Automatic Data Processing, Inc.
Segment Information

Employer Services and the Professional Employer Organization ("PEO") Services are ADP's two reportable segments. Certain revenues and expenses are charged to the segments at a standard rate for management reasons. Other costs are recorded based on management responsibility. The primary components of the "Other" segment are certain corporate overhead charges and expenses that have not been allocated to the reportable segments, including corporate functions, costs related to our transformation office, non-recurring gains and losses, the elimination of intercompany transactions, and interest expense.

The tables attached show the quarterly segment revenues and earnings before income taxes for fiscal 2018, 2019 and the first, second, and third quarter of fiscal 2020 as well as the percentage difference between each period indicated and the same respective prior year period. The tables also show the adjustments management considers when evaluating our operating performance in the absence of certain items. Lastly, included are the details of fiscal 2020 results from the client funds extended investment strategy. We believe these adjusted results provide relevant and useful information for investors because it allows investors to view performance in a manner similar to the method used by us.

The Company has historically classified certain fees collected from worksite employers for certain benefits within PEO revenues and the associated costs of these benefits within operating expenses as PEO zero-margin benefits pass-through costs in the Company's Statements of Consolidated Earnings. During the first quarter of fiscal 2020, the Company corrected prior period amounts previously reported on a gross basis to a net basis by reducing PEO revenues and operating expenses for associated costs. In addition, the Company made changes to the allocation methodology for certain corporate allocations, in both the current period and the prior period in the tables presented, and did not materially affect reportable segment results. We reflected these new segment measures beginning in the first quarter of fiscal 2020 and prior period segment results have been restated for comparability.

Automatic Data Processing, Inc. and Subsidiaries
Revenues by Reportable Segment
($ in millions)
(Unaudited)

Fiscal Year		Employer Services		PEO Services		Other	Total	
		$	%	$	%	$	$	%
18	Q1	2,179.4	2 %	889.0	13 %	(2.0)	3,066.4	5 %
	Q2	2,297.8	6 %	932.3	15 %	(1.9)	3,228.2	8 %
	Q3	2,628.5	8 %	1,051.6	10 %	0.2	3,680.3	8 %
	Q4	2,349.0	8 %	956.0	9 %	(5.7)	3,299.3	8 %
	Year	9,454.8	6 %	3,828.8	12 %	(9.4)	13,274.2	8 %
19	Q1	2,338.2	7 %	974.9	10 %	(2.8)	3,310.3	8 %
	Q2	2,450.4	7 %	1,044.7	12 %	(2.7)	3,492.4	8 %
	Q3	2,719.1	3 %	1,115.5	6 %	(6.4)	3,828.2	4 %
	Q4	2,435.1	4 %	1,042.6	9 %	1.6	3,479.3	5 %
	Year	9,942.8	5 %	4,177.7	9 %	(10.3)	14,110.2	6 %
20	Q1	2,441.4	4 %	1,056.9	8 %	(2.6)	3,495.7	6 %
	Q2	2,537.5	4 %	1,134.7	9 %	(2.7)	3,669.5	5 %
	Q3	2,811.7	3 %	1,238.3	11 %	$ (2.2)	4,047.8	6 %

Note: Numbers may not foot due to rounding.

Automatic Data Processing, Inc. and Subsidiaries

Earnings by Reportable Segment

($ in millions)

(Unaudited)

