



ADP Reports Fourth Quarter and Fiscal 2024 Results; Provides Fiscal 2025 Outlook

- Revenues increased 7% to \$19.2 billion for the year; 6% organic constant currency
- Employer Services new business bookings increased 7% for the year to \$2.0 billion
- Net earnings increased 10% to \$3.8 billion for the year, and adjusted net earnings increased 11% to \$3.8 billion
- Adjusted EBIT increased 9% to \$4.9 billion for the year, and adjusted EBIT margin increased 70 basis points to 25.5%
- Diluted earnings per share ("EPS") increased 11% to \$9.10 for the year; adjusted diluted EPS increased 12% to \$9.18
- Fiscal 2025 consolidated outlook includes revenue growth of 5% to 6%, adjusted EBIT margin expansion of 60 to 80 basis points, and adjusted diluted EPS growth of 8% to 10%

ROSELAND, N.J. – July 31, 2024 – ADP (Nasdaq: ADP), a leading global technology company providing human capital management (HCM) solutions, today announced its fourth quarter and fiscal 2024 financial results and provided its fiscal 2025 outlook.

Fourth Quarter and Fiscal 2024 Consolidated Results

Compared to last year's fourth quarter, revenues increased 6% to \$4.8 billion and 7% on an organic constant currency basis. Net earnings increased 7% to \$829 million, and adjusted net earnings increased 10% to \$858 million. Adjusted EBIT increased 10% to \$1.1 billion, representing an adjusted EBIT margin increase of 80 basis points in the quarter to 23.3%. ADP's effective tax rate for the quarter was 23.9% on both a reported basis and an adjusted basis. Diluted EPS increased 8% to \$2.02, and adjusted diluted EPS increased 11% to \$2.09.

For the full year, revenues increased 7% to \$19.2 billion, 6% organic constant currency. Net earnings increased 10% to \$3.8 billion, and adjusted net earnings increased 11% to \$3.8 billion. Adjusted EBIT increased 9% to \$4.9 billion, resulting in adjusted EBIT margin expansion of 70 basis points to 25.5%. ADP's full year tax rate was 23.0% on both an effective basis and an adjusted basis. Diluted EPS increased 11% to \$9.10, and adjusted diluted EPS increased 12% to \$9.18, including a net share count reduction.

"Our strong fourth quarter results concluded another very successful year for ADP," said Maria Black, President and Chief Executive Officer, ADP. "Employer Services new business bookings growth came in at the high-end of our expectations, and client satisfaction reached a new all-time high for the year. These results reflect the power of our innovative HCM solutions and the collective efforts of our talented associates who deliver unmatched service for our clients each day. As we look ahead, we remain focused on executing against our strategic priorities and continuing to lead the way in workforce innovation."

"Consistent execution on our proven business model produced strong revenue and earnings growth in fiscal 2024," said Don McGuire, Chief Financial Officer, ADP. "Our fiscal 2025 guidance anticipates ongoing solid revenue growth, Employer Services new business bookings growth, and margin expansion as we continue to reinvest in our business to drive long-term profitable growth 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 2024 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 7% on a reported basis and 7% on an organic constant currency basis for the fourth quarter, and increased 8% on a reported basis and 7% on an organic constant currency basis for the fiscal year
- Employer Services new business bookings increased 7% to \$2.0 billion for the fiscal year
- Employer Services client revenue retention decreased to 92.0% for the fiscal year, from 92.2%
- U.S. pays per control increased 2% for the fourth quarter and for the fiscal year
- Employer Services segment margin increased 220 basis points for the fourth quarter and increased 210 basis points for the fiscal year

