



ADP Earnings Call & Webcast Q3 Fiscal 2020

April 29, 2020

Forward Looking Statements

This document and other written or oral statements made from time to time by ADP may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like “expects,” “assumes,” “projects,” “anticipates,” “estimates,” “we believe,” “could” “is designed to” and other words of similar meaning, are forward-looking statements. These statements are based on management’s expectations and assumptions and depend upon or refer to future events or conditions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements or that could contribute to such difference include: ADP’s success in obtaining, and retaining, clients, and selling additional services to clients; the pricing of products and services; the success of our new solutions; compliance with existing or new legislation or regulations; changes in, or interpretations of, existing legislation or regulations; overall market, political and economic conditions, including interest rate and foreign currency trends; competitive conditions; our ability to maintain our current credit ratings and the impact on our funding costs and profitability; security or cyber breaches, fraudulent acts, and system interruptions and failures; employment and wage levels; changes in technology; availability of skilled technical associates; the impact of new acquisitions and divestitures; the adequacy, effectiveness and success of our business transformation initiatives; and the impact of and uncertainties related to major natural disasters or catastrophic events, including the COVID-19 pandemic. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. These risks and uncertainties, along with the risk factors discussed under “Item 1A. Risk Factors” of our most recent Annual Report on Form 10-K, and in other written or oral statements made from time to time by ADP, should be considered in evaluating any forward-looking statements contained herein.

Non-GAAP Measures

Adjusted EBIT, adjusted EBIT margin, adjusted diluted earnings per share, adjusted effective tax rate, and organic constant currency are all non-GAAP financial measures. Please refer to the Q3 fiscal 2020 earnings release available at investors.adp.com for a discussion of why ADP believes these measures are important and for a reconciliation of non-GAAP financial measures to their comparable GAAP financial measures.

This presentation is a supplement to our Q3 fiscal 2020 earnings release; it is intended to be read in conjunction with, not as a substitute for, or in isolation from, the earnings release.

CEO's Perspective

Solid third quarter and momentum prior to COVID-19

COVID-19 Response and Near-term Impacts

Our Associates

- Successful Business Resiliency Plan execution
- 50k+ associates shifted to work-from-home; enabled by rapid global resource deployment
- Global associate assistance payment

Our Clients

- Significantly elevated call volume
- Clients seeking guidance and support for variety of issues related to COVID-19, including new legislation
- ADP remains a trusted partner for the broad array of HCM needs

Our Financials

- Significant impact to ES New Business Bookings; more abrupt deceleration than prior downturns
- PPC, payroll volume, and client out-of-business trends showing degradation at varying paces
- Containment on hiring and spend

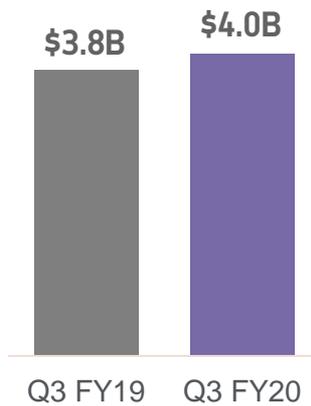
Q3 Fiscal 2020 Financial Highlights

(unaudited)

Total Revenues

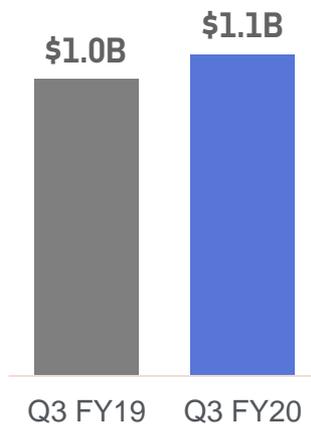
↑ 6%

↑ 6% Organic Constant Currency (a)



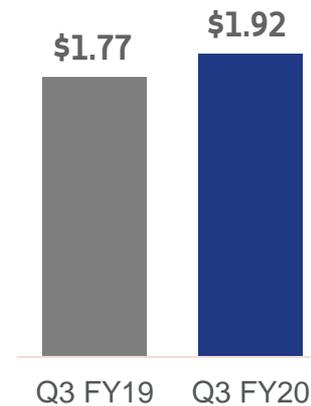
Adjusted EBIT (a)

↑ 8%



Adjusted Diluted EPS (a)

↑ 8%

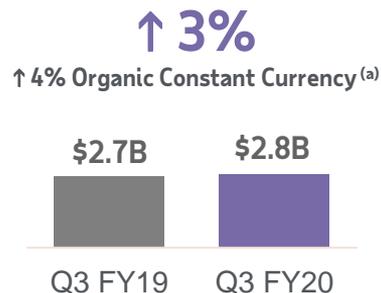


(a) For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2020 earnings release available at investors.adp.com.

Q3 Fiscal 2020 Employer Services Segment Results

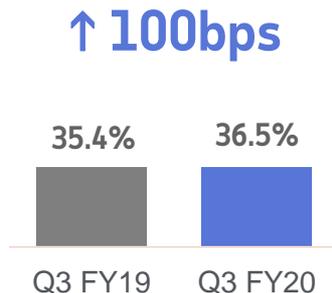
(unaudited)

ES Revenues



- ES New Business Bookings ↓ 9%
- U.S. Pays Per Control ↑ 1.9%
- Average client funds balances ↑ 4%

ES Margin



Q3 Highlights

- Revenue growth and margin expansion in line with expectations
- Retention above expectations and guidance range in Q3 and YTD
- Significant impact to New Business Bookings in March
- PPC deceleration to negative growth by end of March
- Continued FX unfavorability from stronger U.S. dollar versus Euro

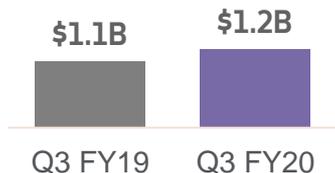
(a) For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q3 fiscal 2020 earnings release available at investors.adp.com.

