

# ADP Earnings Call & Webcast Q4 Fiscal 2022

July 27, 2022

# 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 “outlook,” “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 and inflation; 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 associates; the impact of new acquisitions and divestitures; the adequacy, effectiveness and success of our business transformation initiatives; the impact of any uncertainties related to major natural disasters or catastrophic events, including the COVID-19 pandemic; and supply-chain disruptions. 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.

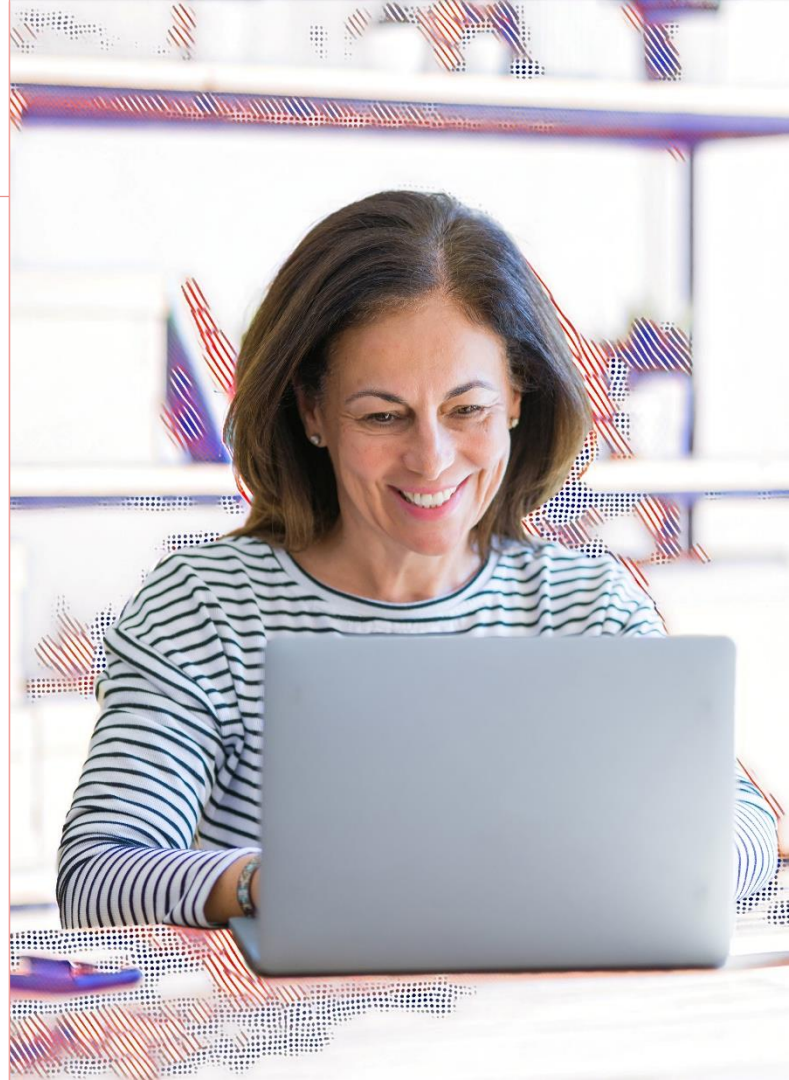
## Non-GAAP Measures

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 Q4 fiscal 2022 earnings release available at [investors.adp.com](https://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 closest comparable GAAP financial measures.

This presentation is a supplement to our Q4 fiscal 2022 earnings release; it is intended to be read in conjunction with, not as a substitute for, or in isolation from, the earnings release.

# Highlights and Perspective

- Strong Q4 results capped a very successful FY22 with performance exceeding our expectations on multiple fronts
  - Record Q4 ES new business bookings produced FY22 growth of 15%; \$1.7 billion for the year
  - ES retention at 92.1% for FY22 near record levels of prior fiscal year
  - 10% revenue growth and 90 basis points of Adjusted EBIT margin expansion together drove 16% Adjusted diluted EPS growth for FY22
  - PEO average worksite employee growth remained robust at 14% for Q4 and 15% for FY22
- Surpassed 700,000 PEO average worksite employees and 990,000 total ADP clients during Q4
- Progress on key product initiatives including new User Experience and ongoing Workforce Now enhancements



