

ADP Reports Fourth Quarter and Fiscal 2025 Results; Provides Fiscal 2026 Outlook

- Revenues increased 7% to \$20.6 billion for the year; 7% organic constant currency
- Employer Services new business bookings increased 3% for the year to \$2.1 billion
- Net earnings increased 9% to \$4.1 billion for the year, and adjusted net earnings increased 8% to \$4.1 billion
- Adjusted EBIT increased 9% to \$5.3 billion for the year, and adjusted EBIT margin increased 50 basis points to 26.0%
- Diluted earnings per share ("EPS") increased 10% to \$9.98 for the year; adjusted diluted EPS increased 9% to \$10.01
- Fiscal 2026 consolidated outlook includes revenue growth of 5% to 6%, adjusted EBIT margin expansion of 50 to 70 basis points, and adjusted diluted EPS growth of 8% to 10%

ROSELAND, N.J. – July 30, 2025 – ADP (Nasdaq: ADP), a global leader in HR and payroll solutions, today announced its fourth quarter and fiscal 2025 financial results and provided its fiscal 2026 outlook.

Fourth Quarter and Fiscal 2025 Consolidated Results

Compared to last year's fourth quarter, revenues increased 8% to \$5.1 billion and 6% on an organic constant currency basis. Net earnings increased 10% to \$911 million, and adjusted net earnings increased 8% to \$923 million. Adjusted EBIT increased 9% to \$1.2 billion, representing an adjusted EBIT margin increase of 40 basis points in the quarter to 23.7%. ADP's effective tax rate for the quarter was 23.5% on both a reported basis and an adjusted basis. Diluted EPS increased 10% to \$2.23, and adjusted diluted EPS increased 8% to \$2.26.

For the full year, revenues increased 7% to \$20.6 billion, 7% organic constant currency. Net earnings increased 9% to \$4.1 billion, and adjusted net earnings increased 8% to \$4.1 billion. Adjusted EBIT increased 9% to \$5.3 billion, resulting in adjusted EBIT margin expansion of 50 basis points to 26.0%. ADP's full year effective tax rate was 23.2% on both a reported and adjusted basis. Diluted EPS increased 10% to \$9.98, and adjusted diluted EPS increased 9% to \$10.01, including a net share count reduction.

"We concluded fiscal year 2025 with strong revenue and earnings growth," stated Maria Black, President and Chief Executive Officer, ADP. "Revenue growth in our Employer Services and PEO segments came in at the high-end of our full year expectations, bolstered by record-high client satisfaction levels across the company. As we enter a new fiscal year, we remain committed to actively listening to our clients and consistently meeting their needs through cutting-edge products, premium services, and exceptional experiences designed to elevate the world of work."

"Solid execution and our resilient business model allowed us to produce strong results for the fiscal year," said Peter Hadley, Chief Financial Officer, ADP. "As we look ahead to fiscal 2026, our focus is on delivering consistently strong revenue growth and continued margin expansion to drive healthy returns for our shareholders."

Adjusted EBIT, adjusted EBIT margin, adjusted net earnings, adjusted diluted earnings per share, adjusted effective tax rate and organic constant currency are all non-GAAP financial measures. Please refer to the accompanying financial tables at the end of this release 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.

Fourth Quarter and Fiscal 2025 Segment Results

Employer Services – Employer Services offers a comprehensive range of global HCM and Human Resources Outsourcing solutions. Compared to last year:

- Employer Services revenues increased 8% on a reported basis and 6% on an organic constant currency basis for the fourth quarter, and increased 7% on a reported basis and 6% on an organic constant currency basis for the fiscal year
- Employer Services new business bookings increased 3% to \$2.1 billion for the fiscal year
- Employer Services client revenue retention increased to 92.1% for the fiscal year, from 92.0%
- U.S. pays per control increased 1% for the fourth quarter and for the fiscal year
- Employer Services segment margin increased 50 basis points for the fourth quarter and increased 100 basis points for the fiscal year

PEO Services – PEO Services provides comprehensive employment administration outsourcing solutions. Compared to last year:

- PEO Services revenues increased 7% for the fourth quarter and increased 7% for the fiscal year
- PEO Services revenues excluding zero-margin benefits pass-throughs increased 5% for the fourth quarter and increased 6% for the fiscal year
- Average worksite employees paid by PEO Services increased 3% to about 761,000 for the fourth quarter and increased 3% to about 748,000 for the fiscal year
- PEO Services segment margin decreased 20 basis points for the fourth quarter and decreased 60 basis points for the fiscal year

