ADP Ascending:
Detailed Supporting Materials

October 2017

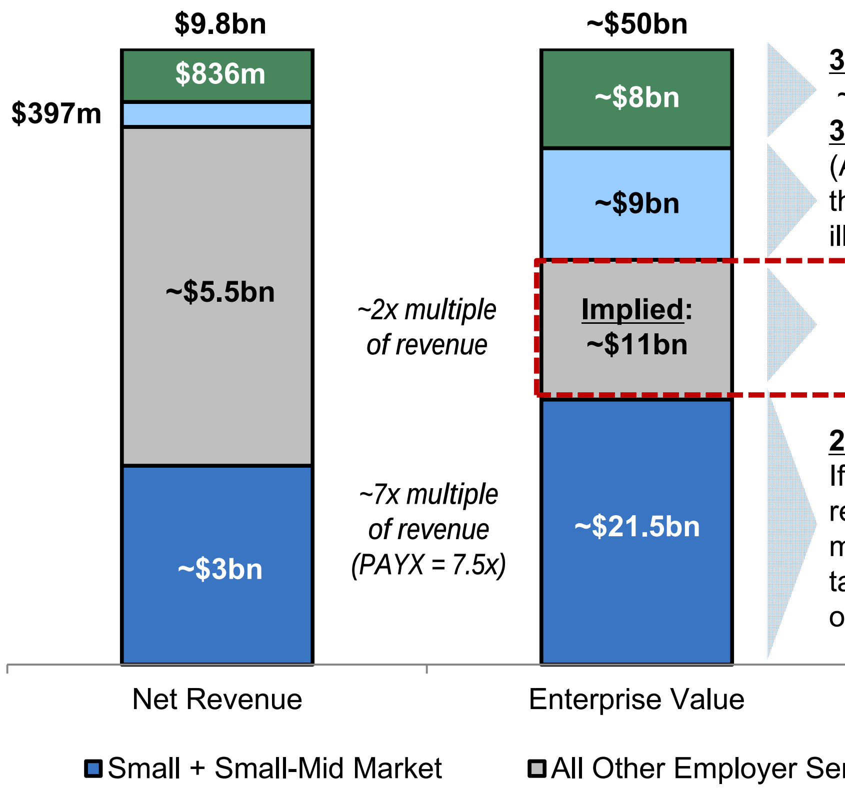
Detailed Supporting Materials

ADP is Underperforming its Potential

Properly Operated, ADP is Worth Materially More than its Current Valuation

Backing out the value of ADP's PEO and Float Income, and assuming ADP produced Paychex-like margins and value on its *directly comparable* ~$3bn of revenue, implies the balance of ADP's business is valued at ~2x revenue

ADP Revenue & Enterprise Value



Valuation Framework

<u>30x+ P/E Multiple</u>: $836m of net revenue (growing mid-teens organically), ~40% fully burdened margins (incl. corporate), ~65% flow-through margins

<u>30x+ P/E Multiple</u>: $430m 100% profit stream[(1)] growing in the mid-teens (ADP's float balance grows in-line with ES and the effective rate earned on the float will rise as low-yield maturities roll off in coming years). At the illustrative valuation the float is being capitalized at ~30% of face value

All Other Employer Services (~$5.5bn of large mid-market (>150EEs), Enterprise, and International) implied valuation of ~$11bn → implies <10x unlevered earnings multiple on an "as-fixed" basis

<u>25x Unlevered P/E Multiple</u>:
If ADP's small and small mid-market business (estimated at ~$3bn of revenue) – which is *directly comparable with Paychex* – had Paychex-like margins of ~41% it would imply ~$1.2bn+ of Adj. EBIT, or ~$850m of after-tax earnings. Capitalized at a 25x unlevered P/E multiple it implies ~$21.5bn of enterprise value contribution

(1) When presented in revenue Client Funds excludes ADP's "Client Extended" strategy which contributed $34m (net) in EBIT for FY 2017.

By P&L Item:
ADP has an Enormous Margin Opportunity in ES

Employer Services is materially underperforming and should achieve 35% or greater margins by FY 2022 if properly managed

Employer Services ("ES")	Current	Optimized	Key Drivers
Gross Margin	~58%	72% – 75%	Automated product support, implementation, and reduced back-end spend
Sales Expense	NA	Low 20s%	Increased sales force productivity
General & Admin	NA	L-S-D%	Corp. restructuring, reduced spans-and-layers
SG&A	28%	~24% – 27%	
R&D	7%	~7%	Reduced legacy spend, reinvest in R&D
D&A	3%	3%	
SBC	1%	1%	
Operating Profit	**~19%**	**34% – 40%**	**← Potential: HCM SaaS at *current* scale**
- Drag from lower-margin businesses		*(170) – (380)bps*	$1-1.3bn of business at mid-teens-to-20% margin
+ Operating leverage		*+ 250 – 375bps*	High fixed-cost: +50-75bps per annum leverage
Potential ES Margins (FY '22)		**~35% – 40%**	**← Structural potential for '22 ES margins**

By Business Mix:
ADP has an Enormous Margin Opportunity in ES

Employer Services is materially underperforming and should achieve 35% or greater margins by FY 2022 if properly managed

Employer Services	% of Revenue	Optimized Margin (%)	**Evidence**
Small / Medium Business	**Low- to Mid-20%s**	**38% – 42%**	Paychex ~40%+
Mid-Market	**Mid- to High-30%s**	**35% – 45%**	May be higher margin than SMB; massive scale
Enterprise	**~20%**	**Mid-20s to 30%+**	Ultimate targeting 35% – 40% margins
of which, COS	*L.S.D. %*	*Mid Teens – 20%*	*Was ~$150m in 2010; mgmt. has commented it's not a drag on margins*
of which, Benefits & Other	*L.S.D. %*	*15% – 20%+*	*WageWorks @ ~19% Op. Margins*
International	**~20%**	**Mid-20s to 30%+**	
of which, multinational	*~7%*	*Scaling to 30%+*	*"Approaching $600m" and scaling rapidly*
of which, in-country	*H.S.D. %*	*30% – 40%*	Canada + France + UK, etc. Best-in-breed should be 30%-40%+ (eg. NGA, P&I)
Operating Profit		**32% – 36%**	**← Potential at *current* scale**
+ *Operating leverage (+50-75 bps per annum)*		+ 250 - 375bps	Operating leverage, pays-per-control & price
Potential ES Segment Margins (FY '22)		**~35% – 40%**	**← Structural potential for '22 ES margins**

Excuses for Lower Margins Don't Add Up

- ***"Unlike ADP's competitors, ADP provides "service" to its customers"***
  - The vast majority of what ADP calls "service" is product support to compensate for weak software and technology, which when fixed, will improve growth and margins
  - Value-added service – to the extent it is differentiated, unique, and value-enhancing – should generate better pricing and/or a higher growth rate than peers given a superior value proposition

- ***"ADP has an outsourcing business which is lower margin"***
  - ADP reported ~$200m of HR BPO in 2010 (<$50m in ASO and ~$150m in COS); we believe this is collectively ~$730m today(1)
  - Circa 2016, ADP management noted that HR BPO has a margin profile "roughly in line… with our overall margin profile" [of ~20%](2)
  - Paychex says its ASO "high-touch" service business is "very profitable"(3)

- ***"Unlike competitors, ADP has a large PEO"***
  - We have segmented PEO performance in our analysis and focused on Employer Services margins which we estimate are ~19%. With the exception of a small PEO at Paychex, competitors do not have PEOs

(1) Q3'2010 Earnings Conference Call commentary (April 27, 2010).
(2) Q2'2016 Earnings Conference Call commentary (February 3, 2016).
(3) Martin Mucci, CNBC Mad Money with Jim Cramer (October 3, 2017).

Excuses for Lower Margins Don't Add Up (cont'd.)

- ***"Unlike Paychex, only a minority of ADP's business is SMB"***
  - While this is true, if ADP achieved Paychex's margins in its Small and Small Mid-market businesses (~$3bn of revenue), this would imply that the rest of Employer Services earns a ~6% margin on $5.5bn of revenue
  - ADP is not achieving its structural margin potential across multiple client verticals (likely including small business and small mid-market). HCM SaaS offerings across all segments should have high margins. Ultimate Software expects to achieve ~35% – 40% operating margins when it reaches scale and as growth decelerates from ~20%+ per annum(1)

- ***"ADP has a large international business"***
  - International is a combination of (1) best-in-class domestic products (which should have high attractive margins), (2) a rapidly scaling and differentiated multi-national product offering, and (3) high-growth, sub-scale international markets (which are lower margin, but a small portion of international revenue)
    - NGA has ~33% and ~29% EBITDA margins in its UK and Australia/New Zealand businesses,(2) while P&I (a German comparable) has a 45% EBITDA margin(3)
    - We understand that ADP's Canada and Europe businesses (#1/#2 position, scaled markets) are structurally high-margin businesses, based on past management commentary and consultations with prior executives of various international markets

(1) Ultimate most recently affirmed this perspective at the Morgan Stanley TMT conference on March 1, 2017.
(2) http://www.ngahr.com/ar16
(3) https://www.pi-ag.com/pi-ag/investor-relations-en/financial-statements

While ADP Has Made Some Progress…

- **ADP has prioritized platform migrations, which should be the initial step towards product consolidation and significant business simplification**
  - ADP prioritized SMB and Mid-Market re-platforming given the relative retention characteristics and the ease of building next generation platforms
  - ADP should be spring-loaded for efficiency and margin expansion
- **ADP's Service Alignment Initiative recognizes the benefit of restructuring a sprawling service footprint**
  - However, this initiative does not appear to address the additional large opportunity to reduce the support intensity of products through technology
- **ADP's Innovation Labs give the Company an opportunity to elevate the importance of innovation and drive cultural change across the organization**

...ADP has More to Do to Achieve its Full Potential

Current initiatives should be paired with a comprehensive plan to achieve ADP's full structural potential

- **ADP's current initiatives, executed effectively, should lead to material improvement**
  - ADP has outlined minimal payoff from these initiatives
- **ADP has additional opportunities to improve performance, including:**
  - Corporate restructuring
  - Service / support efficiencies
  - Implementation automation
  - Back-end technology improvements
  - Reduced spending on legacy platforms
  - Technology and innovation leadership

ADP has Enormous Structural Advantages

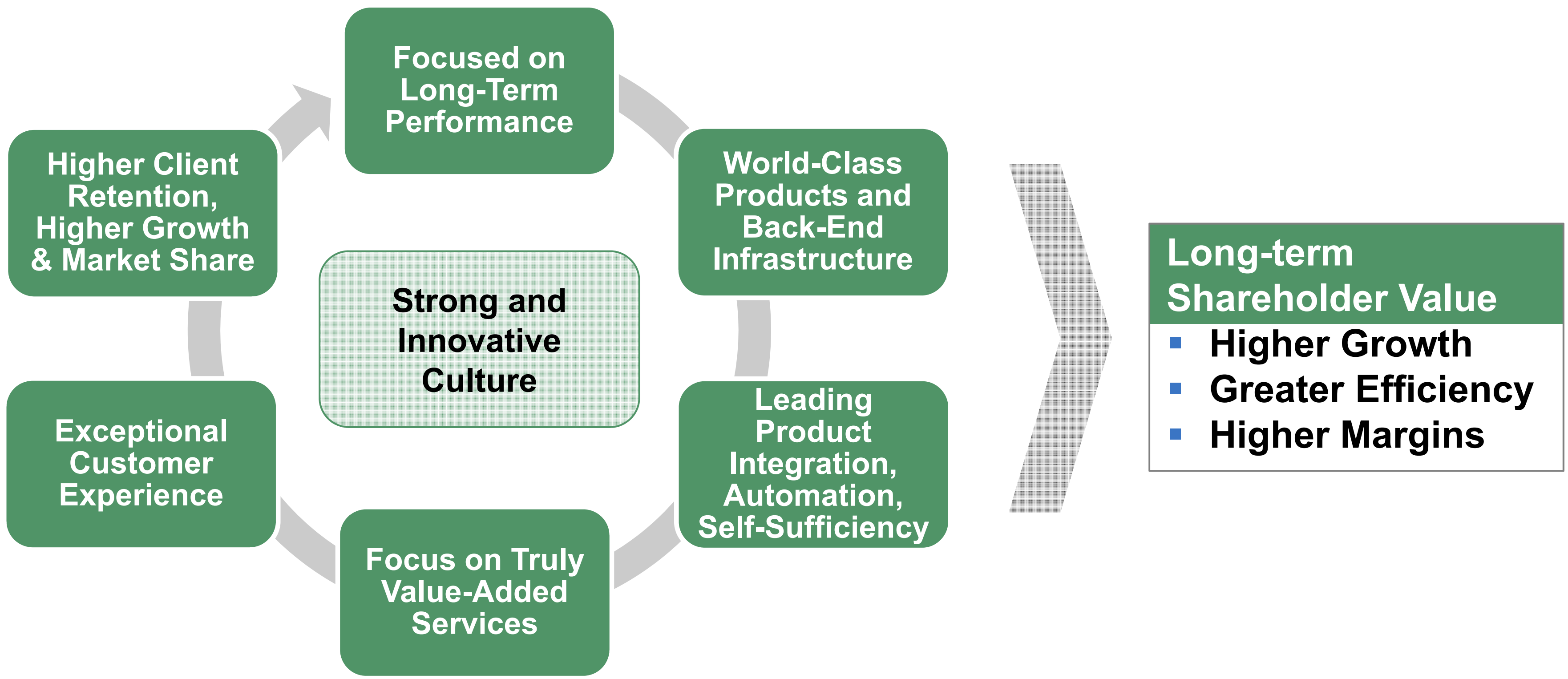
ADP should be the market leader, with world-class offerings

- **ADP enjoys significant structural advantages:**
  - **ADP's significant scale, in total and by segment, provides:**
    - Significant free cash flow and financial resources so R&D resources are not a constraint
  - **ADP's installed base provides a large pool of clients to up-sell HCM products, or to sell existing non-HCM clients on HCM solutions (in enterprise)**
  - **The opportunity to leverage across business units and segments (PEO with SMB, etc.)**

Properly operated, ADP should produce industry-leading long-term results. ADP should be the ecosystem and partner of choice given its breadth and scale

Proper Enhancements to Product and Back-End Infrastructure Will Drive Long-Term Value

Enhanced technology offerings, on the front-end and back-end, will drive improvements in ADP's competitive position, long-term growth and efficiency



ADP has Enormous Upside If It Can Transition to a Real Technology Company

ADP has a unique and incredibly valuable position at the epicenter of businesses of all sizes, collectively serving ~700,000 clients worldwide

- **ADP should be the ecosystem and partner of choice, if it can become a technology leader**
- **Big Data is underexploited by ADP**
  - ADP's data is uniquely valuable as it is generated from a broad cross-section of the economy from small to large and multinational employers
  - Can be used to significantly enhance core business HCM products
  - Significant potential standalone uses: investors, commercial and residential real estate, commercial and consumer finance, retail / hospitality site selection analysis, etc.
- **Comprehensive HR services for temporary workers & the gig economy**
  - HR, payroll, and tax provider for temporary and independent contractor workers (Uber, Airbnb, Postmates, etc.)

We believe these opportunities can only be captured with an innovative and nimble culture supported by appropriate leadership and investment

ADP has a Strong Position in the PEO Market

ADP's dominant position in the HCM / Payroll markets confers it an enormous competitive advantage in the PEO space

ADP's advantages build further scale benefits:

- **Sales force leads (~50-60% of new PEO clients), upselling existing clients**
  - At ~10.7k PEO clients, ADP's PEO is under-penetrated as measured against ADP's client count in small/medium size businesses (see next page)
- **Industry-leading HCM offering aides PEO business**
  - ADP is able to leverage their own technology, payroll processing, money movement, tax, compliance, and broad HR expertise for their PEO offering

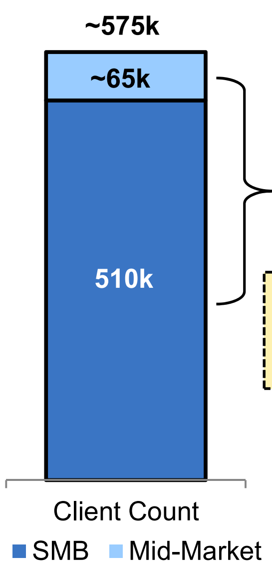
ADP's advantageous position will allow them to take further share and grow in excess of the PEO market

ADP's PEO Can Grow Faster

ADP's PEO appears significantly under-penetrated as a percentage of ADP's client base

- Companies with 10 to 99 employees represent the "sweet spot" for most PEOs[(1)]
- We estimate 150k – 250k of ADP's clients sit in this "sweet spot"[(2)] → ADP's PEO client count of ~10.7k suggests only 5% – 7% penetration against its incumbent addressable market
- PEO's are 14% – 16% penetrated when measured against the broader economy[(1)]
- Given that ADP's clients have already decided to outsource their HR needs, one would expect ADP's PEO penetration to be *higher* as measured against the broader economy, not lower

ADP Addressable Client Base [(2)]



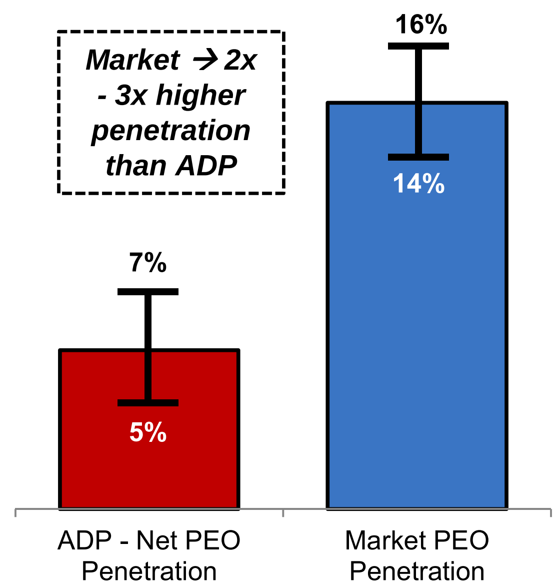
PEO "Sweet Spot"

10k – 30k Mid-Market
+
100k – 250k SMB Clients

Est. 150k – 200k of ADP's Clients may be a perfect fit for ADP's PEO

ADP's PEO Adoption vs. the Market

- ADP's PEO unit economics are significantly more attractive than HCM only
- Achieving market-level penetration of ADP's client base (~27k clients), ADP's PEO would be a **~$1bn+ EBIT business**



(1) Laurie Bassi, Dan McMurrer. McBassi & Company. *The State of the PEO Industry 2016: Markets, Value, and Trends.* NAPEO White Paper Series. September 2016.
(2) Defined as clients with 10-99 employees, adjusted to exclude certain estimates for ineligible clients (given underwriting profile). Estimated based on ADP's client counts on RUN and Workforce NOW, giving consideration for average employees per underlying client for those products (10 and 200, respectively), mapped against the composition of firms across the US economy that are likely to fall between 10 and 99 employees (Source: US Census Data, 2015 Country Business Patterns.)

ADP is Falling Behind Competitors

The HCM Industry is Changing at a Rapid Pace

- **ADP was started by accountants and has a long heritage in data processing**
  - Payroll "service bureaus" largely thrived on scale and processing efficiency, supplemented with human service, not innovative technology
- **The rise of Beyond Payroll HCM, largely non-processing-related functionality, led to the rise of innovative, high-growth, software and technology competitors (e.g. Ultimate Software, Workday)**
- **These cloud-based, SaaS providers with high-quality HCM offerings pose a significant competitive threat to ADP**
  - Customers, especially in the small, mid, and small-enterprise market, prefer a unified HCM solution and value Beyond Payroll capabilities when selecting a vendor
  - Payroll has become more commoditized and many newer entrants have modern and efficient payroll engines
- **ADP is still largely a processing company today, not an innovative software & technology company**
- **"Innovation" has come through acquisitions**

ADP's High-level Disclosures Do Not Tell the Full Story of ADP's Competitive Position

While ADP's total client count appears to be growing, the loss of larger clients disproportionately impacts overall performance

"Revenue for the year was up 7% on an organic basis, benefiting from a solid 6% client growth and from the continued strong performance of our downmarket, PEO and multinational solutions."
– Carlos Rodriguez (Q4 2017)

- **ADP needs ~185 SMB accounts or ~13 Mid-Market clients to replace the loss of just one Enterprise client**
- **If ADP lost 7% of Enterprise clients, and Mid-Market client growth was flat, ADP would need net +4.5% client growth from SMB to hold revenue flat(1)**

Implied SMB Client Growth to Hold Revenue Flat(1)

Enterprise Client Growth (%)	Mid-Market Client Growth (%): (2%)	(1%)	0%	1%	2%
(9%)	9.8%	8.1%	6.4%	4.6%	2.9%
(8%)	8.9%	*7.2%*	*5.5%*	*3.7%*	2.0%
(7%)	8.0%	*6.3%*	*4.5%*	*2.8%*	1.1%
(6%)	7.1%	*5.4%*	*3.6%*	*1.9%*	0.2%
(5%)	6.2%	4.5%	2.7%	1.0%	(0.7%)

Implied Reported *Total* Client Growth Despite Flat Revenue Growth

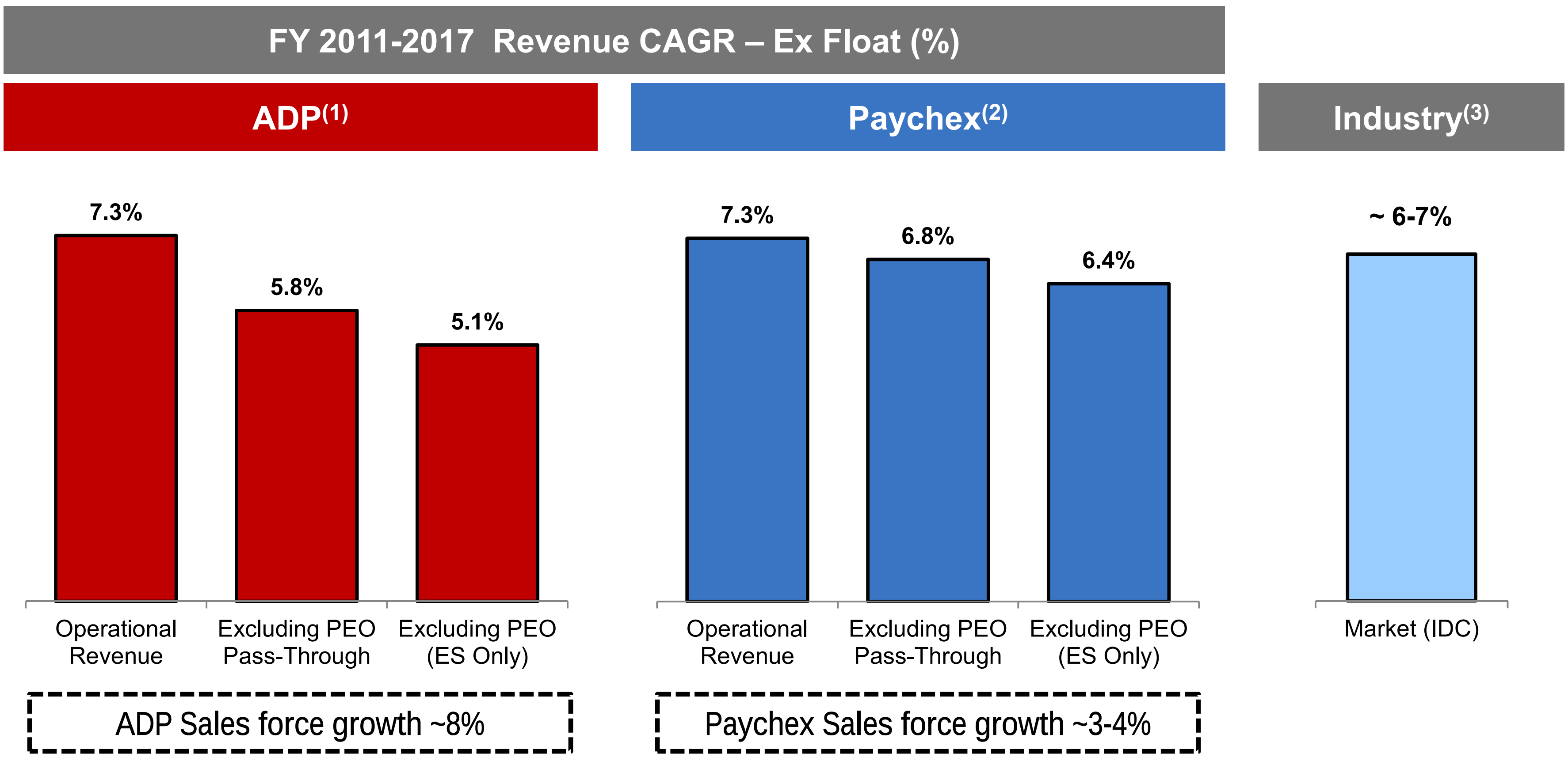
Enterprise Client Growth (%)	Mid-Market Client Growth (%): (2%)	(1%)	0%	1%	2%
(9%)	7.4%	6.2%	5.0%	3.8%	2.6%
(8%)	6.7%	*5.5%*	*4.3%*	*3.1%*	2.0%
(7%)	6.0%	*4.8%*	*3.7%*	*2.5%*	1.3%
(6%)	5.4%	*4.2%*	*3.0%*	*1.8%*	0.6%
(5%)	4.7%	3.5%	2.3%	1.1%	(0.0%)

- **While ADP would report 3.7% *total* client growth under this scenario, client mix-adjusted revenue would be flat (before sell-in, price, pays-per-control, mix, etc.)**

Note: See appendix for supporting analysis.
(1) Assumes international grows clients 2%. Assumes flat revenue per client (excludes sell-in, price, mix, etc.) across all business units.

ADP's Reported Metrics are Overstating Growth

ADP's PEO pass-throughs are inflating growth. Growth is slowing, while ADP's sales force growth is accelerating



(1) Excludes Dealer Services in all periods.
(2) PEO estimated at ~11% of total revenue based on management commentary noting PEO comprises ¼ of HRS revenue (Q2'2017 earnings call), growing double-digits. Pass-through costs estimated at $165m. Adjusted results for Paychex change in accounting with respect to PEO pass-through costs in FY'2014. Assumed PEO has achieved a 15% CAGR since 2011, consistent with management commentary.
(3) Estimated 2011-2017 CAGR. Based on Wall Street research, IDC (Payroll and HCM vendor share report) and ADP's 2015 Analyst Day presentation.

ADP Management's Commentary on Client Wins/Losses is Misleading

ADP's Commentary on Competitors

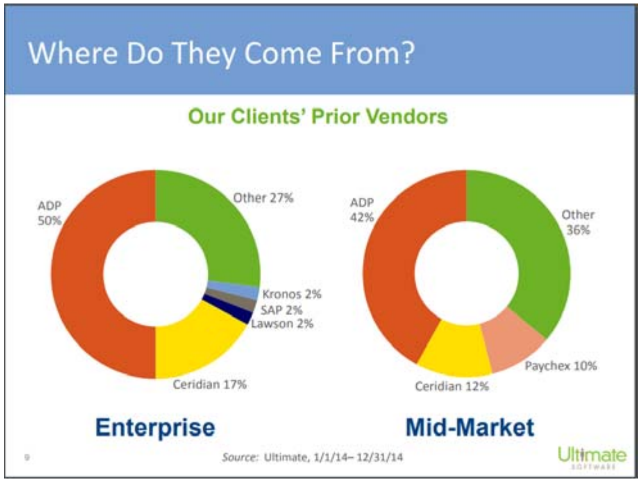
"We also have the same information for clients that we lose, so we have our wins and we have our losses, where they go.

