



Automatic Data Processing, Inc.

**Fiscal 2011 First Quarter
Earnings Webcast & Conference Call
October 27, 2010**

Forward Looking Statements

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 and employee benefits; overall market and economic conditions, including interest rate and foreign currency trends; competitive conditions; 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. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties, along with the risk factors discussed under “Item 1A. - Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2010, should be considered in evaluating any forward-looking statements contained herein.

Today's Agenda

- Opening Remarks..... Gary Butler, President & CEO
- First Quarter Fiscal 2011 Results..... Christopher Reidy, CFO
- Fiscal 2011 Guidance Update..... Gary Butler
Christopher Reidy
- Summary..... Gary Butler
- Q&A..... Gary Butler
Christopher Reidy
- Closing Remarks..... Gary Butler
- Appendix: Fiscal 2011 Guidance History

ADP Results 1Q11

- **Revenues** ↑ 6% to \$2.2 billion, ↑ 4% organically
 - Negatively impacted nearly 1 percentage point from unfavorable foreign exchange rates
- **Pretax earnings from continuing operations** ↓ 2% to \$436.4 million
- **Pretax margin** 19.6%, ↓ 170 basis points
- **Effective tax rate** 36.2% vs. 36.5% 1Q10
- **Net earnings from continuing operations** ↓ 2% to \$278.5 million
- **Diluted EPS from continuing operations** flat with a year ago at \$0.56
- **Share Repurchases**
 - Acquired 1.2 million shares for ~\$50 million; little to no impact on 1Q11 and full fiscal year EPS
 - ~27.5 million shares remain under current Board authorization

Segment Results 1Q11 – Employer Services

- **Revenues** – ↑ 6%, ↑ 5% organically
 - U.S. Payroll and Payroll Tax Filing - ↑ 2%
 - U.S. Beyond Payroll ↑ 9%
- **Pretax margin** 24.2%, ↓ 80 basis points
 - As anticipated, negatively impacted by higher compensation expense, and sales and client service investments, including headcount increases made during 2H10
 - As well as pressure from recent acquisition activity
- **Pays per control**, same-store-sales – AutoPay ↑ 1.7%
- **Worldwide client retention** ↑ 1.7 percentage points
- **Annual dollar value of worldwide new business sales** flat with a year ago (Employer Services and PEO Services combined)

Segment Results 1Q11 – PEO

- **Revenues** ↑ 15%, all organic
- **Pretax margin** 8.3%, ↓ 370 basis points
 - 310 basis point of decline due to settlement of a state unemployment tax matter that increased 1Q10 pretax earnings by \$9 million
 - Compression from price sensitivity related to higher pass-through costs, as well as higher compensation expense, also contributed to the pressure on pretax margin
- **Average worksite employees paid** ↑ 9.5% to approximately 214,000

Segment Results 1Q11 – Dealer Services

- **Revenues** – ↑ 12%, ↑ 1% organically
 - Prior year Q1 revenues included 1 point of growth from “Cash for Clunkers”
 - Although dealership closings have greatly subsided, revenues continue to be negatively impacted by the carry over effect of dealership closings over the past year
- **Pretax margin** 15.1%, ↑ 25 basis points
 - Negatively impacted 225 basis points from Cobalt acquisition
 - Offset by 225 basis point benefit from \$7 million impairment charge in 1Q10 related to General Motor’s announced closure of Saturn brand
- **Worldwide new business sales** – continued to gain market share with strong competitive win rates

