

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 31, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From to

Commission File Number 1-5397

**AUTOMATIC DATA PROCESSING, INC.**  
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

22-1467904

(IRS Employer Identification No.)

One ADP Boulevard

Roseland, NJ

(Address of principal executive offices)

07068

(Zip Code)

Registrant's telephone number, including area code: (973) 974-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.10 Par Value (voting)	ADP	NASDAQ Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of January 27, 2025 was 406,870,893.

## Table of Contents

	<u>Page</u>
<u>PART I – FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements (Unaudited)</u>
	<u>Statements of Consolidated Earnings</u> <span style="float: right;"><u>3</u></span>
	<u>Three and six months ended December 31, 2024 and 2023</u>
	<u>Statements of Consolidated Comprehensive Income</u> <span style="float: right;"><u>4</u></span>
	<u>Three and six months ended December 31, 2024 and 2023</u>
	<u>Consolidated Balance Sheets</u> <span style="float: right;"><u>5</u></span>
	<u>At December 31, 2024 and June 30, 2024</u>
	<u>Statements of Consolidated Cash Flows</u> <span style="float: right;"><u>6</u></span>
	<u>Six months ended December 31, 2024 and 2023</u>
	<u>Notes to the Consolidated Financial Statements</u> <span style="float: right;"><u>7</u></span>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> <span style="float: right;"><u>25</u></span>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> <span style="float: right;"><u>40</u></span>
<u>Item 4.</u>	<u>Controls and Procedures</u> <span style="float: right;"><u>40</u></span>
<u>PART II – OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u> <span style="float: right;"><u>40</u></span>
<u>Item 1A.</u>	<u>Risk Factors</u> <span style="float: right;"><u>41</u></span>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> <span style="float: right;"><u>41</u></span>
<u>Item 5.</u>	<u>Other Information</u> <span style="float: right;"><u>41</u></span>
<u>Item 6.</u>	<u>Exhibits</u> <span style="float: right;"><u>42</u></span>
	<u>Signatures</u> <span style="float: right;"><u>43</u></span>

**Part I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Automatic Data Processing, Inc. and Subsidiaries**  
**Statements of Consolidated Earnings**  
(In millions, except per share amounts)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
<b>REVENUES:</b>				
Revenues, other than interest on funds held for clients and PEO revenues	\$ 3,114.8	\$ 2,898.6	\$ 6,122.0	\$ 5,741.4
Interest on funds held for clients	272.8	225.3	526.1	427.1
PEO revenues (A)	1,660.8	1,544.1	3,233.0	3,011.8
<b>TOTAL REVENUES</b>	<b>5,048.4</b>	<b>4,668.0</b>	<b>9,881.1</b>	<b>9,180.3</b>
<b>EXPENSES:</b>				
<b>Costs of revenues:</b>				
Operating expenses	2,376.1	2,213.3	4,661.9	4,370.9
Research and development	239.5	228.7	472.1	465.1
Depreciation and amortization	126.9	119.6	242.2	240.9
<b>TOTAL COSTS OF REVENUES</b>	<b>2,742.5</b>	<b>2,561.6</b>	<b>5,376.2</b>	<b>5,076.9</b>
Selling, general, and administrative expenses	1,006.1	922.5	1,932.8	1,802.8
Interest expense	129.6	104.9	267.4	196.5
<b>TOTAL EXPENSES</b>	<b>3,878.2</b>	<b>3,589.0</b>	<b>7,576.4</b>	<b>7,076.2</b>
Other (income)/expense, net	(91.1)	(64.8)	(192.8)	(132.5)
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>1,261.3</b>	<b>1,143.8</b>	<b>2,497.5</b>	<b>2,236.6</b>
Provision for income taxes	298.1	265.4	578.0	498.8
<b>NET EARNINGS</b>	<b>\$ 963.2</b>	<b>\$ 878.4</b>	<b>\$ 1,919.5</b>	<b>\$ 1,737.8</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 2.36</b>	<b>\$ 2.14</b>	<b>\$ 4.71</b>	<b>\$ 4.22</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 2.35</b>	<b>\$ 2.13</b>	<b>\$ 4.69</b>	<b>\$ 4.20</b>
Basic weighted average shares outstanding	407.6	411.1	407.7	411.4
Diluted weighted average shares outstanding	409.0	412.5	409.3	414.0

(A) Professional Employer Organization ("PEO") revenues are net of direct pass-through costs, primarily consisting of payroll wages and payroll taxes of \$19,420.8 million and \$18,379.2 million for the three months ended December 31, 2024 and 2023, respectively, and \$36,614.4 million and \$34,373.8 million for the six months ended December 31, 2024 and 2023, respectively.

See notes to the Consolidated Financial Statements.

**Automatic Data Processing, Inc. and Subsidiaries**  
**Statements of Consolidated Comprehensive Income**  
(In millions)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Net earnings	\$ 963.2	\$ 878.4	\$ 1,919.5	\$ 1,737.8
Other comprehensive income/(losses):				
Currency translation adjustments	(101.0)	53.9	(51.8)	9.3
Unrealized net (losses)/gains on available-for-sale securities	(423.8)	860.5	440.5	709.9
Tax effect	94.2	(194.9)	(103.6)	(164.8)
Reclassification of realized net losses on available-for-sale securities to net earnings	0.6	2.0	0.8	4.0
Tax effect	(0.1)	(0.5)	(0.1)	(1.0)
Unrealized loss on cash flow hedging activities	—	—	(12.5)	—
Tax effect	—	—	3.1	—
Amortization of unrealized losses on cash flow hedging activities	1.4	1.1	2.5	2.2
Tax effect	(0.3)	(0.2)	(0.6)	(0.5)
Reclassification of pension liability adjustment to net earnings	0.7	0.9	1.8	1.9
Tax effect	(0.2)	(0.2)	(0.5)	(0.4)
Other comprehensive (loss)/income, net of tax	(428.5)	722.6	279.6	560.6
Comprehensive income	\$ 534.7	\$ 1,601.0	\$ 2,199.1	\$ 2,298.4

See notes to the Consolidated Financial Statements.

## Automatic Data Processing, Inc. and Subsidiaries

## Consolidated Balance Sheets

(In millions, except per share amounts)

(Unaudited)

	December 31, 2024	June 30, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,216.4	\$ 2,913.4
Accounts receivable, net of allowance for doubtful accounts of \$ 50.3 and \$52.2, respectively	3,503.5	3,428.2
Other current assets	1,126.8	1,204.8
Total current assets before funds held for clients	6,846.7	7,546.4
Funds held for clients	47,407.7	37,996.1
Total current assets	54,254.4	45,542.5
Long-term receivables, net of allowance for doubtful accounts of \$ 0.2 and \$0.1, respectively	5.9	7.3
Property, plant and equipment, net	682.2	685.6
Operating lease right-of-use asset	342.9	370.6
Deferred contract costs	2,936.4	2,965.0
Other assets	951.9	1,102.1
Goodwill	3,183.9	2,353.6
Intangible assets, net	1,739.1	1,336.0
Total assets	\$ 64,096.7	\$ 54,362.7
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 186.4	\$ 100.6
Accrued expenses and other current liabilities	3,088.7	3,349.0
Accrued payroll and payroll-related expenses	682.6	958.7
Dividends payable	621.6	566.4
Short-term deferred revenues	236.7	199.8
Obligations under reverse repurchase agreements (A)	—	385.4
Short-term debt	1,000.5	1.1
Income taxes payable	4.4	15.1
Total current liabilities before client funds obligations	5,820.9	5,576.1
Client funds obligations	48,482.2	39,503.9
Total current liabilities	54,303.1	45,080.0
Long-term debt	2,982.0	2,991.3
Operating lease liabilities	300.3	328.6
Other liabilities	999.3	990.8
Deferred income taxes	90.8	64.3
Long-term deferred revenues	343.1	360.1
Total liabilities	59,018.6	49,815.1
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, \$1.00 par value: authorized, 0.3 shares; issued, none	—	—
Common stock, \$0.10 par value: authorized, 1,000.0 shares; issued, 638.7 shares at December 31, 2024 and June 30, 2024; outstanding, 406.9 and 408.1 shares at December 31, 2024 and June 30, 2024, respectively	63.9	63.9
Capital in excess of par value	2,619.6	2,406.9
Retained earnings	24,335.6	23,622.2
Treasury stock - at cost: 231.8 and 230.6 shares at December 31, 2024 and June 30, 2024, respectively	(20,412.3)	(19,737.1)
Accumulated other comprehensive (loss)/ income	(1,528.7)	(1,808.3)
Total stockholders' equity	5,078.1	4,547.6
Total liabilities and stockholders' equity	\$ 64,096.7	\$ 54,362.7

(A) As of June 30, 2024, \$384.0 million of short-term marketable securities and \$1.4 million of cash and cash equivalents have been pledged as collateral under the Company's reverse repurchase agreements (see Note 10).



**Automatic Data Processing, Inc. and Subsidiaries**

**Statements of Consolidated Cash Flows**

(In millions)

(Unaudited)

	Six Months Ended	
	December 31,	
	2024	2023
<b>Cash Flows from Operating Activities:</b>		
Net earnings	\$ 1,919.5	\$ 1,737.8
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Depreciation and amortization	289.7	281.6
Amortization of deferred contract costs	565.9	526.7
Deferred income taxes	32.5	22.5
Stock-based compensation expense	139.7	132.4
Bad debt expense	23.1	24.5
Net pension income	(9.8)	(11.6)
Net accretion of discounts and amortization of premiums on available-for-sale securities	(31.5)	(17.4)
Other	4.7	(7.6)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(94.7)	(382.3)
Increase in deferred contract costs	(565.3)	(538.0)
Increase in other assets	(271.0)	(313.6)
Increase/(Decrease) in accounts payable	82.4	(19.0)
Decrease in accrued expenses and other liabilities	(110.5)	(77.1)
Net cash flows provided by operating activities	1,974.7	1,358.9
<b>Cash Flows from Investing Activities:</b>		
Purchases of corporate and client funds marketable securities	(3,990.7)	(1,305.5)
Proceeds from the sales and maturities of corporate and client funds marketable securities	2,524.1	1,503.2
Capital expenditures	(98.2)	(94.1)
Additions to intangibles	(175.7)	(165.7)
Acquisitions of businesses, net of cash acquired	(1,160.6)	(33.6)
Proceeds from sale of property, plant, and equipment and other assets	3.3	26.4
Other	(4.5)	(8.5)
Net cash flows used in investing activities	(2,902.3)	(77.8)
<b>Cash Flows from Financing Activities:</b>		
Net increase in client funds obligations	9,090.4	5,421.9
Net cash distributed from the Internal Revenue Service	(487.6)	—
Payments of debt	(0.6)	(0.5)
Proceeds from the issuance of debt	988.9	—
Settlement of cash flow hedges	(12.5)	—
Repurchases of common stock	(644.9)	(504.7)
Net proceeds from stock purchase plan and stock-based compensation plans	38.6	(17.5)
Dividends paid	(1,145.1)	(1,032.1)
Net proceeds related to reverse repurchase agreements	(344.7)	(51.0)
Net cash flows provided by financing activities	7,482.5	3,816.1
Effect of exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents	(36.7)	10.6
Net change in cash, cash equivalents, restricted cash, and restricted cash equivalents	6,518.2	5,107.8
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	10,086.0	8,771.5
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	\$ 16,604.2	\$ 13,879.3
<b>Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents to the Consolidated Balance Sheets</b>		
Cash and cash equivalents	2,216.4	1,641.3
Restricted cash and restricted cash equivalents included in funds held for clients (A)	14,387.8	12,238.0
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	\$ 16,604.2	\$ 13,879.3
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 249.5	\$ 192.8
Cash paid for income taxes, net of income tax refunds	\$ 583.5	\$ 590.4

(A) See Note 7 for a reconciliation of restricted cash and restricted cash equivalents in funds held for clients on the Consolidated Balance Sheets.



See notes to the Consolidated Financial Statements.

**Automatic Data Processing, Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
(Tabular dollars in millions, except per share amounts or where otherwise stated)  
(Unaudited)

**Note 1. Basis of Presentation**

The accompanying Consolidated Financial Statements and footnotes thereto of Automatic Data Processing, Inc., its subsidiaries and variable interest entity ("ADP" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Consolidated Financial Statements and footnotes thereto are unaudited. In the opinion of the Company's management, the Consolidated Financial Statements reflect all adjustments, which are of a normal recurring nature, that are necessary for a fair presentation of the Company's interim financial results.

The Company has a grantor trust, which holds the majority of the funds provided by its clients pending remittance to employees of those clients, tax authorities, and other payees. The Company is the sole beneficial owner of the trust. The trust meets the criteria in Accounting Standards Codification ("ASC") 810, "Consolidation" to be characterized as a variable interest entity ("VIE"). The Company has determined that it has a controlling financial interest in the trust because it has both (1) the power to direct the activities that most significantly impact the economic performance of the trust (including the power to make all investment decisions for the trust) and (2) the right to receive benefits that could potentially be significant to the trust (in the form of investment returns) and, therefore, consolidates the trust. Further information on these funds and the Company's obligations to remit to its clients' employees, tax authorities, and other payees is provided in Note 7, "Corporate Investments and Funds Held for Clients."

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the assets, liabilities, revenue, expenses, and accumulated other comprehensive income that are reported in the Consolidated Financial Statements and footnotes thereto. Actual results may differ from those estimates. Interim financial results are not necessarily indicative of financial results for a full year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024 ("fiscal 2024"). Certain amounts from the prior year's financial statements have been reclassified in order to conform to the current year's presentation.

**Note 2. New Accounting Pronouncements**

*Recently Adopted Accounting Pronouncements*

None.

*Recently Issued Accounting Pronouncements*

Standard	Description	Effective Date	Effect on Financial Statements or Other Significant Matters
ASU 2024-03 Disaggregation of Income Statement Expenses (Subtopic 220-40)	This update improves financial reporting by requiring enhanced disclosures of the expense captions in the Income Statement within the Notes to the financial statements.	June 30, 2028 (Fiscal 2028)	The Company is assessing this guidance. The adoption will modify disclosures but will not have an impact on the Company's consolidated results of operations, financial condition, and cash flows.
ASU 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures	This update enhances the transparency and decision usefulness of income tax disclosures to better assess how an entity's operations and related tax risks, tax planning and operational opportunities affect its tax rate and prospects for future cash flows.	June 30, 2026 (Fiscal 2026)	The Company is assessing this guidance. The adoption will modify disclosures but will not have an impact on the Company's consolidated results of operations, financial condition, and cash flows.
ASU 2023-07 Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures	This update improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and certain quantitative disclosures.	June 30, 2025 (Fiscal 2025)	The Company is assessing this guidance. The adoption will modify disclosures but will not have an impact on the Company's consolidated results of operations, financial condition, and cash flows.

### Note 3. Revenue

Based upon similar operational and economic characteristics, the Company's revenues are disaggregated by its three business pillars: Human Capital Management ("HCM"), HR Outsourcing ("HRO"), and Global Solutions ("Global"), with separate disaggregation for PEO zero-margin benefits pass-through revenues and client funds interest revenues. The Company believes these revenue categories depict how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors.

The following tables provide details of revenue by our business pillars, and include a reconciliation to the Company's reportable segments:

Types of Revenues	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
HCM	\$ 2,131.9	\$ 1,975.2	\$ 4,157.3	\$ 3,889.4
HRO, excluding PEO zero-margin benefits pass-throughs	943.2	888.7	1,808.4	1,700.4
PEO zero-margin benefits pass-throughs	1,055.2	970.7	2,104.4	1,947.5
Global	645.3	608.1	1,284.9	1,215.9
Interest on funds held for clients	272.8	225.3	526.1	427.1
Total Revenues	<u>\$ 5,048.4</u>	<u>\$ 4,668.0</u>	<u>\$ 9,881.1</u>	<u>\$ 9,180.3</u>

Reconciliation of disaggregated revenue to our reportable segments for the three months ended December 31, 2024:

Types of Revenues	Employer Services	PEO	Other	Total
HCM	\$ 2,134.4	\$ —	\$ (2.5)	\$ 2,131.9
HRO, excluding PEO zero-margin benefits pass-throughs	338.5	605.6	(0.9)	943.2
PEO zero-margin benefits pass-throughs	—	1,055.2	—	1,055.2
Global	645.3	—	—	645.3
Interest on funds held for clients	270.3	2.5	—	272.8
Total Segment Revenues	<u>\$ 3,388.5</u>	<u>\$ 1,663.3</u>	<u>\$ (3.4)</u>	<u>\$ 5,048.4</u>

Reconciliation of disaggregated revenue to our reportable segments for the three months ended December 31, 2023:

Types of Revenues	Employer Services	PEO	Other	Total
HCM	\$ 1,977.4	\$ —	\$ (2.2)	\$ 1,975.2
HRO, excluding PEO zero-margin benefits pass-throughs	316.4	573.4	(1.1)	888.7
PEO zero-margin benefits pass-throughs	—	970.7	—	970.7
Global	608.1	—	—	608.1
Interest on funds held for clients	223.3	2.0	—	225.3
Total Segment Revenues	<u>\$ 3,125.2</u>	<u>\$ 1,546.1</u>	<u>\$ (3.3)</u>	<u>\$ 4,668.0</u>

Reconciliation of disaggregated revenue to our reportable segments for the six months ended December 31, 2024:

Types of Revenues	Employer Services	PEO	Other	Total
HCM	\$ 4,162.0	\$ —	\$ (4.7)	\$ 4,157.3
HRO, excluding PEO zero-margin benefits pass-throughs	681.3	1,128.6	(1.5)	1,808.4
PEO zero-margin benefits pass-throughs	—	2,104.4	—	2,104.4
Global	1,284.9	—	—	1,284.9
Interest on funds held for clients	521.3	4.8	—	526.1
Total Segment Revenues	<u>\$ 6,649.5</u>	<u>\$ 3,237.8</u>	<u>\$ (6.2)</u>	<u>\$ 9,881.1</u>

Reconciliation of disaggregated revenue to our reportable segments for the six months ended December 31, 2023:

Types of Revenues	Employer Services	PEO	Other	Total
HCM	\$ 3,894.0	\$ —	\$ (4.6)	\$ 3,889.4
HRO, excluding PEO zero-margin benefits pass-throughs	638.5	1,064.3	(2.4)	1,700.4
PEO zero-margin benefits pass-throughs	—	1,947.5	—	1,947.5
Global	1,215.9	—	—	1,215.9
Interest on funds held for clients	423.2	3.9	—	427.1
Total Segment Revenues	<u>\$ 6,171.6</u>	<u>\$ 3,015.7</u>	<u>\$ (7.0)</u>	<u>\$ 9,180.3</u>

#### Contract Balances

The timing of revenue recognition for HCM, HRO and Global is consistent with the invoicing of clients, as invoicing occurs in the period the services are provided. Therefore, the Company does not recognize a contract asset or liability resulting from the timing of revenue recognition and invoicing.