"Unfortunately, there really isn't -- I think we said this numerous times and it hasn't changed, that there really isn't one specific competitor or category, even… I wish I could tell you that there is a specific pattern, but there isn't, which is a -- in my opinion, is a good thing. We don't see any one competitor that is creating an enormous problem for us, and we also don't see any one competitor where it is kind of easy pickings for us. I think it is fairly balanced across the board."

– Carlos Rodriguez[1]

VS

Ultimate Software[2]



"We typically get between 45% and 50% of our new units from ADP… I think our culture, product, and service -- we end up winning a lot. So, I don't know why that would change in the future, unless something dramatically happens, which I can't imagine what that is."

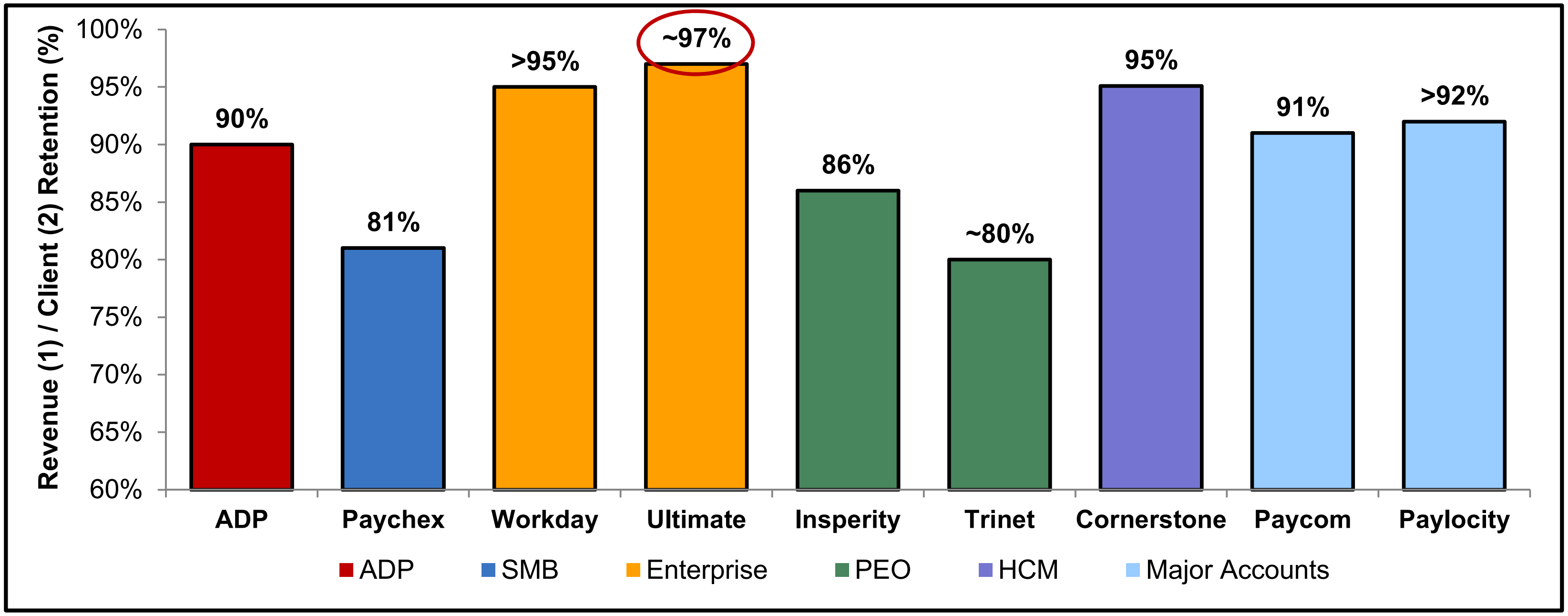
– Scott Scherr (CEO, President, Founder)[3]

While ADP's win / loss commentary is accurate at a *total* client level, it masks share losses to competitors in Mid-Market and Enterprise

(1) Q1'2015 Earnings Call. October 29, 2014.
(2) Ultimate Software Q1'2015 Investor Presentation. February 3, 2015.
(3) Scott Scheer. Q4'2016 Earnings Call. February 7, 2017.

ADP's Consolidated Revenue Retention Masks Enterprise Underperformance

- **ADP's client retention appears to be in-line with weighted-average peer retention when adjusted for ADP's estimated business mix**



- **Note that Ultimate has a best-in-class ~97% retention, while growing rapidly – this contradicts the notion that ADP's "high touch service" model leads to differentiated retention vis-à-vis "SaaS" competitors**

We believe that ADP's retention is better than peers in SMB, but is <u>well below peers</u> in Enterprise

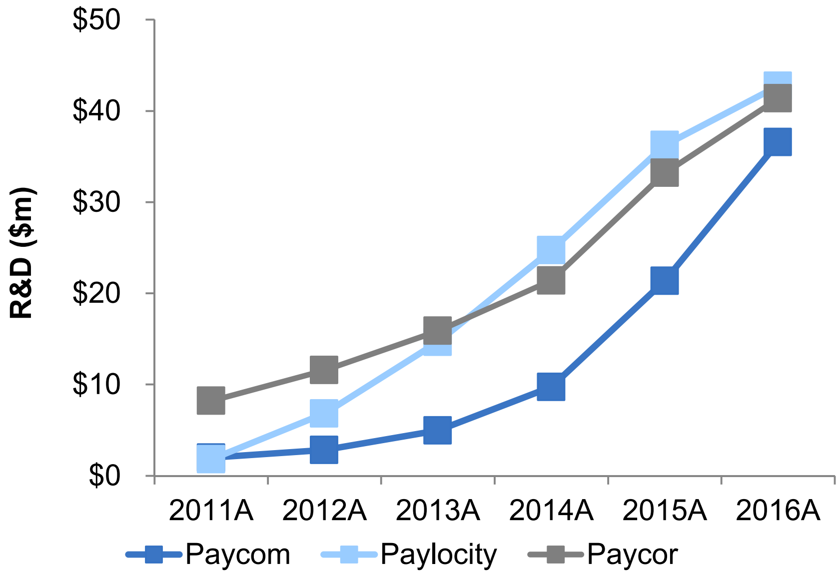
Source: SEC filings and public transcripts.
(1) ADP, Cornerstone, Paycom and Paylocity report revenue retention.
(2) Paychex, Workday, Ultimate, Insperity and TriNet report client retention.

ADP's Mid-Market Competitors are Gaining Share

- **Small regional competitors are taking share and growing at 30%+ in ADP's most dominant market**
  - Competitors have spent just ~$330m on R&D, *collectively*, since 2011

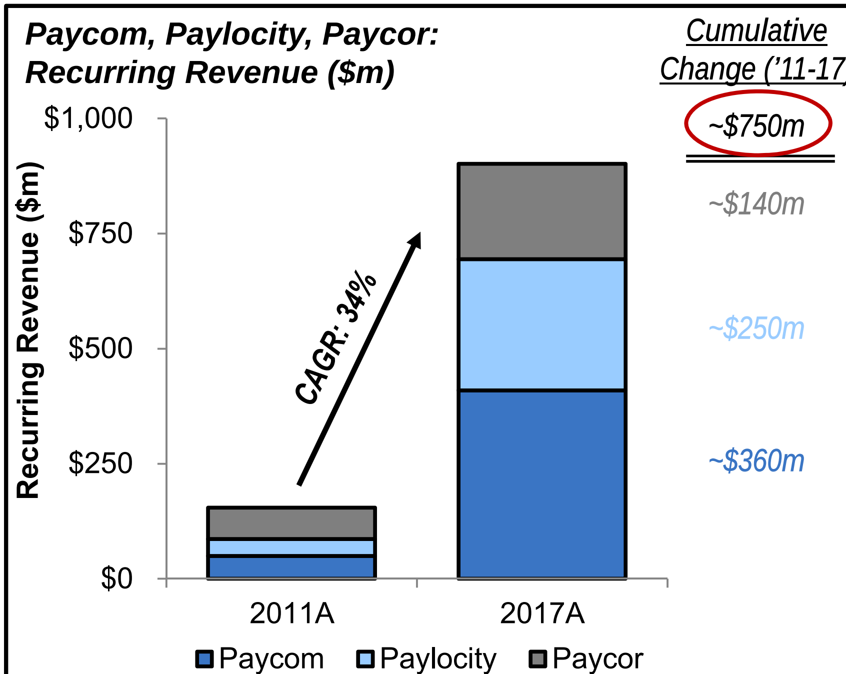
Despite Limited Financial Resources…

Paycom, Paylocity, Paycor: Annual R&D Spend ($m)[(1)]



…Select Competitors Have Taken Meaningful Share

Paycom, Paylocity, Paycor: Recurring Revenue ($m)



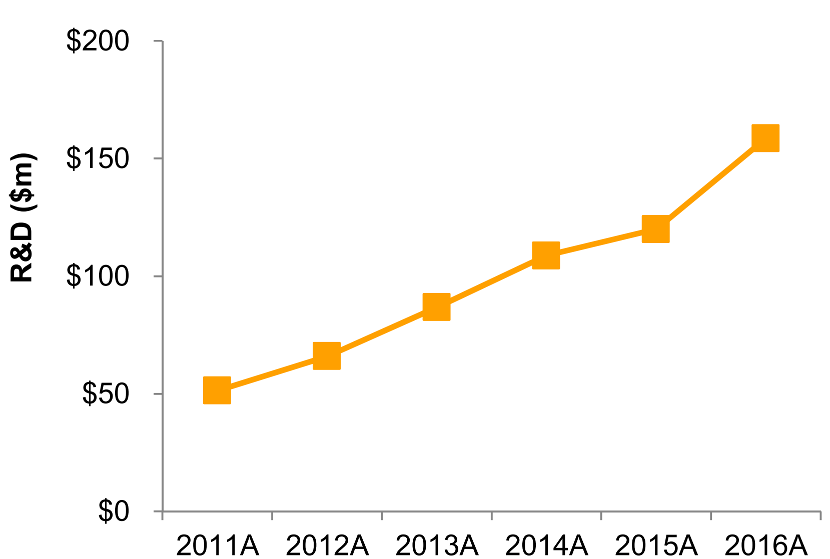
Source: Company SEC financials, press releases and news articles.
Note: Financials have been adjusted to a June fiscal year end for Paycom and Paycor. Paycor financials based on public news articles.
(1) Includes both expensed and capitalized R&D.

ADP's Enterprise Competitors are Gaining Share

- **ADP's SaaS Cloud-based competitors, with high quality and integrated HCM offerings, are taking significant share in Enterprise**
  - Ultimate Software has spent *only* ~$590m on R&D *cumulatively* since 2011 while building and maintaining a world-class enterprise HCM product

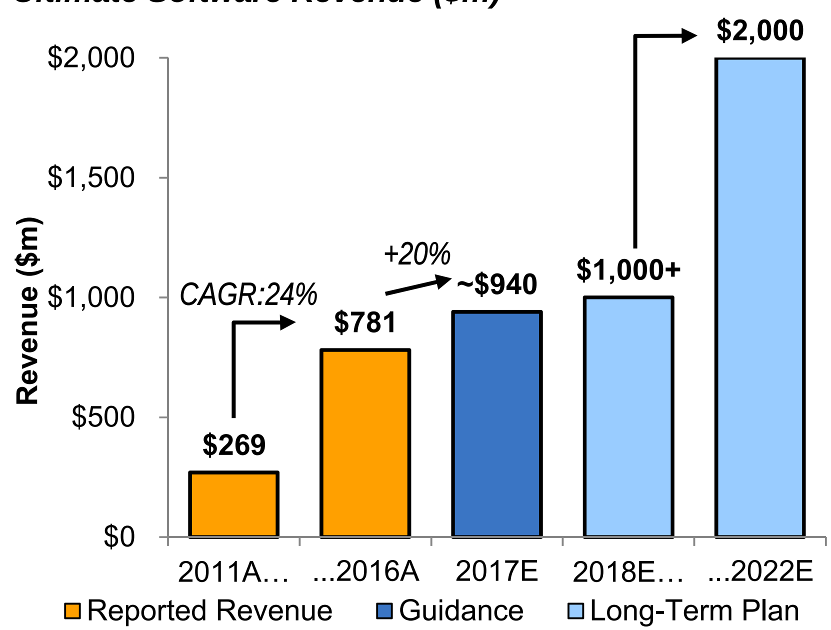
Ultimate's Pace of Investment Continues to Accelerate

Ultimate Software Annual R&D Spend ($m)(1)



Ultimate is Striving for $2bn in Revenue by 2022

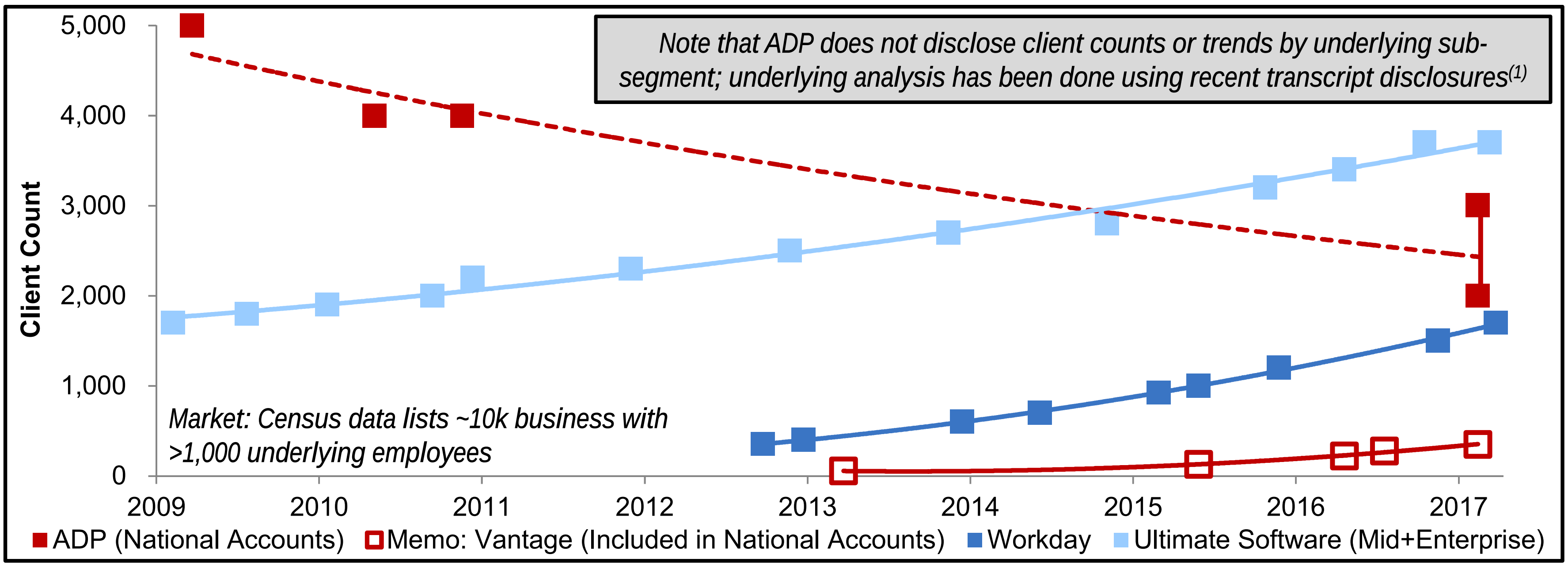
Ultimate Software Revenue ($m)



Source: Ultimate Software's SEC financials, financial press releases and earnings conference call.
(1) Includes both expensed and capitalized R&D.

ADP Appears to be Losing Significant Share in Enterprise HCM

- **Recent management commentary suggests ADP is losing share in Enterprise**
- **Vantage's (ADP's new Enterprise HCM product) adoption rate is very weak, particularly when one considers ADP's incumbent client base, which should give ADP a large advantage over competitors**



Many of ADP's retained Enterprise clients are legacy payroll, benefits, and HR clients, while some retained clients use competitors (i.e., Workday) for HCM

Source: ADP Analyst Day (2009), Company SEC financials, press releases and earnings transcripts.
Note: Vantage reported as live clients, consistent with competitor customer counts.
(1) ADP reported 5,000 Enterprise clients as of the 2009 Analyst Day and 4,000 Enterprise clients in 2010 transcripts but has recently described the upmarket as having 2,000 to 3,000 clients (source: Q3'2017 earnings call).

ADP Defends its Track Record of Flat "Comparable" Client Counts in Enterprise

ADP Representation	Pershing Square Observations

"FACT: ADP's total number of comparable up-market clients between FY09 and FY17 has remained largely consistent

- Today ADP serves approximately 3,000 HCM clients with more than 1,000 employees"

This is both misleading and ignores the more important point…

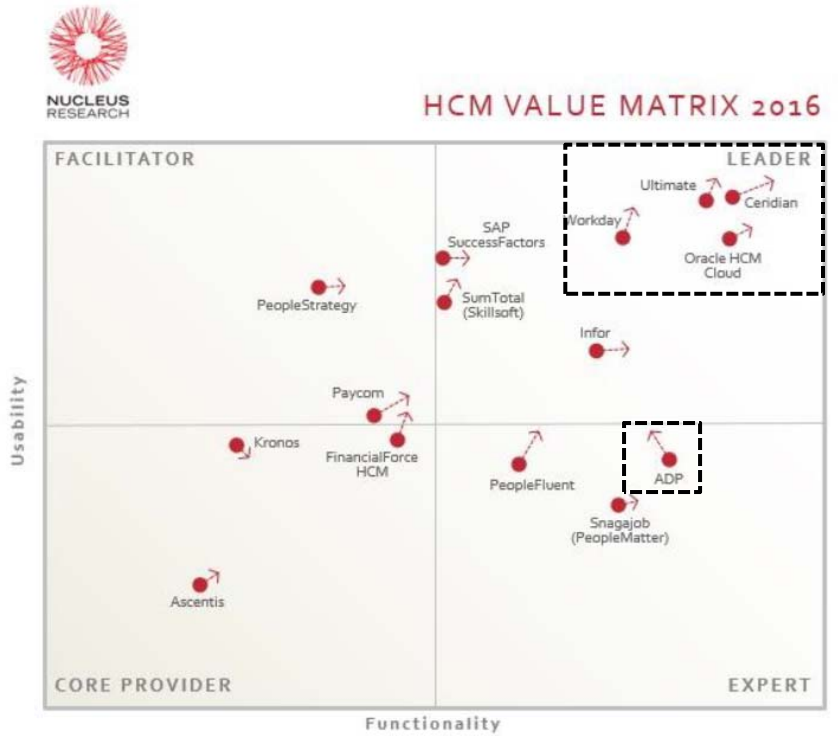
- ADP introduced a new metric – "comparable up-market clients" (the definition of which is undisclosed) – which it claims have been "largely consistent"
- Regardless of the Enterprise client count:
  - Absolute Enterprise **revenue** has declined ~10% since FY 2009, despite significant industry growth
  - Enterprise revenue has declined as a percent of ES revenue from ~30% in FY 2009 to ~20% today
  - While ADP's total domestic client count has expanded ~20% since 2009, total domestic pays has only expanded ~8%(1) (against a positive economic backdrop of 2% pays-per-control CAGR) suggesting a negative client mix-shift due to Enterprise account losses
- **ADP often retains the payroll account while losing the HCM upsell to competitors – this is a poor long-term strategy**

Why is Enterprise revenue declining? Should ADP be praised for achieving "largely consistent" "comparable up-market clients" trends against a backdrop of significant industry growth? Why doesn't ADP have a world-class Enterprise HCM product?

(1) ADP's 2009 Analyst day notes 24m domestic pays (33m total pays minus 9m international pays). ADP's 2017 10K notes 26m domestic pays.

Industry Research Notes ADP's Deficiencies in Enterprise HCM

Nucleus Research HCM Technology Value Matrix 2016



Select critical commentary:
"…numerous users reporting difficulties with manual workarounds and glitch-prone automation."
"…users have noted that the ADP product appeared to be a payroll solution with elements of HCM tacked onto it."

Emphasis Added

Gartner - Magic Quadrant for Cloud HCM for Midmarket and Large Enterprises

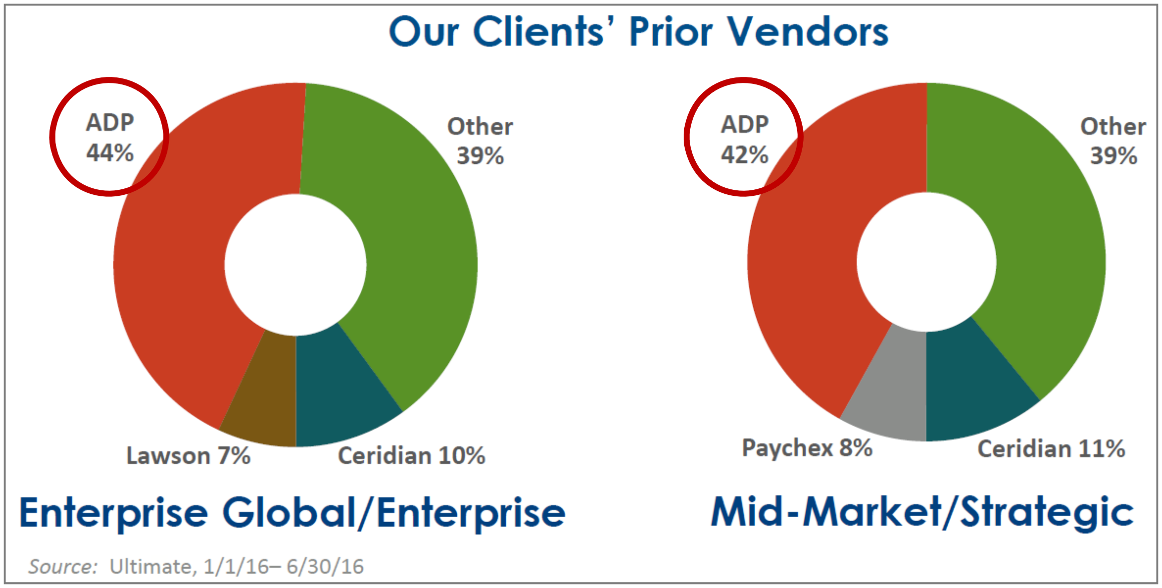
Select critical commentary:
"Since its release by ADP in 2013, customer adoption of Vantage HCM has not kept pace with many of its HCM suite competitors; the relatively small number of live customers has resulted in…difficulty in securing sufficient relevant references for their selection process."

Emphasis Added

(1) Nucleus Research, HCM Technology Value Matrix 2016, September 2016.
(2) Gartner, Magic Quadrant for Cloud HCM Suites for Midmarket and Large Enterprises, June 2016.

Why is ADP Losing to Competitors?

40% to 50% of Ultimate Software's wins in recent years have come from ADP



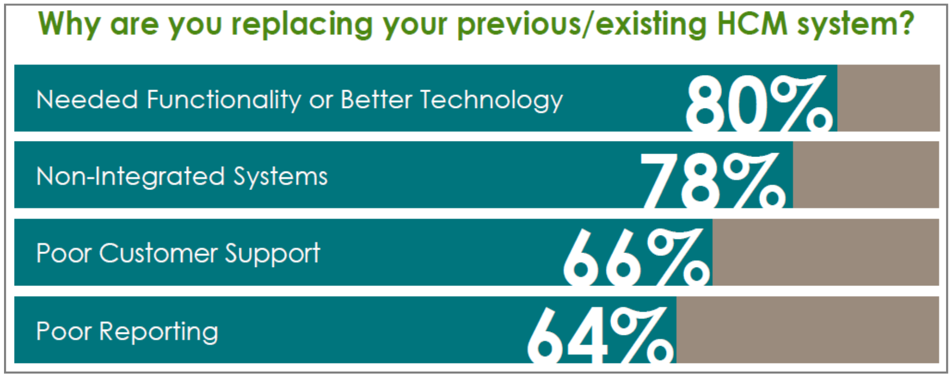
"We typically get between 45% and 50% of our new units from ADP… I think our culture, product, and service -- we end up winning a lot. So, I don't know why that would change in the future, unless something dramatically happens, which I can't imagine what that is."

– Scott Scherr, Ultimate Software CEO
Q4 2016 Earnings Call, February 7th, 2017

Source: Ultimate Software Investor Presentation.

Why is ADP Losing to Competitors? (cont'd.)

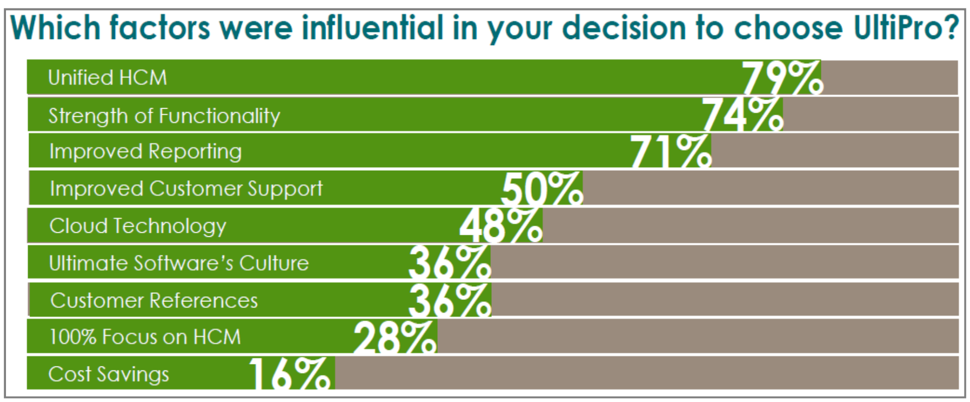
Why are they looking to replace their old vendor (e.g., ADP)?



Why is ADP losing to competitors?

- Inferior Product: Technology, Functionality, Reporting, and Non-Integrated HCM
- Poor Customer Support

What factors are allowing Ultimate to win versus incumbent providers (e.g., ADP)?



What is allowing Ultimate to win?

- ✓ Better product (unified HCM, functionality, reporting)
- ✓ Better customer support
- ✓ Not about pricing, last consideration

Source: Ultimate Software Investor Presentation.

Why is ADP Underperforming?

