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ADP.OQ - Q1 2024 Automatic Data Processing Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning. My name is Michelle, and I'll be your conference operator. At this time, I would like to welcome everyone to ADP's First Quarter Fiscal 2024 Earnings Call. I would like to inform you that this conference is being recorded. After the prepared remarks, we'll conduct a question-and-answer session. Instructions will be given at that time.

I will now turn the conference over to Mr. Danyal Hussain, Vice President, Investor Relations. Please go ahead.

Danyal Hussain - *Automatic Data Processing, Inc. - VP of IR*

Thank you, Michelle. And welcome, everyone, to ADP's First Quarter Fiscal 2024 Earnings Call. Participating today are Maria Black, our President and CEO; and Don McGuire, our CFO.

Earlier this morning, we released our results for the quarter. Our earnings materials are available on the SEC's website and our Investor Relations website at investors.adp.com, where you will also find the investor presentation that accompanies today's call.

During our call, we will reference non-GAAP financial measures, which we believe to be useful to investors and that exclude the impact of certain items. A description of these items, along with the reconciliation of non-GAAP measures to the most comparable GAAP measures, can be found in our earnings release.

Today's call will also contain forward-looking statements that refer to future events and involve some risks. We encourage you to review our filings with the SEC for additional information on factors that could cause actual results to differ materially from our current expectations.

I'll now turn it over to Maria.

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Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Thank you, Danny, and thank you, everyone, for joining us. This morning, we reported strong first quarter results, including 7% revenue growth and 12% adjusted EPS growth. And we made significant progress on the 3 strategic priorities we shared with you last quarter.

Let me begin by quickly reviewing some of our financial highlights from the first quarter. We had a solid start to the year in Employer Services and new business bookings with record-level volume for a first quarter, which was supported by a particularly strong September. Among our best performers were our small business portfolio and our compliance-oriented solutions. Overall demand in HCM has remained steady, and we maintained a healthy new business pipeline at the end of the quarter across our business.

Our Employer Services retention rate once again exceeded our expectations. Although retention declined slightly versus the prior year, including in our small business portfolio, we continued to see resilience among our clients. More importantly, our overall NPS scores reached a new all-time high, positioning us to stay near these historically high retention levels.

Our Employer Services pays per control growth was 2% for the first quarter as our clients continue to add employees at a pace that is gradually slowing. And our PEO revenue growth of 3% in the quarter was relatively stable versus last quarter, reflecting solid PEO bookings performance, offset by deceleration in PEO pays per control growth. Don will speak to our updated guidance in a moment, but the demand environment for PEO as well as our other outsourcing services remained healthy.

Moving on, we made meaningful progress across all 3 of our strategic priorities that we outlined last quarter. Let me start with an update on some actions we took in Q1 to lead with best-in-class HCM technology. First, we began embedding Gen AI features into our products. In Q1, we integrated Gen AI into Roll to further enhance its conversational UI and make it even easier for small-business owners to quickly obtain customized payroll and HR guidance.

We also began rolling out ADP Assist, which delivers insights and recommendations to make complex HR work simple. We've enabled ADP Assist for select Workforce Now clients, beginning with the Report Assist feature that allows practitioners to easily extract the insights they're looking for. We look forward to continuing to build on the live feature set of ADP Assist to further enhance the experiences of both HR practitioners and employees.

We also had some exciting product developments beyond AI. Our clients tell us they need personalized experiences and deep integrations to help them manage the complexity of running a business today. To help address this, we recently launched a new product called API Central, which enables businesses to easily and securely connect their ADP Workforce data across systems using pre-populated APIs and tools. This is a feature our clients have increasingly asked for, and we have already seen a strong uptake.

In Q1, we complemented the launch of API Central with the acquisition of Sora, an intelligent workflow automation and data integration tool. Sora's unique capabilities will allow our clients to automate people processes by unifying various applications such as HR, IT, CRM and more, creating a smarter and easier-to-use experience for our clients.

In Q1, we also launched ADP Workforce Now for Construction, a comprehensive offering designed to help clients with the unique payroll and HCM needs of the construction industry. This verticalized offering combines tailored Workforce Now capabilities and reporting with a team of dedicated specialists for the construction industry. While ADP has always served clients across the full spectrum of industries, construction stood out to us as a vertical with enough complexity to warrant a more tailored solution. And we're excited to further strengthen our offering in the mid-market.

We also announced the launch of our corporate venture capital fund earlier this month. Leading with best-in-class HCM technology requires that we stay attuned to the frontier of HCM innovation. And now in addition to the organic efforts we are developing in ADP Ventures, we will invest in and partner with early-stage start-ups to strengthen our core business and to extend into natural adjacencies. Two of our early investments focus on improving lifestyle benefits to drive associate engagement and simplifying the incredibly complex lead management process that businesses and their workers have to address. We're excited to build on these partnerships and develop new ones.

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Overall, Q1 was a very busy quarter on the product front, with much of the work we're doing representing seeds of innovation that will position us to continue shaping the future of work.

Our second strategic priority is to provide unmatched expertise in outsourcing solutions. In addition to launching the pilot of ADP Assist for our clients, we also launched the pilot of our new Agent Assist, embedding Gen AI into the flow of work for ADP associates. So far, we have enabled our call summarization capability to select associates. Thanks to this Agent Assist feature, those service associates no longer need to spend time writing up case notes after client calls, which should make our associates more effective and also allow us to quickly aggregate real-time client feedback to continuously improve our products.

We are also piloting Agent Assist real-time guidance for our associates to help them with support content and guided workflows and to more easily share their accumulated knowledge in a way that's customized to individual client cases. We are excited to continue working toward additional Agent Assist features to help our implementation and service associates deliver better, faster service and to help our client satisfaction scores continue to reach new record levels.

Our third strategic priority is to benefit our clients through our global scale. And in Q1, we expanded on this advantage. In August, we extended our leading global footprint by acquiring the payroll business of BTR, our long-time partner in Sweden. Acquisitions like this strengthen our multi-country payroll ecosystem while also positioning us to grow a local HCM business in countries with attractive growth prospects.

