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ADP.OQ - Q4 2022 Automatic Data Processing Inc Earnings Call

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OVERVIEW:

Co. reported FY22 revenue growth of 10% and adjusted EPS of $7.01. 4Q22 YoverY revenue growth was 10%. Expects FY23 consolidated revenue growth to be 7-9%.

CORPORATE PARTICIPANTS

Carlos A. Rodriguez *Automatic Data Processing, Inc. - CEO & Director*

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

Don Edward McGuire *Automatic Data Processing, Inc. - Chief Financial Officer*

Maria Black *Automatic Data Processing, Inc. - President*

CONFERENCE CALL PARTICIPANTS

Bryan C. Bergin *Cowen and Company, LLC, Research Division - MD & Analyst*

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

Dan Dolev *Mizuho Securities USA LLC, Research Division - MD & Senior Equity Research Analyst*

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

Kevin Damien McVeigh *Crédit Suisse AG, Research Division - MD*

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

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

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

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

PRESENTATION

Operator

Good morning. My name is Michelle, and I'll be your conference operator. At this time, I would like to welcome everyone to ADP's Fourth Quarter Fiscal 2022 Earnings Call. I would like to inform you that this conference is being recorded. After the speaker's presentation, we will conduct a question-and-answer session. I will now turn the conference over to Mr. Danyal Hussain, Vice President, Investor Relations. Please go ahead.

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

Thank you, Michelle, and apologies to everyone for the brief delay, and welcome everyone to ADP's Fourth Quarter Fiscal 2022 Earnings Call and Webcast. Participating today are Carlos Rodriguez, our CEO; Maria Black, our President; and Don McGuire, our CFO.

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

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

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

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

Thank you, Danny, and thank you, everyone, for joining our call. We finished our fiscal 2022 with a strong fourth quarter that featured 10% revenue growth and 12% organic constant currency revenue growth. We also delivered 170 basis points of adjusted EBIT margin expansion, which helped drive 25% adjusted EPS growth. And for the full fiscal year 2022, we ended up with 10% revenue growth, 90 basis points of margin expansion, 16% adjusted EPS growth. And importantly, we achieved record bookings and near record-level retention, reflecting our strong position in the HCM market.

Let me cover some highlights from the quarter and year before turning it over to Maria and Don for their perspectives. Starting with Employer Services new business bookings. We had a fantastic Q4 with growth accelerating from the prior quarter resulting in our largest new business bookings quarter ever. And with this strong finish, we were very pleased to have delivered 15% ES bookings growth for the year. Despite several sources of global uncertainty, including the ongoing effects of the pandemic, the conflict in Ukraine, inflation and concerns about global recession, our compelling suite of HCM offerings have continued to resonate throughout the market.

In total, we sold over $1.7 billion in ES new business bookings in fiscal 2022 and well over $2 billion when including the PEO, marking the first time we've exceeded $2 billion in bookings. Maria will talk more about the growth opportunities ahead, but clearly, we are incredibly pleased with what is the best performance by our sales force that I've seen in my 20 years with ADP.

Moving on. Our full year ES retention of 92.1% was nearly flat versus last year's record level of 92.2% as we once again exceeded our expectations in the fourth quarter. Client retention is driven by several factors, including product and service quality, business mix and macroeconomic factors. And our expectation at the start of fiscal 2022 called for macroeconomic factors like SMB out-of-business rates to drive some normalization and retention towards pre-pandemic levels. We did see some of that play out but clearly less than anticipated.

More importantly, our product and service teams have continued to deliver a best-in-class experience for our clients and particularly so on our modern and scaled platforms. We achieved record client satisfaction levels for the year, and we once again set new record levels for retention in several of our businesses, including our mid-market. So although you will hear from Don that we are once again making an assumption for a modest amount of macroeconomic-related normalization in retention in fiscal 2023, we are excited to have delivered such a strong performance in fiscal 2022 and look forward to maintaining our retention rates at these historically high levels.

Moving on to the employment picture. Our pays per control growth metric was 7% for the quarter and 7% for the year, reflecting a persistently strong demand environment for labor among our clients that has continued to exceed our expectations. This growth has served as a testament to the resilience of our clients. And although we expect pays per control growth will naturally slow in the coming quarters, employment conditions today remain strong with our client data suggesting that near-term demand for labor remains healthy.

And finally, our PEO business delivered another great quarter as it wrapped up a strong year. We had average worksite employee growth of 14% in Q4 and 15% for the year, and we were thrilled to have crossed the 700,000 worksite employee mark this quarter.

As you know, I joined ADP 2 decades ago when ADP entered the PEO market through an acquisition. And as bullish as I was about the PEO industry back then, I'm not sure I could have anticipated we would be here 20 years later still growing at this combination of pace and scale. But the ADP TotalSource team continues to deliver a great platform, great service and a great benefit experience for our PEO clients, and there is plenty of opportunity for us in the years ahead to serve even more businesses.

Taking a step back, fiscal 2022 was unique in a number of ways. We experienced strong demand with over $2 billion in worldwide new business bookings and near record-level retention, which together drove us to surpass 990,000 clients at year-end, putting us on track to exceed 1 million clients any day now. At the same time, we've had to manage this growth in volume with prudent head count growth given tight labor conditions. The way we've been able to do that is through efficiencies, of course, but also some plain hard work by our associates. And for that, I thank them for their efforts and for coming through for our clients once again. I'll now turn it over to Maria.

Maria Black - *Automatic Data Processing, Inc. - President*

Thank you, Carlos. With fiscal '22 behind us, I want to take this opportunity to review where we stand on some key initiatives and provide an update on where we are heading in fiscal '23. At the core of our client experience is their interaction with our platform, and one product initiative we have talked about throughout fiscal '22 is our new unified user experience, which was designed to be more action-oriented and contextual and to move us from transaction-oriented applications to experience-oriented applications. In other words, more intuitive, better looking, faster and more consistent across our solutions.

To achieve this, we have applied a research-driven approach informed by the data and insights we have gained in working with our nearly 1 million clients. Our focus has been to listen to our clients, learn from them and utilize their input to design the best experience. In fiscal '22, we moved hundreds of thousands of clients over to this new user experience, including our clients on RUN, iHCM and Next Gen HCM as well as over 20,000 Workforce Now clients. We also moved the ADP Mobile App over to the new UX.