Included within the results of our segments above:

Interest on Funds Held for Clients – The safety, liquidity, and diversification of ADP clients' funds are the foremost objectives of the Company's investment strategy. Client funds are invested in accordance with ADP's prudent and conservative investment guidelines, and most of the investment portfolio is rated AAA/AA. Compared to last year:

- Interest on funds held for clients increased 11% to \$308 million for the fourth quarter and increased 16% to \$1.2 billion for the fiscal year
- Average client funds balances increased 6% to \$38.1 billion for the fourth quarter and increased 6% to \$37.6 billion for the fiscal year
- The average interest yield on client funds increased 20 basis points to 3.2% for the fourth quarter and increased 30 basis points to 3.2% for the fiscal year

Fiscal 2026 Outlook

Certain components of ADP's fiscal 2026 outlook and related growth comparisons exclude the impact of the following items and are discussed on an adjusted basis where applicable. Please refer to the accompanying financial tables for a reconciliation of these adjusted amounts to their closest comparable GAAP measure.

- Fiscal 2025 pre-tax gain of about \$3 million related to the sale of assets
- Fiscal 2025 pre-tax charges of about \$19 million related to optimization initiatives

Consolidated Fiscal 2026 Outlook

- Revenue growth of 5% to 6%
- Adjusted EBIT margin expansion of 50 to 70 basis points
- Adjusted effective tax rate of about 23%
- Diluted EPS growth of 8% to 10%
- Adjusted diluted EPS growth of 8% to 10%

Employer Services Segment Fiscal 2026 Outlook

- Employer Services revenue growth of 5% to 6%
- Employer Services new business bookings growth of 4% to 7%
- Employer Services client revenue retention decrease of 10 to 30 basis points
- Increase in U.S. pays per control of 0% to 1%

PEO Services Segment Fiscal 2026 Outlook

- PEO Services revenue growth of 5% to 7%
- PEO Services revenue, excluding zero-margin benefits pass-throughs, growth of 3% to 5%
- PEO Services average worksite employee count growth of 2% to 3%

Client Funds Extended Investment Strategy Fiscal 2026 Outlook

The interest assumptions in our outlook are based on Fed Funds futures contracts and various forward yield curves as of July 29, 2025. The Fed Funds futures contracts are used in the client short and corporate cash interest income outlook. A combination of various forward yield curves that reflect our investment mix, resulting in a blended rate of 4.1%, was used to forecast new purchase rates across the client and corporate extended and client long portfolios over the remainder of the fiscal year.

- Interest on funds held for clients of \$1.290 to \$1.310 billion; this is based on anticipated growth in client funds balances of 2% to 3% and an average yield that is anticipated to increase to 3.4%
- Total contribution from the client funds extended investment strategy of \$1.250 to \$1.270 billion

Fiscal 2026 Outlook

		Fiscal 2025 (unaudited)	July 30, 2025 Fiscal 2026 Outlook (a)
Total ADP	Revenues	\$20,561M	5 to 6%
	Adj. EBIT Margin	26.0%	50 to 70 bps
	Adj. Effective Tax Rate	23.2%	~23%
	Adj. Diluted EPS	\$10.01	8 to 10%
Employer Services	Revenues	\$13,883M	5 to 6%
	ES New Business Bookings	\$2.1B	4 to 7%
	Client Revenue Retention	92.1%	(30) to (10) bps
	U.S. Pays Per Control	1%	0 to 1%
PEO Services	Revenues	\$6,690M	5 to 7%
	Revenues Ex Zero-Margin Pass-throughs	\$2,401M	3 to 5%
	Average WSEs	748,000	2 to 3%
Client Funds Interest	Average Client Funds Balances	\$37.6B	2 to 3%
	Yield on Client Funds Portfolio	3.2%	~3.4%
	Client Funds Interest Revenue	\$1,189M	\$1,290 to \$1,310M
	Net Impact from Client Funds Extended Strategy	\$1,073M	\$1,250 to \$1,270M

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

Investor Webcast Today

As previously announced, ADP will host a conference call for financial analysts today, Wednesday, July 30, 2025 at 8:30 a.m. ET. The conference call will be webcast live on ADP's website at investors.adp.com and will be available for replay following the call. A slide presentation accompanying the webcast is also available at investors.adp.com/events-and-presentations. ADP news releases, current financial information, SEC filings, and Investor Relations presentations are posted to ADP's website at investors.adp.com.

