

Investment Memorandum

Automatic Data Processing, Inc.

NASDAQ: ADP

22 May 2026
Victor Åberg

Executive Summary

ADP is a well run and highly cash generative business whose competitive position remains intact as of Q3 FY2026. The current share price implies growth in free cash flow below what ADP has delivered since FY2018. However, on median historical cash conversion the stock trades at a 20.50% premium to its probability weighted intrinsic value of 186.94 USD per share. With few tangible assets to bound the downside while disruption risks exist, the buy target price is 150 USD per share.

ADP serves more than 1.1 million clients and pays over 42 million workers globally. The business earns revenue through fees per serviced employee and interest on funds held for clients. Its performance is broadly in line with its closest analogue Paychex, though consistently ahead of it. Workday, Rippling, embedded payroll infrastructure, and agentic AI are credible threats. However, client retention and pricing power remains strong and intact, implying that the credible threats are not existential for now. AI lowers barriers to entry in the industry while rising regulation favors incumbents with scale.

Management has delivered on its guidance and is paid largely on long term performance. Roughly 85% of operating cash flow since FY2018 has been returned through dividends and share repurchases, although repurchases since FY2023 were made above this report's intrinsic value. With no evident operational levers and leverage constrained by the credit ratings the client fund strategy depends on, control value is deemed negligible.

At 225.31 USD per share, the price implies 6.64% annual growth in free cash flow for five years. This is below ADP's historical performance. This report's estimate differs from the current market price because it applies median rather than trailing cash conversion because interest on client funds, now 24% of EBIT, has lifted recent conversion with the rate cycle. The bear case floor is roughly 56 USD per share, representing a decline of 75%. Client retention, new bookings growth, pays per control, revenue per employee serviced, and free cash flow conversion are monitored to trigger reassessment.

Applying a 25% margin of safety, the following is advised (per share):

- Buy below 150 USD
- Hold between 150 and 187 USD
- Sell or avoid above 187 USD

Executive Summary	1
1. Business Overview	3
1.1 ADP Summary	3
1.2 The Nature of the Business	3
1.3 Business and Investment Cycle	4
2. The Competitive and Industry Landscape	5
2.1 Closest Structural Analogue: Paychex	5
2.2 Credible Competitive Threat: Workday	5
2.3 Credible Competitive Threat: Rippling	6
2.4 Threat of Substitutes	7
2.5 Competitive Advantages and Competitive Disadvantages	8
2.6 The Nature of the Industry	8
2.7 Industry Regulation	9
3. Ownership and Management	10
3.1 Ownership and Control	10
3.2 Management Assessment	10
3.3 Incentives	10
3.4 Capital Allocation Record	12
3.5 Value Creation Plan	12
4. Valuation	14
4.1 Financial and Operational Performance	14
4.2 Reverse Discounted Cash Flow	14
4.3 Growth Rates for Sales and Net Earnings	15
4.4 Discounted Cash Flow and Scenario Values	16
4.5 Risks and Downside Floor	17
4.6 Value Creation Bridge	18
5. Monitorables and Falsifiers	19
6. Conclusion	20
References	21

1. Business Overview

1.1 ADP Summary

ADP provides software based HR-solutions to small, medium, and large companies across the globe. As of FY2025, ADP serves over 1.1 million clients and pays over 42 million workers in over 140 countries and territories (ADP, Annual Report FY2025, p. 3). No single client or group of affiliated clients comprise more than 2% of revenue (ADP, Annual Report FY2025, p. 13). Their solutions include recruitment, onboarding of personnel, payroll, management and retainment of talent, retirement, insurance, and analytics, all while ensuring compliance to local jurisdictions. The previously named workforces can be outsourced to ADP through HRO-solutions. ADP has two reportable segments, Employer Services and Professional Employer Organization (“PEO”). The former relates to HR-related solutions where ADP solely acts as an agent on behalf of a client meanwhile the latter relates to when ADP engages in a co-employer relationship with the client and its employees (ADP, Annual Report FY2025, p. 7-11).

ADP emphasizes creating client solutions which provide decision makers with useful insights to allow informed decision making and to allow decision makers to focus on their core business activities. To fulfill this mission, ADP’s strategic priorities include innovation at the frontier of HCM technology, provide unmatched expertise, and utilize its global scale to benefit their clients (ADP, Annual Report FY2025, p. 4-7). Their track record of innovation include first cloud-based payroll and global HCM solutions, first HCM mobile app, first digital pay solution, and national employment report (NER) among others (ADP, Investor Overview May 2025, p. 7). Going forward, ADP focuses on implementing and developing AI-enabled features and solutions into their operations and solutions to clients (ADP, Annual Report FY2025, p. 4-7).

1.2 The Nature of the Business

The business operates as a Software-as-a-Service model spanning Human Capital Management (HCM), payroll services, and business process outsourcing, while also earning interests on investments made by held client funds. Thus, the business generates revenue by providing HR-related solutions and by allocating client funds to earn interest when idle.

ADP earns revenue through fee per serviced employee transactions and setup fees that are spread over the client contract’s period as well as interest income collected on funds held for clients. An important feature for ADP specifically is the accounting treatment of zero-margin pass through transactions for the PEO segments. Items such as benefits, worker compensation, and state unemployment charges are recognised as both revenue and costs with zero-margin since ADP acts as co-employer with PEO clients (ADP, Annual Report FY2025, p. 52-53). As a result, the PEO segment should be evaluated excluding such transactions.

For the securities held when investing funds held for clients, unrealized losses go into comprehensive income in equity. Such losses are only recognised in the income statement when (i) ADP intends to sell, (ii) when ADP is more likely than not to sell before the security recovers, and (iii) when an actual credit loss occurs (ADP, Annual Report FY2025, p. 52-53). ADP has short term financing facilities to secure financing of client fund obligations to avoid realising investments prematurely (ADP, Annual Report FY2025, p. 67). As a result, unrealized losses are unlikely to ever be recognised as the securities are likely to recover as they approach maturity.

1.3 Business and Investment Cycle

ADP has two different cycle positions which, at times, can work in opposite directions, thus providing hedging effects. The most prominent side is the labor demand of ADP's clients since ADP currently bills on the basis of serviced employee transactions and contracts. Also, the amount of client funds held depends on the wages and taxes of clients, meaning they also depend on the general economic environment. On the other hand, the float income and expense is also determined by interest rates. As a result, the business has an off-setting nature, implying a rather stable business environment assuming normal market conditions.

In general, ADP's business, and the industry overall, is not very cyclical. Instead continuous development of solutions is required to attract and retain clients. In recent years, ADP has launched several new solutions, including embedded payroll infrastructure and ADP Lyric (ADP, Press Release, 2024; ADP, Press Release, 2025). Also, ADP has a disciplined approach to M&A activity, and only pursues opportunities when they complement ADP's value proposition (ADP, Investor Presentation, 2025). The latest acquisition occurred in 2024 when acquiring WorkForce Software (ADP, Press Releases, 2024). Taken together, ADP does not appear to be steadily investing into their operations and in the M&A scene, therefore showing little signs of being in a particular investment cycle. in neither a bust nor a boom.

With respect to the above, it's difficult to establish a base year where no part of the business might have experienced beneficial or pessimistic conditions. However, since ADP continues to either perform in line with or exceed guidance for FY2026 on financial and operational metrics, the latest twelve months including Q3 FY2026 is assumed to be a reliable base year for revenues, cash flows, and earnings.

