



# ADP Earnings Call & Webcast Q4 Fiscal 2024

July 31, 2024



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# Forward Looking Statements

This document and other written or oral statements made from time to time by ADP may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like “outlook,” “expects,” “assumes,” “projects,” “anticipates,” “estimates,” “we believe,” “could,” “is designed to” and other words of similar meaning, are forward-looking statements. These statements are based on management’s expectations and assumptions and depend upon or refer to future events or conditions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements or that could contribute to such difference include: ADP’s success in obtaining and retaining clients, and selling additional services to clients; the pricing of products and services; the success of our new solutions; our ability to respond successfully to changes in technology, including artificial intelligence; compliance with existing or new legislation or regulations; changes in, or interpretations of, existing legislation or regulations; overall market, political and economic conditions, including interest rate and foreign currency trends and inflation; competitive conditions; our ability to maintain our current credit ratings and the impact on our funding costs and profitability; security or cyber breaches, fraudulent acts, and system interruptions and failures; employment and wage levels; availability of skilled associates; the impact of new acquisitions and divestitures; the adequacy, effectiveness and success of our business transformation initiatives; the impact of any uncertainties related to major natural disasters or catastrophic events; and supply-chain disruptions. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. These risks and uncertainties, along with the risk factors discussed under “Item 1A. Risk Factors” of our most recent Annual Report on Form 10-K, and in other written or oral statements made from time to time by ADP, should be considered in evaluating any forward-looking statements contained herein.

## Non-GAAP Measures

Adjusted EBIT, adjusted EBIT margin, adjusted diluted earnings per share, adjusted effective tax rate, and organic constant currency are all non-GAAP financial measures. Please refer to the Q4 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com) for a discussion of why ADP believes these measures are important and for a reconciliation of non-GAAP financial measures to their closest comparable GAAP financial measures.

This presentation is a supplement to our Q4 fiscal 2024 earnings release; it is intended to be read in conjunction with, not as a substitute for, or in isolation from, the earnings release.



# Highlights and Perspectives

Posted strong overall FY24 financial performance:

- 7% revenue growth
- 70 basis points of Adjusted EBIT<sup>1</sup> margin expansion
- 12% Adjusted diluted EPS<sup>1</sup> growth

7% ES new business bookings growth for FY24 with exceptional Q4 results; \$2.0 billion ES bookings for FY24

Better-than-expected ES retention of 92.0% for FY24, as client satisfaction scores reached new all-time highs

U.S. labor market showed resiliency with ES U.S. pays per control growth of 2% for Q4 and FY24

1. For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q4 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com).



# Executing on our Strategic Priorities



Lead with Best-in-Class

## HCM Technology

- ✓ Launched **ADP Assist**, our generative AI-powered cross platform solution
- ✓ Advanced next-gen payroll and next-gen HCM initiatives



Provide Unmatched

## Expertise & Outsourcing

- ✓ Deployed generative AI tools to support service associates
- ✓ Provided generative AI capabilities to drive implementation efficiencies



Benefit our Clients with our

## Global Scale

- ✓ Extended global footprint
- ✓ Deepened partnerships with other leading technology providers

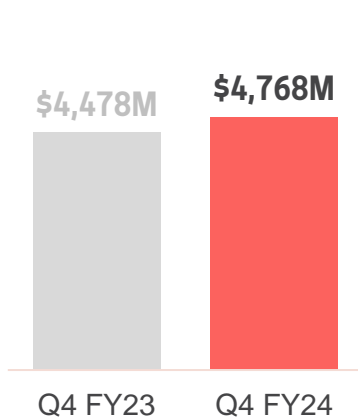
# Q4 Fiscal 2024 Financial Highlights

(unaudited)

## Total Revenues

↑ 6%

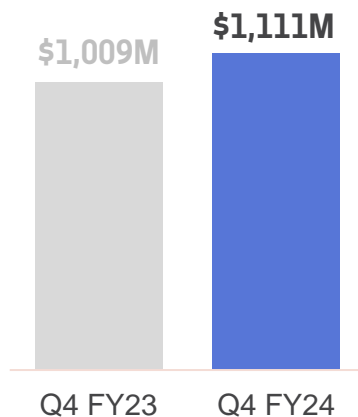
↑ 7% Organic Constant Currency<sup>1</sup>



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

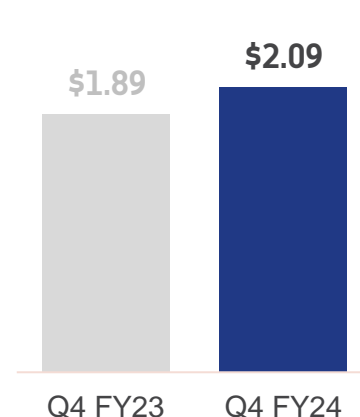
↑ 10%

Adjusted EBIT<sup>1</sup> Margin ↑ 80 bps



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

↑ 11%



1. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q4 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com).

