



**Automatic Data Processing, Inc.**

**Fiscal 2010 Second Quarter  
Earnings Webcast & Conference Call  
February 2, 2010**

## Forward Looking Statements

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# Today's Agenda

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- Opening Remarks..... Gary Butler, President & CEO
- Second 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 2Q10

- **Revenues** \$2.2 billion, flat to last year
  - Negatively impacted by economic downturn that began toward the end of 1Q09
  - Benefited 2 percentage points from favorable foreign exchange rate comparisons
- **Pretax earnings from continuing operations** ↑ 1% to \$480.1 million
- **Pretax margin** 21.8%, ↑ 30 basis points

	<i>2Q10 As Reported</i>	<i>2Q10 Excluding Favorable Tax Item</i>
■ <b>Effective tax rate</b>	34.2%	36.8%
■ <b>Net earnings from continuing operations</b>	↑ 5% to \$315.8 million	↑ 1% to \$303.6 million
■ <b>Diluted EPS from continuing operations</b>	↑ 5% to \$0.62 from \$0.59	↑ 2% to \$0.60 from \$0.59
■ <b>Share Repurchases</b>		

- Acquired 3.5+ million shares for ~\$152 million; little to no impact on 2Q10 and about \$0.01 positive impact anticipated for full-year EPS
- About 43 million shares remain under current Board authorization

## Segment Results 2Q10 – Employer Services

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- **Revenues** ↓ 2%, all organic
  - U.S. Traditional Payroll and Payroll Tax Filing ↓ 7%
  - U.S. Beyond Payroll ↑ 3%
- **Pretax margin** 26.5%, ↓ 10 basis points
  - Benefit from reduced headcount levels from fiscal 2009 restructuring
  - Offset by decline in revenues, including lower high-margin client funds interest revenues
- **Pays per control**, same-store-sales – AutoPay ↓ 5.0%
- **Worldwide client retention** ↓ 0.1 percentage point
- **Annualized dollar value of worldwide new business sales** ↓ 3%  
(Employer Services and PEO Services combined)

## Segment Results 2Q10 – PEO

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- **Revenues** ↑ 9%, all organic
- **Pretax margin** 10.4%, ↓ 10 basis points
- **Average worksite employees paid** ↑ 4% to nearly 200,000

## Segment Results 2Q10 – Dealer Services

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- **Revenues** ↓ 5%, organic ↓ nearly 8%
  - Impact of FY09 and FY10 YTD dealership closings
  - Lower transactional revenues
  - Lower international software license fee revenues
- **Pretax margin** 17.6%, ↑ 60 basis points
  - Benefit of FY09 restructuring and other cost containment measures
- **Worldwide new business sales**
  - Increased year-over-year; continued positive win/loss rate

