



Automatic Data Processing, Inc.
Second Quarter Fiscal 2008
Earnings Webcast & Conference Call
February 1, 2008

Forward Looking Statements

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Today's Agenda

- Opening Remarks
Gary Butler
President & CEO
- Second Quarter Fiscal 2008 Results
Christopher Reidy
CFO
- Fiscal 2008 Guidance Update
Gary Butler
- Summary
Gary Butler
- Q&A
Gary Butler
Christopher Reidy
Elena Charles
VP Investor Relations
- Closing Remarks
Gary Butler

ADP Results 2Q08

- **Revenues** ↑15% to \$2.15 billion
 - Over 12% growth on a constant currency basis
 - **Interest on funds held for clients** ↑14% to \$162.0 million
 - **Average client funds balances** ↑8.9% to \$14.3 billion
 - **Average interest yield** ↑20 basis points to 4.5%
- **Pretax earnings** from continuing operations ↑11%, as reported
 - ↑ **nearly 17%** excluding 2Q07 \$18 million net gain on sales of securities
- **Pretax margin** 20.5% ↓60 basis points, as reported
 - ↑**35 basis points** excluding 2Q07 net gain on sales of securities
- **Diluted EPS** from continuing operations ↑22% to \$0.55
 - 2Q08 reduction in the provision for income taxes of \$12.4 million, primarily related to a state tax settlement, generated \$0.02 of EPS

ADP Results 2Q08 (cont.)

■ Share Repurchases

- Acquired over 6.5 million shares during 2Q08 at a cost of \$305 million; little to no impact on Q2 EPS
- Fiscal year to date, acquired over 18 million shares at a cost of nearly \$842 million (nearly \$0.03 accretion to full-year FY08 EPS)
- 25.7 million shares remain under Board Authorization

■ **\$1.4B Cash & Marketable Securities at 12/31/07**

Segment Results 2Q08 – Employer Services

- **Revenues** ↑11%, organic growth nearly 10%
 - U.S. Traditional Payroll and Payroll Tax Filing ↑ over 8%
 - U.S. Beyond Payroll ↑16% (excludes PEO Services)
- **Pretax margin** 24.9%, ↑ nearly 70 basis points
 - Increased operating leverage
- **Pays per control**, same-store-sales – Majors AutoPay ↑1.7%
- **Average client funds balances** ↑8.9% to \$14.3 billion
- **Worldwide client retention** at excellent levels
- **Worldwide new business sales growth** of over 8% (Employer Services and PEO Services combined)

Segment Results 2Q08 – PEO

- **Revenues** ↑22%, all organic
- **Pretax margin** 10.5%; ↓ 20 basis points
 - ↑ **about 50 basis points** excluding costs related to a state unemployment tax matter in 2Q08
- **Average worksite employees paid** ↑20% to approximately 170,000

Segment Results 2Q08 – Dealer Services

- **Revenues** ↑9.5%, organic growth 7%
- **Pretax margin** 16.6%; ↑ nearly 90 basis points
 - Increased operating leverage
 - Partially offset by costs related to 1Q08 acquisitions
- **Strong new business sales** in North American and International businesses