In Q1, we launched Roll in Ireland, representing the beginning of an expansion into the European market where we believe an AI-based payroll app, coupled with our existing on-the-ground ecosystem, will allow us to expand our SMB business outside the U.S. And during Q1, we also announced plans to deepen our existing partnership with Workday to deliver enhanced global payroll, compliance and HR for the many clients we jointly serve around the world. Partnerships like this reflect our long-standing commitment to provide the personalization and overall experience our clients desire.

Before turning it over to Don, I wanted to highlight a couple of milestones in 2 of our businesses. Our suite of workforce management solutions, sometimes referred to as time and labor management, reached more than 125,000 clients in the first quarter, benefiting from a double-digit growth rate these last few years. Scheduling and precisely tracking time has become more important for employers over recent years in order to meet evolving legislative requirements, and we look forward to continuing to invest in our workforce management solutions to drive higher client attach rates.

We also now serve more than 150,000 retirement services clients, which is up more than 20% from 125,000 clients we served at the end of fiscal 2022. We anticipate growth for our retirement services business will remain strong in the years ahead as the provisions of the SECURE Act 2.0 and additional state mandates continue to phase in and as companies of all sizes continue to recognize the importance of positioning their workers well for their eventual retirement.

I'm proud of our start to fiscal 2024 with both strong financial results and meaningful strategic progress. Our road map for the months ahead is keeping us incredibly busy. And with this in mind, I'd like to take a moment to recognize our associates across sales, service, implementation and technology whose efforts and outstanding performance are positioning us to consistently deliver for our clients and our shareholders. Thank you all.

With that, I'll turn it over to Don.

Don Edward McGuire - *Automatic Data Processing, Inc. - CFO*

Thank you, Maria, and good morning, everyone. I'll provide some more color on our results for the quarter and update you on our fiscal '24 outlook. Overall, we had a solid Q1 and are not making changes to our consolidated outlook, but there are some moving pieces I'll cover.

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Let me start with Employer Services. ES segment revenue increased 9% on a reported basis and 8% on an organic constant currency basis, ahead of our expectations. As Maria shared, ES new business bookings had a solid start with especially strong growth in September. The demand environment is stable, our pipelines are healthy and we are on track for our 4% to 7% growth guidance.

Our ES retention did decline slightly in Q1 versus the prior year, but that was slightly better than we expected. At this point, we are maintaining our outlook for a 50 to 70 basis point decline in full year retention, which continues to embed an expectation for small business losses to increase due to higher out-of-business rates. But if recent trends continue, then we would hope to outperform that range.

ES pays per control growth was in line with our expectation in Q1. It decelerated modestly to 2%, and we expect this very gradual deceleration to continue in the coming quarters and are maintaining our outlook for 1% to 2% growth for the full year.

Client funds interest revenue increased in line with our expectation in Q1, but we're raising our full year outlook based on the latest forward yield curve, which resulted in a modest increase in average yield to 2.9% from our prior expectation of 2.8%. We now expect client funds interest revenue as well as the net impact from our client funds extended strategy to be up $35 million from our prior outlook.

Meanwhile, the U.S. dollar strengthened, representing a drag relative to our prior fiscal '24 revenue outlook. In total, our strong Q1 ES revenue growth, combined with higher-than-expected client funds revenue for the rest of the year, effectively offset the adverse FX movement. And we're maintaining our fiscal '24 ES revenue growth range of 7% to 8%.

Our ES margin increased 220 basis points in Q1, driven by both operating leverage and contribution from client funds interest revenue. For the full year, we are raising our fiscal '24 outlook to now anticipate an increase of 150 to 170 basis points, which reflects the benefit of higher yields, partially offset by higher spend on Gen AI projects and usage as well as a small amount of dilution from our recent acquisitions.

Moving on to the PEO, we had 3% revenue growth, driven by 2% growth in average worksite employees in Q1. As Maria mentioned earlier, our PEO bookings growth was solid, but pays per control growth continued to slow and was lower than expected, particularly for clients in the professional services and tech industries. This resulted in a slightly softer Q1 worksite employee count than we were anticipating.

As a result, we now expect fiscal 2024 PEO revenue growth of 3% to 4% with growth in average worksite employees of 2% to 3%. Our PEO sales pipelines are healthy, and we continue to forecast their worksite employee growth gradually ramping in the back half of fiscal '24.

PEO margin decreased 90 basis points in Q1, which is more than we had planned. The decline was primarily driven by a lower workers' compensation reserve release benefit as well as higher selling expenses. We now expect PEO margin to be down between 50 and 100 basis points in fiscal '24, with a continued assumption for higher selling expenses as well as year-over-year headwind from a lower workers' compensation reserve release benefit that we experienced in fiscal '23.

Putting it all together, there is no change to our consolidated outlook, but I would like to share some color on cadence. In Q2, our client funds balance growth will lack the impact of the payroll tax deferral that we've had in our average balance for the past 2 years, which creates some [grow-over] pressure on our client funds balance and will result in more modest ES margin expansion in Q2 than other quarters this year as well as a modest revenue impact.

As a result, we expect consolidated revenue growth to moderate before accelerating slightly in the back half. And we expect adjusted EBIT margin to be down slightly before ramping in the back half of the year. This was already contemplated in our guidance at the outset of the year.

So again, no change to our consolidated guidance. We continue to forecast fiscal '24 consolidated revenue growth of 6% to 7% with our adjusted EBIT margin expanding by 60 to 80 basis points. We still expect our effective tax rate for fiscal '24 to be around 23%, and we anticipate adjusted EPS growth of 10% to 12%.

Thank you. And I'll now turn it back to Michelle for Q&A.

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will take our first question from the line of Samad Samana with Jefferies.

Samad Saleem Samana - *Jefferies LLC, Research Division - Equity Analyst*

Maybe first, just want to double click on the PEO side. I think that the information you gave helps us understand some of what happened in the revised guidance. But maybe just help us understand what's giving that back half ramp confidence, especially as you expect pays per control in the kind of broader macro to continue to decelerate. Where should we get the acceleration in the PEO WSEs? Is it purely based on bookings ramping? Is it based on an expectation that the base will stabilize? Maybe just dig into that a little bit further because they're moving in different directions.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

You bet. Samad, it's Maria here. I thought I'd kind of break down your question with respect to the PEO, call it double click. So I'll start by commenting on the first quarter. So as mentioned, we did see deceleration in PEO pays per control. So as Don mentioned in the opening comments, that is a by-product of what we're seeing in the pressure with respect to -- as you know, that business tends to skew more into professional services, technology. The pays per control deceleration is happening at a faster clip in those cohorts than the broader base. And so said differently, the pays per control growth in the PEO is decelerating faster than we expected and faster specifically in those cohorts.