Changes in deferred revenues related to set up fees for the six months ended December 31, 2024 were as follows:

#### Contract Liability

Contract liability, July 1, 2024	\$ 491.6
Recognition of revenue included in beginning of year contract liability	(69.9)
Contract liability, net of revenue recognized on contracts during the period	60.9
Currency translation adjustments	(10.8)
Contract liability, December 31, 2024	<u>\$ 471.8</u>

#### Note 4. Acquisition

In October 2024, the Company acquired WorkForce Software, a premier workforce management solutions provider that specializes in supporting large, global enterprises, utilizing cash on hand. The results of WorkForce Software will be reported within the Company's Employer Services segment. Pro forma information has not been presented because the effect of the acquisition is not material to the Company's consolidated financial results.

The following table reconciles the purchase price to the cash paid for the acquisition, net of cash acquired:

Purchase price	\$ 1,173.1
Less: cash acquired	(12.5)
Cash paid for acquisition of business, net of cash acquired	<u>\$ 1,160.6</u>

The preliminary allocation of the purchase price is based upon estimates and assumptions that are subject to change within the measurement period, which is one year from the acquisition date. The primary areas of the purchase price allocation that are not yet finalized relate to the measurement of certain assets and liabilities, including identifiable intangible assets, and the finalization of net working capital items included in the purchase price allocation. Accordingly, the measurement period for such purchase price allocations will end when the information becomes available but will not exceed twelve months from the date of acquisition.

The acquisition was accounted for using the acquisition method of accounting. The Company recognized assets acquired and liabilities assumed at their fair value as of the date of acquisition, with the excess recorded to goodwill. The preliminary purchase price allocation for WorkForce Software is as follows:

Cash	\$	12.5
Accounts receivable, net of allowance for doubtful accounts		20.0
Identifiable intangible assets (1)		417.0
Goodwill		846.4
All other assets		21.9
Total assets acquired	\$	1,317.8
Deferred revenue	\$	39.6
Deferred income taxes		46.6
All other liabilities		58.5
Total liabilities assumed	\$	144.7
Total net assets acquired	\$	1,173.1

(1) Intangible assets are recorded at estimated fair value, as determined by management based on available information which includes an estimated valuation by an independent third-party. The fair values assigned to identifiable intangible assets were determined through the use of the income approach, specifically the relief from royalty and the multi-period excess earnings methods. The major assumptions used in arriving at the estimated identifiable intangible asset values included management's estimates of future cash flows, discounted at an appropriate rate of return which are based on the weighted average cost of capital for both the Company and other market participants, projected customer attrition rates, as well as applicable royalty rates for comparable assets. The useful lives for intangible assets were determined based upon the remaining useful economic lives of the intangible assets that are expected to contribute directly or indirectly to the future cash flows. The estimated fair value of intangible assets and related useful lives as included in the estimated purchase price allocation include:

	Estimated Fair Value	Estimated Useful Life (in years)
Technology	\$ 200.0	7
Customer/Partner relationships	\$ 210.0	8
Tradename	\$ 7.0	4

The goodwill recorded as a result of the WorkForce Software transaction represents future economic benefits the Company expects to achieve as a result of the acquisition, including expected synergies along with the value of the assembled workforce. None of the goodwill resulting from the acquisition is tax deductible.

**Note 5. Earnings per Share ("EPS")**

	Basic	Effect of Employee Stock Option Shares	Effect of Employee Restricted Stock Shares	Diluted
<b>Three Months Ended December 31, 2024</b>				
Net earnings	\$ 963.2			\$ 963.2
Weighted average shares (in millions)	407.6	0.6	0.8	409.0
EPS	\$ 2.36			\$ 2.35
<b>Three Months Ended December 31, 2023</b>				
Net earnings	\$ 878.4			\$ 878.4
Weighted average shares (in millions)	411.1	0.8	0.6	412.5
EPS	\$ 2.14			\$ 2.13
<b>Six Months Ended December 31, 2024</b>				
Net earnings	\$ 1,919.5			\$ 1,919.5
Weighted average shares (in millions)	407.7	0.7	0.9	409.3
EPS	\$ 4.71			\$ 4.69
<b>Six Months Ended December 31, 2023</b>				
Net earnings	\$ 1,737.8			\$ 1,737.8
Weighted average shares (in millions)	411.4	0.9	1.7	414.0
EPS	\$ 4.22			\$ 4.20

For the three and six months ended December 31, 2024, there were no stock options excluded from the calculation of diluted earnings per share due to anti-dilution. For the three months ended December 31, 2023, there were 0.1 million stock options excluded from the calculation of diluted earnings per share due to anti-dilution. For the six months ended December 31, 2023, there were no stock options excluded from the calculation of diluted earnings per share due to anti-dilution.

**Note 6. Other (Income)/Expense, Net**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Interest income on corporate funds	\$ (83.9)	\$ (56.9)	\$ (175.5)	\$ (103.4)
Realized losses on available-for-sale securities, net	0.6	2.0	0.8	4.0
Gain on sale of assets	—	(1.4)	(2.4)	(16.0)
Non-service components of pension income, net (see Note 12)	(7.8)	(8.5)	(15.7)	(17.1)
Other (income)/expense, net	\$ (91.1)	\$ (64.8)	\$ (192.8)	\$ (132.5)

## Note 7. Corporate Investments and Funds Held for Clients

Corporate investments and funds held for clients at December 31, 2024 and June 30, 2024 were as follows:

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value (A)
Type of issue:				
Money market securities, cash and other cash equivalents	\$ 16,604.2	\$ —	\$ —	\$ 16,604.2
Available-for-sale securities:				
Corporate bonds	17,699.9	17.1	(708.7)	17,008.3
U.S. Treasury securities	8,167.5	17.7	(99.0)	8,086.2
Canadian government obligations and Canadian government agency obligations	2,183.3	12.3	(51.7)	2,143.9
U.S. government agency securities	1,602.7	0.2	(118.1)	1,484.8
Asset-backed securities	1,600.5	8.3	(28.3)	1,580.5
Canadian provincial bonds	1,108.5	8.4	(42.6)	1,074.3
Commercial mortgage-backed securities	481.4	—	(28.4)	453.0
Other securities	1,250.6	2.1	(63.8)	1,188.9
Total available-for-sale securities	34,094.4	66.1	(1,140.6)	33,019.9
Total corporate investments and funds held for clients	\$ 50,698.6	\$ 66.1	\$ (1,140.6)	\$ 49,624.1

(A) Included within available-for-sale securities are funds held for clients with fair value of \$ 33,019.9 million. There are no corporate investments included within available-for-sale securities at December 31, 2024. All available-for-sale securities were included in Level 2 of the fair value hierarchy.

	June 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value (B)
Type of issue:				
Money market securities, cash and other cash equivalents	\$ 10,086.0	\$ —	\$ —	\$ 10,086.0
Available-for-sale securities:				
Corporate bonds	16,833.3	11.5	(944.8)	15,900.0
U.S. Treasury securities	7,701.2	9.0	(164.5)	7,545.7
Canadian government obligations and Canadian government agency obligations	2,130.7	1.7	(86.6)	2,045.8
U.S. government agency securities	1,645.0	0.5	(140.6)	1,504.9
Asset-backed securities	1,394.9	3.9	(43.0)	1,355.8
Canadian provincial bonds	1,116.3	2.3	(56.2)	1,062.4
Commercial mortgage-backed securities	535.9	—	(35.1)	500.8
Other securities	1,366.0	2.0	(75.9)	1,292.1
Total available-for-sale securities	32,723.3	30.9	(1,546.7)	31,207.5
Total corporate investments and funds held for clients	\$ 42,809.3	\$ 30.9	\$ (1,546.7)	\$ 41,293.5

(B) Included within available-for-sale securities are corporate investments with fair values of \$ 384.0 million and funds held for clients with fair values of \$30,823.5 million. All available-for-sale securities were included in Level 2 of the fair value hierarchy.

For a description of the fair value hierarchy and the Company's fair value methodologies, including the use of an independent third-party pricing service, see Note 1 "Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for fiscal 2024. The Company concurred with and did not adjust the prices obtained from the independent pricing service. The Company had no available-for-sale securities included in Level 1 or Level 3 at December 31, 2024.

The unrealized losses and fair values of available-for-sale securities that have been in an unrealized loss position for a period of less than and greater than 12 months as of December 31, 2024, are as follows:

	December 31, 2024					
	Securities in Unrealized Loss Position Less Than 12 Months		Securities in Unrealized Loss Position Greater Than 12 Months		Total	
	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses	Fair Market Value
Corporate bonds	\$ (51.8)	\$ 3,389.6	\$ (656.9)	\$ 11,809.9	\$ (708.7)	\$ 15,199.5
U.S. Treasury securities	(20.3)	2,677.3	(78.7)	2,754.4	(99.0)	5,431.7
Canadian government obligations and Canadian government agency obligations	(0.7)	266.8	(51.0)	1,311.2	(51.7)	1,578.0
U.S. government agency securities	(1.9)	113.0	(116.2)	1,346.8	(118.1)	1,459.8
Asset-backed securities	(3.0)	271.4	(25.3)	601.4	(28.3)	872.8
Canadian provincial bonds	(3.9)	166.5	(38.7)	612.7	(42.6)	779.2
Commercial mortgage-backed securities	(0.4)	25.5	(28.0)	427.6	(28.4)	453.1
Other securities	(3.9)	325.9	(59.9)	714.3	(63.8)	1,040.2
	<u>\$ (85.9)</u>	<u>\$ 7,236.0</u>	<u>\$ (1,054.7)</u>	<u>\$ 19,578.3</u>	<u>\$ (1,140.6)</u>	<u>\$ 26,814.3</u>

The unrealized losses and fair values of available-for-sale securities that have been in an unrealized loss position for a period of less than and greater than 12 months as of June 30, 2024, are as follows:

	June 30, 2024					
	Securities in Unrealized Loss Position Less Than 12 Months		Securities in Unrealized Loss Position Greater Than 12 Months		Total	
	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses	Fair Market Value
Corporate bonds	\$ (25.8)	\$ 2,173.6	\$ (919.0)	\$ 12,413.4	\$ (944.8)	\$ 14,587.0
U.S. Treasury securities	(23.1)	2,186.2	(141.4)	4,076.9	(164.5)	6,263.1
Canadian government obligations and Canadian government agency obligations	(0.9)	304.6	(85.7)	1,591.6	(86.6)	1,896.2
U.S. government agency securities	(0.7)	51.5	(139.9)	1,428.2	(140.6)	1,479.7
Asset-backed securities	(2.3)	351.4	(40.7)	668.0	(43.0)	1,019.4
Canadian provincial bonds	(1.3)	193.0	(54.9)	717.4	(56.2)	910.4
Commercial mortgage-backed securities	(0.5)	11.2	(34.6)	489.6	(35.1)	500.8
Other securities	(12.2)	288.5	(63.7)	864.8	(75.9)	1,153.3
	<u>\$ (66.8)</u>	<u>\$ 5,560.0</u>	<u>\$ (1,479.9)</u>	<u>\$ 22,249.9</u>	<u>\$ (1,546.7)</u>	<u>\$ 27,809.9</u>

At December 31, 2024, corporate bonds include investment-grade debt securities with a wide variety of issuers, industries, and sectors, primarily carrying credit ratings of A and above, and have maturities ranging from January 2025 through September 2034.

At December 31, 2024, asset-backed securities include AAA-rated senior tranches of securities with predominantly prime collateral of fixed-rate auto loan, credit card, and equipment lease receivables with fair values of \$751.9 million, \$480.1 million, and \$167.5 million, respectively. These securities are collateralized by the cash flows of the underlying pools of



receivables. The primary risk associated with these securities is the collection risk of the underlying receivables. All collateral on such asset-backed securities has performed as expected through December 31, 2024.

At December 31, 2024, U.S. government agency securities primarily include debt directly issued by Federal Farm Credit Banks and Federal Home Loan Banks with fair values of \$960.2 million and \$480.0 million, respectively. U.S. government agency securities represent senior, unsecured, non-callable debt that primarily carry ratings of Aaa by Moody's, and AA+ by Standard & Poor's, with maturities ranging from February 2025 through August 2034.

At December 31, 2024, U.S. government agency commercial mortgage-backed securities of \$ 453.0 million include those issued by Federal Home Loan Mortgage Corporation and Federal National Mortgage Association.

At December 31, 2024, other securities primarily include municipal bonds, diversified with a variety of issuers, with credit ratings of A and above with fair values of \$523.7 million, AA-rated United Kingdom Gilt securities of \$ 293.9 million, and AAA-rated supranational bonds of \$ 213.0 million.

Classification of corporate investments on the Consolidated Balance Sheets is as follows:

	December 31, 2024	June 30, 2024
Corporate investments:		
Cash and cash equivalents	\$ 2,216.4	\$ 2,913.4
Short-term marketable securities (a)	—	384.0
Long-term marketable securities (b)	—	—
Total corporate investments	<u>\$ 2,216.4</u>	<u>\$ 3,297.4</u>

(a) - Short-term marketable securities are included within Other current assets on the Consolidated Balance Sheets.

(b) - Long-term marketable securities are included within Other assets on the Consolidated Balance Sheets.

Funds held for clients represent assets that, based upon the Company's intent, are restricted for use solely for the purposes of satisfying the obligations to remit funds relating to the Company's payroll and payroll tax filing services, which are classified as client funds obligations on our Consolidated Balance Sheets.

Funds held for clients have been invested in the following categories:

	December 31, 2024	June 30, 2024
Funds held for clients:		
Restricted cash and cash equivalents held to satisfy client funds obligations	\$ 14,387.8	\$ 7,172.6
Restricted short-term marketable securities held to satisfy client funds obligations	6,807.9	5,538.1
Restricted long-term marketable securities held to satisfy client funds obligations	26,212.0	25,285.4
Total funds held for clients	<u>\$ 47,407.7</u>	<u>\$ 37,996.1</u>

Client funds obligations represent the Company's contractual obligations to remit funds to satisfy clients' payroll, tax, and other payee payment obligations and are recorded on the Consolidated Balance Sheets at the time that the Company impounds funds from clients. The client funds obligations represent liabilities that will be repaid within one year of the balance sheet date. The Company has reported client funds obligations as a current liability on the Consolidated Balance Sheets totaling \$48,482.2 million and \$39,503.9 million at December 31, 2024 and June 30, 2024, respectively. The Company has classified funds held for clients as a current asset since these funds are held solely for the purpose of satisfying the client funds obligations. Of the Company's funds held for clients at December 31, 2024 and June 30, 2024, \$43,112.4 million and \$34,940.0 million, respectively, are held in the grantor trust. The liabilities held within the trust are intercompany liabilities to other Company subsidiaries and are eliminated in consolidation.

The Company has reported the cash flows related to the purchases of corporate and client funds marketable securities and related to the proceeds from the sales and maturities of corporate and client funds marketable securities on a gross basis in the investing section of the Statements of Consolidated Cash Flows. The Company has reported the cash and cash equivalents related to client funds investments with original maturities of ninety days or less, within the beginning and ending balances of cash, cash equivalents, restricted cash, and restricted cash equivalents. The Company has reported the cash flows related to the

cash received from and paid on behalf of clients on a net basis within net increase / (decrease) in client funds obligations in the financing activities section of the Statements of Consolidated Cash Flows.

All available-for-sale securities were rated as investment grade at December 31, 2024.

Expected maturities of available-for-sale securities at December 31, 2024 are as follows:

One year or less	\$	6,807.9
One year to two years		7,555.4
Two years to three years		4,061.8
Three years to four years		5,502.4
After four years		9,092.4
Total available-for-sale securities	\$	33,019.9

#### Note 8. Leases

The Company records leases on the Consolidated Balance Sheets as operating lease right-of-use ("ROU") assets, records the current portion of operating lease liabilities within accrued expenses and other current liabilities and, separately, records long-term operating lease liabilities. The difference between total ROU assets and total lease liabilities is primarily attributable to prepayments of our obligations and the recognition of various lease incentives.

The Company has entered into operating lease agreements for facilities and equipment. The Company's leases have remaining lease terms of up to approximately eleven years.

The components of operating lease expense were as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Operating lease cost	\$ 27.3	\$ 32.2	\$ 54.8	\$ 66.2
Short-term lease cost	0.2	0.4	0.5	0.9
Variable lease cost	4.6	4.8	11.2	8.0
Total operating lease cost	\$ 32.1	\$ 37.4	\$ 66.5	\$ 75.1

The following table provides supplemental cash flow information related to the Company's leases:

	Six Months Ended December 31,	
	2024	2023
Cash paid for operating lease liabilities	\$ 59.3	\$ 63.6
Operating lease ROU assets obtained in exchange for new operating lease liabilities	\$ 31.7	\$ 45.8

Other information related to our operating lease liabilities is as follows:

	December 31, 2024	June 30, 2024
Weighted-average remaining lease term (in years)	5	5
Weighted-average discount rate	3.4 %	3.3 %
Current operating lease liability	\$ 94.6	\$ 92.2

As of December 31, 2024, maturities of operating lease liabilities are as follows:

Six months ending June 30, 2025	\$	55.2
Twelve months ending June 30, 2026		100.1
Twelve months ending June 30, 2027		87.1
Twelve months ending June 30, 2028		66.6
Twelve months ending June 30, 2029		44.4
Thereafter		77.7
Total undiscounted lease obligations		431.1
Less: Imputed interest		(36.2)
Net lease obligations	\$	394.9

#### Note 9. Goodwill and Intangible Assets, net

Changes in goodwill for the six months ended December 31, 2024 are as follows:

	Employer Services	PEO Services	Total
Balance at June 30, 2024	\$ 2,348.8	\$ 4.8	\$ 2,353.6
Additions and other adjustments	846.4	—	846.4
Currency translation adjustments	(16.1)	—	(16.1)
Balance at December 31, 2024	\$ 3,179.1	\$ 4.8	\$ 3,183.9

Components of intangible assets, net, are as follows:

	December 31, 2024	June 30, 2024
Intangible assets:		
Software and software licenses	\$ 4,098.6	\$ 3,803.7
Customer contracts and lists	1,420.0	1,181.6
Other intangibles	249.3	242.0
	5,767.9	5,227.3
Less accumulated amortization:		
Software and software licenses	(2,743.5)	(2,642.6)
Customer contracts and lists	(1,042.9)	(1,007.6)
Other intangibles	(242.4)	(241.1)
	(4,028.8)	(3,891.3)
Intangible assets, net	\$ 1,739.1	\$ 1,336.0

Other intangibles consist primarily of purchased rights, trademarks and trade names (acquired directly or through acquisitions). All intangible assets have finite lives and, as such, are subject to amortization. The weighted average remaining useful life of the intangible assets is 6 years (6 years for software and software licenses, 5 years for customer contracts and lists, and 4 years for other intangibles). Amortization of intangible assets was \$ 100.7 million and \$94.5 million for the three months ended December 31, 2024 and 2023, respectively, and \$189.7 million and \$190.2 million for the six months ended December 31, 2024 and 2023, respectively.

