



# ADP Earnings Call & Webcast Q2 Fiscal 2024

January 31, 2024



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# Forward Looking Statements

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

## Non-GAAP Measures

Adjusted EBIT, adjusted EBIT margin, adjusted diluted earnings per share, adjusted effective tax rate, and organic constant currency are all non-GAAP financial measures. Please refer to the Q2 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com) for a discussion of why ADP believes these measures are important and for a reconciliation of non-GAAP financial measures to their closest comparable GAAP financial measures.

This presentation is a supplement to our Q2 fiscal 2024 earnings release; it is intended to be read in conjunction with, not as a substitute for, or in isolation from, the earnings release.



# Highlights and Perspectives

## Strong Q2 financial and operating performance:

- 6% revenue growth and 9% adjusted diluted EPS<sup>1</sup> growth
- Q2 solid ES new business bookings growth; strong acceleration in PEO new business bookings
- Strong ES retention and record ADP client satisfaction

## Progress on strategic priorities:

- **HCM Technology** – Continued rollout of ADP Assist by embedding GenAI to enable natural language search
- **Expertise & Outsourcing** – Expanded deployment of Call Summarization tool for Agent Assist initiative
- **Global Scale** – Announced collaboration with Convera to offer clients integrated payroll and cross-border payments

1. For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q2 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com).



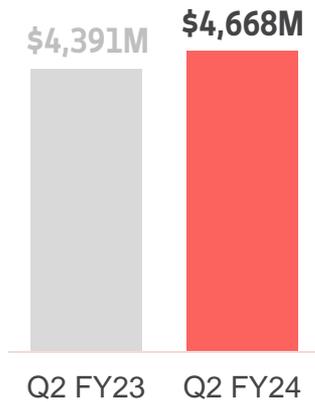
# Q2 Fiscal 2024 Financial Highlights

(unaudited)

## Total Revenues

↑ 6%

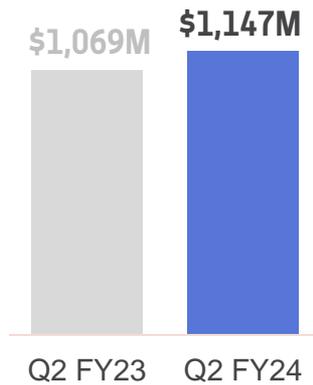
↑ 6% Organic Constant Currency<sup>1</sup>



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

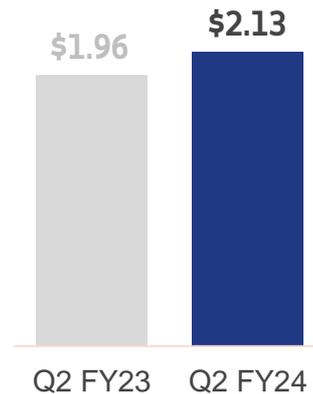
↑ 7%

Adjusted EBIT<sup>1</sup> Margin ↑ 20 bps



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

↑ 9%



1. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q2 fiscal 2024 earnings release available at [investors.adp.com](https://investors.adp.com).

# Q2 Fiscal 2024 Employer Services Segment Results

(unaudited)

## ES Revenues

↑ 8%

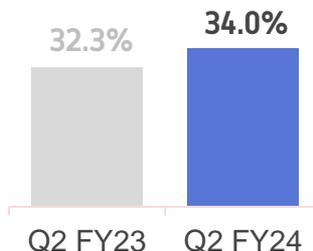
↑ 7% Organic Constant Currency<sup>1</sup>



- U.S. pays per control ↑ 2%
- Average client funds balances ↓ 2%
- Average client funds yield of 2.8%, up from 2.2% in prior year

## ES Margin

↑ 170 bps



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

## Q2 ES Highlights

- Strong revenue growth supported by solid new business bookings, better-than-expected retention, pays per control growth, and increase in client funds interest revenue

## FY24 ES Outlook

|                          | October 25, 2023 | January 31, 2024 |
|--------------------------|------------------|------------------|
| Revenues                 | 7 to 8%          | 7 to 8%          |
| Margin                   | 150 to 170 bps   | 150 to 160 bps   |
| ES New Business Bookings | 4 to 7%          | 4 to 7%          |
| Client Revenue Retention | (70) to (50) bps | (60) to (40) 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 2024 earnings release available at [investors.adp.com](https://investors.adp.com).

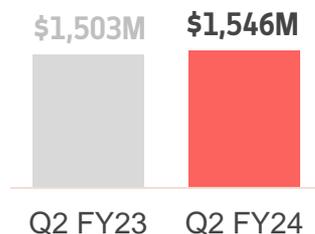


# Q2 Fiscal 2024 PEO Services Segment Results

(unaudited)

## PEO Revenues

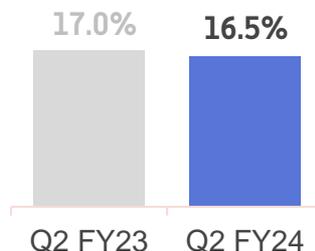
↑ 3%



- Revenues excluding zero-margin benefits pass-throughs ↑ 3%
- Average worksite employees (WSEs) ↑ 2% to 725,000