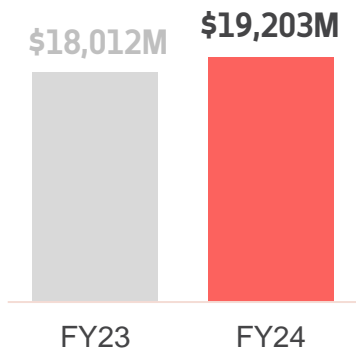
# Fiscal 2024 Financial Highlights

(unaudited)

## Total Revenues

↑ 7%

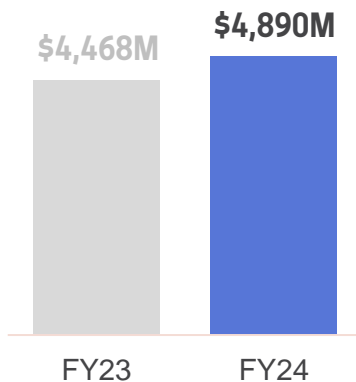
↑ 6% Organic Constant Currency<sup>1</sup>



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

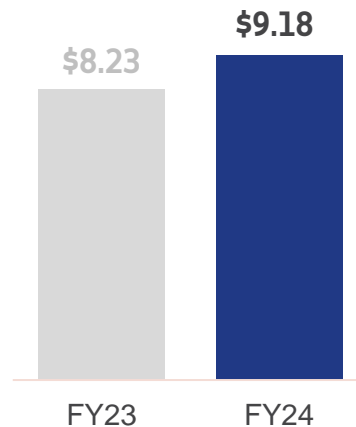
↑ 9%

Adjusted EBIT<sup>1</sup> Margin ↑ 70 bps



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

↑ 12%



1. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q4 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com).

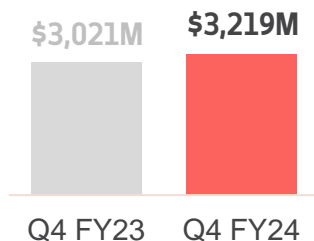
# Q4 Fiscal 2024 Employer Services Segment Results

(unaudited)

## ES Revenues

↑ 7%

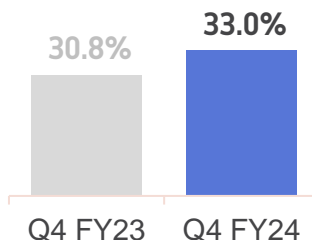
↑ 7% Organic Constant Currency<sup>1</sup>



- U.S. pays per control ↑ 2%
- Average client funds balances ↑ 4%
- Average client funds yield of 3.1%, up from 2.7% in prior year

## ES Margin

↑ 220 bps



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

## Q4 ES Highlights

- Strong revenue growth driven by exceptional bookings, solid retention, and client funds interest revenue growth

## FY24 ES Highlights

- 8% revenue growth, 7% organic constant currency<sup>1</sup> revenue growth, and 210 basis points margin expansion
- 7% ES new business bookings growth
- ES retention rate of 92.0%

1. For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q4 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com).

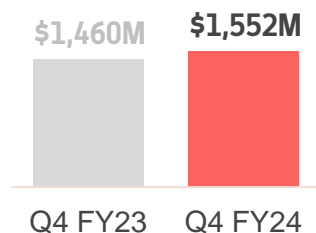


# Q4 Fiscal 2024 PEO Services Segment Results

(unaudited)

## PEO Revenues

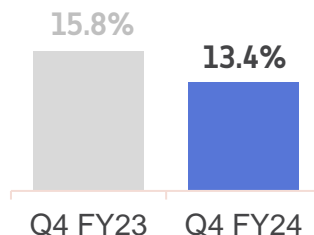
↑ 6%



- Revenues excluding zero-margin benefits pass-throughs ↑ 7%
- Average worksite employees (WSEs) ↑ 3% to 742,000

## PEO Margin

↓ 240 bps



- Margin decline reflected unfavorable actuarial loss development in workers' compensation reserves

## Q4 PEO Highlights

- Moderate acceleration in PEO revenue growth from the prior quarter despite continued same store pays per control headwinds

## FY24 PEO Highlights

- 4% revenue growth, 2% average WSE growth, and 150 basis points margin decline
- PEO new business bookings growth moderated from the prior year





# Fiscal 2025 Outlook

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

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

2. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q4 fiscal 2024 earnings release available at investors.adp.com.