Feedback so far has been extremely positive. And in fiscal '23, we plan to expand this rollout further to remaining Workforce Now clients as well as to additional modules and experiences within our key platforms. Workforce Now, in particular, has been exciting for us for a few reasons beyond user experience.

First is its growing traction in the U.S. enterprise market. Just this quarter, ADP was rated for the first time an overall Customer's Choice provider in Gartner's annual Voice of the Customer study. This was the highest tier possible and was based on prospective from end users with 1,000 or more employees and is a reflection of our continued momentum in selling Workforce Now to the lower end of the U.S. upmarket these past few years. This momentum builds on the already strong presence and traction Workforce Now has had in the U.S. mid-market, in the HRO space and in Canada, all places where it is highly differentiated.

Second is the continued rollout of our Next Gen Payroll engine to a growing portion of our new Workforce Now clients. Our Next Gen Payroll engine not only benefits from having a global native and public cloud architecture, but also empowers our platforms like Workforce Now to offer a better product experience and enables us to offer better service. We are incredibly excited for our payroll engine to continue to scale up to larger and more complex Workforce Now clients over the coming quarters.

And finally, with talent and engagement an increasingly important aspect of the HCM suite, we continue to focus on our ability to help employers better connect with their employees. This quarter, we will launch a new offering that we're calling Voice of the Employee, a robust employee survey and listening tool, which leverages survey instruments from the ADP Research Institute to offer clients a way to seamlessly capture employee sentiment across the employee life cycle.

And one of the things I love about this solution is that it was born out of an elevated client employee engagement, our return to work -- workplace solutions have been able to drive and it reflects the ability of our global product team to quickly identify an opportunity and develop a solution to meet a need in the market.

Moving on, we made some exciting enhancements to the Wisely program this quarter. Most notably, we now offer Wisely self-enrollment with full digital wallet capabilities for Apple and Google Pay thereby allowing employees to instantly receive and start using their Wisely account without support from their employer and without having to wait for a physical card. We also expanded our work -- earned wage access solution by offering a seamless 1 app solution for Wisely members through a deeper integration with one of our key partners.

The offering enables employees to receive a portion of their earned wages prior to payday and, most importantly, is free for employees who use Wisely. With these enhancements and more on the horizon, we're incredibly excited about the growth prospects for Wisely and look forward to taking it from over 1.5 million active members today to an even larger portion of our U.S. payroll base over the coming years.

During fiscal '22, we also highlighted the strength of our retirement services business, a key component of our HCM suite. We offer recordkeeping services, provide unbiased independent advisory services and give our clients, their employees and financial advisers, access to over 10,000 investment options from over 300 investment managers seamlessly integrated with our key platform and with the ADP Mobile App.

With over 125,000 retirement plan clients leveraging solutions, including 401(k), SIMPLE and SEP plans, we are proud of our scale today, but even more excited about the significant opportunity in the market as we look to expand our market share within and beyond our payroll base of client. Fiscal '22 was an incredibly strong year for our retirement services business, and we are looking forward to another strong year.

And finally, our Next Gen HCM solution is getting closer to a broader rollout as we continue building on the implementation capacity for our pipeline of sold clients as we shared at last year's Investor Day. While we are excited about all of these product enhancements and others too, product only drives growth when our sales and marketing organization can match it to a buyer and translate it into new business booking. And to that end, we are excited about our sales and marketing momentum and the continued investments we have planned to drive growth this year.

First, the product improvements I just mentioned as well as many others are all intended to drive higher win rates and expanded breadth of offerings for higher price realization, and we fully expect our sales force to continue capitalizing on these opportunities. Second, we are making continued investments in both digital and traditional marketing into our brands and into our broad and growing partnership network. Third, we are excited to have invested at year-end in sales head count and are stepping into the new year with hundreds of additional quota carriers. And we expect to be able to grow our average sales head count in the mid-single-digit range over fiscal '23.

Continued execution on our product and our sales and marketing strategy is ultimately designed to drive sustainable growth. And for fiscal '23, we expect to drive ES bookings growth of 6% to 9%, bracketing around our medium-term target of 7% to 8% from Investor Day. Growth is a priority for us, and we look forward to continuing to update you on our progress. Now over to Don.

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

Thank you, Maria, and good morning, everyone. Our Q4 represented a strong close to the year with 10% revenue growth on a reported basis and 12% growth on an organic constant currency basis, ahead of our expectations despite higher-than-expected FX headwind from the strength in the dollar. Our adjusted EBIT margin was up 170 basis points, about in line with our expectations as leverage from strong revenue growth overcame higher selling expenses, PEO pass-throughs and growth investments like the sales head count growth Maria just mentioned. And our robust revenue and margin performance drove 25% adjusted EPS growth for the quarter, supported by our ongoing return of cash to our investors via share repurchases.

For the full year, revenue landed at 10% growth. We delivered 90 basis points of margin expansion, offsetting a few different sources of incremental expense over the course of the year, and adjusted EPS grew to $7.01, up about 16%.

For our Employer Services segment, revenues in the quarter increased 8% on a reported basis and 9% on an organic constant currency basis. The stronger-than-expected revenue growth was a function of continued outperformance on key metrics like retention and pays per control. And our ES margin increase of 140 basis points was a bit lower than previously planned as a result of growing head count faster than previously anticipated. For the full year, our ES revenues grew 8% on a reported basis and our ES margin increased 110 basis points.

For our PEO, revenue in the quarter grew 16%, accelerating slightly from Q3. Average worksite employees increased 14% on a year-over-year basis, to 704,000 as bookings, retention and same-store pays all continued to perform well. PEO margin was up 260 basis points in the quarter, due in large part to favorable workers' compensation reserve adjustments. For the full year, our PEO revenues and average worksite employees grew -- both grew 15% at the high end of our guidance ranges, and our margin expanded 80 basis points.

