the growth in earned wage access programs, et cetera.

And I know you guys have some programs there. But in those programs, what's the potential for impact on things like flow and client funds held? Is it such a small piece of the overall market that it probably won't make a difference? Or is that something we should be aware of?

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

Yes. So maybe I'll start, and I'll just give a general partnership answer because both of what you mentioned, both obviously Clover and Fiserv as well as EWA, we address through partnership today. So I'll just kind of give basic Maria and ADP version of how we think about partnership and the importance of the open ecosystem and extending our reach, which is exactly that.

And so when I think about what it means to be a best-in-class HCM technology provider, what it means to have unmatched service and expertise, it is really that realization of what are you really good at? And at the same time, leveraging others for what they're really good at. And I think that's what's happened with, as an example, the entire category of embedded payroll.

So there used to be a time when perhaps POS providers believed, payroll, like, we'll build that. And that's an easy one. And today, that market is recognizing we should be really good at POS, and we should leverage the likes of ADP who's really good at payroll. And that coming together to solve a real business problem is, in my mind, the most beautiful part of partnership, right? And that's how we think about it.

So we -- by the way, our embedded payroll strategy is not just Fiserv. So we're committed to overall embedded payroll. And we're also committed to partnerships like the one that we have through EWA and the things that we have inside of the ADP Marketplace, which is again about extending the reach to help our clients either navigate better or solve a specific employee need in the case of an EWA or a specific company and business problem. And so that is our partnership thesis.

And I'll let you kind of comment on how to think about the impact on margin, but also how to think about the impact on float.

Peter Hadley - Automatic Data Processing Inc - Incoming Chief Financial Officer

Yes, yes. So I mean, on margin, specifically, James, to the Clover question, in terms of contribution margin or gross margin, operating margin, no real difference, I don't think, to that batch of clients, so to speak, versus the wider batch again, the service delivery is still and what the client is consuming is still the same as another small business client who buys through a different channel.

The distribution costs are a little bit different because of the rev share model, not necessarily worse. It's just the mechanics are a little bit different. So it's a cost-effective way of distributing in our opinion. And certainly, once the client has signed up and is, pardon the pun, running RUN payroll, we don't really see any noticeable difference, if you like, in why the profitability would vary either higher or lower.

On EWA, I mean, EWA for me is an important offering, but I would say it's not really gone beyond sort of a group of employees or a category, if you like, of employees. It's not really widespread. We have partnerships, as Maria said, with through our marketplace to deliver EWA to those who want to use it. There is a volume of take-up, but it's not necessarily becoming the pervasive or the norm, if you like, across the 1.1 million clients that we serve.

In terms of float, therefore, it obviously becomes quite small. And really, what you're talking about is because, again, the taxes on EWA still get filed at the same time as if you were not drawing your wages from EWA. And taxes are the most meaningful part, if you like, of the contribution to float, the net pay itself becomes a smaller portion of someone's net pay.

There's a haircut involved in order to -- that someone doesn't end up overdrawing, so long story short, de minimis, in my opinion, in terms of the float impact on EWA and just the pervasiveness for one of a better description of EWA as a method of pay amongst our client base is it's there. There is interest, but I think you've seen from us and you've probably also seen from our competitors that there was a little bit more noise about it, I guess, over the last few years than what there really has been in terms of traction.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

Maybe here in the front, Tien-Tsin Huang. Ramsey El-Assal.

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

Ramsey, it is.

Ramsey El-Assal - Barclays - Analyst

Ramsey El-Assal from Barclays. Maria, you opened the day with a message that ADP scale is a differentiator. I guess from a competitive standpoint, does scale matter more than it used to do even a few years ago? And does scale help you capture incremental market scale from subscale players today? What are your thoughts on that topic?

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

Scale matters. That was my message. Scale is more important than it's ever been. And it has to do -- by the way, I believe it's scale, it's depth, it's broad reach, it's 75 years of experience through innovation cycles, economic cycles. All of that lends itself to being really important in today's environment.

Part of that is because it's a very complex environment, just the landscape shifting around us. That has to do with the economic cycle. It has to do with the innovation cycle and knowing how to navigate that and having the reach and the extent to navigate that is more meaningful than ever.

