



# **Automatic Data Processing, Inc.**

**Robert W. Baird & Co.**

**2007 Business Solutions Conference**

**February 28, 2007**

# Forward Looking Statements

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This document 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 products and services; changes in laws regulating payroll taxes, professional employer organizations, employee benefits and registered clearing agencies and broker-dealers; overall market and economic conditions, including interest rate and foreign currency trends; competitive conditions; stock market activity; 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. In addition, the proposed spin-off of the Brokerage Services Group is subject to inherent risks and uncertainties, including: risks that the spin-off will not be consummated; increased demands on our management team to accomplish the spin-off; significant transaction costs; risks of changes in our credit rating and risks from changes in results of operations of our reportable segments. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. For information regarding risks related to ADP, see discussion of risks and other factors in documents filed by ADP with the Securities and Exchange Commission from time to time, including ADP’s Form 10-K for the fiscal year ended June 30, 2006.

# Today's Discussion

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- ADP Fiscal 2007 Six-Month Recap
- Employer Services Overview
- Dealer Services Overview
- Strategic Growth Program
- Increasing Shareholder Value
- Brokerage Services Spin-Off
- Summary

## ADP Fiscal 2007 Six-Month Recap

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- Good Momentum Entering 2nd Half of FY07
  - Strong results Q1 and Q2
  - YTD revenue growth 15%, 12% internal
  - 21% EPS growth YTD, 16% excluding Q1 one-time gain
  - Interest on client funds up 22%
  - Acquired ≈18 million ADP shares fiscal year-to-date for ≈\$855M
  
- Announced 5 Strategic Acquisitions in ES
  - \$160+M annual revenues, contributing ~\$80M in FY07
    - Employease
    - Mintax
    - Virtual Edge
    - Taxware
    - Outsourced payroll business from Intuit, transaction pending
  - Strategic Direction
    - Smaller, close to the core
    - Leverage our salesforce/clients
    - Not pursuing large, multi-year dilutive acquisitions
    - No new legs; only pursuing acquisitions which leverage existing capabilities

# Employer Services Overview

**Market – facing business units**

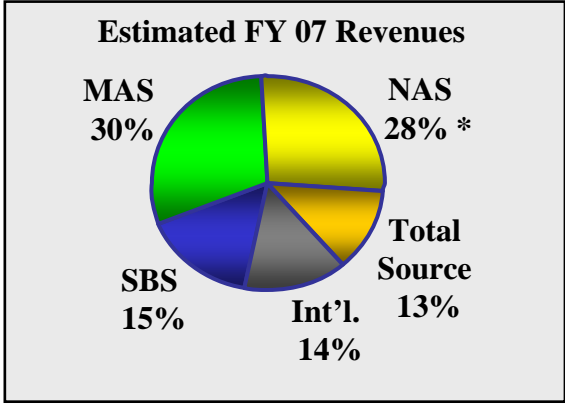
| <u>Small Business Segment</u>  | <u>Major Account Segment</u>   | <u>National Account Segment</u>   | <u>TotalSource</u>   | <u>International</u>   |
|--|--|---|--|--|
| <ul style="list-style-type: none"> <li>• 1-49 EE Cos.</li> <li>• \$1.0B Revenue</li> <li>• 400K Clients</li> </ul> | <ul style="list-style-type: none"> <li>• 50-999 EE Companies</li> <li>• \$1.9B Revenue</li> <li>• 65K Clients</li> </ul> | <ul style="list-style-type: none"> <li>• 1,000+ EE Companies</li> <li>• \$1.8B Revenue *</li> <li>• 5K Clients</li> </ul> | <ul style="list-style-type: none"> <li>• PEO</li> <li>• \$0.9B Revenue</li> <li>• 10 -250 EE Cos.</li> <li>• 6K Clients</li> <li>• 143K WSE</li> </ul> | <ul style="list-style-type: none"> <li>• N. America, Europe, Latin Amer. &amp; Pac Rim</li> <li>• \$0.9B Revenue</li> <li>• 72K Clients</li> </ul> |

**Product – facing business units**

|                                     |
|-------------------------------------|
| <b>Tax &amp; Financial Services</b> |
| <b>Retirement Services</b>          |
| <b>Pre-Employment Services</b>      |

**FY'07 Estimated Revenue**  
**\$6.5B up from \$5.8B FY'06**

- 545,000 clients
- 32 million employees paid
- 50+ million employees served
- 34,000 associates