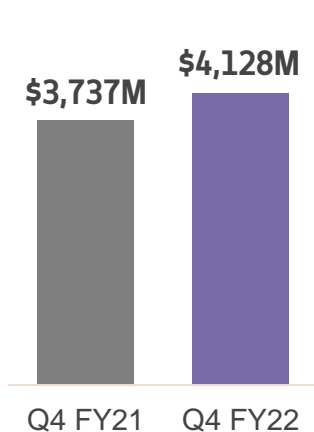
# Q4 Fiscal 2022 Financial Highlights

(unaudited)

## Total Revenues

↑ 10%

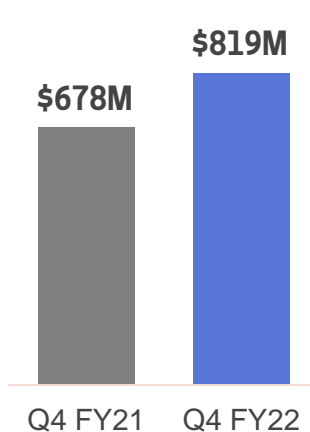
↑ 12% Organic Constant Currency (a)



## Adjusted EBIT (a)

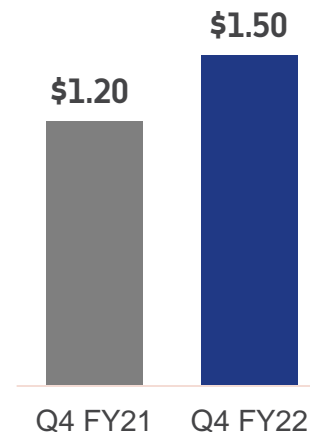
↑ 21%

Adjusted EBIT (a) Margin ↑ 170 bps



## Adjusted Diluted EPS (a)

↑ 25%



(a) For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q4 fiscal 2022 earnings release available at [investors.adp.com](https://investors.adp.com).

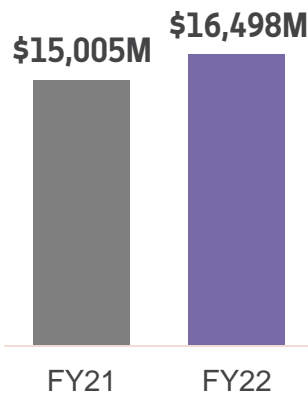
# Fiscal 2022 Financial Highlights

(unaudited)

## Total Revenues

↑ 10%

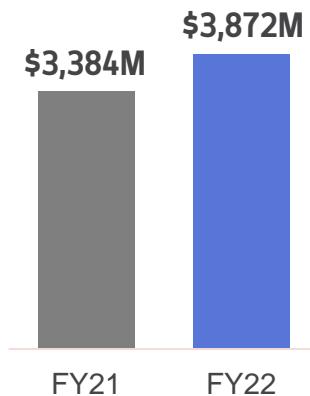
↑ 10% Organic Constant Currency (a)



## Adjusted EBIT (a)

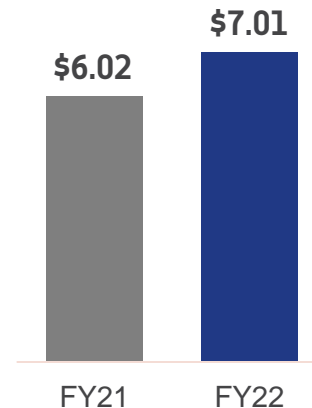
↑ 14%

Adjusted EBIT (a) Margin ↑ 90 bps



## Adjusted Diluted EPS (a)

↑ 16%

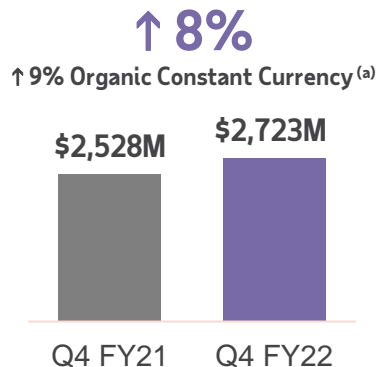


(a) For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q4 fiscal 2022 earnings release available at [investors.adp.com](https://investors.adp.com).

