

ADP Reports First Quarter Fiscal 2025 Results

- Revenues increased 7% compared to last year's first quarter to \$4.8 billion; 7% organic constant currency
- Net earnings increased 11% to \$956 million, and adjusted net earnings increased 11% to \$956 million
- Adjusted EBIT increased 13% to \$1.2 billion, and adjusted EBIT margin increased 130 basis points to 25.5%
- Diluted earnings per share ("EPS") increased 13% to \$2.34; adjusted diluted EPS increased 12% to \$2.33
- Acquired WorkForce Software, a leading workforce management solutions provider that specializes in supporting large, global enterprises, on October 15, 2024 for approximately \$1.2 billion in cash
- To incorporate expected impact from the WorkForce Software acquisition, we are updating full year consolidated revenue growth guidance to 6% to 7% and adjusted diluted EPS growth guidance to 7% to 9%

ROSELAND, N.J. – October 30, 2024 – ADP (Nasdaq: ADP), a leading global technology company providing human capital management (HCM) solutions, today announced its first quarter fiscal 2025 financial results and updated its fiscal 2025 outlook.

First Quarter Fiscal 2025 Consolidated Results

Compared to last year's first quarter, revenues increased 7% to \$4.8 billion and 7% on an organic constant currency basis. Net earnings increased 11% to \$956 million, and adjusted net earnings increased 11% to \$956 million. Adjusted EBIT increased 13% to \$1.2 billion, representing an adjusted EBIT margin increase of 130 basis points in the quarter to 25.5%. ADP's effective tax rate for the quarter was 22.6% on both a reported basis and an adjusted basis. Diluted EPS increased 13% to \$2.34, and adjusted diluted EPS increased 12% to \$2.33.

"We are off to a strong start in fiscal 2025 and are pleased with our financial results and meaningful strategic progress," said Maria Black, President and Chief Executive Officer, ADP. "Our recent acquisition of WorkForce Software, a leading workforce management solutions provider, and the introduction of ADP Lyric HCM, our flexible, intelligent, and human-centric global HCM platform, position us to provide our enterprise clients with a unique global HR, payroll, time, and service solution. We look forward to continuing to lead the way in workforce innovation through our market-leading products, premium services, unmatched data, and exceptional experiences that empower our clients and their employees to reach their full potential."

"Our first quarter revenue and margin performance exceeded our expectations, as we benefited from solid new business bookings growth, strong client revenue retention, and higher client funds interest revenue," said Don McGuire, Chief Financial Officer, ADP. "We are focused on continuing to deliver strong financial performance as we make strategic investments to support our long-term growth."

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.

First Quarter Segment Results

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

- Employer Services revenues increased 7% on a reported basis and 7% on an organic constant currency basis
- U.S. pays per control increased 2%
- Employer Services segment margin increased 260 basis points

PEO Services – PEO Services provides comprehensive employment administration outsourcing solutions. Compared to last year's first quarter:

- PEO Services revenues increased 7%
- PEO Services revenues excluding zero-margin benefits pass-throughs increased 7%
- Average worksite employees paid by PEO Services increased 3% to about 737,000
- PEO Services segment margin decreased 80 basis points

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's first quarter:

- Interest on funds held for clients increased 26% to \$253 million
- Average client funds balances increased 5% to \$32.8 billion
- The average interest yield on client funds increased 50 basis points to 3.1%

Notable Subsequent Events

On October 15, 2024, ADP acquired WorkForce Software, a leading workforce management solutions provider that specializes in supporting large, global enterprises, for approximately \$1.2 billion in cash. This acquisition expands ADP's global offering of workforce management solutions and enables future innovation in the space.

