



**Automatic Data Processing, Inc.**

**Fiscal 2010  
Earnings Webcast & Conference Call  
July 29, 2010**

## Forward Looking Statements

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# Today's Agenda

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- Opening Remarks..... Gary Butler, President & CEO
- Full-year and Fourth Quarter  
Fiscal 2010 Results..... Christopher Reidy, CFO
- Fiscal 2011 Guidance..... Gary Butler  
Christopher Reidy
- Summary..... Gary Butler
- Q&A..... Gary Butler  
Christopher Reidy
- Closing Remarks..... Gary Butler

## ADP FY10 Results

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- **Revenues** ↑ 1% to \$8.9 billion
  - Favorable foreign exchange rates contributed 0.8 percentage points of growth
- **Pretax earnings from continuing operations** ↓ 2% to \$1.9 billion
- **Pretax margin** 20.9%, ↓ 60 basis points

|  | <i>FY10<br/>As Reported</i>  | <i>FY10<br/>Excluding Certain Items*</i> |
|--|--|--|
| ■ <b>Net earnings from continuing operations</b> | ↓ 9% to \$1.2 billion  | ↓ 1% to \$1.2 billion                    |
| ■ <b>Diluted EPS from continuing operations</b>  | ↓ 8% to \$2.40<br>from \$2.62  | ↓ \$0.01 to \$2.37<br>from \$2.38        |
| ■ <b>Share Repurchases</b>                       | <ul style="list-style-type: none"> <li>– Acquired 18.2 million shares for \$765+ million (\$0.02 accretion to FY10 EPS)</li> <li>– Nearly 29 million shares remain available for purchase under current authorization</li> </ul> |  |

\* Certain Items defined as:

- 2Q10 and 4Q09 tax benefits from favorable tax items

## FY10 Segment Results – Employer Services

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- **Revenues** flat, all organic
  - U.S. Traditional Payroll and Payroll Tax Filing – ↓ 4%
  - U.S. Beyond Payroll ↑ 6% (excludes PEO Services)
- **Pretax margin** 26.7%, ↓ 60 basis points
- **Pays per control**, same-store-sales – AutoPay ↓ 3.4%
- **Worldwide client retention** ↑ 0.4 percentage points
- **Annual dollar value of worldwide new business sales of \$1.0B** ↑ 4%  
(Employer Services and PEO Services combined)

## FY10 Segment Results – PEO

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- **Revenues** ↑ 11%, all organic
- **Pretax margin** 9.6%, ↓ 30 basis points
- **Average worksite employees paid** ↑ 5% to 203,000

## FY10 Segment Results – Dealer Services

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### ■ Revenues ↓ 3%, organic ↓ 4%

- Benefit from market share gain through continued strong competitive win rates
- Offset by negative impact from cumulative effect of ongoing dealership closings and lower international software license fee revenues

### ■ Pretax margin 16.4%, ↓ 60 basis points

- Lower headcount levels and other cost containment measures
- Offset by acquisition-related costs, increased sales expense, and higher benefit cost and compensation expense
- Additionally, \$7 million pretax intangible asset impairment charge recorded in 1Q10 relating to Saturn closure

### ■ Worldwide new business sales

- Up year over year with continued positive win/loss rates which resulted in increased market share in a declining overall market

## ADP Results 4Q10

- **Revenues** ↑ 4% to \$2.2 billion
  - Favorable foreign exchange rates contributed 0.6 percentage points of growth
- **Pretax earnings from continuing operations** ↓ 15% to \$305.5 million
- **Pretax margin** 13.9%, ↓ 320 basis points

|  | <i>4Q10<br/>As Reported</i>    | <i>4Q10<br/>Excluding Certain Items*</i> |
|--|--------------------------------|--|
| ■ <b>Net earnings from continuing operations</b> | ↓ 40% to \$207.6 million       | ↓ 9% to \$207.6 million                  |
| ■ <b>Diluted EPS from continuing operations</b>  | ↓ 39% to \$0.42<br>from \$0.69 | ↓ 7% to \$0.42<br>from \$0.45            |