I'll now turn to our outlook for fiscal '23, beginning with some overall remarks. We have, on the one hand, an inflationary environment that is creating upward pressure on our expense base. And at the same time, we recognize there is clearly concern about a potential upcoming global recession or that we perhaps are already in one. On the other hand, our momentum entering fiscal '23 is strong, and there are no obvious signs of near-term strain. And if the market's forecast of higher interest rate holds, we are positioned to benefit from a continued rebound in interest income.

So our focus for now will be to continue executing on our strategy. And to that end, we have been and will continue to be making investments in head count where we perhaps didn't get a chance to last year in a tight labor market, but we also expect to deliver growth that's at or above our medium-term annual objectives shared at our November 21 Investor Day.

On to the numbers. Beginning with ES segment revenues. We expect growth of 6% to 8% driven by the following key assumptions: First, we expect our ES new business bookings growth to be 6% to 9%, which Maria covered. For ES retention, we finished the year at 92.1%, a touch below last year's record level, and we believe it's prudent to anticipate some further normalization of SMB out of business levels in fiscal '23, even while we maintain record retention levels in some of our other business units. Our initial assumption is for a decline of 25 to 50 basis points in ES retention for the year.

For pays per control with employment back near prepandemic levels, we anticipate a return to a more typical 2% to 3% growth range. We normally talk about prices contributing 50 basis points to our ES growth rate. We expect that benefit to be around 100 to 150 basis points this year. And for client funds interest revenue, we expect higher overnight interest rates and higher repurchase rates on maturing securities should combine with our continued balance growth to drive interest income up nicely.

Our short funds' portfolio, which is invested in overnight securities will benefit assuming the federal open market committee increases the Fed funds rate over the course of this fiscal year. And our client extended and long portfolios will benefit as we reinvest maturing securities at an expected rate of about 3.3%. Between those 2 drivers, we expect average yields to increase from 1.4% in fiscal '22 to 2.2% in fiscal '23. We expect our client funds balances to grow 4% to 6%, supported by growth in clients, pays per control and wages. And this is on top of a very robust 19% growth we experienced last year.

Putting those together, we expect our client funds interest revenue to increase from $452 million in fiscal '22 to a range of $720 million to $740 million in fiscal '23. Meanwhile, the net impact from our client fund strategy will increase by a bit less from $475 million in fiscal '22 to a range of $675 million to $695 million in fiscal '23. And as a reminder, this is the number that impacts our adjusted EBIT. The slightly lower growth here is due to the expected increase in short-term borrowing costs, which track the Fed funds rate. This borrowing enables us to ladder our portfolio and invest further out on the yield curve than we otherwise would. As we gradually reinvest our maturing securities, this gap between client funds revenue and the net impact from our client fund strategy should reverse and, again, become positive.

Back to the ES revenue outlook. One more factor to consider is FX headwind. Clearly, with the euro near parity to the dollar with a weaker pound and with about 20% of our ES segment revenue being generated outside the U.S. were factored in a fair amount of FX headwind for fiscal '23 of well over 1%. For our ES margin, we expect an increase of 175 to 200 basis points.

This coming year, our expense base will be increasing more than it does in a typical year, in part due to inflationary pressure on our overall wages and in part due to head count growth, some of which we did late in fiscal '22 and some of which we're planning for fiscal '23. But because our margins are benefiting from strong revenue growth outlook, including growth in client funds interest revenue, we're pleased to be able to guide to the strong ES margin outlook.

Moving on to the PEO segment. We expect PEO revenues and PEO revenues excluding zero margin pass-through to grow 10% to 12%. The primary driver for our PEO revenue growth is our outlook for average worksite employee growth of 8% to 10%. That would represent a bit of a deceleration from last year, but of course, we are contemplating much less contribution from same-store pays per control in fiscal '23 compared to fiscal '22. This 8% to 10% growth compares to a high single-digit target that we outlined at the Investor Day in November. We expect our PEO margin to be down 25 to up 25 basis points in fiscal '23 compared to a strong margin result in fiscal '22.

Adding it all up, our consolidated revenue outlook is for 7% to 9% growth in fiscal '23. And our adjusted EBIT margin outlook is for expansion of 100 to 125 basis points. We expect our effective tax rate for fiscal '23 to increase slightly to about 23%, and we expect adjusted EPS growth of 13% to 16%, supported by buybacks.

And I'll make one comment on cadence. Because we expect year-over-year head count growth to be more significant early in the year and because of the benefit from clients' funds interest will build as the year progresses, we expect adjusted EBIT margins to be down about 50 basis points in Q1 but then build steadily over the rest of the year. And I'll now turn it back to Michelle for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Bryan Bergin with Cowen.

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - MD & Analyst*

I wanted to start with the demand question. So can you just talk about what you've seen across client size as it relates to the demand environment? I heard the continued optimism in the mid-market. Can you talk a bit, bit more about up-market, down-market, international? And then just give us a sense of booking Cadence. It sounds like it accelerated through 4Q. Have you seen any change in pace as you've gone through the first couple of weeks here in July?

Maria Black - *Automatic Data Processing, Inc. - President*

Yes. Absolutely, Bryan. I am happy to comment on both pieces. So with respect to the overall strength that we saw in new business bookings, both for the full year fiscal, very, very proud of the remarkable results, both for full year as well as the fourth quarter. And the strength was really broad-based. There was solid performance across each one of our markets. I think a few call-outs that I would give, you highlighted the mid-market The mid-market does continue to perform. We saw strength in our HRO offerings, even beyond the PEO. The HRO was a strength for us. I know I mentioned it in the prepared remarks, but I'd be remiss if I didn't mention retirement services again. We also saw strong results in Canada, which was fantastic to see as Canada, definitely, was impacted a bit more with the longer lockdowns from a pandemic perspective.

And then I continue to highlight, quarter after quarter, the strength that we're seeing in our down market and our RUN offers. So we felt very pleased with the RUN. And then last but not least, on the international front, our international business had a tremendous year. So very confident in the results. Very proud of the work of the sales organization. As we think about the demand environment right now, you've asked about how did it progress throughout the quarter and how do we feel sitting here a few weeks since July, I suppose I can't necessarily comment on in quarter, but what I can comment on is we did see the results accelerate throughout the quarter.