So in terms of contribution, that is the contribution to the deceleration or the new guide to worksite employee growth that we're seeing in the first quarter. We did have strong bookings in PEO in the first quarter. That said, it did come in slightly below what we had hoped for. So it was still higher than overall Employer Services. It was a good quarter for the PEO, and this is now the third quarter in a row that we've seen strength in bookings in the PEO. And that's important to note because really, the strength in PEO bookings is what ultimately will yield the reacceleration that you're asking about in the back half; that, coupled with kind of what we're seeing in retention.

So while retention is stable and stabilizing inside the PEO, it isn't back to the high growth levels that we saw, call it, a couple of years ago, in the last year or so. And as such, as those compares continue to lap, coupled with retention continuing to accelerate, if you will, versus stabilize, we will see contributions from retention, we'll see more contributions from bookings, and that's really why we anticipate the worksite employee guide for the year that we've given.

Samad Saleem Samana - *Jefferies LLC, Research Division - Equity Analyst*

Great. And then, Maria, I actually had a follow-up for you as well on the international side. We have seen the rollout of the product into Ireland. And I'm just curious, how should we think about the expansion beyond the U.S.? I know ADP already has a presence, and it's a meaningful contributor to revenue, but just should we think about international maybe being an offset to some of the slowdown that we're seeing in U.S. revenue? Just how should we think about the cadence and impact as you move more international with your core HCM solutions versus just helping U.S. employers that already had an international presence?

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Yes, absolutely. So I'll speak to Roll, which is what I commented on in the opening comments. So we did roll out, no pun intended, our Roll offering into Ireland. And it is an exciting bit for us, albeit it's very, very early days, right? It's actually only been a couple of weeks, but we're excited about it because it's the first of many countries where we intend on taking this, call it, very downmarket offering into our various countries throughout international. And it's really about marrying that product. But what we see is still potentially greenfield opportunity within our international space

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and really leveraging the ecosystem that we have. That's everything from distribution to all the services, call it, around the offers in various countries. So we're very excited about that.

Now in terms of the overall growth contributions in the short term of rolling out Roll into Ireland, I would say they're negligible. I would say even Roll over time this year, I think it would be not a meaningful contributor to bookings. To me, I think this is really about a long-term investment that we're making across international and what we see as a continued opportunity for us.

So you kind of mentioned these companies that have a presence in Europe that exist in the U.S. with folks working in or call it in international. And the answer is this is both that, coupled also with a lot of our, what I would say, best-of-breed offerings in international. So we see growth opportunity really across the board in international, and that's everything from the down market, which we're going after now with this new product offering of Roll. So we see it in the SMB space, we see it in our best-of-breed space and we also see it in our global MNC space. So really excited about the long-term growth opportunity that continues to be international.

And while I'm on international, I thought I would just mention because it's important to note, we did have a very strong quarter with respect to international, albeit that quarter is obviously off of a compare Q1 of last year that was less favorable, but it is on the heels of what was a very strong fourth quarter finish in international. And so all the way around, I continue to be incredibly excited and optimistic about what it is that we can go accomplish and continue to build in our international offering.

Operator

Our next question comes from Bryan Bergin with TD Cowen.

Bryan C. Bergin - *TD Cowen, Research Division - MD & Analyst*

So Maria, I was hoping if you can comment on just how you're seeing the overall macro situation evolve and maybe how that may affect demand. And if you can specifically unpack that within the ES segment, maybe talk about some of the areas that came in better than you expected versus any areas that may have been lighter or downtick versus the prior quarter.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Absolutely. Bryan, so happy to comment on what we saw in the first quarter with respect to the overall performance of bookings but also the demand. So I'll kind of start with the overall performance. I mentioned in the opening comments, we did see strength, continued strength in our down market. So really excited about that. Also saw tremendous strength in our compliance solutions offering. So think of it as all the stuff that hits compliance, tax, things of that nature. So we're pleased with what we saw with respect to our new business bookings. Those are the 2 that really outperformed.

And it's exciting to see because really that entire down market offering, and that's everything from our RUN offering to retirement services, insurance services, we continue to see tremendous strength there. We saw that all of last year and definitely the -- to finish last year, and it makes me happy because it's a lot of the places that -- well, good performance makes me happy regardless. But it's a lot of the places where we've been making meaningful investments both in the product as well as the distribution. So excited to see the continued performance there and the outperformance.

The overall results do keep us in line with our full year guide. So excited to confirm that again here today. In terms of the overall demand environment, and I feel like I've been saying this quarter-to-quarter, but we're not really seeing any major changes in demand. Demand is still -- strong demand is still healthy. We see that in our bookings results. There are all sorts of other indicators that we look at in terms of pipelines in the upmarket, in the mid-market. Certainly, in the down market, we're looking at things such as the new appointments and kind of activity measures to really give us a guide on whether demand is strong.

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And I would tell you, pipelines are healthy year-on-year, and certainly activity is healthy. And so we don't see a big demand change again this quarter. In fact, kind of the opposite stepping into the quarter on the heels of a strong September, we feel really good about where our pipelines sit year-on-year, which again is giving us the confidence in the full year guide.

As always, though, Bryan, we continue to keep an eye on the macro. We continue to keep an eye on our global space and international and making sure that we're understanding both any macroeconomic changes, coupled with any demand environment that could shift, given everything kind of going on in the world, if you will. So that's the current story on kind of pipeline demand in the quarter.

Don Edward McGuire - *Automatic Data Processing, Inc. - CFO*

Yes. If I could add a couple of comments on the macro. Certainly, macro continues to be pretty positive. Unemployment rates continue to be near decade lows here in the United States. Unemployment rates around the world continue to be quite low. The discussion about whether or not we're going to be in a recession, the odds are now not for a recession. So soft land is pretty much what is being anticipated. Interest rates are expected to have peaked here in the U.S. So I think all things considered, things are pretty positive.