Estimated future amortization expenses of the Company's existing intangible assets are as follows:

	Amount	
Six months ending June 30, 2025	\$	253.2
Twelve months ending June 30, 2026	\$	362.3
Twelve months ending June 30, 2027	\$	262.5
Twelve months ending June 30, 2028	\$	220.6
Twelve months ending June 30, 2029	\$	190.1
Twelve months ending June 30, 2030	\$	148.8

#### Note 10. Short-term Financing

The Company has a \$4.55 billion, 364-day credit agreement that matures in June 2025 with a one year term-out option. The Company also has a \$2.25 billion, five year credit facility that matures in June 2028 that contains an accordion feature under which the aggregate commitment can be increased by \$500 million, subject to the availability of additional commitments. In addition, the Company also has a five year, \$3.5 billion credit facility maturing in June 2029 that contains an accordion feature under which the aggregate commitment can be increased by \$500 million, subject to the availability of additional commitments. The interest rate applicable to committed borrowings is tied to SOFR, the effective federal funds rate, or the prime rate depending on the notification provided by the Company to the syndicated financial institutions prior to borrowing. The Company is also required to pay facility fees on the credit agreements. The primary uses of the credit facilities are to provide liquidity to the commercial paper program and funding for general corporate purposes, if necessary. The Company had no borrowings through December 31, 2024 under the credit agreements.

The Company's U.S. short-term funding requirements related to client funds are sometimes obtained on an unsecured basis through the issuance of commercial paper, rather than liquidating previously-collected client funds that have already been invested in available-for-sale securities. This commercial paper program provides for the issuance of up to \$10.3 billion in aggregate maturity value. The Company's commercial paper program is rated A-1+ by Standard & Poor's, Prime-1 ("P-1") by Moody's and F1+ by Fitch. These ratings denote the highest quality commercial paper securities. Maturities of commercial paper can range from overnight to up to 364 days. At December 31, 2024 and June 30, 2024, the Company had no commercial paper borrowing outstanding. Details of the borrowings under the commercial paper program are as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Average daily borrowings (in billions)	\$ 4.5	\$ 3.9	\$ 4.7	\$ 4.0
Weighted average interest rates	4.8 %	5.4 %	5.1 %	5.3 %
Weighted average maturity (approximately in days)	2 days	2 days	2 days	2 days

The Company's U.S., Canadian and United Kingdom short-term funding requirements related to client funds obligations are sometimes obtained on a secured basis through the use of reverse repurchase agreements, which are collateralized principally by government and government agency securities, rather than liquidating previously-collected client funds that have already been invested in available-for-sale securities. These agreements generally have terms ranging from overnight to up to five business days. At December 31, 2024, the Company had no outstanding obligations related to reverse repurchase agreements. At June 30, 2024, the Company had \$385.4 million of outstanding obligations related to reverse repurchase agreements which were fully paid in early July 2024. The Company has \$7.3 billion available on a committed basis under the U.S. reverse repurchase agreements. Details of the reverse repurchase agreements are as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Average outstanding balances (in billions)	\$ 3.7	\$ 2.4	\$ 3.7	\$ 1.9
Weighted average interest rates	4.8 %	5.4 %	5.0 %	5.4 %

## Note 11. Debt

The Company issued four series of fixed-rate notes with staggered maturities of 7 and 10 years totaling \$4.0 billion (collectively the "Notes"). The Notes are senior unsecured obligations, and interest is payable in arrears, semi-annually.

During the first quarter ended September 30, 2024, the Company issued \$ 1.0 billion of senior notes due in 2034 bearing a fixed interest rate of 4.450%. In connection with the senior notes issuance, the Company terminated several derivative contracts in place to hedge exposure in changes in benchmark interest rates for the senior notes issued with an aggregate notional amount totaling \$1.0 billion (of which \$400.0 million were executed during the three months ended September 30, 2024 and \$600.0 million were executed on the day of issuance). Since these derivative contracts were classified as cash flow hedges, the unamortized loss of \$12.5 million was deferred in accumulated other comprehensive income and will be amortized to earnings over the life of the issued Notes as the interest payments are made.

The principal amounts and associated effective interest rates of the Notes and other debt as of December 31, 2024 and June 30, 2024, are as follows:

Debt instrument	Effective Interest Rate	December 31, 2024	June 30, 2024
Fixed-rate 3.375% notes due September 15, 2025	3.47%	\$ 1,000.0	\$ 1,000.0
Fixed-rate 1.700% notes due May 15, 2028	1.85%	1,000.0	1,000.0
Fixed-rate 1.250% notes due September 1, 2030	1.83%	1,000.0	1,000.0
Fixed-rate 4.450% notes due September 9, 2034	4.75%	1,000.0	—
Other		3.5	4.1
		4,003.5	3,004.1
Less: current portion		(1,000.5)	(1.1)
Less: unamortized discount and debt issuance costs		(21.0)	(11.7)
Total long-term debt		\$ 2,982.0	\$ 2,991.3

The effective interest rates for the Notes include the interest on the Notes and amortization of the discount and debt issuance costs.

As of December 31, 2024, the fair value of the Notes, based on Level 2 inputs, was \$ 3,688.6 million. For a description of the fair value hierarchy and the Company's fair value methodologies, including the use of an independent third-party pricing service, see Note 1 "Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for fiscal 2024.

## Note 12. Employee Benefit Plans

### A. Stock-based Compensation Plans

The Company's share-based compensation consists of stock options, time-based restricted stock, time-based restricted stock units, performance-based restricted stock, and performance-based restricted stock units. The Company also offers an employee stock purchase plan for eligible employees. Beginning in September 2022, the Company discontinued granting stock options, time-based restricted stock and performance-based restricted stock. Any such future awards will be grants of time-based restricted stock units and/or performance-based restricted stock units, depending on employee eligibility. Time-based restricted stock unit awards and performance-based restricted stock unit awards granted to employees with a home country of the United States are settled in stock, and for awards granted to employees with a home country outside the United States are generally settled in cash.

The Company currently utilizes treasury stock to satisfy stock option exercises, issuances under the Company's employee stock purchase plan, and restricted stock units. From time to time, the Company may repurchase shares of its common stock under its authorized share repurchase program. The Company repurchased 0.9 million and 1.1 million shares in the three months ended December 31, 2024 and 2023, respectively, and repurchased 2.4 million and 2.1 million shares in the six months ended December 31, 2024 and 2023. The Company considers several factors in determining when to execute share repurchases, including, among other things, actual and potential acquisition activity, cash balances and cash flows, issuances due to employee benefit plan activity, and market conditions.

The following table represents pre-tax stock-based compensation expense for the three and six months ended December 31, 2024 and 2023, respectively:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Operating expenses	\$ 9.2	\$ 7.4	\$ 18.3	\$ 14.8
Selling, general and administrative expenses	59.6	57.6	101.9	100.4
Research and development	10.3	8.6	19.5	17.2
Total stock-based compensation expense	<u>\$ 79.1</u>	<u>\$ 73.6</u>	<u>\$ 139.7</u>	<u>\$ 132.4</u>

## B. Pension Plans

The components of net pension income were as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Service cost – benefits earned during the period	\$ 1.5	\$ 1.3	\$ 3.0	\$ 2.6
Interest cost on projected benefits	21.9	21.1	43.7	42.3
Expected return on plan assets	(29.0)	(29.0)	(58.0)	(58.0)
Net amortization and deferral	0.7	0.8	1.5	1.5
Net pension income	<u>\$ (4.9)</u>	<u>\$ (5.8)</u>	<u>\$ (9.8)</u>	<u>\$ (11.6)</u>

## Note 13. Income Taxes

The effective tax rate for the three months ended December 31, 2024 and 2023 was 23.6% and 23.2%, respectively. The increase in the effective tax rate is primarily due to a benefit for adjustments to prior year tax liabilities in the three months ended December 31, 2023, partially offset by a higher excess tax benefit on stock-based compensation in the three months ended December 31, 2024.

The effective tax rate for the six months ended December 31, 2024 and 2023 was 23.1% and 22.3%, respectively. The increase in the effective tax rate is primarily due to a benefit for adjustments to prior year tax liabilities, lower reserves for uncertain tax positions and a valuation allowance release in the six months ended December 31, 2023.

## Note 14. Commitments and Contingencies

In May 2020, a putative class action complaint was filed against ADP, TotalSource and related defendants in the U.S. District Court, District of New Jersey. The complaint asserts violations of the Employee Retirement Income Security Act of 1974 ("ERISA") in connection with the ADP TotalSource Retirement Savings Plan's fiduciary administrative and investment decision-making. The complaint seeks statutory and other unspecified monetary damages, injunctive relief and attorney's fees. The Company is unable to estimate any reasonably possible loss, or range of loss, with respect to this matter. The Company is vigorously defending against this lawsuit.

The Company is subject to various claims, litigation, and regulatory compliance matters in the normal course of business. When a loss is considered probable and reasonably estimable, the Company records a liability in the amount of its best estimate for the ultimate loss. Management currently believes that the resolution of these claims, litigation and regulatory compliance matters against us, individually or in the aggregate, will not have a material adverse impact on our consolidated results of operations, financial condition or cash flows. These matters are subject to inherent uncertainties and management's view of these matters may change in the future.

It is not the Company's business practice to enter into off-balance sheet arrangements. In the normal course of business, the Company may enter into contracts in which it makes representations and warranties that relate to the performance of the Company's services and products. The Company does not expect any material losses related to such representations and warranties.

## Note 15. Stockholders' Equity

Changes in stockholders' equity by component are as follows:

Three Months Ended December 31, 2024						
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	AOCI	Total
Balance at September 30, 2024	\$ 63.9	\$ 2,528.6	\$ 24,001.2	\$ (20,144.9)	\$ (1,100.2)	\$ 5,348.6
Net earnings	—	—	963.2	—	—	963.2
Other comprehensive income	—	—	—	—	(428.5)	(428.5)
Stock-based compensation expense	—	70.2	—	—	—	70.2
Issuances relating to stock compensation plans	—	20.8	—	6.5	—	27.3
Treasury stock acquired (0.9 million shares repurchased)	—	—	—	(273.9)	—	(273.9)
Dividends declared (\$1.54 per share)	—	—	(628.8)	—	—	(628.8)
Balance at December 31, 2024	<u>\$ 63.9</u>	<u>\$ 2,619.6</u>	<u>\$ 24,335.6</u>	<u>\$ (20,412.3)</u>	<u>\$ (1,528.7)</u>	<u>\$ 5,078.1</u>

Three Months Ended December 31, 2023						
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	AOCI	Total
Balance at September 30, 2023	\$ 63.9	\$ 2,188.7	\$ 22,455.4	\$ (18,767.4)	\$ (2,467.8)	\$ 3,472.8
Net earnings	—	—	878.4	—	—	878.4
Other comprehensive income	—	—	—	—	722.6	722.6
Stock-based compensation expense	—	67.6	—	—	—	67.6
Issuances relating to stock compensation plans	—	6.6	—	0.3	—	6.9
Treasury stock acquired (1.1 million shares repurchased)	—	—	—	(252.0)	—	(252.0)
Dividends declared (\$1.40 per share)	—	—	(576.7)	—	—	(576.7)
Balance at December 31, 2023	<u>\$ 63.9</u>	<u>\$ 2,262.9</u>	<u>\$ 22,757.1</u>	<u>\$ (19,019.1)</u>	<u>\$ (1,745.2)</u>	<u>\$ 4,319.6</u>

## Six Months Ended

December 31, 2024

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	AOCI	Total
Balance at June 30, 2024	\$ 63.9	\$ 2,406.9	\$ 23,622.2	\$ (19,737.1)	\$ (1,808.3)	\$ 4,547.6
Net earnings	—	—	1,919.5	—	—	1,919.5
Other comprehensive income	—	—	—	—	279.6	279.6
Stock-based compensation expense	—	125.0	—	—	—	125.0
Issuances relating to stock compensation plans	—	87.7	—	56.2	—	143.9
Treasury stock acquired (2.4 million shares repurchased)	—	—	—	(731.4)	—	(731.4)
Dividends declared (\$2.94 per share)	—	—	(1,206.1)	—	—	(1,206.1)
Balance at December 31, 2024	<u>\$ 63.9</u>	<u>\$ 2,619.6</u>	<u>\$ 24,335.6</u>	<u>\$ (20,412.3)</u>	<u>\$ (1,528.7)</u>	<u>\$ 5,078.1</u>

## Six Months Ended

December 31, 2023

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	AOCI	Total
Balance at June 30, 2023	\$ 63.9	\$ 2,102.3	\$ 22,118.0	\$ (18,469.3)	\$ (2,305.8)	\$ 3,509.1
Net earnings	—	—	1,737.8	—	—	1,737.8
Other comprehensive income	—	—	—	—	560.6	560.6
Stock-based compensation expense	—	121.7	—	—	—	121.7
Issuances relating to stock compensation plans	—	38.9	—	49.7	—	88.6
Treasury stock acquired (2.1 million shares repurchased)	—	—	—	(599.5)	—	(599.5)
Dividends declared (\$2.65 per share)	—	—	(1,098.7)	—	—	(1,098.7)
Balance at December 31, 2023	<u>\$ 63.9</u>	<u>\$ 2,262.9</u>	<u>\$ 22,757.1</u>	<u>\$ (19,019.1)</u>	<u>\$ (1,745.2)</u>	<u>\$ 4,319.6</u>



**Note 16. Reclassifications out of Accumulated Other Comprehensive Income (“AOCI”)**

Changes in AOCI by component are as follows:

	Three Months Ended December 31, 2024				
	Currency Translation Adjustment	Net Gains/Losses on Available-for- sale Securities	Cash Flow Hedging Activities	Pension Liability	Accumulated Other Comprehensive (Loss) /Income
Balance at September 30, 2024	\$ (329.6)	\$ (511.3)	\$ (28.6)	\$ (230.7)	\$ (1,100.2)
Other comprehensive income/(loss) before reclassification adjustments	(101.0)	(423.8)	—	—	(524.8)
Tax effect	—	94.2	—	—	94.2
Reclassification adjustments to net earnings	—	0.6 (A)	1.4 (C)	0.7 (B)	2.7
Tax effect	—	(0.1)	(0.3)	(0.2)	(0.6)
Balance at December 31, 2024	<u>\$ (430.6)</u>	<u>\$ (840.4)</u>	<u>\$ (27.5)</u>	<u>\$ (230.2)</u>	<u>\$ (1,528.7)</u>
	Three Months Ended December 31, 2023				
	Currency Translation Adjustment	Net Gains/Losses on Available- for-sale Securities	Cash Flow Hedging Activities	Pension Liability	Accumulated Other Comprehensive (Loss) /Income
Balance at September 30, 2023	\$ (385.4)	\$ (1,824.6)	\$ (22.5)	\$ (235.3)	\$ (2,467.8)
Other comprehensive income/(loss) before reclassification adjustments	53.9	860.5	—	—	914.4
Tax effect	—	(194.9)	—	—	(194.9)
Reclassification adjustments to net earnings	—	2.0 (A)	1.1 (C)	0.9 (B)	4.0
Tax effect	—	(0.5)	(0.2)	(0.2)	(0.9)
Balance at December 31, 2023	<u>\$ (331.5)</u>	<u>\$ (1,157.5)</u>	<u>\$ (21.6)</u>	<u>\$ (234.6)</u>	<u>\$ (1,745.2)</u>

Six Months Ended  
December 31, 2024

	Currency Translation Adjustment	Net Gains/Losses on Available- for-sale Securities	Cash Flow Hedging Activities	Pension Liability	Accumulated Other Comprehensive (Loss) /Income
Balance at June 30, 2024	\$ (378.8)	\$ (1,178.0)	\$ (20.0)	\$ (231.5)	\$ (1,808.3)
Other comprehensive income/(loss) before reclassification adjustments	(51.8)	440.5	(12.5)	—	376.2
Tax effect	—	(103.6)	3.1	—	(100.5)
Reclassification adjustments to net earnings	—	0.8 (A)	2.5 (C)	1.8 (B)	5.1
Tax effect	—	(0.1)	(0.6)	(0.5)	(1.2)
Balance at December 31, 2024	<u>\$ (430.6)</u>	<u>\$ (840.4)</u>	<u>\$ (27.5)</u>	<u>\$ (230.2)</u>	<u>\$ (1,528.7)</u>

Six Months Ended  
December 31, 2023

	Currency Translation Adjustment	Net Gains/Losses on Available- for-sale Securities	Cash Flow Hedging Activities	Pension Liability	Accumulated Other Comprehensive (Loss) /Income
Balance at June 30, 2023	\$ (340.8)	\$ (1,705.6)	\$ (23.3)	\$ (236.1)	\$ (2,305.8)
Other comprehensive income/(loss) before reclassification adjustments	9.3	709.9	—	—	719.2
Tax effect	—	(164.8)	—	—	(164.8)
Reclassification adjustments to net earnings	—	4.0 (A)	2.2 (C)	1.9 (B)	8.1
Tax effect	—	(1.0)	(0.5)	(0.4)	(1.9)
Balance at December 31, 2023	<u>\$ (331.5)</u>	<u>\$ (1,157.5)</u>	<u>\$ (21.6)</u>	<u>\$ (234.6)</u>	<u>\$ (1,745.2)</u>

(A) Reclassification adjustments out of AOCI are included within Other (income)/expense, net, on the Statements of Consolidated Earnings.

(B) Reclassification adjustments out of AOCI are included in net pension (income)/expense (see Note 12).

(C) Reclassification adjustments out of AOCI are included in Interest expense on the Statements of Consolidated Earnings (see Note 11).

**Note 17. Interim Financial Data by Segment**

Based upon similar economic and operational characteristics, the Company's strategic business units have been aggregated into the following two reportable segments: Employer Services and PEO Services. The primary components of the "Other" segment are certain corporate overhead charges and expenses that have not been allocated to the reportable segments, including corporate functions, costs related to transformation, severance costs, non-recurring gains and losses, the elimination of intercompany transactions, interest expense and corporate interest income. Certain revenues and expenses are charged to the reportable segments at a standard rate for management reasons. Other costs are recorded based on management responsibility.