\* Certain Items defined as:

- 4Q09 tax benefit from income tax settlements

## Segment Results 4Q10 – Employer Services

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- **Revenues** – ↑ 4%, nearly all organic
  - U.S. Payroll and Payroll Tax Filing - ↑ 0.4%
  - U.S. Beyond Payroll ↑ 9%
- **Pretax margin** 21.1%, ↓ 290 basis points
  - Benefits from last year’s restructuring
  - Offset by increased sales expense, investment in client service, and higher benefits costs and compensation expense
- **Pays per control**, same-store-sales – AutoPay ↑ 0.3%
- **Worldwide client retention** ↑ 1.6 percentage points
- **Annual dollar value of worldwide new business sales** ↑ 25% (Employer Services and PEO Services combined)

## Segment Results 4Q10 – PEO

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- **Revenues** ↑ 13%, all organic
- **Pretax margin** 8.9%, ↓ 40 basis points
- **Average worksite employees paid** ↑ 8.5% to 210,000

## Segment Results 4Q10 – Dealer Services

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- **Revenues** – flat, organic revenues ↓ 1%
  - Benefit from market share gain through continued strong competitive win rates
  - Offset by negative impact from cumulative effect of ongoing dealership closings and lower international software license fee revenues
- **Pretax margin** 14.6%, ↓ 310 basis points
  - Lower headcount levels and other cost containment measures
  - Offset by acquisition-related costs, increased sales expense, and higher benefit cost and compensation expense
- **Worldwide new business sales** - significant growth and strong momentum

# Client Funds Portfolio Extended Investment Strategy – FY10

|   | FY10     |                | FY09     |                | Change    |                |
|---|----------|----------------|----------|----------------|-----------|----------------|
|   | \$       | Yield/<br>rate | \$       | Yield/<br>rate | \$        | Yield/<br>rate |
| <b>Balances:</b>                                    |          |                |          |                |           |                |
| Average Client Short Portfolio Balance              | \$2.8 B  | 0.2%           | \$2.3 B  | 1.3%           | \$0.6 B   | ↓ 110 bp       |
| Average Client Extended Portfolio Balance           | 6.0      | 4.2%           | 6.3      | 4.4%           | (0.3)     | ↓ 20 bp        |
| Average Client Long Portfolio Balance               | 6.4      | 4.4%           | 6.6      | 4.6%           | (0.2)     | ↓ 20 bp        |
| = Average Client Funds Balance                      | \$15.2 B | 3.6%           | \$15.2 B | 4.0%           | \$0.0 B   | ↓ 45 bp        |
| Average Corporate Extended Investment Balance       | \$2.1 B  | 4.1%           | \$2.3 B  | 4.3%           | (\$0.3) B | ↓ 20 bp        |
| Average U.S. Commercial Paper Borrowings            | \$1.6 B  | 0.2%           | \$1.9 B  | 1.0%           | (\$0.3) B | ↓ 80 bp        |
| Average U.S./Canadian Reverse Repurchase Borrowings | 0.4      | 0.2%           | 0.4      | 1.3%           | 0.0       | ↓ 110 bp       |
| = Average Short-term Borrowings                     | \$2.1 B  | 0.2%           | \$2.3 B  | 1.1%           | (\$0.3) B | ↓ 90 bp        |
| <b>Pretax P&amp;L Impact:</b>                       |          |                |          |                |           |                |
| Interest on Funds Held for Clients – Client Short   | \$5 M    |                | \$26 M   |                | ↓ \$21 M  |                |
| Interest on Funds Held for Clients – Client Ext'd   | 253      |                | 279      |                | ↓ 26      |                |
| Interest on Funds Held for Clients – Client Long    | 284      |                | 305      |                | ↓ 21      |                |
| = Total Interest on Funds Held for Clients          | \$543 M  |                | \$610 M  |                | ↓ \$67 M  |                |
| Corporate Extended Interest Income                  | 84       |                | 100      |                | ↓ 16      |                |
| Corporate Interest Expense - Short-term             | (4)      |                | (25)     |                | ↑ 21      |                |
|   | \$622 M  |                | \$685 M  |                | ↓ \$63 M  |                |