I think the one area that we put in, in our original guidance for the year and that we continue to look at is our guidance had, in fact, contemplated the slowing in pays per control growth. Maria mentioned that, and we talked about that in the PEO business. But we are confident we are still seeing growth, albeit we are seeing growth at a slower pace than we had previously. But once again, that was fully contemplated in our original guide for the year.

Bryan C. Bergin - *TD Cowen, Research Division - MD & Analyst*

Okay, that's helpful. My follow-up on the PEO. So I heard that bookings are a little bit lighter than you expected to start. But you're also calling out, I think, higher selling expenses impacting the PEO margins here year-over-year. So can you maybe talk about the puts and takes there driving that dynamic?

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Specifically on PEO margins, I'll let Don...

Don Edward McGuire - *Automatic Data Processing, Inc. - CFO*

Well, I think originally, Bryan, you mentioned that bookings were lighter than expected. I think our bookings came in -- bookings had been pretty good, as Maria has mentioned...

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Yes, I think he's referencing the comment I made around PEO bookings was slightly lighter than expected. By the way, it's still higher than ES, which we expect to be the case throughout the balance of the year. So that's the kind of nuanced...

Bryan C. Bergin - *TD Cowen, Research Division - MD & Analyst*

So I guess the sort of question there, are you also citing higher selling expenses impacting the PEO margins? So it seems like there's a bit of a disconnect there. Just trying to understand that.

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Don Edward McGuire - *Automatic Data Processing, Inc. - CFO*

Yes. So we had planned the year. We talked about the growth being stronger in the second half in bookings -- or sorry, in margins than in the first half. And certainly, we have seen some investments and some higher selling expenses, and we'll see in the first half than we will in the second half. But nothing really surprising, a little bit off, but certainly we're in line with what we expected.

Operator

Our next question comes from James Faucette with Morgan Stanley.

James Eugene Faucette - *Morgan Stanley, Research Division - MD*

I wanted to ask just a couple of quick follow-up questions. First, I think the comment was made that you're still anticipating a bit worse performance in terms of out-of-business rates on a go-forward basis. But to date, those have been a little bit better than you had anticipated. Can you help provide some detail as to what you're seeing, why you think we're seeing better survival rates and kind of the things you may be looking at as indicators that, that could get worse on a go-forward basis?

Don Edward McGuire - *Automatic Data Processing, Inc. - CFO*

Yes, demand continues to be strong in the economy overall. And I think that's supporting what tends to be this view that we're not going to enter into a recession, that that's just going to be a soft landing. So I think that strong demand environment, particularly in consumer demand, is keeping small business afloat.

So when you also look at what we're seeing in terms of new business formations, there seems to be continued strength in new business formations. So generally, I would say that the environment, irrespective of the higher interest rates, the environment continues to be favorable for small business, and I think that's translating itself into what looks to be lower out of business than contemplated.

Now we have continued, as we said in our original guide and as we will reiterate or update here today, we have continued to think that we will see a little bit more normalization in out of business. So we have contemplated that, but we think we are getting closer to where we think we're going to plateau or hit the bottom there. So I think we're very close. And once again, I think it just comes back to demand environment, it tends to be supporting the economy more broadly and more generally and small businesses benefiting from that as well.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Yes, I think if I may, I think the only thing I would add is that it's still very early in the year, right? So when I think about retention, we did have a record level in fiscal '23. We were near that record level a year before. We were at that record level the year before that. And so we've had this tremendous strength, and I think Don is spot on in terms of all the reasons from a macro perspective that we've had that strength in terms of client retention. And so as that normalizes, we believe it's still prudent for us to have the retention guide that we have, which is really a by-product of how we planned the year in the back half.

So I think I got the question last quarter, and so I'll answer it proactively this quarter, which is, are we just being conservative? And I think the answer to that question is it's still early in the year. And so if we do continue to outperform retention in the way that we outperformed in the first quarter, we hope that we will outperform for the full year. It's just early to take away that conservatism sitting here just 3 short months into a very long year.

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James Eugene Faucette - *Morgan Stanley, Research Division - MD*

Yes, yes. And then I want to go back to kind of a headline-related question. You saw that you saw -- or you indicated that you had seen kind of a 25,000 sequential improvement in retirement services. And for clients, you alluded to some state mandates there, particularly around SECURE Act 2.0. Can you talk a little bit about what state mandates you've seen or may be impacting that business? Or how long before we start to see benefit in retirement services post the new state mandates? So maybe we can help track headlines and anticipate like how big of an impact any new requirements may have.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Absolutely. So I think I've spoken quite a bit to retirement services as well as the SECURE Act over the last year or so. And I will tell you, I was excited to report the new milestone today, in part because that business continues to show strength, but also because it's a business that I know is adding tremendous value into the world of work.

And so it is an exciting time. It does come as a by-product of the offering, the investments we've made into the offering and also the state mandates, some of which are anchored into the SECURE Act at the federal level, some of which are anchored state by state. Candidly, I could probably spend an hour with you and go state by state in terms of all the various mandates.

What we see over the next year or so is the threshold of companies that needs to comply with the state mandates, starts to creep into, call it, the further down market, if not the micro market. And so as all these states, a lot of them being on the West Coast, if you're looking for headlines, tracking spaces like California, as they continue to pull down at what level do you need to comply with the state mandates and/or the SECURE Act, the more opportunity we will have to ensure that we're helping our clients solve for this piece, keep them compliant. But again, back to doing good in the world, it's also something that's bringing the value to each one of these employees that are engaging with these clients. So...

Operator

Our next question comes from Bryan Keane with Deutsche Bank.

Bryan Connell Keane - *Deutsche Bank AG, Research Division - Research Analyst*

Just want to ask about the decline in PEO. Looking at the employee base of PEO declining versus not necessarily the case, it looks like almost the opposite in the Employer Services. So just trying to think about the trends. And does typically the trend you see in PEO bleed into Employer Services and why maybe it's been a little bit weaker for pays per control there in PEO versus Employer?

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Yes. So just to clarify, pays per control in PEO is actually higher. We don't give that number, but it's actually higher than Employer Services. So I think the first piece to suggest is that the bases are actually just different, right? So if you look at the pays per control across the broader ADP, it's really a reflection of a mix of industries. As I mentioned earlier, the PEO tends to skew by design, by the way, for the offering. It's really the offering is the most valuable, if you will, to the cohorts that we offer to, which tends to be more professional services, tech-oriented companies that want to offer employers or their employees benefits of choice, if you will, to the employers of choice.