2. The Competitive and Industry Landscape

2.1 Closest Structural Analogue: Paychex

The closest listed structural analogue is Paychex (NASDAQ: PAYX). Both ADP and Paychex offer software based HCM-solutions, payroll services, and business process outsourcing through so-called “PEO services”. Another commonality is use of client funds. When processing payroll or remitting taxes, the businesses’ invests the funds from the clients to earn interest income until the payment of those funds are due.

Paychex describes themselves as offering comprehensive, flexible, and innovative HCM-solutions. In particular, they take pride in their award-winning applications and argue that through their legacy, they have unrivaled data to continue innovative product development (Paychex, 2025, p. 2-5). The narrative was similar in 2020 (Paychex, 2020, p. 9-13), and also close to how ADP describes their business and their value proposition.

Table A in Appendix draws on information from available annual reports from ADP and Paychex, respectively, during 2018 until 2025. Both companies have grown revenue at a similar pace percentage wise. Since ADP has much greater revenue to begin with, ADP has grown revenue more in absolute terms. During the period, Paychex experienced greater volatility in revenue growth rate and consistently lower returns on invested capital (“ROIC”) compared to ADP. This can partly be explained by the acquisitions of Oasis Outsourcing (FY2019) and Paycor (FY2025). Meanwhile ADP pursues a disciplined M&A approach for when opportunities that complement ADP’s value proposition arise (ADP, Earnings Call Transcript Q2 2026), with the latest major acquisition of Workforce Software in FY2024. Hence, there are indicators of some difference in growth strategy between the companies.

At first glance, the EBIT-margin is much lower for ADP than for Paychex. However, ADP and Paychex have different accounting treatment of the PEO service segments with ADP reporting so-called “zero-margin pass through transactions”, where ADP solely transfers funds on behalf of PEO worksite employees. As a result, both revenue and costs increase by the same amounts with these transactions for ADP’s PEO segment. When excluding such transactions, the EBIT-margin of the two companies are close with ADP slightly ahead.

Given the similarity of ADP’s and Paychex’s businesses’ coupled with similar financials, ADP’s financial performance appears to be in line with the industry and not something solely unique to ADP. At the same time, ADP does consistently outperform its closest listed structural analogue, implying that the business is well-managed.

2.2 Credible Competitive Threat: Workday

Workday provides a platform for managing people, finances, and agents for enterprise clients (Workday, Annual Report FY2026, p. 1). The platform uses a cloud based architecture with one data model and one security model for all customers (Workday, Prepared Remarks Q1

FY2027, p. 4). As of the first quarter of fiscal year 2027, they had over 80 million users under contract and processes approximately 1.4 trillion transactions annually. Therefore, Workday has access to a substantial amount of data and context that is hard to replicate (Workday, Prepared Remarks Q1 FY2027, p. 5).

Workday continues to develop their solutions. Recently, their focus has lied on integrating HR and finance together with reasoning capabilities of domain specific LLMs. By integrating artificial intelligence and AI agents into their solutions, they aim to improve business insights for clients, and thereby client experience (Workday, Prepared Remarks Q4 FY2026, p. 3). As of November 2025, Workday released a solution for midsize organizations all around the world combining enterprise-grade HR, payroll, and AI with predictable pricing within one trusted partner ecosystem (Workday, 2025).

ADP serves clients ranging from small businesses up to and including enterprises. ADP's value proposition lies in reliable and automated payroll and tax handling across jurisdiction. ADP's solutions come with a modular design and offer dynamic reporting tools, though initial setup can be complex. On the other hand, Workday primarily serves enterprises with a need for enterprise resource planning and complex set ups. Workday focuses on intuitive user experience across devices, AI and analytics within a single cloud system. Even though Workday is a direct competitor to ADP in the enterprise place, and increasingly for mid-sized corporations as well, Workday also creates business for ADP. In 2023, Workday and ADP extended their partnership so that ADP provides payroll and compliance connectors into Workday's solutions (Workday, 2023).

In summary, Workday remains a credible threat to ADP, in particular with its focus on developing intuitive solutions. At the same time, Workday also enables more business for ADP. Since ADP's client retention and pricing power remains strong as of Q3 FY2026, Workday does not currently appear to be an existential threat to ADP.

2.3 Credible Competitive Threat: Rippling

Rippling is a rather new competitor with a mission of helping companies in managing and automating every part of the employee lifecycle in a single platform. Drawing on data about the organization and the employees, their software based solutions allow for more intelligent workflows and approvals, increased governance, and more powerful analytics (Rippling, 2025).

In comparison to ADP's solutions developed across decades and acquisitions, Rippling's solutions have been built natively based on modern client needs. For example, Rippling ensures that data automatically syncs across modules, emphasises effective customer support, and allows for integrations across many systems. The particular strength of Rippling's solution is the ecosystem of integrating finance, HR-, and IT-work flows (Rippling, 2026), making it particularly useful for smaller clients with a need to focus on their core business.

For clients needing strict compliance and deep payroll and tax services, ADP has the advantage. However, Rippling is catching ground in the space of fast-growing startups and tech-forward organizations wanting automation across finance, HR, and IT. Though such clients are not the typical ADP clients, they might grow into such clients in the future. As a result, Rippling could potentially disrupt future client pipelines for ADP, especially considering that ADP also serves clients of smaller size. With ADP's strong client retention and pricing power in Q3 FY2026, Rippling does not pose an existential threat as of now, but might grow into a serious competitive threat depending on how ADP manages to keep up with product development going forward.

2.4 Threat of Substitutes

Another way of providing payroll services include embedded payroll infrastructure. The backend software performs all calculations, filings and remittance, and money movements. The software is sold directly to software companies who then incorporate these embedded payroll infrastructure into their solutions to end customers. For example, small businesses such as restaurants use time tracking software for their employees which also includes payroll services provided by an embedded payroll infrastructure provider. Within this segment, Check is a serious competitor (businesswire, 2025). In September of 2025, ADP launched their own embedded payroll solution (ADP, Press Release, 2025). In embedded payroll infrastructure the switching costs relate to end customers switching their main software solution or the software companies switching embedded payroll infrastructure provider. Thus, it's crucial that ADP secure commercial relationships with leading software partners and be up to date with its embedded payroll solutions.

Agentic AI has entered the HR-services segment with companies such as Warp providing agents that own entire workflows. For example, their agents open state tax accounts at the moment of hire, resolve notices, and reconcile benefits without human labor (Warp, 2026). In other words, the calculations, filing and remittance, and money movement is made by agentic AI. According to ADP in the conference call of Q3 FY2026 (ADP, 2026), they are both deploying AI as well as agentic AI internally and in their solutions to clients. In Q3 FY2026, implemented AI helped reduce manual labor by 35% for receipts and allowance handling. In general, ADP is implementing and developing AI into their operations and offering within a compliance-driven environment. This in combination with the scale of ADP, they have an overview of multiple client segments, meaning they can develop and build AI-enabled features and solutions from a holistic view of customer needs.

