ADP Ascending

October 2017

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Introduction to Pershing Square

- **Pershing Square is a concentrated, research-intensive, value investor**
  - We own high-quality businesses, often with a catalyst to unlock significant value
- **Pershing Square has a strong activist track record as a long-term, value-creating shareholder**
  - Average return on 13Ds ~145% vs. ~16% for the S&P 500 index over the same periods (Source: 13DMonitor)[(1)]
  - Our target holding period for our "active" investments is generally four to six years
- **We are long-term shareholders seeking to help ADP achieve its full potential**
- **We have a $2.6bn investment in ADP; ADP is our largest investment representing ~25% of our capital under management**

(1) Returns reflect performance of all of the companies for which Pershing Square has filed a 13D. The market index shown above has been selected for purposes of comparing the performance of an investment in the Pershing Square funds 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 the Pershing Square funds are subject. Pershing Square 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 the Pershing Square funds' 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. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC.

Why We Invested in ADP

- The Human Capital Management ("HCM") business is fundamentally attractive

- **ADP is a great business with a very large opportunity to improve its operating efficiency, product and service offerings, growth, and long-term shareholder value**

- The case for change is straightforward:
  - For many years, ADP has underperformed its potential
  - ADP can be substantially improved
  - ADP's underperformance can be fixed without increasing risk

ADP can significantly accelerate its performance and strengthen its competitive position with improved operational efficiency and greater technology leadership

How We Think About ADP

ADP is comprised of three distinct "businesses," each with discrete growth drivers and profit opportunities

Segment:

Employer Services ("ES")

- ADP's core business, a software and service-based delivery of payroll and a broad suite of "Beyond Payroll" HCM tools including business process outsourcing

Professional Employer Organization ("PEO")

- A fully-outsourced HCM solution where ADP becomes the legal co-employer of record and provides healthcare, workers compensation, etc.

Client Fund Interest ("Float Income")

- A ~100% margin profit stream derived from investing funds generated due to the timing delay between receipt of gross payroll funds from employers and payments to employees and tax authorities

ADP Overview (FY 2017)

Segment	Net Revenue[1]	*% of Total*	Pre-Tax Profit[2]	*% Profit Margin*	*% of Total*
Employer Services ("ES")	$8.5bn	*87%*	$1.6bn	*19%*	*66%*
Professional Employer Organization ("PEO")	$0.8bn	*9%*	$0.4bn	*48%*	*16%*
Client Fund Interest ("Float Income")	$0.4bn	*4%*	$0.4bn	*~100%*	*18%*
	$9.8bn		$2.4bn	*25%*	

(1) Adjusts PEO revenue to exclude pass-through costs of $2.6bn.
(2) Strips out allocated float income. Allocates "Other" expense of to Employer Services and PEO based on the % of Net Operational Revenue (ex-Float, ex-PEO Pass-Through).

ADP's Human Capital Management ("HCM") Business

	SMB (Small Business)	Mid-Market (Major Accounts)	Enterprise (National Accounts)	International & Multinational
% of ES Revenue	~25%	~35%	~20%	~20%
Client Size	1-49	50-999	1,000+	Varies
Key Product Offering	Payroll + Limited HCM	Payroll + HCM	Payroll + Full HCM	Payroll + HCM
Product Complexity	Low	Medium	High	High
ADP Primary Product	RUN by ADP	WorkforceNow	Vantage	GlobalView Streamline
Outsourcing	Often nothing or full, e.g., PEO	Full (PEO or ASO) or Limited	In-House or Limited (Payroll, Benefits, Recruiting)	In-House or Limited (Payroll, Benefits, Recruiting)
Key Direct Competitors	Paychex	Paycor, Paychex, Paylocity, Paycom, Ceridian, Ultimate Software	Ultimate Software, Workday, Oracle, Ceridian, SAP	Oracle, SAP, NGA Human Resources, Workday
ADP Competitive Position (Client Facing)	STRONG	STRONG	EXPOSED	STRONG

ADP Has Underperformed Its Potential and Can Be Substantially Improved

Summary:
ADP has an Enormous Opportunity for Improvement

- **ADP's Employer Services business is underperforming its potential**
  - Operating efficiency and margins are well below competitors' and ADP's structural potential
  - Growth is below the industry and ADP's potential, driven mostly by weakness in ADP's Enterprise segment

- **ADP can significantly improve its performance and competitive position with improved operational efficiency and greater technology leadership**
  - Employer Services, currently earning a ~19% operating margin, should achieve 35% or greater margins
  - Employer Services' growth can increase from ~5% to ~7%+

- **Achieving ADP's structural potential will drive enormous shareholder value**
  - Increase in earnings of nearly 50% relative to the status quo
  - ADP's value can increase to $221 – $255 per share in less than four years

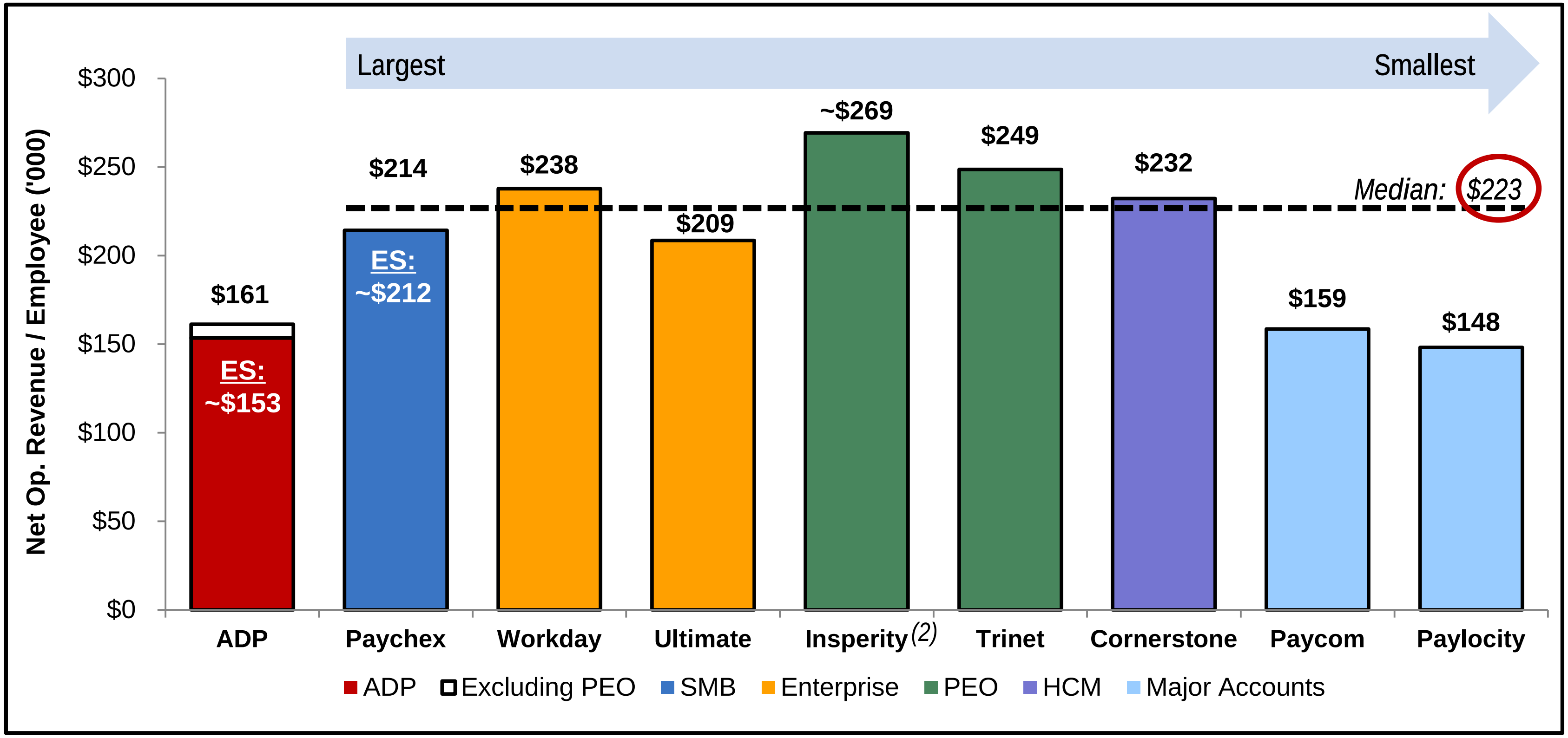
- **The transformations of Solera and CDK, previously owned by ADP, provide a roadmap**

Key Evidence of ADP's Operational Underperformance

- ADP's labor productivity is 28% below its competitors' (revenue per employee of $161k for ADP vs. $223k average for competitors)
- ADP's Employer Services gross margins of ~58% are 1,600bps below the average gross margins of its competitors at ~74%
  - Bloated support, siloed and manual implementations, and back-end technology deficiencies
- Corporate bloat and inefficiency:
  - Excessive layers of management (~11) and limited spans of control (~5)
  - Sub-optimal, dated business unit structure and siloed operations
  - Real estate sprawl: 10mm sqft, >130 US offices, six US corporate HQs
- ADP's technology spend is not yielding sufficient results – despite dramatically higher spend than competitors, ADP is not producing best-in-class products
  - $859mm of total spend per annum and ~9,000 employees in technology
  - "Innovative" R&D spend of $450mm per annum is a multiple of all competitors, yet ADP does not have a best-in-class offering in the enterprise market
  - Legacy technology maintenance spend of $410mm per annum has *increased* despite platform migrations

ADP has a Substantial Opportunity to Improve its Labor Efficiency

Net Operational Revenue per Employee[1] (Ex-Float)



Achieving competitor-level labor productivity would drive ~$1.4bn of profit uplift or ~1,600bps of margin improvement in Employer Services[3]

Note: Based on latest fiscal year end, as relevant. Note that Kronos and Ceridian are two privately-owned competitors which do not have full public financials.

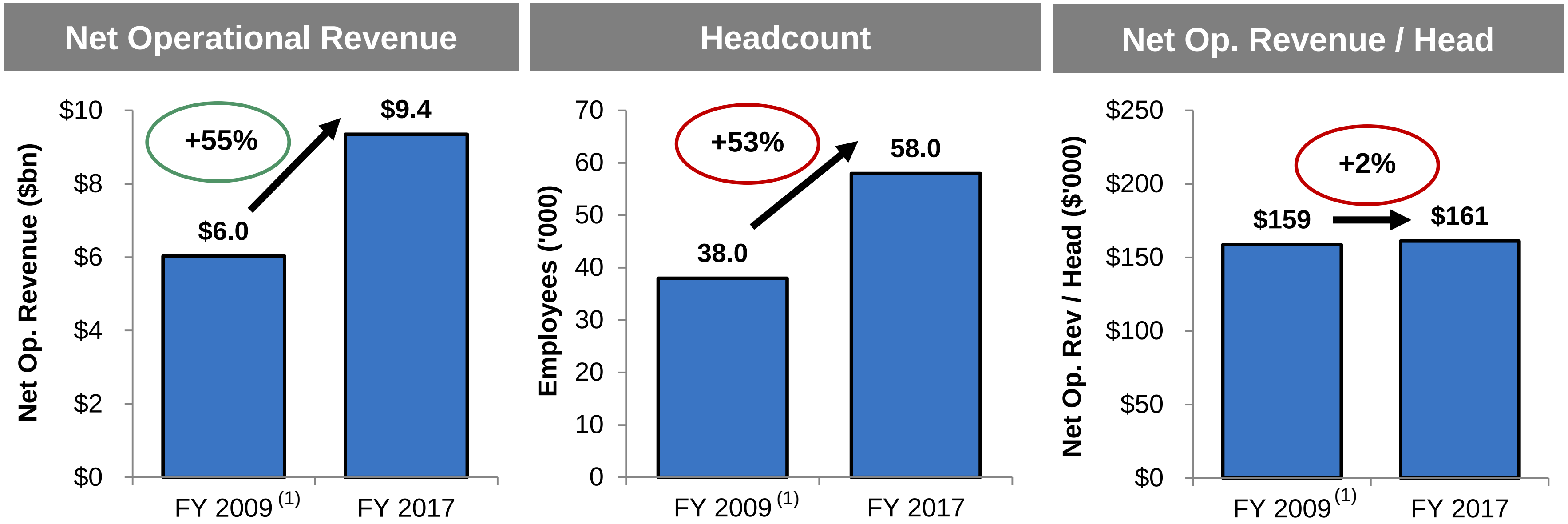
(1) Net operational revenue excludes float income ("Funds Held for Clients") and PEO Services pass-through costs (~$2.6bn for ADP, estimated at $165m for Paychex).