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

- PEO Services revenues increased 6% for the fourth quarter and increased 4% for the fiscal year
- PEO Services revenues excluding zero-margin benefits pass-throughs increased 7% for the fourth quarter and increased 3% for the fiscal year
- Average worksite employees paid by PEO Services increased 3% to about 742,000 for the fourth quarter and increased 2% to about 729,000 for the fiscal year
- PEO Services segment margin decreased 240 basis points for the fourth quarter and decreased 150 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 17% to \$277 million for the fourth quarter and increased 26% to \$1.0 billion for the fiscal year
- Average client funds balances increased 4% to \$36.1 billion for the fourth quarter and increased 4% to \$35.4 billion for the fiscal year
- The average interest yield on client funds increased 30 basis points to 3.1% for the fourth quarter and increased 50 basis points to 2.9% for the fiscal year

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 5% to 6%
- Adjusted EBIT margin expansion of 60 to 80 basis points
- Adjusted effective tax rate of about 23%
- Diluted EPS growth of 9% to 11%
- Adjusted diluted EPS growth of 8% to 10%

Employer Services Segment Fiscal 2025 Outlook

- Employer Services revenue growth of 5% to 6%
- Employer Services margin up 100 to 120 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 4% to 6%
- PEO Services revenue, excluding zero-margin benefits pass-throughs, growth of 3% to 4%
- PEO Services margin down 90 to 110 basis points
- PEO Services average worksite employee count growth of 1% 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 July 30, 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 4.2%, 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 \$1.125 to \$1.145 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)
Total ADP	Revenues	\$19,203M	5 to 6%
	Adj. EBIT Margin	25.5%	60 to 80 bps
	Adj. Effective Tax Rate	23.0%	~23%
	Adj. Diluted EPS	\$9.18	8 to 10%
Employer Services	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%
PEO Services	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%
Client Funds Interest	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

(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 31, 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		Twelve Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenues:				
Revenues, other than interest on funds held for clients and PEO revenues	\$ 2,941.9	\$ 2,784.7	\$ 11,953.6	\$ 11,222.0
Interest on funds held for clients	276.8	235.7	1,024.7	813.4
PEO revenues (A) (B) (C)	1,549.8	1,457.4	6,224.3	5,976.8
Total revenues	4,768.5	4,477.8	19,202.6	18,012.2
Expenses:				
Costs of revenues:				
Operating expenses (B) (C)	2,272.6	2,148.7	9,050.1	8,657.4
Research and development	247.9	222.3	955.7	844.8
Depreciation and amortization	111.0	114.4	470.9	451.2
Total costs of revenues	2,631.5	2,485.4	10,476.7	9,953.4
Selling, general, and administrative expenses	1,035.4	957.2	3,778.9	3,551.4
Interest expense	102.1	106.9	361.4	253.3
Total expenses	3,769.0	3,549.5	14,617.0	13,758.1
Other (income)/expense, net	(89.9)	(77.2)	(286.7)	(183.5)
Earnings before income taxes	1,089.4	1,005.5	4,872.3	4,437.6
Provision for income taxes	260.1	228.8	1,120.3	1,025.6
Net earnings	\$ 829.3	\$ 776.7	\$ 3,752.0	\$ 3,412.0
Basic earnings per share	\$ 2.03	\$ 1.88	\$ 9.14	\$ 8.25
Diluted earnings per share	\$ 2.02	\$ 1.87	\$ 9.10	\$ 8.21
Components of Other (income)/expense, net:				
Interest income on corporate funds	\$ (82.1)	\$ (66.7)	\$ (241.3)	\$ (149.5)
Realized losses on available-for-sale securities, net	0.8	0.8	5.9	14.7
Gain on sale of assets	—	—	(17.1)	—
Impairment of assets	—	1.8	—	2.1
Non-service components of pension income, net	(8.6)	(13.1)	(34.2)	(50.8)
Other (income)/expense, net	\$ (89.9)	\$ (77.2)	\$ (286.7)	\$ (183.5)

(A) Professional Employer Organization (“PEO”) revenues are net of direct pass-through costs, primarily consisting of payroll wages and payroll taxes of \$17,160.7 million and \$16,043.3 million for the three months ended June 30, 2024 and 2023, respectively, and \$69,874.1 million and \$66,731.7 million for the twelve months ended June 30, 2024 and 2023, respectively.