At the time of reporting, ADP provides solutions across the value chain of HCM-solutions, payroll services, and business process outsourcing. They have the interface for time management, the calculation, filing, and remittance of payroll and taxes, the actual money movement, and the distribution network to promote these solutions. Since ADP has entered the embedded payroll infrastructure segment alongside its strong focus on artificial intelligence into its operations and solutions, ADP is partaking in the transformation of the industry, while also allowing it to harvest the business opportunities of the current market

environment. Also, both embedded payroll infrastructure and agentic AI currently targets SMBs. In Q3 FY2026 ADP experienced strength in this segment (ADP, Q3 FY2026 Conference Call, 2026), strengthening the case that ADP is not necessarily falling victim to these disruptions but rather participating in it.

2.5 Competitive Advantages and Competitive Disadvantages

ADP's competitive advantages lie in market intelligence as they have access to substantial client data due to their scale and legacy. Using such insights together with HR-domain expertise, technology expertise, and client customization, creates opportunities to continue to provide and develop effective and satisfactory solutions to their clients. In other words, their competitive advantages boils down to data, talent, legacy, and scale. ADP themselves recognise that talent, client satisfaction, and data are important factors to their success. Therefore, ADP has linked pay to performance, which includes client satisfaction related metrics, to promote providing solutions that clients deem worthwhile as well as talent attraction and retention (ADP, 2025 Proxy Statement, 2026).

However, ADP is not the only competitor with access to rich data, talent, and scale with competitors as Paychex, Workday, and Rippling, expressing their advantages through these factors as well. That is, the competitive advantages might be rare but not impossible to obtain. Thus, it's not surprising that the companies jointly emphasise the importance of innovation and tailored client solutions, which is enabled by data, talent, and scale. Increasingly, there is a consensus about AI enabling their business models and increasing customer value by allowing HR-related solutions to be designed to handle the complex workflows and business realities of today.

While ADP's legacy is one of their competitive advantages, it is also a double edged sword. Because ADP has been around for a long time and provides solutions being compliant across multiple jurisdictions, ADP is unlikely to be as flexible and agile to changing market conditions as other competitors might be. In addition, due to the legacy and complexity of ADP's solutions, implementation is likely to be more difficult compared to competitors. Though this might increase switching costs for ADP's clients, it might decrease the attractiveness of ADP's value proposition for potential clients.

2.6 The Nature of the Industry

ADP and its competitors have historically faced favourable industry conditions. Software based business models are built upon intangible assets, primarily technology and platforms. Hence, the important input is talent for HR-domain and technology expertise. Though talent, especially in higher tiers of management, is a key success factor, there are many skilled workers within these areas of expertise. Assuming that the threat of new entrants remains similar in the future, workers' for less senior roles is unlikely to be very high. For senior talent, ADP already linked pay to performance and does so competitively to attract and retain talent for long-term success (ADP, 2025 Proxy Statement, 2026).

The providers of HR-related solutions face a fragmented client base. For example, ADP has no client comprising 2% of revenue or more (ADP, Annual Report FY2025, p. 13). This in combination with the industry jointly emphasising tailored client solutions (e.g., integrations) increases the switching costs of clients. Considering ADP's value proposition of compliance across jurisdiction coupled with data integrity risks and expenses related to switching HR-related software solutions, favors ADP's pricing power towards clients and competitors. Though disruption from new entrants may occur, the current market environment does not give clients strong power.

Historically, the threat of new entrants to software based HR-related solutions has been modest at most since it requires scale for profitability, brand trust, and designing solutions that are compliant with laws and regulations. With AI, the barriers to obtaining domain specific knowledge and technical competence have deteriorated, meaning it's easier for potential competitors to enter the industry. For example, Warp. At the same time, clients experience switching costs, as discussed above, meaning the barriers to entry persists, however, likely not as prevalent as before. In order to keep track on whether substitutes or new entrants disrupt the incumbents in the industry, it will be crucial to track the development of AI implementation and adoption in both the SMB segment and enterprise clients as well as pricing power and client retention.

2.7 Industry Regulation

The industry is subject to regulations that primarily favors incumbents. The One, Big, Beautiful Bill passed in the U.S. in 2025 now requires employers to report qualified tips with the recipient's occupation and total qualified overtime for tips and overtime deductions (IRS, 2026). Furthermore, the states of Colorado, Delaware, Maine, Maryland, Minnesota, Vermont, and Washington now have state paid family and medical leave programmes effective with a staggered timeline beginning in 2026 (Epstein Becker Green, 2025). Looking at Europe, the European Union has passed a pay transparency directive, which member countries must implement from 2023 and onwards (European Council and Council of the European Union).

The regulations favor scale because each new rule is a fixed cost to build once but can be sold many times over. As a result, the cost per sale falls with the size of the client base that falls subject to these regulations. Since ADP has a global reach across client sizes and emphasises compliance in their value proposition, ADP is likely to benefit from increased regulations. However, competitors are likely to also benefit from the same regulations, especially those with scale such as Workday. Even though increased regulation and compliance does not clearly increase competitiveness in relation to other incumbents, it does increase switching costs for clients as well as raises entry barriers for new entrants, which serves incumbents well.

3. Ownership and Management

3.1 Ownership and Control

ADP has no dual-class stock, meaning one share gives one vote (ADP, Governance Overview, 2026). The two largest shareholders in ADP are Blackrock and The Vanguard Group (ADP, 2025 Proxy Statement, p. 36). They hold 8.10% and 10.07% of the capital, respectively. The company has not been subject to activist investors since 2018. Prior to that, Pershing Square Holdings acquired more than 5% of the votes in ADP with the intent to modernize legacy software, improve margins, and change the composition of the existing board (Pershing Square Holdings, 2017). However, the activist campaign proved to be unsuccessful and Pershing Square Holdings sold their stake in August 2018 (SEC, 2018). With regards to insiders, both executive management and board of directors, there has been no open market trading that was not according to plan during the period between 2025-05-23 and 2026-05-22.

As discussed below, ADP is a well run business both operationally and financially. Even though the cash flows support a debt capacity exceeding current leverage levels, there is little room to actually increase leveraged recapitalization without deteriorating the businesses profitability. Thus, control value against minority value is deemed to be negligible.

3.2 Management Assessment

When looking at revenue growth (%), adjusted EBIT-margin expansion (BPS), and adjusted diluted EPS growth (%), the majority (roughly 58%) of guidance has been left unchanged, almost 17% have been raised while only 6% of guidance has been cut under CEO Black's leadership (i.e., since FY2023). 63% of actuals lies within the first guidance range and only one miss in FY2025 on adjusted EBIT-margin. CFO Hadley repeats a similar accuracy with having the majority of guidance left unchanged, with some raises. For more information, see Table C in Appendix.

In general, CEO Black and CFO Hadley seem to have rather strong guidance abilities and deliver on the guidance items they have communicated. Past guidance and performance has consistently followed the financial goals of ADP. They include 6-7% revenue growth, 8-10% adjusted EBIT growth, and 9-11% adjusted EPS growth (ADP, Investor Presentation, p. 23). With regards to the continued solid performance of ADP in Q3 FY2026, the track record above, and the tenure of 30 years and 24 years for CEO Black and CFO Hadley, respectively, management has earned credibility to lead ADP and meet the challenges of the business going forward.