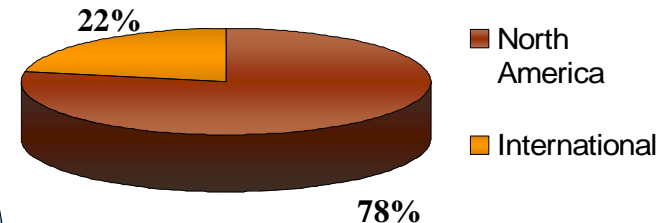


\* Benefits Services revenue included in NAS

# Dealer Services Overview

- Sells and supports dealer management systems and related solutions worldwide to new and used franchised retailers (auto, truck, powersports), manufacturers, and channel members (DMV, financial service institutions, etc.)
- FY07 revenue outlook: \$1.2B continuing operations
  - 14% growth, 5% to 6% internal growth
  - Track record of double-digit growth in past 3 out of 4 fiscal years, with acquisitions
  - Highly recurring revenue model
- Over 25,500 dealer locations in over 50 countries
- 7,000+ associates
- Primary focus is path to double-digit internal revenue growth
  - Continue to strengthen our NA market position with large dealership groups
    - 7 of the top 10 dealership groups use our DMS exclusively
    - Penetration with next 50 accounts is at 42% - upside opportunity
  - Accelerating sales of CRM/Digital marketing, BZ Results
  - Leading global provider
    - Strong OEM relationships through Kerridge acquisition
    - China has become the world's second largest auto market after the U.S.
  - Continue to pursue complementary acquisitions that supplement our ability to gain market share

## FY07 Revenue Estimate



### North America

- \$950M FY07 revenue estimate
- 13,000 dealer locations

### International

- \$280M FY07 revenue estimate
- 12,500 dealer locations

# Strategic Growth Program

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**Great business model**

- Continue to do what we do well even better, bigger, faster
  - Commitment to the Service Profit Chain
    - Happy engaged associates provide higher levels of service to clients who stay longer at ADP, buy more services and refer others to use ADP services
- 

**Grow our differentiated HR BPO offerings “in-the-box”**

- Comprehensive solutions for every market segment
    - PEO/ASO for small to mid-sized employers
    - COS for medium to large employers
    - GlobalView for multinational companies
- 

**Focus on international expansion**

- Accelerating our Global View roll out
  - Dealer Services Kerridge acquisition
- 

**Enter adjacent markets which leverage our core strategic assets**

- Recent acquisitions
  - Healthcare, workers’ comp
  - Sales tax/money movement
  - Front-office support for dealerships
- 

**Enable growth through continued cost structure improvements**

- Data center consolidation
- Leverage smart-shore and off-shore facilities
- Smaller new ADP corporate infrastructure
- Enhanced Telesales capabilities

# Increasing Shareholder Value

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- More focused ADP
  - Focus on Employer Services and Dealer Services
  - Large, unpenetrated markets
  - Highest growth with greatest predictability
- Improving business metrics
  - Accelerating organic revenue growth – at least 10%
  - Margin expansion – minimum 50bp each year
  - Commitment to world class service
- Return value to our shareholders
  - Share repurchase program
    - Increase level of accretive share buybacks
    - Proceeds of \$600M - \$800M from Brokerage spin-off likely to be used to purchase shares of new ADP
  - Dividends
    - Increased annual dividend 24% to \$0.92 per share from \$0.74 per share a year ago
    - Will maintain dollar amount of dividend after the spin-off

## Brokerage Services Group Spin-Off

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- New name “Broadridge Financial Solutions, Inc.”
- Anticipate listing on the NYSE, symbol “BR”
- On track to complete spin-off late March or early April 2007
- Filed initial Form 10 as planned in December 2006
- Maintaining goal to be cost neutral across new ADP and Broadridge™
- Met with rating agencies; discussions ongoing
  - Intention is for an investment grade rating for Broadridge™, including the debt to support the dividend to ADP
- Anticipate providing ADP fiscal 2007 guidance excluding Brokerage at ADP Financial Analyst Conference on March 22

## Summary

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- We continue to execute on strategic initiatives outlined over last several months
- Our unique product set and large customer base well positions ADP to capitalize on the opportunities in the large and growing markets we serve
- Fiscal 2007 six month results are strong
  - ES key metrics are strong
  - Well positioned entering 2<sup>nd</sup> half of fiscal 2007
- Brokerage Services spin-off progressing as planned
- We remain confident in full year revenue and EPS growth forecasts discussed on our Q2 earnings call



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## Market Data and ADP Segments

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Market and ADP segment data is compiled based on our internal definition of a client and its size. The number of clients and revenues within each segment are estimates. We periodically reclassify clients and revenues among segments based on the most current information available.