About ADP (Nasdaq: ADP)

ADP has been shaping the world of work with innovation and expertise for more than 75 years. As a global leader in HR and payroll solutions, ADP continuously aims to solve complex business challenges for our clients and their workers. **Always Designing for People** means ADP focuses on people, leveraging our unparalleled data insights and innovative technology to elevate human potential. More than 1.1 million clients across 140+ countries trust ADP's unique expertise and exceptional service to support their people and drive their businesses forward. Learn more at ADP.com

Automatic Data Processing, Inc. and Subsidiaries
Statements of Consolidated Earnings

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Revenues:				
Revenues, other than interest on funds held for clients and PEO revenues	\$ 3,157.6	\$ 2,941.9	\$ 12,692.2	\$ 11,953.6
Interest on funds held for clients	307.8	276.8	1,189.1	1,024.7
PEO revenues (A) (B) (C)	1,661.4	1,549.8	6,679.6	6,224.3
Total revenues	5,126.8	4,768.5	20,560.9	19,202.6
Expenses:				
Costs of revenues:				
Operating expenses (B) (C)	2,426.2	2,272.6	9,622.7	9,050.1
Research and development	269.3	247.9	988.6	955.7
Depreciation and amortization	121.5	111.0	486.0	470.9
Total costs of revenues	2,817.0	2,631.5	11,097.3	10,476.7
Selling, general, and administrative expenses	1,103.1	1,035.4	4,051.7	3,778.9
Interest expense	113.7	102.1	455.9	361.4
Total expenses	4,033.8	3,769.0	15,604.9	14,617.0
Other income, net	(97.6)	(89.9)	(354.1)	(286.7)
Earnings before income taxes	1,190.6	1,089.4	5,310.1	4,872.3
Provision for income taxes	280.0	260.1	1,230.4	1,120.3
Net earnings	\$ 910.6	\$ 829.3	\$ 4,079.7	\$ 3,752.0
Basic earnings per share	\$ 2.24	\$ 2.03	\$ 10.02	\$ 9.14
Diluted earnings per share	\$ 2.23	\$ 2.02	\$ 9.98	\$ 9.10
Components of Other (income)/expense, net:				
Interest income on corporate funds	\$ (88.0)	\$ (82.1)	\$ (319.5)	\$ (241.3)
Realized losses on available-for-sale securities, net	0.8	0.8	1.7	5.9
Gain on sale of assets	(2.6)	—	(5.0)	(17.1)
Non-service components of pension income, net	(7.8)	(8.6)	(31.3)	(34.2)
Other income, net	\$ (97.6)	\$ (89.9)	\$ (354.1)	\$ (286.7)

(A) Professional Employer Organization (“PEO”) revenues are net of direct pass-through costs, primarily consisting of payroll wages and payroll taxes of \$18,312.4 million and \$17,160.7 million for the three months ended June 30, 2025 and 2024, respectively, and \$75,220.1 million and \$69,874.1 million for the twelve months ended June 30, 2025 and 2024, respectively.

(B) PEO revenues and operating expenses include zero-margin benefits pass-through costs of \$1,094.8 million and \$1,012.2 million for the three months ended June 30, 2025 and 2024, respectively, and \$4,289.0 million and \$3,975.9 million for the twelve months ended June 30, 2025 and 2024, respectively.

(C) PEO revenues and operating expenses include costs related to workers' compensation coverage and state unemployment taxes for worksite employees of \$148.3 million and \$134.7 million for the three months ended June 30, 2025 and 2024, respectively, and \$681.3 million and \$613.4 million for the twelve months ended June 30, 2025 and 2024, respectively.

