



IN THE BUSINESS OF YOUR SUCCESS™

# 2011 Letter to Shareholders

HR. Payroll. Benefits.



*Gary C. Butler, Chief Executive Officer and Carlos A. Rodriguez, President & Chief Operating Officer*

Fiscal 2011 was a year of excellent execution against our growth strategy despite the slow pace of the economic recovery in the United States and the global markets we serve. ADP® reported 11% growth in revenues to \$9.9 billion for fiscal 2011, with about 5 points of growth related to acquisitions completed during the year. Earnings per share from continuing operations of \$2.52 increased 6% from \$2.37 excluding the benefit from a favorable tax item in fiscal year 2010. Importantly, our key business metrics trended positively during fiscal 2011 and were the strongest they have been in three years.

### **Key Metrics Strongest in Three Years**

Our investments through the economic downturn in product innovation, our salesforce and client service have positively impacted new business sales. We sold nearly \$1.1 billion in new

business in our Employer Services and PEO Services businesses in fiscal 2011, growing 9% over fiscal 2010. New business sales are the key to growing future revenues as they represent expected annualized recurring revenues from sales to new clients as well as sales of additional products to existing clients. Sales were strong in the small business market, in large part attributable to our truly innovative RUN Powered by ADP® platform launched early in fiscal 2010. Sales up-market were strong as well, albeit against a fairly easy comparison to fiscal 2010. Nonetheless, we were still pleased and encouraged that larger companies in the United States began to invest again in their businesses. Our Employer Services international business posted robust new sales growth in fiscal 2011 as a result of particularly strong fourth quarter sales, specifically in Canada and in Europe.

In addition to growing our recurring revenue base through new sales, retaining our existing clients remains an area of critical focus for ADP. Our investments in client service, more positive macroeconomic factors such as fewer companies going out of business, and increasing sales of additional solutions to our client base, all contributed to

---

the significant improvement in recurring revenues retained. For the year, we achieved 91% revenue retention in Employer Services - a new record level. This translates to an average 11-year life for our Employer Services clients worldwide.

Our PEO business segment continued to perform well with 12% growth in average worksite employees for the year. Client revenue retention improved as well and we continue to be the largest and fastest growing PEO in terms of worksite employees, exiting the year with over 240,000 paid worksite employees.

In our Dealer Services business, we saw continued improvement in the automotive landscape in North America and dealership closings greatly subsided to pre-recession levels. New business sales were strong and we again gained market share with a favorable competitive win/loss ratio and very strong improvement in both client revenue and site retention.

The primary drivers of sustained organic revenue growth are increasing new business sales and improving client retention, and we achieved both across all of our business segments.

## **Growth Strategy**

The management team remains committed to continued successful execution of our five-point strategy to (1) strengthen and grow the core; (2) grow our differentiated HR BPO solutions; (3) focus on international expansion; (4) enter adjacent markets that leverage the core, thus widening our breadth of offerings; and (5) expand margins through increased efficiencies.

In support of this strategy, we continue to seek acquisitions that complement our core offerings where we can leverage our scale and distribution channels. There are times where we can be quicker to market by acquiring a property rather than through in-house development. I am happy to report that fiscal 2011 was a year where we were successful on both fronts.

## **Strategic Acquisitions**

We completed multiple transactions in support of our growth strategy.

In Employer Services, we completed the acquisition of Workscope®, a leading technology provider of outsourced benefits administration services and talent management solutions whose average client has 20,000 employees. Compensation planning, learning management,

---

performance and succession planning are critical components of the talent management suite of solutions. Over 20 new clients were sold Workscope solutions during fiscal 2011. In support of strengthening and growing our core business, we acquired the largest payroll and HR software company in Italy, doubling our market presence. We also acquired Master Tax, a provider of payroll tax and compliance software and services, underscoring ADP's commitment as the industry leader. Our acquisition of AdvancedMD®, a leader in cloud-based electronic medical records and practice management for small and mid-sized physician practices, supports ADP's strategy of expanding into adjacent markets. By leveraging the collective offering of AdvancedMD's solutions, and ADP's full set of services and long-standing history of serving medical professionals, ADP is now uniquely positioned as an integrated, single-source provider of Medical Practice Services.