ADP Forecast – Revenues

	2/1/08 Forecast	10/30/07 Forecast	7/31/07 Forecast
Total Revenues	<ul style="list-style-type: none"> ▪ ↑ 12% - 13% <p>Includes one to two percentage points from current estimate of anticipated benefit from foreign exchange rates</p>	<ul style="list-style-type: none"> ▪ ↑ 12% - 13% <p>Increased primarily due to then current estimate of benefit from foreign exchange rates, as well as acquisition activity in Dealer Services</p>	<ul style="list-style-type: none"> ▪ ↑ about 12% from \$7,800.0 million in FY07
Client Funds Interest Revenues	<ul style="list-style-type: none"> ▪ ↑ 3 - 4% ▪ \$25 million decline from 10/30/07 forecast 	<ul style="list-style-type: none"> ▪ ↑ about 8% ▪ \$30 - \$40 million decline from 7/31/07 forecast 	<ul style="list-style-type: none"> ▪ ↑ 13 - 14% from \$653.6 million in FY07
Client Funds Average Balances	<ul style="list-style-type: none"> ▪ ↑ about 7% 	<ul style="list-style-type: none"> ▪ ↑ 7% - 8% 	<ul style="list-style-type: none"> ▪ ↑ over 8% from \$14.7 billion in FY07
Avg. Client Portfolio Interest Yield	<ul style="list-style-type: none"> ▪ over 4.3%, excluding gains/losses <p>1/31/08: Fed Funds rate @ 3.0%; futures contracts anticipate two further declines of 25 bp each in March and April 2008 1/31/08: forward yield curves indicate over 100 bp decline in fixed income rates compared to forward yield curves at 10/29/07</p>	<ul style="list-style-type: none"> ▪ nearly 4.5%, excluding gains/losses <p>10/29/07: Fed Funds rate @ 4.75%; futures contracts and anticipated three further declines in the Fed Funds rate of 25 bp each through the remainder of fiscal 2008</p>	<ul style="list-style-type: none"> ▪ ↑ 20 basis points to 4.7%, excluding gains/losses

ADP Forecast – EPS from Continuing Operations

■ Diluted EPS from Continuing Operations

- Confident in ability to achieve **high end of 18% - 21% forecasted growth**, compared with \$1.80 in FY07, which excludes the net one-time gain recorded 1Q07 (\$1.83 as reported)
- Includes the following items which were not reflected in our 10/30/07 forecast:
 - \$0.02 from a reduction in the 2Q08 income tax provision, primarily from a state tax settlement
 - About \$0.01 additional accretion from share repurchases subsequent to 1Q08
 - \$0.01 from the current estimated benefit of favorable foreign exchange rates anticipated for the fiscal year

This approximate \$0.04 anticipated increase in EPS is partially offset by:

- (\$0.03) from lower expected client funds interest revenues, based on Fed Funds futures contracts and forward yield curves as of 1/31/08, as well as lower anticipated client funds balance growth
- No further share buybacks contemplated in forecast

Segment Forecasts – Revenues, Pretax Margin, Sales

	2/1/08 Forecast	10/30/07 Forecast	7/31/07 Forecast
<ul style="list-style-type: none"> ▪ Employer Services (ES) (excludes PEO Services) 			
Revenues	↑ about 10%	↑ about 10.5%	↑ nearly 11%
Pretax Margin	↑ 70 - 110 basis points	↑ 70 - 120 basis points	↑ 50 - 100 basis points
<ul style="list-style-type: none"> ▪ PEO Services 			
Revenues	↑ 19% - 20%	↑ 19% - 20%	↑ 18% - 19%
Pretax Margin	↑ 50 - 90 basis points	↑ 50 - 90 basis points	↑ about 50 basis points
<ul style="list-style-type: none"> ▪ ES & PEO New Business Sales, Worldwide 	High single-digit to low double-digit % growth	High single-digit to low double-digit % growth	High single-digit to low double-digit % growth
<ul style="list-style-type: none"> ▪ Dealer Services 			
Revenues	↑ about 10%	↑ about 10%	↑ 8% - 9%
Pretax Margin	↑ 70 - 90 basis points	↑ 70 - 90 basis points	↑ over 100 basis points

Summary

- **Expectations remain strong for fiscal 2008 despite headwinds from lower interest rates and economic uncertainty**
 - Forecasting 12% - 13% revenue growth
 - Strong revenue growth in each segment with pretax margin expansion
 - Although client balance growth has slowed, anticipate less than a 20 basis point decline in yield on the client funds investment portfolio due to strategy of laddering maturities on marketable securities
 - Confident in attaining high end of 18% - 21% growth forecast
- **Better positioned as the global market leader**
 - Intend to continue investing in new products, salesforce expansion, and implementation and client service resources to drive organic revenue growth

Q&A

There are no slides during this portion of the presentation

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