When I think about -- and I said it on stage, and it was on my timeline, I know this because it's actually the year I was born. Like we started international in 1973. So for 51 years, we've been building the business that Virginia runs, and that is a reach and a scale and an extent that would take someone else 50 years to build because it isn't built in a day, and as such, yes, I believe it's more meaningful. Clients are becoming more complex, more global, need all of those services.

In the shape of AI and the story that Sreeni shared around One Data and the power of that scale and what to do with that scale, it is fueling and inspiring our innovation. It allows us to solve problems for our clients. It allows us, it's the foundation for the new technology of AI that we're infusing. Without that knowledge, the innovation would look very different. And so again, back to like how do you put that in context?

If you were to go feed any of these AI tools, just take New York City, I live in New Jersey, I drove here -- and where am I supposed to get tax today? And if you were to feed all the tax code into an AI tool and said, where should Maria be taxed for today? It would get it wrong.

And the reason is because it needs the six questions to ask, how long was she there? Where does she live most of the time? Where does she pay most of the taxes? Where did she pay them a lot?

It needs all of that, and we have that. We have that in all -- of the 75 years of data and the voice to text now that we're consuming to actually go answer that question properly. By the way, answer -- help our associates answer it and also answer it through modern tools. So again, to me, it is a game changer.

And having scale and specifically data because data isn't just about -- it's all the things that we've talked about today, having scale and data and distribution which is also David's team, the seller distribution, but it's also the 1.1 million clients, data plus distribution, to me, that is the competitive advantage in this innovation cycle, this one being the journey of AI into the world.

So that's my belief. I could go on and on, on this, by the way, Ramsey. But yes, scale matters. Glad you asked.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

I'll give it to Tien-Tsin.

Tien-tsin Huang - JP Morgan - Analyst

It's Tien-Tsin Huang from JPMorgan. Just want to -- I guess, a business and a financial question, if that's okay. On the business side, the decision to go vertical on the mid-market, I thought it was interesting as long as I've covered ADP, haven't really gone vertical. So I'm curious what dictated that decision to go vertical where you're going to verticalize your sales force? And can we expect you to maybe do more of that even down market in some cases?

And then my financial question is just around discipline and M&A and Ramsey's question on scale. What about the financial discipline on M&A? Any change in thinking around accretion dilution, size of deal, that kind of thing?

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

Sure. So I'll actually take a stab at both and obviously, welcome Peter to join in on the M&A discussion. With respect to going vertical and the decision, again, I'm a client-centric person, and I think about clients and where we have the ability to get really good at something to solve something for a specific client in terms of the need that they have, a problem they're solving for an opportunity that we can lean into.

My view as the leader in HCM is we should do that. And that's what led us down the road of what you mentioned, which is specifically workforce now for construction. So what we realized was using our best-in-class technology married to our best service, gave us an ability to go deep into that vertical to solve specific use cases for construction, which, by the way, is a market that's been underserved.

It's very complicated. Payroll and construction is incredibly complicated. And we have the ability to solve that based on our strategic priorities that we have. And so my view is, if we can do that, we should do that. And we will continue to do that where it's warranted.

Now your other question is, does that mean we're going to verticalize everything and rearrange all our furniture to sell in verticals? I don't foresee that. To me, it's more simple than that. It's where we're really good at something, and we can bring value to those clients and differentiated solutions and offerings to drive our growth, we'll go do that.

So you'll see more of it, but I don't see it as a holistic rearranged input. Never say never. The second piece to the question?

Peter Hadley - Automatic Data Processing Inc - Incoming Chief Financial Officer

M&A.

Maria Black - *Automatic Data Processing Inc - President, Chief Executive Officer, Director*

M&A. So I'll let Peter comment. You should continue to expect that ADP will be disciplined and think about everything that we stand for as it relates to M&A that is complementary, that is accretive, that is, again, solving for our journey, but also solving for our clients' journey. I don't think we're sitting up here saying that wholesale change in really anything.

We're very disciplined as a company. And I think that's what's led to the durability of our financial performance. But M&A also looks different across ADP. So we do client-based roll-ups all the time, clients where we're purchasing specifically in the down market, perhaps an accountant's portfolio of payroll that they provide, some would call that an acquisition.

We did a very big acquisition of an entire company, obviously, being workforce software, largest acquisition in our history. And then we do a lot of stuff in between. And those are the country roll-ups that we mentioned in international. We talked about Sora Technology, which was a workflow tool.