So while there was some macroeconomic things happening in the world, our demand actually accelerated as we closed out the quarter. So we saw significant strength specifically in the month of June. In fact, June was a record month for us ever, as was the quarter and as was the year, as mentioned. So I feel good about the demand environment and the acceleration we saw throughout the quarter. Thank you for the question.

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - MD & Analyst*

Okay. And then just a follow-up on margins. So if things do slow down, can you just talk about the levers you have to insulate the EBIT margins? It sounds like you have baked in a healthy amount of resource additions. Can you talk about where you're making those across the organization and then where you might have some discretion to throttle investments should things slow down?

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

Yes. No, it's a very good question, so thank you for the question. I think as I mentioned in the remarks and the materials that we distributed, that we were able to get our sales organization a little bit more than fully staffed going into the fourth quarter, and that makes us feel really good about the opportunity to step off into '23 with a fully staffed team, which is something that, as we mentioned in prior quarters, was a little bit more difficult to do during '22.

So I think we feel really good about where we are with staffing, particularly on the sales side. I'd also say that just following the business model that we have, if we look at the record sales we had, particularly late in the fourth quarter, we need to make sure that we have fully staffed implementation resources to get those bookings generating revenue as quickly as we can. So we will be focused on that. And then, of course, just following through to the year-end process, we need to make sure we can service all those additional clients, and that time comes upon us in late December, January, February. So we can do all those things.

On the other hand, as I referenced and as we're seeing in the media and elsewhere, everywhere is talk about recession potentially coming, are we in one, et cetera. We still do have flexibility, of course. And we can certainly temper the addition of head count and temper our costs more generally, should we think that, that's necessary if it's something that's a result of changes in the macro environment.

So I think we still have lots of levers. And I think we've shown historically that we are able to navigate those waters pretty adeptly should that kind of a situation arise.

Operator

Our next question comes from Kevin McVeigh with Credit Suisse.

Kevin Damien McVeigh - *Crédit Suisse AG, Research Division - MD*

Congratulations on the results this would be for Carlos or whomever, but it feels like the retention step-up is clearly a little bit more structural, just given the recent trends in '22 into '23. Is that a function of kind of the Next Gen Payroll engine? Or just where are you seeing that success? Because it's clearly been a super, super outcome post COVID. I think part of our focus was whether or not that starts to normalize or not, but it feels like it's at a structurally higher level.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

Yes. There probably are some structural factors just because we can see obviously where the retention is stronger. And I think as we mentioned, some of the macroeconomic kind of readjustment that we expected in the down market, we saw some of it just not as much as we expected. But if talk of recession is correct, then out of business and bankruptcies and so forth probably will kind of come back to some kind of a normal level, which is why, as Don mentioned in his remarks, we, once again, plan for a slight decrease in retention in '23. That's really mainly in the down market in terms of the mix that it represents -- the total representative of the mix because everywhere else, we really see some reasonable, what appear to be, structural improvements.

I wouldn't say that it's really Next Gen Payroll because that's -- you're really going to see that -- the impact of that on sales and market share and so forth in the next couple of years because the majority of our clients are still not enjoying, I think, the benefits, even though, over time, they will, of Next Gen Payroll. So that's really not -- I just want to make sure I was clear on that, that, that is not what's causing the retention improvements.

But one thing I would point out is I mean -- I know this is a broken record, but we made this big transition from multiple platforms onto 1 in the down market 10 years ago or a little bit more than that. And then more recently, we went through a multiyear effort, which was painful to do that in the mid-market. We have other things going on like new UX and Next Gen Payroll, but those migrations and those consolidations in and of themselves have created some real structural tailwinds, I think, in terms of service, NPS and, ultimately, on the retention standpoint.

It's just a much more -- an easier environment for our own folks to operate in. It's easier for us to invest in less platforms versus more platforms. It's just a much better environment. As you know, we still have work to do in the upmarket. So there's still opportunity there. There's still some opportunity in Employer Services International as well. But we think these structural tailwinds that first helped us in the down market despite the macro, right, because the macro has really a cyclical issue. But overall, excluding cycles, our retention in the down market is up, I said this before, hundreds of basis points higher than it was 10 to 15 years ago.

And now the mid-market is at record levels and the NPS scores continue to be at record levels. And I don't think we anticipate that going back down. If anything, we see more opportunity there in the mid-market. And our plan would be to continue to do that throughout other parts of ADP to add more structural tailwinds to our retention.

Kevin Damien McVeigh - *Crédit Suisse AG, Research Division - MD*

Super helpful. And then maybe this is for Don. It looks like the margin guidance, like, 100 to 125 basis points, up from 90. Given the leverage and float and pricing, it seems like a really nice outcome on the pricing side. Is the offset kind of the cost inflation? And where is the cost inflation in the model in '23 relative to where it's been historically?

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

Yes. I think it's a good observation. I think there's a few things driving. Of course, we talked about more price than we historically have been able to take. And of course, we do we have the tailwinds, if you will, from the client fund interest. So there's certainly -- we need to remember that the reason we're getting the higher interest rates is that we're in a higher inflationary environment. So that's driving the overall cost base and wages.

The other aspect is that we have called out, and we typically haven't called out FX in the past, but we've certainly seen, I think, what we would refer to as pretty dramatic changes in FX headwinds in the fourth quarter compared to what we've seen in typical years. And so we thought that was important to call out. And with 20% of our ES revenue being outside of the U.S. and denominated in Canadian dollars, euros, sterling and Australian dollars [slamming], right, I think all the currencies are essentially down. So when you put all that stuff together, it certainly results in a little bit less of the top line dropping through to margin.

So that's been our focus. The other thing I'd say is that we do have a little bit of conservatism as we look to the back half. We have to take into account all the things we're reading about and seeing and making sure that we're thinking hard about how prepare should something happen in the back half of the year. So I think those are the primary drivers, to answer your question.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

And if I can add one thing because you mentioned also price, and it's a big topic, I know for a lot of companies, and a lot of questions about it. And I think it's important for you to understand strategically right at a very high level, regardless of how it flows into the numbers and so forth. Our view on price, we said it for a couple of quarters now, is to kind of keep up with inflation. So I want to make sure it's very clear that we're not achieving our margin improvements or doing anything that would be unusual because I think there might be some companies that are trying to make up revenue gaps or margin gaps with price because there is "cover" out there to do that.