(2) Insperity Net Operational Revenue estimated based on TriNet's gross margins.

(3) Estimated based on the average of two methodologies: (1) assumes ES achieved peer-level productivity on current headcount driving an additional $3.9bn of revenue with an estimated 40% margin flow-through implying a $1.5bn uplift in EBIT, and (2) assumes a headcount reduction on the current base of revenue at an estimated fully-burdened cost per employee of $70k, driving a $1.2bn EBIT uplift.

ADP's Labor Productivity has Been Flat

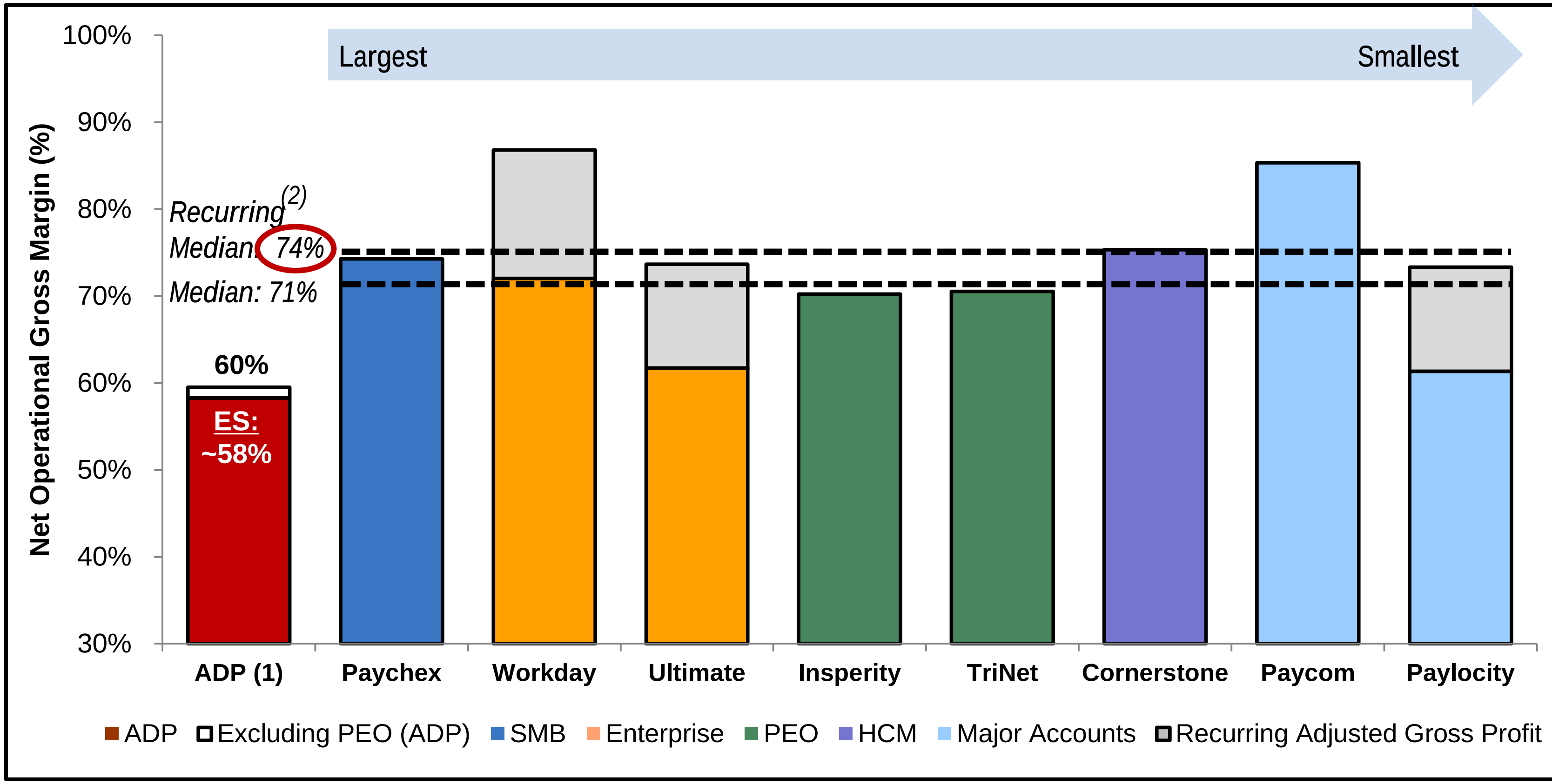
- Revenue growth should drive operating leverage
- Industry-wide technological improvements including automation and product self-sufficiency should drive efficiencies and margins



(1) 2009 used as a starting point given the availability of segment headcount for Dealer Services (reported as 7k in 2009) in the 2009 Analyst Day presentation. Alternatively, net operational revenue per employee grew ~5% (~1% CAGR) using estimated 2011 headcount as a base. 2011 headcount estimated based on extrapolating Dealer Services headcount between the 7k reported in 2009 and CDK's reported 2014 headcount of 9k.

ADP has a Substantial Opportunity to Improve its Gross Margins

Adjusted Net Operational Gross Profit Margins[1] (%)



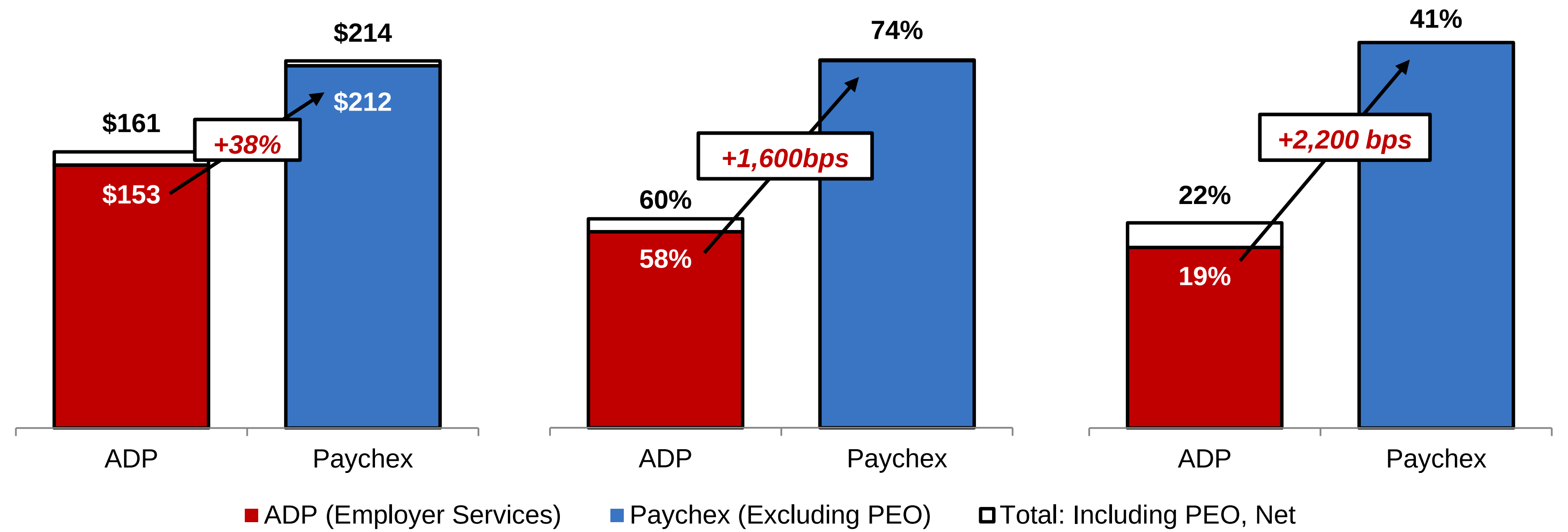
Achieving competitor-level gross margins would drive ~$1.35bn of profit uplift or ~1,600 of margin improvement in Employer Services[3]

(1) ADP's gross margins adjusted to exclude float income (-$397m) but add-back Systems Development and Programming Costs (+$628m) and Depreciation and Amortization (+$226m) to be more consistent with competitor gross margin presentation. Competitor gross margins have similarly been adjusted (as relevant) for comparability purposes. Gross profit margins presented as a percentage of adjusted net operational revenue, excluding float income and reporting the PEO net of pass-through costs.
(2) Excludes services and implementation revenue / associated gross profit.
(3) Assumes ES achieved competitor-level gross margins of 74% on $8.5bn of Net Operational Revenue.

ADP vs. Paychex

Paychex is a mature ADP competitor with a similar growth profile; yet, ADP's Employer Services trails Paychex significantly across all key metrics: revenue productivity, gross margin, and operational profit margin

Net Op. Revenue per Employee[1] ($'000)	Adjusted Gross Profit Margin[1,2] (%)	Adjusted Operational EBIT Margin[1,3] (%)



(1) For both ADP and Paychex analysis excludes Client Funds and PEO pass-through costs. Paychex PEO pass-through estimated at $165m on ~$340m of gross PEO revenue. Assumes ADP has 2,500 dedicated PEO employees. Assumes Paychex has 650 dedicated PEO employees, 75% gross profit margins and 40% net operational profit margin.
(2) ADP's gross margins adjusted to exclude float income (-$397m) but add-back Systems Development and Programming Costs (+$628m) and Depreciation and Amortization (+$226m) to be more consistent with competitor gross margin presentation. Gross profit margins presented as a percentage of adjusted net operational revenue, excluding float income and reporting the PEO net of pass-through costs. Assumes ADP's PEO has a 72% net gross profit margin (excluding pass-throughs).
(3) Excludes float income and pass-through costs. Note ADP's Employer Services margin of 19%; ADP's PEO has a 48% net operational margin.

Why are Paychex's Margins Higher than ADP's?

Jim Cramer: *"You know, Marty, I was looking at your margins versus the margins of automatic data [ADP], which does large [clients], and I noticed your margins are appreciably better…"*

Paychex CEO, Marty Mucci: *"…[Y]ou know, the margins are strong because we keep expense out of the business – we've never really let it in – few layers of management, and we really make sure that our process is very tight as far as how fast we can on-board clients and then service them… We started seven or eight years ago realizing that we had to invest a lot more in technology. We reduced our costs on the operations side and invested all those dollars in technology…*

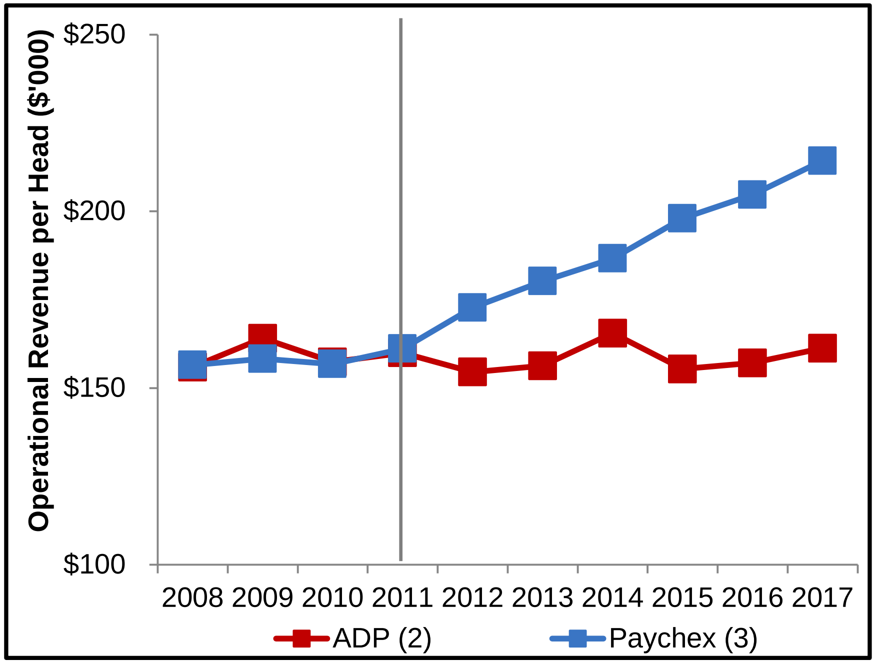
The vast majority of the opportunity to expand ADP's margins will come from basic operational efficiency initiatives and leveraging technology to implement and service ADP's clients in a more efficient manner

Note: Marty Mucci, Paychex CEO, on Jim Cramer's Mad Money. October 3, 2017.