Automatic Data Processing, Inc. and Subsidiaries
Consolidated Balance Sheets
(In millions, except per share amounts)
(Unaudited)

	June 30, 2025	June 30, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,347.8	\$ 2,913.4
Short-term marketable securities (A)	4,498.8	384.0
Accounts receivable, net of allowance for doubtful accounts of \$47.1 and \$52.2, respectively	3,579.1	3,428.2
Other current assets	840.8	820.8
Total current assets before funds held for clients	12,266.5	7,546.4
Funds held for clients	30,985.7	37,996.1
Total current assets	43,252.2	45,542.5
Long-term receivables, net of allowance for doubtful accounts of \$0.1 and \$0.1, respectively	4.4	7.3
Property, plant and equipment, net	655.4	685.6
Operating lease right-of-use asset	374.1	370.6
Deferred contract costs	3,154.1	2,965.0
Other assets	1,052.6	1,102.1
Goodwill	3,273.5	2,353.6
Intangible assets, net	1,603.0	1,336.0
Total assets	<u>\$ 53,369.3</u>	<u>\$ 54,362.7</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 169.1	\$ 100.6
Accrued expenses and other current liabilities	3,092.4	3,350.1
Accrued payroll and payroll-related expenses	973.1	958.7
Dividends payable	620.6	566.4
Short-term deferred revenues	262.8	199.8
Obligations under reverse repurchase agreements (A)	38.4	385.4
Obligations under commercial paper borrowings	4,769.5	—
Income taxes payable	9.1	15.1
Total current liabilities before client funds obligations	9,935.0	5,576.1
Client funds obligations	31,343.3	39,503.9
Total current liabilities	41,278.3	45,080.0
Long-term debt	3,974.7	2,991.3
Operating lease liabilities	321.2	328.6
Other liabilities	1,058.3	990.8
Deferred income taxes	163.6	64.3
Long-term deferred revenues	385.2	360.1
Total liabilities	47,181.3	49,815.1
Stockholders' equity:		
Preferred stock, \$1.00 par value: authorized, 0.3 shares; issued, none	—	—
Common stock, \$0.10 par value: authorized, 1,000.0 shares; issued, 638.7 shares at June 30, 2025 and June 30, 2024; outstanding, 405.3 and 408.1 shares at June 30, 2025 and June 30, 2024, respectively	63.9	63.9
Capital in excess of par value	2,788.3	2,406.9
Retained earnings	25,240.6	23,622.2
Treasury stock - at cost: 233.4 and 230.6 shares at June 30, 2025 and June 30, 2024, respectively	(21,021.4)	(19,737.1)
Accumulated other comprehensive loss	(883.4)	(1,808.3)
Total stockholders' equity	6,188.0	4,547.6
Total liabilities and stockholders' equity	<u>\$ 53,369.3</u>	<u>\$ 54,362.7</u>

(A) As of June 30, 2025, \$38.4 million of short-term marketable securities have been pledged as collateral under the Company's reverse repurchase agreements. As of June 30, 2024, \$384.0 million of short-term marketable securities and \$1.4 million of cash and cash equivalents have been pledged as collateral under the Company's reverse repurchase agreements.

Automatic Data Processing, Inc. and Subsidiaries
Statements of Consolidated Cash Flows

(In millions)

(Unaudited)

	Twelve Months Ended	
	June 30,	
	2025	2024
Cash Flows from Operating Activities:		
Net earnings	\$ 4,079.7	\$ 3,752.0
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Depreciation and amortization	582.4	561.9
Amortization of deferred contract costs	1,145.3	1,067.6
Deferred income taxes	37.0	(37.4)
Stock-based compensation expense	266.1	243.5
Bad debt expense	53.2	54.6
Net pension income	(19.7)	(22.9)
Net accretion of discounts and amortization of premiums on available-for-sale securities	(72.2)	(42.6)
Other	13.4	(1.7)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(146.6)	(483.7)
Increase in deferred contract costs	(1,290.3)	(1,271.2)
Increase in other assets	(59.8)	(157.2)
Increase in accounts payable	60.6	1.8
Increase in accrued expenses and other liabilities	290.6	492.9
Net cash flows provided by operating activities	<u>4,939.7</u>	<u>4,157.6</u>
Cash Flows from Investing Activities:		
Purchases of corporate and client funds marketable securities	(7,857.9)	(6,835.3)
Proceeds from the sales and maturities of corporate and client funds marketable securities	6,539.1	6,039.5
Capital expenditures	(168.7)	(208.4)
Additions to intangibles	(378.3)	(355.0)
Acquisitions of businesses, net of cash acquired	(1,165.1)	(33.6)
Proceeds from sale of property, plant, and equipment and other assets	10.8	28.3
Other	(14.9)	(24.5)
Net cash flows used in investing activities	<u>(3,035.0)</u>	<u>(1,389.0)</u>
Cash Flows from Financing Activities:		
Net (decrease)/increase in client funds obligations	(8,274.0)	1,014.1
Net cash (distributed)/received from the Internal Revenue Service	(552.2)	602.7
Payments of debt	(1,001.2)	(0.9)
Proceeds from the issuance of debt	1,980.3	—
Settlement of cash flow hedges	(15.6)	—
Repurchases of common stock	(1,280.5)	(1,231.7)
Net proceeds from stock purchase plan and stock-based compensation plans	131.0	47.2
Dividends paid	(2,398.9)	(2,183.1)
Net (payments)/proceeds related to reverse repurchase agreements	(331.8)	320.0
Net proceeds from issuance of commercial paper	4,769.5	—
Net cash flows used in financing activities	<u>(6,973.4)</u>	<u>(1,431.7)</u>
Effect of exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents	37.3	(22.4)
Net change in cash, cash equivalents, restricted cash, and restricted cash equivalents	<u>(5,031.4)</u>	<u>1,314.5</u>
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	10,086.0	8,771.5
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	<u>\$ 5,054.6</u>	<u>\$ 10,086.0</u>
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents to the Consolidated Balance Sheets		
Cash and cash equivalents	\$ 3,347.8	\$ 2,913.4
Restricted cash and restricted cash equivalents included in funds held for clients	<u>1,706.8</u>	<u>7,172.6</u>
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	<u>\$ 5,054.6</u>	<u>\$ 10,086.0</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 426.8	\$ 353.9
Cash paid for income taxes, net of income tax refunds	\$ 1,198.0	\$ 1,185.2