(B) PEO revenues and operating expenses include zero-margin benefits pass-through costs of \$1,012.2 million and \$954.6 million for the three months ended June 30, 2024 and 2023, respectively, and \$3,975.9 million and \$3,800.9 million for the twelve months ended June 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 \$134.7 million and \$130.4 million for the three months ended June 30, 2024 and 2023, respectively, and \$613.4 million and \$606.3 million for the twelve months ended June 30, 2024 and 2023, respectively.

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

	June 30, 2024	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,913.4	\$ 2,083.5
Accounts receivable, net of allowance for doubtful accounts of \$52.2 and \$53.0, respectively	3,428.2	3,009.6
Other current assets	1,204.8	743.9
Total current assets before funds held for clients	7,546.4	5,837.0
Funds held for clients	37,996.1	36,333.6
Total current assets	45,542.5	42,170.6
Long-term receivables, net of allowance for doubtful accounts of \$0.1 and \$0.1, respectively	7.3	8.5
Property, plant and equipment, net	685.6	681.4
Operating lease right-of-use asset	370.6	402.4
Deferred contract costs	2,965.0	2,769.7
Other assets	1,102.1	1,255.4
Goodwill	2,353.6	2,339.4
Intangible assets, net	1,336.0	1,343.6
Total assets	<u>\$ 54,362.7</u>	<u>\$ 50,971.0</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 100.6	\$ 96.8
Accrued expenses and other current liabilities	3,350.1	2,342.6
Accrued payroll and payroll-related expenses	958.7	941.4
Dividends payable	566.4	510.0
Short-term deferred revenues	199.8	188.6
Obligations under reverse repurchase agreements (A)	385.4	105.4
Income taxes payable	15.1	44.2
Total current liabilities before client funds obligations	5,576.1	4,229.0
Client funds obligations	39,503.9	38,538.6
Total current liabilities	45,080.0	42,767.6
Long-term debt	2,991.3	2,989.0
Operating lease liabilities	328.6	349.9
Other liabilities	990.8	933.7
Deferred income taxes	64.3	73.6
Long-term deferred revenues	360.1	348.1
Total liabilities	49,815.1	47,461.9
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, 2024 and June 30, 2023; outstanding, 408.1 and 412.1 shares at June 30, 2024 and June 30, 2023, respectively	63.9	63.9
Capital in excess of par value	2,406.9	2,102.3
Retained earnings	23,622.2	22,118.0
Treasury stock - at cost: 230.6 and 226.6 shares at June 30, 2024 and June 30, 2023, respectively	(19,737.1)	(18,469.3)
Accumulated other comprehensive (loss)/ income	(1,808.3)	(2,305.8)
Total stockholders' equity	4,547.6	3,509.1
Total liabilities and stockholders' equity	<u>\$ 54,362.7</u>	<u>\$ 50,971.0</u>