3.3 Incentives

The annual retainer for non-employee directors is 360 000 USD where 230 000 USD is paid in the form of deferred stock units ("DSU") and 130 000 USD of which may, at the election of each director, be paid in cash or in DSUs. Each non-employee director has to meet a

minimum stockholding requirement of ADP common stock equal to five times his or her annual cash retainer (ADP, 2025 Proxy Statement, p. 32-33). This means that the board of directors' financial exposure in relation to ADP is primarily driven by stock value, thereby increasing their incentives to act in the interest of shareholders.

The compensation to the executive directors of ADP is linked to performance. ADP has four different compensation elements (ADP, 2025 Proxy Statement, p. 45):

- I. base salary,
- II. annual cash bonus,
- III. Performance-Based Stock Unit ("PSU") Awards
- IV. Time-Based Restricted Stock Unit ("RSU") Awards

The latter two relate to the long-term incentive program ("LTI", ADP, 2025 Proxy Statement, p. viiii). In fiscal year 2025, out of the total CEO compensation, 6% came from the base salary, 12% from annual cash bonus, and 82% from LTI. For the other NEOs, the distribution was 11%, 14%, and 75% for base salary, annual cash bonus, and LTI, respectively (ADP, 2025 Proxy Statement, p. 50). The LTI mix is 25% for RSUs and 75% for PSUs (ADP, 2025 Proxy Statement, p. 56). Together, this means that the executive team compensation is primarily linked to performance.

The annual cash bonus target ranges from 100-200% of base salary depending on the executive, with the CEO having 200%, the CFO having 150%, and the vice president of operations having 125% (ADP, 2025 Proxy Statement, p. 54). The annual cash bonus is based on:

- I. revenue growth (weighted at 20%),
- II. new business bookings growth (weighted at 20%),
- III. adjusted EBIT growth (weighted at 20%),
- IV. client satisfaction (including retention and net promoter score targets (weighted at 10%),
- V. company transformation objectives (weighted at 20%), and
- VI. paperless and HCM objectives (weighted at 10%).

At threshold targets for the above named metrics, 50% of the target bonus is paid out to the executives, 100% for target performance, and 200% for stretch performance, and 0% below threshold performance (ADP, 2025 Proxy Statement, p. 55). Altogether, since adjusted EBIT is conservatively adjusted as seen in Table D in Appendix, the annual cash bonus is heavily tied to financial and operational performance.

The PSU program is based on adjusted net income growth (67% weight) and revenue excluding zero-margin benefits pass-through transactions growth (33% weight) for fiscal year 2025. The PSU awards are subject to relative total shareholder return ("rTSR") that modify the final payout by at most 20% either up or down depending on the three-year performance of the ADP stock against the S&P 500 index (ADP, 2025 Proxy Statement, p. viii). The thresholds for the PSU awards are 50% at threshold performance, 100% at target

performance, 175% at stretch performance, and 0% below threshold performance (ADP, 2025 Proxy Statement, p. 58). Also, the RSUs are vested for 3 years (ADP, 2025 Proxy Statement, p. 59).

In summary, especially given the skew of total compensation to LTI, the compensation of executives is heavily connected to financial performance of the business as well as the stock performance, hence aligning the executives with shareholders. This in combination with the annual cash bonus incorporating both financial and operational metrics, creates incentives for management to act in the interest of shareholders while also keeping them focused on operational performance. Together, the incentive programmes promote management and board of directors to take care of the business both in the short and long run.

3.4 Capital Allocation Record

As seen in Table E, the majority of free cash flow during FY2018 until FY2025 has primarily been allocated to dividend payments (roughly 49% of operating cash flow), share repurchases (roughly 36% of operating cash flow), and reinvestment in intangible assets (roughly 10.50% of operating cash flow). Table F shows that the total effect of share repurchases during the period was value accretive. Be that as it may, since FY2023 the average price paid exceeds both the current valuation of ADP and this report's intrinsic value estimate, especially for the repurchases made in FY2025. Taken together, historically ADP has capital allocation toward share repurchases has been value creating, while share repurchases in recent years seems to have been suboptimal.

M&A activity consists of roughly 7% of operating cash flow, which reflects ADP's disciplined approach to merger and acquisitions. However, comparing historical returns on invested capital including and excluding goodwill, there is a substantial difference between the measures (Table B, Appendix). Even though the business still generates high returns on capital, this implies that historic acquisitions have been acquired at premiums. Coupled with management disciplined M&A approach indicates that ADP will continue to generate strong returns on its capital, while also reaping opportunities in the market when they arise with little risk of value destructive M&A activity.

3.5 Value Creation Plan

These reports find no strong evidence of additional operational levers to improve the business of ADP. The company continues to emphasise the importance of innovation in their solutions, which the releases of ADP Lyric, embedded payroll infrastructure, as well as the development and deployment of AI into operations and client solutions strengthen. Similarly, solid operational performance continues throughout Q3 FY2026. Additionally, executive management's annual cash bonus is based on transformation initiatives, which includes digitalization, AI adoption, and sales from new products (ADP, 2025 Proxy Statement, 2026). Hence, the company already has incentives for executive management to constantly improve the operations of the business.

However, given the strong cash flows of ADP's business and its market position, the business has debt capacity exceeding current leverage levels. For example, S&P Global (2026) motives their current 'AA-' issuer credit rating with respect to ADP's rising EBITDA base, strong cash flows, and ADP's commitment to a conservative financial policy. Furthermore, ADP is reliant on short term financing to execute its client funds strategy and the interest earned on funds held for clients has grown as a larger share of revenue and EBIT since FY2018 (Table B, Appendix). This means that ADP has become increasingly reliant on credit ratings. This coupled with credit rating agencies basing their judgement of ADP's conservative financial policy makes leveraged recapitalisation unlikely to be value accretive as credit rating affects the profitability of the investments made by held client funds, and hence the margins in the income statement. In 2015, ADP pursued leveraged recapitalization by issuing debt to fund a repurchase programme, which led Moody's to downgrade ADP's credit rating from Aa1 to Aa3 (Fox Business, 2015), showcasing the difficulty for ADP to pursue leveraged recapitalization.

In summary, ADP is a well run company operationally with management having incentives to continuously transform the organization and client solutions. This leaves little room for operational improvement. Even though ADP's balance sheet and cash flows can support higher leverage levels, due to the business's client fund strategy, ADP must maintain its pristine credit rating. As a result, increasing leveraged recapitalization is unlikely to be viable for ADP without eroding the business's profitability.

4. Valuation

4.1 Financial and Operational Performance

Since FY2018 ADP has grown revenue 5.24% annually, with net earnings and free cash flow (after capital expenditures and additions to intangibles) around 10% annually. Also, diluted outstanding shares have declined 1% a year. This closely tracks the financial goals of ADP, as discussed in section “3.2 Management Assessment”. Unsurprisingly, both gross margins and EBIT margins have consistently improved during the period. This explains why net earnings grow faster than revenue. Looking at the growth of free cash flow, it can mainly be attributed to improved cash conversion from revenue. As of FY2025 it exceeds 21%, while the same metric was 15.40% in FY2018. Though some volatility, the cash conversion for both the core business and the client fund strategy has increased. The former is likely to be more structural, while the latter is likely influenced by interest rate cycles. Earned interest on funds held for clients has outproportionally grown since FY2018 reaching almost 6% of revenue and 24% of EBIT in FY2025.