Automatic Data Processing, Inc. and Subsidiaries
Other Selected Financial Data
(Dollars in millions, except per share amounts)
(Unaudited)

	Three Months Ended			Twelve Months Ended		
	June 30,			June 30,		
	2025	2024	% Change	2025	2024	% Change
Segment revenues						
Employer Services	\$ 3,465.6	\$ 3,218.6	8 %	\$13,883.1	\$12,980.8	7 %
PEO Services	1,664.2	1,552.3	7 %	6,690.4	6,233.6	7 %
Other	(3.0)	(2.4)	n/m	(12.6)	(11.8)	n/m
Total revenues	\$ 5,126.8	\$ 4,768.5	8 %	\$20,560.9	\$19,202.6	7 %
Segment earnings						
Employer Services	\$ 1,161.1	\$ 1,063.4	9 %	\$ 5,008.5	\$ 4,555.5	10 %
PEO Services	220.0	207.6	6 %	950.5	921.5	3 %
Other	(190.5)	(181.6)	n/m	(648.9)	(604.7)	n/m
Total pretax earnings	\$ 1,190.6	\$ 1,089.4	9 %	\$ 5,310.1	\$ 4,872.3	9 %
Segment margin						
Employer Services	33.5 %	33.0 %	0.5 %	36.1 %	35.1 %	1.0 %
PEO Services	13.2 %	13.4 %	(0.2) %	14.2 %	14.8 %	(0.6) %
Other	n/m	n/m	n/m	n/m	n/m	n/m
Total pretax margin	23.2 %	22.8 %	0.4 %	25.8 %	25.4 %	0.5 %
	Three Months Ended			Twelve Months Ended		
	June 30,			June 30,		
	2025	2024	% Change	2025	2024	% Change
Earnings per share information						
Net earnings	\$ 910.6	\$ 829.3	10 %	\$ 4,079.7	\$ 3,752.0	9 %
Basic weighted average shares outstanding	406.0	408.9	(1) %	407.1	410.6	(1) %
Basic earnings per share	\$ 2.24	\$ 2.03	10 %	\$ 10.02	\$ 9.14	10 %
Diluted weighted average shares outstanding	407.7	410.6	(1) %	408.7	412.2	(1) %
Diluted earnings per share	\$ 2.23	\$ 2.02	10 %	\$ 9.98	\$ 9.10	10 %
	Three Months Ended			Twelve Months Ended		
	June 30,			June 30,		
	2025	2024		2025	2024	
Key Statistics:						
Employer Services:						
Change in pays per control - U.S. (A)			1 %	2 %	1 %	2 %
PEO Services:						
Paid PEO worksite employees at end of period		764,000	756,000	764,000	756,000	
Average paid PEO worksite employees during the period		761,000	742,000	748,000	729,000	
Significant PEO expenses included within Operating expenses						
Zero-margin benefits pass-through costs		\$ 1,094.8	\$ 1,012.2	\$ 4,289.0	\$ 3,975.9	
Workers' compensation and state unemployment taxes		\$ 148.3	\$ 134.7	\$ 681.3	\$ 613.4	

(A) Pays per control represents the number of employees on ADP clients' payrolls in the United States when measured on a same-store-sales basis for a subset of clients ranging from small to large businesses.