ADP's Underperformance in Employer Services is Broad-Based, But Fixable

- **ADP's underperformance in Employer Services is driven by numerous inefficiencies across ADP's organization:**

COGS	Service organization is overstaffed and poorly structured
COGS	Implementation teams are siloed and lack automation tools
COGS	Back-end infrastructure is outdated and complex
SG&A	Sales force productivity is declining
R&D	Too much spending on legacy systems
SG&A	Corporate structure is bloated, bureaucratic, and complex

- **The time is now for ADP to make significant improvements**

  Platform migrations should allow for significant margin uplift, ***if*** followed by necessary back-end and organizational improvements

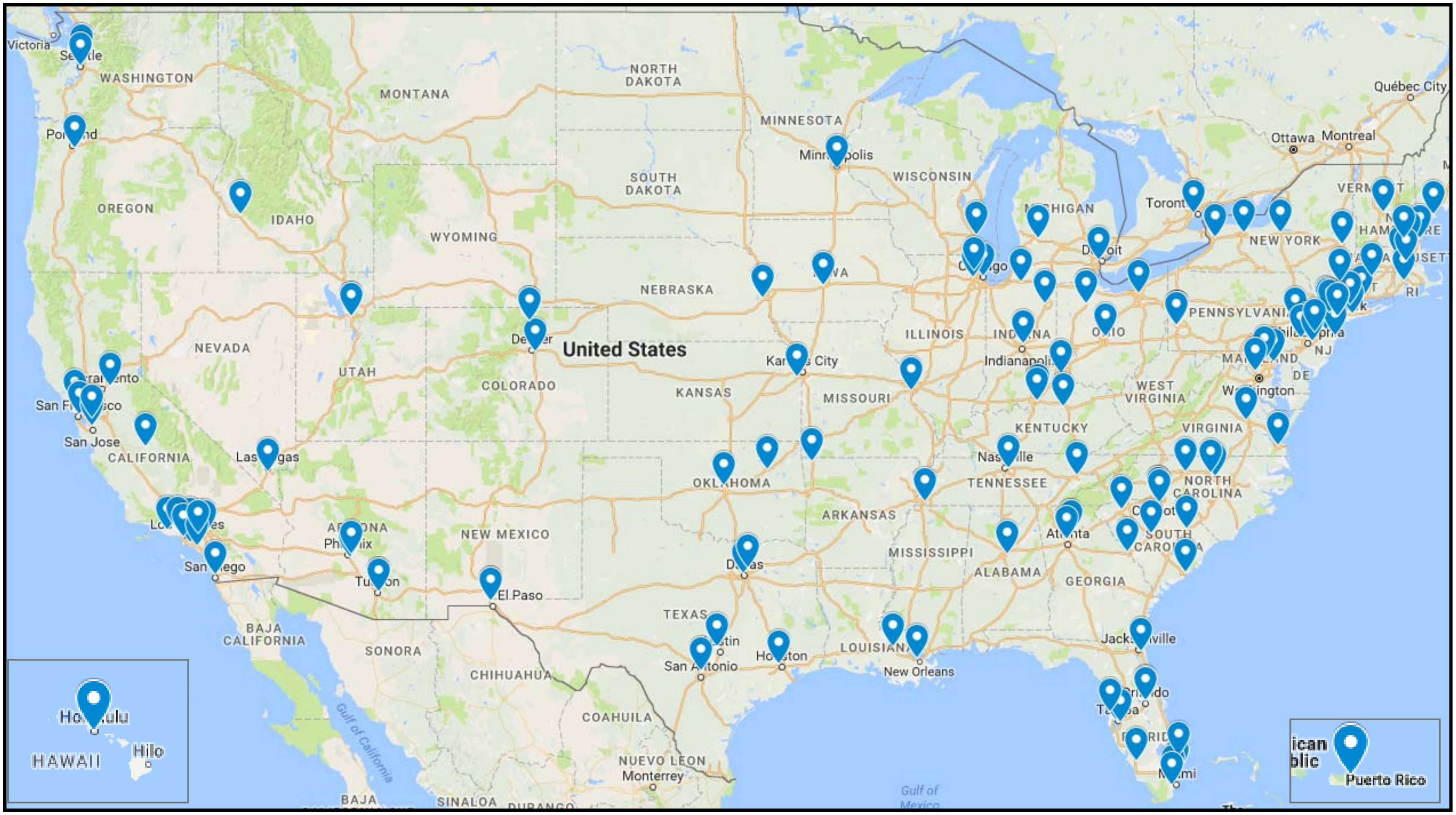
Service vs. Support: A Key Distinction

While ADP often cites its "service" as a key differentiator, most of this "service" is support for product deficiencies

- **ADP does not distinguish between "service" and "support" when describing its service organization**
- **Service: Value-added enhancements which help clients utilize products**
  - Value-added services include compliance, tax, filings, etc.
  - Adds value and should generate greater market share and/or higher pricing
- **Support: Addressing problems and issues with product, value-detracting**
  - Can be minimized with more technologically-advanced, intuitive, and self-sufficient products (e.g. Apple, Amazon) → should be the effect of ADP's product migrations if coupled with back-end improvements
  - Improved product self-sufficiency is better for clients and better for ADP, and should reduce headcount meaningfully and drive significant margin
- **ADP's HCM product offerings, including support, are not viewed as differentiated as compared to its competitors' offerings which don't rely as much on human support**

ADP's Service Structure: Sprawling and Sub-Scale

ADP has ~10 million square feet of real estate and >130 US office locations



ADP Touts its Service Alignment Initiative

ADP Representation	Pershing Square Observations
"FACT: ADP proactively recognized the opportunity to streamline its corporate structure several years ago and launched its Service Alignment Initiative in FY16 in response ▪ To date, ADP has exited a net 29 service locations for a reduction of 1/3 in total service locations ▪ ADP expects to exit 68 service locations by the end of the Service Alignment Initiative"	▶ ADP quantified for the first time the benefit of its Service Alignment Initiative. However, the "0.5-1.5%" "operational" margin uplift targeted suggests little benefit from this initiative ▪ Note that the stated uplift includes 20bps of duplicative costs depressing the starting base(1) ▶ Why does a ~$100m+ multi-year plan to close 68 disparate sub-scale service centers only deliver 30-120bps of normalized margin uplift? ▶ Why does the Service Alignment Initiative not increase labor efficiency due to the various initiatives management claims to have underway, such as product self-service?

The Service Alignment Initiative is a good first step, but management is not capturing a large enough benefit from this initiative

(1) According to management commentary, stated 2017 margins include 20bps of expense from dual operations. (Source: Q4'2017 Earnings Call)

ADP's Implementation Teams are Siloed and Lack Automation Tools

Implementations are labor intensive and generally siloed by product – the current structure precludes operating leverage

- **Substantial "hands-on-keyboard" implementation teams – thousands of employees involved in implementation efforts**
  - Labor intensive; ADP has not sufficiently invested in automation

> ***Former VP, Business Transformation***
> *"ADP.* ***Automatic.*** *The irony of what ADP is doing is often keying data in manually… That's essentially what many of these people [in implementation] are doing."*

  - Competitors outsource / allow third-parties to assist with implementations

- **Legacy architecture is disparate, in part due to historical acquisitions. Each product / module has discrete implementation teams**

> ***Former Senior Director of Business Transformation at ADP***
> *"There [were] probably 7 or 8 completely different implementation organizations [within Enterprise]… Implementation was the most inefficient part of National Accounts."*

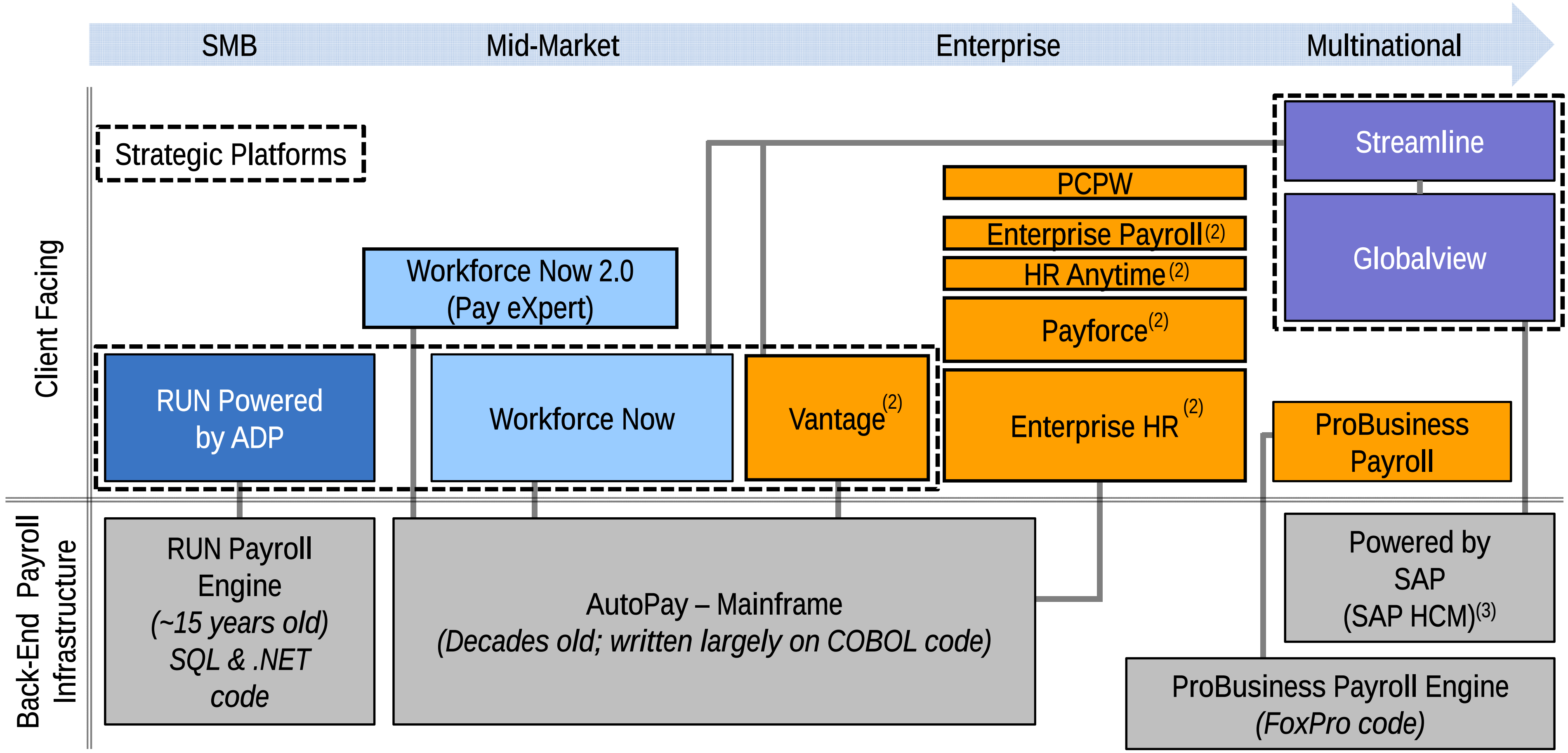
- **No shared services infrastructure across implementation organization[(1)]**

> ***Former Executive Officer***
> *"[The] service and implementation organization were never touched – [that's] where most of the bodies are – there's basically no leverage across the organization in these functions."*

(1) Circa 2015.

ADP Payroll Product Architecture(1)

*"ADP isn't focused. They are trying to do everything, to everyone, everywhere. They go out fast-and-dirty. Under the covers there's no authoritative source [code] for ADP. It's duct-tape and bubble gum. Oh, and by the way, we have multiple instances of these products. And then all the legacy products. ADP refuses to turn anything off. ADP has what's known, a massive amount – a **massive** amount – of technical debt."* – Former SVP of Infrastructure and Operations



(1) Compiled based on public sources and private interviews. Certain views may be dated and as such, ADP may have modernized the architecture in recent years.
(2) We understand that all of these products are premised on PeopleSoft code from the 1990s and are all functionally derivations of one another.
(3) http://global.sap.com/news-reader/index.epx?pressid=5238

Enterprise Product Complexity

► **Enterprise consists of a combination of various products acquired over time, many of which have been cobbled together as Vantage**

Legacy Payroll & HCM
- Enterprise HR (HRIS & Payroll)
- PayForce
- Pro Business Payroll
- PCPW
- Enterprise Payroll
- HR Anytime (HRIS)

Legacy & Individual Standalone Modules
- TimeSaver OnDemand (Time)
- Enterprise eTIME (Kronos Time & Labor)
- ADP Learning Management
- iLearn – Cornerstone (Learning Management)
- VirtualEdge (Applicant Tracking)(2)
- Talent Acquisition (The Right Thing)(2)
- Value Added Services– Tax & Compliance
- Workscape (Talent Management)
- Benefits – Separate Systems: BOSS, WinFlex, Legacy OBA, Next-Gen OBA, Waves
- Health and Welfare Services (Benefits)

Next-Gen Platforms
- Vantage
- Next-Gen HCM (Beta)
- Workforce Now(1)

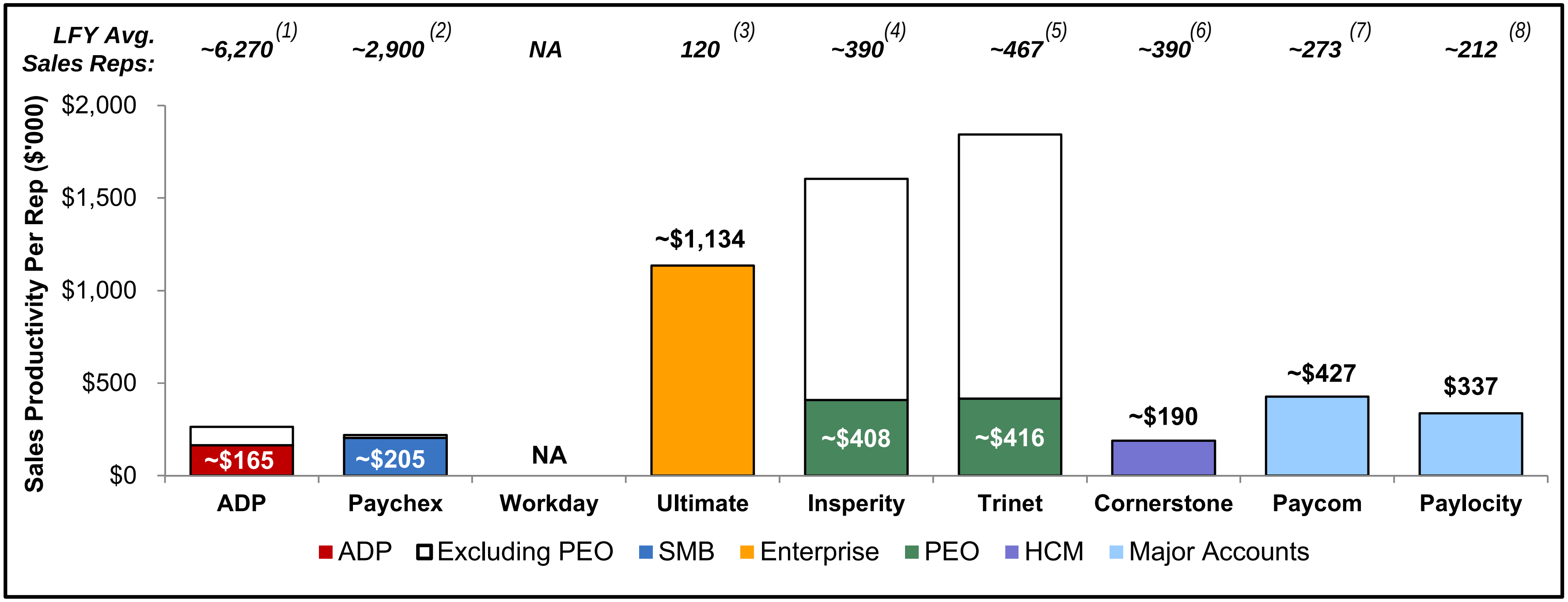
Outsourcing
- The Right Thing (RPO)
- Full HR BPO (“COS”)

Reporting & Analytics
- ADP Analytics
- ADP Reporting
- iReports & iPQV
- LogiXML
- Crystal

Note: The above may not be a complete representation of individual modules. Our research may be slightly outdated such that certain modules may have been sunsetted in recent years.
(1) Note that ADP sells Workforce Now in Enterprise. We understand that the product can scale quite well up to the ~3k employee range.
(2) We believe The Right Thing applicant tracking module replaced VirtualEdge; ADP may have allowed VirtualEdge to die on the vine.

ADP's Sales Force Productivity Dramatically Trails Competitors

Estimated Sales Force Productivity Per Quota-Carrying Sales Rep ($'000)



The best sales force in the world is only as good as the products it sells

Note: Analysis spreads estimated competitor net bookings over their last fiscal year average sales head count. Net bookings estimated by subtracting the change in recurring revenue (excluding implementation, PEO pass-through costs and float revenue) from the most recent fiscal year and the year prior to that. The analysis further adjusts for churn based on reported retention rates and assuming 2.4% pays-per-control and 1% net pricing. ADP gross bookings per management disclosure; net bookings adjusted for estimated PEO pass-through costs.

(1) ADP reported having 6,000 quota-carrying sales heads at the Nasdaq OMX investor conference (Dec'2015). On the Q4'2017 conference call ADP management disclosed sales heads had increased 9% over fiscal year 2016.
(2) Estimated based on a 2013 press release noting a 2,500 member sales-force and subsequent management commentary on the growth in the sales force from various earnings calls.
(3) Ultimate frequently touts it's 120 "quota carriers" on various conference calls.
(4) Based on commentary from Insperity's Q4'2015 Earnings Call and Q3'2016 Earnings Call.
(5) TriNet specifically discloses quota-carrying sales reps in SEC filings.
(6) Estimated based on management commentary that they target 1/3rd of total employees for Sales & Marketing. Assumes 75% of Sales & Marketing employees are quota-carrying.
(7) Based on Paycom's disclosure of "Sales Teams," assuming sales teams on average have 7 quota-carrying sales reps.
(8) Assumes 75% of Paylocity's disclosed Sales & Marketing professionals are quota-carrying sales reps.

ADP Defends Its Sales Productivity But Excludes FY 2017 In Its Calculation; ADP Trails All Competitors

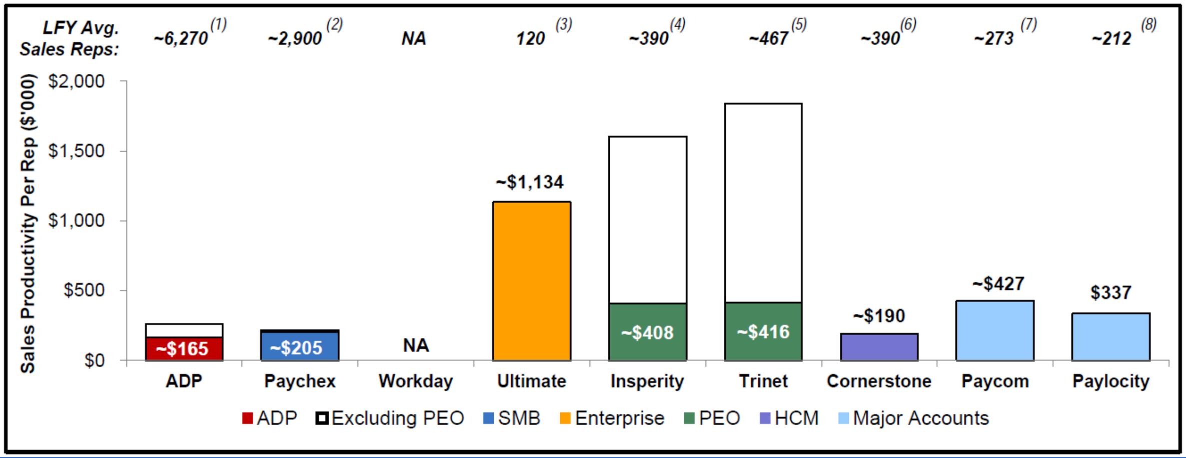
ADP Representation	Pershing Square Observations

"Optimizing Distribution:

- ✓ **New business bookings growth from $1.1B in FY11 to $1.65B in FY17**
- ✓ **Overall sales productivity increase of 27% from FY11 to FY16; invested heavily in Inside Sales in FY17 for future growth"**

- **Measuring productivity through FY 2016 presents an incomplete picture as 2016 was inflated by ACA-related activity, and ignores productivity declines in FY 2017/18**
- **Reported bookings include non-economic bookings, overstating salesforce productivity**
- **ADP's salesforce productivity trails competitors (even on management's headline bookings numbers), as shown in our original presentation, a fact ADP does not address:**

Estimated Sales Force Productivity Per Quota-Carrying Sales Rep ($'000)

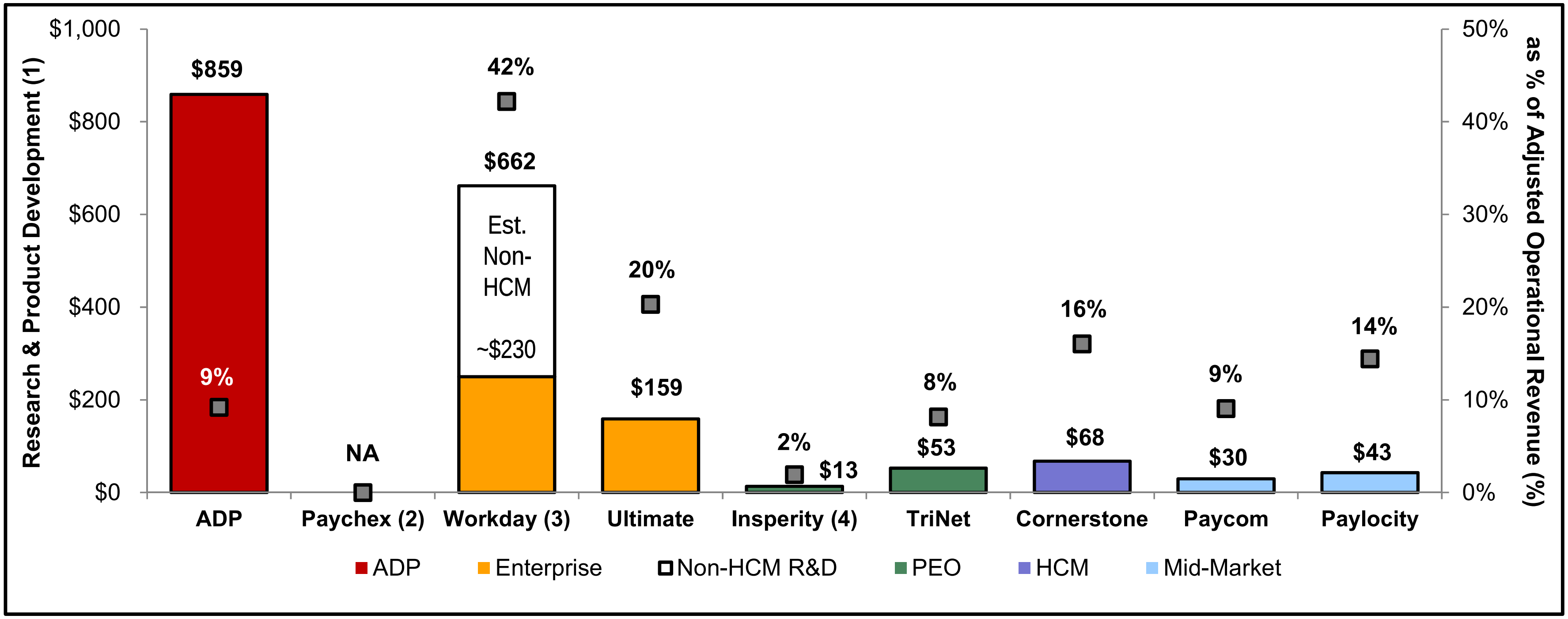


Why does ADP's salesforce productivity significantly trail competitors? What are ADP's actual economic bookings (exclusive of pass-throughs and distorted allocations)?

ADP Outspends Competitors on Systems Development and Programming, but is Not Showing Sufficient Results

- On an absolute dollar basis, ADP dwarfs competitor systems spending, other than Workday, which is growing rapidly and building out its ERP / financials product for Enterprise clients
- ADP *should* be an HCM technology leader given its vast spending and resources

Systems Development and Programming Expense ("SDP") / R&D ($m)

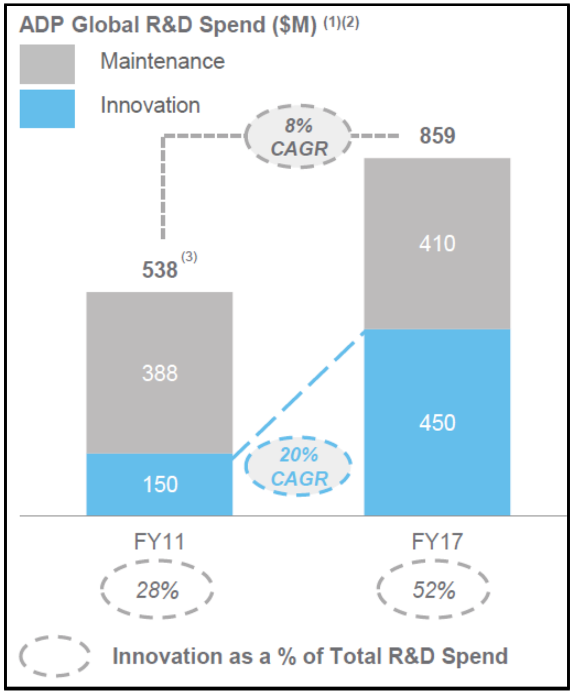


Note: Based on latest fiscal year end, as relevant.
(1) Includes both expensed and capitalized research & product development expenses, as relevant.
(2) Paychex does not specifically break out product development costs but rather reports them within "Other Expenses."
(3) Workday "Product Development" as presented excludes $18.5m of Non-GAAP "Other Operating Expenses" but includes $166m of share-based compensation expense. HCM specific R&D informed by primary research interviews with a former Workday product strategy and development executive.
(4) Insperity R&D as % of Adjusted Operational Revenue estimates Insperity "Net" revenue based on TriNet's gross profit margins.

ADP Touts its Increased Innovation R&D Spend

ADP Representation

"We Have Increased Overall R&D Spend While Significantly Shifting Our Investment Towards Innovation"



Pershing Square Observations

Legacy Technology Spend Has *Increased* Since FY 2011

- ADP's legacy technology expense has actually *increased* since FY 2011, despite ADP having "retired / divested 13 major legacy platforms"(1) over the same time period
- ADP's *legacy* R&D spend alone is a multiple of most competitors' *entire* technology budgets – e.g., Ultimate Software spent $159m in total R&D in 2016

Increased spending on innovation R&D should be measured on a results-driven basis

- ADP notes ~1k of ADP's associates are in Innovation Labs
  - Represent only a small fraction (11%) of *~9k total employees* in R&D and technology(2)
- What are the results of this spend? Why doesn't ADP have world-class Enterprise HCM, Time & Attendance and other critical products? When will it deliver these products?

What is an appropriate level of legacy spend? Why is ADP not committing to reducing it? What is an appropriate timeframe for doing so?

(1) ADP Investor Presentation. September 12, 2017. Page 19.
(2) ADP's CTO noted in an August 22, 2017 Forbes article that ADP has 9,000 people in Global Products and Technology including 6,000 focused on R&D and 3,000 on Infrastructure and Operations.