Fiscal Year		Employer Services			PEO Services			Other	Total as Reported			Non-GAAP Adjustments (a)	Adjusted EBIT		
		$	%	Segment Margin	$	%	Segment Margin	$	$	%	Pretax Margin	$	$	%	Adjusted Margin
18	Q1	535.8	(1)%	24.6 %	124.7	17 %	14.0 %	(95.6)	564.9	4 %	18.4 %	(15.9) (b)	580.8	(2)%	18.9 %
	Q2	580.2	3 %	25.3 %	134.1	16 %	14.4 %	(126.7)	587.6	(28)%	18.2 %	(36.8) (c)	624.4	1 %	19.3 %
	Q3	871.4	8 %	33.2 %	145.8	20 %	13.9 %	(142.0)	875.2	4 %	23.8 %	(48.4) (d)	923.6	9 %	25.1 %
	Q4	613.5	27 %	26.1 %	137.2	17 %	14.4 %	(495.8)	254.9	(39)%	7.7 %	(371.1) (e)	626.0	33 %	19.0 %
	Year	2,601.1	8 %	27.5 %	541.6	18 %	14.1 %	(860.1)	2,282.6	(13)%	17.2 %	(472.0)	2,754.6	9 %	20.8 %
19	Q1	639.8	19 %	27.4 %	143.7	15 %	14.7 %	(136.7)	646.8	14 %	19.5 %	(39.9) (f)	686.7	18 %	20.7 %
	Q2	733.0	26 %	29.9 %	157.3	17 %	15.1 %	(149.3)	741.0	26 %	21.2 %	(45.5) (g)	786.5	26 %	22.5 %
	Q3	963.1	11 %	35.4 %	154.7	6 %	13.9 %	(133.3)	984.5	12 %	25.7 %	(28.9) (h)	1,013.4	10 %	26.5 %
	Q4	625.0	2 %	25.7 %	160.5	17 %	15.4 %	(152.2)	633.3	148 %	18.2 %	(35.8) (i)	669.1	7 %	19.2 %
	Year	2,960.9	14 %	29.8 %	616.2	14 %	14.7 %	(571.5)	3,005.6	32 %	21.3 %	(150.1)	3,155.7	15 %	22.4 %
20	Q1	681.0	6 %	27.9 %	148.4	3 %	14.0 %	(90.3)	739.1	14 %	6.6 %	(5.8) (j)	744.9	8 %	21.3 %
	Q2	767.4	5 %	30.2 %	167.1	6 %	14.7 %	(99.0)	835.5	13 %	22.8 %	(18.2) (k)	853.7	9 %	23.3 %
	Q3	1,025.0	6 %	36.5 %	172.6	12 %	13.9 %	(120.9)	1,076.7	9 %	26.6 %	(20.8) (l)	1,097.5	8 %	27.1 %

Note: Numbers may not foot due to rounding.

(a) Non-GAAP adjustments for each quarterly period include certain interest income and interest expense amounts (primarily included in "Other") and for certain quarterly periods, include additional transactions as detailed further within the footnotes below. This interest expense, interest income, and these additional transactions are excluded from our evaluation of operating performance and for the planning and forecasting of future periods. We believe that the exclusion of these items helps us reflect the fundamentals of our underlying business model and analyze results against our expectations, against prior period, and to plan for future periods by focusing on our underlying operations. We do not include interest income earned on investments associated with our client fund investment strategy and interest expense on borrowings related to our client fund extended investment strategy as Non-GAAP adjustments as we believe these amounts to be fundamental to the underlying operations of our business model.

(b) The three months ended September 30, 2017, include a $10.5 million charge which represents certain non-operational costs relating to proxy contest matters and $3.3 million of reversals of charges related to our Service Alignment Initiative.

(c) The three months ended December 31, 2017, include a $22.9 million charge which represents certain non-operational costs relating to proxy contest matters and $3.3 million of charges related to our Service Alignment Initiative.

(d) The three months ended March 31, 2018, include severance charges related to our Service Alignment Initiative of $13.1 million, and other transformation initiatives of $26.6 million which primarily consist of severance charges totaling $22.6 million.

(e) The three months ended June 30, 2018, include $319.6 million related to the special termination benefit charges and $17.5 million of other charges related to our Voluntary Early Retirement Program ("VERP"), severance charges related to our Service Alignment Initiative of $7.4 million, and other transformation initiatives of $20.8 million, which primarily consist of severance charges totaling $19.3 million.

(f) The three months ended September 30, 2018, include $14.0 million of a non-cash pension settlement charge, $1.3 million of charges for special termination benefits, and $9.3 million of expenses related to the continuing health coverage, as a result of VERP, and $12.3 million related to other transformation initiatives partially offset by net reversals of charges related to Service Alignment Initiative of $4.4 million.