# Appendix: Client Funds Investment Strategy Detail

	Average Balances (\$)		Average Rates		Interest Income / (Expense) (\$)	
	Fiscal 2024 (unaudited)	July 31, 2024 Fiscal 2025 Outlook	Fiscal 2024 (unaudited)	July 31, 2024 Fiscal 2025 Outlook	Fiscal 2024 (unaudited)	July 31, 2024 Fiscal 2025 Outlook
Client Short	7.4B	7.5 – 7.6B	5.2%	~4.3%	361M	320 – 325M
Client Extended	15.7B	15.0 – 15.2B	2.1%	~2.6%	329M	380 – 390M
Client Long	12.3B	13.8 – 13.9B	2.7%	~3.1%	335M	425 – 430M
<b>Funds Held for Clients<sup>1</sup></b>	<b>35.4B</b>	<b>36.3 – 36.7B</b>	<b>2.9%</b>	<b>~3.1%</b>	<b>1,025M</b>	<b>1,125 – 1,145M</b>
Corporate Extended Interest Income <sup>2</sup>	5.3B	~7.2B	2.7%	~3.1%	144M	~230M
Short-term Financing to Support Client Funds Extended Strategy	5.3B	~7.2B	5.4%	~5.0%	(290)M	~(355)M
<b>Net Impact from Client Funds Extended Strategy</b>					<b>879M</b>	<b>1,000 – 1,020M</b>

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

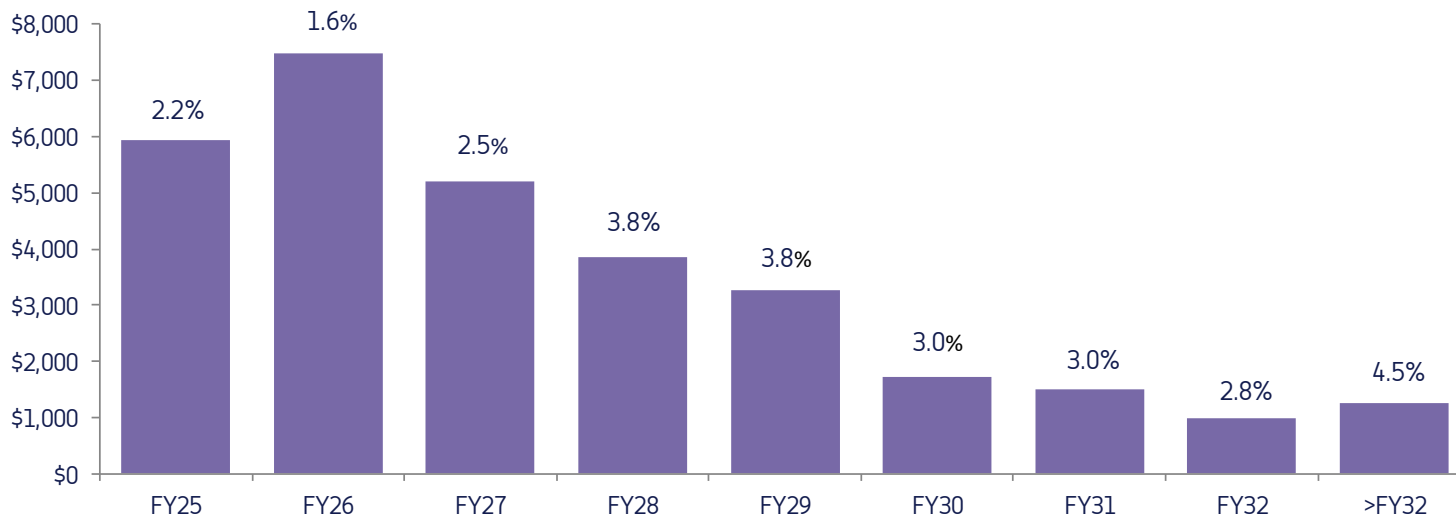
1. Reported as Interest on Funds Held for Clients in the revenue section of the Statements of Consolidated Earnings.
2. A component of Interest Income on Corporate Funds, reported within Other Income, net, on the Statements of Consolidated Earnings.



# Appendix: Client Fund Portfolio Maturities

## Client Funds Investment Strategy Portfolio at June 30, 2024 Available for Sale Securities Maturities and Book Yields

Market Value (\$ Millions)



% of portfolio maturing:

FY25 19%    FY26 24%    FY27 17%    FY28 12%    FY29 10%    FY30 6%    FY31 5%    FY32 3%    >FY32 4%