# Client Funds Portfolio Extended Investment Strategy – 4Q10

|   | 4Q10     |                | 4Q09     |                | Change    |                |
|---|----------|----------------|----------|----------------|-----------|----------------|
|   | \$       | Yield/<br>rate | \$       | Yield/<br>rate | \$        | Yield/<br>rate |
| <b>Balances:</b>                                    |          |                |          |                |           |                |
| Average Client Short Portfolio Balance              | \$3.4 B  | 0.2%           | \$2.3 B  | 0.5%           | \$1.1 B   | ↓ 30 bp        |
| Average Client Extended Portfolio Balance           | 6.6      | 4.1%           | 6.1      | 4.4%           | 0.5       | ↓ 30 bp        |
| Average Client Long Portfolio Balance               | 6.4      | 4.4%           | 6.6      | 4.6%           | (0.2)     | ↓ 30 bp        |
| = Average Client Funds Balance                      | \$16.3 B | 3.4%           | \$15.0 B | 3.9%           | \$1.4 B   | ↓ 50 bp        |
| Average Corporate Extended Investment Balance       | \$1.7 B  | 4.0%           | \$2.1 B  | 4.4%           | (\$0.4) B | ↓ 40 bp        |
| Average U.S. Commercial Paper Borrowings            | \$1.1 B  | 0.3%           | \$1.6 B  | 0.3%           | (\$0.5) B | flat           |
| Average U.S./Canadian Reverse Repurchase Borrowings | 0.6      | 0.3%           | 0.5      | 0.3%           | 0.1       | flat           |
| = Average Short-term Borrowings                     | \$1.7 B  | 0.3%           | \$2.1 B  | 0.3%           | (\$0.4) B | flat           |
| <b>Pretax P&amp;L Impact:</b>                       |          |                |          |                |           |                |
| Interest on Funds Held for Clients – Client Short   | \$2 M    |                | \$3 M    |                | ↓ \$1 M   |                |
| Interest on Funds Held for Clients – Client Ext'd   | 67       |                | 67       |                | 0         |                |
| Interest on Funds Held for Clients – Client Long    | 70       |                | 76       |                | ↓ 7       |                |
| = Total Interest on Funds Held for Clients          | \$139 M  |                | \$146 M  |                | ↓ \$7 M   |                |
| Corporate Extended Interest Income                  | 17       |                | 23       |                | ↓ 6       |                |
| Corporate Interest Expense - Short-term             | (1)      |                | (1)      |                | 0         |                |
|   | \$155 M  |                | \$168 M  |                | ↓ \$13 M  |                |