# Client Funds Portfolio Extended Investment Strategy

	2Q10		2Q09		Change	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
<b>Balances:</b>						
Average Client Short Portfolio Balance	\$1.8 B	0.2%	\$1.7 B	1.9%	\$0.1 B	↓ 170 bp
Average Client Extended Portfolio Balance	5.3	4.3%	5.8	4.4%	(0.5)	↓ 10 bp
Average Client Long Portfolio Balance	6.3	4.4%	6.6	4.6%	(0.3)	↓ 20 bp
= Average Client Funds Balance	\$13.4 B	3.8%	\$14.1 B	4.2%	(\$0.7) B	↓ 40 bp
Average Corporate Extended Investment Balance	\$2.7 B	4.1%	\$3.1 B	4.3%	\$(0.4) B	↓ 20 bp
Average U.S. Commercial Paper Borrowings	\$2.2 B	0.2%	\$2.5 B	0.7%	\$(0.3) B	↓ 50 bp
Average U.S./Canadian Reverse Repurchase Borrowings	0.5	0.2%	0.6	1.1%	(0.1)	↓ 100 bp
= Average Short-term Borrowings	\$2.7 B	0.2%	\$3.1 B	0.8%	\$(0.4) B	↓ 60 bp
<b>Pretax P&amp;L Impact:</b>						
Interest on Funds Held for Clients – Client Short	\$1 M		\$7 M		↓ \$6 M	
Interest on Funds Held for Clients – Client Ext'd	56		64		↓ 7	
Interest on Funds Held for Clients – Client Long	70		77		↓ 6	
= Total Interest on Funds Held for Clients	\$128 M		\$147 M		↓ \$20 M	
Corporate Extended Interest Income	28		33		↓ 6	
Corporate Interest Expense - Short-term	(1)		(6)		↑ 5	
	\$154 M		\$175 M		↓ \$21 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	~0.2%	\$2.3 B	1.3%	\$0.0 –0.1 B	↓ ~110 bp
Average Client Extended Portfolio Balance	5.7 – 5.8	~4.2%	6.3	4.4%	(0.5 – 0.6)	↓ ~20 bp
Average Client Long Portfolio Balance	6.3 – 6.4	~4.4%	6.6	4.6%	(0.2 – 0.3)	↓ ~20 bp
= Average Client Funds Balance	\$14.4 – 14.6 B	~3.7%	\$15.2 B	4.0%	\$(0.6 – 0.9) B	↓ ~40 bp
Average Corporate Extended Investment Balance	~\$2.1 B	~4.2%	\$2.3 B	4.3%	~\$(0.2) B	↓ ~10 bp
Average U.S. Commercial Paper Borrowings	~\$1.8 B	~0.2%	\$1.9 B	1.0%	~\$(0.1) B	↓ ~80 bp
Average U.S./Canadian Reverse Repurchase Borrowings	~0.3	~0.2%	0.4	1.3%	~(0.1)	↓ ~110 bp
= Average Short-term Borrowings	~\$2.1 B	~0.2%	\$2.3 B	1.1%	~\$(0.2) B	↓ ~90 bp
<b>Pretax P&amp;L Impact:</b>						
Interest on Funds Held for Clients – Client Short	~\$5 M		\$26 M		↓ ~\$20 M	
Interest on Funds Held for Clients – Client Ext'd	~245		279		↓ 35	
Interest on Funds Held for Clients – Client Long	~285		305		↓ 20	
= Total Interest on Funds Held for Clients	~\$535 M		\$610 M		↓ ~\$75 M	
Corporate Extended Interest Income	85 – 90		100		↓ 10 – 15	
Corporate Interest Expense - Short-term	~(5)		(25)		↑ ~20	
	\$615 – 620 M		\$685 M		↓ \$65 - 70 M	

## FY10 Forecasts

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- **Total Revenues** flat to slightly down
  - Employer Services revenues ↓ about 1%
    - Pays per control ↓ about 4%
    - Client revenue retention flat to ↓ 1 percentage point
  - PEO Services revenues – high-single digit growth
  - Annual dollar value of ES & PEO Worldwide New Business Sales – flat to slightly positive
  - Dealer Services revenues ↓ 3% - ↓ 6%
- **Diluted EPS from Continuing Operations** – high end of \$2.34 - \$2.39, compared to \$2.39 in FY09
  - Excludes favorable tax items in both fiscal years
  - Includes \$0.02 per share from the sixth distribution of the Primary Fund of the Reserve Fund received on January 29, 2010
  - No further share buybacks reflected in forecast
- **No improvement in segment pretax margins**

# Summary

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- U.S. economy appears to be at bottom of downturn; however, we remain cautious about near-term outlook
- Focused on accelerating new business sales growth by investing in sales team and solutions that enable our clients' success, and continued investment in client service
- Business model remains intact with highly recurring revenues, client life cycles of just under 10 years, and strong cash flows
- Remain committed to returning excess cash to our shareholders
- ADP is well positioned to leverage the inevitable economic recovery