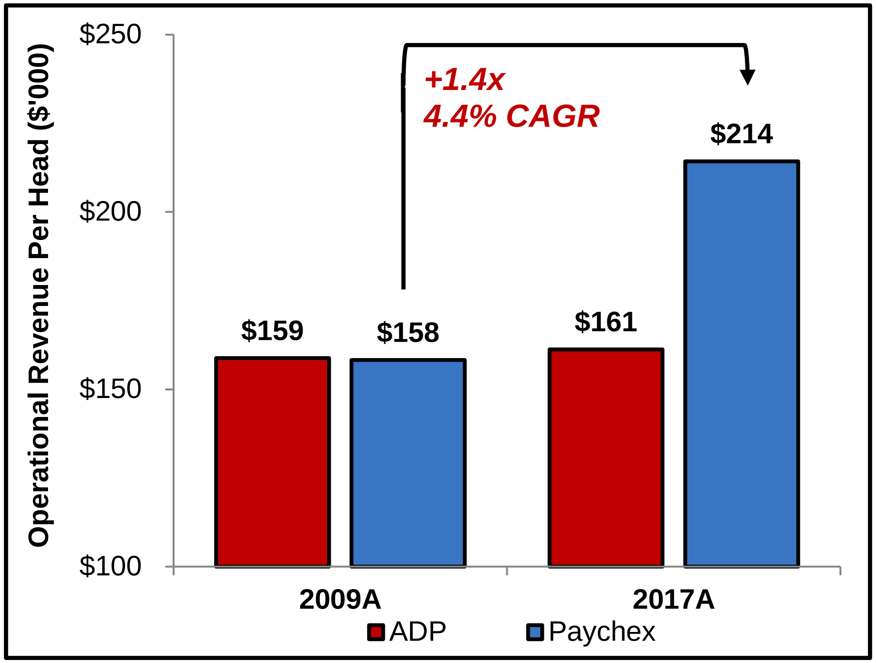
ADP vs. Paychex: the Gap is Widening

While Paychex historically generated similar Net Operational Revenue per Employee to ADP (from 2008-2011), it has dramatically outperformed ADP since 2011

Net Operational Revenue per Employee(1) ($'000)



Net Operational Revenue Benchmarking Per Employee(3,4) ($'000)



Note: Paychex has a fiscal year end May 31 as compared to ADP's fiscal year end of June 30. Source: SEC public financials and/or financial press releases.

(1) For both ADP and Paychex analysis excludes Client Funds and PEO pass-through costs.

(2) 2008-2014 includes Dealer Services given lack of consistent disclosure. 2015 through 2017 excludes Dealer Services. Note that dealer services had revenue per employee of ~$220k at the time of the spinoff from ADP.

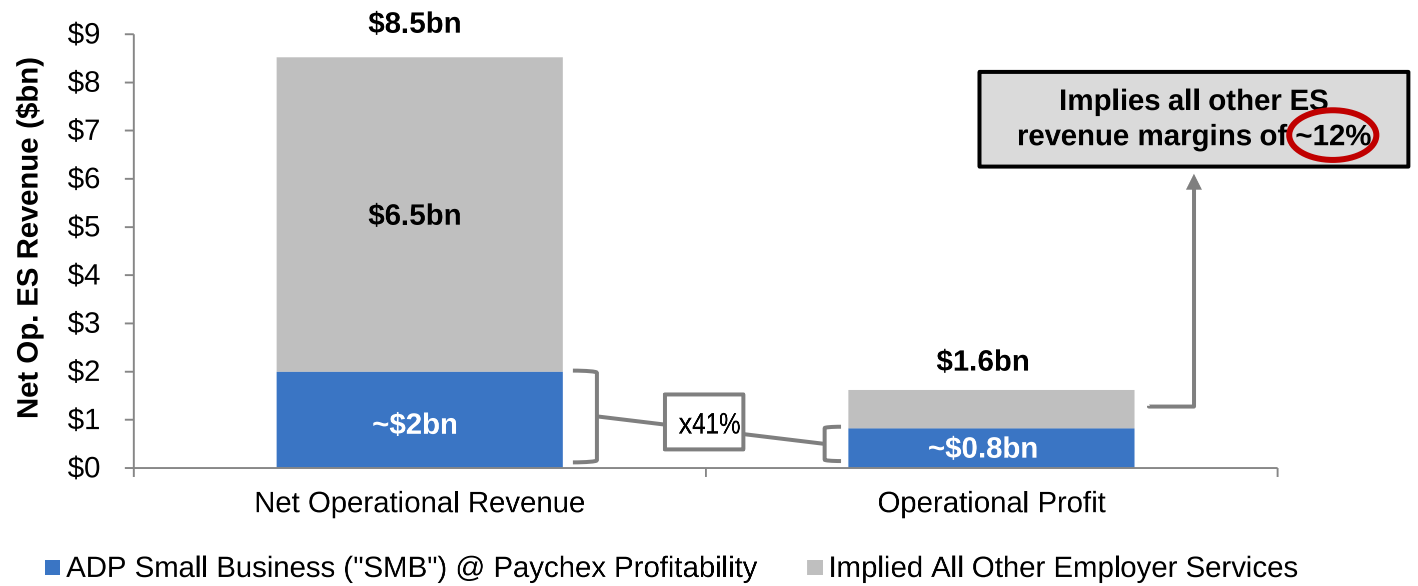
(3) PEO estimated at ~11% of total revenue based on management commentary noting PEO comprises ¼ of HRS revenue (Q2'2017 earnings call), growing double-digits. Pass-through costs estimated at $165m. Adjusted results for Paychex change in accounting with respect to PEO pass-through costs in FY'2014. Assumed PEO has achieved a 15% CAGR since 2011, consistent with management commentary.

(4) ADP excludes Dealer Services in both periods. 2009 employee headcount excluding Dealer Services based on disclosure from ADP's March 2009 Analyst Day presentation.

A Comparison to Paychex is Revealing

- **ADP directly competes with Paychex mostly in Small Business**
- **If ADP's ~$2bn Small Business segment had Paychex's ~41% margin,[1] it would achieve ~$820mm of operating profit from this sub-segment alone. This would imply the rest of the Employer Services business <u>earns only ~12% operating margins</u> on $6.5bn of revenue**

Implied Employer Services Margin Ex-SMB



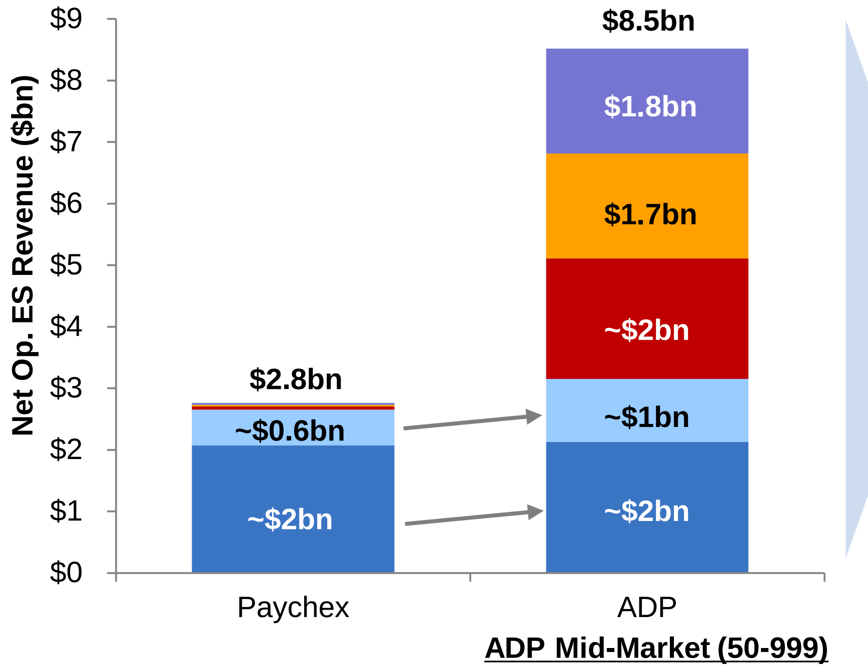
Note: Excludes float income. Paychex margins exclude pass-through costs. ADP's ~19% ES margin allocates corporate overhead as a percent of net operational revenue.

But We Are Being Too Conservative… Paychex is Really Comparable to ~$3bn of ADP's ES Business

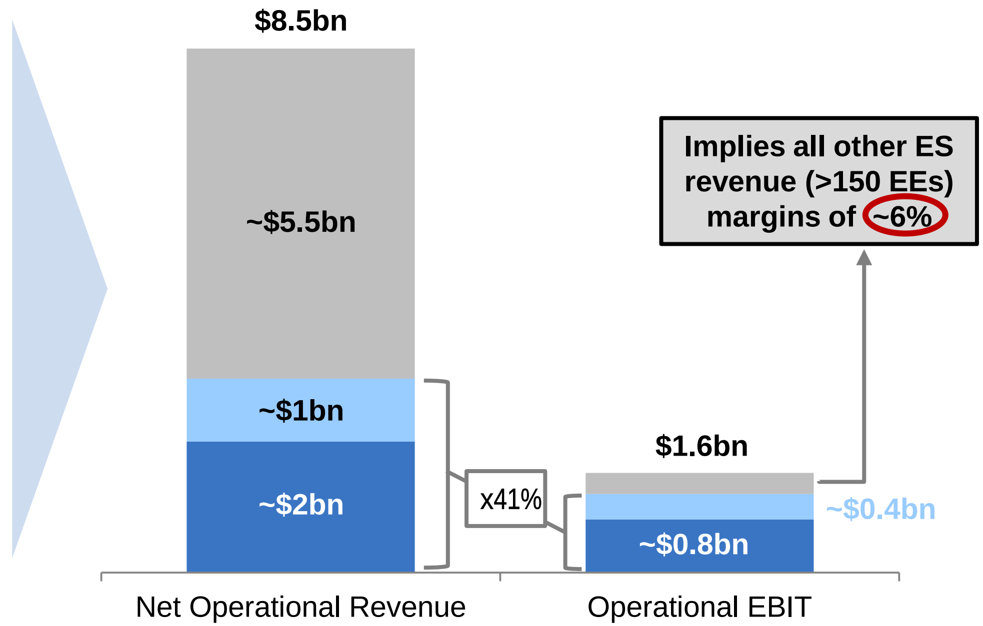
> *"Our client base in the mid-market is about a little bit over 6% of our total clients. And you can assume that, from a revenue standpoint, that's three to four times what our client base is [18-24%], if that helps."*
>
> \- Efrain Rivera, Paychex CFO (Dec 21, 2016)

- Paychex has ~35k clients and ~$0.7bn of revenue in its mid-market business (avg. 75-100 EEs),(1) comparable to the smaller client sub-vertical of ADP's mid-market (~$1bn of ADP revenue)

ADP vs. Paychex: Revenue Composition by Underlying Client Size



Implied ADP Employer Services Margin Excl. Paychex Comparable Revenue



■ SMB (1-49) ■ Small-Mid Market (50-149) ■ Large-Mid Market (150-999) ■ Enterprise (1,000+) ■ International ■ All Other

(1) "EEs" is an ADP / HCM industry term which denotes the number of underlying employees per client.

