



# ADP Earnings Call & Webcast Q2 Fiscal 2025

January 29, 2025



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# Forward Looking Statements

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

## Non-GAAP Measures

Adjusted EBIT, adjusted EBIT margin, adjusted diluted earnings per share, adjusted effective tax rate, and organic constant currency are all non-GAAP financial measures. Please refer to the Q2 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 Q2 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

## Strong Q2 financial and operating performance:

- 8% revenue growth and 10% adjusted diluted EPS<sup>1</sup> growth
- Solid ES new business bookings growth with a continued healthy HCM demand backdrop; strong PEO new business bookings growth
- Better-than-expected ES retention, as client satisfaction scores reached all-time highs

## Strategic progress:

- Announced a partnership with Fiserv to empower small business success
- WorkForce Software acquisition progressing in line with expectations
- Experienced strong new business momentum for ADP Lyric HCM

1. For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q2 fiscal 2025 earnings release available at [investors.adp.com](https://investors.adp.com).



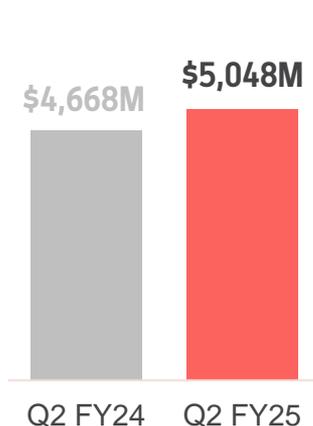
# Q2 Fiscal 2025 Financial Highlights

(unaudited)

## Total Revenues

↑ 8%

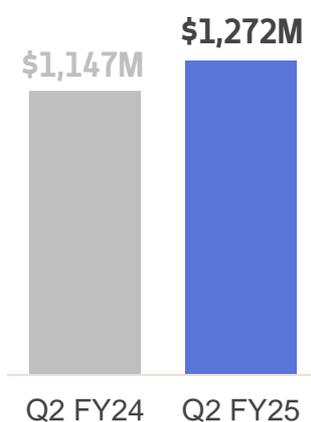
↑ 8% Organic Constant Currency<sup>1</sup>



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

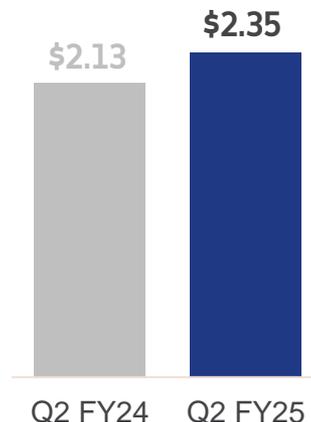
↑ 11%

Adjusted EBIT<sup>1</sup> Margin ↑ 60 bps



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

↑ 10%



1. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q2 fiscal 2025 earnings release available at [investors.adp.com](https://investors.adp.com).



# Q2 Fiscal 2025 Employer Services Segment Results

(unaudited)

## ES Revenues

↑ 8%

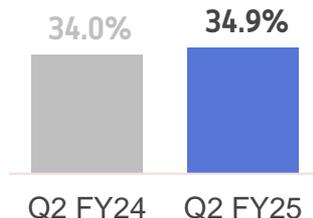
↑ 7% Organic Constant Currency<sup>1</sup>



- U.S. pays per control ↑ 1%
- Average client funds balances ↑ 8%
- Average client funds yield of 3.1%, up from 2.8% in prior year

## ES Margin

↑ 90 bps



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

## Q2 ES Highlights

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

## FY25 ES Outlook

	October 30, 2024	January 29, 2025
Revenues	6 to 7%	6 to 7%
Margin	40 to 60 bps	40 to 60 bps
ES New Business Bookings	4 to 7%	4 to 7%
Client Revenue Retention	(30) to (10) bps	(30) to (10) bps
U.S. Pays Per Control	1 to 2%	1 to 2%

1. For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q2 fiscal 2025 earnings release available at [investors.adp.com](https://investors.adp.com).

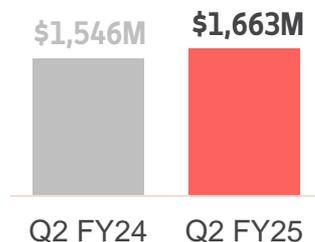


# Q2 Fiscal 2025 PEO Services Segment Results

(unaudited)

## PEO Revenues

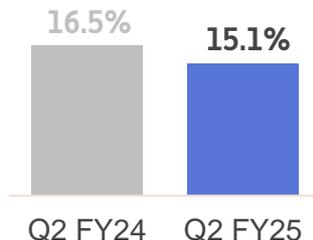
↑ 8%



- Revenues excluding zero-margin benefits pass-throughs ↑ 6%
- Average worksite employees (WSEs) ↑ 3% to 746,000

## PEO Margin

↓ 140 bps



- Margin decline stemmed mainly from higher zero-margin benefits pass-through revenue growth and an increase in workers' compensation and state unemployment insurance costs

## Q2 PEO Highlights

- Continued strong growth in new business bookings, wages, and worksite employees
- Zero-margin benefits pass-through revenue growth accelerated
- Stabilization in pays per control growth

## FY25 PEO Outlook

	October 30, 2024	January 29, 2025
Revenues	5 to 6%	5 to 6%
Revenues Ex ZMPT	4 to 5%	4 to 5%
Margin	(90) to (70) bps	(90) to (70) 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>	
<b>Total ADP</b>	Revenues	\$19,203M	5 to 6%	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
	Adj. Effective Tax Rate <sup>2</sup>	23.0%	~23%	~23%	~23%
	Adj. Diluted EPS <sup>2</sup>	\$9.18	8 to 10%	7 to 9%	7 to 9%
<b>Employer Services</b>	Revenues	\$12,981M	5 to 6%	6 to 7%	6 to 7%
	Margin	35.1%	100 to 120 bps	40 to 60 bps	40 to 60 bps
	ES New Business Bookings	\$2.0B	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
	U.S. Pays Per Control	2%	1 to 2%	1 to 2%	1 to 2%
<b>PEO Services</b>	Revenues	\$6,234M	4 to 6%	5 to 6%	5 to 6%
	Revenues Ex Zero-Margin Pass-throughs	\$2,258M	3 to 4%	4 to 5%	4 to 5%
	Margin	14.8%	(110) to (90) bps	(90) to (70) bps	(90) to (70) bps
	Average WSEs	729,000	1 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%
	Yield on Client Funds Portfolio	2.9%	~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
	Net Impact from Client Funds Extended Strategy	\$879M	\$1,000 to \$1,020M	\$1,000 to \$1,020M	\$1,025 to \$1,045M

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 Q2 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)	January 29, 2025 Fiscal 2025 Outlook	Fiscal 2024 (unaudited)	January 29, 2025 Fiscal 2025 Outlook	Fiscal 2024 (unaudited)	January 29, 2025 Fiscal 2025 Outlook
Client Short	7.4B	8.0 – 8.1B	5.2%	~4.2%	361M	330 – 335M
Client Extended	15.7B	15.3 – 15.5B	2.1%	~2.6%	329M	400 – 410M
Client Long	12.3B	13.5 – 13.6B	2.7%	~3.1%	335M	410 – 415M
<b>Funds Held for Clients<sup>1</sup></b>	<b>35.4B</b>	<b>36.8 – 37.2B</b>	<b>2.9%</b>	<b>~3.1%</b>	<b>1,025M</b>	<b>1,140 – 1,160M</b>
Corporate Extended Interest Income <sup>2</sup>	5.3B	~7.0B	2.7%	~3.1%	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>1,025 – 1,045M</b>

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

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