# Client Funds Portfolio Extended Investment Strategy – FY11

|   | FY11 (F)               |                   | FY10            |                | Change               |                   |
|---|------------------------|-------------------|-----------------|----------------|----------------------|-------------------|
|   | \$                     | Yield/<br>rate    | \$              | Yield/<br>rate | \$                   | Yield/<br>rate    |
| <b>Balances:</b>                                    |                        |                   |                 |                |                      |                   |
| Average Client Short Portfolio Balance              | \$2.7 – 2.8 B          | ~0.3%             | \$2.8 B         | 0.2%           | \$0.0 – (0.1) B      | ↑ 10-20 bp        |
| Average Client Extended Portfolio Balance           | ~6.4                   | 3.7 – 3.8%        | 6.0             | 4.2%           | ~0.4                 | ↓ 40-50 bp        |
| Average Client Long Portfolio Balance               | ~6.4                   | 4.1 – 4.2%        | 6.4             | 4.4%           | ~0.0                 | ↓ 20-30 bp        |
| <b>= Average Client Funds Balance</b>               | <b>\$15.5 – 15.6 B</b> | <b>3.3 – 3.4%</b> | <b>\$15.2 B</b> | <b>3.6%</b>    | <b>\$0.3 – 0.4 B</b> | <b>↓ 20-30 bp</b> |
| Average Corporate Extended Investment Balance       | \$2.1 – 2.2 B          | 3.7 - 3.8%        | \$2.1 B         | 4.1%           | \$0.0 – 0.1 B        | ↓ 30-40 bp        |
| Average U.S. Commercial Paper Borrowings            | \$1.9 – 2.0 B          | 0.3 – 0.4%        | \$1.6 B         | 0.2%           | \$0.3 – 0.4 B        | ↑ 10-20 bp        |
| Average U.S./Canadian Reverse Repurchase Borrowings | ~0.2                   | ~1.1%             | 0.4             | 0.2%           | (0.2 - 0.3)          | ↑ ~90 bp          |
| <b>= Average Short-term Borrowings</b>              | <b>\$2.1 – 2.2 B</b>   | <b>0.3 - 0.4%</b> | <b>\$2.1 B</b>  | <b>0.2%</b>    | <b>\$0.0 – 0.1 B</b> | <b>↑ 10-20 bp</b> |
| <b>Pretax P&amp;L Impact:</b>                       |                        |                   |                 |                |                      |                   |
| Interest on Funds Held for Clients – Client Short   | ~\$10 M                |                   | \$5 M           |                | ↑ ~\$5 M             |                   |
| Interest on Funds Held for Clients – Client Ext'd   | 235 – 240              |                   | 253             |                | ↓ ~15                |                   |
| Interest on Funds Held for Clients – Client Long    | 265 – 270              |                   | 284             |                | ↓ 15 - 20            |                   |
| <b>= Total Interest on Funds Held for Clients</b>   | <b>\$510 – 520 M</b>   |                   | <b>\$543 M</b>  |                | <b>↓ \$25 – 30 M</b> |                   |
| Corporate Extended Interest Income                  | 75 – 85                |                   | 84              |                | flat - ↓ 5           |                   |
| Corporate Interest Expense - Short-term             | ~(10)                  |                   | (4)             |                | ↓ ~5                 |                   |
|   | <b>\$575 – 595 M</b>   |                   | <b>\$622 M</b>  |                | <b>↓ \$35 - 40 M</b> |                   |

## FY11 Forecasts – Total ADP

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### ■ Anticipate difficult expense and earnings comparisons 1H11

- Primarily due to increased sales and service investments which began during 2H10 2010

### ■ Total Revenues ↑ 1% - 3%

### ■ Diluted EPS from Continuing Operations - ↑ 1% - 3%

- Compared to \$2.37 in FY10 which excludes favorable income tax settlements
- No further share buybacks contemplated in forecast

## FY11 Forecasts – Reportable Segments

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### ■ Employer Services

- Revenues ↑ 1% - 3%
- Pretax margin ↑ up to 50 basis points
- Pays per control flat to ↑ 0.5%
- Client revenue retention flat to ↑ 0.4 percentage points

### ■ PEO Services

- Revenues – low double-digit growth
- Pretax margin ↓ due to increased benefits pass through revenues