## PEO Margin

↓ 50 bps



- Margin decline reflects higher selling expenses and a lower workers' compensation reserve release

## Q2 PEO Highlights

- Delivered very strong PEO new business bookings growth
- PEO pays per control growth decelerated from prior quarter but continues to gradually stabilize

## FY24 PEO Outlook

|                  | October 25, 2023  | January 31, 2024  |
|------------------|-------------------|-------------------|
| Revenues         | 3 to 4%           | 3 to 4%           |
| Revenues Ex ZMPT | 2 to 4%           | 2 to 4%           |
| Margin           | (100) to (50) bps | (100) to (80) bps |
| Average WSEs     | 2 to 3%           | 2 to 3%           |



# Fiscal 2024 Outlook

|                              | Fiscal 2023<br>(unaudited)                     | July 26, 2023<br>Fiscal 2024 Outlook <sup>1</sup> | October 25, 2023<br>Fiscal 2024 Outlook <sup>1</sup> | January 31, 2024<br>Fiscal 2024 Outlook <sup>1</sup> |                   |
|------------------------------|--|---|--|--|-------------------|
| <b>Total ADP</b>             | Revenues                                       | \$18,012M   | 6 to 7%  | 6 to 7%  | 6 to 7%           |
|                              | Adj. EBIT Margin <sup>2</sup>                  | 24.8%   | 60 to 80 bps   | 60 to 80 bps   | 60 to 70 bps      |
|                              | Adj. Effective Tax Rate <sup>2</sup>           | 23.1%   | ~23%   | ~23%   | ~23%              |
|                              | Adj. Diluted EPS <sup>2</sup>                  | \$8.23  | 10 to 12%  | 10 to 12%  | 10 to 12%         |
| <b>Employer Services</b>     | Revenues                                       | \$12,043M   | 7 to 8%  | 7 to 8%  | 7 to 8%           |
|                              | Margin   | 33.0%   | 130 to 150 bps                                       | 150 to 170 bps                                       | 150 to 160 bps    |
|                              | ES New Business Bookings                       | \$1.9B  | 4 to 7%  | 4 to 7%  | 4 to 7%           |
|                              | Client Revenue Retention                       | 92.2%   | (70) to (50) bps                                     | (70) to (50) bps                                     | (60) to (40) bps  |
|                              | U. S. Pays Per Control                         | 5%  | 1 to 2%  | 1 to 2%  | 1 to 2%           |
| <b>PEO Services</b>          | Revenues                                       | \$5,984M  | 3 to 5%  | 3 to 4%  | 3 to 4%           |
|                              | Revenues Ex Zero-Margin Pass-throughs          | \$2,183M  | 3 to 5%  | 2 to 4%  | 2 to 4%           |
|                              | Margin   | 16.3%   | (40) to (20) bps                                     | (100) to (50) bps                                    | (100) to (80) bps |
|                              | Average WSEs                                   | 712,000   | 3 to 4%  | 2 to 3%  | 2 to 3%           |
| <b>Client Funds Interest</b> | Average Client Funds Balances                  | \$34.1B   | 2 to 3%  | 2 to 3%  | 2 to 3%           |
|                              | Yield on Client Funds Portfolio                | 2.4%  | ~2.8%  | ~2.9%  | ~2.8%             |
|                              | Client Funds Interest Revenue                  | \$813M  | \$955 to \$975M                                      | \$990 to \$1,010M                                    | \$985 to \$995M   |
|                              | Net Impact from Client Funds Extended Strategy | \$730M  | \$815 to \$835M                                      | \$850 to \$870M                                      | \$835 to \$845M   |

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 2024 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 2023<br>(unaudited) | January 31, 2024<br>Fiscal 2024<br>Outlook | Fiscal 2023<br>(unaudited) | January 31, 2024<br>Fiscal 2024<br>Outlook | Fiscal 2023<br>(unaudited)       | January 31, 2024<br>Fiscal 2024<br>Outlook |
| Client Short   | 6.9B                       | 7.0 – 7.1B                                 | 4.0%                       | ~5.0%                                      | 258M                             | 345 – 350M                                 |
| Client Extended  | 15.4B                      | 15.5 – 15.6B                               | 1.8%                       | ~2.1%                                      | 273M                             | ~\$320                                     |
| Client Long  | 11.8B                      | 12.3 – 12.4B                               | 2.4%                       | ~2.6%                                      | 283M                             | 320 – 325M                                 |
| <b>Funds Held for Clients<sup>1</sup></b>                      | <b>34.1B</b>               | <b>34.8 – 35.1B</b>                        | <b>2.4%</b>                | <b>~2.8%</b>                               | <b>813M</b>                      | <b>985 – 995M</b>                          |
| Corporate Extended Interest Income <sup>2</sup>                | 4.7B                       | ~5.5B                                      | 2.1%                       | ~2.6%                                      | 99M                              | ~140M                                      |
| Short-term Financing to Support Client Funds Extended Strategy | 4.7B                       | ~5.5B                                      | 3.9%                       | ~5.3%                                      | (182)M                           | ~(290)M                                    |
| <b>Net Impact from Client Funds Extended Strategy</b>          |                            |  |                            |  | <b>730M</b>                      | <b>835 – 845M</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.