## Q&A

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

## FY10 Guidance Update

	2/2/10 Forecast	11/4/09 Forecast	7/30/09 Forecast
▪ <b>Total ADP</b>			
▪ <b>Revenues</b>	Flat to slightly down	↓ 1% - ↓ 2%	↓ 1% - ↓ 4%
▪ <b>Diluted EPS from Continuing Operations</b>	<b>High end of \$2.34 - \$2.39</b> compared to \$2.39 FY09; excludes favorable tax items in both fiscal years	\$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>			
▪ <b>Employer Services (ES)</b>			
▪ Revenues	↓ about 1%	↓ 1% - ↓ 2%	↓ 1% - ↓ 3%
▪ Pays per control	↓ about 4%	↓ 4% - ↓ 5%	↓ 5% - ↓ 6%
▪ Client revenue retention	Flat to ↓ 1 percentage point	Flat to ↓ 1 percentage point	Flat to ↓ 1 percentage point
▪ <b>PEO Services</b>			
▪ Revenues	High-single digit growth	↑ 4% to ↑ 6%	↑ up to 4%
▪ <b>ES &amp; PEO New Business Sales, Worldwide</b>	Flat to slightly positive	About flat	About flat
▪ <b>Dealer Services</b>			
▪ Revenues	↓ 3% - ↓ 6%	↓ 3% - ↓ 6%	↓ 4% - ↓ 8%
▪ <b>Segment Pretax Margins</b>	No improvement	No improvement	No improvement

# Client Funds Portfolio Extended Investment Strategy

	<u>FY10 2/2/10 Forecast</u>		<u>FY10 11/4/09 Forecast</u>		<u>FY10 7/30/09 Forecast</u>	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
<b>Balances:</b>						
Average Client Short Portfolio Balance	\$2.3 – 2.4 B	~0.2%	\$2.3 – 2.4 B	~0.3%	\$2.3 – 2.4 B	~0.4%
Average Client Extended Portfolio Balance	5.7 – 5.8	~4.2%	5.6 – 5.7	~4.3%	5.4 – 5.6	4.3 - 4.4%
Average Client Long Portfolio Balance	<u>6.3 – 6.4</u>	<u>~4.4%</u>	<u>6.3 – 6.4</u>	<u>~4.5%</u>	<u>~6.6</u>	<u>~4.5%</u>
= Average Client Funds Balance	\$14.4 – 14.6 B	~3.7%	\$14.2 – 14.4 B	~3.7%	\$14.3 – 14.6 B	~3.8%
Average Corporate Extended Investment Balance	~\$2.1 B	~4.2%	\$2.0 – 2.1 B	~4.3%	\$1.9 – 2.0 B	~4.4%
Average U.S. Commercial Paper Borrowings	~\$1.8 B	~0.2%	\$1.8 – 1.9 B	~0.3%	\$1.8 – 1.9 B	~0.5%
Avg. U.S./Canadian Reverse Repurchase Borrowings	<u>~0.3</u>	<u>~0.2%</u>	<u>~0.2</u>	<u>~0.2%</u>	<u>~0.1</u>	<u>~0.3%</u>
= Average Short-term Borrowings	~\$2.1 B	~0.2%	\$2.0 – 2.1 B	~0.3%	\$1.9 – 2.0 B	~0.5%
<b>Pretax P&amp;L Impact:</b>						
Interest on Funds Held for Clients – Client Short	~\$5 M		~\$10 M		~\$10 M	
Interest on Funds Held for Clients – Client Ext'd	~245		240 – 245		235 – 245	
Interest on Funds Held for Clients – Client Long	<u>~285</u>		<u>280 – 285</u>		<u>~295</u>	
= Total Interest on Funds Held for Clients	~\$535 M		\$530 – 540 M		\$540 – 550 M	
Corporate Extended Interest Income	85 – 90		85 – 90		85 – 90	
Corporate Interest Expense - Short-term	<u>~(5)</u>		<u>~(10)</u>		<u>~(10)</u>	
	\$615 – 620 M		\$605 – 620 M		\$615 – 630 M	

## **Use of Material Contained Herein**

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