The Mid-market and Enterprise Segment are Also Structurally High-Margin

- Although pricing power declines with client size, larger customers cost less to serve and have much higher retention (driving lower selling expense)
- **All of ADP's competitors in the mid-market and enterprise have gross profit margins of mid-70s% to mid-80s% on recurring revenue**
- Many of ADP's competitors in the mid-market and enterprise are sub-scale and rapidly growing, which reduces their stated margins
  - Growth drives higher upfront expenses for commissions and implementation

    > *"I think a good way for you to think about it is $1 of [new] revenue costs us about $1 of sales [and] implementation expense." – Gary Butler, ADP Former CEO (February 9, 2009)*

  - Scale allows for leveraging of fixed costs, such as corporate G&A, service, infrastructure & technology, and R&D
- **ADP's competitors, such as Ultimate Software, expect to achieve 35-40% margins as they scale and their growth slows**

    > *"…If I go out to the kind of the ending, when growth really slows, I think you would look at a company like Paychex, and you could see kind of the margin in that 35% to 40% range."*
    >
    > *– Mitch Dauerman, Ultimate Software, CFO (March 1, 2017)*

ADP's mid-market and enterprise businesses, with their significant scale and more mature, slower growth profile, should be structurally high-margin

ADP has an Enormous Margin Opportunity in ES

Employer Services, currently earning a ~19% operating margin, should achieve 35% or greater margins

- **By P&L Item:**
  - ADP's ES gross margins trail competitors by ~1,600bps (~58% vs. ~74%)
  - Additional opportunities exist below gross profit: corporate restructuring, reduced spend on legacy technology, and sales force productivity

- **By Business Mix:**
  - ADP's various ES sub-segments are all structurally high-margin(1)
    - Estimated margins by segment – SMB: ~41%, Mid-Market: ~35% to 45%, Enterprise: ~25% to 30%, and International: ~25% to 30%
    - In our analysis, we adjust for modest business-mix differences between ADP and competitors, including ADP's small HR outsourcing business

ADP should benefit from its significantly larger scale, which we have not considered in our analysis of the margin opportunity

(1) See pages 62 – 77 of *ADP: The Time Is Now* (August 17, 2017) available at www.adpascending.com.

Wall Street Analysts See the Opportunity

"[W]*e agree that there are significant margin expansion opportunities and expect the activist involvement to potentially help drive greater focus on improving the Employer Services margins going forward.*"

– Bryan Keane, Deutsche Bank (Sep 5, 2017)

"*We believe there is likely a valid case for accelerated margin expansion at ADP, and there is merit in Pershing challenging the rate and pace at which ADP is driving efficiency in service delivery and addressing its legacy platforms. There is a 10-15 [percentage point] delta between ADP and competitor margins which cannot be easily explained by structural differences, ADP's business is more labor-intensive than peers, and examples exist (e.g., CDK) of successful margin expansion after spinning out of ADP.*"

– Lisa Ellis, Bernstein (Aug 31, 2017)

"*We agreed with many of the points highlighted by Pershing… There is an opportunity to further improve margins. ADP's revenue [per] employee lags competitors reflecting multiple platforms and redundant service centers.*"

– Mark Marcon, Baird (Aug 18, 2017)

"*[Pershing Square] did break out a number of analytically sound points that can add up to a sizeable benefit… ADP has been managed for risk-averse multi-year gain, it is appropriate to ask these tough questions and expect an answer on the likelihood of setting an aggressive target and trying to deliver on it.*"

– Ashwin Shirvaikar, Citi (Aug 17, 2017)

ADP's current share price already includes some expectation that our activism will be successful; ADP's unaffected share price is ~$97[(1)]

Note: Permission to use quotations throughout this presentation neither sought nor obtained.

(1) Pershing Square assumes the unaffected stock price is $97, which is ADP's closing price as of May 9, 2017, prior to Pershing Square's accumulation of ADP shares and rumors of our investment in ADP. The unaffected price of $97 is equivalent to the average of analyst estimates: See Ashwin Shirvaikar, Citi (Aug 16, 2017); See David Grossman, Stifel (Sep 12, 2017); See Lisa Ellis, Bernstein (Sep 19, 2017). See also page 36 of *Pershing Square's Response To ADP's September 12th Investor Presentation* (September 25, 2017) available at www.adpascending.com.

ADP's Management Admits that its Margins Trail Competitors

<u>Carlos Rodriguez, President & CEO</u>

"…When you look at ADP's overall pretax operating margin, it's pretty darn good, but when I stack it up against other companies that are in similar industries to us, I think there is plenty of room there. So we have one or two competitors that have higher operating margins than we do [e.g. Paychex] and that would be a good example of how much space, how much room there is.

"So we believe there is room inherently, but I think there are data points out there that would lead you to believe that a 20% pretax operating margin is nice, particularly for some other industries, but in our world it leaves, I think, plenty of room for improvement over the years."

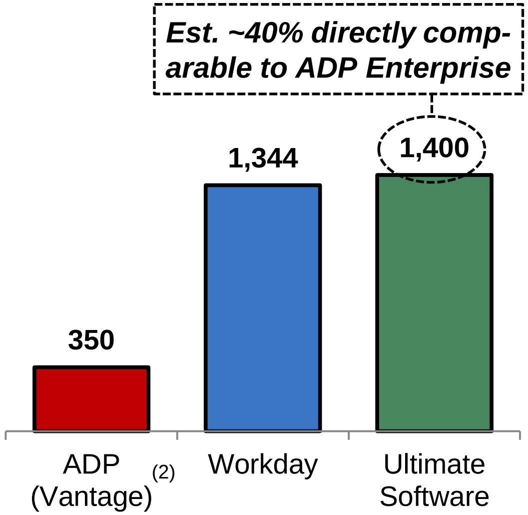
ADP Sanford Bernstein Conference – May 29, 2013

Management should be held accountable to deliver margin expansion which, based on the company's own statements, is clearly achievable

ADP is Falling Behind Competitors, Particularly in Enterprise HCM

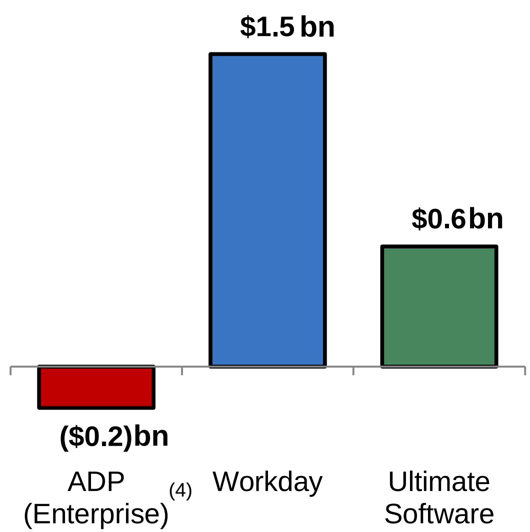
ADP's board and management have not developed a best-in-class offering for the Enterprise market, a failure which has allowed competitors to capture meaningful market share and value at the expense of ADP

Change in HCM Client Count (Since Launch of Vantage)(1)

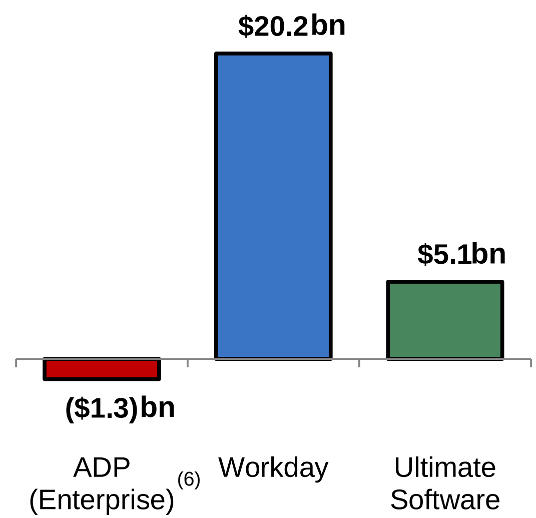


Despite ADP's installed base (circa '11) of ~4k, a large client base to sell to

Change in Revenue (FY 2009 – FY 2017) ($bn)(3)



Enterprise Value Creation (FY 2009 – FY 2017) ($bn)(5)

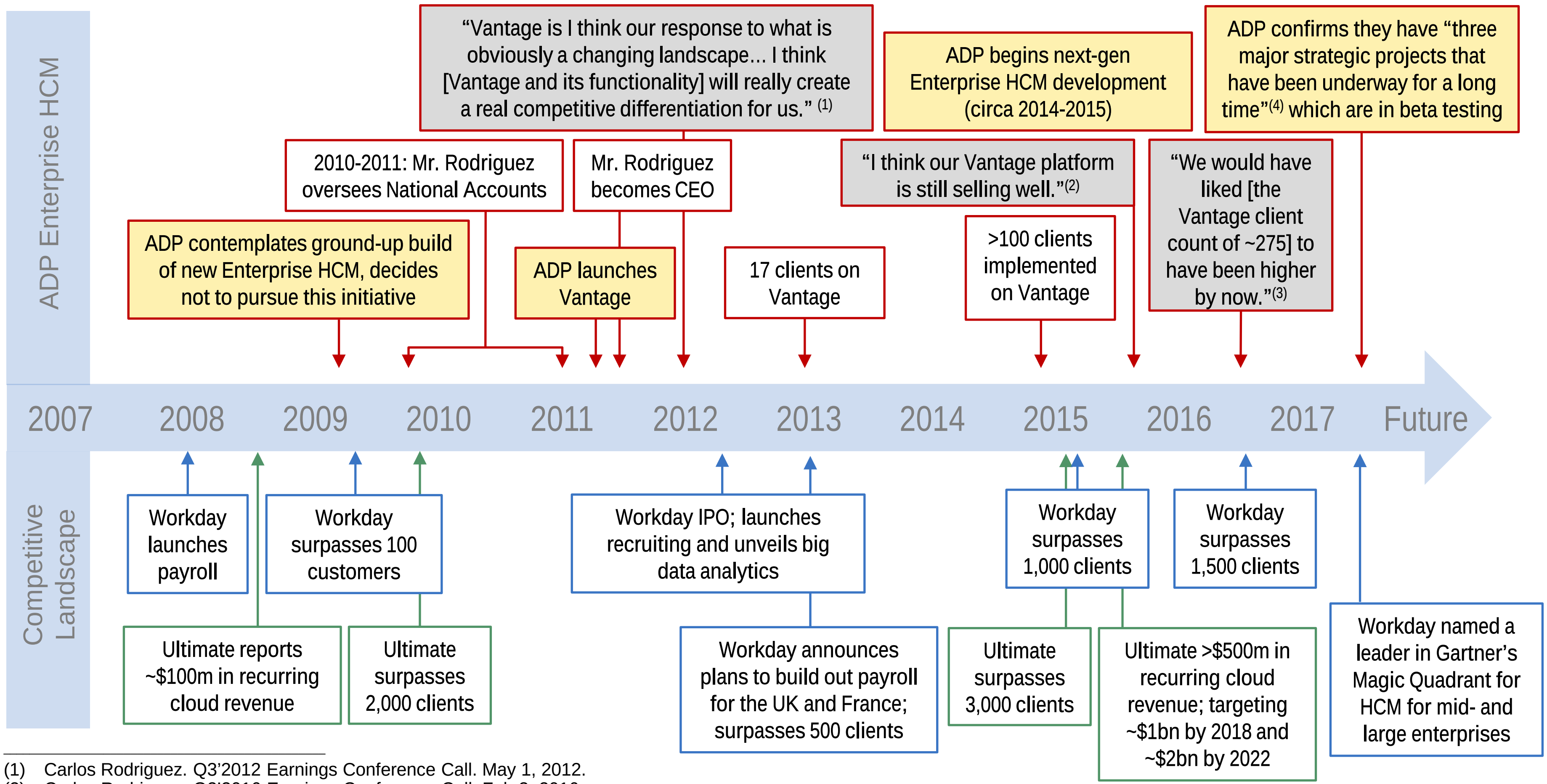


"In the case of an ADP…So I consider them a more coopetition. They're not really trying to be best to beat in HR…When I think about people that we compete against for cloud HR, performance, learning, recruiting… I'd say probably more Ultimate. That's where we want to dominate." – Aneel Bhusri, Workday CEO, June 2, 2016

(1) Presented as the change in client count from FY 2011 through FY 2017 (consistent with the launch of Vantage). Note client counts may not be directly comparable.
(2) Current Vantage count from 5/3/2017 commentary when ADP described having 350 live Vantage clients.
(3) Based on the change in revenue from FY 2009 – FY 2017. Workday 2009 revenue of $50m based on public news articles (Forbes. *Duffield Scores Biggest Round*. 4/30/2009).
(4) Fiscal year 2009 based on ADP's 2009 Analyst Day Investor Presentation. FY 2017 estimated at 20% of headline Employer Services revenue for comparability.
(5) Workday 2009 valuation based on its Series E private financing round, per Fortune. http://fortune.com/2012/10/15/the-vc-firm-that-turned-down-workday/
(6) Assumes 40% flow through from revenue to EBIT, a 33% tax rate and a 25x unlevered earnings multiple.