# Q4 Fiscal 2022 Employer Services Segment Results

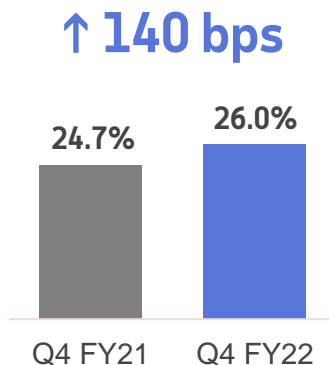
(unaudited)

## ES Revenues



- U.S. pays per control ↑ 7%
- Average client funds balances ↑ 12%
- Average client funds yield of 1.5%, up from 1.4% in prior year

## ES Margin



- Strong margin expansion driven by operating leverage

## Q4 Highlights

- Revenue growth and outperformance vs expectations supported by accelerating bookings growth, strong retention, and robust pays per control performance
- Revenue retention remained above 92% for FY22
- Client funds interest revenue accretive to growth

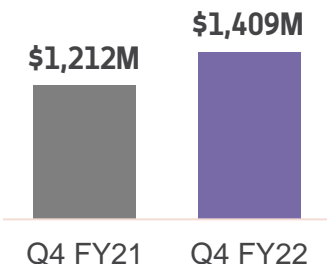
(a) For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q4 fiscal 2022 earnings release available at [investors.adp.com](https://investors.adp.com).

# Q4 Fiscal 2022 PEO Services Segment Results

(unaudited)

## PEO Revenues

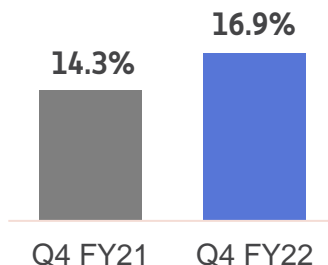
↑ 16%



- Revenues excluding zero-margin benefits pass-throughs ↑ 20%
- Average worksite employees (WSEs) ↑ 14% to 704,000

## PEO Margin

↑ 260 bps



- Margin lift reflects revenue growth and favorable workers' compensation reserve adjustments

## Q4 Highlights

- Continued strong WSE growth driven by healthy demand environment and ongoing hiring trends within client base
- PEO sales momentum continued in Q4 with strong bookings growth

# Fiscal 2023 Outlook

		Fiscal 2022 (unaudited)	July 27, 2022 Fiscal 2023 Outlook <sup>(a)</sup>
Total ADP	Revenues	\$16,498M	7 to 9%
	Adj. EBIT Margin <sup>(b)</sup>	23.5%	100 to 125 bps
	Adj. Effective Tax Rate <sup>(b)</sup>	22.5%	~23%
	Adj. Diluted EPS <sup>(b)</sup>	\$7.01	13 to 16%
Employer Services	Revenues	\$10,968M	6 to 8%
	Margin	31.1%	175 to 200 bps
	ES New Business Bookings	\$1.7B	6 to 9%
	Client Revenue Retention	92.1%	(50) to (25) bps
	U. S. Pays Per Control	7%	2 to 3%
PEO Services	Revenues	\$5,546M	10 to 12%
	Revenues Ex Zero-Margin Pass-throughs	\$2,031M	10 to 12%
	Margin	15.7%	(25) to 25 bps
	Average WSEs	670,000	8 to 10%
Client Funds Interest	Average Client Funds Balances	\$32.5B	4 to 6%
	Yield on Client Funds Portfolio	1.4%	~2.2%
	Client Funds Interest Revenue	\$452M	\$720 to \$740M
	Extended Investment Strategy	\$475M	\$675 to \$695M

(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 Q4 fiscal 2022 earnings release available at [investors.adp.com](https://investors.adp.com).

# Appendix: Client Funds Investment Strategy Detail

	Fiscal 2023 Outlook		
	Average Balance (\$)	Average Yield	Interest (\$)
Client Short	6.5 – 6.7B	~3.0%	190 – 200M
Client Extended	15.4 – 15.6B	~1.7%	255 – 260M
Client Long	11.9 – 12.2B	~2.3%	275 – 280M
<b>Total Client Funds (a)</b>	<b>33.8 – 34.5B</b>	<b>~2.2%</b>	<b>720 – 740M</b>
Corporate Extended Interest Income (b)	~4.0B	~1.7%	~70M
Borrowing Days Interest Expense	~4.0B	~2.9%	~(115)M
<b>Net Impact From Client Funds Extended Investment Strategy</b>			<b>675 – 695M</b>

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.

# Appendix: Client Fund Portfolio Maturities

**Client Funds Investment Strategy Portfolio at June 30, 2022**  
**Available for Sale Securities Maturities and Book Yields**