But I think when you do that, and I think Don has mentioned this before that we operate in a competitive environment, and we look at what competitors are doing. We look at what's happening in the world, and we're long-term thinkers here so you should assume that our price increases were in line with what's happening with inflationary costs and not anything more than that and not materially less than that.

Kevin Damien McVeigh - *Crédit Suisse AG, Research Division - MD*

You've been very consistent on that.

Operator

Our next question comes from Bryan Keane with Deutsche Bank.

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

Congrats on the numbers. I guess my question is, looking at the midterm outlook for Employer Services back in November, I think we talked about the 6% growth rate and you guys are going to be trending above that 6% to 8%. And with the strength in bookings growing over 15%, I just wonder if maybe the midterm outlook was a little low compared to what structurally is going on in the business model that potentially the growth rate's faster than the 6% outlook that you gave over the midterm.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

Well, I hope so. I'll let Don comment in a moment, but again, just because I've been doing this for a long time, I just -- I can't get it out of my mind. The way the recurring revenue model kind of works is we love the 15%. And what you just described really comes through in the numbers, that the difference between our bookings and our losses, our strong retention and our strong bookings that the net of that contributed more to Employer Services revenue than I've ever seen in my tenure as CEO, and that is what led this acceleration you just described in ES revenue. So that net new business growth is really the way to grow the top line here.

There's other factors in there like pays per control, client funds interest, but that's the core of the business, and we're really happy with that. The challenge, of course, is that we're not forecasting 15% bookings growth again next year. So I would just caution you to -- now the good news is that, that increase in net new business is in our run rate now. And so we don't have to grow by as much next year in terms of that net new business to further accelerate our revenue growth. But I would just caution you in terms of if you do that kind of math. It's hard. It's hard to accelerate the revenue growth rate of this company. We just did it, and it takes a combination of better retention and higher starts, higher sales and new business starting in the upcoming year.

And that 15% really makes a huge difference. But you can see from our guidance that, that is not our expectation next year in terms of bookings. And so you'll experience, hopefully, additional acceleration of revenue growth in ES but not by as much as you had from '22 to '23. Notwithstanding the fact that remember, there's other things in there, moving parts like pays per control, client funds interest and so forth, some of which will give us tailwinds, some of which may be headwinds.

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

Yes. So Carlos covered off all the main drivers there, of course. I think just once again, let me go back and mention the FX headwinds we're experiencing. So I think when you add that into the mix, I think probably get to a place where we're landing and what we're anticipating, what we're guiding to for the rest of '23.

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

Got it. Got it. And then let me ask you another popular question that everybody is getting is just how the model might be different now versus previous recessions just thinking about the resilience potential in the ADP model.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

I mean, Don, again, will have, I think, a couple of points he could probably make. But I would say, as usual, there's probably puts and takes. I mean, obviously, I'd be -- I wouldn't be a CEO if I didn't say I think our model is better now than it was before, even though I've been through a couple of cycles here myself. So it's not that I'm criticizing anything other than myself if I'm saying that it's better than it was before, but we just talked about the structural retention level.

So even if we have a little bit of a drag in the down market, and by the way, the down market is a larger percent of our overall business than it was 10 to 20 years ago, but still, it's structurally higher by several hundred basis points in and of itself. So even if it goes down a little bit, and it's a little bit bigger part of our mix, I think our retention is just going to hold up better, I would predict, in terms of -- yes, depending obviously on the severity of the recession. That's a huge help because the bigger, obviously, the portion of the revenue that you retain each year, the less dependency you have on bookings in a recession, which tends to be the most sensitive.

Like historically, when you look at GDP growth and our -- all of our metrics besides pays per control, bookings is something that can be challenging in a severe recession, which to reiterate, we don't see. So we read the same things that everyone else reads. And we know that Fed tightening will lead to slower economic growth, but we really can't see it in our numbers. Like our pays per control number in the fourth quarter was as strong as it was the whole year. You look at the monthly initial unemployment claims, you look at the room that still is there in labor force participation. You look at the number of job openings in comparison to where it was historically, and I just don't see it.

So there clearly are pockets that are happening, I think, is part of readjustments because of COVID that are kind of confusing the landscape. And there's clearly some kind of slowdown underway because it just happens when you have Fed tightening, but it's not happening in the labor market, at least not yet.

Operator

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

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

Really strong sales. I was just trying to think about attribution of the strength and how you would rank the factors there between better product set that's more relevant or better productivity, expanded sales force, the cycle or secular things around outsourcing taking over versus software. Any interesting observations on your side, Carlos or Maria?

Maria Black - *Automatic Data Processing, Inc. - President*

Yes. Thank you. So definitely a tremendous strength that we saw. I think I called out a few areas. Definitely, the strength that we're seeing in our upmarket continues to excite us for the future. I think you asked about the attribution of strength. And I think it really was broad-based across the business.

But I think from an execution standpoint, it really comes down to the execution of our sales organization and how they've been able to go to market, candidly, really over the last 2 years as it relates to navigating this evolving environment, but more specifically providing value to our clients in a more meaningful way. And we really have seen that evolve over the past year as we've been, really, across each 1 of the segments, helping our clients navigate. As I mentioned, the evolving environment inclusive of all the legislative changes.

So I think there's value we're bringing. I think, the strong execution in general across the sales organization and leveraging the entire ecosystem bring that strength, right, which is everything from our marketing investments, our brand investments. I spoke earlier to the head count investment. And so all of this together, I think, has lent itself to a tremendous execution on strength as it relates to the overall performance.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

And the only thing I would add to that is Maria and I have been talking for the last 18 months about how -- one of the most important things for our sales organization was really to get productivity at the quota carrier level back to -- and then exceed from a trend line standpoint, where it was, right?

So when you think about whether it's GDP trend or price trends or anything like that, you got to get back to where you were, and then you got to get back on that same trend line. Otherwise, you leave a lot of money on the table, right, whether it's the economy or ADP's revenue and bookings growth.