Returns on invested capital, excluding client funds, consistently exceeds 30%. This implies that ADP earns more on its operations than its cost of capital and have had durable competitive advantages historically. However, despite disciplined M&A strategy, the returns become much greater (exceeding 60%) when also excluding goodwill. Hence, there is a capital allocation risk that management will destroy operational efficiency and risk of large impairments, unless management keeps future M&A activity disciplined. Another interest aspect is that the incremental returns on invested capital when looking at both three and five year horizons are skewed towards negative returns. Taken together with the high returns on capital means that while the business is very value accretive, the business faces fewer opportunities for growth and/or less fortunate competitive environment.

Similar to revenue, the average balance of client funds has increased by 5.60% annually, indicating that the growth in average client funds tracks revenue growth. Also, since FY2018, ADP has seen increased pricing power toward their clients with pays per control and PEO revenue per employee (excluding zero-margin pass through transactions) has seen positive growth and has increased, respectively. All this while, business bookings growth continues to be positive for employer services, growing in worksite employees in the PEO segment, and client retention remaining very high in comparison to historical measures. This operational performance has continued into Q3 FY2026 as well (ADP, Q3 2026 Earnings Presentation, 2026).

For information, please see Table B in Appendix.

4.2 Reverse Discounted Cash Flow

The following assumptions have been made for the reverse discounted cash flow:

- I. ADP belongs to the “Business & Consumer Services” industry, drawing on Damodaran (2026).
- II. Only corporate debt for ADP is recognised, meaning obligations for client funds are excluded.
- III. Long term debt, short term financing, and lease liabilities are recognised as debt.
- IV. Book value of debt equals market value of debt.
- V. The effective tax rate of FY2025 is representative of future tax rates.
- VI. Terminal growth rate is 1.80%, following the predicted annual average real growth rate for the U.S. economy until 2036 of 1.80% (Congressional Budget Office, 2026).
- VII. Free cash flow after capital expenditures and additions to intangibles trailing twelve months as per Q3 2026 is the base line.

For reference, see Table G in Appendix. Drawing on the work of Damodaran (2026) on unlevered betas adjusted for cash and U.S. equity risk premiums, the cost of equity for ADP is estimated to be 8.30%. This corresponds to a 8.04% weighted average cost of capital (“WACC”). With free cash flow of 4 840.6 million USD, the current share price of 225.31 USD implies a terminal growth rate of 2.73% in free cash flow. Applying the terminal growth rate of 1.80%, this implies either 6.64% five year annual growth rate or 4.23% ten year annual growth rate. Both growth rates have ADP exceeding during FY2018 throughout FY2025.

4.3 Growth Rates for Sales and Net Earnings

According to Mordor Intelligence (2026) predicts the HR software market to grow 8.34% annually from 2026 until 2031. Comparing the financial goals of ADP as well as historic growth of ADP, this growth rate is unlikely to be realized in the coming five years in terms of revenue. Even though ADP has strong competitive advantages and competent management, the business is likely to grow slower than the overall industry due to its size. Drawing on the work of Mauboussin (2016, p. 7), the author shows the distribution of growth rates for companies in the U.S. across different sizes measured in sales. For a company of ADP’s size, 66.60% of the sample experienced five year real growth of 5% or less annually in sales. In other words, the majority companies of ADP’s size tend to not grow at the pace of which the HR software market is predicted to.

Assuming 2.40% annual inflation for the coming 10 years, which follows the 10-year breakeven inflation rate (Fred, 2026), the bear case assumes a nominal growth rate of sales to be -7.60%. This reflects -10% real sales growth yearly. Only 6.90% of companies of ADP’s size in Mauboussin’s study experienced a lower annual growth rate. Given ADP’s scale, ongoing transformation of solutions, and competitive advantages, this outcome is deemed unlikely yet possible to occur. Thereafter, the nominal growth rate accelerates to 0% annually, implying negative real growth. This is motivated because ADP’s broad offerings and competitive advantages should be able to defend against and adapt to disruption over time, though the business may meet difficult market environments in the short run.

For the base case, sales growth is estimated to be in line with historic annual revenue growth of ADP at 5%. For the best case, the sales growth is assumed to accelerate to 7%, in line with the upper target revenue of ADP. Jointly for the base and best case scenarios is that ADP is believed to be positioned to be able to capture the growing HR-service software market, despite 66.60% of Mauboussin's sample experiencing lower real growth rates in sales. After the first 5 years and throughout year 10, both the base and best case are assumed to grow sales in line with the growth rate of the U.S. economy, which is 1.80% in real terms, implying 4.20% in nominal growth assuming the breakeven inflation rate of 2.40%. In perpetuity, the base case assumes 1.80% while the best case assumes 2.30% nominal growth rate.

For net earnings growth, they are assumed to grow at the rate of sales due to ADP already having improved margins consistently since FY2018 and that competitive atmosphere is likely to increase as the entry barriers to industry have eroded a bit (as discussed in section "2.6 The Nature of the Industry"). Hence, it's unlikely that ADP can sustain any material margin improvement over the long term, though successful implementation and transformation enabled by AI may give ADP new opportunities for margin improvement going forward.

4.4 Discounted Cash Flow and Scenario Values

In general, the bear case assumes the least fortunate conditions measured during the period between FY2018 and FY2025, while the base case assumes median conditions measured during the same period. Similarly, the best case assumes the best conditions though average yield on client funds and net debt is assumed to follow as of FY2025 and Q3 FY2026, respectively. Jointly for the base and best case is that diluted outstanding shares will decline by 1% annually, following the historic repurchase pattern of ADP common stock. The assumptions related to growth rates are discussed in the previous section.

The single most important in this valuation is the assumed free cash flow conversion from operations as well as the client fund strategy. As seen in Table B in Appendix, the overall cash flow conversion of ADP has improved from FY2018 to FY2025. At the same time, some years saw a decline, especially when isolating the cash flow conversion related to the client fund strategy and operations, respectively. This means that even though ADP has improved its cash flow conversion, individual years may not be representative of future cash flow conversion. This is particularly important for the cash flow conversion of interest earned on client funds since it's heavily influenced by rate cycles. Therefore, even though ADP's business have an off-setting nature, as discussed in section "1.3 Business and Investment Cycle", the base case assumes the median historic cash flow conversion of the client fund strategy and operations, respectively.

Apart from the assumptions discussed above, the following assumptions has been made:

- I. Bear case probability: 10%; base case probability: 80%; best case probability: 10%
- II. Damodaran's (2026) work in equity risk premiums and unlevered sector betas in the U.S. (cash adjusted) are representative for ADP's stock.

- III. Only corporate debt for ADP is recognised, meaning obligations for client funds are excluded.
- IV. Long term debt, short term financing, and lease liabilities are recognised as debt.
- V. Book value of debt equals market value of debt.
- VI. Terminal growth rate is 1.80%, following the predicted annual average real growth rate for the U.S. economy until 2036 of 1.80% (Congressional Budget Office, 2026).
- VII. The effective tax rate of FY2025 is representative of future tax rates.
- VIII. 10 year annual inflation rate equals the 10-year breakeven inflation rate.
- IX. Sales growth is equal to revenue growth.
- X. Free cash flow after capital expenditures and additions to intangibles trailing twelve months as per Q3 2026 is the base line.