Segment Results:

	Revenues			
	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Employer Services	\$ 3,388.5	\$ 3,125.2	\$ 6,649.5	\$ 6,171.6
PEO Services	1,663.3	1,546.1	3,237.8	3,015.7
Other	(3.4)	(3.3)	(6.2)	(7.0)
	<u>\$ 5,048.4</u>	<u>\$ 4,668.0</u>	<u>\$ 9,881.1</u>	<u>\$ 9,180.3</u>
Earnings before Income Taxes				
	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
	2024	2023	2024	2023
Employer Services	\$ 1,183.0	\$ 1,061.9	\$ 2,347.3	\$ 2,070.4
PEO Services	251.7	255.0	477.3	477.9
Other	(173.4)	(173.1)	(327.1)	(311.7)
	<u>\$ 1,261.3</u>	<u>\$ 1,143.8</u>	<u>\$ 2,497.5</u>	<u>\$ 2,236.6</u>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Tabular dollars are presented in millions, except per share amounts)

### FORWARD-LOOKING STATEMENTS

This document and other written or oral statements made from time to time by Automatic Data Processing, Inc., its subsidiaries and variable interest entity ("ADP" or the "Company") 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 "outlook", "expects," "assumes," "projects," "anticipates," "estimates," "we believe," "could," "is designed to" and other words of similar meaning, are forward-looking statements. These statements are based on management's expectations and assumptions and depend upon or refer to future events or conditions 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 or that could contribute to such difference include: ADP's success in obtaining and retaining clients, and selling additional services to clients; the pricing of products and services; the success of our new solutions; our ability to respond successfully to changes in technology, including artificial intelligence; compliance with existing or new legislation or regulations; changes in, or interpretations of, existing legislation or regulations; overall market, political and economic conditions, including interest rate and foreign currency trends and inflation; competitive conditions; our ability to maintain our current credit ratings and the impact on our funding costs and profitability; security or cyber breaches, fraudulent acts, and system interruptions and failures; employment and wage levels; availability of skilled associates; the impact of new acquisitions and divestitures; the adequacy, effectiveness and success of our business transformation initiatives and the impact of any uncertainties related to major natural disasters or catastrophic events; and supply-chain disruptions. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. 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, 2024 ("fiscal 2024"), and in other written or oral statements made from time to time by ADP, should be considered in evaluating any forward-looking statements contained herein.

### NON-GAAP FINANCIAL MEASURES

In addition to our U.S. GAAP results, we use adjusted results and other non-GAAP metrics to evaluate our operating performance in the absence of certain items and for planning and forecasting of future periods. Adjusted EBIT, adjusted EBIT margin, adjusted net earnings, adjusted diluted earnings per share, adjusted effective tax rate and organic constant currency are all non-GAAP financial measures. Please refer to the accompanying financial tables in the "Non-GAAP Financial Measures" section for a discussion of why ADP believes these measures are important and for a reconciliation of non-GAAP financial measures to their comparable GAAP financial measures.

## EXECUTIVE OVERVIEW

We are a leading global provider of cloud-based Human Capital Management ("HCM") technology solutions to employers around the world. Our HCM solutions, which include both software and outsourcing services, are designed to help our clients manage their workforce through a dynamic business and regulatory landscape and the changing world of work. We continuously seek to enhance our leading HCM solutions to further support our clients. We see tremendous opportunity ahead as we focus on our three key Strategic Priorities: Leading with Best-in-Class HCM technology, Providing Unmatched Expertise and Outsourcing Solutions, and Leveraging our Global Scale for the Benefit of our Clients. Executing on our Strategic Priorities will be critical to enabling our growth in the years ahead.

During the second quarter, we continued to make meaningful progress on our Strategic Priorities. We announced a partnership that brings together Fiserv's preeminent small business solutions, specifically Clover® and CashFlow Central™, with RUN, our industry-leading small business payroll and HR solution. Additionally, we started to integrate the WorkForce Software acquisition, which closed in October, into our global HCM ecosystem. Lastly, since the first quarter introduction of ADP Lyric HCM, our flexible, intelligent, and human-centric Global HCM platform, we have experienced a meaningful increase in ADP Lyric's new business activity. During the second quarter, we also achieved a major milestone by increasing our dividend for the 50<sup>th</sup> consecutive year.

Highlights from the six months ended December 31, 2024 include:

- Revenue growth of 8% to \$9,881.1 million; 7% organic constant currency
- Earnings before income taxes margin expansion of 90 bps, and adjusted EBIT margin expansion of 90 bps
- Diluted and adjusted diluted earnings per share ("EPS") growth of 12%, to \$4.69, respectively
- Cash returned via shareholder friendly actions of \$1,790M, including \$1,145M of dividends and \$645M of share repurchases
- Closed the WorkForce Software acquisition in October and started the integration efforts

For the six months ended December 31, 2024, we delivered solid revenue growth of 8%, 7% organic constant currency. Our pays per control metric, which represents the number of employees on ADP clients' payrolls in the United States when measured on a same-store-sales basis for a subset of clients ranging from small to large businesses, grew 2% for the six months ended December 31, 2024 as compared to the six months ended December 31, 2023. PEO average worksite employees increased 3% for the six months ended December 31, 2024, as compared to the six months ended December 31, 2023.

We have a strong business model, generating significant cash flows with low capital intensity, and offer a suite of products that provide critical support to our clients' HCM functions. We generate sufficient free cash flow to satisfy our cash dividend and our modest debt obligations, which enables us to absorb the impact of downturns and remain steadfast in our re-investments, longer term strategy, and commitments to shareholder friendly actions. We are committed to building upon our past successes by investing in our business through enhancements in research and development and by driving meaningful transformation in the way we operate. Our financial condition remains solid at December 31, 2024 and we remain well positioned to support our clients and our associates.

## RESULTS AND ANALYSIS OF CONSOLIDATED OPERATIONS

### Total Revenues

For the three and six months ended December 31, respectively:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Total Revenues	\$ 5,048.4	\$ 4,668.0	\$ 9,881.1	\$ 9,180.3
YoY Growth	8 %	6 %	8 %	7 %
YoY Growth, Organic Constant Currency	8 %	6 %	7 %	6 %

Total revenues for the three months ended December 31, 2024 increased due to new business started from New Business Bookings, strong client retention, an increase in pricing, an increase in zero-margin benefits pass-throughs, an increase in our pays per control and the impact from the WorkForce Software acquisition.

Total revenues for the six months ended December 31, 2024 increased due to new business started from New Business Bookings, strong client retention, an increase in pricing, an increase in zero-margin benefits pass-throughs, and an increase in our pays per control.

Total revenues for the three months ended December 31, 2024 include interest on funds held for clients of \$272.8 million, as compared to \$225.3 million for the three months ended December 31, 2023. The increase in the interest earned on funds held for clients resulted from an increase in our average interest rate earned to 3.1% for the three months ended December 31, 2024, as compared to 2.8% for the three months ended December 31, 2023, and an increase in our average client funds balances of 8.1% to \$35.3 billion for the three months ended December 31, 2024.

Total revenues for the six months ended December 31, 2024 include interest on funds held for clients of \$526.1 million, as compared to \$427.1 million for the six months ended December 31, 2023. The increase in the interest earned on funds held for clients resulted from an increase in our average interest rate earned to 3.1% for the six months ended December 31, 2024, as compared to 2.7% for the six months ended December 31, 2023, and an increase in our average client funds balances of 6.7% to \$34.0 billion for the six months ended December 31, 2024.

### Total Expenses

	Three Months Ended December 31,			Six Months Ended December 31,		
	2024	2023	% Change	2024	2023	% Change
Costs of revenues:						
Operating expenses	\$ 2,376.1	\$ 2,213.3	7 %	\$ 4,661.9	\$ 4,370.9	7 %
Research and development	239.5	228.7	5 %	472.1	465.1	2 %
Depreciation and amortization	126.9	119.6	6 %	242.2	240.9	1 %
Total costs of revenues	2,742.5	2,561.6	7 %	5,376.2	5,076.9	6 %
Selling, general and administrative expenses	1,006.1	922.5	9 %	1,932.8	1,802.8	7 %
Interest expense	129.6	104.9	24 %	267.4	196.5	36 %
Total expenses	\$ 3,878.2	\$ 3,589.0	8 %	\$ 7,576.4	\$ 7,076.2	7 %

For the three months ended December 31, 2024, operating expenses increased due to an increase of \$84.5 million of PEO Services zero-margin benefits pass-through costs from \$970.7 million to \$1,055.2 million. Additionally, for the three months ended December 31, 2024 operating expenses increased by \$36.1 million due to higher service and implementation costs in support of our growing revenue.

For the six months ended December 31, 2024, operating expenses increased due to an increase of \$156.9 million of PEO Services zero-margin benefits pass-through costs from \$1,947.5 million to \$2,104.4 million. Additionally, for the six months ended December 31, 2024 operating expenses increased by \$60.7 million due to higher service and implementation costs in support of our growing revenue.

Research and development expenses increased for the three and six months ended December 31, 2024 due to increased investments and costs to develop, support, and maintain our new and existing products and the impact from the WorkForce Software acquisition, partially offset by efficiencies from workforce optimization efforts initiated in the prior year and an increase in the capitalizable spend related to the integration of GenAI into our products, as compared to the prior year.

Depreciation and amortization expenses increased for the three and six months ended December 31, 2024 due to the impact from the WorkForce Software acquisition and amortization of new investments in internally developed software primarily for our next-gen products and purchased software, partially offset by lower amortization of customer contracts and lists.

Selling, general and administrative expenses increased for the three and six months ended December 31, 2024 primarily due to increases in selling and marketing expenses of \$39.0 million and \$73.5 million, respectively, as a result of investments in our sales organization, and an increase from acquisition related costs.

Interest expense increased for the three months ended December 31, 2024 primarily due to a higher volume of average commercial paper borrowings of \$4.5 billion and reverse repurchase borrowings of \$3.7 billion, as compared to \$3.9 billion and \$2.4 billion, respectively, for the three months ended December 31, 2023, partially offset by a decrease in average interest rates of 60 basis points for commercial paper and reverse repurchase borrowings.

Interest expense increased for the six months ended December 31, 2024 primarily due to a higher volume of average commercial paper borrowings of \$4.7 billion and reverse repurchase borrowings of \$3.7 billion, as compared to \$4.0 billion and \$1.9 billion, respectively, for the six months ended December 31, 2023, partially offset by a decrease in average interest rates of 30 basis points for commercial paper and reverse repurchase borrowings.

#### Other (Income)/Expense, net

	Three Months Ended December 31,			Six Months Ended December 31,		
	2024	2023	\$ Change	2024	2023	\$ Change
Interest income on corporate funds	\$ (83.9)	\$ (56.9)	\$ 27.0	\$ (175.5)	\$ (103.4)	\$ 72.1
Realized losses on available-for-sale securities, net	0.6	2.0	1.4	0.8	4.0	3.2
Gain on sale of assets	—	(1.4)	(1.4)	(2.4)	(16.0)	(13.6)
Non-service components of pension income, net	(7.8)	(8.5)	(0.7)	(15.7)	(17.1)	(1.4)
Other (income)/expense, net	\$ (91.1)	\$ (64.8)	\$ 26.3	\$ (192.8)	\$ (132.5)	\$ 60.3

Interest income on corporate funds increased due to higher average investment balances of \$10.0 billion and \$10.3 billion for the three and six months ended December 31, 2024, respectively, as compared to \$7.8 billion and \$7.5 billion for the three and six months ended December 31, 2023, respectively, coupled with higher average interest rates of 3.4% for each period, as compared to 2.9% and 2.8% for the three and six months ended December 31, 2023, respectively. See Note 12 of our Consolidated Financial Statements for further details on non-service components of pension income, net.

## Earnings Before Income Taxes ("EBIT") and Adjusted EBIT

For the three and six months ended December 31:

	Three Months Ended			Six Months Ended		
	December 31,			December 31,		
	2024	2023	YoY Growth	2024	2023	YoY Growth
EBIT	\$ 1,261.3	\$ 1,143.8	10 %	\$ 2,497.5	\$ 2,236.6	12 %
EBIT Margin	25.0 %	24.5 %	50 bps	25.3 %	24.4 %	90 bps
Adjusted EBIT	\$ 1,272.0	\$ 1,147.1	11 %	\$ 2,504.5	\$ 2,240.4	12 %
Adjusted EBIT Margin	25.2 %	24.6 %	60 bps	25.3 %	24.4 %	90 bps

Earnings before income taxes increased for the three and six months ended December 31, 2024, due to the components discussed above.

EBIT Margin increased for the three and six months ended December 31, 2024, due to contributions from client funds interest revenues discussed above, increased interest income on corporate funds, and operating efficiencies for costs of servicing our clients on growing revenue, partially offset by increased interest expense and acquisition related expenses.

Adjusted EBIT and Adjusted EBIT margin exclude interest income and interest expense that are not related to our client funds extended investment strategy, legal settlements, and net charges related to our broad-based transformation initiatives, in the applicable periods.

## Provision for Income Taxes

The effective tax rate for the three months ended December 31, 2024 and 2023 was 23.6% and 23.2%, respectively. The increase in the effective tax rate is primarily due to a benefit for adjustments to prior year tax liabilities in the three months ended December 31, 2023, partially offset by a higher excess tax benefit on stock-based compensation in the three months ended December 31, 2024.

The effective tax rate for the six months ended December 31, 2024 and 2023 was 23.1% and 22.3%, respectively. The increase in the effective tax rate is primarily due to a benefit for adjustments to prior year tax liabilities, lower reserves for uncertain tax positions and a valuation allowance release in the six months ended December 31, 2023.

## Adjusted Provision for Income Taxes

The adjusted effective tax rate for the three months ended December 31, 2024 and 2023 was 23.6% and 23.2%, respectively. The drivers of the adjusted effective tax rate are the same as the drivers of the effective tax rate discussed above.

The adjusted effective tax rate for the six months ended December 31, 2024 and 2023 was 23.1% and 22.3%, respectively. The drivers of the adjusted effective tax rate are the same as the drivers of the effective tax rate discussed above.



## Net Earnings and Diluted EPS, Unadjusted and Adjusted

For the three and six months ended December 31:

	Three Months Ended December 31,			Six Months Ended December 31,		
	2024	2023	YoY Growth	2024	2023	YoY Growth
Net earnings	\$ 963.2	\$ 878.4	10 %	\$ 1,919.5	\$ 1,737.8	10 %
Diluted EPS	\$ 2.35	\$ 2.13	10 %	\$ 4.69	\$ 4.20	12 %
Adjusted net earnings	\$ 963.2	\$ 880.5	9 %	\$ 1,919.3	\$ 1,740.4	10 %
Adjusted diluted EPS	\$ 2.35	\$ 2.13	10 %	\$ 4.69	\$ 4.20	12 %

For the three and six months ended December 31, 2024, net earnings reflect the changes described above in our earnings before income taxes and our effective tax rate.

For the three months ended December 31, 2024, in addition to the increase in net earnings, diluted EPS increased as a result of the impact of fewer shares outstanding resulting from the repurchase of approximately 0.9 million shares during the three months ended December 31, 2024, and 1.1 million shares during the three months ended December 31, 2023, partially offset by the issuances of shares under our employee benefit plans.

For the six months ended December 31, 2024, in addition to the increase in net earnings, diluted EPS increased as a result of the impact of fewer shares outstanding resulting from the repurchase of approximately 2.4 million shares during the six months ended December 31, 2024, and 2.1 million shares during the six months ended December 31, 2023, partially offset by the issuances of shares under our employee benefit plans.

## ANALYSIS OF REPORTABLE SEGMENTS

### Revenues

	Three Months Ended				Six Months Ended			
	December 31,		% Change		December 31,		% Change	
				Organic				Organic
	2024	2023	As Reported	constant currency	2024	2023	As Reported	constant currency
Employer Services	\$ 3,388.5	\$ 3,125.2	8 %	7 %	\$ 6,649.5	\$ 6,171.6	8 %	7 %
PEO Services	1,663.3	1,546.1	8 %	8 %	3,237.8	3,015.7	7 %	7 %
Other	(3.4)	(3.3)	n/m	n/m	(6.2)	(7.0)	n/m	n/m
	\$ 5,048.4	\$ 4,668.0	8 %	8 %	\$ 9,881.1	\$ 9,180.3	8 %	7 %

### Earnings before Income Taxes

	Earnings Before Income Taxes							
	Three Months Ended		% Change	Six Months Ended		% Change		
	December 31,			December 31,				
	2024	2023	As Reported	2024	2023	As Reported		
Employer Services	\$ 1,183.0	\$ 1,061.9	11 %	\$ 2,347.3	\$ 2,070.4	13 %		
PEO Services	251.7	255.0	(1) %	477.3	477.9	— %		
Other	(173.4)	(173.1)	n/m	(327.1)	(311.7)	n/m		
	\$ 1,261.3	\$ 1,143.8	10 %	\$ 2,497.5	\$ 2,236.6	12 %		

### Margin

	Margin					
	Three Months Ended			Six Months Ended		
	December 31,			December 31,		
	2024	2023	YoY Growth	2024	2023	YoY Growth
Employer Services	34.9 %	34.0 %	90 bps	35.3 %	33.5 %	180 bps
PEO Services	15.1 %	16.5 %	(140) bps	14.7 %	15.8 %	(110) bps

n/m - not meaningful

### Employer Services

#### Revenues

Revenues increased for the three and six months ended December 31, 2024 due to new business started from New Business Bookings, strong client retention, an increase in pricing, an increase in interest earned on funds held for clients, an increase in our pays per control of 1% and 2%, respectively, and the impact from the WorkForce Software acquisition.

#### Earnings before Income Taxes

Employer Services' earnings before income taxes increased 11% and 13% for the three and six months ended December 31, 2024, respectively, due to contributions from client funds interest revenues discussed above, and operating efficiencies for costs of servicing our clients on growing revenue, partially offset by increased selling expenses.

#### Margin

Employer Services' margin increase for the three and six months ended December 31, 2024, respectively, due to contributions from client funds interest revenues discussed above, and operating efficiencies for costs of servicing our clients on growing revenue, partially offset by acquisition related expenses.

## PEO Services

### Revenues

	PEO Revenues							
	Three Months Ended				Six Months Ended			
	December 31,		Change		December 31,		Change	
	2024	2023	\$	%	2024	2023	\$	%
PEO Services' revenues	\$ 1,663.3	\$ 1,546.1	\$ 117.2	8 %	\$ 3,237.8	\$ 3,015.7	\$ 222.1	7 %
Less: PEO zero-margin benefits pass-throughs	1,055.2	970.7	84.5	9 %	2,104.4	1,947.5	156.9	8 %
PEO Services' revenues excluding zero-margin benefits pass-throughs	\$ 608.1	\$ 575.4	\$ 32.7	6 %	\$ 1,133.4	\$ 1,068.2	\$ 65.2	6 %

PEO Services' revenue increased for the three and six months ended December 31, 2024, due to the increase in zero-margin benefits pass-throughs, and an increase in average worksite employees of 3% for each period, as compared to the three and six months ended December 31, 2023.

### Earnings before Income Taxes

PEO Services' earnings before income taxes decreased 1% and remained flat for the three and six months ended December 31, 2024, respectively, due to increased revenues discussed above, partially offset by increases in zero-margin benefits pass-through costs, operating costs related to workers' compensation and state unemployment insurance, and selling expenses, as compared to the three and six months ended December 31, 2023.

### Margin

PEO Services' margin decreased for the three and six months ended December 31, 2024 due to increases in zero-margin benefits pass-through costs, operating costs related to workers' compensation and state unemployment insurance, and selling expenses.