(g) The three months ended December 31, 2018, include $12.8 million of a non-cash pension settlement charge and special termination benefits, and $12.1 million of expenses related to the continuing health coverage, as a result of VERP, and $18.7 million related to other transformation initiatives partially offset by net reversals of charges and gain on sale of assets related to Service Alignment Initiative of $6.4 million.

(h) The three months ended March 31, 2019, include $7.8 million of a non-cash pension settlement charge and special termination benefits, and $2.2 million of expenses related to the continuing health coverage, as a result of VERP, and $20.5 million related to other transformation initiatives, partially offset by net reversals of charges related to Service Alignment Initiative of $7.7 million.

(i) The three months ended June 30, 2019, include $12.3 million of a non-cash pension settlement charge related to VERP, severance charges recorded totaling $29.9 million primarily relating to our Workforce Optimization initiative to reduce management layers and increase spans of controls and $9.1 million related to other transformation initiatives. These charges were partially offset by the gain on sale of assets relating to the investment held at cost acquired in prior years and subsequently sold of $15.7 million and the net reversals of charges related to our Service Alignment Initiative of $5.4 million for the three months ended June 30, 2019.

(j) The three months ended September 30, 2019, include net reversals of charges related to our VERP and Service Alignment Initiative of $5.8 million and a gain on sale of assets related to Service Alignment Initiative of $1.9 million, offset by charges of $7.1 million related to other transformation initiatives.

(k) The three months ended December 31, 2019 include net reversals of charges related to our Service Alignment Initiative of $1.8 million, offset by charges of $10.9 million related to other transformation initiatives.

(l) The three months ended March 31, 2020 include net charges related to severance, VERP and other transformation initiatives.

Automatic Data Processing, Inc. and Subsidiaries
Client Funds Extended Investment Strategy
1Q FY20
(Unaudited)

	1Q20		1Q19		Change	
	$	Yield/ Rate	$	Yield/ Rate	$	Yield/ Rate
Balances:						
Average Client Short Portfolio Balance	$ 3.5 B	1.8 %	$ 2.9 B	1.6 %	$ 0.6 B	0.2 %
Average Client Extended Portfolio Balance	10.3 B	2.1 %	9.7 B	2.0 %	0.6 B	0.1 %
Average Client Long Portfolio Balance	9.9 B	2.6 %	9.6 B	2.5 %	0.3 B	0.1 %
Average Client Funds Balance	$ 23.7 B	2.3 %	$ 22.2 B	2.1 %	$ 1.5 B	0.1 %
Average Corporate Extended Investment Balance	$ 4.4 B	2.2 %	$ 4.2 B	2.0 %	$ 0.2 B	0.2 %
Average Commercial Paper Borrowings	$ 4.0 B	2.3 %	$ 3.7 B	2.0 %	$ 0.3 B	0.3 %
Average Reverse Repurchase Borrowings	0.4 B	2.0 %	0.5 B	1.7 %	(0.1) B	0.2 %
Average Short-term Borrowings	$ 4.4 B	2.2 %	$ 4.2 B	1.9 %	$ 0.2 B	0.3 %
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	$ 14 M		$ 11 M		$ 4 M	
Interest on Funds Held for Clients – Client Extended	55 M		48 M		7 M	
Interest on Funds Held for Clients – Client Long	64 M		60 M		5 M	
Total Interest on Funds Held for Clients	$ 134 M		$ 119 M		$ 15 M	
Corporate Extended Interest Income	$ 24 M		$ 21 M		$ 3 M	
Corporate Interest Expense - Short-term	$ (25) M		$ (21) M		$ (4) M	
Net Impact from Client Funds Strategy	$ 133 M		$ 119 M		$ 14 M	

Note: Numbers may not foot due to rounding

Automatic Data Processing, Inc. and Subsidiaries
Client Funds Extended Investment Strategy
2Q FY20
(Unaudited)