In our Dealer Services business, we completed the acquisitions of The Cobalt Group, the leading digital marketer for auto manufacturers and dealers, and Kuwaiti-based PACC, allowing us to expand our international Dealer platform in the Middle East. The

Cobalt® integration effort has been very smooth, well in line with our expectations. Cobalt's robust business intelligence platform is at the core of its solution, enabling manufacturers and dealers to track the effectiveness of advertising spend from initial impression through final sale. In combination with other Dealer Services' products and services we are now focused on creating a unified solution that will offer consumers a seamless shopping and ownership experience, and provide dealership personnel with seamless and highly efficient workflows. The global market opportunity for digital marketing is large and we are pleased about the future growth prospects for ADP Digital Marketing.

### **Investments in Innovative, Cloud-based Solutions**

In alignment with our renewed Mission to "power organizations with insightful solutions that drive business success," and our Vision to "be the world's authority on helping organizations focus on what matters," we are focused both internally and externally on operating as "One ADP" to create value for our clients, shareholders and associates. Through continued in-house R&D investment we are able to support our "One ADP" strategy and bring new cloud-based solutions with innovative

---

mobile solutions to market, all with a common, modern look and feel. No matter the platform, clients will experience “One ADP” with an easy-to-navigate, task-oriented user interface powered by a unified database for human resource, payroll, time and labor, and talent management data.

Our success with RUN Powered by ADP in the small business marketplace, and with ADP Workforce Now® for mid-sized organizations continued in fiscal 2011. We anticipate that our new ADP Vantage HCMSM solution scheduled for release this fall will be equally successful and contribute to ADP’s further growth in the large company marketplace.

Vantage HCM is a truly user-centric, fully integrated human capital management system that allows large organizations an unparalleled opportunity to optimize their human capital. Vantage HCM is the fulfillment of our goal to serve as the one-stop-shop provider for our clients with a single seamless, unified, and easy-to-navigate user experience, combined with robust functionality for user roles for the employee, manager, and practitioner. We already have the broadest, most complete solution set in the marketplace. Vantage HCM is designed to deliver a

level of performance that really sets us apart as it delivers the user experience, data integration and service tie-ins that no other provider in the market can equal. We are currently testing Vantage HCM in the market and have received very positive reaction from both industry analysts and prospective clients.

ADP mobile solutions have also been well received in the marketplace. We launched RUN Mobile, a complementary, anytime, anywhere mobile app that allows small businesses to run their payroll real-time while they are on the go, and now have over 25K downloads of this new application. We also recently launched ADP mobile solutions with much success to our larger clients in Major Accounts and National Accounts Services. Within the first few days of the launch, there were over 6,000 registered users across 2,300 clients with nearly 10,000 page views daily. User receptivity among client employees has been positive. ADP’s mobile solutions are hitting the mark and meeting current market demands for self-service applications.

---

## Financial Strength in a Tough Economy

While things are certainly better than they were in the depths of the recent recession, a continued lack of certainty about the economy has resulted in a general lack of confidence from business owners, holding them back from substantially investing in their businesses and hiring.

In uncertain economic times, ADP's financial strength is a market differentiator. ADP is one of only four companies rated AAA by both of the leading rating agencies, which to our clients and prospects means that ADP is at the highest level of financial soundness and a solid partner for payroll and money movement. ADP's business model with its large recurring revenue base, continued to generate strong, consistent cash flows, and our return on equity was a healthy 22% for fiscal 2011.

In fiscal 2011, we bought back about \$730 million of ADP stock, and increased our cash dividend for the 36th consecutive year. With a dividend payout ratio of over 55%, ADP distributed over \$690 million to our shareholders.

