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, severance costs, 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 2020, 2021 and the first and second quarter of fiscal 2022 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 2022 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 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 changes beginning in the first quarter of fiscal 2021 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	
		$	%	$	%	$	$	%
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 %
	Q4	2,296.0	(6)%	1,081.7	4 %	(0.9)	3,376.8	(3)%
	Year	10,086.6	1 %	4,511.5	8 %	(8.3)	14,589.8	3 %
21	Q1	2,376.8	(3)%	1,095.9	4 %	(2.0)	3,470.7	(1)%
	Q2	2,510.6	(1)%	1,186.1	5 %	(1.0)	3,695.7	1 %
	Q3	2,780.0	(1)%	1,324.1	7 %	(2.1)	4,102.0	1 %
	Q4	2,527.8	10 %	1,212.3	12 %	(3.2)	3,736.9	11 %
	Year	10,195.2	1 %	4,818.3	7 %	(8.1)	15,005.4	3 %
22	Q1	2,571.5	8 %	1,264.1	15 %	(3.3)	3,832.3	10 %
	Q2	2,671.3	6 %	1,358.8	15 %	(4.7)	4,025.4	9 %

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			Segment				Pretax					Adjusted
		$	%	Margin	$	%	Margin	$	$	%	Margin	$		$	%	Margin
20	Q1	679.4	7 %	27.8 %	149.3	4 %	14.1 %	(89.6)	739.1	14 %	21.1 %	(5.8)	(b)	744.9	8 %	21.3 %
	Q2	766.3	5 %	30.2 %	168.0	7 %	14.8 %	(98.8)	835.5	13 %	22.8 %	(18.2)	(c)	853.7	9 %	23.3 %
	Q3	1,023.7	6 %	36.4 %	173.6	13 %	14.0 %	(120.6)	1,076.7	9 %	26.6 %	(20.8)	(d)	1,097.5	8 %	27.1 %
	Q4	588.8	(5)%	25.6 %	118.3	(26)%	10.9 %	(175.8)	531.3	(16)%	15.7 %	(121.5)	(e)	652.8	(2)%	19.3 %
	Year	3,058.2	4 %	30.3 %	609.3	(1)%	13.5 %	(484.9)	3,182.6	6 %	21.8 %	(166.3)		3,348.9	6 %	23.0 %
21	Q1	689.3	1 %	29.0 %	159.4	7 %	14.5 %	(83.5)	765.2	4 %	22.0 %	(15.5)	(f)	780.7	5 %	22.5 %
	Q2	758.6	(1)%	30.2 %	187.4	12 %	15.8 %	(113.4)	832.6	— %	22.5 %	(15.5)	(g)	848.1	(1)%	22.9 %
	Q3	980.0	(4)%	35.3 %	198.7	14 %	15.0 %	(112.5)	1,066.2	(1)%	26.0 %	(11.0)	(h)	1,077.2	(2)%	26.3 %
	Q4	624.3	6 %	24.7 %	173.3	46 %	14.3 %	(100.5)	697.1	31 %	18.7 %	18.9	(i)	678.2	4 %	18.1 %
	Year	3,052.1	— %	29.9 %	718.8	18 %	14.9 %	(409.7)	3,361.2	6 %	22.4 %	(23.0)		3,384.2	1 %	22.6 %
22	Q1	784.0	14 %	30.5 %	193.0	21 %	15.3 %	(76.2)	900.8	18 %	23.5 %	(14.4)	(j)	915.2	17 %	23.9 %
	Q2	817.3	8 %	30.6 %	212.7	14 %	15.7 %	(119.9)	910.1	9 %	22.6 %	(19.7)	(k)	929.8	10 %	23.1 %

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, and 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, 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.

(c) 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.

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

(e) The three months ended June 30, 2020 include severance charges related to the impact of COVID-19 pandemic of $25.4 million, a legal settlement accrual of $25.0 million, and charges related to transformation initiatives of $57.9 million. Transformation initiatives include: (i) charges of $29.9 million related to impairment charges as a result of recognizing certain owned facilities at fair value given intent to sell and accordingly classified as held for sale and impairment charges of operating right-of-use assets and certain related fixed assets associated with the vacating of certain leased locations; (ii) charges of $25.0 million related to severance; and (iii) charges of $3.0 million related to other transformation initiatives.

(f) The three months ended September 30, 2020 include excess capacity severance charges of $2.4 million and charges related to transformation initiatives of $0.8 million. Transformation initiatives include an impairment charge of $2.8 million as a result of recognizing certain owned facilities at fair value given intent to sell and accordingly classified as held for sale and net reversals of charges related to transformation initiatives of $2.0 million.

(g) The three months ended December 31, 2020 include charges related to impairment charges of operating right-of-use assets and certain related fixed assets associated with the vacating of certain leased locations and net charges related to other transformation initiatives, including severance.