Q3 Fiscal 2020 PEO Services Segment Results

(unaudited)

PEO Revenues

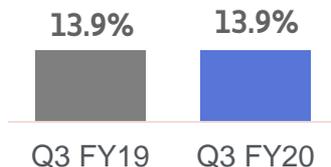
↑ 11%



- Revenues excluding zero-margin benefits pass-throughs ↑ 9%
- Average Worksite Employees paid ↑ 7% to 595,000

PEO Margin

↑ 10bps



- Includes 10 basis points of pressure from ADP Indemnity

Q3 Highlights

- Acceleration in Average WSE growth and revenue in Q3 following strong sales results year-to-date
- ADP Indemnity full year expectation for 75 bps of pressure, from 50 basis points prior expectation

Macro Assumptions for the Remainder of the Year

(unaudited)

Macro Driver	Current Observation	Q4 Assumption
Out-of-Business	No major uptick, but seeing leading indicators	Elevated level of out-of-business losses
Pays Per Control	Down double-digits; most severe in downmarket	Down mid-teens
Client Funds Balances	Down high-single-digits	Down low-double-digits

Fiscal 2020 Outlook

	Fiscal 2019 Revised ^(a) , unaudited	July 31, 2019 Fiscal 2020 Outlook ^(b)	October 30, 2019 Fiscal 2020 Outlook ^(b)	January 29, 2020 Fiscal 2020 Outlook ^(b)	April 29, 2020 Fiscal 2020 Outlook ^(b)	
Total ADP	Revenues	\$14,110M	↑ 6 - 7%	↑ 6 - 7%	↑ 6%	↑ 3%
	Adj. EBIT Margin ^(c)	22.4%	↑ 100 - 125 bps	↑ 100 - 125 bps	↑ 100 - 125 bps	↓ (25) bps to ↑ 25 bps
	Adj. Effective Tax Rate ^(c)	23.8%	Flat at 23.8%	23.3%	23.2%	22.9%
	Adj. Diluted EPS ^(c)	\$5.45	↑ 12 - 14%	↑ 12 - 14%	↑ 12 - 14%	↑ 4 - 7%
Employer Services	Revenues	\$9,943M	↑ 4 - 5%	↑ 4 - 5%	↑ 4%	↑ 1 - 2%
	Margin	29.8%	↑ 100 - 125 bps	↑ 100 - 125 bps	↑ 100 - 125 bps	↓ (25) bps to ↑ 25 bps
	ES New Business Bookings	\$1.6B	↑ 6 - 8%	↑ 6 - 8%	↑ 6 - 7%	↓ ~ (20)%
	Client Revenue Retention	90.8%	↑ 10 - 20 bps	↑ 10 - 20 bps	↑ 10 - 20 bps	↓ (30) to (50) bps
	Pays Per Control	↑ 2.7%	↑ 2.5%	↑ 2.5%	↑ 2.5%	↓ (2) - (2.5)%
PEO Services	Revenues	\$4,178M	↑ 9 - 11%	↑ 9 - 11%	↑ 9 - 10%	↑ 5 - 7%
	Revenues Ex Zero-Margin Pass-throughs	\$1,530M	↑ 7 - 9%	↑ 7 - 9%	↑ 7 - 8%	↑ 3 - 5%
	Margin	14.7%	Flat to ↓ (25) bps	Flat to ↓ (25) bps	Flat to ↓ (25) bps	↓ (100) to (125) bps
	Average WSEs	547,000	↑ 7 - 9%	↑ 7 - 9%	↑ 7 - 8%	↑ 3 - 5%
Client Funds Interest	Average Client Funds Balances	\$25.5B	↑ 4 - 5%	↑ 4%	↑ 4%	↑ 1%
	Yield on Client Funds Portfolio	2.2%	Flat at 2.2%	Flat at 2.2%	Flat at 2.2%	↓ (10) bps to 2.1%
	Client Funds Interest Revenue	\$562M	\$580 - \$590M	\$570 - \$580M	\$570 - \$580M	\$540 - \$550M
	Extended Investment Strategy	\$557M	\$585 - \$595M	\$575 - \$585M	\$575 - \$585M	\$550 - \$560M

(a) Fiscal 2019 results revised to include change in PEO Services zero-margin pass-through revenue and operating expenses; see our Q1 fiscal 2020 earnings release available at investors.adp.com for more details.

(b) Outlook contemplates the impact of prior fiscal year acquisition of Celergo and anticipated impact of foreign currency in revenue and operating results.

(c) For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2020 earnings release available at investors.adp.com.

Appendix: Client Funds Investment Strategy Detail

	Fiscal 2020 Outlook		
	Average Balance (\$)	Average Yield	Interest (\$)
Client Short	~4.9B	~1.2%	50 - 60M
Client Extended	~11.1B	~2.1%	235M
Client Long	~9.8B	~2.6%	~255M
Total Client Funds (a)	~25.8B	~2.1%	540 - 550M
Corporate Extended Interest Income (b)	~3.2B	~2.1%	~65M
Borrowing Days Interest Expense	~3.2B	~1.7%	~(55)M
Net Impact From Client Funds Extended Investment Strategy			550 - 560M

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

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

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