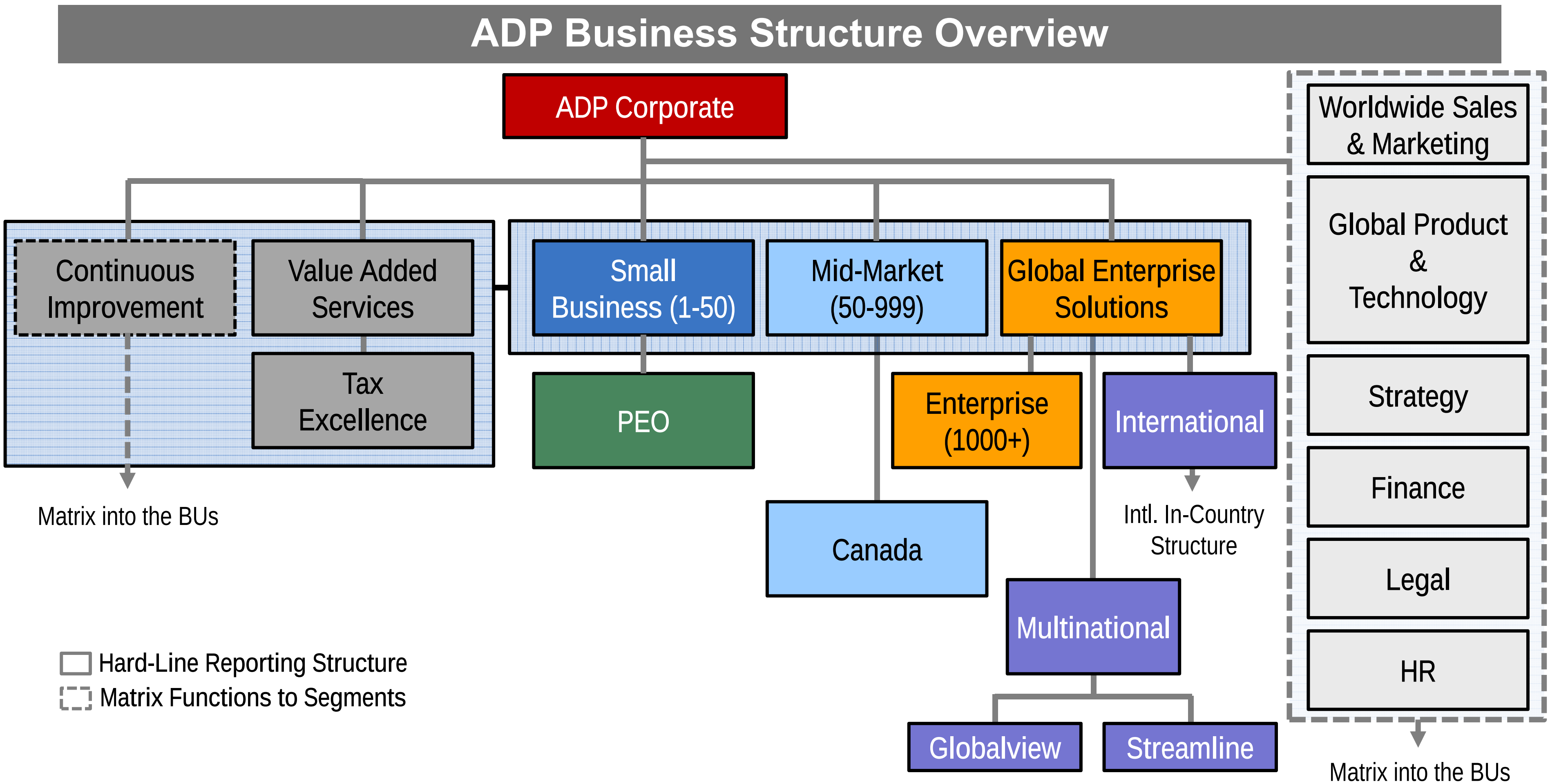
ADP's Corporate Structure is Inefficient

- **Various business units operate in a mostly siloed manner**
  - **Multiple HQs for each business unit**
  - **Each business unit operates with its own staffing across most functions, including administrative functions (HR, Finance, etc.)**
    - Matrix structure with many functions having dotted line reporting to corporate roles (Sales, HR, Finance, Strategy, Legal)
  - **Limited integration across various business units**
    - Hard to share insights and leverage scale
- **Various products have their own GMs and independent P&Ls; a culture of micro P&Ls**
- **Excessive management layers and organizational complexity**

> *"I know the goal was to get to a max of 7 levels between the [business unit] president and the lowest level… it was maybe 11?"* [(1)]
>
> *- Former VP of Learning & Performance*

(1) For context, our research suggests Paychex has 4-5 layers.

ADP's Structure is Not Client Centric and Requires Duplicative Back-Office Functions



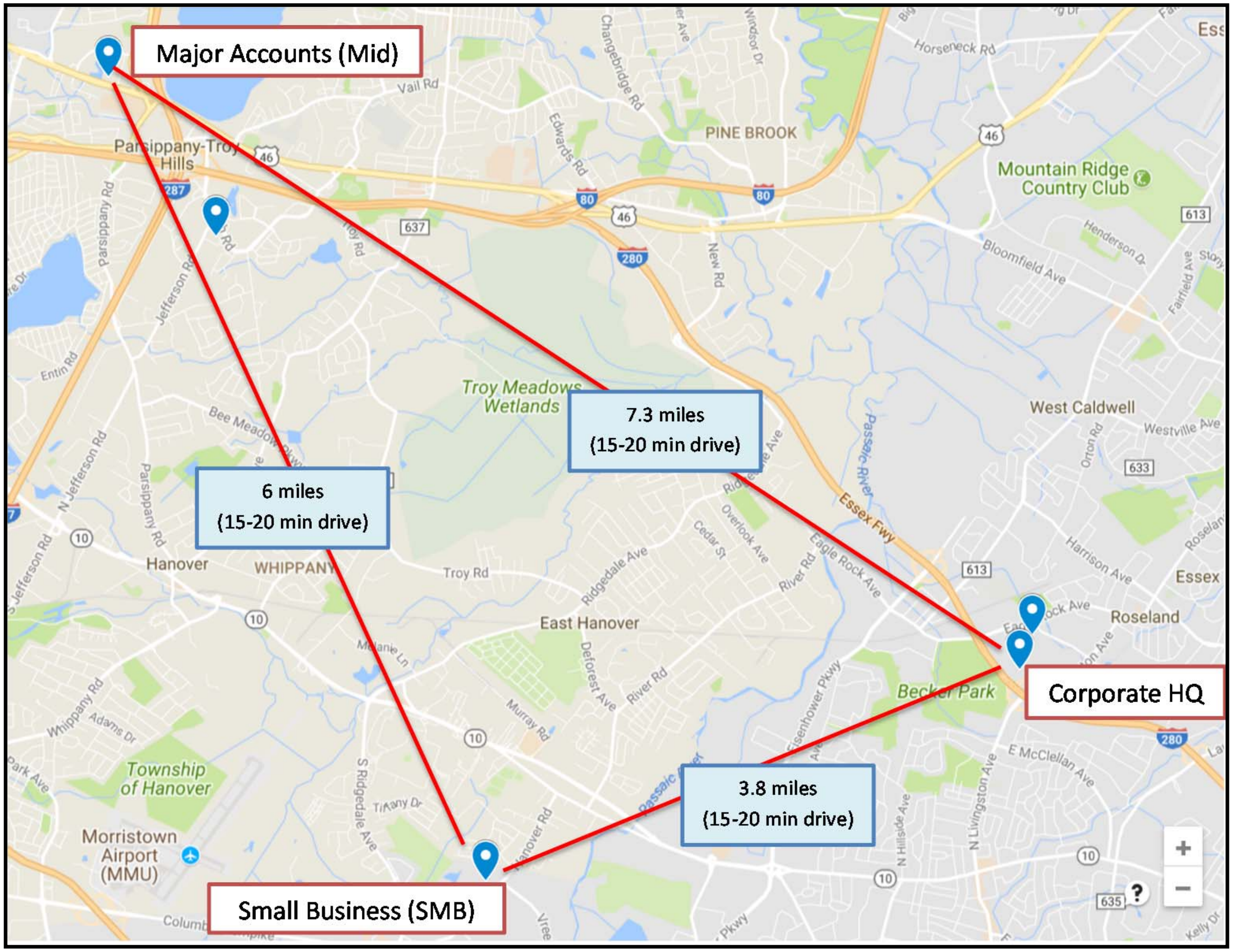
"The organization structure was always a pain point. It's arbitrary. The clients don't view the world the way ADP thinks about it."

– Former VP of Strategy and Business Development

Note: Informed by primary research interviews. The above represents a complete understanding to the best of our ability.

ADP's Sprawling Corporate Footprint

- **ADP's Corporate HQ (Roseland, NJ), SMB (Florham Park, NJ), and Mid-Market (Parsippany, NJ) offices are a 15-20 minute drive from one another**



ADP's Sprawling Corporate Footprint (cont'd.)

- **ADP's business units and corporate offices are spread across the country largely due to historical locations for each business**

ADP's Business Structure is Sub-Optimal

ADP's current structure is hurting ADP's ability to execute in the marketplace while incentivizing sub-optimal outcomes

- **The current structure:**
  - ***Does not put the client first***

> "It was a maze. We were doing a disservice selling a 1,200 employee client Vantage when we would have done a better job selling Workforce Now… I'm not sure that the customer is at the center of the decision." – Former SVP Product Strategy

  - ***Contributes to excessive headcount and duplicative functional capabilities, burdening the P&L***

> "Why are margins so low? Overhead. So many layers, so many inefficiencies with regards to the same people doing the same thing… each product or team has its own duplicative organization. There are still silos. " – Former Sr. Director of Business Transformation

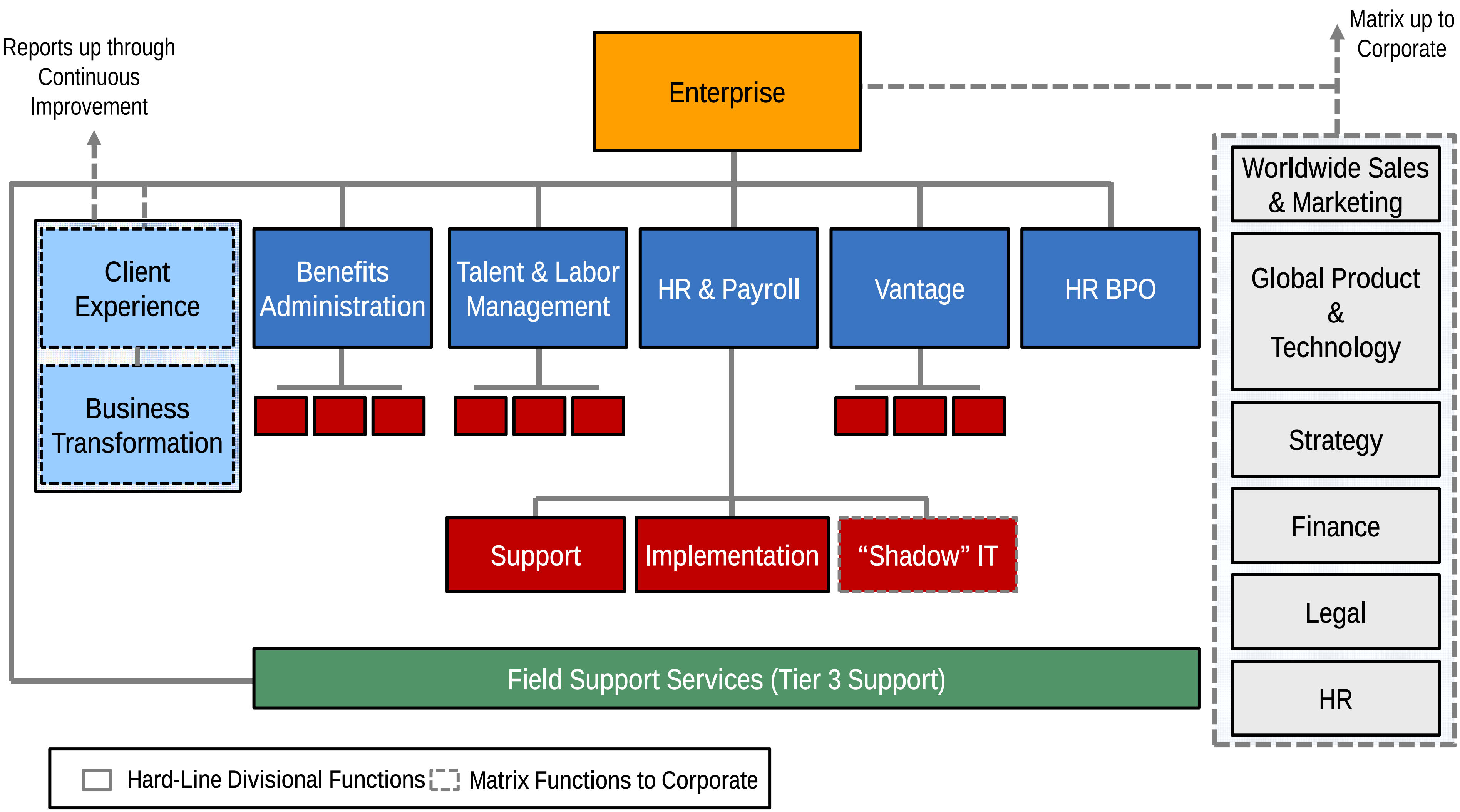
  - ***Incentivizes empire-building and in-fighting***

> "There were always turf wars at the seams. Imagine a 49 employee client moved into Majors and is now being sold Workforce Now. Who owns that client? Is this an SBS or a Majors upsell opportunity? Consider it – there's separate sales leaders. Everything is segmented by size. The revenue is 'owned' by regional GMs with their own P&L. It's a mess."
> – Former DVP, Business Transformation

Source: Interviews with prior ADP executives.

In Practice, ADP's BU Presidents Manage Cost-Centers Without True Product Ownership

Illustrative ADP Business Unit Overview



Note: Informed by primary research interviews. Internal divisional segmentation may have changed in recent years. The above represents a complete understanding to the best of our ability. Additionally, we understand certain segments have different names for different functions.

ADP's Functional Matrix Structure is Sub-Optimal

ADP's functional matrix reporting structure hampers execution, precludes transformational change, and promotes waste

- **The current structure:**
  - ***Prevents transformational change***

> "There's a structural problem that the people who are leading the company [the Business Unit Presidents] are designed to lead service and implementation as the primary focus with a matrix for other [functions]. The other leading SaaS companies, service and implementation are utilities. They can matrix in. It's the exact opposite at ADP... If you only control service and support, you'll try and improve margin with that. Show 100-200-300 bps and do it on the backs of people, throw some efficiency service tools. They are incapable of fundamentally transforming the customer experience from a service business to a SaaS experience, they don't control the tools."
>
> – Former DVP, Business Transformation

  - ***Drives sub-optimal outcomes for the broader business***

> "Only three people [beyond Carlos] really looked across the entire business: head of IT, head of sales and the CFO. If doing your thing was bad for the overall business, but good for your business, that's what you'd do because that's what the incentives drove… I would integrate the service and implementations teams. [There is] an opportunity to restructure, get product complexity down. Look at the segmentation, figure out if this is right. Each BU has its own CFO, Finance, HR, etc. [It] creates a lot of internal waste. [ADP] should un-segment this business... There is so much replication."
>
> – Former Senior Executive

Source: Interviews with prior ADP executives.

ADP's Product Migrations Should Yield Big Improvements in Revenue and Margin

Characteristics of Product Offerings		Outcome
Before Migrations	**After Migrations**	

Before Migrations
- Sprawling product offering
- Multiple products per functional offering
- Clients on multiple versions of each product
- Lack of integrated product back-end
- Processes to connect databases, if connected
- Multiple logins and passwords
- Limited self-service
    - Password change
    - Report generation
- Manually processes
    - Telephone payroll
    - Data conversion

After Migrations
- One product, with various modules which can be enabled
- Version-less product; All clients frequently updated with new version rollouts
- Single or closely linked databases
- Single login, single password
- Self-service
    - Password change
    - Reports
    - Customizations
- Automation; limited manual processes

Outcome
- Better user experience
- More cross-selling of modules
- Higher retention

- Fewer errors with real-time capabilities
- Fewer manual processes
- Fewer support calls and less support activity

- Less maintenance expense
- Less R&D supporting legacy infrastructure

Significantly higher growth and margins

Absent back-end improvements, ADP will struggle to show improvements

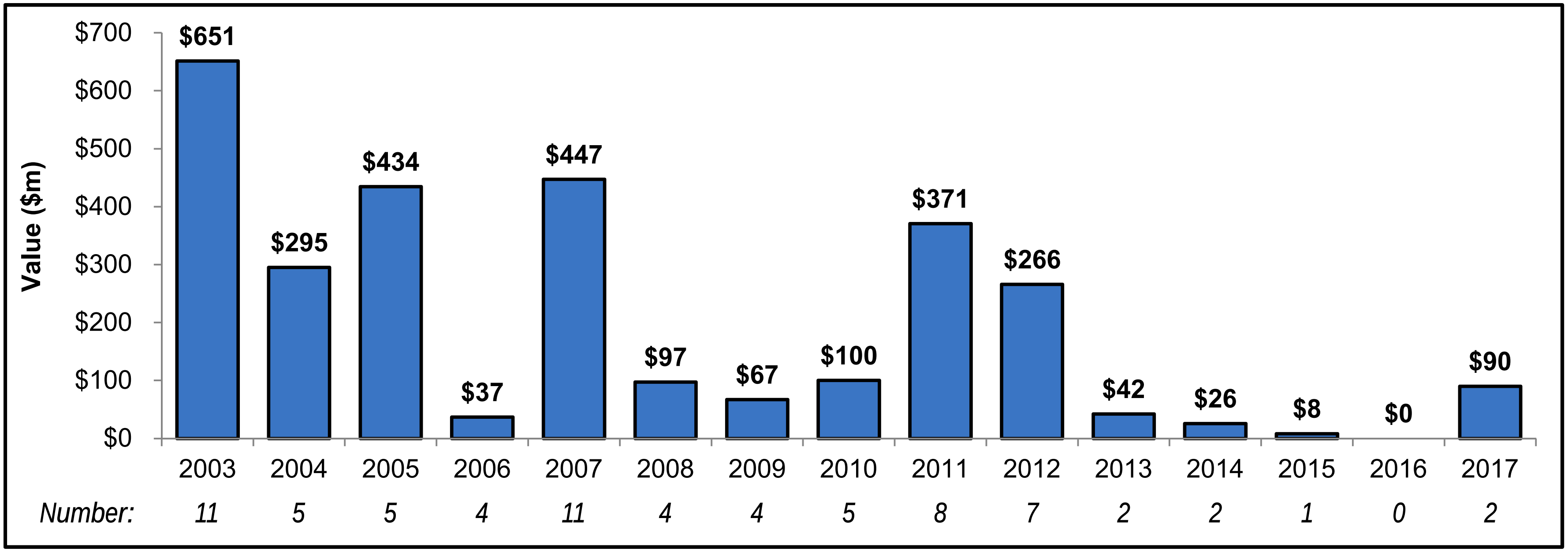
ADP's Product Migrations Should Yield Big Improvements in Revenue and Margin (cont'd.)

MIGRATIONS	Before	During	After
Quality of Offering vs. Best-in-Class	LOW	IMPROVING	HIGH
Customers at Risk	HIGH	LOWER	LOW
Retention	OK	↓	↑
Revenue per Customer / Cross-Sell	LOW	IMPROVING	↑
Support /Service Needs	↑	↑↑	↓↓
On-going and Maintenance Costs	↑	↑↑	↓
Implementation and Migration Costs	↓	↑↑	↓↓
Margins	↓	↓↓	↑↑

Root Causes of ADP's Underperformance

ADP Built its HCM Offering Almost Entirely Through Acquisitions, Which Require Integration

From 2003 to 2017, ADP completed ~$3bn of acquisitions as it filled out its HCM Beyond Payroll product suite



- **ADP "cobbled" together a collection of HCM products across disparate platforms which have largely remained siloed operationally**
- **ADP should be focusing on integration of acquired operations and products, while shifting its focus to organic development**

Note: A few small acquisitions were geographic expansions in HCM. Excludes Dealer Services acquisitions, namely, Kerridge Computer Company (2006: $300m) and Cobalt (2011: $405m).

ADP's Management Team is Insular

"He's [Bill Ackman] saying that somehow the company is insular and that people stick around forever, and the people that have worked for me have been around the company for a long, long time. What he's not aware of is that my team is almost entirely new from the time I became CEO."

– Carlos Rodriguez (CNBC August 10, 2017)

- **ADP's senior executive management**

Name	Position	Age	Joined	Tenure
Carlos Rodriguez	CEO, President & Director	53	1999	18
Jan Siegmund	CFO & Corporate VP	53	1999	18
Thomas Perrotti	President of Worldwide Sales & Marketing	48	1993	24
Edward Flynn	President of Global Enterprise Solutions	57	1988	29
John Ayala	President of Major Account Services & ADP Canada	50	2002	15
Maria Black	President of Small Business Solutions & HR Outsourcing	43	1996	21
Douglas Politi	President of Added Value Services & Corporate VP	55	1992	25
Stuart Sackman	Corporate VP, Global Product and Technology	56	1992	25
Deborah Dyson	Corporate VP, Client Experience & Continuous Improvement	51	1988	29
Donald Weinstein	Corporate VP, Chief Strategy Officer	48	2006	11
Michael Bonarti	Corporate VP, General Counsel & Secretary	51	1997	20
Dermot O'Brien	Chief Human Resources Officer	51	2012	5
			Avg. Tenure	20

- **Executives have decades of tenure at ADP and effectively <u>no outside experience and perspective</u>**

ADP's Management Team Needs Improvement

- **ADP's senior executive management team needs outside experience and fresh perspectives; historically, outsiders have been rejected**

> *"[Senior executive] pushed for changes, [he/she] wanted us to become a tech company, then the corporate immune system kicked in."* *- Former SVP, Technology*

- **ADP's senior executive management team is lacking critical capabilities**

- **ADP should be hiring from leading companies in its quest to building a world-class organization**
  - **Product / Software Development:**
  - **Technology:**
  - **Operations / Business Improvement:**

ADP's Culture Needs to Change

ADP's insular, bureaucratic, and staid corporate culture causes the Company to trail competitors in recruiting talent, eroding the Company's long-term competitive position

- **Many of ADP's direct competitors rank amongst the best places to work in the country, according to prestigious lists such as the Fortune 100 Best Companies to Work For**

- **Challenge in recruiting employees**
  - "Insular, outsiders don't get ahead"
  - "Outside views aren't considered or embraced, change never pursued"
  - "ADP is an accounting and processing company"
  - "ADP is not a technology or software company"

FORTUNE 100 BEST COMPANIES TO WORK FOR 2017

7. Ultimate Software

8. Salesforce

13. Intuit

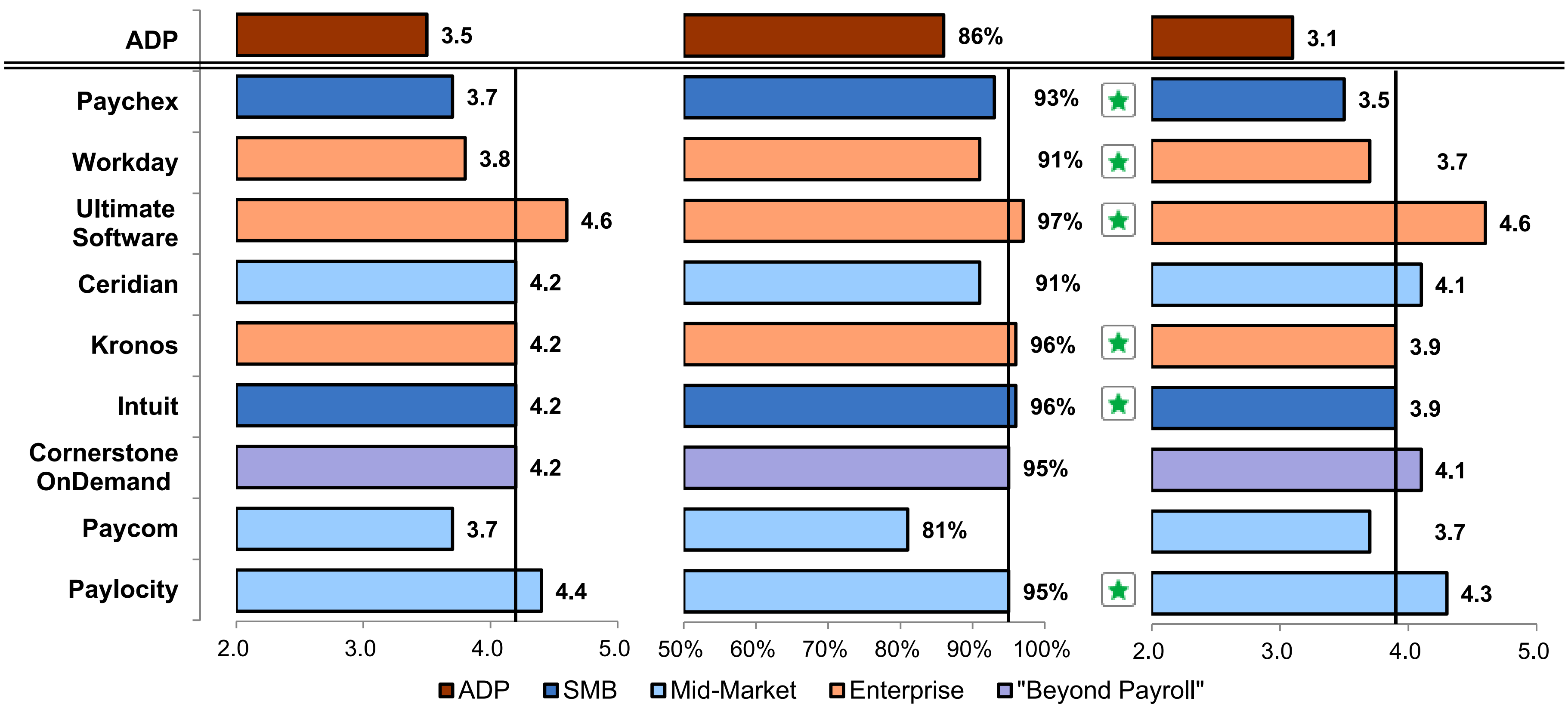
18. Workday

ADP is notably absent…

ADP Trails Major Peers Across a Variety of Employee Satisfaction Metrics

glassdoor

	Overall Rating	Approval of CEO	Approve of Senior Management
ADP Rank:	*Last*	*2nd to Last*	*Last*

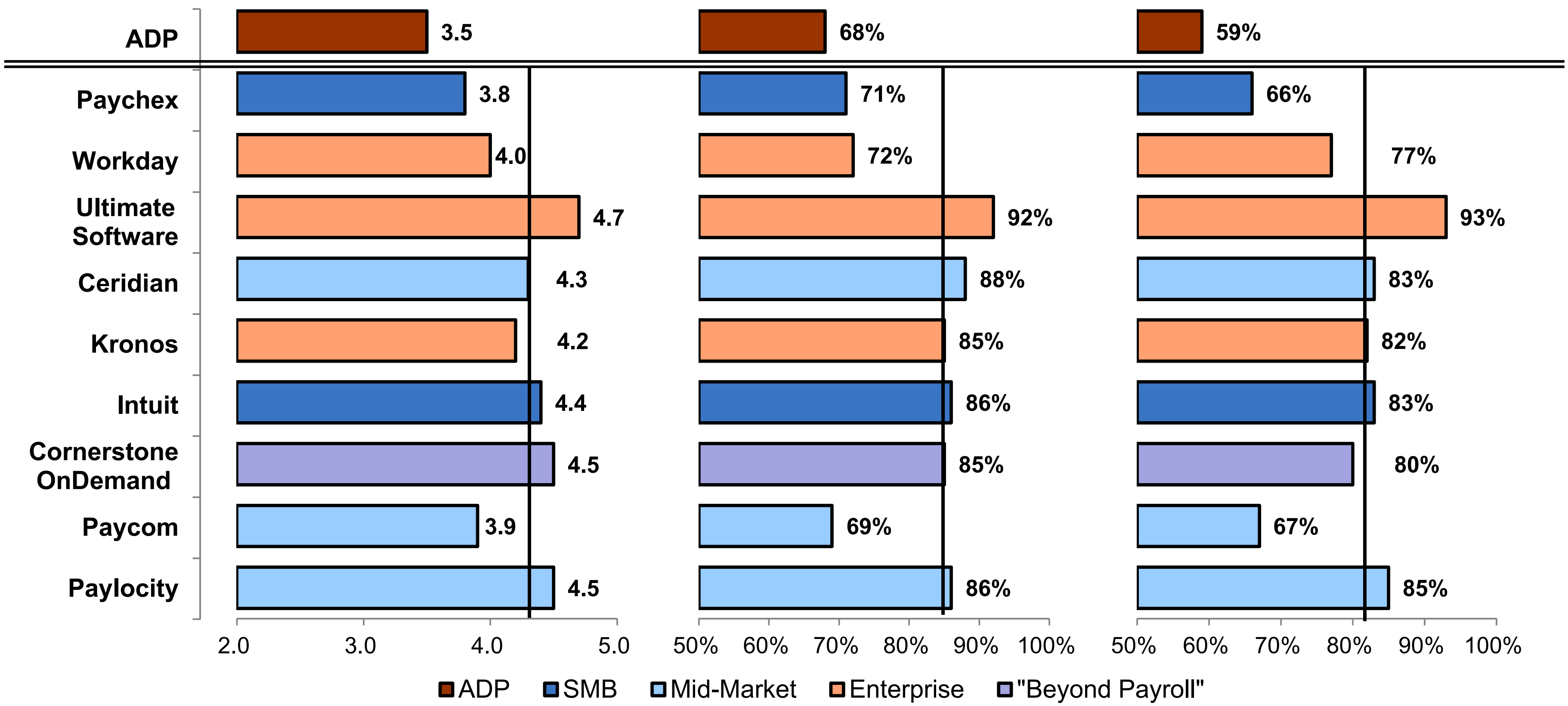


Source: Glassdoor, Inc. July 2017.
Note: Green stars denote Glassdoor Highest Rated CEOs from 2016 or 2017 based on U.S. employee feedback between 5/2/15 - 5/1/17.