And so that skews that base slightly differently than the overall. And what we're seeing within the PEO base is a delineation between those cohorts and the rest of the base, if you will. So we cited it in the prepared remarks, but the deceleration that is happening at the PEO is still a by-product within that base, having professional services and tech decelerating at a faster clip than the rest of the base.

So to answer your question, does it bleed across? I think we're already hearing these headlines in the market in terms of -- and we see it within our own ADP Research Institute data with respect to professional services and tech hiring being in a different position than the rest of the market. So

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I think I would suggest it's already been bleeding across, if you look at the last couple of quarters of that. By the way, that also tracks the BLS data, shows the same thing. You see it in wages.

And so all of that to suggest, I would say, the trend we're seeing in the PEO is already in the macro, but the bases are slightly different, which is why you would feel the impact of it perhaps more significantly in the PEO PPC than you would in the broader PPC. That was a mouthful, by the way.

Bryan Connell Keane - *Deutsche Bank AG, Research Division - Research Analyst*

No, that was helpful though. And then the other question I just had is the strength you saw in the ES new bookings, especially in September and the way the pipeline looks, but you're not changing the total outlook of 4% to 7%. Just trying to figure out, do you feel like you guys are maybe trending if things hold, trending above the guidance range for bookings given the strength you saw in September in the pipeline and for SMB strength in the quarter?

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Yes. What I would offer is that I'm incredibly pleased with the results in the first quarter, especially on the heels of what was an incredible finish last year. And so the pattern that we saw in the first quarter and the strength in September is not atypical of the pattern we see in the first quarter on the heels of an incredibly strong fourth quarter.

And so I am excited about the first quarter results. I am excited about the strength in September. But the excitement is actually less about, call it, the finish in September and more about what we see on the year-on-year demand environment, what we see in activity, what we see stepping into this next quarter. And that does give us confidence into our full year guide at that 4% to 7%.

What I would also offer, though, is it's a long year. And when you think about where the skewing, if you will, or the contribution of new business bookings happens for us on a full year basis, it is in that third and fourth quarter are much, call it, larger than the first and second quarter. And so we believe it's prudent given the line of sight that we have today just at quarter end. But we feel confident in the guide. We're excited about performance. We're excited about how we're stepping into the quarter, the second quarter that is, but we also still have an entire year ahead of us.

Operator

Our next question comes from Ramsey El-Assal with Barclays.

Ramsey Clark El-Assal - *Barclays Bank PLC, Research Division - Research Analyst*

Could you give us your latest thoughts on the competitive environment in PEO and how that's sort of evolving over time? I think there is somewhat slower-than-historical growth across the industry. Are there any signs that the market is saturated with providers? Or is there any competitive overlay to PEO performance?

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

I would suggest that the PEO/ASO conversation, if you will, or PEO/HR outsourcing offerings kind of continues. I don't know that there's anything new to report, Ramsey. I think from my vantage point, it's always been a very competitive environment. We all have slightly different PEOs from one another. I think we talked a lot about ours today and the way that it skews to professional services and tech. I think you have others that's skewed to different types of industries. You also have other PEOs that perhaps are a bit more down market. We tend to skew a little bit more up market than some.

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And so I think all the PEOs look slightly different. I think we all know our models are also not identical in terms of how we actually go to market, whether it's through the strength that we have and the competitive advantage of being able to have ADP's client base contribute about 50% of those upgrades. So I think how we go to market, our models, never mind the models of fully insured to self-insured, et cetera, I think similar trends are within the ASO offerings or some refer to them as HRO offerings.

And so I think within there, you also have various models and various go-to-markets in terms of the -- some competitors perhaps have some flexibility or more movements between ASO and PEO than I think we've cited in the past. And so I think all that to suggest, I think the competitive environment is about the same and remains. I think I am optimistic and expect growth in both our PEO bookings as well as our HRO and ASO offerings throughout the balance of this year. And so I think we remain very, very excited and optimistic about the growth of those, all of our HR outsourcing offerings, both in this year as well as the long term.

Ramsey Clark El-Assal - *Barclays Bank PLC, Research Division - Research Analyst*

Got it. Okay. And a follow-up for me. Could I ask you to revisit those comments that you made about higher selling expenses in PEO? What does that mean exactly? And also just I wanted to make sure I understood, Don mentioned that there's some expectations those may continue, but there's still, in essence, sort of a nonrecurring step-up in expenses. It's not a permanent step-up in expenses in the segment.

Don Edward McGuire - *Automatic Data Processing, Inc. - CFO*

Yes, we saw higher selling expenses in Q1 for the PEO, and we expect to see higher selling expenses year-over-year in the first half, but we do think that that's going to settle down into the second half. So we're not looking at the kind of growth that we saw last year. I think we commented quite extensively on the many, many salespeople we've added into the business last year and had great success and allowed us to finish the year the way we did.

So those folks are in place. So we are continuing to add some sellers. We will add, though, most of those sellers in the first half. And it's important just also, I think, call out here that what we are seeing with our sellers is that we are getting much better retention within the seller community. So we are hoping and expecting to benefit from the improved tenure that we should see from the selling organization as we go through the balance of this year.

Ramsey Clark El-Assal - *Barclays Bank PLC, Research Division - Research Analyst*

I got it. So it's headcount-related primarily. That makes a lot of sense.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Yes, I think it's a timing thing. I think that's the...

Ramsey Clark El-Assal - *Barclays Bank PLC, Research Division - Research Analyst*

Got it.

Operator

Our next question comes from Jason Kupferberg with Bank of America.

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Jason Alan Kupferberg - *BofA Securities, Research Division - MD in US Equity Research & Senior Analyst*

Just staying on PEO for a second and maybe if we can just refresh a little bit here. I'm just thinking back to the Analyst Day 2 years ago, we thought it was a medium-term 10% to 12% grower. Now it's 2% to 3% at the moment. There was definitely some post-COVID normalization. But maybe just, Maria, if you want to take us back through the dynamics in terms of just how the business has evolved from your perspective. And is there a potential path back to double-digit growth for this business if the macro is a little bit more cooperative?

