



ADP Earnings Call & Webcast Q3 Fiscal 2021

April 28, 2021

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 any 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 2021 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 2021 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

- Strong Q3 FY21 results driven by continued resilience in revenue and outperformance in margin versus expectations
- Reacceleration in Q3 ES New Business Bookings to 7% growth
 - Sales performance improved consistently through the quarter
 - YTD FY21 sales ahead of FY20 and FY19 levels
- Continued record retention in ES segment with guidance raised for full year
- Strengthening of product portfolio continued during the quarter and included the launch of Roll by ADP, continued scale-up of Next Gen solutions, and growing market recognition of WorkforceNow in the enterprise market



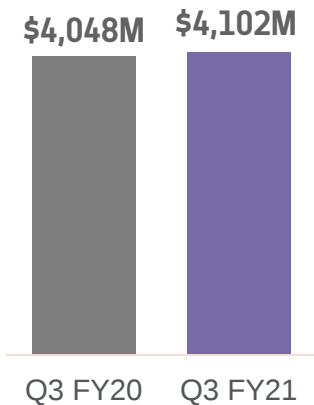
Q3 Fiscal 2021 Financial Highlights

(unaudited)

Total Revenues

↑ 1%

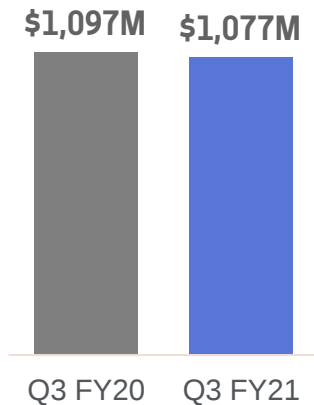
↑ 1% Organic Constant Currency (a)



Adjusted EBIT (a)

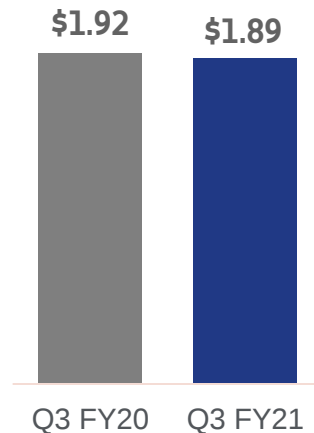
↓ 2%

Adjusted EBIT (a) Margin ↓ 90 bps



Adjusted Diluted EPS (a)

↓ 2%

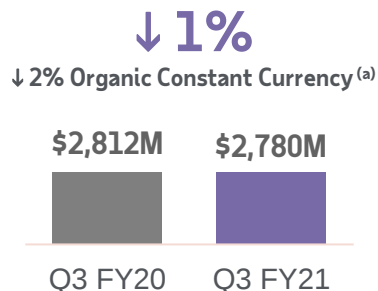


(a) For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2021 earnings release available at investors.adp.com.

Q3 Fiscal 2021 Employer Services Segment Results

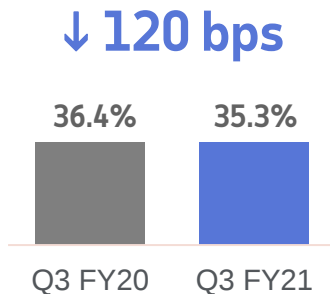
(unaudited)

ES Revenues



- ES New Business Bookings ↑ 7%
- U.S. Pays Per Control ↓ 6%
- Average client funds balances ↑ 6%
- Average client funds yield ↓ 70 bps

ES Margin



- Continued investment in marketing and product plus higher incentive compensation expense, partially offset by execution of transformation initiatives

Q3 Highlights

- Broadly resilient revenue performance across the business
- Record Q3 retention for ES, offsetting softer-than-expected sequential PPC improvement
- ES New Business Bookings of +7% slightly ahead of expectations, with strong momentum exiting the quarter

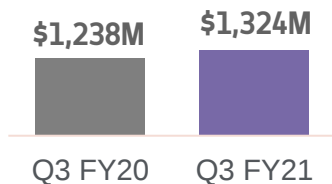
(a) For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q3 fiscal 2021 earnings release available at investors.adp.com.