ADP Indemnity provides workers' compensation and employer's liability deductible reimbursement insurance protection for PEO Services' worksite employees up to \$1 million per occurrence. PEO Services has secured a workers' compensation and employer's liability insurance policy that caps the exposure for each claim at \$1 million per occurrence and has also secured aggregate stop loss insurance that caps aggregate losses at a certain level in fiscal years 2012 and prior from an admitted and licensed insurance company of AIG. We utilize historical loss experience and actuarial judgment to determine the estimated claim liability, and changes in estimated ultimate incurred losses are included in the PEO segment.

Additionally, starting in fiscal year 2013, ADP Indemnity paid premiums to enter into reinsurance arrangements with ACE American Insurance Company, a wholly-owned subsidiary of Chubb Limited ("Chubb"), to cover substantially all losses incurred by the Company up to the \$1 million per occurrence related to the workers' compensation and employer's liability deductible reimbursement insurance protection for PEO Services' worksite employees. Each of these reinsurance arrangements limits our overall exposure incurred up to a certain limit. The Company believes the likelihood of ultimate losses exceeding this limit is remote. ADP Indemnity recorded a pre-tax (loss)/benefit of approximately \$(0.8) million and \$4.1 million for the three and six months ended December 31, 2024, respectively, as compared to approximately \$(1.7) million and \$4.5 million for the three and six months ended December 31, 2023, respectively. The pre-tax loss for the three months ended December 31, 2024 was primarily a result of more favorable actuarial loss development in workers' compensation reserves as compared to December 31, 2023. The pre-tax benefit for the six months ended December 31, 2024 was primarily a result of less favorable actuarial loss development in workers' compensation reserves as compared to December 31, 2023. In July 2024, ADP Indemnity paid a premium of \$276 million to enter into a reinsurance arrangement with Chubb to cover substantially all losses incurred by ADP Indemnity for the fiscal 2025 policy year on terms substantially similar to the fiscal 2024 reinsurance policy.

## Other

The primary components of "Other" are certain corporate overhead charges and expenses that have not been allocated to the reportable segments, including corporate functions, costs related to our transformation office, severance costs, non-recurring gains and losses, the elimination of intercompany transactions, and other interest income and expense.

## Non-GAAP Financial Measures

In addition to our U.S. GAAP results, we use the adjusted results and other non-GAAP metrics set forth in the table below to evaluate our operating performance in the absence of certain items and for planning and forecasting of future periods:

Adjusted Financial Measure	U.S. GAAP Measures
Adjusted EBIT	Net earnings
Adjusted provision for income taxes	Provision for income taxes
Adjusted net earnings	Net earnings
Adjusted diluted earnings per share	Diluted earnings per share
Adjusted effective tax rate	Effective tax rate
Organic constant currency	Revenues

We believe that the exclusion of the identified items helps us reflect the fundamentals of our underlying business model and analyze results against our expectations and against prior period, and to plan for future periods by focusing on our underlying operations. We believe that the adjusted results provide relevant and useful information for investors because it allows investors to view performance in a manner similar to the method used by management and improves their ability to understand and assess our operating performance. The nature of these exclusions is for specific items that are not fundamental to our underlying business operations. Since these adjusted financial measures and other non-GAAP metrics are not measures of performance calculated in accordance with U.S. GAAP, they should not be considered in isolation from, as a substitute for, or superior to their corresponding U.S. GAAP measures, and they may not be comparable to similarly titled measures at other companies.

	Three Months Ended				Six Months Ended			
	December 31,		% Change		December 31,		% Change	
	2024	2023	As Reported		2024	2023	As Reported	
Net earnings	\$ 963.2	\$ 878.4	10	%	\$ 1,919.5	\$ 1,737.8	10	%
Adjustments:								
Provision for income taxes	298.1	265.4			578.0	498.8		
All other interest expense (a)	29.6	17.8			50.1	35.8		
All other interest income (a)	(18.9)	(17.2)			(42.8)	(35.4)		
Transformation initiatives	—	2.7			—	3.4		
Legal settlements (b)	—	—			(0.3)	—		
Adjusted EBIT	\$ 1,272.0	\$ 1,147.1	11	%	\$ 2,504.5	\$ 2,240.4	12	%
Adjusted EBIT Margin	25.2 %	24.6 %			25.3 %	24.4 %		
Provision for income taxes	\$ 298.1	\$ 265.4	12	%	\$ 578.0	\$ 498.8	16	%
Adjustments:								
Transformation initiatives (c)	—	0.6			—	0.8		
Legal settlements (c)	—	—			(0.1)	—		
Adjusted provision for income taxes	\$ 298.1	\$ 266.0	12	%	\$ 577.9	\$ 499.6	16	%
Adjusted effective tax rate (d)	23.6 %	23.2 %			23.1 %	22.3 %		
Net earnings	\$ 963.2	\$ 878.4	10	%	\$ 1,919.5	\$ 1,737.8	10	%
Adjustments:								
Transformation initiatives	—	2.7			—	3.4		
Income tax (benefit)/provision for transformation initiatives (c)	—	(0.6)			—	(0.8)		
Legal settlements (b)	—	—			(0.3)	—		
Income tax (benefit)/provision for legal settlements (c)	—	—			0.1	—		
Adjusted net earnings	\$ 963.2	\$ 880.5	9	%	\$ 1,919.3	\$ 1,740.4	10	%
Diluted EPS	\$ 2.35	\$ 2.13	10	%	\$ 4.69	\$ 4.20	12	%
Adjustments:								
Transformation initiatives (c)	—	0.01			—	0.01		
Legal settlements (b) (c)	—	—			—	—		
Adjusted diluted EPS	\$ 2.35	\$ 2.13	10	%	\$ 4.69	\$ 4.20	12	%

(a) In Adjusted EBIT, we include the interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy as we believe these amounts to be fundamental to the underlying operations of our business model. The adjustments in the table above represent the interest income and interest expense that are not related to our client funds extended investment strategy and are labeled as “All other interest expense” and “All other interest income.”

(b) Represents a reserve reversal of a legal matter from fiscal 2023 previously recorded as an adjustment to EBIT.

(c) The income tax (benefit)/provision was calculated based on the annualized marginal rate in effect during the quarter of the adjustment.

(d) The Adjusted effective tax rate is calculated as our Adjusted provision for income taxes divided by the sum of our Adjusted net earnings plus our Adjusted provision for income taxes.

The following table reconciles our reported growth rates to the non-GAAP measure of organic constant currency, which excludes the impact of acquisitions, the impact of dispositions, and the impact of foreign currency. The impact of acquisitions and dispositions is calculated by excluding the current year revenues of acquisitions until the one-year anniversary of the transaction and by excluding the prior year revenues of divestitures for the one-year period preceding the transaction. The impact of foreign currency is determined by calculating the current year result using foreign exchange rates consistent with the prior year. The PEO segment is not impacted by acquisitions, dispositions or foreign currency.

	Three Months Ended December 31, 2024	Six Months Ended December 31, 2024
Consolidated revenue growth as reported	8 %	8 %
Adjustments:		
Impact of acquisitions	(1) %	— %
Impact of foreign currency	— %	— %
Consolidated revenue growth, organic constant currency	8 %	7 %
Employer Services revenue growth as reported	8 %	8 %
Adjustments:		
Impact of acquisitions	(1) %	(1) %
Impact of foreign currency	— %	— %
Employer Services revenue growth, organic constant currency	7 %	7 %

Note: Numbers may not foot due to rounding.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2024, cash and cash equivalents were \$2.2 billion, which were primarily invested in time deposits and money market funds.

For corporate liquidity, we expect existing cash, cash equivalents, marketable securities, cash flow from operations together with our \$10.3 billion of committed credit facilities and our ability to access both long-term and short-term debt financing from the capital markets will be adequate to meet our operating, investing, and financing activities such as regular quarterly dividends, share repurchases, acquisitions and capital expenditures for the foreseeable future. Our financial condition remains solid at December 31, 2024 and we have sufficient liquidity.

For client funds liquidity, we have the ability to borrow through our financing arrangements under our U.S. short-term commercial paper program and our U.S., Canadian and United Kingdom short-term reverse repurchase agreements (\$7.3 billion of which is available on a committed basis in the U.S.), together with our \$10.3 billion of committed credit facilities and our ability to use corporate liquidity when necessary to meet short-term funding requirements related to client funds obligations. Please see “Quantitative and Qualitative Disclosures about Market Risk” for a further discussion of the risks related to our client funds extended investment strategy. See Note 10 of our Consolidated Financial Statements for a description of our short-term financing including commercial paper.

## Operating, Investing and Financing Cash Flows

Our cash flows from operating, investing, and financing activities, as reflected in the Statements of Consolidated Cash Flows for the six months ended December 31, 2024 and 2023, respectively, are summarized as follows:

	Six Months Ended December 31,		
	2024	2023	\$ Change
Cash provided by / (used in):			
Operating activities	\$ 1,974.7	\$ 1,358.9	\$ 615.8
Investing activities	(2,902.3)	(77.8)	(2,824.5)
Financing activities	7,482.5	3,816.1	3,666.4
Effect of exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents	(36.7)	10.6	(47.3)
Net change in cash, cash equivalents, restricted cash, and restricted cash equivalents	<u>\$ 6,518.2</u>	<u>\$ 5,107.8</u>	<u>\$ 1,410.4</u>

Net cash flows provided by operating activities increased due to favorable changes in the components of working capital and an increase in growth in our business, as compared to the six months ended December 31, 2023.

Net cash flows used in investing activities changed due to the acquisition of Workforce Software with a cash disbursement of \$1,160.6 million and the timing of purchases and proceeds of corporate and client funds marketable securities of \$1,664.3 million.

Net cash flows used in financing activities changed due to a net increase in the cash flow from client funds obligations of \$3,668.5 million, which is due to the timing of impounds from our clients and payments to our clients' employees and other payees, along with proceeds from the issuance of debt, offset by a net decrease in cash distributed from the Internal Revenue Service as of December 31, 2024, which was refunded to our clients, repurchases of common stock, dividends paid, and proceeds related to reverse repurchase agreements.

From time to time, the Company may repurchase shares of its common stock under its authorized share repurchase program. The Company considers several factors in determining when to execute share repurchases, including, among other things, actual and potential acquisition activity, cash balances and cash flows, issuances due to employee benefit plan activity, and market conditions. We purchased approximately 2.4 million shares of our common stock at an average price per share of \$274.42 during the six months ended December 31, 2024, as compared to purchases of 2.1 million shares at an average price per share of \$238.29 during the six months ended December 31, 2023.

## Capital Resources and Client Funds Obligations

We have \$4.0 billion of senior unsecured notes with maturity dates in 2025, 2028, 2030 and 2034. We may from time to time revisit the long-term debt market to refinance existing debt, finance investments including acquisitions for our growth, and maintain the appropriate capital structure. However, there can be no assurance that volatility in the global capital and credit markets would not impair our ability to access these markets on terms acceptable to us, or at all. See Note 11 of our Consolidated Financial Statements for a description of our long-term financing.

Our U.S. short-term funding requirements primarily related to client funds are sometimes obtained on an unsecured basis through the issuance of commercial paper, rather than liquidating previously-collected client funds that have already been invested in available-for-sale securities. This commercial paper program provides for the issuance of up to \$10.3 billion in aggregate maturity value. Our commercial paper program is rated A-1+ by Standard & Poor's, Prime-1 ("P-1") by Moody's and F1+ by Fitch. These ratings denote the highest quality commercial paper securities. Maturities of commercial paper can range from overnight to up to 364 days. At December 31, 2024 and June 30, 2024, the Company had no commercial paper borrowing outstanding. Details of the borrowings under the commercial paper program are as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Average daily borrowings (in billions)	\$ 4.5	\$ 3.9	\$ 4.7	\$ 4.0
Weighted average interest rates	4.8 %	5.4 %	5.1 %	5.3 %
Weighted average maturity (approximately in days)	2 days	2 days	2 days	2 days

Our U.S., Canadian, and United Kingdom short-term funding requirements related to client funds obligations are sometimes obtained on a secured basis through the use of reverse repurchase agreements, which are collateralized principally by government and government agency securities, rather than liquidating previously-collected client funds that have already been invested in available-for-sale securities. These agreements generally have terms ranging from overnight to up to five business days. We have successfully borrowed through the use of reverse repurchase agreements on an as-needed basis to meet short-term funding requirements related to client funds obligations. We have \$7.3 billion available to us on a committed basis under the U.S. reverse repurchase agreements. At December 31, 2024, the Company had no outstanding obligations related to reverse repurchase agreements. At June 30, 2024, the Company had \$385.4 million of outstanding obligations related to reverse repurchase agreements which were fully paid in early July 2024. Details of the reverse repurchase agreements are as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Average outstanding balances (in billions)	\$ 3.7	\$ 2.4	\$ 3.7	\$ 1.9
Weighted average interest rates	4.8 %	5.4 %	5.0 %	5.4 %

We vary the maturities of our committed credit facilities to limit the refinancing risk of any one facility. We have a \$4.55 billion, 364-day credit agreement that matures in June 2025 with a one year term-out option. In addition, we have a five-year \$2.25 billion credit facility and a five-year \$3.5 billion credit facility maturing in June 2028 and June 2029, respectively, each with an accordion feature under which the aggregate commitment can be increased by \$500 million, subject to the availability of additional commitments. The primary uses of the credit facilities are to provide liquidity to the commercial paper program and funding for general corporate purposes, if necessary. We had no borrowings through December 31, 2024 under the credit facilities. We believe that we currently meet all conditions set forth in the revolving credit agreements to borrow thereunder and we are not aware of any conditions that would prevent us from borrowing part or all of the \$10.3 billion available to us under the revolving credit agreements. See Note 10 of our Consolidated Financial Statements for a description of our short-term financing, including credit facilities.

Our investment portfolio does not contain any asset-backed securities with underlying collateral of sub-prime mortgages, alternative-A mortgages, sub-prime auto loans or sub-prime home equity loans, collateralized debt obligations, collateralized loan obligations, credit default swaps, derivatives, auction rate securities, structured investment vehicles or non-investment grade fixed-income securities. We own AAA-rated senior tranches of primarily fixed rate auto loan, credit card, and equipment lease receivables, secured predominantly by prime collateral. All collateral on asset-backed securities has performed as expected through December 31, 2024. In addition, we own U.S. government securities which primarily include debt directly issued by Federal Farm Credit Banks and Federal Home Loan Banks. Our client funds investment strategy is structured to allow us to average our way through an interest rate cycle by laddering the maturities of our investments out to five years (in the case of the extended portfolio) and out to ten years (in the case of the long portfolio). This investment strategy is supported by our short-term financing arrangements necessary to satisfy short-term funding requirements relating to client funds obligations. See Note 7 of our Consolidated Financial Statements for a description of our corporate investments and funds held for clients.

Capital expenditures for the six months ended December 31, 2024 were \$98.2 million, as compared to \$94.0 million for the six months ended December 31, 2023. We expect capital expenditures in fiscal 2025 to be between \$180 million and \$200 million, as compared to \$211.7 million in fiscal 2024.



## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our overall investment portfolio is comprised of corporate investments (cash and cash equivalents, marketable securities) and client funds assets (funds that have been collected from clients but have not yet been remitted to the applicable tax authorities or client employees).

Our corporate investments are invested in cash and cash equivalents and highly liquid, investment-grade marketable securities. These assets are available for our regular quarterly dividends, share repurchases, capital expenditures and/or acquisitions, as well as other corporate operating purposes. All of our short-term and long-term fixed-income securities are classified as available-for-sale securities.

Our client funds assets are invested with safety of principal, liquidity, and diversification as the primary objectives. Consistent with those objectives, we also seek to maximize interest income and to minimize the volatility of interest income. Client funds assets are invested in highly liquid, investment-grade marketable securities, with a maximum maturity of 10 years at the time of purchase, and money market securities and other cash equivalents.

We utilize a strategy by which we extend the maturities of our investment portfolio for funds held for clients and employ short-term financing arrangements to satisfy our short-term funding requirements related to client funds obligations. Our client funds investment strategy is structured to allow us to average our way through an interest rate cycle by laddering the maturities of our investments out to five years (in the case of the extended portfolio) and out to ten years (in the case of the long portfolio). As part of our client funds investment strategy, we use the daily collection of funds from our clients to satisfy other unrelated client funds obligations, rather than liquidating previously-collected client funds that have already been invested in available-for-sale securities. In circumstances where we experience a reduction in employment levels due to a slowdown in the economy, we may make tactical decisions to sell certain securities or not reinvest maturing securities in order to reduce the size of the funds held for clients to correspond to client funds obligations. We minimize the risk of not having funds collected from a client available at the time such client's obligation becomes due by impounding, in virtually all instances, the client's funds in advance of the timing of payment of such client's obligation. As a result of this practice, we have consistently maintained the required level of client funds assets to satisfy all of our obligations.

There are inherent risks and uncertainties involving our investment strategy relating to our client funds assets. Such risks include liquidity risk, including the risk associated with our ability to liquidate, if necessary, our available-for-sale securities in a timely manner in order to satisfy our client funds obligations. However, our investments are made with the safety of principal, liquidity, and diversification as the primary goals to minimize the risk of not having sufficient funds to satisfy all of our client funds obligations. We also believe we have significantly reduced the risk of not having sufficient funds to satisfy our client funds obligations by consistently maintaining access to other sources of liquidity, including our corporate cash balances, available borrowings under our \$10.3 billion commercial paper program (rated A-1+ by Standard and Poor's, P-1 by Moody's, and F1+ by Fitch, the highest possible short-term credit ratings), and our ability to engage in reverse repurchase agreement transactions (\$7.3 billion of which is available on a committed basis in the U.S.) and available borrowings under our \$10.3 billion committed credit facilities. The reduced availability of financing during periods of economic turmoil, even to borrowers with the highest credit ratings, may limit our ability to access short-term debt markets to meet the liquidity needs of our business. In addition to liquidity risk, our investments are subject to interest rate risk and credit risk, as discussed below.

We have established credit quality, maturity, and exposure limits for our investments. The minimum allowed credit rating at time of purchase for Corporate, Canadian government agency and Canadian provincial bonds is BBB, for asset-backed securities is AAA, and for municipal bonds is A. The maximum maturity at time of purchase for BBB-rated securities is 5 years, and for single A rated securities, AA-rated and AAA-rated securities is 10 years. Time deposits and commercial paper must be rated A-1 and/or P-1. Money market funds must be rated AAA/Aaa-mf.