(h) The three months ended March 31, 2021 include gain on sale of assets and net reversals related to other transformation initiatives, including severance. This is partially offset by impairment charges as a result of recognizing certain owned facilities at fair value given intent to sell and accordingly classified as held for sale.

(i) The three months ended June 30, 2021 includes legal settlements including an insurance recovery, gain on sale of assets and net reversals related to other transformation initiatives, including severance. This is partially offset by impairment charges of operating right-of-use assets and certain related fixed assets associated with the vacating of certain leased locations.

(j) The three months ended September 30, 2021 include gain on sale of assets and net reversals of charges related to other transformation initiatives, including severance.

(k) In the three months ended December 31, 2021, transformation initiatives include consulting costs relating to our company wide transformation initiatives.

Automatic Data Processing, Inc. and Subsidiaries
Client Funds Extended Investment Strategy
1Q FY22
(Unaudited)

	1Q22		1Q21		Change	
	$	Yield/ Rate	$	Yield/ Rate	$	Yield/ Rate
Balances:						
Average Client Short Portfolio Balance	$ 4.9 B	0.1 %	$ 3.6 B	0.1 %	$ 1.3 B	— %
Average Client Extended Portfolio Balance	12.4 B	1.5 %	9.8 B	2.0 %	2.6 B	(0.5)%
Average Client Long Portfolio Balance	9.6 B	2.2 %	8.6 B	2.6 %	1.0 B	(0.4)%
Average Client Funds Balance	$ 26.9 B	1.5 %	$ 22.0 B	1.9 %	$ 4.9 B	(0.4)%
Average Corporate Extended Investment Balance	$ 2.2 B	1.5 %	$ 2.6 B	1.9 %	$ (0.4) B	(0.4)%
Average Commercial Paper Borrowings	$ 2.0 B	0.1 %	$ 2.4 B	0.1 %	$ (0.4) B	— %
Average Reverse Repurchase Borrowings	0.2 B	0.2 %	0.2 B	0.3 %	— B	— %
Average Short-term Borrowings	$ 2.2 B	0.1 %	$ 2.6 B	0.2 %	$ (0.4) B	— %
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	$ 1 M		$ 1 M		$ — M	
Interest on Funds Held for Clients – Client Extended	46 M		49 M		(3) M	
Interest on Funds Held for Clients – Client Long	54 M		56 M		(2) M	
Total Interest on Funds Held for Clients	$ 101 M		$ 106 M		$ (5) M	
Corporate Extended Interest Income	$ 8 M		$ 12 M		$ (4) M	
Corporate Interest Expense - Short-term	$ (1) M		$ (1) M		$ — M	
Net Impact from Client Funds Strategy	$ 109 M		$ 118 M		$ (9) M	

Note: Numbers may not foot due to rounding

Automatic Data Processing, Inc. and Subsidiaries
Client Funds Extended Investment Strategy
2Q FY22
(Unaudited)

	2Q22		2Q21		Change	
	$	Yield/ Rate	$	Yield/ Rate	$	Yield/ Rate
Balances:						
Average Client Short Portfolio Balance	$ 8.3 B	0.1 %	$ 5.9 B	0.1 %	$ 2.4 B	— %
Average Client Extended Portfolio Balance	13.9 B	1.4 %	10.7 B	1.9 %	3.2 B	(0.5)%
Average Client Long Portfolio Balance	10.1 B	2.2 %	8.6 B	2.5 %	1.5 B	(0.3)%
Average Client Funds Balance	$ 32.2 B	1.3 %	$ 25.1 B	1.7 %	$ 7.1 B	(0.4)%
Average Corporate Extended Investment Balance	$ 2.1 B	1.4 %	$ 1.9 B	1.9 %	$ 0.2 B	(0.5)%
Average Commercial Paper Borrowings	$ 1.9 B	0.1 %	$ 1.8 B	0.1 %	$ — B	— %
Average Reverse Repurchase Borrowings	0.2 B	0.2 %	0.1 B	0.3 %	0.1 B	(0.1)%
Average Short-term Borrowings	$ 2.1 B	0.1 %	$ 1.9 B	0.1 %	$ 0.2 B	— %
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	$ 1 M		$ 1 M		$ — M	
Interest on Funds Held for Clients – Client Extended	49 M		50 M		(1) M	
Interest on Funds Held for Clients – Client Long	55 M		54 M		1 M	
Total Interest on Funds Held for Clients	$ 106 M		$ 105 M		$ 1 M	
Corporate Extended Interest Income	$ 7 M		$ 9 M		$ (2) M	
Corporate Interest Expense - Short-term	$ (1) M		$ (1) M		$ — M	
Net Impact from Client Funds Strategy	**$ 113 M**		**$ 114 M**		**$ (1) M**	

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