Automatic Data Processing, Inc. and Subsidiaries
Other Selected Financial Data, Continued
(Dollars in millions, except where otherwise stated)
(Unaudited)

Client Funds Strategy - Supplemental Information

	Three Months Ended			Twelve Months Ended		
	June 30,			June 30,		
	2025	2024	% Change	2025	2024	% Change
Average investment balances at cost (in billions)						
Funds held for clients	\$ 38.1	\$ 36.1	6 %	\$ 37.6	\$ 35.4	6 %
Corporate extended (A)	\$ 7.1	\$ 6.2	15 %	\$ 7.0	\$ 5.3	32 %
Short-term financing to support Client Funds Strategy (A)	\$ 7.1	\$ 6.2	15 %	\$ 7.0	\$ 5.3	32 %
Average interest rates earned or paid (exclusive of realized gains or losses)						
Funds held for clients	3.2 %	3.1 %		3.2 %	2.9 %	
Corporate extended (A)	3.3 %	3.1 %		3.2 %	2.7 %	
Short-term financing to support Client Funds Strategy (A)	4.4 %	5.4 %		4.8 %	5.4 %	
Interest income (expense)						
Funds held for clients	\$ 307.8	\$ 276.8	11 %	\$1,189.1	\$1,024.7	16 %
Corporate extended (B)	58.3	47.3	23 %	225.3	144.3	56 %
Short-term financing to support Client Funds Strategy (B)	(78.4)	(84.3)	(7)%	(341.1)	(290.0)	18 %
Net Impact from Client Funds Strategy	\$ 287.7	\$ 239.8	20 %	\$1,073.3	\$ 879.0	22 %

Funds Held for Clients - Supplemental Information

	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Average balance - Client short	\$ 8.6	\$ 7.9	\$ 8.5	\$ 7.4
Average balance - Client extended	15.7	15.3	15.5	15.7
Average balance - Client long	13.8	12.9	13.6	12.3
Average balance - Funds held for clients (in billions)	<u>\$ 38.1</u>	<u>\$ 36.1</u>	<u>\$ 37.6</u>	<u>\$ 35.4</u>
Average interest rate - Client short	4.0 %	5.2 %	4.2 %	5.2 %
Average interest rate - Client extended	2.9 %	2.3 %	2.7 %	2.1 %
Average interest rate - Client long	3.2 %	2.9 %	3.1 %	2.7 %
Average interest rate - Funds held for clients	<u>3.2 %</u>	<u>3.1 %</u>	<u>3.2 %</u>	<u>2.9 %</u>

Interest Income and Expense - Non-GAAP Reconciliation

	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Corporate extended interest income (B)	\$ 58.3	\$ 47.3	\$ 225.3	\$ 144.3
All other interest income	29.7	34.8	94.2	97.0
Total interest income on corporate funds (component of Other (income)/expense, net)	<u>\$ 88.0</u>	<u>\$ 82.1</u>	<u>\$ 319.5</u>	<u>\$ 241.3</u>
Short-term financing to support Client Funds Strategy (B)	\$ 78.4	\$ 84.3	\$ 341.1	\$ 290.0
All other interest expense	35.3	17.8	114.8	71.4
Total interest expense	<u>\$ 113.7</u>	<u>\$ 102.1</u>	<u>\$ 455.9</u>	<u>\$ 361.4</u>

(A) We utilize a strategy by which we extend the maturities of our investment portfolio for funds held for clients and employ short-term financing arrangements to satisfy our short-term funding requirements related to client funds obligations. As part of our client funds investment strategy, we use daily collection of funds from our clients to satisfy other unrelated client funds obligations, rather than liquidating previously-collected client funds that have already been invested in available-for-sale securities.

(B) While "Corporate extended interest income" and "Short-term financing to support Client Funds Strategy," related to our client funds investment strategy, are non-GAAP measures, management believes this information is beneficial to reviewing the financial statements of ADP. Management believes this information is beneficial as it allows the reader to understand the extended investment strategy for ADP's client funds assets, corporate investments, and short-term borrowings.