A Timeline of ADP Enterprise HCM

ADP chose not to develop a ground-up Enterprise HCM product in the 2009/10 timeframe out of concern for its impact on near-term earnings. Instead, ADP cobbled together its Vantage offering, which was largely a "wrapper" around legacy products. The results have been poor with lost share and value to Workday, Ultimate, and other competitors

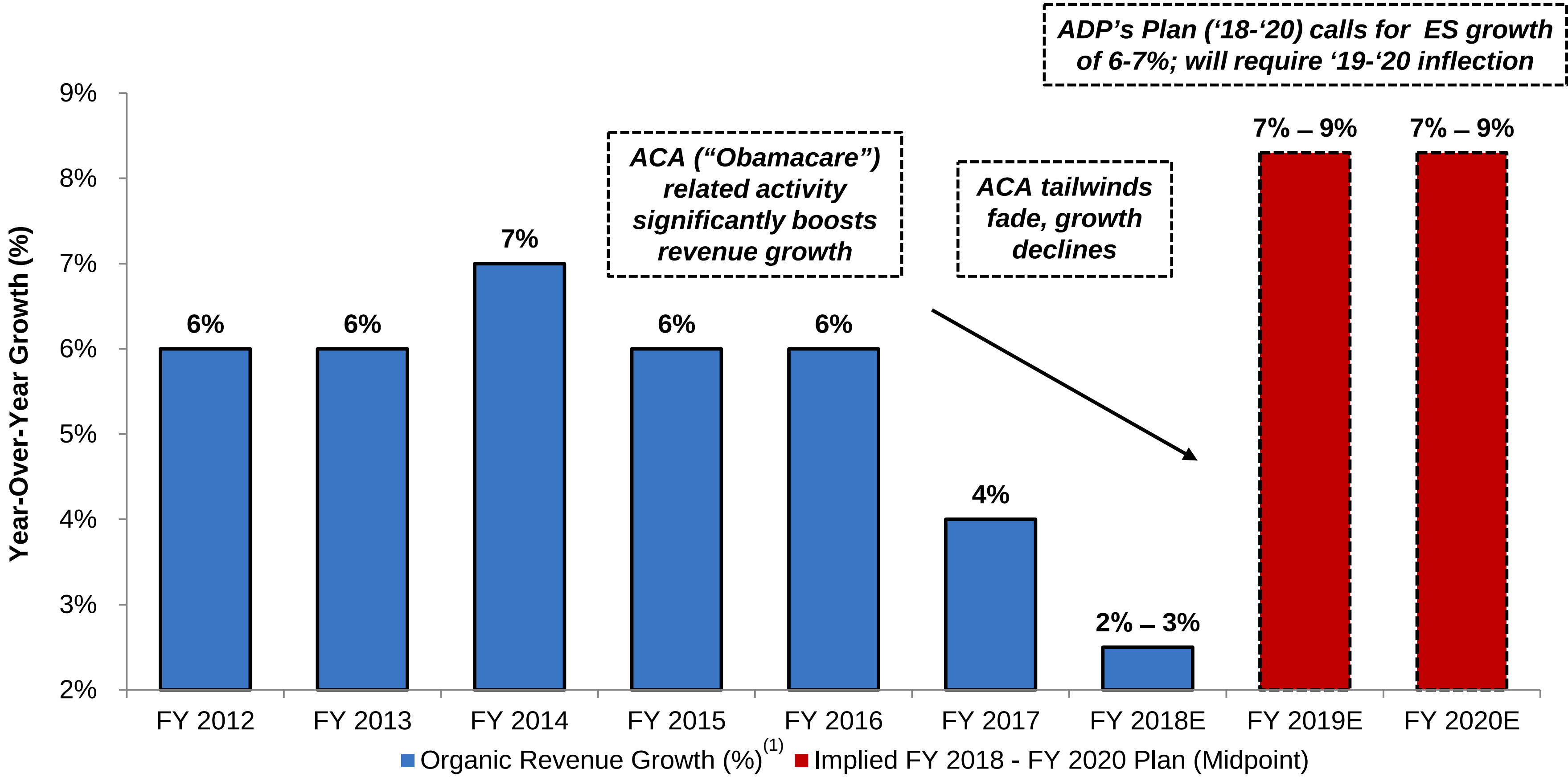


(1) Carlos Rodriguez. Q3'2012 Earnings Conference Call. May 1, 2012.
(2) Carlos Rodriguez. Q2'2016 Earnings Conference Call. Feb 3, 2016.
(3) Carlos Rodriguez. Q1'2017 Earnings Conference Call. Nov 2, 2016.
(4) Lisa Ellis. Bernstein. *ADP vs. Ackman - Where do things stand, and what to do with the stock?* Sep 19, 2017.

Growth in ADP's Employer Services is Decelerating

Growth in Employer Services has decelerated in recent years and will require an unexplained inflection to meet ADP's September 12th plan

Employer Services Revenue Growth (%)



Source: ADP SEC financials, financial press releases.

(1) FY 2012 through FY 2016 based on ADP management's "Constant Dollar Internal Revenue Growth" metric. FY 2017 based on ADP management's "Organic Revenue Growth."

ADP Can Grow More Quickly

With best-in-class technology capabilities, Employer Services could increase growth from mid-single-digits% to high-single-digits%

- **Employer Services has achieved a ~5% constant-currency organic revenue CAGR since 2009[(1)], *despite* Enterprise revenues *declining* ~10%[(2)] over that time frame (negative ~1% CAGR)**
  - Enterprise revenue has contracted from ~30% of ES revenue in FY 2009[(3)] to ~20% of ES revenue today[(4)] as the balance of the business has grown
- **If Enterprise had a best-in-class product and could grow in-line with the broader ES business, growth would accelerate from ~5% to ~7%**
  - A modest reduction in mid-market churn, including from its completed migrations to Workforce Now, can drive an additional ~50bps of growth per annum[(5)]
- **ADP's PEO business is underpenetrated (at 5% to 7% of ADP's addressable client base vs. 14% to 16% for the broader economy, see appendix page 14) with significant growth potential**
- **Additional growth drivers include: (1) big-data, (2) gig economy or other related HCM offerings, and (3) consumer-focused product extensions & adjacencies**

(1) Net operational revenues, excludes float allocations. Adjusts for currency and divestitures. Consistent with ADP's prior presentation of "Internal Revenue Growth."
(2) Based on ADP's 2009 Analyst Day disclosure as contrasted against recent comments (Q3'2017 Earnings Call).
(3) ADP 2009 Investor Day. Page 5.
(4) Q3'2017 ADP Earnings Call. "And so this business -- our upmarket business is a little less than 20% of our overall revenues."
(5) Assumes a 15% reduction in Mid-Market churn (estimated at ~9%) on ~$3.2bn in revenue.

Why is ADP Underperforming its Potential?

ADP has enjoyed a decades-long, leading position in Payroll. The market has evolved to “Beyond Payroll” and integrated HCM

- Historically, ADP chose to buy rather than build its HCM “Beyond Payroll” capabilities – this requires integration of disparate products and operations of acquired companies
- ADP has migrated customers representing the vast majority of revenue and potential profit from disparate legacy platforms to its cloud-based, integrated HCM platforms but has not yet delivered on the commensurate efficiencies

ADP has little focus on, and lacks world-class talent in, operations and continuous improvement, leading to broad but fixable corporate inefficiency

- Excessive layers of management and bureaucracy
- Sub-optimal and siloed business unit structure
- Sprawling real estate footprint at the corporate and service center level
- Inefficient and bloated support organization; products not designed for self-sufficiency
- Siloed and manual implementation teams
- Back-end technology deficiencies; excessive spend on legacy technology infrastructure
- Bloated and inefficient technology organization; despite spending levels which are multiples of peers, ADP is not producing best-in-class products (notably in enterprise), driving growth which is below potential and decelerating

Root Causes of ADP's Underperformance

- Insular executive management team (see appendix page 51)
  - Amongst senior leadership, <u>no</u> operating executive has worked at another company in the last decade and their average tenure at ADP is ~20 years
  - Lacking in critical capabilities and no outside talent from best-in-class companies
- ADP's insular and bureaucratic corporate culture hampers its ability to attract talent
  - Many of ADP's direct competitors rank among the best places to work
  - As ranked by employees, ADP is last or second-to-last amongst its competitors
- Complacency with the status quo
  - An attractive industry and favorable backdrop has convinced ADP its results are satisfactory, despite the fact that it significantly trails its competitors and its potential
  - In response to our engagement, the company has put forward a plan which projects no improvement in its annual margin improvement targets
- Focus on the short-term and "hitting the numbers," including a desire to only deliver marginal, incremental "progress" over time regardless of ADP's potential and the need to stay at the forefront of the industry (a similar approach taken at CDK and Solera)

ADP's Management Compensation Is Not Aligned With Its Potential

Incentives reward only incremental (vs. step-function) improvements in operating performance

- Management compensation is not presently aligned with ADP's potential:
  - Executive compensation is set at a lower bar than ADP's long-term plan and annual guidance
  - Management has missed its own long-term targets on revenue, margins, and operating income growth
  - Despite operational underperformance, non-operating items (tax, share buybacks) are aiding the achievement of annual compensation targets
- Only a small minority (~20%) of ADP's Business Unit Presidents compensation appears to be tied to their actual business unit performance
- New business bookings does not appear to appropriately reflect the competitive environment or account for salesforce productivity
- Management R&D targets promote the relative mix of "innovative" R&D without actually incentivizing management to reduce legacy spend

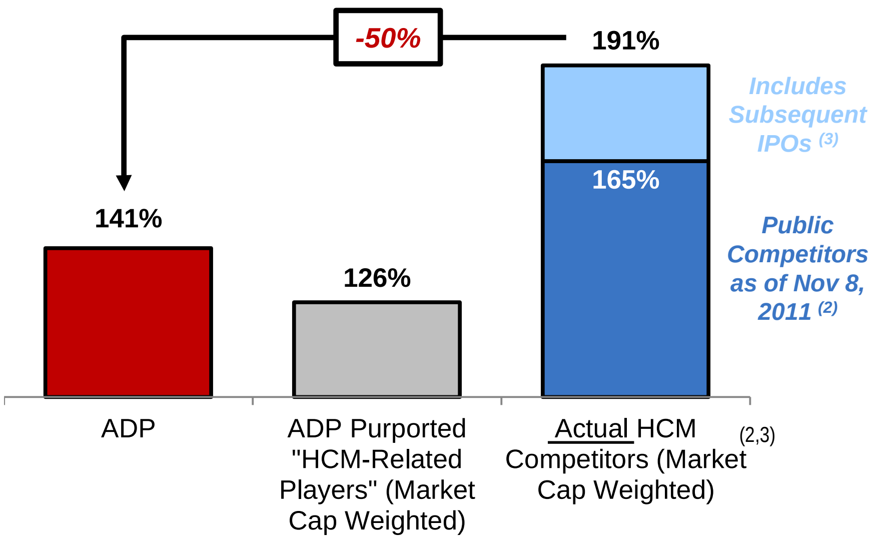
ADP’s Response: The Status Quo

ADP Says to Shareholders That It Is Outperforming – But This is Not True

ADP's actual Total Shareholder Return ("TSR") of 141% trails its actual HCM competitors' TSR

ADP's *Purported* TSR	ADP's Actual TSR Since Mr. Rodriguez's Appointment as CEO

- ADP claims a 203% TSR over CEO Carlos Rodriguez's tenure and claims to be outperforming its "HCM-related" peers
- ADP's purported TSR is misleading:[1]
  - Uses the day after the CEO starts
  - Does not use the unaffected price; instead includes the increase in the stock price from Pershing Square's investment
  - Inappropriately includes CDK outperformance (CDK underperformed under ADP and was fixed by post spin-off board and management)
  - Uses a distorted "peer" group of largely unrelated companies to assert its "outperformance"



ADP participates in an attractive industry and thus *should* have positive long-term performance, and *should* outperform the broader market (i.e., S&P 500)

The critical question is not whether ADP has outperformed the market, but rather – how has ADP performed relative to peers?