Applying all assumptions, the base case estimated ADP's intrinsic value per share to be 189.77 USD, with an expected value per share of 186.94 USD. With the share currently trading at 225.31 USD, the share is implied to be trading at a premium of 18.7%. For more information, see Table H in Appendix.

4.5 Risks and Downside Floor

Apart from the discussion in section “4.3 Growth Rates for Sales and Net Earnings” regarding growth rates for the bear case, the bear case assumes the highest level of net debt and lowest average yield ADP have experienced since FY2018. This coupled with the estimated real negative growth, revenue has declined 35% from 21.6 billion USD (Bridge YTD, Appendix) to 13.6 billion USD. Applying the conservative cash flow conversion metrics, the downside floor of the ADP stock is estimated to be roughly 56 USD per share (Table H, Appendix). It corresponds to a 75% decline in the stock price. Important to note is that ADP's balance sheet primarily consists of intangible assets of different types, meaning there are few opportunities for the business's assets to bound the downside floor.

The case above is unlikely to occur given ADP's competitive advantages, the industry's rather favourable conditions for incumbents, as discussed throughout section “2. The Competitive and Industry Landscape”, and that only 6.60% of companies of comparable size to ADP have historically experienced lower growth rates than assumed in the bear case. However, with the rise of AI and other new technologies, the industry is likely to experience disruption. Even though ADP is positioned to take on future business challenges, including innovative solutions and new ways of doing business, it is possible that ADP falls victim to an industry wide transformation and disruption, hence making the bear case applicable. Taken together, disruption risks alongside no tangible assets increases the likelihood of the bear case. On the other hand, there are few companies of ADP's size that have experienced such negative growth. Credible management and strong competitive position further reduces the probability of the bear case actually happening. Therefore, the current assessment is that the bear case has a probability of 10%.

To summarize, the downside floor is materially below the current market price of the ADP stock as well as the estimated intrinsic value per share. This can be attributed to ADP still having a relatively high valuation despite the poor stock development in the last year (Montrose, 2026). ADP currently trades at approximately 14.50x EV/EBIT with a ten year mean of almost 22x. Hence, it appears the ADP stock is trading at a discount to its historical multiple as opposed to a discount relative to its intrinsic value (see estimates in the previous section), all while the downside floor is materially below the estimated intrinsic value.

4.6 Value Creation Bridge

As of Q3 2026, the trailing earnings per share for ADP is 10.79 USD. Hence, applying the growth rates discussed in section “4.3 Growth Rates for Sales and Net Earnings”, earnings per share is estimated to be 16.93 USD ten years from now. Assuming the 1.80% in perpetual nominal growth and the estimated cost of equity of 8.30%, it implies that the ADP stock should trade at a P/E-ratio around 15.37 using the Gordon Growth Model. Hence, ADP’s value per share in ten years is estimated to be 260.21 USD. From the current price of 225.31, it represents a total 10 year return of 15.50%, corresponding to 1.45% CAGR. This is in line with the 3 and 5 year stock performance of ADP as well (Montrose, 2026).

5. Monitorables and Falsifiers

The monitorables to watch going forward include:

- 1) Pays per control growth in the employer service segment
- 2) New bookings growth in the employer service segment
- 3) Client retention in the employer service segment
- 4) Average worksite employees in the PEO segment
- 5) PEO revenue per average worksite employee, excluding zero-margin pass through transactions
- 6) Leverage in terms of both short and long term borrowings, including long and short term financing as well as leases
- 7) Free cash flow conversion of operations and interest earned in held client funds, respectively

The four first monitorables relate to identifying early signs of deteriorating customer success of ADP's solutions. By tracking client retention, new bookings, and employee counts, one can systematically follow whether clients find ADP's offerings useful and competitive. Complementing those monitorables with pays per control growth as well as PEO revenue per average worksite employee, gives insight to client sentiment of how valuable they view ADP's offerings. Taken together, they give a good view of whether ADP retains existing clients, attracts new ones, and the development of ADP's pricing power toward those clients. If any of the monitorables of 1-5 except client retention turns into negative growth, a reassessment is triggered. For client retention, the threshold is 90% or below.

Monitoring leverage in ADP solely relates to keeping track of credit worthiness before a credit derating occurs. In such a situation, not only would the stock value likely decline, it would also deteriorate the profitability of the client fund strategy. The primary trigger here lies in the development of long term borrowings as well as current portions of such. The last monitorable relates to valuation. Since the valuation is heavily driven by the free cash flow conversion from the different revenue streams, a structural change in the metric triggers a revaluation of the stock. In this case, since the base case is based on the median free cash flow conversion, four consecutive quarters of improving free cash flow conversion triggers a reassessment of the assumptions made in the discounted cash flow scenarios.

6. Conclusion

This memorandum classifies ADP as a quality business based on its competitive advantages, high returns on capital, credible management, and history of strong operational and financial performance. However, the evidence in this report does not support a mispricing of the stock as of the report date. The current share price implies growth in free cash flow below what ADP has delivered since FY2018, while the growth assumed in the base case is in line with ADP's historic performance, its financial goals, and base rates for companies of its size. Since ADP returns almost 85% of its operating cash flow to shareholders through dividends and share repurchases, it is a cash generator rather than a compounder. As a result, the entry price and multiple will be the primary driver of return during a potential holding period.

The base case estimates ADP's intrinsic value at 189.77 USD per share. The probability weighted value across the bear, base, and best case is 186.94 USD per share. At 225.31 USD, the stock trades at a premium of 20.50% to the probability weighted value. The value creation bridge points the same way since buying at today's price implies a return of 1.45% annually over ten years before dividends. This is well below the estimated cost of equity of 8.30%. Applying a margin of safety of 25% to the probability weighted value gives a buy price of 149.55 USD per share. Accordingly, the following is advised (assuming no stock splits or similar events):

- Buy below 150 USD per share
- Hold between 150 and 187 USD per share
- Sell or avoid above 187 USD per share

At the current price, ADP is a business worth keeping a close eye on but not yet at a price worth paying. The recommendation is reassessed if the share price falls below the buy price, if any of the monitorables in section 5 triggers a reassessment, or if free cash flow conversation improves for four consecutive quarters as it would indicate that the median conversion assumed in the base case understates ADP's cash conversion ability.

References

Automatic Data Processing. (2026). *Earnings Press Release*. “ADP Reports Third Quarter Fiscal 2026 Results”.

https://s205.q4cdn.com/887941133/files/doc_financials/2026/q3/ADP-3Q26-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2026). *Earnings Press Release*. “ADP Reports Second Quarter Fiscal 2026 Results”.

https://s205.q4cdn.com/887941133/files/doc_financials/2026/q2/ADP-2Q26-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2026). *GOVERNANCE OVERVIEW*.

<https://investors.adp.com/governance/corporate-overview/default.aspx>. (Retrieved 2026-05-22).

Automatic Data Processing. (2026). *Investor Presentation*. (Retrieved 2026-05-22).

Automatic Data Processing. (2026). *2025 Proxy Statement*.

<https://investors.adp.com/financials/annual-reports/default.aspx>. (Retrieved 2026-05-22).

Automatic Data Processing. (2026). *Q3 2026 Automatic Data Processing Inc Earnings Call*.

https://s205.q4cdn.com/887941133/files/doc_financials/2026/q3/ADP-3QFY26-Transcript.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2026). *Q3 2026 10-Q*.