Automatic Data Processing, Inc. and Subsidiaries
Consolidated Statement of Adjusted / Non-GAAP Financial Information
(in millions, except per share amounts)
(Unaudited)

In addition to our GAAP results, we use the adjusted results and other non-GAAP metrics set forth in the table below to evaluate our operating performance in the absence of certain items and for planning and forecasting of future periods:

Adjusted Financial Measures	U.S. GAAP Measures
Adjusted EBIT	Net earnings
Adjusted provision for income taxes	Provision for income taxes
Adjusted net earnings	Net earnings
Adjusted diluted earnings per share	Diluted earnings per share
Adjusted effective tax rate	Effective tax rate
Organic constant currency	Revenues
Corporate extended interest income (see prior page)	Interest income
Short-term financing to Support Client Funds Extended Strategy (see prior page)	Interest expense

We believe that the exclusion of the identified items below helps us reflect the fundamentals of our underlying business model and analyze results against our expectations and against prior periods, and to plan for future periods by focusing on our underlying operations. We believe that the 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 management and improves their ability to understand and assess our operating performance. The nature of these exclusions is for specific items that are not fundamental to our underlying business operations. Since these adjusted financial measures and other non-GAAP metrics are not measures of performance calculated in accordance with U.S. GAAP, they should not be considered in isolation from, as a substitute for, or superior to their corresponding U.S. GAAP measures, and they may not be comparable to similarly titled measures at other companies.

	Three Months Ended			Twelve Months Ended		
	June 30,		% Change	June 30,		% Change
	2025	2024	As Reported	2025	2024	As Reported
Net earnings	\$ 910.6	\$ 829.3	10 %	\$4,079.7	\$3,752.0	9 %
Adjustments:						
Provision for income taxes	280.0	260.1		1,230.4	1,120.3	
All other interest expense (a)	35.3	17.8		114.8	71.4	
All other interest income (a)	(29.7)	(34.8)		(94.2)	(97.0)	
Gain on sale of assets	(2.6)	—		(2.6)	—	
Transformation initiatives (b)	—	0.5		0.1	5.4	
Legal settlements (c)	—	(4.0)		(0.4)	(4.0)	
Optimization initiatives (d)	19.3	42.0		19.3	42.0	
Adjusted EBIT	\$1,212.9	\$1,110.9	9 %	\$5,347.1	\$4,890.1	9 %
Adjusted EBIT Margin	23.7 %	23.3 %		26.0 %	25.5 %	
Provision for income taxes	\$ 280.0	\$ 260.1	8 %	\$1,230.4	\$1,120.3	10 %
Adjustments:						
Gain on sale of assets (e)	(0.6)	—		(0.6)	—	
Transformation initiatives (e)	—	0.1		—	1.3	
Legal settlements (e)	—	(0.9)		(0.1)	(0.9)	
Optimization initiatives (e)	4.8	10.5		4.8	10.5	
Adjusted provision for income taxes	\$ 284.2	\$ 269.8	5 %	\$1,234.5	\$1,131.2	9 %
Adjusted effective tax rate (f)	23.5 %	23.9 %		23.2 %	23.0 %	
Net earnings	\$ 910.6	\$ 829.3	10 %	\$4,079.7	\$3,752.0	9 %
Adjustments:						
Gain on sale of assets	(2.6)	—		(2.6)	—	
Income tax provision on gain on sale of assets (e)	0.6	—		0.6	—	
Transformation initiatives (b)	—	0.5		0.1	5.4	
Income tax benefit for transformation initiatives (e)	—	(0.1)		—	(1.3)	
Legal settlements (c)	—	(4.0)		(0.4)	(4.0)	
Income tax provision for legal settlements (e)	—	0.9		0.1	0.9	
Optimization initiatives (d)	19.3	42.0		19.3	42.0	
Income tax benefit for optimization initiatives (e)	(4.8)	(10.5)		(4.8)	(10.5)	
Adjusted net earnings	\$ 923.1	\$ 858.1	8 %	\$4,092.0	\$3,784.5	8 %
Diluted EPS	\$ 2.23	\$ 2.02	10 %	\$ 9.98	\$ 9.10	10 %
Adjustments:						
Transformation initiatives (b) (e)	—	—		—	0.01	
Legal settlements (c) (e)	—	(0.01)		—	(0.01)	
Optimization initiatives (d) (e)	0.03	0.08		0.03	0.08	
Adjusted diluted EPS	\$ 2.26	\$ 2.09	8 %	\$ 10.01	\$ 9.18	9 %

(a) In adjusted EBIT, we include the interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy as we believe these amounts to be fundamental to the underlying operations of our business model. The adjustments in the table above represent the interest income and interest expense that are not related to our client funds extended investment strategy and are labeled as “All other interest expense” and “All other interest income.”