ADP Trails Major Peers Across a Variety of Employee Satisfaction Metrics

glassdoor

	Culture & Values	Recommend to a Friend	Positive Business Outlook
ADP Rank:	*Last*	*Last*	*Last*



Source: Glassdoor, Inc. July 2017.

ADP's Focus on "Hitting the Numbers" Has Led to Value-Destructive Decisions with Negative Long-Term Consequences

ADP Total Shareholder Return Expectations – 2015 Analyst Day

What to expect for the future

TSR Components	Longer Term Expectation
Revenue Growth	7-9%
Margin Expansion (50-75 bps)	~4%
Pretax Earnings	11-13%
Net Share Reduction*	~1%
EPS	**12-14%**
Dividend Yield	2-3%
Total Shareholder Return Objective	**Top Quartile of S&P 500**

* Net Share Reduction does not incorporate recent debt issuance and corresponding 25 million share repurchase that is expected to be completed over the next 12 to 24 months.

"[ADP is] very focused on per share value – short-term oriented. [They] didn't have a 5 year vision, no strategic focus on 'where we want to lead in 5 years,' 'where we need to invest.' More about consistent results. Top management is very incentivized by share value, stock option packages."

- Former CEO and COO of [Redacted] ADP Country

Source: ADP Analyst Day, March 3, 2015.

ADP’s Response and Plan

ADP's Response and "Transformation Plan" Are Arguments For The Status Quo And No Improvement

On September 12th, ADP responded to Pershing Square and released its "Transformation Plan," which:

1. **Is an affirmation of the status quo**

> *"[ADP's] rebuttal was, in our view, a confident, well-articulated, detailed, reiteration of the status quo for ADP, providing plenty of insightful incremental data points and disclosures, but no material change to the financial outlook for the company. ADP established three-year guidance for the first time, but the guidance was consistent with its already-disseminated FY18 guidance and long-term business model."*[1] *(Emphasis added)* **- Lisa Ellis, Bernstein (Sep 13, 2017)**

2. **Fails to address critical deficiencies and the magnitude of the opportunity for improvement**

3. **Selectively focuses on certain, often incorrect, data points and ignores others to support ADP's case for the status quo**

4. **Attempts to discredit the messenger, rather than addressing the substance of the message**

ADP's response is an attempt to deflect and distract attention away from the key question for shareholders – Is ADP achieving its full potential?

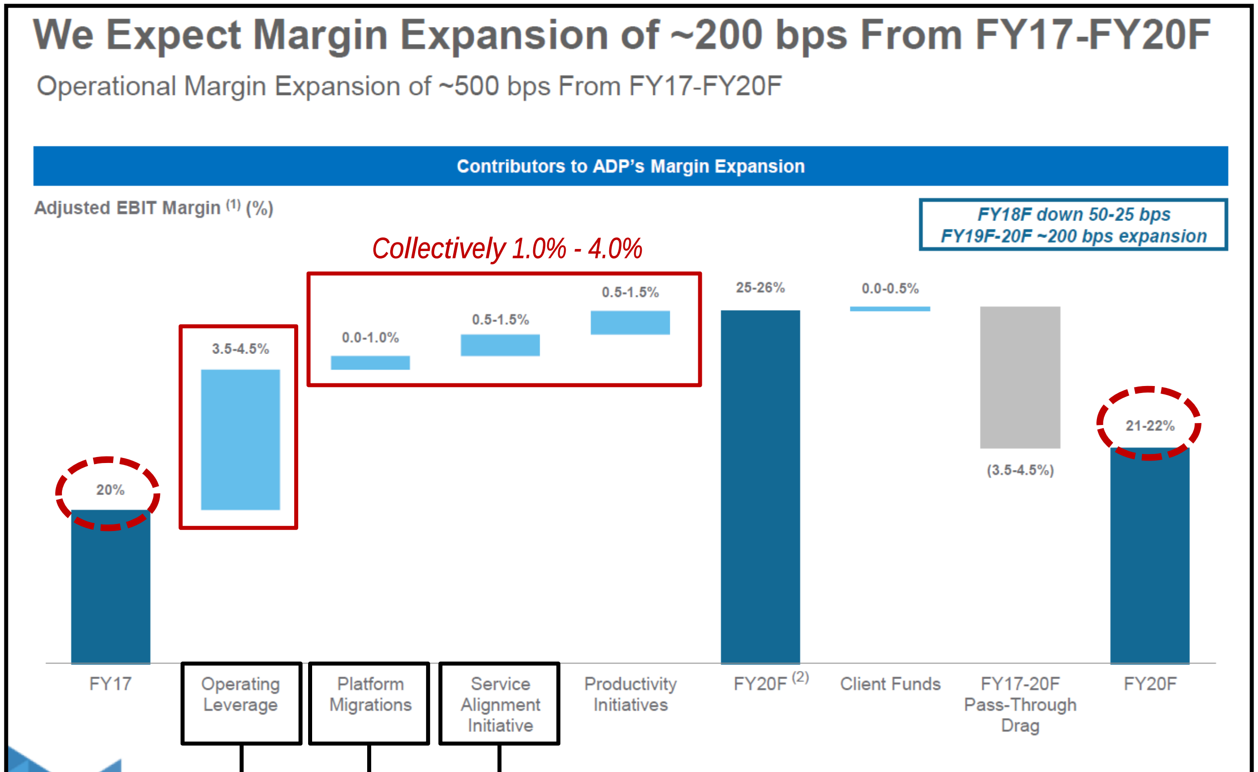
(1) Permission to use quotations throughout this presentation neither sought nor obtained.

ADP's "Transformation Plan" Delivers No Meaningful Improvement – Shareholders Should Demand More

Observations

- **Management's commitment to ~200bps of margin expansion over 3 years is slightly below to in-line with the Company's long-term plan**
- ~75% of the stated ~500bps of "Operational Margin Expansion" is coming from variables outside of management's control
- Some fraction of ADP's termed "Operating Leverage" directly nets out against the "Pass-Through Drag" bucket
- Targeted margin expansion is extremely limited and entirely inconsistent with management's own qualitative assessment of their "progress"

ADP's "Transformation Plan"



<u>Not true like-for-like operating leverage</u>: Includes both PEO mix-shift *and* the mathematical impact of stripping out pass-through revenue

Includes ~20bps of "dual operations" expense already embedded in the FY17 starting base

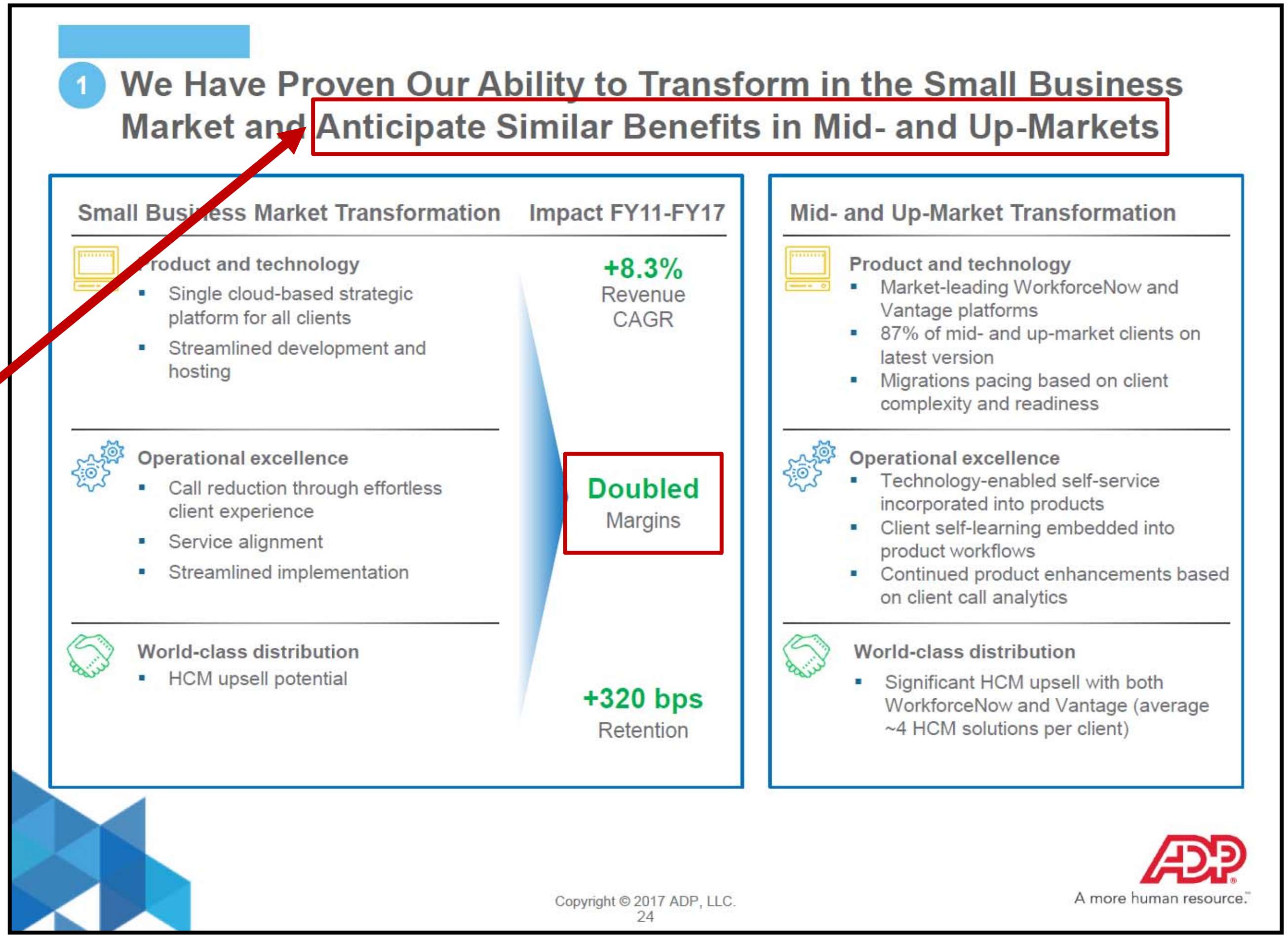
Inconsistent with ADP's assertion that SMB margins doubled post-migration and "Small Business Market Transformation" and ADP's claim that the Company "Anticipate[s] Similar Benefits in Mid- and Up-Markets"

Note: Emphasis added.

The Numbers Don't Add Up With Management's Plan

Observations	ADP's Self-Described SMB Transformation

- ADP claims to have ***doubled*** SMB margins while growing the topline 8% and improving retention by 320bps
- The company notes they "Anticipate Similar Benefits in Mid- and Up-Markets"
- Yet, ADP's Plan reflects *de minimis* anticipated benefits from platform migrations, most notably in the Mid-market, in its projections



Note: Emphasis added.

ADP is Not Delivering Sufficient Benefits From Platform Migrations

Why is management not committing to margin improvement from platform migrations?

- For years, ADP has been highlighting efficiency opportunities post-migrations:

> ***Carlos Rodriguez, ADP President & CEO***
>
> *"But what's not so obvious and was the gist of the question, which is a great one is, I believe that the biggest leverage of this kind of simplification of our rationalization of platform is on the back office, the service costs, training costs, the frictional cost of selling…So we believe, based on some experience on conversions or migrations that we've already done, that there is a lot of potential operating leverage, not necessarily in the R&D side, but more on the operating costs side."*
>
> **Bernstein Strategic Decisions Conference, May 29, 2013**

- ADP is set to complete Workforce Now platform migrations in the mid-market later this year, representing ~$3bn+ of revenue
- Despite this, ADP's margin expansion bridge identifies a mere 0.0-1.0% margin uplift from the current base through FY 2020 from "Platform Migrations"

Management should be held accountable to deliver margin expansion from platform migrations which, based on the company's own statements, is clearly available to be captured

ADP's Long-Term Plan Claims ~500bps of Margin Expansion, Yet Its Plan Implies Only ~300bps

ADP's Claim	Reality
"Operational Margin Expansion of ~500 bps From FY17-FY20F"	✖

- ✖ **ADP claims to generate ~500bps of operational margin expansion from FY17 through FY20, but that's not true**

ADP's current plan calls for <u>~300bps</u> of net operational margin expansion

- ✖ **ADP's cadence of operational margin expansion (300bps over 3 years) is consistent with its historical results**
- ✖ **~30% of the total net margin improvement is driven by PEO mix-shift, NOT underlying Employer Service margin expansion**

> *"ADP's margin guidance appears to only anticipate ~200bps expansion in employer services (the rest from the PEO), which we view as low… We believe there is sufficient evidence to suggest some additional margin expansion in employer services is likely doable."* - **Lisa Ellis, Bernstein (Sep 19, 2017)**

- ✖ **Projected Employer Services flow-through margins of ~34% are largely consistent with historical results, *despite the inclusion of ongoing productivity initiatives (Service Alignment Initiative, platform migrations, etc.)***

On the next page, we deconstruct ADP's transformation plan

Deconstructing ADP's Long-Term Operating Plan

ADP's Long Term Plan

	ADP Method (Pg.60)		ADP Long-Term Plan (Pg.35)		Change	
	FY 2011	FY 2017	FY 2020	'17-20 CAGR	2011 - 2017	2017 - 2020
Revenue	**$8,265**	**$12,380**	**$15,500**	**7.8%**		
(-) PEO Pass-Through	(1,182)	(2,628)	(3,793)	13.0%		
(-) Client Funds Interest	(540)	(397)	(530)	10.1%		
Net Operational Revenue	**$6,543**	**$9,354**	**$11,177**	**6.1%**		
of which, Employer Services	*$6,191*	*$8,518*	*$9,971*	*5.4%*		
of which, PEO	*$352*	*$836*	*$1,206*	*13.0%*		
Adjusted EBIT	**$1,638**	**$2,448**	**$3,333**	**10.8%**		
(-) Client Funds Interest Revenue	(540)	(397)	(530)	10.1%		
(-) Corporate Extended, Net	(68)	(34)	(53)	16.4%		
Net Operational Profit	**$1,030**	**$2,017**	**$2,750**	**10.9%**		
of which, Employer Services	*$920*	*$1,617*	*$2,109*			
of which, PEO	*$110*	*$400*	*$641*			
Margins (%)						
Reported (%)	19.8%	19.8%	21.5%		(0.05%)	1.73%
Net Operational Margin (%)	**15.7%**	**21.6%**	**24.6%**		**5.81%**	**3.04%**
Employer Services, Ex-Float (%)	14.9%	19.0%	21.1%		4.11%	**2.17%**
Flow-Through Margin (%)						
Employer Services		***29.9%***	***33.9%***			
PEO		*59.9%*	*65.0%*			

~300bps of net operational margin expansion

ES margins expanding only ~220bps

Note: Blue boxes represent mid-point of ADP's long-term plan. Green boxes represent PSCM assumptions. Red boxes denote a highlighted output.

What is The Risk of the Status Quo?

ADP's current status quo is harming its long-term competitive position

- **The risk of inaction is great; ADP is already losing share**
  - If customers are lost, they can be lost for a decade or more
- **Exceedingly slow transformation is harmful**
  - Competitors are moving faster than ADP as ADP falls further behind
- **If ADP is not the HCM provider, but rather payroll only, it will lose future sell-in opportunities as HCM continues to expand**
  - Payroll-only market growth → L-S-D%, HCM growth is in Beyond Payroll
- **Current legacy products and systems <u>must</u> be addressed with urgency**
  - Existing products are old and inefficient, and becoming more so over time
  - Spreading resources across disparate old legacy platforms reduces capital for investments, and leaves stranded costs on as customers exit

"The first step to recovery is admitting you have a problem. They've known this for 10 years but the number of products has increased, not decreased… It spreads your IT dollars like peanut butter."
– Former SVP, Technology

ADP's Advisors Roll Out Activist Defense 101… We've Seen This Playbook Before

Tactic	Canadian Pacific [(1)]	ADP
"They Don't Understand"	"Pershing Square has demonstrated a lack of understanding of Canadian Pacific's business."	"Pershing Square and its director candidates have demonstrated a lack of knowledge and understanding of ADP and its current operations…"(3)
"Their Plan Isn't Specific"	"Pershing Square has disclosed no specific plan to achieve its stated operating ratio targets."	"Furthermore, Pershing Square has provided no clear roadmap on how it intends to accomplish the returns that it has targeted…"(4)
"It's Just Too Risky"	"Pershing Square's Proposal is Ill-Conceived and Introduces Unwarranted Risk to Shareholder Value."	"[Pershing Square's plan] presents major business risks for ADP. This could do serious harm to our client relationships, disrupt mission-critical technologies, and put ADP's client retention -- and by extension the ADP business model -- at significant risk."(5)
"We're Already Doing This"	"Canadian Pacific is Aggressively Executing a Successful, Value-Enhancing Plan."	"ADP's Corporate Strategy is Focused on Transformation… ADP has been pursuing this change at an aggressive yet responsible pace."(6)
"They Lack the Skills"	"Pershing Square's nominees who accompany Mr. Ackman have no evident railroad industry experience and add no other complementary industry experience."(2)	"The Board determined that none of the Pershing Square nominees would bring additive skills or experience to ADPs Board."(7)

(1) CP Proxy.
(2) CP Open Letter to Shareholders. January 9, 2012
(3) ADP Investor Presentation. September 12, 2017.
(4) ADP Stockholder Letter. September 14, 2017.
(5) *Id.*
(6) ADP Press Release. September 7, 2017.
(7) ADP Stockholder Letter. September 14, 2017.

Canadian Pacific: What We Said – What Happened

	CANADIAN PACIFIC	ADP
Existing Margins / Unaffected Share Price (1)	**19% / ~C$46**	**20% / ~$97**
Pershing Square Target Margins	**35% (Year 4)** (2)	**32% (Year 5)** (5)
Projected Future Share Price	**~C$140 (3 Years)** (2)	**~$220-$255 (4 Years)** (5)
Company Response to Pershing's Targets	*"Pershing Square's operating ratio targets for Canadian Pacific are unrealistic and lack credibility."* (3) *"Curves and grades is physics, and the dismissive comments by Mr. Harrison indicates a clear lack of research or understanding or both."* (4) *"Based on a comprehensive review, Oliver Wyman confirmed that CP's Multi-Year Plan 2014 target is ambitious, but achievable. And they also concluded that Pershing Square's stated OR target is both unrealistic and unachievable by 2015."* (4)	*"The ADP Board is concerned by Pershing Square's claim that ADP can increase its operating margins by an extreme 1,600 basis points from ADP's already strong and increasing margins."* (6)
Realized Margins	**39% (Year 4)**	
Realized Share Price	**~C$223 (3 Years)**	

(1) Share price prior to Pershing Square's rapid accumulation phase.
(2) Pershing Square. The Nominees for Management Change. February 6, 2012.
(3) CP Proxy.
(4) CP Analyst Day, March 27, 2012.
(5) Pershing Square. ADP: The Time is Now. August 17, 2017.
(6) ADP Press Release. September 7, 2017.

Why is ADP Unwilling to Achieve its True Potential?

Current initiatives should be paired with a more comprehensive plan to achieve ADP's full structural potential

- **ADP has additional opportunities to improve performance, including:**
  - Corporate restructuring / reducing legacy silos / spans-and-layers
  - Design products for self-sufficiency; restructure support organization, reduce labor intensity
  - Implementation automation
  - Back-end technology improvements
  - Reduced spending on legacy platforms
  - Technology and innovation leadership

While ADP claims to have some elements of these workstreams underway, while entirely ignoring others, the company has made <u>no commitment to deliver</u> on the margin improvement these changes should drive

You Can't Have it Both Ways: ADP's Usage of Select Data Points is Misleading

ADP: "Compounded annual revenue growth of 7% over the last 5 years, with 580bps increase in net operational margins"

Revenue Growth Calculated
<u>GROSS</u> of PEO Pass-Throughs:

- **Growth rate overstated relative to true net economic revenue growth**

When presented this way, the following statement is true…

- Compounded annual revenue growth of 7.3% over the last <u>6 years</u>, with <u>380bps</u> increase in operational margins (ex-float)

Margins Calculated
<u>NET</u> of PEO Pass-Throughs:

- **The exclusion of pass-throughs increases stated margin expansion**

When presented this way, the following statement is true…

- Compounded annual revenue growth of <u>5.8%</u> over the last <u>6 years</u>, with 580bps increase in net operational margins (ex-float, ex pass-throughs)

ADP picks and chooses inconsistent data points to generate misleading and intellectually dishonest conclusions

(1) Revenue growth includes PEO pass-throughs while stated margin expansion excludes pass-through, effectively inflating the stated true economic revenue growth. Gains achieved over a 6 year period (FY 2011 through FY 2017), not 5 years.

ADP’s Prior Dispositions Demonstrate the Opportunity for Improvement at ADP

ADP's Past Dispositions Provide a Roadmap for Value Creation at ADP

Solera (f.k.a. Claims Services within ADP): sold by ADP April 2006

- **Operating margins increased 2,000bps from 18% to 40% five years post-ADP**
  - Key drivers: "attack waste," facility rationalization, organizational restructuring, delayering the organization, improved customer relationships

CDK Global (f.k.a. Dealer Services within ADP): spun by ADP September 2014

- **Operating margins increased 1,000bps from 16% to 26% within three years of spin off, with CDK estimates of >35% margins (+1,900bps) by end of year four**
  - Hired consultant to help evaluate potential; publicly announced plan
  - Progress was consistently positive, with immediate and continual increases in earnings, cash flow, and shareholder value
    - Necessary investments were modest and more than offset by immediate and meaningful improvements in efficiency

CHSA / COBRA business: sold by ADP November 2016

- **EBITDA margins are expected to double under its new owner WageWorks**

These dispositions highlight ADP's inadequate business oversight and governance. These transformations included cultural and operational efficiency initiatives that are directly relevant to ADP

Under ADP's Ownership, Dealer Services Delivered Only Marginal Gains; After Spin-Off, It Made Enormous Progress

ADP's plan for Dealer Services identified *only* ~50bps of incremental margin per annum "no different than ES"

Gary Butler, ADP, Former CEO

"Yes. Again, the business model there is no different than Employer Services. Again, sans acquisitions or significant investments, we would expect the core Dealer business to improve its margins 0.5 point a year as a way to think about it. So there are clearly 2 or 3 more points of margin improvement available in the Dealer market over a planning horizon." - **ADP FY Q3 2007 Earnings Call – May 1, 2007**

A thorough evaluation of CDK's potential revealed enormous opportunity

Steven Anenen, CDK Global, Former CEO

"What we have done with the Board is we said, listen, now is a perfect time for us…Let's look at all of our margins and see if there are areas we could get a lot more effective. So, leaning a process out from early days of design to where it might be today, leveraging technology that was not available perhaps in the past, using our capital appropriately for that technology I think is important.

"Looking at our facility footprints. Are we optimized around facilities? And if we are not what should we do? And if there are ways we can improve our procurement we should look at that in a more strained eye to say that there's areas in that area that we can improve.

"How effective are we relative to service or implementation and are we leveraging all the technologies available?… All of those things are up for review and we're going to take it in a mindful manner. We are using an outside firm to help us." - **CDK FY Q2 2015 Earnings Call – February 5, 2015**

CDK Global:
Many Efficiency Opportunities Similar to ADP

Many areas of the transformative opportunity at CDK are similar to those which exist at ADP

CDK Business Transformation Plan

Business Transformation Plan

Key workstreams

	WORKSTREAM	DESCRIPTION
1	MoveUp!	Migrate customers to latest software versions; engineer to reduce customizations
2	Streamline implementation	Streamline installation and training process through improved technology, process, tools, and workflow
3	Enhance customer service	Decrease resolution times through optimized case management and technology-enabled, intelligent, user-driven support
4	Optimize sales and product offering	Adjust sales structure; reduce product complexity; expand bundling; optimize discount management; standardize pricing
5	Simplify quote to cash	Reduce business complexity through integrated go-to-market model that leverages an automated contracting process, SKU rationalization, and streamlined invoicing
6	Workforce efficiency and footprint	Increase efficiency through fewer layers and larger spans of control, geographic wage arbitrage, and reduced facility footprint
7	Strategic sourcing	Disciplined vendor management and vendor consolidation
8	CDK International	Comprehensive optimization across back office, R&D, implementation, and support

Source: CDK FY Q3 2017 Results, May 2, 2017.

