



**Automatic Data Processing, Inc.**

**Fiscal 2010 First Quarter  
Earnings Webcast & Conference Call  
November 4, 2009**

## Forward Looking Statements

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# Today's Agenda

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- Opening Remarks..... Gary Butler, President & CEO
- First Quarter Fiscal 2010 Results..... Christopher Reidy, CFO
- Fiscal 2010 Guidance Update..... Gary Butler  
Christopher Reidy
- Summary..... Gary Butler
- Q&A..... Gary Butler  
Christopher Reidy  
Elena Charles, VP Investor Relations
- Closing Remarks..... Gary Butler
- Appendix: Fiscal 2010 Guidance History

## ADP Results 1Q10

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- **Revenues** ↓ 4% to \$2.1 billion
  - Negatively impacted by severe economic conditions that began toward the end of the prior fiscal year's first quarter
  - Unfavorable foreign exchange rate comparisons contributed 2 percentage points of decline
- **Pretax earnings from continuing operations** ↑ 1% to \$447.3 million
- **Pretax margin** 21.3%, ↑ 100 basis points
- **Effective tax rate** 36.5% vs. 37.0% 1Q09
- **Net earnings from continuing operations** ↑ 2%
- **Diluted EPS from continuing operations** ↑ 4% to \$0.56 from \$0.54
- **Share Repurchases**
  - Acquired 360,000+ shares for ~\$13.7 million; little to no impact on 1Q10 and full fiscal year EPS
  - Nearly 47 million shares remain under current Board authorization

## Segment Results 1Q10 – Employer Services

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- **Revenues** ↓ 3%, all organic
  - U.S. Traditional Payroll and Payroll Tax Filing ↓ 7%
  - U.S. Beyond Payroll ↑ 3% (excludes PEO Services)
- **Pretax margin** 24.6%, ↑ 70 basis points
  - Reduced headcount levels from fiscal 2009 restructuring
  - Partially offset by continued investment in Service
- **Pays per control**, same-store-sales – AutoPay ↓ 6.5%
- **Worldwide client retention** ↓ 1.0 percentage point
- **Annualized dollar value of worldwide new business sales** ↓ 2%  
(Employer Services and PEO Services combined)

## Segment Results 1Q10 – PEO

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- **Revenues** ↑ 6%, all organic
- **Pretax margin** 11.9%, ↑ 180 basis points
  - Includes \$9 million reserve reversal related to the settlement of a state unemployment tax matter
- **Average worksite employees paid** ↑ 3% to approximately 195,000

## Segment Results 1Q10 – Dealer Services

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- **Revenues** ↓ 4%, organic ↓ 6%
  - Impact of FY09 and 1Q10 dealership closings and consolidations
  - Transactional volumes declined on continued weak economy, even with benefit from “Cash for Clunkers” in August
- **Pretax margin** 14.5%, ↓ 130 basis points
  - Includes \$7 million impairment charge related to publicly announced closure of General Motor’s Saturn division
  - Excluding charge, pretax margin 16.7%, ↑ 90 basis points
    - Strict cost control measures and benefit of FY09 restructuring
- **Worldwide new business sales**
  - Down year-over-year, however, continued positive win/loss rate

# Client Funds Portfolio Extended Investment Strategy

	1Q10		1Q09		Change	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
<b>Balances:</b>						
Average Client Short Portfolio Balance	\$1.3 B	0.3%	\$1.6 B	2.7%	\$(0.3) B	↓ 240 bp
Average Client Extended Portfolio Balance	4.9	4.4%	5.9	4.4%	(1.0)	↓ 10 bp
Average Client Long Portfolio Balance	6.5	4.5%	6.6	4.7%	0.0	↓ 20 bp
= Average Client Funds Balance	\$12.7 B	4.0%	\$14.0 B	4.3%	\$(1.4) B	↓ 30 bp
Average Corporate Extended Investment Balance	\$3.1 B	4.2%	\$2.9 B	4.4%	\$0.1 B	↓ 10 bp
Average U.S. Commercial Paper Borrowings	\$2.6 B	0.2%	\$2.4 B	2.2%	\$0.2 B	↓ 200 bp
Average U.S./Canadian Reverse Repurchase Borrowings	0.5	0.2%	0.5	2.5%	0.0	↓ 230 bp
= Average Short-term Borrowings	\$3.1 B	0.2%	\$2.9 B	2.3%	\$0.1 B	↓ 210 bp
<b>Pretax P&amp;L Impact:</b>						
Interest on Funds Held for Clients – Client Short	\$1 M		\$9 M		↓ \$8 M	
Interest on Funds Held for Clients – Client Ext'd	53		65		↓ 12	
Interest on Funds Held for Clients – Client Long	74		78		↓ 4	
= Total Interest on Funds Held for Clients	\$128 M		\$152 M		↓ \$24 M	
Corporate Extended Interest Income	33		32		↑ 1	
Corporate Interest Expense - Short-term	(2)		(17)		↑ 15	
	\$159 M		\$167 M		↓ \$8 M	