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

(1) See pages 30-43 of *Pershing Square's Response To ADP's September 12th Investor Presentation* (September 25, 2017) available at www.adpascending.com.

(2) "Actual HCM Competitors" comprised of a market-cap weighted index of Paychex, Ultimate Software, Insperity, and Cornerstone OnDemand.

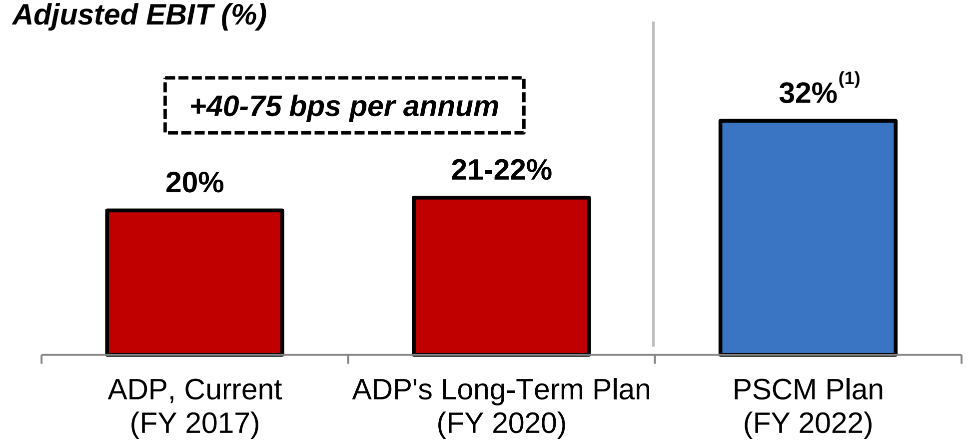
(3) Includes the TSR of competitors which went public subsequent to the TSR measurement date. The starting date for the respective competitors is the later of November 8, 2011 / May 9, 2012 (respectively) *or* the competitors' IPO date/price (for Workday, TriNet, Paycom and Paylocity).

Instead of Embracing the Opportunity, ADP Management Has Affirmed the Status Quo

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

- **Is an affirmation of the status quo**
- **Delivers no meaningful improvement despite the fact that ADP significantly trails competitors and its potential**
- **Picks and chooses inconsistent data points to generate misleading and intellectually dishonest conclusions**

ADP's "Transformation Plan"



*"[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.**"* [(2)]

- Lisa Ellis, Bernstein (Sep 13, 2017)

ADP's board and management have effectively said they can't do any better

(1) Presented on an as-reported basis for comparability purposes. Includes both Client Funds income and PEO pass-through revenues.
(2) Permission to use quotations throughout this presentation neither sought nor obtained. Emphasis added.

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

Despite significantly trailing competitors in efficiency, management's revised plan calls for just ~100-200bps of margin expansion over 3 years, slightly below to in-line with ADP's long-term guidance (+50-75bps per yr.)

- ADP claims to generate ~500bps of operational margin expansion from FY17 to FY20, but that's not true – *net operational margin expansion is just ~300bps* [(1)]
  - ~30% of this total net operational margin improvement is driven by PEO mix-shift, NOT underlying Employer Services margin expansion
  - Most of the projected margin expansion is driven by operating leverage and flow-through, incremental margins on increasing revenues
- **Projected Employer Services margins are increasing just ~200bps**
  - This increase is almost entirely driven by revenue growth, with projected flow-through, incremental margins of ~34% largely consistent with historical results
  - Minimal impact projected or implied from ongoing initiatives (platform migrations, Service Alignment Initiative, various technology roll-outs, etc.)
- **Targeted margin expansion is extremely limited and entirely inconsistent with management's own qualitative assessment of their various initiatives underway**

(1) Some fraction of ADP's termed "Operating Leverage" driving operational margin expansion appears to directly net out against the PEO "pass-through drag" bucket in management's margin bridge. Calculating Net Operational Margins, consistent with management's own representation of its historical margin gains, yields projected margin expansion of ~300bps.

ADP Has Failed to Address the Following Questions:

1. What are ADP's margins by sub-segment?
2. Is ADP earning comparable margins to Paychex in the Small-Business and Small Mid-Market portions of its business?
3. Why is ADP's absolute labor productivity so much lower than competitors?
4. Why do ADP's gross margins trail competitors so significantly?
5. Is ADP's sprawling corporate footprint (e.g. 6 corporate headquarters) appropriate?
6. Does ADP's business structure (aligned around underlying client size) make sense for ADP's clients? What is the cost of this decision (in the form of siloed and duplicative service, implementation, sales and other functions)?
7. What is the current roadmap for Enterprise migrations? What is the timeline and what are the milestones shareholders should use to evaluate management success?
8. Why doesn't ADP have a best-in-class product in enterprise? When will it?
9. Why were Solera and CDK able to effectively double margins within ~4-5 years of spinning out from ADP but ADP never captured this opportunity?

ADP's failure to address or acknowledge many of our arguments is telling

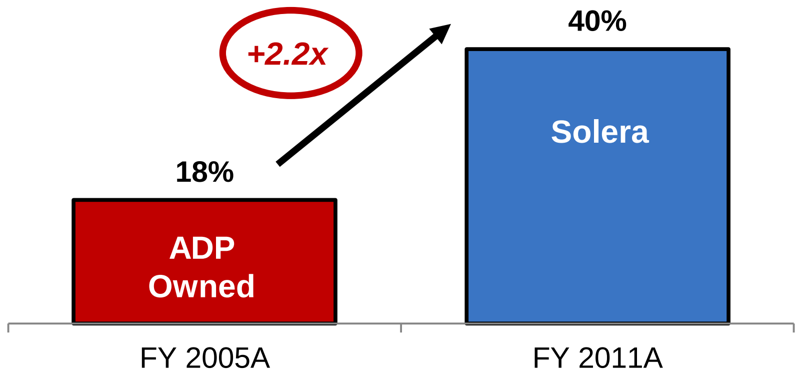
- ADP’s response fails to address the substance of our arguments
- ADP is fundamentally underperforming its potential and has an enormous margin improvement opportunity
- ADP’s board and management either (i) don’t recognize the magnitude of the opportunity, or (ii) are unwilling or unable to take the steps necessary to realize ADP’s full potential

ADP’s Underperformance Can Be Fixed Without Increasing Risk

ADP's Prior Dispositions Demonstrate The Opportunity For Improvement

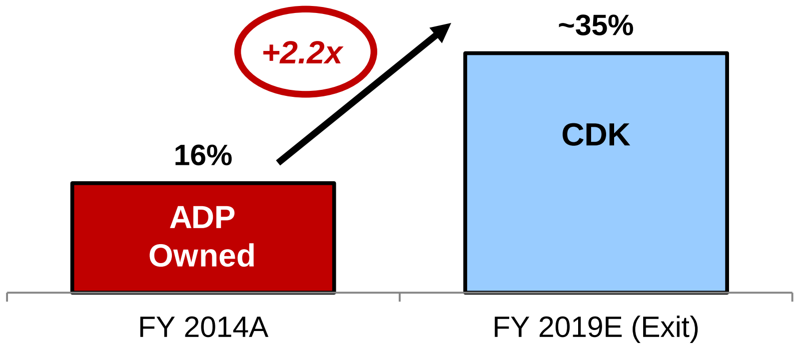
Solera ("Claims Services")

Adjusted EBIT Margins (%)



CDK ("Dealer Services")

Adjusted EBIT Margins (%)



Solera Improvement, per Management

"[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."

Tony Aquila, Solera CEO, President, Chairman
Q4 2007 Earnings Call, Sept. 6, 2007

CDK Improvement, per Management

"What we have done with the Board is we said, listen, now is a perfect time for us; we are out [from ADP] 120 days. Let's look at all of our margins and see if there are areas we could get a lot more effective... Looking at our facility footprints. Are we optimized around facilities? And if we are not, what should we do... How effective are we relative to service or implementation and are we leveraging all the technologies available?"

Steven Anenen, Former CDK CEO
Q2 2015 Earnings Call, Feb. 5, 2015

ADP has recently sold yet another business (CHSA / COBRA to WageWorks) which is also poised to *double* margins (see appendix page 76)

These dispositions highlight ADP's inadequate business oversight and governance

Source: ADP, Solera and CDK Global financials. Adjusted EBIT as presented includes certain non-GAAP adjustments consistent with the company's individual presentation format.

CDK's Board Took a Very Shareholder-Friendly Approach, Which Allowed CDK to Fulfill its Potential

CDK's board was totally refreshed as a result of the spinoff, and included the addition of two directors proposed by an activist shareholder. The new CDK board:

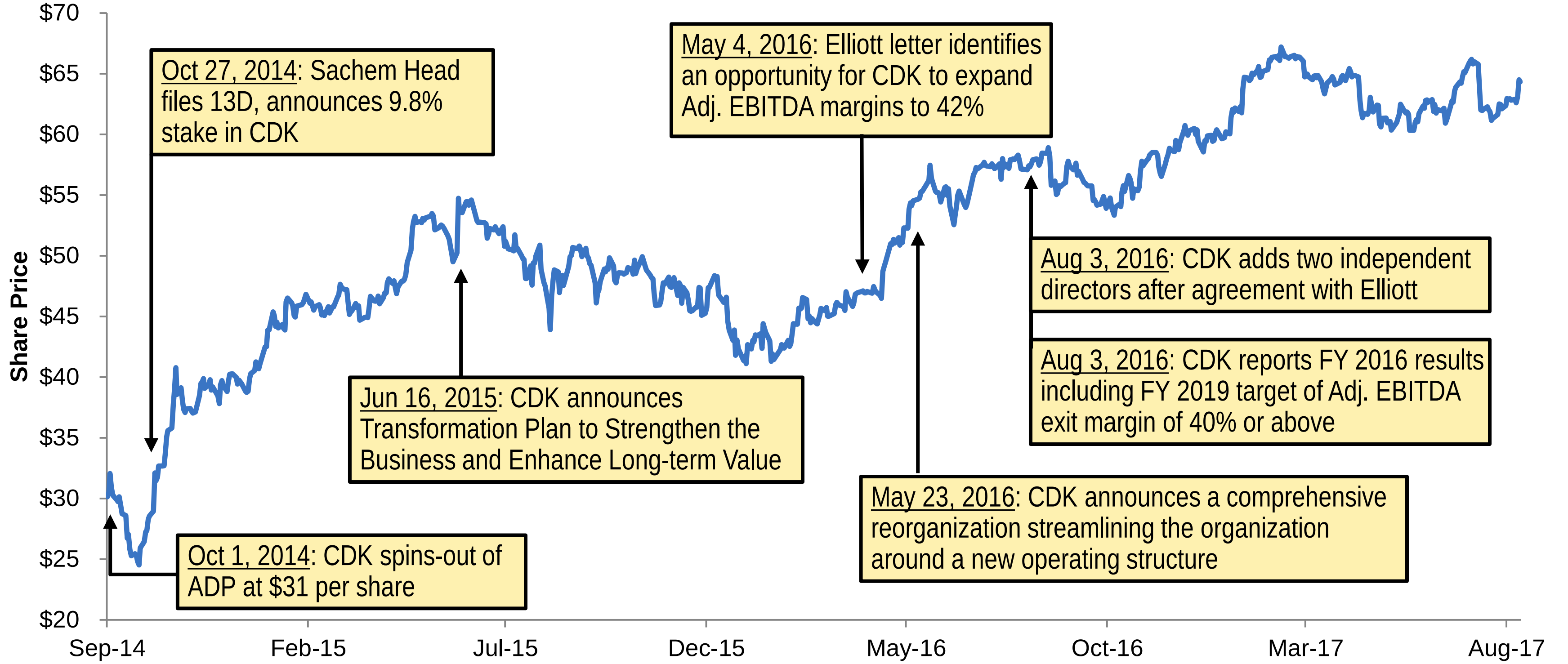
- Embraced the views of shareholders, which were explored with an open mind
- Hired consultants to do an independent and thorough review of the opportunity to improve performance
- Publicly announced a transformation plan with specific targets
- Tied management compensation to the company's plan and potential
- Oversaw the same management team which ran the business under ADP in its development of the transformation plan and its execution

CDK's business performance and stock price have benefitted greatly from its board's open-minded, shareholder-friendly approach. CDK has delivered a total shareholder return of 108% in the three years since it was spun off by ADP (as compared to ADP's 41% TSR over the same period)

CDK Embraced the Views of Shareholders and Delivered on its Potential

CDK embraced the views of shareholders, hired a consultant to evaluate its potential, and publicly announced a transformation plan. CDK's financial results and share price performance have been consistently positive

CDK: Dividend-Adjusted Share Price Performance



	2015A	2016A	2017A	2018E
Adj. Rev Growth (excl F/X):	8%	7%	6%	~4-5%
Adj. EBITA Margins:	18%	22%	26%	~30%

Source: CapIQ, CDK Global SEC financials and public press releases.