ADP's Response:
Obfuscate with Misleading Margin Comparisons

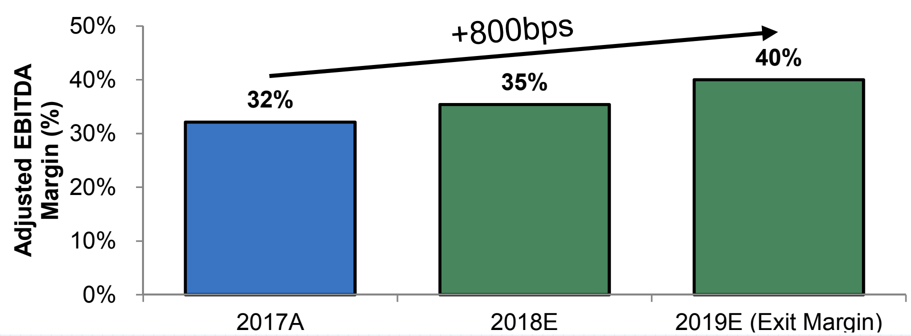
ADP Representation

"Is Pershing Square Looking at the Right Margin? ADP Margin Comparisons for Most Recent Fiscal Year"

($M)	ADP	CDK[1]
Fiscal Year-end	June 2017	June 2017
Total Revenue	**12,379.8**	**2,220.2**
Pass-Throughs	2,628.4	-
Revenue w/o Pass-throughs	**9,751.4**	**2,220.2**
GAAP Net Earnings including Noncontrolling Interest	**1,733.4**	**302.5**
Net Earnings Margin / Total Revenue	14.0%	13.6%
Net Earnings Margin / Revenue w/o Pass-Throughs	**17.8%**	**13.6%**
Income Taxes	797.7	132.8
Net Interest Expense	36.9	57.2
(Gain) on Sale of a Business	(205.4)	-
One-time Restructuring	85.0	18.4
Total EBIT Adjustments	**714.2**	**208.4**
Adjusted EBIT (as defined by ADP)	2,447.6	510.9
Adjusted EBIT Margin / Total Revenue	19.8%	23.0%
Adjusted EBIT Margin / Revenue w/o Pass-Throughs	**25.1%**	**23.0%**
Depreciation & Amortization	316.1	70.3
Stock Compensation	138.9	55.4
Transformation / Other	47.7	77.0
Additional EBITDA Adjustments	**502.7**	**202.7**
Adjusted EBITDA	2,950.3	713.6
Adjusted EBITDA Margin / Revenue w/o Pass-Throughs	**30.3%**	**32.1%**
Most Recent Fiscal Year Comments	**• ~ +6% ES client growth**	**• ~ -1% DMSNA client decline • ~ +9% DMSNA avg. client revenue**

Pershing Square Observations

- ADP attacks our CDK case study based on the non-sequitur that CDK's Adjusted EBITDA adds back both stock-based compensation and one-time restructuring charges
- If the goal of the comparison (at left) between ADP's and CDK's Adjusted EBITDA margins is to make the point that they are similar today (on an absolute basis), it is relevant to note that CDK's margins are projected to expand by an additional ~800bps over the next 2 years



CDK Global: "Remain committed to achieving target FY18 adjusted EBITDA margin of 35% and FY19 adjusted EBITDA exit margin of 40%" (FY Q3 2017)

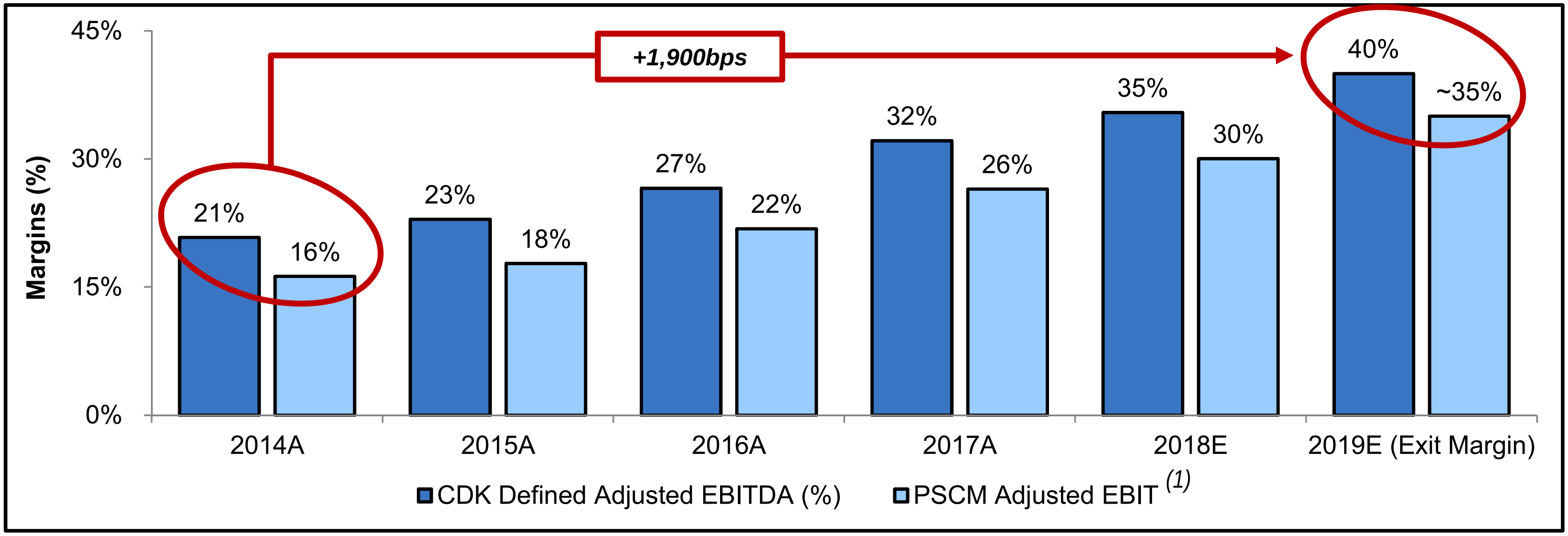
That being said…this misses the point of the CDK case study altogether

ADP Attempts to Obfuscate the CDK Case Study – Any Way You Cut It, CDK's Performance Lagged Under ADP

ADP's comparison misses the point:

Whether looked at on an Adjusted EBITDA or Adjusted EBIT margin basis, CDK's margins increased massively after it was disposed of by ADP. CDK's underperformance under ADP and massive outperformance after spinoff is an indictment of ADP's current management's and board's oversight and execution

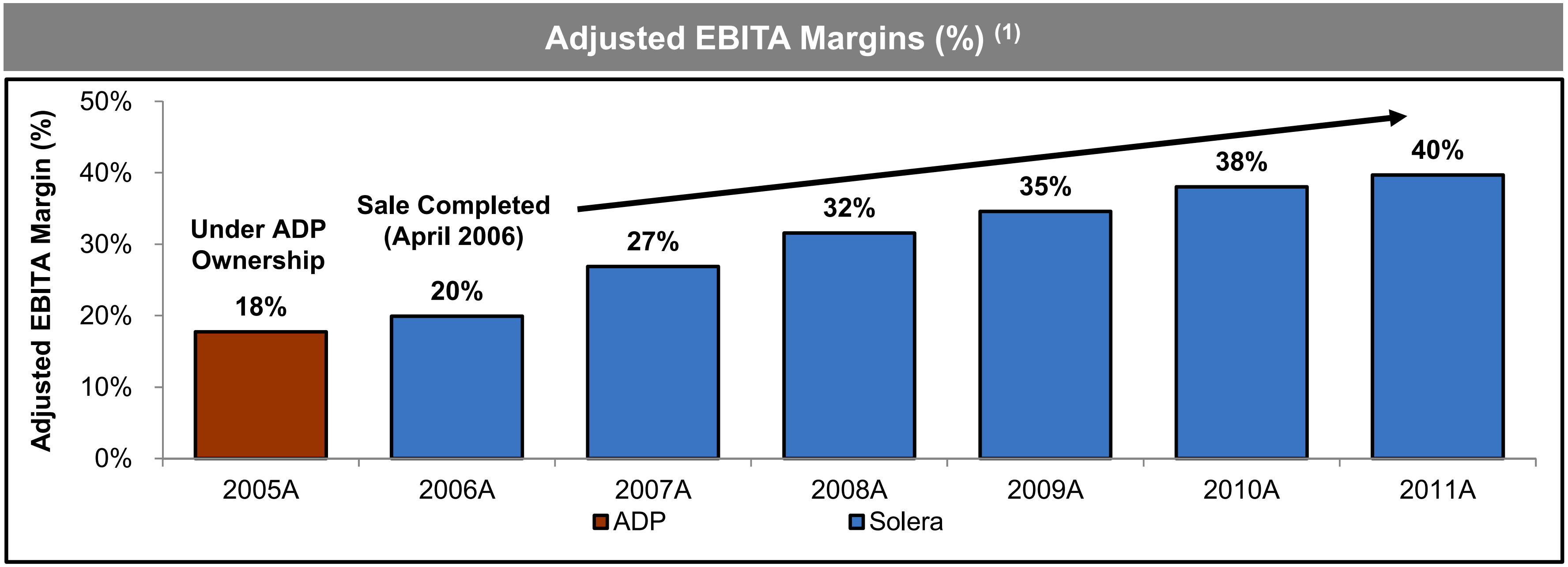
CDK Global Margins Over Time (%)



(1) Adjusted margins expensed stock-based compensation and D&A. 2014 EBIT adjusted to expense $16.8m of incremental costs associated with the formation of corporate departments as a stand-alone public company. These costs were incurred in fiscal 2016 and have been reflected as adjustments in fiscal 2014 to present these periods on a comparable basis.

Solera (Formerly ADP Claims Services Group)

ADP's Claims Services Group expanded margins by ~2,000bps within 5 years after sale by ADP



"[O]ur performance was strengthened by our guiding principle to always attack waste... This included an effort to begin rationalizing our facilities and organizational assignments to drive unnecessary expense out of the business and to improve our customer intimacy by delayering the organization. We remain focused on executing our global pipeline of opportunities to improve our efficiency and reduce our waste. This will remain a major focus in fiscal year '08 and beyond." – Tony Aquila, CEO, President, Chairman[2]

Source: ADP and Solera Holdings Inc. SEC filings and transcripts.
(1) Adjusted EBITA adds back restructuring costs, acquisition related costs, litigation related expenses (most notably in FY'2015) and amortization of intangibles. Stock based compensated is expensed throughout.
(2) Q4'2007 Solera Holdings Conference Call. September 6, 2007.

History Repeats Itself – Another Recent Example: CHSA / COBRA Business Sold to WageWorks

- In November 2016, ADP sold its Consumer Health Spending Account ("CHSA") and Consolidated Omnibus Reconciliation Act ("COBRA") businesses to WageWorks for $235m
  - CHSA/COBRA was a high-touch "service" business owned by ADP

- **WageWorks plans to <u>double</u> the business's margins within 12 to 18 months**

ADP's business had a "mid-teens" Adjusted EBITDA margin at acquisition…

"But when you consider the fact that we absorbed an acquisition of the size that we acquired from ADP's businesses of roughly ***<u>$90 million annualized revenues and [Adjusted EBITDA] margin profile in the mid-teens</u>****, maintaining [~30% Adjusted Consolidated EBITDA] margins is pretty impressive on that basis."* (1)

…Margins are expected to rise to ~30% within 12 to 18 months

"[The ADP] business will continue to improve over the next 12 to 18 months where ***<u>we will end up getting that up to our corporate [Adjusted EBITDA] margins of roughly about 30%</u>****."* (2)

This sale of CHSA/COBRA, and WageWorks's plan to <u>double</u> margins in that business, highlight yet *another* example of ADP's inadequate business oversight and governance

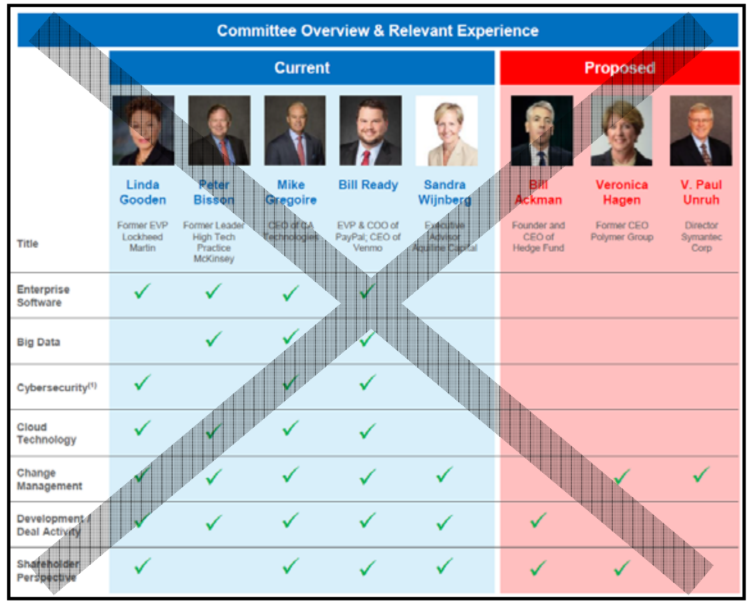
Source: WageWorks financial press releases, management commentary.
(1) Colm Callan, CFO, WageWorks. William Blair Growth Stock Conference (June 14, 2017).
(2) Joseph L. Jackson, Chairman and CEO, WageWorks. William Blair Growth Stock Conference (June 14, 2017).

Governance and Management Compensation

ADP is Highlighting the Wrong Director Choice For Shareholders

ADP says our directors are not qualified because they are not technology executives – that misses the point entirely

ADP's Spin



Committee Overview & Relevant Experience

	Current					Proposed		
	Linda Gooden	Peter Bisson	Mike Gregoire	Bill Ready	Sandra Wijnberg	Bill Ackman	Veronica Hagen	V. Paul Unruh
Title	Former EVP Lockheed Martin	Former Leader High Tech Practice McKinsey	CEO of CA Technologies	EVP & COO of PayPal; CEO of Venmo	Executive Advisor Aquiline Capital	Founder and CEO of Hedge Fund	Former CEO Polymer Group	Director Symantec Corp
Enterprise Software	✓	✓	✓	✓				
Big Data		✓	✓	✓				
Cybersecurity[1]	✓		✓	✓				
Cloud Technology	✓	✓	✓	✓				
Change Management	✓	✓	✓	✓	✓		✓	✓
Development / Deal Activity	✓	✓	✓	✓	✓	✓		
Shareholder Perspective	✓		✓	✓	✓	✓	✓	

ADP already has relevant technology experience on the board and we are NOT seeking to replace these directors – the directors we are replacing have no technology experience

ADP needs skills beyond technology expertise to effectuate a proper transformation. We are seeking to add directors with fresh perspectives and relevant expertise in business transformation and operating efficiency to accelerate the necessary changes required for ADP to achieve its full potential

The Nominees for ADP's Transformation Bring Relevant Skills and Fresh Perspectives

William Ackman

- ✓ **Investor in the HCM industry for a decade**
- ✓ **Investments in a number of successful business transformations similar to ADP, providing valuable insights that can be applied to the benefit of ADP**
- ✓ **As one of the largest owners of ADP with a long-term outlook, total alignment with all shareholders**

Veronica Hagen

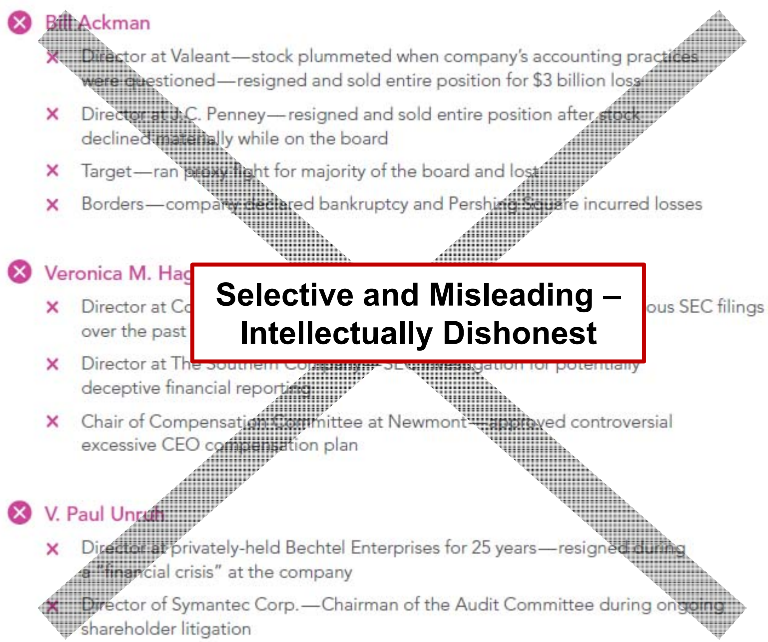
- ✓ **Extensive global executive leadership experience in competitive industries where focus on operational efficiency and productivity were paramount to long-term success**
- ✓ **Personally invested over $300,000 in ADP common stock, more than any current ADP director**

Paul Unruh

- ✓ **Instrumental in leading the cost and business transformation at Symantec as a member of a board subcommittee responsible for generating >$400 million of cost savings**
- ✓ **Personally invested over $300,000 in ADP common stock, more than any current ADP director**

ADP's Attacks on Our Directors are Purposely Misleading and Intellectually Dishonest

ADP's Selective and Misleading Claims


Bill Ackman

- Director at Valeant—stock plummeted when company's accounting practices were questioned—resigned and sold entire position for $3 billion loss
- Director at J.C. Penney—resigned and sold entire position after stock declined materially while on the board
- Target—ran proxy fight for majority of the board and lost
- Borders—company declared bankruptcy and Pershing Square incurred losses

Veronica M. Hag

- Director at Co ... ous SEC filings over the past
- Director at The Southern Company—SEC investigation for potentially deceptive financial reporting
- Chair of Compensation Committee at Newmont—approved controversial excessive CEO compensation plan

V. Paul Unruh

- Director at privately-held Bechtel Enterprises for 25 years—resigned during a "financial crisis" at the company
- Director of Symantec Corp.—Chairman of the Audit Committee during ongoing shareholder litigation

Selective and Misleading – Intellectually Dishonest

ADP's dishonest tactics are not in the best interest of shareholders and obfuscate the real question at hand – Is ADP achieving its potential?

Pershing Square's Long-Term Track Record

- **Average return on 13Ds ~145%(1) vs. ~16% for the S&P 500 index over the same periods (Source: 13DMonitor)**
- ***Pershing Square returns since inception(2) are 523%(3), net of fees, versus 329%(4) for ADP and 184%(3) for the S&P over the same period***

ADP Highlights	But Forgets to Mention Pershing Square's 23 other 13D Investments…(1)
Valeant JCPenney Target Borders Group	Chipotle Mexican Grill, Mondelēz International, Zoetis, Allergan, Freddie Mac, FannieMae, Air Products, Platform Specialty Products Corporation, CP, Restaurant Brands International, Alexander & Baldwin, Inc., Beam, Fortune Brands, Landry's, Howard Hughes, GGP, Longs Drugs, Ceridian, Wendy's, SPI, Plains Resources, Atlantic Realty

(1) See endnote 1.
(2) From January 1, 2004 to May 9, 2017.
(3) See endnote 2.
(4) CapIQ total return.

The Value of a Large Shareholder on the Board

As a large shareholder with a long-term focus, we would bring a unique perspective to the Board

- **Perspective of a large shareholder in the boardroom**
- **Pershing Square's analytical resources would be available to the full Board and Management**
- **Would allow for greater focus on long-term value creation**
- **Would enable the Board to test ideas privately with a large shareholder**
- **Greater credibility with shareholders when making big strategic decisions**

ADP's Governance Needs to Align to its Potential

ADP's governance deficiency has been (i) its failure to recognize its vast underperformance relative to its potential, and (ii) its failure to hold management responsible for delivering on this potential

ADP is vastly underperforming its potential

- **ADP is a market leader that should be delivering industry-best results, yet it trails competitors meaningfully**
  - Beyond not fulfilling its operating profit potential, operational underperformance lessens ADP's long-term competitive positioning
- **Incremental margin gains from operating leverage are not enough**

Management compensation is not aligned to operating potential

- **Long-term guidance and compensation targets ≠ operating potential**
- **Compensation is misaligned - examples:**
  - Business Unit leaders appear to have very little compensation tied to results they actually control
  - New Business Bookings, R&D, and other targets do not appear to be properly set

Executive Compensation is Set at a Lower Bar than ADP's Long-Term Plan and Annual Guidance

Note: EPS guidance and compensation target often assumes buybacks greater than the ~1% assumed in L-T plan

Source: Company Filings, March 2015 Investor Day Presentation and September 2017 Investor Presentation
(1) Excludes $0.02 benefit from repurchases related to $825mm special dividend received after the CDK spin-off. Guidance range including the $0.02 benefit was 12-14%

Management Has Not Met its Long-Term Plan

Management has missed its own Long-Term Plan targets on revenue, margins, and operating income growth

Above Target
At Target
Below Target

		Actual		Management Plan		Annualized	
Drivers	**LT Plan Target**	**PF FY16A[1]**	**PF FY17A[1]**	**FY18E**	**FY19F-FY20F**	**FY16A-20E**	**FY18E-20E**
Revenue Growth	**7-9%**	6.9%	6.4%	5-6%	7-9%	7.0%	7.2%
Margin Expansion	**50-75bps p.a.**	60 bps	26 bps	(50)-(25) bps	~100 bps	50 bps	54 bps
Adjusted EBIT	**11-13%**	10.3%	7.8%	4-5%	13-15%	10.1%	10.7%

- **Management's newly released plan projects significant improvement in FY 2019 and FY 2020 – ADP must hit these outer year goals to produce overall performance at the lower end of its long-term plan targets for revenue growth and margin expansion, although EBIT would still trail**

Source: Company Filings and March 2015 Investor Day Presentation
(1) Pro forma numbers per management proxy, adjusted for gains/losses on divestitures, charges related to service alignment and workforce optimization, accounting standard updates, acquisitions and foreign currency fluctuations

Despite Operational Underperformance, Non-Operating Items are Aiding Compensation Results

While management has fallen short on operational goals in FY 2016/17, its compensation payouts have benefitted from non-operational items

	FY 2017					FY 2016				
	Operational			Non-Operational		Operational			Non-Operational	
	Revenue Growth	Margin Expansion	Adj. EBIT Growth	Taxes, Interest Buybacks	EPS Growth	Revenue Growth	Margin Expansion	Adj. EBIT Growth	Taxes, Interest Buybacks	EPS Growth
Compensation Target	7.3%	+27 bps margin	8.8%	+130 bps	10.1%	7.3%	+76 bps margin	11.6%	+190 bps	13.5%
Achieved Result	6.4%	+26 bps margin	7.8%	+390 bps	11.7%	6.9%	+60 bps margin	10.3%	+250 bps	12.8%
Delta	(90)bps	(1) bps margin	(100)bps	+260 bps	160 bps	(40)bps	(16) bps margin	(130)bps	+60 bps	(70)bps

Shortfall becomes outperformance, boosted by taxes and increased buybacks

Less shortfall, boosted by increased buybacks

FY 2017: Despite guidance reductions each quarter and EBIT below target, ADP states EPS achievement of <u>127%</u>; measured without the gains from non-operational items, it was actually ~<u>83%</u>

FY 2016: ADP states EPS achievement of <u>88%</u>; measured without the gains from non-operational items, it was actually <u>78%</u>

Source: Management Proxy Circular, Company filings, FY17 Q4 Earnings Transcript and Earnings Presentation

Management Compensation is Misaligned: Example #1 – BU Leader Compensation Aligned?

Mark Benjamin was the former Division President, Global Enterprise Services

In FY 2016, Mark Benjamin received 91.2% of his target bonus…

Named Executive Officer	Target Bonus as % of Base Salary	Target Bonus Amount	Maximum Bonus as % of Target	Actual Bonus Amount	Bonus Amount as % of Target
Mr. Rodriguez	160%	$1,600,000	200%	$1,600,000	100.0%
Mr. Siegmund	100%	$650,000	200%	$688,400	105.9%
Mr. Benjamin	100%	$525,000	200%	$478,800	91.2%
Mr. Flynn	100%	$525,000	200%	$556,000	105.9%
Mr. O'Brien	80%	$416,000	200%	$440,500	105.9%

…despite abysmal performance in his Business Unit, as just 20% of his bonus was tied to the BU performance he controls (and just 10% to BU Operating Income)

	Mr. Rodriguez		Mr. Siegmund		Mr. Benjamin		Mr. Flynn		Mr. O'Brien	
Bonus Objectives	Target Weight	Payout as % of Target	Target Weight	Payout as % of Target	Target Weight	Payout as % of Target	Target Weight	Payout as % of Target	Target Weight	Payout as % of Target
Revenue Growth	20.0%	95.3%	20.0%	95.3%	15.0%	95.3%	20.0%	95.3%	20.0%	95.3%
Operating Income Growth	20.0%	88.4%	20.0%	88.4%	20.0%	88.4%	20.0%	88.4%	20.0%	88.4%
New Business Bookings Growth	20.0%	185.3%	20.0%	185.3%	15.0%	185.3%	20.0%	185.3%	20.0%	185.3%
Business Unit Operating Income	—	—	—	—	10.0%	0%	—	—	—	—
Business Unit Client Retention	—	—	—	—	10.0%	74.3%	—	—	—	—
Strategic Objectives	40.0%	79.9%	40.0%	79.9%	30.0%	79.9%	40.0%	79.9%	40.0%	79.9%

Source: ADP 2016 Proxy.

Management Compensation is Misaligned: Example #2 – New Bookings Targets Appropriate?

In FY 2016, ADP management received a 185% payout on its New Business Bookings Growth target

	Mr. Rodriguez		Mr. Siegmund		Mr. Benjamin		Mr. Flynn		Mr. O'Brien	
Bonus Objectives	**Target Weight**	**Payout as % of Target**	**Target Weight**	**Payout as % of Target**	**Target Weight**	**Payout as % of Target**	**Target Weight**	**Payout as % of Target**	**Target Weight**	**Payout as % of Target**
Revenue Growth	20.0%	95.3%	20.0%	95.3%	15.0%	95.3%	20.0%	95.3%	20.0%	95.3%
Operating Income Growth	20.0%	88.4%	20.0%	88.4%	20.0%	88.4%	20.0%	88.4%	20.0%	88.4%
New Business Bookings Growth	20.0%	185.3%	20.0%	185.3%	15.0%	185.3%	20.0%	185.3%	20.0%	185.3%
Business Unit Operating Income	—	—	—	—	10.0%	0%	—	—	—	—
Business Unit Client Retention	—	—	—	—	10.0%	74.3%	—	—	—	—
Strategic Objectives	40.0%	79.9%	40.0%	79.9%	30.0%	79.9%	40.0%	79.9%	40.0%	79.9%

New Business Bookings Growth: 8.6% as a target objective, 200% of target was to be awarded for new business bookings growth of 12.0% or greater, and 0% of target was to be awarded for new business bookings growth below 2.0%.

Were New Business Bookings Growth targets set properly in light of favorable industry conditions (including ACA tailwinds), the impact of PEO gross pass-through and other non-economic drivers which inflate bookings, as well as the significant growth in ADP's salesforce in recent years?

We are, of course, supportive of all profitable new business bookings ADP can generate, but annual targets should be set relative to industry conditions and sales force additions (to account for productivity)

Source: ADP 2016 Proxy.

Management Compensation is Misaligned: Example #3 – R&D Targets Appropriate?

Rather than set targets for actual reductions in bloated legacy R&D spend, in FY '15 and some prior years, the Board set targets based on legacy R&D as a % of total R&D spend

Strategic Objectives:

- Increase percentage of new product R&D spend as a percentage of total R&D.
- Complete platform migration and rationalizations planned for fiscal year 2015.
- Improve market share gains against key competitors.
- Continue to evolve the business process improvement program.
- Build a talent pipeline, continue to drive improvement in diversity and improve associate engagement scores.

This target structure rewards management despite no real improvements in ADP's problematic underlying legacy R&D spending levels

Carlos Rodriquez – FY Q3 2015 Earnings Call, April 30, 2015

"So we've actually set a goal to be -- four years ago, to try to move how much we were spending on maintenance versus [new]. And, I think what we relayed to you, was that about 40% of our R&D spend was on new and 60% was on maintenance. And so, I think it's a couple of quarters ago, that we actually switched that around. And now, we're spending 60% on new and 40% on old.