## ADP in the Workplace

I am extremely proud that ADP was again recognized with a number of prestigious awards during fiscal 2011 including:

- Fortune® World's Most Admired Companies – ADP ranked #1 in our business category, Financial Data Services sector;
- Forbes® 100 Most Innovative Companies;
- DiversityInc® – ADP ranked in the top 50;
- InformationWeek® 500 – ADP was ranked among the top 10 innovators;
- ComputerWorld® – ADP was recognized within the top 100 as one of the best places to work in IT; and
- ADP once again ranked among Training Magazine Top 125.

## Management and Board of Directors

Fiscal 2011 was also a year of significant leadership change for ADP. Carlos Rodriguez, who joined ADP in 1999, was named President and Chief Operating Officer. During his tenure Carlos has served in numerous leadership roles, most recently as the President of National Accounts Services and Employer Services International. He has been a valuable member of ADP's executive committee for the past five years. Additionally, John Holt and Tim Clifford were both appointed corporate vice president shortly after joining ADP through the acquisitions of The Cobalt Group and Workscape, respectively.

---

We promoted Raul Villar, and more recently, John Ayala and Kathy Amooi to corporate vice president in recognition of their contributions to ADP's success.

Leon Cooperman retired from the board on August 9, 2011 after nearly 20 years of service. We thank him for his guidance and contributions to ADP's success.

### **Passing of Henry Taub, ADP's Founder**

Henry Taub, ADP's founder, regrettably passed away on March 31, 2011. Henry was a true entrepreneur and it was his vision back in 1949 that created the industry of processing other companies' payrolls. Henry recognized from the beginning that helping companies to outsource this important function to an expert would allow the companies, which at that time, were small and mid-sized businesses, more time to focus on what matters - growing their business. Henry also recognized the importance of delivering excellent client service which is the essence of the culture that defines ADP to this day. We are all especially grateful for Henry's vision, support, and valuable counsel over these many years of involvement at ADP. He leaves us with a legacy of optimism, growth and excitement about ADP's future.

Henry's passing is truly a loss to the ADP family, and we will miss him deeply.

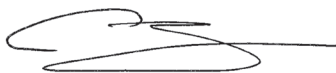
### **Outlook**

Our line of sight to return to historical ADP standards of 8%-10% revenue growth and double-digit earnings per share growth is certainly clearer than it was two years ago during the depths of the recession. Our solution set is state-of-the-art and we are leading the way with market-leading mobile offerings. The resiliency and scalability of ADP's business model allowed us to invest throughout the economic downturn - the fruits of which are apparent in our results and in the accolades received from the market.

We have a team of 51,000 talented associates who are driving ADP's success in the marketplace. We remain excited about ADP's longer-term growth opportunities and look forward to the future as One ADP.



Gary C. Butler  
Chief Executive Officer



Carlos A. Rodriguez  
President & Chief Operating Officer

September 27, 2011



IN THE BUSINESS OF YOUR SUCCESS™

**1-800-CALL ADP**

**adp.com**

This Letter to Shareholders 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 "expects," "assumes," "projects," "anticipates," "estimates," "we believe," "could be" and other words of similar meaning, are forward-looking statements. These statements are based on management's expectations and assumptions 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 include: ADP's success in obtaining, retaining and selling additional services to clients; the pricing of services and products; changes in laws regulating payroll taxes, professional employer organizations and employee benefits; overall market and economic conditions, including interest rate and foreign currency trends; competitive conditions; auto sales and related industry changes; employment and wage levels; changes in technology; availability of skilled technical associates and the impact of new acquisitions and divestitures. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties, along with the risk factors discussed under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011 should be considered in evaluating any forward-looking statements contained herein.

## **HR. Payroll. Benefits.**

The ADP logo and ADP are registered trademarks of ADP, Inc.  
In the business of your success is a service mark of ADP, Inc.  
All other trademarks and service marks are the property of their respective owners.  
09-053-101 Printed in the USA ©2011 ADP, Inc.