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Yes. So I'll let Don kind of speak to the medium-term targets and kind of the path back. But I think from my vantage point, and I said it earlier today, that step 1 is the continued reacceleration of bookings. And so this is the third quarter that we're pleased, and we did have a solid contribution of PEO bookings to the overall bookings picture in this quarter. That was the case last quarter, it was the case the quarter before.

And I think the reason that I go to that is not just because it's the piece that will accelerate the growth and pass us back to what our long-term goals and medium-term targets are with -- for that business, I think it's also because it speaks to the demand environment. It speaks to the value proposition and the strength of that offering that still exists in the market. And so I think that's a big piece of it.

I think step 2 is the continued acceleration, reacceleration of retention. So I mentioned that retention has been stable. And as we reaccelerate retention back into that growth, that also will contribute to, obviously, the revenue. And then last but not least, Jason, you mentioned it, the macro headwinds. And I think I talked about the last couple of quarters, how that's been the post-pandemic, call it, nuances that impacted that business. I think we talked a lot about the renewal over the last couple of quarters. Now we're seeing these trends in PPC.

My view would be that all of the post-pandemic wave that have been, call it, flowing through the PEO and all the variables that make up that model, we're still seeing some of those, case in point being really, call it, the reversion of what we saw several quarters ago, which was when professional services and tech was in a massive hiring boom. Now we're seeing the opposite of that, right? So I think we still have some of these waves kind of shuffling through or whether -- or going through -- flowing through the PEO. And if and when the macro changes with respect to that, that certainly will help reaccelerate that business as well.

So in terms of the path back, I'll let Don kind of speak to the medium-term targets.

Don Edward McGuire - *Automatic Data Processing, Inc. - CFO*

Yes. I think Maria covered it very comprehensively there. I would say that when we established the midterm targets, I think a lot of things have changed since then, certainly the inflation environment that we've seen in particular. And Maria just mentioned professional services and technology, we saw incredible growth in those segments and growth beyond what we thought we -- or what we had predicted in the midterm targets or spoken to.

I think now we're seeing some reversion. We do, though, continue to be incredibly positive about that business. We think it definitely has a place, and we think that we will make our way back. But as Maria also said, it's a little bit early to forecast when we think we're going to get back to some of those midterm target growth areas that we had discussed.

Jason Alan Kupferberg - *BofA Securities, Research Division - MD in US Equity Research & Senior Analyst*

Understood. No, that's good color. Just a follow-up on float yield. It looks like it was actually a tick down slightly quarter-over-quarter here in Q1 amid a higher rate environment. But just curious what the call-outs might be there.

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Danyal Hussain - *Automatic Data Processing, Inc. - VP of IR*

Jason, that just relates to the mix between short term and extended and long. So in Q4, we were a little more levered to overnight partly because of this debt ceiling issue. We had to be deliberately skewed shorter duration. But in a typical Q1, we would generally have a lower short portfolio. And so there is seasonality in the average balance, wouldn't read much into it. The year-over-year number is a much more relevant metric.

Operator

Our next question comes from Tien-Tsin Huang with JPMorgan.

Tien-Tsin Huang - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Forgive me if I'm asking another clarification on the PEO side. Just the slight -- was the slight softness in the bookings also related to the PS and tech sectors? And also with the pays per control within PEO, is that more of a health care participation issue or just labor weakness in those sectors?

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

I really apologize, you actually bleeped out during the first part of your question. Would you mind just repeating -- yes, there was a word missing. So...

Tien-Tsin Huang - *JPMorgan Chase & Co, Research Division - Senior Analyst*

No, no, I probably didn't ask it very well. Just wanted to make sure the bookings softness on the PEO side, was that also in the professional services and tech sectors? And then also just on the pays per control, was it labor weakness or health care participation?

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Yes. Listen, so I'm glad you're asking this question actually because I just want to reiterate, we were very pleased with our PEO bookings. And so there wasn't softness. There was strength and growth in the PEO quarter bookings.

In terms of how we skewed the year, it was slightly lighter than we had positioned our planning, which is why it contributes the way that it does to the overall worksite employee growth. But again, the worksite employee deceleration is really about the PPC story. And so I just want to reiterate, we were actually very pleased with the quarter from a PEO bookings perspective.

In terms of the industries, I think it's a mix. I think we continue to see the PEO execute with respect to the industries that we target, which tend to be into those categories. As it relates to this comment around kind of within the PEO, the deceleration that is happening faster in professional services and technology versus the broader base of the PEO, again, I don't want to give kind of the numbers of what that is, but it isn't like the entire base is sitting in professional services. It's just that subset, if you will, of the base.

And it is really -- again, kind of triangulates to the macro that we're seeing and the same type of data coming out of ADP Research Institute, out of the BLS, and it's really about hiring. So it's less about, call it, layoffs. And it's really where the professional services and tech industries were doing massive hiring, call it, a year ago, 6 quarters ago. It's really a lack of hiring that's happening in those businesses. Did I answer that question?

Tien-Tsin Huang - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes, I think so. I think the...

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Danyal Hussain - *Automatic Data Processing, Inc. - VP of IR*

Tien-Tsin, just on the participation piece of it, the pays per control wouldn't be impacted by participation rate, but the reported revenue would be. So to the extent workers are taking plans, cheaper plans or fewer plans, there's a little bit of that. You do see it in the revenue per WSE, but the WSEs themselves wouldn't be impacted.

Tien-Tsin Huang - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Got it. Danny, I didn't ask you. Well, that's perfect. That's what I was looking for. On the -- we get questions around pricing as well. That's why I was asking about the participation side of things and if there's a difference there. It sounds like it isn't.

On the international front, just my quick follow-up. Just I think Sweden was the call-out in terms of acquisition. Why is Sweden important to own? Just I'm not as familiar with some of the specific countries that you're targeting. And I'm curious if this is just part of a -- maybe a broader plan to aggregate international payroll.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Absolutely. So listen, I have to take this question because I think you may know that I'm actually -- I was born and partially raised in Sweden. So I thought it was prudent to make it the very first country that I announce. I'm actually completely kidding. This was obviously well in motion before my time. But it sounds like I might be closer to Sweden than you are. And for us, it is an exciting time for us. We have had this partnership with BTR for quite some time.