I think, as Jan likes to point out to the organization, some of that is just because of total spend has gone up. And, most of that spend, the increased spend, is on new. And so, we have not necessarily, decreased dramatically our spend on some of our legacy platforms…

…But, the bottom line is that, I think, as we've increased the spend overall, and we've held or slightly decreased the spend on our legacy platforms, that mix has shifted over now to 60% on new products and services and 40% on old. So, we're very very happy about that. Because, that was a goal that we set several years ago. That, by the way, happens to be in my management MBOs and as well as my teams. Because, we think it's the right thing to do to continue to invest more in product and technology."

Note: New Product R&D spend levels should be set separately and justify the investment over the long-term

Source: ADP 2015 Proxy.

ADP has Reduced Important Disclosures

ADP has significantly reduced relevant disclosure, making it challenging for investors to analyze underlying business trends and ADP's competitive position by sub-segment

Category	Example of Historical Disclosure	Year Last Reported	Currently Reported?
Revenue and Client by Sub-Segment	"[SMB] is about $1 billion of revenue, it comprises about 382,000 clients… Then in the major accounts space… our revenue is about $2 billion in that space, 63,000 payroll clients... We have about a little over $2 billion of revenue in [Enterprise] and 4,000 clients."	Circa 2010	✖ (1)
Payroll vs. Beyond Payroll Growth	"[R]evenues from our traditional payroll and beyond payroll Employer Services businesses grew 3% and 13%, respectively, in fiscal 2011…"	FY'2011	✖

(1) ADP management recently disclosed on a one-off basis that ADP's upmarket business was >20% of revenue and 2,000 to 3,000 clients. (source: Q3'2017 Earnings Call)

Improved Disclosure Would Allow for Analysis of ADP's Performance

- **ADP should provide relevant, critical disclosure to investors:**

  Sub-segment, business unit disclosures:

  - Revenue, Client Count, Retention, and Bookings by Sub-Segments in ES (SMB, Mid-Market, Enterprise, International), as well as the PEO
  - Profitability by Sub-Segment in ES

- **We don't view the disclosure of these metrics as competitively sensitive**

- **Many of these metrics are readily available and align with how the business is managed internally, and are often used in the compensation of management and associates**

Additional disclosures would allow investors to analyze the performance of the business in its underlying sub-segments and increase management accountability for performance relative to competitors and potential

ADP Should Improve Transparency, Set Appropriate Targets, and Align Incentives

Additional transparency would allow investors to analyze the performance of the business in its underlying sub-segments and increase management accountability for performance relative to competitors and potential

- **ADP should provide relevant, critical information to investors:**
  - Isolate float as a separate reported line item in segment financials
  - Revenue, Client Count, Retention, and Bookings by Sub-Segments in ES (SMB, Mid-Market, Enterprise, International), as well as the PEO
  - Profitability by Sub-Segment in ES
- **ADP should set appropriate margin targets and provide regular progress updates**
- **ADP should align incentives to ADP's structural potential**
  - Set compensation based on achievement of ADP's structural potential rather than modest incremental improvements in reported metrics

ADP’s Total Shareholder Return: Overstated and Trailing its Actual Peers

ADP Claims to Have Generated a 203% TSR...

ADP uses a purported 203% TSR over CEO Carlos Rodriguez's tenure as a centerpiece of its activist defense campaign, and claims to be outperforming its "HCM-related" peers

ADP Investor Presentation

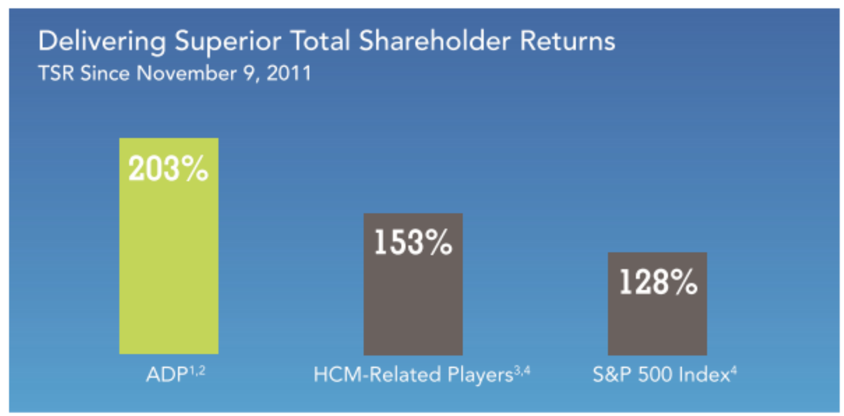
"ADP's Leadership has Delivered Results

- 203% Total Shareholder Return (TSR) under Carlos Rodriguez, significantly outperforming the S&P 500 and peers"

ADP Shareholder Letter

Your Strong and Independent Board Will Work to Continue ADP's Outstanding Track Record of Shareholder Value Creation

ADP's TSR has consistently outperformed the market. For example, since your Board appointed Carlos Rodriguez as CEO nearly six years ago, ADP has generated TSR of 203%, compared to the S&P 500 at 128% and our human capital management (HCM) peer companies at 153%. ADP also has outperformed the S&P 500 over one-, three-, five-, and 10-year periods.



Sources: Bloomberg, Capital IQ. [1]Assumes ADP's 7/27/17 intraday price of $111.65 as of 12:00PM, which is the assumed ADP "unaffected" price; assumes shareholders have held their CDK shares since it was spun off from ADP on October 1, 2014 and all ADP and CDK dividends have been reinvested on the ex-dividend date. [2]Market data as of close on 7/26/17 results in 175% TSR (excludes CDK reinvestment). [3]ADP does not have a direct competitor set. The peer set of HCM-Related Players reflects the broadest set of firms that either solely or partially compete in the HCM landscape ranging from early stage companies with narrow product sets to large cap software companies; market capitalization weighted: Benefitfocus; Cornerstone OnDemand; IBM; Insperity; Intuit; Microsoft; Oracle; Paychex; Paycom; Paylocity; SAP; The Sage Group; TriNet; Ultimate; Workday [4]Market data as of close on 7/26/17.

...But ADP's Purported 203% TSR is Misleading

ADP has generated a 141% TSR when measured correctly(1)

ADP's purported 203% TSR calculation is misleading:	Boost to TSR
▶ **Wrong Start Date**: Uses the day after Carlos Rodriguez became CEO as the start date of the TSR calculation, which boosts the TSR by 10 percentage points as the stock declined 3.9% on the day of the new CEO announcement from $52.85 to $50.79	***+10ppts***
▶ **Does Not Use the Unaffected Price**: Uses an inflated intraday 12:00pm July 27th share price of $111.65, due to Pershing Square's rapid accumulation of ADP shares and market rumors of our investment, rather than the unaffected price of ~$97.08	***+41ppts***
▶ **Includes CDK Outperformance**: Includes the performance of CDK – after it was spun off by ADP – which is inconsistent with the methodology used in ADP's own SEC filings. ADP's board and management deserve no credit for CDK's post-spinoff performance which was boosted by activist investors and CDK's decision to pursue a transformation plan. The correct TSR calculation assumes a sale of the CDK shares on the day of spinoff and reinvestment of the proceeds in ADP's stock	***+12ppts***

ADP also uses a distorted peer group to assert its "outperformance"

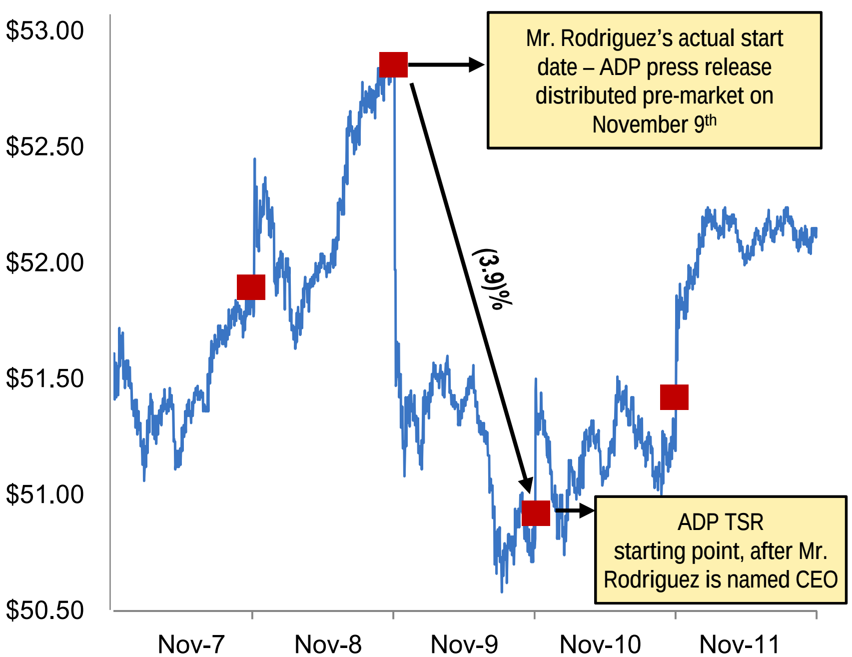
Source: Capital IQ; Total Shareholder Return from November 8, 2011 to May 9, 2017, prior to Pershing Square's rapid accumulation of ADP shares and market rumors of our investment.
(1) Dividend adjusted share price, assuming dividends reinvested (including CDK proceeds reinvested at time of spin-off).

ADP's Purported 203% TSR:
Wrong Start Date, Boosting ADP's Reported TSR by 10ppts

ADP TSR Calculation

*Page 5, footnote 2: "ADP TSR of 203% is from **close of 11/9/2011** to intraday 7/27/2017…"*

ADP Share Price (Week of Nov 7, 2011)



Mr. Rodriguez's Actual Start Date

Mr. Rodriguez's Employment Agreement

Mr. Rodriguez's Employment Agreement

Mr. Rodriguez entered into an employment agreement with the company on December 14, 2011. Mr. Rodriguez's employment agreement provides for a three year term that begins November 8, 2011 and expires November 7, 2014. The employment agreement provides Mr. Rodriguez with an annual

Form 8-K (November 8, 2011)

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(c) On November 8, 2011, the Company's Board of Directors promoted Carlos A. Rodriguez, the Company's President and Chief Operating Officer, to President and Chief Executive Officer."

Announced Pre-market on November 9th

11/09/2011 07:46:01 [PZM]

7:46AM

Carlos A. Rodriguez Promoted to CEO of ADP

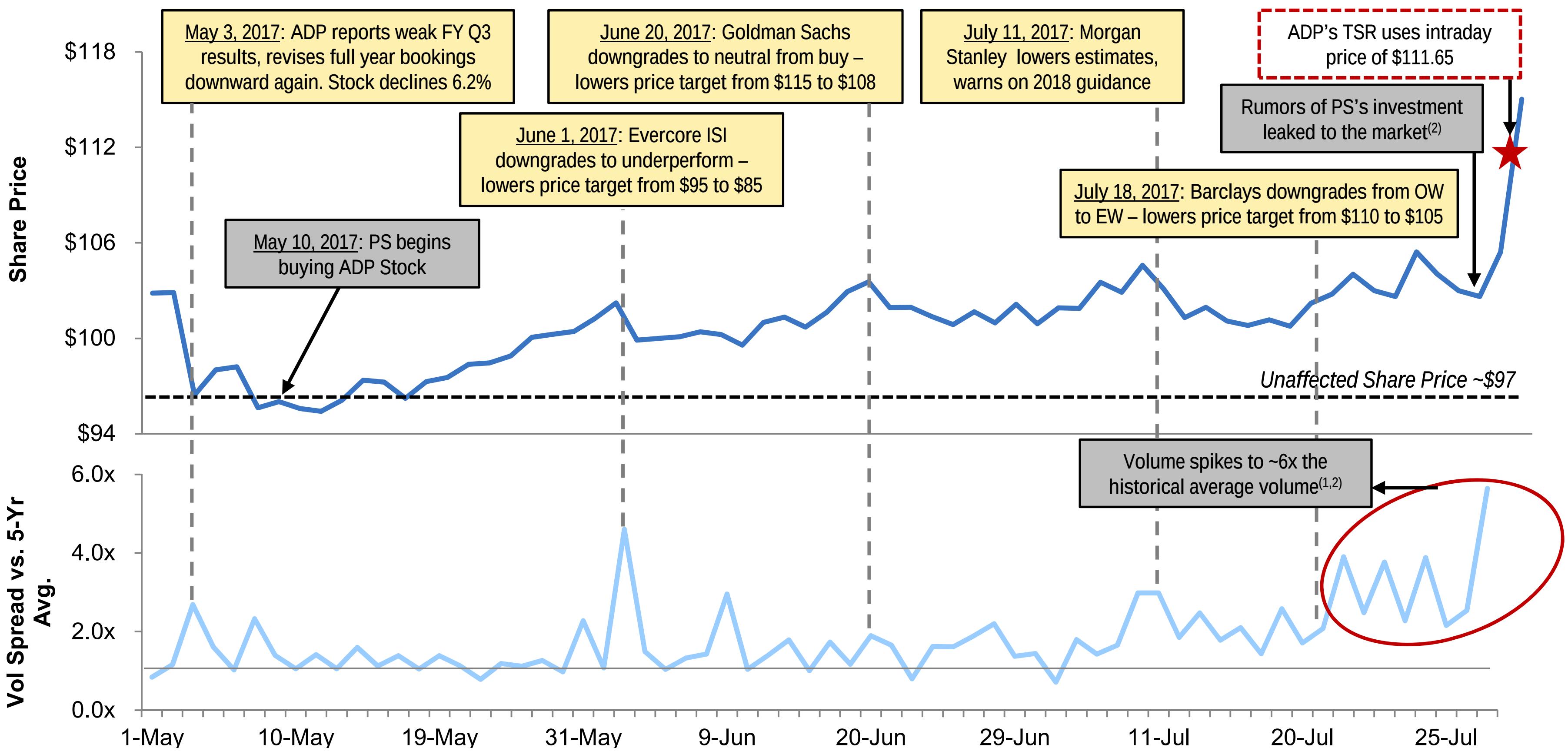
Experienced Leader and Operator Succeeds Gary Butler

ROSELAND, N.J., Nov. 9, 2011 (GLOBE NEWSWIRE) -- Automatic Data Processing, Inc. (Nasdaq:ADP) today announced that its Board of Directors has promoted Carlos A. Rodriguez, the Company's President and Chief Operating Officer, to President and Chief Executive Officer and has elected him to the ADP Board of

ADP TSR calculation uses the November 9th closing price, the *day after* Mr. Rodriguez was named CEO, which boosts ADP's reported TSR by 10ppts

ADP's Purported 203% TSR: Includes Increase in Share Price Due to Pershing Square's Rapid Accumulation & Market Rumors, Boosting ADP's Reported TSR by 41ppts

ADP Share Price & Spread in Share Volume vs. Prior 5 Year Avg. Daily Volume



Pershing Square's and our hedging counter party's purchases from May 10th to July 27th intraday at 12:00pm represented ~13% of total ADP volume traded during that period, and 28% of July 27th volume(3)

(1) Historical average based on the average of the prior 5 years' trading volume, aligned backward around FY Q4 earnings for proper comparability. (Source: Bloomberg)
(2) Our investment in ADP was leaked to the market on or before July 25th - we were contacted by a media outlet on July 25th requesting confirmation of our investment.
(3) In determining Pershing Square's volume, we assume that all derivatives purchased (or sold, respectively) by Pershing Square resulted in a hypothetical delta-equivalent purchase (or sale, respectively) of common stock in the marketplace.

ADP's Purported 203% TSR: Includes Increase in Share Price Due to Pershing Square's Rapid Accumulation & Market Rumors, Boosting ADP's Reported TSR by 41ppts (cont'd.)

- **On May 3th, pre-market, ADP released weak FY 2017 Q3 results, which included a reduction in FY guidance and bookings, causing ADP's stock to decline by 6% from $104.01 to $97.51**

- **Pershing Square begins its rapid accumulation of ADP stock on May 10th. The stock closed at $97.08 on the previous day (May 9th)**

- **From May 10th to July 27th Intraday at 12:00pm:**
  - No material news about the Company is released by ADP
  - ADP's stock is downgraded by 3 analysts, with 0 upgrades
  - On July 27th, pre-market, ADP releases FY Q4 2017 earnings and FY 2018 guidance, which calls for FY 2018 EPS which are 4% below consensus

- **Meanwhile, Pershing Square acquires a substantial ownership stake in ADP**
  - May 10th to July 27th at noon: Pershing Square's and our hedging counterparty's purchases represented ~13% of total ADP volume traded during that period, and 28% of July 27th volume [1]
    - Aggregate volume over this period was ~2x historical levels [2]
  - Late July: Pershing Square's investment in ADP leaks to the market, causing ADP's share price to spike with trading volume ~2x to 6x historical levels [2,3]

(1) In determining Pershing Square's volume, we assume that all derivatives purchased (or sold, respectively) by Pershing Square resulted in a hypothetical delta-equivalent purchase (or sale, respectively) of common stock in the marketplace.
(2) Historical average based on the average of the prior 5 years' trading volume, aligned backward around FY Q4 earnings for proper comparability. (Source: Bloomberg)
(3) Our investment in ADP was leaked to the market on or before July 25th - we were contacted by a media outlet on July 25th requesting confirmation of our investment.

Analysts Agree That ~$97 is The Unaffected Price

- **Pershing Square's TSR analysis for ADP assumes an unaffected stock price of $97, ADP's closing price as of May 9th, prior to Pershing Square's rapid accumulation of ADP shares and rumors of our investment in ADP**

- **Analyst commentary confirms an unaffected price in the $94-100 range (mid-point ~$97):**

> *"Prior to the recent developments between ADP and activist investor Bill Ackman of Pershing Square, <u>many investors believed in a $95- $100 outcome for ADP</u> (as did we, with our prior $98 target)... "* - **Ashwin Shirvaikar, Citi (Aug 16, 2017)**

> *"Using ADP's historical premium to the S&P, <u>the stock would trade at $94-$100</u>, or 6-12% below current levels [if shareholders and the Board completely reject Pershing Square's proposals.]"*
> - **David Grossman, Stifel (Sep 12, 2017)**

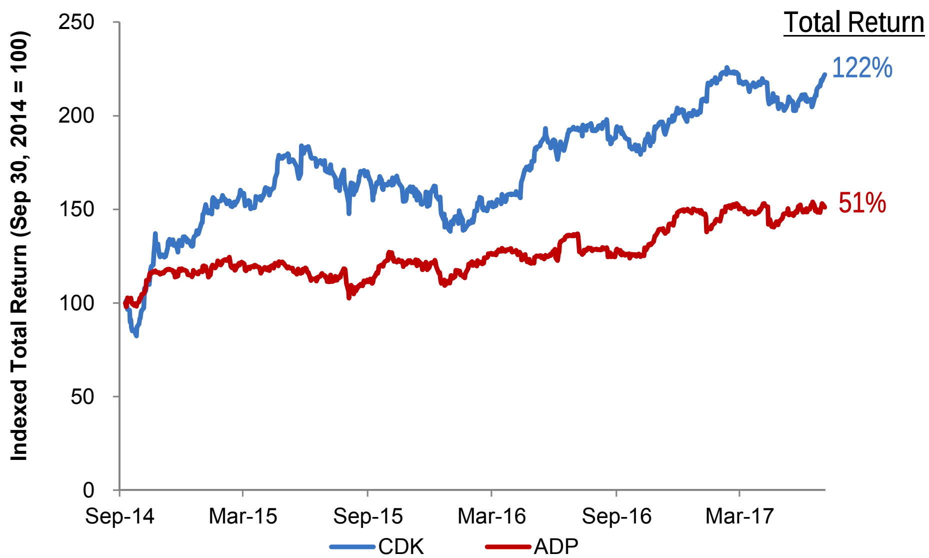
> *"[W]e get asked all the time, how much of Ackman is in the stock? We think it's probably about 7-8% right now. <u>We'd expect the stock would probably be trading down around $100 if Pershing had not gotten involved.</u>"* - **Lisa Ellis, Bernstein (Sep 19, 2017)**

ADP's TSR calculation uses a Pershing Square-inflated stock price of $111.65, which boosts ADP's reported TSR by 41ppts

ADP's Purported 203% TSR: Includes CDK Outperformance; Boosts Reported TSR by 12ppts

CDK's rapid share price appreciation was driven by it's board and management embracing activists' recommendation of adopting and executing a transformation plan

CDK vs. ADP Total Return[(1)]



CDK Transformation Plan

"We have done a deep dive in our organization and performed a comprehensive optimization analysis. As a result, we have developed and are in the process of implementing a compelling transformation plan to significantly increase profitability…

"We will significantly expand margins. We are targeting 1,300 basis points of margin expansion over the next three years and a 35% EBITDA margin for fiscal 2018."

- Steve Anenen, President and CEO (Jun 16, 2015)

ADP does not deserve *credit* for CDK's outperformance post spin-off. In fact, ADP is *responsible for the underperformance* of this business prior to spin-off

Source: Capital IQ; Dividend adjusted share price, assuming dividends reinvested.
(1) Total return from September 30, 2014 (the effective date of CDK's spin-off from ADP) to July 25th, 2017.

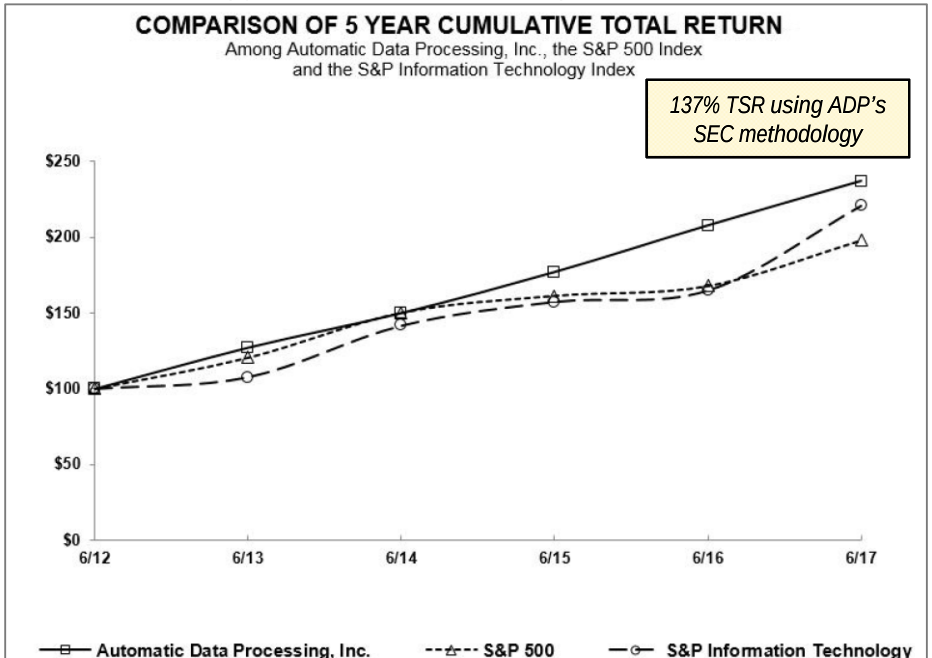
ADP's Purported 203% TSR: Includes CDK Outperformance; Boosts Reported TSR by 12ppts

ADP's treatment of the CDK spinoff in its 203% TSR calculation is inconsistent with its own SEC filings

- In ADP's calculation of its TSR in its own SEC filings, it treats the CDK spinoff as a dividend, assuming it is sold by shareholders on the day of spinoff and the proceeds are reinvested in ADP stock on that day. This is the correct methodology
- In determining its 203% TSR in this proxy contest, ADP assumes shareholders retain the CDK spinoff and includes its outperformance in return calculations, which boosts the TSR by 12ppts
- There is no legitimate basis for including CDK in management's TSR, particularly when the actions which led to CDK's outperformance were catalyzed by activists after CDK was no longer overseen by ADP's board and management

ADP's Form 10-K TSR (FY 2017)

- **ADP's SEC filings use the dividend reinvestment methodology when calculating its TSR**



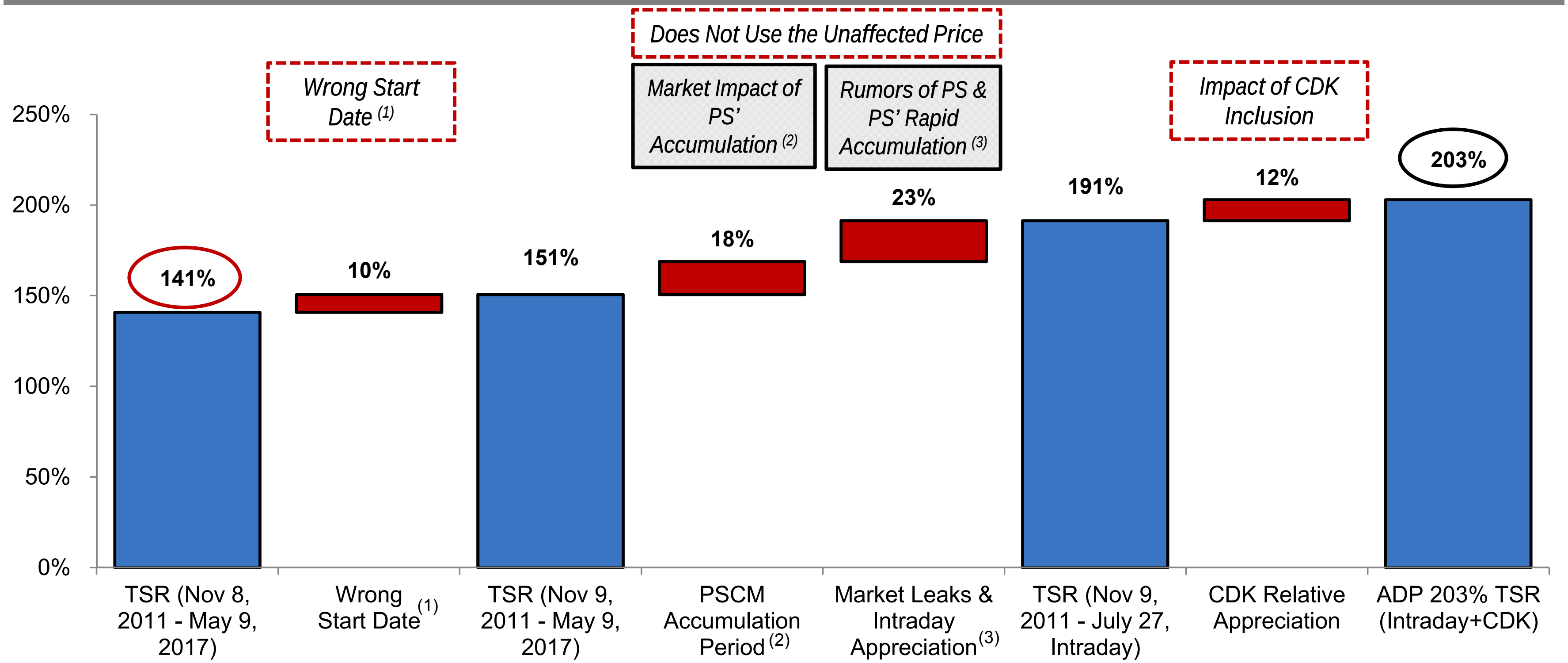
(a) On September 30, 2014, the Company completed the spinoff of its former Dealer Services business into an independent publicly traded company called CDK Global, Inc. The cumulative returns of the Company's common stock have been adjusted to reflect the spinoff.