CDK Global:
What Was CDK's Transformation Plan?

CDK's Transformation Plan is comprised of 200 discrete projects with individual project leaders

	Under ADP's Ownership / Post-Spin	CDK Transformation Plan
Segments	"Three separate entities" (1)	Simplified structure (5)
Product Sprawl	1,500 software version; 74 products (2)	<400 versions and declining (6)
R&D	"Seven R&D organizations reporting to six different places" (3)	"One global R&D organization" (7)
Sales	"Five sales organizations" (3)	"One sales organization" (7)
Billing Systems	12 different "old and clunky" systems (3)	"One system" (8)
Implementations	Overly cumbersome and lengthy product implementation process (4)	"Reducing average implementation times by approximately 30%" (9)
Complexity	Excessive "legacy complexity" (3)	Reducing complexity
Duplication	"Multiple organizations doing the same thing" (3)	Reducing duplication
Margins (%)	**"We're committed to an avg. 40-50 BPS of margin improvement over the next five years" (10)**	**~16% to ~35% over 5 years**

(1) CDK 8K (May 23, 2016).
(2) Q3'2016 Earnings Call (May 5, 2016).
(3) CDK at JPMorgan TMT Conference (May 24, 2016).
(4) CDK Global Investor Day (June 16, 2015).
(5) CDK 8K (May 23, 2016).
(6) CDK Fiscal 2017 Results (August 1, 2017).
(7) CDK at Robert W Baird Global, Consumer, Technology & Services Conference (June 9, 2016).
(8) Q2'2017 Earnings Call (February 2, 2017).
(9) Q1'2016 Earnings Call (November 3, 2015).
(10) ADP 2009 Analyst Day Presentation (March 25, 2009).

CDK's Transformation Provides a Roadmap for ADP

The transformation of CDK included many cultural and operational efficiency initiatives that can be applied to ADP

- Restructuring the corporate organization to reduce business complexity, improve efficiency, and build a more client-centric structure
- Reducing management bureaucracy and bloat through fewer layers and larger spans of control
- Consolidating its sprawling real estate footprint
- Restructuring the service organization to provide superior client product support
- Investing to improve implementations through enhanced technology and automation tools
- Accelerating necessary product investments
- Assessing the current product portfolio and prudently managing platform migrations

The similarities between the pre-transformation CDK and ADP are striking, including their organizational structures, business complexity and inefficiency arising from numerous acquisitions, corporate and management bloat, and cultures which lack accountability for operational efficiency and continuous improvement

By adopting a CDK-like approach, ADP can become a more competitive and efficient company for the benefit of all stakeholders. This will drive increased margins, earnings, and long-term growth for ADP

Transformation Plan for ADP

Commit to a transformation plan to achieve ADP's potential

- **Fix corporate structure, Business Unit silos, matrix structure, corporate inefficiency (real estate sprawl, bureaucracy, spans-and-layers)**
- **Deliver necessary product and back-end improvements**
  - Best-in-class enterprise HCM product
  - Product automation and self-sufficiency to solve most "Tier 1" issues
  - Automation of implementation and other processes
  - Back-end improvements, including integration and upgrades
- **Restructure support organization; focus on value-added services**
- **Plan product migrations for Enterprise, sunset back-end systems, and cut associated legacy spend, with some reinvestment in product and other back-end improvements and other growth initiatives (i.e., Big Data)**
- **Increase sales force productivity with better product offerings**

ADP Transformation Plan: Operational Improvements & Technology Leadership

ADP's transformation should include two primary components:

1. **Operational efficiency improvements**
   - Improvements include corporate restructuring initiatives, service / support efficiencies, implementation automation, back-end technology improvements, and reduced spend on legacy platforms
   - Will substantially increase operating margins, create a better client experience, <u>and drive the vast majority of near-term earnings expansion</u>
   - Can be acted on near-term across nearly the entire business (excluding some legacy Enterprise customers which cannot move to Workforce Now)

2. **Technology and innovation leadership**
   - ADP is currently well-positioned in most of its business (excl. Enterprise)
   - Technology improvements will most directly impact the performance of the currently deficient Enterprise sub-segment
     - Enterprise is 20% of ES revenue, 15% of total revenue, and <10% of total profits
   - With a best-in-class product, ADP's growth rate, competitive position, and valuation multiple will increase

Transformation Plan – Actions, Impact, and Timing

Operational Improvements: Across Essentially all of ES

Technology: Enterprise

Action Item	Staging / Timing	Materiality to Earnings Increase[1]	Improves Client Experience	Materiality to Exit Growth Rate
Corporate restructuring / reducing legacy silos / spans-and-layers	Immediate	✓✓✓	✓	N/M
Geographic office consolidation / wage and tenure arbitrage	Immediate	✓✓	N/M	N/M
Invest in automation of implementations	Immediate	✓✓	✓✓	✓✓
Design products for self-sufficiency; restructure support organization, reduce labor intensity	Near-Term	✓✓✓	✓✓✓	✓✓
Reduce back-end technology expense, sunset legacy systems	Mid- to Long-Term	✓✓	✓	N/M
Accelerate Enterprise migrations	Varies[2]	✓	✓✓	N/M
Launch a World-Class Enterprise Product	Mid-Term	✓	✓✓✓	✓✓✓

(1) Materiality to earnings as measured over the next 4-5 years.
(2) We believe many Enterprise clients may be eligible for Workforce Now which could be a low-risk solution that is immediately actionable.

The Time is Now

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

<u>Carlos Rodriguez, ADP President & CEO</u>

"…[P]art of the reason we're moving our clients to common platforms is to eliminate costs that today are being really used to maintain old legacy platforms that aren't focused on innovation…

"So I think our need to invest more in R&D will be less if we have fewer platform[s] so that we think that would be obvious. 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 has recently said that it doubled its margins in its small business segment after migrations, and that it "anticipates similar benefits in mid- and up-markets," but its margin targets include just 0 to 100 bps of contribution from such migrations**

With the vast majority of revenue no longer on legacy platforms, ADP must deliver on its long-promised efficiencies post migrations

The Time is Now (continued)

ADP should promptly address its efficiency opportunities across the vast majority of its business where product migrations are no longer needed. This will be beneficial to clients and improve growth

- **Small- (~25% of ES revenue) and Mid-market (~35%) migrations will be complete by year-end**
- **International and Multinational (~20%) generally do not require significant product migrations for efficiency improvements to be delivered**
- **Enterprise (~20% of ES, ~15% of total) will require product migrations over the coming years to achieve ADP's full potential in this sub-segment**
  - Within Enterprise, we believe the majority of customers can and should be considered for migrations to Workforce Now.(1) This would accelerate the timing and reduce the risk of migrations while driving further platform density and efficiency
  - For a small number of very large Enterprise clients, ADP needs a world-class Payroll and HCM offering to successfully complete these product migrations

(1) Workforce Now functions quite well for most companies with up to 3-4k employees. According to US census data (2014 County Business Patterns) ~75% of total businesses with more than 1k employees are in the 1-4k range; this is consistent with estimates of the percentage of ADP's clients below ~4k employees we have heard from prior executives.

Margin Opportunity by Sub-Segment

- The vast majority (~75%) of the increase in Employer Services margins will be driven by improvements in the Small, Mid-Market, and International sub-segments
  - This margin expansion will be driven by basic operational efficiency
  - These improvements can be captured in the short- to medium-term, with no need for platform migrations

Illustrative Margin Bridge by Sub-Segment

	Migrations	Estimated % of ES Revenue	Estimated Current Margin (%)[2]	Illustrative Structural Margin Potential (%)	Contribution (bps)	% of Total Uplift
Employer Services						
Small Business	Complete	~25%[1]	30%[3]	40%	250	15%
Mid-Market	Nearly Complete	~35%	20%	40%	699	43%
Enterprise	Underway	~20%	~8%	28%	400	25%
International	N/M	~20%	14%	28%	273	17%
Employer Services (Operational, Ex-Float)		**100%**	**19%**	**35%**	**1,622**	**100%**

- We believe much of the revenue in Enterprise can be migrated to Workforce Now, which would accelerate and de-risk the Enterprise-related margin increases

(1) ADP management has indicated SMB is approximately ~20% of ES revenue. We estimate this is likely closer to 25% of ES revenue given recent growth.
(2) SMB and Enterprise margins estimated by PSCM. International based on 10-K disclosure (notably, adjusted to exclude an estimated $40m of float income). Mid-Market margins back-solved based on the blended ~19% operational margins.
(3) ADP CEO Carlos Rodriguez recently commented that ADP's SMB margins are "very close" to Paychex. (Source: CNBC, August 21, 2017) We suspect that likely does not compare ADP SMB on a like-for-like basis (excluding float, allocating corporate overhead), *but if it did*, it would suggest ADP is massively under-earning in the mid-market business.

A Transformation of ADP Will Not Increase Risk

- ADP has made vague and alarmist assertions about the risk of a transformation – claims which are not supported by facts and do not align with our proposals for improving ADP
- **The vast majority of our proposed initiatives do not involve "touching" ADP's clients or product migrations, but rather focus on improving ADP's underlying operations**
  - The vast majority of the steps required to improve operating performance – such as reducing corporate bloat – are not risky and will *improve* ADP's agility and ability to execute
- A small minority of the transformation of ADP will involve fixing current product sprawl in the company's enterprise market (~20% of ES revenue, 15% of total revenue)
  - After years of falling behind competitors, ADP needs to be held accountable for building or acquiring a best-in-class product for enterprise customers
  - Despite ADP's assertions that our plans are "risky," we have highlighted sensible and risk-mitigating plans to address much of ADP's legacy client issues – such as moving many of ADP's legacy enterprise clients to the company's existing Workforce Now product platform – an idea the company appears to have adopted since we proposed it[(1)]
- ADP's status quo approach is itself risky

(1) We first suggested this as a potential strategy during our August 17th presentation. This was referenced by Stifel following our presentation: "One tidbit we found most interesting. The Enterprise market has been a known challenge for ADP and perhaps one of Pershing's most interesting points was that they argued a substantial portion of the Enterprise market could run on WorkForce Now, ADP's mid-market platform." (Source: Stifel, Aug 17, 2017) More recently, management appears to be suggesting this to be a viable solution as noted by BMO: "[M]anagement…stated it could migrate some of the smaller Enterprise clients to its Workforce Now platform as Pershing suggested." (Source: Jeff Silber, BMO Capital Markets, Sep 13, 2017).