For us to be able to acquire the payroll business of BTR is exciting because the Nordics are growing, and this does give us a physical footprint into Sweden, which allows us to expand further into the Nordics and really take advantage of the growth trajectory of those economies. So this is obviously payroll, but also in the beyond-payroll opportunities that we will have in years to come. So really excited about the acquisition, not just because it's near and dear to my heart, but moreover because the Nordics represent growth, and it's exciting to think about us having a physical presence there.

Operator

Our next question comes from David Togut with Evercore ISI.

David Mark Togut - *Evercore ISI Institutional Equities, Research Division - Senior MD*

You called out strength in ES bookings, particularly in the small business market with RUN. Could you provide some texture into the bookings trends you saw in mid-market with Workforce Now and then up market with enterprise? And any insights you have into international bookings in the quarter would also be appreciated.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Absolutely. So yes, we did have great strength in the down markets, kind of moving on up in the mid-market. Certainly, we have continued solid demand in the mid-market. That's inclusive of our Workforce Now platform. It's also inclusive of our HR outsourcing offering. So I spoke a bit about the ASO models, the HRO models earlier in that mid-market, also it's supported by the PEO. So we do see continued demand from the mid-market. I think the way I always think about it, it's not getting any easier for companies in that mid-market to navigate being an employer today. And so we expect continued strong mid-market growth.

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I think in the up market, since you asked about the enterprise space, one of the call-outs we made last quarter was about the strength that we saw in our Next Generation HCM offering, and we did see that strength continue into this quarter, which we think is fantastic. We also see strength in the pipeline in that space year-on-year. So excited about what we're hearing from our clients, the sentiments around the offerings that we have in the enterprise space.

And then I think I touched a little bit on international earlier, but our international business did grow nicely in the first quarter. Again, it was the benefit of a little bit of an easier compare year-on-year. But we also had, as I mentioned, a really strong finish and a strong fiscal '23 in our international business. Again, what I measure is partly the results. But as I think about the look forward, it's really about pipelines. And what I would say, our international pipelines year-on-year have a fair amount higher than they did a year ago, which gives us the strength to really feel good about our international bookings to remain healthy through fiscal '24.

David Mark Togut - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Just as a quick follow-up. Don, you called out part of the 90 basis point margin decline in PEO being traced to a difficult comparison on workers' compensation reserve adjustments a year ago. Can you quantify for us how large those were as we think through the margin comparisons for Q2, Q3 and Q4 of FY '24 in PEO?

Don Edward McGuire - *Automatic Data Processing, Inc. - CFO*

Yes. So as you know, we've had very favorable reserve releases over the last number of years and certainly called out last year in the K. You would have seen the favorability there. So just to be clear, we are still seeing favorable reserve releases, but we are not seeing -- we didn't see the reserve release to the extent that we did Q1 to Q1 of the prior year.

So the numbers will be in the Q, but it's about $6.2 million less than it was in the prior year. So that's the quantification of it. And if you kind of translate that into the margin, it's about 60 to 90 bps -- 60 bps of the 90 bps decline comes from the lower reserve release.

Now once again, we think that we're going to continue to see reserve releases. They were favorable as the actuaries get back to us and let us know what's happening, but we're not seeing any underlying changes or large changes that would lead us to be any less optimistic about seeing continued releases in the reserve.

Danyal Hussain - *Automatic Data Processing, Inc. - VP of IR*

And David, sorry, just to clarify, it was a $6 million benefit in Q1, which is about $8 million less than the prior year.

Operator

Our next question comes from Mark Marcon with Baird.

Mark Steven Marcon - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

At HR tech, you got to see a lot of your new solutions, particularly focused on the AI-assisted solutions. Maria, I'm wondering if you can talk a little bit about your philosophy with regards to which solutions you would charge additional for. How are you thinking about monetization? And then I've got a follow-up in terms of process improvement.

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Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Sure. Mark, I'm pretty excited about all of our new solutions that you would have seen at HR tech. So I think I'll take a minute to kind of think -- or talk through how I'm thinking about Gen AI in general, and then I'll tell you how I'm thinking about monetization because I think it'll make more sense on the other side. But when I think about Gen AI, I think it will impact everything. So the answer is it's going to be everywhere impacting everything that we do across the entire client life cycle.

So it's about how we develop products. That's everything from developer copilot types of tools that everyone is talking about. It's about how Gen AI will be embedded into our product. It's about how we go to market and modern seller stuff that I've spoken about for years and how we actually have the ability now leveraging Gen AI to actually acquire clients. And then the most obvious being how we serve them, how we implement them, how we become more productive and make our clients more productive as we serve our clients.

And so when I think about Gen AI, and I think most -- everyone has probably likened us to things like whether it's software or the Internet, I think my answer to you is it will be in everything that we do and in the fabric of who we become. And so in terms of the monetization side, I think it's less about charging a [PEPM] on a per feature.

So let's say, some of the things I talked about today, which probably doesn't sound that exciting, like report writing or if you look at the earnings release document, you'll see in there a job description that's pulled in the screenshot showing roles. So these things probably don't sound that exciting, but they're pretty exciting because they are the seeds of innovation, as I used earlier, to really show what -- how Gen AI will interact with in everything that we do kind of in the fabric.

So said differently, Mark, like I don't think we're going to be charging separately to get Gen AI job description written or Gen AI report written. I think it's really about continuing our innovation journey to do all the things we've always done, which is really about becoming more productive. It's about solving things for our clients and making them more productive. And I think that, to me, the fruits of that labor really end up in new business bookings and they end up in retention.

And so that's not to suggest that there may not be things. But I don't think it's really to me about [$0.50 PEPM] here and there. To me, it's really about the innovation journey we've been on. This just allows us to do it at a faster clip. And I'm really optimistic and excited about the things that we're seeing.

In terms of other things that we're measuring, we actually have the entire organization rallied to engage in these tools. We actually have some goals that we put out there in terms of, by the end of the year, how many of our associates that sit across sales and implementation and service and technology that are engaging with these tools. Right now, they're sitting at already above 10% of our base of associates that have the ability to touch these tools or already playing with them. I would tell you, our entire sales organization are chomping up a bit because the digital sales or inside sales where we've deployed a lot of these modern tools over years have an ability to become that much more productive, engaging our new prospects and new sales.