Client Funds Portfolio Extended Investment Strategy – 1Q11

	<u>1Q11</u>		<u>1Q10</u>		<u>Change</u>	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
Balances:						
Average Client Short Portfolio Balance	\$1.8 B	0.4%	\$1.3 B	0.3%	\$0.5 B	↑ 10 bp
Average Client Extended Portfolio Balance	5.7	3.9%	4.9	4.4%	0.8	↓ 40 bp
Average Client Long Portfolio Balance	6.4	4.4%	6.5	4.5%	(0.1)	↓ 20 bp
= Average Client Funds Balance	\$13.8 B	3.7%	\$12.7 B	4.0%	\$1.1 B	↓ 40 bp
Average Corporate Extended Investment Balance	\$2.8 B	3.8%	\$3.1 B	4.2%	(\$0.3) B	↓ 40 bp
Average U.S. Commercial Paper Borrowings	\$2.2 B	0.2%	\$2.6 B	0.2%	(\$0.4) B	flat
Average U.S./Canadian Reverse Repurchase Borrowings	0.6	0.4%	0.5	0.2%	0.1	↑ 20 bp
= Average Short-term Borrowings	\$2.8 B	0.3%	\$3.1 B	0.2%	(\$0.3) B	↑ 10 bp
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	\$2 M		\$1 M		↑ \$1 M	
Interest on Funds Held for Clients – Client Ext'd	55		53		↑ 2	
Interest on Funds Held for Clients – Client Long	70		74		↓ 4	
= Total Interest on Funds Held for Clients	\$127 M		\$128 M		↓ \$1 M	
Corporate Extended Interest Income	27		33		↓ 5	
Corporate Interest Expense - Short-term	(2)		(2)		0	
	\$152 M		\$159 M		↓ \$7 M	

Client Funds Portfolio Extended Investment Strategy – FY11

	FY11 (F)		FY10		Change	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
Balances:						
Average Client Short Portfolio Balance	~\$3.0 B	~0.4%	\$2.8 B	0.2%	~\$0.2 B	↑ 10-20 bp
Average Client Extended Portfolio Balance	6.6 – 6.7	3.6 – 3.7%	6.0	4.2%	0.6 – 0.7	↓ 50-60 bp
Average Client Long Portfolio Balance	<u>6.5 – 6.6</u>	<u>4.1 – 4.2%</u>	<u>6.4</u>	<u>4.4%</u>	<u>0.1 – 0.2</u>	↓ <u>20-30 bp</u>
= Average Client Funds Balance	\$16.1 – 16.3 B	3.2 – 3.3%	\$15.2 B	3.6%	\$0.9 – 1.1 B	↓ 30-40 bp
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	\$1.8 – 1.9 B	0.3 – 0.4%	\$1.6 B	0.2%	\$0.2 – 0.3 B	↑ 10-20 bp
Average U.S./Canadian Reverse Repurchase Borrowings	<u>~0.3</u>	<u>~0.8%</u>	<u>0.4</u>	<u>0.2%</u>	<u>~(0.1)</u>	↑ <u>50-60 bp</u>
= Average Short-term Borrowings	\$2.1 – 2.2 B	0.3 - 0.4%	\$2.1 B	0.2%	\$0.0 – 0.1 B	↑ 10-20 bp
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	~\$10 M		\$5 M		↑ ~\$5 M	
Interest on Funds Held for Clients – Client Ext'd	~240		253		↓ ~15	
Interest on Funds Held for Clients – Client Long	<u>270 – 275</u>		<u>284</u>		↓ <u>10 – 15</u>	
= Total Interest on Funds Held for Clients	\$520 – 525 M		\$543 M		↓ \$20 – 25 M	
Corporate Extended Interest Income	~80		84		↓ ~5	
Corporate Interest Expense - Short-term	<u>~(10)</u>		<u>(4)</u>		↓ <u>~5</u>	
	\$590 – 595 M		\$622 M		↓ \$30 – 35 M	

FY11 Forecasts – Total ADP

- Anticipate difficult expense and earnings comparisons to continue in 2Q11
 - Primarily due to increased sales and service investments that began during 2H10
- Forecasts include acquisitions closed during 1Q11
- **Total Revenues** ↑ 7% - 8%
- **Diluted EPS from Continuing Operations** – ↑ 3% - 5%
 - Compared to \$2.37 in FY10 which excludes favorable income tax settlements
 - No further share buybacks contemplated in forecast