And if -- from an attribution standpoint, again, this -- I think it's important for you to understand this color. Like, we had unbelievable productivity heat growth, and that's why I said that this is the best performance I've ever seen by our sales force. And clearly, some of it is because we were in recovery mode, but sales forces naturally generally have -- not that I know because I was never a salesperson, but I guess I've been around long enough to be hopefully an honorary member.

But when you tell sales force, okay, you got to grow -- we're going to grow our head count by a few percentage points, and then we got to grow our productivity 2 to 3 percentage points, that's the typical year, right? And that's hard in a typical year. When you tell a sales force you have to grow your productivity close to 20%, even though it's because it went down 20%, that's freaking hard to do, very hard to do psychologically.

Anybody who's in sales, I think, understands that. And so these percentage growth numbers that we have and the productivity growth numbers that we have, honestly, are incredibly just gratifying because I really thought this was going to be hard. I was, of course, keeping my poker face on and just telling everybody because we have to do it, we have to do it, and we did it. And so most of this growth came from productivity and not from head count because, as we've talked about, we actually had some challenges up until the fourth quarter in terms of achieving our head count objectives, not by lack of trying, by the way, and not because we were trying to save money, if we were doing everything we could and it was just a difficult labor market.

The good news is, is in the fourth quarter, as Maria has mentioned, we really did quite well, and we're in a great position head count-wise now. But the '22 story is all about productivity. And that is an unbelievable accomplishment for our sales force, and it's across the board.

Maria Black - *Automatic Data Processing, Inc. - President*

It is. And just to provide some actual numbers to that. So we reported a $1.7 billion in Employer Services bookings. That does -- that is a record as mentioned, and it does exceed the other record, which was pre pandemic in fiscal '19 at $1.6 billion. And so that really, in the end, speaks to some of this additional productivity that's now new to our clients, if you will. But Carlos has -- is spot-on. We did initially tell the sales force, we will add head count and you have to grow faster. But in the end, we didn't have the head count and they grew that much faster, which is why I am very bullish and excited as we step into the fiscal year with more sellers, more asset quota carriers to really couple the strength that we've had in productivity with now finally more sellers to go get after it.

Operator

Our next question comes from Dan Dolev with Mizuho.

Dan Dolev - *Mizuho Securities USA LLC, Research Division - MD & Senior Equity Research Analyst*

Really nice results. I'm very happy to see the strength in the enterprise that you called out as you think being a splice. Can you maybe tell us, like, I know you don't parse out the growth between. But if you did, I would love to hear it in terms of the different subverticals. But on a bigger picture, can you tell us, like, what types of firms -- are you now regaining share in some of those, like, lower end of the large enterprise and sort of mid-sized firm it came from and how these conversations are different now versus, say, a few years ago.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

Yes, I think you mentioned -- we were having a little trouble catching the entire question. So maybe -- I'll maybe try to give a little bit of color, maybe you can repeat again or ask us -- ask the question again. But I think you said something about the lower end of the enterprise space and kind of where the strength in sales is coming from except though, so I think, just to repeat what Maria said, I think it is across the board.

But that is one -- the reason I'm picking up on it, like this is -- it's a really good news story for us. So our Workforce Now platform, we made this strategic decision 2, 3 years ago. It makes sense because it fits well on the lower end of the enterprise space. And it's really been a home run for us there. So against certain competitors, it's really very, very effective, and we're selling a lot of units in that kind of lower end of the upmarket space for us as we continue with the rollout of Next Gen HCM, which is really intended to further upmarket and eventually for global.

In the meantime, we're really having a lot of success in the lower end of the upmarket with our Workforce Now platform. And if you want to maybe repeat your question one more time, we'll give another try.

Dan Dolev - *Mizuho Securities USA LLC, Research Division - MD & Senior Equity Research Analyst*

Yes. No, I think that sort of answered the question. I wanted to know, and I apologize you couldn't hear me before. I wanted to know, like, how the conversations are -- like, how the conversations are different today when you're with those clients versus, say, 3 years ago? Because I'm sure there's been a tremendous change given the results.

Maria Black - *Automatic Data Processing, Inc. - President*

There has been a tremendous -- it's a good observation. There has been tremendous change. I think Carlos hit the nail on the head and the lower end of the upmarket, it's one of the reasons we cited the award and recognition we recently received from Gartner because the conversation around our offering of Workforce Now in that lower end is definitely resonating for several reasons. One is it's a best-in-class product as Gartner even acknowledges and the users that were surveyed for that award. But moreover, it's also the speed by which we can execute and really take these enterprise customers and turn them into active clients and so meeting a lot of different needs from a product perspective, from a timeline perspective.

I think in the upper end of the market, certainly, the conversation over the last 3 years has evolved. A big piece of that conversation is the global discussion and our ability to talk to much larger U.S. enterprise customers and other enterprise customers across the globe around our multi-country offerings and how we're thinking about the -- how they are thinking about their strategic direction on HCM on the global front. And so I think the conversation continues to evolve on both ends of the spectrum of the upmarket. And we're certainly in a position to have very formidable conversations and transformation these [guys] are thinking about, how they are thinking about their strategic direction on HCM on the global front.

And so I think the conversation continues to evolve on both ends of the spectrum of the upmarket, and we're certainly in a position to have very formidable conversations and transformation discussions with our clients in that space.

Operator

Our next question comes from Mark Marcon with Baird.

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

Great to see all of the years of hard work really pay off here this year. So congratulations on the results. Wondering with regards to new bookings, I mean, $2 billion in total, $1.7 billion in ES. How much of that is split between new logos relative to upsells? And how would you characterize your expectations on that front for the coming year?

Maria Black - *Automatic Data Processing, Inc. - President*

Thanks, Mark, and thank you for acknowledging the strong performance in bookings. There's really no news to report here. I think we've cited it for years, really, the split between new logos and client business. It really remains at that 50%, kind of 50-50 going forward, and that's really what we expect heading into fiscal '23.