So as you can probably tell, like I literally could go on and on and on, but I think my answer to you is it will be everywhere across the entire client life cycle that we have. And I'm very optimistic about the long-term implications of this on all the major metrics that make up this great business model.

Mark Steven Marcon - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

That's terrific. And then with regards to just the productivity enhancement, I mean, particularly when we think about service and implementation, from a longer-term perspective, can you describe how much more efficient you think your service personnel could become? And how much efficiency you could end up gaining there and the implications from continuous margin improvement as you continue to go along that journey? I know it's early days, but just how are you thinking about that?

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Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Yes. Listen, Mark, it is early days, right? And that's not for a lack of scoping it, right? So we have had because it's not as though we haven't had all of these business cases over many years on how to become more productive, and we've had machine learning and regular AI in our house for a long time. And this does give us a step change to that innovation. But it's still too early, I think, to sit on an earnings call and commit numbers. But that's not for a lack of internally having scoping and line of sight to what we believe are pretty exciting goals for us to go chase.

And again, some of those goals have existed for a long time, but now we have technology that I'm hopeful that we can actually finally crack the code on some of these really big enhancements that we see. But certainly, productivity is a big piece of it. I know I talked today about Agent Assist and this idea of call summarization. Again, it probably doesn't sound that exciting. But for someone who used to sit on the other side of that, you see whether it's a prospect call or a client call gets summarized and recapped into a very quick format that's usable.

These are hours and minutes of time. Even on the seller side, we actually are launching something called rapid pre-call planning. And I think about the hours I used to spend 27 years ago, researching a company to get myself ready to go in and have a conversation with a prospect that brings value, enabling our sellers to have all of that productivity.

So I think it's, again, it's too early to give you exact hundreds of millions of dollars of types of quantifications. But arguably, we are actively looking kind of case by case and really picking the ones that we believe sequentially will be the most accretive to drive the most amount of productivity, the most amount of value back to our shareholders, but candidly, the most amount of value to our clients.

Operator

We have time for one more question, and that question comes from Scott Wurtzel with Wolfe Research.

Scott Darren Wurtzel - *Wolfe Research, LLC - Research Analyst*

Just on the launch of the construction vertical software, I'm just wondering, is this sort of part of a bigger shift to develop more vertical-specific HCM solutions for your clients? I understand construction may be a more complex vertical, but wondering if there's more of a vertical-specific strategy that could develop beyond the construction vertical.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

So I like what you're suggesting, and I think the answer to that could be yes. And I think when I think about back to selling 27 years ago, I used to sell construction companies, and the complexity that they have has always existed. And candidly, a lot of the features and functionality that we have and are now pulling together to make it an actual solution for that vertical existed many years ago. And that's everything from things like job costing, obviously, compliance and reporting, think about certified compliance type of reports for payroll, things of that nature.

And so it's really about pulling it together and marrying it with a service organization that can support the complexity of that vertical. I think that, to me, is a big change. So we did add some features. But a lot of these things we've had and we pulled them together, and we're marrying it with the ecosystem of a dedicated service org that can actually really help the construction industry. And this vertical saw the complexity of being in that industry.

So I think what I would offer is that it's an exciting time for the construction industry, specifically for our Workforce Now clients. And I see that, just as you suggested, as the beginning of other places that we could pull together our existing tech with a dedicated type of service model and solve real challenges in the business for various verticals.

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Scott Darren Wurtzel - *Wolfe Research, LLC - Research Analyst*

Got it. That's helpful. And just a quick follow-up. Just wondering if you can give an update on sort of Next Gen HCM and Next Gen Payroll attach rates and how we're sort of trending there relative to expectations.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

So Next Gen Payroll, that was the question?

Danyal Hussain - *Automatic Data Processing, Inc. - VP of IR*

Both.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Both. Okay, just making sure I heard it right. So I think I touched base really quickly on Next Gen HCM, and I think I nodded to the excitement that we have that we continue to see the strength in the Next Gen HCM offering into Q1. So we had a strong fourth quarter. What I would suggest is that we actually brought in more Next Gen HCM in the first quarter than we saw all of last fiscal year. But again, one quarter of these things can sometimes be lumpy. But I think, for me, it's really about the sentiment.

And so we recently had an Analyst Day. We had a handful of our clients up on stage that shared with us the impact the platform is making for them. And as you would remember, we spent a lot of our discussions over the last year talking about scaling implementation, onboarding the backlog. So it's pretty exciting to see some of that backlog that's no longer backlog on stage, speaking to the value proposition, and that's supported by continued strength, which means our sellers are excited to continue to sell the Next Gen HCM offering. So I think that's all very, very positive.

Similarly, we have continued focus in the Next Gen Payroll. And so what I would offer there is we continue to make headway. So as you know, it's not deployed across the entire mid-market. We continue to make headway to solve for more complex features, things of that nature, that will pull it further into the up market of the mid-market.

But as you know, that Next Gen Payroll engine is also what's attached to the Roll offer. So the other exciting part about that N Gen is it is the thing that's taking us into the SMB space internationally. So I feel really excited about the road map for that offering and the contributions that it's making into the mid-market today, but also into the long-term growth of the company internationally.

Operator

This concludes our question-and-answer portion for today. I'm pleased to hand the program over to Maria Black for closing remarks.

Maria Black - *Automatic Data Processing, Inc. - President, CEO & DIrector*

Yes. So thank you, Michelle. And listen, it's hard for me not to sit here and reflect on a year ago. And so I was driving in this morning and feeling candidly a bit nostalgic because it's exactly 1 year ago that Carlos and I sat here and announced the transition of me becoming CEO of this amazing company.

And so I'm incredibly nostalgic and proud today. I'm proud of our first quarter results. I'm really proud of the execution of the team, both with respect to the results, but also with everything that you heard in terms of the progress we are making on a very cohesive and strong strategic outline and priorities. But mostly what I would offer is that I remain incredibly humbled by the over 60,000 associates that I've had an opportunity

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to engage with over the last year, who continue to make this company everything that it is and absolutely amazing. And I just wanted to say that I'd like to thank each and every one of them for inspiring me every day.

So with that, that is the conclusion of our call, and until we meet again.

Operator

Thank you for your participation. This does conclude the program, and you may now disconnect. Everyone, have a great day.

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