<https://d18rn0p25nwr6d.cloudfront.net/CIK-0000008670/f67fbd2f-82f7-4947-99e2-60d97247fb15.pdf>. (Retrieved 2026-05-22).

Automatic Data Processing. (2025). *Annual Report FY2025*.

https://s205.q4cdn.com/887941133/files/doc_financials/2025/ar/FY2510-K.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2025). *Earnings Press Release*. “ADP Reports First Quarter Fiscal 2026 Results”.

https://s205.q4cdn.com/887941133/files/doc_financials/2026/q1/ADP-1Q26-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2025). *Earnings Press Release*. “ADP Reports Fourth Quarter and Fiscal 2025 Results; Provides Fiscal 2026 Outlook”.

https://s205.q4cdn.com/887941133/files/doc_financials/2025/q4/ADP-4Q25-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2025). *Earnings Press Release*. “ADP Reports Third Quarter Fiscal 2025 Results”.
https://s205.q4cdn.com/887941133/files/doc_financials/2025/q3/ADP-3Q25-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2025). *Earnings Press Release*. “ADP Reports Second Quarter Fiscal 2025 Results”.
https://s205.q4cdn.com/887941133/files/doc_financials/2025/q2/ADP-2Q25-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2025). *Press Releases*. “ADP® Embedded Payroll Gives Partners a Competitive Edge with Integrated HCM Solution”.
<https://mediacenter.adp.com/2025-09-29-ADP-R-Embedded-Payroll-Gives-Partners-a-Competitive-Edge-with-Integrated-HCM-Solution>. (Retrieved 2026-05-22).

Automatic Data Processing. (2024). *Annual Report FY2024*.
https://s205.q4cdn.com/887941133/files/doc_financials/2024/ar/adp-fy24-10-k.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2024). *Earnings Press Release*. “ADP Reports First Quarter Fiscal 2025 Results”.
https://s205.q4cdn.com/887941133/files/doc_financials/2025/q1/ADP-1Q25-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2024). *Earnings Press Release*. “ADP Reports Fourth Quarter and Fiscal 2024 Results; Provides Fiscal 2025 Outlook”.
https://s205.q4cdn.com/887941133/files/doc_financials/2024/q4/ADP-4Q24-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2024). *Earnings Press Release*. “ADP Reports Third Quarter Fiscal 2024 Results”.
https://s205.q4cdn.com/887941133/files/doc_financials/2024/q3/ADP-3Q24-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2024). *Earnings Press Release*. “ADP Reports Second Quarter Fiscal 2024 Results”.
https://s205.q4cdn.com/887941133/files/doc_financials/2024/q2/ADP-2Q24-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2024). *Press Releases*. “ADP Unveils Lyric: The Flexible, Intelligent and Human-Centric Global HR Platform”.
<https://mediacenter.adp.com/2024-09-23-ADP-Unveils-Lyric-The-Flexible,-Intelligent-and-Human-Centric-Global-HR-Platform>. (Retrieved 2026-05-22).

Automatic Data Processing. (2024). *Press Releases*. “ADP Acquires WorkForce Software”. <https://mediacenter.adp.com/2024-10-15-ADP-Acquires-WorkForce-Software>. (Retrieved 2026-05-22).

Automatic Data Processing. (2023). *Annual Report FY2023*. https://s205.q4cdn.com/887941133/files/doc_financials/2023/ar/ADP-FY23-10-K.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2023). *Earnings Press Release*. “ADP Reports First Quarter Fiscal 2024 Results”. https://s205.q4cdn.com/887941133/files/doc_financials/2024/q1/ADP-1Q24-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2023). *Earnings Press Release*. “ADP Reports Fourth Quarter and Fiscal 2023 Results; Provides Fiscal 2024 Outlook”. https://s205.q4cdn.com/887941133/files/doc_financials/2023/q4/ADP-4Q23-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2023). *Earnings Press Release*. “ADP Reports Third Quarter Fiscal 2023 Results”. https://s205.q4cdn.com/887941133/files/doc_financials/2023/q3/ADP-3Q23-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2023). *Earnings Press Release*. “ADP Reports Second Quarter Fiscal 2023 Results”. https://s205.q4cdn.com/887941133/files/doc_financials/2023/q2/ADP-2Q23-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2022). *Annual Report FY2022*. https://s205.q4cdn.com/887941133/files/doc_financials/2022/ar/2022-Form-10-K.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2022). *Earnings Press Release*. “ADP Reports First Quarter Fiscal 2023 Results”. https://s205.q4cdn.com/887941133/files/doc_financials/2023/q1/ADP-1Q23-Earnings-Release.pdf. (Retrieved 2026-05-22).

Automatic Data Processing. (2022). *Earnings Press Release*. “ADP Reports Fourth Quarter and Fiscal 2022 Results; Provides Fiscal 2023 Outlook”. https://s205.q4cdn.com/887941133/files/doc_financials/2022/q4/ADP-4Q22-Earnings-Release.pdf. (Retrieved 2026-05-22).

- Automatic Data Processing. (2021). *Annual Report FY2021*.
https://s205.q4cdn.com/887941133/files/doc_financials/2021/ar/ADP-FY21-10-K.pdf.
 (Retrieved 2026-05-22).
- Automatic Data Processing. (2020). *Annual Report FY2020*.
https://s205.q4cdn.com/887941133/files/doc_financials/2020/ar/2020-Annual-Report-on-Form-10-K.pdf. (Retrieved 2026-05-22).
- Automatic Data Processing. (2019). *Annual Report FY2019*.
https://s205.q4cdn.com/887941133/files/doc_financials/2019/ar/ADP-10K.pdf. (Retrieved 2026-05-22).
- Automatic Data Processing. (2018). *Annual Report FY2018*.
https://s205.q4cdn.com/887941133/files/doc_financials/2018/ar/a1d9c569-6d29-4a41-91dd-41408a6e78f0.pdf. (Retrieved 2026-05-22).
- Automatic Data Processing. (2018). *Q3 2026 Earnings Presentation*. “ADP Earnings Call & Webcast Q3 Fiscal 2026”.
https://s205.q4cdn.com/887941133/files/doc_financials/2026/q3/ADP-3Q26-Earnings-Deck.pdf. (Retrieved 2026-05-22).
- Businesswire. (2025). *Check Strengthens Market Leadership as Demand for Embedded Payroll Accelerates*.
<https://www.businesswire.com/news/home/20250521490831/en/Check-Strengthens-Market-Leadership-as-Demand-for-Embedded-Payroll-Accelerates>. (Retrieved 2026-05-22).
- Congressional Budget Office. (2026). *The Budget and Economic Outlook: 2026 to 2036*.
<https://www.cbo.gov/publication/62105>. (Retrieved 2026-05-22).
- Damodaran, A. (2026). *Betas by Sector (US)*.
https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html. (Retrieved 2026-05-22).
- Damodaran, A. (2026). *Country Default Spreads and Risk Premiums*.
https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html. (Retrieved 2026-05-22).
- Epstein Becker Green. (2025). *2026 Family and Medical Leave Law Updates: What Employers in Seven States Need to Know*.
<https://www.ebglaw.com/insights/publications/2026-family-and-medical-leave-law-updates-what-employers-in-seven-states-need-to-know>. (Retrieved 2026-05-22).
- European Council and Council of the European Union. (N/A). *Pay transparency in the EU*.
<https://www.consilium.europa.eu/en/policies/pay-transparency/>. (Retrieved 2026-05-22).