ADP's TSR calculation incorrectly includes CDK's outperformance post spin-off, which boosts the reported TSR by 12ppts

ADP's Actual TSR Relative to Management's Claim

ADP management's TSR is 141% when measured correctly

ADP's Actual 141% TSR vs. Management's Purported "203%" TSR



Paychex TSR:	138%	8%	146%	(5%)	9%	150%	NA	150%
Spread (%):	*3%*	*2%*	*5%*	*23%*	*14%*	*41%*	*NA*	*53%*

Source: Capital IQ; Dividend adjusted share price. Assumes dividends reinvested (including CDK proceeds reinvested at time of spin-off).
(1) ADP announced the promotion of Carlos Rodriguez pre-market on November 9th, 2011 following his appointment as CEO on November 8, 2011. ADP's current TSR calculation incorrectly uses the market close price on November 9th (vs. November 8th). ADP's stock price declined 3.9% on the day of Rodriguez's announcement.
(2) Pershing Square represented a significant percentage (~13%) of total ADP volume traded between May 10th and July 25th when rumors of our investment leaked.
(3) Our investment in ADP was leaked to the market on or before July 25th - we were contacted by a media outlet on July 25th requesting confirmation of our investment.

ADP's Selected Peer Group is Misleading

Pershing Square Observations

- ~91% of ADP's market-cap weighting of "HCM-Related Players" consists of Microsoft, Oracle, IBM and SAP, which are largely non-HCM businesses
- Actual peers have essentially no weighting:
  - Paychex – ADP's single largest competitor and primary competitor in small-market – has only a 2% weighting
  - Workday and Ultimate Software – ADP's closest enterprise competitors – have only a collective 3% weighting
  - Paycom and Paylocity – ADP's competitors in its largest segment, mid-market – have only nominal exposure in ADP's methodology
  - 16% of ADP's profit comes from its PEO business, yet its selected peer group has only nominal exposure to the two pure-play PEO competitors (Insperity and TriNet)

ADP's "HCM-related players" Peer Group

	Market Cap ($M)	Weighting
Benefitfocus	1,116	0%
Cornerstone OnDemand	2,342	0%
IBM	135,152	12%
Insperity	1,522	0%
Intuit	35,656	3%
Microsoft	574,971	49%
Oracle	217,370	19%
Paychex	20,867	2%
Paycom	4,162	0%
Paylocity	2,475	0%
SAP	129,312	11%
The Sage Group	9,787	1%
TriNet	2,369	0%
Ultimate Software	7,007	1%
Workday	21,442	2%

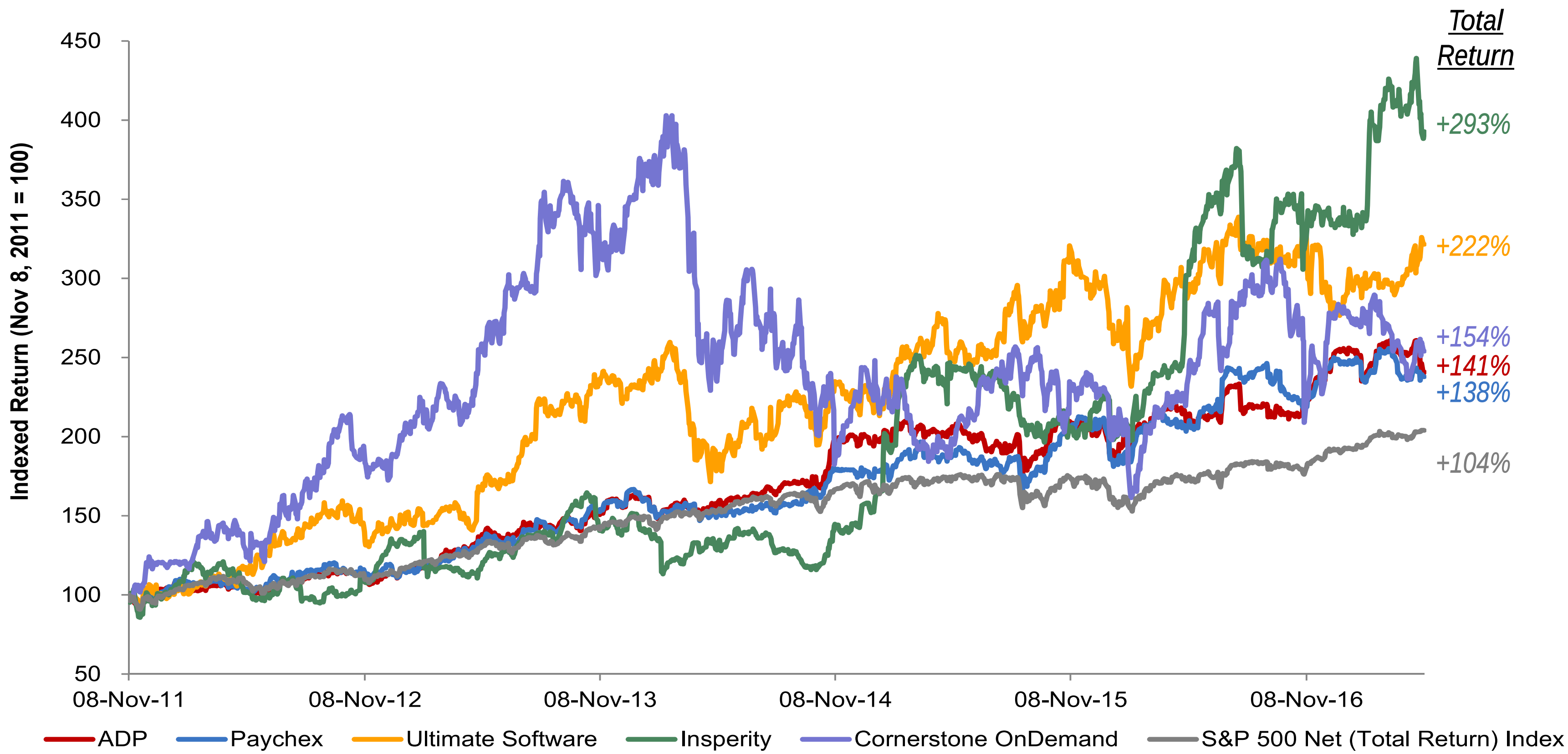
ADP's Actual HCM Peer Group

	TSR Competitor Market-Cap Weighting	
Competitor	**5 Year**	**1 & 3 Year**
Paychex	67%	36%
Ultimate Software	20%	11%
Workday	0%	33%
Insperity	6%	3%
TriNet	0%	4%
Cornerstone OnDemand	7%	4%
Paycom	0%	7%
Paylocity	0%	4%
Total	**100%**	**100%**

(1) Estimated 2011-2017 CAGR. Based on Wall Street research, IDC (Payroll and HCM vendor share report) and ADP's 2015 Analyst Day presentation.
(2) Jan Siegmund. Q2'2016 Earnings Call. February 3, 2016.
(3) Bloomberg Best blended forward P/E multiple.

Total Shareholder Return vs. Actual Competitors

ADP's actual total shareholder return is in line with Paychex, but trails Ultimate Software, Insperity, and Cornerstone OnDemand



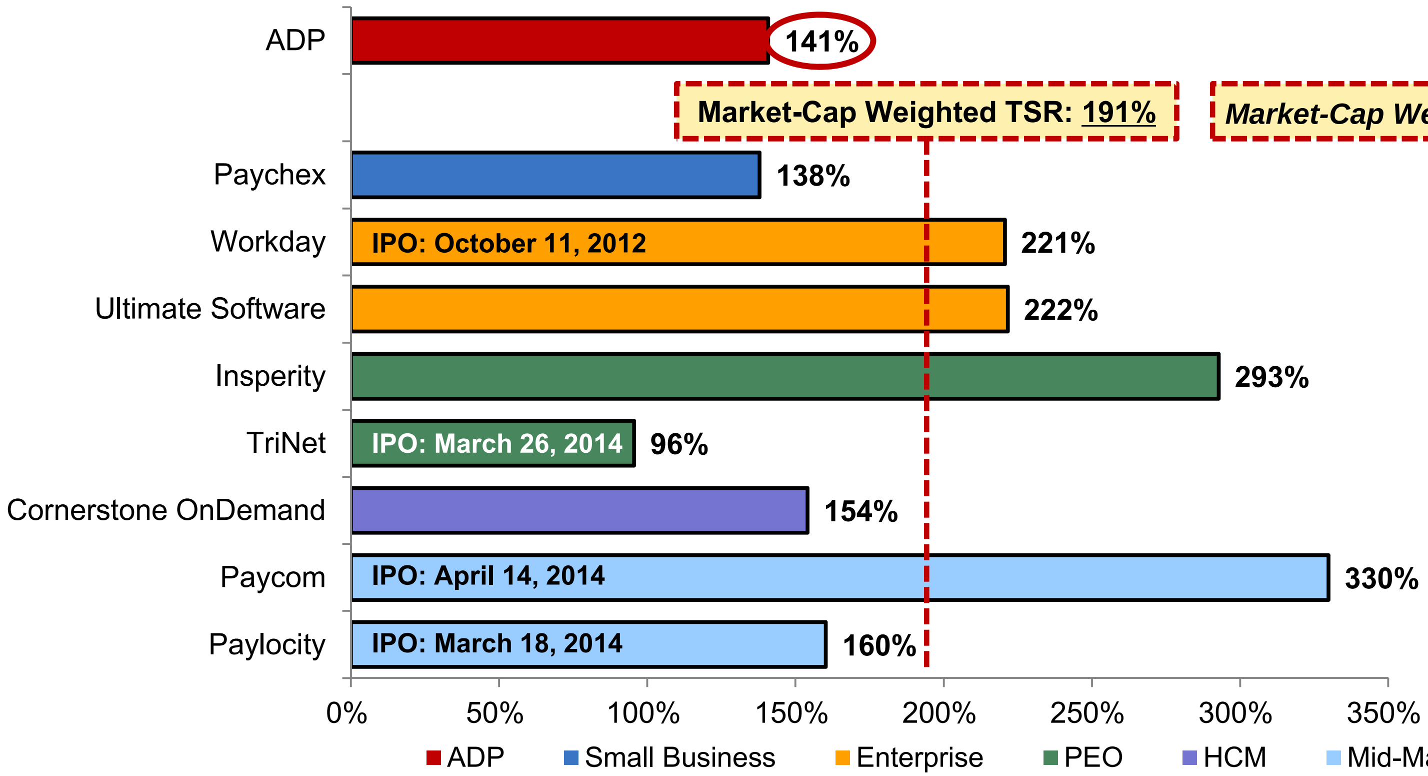
The above competitors are <u>all</u> HCM competitors which were public at the time of CEO Carlos Rodriguez's appointment as CEO

Source: Capital IQ; Total Shareholder Return from November 8, 2011 to May 9, 2017, prior to Pershing Square's rapid accumulation of ADP's stock. Dividend adjusted share price, assuming dividends reinvested (including CDK proceeds reinvested at time of spin-off).

ADP’s TSR Trails its Actual Competitors’

Several ADP competitors have gone public recently and also outperformed ADP

ADP and Competitors’ Total Shareholder Return[1]



	Market-Cap Weight (%)	IRR (%)
ADP		17%
Market-Cap Weighted IRR (%)		26%
Paychex	36%	17%
Workday	33%	29%
Ultimate Software	11%	24%
Insperity	3%	28%
TriNet	4%	24%
Cornerstone OnDemand	4%	18%
Paycom	7%	61%
Paylocity	4%	36%

ADP’s actual TSR of 141% is below a weighted average of its actual HCM competitors’ since Carlos Rodriguez’s appointment as CEO

Source: CapIQ, dividend adjusted share price.

(1) Total return through May 9, 2017. The starting date is the later of November 8, 2011 *or* the competitors’ IPO date/price (for Workday, TriNet, Paycom and Paylocity).

ADP's Recent TSR in Context

HCM market participants have benefited from employment growth since 2009, trends in HCM Beyond Payroll offerings, ACA demand drivers, and earnings multiple expansion

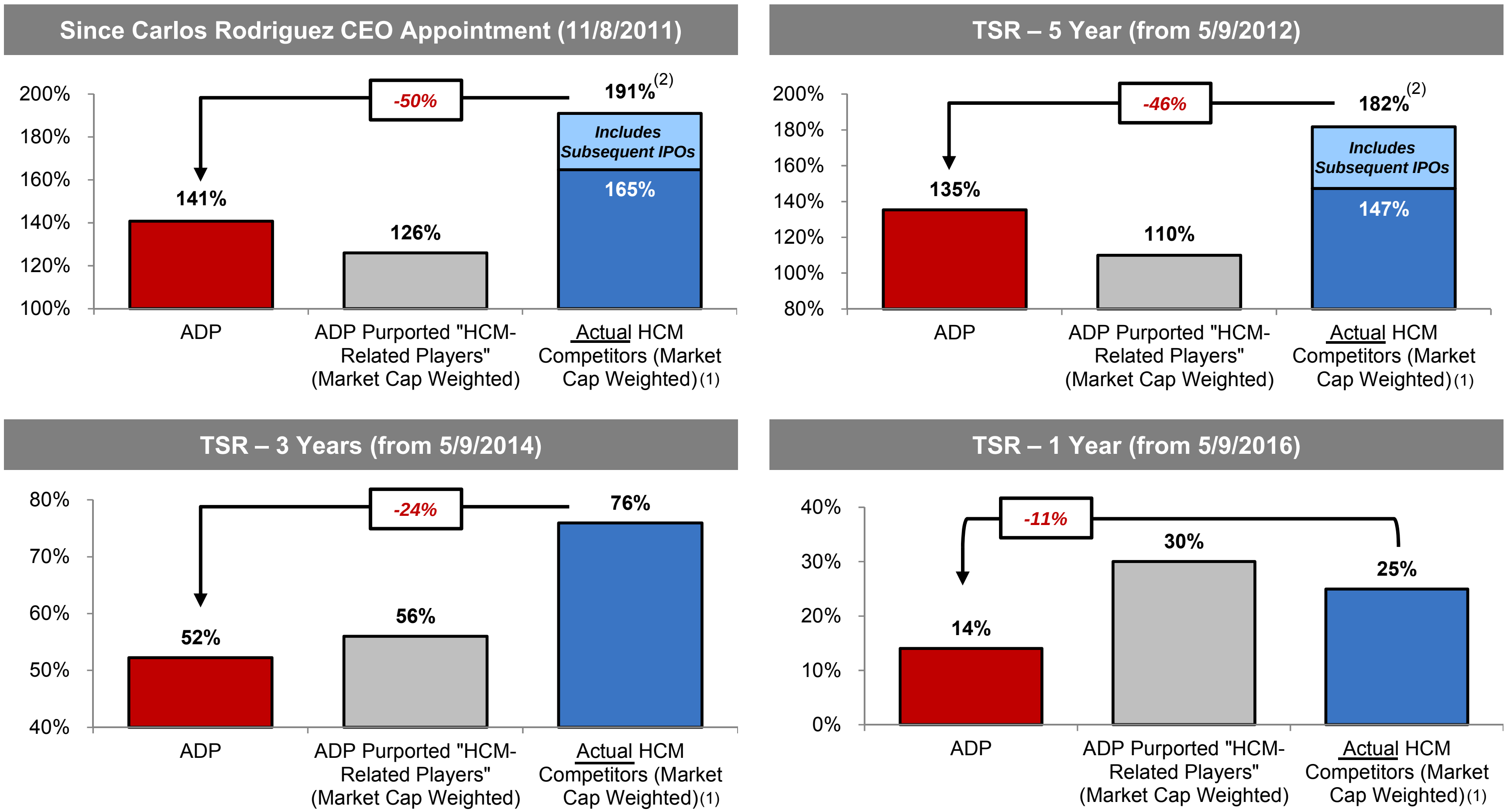
- **Businesses which participate in attractive industries *should* have positive long-term performance, and thus *should* outperform the broader market (i.e., S&P 500)**
  - ADP participates in an attractive industry with good secular growth; the global HCM industry has grown 6-7% per annum in recent years[1]
- **ADP has benefited from numerous industry tailwinds in recent years**
  - Strong employment growth coming out of the recession, which drove 2.7% average pays per control growth from FY 2011 to 2017
  - Growth tailwinds as the HCM industry built out Beyond Payroll which provided a strong sell-in opportunity for an incumbent with a huge installed base (ADP has suggested sell-in has been half of bookings)[2]
  - Significant benefits from ACA
- **ADP-specific, non-operating, drivers have aided ADP's performance**
  - ADP's assumption of $2bn in corporate debt and associated buybacks
  - P/E Multiple expansion from ~15x to ~25x[3]

The critical question is not whether ADP, as a participant in a great industry, has outperformed the market, but rather – how has ADP performed relative to peers?

(1) Estimated 2011-2017 CAGR. Based on Wall Street research, IDC (Payroll and HCM vendor share report) and ADP's 2015 Analyst Day presentation.
(2) Jan Siegmund. Q2'2016 Earnings Call. February 3, 2016.
(3) Bloomberg Best blended forward P/E multiple.

ADP Trails Its Actual Peers Over All Relevant Periods Since Mr. Rodriguez Was Named CEO

ADP's actual Total Shareholder Return ("TSR") trails its actual HCM competitors' TSRs across all relevant time periods



Source: Capital IQ; Total Shareholder Return. Dividend adjusted share price, assuming dividends reinvested (including CDK proceeds reinvested at time of spin-off).

(1) "Actual HCM Competitors" comprised of a market-cap weighted index of Paychex, Ultimate Software, Workday, Insperity, TriNet, Cornerstone OnDemand, Paycom and Paylocity.

(2) Includes the TSR of competitors which went public subsequent to the TSR measurement date. The starting date for the respective competitors is the later of November 8, 2011 / May 9, 2012 (respectively) *or* the competitors' IPO date/price (for Workday, TriNet, Paycom and Paylocity).

Supplemental Materials

Adjusted Segment Margins

Adjusted Segment Margins ($m)

	Reported	P&L Adjustments: (-) Float "Over-Allocation" @ 4.5% (1)	(-) Realized Float from Segment P&L	Adj. to Exclude Float Allocations	(-) PEO Pass-Through	(+/-) One-Time / Non-GAAP	Adjusted, Before Corp. Allocations	Corporate Allocations (4)	Adjusted, Corp. Allocated
Revenue									
Employer Services	$9,535	($617)	($390)	$8,529	$0	0	$8,529	(11)	$8,518
PEO	3,484	(12)	(7)	3,464	(2,628)	0	836	0	836
Operational Revenue	**$13,019**	**($628)**	**($397)**	**$11,993**	**($2,628)**	**$0**	**$9,365**	**($11)**	**$9,354**
Clients Funds	(628)	628	397	397	0	0	397	0	397
Other	(11)	0	0	(11)	0	0	(11)	11	0
Total Revenue	**$12,380**	**$0**	**$0**	**$12,380**	**($2,628)**	**$0**	**$9,751**	**$0**	**$9,751**
Operating Profit									
Employer Services	$2,921	($617)	($390)	$1,915	$0	$0	$1,915	($298)	$1,617
PEO	449	(12)	(7)	429	0	0	429	(29)	400
Operational EBIT	**$3,370**	**($628)**	**($397)**	**$2,344**	**$0**	**$0**	**$2,344**	**($328)**	**$2,017**
Clients Funds	(628)	628	397	397	0	0	397	0	397
Client Extended, Net	NA	NA	34 (2)	34	0	0	34	0	34
Other	(210)	0	(34)	(244)	0	(84) (3)	(328)	328	0
Adjusted EBIT	**$2,531**	**$0**	**$0**	**$2,531**	**$0**	**($84)**	**$2,448**	**$0**	**$2,448**
Operating Profit Margin (%)									
Employer Services	*30.6%*			*22.5%*			*22.5%*		*19.0%*
PEO	*12.9%*			*12.4%*			*51.4%*		*47.9%*
Operational EBIT	***25.9%***			***19.5%***			***25.0%***		***21.6%***
Adjusted EBIT	***20.4%***			***20.4%***			***25.1%***		***25.1%***

Source: ADP Form 10-K (2017), Q4'2017 financial press release.
Note: Assumes Clients Funds / Float Income has a 100% profit margin to Operating Profit.
(1) Per the 10K, "there is a reconciling item for the difference between actual interest income earned on invested funds held for clients and interest credited to Employer Services and PEO Services at a standard rate of 4.5%."
(2) ADP's "Corporate Extended Interest Income" and "Corporate Interest Expense-Short-Term-Financing" (net $34m for FY'2017) are captured in Other Income and Interest Expense, respectively. Consistent with management's commentary we views these as fundamental to the operations of the business and bucket this income with clients funds for clarity.
(3) See ADP's Non-GAAP EBIT margin bridge from the Q4'2017 press release.
(4) Other misc. revenue bucketed with Employer Services. Implied corporate overhead (ex-client extended income, net) allocated based % of net operational revenue.

The Nominees for ADP's Transformation

William Ackman

William A. Ackman is the founder, chief executive officer and portfolio manager of Pershing Square Capital Management, L.P., an SEC-registered investment adviser founded in 2003. Pershing Square is a concentrated research-intensive, fundamental value investor in publicly traded companies. Mr. Ackman has served as Chairman of the Board of The Howard Hughes Corporation since November 2010. Mr. Ackman served as a director of Valeant Pharmaceuticals International, Inc. between March 2016 and May 2017 and as a director of Canadian Pacific Railway Ltd. between May 2012 and September 2016. Mr. Ackman served as a director of J.C. Penney Company, Inc. from February 2011 through August 2013 and as a director of Justice Holdings Limited from April 2011 to June 2012 when it merged with Burger King Worldwide, Inc. From June 2009 to March 2010, Mr. Ackman served as a director of General Growth Properties, Inc. Mr. Ackman is a Trustee of the Pershing Square Foundation, a member of the Board of Trustees at The Rockefeller University and a member of the Board of Dean's Advisors of the Harvard Business School.

Mr. Ackman's management, financial and investment experience, his service on boards of directors of public companies and his investments in public and private companies across a variety of industries provide him with valuable insight, skills and experience that can be applied to the benefit of the Company and the Board.

Veronica Hagen

Veronica M. Hagen served as Chief Executive Officer of Polymer Group, Inc. ("Polymer"), which was acquired by Blackstone Group ("Blackstone"). Ms. Hagen served as Polymer's CEO from 2007 until her retirement in 2013 and served as a director from 2007 to 2015, when Polymer was sold by Blackstone to Berry Plastics Group Inc. for approximately $2.45 billion. Ms. Hagen also served as President of Polymer from January 2011 until her retirement in 2013. Polymer is a leading producer and marketer of engineered materials. Prior to joining Polymer, Ms. Hagen was the President and Chief Executive Officer of Sappi Fine Paper, a division of Sappi Limited, the South African-based global leader in the pulp and paper industry, from November 2004 until 2007. Ms. Hagen also served as Vice President and Chief Customer Officer at Alcoa Inc. She has served on the Board of Directors of American Water Works Company, Inc. since 2016 and currently serves on the Compensation Committee and the Nominating/Corporate Governance Committee. Ms. Hagen also serves as the Chair of the Compensation Committee and a member of the Nominating and Governance Committee of the Board of Directors of Newmont Mining Corporation, having served as a director since 2005. Since 2008, Ms. Hagen has served as a director of Southern Company on the Nuclear/Operations Committee and as chair of the Nominating and Governance Committee. She also served as lead director of Southern Company for two years. Ms. Hagen is a member of the Committee of 200, Women Corporate Directors, and the National Association of Corporate Directors.

Ms. Hagen has extensive global executive leadership experience in competitive industries where her focus on operational efficiency and productivity were paramount to long-term success. Ms. Hagen's experience as an executive and public company director will provide valuable skills and insights to the Board.

Paul Unruh

V. Paul Unruh is presently director and Chairman of the Audit Committee at Symantec Corporation, where Mr. Unruh has served as a director since 2005. Mr. Unruh has served as director since 2011 and is presently Chairman of the Audit and Risk Committee at Aconex Limited. Mr. Unruh previously served as a director and member of the Audit and Finance Committee at Heidrick & Struggles International Incorporated from 2004-2017. Mr. Unruh is a member of the National Association of Corporate Directors as well as the KPMG Audit Committee Institute. Mr. Unruh previously served on the Board of London Continental Railways Limited, Move, Inc. and URS Corporation. Mr. Unruh is a Certified Public Accountant. Mr. Unruh retired from his 25-year tenure with Bechtel Group ("Bechtel") in 2003. Mr. Unruh held several senior leadership positions at Bechtel, including Vice Chairman from 2001-2003, President of Bechtel Enterprises Holdings, Inc. from 1997-2001, Chief Financial Officer from 1992-1996, Controller from 1987-1991, Treasurer from 1983-1986 and Manager of Financial Systems Development from 1978-1982. At Bechtel, Mr. Unruh was a member of the three-member executive committee responsible for overall direction of the company.

Mr. Unruh has obtained technology, project development, finance, accounting, human resources, legal, and strategic planning expertise through his 30 years of professional experience as a senior executive. This experience, along with Mr. Unruh's public company board experience, will make him a valuable addition to the Board.

Endnotes

Endnote 1: The companies shown on this page reflect all of the companies for which Pershing Square has filed a 13D. While the Pershing Square funds are concentrated and file 13Ds with respect to many if its investments, Pershing Square will own, and in the past has owned, a larger number of investments, including passive investments and hedging-related positions. All trademarks are the property of their respective owners.

Endnote 2: Returns are for Pershing Square, L.P. ("PSLP"), the Pershing Square Fund with the longest track record. Net returns include the reinvestment of all dividends, interest, and capital gains; they assume that an investor has been invested in PSLP since inception and participated in any "new issues", as such term is defined under Rules 5130 and 5131 of FINRA. Performance results are presented on a net-of-fees basis and reflect the deduction of, among other things: management fees, brokerage commissions, administrative expenses and accrued performance allocation (if any). The inception date for PSLP is January 1, 2004. In 2004, PSCM earned a $1.5 million (approximately 3.9%) annual management fee and performance allocation equal to 20% above a 6% hurdle from PSLP, in accordance with the terms of the limited partnership agreement of PSLP then in effect. That limited partnership agreement was later amended to provide for a 1.5% annual management fee and 20% performance allocation effective January 1, 2005. The net returns for PSLP set out in this document reflect the different fee arrangements in 2004, and subsequently, except that the tranche of interests subject to a 30% performance allocation and a 5% hard hurdle (non-cumulative) issued on January 1, 2017 is not reflected in the returns. In addition, pursuant to a separate agreement, in 2004 the sole unaffiliated limited partner paid PSCM an additional $840,000 for overhead expenses in connection with services provided unrelated to PSLP, which have not been taken into account in determining PSLP's net returns. To the extent that such overhead expenses had been included as fund expenses, net returns would have been lower. November 2004 was an extraordinary month for PSLP, largely driven by the announcement of a merger between our first and second largest long investments. You should not expect similar monthly performance on a regular or irregular basis in the future. Performance data for 2017 is estimated and unaudited.

The market index shown above has been selected for purposes of comparing the performance of an investment in PSLP with a certain well-known, broad-based equity benchmark. The statistical data regarding the index has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The index is not subject to any of the fees or expenses to which PSCM is subject. PSCM is not restricted to investing in those securities which comprise this index, its performance may or may not correlate to this index and it should not be considered a proxy for this index. The volatility of an index may materially differ from the volatility of PSCM's portfolio. The S&P 500 is comprised of a representative sample of 500 large cap companies. The index is an unmanaged, float-weighted index with each stock's weight in the index in proportion to its float, as determined by Standard & Poor's. The S&P 500 index is proprietary to and is calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC.