



# ADP Earnings Call & Webcast Q1 Fiscal 2024

October 25, 2023



Copyright © 2023 ADP, Inc.

# 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; our ability to respond successfully to changes in technology, including artificial intelligence; 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; 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; 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 Q1 fiscal 2024 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 Q1 fiscal 2024 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 Perspectives

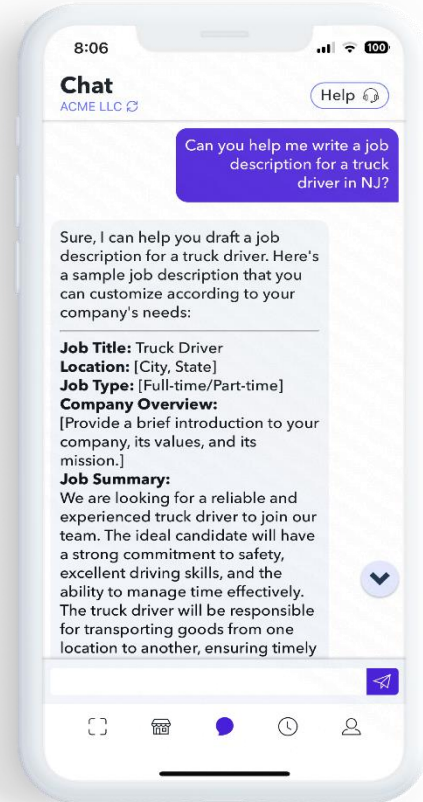
## Strong Q1 financial and operating performance:

- 7% revenue growth and 12% adjusted diluted EPS<sup>1</sup> growth
- Record Q1 ES new business bookings volume
- Strong ES retention and record ADP client satisfaction

## Progress on strategic priorities:

- **HCM Technology** – Embedded Gen AI into Roll, launched ADP Assist pilot, introduced API Central, acquired Sora, and launched corporate venture capital fund
- **Expertise & Outsourcing** – Piloting Agent Assist and Call Summarization tools
- **Global Scale** – Expanded footprint in Sweden, piloting Roll in Ireland, and deepened partnership with Workday

1. For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q1 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com).



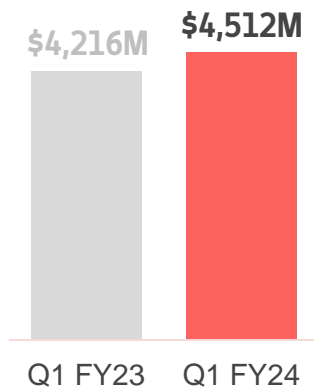
# Q1 Fiscal 2024 Financial Highlights

(unaudited)

## Total Revenues

↑ 7%

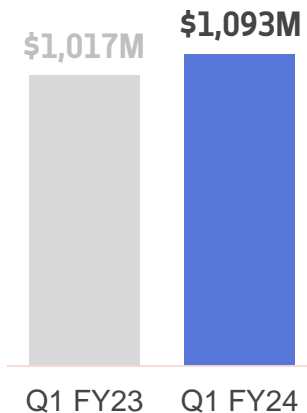
↑ 7% Organic Constant Currency<sup>1</sup>



## Adjusted EBIT<sup>1</sup>

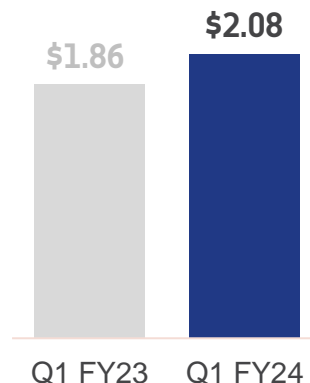
↑ 7%

Adjusted EBIT<sup>1</sup> Margin ↑ 10 bps



## Adjusted Diluted EPS<sup>1</sup>

↑ 12%



1. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q1 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com).



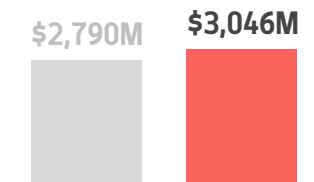
# Q1 Fiscal 2024 Employer Services Segment Results

(unaudited)

## ES Revenues

↑ 9%

↑ 8% Organic Constant Currency<sup>1</sup>

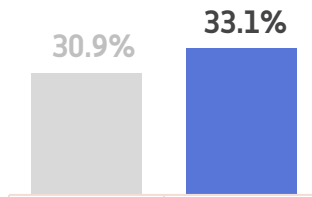


Q1 FY23    Q1 FY24

- U.S. pays per control ↑ 2%
- Average client funds balances ↑ 6%
- Average client funds yield of 2.6%, up from 1.9% in prior year

## ES Margin

↑ 220 bps



Q1 FY23    Q1 FY24

- Margin expansion driven by growth in client funds interest revenue and operating leverage

## Q1 ES Highlights

- Strong revenue growth supported by solid new business bookings, strong retention, pays per control growth, and higher client funds interest revenue

## FY24 ES Outlook

	July 26, 2023	October 25, 2023
Revenues	7 to 8%	7 to 8%
Margin	130 to 150 bps	150 to 170 bps
ES New Business Bookings	4 to 7%	4 to 7%
Client Revenue Retention	(70) to (50) bps	(70) to (50) bps
U.S. Pays Per Control	1 to 2%	1 to 2%