(A) 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. As of June 30, 2023, \$104.6 million of long-term marketable securities and \$0.8 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,	
	2024	2023
Cash Flows from Operating Activities:		
Net earnings	\$ 3,752.0	\$ 3,412.0
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Depreciation and amortization	561.9	549.3
Amortization of deferred contract costs	1,067.6	992.9
Deferred income taxes	(37.4)	(80.1)
Stock-based compensation expense	243.5	220.4
Bad Debt Expense	54.6	44.0
Net pension income	(22.9)	(42.6)
Net accretion of discounts and amortization of premiums on available-for-sale securities	(42.6)	23.0
Other	(1.7)	27.4
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	(483.7)	129.2
Increase in deferred contract costs	(1,271.2)	(1,189.2)
Increase in other assets	(157.2)	(168.2)
Increase/(Decrease) in accounts payable	1.8	(11.8)
Increase in accrued expenses and other liabilities	492.9	301.3
Net cash flows provided by operating activities	<u>4,157.6</u>	<u>4,207.6</u>
Cash Flows from Investing Activities:		
Purchases of corporate and client funds marketable securities	(6,835.3)	(6,618.8)
Proceeds from the sales and maturities of corporate and client funds marketable securities	6,039.5	4,705.5
Capital expenditures	(208.4)	(206.3)
Additions to intangibles	(355.0)	(365.3)
Acquisitions of businesses, net of cash acquired	(33.6)	(32.4)
Proceeds from sale of property, plant, and equipment and other assets	28.3	—
Other	(24.5)	—
Net cash flows used in investing activities	<u>(1,389.0)</u>	<u>(2,517.3)</u>
Cash Flows from Financing Activities:		
Net increase/(decrease) in client funds obligations	1,014.1	(12,701.6)
Net cash received from the Internal Revenue Service	602.7	—
Payments of debt	(0.9)	(1.0)
Repurchases of common stock	(1,231.7)	(1,121.4)
Net proceeds from stock purchase plan and stock-based compensation plans	47.2	91.6
Dividends paid	(2,183.1)	(1,903.6)
Net proceeds/(payments) related to reverse repurchase agreements	320.0	(44.7)
Net cash flows used in financing activities	<u>(1,431.7)</u>	<u>(15,680.7)</u>
Effect of exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents	(22.4)	(21.1)
Net change in cash, cash equivalents, restricted cash, and restricted cash equivalents	<u>1,314.5</u>	<u>(14,011.5)</u>
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	8,771.5	22,783.0
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	<u>\$ 10,086.0</u>	<u>\$ 8,771.5</u>
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents to the Consolidated Balance Sheets		
Cash and cash equivalents	\$ 2,913.4	\$ 2,083.5
Restricted cash and restricted cash equivalents included in funds held for clients	7,172.6	6,688.0
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	<u>\$ 10,086.0</u>	<u>\$ 8,771.5</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 353.9	\$ 246.5
Cash paid for income taxes, net of income tax refunds	\$ 1,185.2	\$ 1,080.7

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,		
	2024	2023	% Change	2024	2023	% Change
Segment revenues						
Employer Services	\$ 3,218.6	\$ 3,021.3	7 %	\$12,980.8	\$12,042.6	8 %
PEO Services	1,552.3	1,459.5	6 %	6,233.6	5,984.2	4 %
Other	(2.4)	(3.0)	n/m	(11.8)	(14.6)	n/m
Total revenues	\$ 4,768.5	\$ 4,477.8	6 %	\$19,202.6	\$18,012.2	7 %
Segment earnings						
Employer Services	\$ 1,063.4	\$ 931.6	14 %	\$ 4,555.5	\$ 3,974.2	15 %
PEO Services	207.6	230.3	(10) %	921.5	977.3	(6) %
Other	(181.6)	(156.4)	n/m	(604.7)	(513.9)	n/m
Total pretax earnings	\$ 1,089.4	\$ 1,005.5	8 %	\$ 4,872.3	\$ 4,437.6	10 %
Segment margin						
Employer Services	33.0 %	30.8 %	2.2 %	35.1 %	33.0 %	2.1 %
PEO Services	13.4 %	15.8 %	(2.4) %	14.8 %	16.3 %	(1.5) %
Other	n/m	n/m	n/m	n/m	n/m	n/m
Total pretax margin	22.8 %	22.5 %	0.4 %	25.4 %	24.6 %	0.7 %

	Three Months Ended			Twelve Months Ended		
	June 30,			June 30,		
	2024	2023	% Change	2024	2023	% Change
Earnings per share information						
Net earnings	\$ 829.3	\$ 776.7	7 %	\$ 3,752.0	\$ 3,412.0	10 %
Basic weighted average shares outstanding	408.9	412.4	(1) %	410.6	413.7	(1) %
Basic earnings per share	\$ 2.03	\$ 1.88	8 %	\$ 9.14	\$ 8.25	11 %
Diluted weighted average shares outstanding	410.6	414.3	(1) %	412.2	415.7	(1) %
Diluted earnings per share	\$ 2.02	\$ 1.87	8 %	\$ 9.10	\$ 8.21	11 %