Details regarding our overall investment portfolio are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Average investment balances at cost:				
Corporate investments	\$ 9,964.9	\$ 7,823.0	\$ 10,317.3	\$ 7,475.7
Funds held for clients	35,281.9	32,646.3	34,034.4	31,887.8
Total	<u>\$ 45,246.8</u>	<u>\$ 40,469.3</u>	<u>\$ 44,351.7</u>	<u>\$ 39,363.5</u>
Average interest rates earned exclusive of realized (gains)/losses on:				
Corporate investments	3.4 %	2.9 %	3.4 %	2.8 %
Funds held for clients	3.1 %	2.8 %	3.1 %	2.7 %
Total	3.2 %	2.8 %	3.2 %	2.7 %
Net realized losses on available-for-sale securities	\$ 0.6	\$ 2.0	\$ 0.8	\$ 4.0
Net unrealized pre-tax losses on available-for-sale securities				
	December 31, 2024		June 30, 2024	
	\$ (1,074.5)		\$ (1,515.8)	
Total available-for-sale securities at fair value	\$ 33,019.9		\$ 31,207.5	

We are exposed to interest rate risk in relation to securities that mature, as the proceeds from maturing securities are reinvested. Factors that influence the earnings impact of interest rate changes include, among others, the amount of invested funds and the overall portfolio mix between short-term and long-term investments. This mix varies during the fiscal year and is impacted by daily interest rate changes. The annualized interest rate earned on our entire portfolio increased from 2.7% for the six months ended December 31, 2023 to 3.2% for the six months ended December 31, 2024. A hypothetical change in both short-term interest rates (e.g., overnight interest rates or the federal funds rate) and intermediate-term interest rates of 25 basis points applied to the estimated average investment balances and any related short-term borrowings would result in approximately a \$20 million impact to earnings before income taxes over the ensuing twelve-month period ending December 31, 2025. A hypothetical change in only short-term interest rates of 25 basis points applied to the estimated average short-term investment balances and any related short-term borrowings would result in approximately a \$9 million impact to earnings before income taxes over the ensuing twelve-month period ending December 31, 2025.

We are exposed to credit risk in connection with our available-for-sale securities through the possible inability of the borrowers to meet the terms of the securities. We limit credit risk by investing in investment-grade securities, primarily AAA-rated and AA- rated securities, as rated by Moody's, Standard & Poor's, DBRS for Canadian dollar denominated securities, and Fitch for asset-backed and commercial-mortgage-backed securities. In addition, we limit amounts that can be invested in any security other than U.S. government and government agency, Canadian government, and United Kingdom government securities.

We operate and transact business in various foreign jurisdictions and are therefore exposed to market risk from changes in foreign currency exchange rates that could impact our consolidated results of operations, financial position, or cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We may use derivative financial instruments as risk management tools and not for trading purposes.

## **CRITICAL ACCOUNTING POLICIES**

Our Consolidated Financial Statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these financial statements requires management to make estimates, judgments, and assumptions that affect reported amounts of assets, liabilities, revenues, expenses, and other comprehensive income. We continually evaluate the accounting policies and estimates used to prepare the Consolidated Financial Statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Refer to Note 2 of our Consolidated Financial Statements for changes to our accounting policies effective for the fiscal 2025.

## **NEW ACCOUNTING PRONOUNCEMENTS**

See Note 2, New Accounting Pronouncements, of Notes to the Consolidated Financial Statements for a discussion of recent accounting pronouncements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The information called for by this item is provided under the caption "Quantitative and Qualitative Disclosures about Market Risk" under Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **Item 4. Controls and Procedures**

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "evaluation"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2024 in ensuring that (i) information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and (ii) such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There was no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II. OTHER INFORMATION**

Except as noted below, all other items are either inapplicable or would result in negative responses and, therefore, have been omitted.

### **Item 1. Legal Proceedings**

In the normal course of business, the Company is subject to various claims and litigation. While the outcome of any litigation is inherently unpredictable, the Company believes it has valid defenses with respect to the legal matters pending against it and the Company believes that the ultimate resolution of these matters will not have a material adverse impact on its financial condition, results of operations, or cash flows.

With respect to the disclosure of administrative or judicial proceedings arising under any Federal, State, or local provisions regulating the discharge of materials into the environment or that are primarily for the purpose of protecting the environment, the Company has determined that the following threshold is reasonably designed to result in disclosure of any such proceeding that is material to its business or financial condition: any proceeding when the potential monetary sanctions exceed \$1 million.

**Item 1A. Risk Factors**

There have been no material changes in our risk factors disclosed in Part 1, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.****Issuer Purchases of Equity Securities**

<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid per Share (3)</u>	<u>Total Number of Shares Purchased as Part of the Publicly Announced Common Stock Repurchase Plan (2)</u>	<u>Maximum Approximate Dollar Value of Shares that may yet be Purchased under the Common Stock Repurchase Plan (2) (3)</u>
October 1 to 31, 2024	298,902	\$ 288.95	298,829	\$ 2,619,779,352
November 1 to 30, 2024	291,632	\$ 303.82	290,708	\$ 2,531,459,636
December 1 to 31, 2024	336,248	\$ 300.00	332,671	\$ 2,431,630,798
Total	<u>926,782</u>		<u>922,208</u>	

(1) During the three months ended December 31, 2024, pursuant to the terms of the Company's restricted stock program, the Company purchased 4,574 shares at the then-market value of the shares to satisfy certain tax withholding requirements for employees upon the vesting of their restricted shares.

(2) The Company received the Board of Directors' approval in November 2022 to repurchase \$5 billion of its common stock.

(3) Inclusive of the impact of the one-percent excise tax under the Inflation Reduction Act of 2022.

There is no expiration date for the common stock repurchase authorization.

**Item 5. Other Information**

(a) In connection with his previously announced departure from Automatic Data Processing, Inc. (the "Company") on March 31, 2025, John C. Ayala entered into a separation agreement and release ("agreement"), dated January 27, 2025. His departure constitutes a "Qualifying Termination" as defined under the Company's Corporate Officer Severance Plan (the "Plan") and the agreement sets forth the terms of his separation and release in accordance with the Plan. A copy of the separation agreement and release is filed as Exhibit 10.1 hereto and incorporated herein by reference.

(c) During the fiscal quarter ended December 31, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement".

**Item 6. Exhibits**

<u>Exhibit Number</u>	<u>Exhibit</u>
<a href="#">10.1</a>	Separation Agreement and Release, dated January 27, 2025, by and between John C. Ayala and Automatic Data Processing, Inc.
<a href="#">31.1</a>	Certification by Maria Black pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
<a href="#">31.2</a>	Certification by Don McGuire pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
<a href="#">32.1</a>	Certification by Maria Black pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<a href="#">32.2</a>	Certification by Don McGuire pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AUTOMATIC DATA PROCESSING, INC.

(Registrant)

Date: January 30, 2025

/s/ Don McGuire

Don McGuire

Chief Financial Officer

(Title)

## SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and General Release (hereinafter, the "Agreement") is made and entered into this 27th day of January, 2025 by and between John C. Ayala (hereinafter referred to as "Executive"), and Automatic Data Processing, Inc. (hereinafter referred to as the "Company").

In exchange for the mutual promises contained herein and pursuant to the Automatic Data Processing, Inc. Corporate Officer Severance Plan (the "Corporate Officer Severance Plan"), Executive and the Company, intending to be bound hereby, covenant and agree as follows:

1. Executive is a participant in the Corporate Officer Severance Plan. The parties agree that for the purposes of facilitating an amicable separation of Executive from the Company, Company is treating Executive's termination as a "Qualifying Termination" under the Corporate Officer Severance Plan, which treatment would entitle Executive to the benefits and obligations as set forth therein. Executive's employment with the Company will terminate at the close of business on March 31, 2025 (the "Separation Date"). As of April 1, 2025, Executive will cease to be an officer of the Company.

2. The Company and Executive further agree to the following:

(a) The Company will pay Executive a separation payment in the total gross amount of \$1,147,200.00. Except as set forth in this paragraph 2(a), this separation payment will be paid out in pro-rata installments in accordance with the Company's payroll practices (which equals the gross monthly amount of \$63,733.33 for each month (such aggregate monthly amount is the "Monthly Installments")) between the Separation Date and the 18-month anniversary of the Separation Date. The Monthly Installments will be made on the Company's regular pay dates. Notwithstanding the foregoing, no installment will be paid until Executive has executed and delivered to the Company a Restrictive Covenant Agreement and a Release (and the time to

---

revoke has passed) as set forth in paragraphs 3(b) and 7(a) below. However, the first installment will be in an amount that covers the period of time from the Separation Date through the date of such first payment.

(b) Executive will be entitled to be paid a prorated bonus (based upon a target bonus of \$1,147,200.00) in respect of FY'25, based on actual performance for the full fiscal year as set forth in Section 1.17 of the Corporate Officer Severance Plan; such bonus will be paid to Executive in accordance with the Company's customary cycle.

(c) With respect to the Company's performance stock unit program, the Executive will be entitled to receive: (i) the share units and dividend equivalents earned in respect of the original September 2022 target award (which target award includes dividend equivalents to date and will be adjusted for future quarterly dividend equivalents), subject to the achievement of the Company's performance goals applicable to such award, with any such award to be paid within 20 business days of September 1, 2025, (ii) the share units and dividend equivalents earned in respect of the original September 2023 target award (which target award includes dividend equivalents to date and will be adjusted for future quarterly dividend equivalents), subject to the achievement of the Company's performance goals applicable to such award, with any such award to be paid within 20 business days of September 1, 2026; and (iii) the share units and dividend equivalents earned in respect of the original September 2024 target award (which target award includes dividend equivalents to date and will be adjusted for future quarterly dividend equivalents), subject to the achievement of the Company's performance goals applicable to such award, with any such award to be paid within 20 business days of September 1, 2027. All other terms of the PSU program will remain in full force and effect.

(d) All outstanding unvested ADP stock options previously granted to Executive will continue to vest in accordance with their terms for a period of 36 months after September 30, 2026, and Executive may exercise all such options within 37 months of September 30, 2026.

---



Notwithstanding the foregoing, all vested stock options must be exercised prior to their original expiration date, regardless of the exercise periods set forth herein. All vested stock options that are not exercised within the time periods set forth above will be automatically exercised by Fidelity Investments. Shares will be withheld to cover the option cost and any applicable taxes and net shares will be deposited into your account with Fidelity.

(e) All outstanding unvested units of ADP common stock with time-based restrictions previously granted to Executive under the Company's time-based restricted stock unit program will continue to vest in accordance with their terms. All other terms and conditions of the time-based restricted stock unit program will remain in effect.

(f) Executive understands and acknowledges that the terms and conditions of the calendar year 2025 10b5-1 Trading Plan (entered into September 2024) executed with Fidelity Investments will remain in full force and effect for calendar year 2025 subject to earlier termination in accordance with the Terms and Conditions of such 10b5-1 Trading Plan. Subject to these 10b5-1 trading plans, Executive understands and acknowledges that for a period of six (6) months following the Separation Date he will continue to be a "Restricted Person" as such term is used in the Company's Insider Trading Policy, and he will continue to abide by all rules and limitations applicable thereunder to Restricted Persons.

(g) The Company will timely pay Executive all of the "Accrued Obligations" (as defined in the Corporate Officer Severance Plan) including without limitation Executive's accrued base salary and unused vacation (which for avoidance of doubt includes all then accrued vacation) as of the Separation Date.

(h) The Company will reimburse Executive for outstanding expenses properly incurred through the Separation Date that are submitted to the Company no later than the thirty (30) days following the Separation Date. All such expenses will be reimbursed in accordance with the Company's existing policy.

---

(i) The Company will allow Executive to keep the car leased to him by the Company under the Company's Executive Fleet Program through the 18-month anniversary of the Separation Date; upon such 18-month anniversary, Executive will either return such car to Company or purchase such car in accordance with the terms of the Executive Fleet Program. ADP's Director of Global Fleet Management will coordinate the details of such transfer with Executive.

(j) Executive's welfare benefits (medical, dental, vision, wellness, life, long-term disability, Flexible Spending Accounts ("FSA"), Accidental Death & Dismemberment Insurance, Business Travel Accident Insurance, Personal Accident Insurance and any other welfare benefits the Company may provide) will terminate effective as of the close of the Separation Date. This paragraph (j) will not be deemed to affect the conversion rights under any life insurance plans. To the extent he participates in such plans as of the Separation Date, Executive will have the right to continue medical, dental, prescription drug, vision and FSA benefits as permitted by law under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") and will not incur a break in service if he elects COBRA. Executive and any eligible dependents will also be eligible to enroll in the ADP Executive Retiree Health Care Plan (the "Retiree Health Care Plan") as of April 1, 2025, in accordance with the terms of the Retiree Health Care Plan. Executive will be separately notified of conversion privileges, if any, for Executive's other health and welfare benefits. Unless otherwise specifically stated herein, nothing in the Agreement constitutes a waiver of any claim for health or long term disability benefits that accrue prior to the Separation Date. Such claims will be processed according to the terms and conditions of the controlling plan documents. Those plans have not been modified in any way by the Agreement.

(k) For purposes of the Automatic Data Processing, Inc. Retirement and Savings Plan and/or the Automatic Data Processing, Inc. Pension Retirement Plan (collectively referred to as the "Plans"), Executive will be considered a terminated employee as of the close of the

---

Separation Date. As such, contributions, vesting, matches and other service-based benefits, rights and features accorded to employees will terminate as of the close of the Separation Date. All the terms and conditions of the Plans will be governed by the controlling plan documents. The Plans have not been modified in any way by the Agreement.

(l) Executive agrees to abide by all of the terms and conditions of agreements with the Company executed in connection with all ADP stock options, restricted stock units or PSU awards previously granted to Executive (the "Stock Agreements"), and that any non-competition period, as defined in any such Stock Agreements, will not terminate until 12 months after the last Monthly Installment payment under paragraph 2(a) hereunder. Any use of the term "Restrictive Covenant" in the Agreement will mean any non-competition, non-solicitation, non-disparagement, non-disclosure or confidentiality obligations reflected in the provisions of the Agreement or any other agreement with the Company that Executive has entered into, or any Company plan, policy or arrangement that applies to Executive. If Executive violates any Restrictive Covenant prior to either the payment of any amounts under the Agreement or the vesting of any rights or lapsing of any restrictions on any ADP equity as described hereunder (and as further set forth in paragraphs 2(m) and 2(n) hereunder specifically regarding the Executive Retirement Plan and the Supplemental Officer Retirement Plan, respectively), then, in addition to the exercise of any other rights the Company may have as a consequence of such breach, Executive will have immediately forfeited the receipt of any cash payments otherwise owing hereunder as well as the benefit of the vesting of any rights or lapsing of any restrictions on any ADP equity Executive would otherwise expect to receive hereunder.

(m) Executive is a "Participant" as defined in the Automatic Data Processing, Inc. Executive Retirement Plan ("ERP"). Executive's benefits under the ERP will be determined in accordance with, and under the terms of, the ERP. Among other things, the ERP provides that if a participant violates the non-competition provisions of any agreement he has entered into with

---

the Company within 24 months after the Separation Date, such Participant will forever and irrevocably forfeit all benefits otherwise due him under the terms of the ERP. The ERP will not have been deemed modified in any way by the Agreement. For purposes of the 24-month period of measurement under the ERP, Executive will be considered to have terminated employment with the Company as of the Separation Date.

(n) Executive is a "Participant" as defined in the Automatic Data Processing, Inc. Amended and Restated Supplemental Officer Retirement Plan (the "SORP"). Executive's benefits under the SORP shall be determined in accordance with, and under the terms of, the SORP. Among other things, the SORP provides that if a participant violates the non-competition provisions of any agreement he has entered into with the Company within 24 months after the Separation Date, such Participant shall forever and irrevocably forfeit all benefits otherwise due him under the terms of the SORP. The SORP will not have been deemed modified in any way by this Agreement. For purposes of the 24-month period of measurement under the SORP, Executive shall be considered to have terminated employment with the Company as of the Separation Date.

(o) Executive's heirs, representatives, assigns or estate will be entitled to any payments pursuant to paragraph 2 of the Agreement in the event of Executive's death in accordance with Section 8.1 of the Corporate Officer Severance Plan.

(p) The Company will withhold from any payment made under the Agreement any applicable federal, state and local taxes and social security taxes, as well as any other standard deductions.

3. Executive and the Company (which, for purposes of this paragraph 3, will include any of the Company's affiliates), agree to the following with the proviso exceptions herein also applying to any similar restrictive covenant:

---

(a) Executive agrees to notify the Company of his intent to accept any offer of employment commencing prior to the first anniversary of the last Monthly Installment payment under paragraph 2(a) hereunder for the purpose of confirming that commencing such employment will not otherwise violate a Restrictive Covenant. Specifically, Executive agrees to inform the Company of (i) the entity making such offer (including the name of the ultimate corporate parent entity, if the entity making the offer is a subsidiary or division with a different name from the ultimate parent company), and (ii) the scope of duties and title of the position to be filled, both by telephone (973-974-5000) and in writing to Paul Boland, Chief Human Resources Officer, One ADP Boulevard, M/S 427, Roseland, NJ 07068, with a copy of such written communication to David Kwon, Chief Legal Officer, One ADP Boulevard, M/S 450, Roseland, NJ 07068, and by email to paul.boland@adp.com, with a copy to david.kwon@adp.com. Mr. Boland or his designee will undertake to respond to Executive's notice within five business days of receipt of Executive's written notice.

(b) Executive will execute and deliver to the Company a Restrictive Covenant Agreement in the form attached hereto as Exhibit A (the "Restrictive Covenant Agreement") within 45 days of the Separation Date as required by Section 3 of the Corporate Officer Severance Plan. Should Executive fail to timely execute and deliver to the Company the Restrictive Covenant Agreement, Executive agrees that he will not be entitled to the benefits provided under the Agreement or the Corporate Officer Severance Plan, and this Agreement will become null and void.

(c) In addition to any further "Litigation Cooperation" requirements set forth in Section 4 of the Corporate Officer Severance Plan, Executive agrees to reasonably cooperate with the Company, and to provide all information and sign any corporate records and instruments that the Company may hereafter reasonably request with respect to any matter involving his present or former relationship with the Company (including any direct or indirectly held

---

subsidiaries), the work he has performed, or any present or former employees or clients of the Company.

(d) In addition to any further "Litigation Cooperation" requirements set forth in Section 4 of the Corporate Officer Severance Plan, Executive agrees that if he is served with a subpoena or court order to testify with respect to any matter involving his present or former relationship with the Company, the work he has performed, or present or former employees or clients of the Company, he will, within 5 days of receipt of such subpoena or court order, notify the "Company", c/o Automatic Data Processing, Inc., One ADP Boulevard, Roseland, New Jersey 07068, Attention: Chief Legal Officer, unless the Executive receives written advice from his legal counsel advising that he is not legally permitted to provide such notice to the Company. If Executive does not provide such notice based upon written advice from his legal counsel that he is not legally permitted to provide such notice to the Company, Executive agrees that he will request that the person, entity, court or agency serving such subpoena or court order provide notice consistent with this paragraph 3(d).

4. Executive agrees that any waiver on the part of the Company as to compliance with any of the terms and conditions of the Agreement will not operate as a waiver of, or estoppel with respect to, any prior, subsequent or other failure by Executive to perform his obligations under the Agreement.

5. Executive acknowledges that this Agreement, along with the other agreements referenced herein whose terms survive the Separation Date, is the entire agreement between the parties concerning the subject matter hereof. Each party acknowledges that there are no representations by the other party, oral or written, not set forth in the Agreement upon which such party relied in signing the Agreement.

6. Section 409A:

---

(a) The intent of the parties is that payments and benefits under this Agreement comply with or will be exempt from Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively “Section 409A”) and, accordingly, to the maximum extent permitted, this Agreement will be interpreted to be exempt from Section 409A or in compliance therewith, as applicable.

(b) A termination of employment will not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that are considered nonqualified deferred compensation under Section 409A upon or following a termination of employment, unless such termination is also a “separation from service” within the meaning of Section 409A and the payment thereof prior to a “separation from service” would violate Section 409A. For purposes of any such provision of this Agreement relating to any such payments or benefits, references to a “termination,” “termination of employment” or like terms will mean “separation from service.”

(c) The parties agree and acknowledge that on Executive’s Separation Date, Executive will be a “specified employee” within the meaning of that term under Section 409A(a)(2)(B) and any payment or the provision of any benefit that is considered nonqualified deferred compensation under Section 409A payable on account of a “separation from service” which would otherwise be made or provided during the six (6) month period following Executive’s separation from service will instead be made or provided, in lump sum, on the first business day following the date which is the earlier of (A) the expiration of the six (6) month period measured from the date of Executive’s “separation from service,” and (B) the date of Executive’s death. Any remaining payments and benefits due under this Agreement will be paid or provided in accordance with the normal payment dates specified for them herein.

(d) With respect to the payment or provision of any benefit constituting nonqualified deferred compensation subject to Section 409A (i) all expenses or other reimbursements as

---

provided herein will be payable in accordance with the Company's policies in effect from time to time, but in any event will be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive, (ii) no such reimbursement or expenses eligible for reimbursement in any taxable year will in any way affect the expenses eligible for reimbursement in any other taxable year, and (iii) the right to reimbursement or in-kind benefits will not be subject to liquidation or exchanged for another benefit.

(e) For purposes of Section 409A, Executive's right to receive any installment payments pursuant to this Agreement will be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment will be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period will be within the sole discretion of the Company.

(f) Nothing contained in this Agreement will constitute any representation or warranty by the Company regarding compliance with Section 409A and none of the Company, its direct or indirect parents, subsidiaries or affiliates or any of their stockholders, employees or representatives will have any liability to Executive with respect thereto.

#### 7. Release:

(a) The Executive will execute and deliver to the Company an irrevocable general release in the form attached hereto as Exhibit B (the "Release") within 45 days of the Separation Date as required by Section 3 of the Corporate Officer Severance Plan. Should Executive fail to timely execute and deliver to the Company the Release, Executive agrees that he will not be entitled to the benefits provided under this Agreement or the Corporate Officer Severance Plan, and this Agreement will become null and void.

---



(b) Except as set forth herein, Executive acknowledges, represents and warrants that the Company owes him no other wages, commissions, bonuses, vacation pay or other compensation or payments of any nature, other than that specifically provided for in the Agreement. Executive further acknowledges that except as provided for herein, the Company will not have any obligation to him or to any other person or entity for any other monies or benefits including, but not limited to, attorneys' fees, car allowance, use of a Company car, relocation expenses, stock, stock options, restricted stock shares or units, stock purchase plan, pension, medical, life, short-term disability, long-term disability or other insurance, ERISA benefits, severance or any obligation set forth in any agreement of employment or other agreement with the Company, whether such agreement is express or implied.

(c) Executive warrants that as of the date hereof he is unaware of any conduct by the Company, any of its affiliates, or any of its or their employees, officers, directors, agents, carriers and shareholders and its and their predecessors, successors and assigns that he reasonably believes could form the basis of a material claim against any of them, other than those matters which may have been previously discussed with members of the Company's legal department in connection with any pending or threatened litigation.

8. Notification of Rights:

(a) Executive has twenty-one (21) days from his receipt of the Agreement on December 16, 2024 to consider it, and to return the signed Agreement to David Kwon, Chief Legal Officer, Automatic Data Processing, Inc., One ADP Boulevard, M/S 450, Roseland, New Jersey 07068. In order for Executive to fully understand his statutory rights and the legal effect of a waiver by Executive of those rights, he has the right to consult with an attorney.

(b) If Executive elects to sign the Agreement it means that: (i) he has read the Agreement and understands it; (ii) he has not received any inducements to sign the Agreement other than what is set forth in the Agreement; (iii) he has had adequate opportunity to consult

---

with an attorney of his choosing and has been advised to do so if he chooses; and (iv) he has signed the Agreement voluntarily and knowingly.

(c) Executive understands and agrees that if he chooses to sign the Agreement before the expiration of the twenty-one (21) day consideration period, he has waived the remainder of that period.

(d) After Executive has signed the Agreement, Executive may revoke his acceptance of it within seven (7) days from the date of his execution of the Agreement. Revocation must be made by submitting a written revocation by hand delivery or certified mail, return receipt requested, to David Kwon, Chief Legal Officer, Automatic Data Processing, Inc., One ADP Boulevard, M/S 450, Roseland, New Jersey 07068. If revocation of the Agreement is not made within the seven (7) day revocation period, the Agreement will become final, binding and irrevocable on both parties (except as set forth herein in paragraphs 3(b) and 7(a)).

**IN WITNESS WHEREOF**, and intending to be legally bound hereby, Executive and Automatic Data Processing, Inc. have executed the foregoing Agreement.

EXECUTIVE

By: /s/ John C. Ayala

AUTOMATIC DATA PROCESSING, INC.

By: /s/ David S. Kwon

---

## Exhibit A

---

## RESTRICTIVE COVENANT AGREEMENT

I am a participant in the Automatic Data Processing, Inc. Corporate Officer Severance Plan, and my employment as an executive employee with Automatic Data Processing, Inc., or one of its subsidiaries or affiliated companies (collectively, "ADP") has been terminated. While employed as an executive employee of ADP, I participated in policy decisions and enjoyed substantial compensation and benefits from ADP, including participation in its 2018 Omnibus Award Plan, and have had access to ADP's Confidential Information, proprietary information, and trade secrets about the Business of ADP, ADP's operations, systems, techniques, software and processes, its Clients, Business Partners, Vendors, and other unique trade and business methods, all of which are valuable assets of ADP that are developed at great effort and expense to ADP. I also have had significant contact with ADP's current and prospective Clients, Business Partners, and/or Vendors in order to develop ADP's goodwill and client relations so that I could promote ADP's interests and objectives, and I understand that ADP has invested a significant amount of time and financial resources to develop my skills to assist me in performing my job duties for ADP. While these current and prospective Clients, Business Partners, and/or Vendors may be secured or serviced by ADP associates, including me, I acknowledge that such individuals or entities remain at all times those of ADP and that the goodwill engendered by the relationships is intended to inure only to the benefit of ADP; the goodwill is owned by ADP; and ADP shall be the sole beneficiary of such goodwill during and after the termination of my employment with ADP.

I understand that ADP is a profit-generating business operating in a highly competitive business environment and that it has a valid interest in protecting its valuable assets, including its Confidential Information, proprietary information, and trade secrets, its goodwill and business relationships with its Clients, Business Partners, Vendors, and employees, and the specialized training of its employees, and I recognize that my use of ADP's valuable assets, directly or indirectly, against or in competition with ADP after my employment will result in irreparable harm to ADP. Accordingly, I understand that this Restrictive Covenant Agreement is meant to limit reasonably and fairly my competition following the end of my employment, and to define the corresponding obligations between me and ADP regarding: (1) unfair competition, (2) the solicitation of Clients, Business Partners or Vendors for or on behalf of ADP's competitors, (3) the solicitation of ADP's employees, and (4) the treatment of proprietary information, Confidential Information, and trade secrets.

**NOW, THEREFORE**, in consideration of my participation in the Automatic Data Processing, Inc. Corporate Officer Severance Plan and receipt of substantial compensation and benefits from ADP thereunder, the mutual benefits conferred herein, and for other good and valuable consideration (the receipt and sufficiency of all of which I hereby acknowledge), I agree as follows:

### 1. Definitions.

a. **"Business of ADP"** means the following businesses or services: (i) business outsourcing and human capital management solutions, including, without limitation, human resource, payroll, time, attendance and labor management, pre-employment, talent management, compliance and payment solutions, tax and benefits and retirement administration solutions and employment administration outsourcing solutions, which ADP provides globally; (ii) workers

---

compensation and health insurance, which ADP provides in the United States and Canada through its licensed insurance agencies and consulting services relating to its business outsourcing and human capital management solutions; and (iii) data-driven business intelligence on issues in human capital management, employment, and workforce trends.

**b. “Business Partners”** means any individual, corporation, limited liability company, partnership, joint venture, association, or other entity, regardless of form, that is or has been in a commercial or business relationship with ADP (excluding Clients and Vendors), including, without limitation, (i) referral partners, resellers, brokers, distributors, licensees, franchisees and marketing partners, (ii) implementation, integration and development partners, (iii) co-investors and joint venture partners, and (iv) any other individual or entity whose products or services ADP purchases, acquires or licenses for use with, or redistribution to, a third party (including Clients).

**c. “Clients”** means any individual, corporation, limited liability company, partnership, joint venture, association, or other entity, regardless of form, or government or quasi-government entity: (i) for whom ADP provides products or services in connection with the Business of ADP; (ii) for whom ADP has provided products and services in connection with the Business of ADP within the one (1) year period prior to my voluntary or involuntary termination of employment, for any reason, with or without cause, from ADP; (iii) whom I have solicited on behalf of ADP in connection with the Business of ADP within the two (2) year period prior to my voluntary or involuntary termination of employment, for any reason, with or without cause, from ADP; or (iv) about whom I have any Confidential Information or trade secret information.

**d. “Competing Business”** means any individual (including me), corporation, limited liability company, partnership, joint venture, association, or other entity, regardless of form, that is engaged in any business or enterprise that is the same as, or substantially the same as, that part of the Business of ADP in which I have worked or to which I have been exposed during my employment with ADP (regardless of whether I worked only for a particular segment of that part of the business in which I worked – for example, business segments based on the number of employees a Client has or a particular class of business using an ADP product or service).

**e. “Confidential Information”** means information and the compilation of information known or possessed by me because of my employment at ADP that is created, compiled, received or gathered by ADP or its agents and is related to the Business of ADP, that is valuable to ADP, and which ADP endeavors to protect from disclosure or use by its competitors and others who could benefit from its use, whether in written, tangible, electronic or any other form of media. Assuming the foregoing criteria are met, Confidential Information includes but is not limited to information about: ADP’s operations, products, business plans, market strategies, and services; research and development of ADP products and services; ADP’s intellectual property and trade secrets; Creative Works, including all publications, products, applications, processes, and software in any stage of development; names and other listings of current or prospective Clients, Business Partners, and Vendors (including contact information that may be compiled in computer databases that are not owned or controlled by ADP such as address books, personal digital assistants, smart phones, cloud storage services, and social and business websites); proposals made to current or prospective Clients, Business Partners, and Vendors or other information contained in offers or proposals to such Clients, Business Partners,

---

and Vendors; the terms of any arrangements or agreements with Clients, Business Partners, and Vendors, including the amounts paid for such services or how pricing was developed by ADP, the implementation of Client-specific projects, the identity of Business Partners and Vendors, and Business Partner and Vendor pricing information, the composition or description of future services that are or may be provided by ADP; ADP's financial, marketing, and sales information; technical expertise and know-how developed by ADP, including the unique manner in which ADP conducts its business; employee lists, employee capabilities, employee personnel information, prospective employee information, and employee training information and practices; Personally Identifiable Information; and Protected Health Information. Confidential Information also includes any information disclosed to ADP by a third party (including, without limitation, current or prospective Clients, Business Partners, and Vendors) that ADP is obliged to treat as confidential. This definition of Confidential Information excludes information that is or becomes known or generally available in the public domain through lawful means other than through my act or failure to act. This definition of Confidential Information and the use of the term Confidential Information in this Restrictive Covenant Agreement are not meant to limit ADP's rights under applicable trade secrets laws, and ADP specifically reserves all of its rights under all applicable laws concerning trade secrets.

f. **"Creative Works"** means any and all works of authorship including, for example, written documents, spreadsheets, graphics, designs, trademarks, service marks, algorithms, computer programs or code, protocols, formulas, mask works, brochures, presentations, photographs, music or compositions, manuals, reports, and compilations of various elements, whether or not patentable or registrable under copyright, trademark, or similar domestic and international laws.

g. **"Material Business Contact"** means contact that is intended to establish or strengthen a business relationship for ADP.

h. **"Personally Identifiable Information" ("PII")** is Confidential Information and includes an individual's first name and last name or first initial and last name in combination with any of the following: an individual's social security number, tax identification number, social insurance number, driver's license number, government-issued identification card number, financial or bank account information, healthcare information, or credit, debit or payroll card number.

i. **"Protected Health Information" ("PHI")** is Confidential Information and includes information that is created, received, and/or maintained by the Company related to an individual's health care (or payment related to health care) that directly or indirectly identifies the individual.

j. **"Severance Period"** means the eighteen (18) month period following March 31, 2025, which was the date on which my employment with ADP was terminated.

k. **"Vendors"** means any individual, corporation, limited liability company, partnership, joint venture, association, or other entity, regardless of form, or government entity that supplies materials or services to ADP for internal use.

---

**2. Duties and Best Efforts.** I agree that I am prohibited from accessing any of ADP's computer systems, servers, drives, or databases for any competitive or conflicting purpose and that any authorization for such access is revoked and prohibited by ADP once I engage in any competitive or conflicting activities or take any material steps towards accomplishing any competitive or conflicting activities.

**3. Non-Competition.** I agree that during my Severance Period and for a period of twelve (12) months following my Severance Period, I will not, directly or indirectly, own, manage, operate, join, control, finance, be employed by or with, or participate in any manner with a Competing Business where doing so will require me to (i) provide the same or substantially similar services to a Competing Business as those which I provided to ADP while employed, or (ii) use, disclose or disseminate ADP's Confidential Information or trade secrets. However, nothing shall prevent me from owning, as an inactive investor, securities of any competitor of ADP which is listed on a national securities exchange.

**4. Non-Solicitation of and Non-Interference with Clients, Business Partners, and Vendors.**

**a. Clients:** I agree that during my Severance Period and for a period of twelve (12) months following my Severance Period, I will not, either on my own behalf or for any Competing Business, directly or indirectly, solicit, divert, appropriate, or accept any business from, or attempt to solicit, divert, appropriate, or accept any business from any Client for the purposes of providing products or services that are the same as or substantially similar to those provided in the Business of ADP. I also agree that I will not induce or encourage or attempt to induce or encourage any Client to cease doing business with ADP or materially alter their business relationship with ADP.

**b. Business Partners:** I agree that during my Severance Period and for a period of twelve (12) months following my Severance Period, I will not, either on my own behalf or for any Competing Business, directly or indirectly engage, contract with, solicit, divert, appropriate or accept any business from, or attempt to engage, contract with, solicit, divert, appropriate or accept any business from any Business Partner for the purpose of providing to me or any Competing Business any product or service that is (a) the same as or substantially similar to the product or service provided to ADP and which ADP uses for, uses for obtaining, or distributes to, its Clients or (b) specialized, customized or designed by the Business Partner for ADP. This provision applies only to a Business Partner: (i) with whom ADP currently has a commercial or business relationship in connection with the Business of ADP; (ii) with whom ADP has had a commercial or business relationship in connection with the Business of ADP within the one (1) year period prior to my voluntary or involuntary termination of employment, for whatever reason, with or without cause, from ADP; or (iii) about whom I have any Confidential Information or trade secret information. I also agree that I will not induce or encourage or attempt to wrongfully induce or encourage any Business Partner to cease doing business with ADP or materially alter their business relationship with ADP.

**c. Vendors:** I agree that during my Severance Period and for a period of twelve (12) months following my Severance Period, I will not induce or encourage or attempt to

---

wrongfully induce or encourage any Vendor to cease doing business with ADP or materially alter its business relationship with ADP.

**5. Non-Solicitation of Employees.** I agree that during my Severance Period and for a period of twelve (12) months following my Severance Period, I will not, directly or indirectly, hire, solicit, recruit, or encourage to leave ADP, any current employees of ADP or hire, solicit, recruit, or contract with employees who terminate their employment with ADP within twelve (12) months following my Severance Period.

**6. Non-Disclosure and Non-Use of Confidential Information and Trade Secrets.** I will not at any time following the termination of my employment with ADP access, disclose, use, reproduce, distribute, or otherwise disseminate ADP's Confidential Information or trade secrets or take any action causing, or fail to take any action necessary in order to prevent, any such information to lose its character or cease to qualify as Confidential Information or a trade secret. I will not comment publicly or publish written materials on the unique manner in which ADP operates its business without the express written consent of the Chief Legal Officer or his designee, including but not limited to comments to members of the press and media, other members of the public, on social media or in books or articles of any kind. I agree to inquire with ADP if I have any questions about whether I am authorized or required to access, use, reproduce, distribute, or otherwise disseminate ADP's Confidential Information or whether particular information is Confidential Information or a trade secret before accessing, using or disclosing such information. I understand that nothing in this Agreement prohibits me from reporting possible violations of state or federal law or regulation to any governmental agency or entity or from communicating with any such agency or entity regarding the same or otherwise participate in any investigation or proceeding that may be conducted by any government agency, including providing documents or other information without notice to ADP. This Agreement does not limit my right to receive an award for information provided to any government agencies. I understand that nothing in this Agreement shall have the purpose or effect of concealing details related to a claim of discrimination, retaliation, or harassment. I also agree to immediately return to ADP all property and information belonging to ADP such as keys, credit cards, telephones, tools, equipment, computers, passwords, access codes, and electronic storage devices, as well as all originals, copies, or other physical embodiments of ADP's Confidential Information or trade secrets (regardless of whether it is in paper, electronic, or other form), including any such information in any programs, business forms, manuals, correspondence, files, databases, or on computer disks or any other storage medium, including but not limited to cloud storage, whether or not owned or controlled by me or ADP (e.g., social and business networking websites, web-based email servers, Notability, or cloud storage services), immediately upon termination of my employment, and I agree not to keep, access, disclose, use, reproduce, distribute, or otherwise disseminate any copies, electronic or otherwise, of any of the foregoing. I also understand that my obligations under this paragraph, as well as the other covenants in this Restrictive Covenant Agreement, extend to my activities on the internet, including my use of business-oriented social networking sites such as LinkedIn and Facebook.

I understand that nothing in this Agreement shall in any way limit or prohibit me from engaging in any Protected Activity. Protected Activity includes: (i) filing and/or pursuing a charge, complaint, or report with, or otherwise communicating, cooperating, or participating in any investigation or proceeding that may be conducted by any federal, state or local government agency or commission, including the Securities and Exchange Commission, the Equal

---



Employment Opportunity Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board ("Government Agencies"); and/or (ii) discussing or disclosing information about unlawful acts in the workplace, such as harassment, retaliation, or discrimination or any other conduct that I have reason to believe is unlawful. I understand that I may engage in Protected Activity voluntarily. I also understand that I do not have to seek approval from ADP prior to engaging in any Protected Activity and I do not have to notify ADP after I have engaged in any Protected Activity. Notwithstanding the foregoing, I agree to take all reasonable precautions to prevent any unauthorized use or disclosure of any Company trade secrets, proprietary information, or confidential information that does not involve unlawful acts in the workplace, possible securities law violations, or the activity otherwise protected herein. I further understand that Protected Activity does not include the disclosure of any information that I obtained through a communication that was subject to the Company's attorney-client privilege, unless disclosure of that information would otherwise be permitted by an attorney pursuant to 17 C.F.R. Section 205.3(d)(2), applicable state attorney conduct rules, or otherwise. In addition, pursuant to the Defend Trade Secrets Act of 2016, I understand that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney *solely* for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order. I understand that nothing in this Agreement limits my right to receive an award for information provided to any governmental agency. Finally, nothing in this Agreement constitutes a waiver of any rights I may have under the Sarbanes-Oxley Act or Section 7 of the National Labor Relations Act ("NLRA"). For purposes of clarity, nothing in this Agreement shall be interpreted to impair or limit my participation in any legally protected activities, such as (i) forming, joining, or supporting labor unions, (ii) bargaining collectively through representatives of employees' choosing, (iii) discussing wages, benefits, or terms and conditions of employment, and (iv) discussing, or raising complaints about, working conditions for the purpose of mutual aid or protection of my or the Company's other current or former employees, to the extent such activities are protected by Section 7 of the NLRA. I understand that nothing in the Agreement shall limit or prohibit me from engaging in any protected conduct set forth in this section.

**7. Prior Agreements and Disclosure of Agreement to Third Parties.** I agree to provide a copy of this Restrictive Covenant Agreement to any subsequent employer, person, or entity to which I intend to provide services that may conflict with any of my obligations in this Restrictive Covenant Agreement prior to engaging in any such activities and to provide ADP in writing the name and address of any such employer, person, or entity and a description of the services I intend to provide prior to engaging in any such activities. I agree that ADP may also provide a copy of this Restrictive Covenant Agreement or a description of its terms to any Client, subsequent employer, or other third party at any time as it deems necessary to protect its interests, and I agree to indemnify ADP against any claims and hold ADP harmless from any losses, costs, attorneys' fees, expenses, fees, and damages arising out of my failure to comply with this paragraph or ADP's providing a copy of this Agreement or a description of its terms to any Client, subsequent employer, or other third party.

---

**8. Severability and Reformation.** I agree if any particular paragraph, subparagraph, phrase, word, or other portion of this Restrictive Covenant Agreement is determined by an appropriate court to be invalid or unenforceable as written, it shall be modified as necessary to be made valid or enforceable, and such modification shall not affect the remaining provisions of this Restrictive Covenant Agreement, or if it cannot be modified to be made valid or enforceable, then it shall be severed from this Restrictive Covenant Agreement, and all remaining terms and provisions shall remain enforceable. As it relates to the practice of law, this Restrictive Covenant Agreement should be interpreted consistent with the limitations imposed by the New Jersey Rules of Professional Conduct and/or the Model Rules of Professional Conduct (or similar rules in other jurisdictions), including RPCs 5.6, 1.9 and 1.6. If any provision in this Agreement causes the acknowledgment of the Agreement to violate any of the above-referenced RPCs as it relates to the practice of law, such provision(s) will be deemed void and severed from the Agreement.

**9. Choice of Law, Venue, and Jurisdiction.** The interpretation, validity, and enforcement of this Restrictive Covenant Agreement will be governed by the laws of the State of New Jersey, without regard to any conflicts of law principles that require the application of the law of another jurisdiction. I agree that any action by me to challenge the enforceability of this Restrictive Covenant Agreement must be brought or litigated exclusively in the appropriate state or federal court located in the State of New Jersey. I also agree that any action by ADP to enforce this Restrictive Covenant Agreement, as well as any related disputes or litigation related to this Restrictive Covenant Agreement, may, but does not have to, be brought in the appropriate state or federal court located in the State of New Jersey. I agree and consent to the personal jurisdiction and venue of the federal or state courts of New Jersey for resolution of any disputes or litigation arising under or in connection with this Restrictive Covenant Agreement or any challenge to this Restrictive Covenant Agreement and waive any objections or defenses to personal jurisdiction or venue in any such proceeding before any such court.

**10. Survival.** All non-competition, non-solicitation, non-disclosure and non-use, non- recruiting, intellectual property, and Restrictive Covenant Agreement disclosure obligations under paragraphs four (4) through seven (7) of this Restrictive Covenant Agreement shall survive the termination of my employment for any reason and with or without cause, and no dispute regarding any other provisions of the Restrictive Covenant Agreement or regarding my employment or the termination of my employment shall prevent the operation and enforcement of these obligations.

**11. Relief, Remedies, and Enforcement.** I acknowledge that ADP is engaged in a highly competitive business, and the covenants and restrictions contained in this Restrictive Covenant Agreement, including the geographic and temporal restrictions, are reasonably designed to protect ADP's legitimate business interests, including ADP goodwill and client relations, Confidential Information and trade secrets, and the specialized skills and knowledge gained by me and ADP's other employees during our employment. I acknowledge and agree that a breach of any provision of this Restrictive Covenant Agreement by me will cause serious and irreparable damage to ADP that will be difficult to quantify and for which a remedy at law for monetary damages alone may not be adequate. Accordingly, I agree that if ADP should bring an action to enforce its rights under this Restrictive Covenant Agreement and ADP establishes that I have breached or threatened to breach any of my obligations under this Restrictive Covenant

---

Agreement, ADP shall be entitled, in addition to all remedies otherwise available in law or equity, to a temporary restraining order, a preliminary injunction, and a permanent injunction enjoining such breach or threatened breach in any court of competent jurisdiction without the necessity of posting a surety bond, as well as an equitable accounting of all profits or benefits arising out of any violation of this Restrictive Covenant Agreement, and ADP shall be entitled to cease to pay or provide any further benefits under the Automatic Data Processing, Inc. Corporate Officer Severance Plan to me and I will, upon ten (10) days' prior written demand by ADP, promptly reimburse ADP any benefits already paid or provided under the Automatic Data Processing, Inc. Corporate Officer Severance Plan to me since the date of such breach. I also agree that nothing in this Restrictive Covenant Agreement shall be construed to prohibit ADP from pursuing any and all other legal or equitable remedies available to it for breach of any of the provisions of this Restrictive Covenant Agreement, including the disgorgement of any profits, bonuses, equity, commissions, or fees realized by me, any subsequent employers, any business owned or operated by me or to which I provide services, or any of my agents, heirs, or assigns. I also agree that that the knowledge, skills, and abilities I possess at the time of commencement of my employment are sufficient to permit me to earn a livelihood satisfactory to me without violating any provision of paragraphs four (4) through seven (7) above, for example, by using such knowledge, skills, and abilities, or some of them, in the service of business that is not competitive with ADP. I further agree to pay any and all legal fees, including without limitation, all attorneys' fees, court costs, and any other related fees and/or costs incurred by ADP in enforcing this Restrictive Covenant Agreement.

**12. Tolling.** The restricted time periods in paragraphs four (4) through six (6) above shall be tolled during any time period that I am in violation of such covenants, as determined by a court of competent jurisdiction, so that ADP may realize the full benefit of its bargain. This tolling shall include any time period during which litigation is pending, but during which I have continued to violate such protective covenants and a court has declined to enjoin such conduct or I have failed to comply with any such injunction.

**13. Entire Agreement and Validity of Terms.** I agree that I do not rely, and have not relied, upon any representation or statement not set forth herein by ADP or any of ADP's agents, representatives, or attorneys, and that this Restrictive Covenant Agreement may be changed only by a subsequent agreement in writing signed by both parties. I understand that I may have an existing agreement(s) with ADP, through acquisition of a prior employer or otherwise, that may include the same or similar covenants as those in this Restrictive Covenant Agreement, and acknowledge that this Restrictive Covenant Agreement is meant to supplement any such agreement(s) such that the covenants in the agreements that provide ADP with the greatest protection enforceable under applicable law shall control, and that the parties do not intend to create any ambiguity or conflict through the execution of this Restrictive Covenant Agreement that would release me from the obligations I have assumed under the protective covenants in any of these agreements.

**14. Electronic Signature.** I agree that ADP may enforce this Restrictive Covenant Agreement with a copy for which I have provided an electronic signature.

**15. Assignment and Successorship.** This Restrictive Covenant Agreement and ADP's rights and obligations hereunder may be assigned by ADP and shall inure to the benefit of and shall be enforceable by any such assignee, as well as any of ADP's successors in interest. This Restrictive

---

Covenant Agreement and my rights and obligations may not be assigned by me, but are binding upon my heirs, administrators, executors, and personal representatives.

**16. Waiver.** ADP's waiver of a breach of any provision of this Restrictive Covenant Agreement in any particular instance shall not be deemed to be a waiver of any other breach in any other instance and/or of ADP's other rights at law, in equity, or under this Restrictive Covenant Agreement. ADP's failure to take action against any other employee for similar breaches shall not operate as a waiver by ADP of a breach as to me. Any waiver by ADP of any breach of this Restrictive Covenant Agreement by me shall not be effective unless in writing signed by a Corporate Officer of ADP, and no such waiver with regards to me or any other person under a similar agreement shall operate or be construed as a waiver of the same type of breach or any other breach on a subsequent occasion by me or any other person or entity.

**17. Jury Trial Waiver.** I agree that, to the fullest extent permitted by law, each party waives any right to trial by jury with respect to any proceeding arising out of or relating to this Restrictive Covenant Agreement.

**18. Opportunity to Review.** I agree that I have read this Restrictive Covenant Agreement before signing it, understand its terms, and that I have had the opportunity to have legal counsel review this agreement, prior to signing it, and I acknowledge that I have not been forced or coerced in any manner to sign this Restrictive Covenant Agreement and do so of my own free will.

**IN WITNESS WHEREOF,** I have executed this Restrictive Covenant Agreement as of the date set forth below.

Signed: /s/ John Ayala

Printed Name: John Ayala

Date: 1/27/25

---

## Exhibit B

---

## RELEASE

WHEREAS, I, the undersigned, am a participant in the Automatic Data Processing, Inc. Corporate Officer Severance Plan (the "Plan");

WHEREAS, my employment with the Company will be terminated effective March 31, 2025;

WHEREAS, the Company and I entered into a Separation Agreement and Release, dated January 27, 2025 (the "Separation Agreement"); and

WHEREAS, this "Release" is referred to in Section 3 of the Plan.

NOW, THEREFORE, in consideration of the promises and for other good and valuable consideration contained herein and received or to be received in accordance with the terms of the Separation Agreement and the Plan (including the Severance Benefits outlined in Section 2.3 and Section 2.4 of the Plan (other than the Accrued Obligations)), I hereby agree as follows (capitalized terms not defined herein are as defined in the Plan):

1. Without prejudice to enforcement of the covenants, promises, or rights reserved herein, I (on my own behalf and on behalf of my heirs and legal representatives, administrators, successors, and assigns (collectively, the "Successors")) hereby irrevocably and unconditionally release, acquit, and forever discharge the Company and (only with respect to each such following person's affiliation with the Company) all its subsidiaries, Affiliates, related companies, and divisions and its and their past, present, and future employees, officers, directors, agents, carriers, and shareholders and its and their predecessors, successors and assigns (collectively, "Releasees" from and against all claims, actions and causes of action, of every kind, nature and description without limitation, whether created by any constitution, statute, common law, regulation, municipal ordinance, executive order, contract, duty or obligation arising from my employment with the Company (or termination thereof), that exist as of the date I sign this Release ("Claims"), except as provided below in this Section and in Section 2. This Release includes all Claims arising under all federal, state and local employment discrimination, whistleblower and anti-retaliation statutes, ordinances or regulations including, but not limited to, Title VII of the Civil Rights Act of 1964, the Equal Pay Act of 1963, the Lilly Ledbetter Fair Pay Act of 2009, the Age Discrimination in Employment Act of 1967 ("ADEA"), the Employee Retirement Income Security Act, the Civil Rights Act of 1991, the Rehabilitation Act of 1973, the Older Workers Benefit Protection Act of 1988, the Worker Adjustment Retraining and Notification Act, the Fair Labor Standards Act of 1938, the Occupational Safety and Health Act of 1970, the Sarbanes-Oxley Act of 2002, the Americans with Disabilities Act, the Family and Medical Leave Act, the Labor Management Relations Act, the Health Insurance Portability and Accountability Act, all as amended, and all other sex, sexual orientation, marital status, religion, race, national origin, veterans', disability, age discrimination, whistleblower and anti-retaliation laws, including but not limited to, the New Jersey Conscientious Employee Protection Act, and the New Jersey Law Against Discrimination. I expressly waive all rights I may have under such laws, and under any amendments thereto, any claims based on contract, tort, public policy, or any principle of law or equity, and any claim for money, damages, attorneys' fees, costs, and injunctive or other relief. Anything to the contrary notwithstanding, nothing herein will release the Company or any other Releasees from any claims or damages based on (i) any right I may

---

have to enforce the provisions of the Separation Agreement and Plan that are intended to survive a Termination of my employment with the Company, (ii) any right or claim that arises after the date this Release is executed or that otherwise may not be legally released, (iii) any right I may have to Accrued Obligations, (iv) my right to indemnification and advancement of expenses in accordance with applicable laws or the certificate of incorporation and bylaws (or any other governing documents) of the Company, or any applicable insurance policy (including, without limitation, any directors and officers insurance or similar policies), or (v) any right I may have to obtain contribution as permitted by law in the event of entry of judgment against me as a result of any act or failure to act for which I, on the one hand, and any of the Releasees, on the other hand, are jointly liable.

2. Except as provided in this Section, this Release will serve as a bar to all claims, charges, complaints, and actions by me or my Successors against any of the Releasees with respect to items released herein and neither I nor any of my Successors will file any claims, charges, complaints, or actions with respect to items released herein. Notwithstanding the foregoing, it is understood that I will not be precluded by this Release from filing a charge with any relevant federal, state, or local administrative agency, court, or other body challenging the validity of the release of my claims under ADEA, or initiating or participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission, the Securities and Exchange Commission, or other federal, state or local agency or authority, and I understand that I am not required to notify the Company of such communications or disclosures. However, I agree to waive my rights with respect to any monetary or other financial relief arising from any such proceeding or investigation. To the extent that any claim, charge, complaint, or action released by me in this Release is brought by me or my Successors for my benefit or on my behalf, I (and my Successors) expressly waive any claim to any form of monetary or other damages, including, without limitation, attorneys' fees and costs, or any other form of personal recovery or relief in connection with any such claim, charge, complaint or action. Notwithstanding the foregoing, this Release does not limit my right to receive an award for information provided to any federal, state or local government agency. Additionally, I am not waiving or releasing any claims for unemployment compensation benefits, workers compensation benefits, claims under the Fair Labor Standards Act, health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA), or claims with regard to vested benefits under a retirement plan governed by the Employee Retirement Income Security Act (ERISA).

3. I understand that I have been given a period of at least 21 days to review and consider this Release before signing it pursuant to the ADEA. I understand further that I may use as much of this 21-day period as I wish prior to signing. I ACKNOWLEDGE THAT I HAVE READ THEIR RELEASE CAREFULLY; THE RELEASE IS WORDED IN AN UNDERSTANDABLE WAY; I AM BEING ADVISED BY THEIR WRITING TO CONSULT AN ATTORNEY PRIOR TO EXECUTING THEIR RELEASE; I FULLY UNDERSTAND THAT, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THEIR RELEASE, BY SIGNING BELOW I AM WAIVING ALL RIGHTS AND RELEASING ALL CLAIMS, INCLUDING, WITHOUT LIMITATION, ALL RIGHTS AND CLAIMS ARISING UNDER ADEA, THAT I MAY HAVE TO SUE OR ASSERT A CLAIM AGAINST ANY OF THE RELEASEES, AS DESCRIBED IN THEIR RELEASE; I DO NOT WAIVE CLAIMS UNDER ADEA THAT MAY ARISE AFTER THE DATE I SIGN THEIR RELEASE; AND THE CONSIDERATION GIVEN BY THE COMPANY FOR THE WAIVER OF RIGHTS AND

---

RELEASE OF CLAIMS IS IN ADDITION TO ANYTHING OF VALUE TO WHICH I AM ALREADY ENTITLED. I ACKNOWLEDGE THAT I HAVE NOT BEEN FORCED OR PRESSURED IN ANY MANNER WHATSOEVER TO SIGN THIS RELEASE AND I AGREE TO ALL OF ITS TERMS VOLUNTARILY.

4. I acknowledge and represent that I understand that I may revoke this Release within 7 days after signing this Release. Revocation can be made by delivering a written notice of revocation to the Committee at the address specified in Section 9.1 of the Plan. For this revocation to be effective, written notice must be received no later than the close of business on the seventh day after I sign this Release.

5. I represent and acknowledge that in executing this Release I am not relying upon, and have not relied upon, any representation or statement not set forth herein made by any of the agents, representatives, or attorneys of the Company.

6. This Release will not in any way be construed as an admission by me that I have acted wrongfully. I also acknowledge and agree that I have not, with respect to any transactions or state of facts existing prior to the date hereof, (a) other than any actions not precluded as provided in Section 2 above, filed any actions with respect to the Company or any of the Releasees with any governmental agency, court, or tribunal or (b) assigned or transferred any action to a third party. I agree further to dismiss with prejudice all pending civil lawsuits related to any such claim, charge, complaint or action, except as provided in Section 2 above.

7. Should any provision hereof be invalid or otherwise unenforceable under any law, such provision will be curtailed and to the extent necessary to bring it within the requirements of law, and the remaining limited provisions of this Release will remain in full force and effect and be fully valid, and I represent and agree that I (a) have, to the extent that I desire, discussed all aspects of this Release with my attorney, (b) have carefully read and fully understand all of the provisions of this Release, and (c) am voluntarily entering into this Release.

8. This Release may be amended or modified only by a writing signed by both the Company and me.

9. This Release will be governed by, and construed in accordance with, the laws of the State of New Jersey, applicable to contracts executed and performed in such state.

10. If I revoke this Release (including, without limitation, the waiver of rights and release of any ADEA claims covered hereby), I will be deemed not to have accepted any of the terms of this Release and I will not be entitled to any Severance Benefits under the Plan.

IN WITNESS WHEREOF, I have executed this Release as of the date set forth below.

Signed: /s/ John Ayala

Printed Name: John Ayala

Date: 1/27/25



**Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Maria Black, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Automatic Data Processing, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Maria Black

Date: January 30, 2025

Maria Black

President and Chief Executive Officer

**Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Don McGuire, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Automatic Data Processing, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 30, 2025

/s/ Don McGuire

Don McGuire

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Automatic Data Processing, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Maria Black, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Maria Black

Date: January 30, 2025

Maria Black

President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Automatic Data Processing, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Don McGuire, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: January 30, 2025

/s/ Don McGuire

Don McGuire

Chief Financial Officer