# Client Funds Portfolio Extended Investment Strategy

	FY10 (F)		FY09		Change	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
<b>Balances:</b>						
Average Client Short Portfolio Balance	\$2.3 – 2.4 B	~0.3%	\$2.3 B	1.3%	\$0.0 – (0.1) B	↓ ~100 bp
Average Client Extended Portfolio Balance	5.6 – 5.7	~4.3%	6.3	4.4%	(0.6 – 0.8)	↓ ~20 bp
Average Client Long Portfolio Balance	6.3 – 6.4	~4.5%	6.6	4.6%	(0.2 – 0.3)	↓ ~20 bp
= Average Client Funds Balance	\$14.2 – 14.4 B	~3.7%	\$15.2 B	4.0%	\$(0.8 – 1.2) B	↓ ~30 bp
Average Corporate Extended Investment Balance	\$2.0 – 2.1 B	~4.3%	\$2.3 B	4.3%	\$(0.3 – 0.4) B	flat
Average U.S. Commercial Paper Borrowings	\$1.8 – 1.9 B	~0.3%	\$1.9 B	1.0%	\$0.0 – (0.1) B	↓ ~70 bp
Average U.S./Canadian Reverse Repurchase Borrowings	~0.2	~0.2%	0.4	1.3%	~(0.3)	↓ ~110 bp
= Average Short-term Borrowings	\$2.0 – 2.1 B	~0.3%	\$2.3 B	1.1%	\$(0.3 – 0.4) B	↓ ~80 bp
<b>Pretax P&amp;L Impact:</b>						
Interest on Funds Held for Clients – Client Short	~\$10 M		\$26 M		↓ ~\$15 M	
Interest on Funds Held for Clients – Client Ext'd	240 – 245		279		↓ 35 – 40	
Interest on Funds Held for Clients – Client Long	280 – 285		305		↓ 20 – 25	
= Total Interest on Funds Held for Clients	\$530 – 540 M		\$610 M		↓ \$70 – 80 M	
Corporate Extended Interest Income	85 – 90		100		↓ 10 – 15	
Corporate Interest Expense - Short-term	~(10)		(25)		↑ ~15	
	\$605 – 620 M		\$685 M		↓ \$65 – 80 M	

## FY10 Forecasts

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- Assumes no change in current economic environment
- **Total Revenues** ↓ 1% to ↓ 2 %
  - Employer Services revenues ↓ 1% to ↓ 2%
    - Pays per control ↓ 4% to ↓ 5%
    - Client revenue retention flat to ↓ 1 percentage point
  - PEO Services revenues up ↑ 4% to ↑ 6%
  - Annual dollar value of ES & PEO Worldwide New Business Sales about flat
  - Dealer Services revenues ↓ 3% - ↓ 6%
- **Diluted EPS from Continuing Operations** \$2.34 - \$2.39
  - Compared to \$2.39 in FY09 which excludes 4Q09 favorable income tax settlements
  - No further share buybacks reflected in forecast
- **No improvement in pretax margins**

# Summary

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- Near-term growth under pressure from difficult economic landscape; however, now more positive on fiscal 2010 full year outlook as it appears the U.S. economy is at the bottom of the downturn
- Appropriately reduced expense structure exiting fiscal 2009 to align with near-term lower revenue growth
- Continuing to invest in new products and client facing resources that will help drive strategic growth initiatives
- Prudent and conservative client funds extended investment strategy, coupled with the strength of our AAA credit rating, continues to serve us quite well
- Remain committed to returning excess cash to our shareholders
- Business model remains intact with highly recurring revenues, and client life cycles of just under 10 years
- Continued confidence that once organic revenue growth returns, consistent pretax margin expansion will be achieved
- ADP is well positioned to leverage the inevitable recovery in the economy
- Question remains - how long the economy remains in the trough and when will we begin to see more evidence of economic growth

## Q&A

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*There are no slides during this portion of the presentation*

## FY10 Guidance Update

	11/4/09 Forecast	7/30/09 Forecast
<b>Total ADP</b>		
▪ Revenues	↓ 1% - ↓ 2%	↓ 1% - ↓ 4%
▪ Diluted EPS from Continuing Operations	\$2.34 - \$2.39 compared to \$2.39 FY09, which excludes 4Q09 favorable tax settlements	\$2.29 - \$2.39 compared to \$2.39 FY09, which excludes 4Q09 favorable tax settlements
<b>Reportable Segments</b>		
▪ Employer Services (ES)		
▪ Revenues	↓ 1% - ↓ 2%	↓ 1% - ↓ 3%
▪ Pays per control	↓ 4% - ↓ 5%	↓ 5% - ↓ 6%
▪ Client revenue retention	Flat to ↓ 1 percentage point	Flat to ↓ 1 percentage point
▪ PEO Services		
▪ Revenues	↑ 4% to ↑ 6%	↑ up to 4%
▪ ES & PEO New Business Sales, Worldwide	About flat	About flat
▪ Dealer Services		
▪ Revenues	↓ 3% - ↓ 6%	↓ 4% - ↓ 8%
▪ Pretax Margins	No improvement	No improvement

## **Use of Material Contained Herein**

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