	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Key Statistics:				
Employer Services:				
Change in pays per control - U.S. (A)	2 %	3 %	2 %	5 %
PEO Services:				
Paid PEO worksite employees at end of period	756,000	731,000	756,000	731,000
Average paid PEO worksite employees during the period	742,000	722,000	729,000	712,000
Significant PEO expenses included within Operating expenses				
Zero-margin benefits pass-through costs	\$ 1,012.2	\$ 954.6	\$ 3,975.9	\$ 3,800.9
Workers' compensation and state unemployment taxes	\$ 134.7	\$ 130.4	\$ 613.4	\$ 606.3

(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			Twelve Months Ended		
	June 30,		% Change	June 30,		% Change
	2024	2023		2024	2023	
Average investment balances at cost (in billions)						
Funds held for clients	\$ 36.1	\$ 34.7	4 %	\$ 35.4	\$ 34.1	4 %
Corporate extended (A)	\$ 6.2	\$ 6.8	(9)%	\$ 5.3	\$ 4.7	13 %
Short-term financing to support Client Funds Strategy (A)	\$ 6.2	\$ 6.8	(9)%	\$ 5.3	\$ 4.7	13 %
Average interest rates earned or paid (exclusive of realized gains or losses)						
Funds held for clients	3.1 %	2.7 %		2.9 %	2.4 %	
Corporate extended (A)	3.1 %	2.7 %		2.7 %	2.1 %	
Short-term financing to support Client Funds Strategy (A)	5.4 %	5.2 %		5.4 %	3.9 %	
Interest income (expense)						
Funds held for clients	\$ 276.8	\$ 235.7	17 %	\$ 1,024.7	\$ 813.4	26 %
Corporate extended (B)	47.3	46.7	1 %	144.3	99.0	46 %
Short-term financing to support Client Funds Strategy (B)	(84.3)	(89.0)	(5)%	(290.0)	(182.4)	59 %
Net Impact from Client Funds Strategy	<u>\$ 239.8</u>	<u>\$ 193.4</u>	<u>24 %</u>	<u>\$ 879.0</u>	<u>\$ 730.0</u>	<u>20 %</u>

Funds Held for Clients - Supplemental Information

	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Average balance - Client short	\$ 7.9	\$ 7.9	\$ 7.4	\$ 6.9
Average balance - Client extended	15.3	14.9	15.7	15.4
Average balance - Client long	12.9	11.9	12.3	11.8
Average balance - Funds held for clients (in billions)	<u>\$ 36.1</u>	<u>\$ 34.7</u>	<u>\$ 35.4</u>	<u>\$ 34.1</u>
Average interest rate - Client short	5.2 %	4.7 %	5.2 %	4.0 %
Average interest rate - Client extended	2.3 %	1.9 %	2.1 %	1.8 %
Average interest rate - Client long	2.9 %	2.5 %	2.7 %	2.4 %
Average interest rate - Funds held for clients	<u>3.1 %</u>	<u>2.7 %</u>	<u>2.9 %</u>	<u>2.4 %</u>