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

Great. And then with regards to the forecast, Don, you gave us a bit of a cadence -- a sense for margins. How would you characterize it for revenue? And specifically, what I'm interested in is you did mention the interest on client funds is going to be back-end loaded. But at the same time, we've got pays per control being modeled up 2% to 3%, even though people are starting to call for a potential recession and potentially, a decline in employment. So I'm wondering, how are you thinking about that part of the model. And are there any things that you would call out with regards to just revenue trends as we build out the models for the coming year?

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

Yes. So Mark, just going back to the first part of your question. You mentioned the deceleration of margin that I mentioned. And of course, we talked about the increase in sales head count and specifically because it is a meaningful quarter 1 of this year to quarter 1 of '22. So we do think that's going to have a bit of a drag. There are, of course, some other factors, general inflation, general -- et cetera, but -- and we've taken price Carlos described and took you through our price thinking, which is pretty consistent to what we've discussed over the last number of quarters. So we do expect to see a little bit of deterioration in margin percentage through the first quarter. I think that's understood.

And then as interest rates continue to -- or as interest rates go higher and as we have the opportunity, we're going to see higher interest towards the last 3 quarters of the year. But overall, we're kind of looking at pretty even top line revenue quarter-by-quarter through the balance of the year. No big changes at all in terms of growth rates quarter-by-quarter through '23 compared to '22. So if you're modeling growth, you should be pretty comfortable to model consistent growth across the top line quarter-by-quarter.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

And that doesn't mean that you should model or that we modeled everything consistently throughout the quarters. So -- because I do have to make a comment on your point that it sounded like you thought we were being aggressive, which would not be typical of us to model 2% to 3% pays per control, when everyone's thinking there's going to be a recession. I would tell you that the fourth quarter, you saw what our pays per control growth was.

And I can tell you that we have visibility into July. And it's hard to believe that for the whole year, it would be less than 2% to 3%. But then you can assume that if, for example, the first couple of months, at least, since we have some visibility of that already, are in the 6% to 7% range because that's where we're kind of exiting and you can do the math, right? So you're probably -- this is just to give you a color in terms of what some of our assumptions are in our operating plan because I think Don mentioned maybe a bit of conservatism in the back half.

We probably have reasonable continuation of trends because that's the way trends go on pays per control in the first half. And then you'd probably expect the second half of the year to have little to no pays per control growth. They're somewhere in that neighborhood.

It's also hard for us to model a big negative growth in pays per control just because of all the factors we mentioned in the labor market. That doesn't mean that it won't happen in '24 or late in '23 or at some point in history, but it doesn't seem likely over the course of our fiscal year. But we're clearly expecting some slowdown in the second half.

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

Carlos, you read my mind in terms of just the way I was thinking about the characterization and then thinking like, okay, this is probably what you're thinking in terms of the way it's going to unfold. So that's directly in line. Can I just ask one more question? Just on Workforce Now, would you expect Next Gen Payroll? What's the expectation in terms of the number of clients that would have Next Gen Payroll within the Workforce Now contingent by the end of the year?

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

In terms of new business bookings? Because obviously, we just want to make we answer the question correctly. It will only affect -- obviously, we're not even talking about migrations yet even though at some point, that will happen and...

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

That's what exactly. Are we going to do any migrations over the course of this year?

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

No.

Operator

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

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

I wanted to ask if you are seeing or expect to see any divergence in the kind of hiring or macro -- hiring environment macro impact between the U.S. and Europe. I guess the broader question is does your guidance assume a tougher environment in Europe relative to the U.S. or something similar?

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

Don probably has the details, but I can give you some high-level color that pays per control growth, and I know you're not asking about historical, but as we gather the data, I just want to tell you that pays per control growth is very strong in Employer Services International as well. And part of that, of course, is because of what we're coming off of, right, which were these lockdowns and these high unemployment rates kind of across the globe. So I would say international has performed similarly. But it is safe to assume that we see probably challenges given what's happening in the macro environment with energy costs and the war and so forth in our international business. And I don't know, Don, if you have...

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

No. Carlos, I think those points are valid. Certainly, what happens with energy on the on the -- in particular, is going to have some impact on results. But beyond that, this is a little bit of the conundrum that we talked about earlier about where we are versus what people are talking about. So as much as everyone is predicting a recession, et cetera, unemployment rates in the Eurozone are at 6.1%, which is an all-time low. Unemployment rates in Canada are as low as they were. Even before I started working in 1974, unemployment rates in Australia, a 50-year low.

So we've got this situation where there seems to be a lot of employment, yet all this risk and worry about recession. So although, come back to your question, are we a little bit more concerned about what could happen in EMEA in particular as a result of what's going on with Ukraine, prices, et cetera? A little bit more concerned, yes. Did we think about that when we put our plans together, to some extent, yes.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

You should point out that you started working in 1974 when you were 12 years old.

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

Well, I say I'm 54 or so, 54 or so.

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

That's very helpful. A follow-up question, just to update us on M&A capital allocation. Are you shifting your approach at all? Are you seeing incremental opportunity out there, given the turmoil evaluations in the marketplace, potential acquisition targets? Or is it just sort of steady as she goes in terms of no change?

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

Yes. I think for now, it's pretty much steady as you go. I mean, certainly, you can see the valuations have dropped across the board. And things that were really expensive in January are still just expensive. Things are still expensive. They've come down off of historic highs. So there's not exactly what I would call a bunch of bargains out there.

There's also not a lot of people who are coming forward looking to sell their properties, because prices are down. So I would say it's steady as she goes, and we'll continue to do what we've done and look for things that work for us strategically, look for adjacencies that make sense should they arise. But really steady as she goes, really no change to our overall policy.

Operator

Our next question comes from David Togut with Evercore ISI.

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

Don, you called out a 260 basis point margin increase in PEO year-over-year in part driven by a favorable workers' compensation reserve adjustment. How much was that adjustment? And how should we think about this item for fiscal '23?

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

Yes. So I guess the short answer is we get adjustments on a regular basis, and they've been favorable for us. We look at the workers' compensation experience over a number of years, and we get external third parties to do an assessment as to whether or not it's appropriate to book any of those adjustments. And this year, we've been fortunate.