	2Q20		2Q19		Change	
	$	Yield/ Rate	$	Yield/ Rate	$	Yield/ Rate
Balances:						
Average Client Short Portfolio Balance	$ 4.3 B	1.5 %	$ 3.9 B	1.9 %	$ 0.3 B	(0.4)%
Average Client Extended Portfolio Balance	11.0 B	2.1 %	10.0 B	2.0 %	1.0 B	0.1 %
Average Client Long Portfolio Balance	9.8 B	2.6 %	9.6 B	2.5 %	0.1 B	0.1 %
Average Client Funds Balance	$ 25.1 B	2.2 %	$ 23.6 B	2.2 %	$ 1.5 B	— %
Average Corporate Extended Investment Balance	$ 3.8 B	2.1 %	$ 4.1 B	2.1 %	$ (0.4) B	0.1 %
Average Commercial Paper Borrowings	$ 3.5 B	1.7 %	$ 3.8 B	2.3 %	$ (0.4) B	(0.5)%
Average Reverse Repurchase Borrowings	0.3 B	1.7 %	0.3 B	1.9 %	— B	(0.1)%
Average Short-term Borrowings	$ 3.8 B	1.7 %	$ 4.1 B	2.2 %	$ (0.4) B	(0.5)%
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	$ 15 M		$ 18 M		$ (2) M	
Interest on Funds Held for Clients – Client Extended	58 M		50 M		8 M	
Interest on Funds Held for Clients – Client Long	64 M		61 M		3 M	
Total Interest on Funds Held for Clients	$ 138 M		$ 129 M		$ 9 M	
Corporate Extended Interest Income	$ 20 M		$ 22 M		$ (1) M	
Corporate Interest Expense - Short-term	$ (17) M		$ (24) M		7 M	
Net Impact from Client Funds Strategy	**$ 141 M**		**$ 127 M**		**$ 14 M**	

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Automatic Data Processing, Inc. and Subsidiaries
Client Funds Extended Investment Strategy
3Q FY20
(Unaudited)

	3Q20		3Q19		Change	
	$	Yield/ Rate	$	Yield/ Rate	$	Yield/ Rate
Balances:						
Average Client Short Portfolio Balance	$ 8.1 B	1.2 %	$ 7.4 B	2.1 %	$ 0.7 B	(0.9)%
Average Client Extended Portfolio Balance	13.3 B	2.1 %	12.9 B	2.1 %	0.4 B	— %
Average Client Long Portfolio Balance	9.9 B	2.6 %	9.6 B	2.6 %	0.2 B	— %
Average Client Funds Balance	$ 31.3 B	2.0 %	$ 30.0 B	2.2 %	$ 1.3 B	(0.2)%
Average Corporate Extended Investment Balance	$ 1.3 B	2.1 %	$ 1.2 B	2.2 %	$ 0.2 B	(0.1)%
Average U.S. Commercial Paper Borrowings	$ 1.2 B	1.5 %	$ 1.1 B	2.4 %	$ 0.1 B	(0.9)%
Average U.S./Canadian Reverse Repurchase Borrowings	0.1 B	1.6 %	0.1 B	1.8 %	— B	(0.2)%
Average Short-term Borrowings	$ 1.3 B	1.5 %	$ 1.2 B	2.4 %	$ 0.2 B	(0.9)%
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	$ 24 M		$ 39 M		$ (15) M	
Interest on Funds Held for Clients – Client Extended	70 M		67 M		3 M	
Interest on Funds Held for Clients – Client Long	65 M		62 M		3 M	
Total Interest on Funds Held for Clients	$ 159 M		$ 167 M		$ (8) M	
Corporate Extended Interest Income	$ 7 M		$ 6 M		$ 1 M	
Corporate Interest Expense - Short-term	$ (5) M		$ (7) M		$ 2 M	
Net Impact from Client Funds Strategy	**$ 161 M**		**$ 167 M**		**$ (6) M**	

Note: Numbers may not foot due to rounding