Q3 Fiscal 2021 PEO Services Segment Results

(unaudited)

PEO Revenues

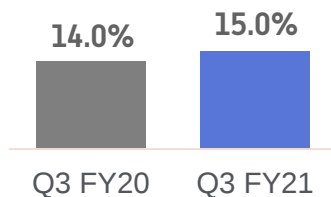
↑ 7%



- Revenues excluding zero-margin benefits pass-throughs ↑ 10%
- Average Worksite Employees paid effectively flat at 594,000

PEO Margin

↑ 100 bps



- Better than expected revenue and continued focus on cost control
- Contribution of 50 bps from workers' compensation true-ups during the quarter

Q3 Highlights

- Better-than-expected revenue and WSE performance trends continued into Q3
- Revenues benefiting from stronger-than-expected retention and higher wages per WSE
- Improving sales environment compared to first half of fiscal year

Fiscal 2021 Outlook

		Fiscal 2020 (unaudited)	July 29, 2020 Fiscal 2021 ^(a) Outlook	October 28, 2020 Fiscal 2021 ^(a) Outlook	January 27, 2021 Fiscal 2021 ^(a) Outlook	April 28, 2021 Fiscal 2021 ^(a) Outlook
Total ADP	Revenues	\$14,590M	(4) to (1)%	(1) to 1%	1 to 3%	2 to 3%
	Adj. EBIT Margin ^(b)	23.0%	~(300) bps	(150) to (100) bps	(100) to (50) bps	(75) to (50) bps
	Adj. Effective Tax Rate ^(b)	22.6%	23.1%	23.1%	23.0%	23.0%
	Adj. Diluted EPS ^(b)	\$5.92	(18) to (13)%	(7) to (3)%	(2) to 2%	Flat to 1%
Employer Services	Revenues	\$10,087M	(5) to (3)%	(2)% to flat	Flat to 2%	~1%
	Margin	30.3%	~(300) bps	(150) to (100) bps	(100) to (50) bps	(75) to (50) bps
	ES New Business Bookings	\$1.2B	Flat to 10%	10 to 20%	15 to 25%	20 to 25%
	Client Revenue Retention	90.5%	(100) to (50) bps	(50) bps to flat	~100 bps	Up at least 125 bps
	U. S. Pays Per Control	(1.0)%	(4) to (3)%	(4) to (3)%	(4) to (3)%	(4) to (3)%
PEO Services	Revenues	\$4,511M	(2) to 2%	Flat to 3%	3 to 5%	5 to 6%
	Revenues Ex Zero-Margin Pass-throughs	\$1,604M	(4) to (1)%	(1) to 1%	3 to 5%	5 to 6%
	Margin	13.5%	~(100) bps	(50) bps to flat	50 to 100 bps	~75 bps
	Average WSEs	571,000	(3)% to flat	(1) to 1%	Flat to 2%	1 to 2%
Client Funds Interest	Average Client Funds Balances	\$26.0B	(8) to (6)%	(3) to (1)%	(1) to 1%	2 to 3%
	Yield on Client Funds Portfolio	2.1%	(50) bps, to 1.6%	(50) bps, to 1.6%	(50) bps, to 1.6%	(50) bps, to 1.6%
	Client Funds Interest Revenue	\$545M	\$390 to \$400M	\$400 to \$410M	\$405 to \$415M	~\$415M
	Extended Investment Strategy	\$561M	\$430 to \$440M	\$435 to \$445M	\$440 to \$450M	~\$450M

(a) Outlook contemplates the anticipated impact of foreign currency in revenue and operating results.

(b) For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2021 earnings release available at investors.adp.com.

Appendix: Client Funds Investment Strategy Detail

	Fiscal 2021 Outlook		
	Average Balance (\$)	Average Yield	Interest (\$)
Client Short	6.5 – 6.6B	~0.1%	~5M
Client Extended	11.1 – 11.2B	1.7 – 1.8%	~190M
Client Long	8.9 – 9.0B	2.3 – 2.4%	~220M
Total Client Funds (a)	26.5 – 26.8B	~1.6%	~415M
Corporate Extended Interest Income (b)	~2.0B	~1.7%	~40M
Borrowing Days Interest Expense	~2.0B	~0.1%	~(5)M
Net Impact From Client Funds Extended Investment Strategy			~450M

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.