

# ADP Earnings Call & Webcast Q3 Fiscal 2025

April 30, 2025



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## NON-GAAP MEASURES

Adjusted EBIT, adjusted EBIT margin, adjusted diluted earnings per share, adjusted effective tax rate, and organic constant currency are all non-GAAP financial measures. Please refer to the Q3 fiscal 2025 earnings release available at [investors.adp.com](https://investors.adp.com) for a discussion of why ADP believes these measures are important and for a reconciliation of non-GAAP financial measures to their closest comparable GAAP financial measures.

This presentation is a supplement to our Q3 fiscal 2025 earnings release; it is intended to be read in conjunction with, not as a substitute for, or in isolation from, the earnings release.

# HIGHLIGHTS AND PERSPECTIVES

## SOLID Q3 FINANCIAL AND OPERATING PERFORMANCE:

- 6% revenue growth and 6% adjusted diluted EPS<sup>1</sup> growth
- Solid ES new business bookings growth
- Client satisfaction scores reached record highs for a Q3
- PEO revenue growth exceeded our expectations

## STRATEGIC PROGRESS:

- Enterprise momentum continued for ADP Lyric HCM and WorkForce Software solutions
- Strengthened global payroll capabilities with acquisition of PEI in Mexico
- Hosted clients and partners at signature events and received industry recognition for HCM technology

1. For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q3 fiscal 2025 earnings release available at [investors.adp.com](https://investors.adp.com).



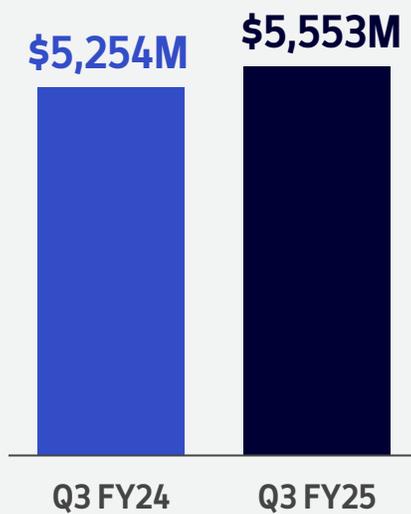
# Q3 FISCAL 2025 FINANCIAL HIGHLIGHTS

(Unaudited)

## TOTAL REVENUES

↑ 6%

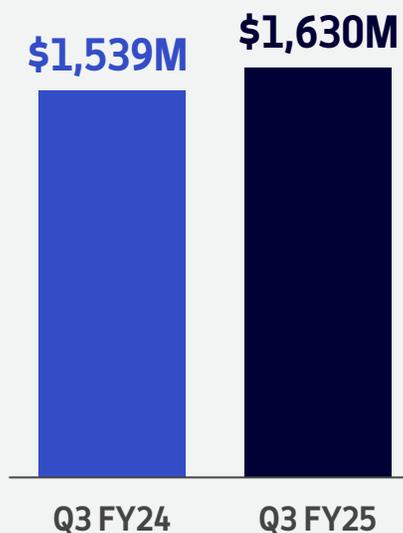
↑ 6% Organic Constant Currency<sup>1</sup>



## ADJUSTED EBIT<sup>1</sup>

↑ 6%

Adjusted EBIT<sup>1</sup> Margin ↑ 10 bps



## ADJUSTED DILUTED EPS<sup>1</sup>

↑ 6%



1. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2025 earnings release available at [investors.adp.com](https://investors.adp.com).

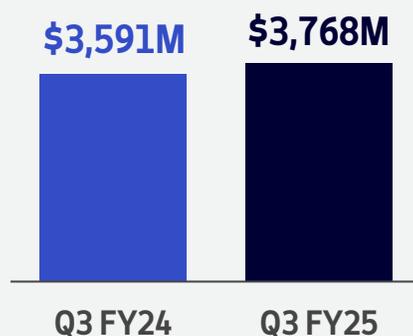
# Q3 FISCAL 2025 EMPLOYER SERVICES SEGMENT RESULTS

(Unaudited)

## ES REVENUES

↑ 5%

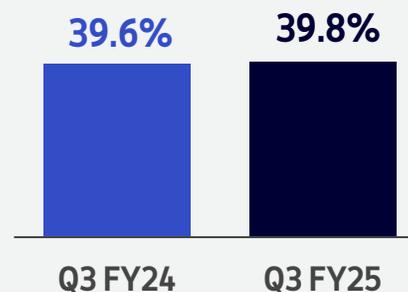
↑ 5% Organic Constant Currency<sup>1</sup>



- U.S. pays per control ↑ 1%
- Average client funds balances ↑ 7%
- Average client funds yield of 3.2%, up from 3.1% in prior year

## ES MARGIN

↑ 20 bps



- Margin expansion driven by continued client funds interest revenue growth

## Q3 ES HIGHLIGHTS

- Revenue growth supported by solid new business bookings growth, better-than-anticipated retention, and higher client funds interest revenue

## FY25 ES OUTLOOK

	January 29, 2025	April 30, 2025
Revenues	6 to 7%	6 to 7%
Margin	40 to 60 bps	50 to 60 bps
ES New Business Bookings	4 to 7%	4 to 7%
Client Revenue Retention	(30) to (10) bps	(20) bps to flat
U. S. Pays Per Control	1 to 2%	1%

1. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2025 earnings release available at [investors.adp.com](https://investors.adp.com).