FY11 Forecasts – Reportable Segments

- **Employer Services** – forecasts include acquisitions closed during 1Q11
 - Revenues ↑ ~5%
 - Pretax margin ↑ up to 50 basis points
 - Pays per control ↑ at least 1.0%
 - Client revenue retention ↑ ~0.5 percentage points
- **PEO Services**
 - Revenues ↑ 13% - 15%
 - Pretax margin ↓ due to increased benefits pass through revenues and the grow over impact of FY10 \$9 million favorable settlement
- **Annual dollar value of ES & PEO Worldwide New Business Sales**
 - High single-digit growth compared to \$1.0 billion in FY10
- **Dealer Services** – forecasts include Cobalt acquisition closed during 1Q11
 - Revenues ↑ over 20%
 - Pretax margin ↓ up to 200 basis points

Summary

- Solid first quarter fiscal 2011 results
 - Ahead of expectations
- Positive trends continued in most key business metrics
- Investments in client-facing resources led to improved client revenue retention
- Improved M&A landscape
 - Closed strategic acquisitions during Q1 to drive future growth
- Updated full year forecasts reflect upside delivered in Q1 as well as acquisitions closed during the quarter
- 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

Q&A

There are no slides during this portion of the presentation

FY11 Guidance Update

	10/27/10 Forecast		7/29/10 Forecast
	Includes impact of acquisitions closed during 1Q11	Prior to inclusion of acquisitions closed during 1Q11	
<ul style="list-style-type: none"> ▪ Total ADP 			
<ul style="list-style-type: none"> ▪ Revenues 	↑ 7% - ↑ 8%	↑ 3% - ↑ 5%	↑ 1% - ↑ 3%
<ul style="list-style-type: none"> ▪ Diluted EPS from Continuing Operations 	↑ 3% - ↑ 5% <small>compared to \$2.37 FY10, which excludes favorable income tax settlements</small>	↑ 3% - ↑ 5% <small>compared to \$2.37 FY10, which excludes favorable income tax settlements</small>	↑ 1% - ↑ 3% <small>compared to \$2.37 FY10, which excludes favorable income tax settlements</small>
<ul style="list-style-type: none"> ▪ Reportable Segments 			
<ul style="list-style-type: none"> ▪ Employer Services (ES) 			
<ul style="list-style-type: none"> ▪ Revenues 	↑ ~5%	↑ ~4%	↑ 1% - ↑ 3%
<ul style="list-style-type: none"> ▪ Pretax Margin 	↑ up to 50 basis points	↑ up to 50 basis points	↑ up to 50 basis points
<ul style="list-style-type: none"> ▪ Pays per control 	↑ at least 1.0%	↑ at least 1.0%	flat to ↑ 0.5%
<ul style="list-style-type: none"> ▪ Client revenue retention 	↑ ~0.5 percentage points	↑ ~0.5 percentage points	flat to ↑ 0.4 percentage points
<ul style="list-style-type: none"> ▪ PEO Services 			
<ul style="list-style-type: none"> ▪ Revenues 	↑ 13% - ↑ 15%	↑ 13% - ↑ 15%	low double-digit growth
<ul style="list-style-type: none"> ▪ Pretax Margin 	↓ due to increased benefits pass through revenues	↓ due to increased benefits pass through revenues	↓ due to increased benefits pass through revenues
<ul style="list-style-type: none"> ▪ ES & PEO New Business Sales, Worldwide 	high single-digit growth	high single-digit growth	high single-digit growth
<ul style="list-style-type: none"> ▪ Dealer Services 			
<ul style="list-style-type: none"> ▪ Revenues 	↑ over 20%	↑ up to 2%	flat to slightly up
<ul style="list-style-type: none"> ▪ Pretax Margin 	↓ up to 200 basis points	slight improvement	flat to slightly up

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