So we bought a bespoke piece of technology to accelerate our innovation journey. We could have built that. We could build it right back there. We have an innovation lab right here that could have built that, but it could have taken us, I don't know, five years. Why would we go do that when we have the ability. So I think that constant lens of what makes sense in terms of it being complementary, not a distraction, and accretive to all of you, our shareholders, that is the lens that we will apply and continue to apply.

So it might look really small or it might look big, but the commitment we have to you is that it's going to be good for all of you. So I don't know what you would add.

Peter Hadley - *Automatic Data Processing Inc - Incoming Chief Financial Officer*

Yes. No. I mean, I think just to clarify also, accretive can -- I think Maria is talking about many things accretive to our product portfolio, our client base, the acquisitions. We don't really have a hard and fast rule -- sorry, let me go back actually. I just want to be really clear, like we don't have a change, and I think we said that -- a few of us said that in our prepared remarks.

We don't really have a change in acquisition philosophy. We're not looking to go out and completely stage left on transformative acquisitions that are hugely dilutive or anything like that. But I would say we don't really have a hard and fast rule about how many years to accretion or what have you, how many years of dilution because I think we look at each opportunity on its merits, how strategic it is for ADP, what the opportunity is?

And then obviously, we also look, as we said, and we remain disciplined on the financials. So I wouldn't say there's a hard and fast rule, but I also wouldn't say there's any real change on that aspect, Tien-Tsin, or just the general philosophy with M&A. And I think we will continue to look at each deal on its merits. And like I said in my prepared remarks, we look for stuff that's complementary to what we have, not duplicative to what we have.

And we look for things that add, if you like, to ADP's capabilities. And if we can make the financials work, then great. If not, then we will be disciplined and we'll move on to the next opportunity.

Matthew Keating - *Automatic Data Processing Inc - Vice President - Investor Relations*

Question there.

Jason Kupferberg - *BofA Securities - Analyst*

Jason Kupferberg from Bank of America. So I want to go a little bit deeper into the competitive landscape. And maybe if you can touch on downmarket, mid-market, upmarket. Are there certain types of competitors that either are becoming more relevant in your mind or maybe on the flip side, where you think you're taking some incremental share from?

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

Sure. Always happy to talk about the competition because there's not a shortage of them. That's one of the, I guess, benefits of being as big and broad and deep and wide as we are is that we have formidable competition in each one of the spaces. And I'm very proud, by the way, if you think of the results that we've seen, specifically in bookings and the results candidly, over whether it's last medium term or over 75 years, our ability to continue to deliver the durable revenue growth and the bookings amidst an influx of competition over the 75 years since we invented the industry is pretty remarkable.

So very proud of that and certainly proud of our position today relative to the competition.

We are always keeping an eye on each piece of the landscape. So I think in the down market, and I kind of alluded to it earlier, five, seven years ago, we were sitting around talking a lot about POS providers entering into the down market. I think today, it's more traditional competitors that we see in the down market. We continue to think about them, think about how we distribute which we believe is better.

Think about our products and how we continue to innovate and to win and make sure we have all the offers to compete. And it's also about keeping an eye on the trends in each one of the spaces. So just like we were keeping an eye on the POS trend, there are trends in the down market in terms of how this will evolve over time.

The biggest piece I look at is distribution and that reach is, again, back to a meaningful differentiator because if you think about how a small business consumes payroll today, you still need the client to be organized enough to do it all on their own. So even if somebody can go invent this all digitally, this piece, in order for it to work out to become an actual booking, both have to come together. And so again, I think our distribution and the investments we make there and the continued both in technology and headcount is a meaningful piece to that.

I would say the same is true in the mid-market. I think we picked up tremendous ground in the mid-market. The part that I see is the record NPS that we've been talking about over the last couple of years, coupled with record retention or near record retention in the mid-market. I'd like to think we're making it harder on the others. I find that fun.

In terms of the upmarket, at some level, like we're just getting started. And I would say that's the part that we are all so excited and really the kind of impetus to why we wanted to bring all of you here today at our innovation area to kind of see what it is that we're doing to really bring together this offer that we think is going to be a big contributor to us over the coming years. But undoubtedly, there's not a shortage of enterprise competitors.

By the way, many of them we partner with. We live in that competition world. And we all want to land and expand. And the journey of landing and expanding is making sure you have the offers that once you're there, you have the ability to continue to grow. I mentioned we serve 80% of the Fortune 500 together already and together now with the offers that we have, being able to extend that reach and land and expand, that's exactly our intent.