1. For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q1 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com).

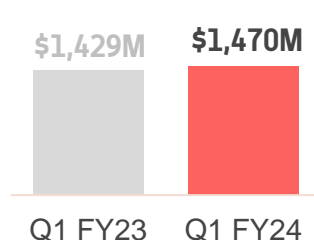


# Q1 Fiscal 2024 PEO Services Segment Results

(unaudited)

## PEO Revenues

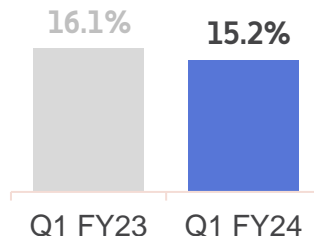
↑ 3%



- Revenues excluding zero-margin benefits pass-throughs ↑ 2%
- Average worksite employees (WSEs) ↑ 2% to 717,000

## PEO Margin

↓ 90 bps



- Margin decline due in part to comparison to prior year workers' compensation reserve adjustments and to higher selling expenses

## Q1 PEO Highlights

- Average WSE growth continued to be impacted by slowing pays per control growth within the client base
- PEO new business bookings growth remained solid

## FY24 PEO Outlook

	July 26, 2023	October 25, 2023
Revenues	3 to 5%	3 to 4%
Revenues Ex ZMPT	3 to 5%	2 to 4%
Margin	(40) to (20) bps	(100) to (50) bps
Average WSEs	3 to 4%	2 to 3%



# Fiscal 2024 Outlook

		Fiscal 2023 (unaudited)	July 26, 2023 Fiscal 2024 Outlook <sup>1</sup>	October 25, 2023 Fiscal 2024 Outlook <sup>1</sup>
<b>Total ADP</b>	Revenues	\$18,012M	6 to 7%	6 to 7%
	Adj. EBIT Margin <sup>2</sup>	24.8%	60 to 80 bps	60 to 80 bps
	Adj. Effective Tax Rate <sup>2</sup>	23.1%	~23%	~23%
	Adj. Diluted EPS <sup>2</sup>	\$8.23	10 to 12%	10 to 12%
<b>Employer Services</b>	Revenues	\$12,043M	7 to 8%	7 to 8%
	Margin	33.0%	130 to 150 bps	150 to 170 bps
	ES New Business Bookings	\$1.9B	4 to 7%	4 to 7%
	Client Revenue Retention	92.2%	(70) to (50) bps	(70) to (50) bps
	U. S. Pays Per Control	5%	1 to 2%	1 to 2%
<b>PEO Services</b>	Revenues	\$5,984M	3 to 5%	3 to 4%
	Revenues Ex Zero-Margin Pass-throughs	\$2,183M	3 to 5%	2 to 4%
	Margin	16.3%	(40) to (20) bps	(100) to (50) bps
	Average WSEs	712,000	3 to 4%	2 to 3%
<b>Client Funds Interest</b>	Average Client Funds Balances	\$34.1B	2 to 3%	2 to 3%
	Yield on Client Funds Portfolio	2.4%	~2.8%	~2.9%
	Client Funds Interest Revenue	\$813M	\$955 to \$975M	\$990 to \$1,010M
	Net Impact from Client Funds Extended Strategy	\$730M	\$815 to \$835M	\$850 to \$870M

1. Outlook contemplates the anticipated impact of foreign currency in revenue and operating results.

2. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q1 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com).



# Appendix: Client Funds Investment Strategy Detail

	Average Balances (\$)		Average Rates		Interest Income / (Expense) (\$)	
	Fiscal 2023 (unaudited)	October 25, 2023 Fiscal 2024 Outlook	Fiscal 2023 (unaudited)	October 25, 2023 Fiscal 2024 Outlook	Fiscal 2023 (unaudited)	October 25, 2023 Fiscal 2024 Outlook
Client Short	6.9B	6.3 – 6.4B	4.0%	~5.2%	258M	325 – 330M
Client Extended	15.4B	16.2 – 16.4B	1.8%	~2.1%	273M	340 – 345M
Client Long	11.8B	12.2 – 12.4B	2.4%	~2.6%	283M	325 – 335M
<b>Funds Held for Clients<sup>1</sup></b>	<b>34.1B</b>	<b>34.7 – 35.2B</b>	<b>2.4%</b>	<b>~2.9%</b>	<b>813M</b>	<b>990 – 1,010M</b>
Corporate Extended Interest Income <sup>2</sup>	4.7B	~4.2B	2.1%	~2.2%	99M	~90M
Short-term Financing to Support Client Funds Extended Strategy	4.7B	~4.2B	3.9%	~5.4%	(182)M	~(230)M
<b>Net Impact from Client Funds Extended Strategy</b>					<b>730M</b>	<b>850 – 870M</b>

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

1. Reported as Interest on Funds Held for Clients in the revenue section of the Statements of Consolidated Earnings.
2. A component of Interest Income on Corporate Funds, reported within Other Income, net, on the Statements of Consolidated Earnings.