Interest Income and Expense - Non-GAAP Reconciliation

	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Corporate extended interest income (B)	\$ 47.3	\$ 46.7	\$ 144.3	\$ 99.0
All other interest income	34.8	20.0	97.0	50.5
Total interest income on corporate funds (component of Other (income)/expense, net)	<u>\$ 82.1</u>	<u>\$ 66.7</u>	<u>\$ 241.3</u>	<u>\$ 149.5</u>
Short-term financing to support Client Funds Strategy (B)	\$ 84.3	\$ 89.0	\$ 290.0	\$ 182.4
All other interest expense	17.8	17.9	71.4	70.9
Total interest expense	<u>\$ 102.1</u>	<u>\$ 106.9</u>	<u>\$ 361.4</u>	<u>\$ 253.3</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,		%	June 30,		%
	2024	2023	Change As Reported	2024	2023	Change As Reported
Net earnings	\$ 829.3	\$ 776.7	7 %	\$3,752.0	\$3,412.0	10 %
Adjustments:						
Provision for income taxes	260.1	228.8		1,120.3	1,025.6	
All other interest expense (a)	17.8	17.9		71.4	70.9	
All other interest income (a)	(34.8)	(20.0)		(97.0)	(50.5)	
Transformation initiatives (b)	0.5	0.9		5.4	8.7	
Legal settlements (c)	(4.0)	5.0		(4.0)	1.2	
Workforce optimization (d)	42.0	—		42.0	—	
Adjusted EBIT	\$1,110.9	\$1,009.3	10 %	\$4,890.1	\$4,467.9	9 %
<i>Adjusted EBIT Margin</i>	<i>23.3 %</i>	<i>22.5 %</i>		<i>25.5 %</i>	<i>24.8 %</i>	
Provision for income taxes	\$ 260.1	\$ 228.8	14 %	\$1,120.3	\$1,025.6	9 %
Adjustments:						
Transformation initiatives (e)	0.1	0.2		1.3	2.2	
Legal settlements (e)	(0.9)	1.2		(0.9)	0.2	
Workforce optimization (e)	10.5	—		10.5	—	
Adjusted provision for income taxes	\$ 269.8	\$ 230.2	17 %	\$1,131.2	\$1,028.0	10 %
<i>Adjusted effective tax rate (f)</i>	<i>23.9 %</i>	<i>22.8 %</i>		<i>23.0 %</i>	<i>23.1 %</i>	
Net earnings	\$ 829.3	\$ 776.7	7 %	\$3,752.0	\$3,412.0	10 %
Adjustments:						
Transformation initiatives (b)	0.5	0.9		5.4	8.7	
Income tax (benefit)/provision for transformation initiatives (e)	(0.1)	(0.2)		(1.3)	(2.2)	
Legal settlements (c)	(4.0)	5.0		(4.0)	1.2	
Income tax (benefit)/provision for legal settlements (e)	0.9	(1.2)		0.9	(0.2)	
Workforce optimization (d)	42.0	—		42.0	—	
Income tax (benefit)/provisions for workforce optimization (e)	(10.5)	—		(10.5)	—	
Adjusted net earnings	\$ 858.1	\$ 781.2	10 %	\$3,784.5	\$3,419.5	11 %
Diluted EPS	\$ 2.02	\$ 1.87	8 %	\$ 9.10	\$ 8.21	11 %
Adjustments:						
Transformation initiatives (b) (e)	—	—		0.01	0.02	
Legal settlements (c) (e)	(0.01)	0.01		(0.01)	—	
Workforce optimization effort (d) (e)	0.08	—		0.08	—	
Adjusted diluted EPS	\$ 2.09	\$ 1.89	11 %	\$ 9.18	\$ 8.23	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) In the three and twelve months ended June 30, 2024, transformation initiatives include consulting costs relating to our company-wide transformation initiatives.

(c) Represents reserve reversal of a legal matter from fiscal 2023.

(d) The charges relating to workforce optimization represent severance charges. 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 a broad-based, company-wide workforce optimization effort.

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

(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,	
	2024	2023	2024	2023
<u>Revenue growth consolidated:</u>				
Employer Services	7 %	11 %	8 %	10 %
PEO Services	6 %	4 %	4 %	8 %
Consolidated revenue growth as reported	6 %	8 %	7 %	9 %
Adjustments:				
Impact of acquisitions	— %	— %	— %	— %
Impact of foreign currency	— %	1 %	— %	1 %
Consolidated revenue growth, organic constant currency	7 %	9 %	6 %	10 %

Segment:

Employer Services revenue growth as reported	7 %	11 %	8 %	10 %
Adjustments:				
Impact of acquisitions	— %	— %	— %	— %
Impact of foreign currency	— %	— %	— %	1 %
Employer Services revenue growth, organic constant currency	7 %	11 %	7 %	11 %

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%	60 to 80 bps
All other interest expense (a)	71.4	40 bps	-
All other interest income (a)	(97.0)	(50) bps	20 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>60 to 80 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		9% to 11%
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>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. 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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