And we'll see where that leads the competition in the years to come.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

Question in the middle, Scott.

Scott Wurtzel - Wolfe Research - Analyst

Scott Wurtzel from Wolfe Research. I wanted to ask a couple of questions on the Zone. So wondering if you can talk about if there have been any way to kind of quantify or measure the uplift in sales productivity between the 40% of reps using the Zone versus 60% that are not? And then maybe also on the time line in terms of rolling that out to that other 60% as well.

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

Yes, it's a great question. So we've been working on a modern seller journey, forever, but more specifically over the last decade as we've started really infusing a lot of the tools and technology, the Zone being really a culmination of a lot of that journey, if you will, of modern seller, modern seller transformation and the technology involved in it.

In terms of where we are, as mentioned, we're at roughly just under half. My favorite part about the evolution of this technology is that bringing it into an organization and watching the organic desire to get to the tools. So what happens is, just like you saw in the video, those individuals, I believe they're probably in our Allentown sales office. They're in Allentown, and there's a whole slew of groups in Allentown, they're like, when am I getting this tool? I want it, too. And the reason is exactly what you suggested, which is we are -- by the way, we do this in service, technology and sales.

At the micro level, we are measuring the operating efficiency of each one of these tools. So sales is incredible because you can -- like you can see it almost to the day in terms of how many calls they're able to make, how many deals they're able to close, the relative performance. And the best part about the way that we're rolling this out is all it takes is folks like the ones on the video shouting on why they're more successful using these tools and the rest of the sales force is literally clawing. And that's my favorite.

I do a lot of -- I visit a lot of our offices and nothing makes me happier than when I'm meeting with one group and they're boasting about the tools they have and then I get to the next group and they're like, can we get that, too? That's the journey we're on.

It is going very fast, right? So at almost sub-50%. And I would say in the next year or so, we will be broadly deployed. But it's a game changer, and it is, for sure, increasing sales productivity.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

I think we have time for one more question. I think David, right there.

David Paige - RBC Capital Markets - Analyst

David Paige from RBC. Just following up on Zone. The tools like Zone come from the upper level management, top management? Or is it the sales organization that's saying like, oh hey, like I think there's better tools out there to make us more productive, to go after sales. Just how does that work within the organization?

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

Yes. It's a great question, David. And as you know, I ran worldwide while I grew up in sales. I also -- I ran worldwide sales and marketing for a long time. And my answer to you is it's both.

And so some of it is at the enterprise level. Obviously, we have a desire to ensure that we're partnering with the right technology, and that's everything from governance to ethics, all the things that -- so there is a lens of, I guess, the corporate folks to this. But we also, at the field level, we pilot and test a lot of tools.

And back to how do they become contagious, if you will, or attractive, it's a lot of piloting of multiple tools that perhaps are best-of-breed that do multiple things. And we let the market and then this example, that is the sales force decide the winners. And so if you look at any of these tools, a marketing outbound tool, a video tool, generally -- and by the way, we're not talking about 10 per type, we're talking about one or two per type.

And then generally speaking, you start seeing success, it becomes contagious, and it becomes clear what the winner is and then we go deeper and embed it into our system. I mentioned it, it's marketing outbound. It's tools that do some aggregation.

There are tools that we partner with companies that are, again, serving up the right lead at the right time, also giving information into the headsets of sellers as to what they should say, things I used to do as a sales executive say this now is actually happening through tools. And again, it's about the take rate, and it becomes very obvious. So it does happen ground up.

But then again, there are certain tools like we want to ensure that the call summarization is in a certain tool because it's the same one that we want to use for service because eventually, that call feeds implementation that feeds service, right? So that the data is usable. So the answer is both.

Matthew Keating - Automatic Data Processing Inc - Vice President - Investor Relations

And that concludes --

Maria Black - Automatic Data Processing Inc - President, Chief Executive Officer, Director

65,000 ADPIers that are clear in their mission, and they wake up every day thinking and working on everything that you just saw in front of you. And so with that, I hope you join us in our bullishness. I hope you join us in this journey and your continued support doesn't go unnoticed. And with that, we're really excited to move forward with this plan as we head into certainly the next year, but also the medium term. So with that, my sincere gratitude for your interest in ADP.

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