# Q3 FISCAL 2025 PEO SERVICES SEGMENT RESULTS

(Unaudited)

## PEO REVENUES

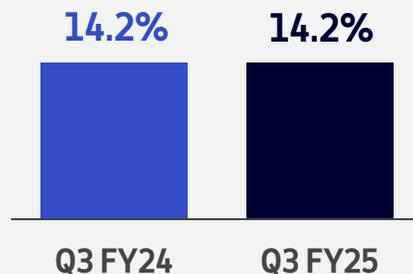
↑ 7%



- Revenues excluding zero-margin benefits pass-throughs ↑8%
- Average worksite employees (WSEs) ↑ 2% to 748,000

## PEO MARGIN

Flat



- Margin remained flat as strong revenue growth and favorable actuarial loss development in workers' compensation reserves were offset by higher workers' compensation and SUI costs

## Q3 PEO HIGHLIGHTS

- Revenue growth supported by higher wages
- Strong retention

## FY25 PEO OUTLOOK

	January 29, 2025	April 30, 2025
Revenues	5 to 6%	6 to 7%
Revenues Ex ZMPT	4 to 5%	5 to 6%
Margin	(90) to (70) bps	(80) to (60) bps
Average WSEs	2 to 3%	2 to 3%

# FISCAL 2025 OUTLOOK

		Fiscal 2024 (unaudited)	July 31, 2024 Fiscal 2025 Outlook <sup>1</sup>	October 30, 2024 Fiscal 2025 Outlook <sup>1</sup>	January 29, 2025 Fiscal 2025 Outlook <sup>1</sup>	April 30, 2025 Fiscal 2025 Outlook <sup>1</sup>
<b>Total ADP</b>	Revenues	\$19,203M	5 to 6%	6 to 7%	6 to 7%	6 to 7%
	Adj. EBIT Margin <sup>2</sup>	25.5%	60 to 80 bps	30 to 50 bps	30 to 50 bps	40 to 50 bps
	Adj. Effective Tax Rate <sup>2</sup>	23.0%	~23%	~23%	~23%	~23%
	Adj. Diluted EPS <sup>2</sup>	\$9.18	8 to 10%	7 to 9%	7 to 9%	8 to 9%
<b>Employer Services</b>	Revenues	\$12,981M	5 to 6%	6 to 7%	6 to 7%	6 to 7%
	Margin	35.1%	100 to 120 bps	40 to 60 bps	40 to 60 bps	50 to 60 bps
	ES New Business Bookings	\$2.0B	4 to 7%	4 to 7%	4 to 7%	4 to 7%
	Client Revenue Retention	92.0%	(30) to (10) bps	(30) to (10) bps	(30) to (10) bps	(20) bps to flat
	U.S. Pays Per Control	2%	1 to 2%	1 to 2%	1 to 2%	1%
<b>PEO Services</b>	Revenues	\$6,234M	4 to 6%	5 to 6%	5 to 6%	6 to 7%
	Revenues Ex Zero-Margin Pass-throughs	\$2,258M	3 to 4%	4 to 5%	4 to 5%	5 to 6%
	Margin	14.8%	(110) to (90) bps	(90) to (70) bps	(90) to (70) bps	(80) to (60) bps
	Average WSEs	729,000	1 to 3%	2 to 3%	2 to 3%	2 to 3%
<b>Client Funds Interest</b>	Average Client Funds Balances	\$35.4B	3 to 4%	3 to 4%	4 to 5%	5 to 6%
	Yield on Client Funds Portfolio	2.9%	~3.1%	~3.1%	~3.1%	~3.1%
	Client Funds Interest Revenue	\$1,025M	\$1,125 to \$1,145M	\$1,115 to \$1,135M	\$1,140 to \$1,160M	\$1,160 to \$1,170M
	Net Impact from Client Funds Extended Strategy	\$879M	\$1,000 to \$1,020M	\$1,000 to \$1,020M	\$1,025 to \$1,045M	\$1,045 to \$1,055M

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

2. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2025 earnings release available at [investors.adp.com](https://investors.adp.com).

# APPENDIX: CLIENT FUNDS INVESTMENT STRATEGY DETAIL

	Average Balances (\$)		Average Rates		Interest Income / (Expense) (\$)	
	Fiscal 2024 (unaudited)	April 30, 2025 Fiscal 2025 Outlook	Fiscal 2024 (unaudited)	April 30, 2025 Fiscal 2025 Outlook	Fiscal 2024 (unaudited)	April 30, 2025 Fiscal 2025 Outlook
Client Short	7.4B	8.3 – 8.4B	5.2%	~4.2%	361M	340 – 345M
Client Extended	15.7B	15.4 – 15.5B	2.1%	~2.6%	329M	405 – 410M
Client Long	12.3B	13.6 – 13.7B	2.7%	~3.1%	335M	~415M
<b>Funds Held for Clients<sup>1</sup></b>	<b>35.4B</b>	<b>37.3 – 37.6B</b>	<b>2.9%</b>	<b>~3.1%</b>	<b>1,025M</b>	<b>1,160 – 1,170M</b>
Corporate Extended Interest Income <sup>2</sup>	5.3B	~7.0B	2.7%	~3.2%	144M	~220M
Short-term Financing to Support Client Funds Extended Strategy	5.3B	~7.0B	5.4%	~4.8%	(290)M	~(335)M
<b>Net Impact from Client Funds Extended Strategy</b>					<b>879M</b>	<b>1,045 – 1,055M</b>

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

2. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2025 earnings release available at [investors.adp.com](https://investors.adp.com).