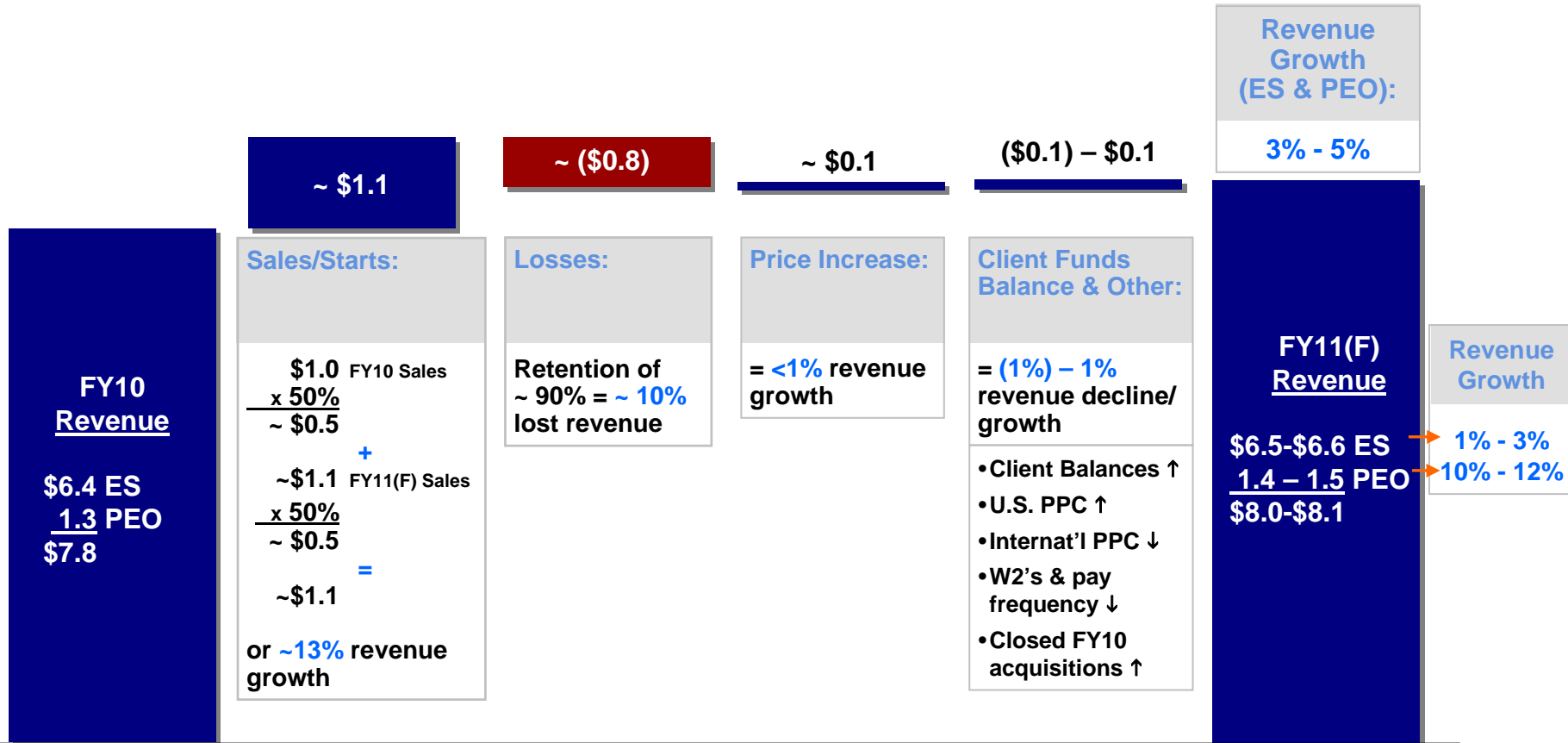
### ■ Annual dollar value of ES & PEO Worldwide New Business Sales

- High single-digit growth compared to \$1.0 billion in FY10

### ■ Dealer Services

- Revenues and pretax margin – flat to slightly up

# Employer Services & PEO Services FY11(F) Revenue Waterfall Chart (Dollars in billions)



# Summary

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- Overall good results for fiscal 2010 considering headwinds
  - Cumulative impact of lost business and the rising unemployment levels in fiscal 2009 and early fiscal 2010
  - A record low interest rate environment
  - The hesitancy of large businesses in the U.S. to spend money on outsourcing decisions
- Continued to invest in product and client facing resources in support of 5-point strategic growth program
- Most key metrics reach inflection point in 4Q10
- Strong sales momentum exiting fiscal 2010
- Improved M&A landscape
- Business model remains intact to support longer-term growth objectives
- AAA credit rating reflects ADP's financial stability
- Remain committed to returning excess cash to shareholders longer-term
- Investing in the business to drive future growth

## Q&A

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

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