FinanceCharts. (2026). *The yield on the 10-year note finished May 22, 2026 at 4.56% while the 2-year note ended at 4.13%.*

<https://etfdb.com/fixed-income-content-hub/may-22-2026-treasury-yields-snapshot/>.

(Retrieved 2026-05-22).

Fixed Income Content Hub. (2026). *Automatic Data Processing (ADP) Market Cap.*

https://www.financecharts.com/stocks/ADP/summary/market-cap#google_vignette.

(Retrieved 2026-05-22).

Fox Business. (2015). *Moody's Downgrades ADP Credit Rating After Company Announces \$2 Billion Debt Deal.*

<https://www.foxbusiness.com/markets/moodys-downgrades-adp-credit-rating-after-company-announces-2-billion-debt-deal>. (Retrieved 2026-05-22).

Fred. (2026). *10-Year Breakeven Inflation Rate (T10YIE).*

<https://fred.stlouisfed.org/series/t10yie>. (Retrieved 2026-05-22).

IRS. (2026). *One, Big, Beautiful Bill: How to take advantage of no tax on tips and overtime.*

<https://www.irs.gov/newsroom/one-big-beautiful-bill-how-to-take-advantage-of-no-tax-on-tips-and-overtime>. (Retrieved 2026-05-22).

Mauboussin, M, J. Credit Suisse. (2016). *Michael Mauboussin – Base Rate Books (2015-2016).*

<https://mjbaldbard.wordpress.com/wp-content/uploads/2020/09/michael-mauboussin-e28093-base-rate-books-2015-2016.pdf>. (Retrieved 2026-05-22).

Montrose. (2026). *Automatic Data Processing.*

<https://app.montrose.io/instrument/1851/oversikt>.

(Accessed 2026-05-22).

Mordor Intelligence. (2026). *CORE HR SOFTWARE MARKET SIZE & SHARE ANALYSIS - GROWTH TRENDS AND FORECAST (2026 - 2031).*

<https://www.mordorintelligence.com/industry-reports/core-hr-software-market>. (Retrieved 2026-05-22).

Paychex. (2025). *Annual Report FY2025.*

https://d1io3yog0oux5.cloudfront.net/_16b9d44541b7c4dea26954465676d7dc/paychex/db/951/8133/annual_report/2025.05.31+Annual+Report-_BMK_WEB1.pdf. (Retrieved

2026-05-22).

Paychex. (2024). *Annual Report FY2024.*

https://materials.proxyvote.com/Approved/704326/20240812/AR_584492/INDEX.HTML?page=1. (Retrieved 2026-05-22).

Paychex. (2023). *Annual Report FY2023*.

https://d1io3yog0oux5.cloudfront.net/_a6793e7c8cc84e745504ba971736087c/paychex/db/951/7998/annual_report/AR_549390.PDF. (Retrieved 2026-05-22).

Paychex. (2022). *Annual Report FY2022*.

https://d1io3yog0oux5.cloudfront.net/_16b9d44541b7c4dea26954465676d7dc/paychex/db/951/7946/annual_report/EZBlue+Annual+Report+-+final.pdf. (Retrieved 2026-05-22).

Paychex. (2021). *Annual Report FY2021*.

https://d1io3yog0oux5.cloudfront.net/_16b9d44541b7c4dea26954465676d7dc/paychex/db/951/7945/annual_report/2021-Annual-Report-Paychex.pdf. (Retrieved 2026-05-22).

Paychex. (2020). *Annual Report FY2020*.

https://d1io3yog0oux5.cloudfront.net/_16b9d44541b7c4dea26954465676d7dc/paychex/db/951/7944/annual_report/2020+Annual+Report+webready+pdf+%281%29.pdf. (Retrieved 2026-05-22).

Pershing Square Holdings. (2017). *Press Releases*. “Pershing Square Announces Investment in ADP”.

<https://pershingsquareholdings.com/https-pershingsquareholdings-com-pershing-square-announces-investment-in-adp/>. (Retrieved 2026-05-22).

Rippling. (2023). *Blog*. “Rippling Announces Series G Fundraising and Tender Offer”.

<https://www.rippling.com/blog/series-g-fundraising-tender-offer>. (Retrieved 2026-05-22).

Rippling. (2026). *Rippling vs. ADP*. (Retrieved 2026-05-22).

SEC. (2018). 13D.

<https://www.sec.gov/Archives/edgar/data/8670/000119312518251796/d611581dsc13da.htm>. (Retrieved 2026-05-22).

S&P Global. (2026). *Automatic Data Processing Inc.'s Senior Unsecured Notes Rated 'AA-'*.

<https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3555623>. (Retrieved 2026-05-22).

Warp. (N/A). *Employee management that runs itself*. <https://www.warp.co/>. (Retrieved 2026-05-22).

Workday. (2026). *Annual Report FY2026*.

<https://d18rn0p25nwr6d.cloudfront.net/CIK-0001327811/57152fd6-bbe2-4e5e-90c7-9ac274b55fff.pdf>. (Retrieved 2026-05-22).

Workday. (2026). *First Quarter Fiscal 2027 Prepared Remarks*.
https://s21.q4cdn.com/950027458/files/doc_earnings/2027/q1/generic/Q1-FY27-Earnings-Prepared-Remarks.pdf. (Retrieved 2026-05-22).

Workday. (2026). *Fourth Quarter & Fiscal 2026 Prepared Remarks*.
https://s21.q4cdn.com/950027458/files/doc_earnings/2026/q4/generic/Q4-FY26-Earnings-Prepared-Remarks.pdf. (Retrieved 2026-05-22).

Workday. (2025). *Newsroom*. “Workday Expands Workday GO, the All-in-One "Workday for All" Solution, to Support Businesses of All Sizes”.
<https://newsroom.workday.com/2025-11-19-Workday-Expands-Workday-GO,-the-All-in-One-Workday-for-All-Solution,-to-Support-Businesses-of-All-Sizes>. (Retrieved 2026-05-22).

Workday. (2023). *Newsroom*. “Workday and ADP Expand Partnership to Deliver Enhanced Global Payroll, Compliance, and HR for Joint Customers”.
<https://newsroom.workday.com/2023-09-28-Workday-and-ADP-Expand-Partnership-to-Deliver-Enhanced-Global-Payroll,-Compliance,-and-HR-for-Joint-Customers>. (Retrieved 2026-05-22).

Yahoo Finance. (2026). *Automatic Data Processing, Inc. (ADP)*.
https://finance.yahoo.com/quote/ADP/history/?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2x1LnNvbS8&guce_referrer_sig=AQAAADeuswNWL9UeEbH-sr8f7mtJLQQWWtVLQODkGEvTJ0QYpvfMg9Ae2YlsBEJ2SzwAxzfb87cH4jJgw1p1IpmJC9tSeTsfqjD9TbvZFgL1n3N6YeSzi68j8PWs7CIF_4c5mFd414MOvbtWXBwsGLw_B9kQE3VLloQ97i9_nOqfoL74. (Retrieved 2026-05-22).