Fiscal 2025 Outlook

Certain components of ADP's fiscal 2025 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 2024 pre-tax charges of about \$5 million related to transformation initiatives
- Fiscal 2024 pre-tax reversal of about \$4 million related to a legal matter
- Fiscal 2024 pre-tax charges of about \$42 million related to workforce optimization
- Fiscal 2025 expected pre-tax charges of about \$5 million related to transformation initiatives

Consolidated Fiscal 2025 Outlook

- Revenue growth of 6% to 7%
- Adjusted EBIT margin expansion of 30 to 50 basis points
- Adjusted effective tax rate of about 23%
- Diluted EPS growth of 8% to 10%
- Adjusted diluted EPS growth of 7% to 9%

Employer Services Segment Fiscal 2025 Outlook

- Employer Services revenue growth of 6% to 7%
- Employer Services margin up 40 to 60 basis points
- 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 1% to 2%

PEO Services Segment Fiscal 2025 Outlook

- PEO Services revenue growth of 5% to 6%
- PEO Services revenue, excluding zero-margin benefits pass-throughs, growth of 4% to 5%
- PEO Services margin down 70 to 90 basis points
- PEO Services average worksite employee count growth of 2% to 3%

Client Funds Extended Investment Strategy Fiscal 2025 Outlook

The interest assumptions in our outlook are based on Fed Funds futures contracts and various forward yield curves as of October 29, 2024. 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 3.8%, 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 \$1.115 to \$1.135 billion; this is based on anticipated growth in client funds balances of 3% to 4% and an average yield that is anticipated to increase to 3.1%
- Total contribution from the client funds extended investment strategy of \$1.0 to \$1.02 billion

Fiscal 2025 Outlook

		Fiscal 2024 (unaudited)	July 31, 2024 Fiscal 2025 Outlook (a)	October 30, 2024 Fiscal 2025 Outlook (a)
Total ADP	Revenues	\$19,203M	5 to 6%	6 to 7%
	Adj. EBIT Margin	25.5%	60 to 80 bps	30 to 50 bps
	Adj. Effective Tax Rate	23.0%	~23%	~23%
	Adj. Diluted EPS	\$9.18	8 to 10%	7 to 9%
Employer Services	Revenues	\$12,981M	5 to 6%	6 to 7%
	Margin	35.1%	100 to 120 bps	40 to 60 bps
	ES New Business Bookings	\$2.0B	4 to 7%	4 to 7%
	Client Revenue Retention	92.0%	(30) to (10) bps	(30) to (10) bps
	U.S. Pays Per Control	2%	1 to 2%	1 to 2%
PEO Services	Revenues	\$6,234M	4 to 6%	5 to 6%
	Revenues Ex Zero-Margin Pass-throughs	\$2,258M	3 to 4%	4 to 5%
	Margin	14.8%	(110) to (90) bps	(90) to (70) bps
	Average WSEs	729,000	1 to 3%	2 to 3%
Client Funds Interest	Average Client Funds Balances	\$35.4B	3 to 4%	3 to 4%
	Yield on Client Funds Portfolio	2.9%	~3.1%	~3.1%
	Client Funds Interest Revenue	\$1,025M	\$1,125 to \$1,145M	\$1,115 to \$1,135M
	Net Impact from Client Funds Extended Strategy	\$879M	\$1,000 to \$1,020M	\$1,000 to \$1,020M

(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, October 30, 2024 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)

Designing better ways to work through cutting-edge products, premium services, and exceptional experiences that enable people to reach their full potential. HR, Talent, Time Management, Benefits, and Payroll. Informed by data and designed for people. 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	
	September 30,	
	2024	2023
Revenues:		
Revenues, other than interest on funds held for clients and PEO revenues	\$ 3,007.2	\$ 2,843.0
Interest on funds held for clients	253.3	201.7
PEO revenues (A) (B) (C)	1,572.2	1,467.7
Total revenues	4,832.7	4,512.4
Expenses:		
Costs of revenues:		
Operating expenses (B) (C)	2,285.8	2,157.6
Research and development	232.6	236.5
Depreciation and amortization	115.3	121.3
Total costs of revenues	2,633.7	2,515.4
Selling, general, and administrative expenses	926.7	880.3
Interest expense	137.8	91.6
Total expenses	3,698.2	3,487.3
Other (income)/expense, net	(101.7)	(67.7)
Earnings before income taxes	1,236.2	1,092.8
Provision for income taxes	279.9	233.4
Net earnings	\$ 956.3	\$ 859.4
Basic earnings per share	\$ 2.34	\$ 2.09
Diluted earnings per share	\$ 2.34	\$ 2.08
Components of Other (income)/expense, net:		
Interest income on corporate funds	\$ (91.7)	\$ (46.5)
Realized losses on available-for-sale securities, net	0.2	1.9
Gain on sale of assets	(2.4)	(14.6)
Non-service components of pension income, net	(7.8)	(8.5)
Other (income)/expense, net	\$ (101.7)	\$ (67.7)

(A) Professional Employer Organization ("PEO") revenues are net of direct pass-through costs, primarily consisting of payroll wages and payroll taxes of \$17,193.6 million and \$15,994.6 million for the three months ended September 30, 2024 and 2023, respectively.

(B) PEO revenues and operating expenses include zero-margin benefits pass-through costs of \$1,049.2 million and \$976.7 million for the three months ended September 30, 2024 and 2023, respectively.

(C) PEO revenues and operating expenses include costs related to workers' compensation coverage and state unemployment taxes for worksite employees of \$124.3 million and \$112.3 million for the three months ended September 30, 2024 and 2023, respectively.

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

	September 30, 2024	June 30, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,104.9	\$ 2,913.4
Short-term marketable securities (A)	5,242.2	384.0
Accounts receivable, net of allowance for doubtful accounts of \$53.2 and \$52.2, respectively	3,316.7	3,428.2
Other current assets	1,070.5	820.8
Total current assets before funds held for clients	11,734.3	7,546.4
Funds held for clients	28,176.9	37,996.1
Total current assets	39,911.2	45,542.5
Long-term marketable securities (A)	940.6	—
Long-term receivables, net of allowance for doubtful accounts of \$0.2 and \$0.1, respectively	6.6	7.3
Property, plant and equipment, net	692.5	685.6
Operating lease right-of-use asset	362.5	370.6
Deferred contract costs	2,975.5	2,965.0
Other assets	923.2	1,102.1
Goodwill	2,369.0	2,353.6
Intangible assets, net	1,330.3	1,336.0
Total assets	<u>\$ 49,511.4</u>	<u>\$ 54,362.7</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 145.2	\$ 100.6
Accrued expenses and other current liabilities	2,973.9	3,349.0
Accrued payroll and payroll-related expenses	552.7	958.7
Dividends payable	565.9	566.4
Short-term deferred revenues	188.6	199.8
Obligations under reverse repurchase agreements (A)	679.1	385.4
Obligations under commercial paper borrowing	4,375.4	—
Short-term debt	1,000.3	1.1
Income taxes payable	170.4	15.1
Total current liabilities before client funds obligations	10,651.5	5,576.1
Client funds obligations	28,720.9	39,503.9
Total current liabilities	39,372.4	45,080.0
Long-term debt	2,981.4	2,991.3
Operating lease liabilities	316.1	328.6
Other liabilities	977.0	990.8
Deferred income taxes	154.4	64.3
Long-term deferred revenues	361.5	360.1
Total liabilities	<u>44,162.8</u>	<u>49,815.1</u>
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 September 30, 2024 and June 30, 2024; outstanding, 407.7 and 408.1 shares at September 30, 2024 and June 30, 2024, respectively	63.9	63.9
Capital in excess of par value	2,528.6	2,406.9
Retained earnings	24,001.2	23,622.2
Treasury stock - at cost: 231.0 and 230.6 shares at September 30, 2024 and June 30, 2024, respectively	(20,144.9)	(19,737.1)
Accumulated other comprehensive (loss)/ income	(1,100.2)	(1,808.3)
Total stockholders' equity	<u>5,348.6</u>	<u>4,547.6</u>
Total liabilities and stockholders' equity	<u>\$ 49,511.4</u>	<u>\$ 54,362.7</u>

(A) As of September 30, 2024, \$578.6 million of short-term marketable securities, \$98.8 million of long-term marketable securities and \$1.7 million of cash and cash equivalents 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)

	Three Months Ended	
	September 30,	
	2024	2023
Cash Flows from Operating Activities:		
Net earnings	\$ 956.3	\$ 859.4
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Depreciation and amortization	138.6	141.5
Amortization of deferred contract costs	281.4	262.3
Deferred income taxes	42.7	26.8
Stock-based compensation expense	60.6	58.8
Bad Debt Expense	11.2	13.1
Net pension income	(4.9)	(5.8)
Net accretion of discounts and amortization of premiums on available-for-sale securities	(15.5)	(5.5)
Other	0.9	(10.4)
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	115.4	(107.9)
Increase in deferred contract costs	(269.8)	(261.9)
Increase in other assets	(217.1)	(304.9)
Increase/(Decrease) in accounts payable	48.0	(30.4)
Decrease in accrued expenses and other liabilities	(323.4)	(308.6)
Net cash flows provided by operating activities	<u>824.4</u>	<u>326.5</u>
Cash Flows from Investing Activities:		
Purchases of corporate and client funds marketable securities	(2,771.7)	(710.2)
Proceeds from the sales and maturities of corporate and client funds marketable securities	1,266.8	632.0
Capital expenditures	(58.8)	(39.3)
Additions to intangibles	(80.9)	(87.0)
Acquisitions of businesses, net of cash acquired	—	(33.6)
Proceeds from sale of property, plant, and equipment and other assets	3.3	22.0
Other	(3.1)	—
Net cash flows used in investing activities	<u>(1,644.4)</u>	<u>(216.1)</u>
Cash Flows from Financing Activities:		
Net decrease in client funds obligations	(10,870.5)	(1,374.9)
Net cash distributed from the Internal Revenue Service	(336.4)	—
Payments of debt	(0.3)	(0.2)
Proceeds from the issuance of debt	988.9	—
Settlement of cash flow hedges	(12.5)	—
Repurchases of common stock	(372.6)	(250.0)
Net proceeds from stock purchase plan and stock-based compensation plans	12.0	(36.6)
Dividends paid	(572.6)	(515.8)
Net proceeds related to reverse repurchase agreements	297.1	273.8
Net proceeds of commercial paper borrowings	4,375.4	—
Net cash flows used in financing activities	<u>(6,491.5)</u>	<u>(1,903.7)</u>
Effect of exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents	17.0	(16.3)
Net change in cash, cash equivalents, restricted cash, and restricted cash equivalents	<u>(7,294.5)</u>	<u>(1,809.6)</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>\$ 2,791.5</u>	<u>\$ 6,961.9</u>
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents to the Consolidated Balance Sheets		
Cash and cash equivalents	\$ 2,104.9	\$ 1,441.4
Restricted cash and restricted cash equivalents included in funds held for clients	686.6	5,520.5
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	<u>\$ 2,791.5</u>	<u>\$ 6,961.9</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 140.7	\$ 97.0
Cash paid for income taxes, net of income tax refunds	\$ 64.7	\$ 87.9

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

	Three Months Ended		
	September 30,		
	2024	2023	% Change
Segment revenues			
Employer Services	\$ 3,261.0	\$ 3,046.4	7 %
PEO Services	1,574.5	1,469.6	7 %
Other	(2.8)	(3.6)	n/m
Total revenues	\$ 4,832.7	\$ 4,512.4	7 %
Segment earnings			
Employer Services	\$ 1,164.3	\$ 1,008.5	15 %
PEO Services	225.6	222.9	1 %
Other	(153.7)	(138.6)	n/m
Total pretax earnings	\$ 1,236.2	\$ 1,092.8	13 %
Segment margin			
Employer Services	35.7 %	33.1 %	2.6 %
PEO Services	14.3 %	15.2 %	(0.8) %
Other	n/m	n/m	n/m
Total pretax margin	25.6 %	24.2 %	1.4 %

Earnings per share information	Three Months Ended		% Change
	September 30,		
	2024	2023	
Net earnings	\$ 956.3	\$ 859.4	11 %
Basic weighted average shares outstanding	407.9	411.7	(1) %
Basic earnings per share	\$ 2.34	\$ 2.09	12 %
Diluted weighted average shares outstanding	409.5	413.6	(1) %
Diluted earnings per share	\$ 2.34	\$ 2.08	13 %

	Three Months Ended	
	September 30,	
	2024	2023
Key Statistics:		
Employer Services:		
Change in pays per control - U.S. (A)	2 %	2 %
PEO Services:		
Paid PEO worksite employees at end of period	739,000	718,000
Average paid PEO worksite employees during the period	737,000	717,000
Significant PEO expenses included within Operating expenses		
Zero-margin benefits pass-through costs	\$ 1,049.2	\$ 976.7
Workers' compensation and state unemployment taxes	\$ 124.3	\$ 112.3

(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		
	September 30,		
	2024	2023	% Change
Average investment balances at cost (in billions)			
Funds held for clients	\$ 32.8	\$ 31.1	5 %
Corporate extended (A)	\$ 8.6	\$ 5.5	56 %
Short-term financing to support Client Funds Strategy (A)	\$ 8.6	\$ 5.5	56 %
Average interest rates earned or paid (exclusive of realized gains or losses)			
Funds held for clients	3.1 %	2.6 %	
Corporate extended (A)	3.1 %	2.1 %	
Short-term financing to support Client Funds Strategy (A)	5.3 %	5.3 %	
Interest income (expense)			
Funds held for clients	\$ 253.3	\$ 201.7	26 %
Corporate extended (B)	67.8	28.3	140 %
Short-term financing to support Client Funds Strategy (B)	(117.3)	(73.6)	59 %
Net Impact from Client Funds Strategy	<u>\$ 203.8</u>	<u>\$ 156.4</u>	<u>30 %</u>

Funds Held for Clients - Supplemental Information

	Three Months Ended	
	September 30,	
	2024	2023
Average balance - Client short	\$ 5.7	\$ 4.5
Average balance - Client extended	13.7	14.7
Average balance - Client long	13.4	11.9
Average balance - Funds held for clients (in billions)	<u>\$ 32.8</u>	<u>\$ 31.1</u>
Average interest rate - Client short	5.2 %	5.1 %
Average interest rate - Client extended	2.5 %	2.0 %
Average interest rate - Client long	3.0 %	2.6 %
Average interest rate - Funds held for clients	<u>3.1 %</u>	<u>2.6 %</u>

Interest Income and Expense - Non-GAAP Reconciliation

	Three Months Ended	
	September 30,	
	2024	2023
Corporate extended interest income (B)	\$ 67.8	\$ 28.3
All other interest income	23.9	18.2
Total interest income on corporate funds (component of Other (income)/expense, net)	<u>\$ 91.7</u>	<u>\$ 46.5</u>
Short-term financing to support Client Funds Strategy (B)	\$ 117.3	\$ 73.6
All other interest expense	20.5	18.0
Total interest expense	<u>\$ 137.8</u>	<u>\$ 91.6</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		
	September 30,		% Change
	2024	2023	As Reported
Net earnings	\$ 956.3	\$ 859.4	11 %
Adjustments:			
Provision for income taxes	279.9	233.4	
All other interest expense (a)	20.5	18.0	
All other interest income (a)	(23.9)	(18.2)	
Transformation initiatives	—	0.7	
Legal settlements (b)	(0.3)	—	
Adjusted EBIT	\$1,232.5	\$1,093.3	13 %
Adjusted EBIT Margin	25.5 %	24.2 %	
Provision for income taxes	\$ 279.9	\$ 233.4	20 %
Adjustments:			
Transformation initiatives (c)	—	0.2	
Legal settlements (c)	(0.1)	—	
Adjusted provision for income taxes	\$ 279.8	\$ 233.6	20 %
Adjusted effective tax rate (d)	22.6 %	21.4 %	
Net earnings	\$ 956.3	\$ 859.4	11 %
Adjustments:			
Transformation initiatives	—	0.7	
Income tax (benefit)/provision for transformation initiatives (c)	—	(0.2)	
Legal settlements (b)	(0.3)	—	
Income tax (benefit)/provision for legal settlements (c)	0.1	—	
Adjusted net earnings	\$ 956.1	\$ 859.9	11 %
Diluted EPS	\$ 2.34	\$ 2.08	13 %
Adjustments:			
Transformation initiatives (c)	—	—	
Legal settlements (b) (c)	—	—	
Adjusted diluted EPS	\$ 2.33	\$ 2.08	12 %

(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) Represents a reserve reversal of a legal matter from fiscal 2023 previously recorded as an adjustment to EBIT.

(c) The income tax (benefit)/provision was calculated based on the annualized marginal rate in effect during the quarter of the adjustment.

(d) 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	
	September 30,	
	2024	2023
<u>Revenue growth consolidated:</u>		
Employer Services	7 %	9 %
PEO Services	7 %	3 %
Consolidated revenue growth as reported	7 %	7 %
Adjustments:		
Impact of acquisitions	— %	— %
Impact of foreign currency	— %	— %
Consolidated revenue growth, organic constant currency	7 %	7 %

Segment:

Employer Services revenue growth as reported	7 %	9 %
Adjustments:		
Impact of acquisitions	— %	— %
Impact of foreign currency	— %	(1)%
Employer Services revenue growth, organic constant currency	7 %	8 %

Note: Numbers may not foot due to rounding.

Automatic Data Processing, Inc. and Subsidiaries
Fiscal 2024 to Fiscal 2025 Non-GAAP Guidance Reconciliation
(in millions, except per share amounts)
(Unaudited)

	Fiscal 2024		Fiscal 2025 Outlook
Earnings before income taxes / margin (GAAP)	\$ 4,872.3	25.4%	20 to 40 bps
All other interest expense (a)	71.4	40 bps	15 bps
All other interest income (a)	(97.0)	(50) bps	15 bps
Transformation initiatives (b) - FY24	5.4	-	-
Transformation initiatives - FY25	-	-	-
Legal settlements - FY24	(4.0)	-	-
Workforce optimization - FY24	42.0	20 bps	(20) bps
Adjusted EBIT margin (Non-GAAP)	<u>\$ 4,890.1</u>	<u>25.5%</u>	<u>30 to 50 bps</u>
Effective tax rate (GAAP)		23.0%	23.0 %
Transformation initiatives (b) - FY24		-	-
Transformation initiatives - FY25		-	-
Legal settlements - FY24		-	-
Workforce optimization - FY24		-	-
Adjusted effective tax rate (Non-GAAP)		<u>23.0%</u>	<u>23.0 %</u>
Diluted earnings per share (GAAP)	\$ 9.10		8% to 10%
Transformation initiatives (b) - FY24	0.01		-
Transformation initiatives - FY25	-		-
Legal settlements - FY24	(0.01)		-
Workforce optimization - FY24	0.08		(1)%
Adjusted diluted earnings per share (Non-GAAP)	<u>\$ 9.18</u>		<u>7% to 9%</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. These adjustments in the table above represent the interest income and interest expense that is not related to our client funds extended investment strategy and are labeled as "All other interest expense" and "All other interest income."

(b) In fiscal 2024, transformation initiatives include consulting costs relating to our company-wide transformation initiatives.

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