We don't typically forecast those numbers in any greater detail simply because we do have to rely on the experience rating that the insurance companies bring to us. And so without trying to disclose exactly what the numbers were, I would say they were favorable, and we'll have to wait as the month provides to see what's going to happen in '23.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

I mean we're disclosing it in our 10-K, so we can..

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

Yes, it was $40 million for the quarter, David, indicating that compares to last year's about $5 million. And most of that was as we headed into the quarter in the forecast and guidance. So it wasn't a big departure from what we had expected.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

But I think what Don was trying to say, though, about '23 is that it's clearly a headwind, right? So as we -- as you kind of do your modeling and you think about margins, it's a headwind, not because there's an operating performance issue or whatnot, just because we had a big benefit in '22, and we're not planning for a big benefit in '23, although we're always hopeful that we will get some benefit. That's historically been our experience is that we do get some "reserve release." It's probably not as big in '23 as in '22, but it might not be as big a headwind as it appears now just because of the numbers.

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

Just as a quick follow-up, Don, in the guidance you've given for extended investment strategy, client fund interest to be up about $200 million to $220 million year-over-year in fiscal '23. How should we think about the incremental margin on that additional revenue? Are you applying additional expenses against it? Or should we think about it flowing through at some set margin?

Don Edward McGuire - *Automatic Data Processing, Inc. - Chief Financial Officer*

Yes. So I think there are other things going on, of course. We mentioned the inflationary environment, which is why we have the higher interest rates. We mentioned the FX headwinds we have. So all things in, we're still expecting and we're still very happy and very proud of the operating margin improvements we're getting. We think we still have good opportunity for margin improvements ex-client fund interest going forward. So I'd say that right now, our expectations are for a pretty balanced incremental margin from both of those factors.

So we are, of course, as we mentioned, we are spending some more money. We're investing in sales head count. We have higher costs as a result of inflation, some of it is offset by price. But we are letting a substantial amount fall to the bottom line. But we are obviously in this for the long term, so we'll take the opportunity to invest in the business and make sure that we have the right balance between margin growth and preparing ourselves for continued success in the future years.

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

But I think that stream of revenue, we would generally see it as a 100% margin just to be completely clear. If that itself is the question, do we apply expenses against those revenues, then the answer is I think we've -- it felt like a trick question, because you've noticed for a long time that we've been clear for a long -- like, on the way down, we always say it's 100%.

It hurts us, right, because there's really no expenses that go away when that interest income goes away. So likewise, we would want to be transparent and acknowledge that on the way up, it's 100% margin. But I wasn't sure if it was a trick question or it sounds like it was.

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

No, I was just trying to understand how much of that incremental revenue would flow through to the bottom line since Don had talked a lot about investment initiatives and you had underscored growth in sales force head count. But very responsive, I appreciate it.

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

David, I'll just add one clarification. You said incremental revenue. We did make the point in the prepared remarks that it's the net impact of the portfolio that would be 100% incremental margin, so that there is a cost offset and it's the short-term borrowing cost associated with the portfolio strategy.

Operator

We have time for one more question, and that question comes from Samad Samana with Jefferies.

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

I just wanted to maybe circle back on the price increases. I know that inflation is a big driver of the maybe more than normal amount. Can you just maybe help us understand, would that put the company back on track if I think about the pause and increases in maybe fiscal '21 during COVID? Would it be kind of linear from pre-COVID levels if we just thought about the price increases compounding? Or would it put you ahead of that because of inflation? And Carlos, can you just remind us, do those price increases tend to stick if inflation starts to roll over?

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

Yes. I think, again, strategically, and maybe Danny and Don can give more specifics on the numbers, but I wouldn't characterize what we did as being out-of-step with the market or there was a pause for a few months. But our price increases -- our intention was that our price increases during COVID were reflective of the inflation environment at that time as well. We did pause for a few months because, timing-wise, we just thought -- and particularly in 2020, that it was inappropriate to be giving clients price increases 1 or 2 months into a global pandemic. But we eventually did some price increases, but we did very modest price increases because inflation was near 0 for some period of time.

So I would -- I don't know if that answers -- if -- I'm trying to be responsive, but I think in general, we are always trying to remain kind of in-step with the market and still be competitive because our #1 goal is to gain market share. And what -- the trap that is easy to fall into when you're a large company like ours is you can take price and take it higher than maybe you should be.

You can usually do that multiple times and you can do that for a while, but it just doesn't work forever because of just the law of economics and large numbers and not because of competition. And so our intention -- it's important for you to understand that strategically is we want to grow and we want to gain market share. And to do that, we have to be competitive in terms of our products, our service and also our price. And that's -- so it's important when we do pricing actions, either on new business or on our existing book of business, that we remain in line with what's happening in the general market and with our competitors.

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

Great. And good to see the strong results.

Operator

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

Carlos A. Rodriguez - *Automatic Data Processing, Inc. - CEO & Director*

Thank you. I think we're very happy with the quarter, as we said. I'm not sure what else I could say other than what I said about our sales performance, which I think is definitely the best I've seen in a long time. And we talked a lot about our retention and some of the structural issues that are happening there. So it's hard to be more pleased about that.

But I do want to reiterate again how happy we are with our organization and our team. First, we start with COVID and all the uncertainty that, that created, everybody having to work from home. Then we have all these regulatory changes, some of them very positive like the PPP loans, the ERTC, that happened across the world. And while we're then in the middle of that pandemic, we're telling our associates that they got to work weekends and nights because we've got to keep up with all of these regulatory changes and we've got to help our clients.

And then as soon as that starts to abate a little bit, we get this great reshuffle and we start having staffing challenges, which we overcame in terms of being able to add the staffing and so forth. And so we ask our associates to once again work harder, put in the extra effort. And every time we've asked, they've come through for us. So -- and they've come through, more importantly, for our clients. We really do provide critical services across the world to our clients. And it was very, very important for our organization to come through for our clients.

And I just want to, again, thank our associates for making it through so many ups and downs, where we just keep asking for a little bit more, and they keep delivering. So I want to thank them once again for your attention and your interest and the great questions, and we look forward to talking again in the next quarter. Thank you.

Operator

This concludes the program. You may now disconnect. Everyone, have a great day.