(b) The charges in fiscal 2024 include consulting costs relating to our company-wide transformation initiatives.

(c) In fiscal 2024, this represents reserve reversal of a legal matter from fiscal 2023.

(d) In fiscal 2025, there were \$23.9 million of severance charges related to broad-based, company-wide initiatives, including efforts to align resources with respect to our new global HCM products, offset by a \$4.6 million partial reversal of the workforce optimization initiative from fiscal 2024. Severance charges have been taken in the past and not included as an adjustment to get to adjusted results. Unlike severance charges in prior periods, these specific charges relate to broad-based, company-wide initiatives.

(e) The income tax (benefit)/provision was calculated based on the marginal rate in effect for the year ended June 30, 2025.

(f) The adjusted effective tax rate is calculated as our adjusted provision for income taxes divided by the sum of our adjusted net earnings plus our adjusted provision for income taxes.

The following table reconciles our reported growth rates to the non-GAAP measure of organic revenue, which excludes the impact of acquisitions, the impact of dispositions, and the impact of foreign currency. The impact of acquisitions and dispositions is calculated by excluding the current year revenues of acquisitions until the one year anniversary of the transaction and by excluding the prior year revenues of divestitures for the one year period preceding the transaction. The impact of foreign currency is determined by calculating the current year result using foreign exchange rates consistent with the prior year. The PEO segment is not impacted by acquisitions, dispositions or foreign currency.

	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
<u>Revenue growth consolidated:</u>				
Employer Services	8 %	7 %	7 %	8 %
PEO Services	7 %	6 %	7 %	4 %
Consolidated revenue growth as reported	8 %	6 %	7 %	7 %
<u>Adjustments:</u>				
Impact of acquisitions	(1) %	— %	(1) %	— %
Impact of foreign currency	— %	— %	— %	— %
Consolidated revenue growth, organic constant currency	6 %	7 %	7 %	6 %
<u>Segment:</u>				
Employer Services revenue growth as reported	8 %	7 %	7 %	8 %
<u>Adjustments:</u>				
Impact of acquisitions	(1) %	— %	(1) %	— %
Impact of foreign currency	— %	— %	— %	— %
Employer Services revenue growth, organic constant currency	6 %	7 %	6 %	7 %

Note: Numbers may not foot due to rounding.

Automatic Data Processing, Inc. and Subsidiaries
Fiscal 2025 to Fiscal 2026 Non-GAAP Guidance Reconciliation
(in millions, except per share amounts)
(Unaudited)

	Fiscal 2025		Fiscal 2026 Outlook
Earnings before income taxes / margin (GAAP)	\$ 5,310.1	25.8%	60 to 80 bps
All other interest expense (a)	114.8	60 bps	10 bps
All other interest income (a)	(94.2)	(50) bps	10 bps
Gain on sale of assets - FY25	(2.6)	-	-
Transformation initiatives - FY25	0.1	-	-
Legal settlements - FY25	(0.4)	-	-
Optimization initiatives - FY25	19.3	10 bps	(10) bps
Adjusted EBIT margin (Non-GAAP)	<u>\$ 5,347.1</u>	<u>26.0%</u>	<u>50 to 70 bps</u>
Effective tax rate (GAAP)		23.2%	23.0%
Transformation initiatives - FY25		-	-
Legal settlements - FY25		-	-
Optimization initiatives - FY25		-	-
Adjusted effective tax rate (Non-GAAP)		<u>23.2%</u>	<u>23.0%</u>
Diluted earnings per share (GAAP)	\$ 9.98		8% to 10%
Transformation initiatives - FY25	-		-
Legal settlements - FY25	-		-
Optimization initiatives - FY25	0.03		-
Adjusted diluted earnings per share (Non-GAAP)	<u>\$ 10.01</u>		<u>8% to 10%</u>

(a) In Adjusted EBIT, we include the interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy as we believe these amounts to be fundamental to the underlying operations of our business model. The adjustments in the table above represent the interest income and interest expense that are not related to our client funds extended investment strategy and are labeled as "All other interest expense" and "All other interest income."

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