



**Automatic Data Processing, Inc.**  
**Third Quarter Fiscal 2007**  
**Earnings Webcast & Conference Call**  
**May 1, 2007**

# Forward Looking Statements

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# Today's Agenda

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- Opening Remarks Gary Butler, President & CEO
- Third Quarter Fiscal 2007 Results Christopher Reidy, CFO
- Fiscal 2007 Guidance Update Gary Butler, President & CEO
- Summary Gary Butler, President & CEO
- Q&A Gary Butler, President & CEO  
Christopher Reidy, CFO  
Elena Charles, VP - Investor Relations
- Closing Remarks Gary Butler, President & CEO

## ADP 3Q07 Results

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- **Revenues** ↑14% to \$2.2 billion
  - Acquisitions completed in Employer Services fiscal year-to-date contributed 1 point of Q3 revenue growth
- **Pretax margin** 26.4%, ↑30 basis points
  - Anticipated decline in Employer Services pretax margin of 50 basis points
    - Impact of acquisition activity
    - Higher expense step-off level from fiscal 2006
    - Partially offset by margin improvement from leveraging the growth in the business
  - 340 basis point increase in Dealer Services pretax margin
- **Diluted EPS from continuing operations** ↑20% to \$0.65 from \$0.54 3Q06, on fewer shares outstanding

## ADP 3Q07 Results

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### ■ Noteworthy Q3 Items:

- Completed the tax-free Brokerage Services Group (BSG) spin-off
  - Results of operations & related separation costs are reported within discontinued operations in 3Q07 and in prior periods
- Cash and marketable securities of \$2.8 billion at March 31, 2007
  - Received \$690 million in connection with the spin-off
  - \$73 million (U.S.) repatriated from BSG's Canadian operations
  - Anticipate using excess cash to buy back shares, depending on market conditions

### ■ Treasury Share Purchases

- Acquired 20.1 million shares during the fiscal year at a cost of ~\$945 million
- Sensitivity: 12 million shares purchased = \$0.01 earnings per share accretion over subsequent 12 months; includes impact of lost interest income at current short term rates

## Segment Results 3Q07 – Employer Services

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- **Revenues** ↑12%, ↑11% internally
  - U.S. traditional payroll & payroll tax filing revenues ↑8%
  - U.S. beyond payroll revenues ↑23%
- **Pretax margin** of 29.9% ↓50 basis points as anticipated
  - Impact of acquisition activity was a decline of 60 basis points
  - Continuation of higher expense level which began toward the end of 3Q06
  - Partially offset by leveraging the growth in the business
- **Worldwide new business sales growth** of 12%
- **Pays per control** same-store-sales – Majors AutoPay ↑3.0% (number of employees on our clients' payrolls)
- **Average client funds balances** ↑8.3%
- **Worldwide client retention** remained excellent - just below 3Q06 record level

## Segment Results 3Q07 – Dealer Services

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- **Revenues** ↑8%; ↑6% internally, excluding the effect of acquisitions
- **Pretax margin** ↑340 basis points
  - Cost synergies attained in international business due to integration of Kerridge business
  - Restructuring charges in 3Q06 relating to the Kerridge acquisition
- **Strong new business sales growth** – both in the North American market and internationally

## ADP Forecast - Revenue

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- Confident in attaining over 13% revenue growth
  - Continued momentum in businesses
  - Acquisition activity to date accounts for approximately 1 point of revenue growth
  - Clients Funds
    - Interest revenues ↑ ~18% from \$549.8 million fiscal 2006
    - Average interest yield of ~4.5%, excluding gains/losses
    - Average balances ↑ ~8%

## ADP Forecast – EPS from Continuing Operations

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- Confident in attaining high end of earnings per share from continuing operations forecast of \$1.79 - \$1.83, or 20% - 23% growth, compared with \$1.49 in fiscal 2006
  - Acquisition activity to date accounts for \$0.02 decrease to EPS
  - Excludes net one-time Q1 items of \$0.04 increase to EPS
    - The increase from the previously reported \$0.03 per share for the net one-time items is due to BSG-related restructuring charges being classified within discontinued operations
  - No further share buybacks contemplated in forecast

## Segment Forecast

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- **Employer Services – No Change**
  - 12% revenue growth; 11% internal revenue growth
  - Approximately 20 basis points of pretax margin improvement driven by a strong fourth quarter
  - Double-digit new business sales growth
- **Dealer Services – No Change**
  - Approximately 14% revenue growth
    - Assisted by the December 2005 acquisition of Kerridge
    - 5% – 6% internal revenue growth
  - Over 100 basis points of pretax margin improvement

# Summary

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- Solid Q3 results
  - 14% revenue growth; 20% EPS from continuing operations growth
  - Solid key metrics including continued double-digit ES new business sales growth
- Clear path to increasing shareholder value by executing on strategic initiatives
  - A more focused ADP with the completion of the Brokerage spin-off
  - Improving business metrics
  - Returning more excess cash to shareholders
    - Accretive share buybacks of 37.6 million shares for over \$1.7 billion including last year's 4<sup>th</sup> fiscal quarter
    - Dividend increase of 24% held post spin-off: raises payout ratio to over 45% and dividend yield to 2% at current stock price
- Highly confident in attaining our full year revenue and EPS growth forecasts

# Q&A

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

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