A Transformation of ADP Will Not Require a Reset of Earnings

- While a transformation of ADP may require new or redirected investments, such investments should not cause a decline in ADP's near-term earnings
- ADP's technology R&D spend is already dramatically higher than competitors'
  - $859mm per annum of total R&D spend and ~9,000 employees in technology
  - "Innovative" R&D spend of $450mm per annum is a *multiple of all competitors*
    - "Innovation" R&D has substantially increased in recent years, supporting investment in major strategic initiatives (next-gen Enterprise HCM, a new payroll engine, etc.). The output from these investments remains to be seen
  - Bloated legacy technology maintenance spend of $410mm per annum has *increased* despite platform migrations and should be substantially decreased
- **Significant and immediate savings from operational efficiencies and reduced legacy technology spend will more than offset any necessary investments**
- The transformations of CDK and Solera were highly successful, with immediate and consistent progress

A transformation of ADP should provide for immediate and consistent improvement in performance, while driving significant long-term value for shareholders

ADP's Employer Services business, currently ~2/3rds of profits and earning a ~19% operational margin, should achieve 35% or greater margins through improved operational efficiency

ADP's Employer Services business can increase its growth from ~5% historically to ~7%+ with greater technology leadership

Achieving ADP's structural potential will drive enormous shareholder value

ADP Has The Potential to Drive Material Long-Term Value for Shareholders

Employer Services ("ES")

Status Quo	Transformation
▪ Continued ~3% – 5% growth from FY 2018 to 2022 ▪ Incremental margin improvement of +50-75bps per annum after FY'18	▪ Growth accelerates from ~3% to ~7% by FY 2022 ▪ Enormous margin opportunity from ~19% to mid-to-high-30s% potential

Professional Employer Organization ("PEO") – Status Quo / Transformation

- Continued secular growth from underpenetrated base
- Conservatively assuming 12% growth (vs. 15% last 5 years)

Client Fund Interest ("Float Income") – Status Quo / Transformation

- Client fund balances conservatively assumed to grow ~3%
- Yield on float increasing from ~1.7% to ~2.6% based on forward curve

Results:	Status Quo	Transformation
EPS (FY 2022)	$5.90	$8.70
P/E Multiple	24x	24x - 28x
Value, incl. Dividends (June 2021)	$152	$221 - $255

The Nominees for ADP's Transformation

Overview of Our Engagement with the Board

- In late July, following rumors of our investment in ADP, we initiated a dialogue with ADP's board. Our desire was to engage in private, constructive discussions about our views for value creation at ADP
- We requested that ADP extend its nomination deadline by one week so we could avoid confrontation and have private discussions. ADP rejected this request for no justifiable reason
  - Rather than engage constructively, ADP released to the press a misleading representation of our engagement: (i) we have never sought control of ADP's board, and (ii) throughout our engagement with the company we have been clear that we are open to working with existing management
- ADP subsequently rejected our Nominees to ADP's board
- At a meeting with ADP's board on September 5th we proposed a settlement whereby the board would expand by three and our Nominees would be added. ADP rejected this request
- ADP rejected our request to utilize a universal ballot
- **A "*just say no*" response does not reflect good corporate governance**
  - ADP has behaved as if Pershing Square is trying to take control of the company and, following the advice of its expensive advisors, has adopted a "scorched earth" defense

We are engaged in a proxy contest because ADP's board has been unwilling to engage constructively with us despite overwhelming evidence of ADP's underperformance

What We are Not Seeking

- **We are not seeking control of the company**
  - We are seeking to add three independent directors (out of 10), with only one Pershing Square representative on the board
- **We do not plan to alter the company's dividend policy**
  - In fact, an acceleration of profits under our plan will allow for larger dividends and more capital to be returned to shareholders without changing the current distribution and capital return policy
- **We do not plan to alter the company's investment policy**
  - Prudent and risk-minimizing investment of the company's client funds is paramount
- **We do not plan to alter the company's financial leverage or credit rating**

ADP is our largest investment. We do not believe it is necessary or sensible for the company to take any additional risks

ADP's Governance Needs to Align to its Potential

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

- ADP's longest-tenured directors have presided over ADP for years as it has underachieved its potential:

  - Operating efficiency has trailed its competitors and its potential for years, with little improvement. Better board oversight may have prevented ADP's various inefficiencies and bureaucracy from arising in the first place

  - Did not appropriately elevate the need to invest and compete in Enterprise HCM, a failure which has allowed competitors to capture meaningful market share and value at the expense of ADP

  - Oversaw the disposition of several assets which were vastly underperforming their potential – value that did not accrue to ADP's shareholders(1)

We are seeking to replace the three longest-tenured members of the Board

(1) While ADP shareholders received an economic interest in CDK, a substantial volume of shares traded in the weeks following the spinoff suggesting many of ADP's shareholders sold their CDK interest immediately following the spinoff. Additionally, the value creation at CDK was only realized after various shareholder activists arrived and pushed the newly constituted board to engage in an efficiency initiative. There is no legitimate basis for crediting ADP's board for the post-spin value creation at CDK.

The Choice for Shareholders

Management – Status Quo	Pershing Square Plan – Achieve Potential

Management – Status Quo

- ✘ "[N]o material change to the financial outlook for the company"(1)
  - ✘ Nominal margin expansion (but significantly below competitors and potential)
- ✘ "[R]eiteration of the strategy and business outlook that the company has already had under way"(1)
  - ✘ Requires meaningful increase in Employer Services' growth to achieve long-term revenue guidance
  - ✘ No concrete plan or urgency to fix ADP's enterprise business

Pershing Square Plan – Achieve Potential

- ✓ Fresh perspectives and a focus on operational efficiency and margin expansion
  - ✓ Achievement of efficiency and margins approaching ADP's competitors and its potential
- ✓ Acting urgently to strengthen ADP's competitive position, most notably in its Enterprise business
  - ✓ Accelerated revenue growth
- ✓ Accelerated earnings growth

The choice for shareholders is clear – support the status quo or support ADP in achieving its potential

(1) Lisa Ellis. *ADP vs. Ackman - Where do things stand, and what to do with the stock?* Bernstein. September 19, 2017. Permission to use quotations neither sought nor obtained.

The Nominees for ADP's Transformation Will Bring Fresh Perspectives & Relevant Skills to ADP's Board

- To fulfill its potential, ADP's board needs expertise in both (i) business transformation and operating efficiency and (ii) technology and the HCM industry
- ADP's board already has relevant technology and HCM experience
  - ADP's own board skill set matrix suggests just 4 of 10 existing directors have technology and HCM industry experience[(1)]
  - We are *not* seeking to replace *any* of these directors
- ADP's board does not have directors with business transformation and operating efficiency experience
- We are proposing three directors to ADP's board, The Nominees for ADP's Transformation, who bring a shareholder orientation, fresh perspectives and relevant skills in business transformation and operating efficiency

(1) See page 39 of *ADP: Driving Superior Results Through Market Leadership and Continuous Innovation* (September 12, 2017).

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

The Nominees for ADP's Transformation

William Ackman *(CEO of Pershing Square Capital Management, LP)*

- Extensive management, financial and investment experience
- Significant public company board experience, including seven years as Chairman of Howard Hughes Corporation (217% TSR)
- **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 *(Former Chief Executive Officer, Polymer Group)*

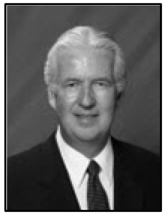
- Currently serves as a director of three large, highly respected publicly traded companies, including having served as lead director of Southern Company
- Successfully led and sold her business (Polymer Group) to Blackstone; continued as CEO under oversight of private equity
- **Extensive global executive 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 *(Former Vice Chairman, Bechtel)*

- Held several senior leadership positions at Bechtel (including Vice Chairman and CFO); obtained technology, finance, human resources, legal, and strategic planning expertise
- Significant experience on audit committees of public company boards (currently Chair of Symantec's Audit and Risk Committee)
- **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**

Incumbent Long-Tenured Directors

John Jones *(Board Chairman)*

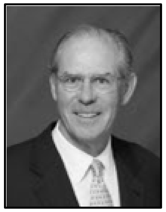


- Director since 2005 (12 years)
- Has overseen ADP's underperformance relative to its peers and its potential
- No technology / HCM experience beyond ADP board role
- Divested assets which promptly doubled margins – didn't see the opportunity
- **Prior Chairman and CEO of Air Products. Led Air Products underperformance – under Mr. Jones tenure, fell behind direct competitor, Praxair**

Glenn Hubbard *(Chair, Nominating & Governance)*

- Director since 2004 (13 years)
- Serial board member; sits on an excessive number of boards
- Has overseen ADP's underperformance relative to its peers and its potential
- No technology / HCM experience beyond ADP board role
- Divested assets which promptly doubled margins – didn't see the opportunity
- **No operating experience, business school dean**

Eric Fast *(Chair, Audit)*



- Director since 2007 (10 years)
- Has overseen ADP's underperformance relative to its peers and its potential
- No technology / HCM experience beyond ADP board role
- Divested assets which promptly doubled margins – didn't see the opportunity
- **As Audit Committee Chair, has presided over significant reduction in disclosure despite business simplification**

Pershing Square has Extensive Experience Driving Operational Transformations

Operational Transformations – Significant Margin Expansion

	CP	AIR PRODUCTS	zoetis
Investment Duration	2011 – 2016	2013 – 2017	2014 – 2016
Thesis	▪ High quality business under earnings it potential, best evidenced against direct peer ▪ New CEO to drive comprehensive operational efficiency initiative	▪ High quality, stable business ▪ Significantly under earnings relative to its potential, best evidenced against direct peer	▪ Great business, under earning its potential; spinout of Pfizer ▪ Comprehensive operational efficiency initiative
Outcome	▪ **All 7 PSCM nominees elected to Board with >85% of the vote** ▪ Hunter Harrison named CEO ▪ CP 2012 Analyst Day details mid-30s margin target by '16 ▪ CP announces strong earnings results, achieving margin expansion significantly ahead of original timeline	▪ **Consensual resolution** ▪ Three Directors added to the Board; CEO John McGlade to retire; CEO search commences ▪ Seifi Ghasemi named as CEO, enacts transformation plan driving up margins substantially and divesting non-core assets	▪ **ZTS agrees to name PSCM member to Board and another independent director** ▪ Management announces comprehensive operational efficiency initiative; outlined plan to increase operating margins from 25% in 2014 to ~34% in 2017
Existing EBIT Margins / PSCM Projected Margins	**19% (2011) / 35% (Year 4)**	**15% (2013) / ~20% (Year 4)**	**25% (2014) / 34% (Year 3)**
Realized Margins (%)	**39% (Year 4)**	**~22% (Year 4)[2]**	**2017 Guidance: 34% to 35%[1]**
Total Shareholder Return[3]	**327% (35% annualized)**	**92% (16% annualized)**	**58% (22% annualized)**

Note: Excludes Chipotle, an ongoing investment, in its early stages. Each of the above case studies did not involve any significant change in strategy, they were premised on executing the existing strategy more successfully – driving significant margin expansion.

(1) https://zoetis.investorhq.businesswire.com/sites/zoetis.investorhq.businesswire.com/files/doc_library/file/ZoetisReportsSecondQuarter2017Results_PressRelease_080817.pdf

(2) Bloomberg consensus operating margin for FY 2017. APD's non-GAAP operating margin through FY Q3 is 21.3%.

(3) Based on the dividend adjusted share price from our initial purchases through the sale of PSCM's last share. (Source: Bloomberg)

With Support From Shareholders, ADP Can Create Enormous Value

Step One

- **Add a major shareholder and two new independent directors to the Board**

Step Two

- **Form Board Committee to oversee the transformation plan**
  - Hire an independent consultant to help develop detailed plan
  - Evaluation of necessary product, technology, and operating enhancements required to deliver on ADP's significant potential
  - Evaluation of management necessary to execute transformation

Step Three

- **Redesign management incentives and compensation to align with transformation objectives and long-term value creation**

Step Four

- **Highlight long-term opportunity to shareholders and outline path to achieve long-term potential**

Step Five

- **Build a best-in-class HCM software, technology, and service company**

A Vote for The Nominees for ADP's Transformation

- The election of The Nominees for ADP's Transformation would add to the board:
  - A major shareholder's voice
  - Fresh perspectives
  - Relevant expertise in business transformation and operating efficiency
  - Directors who are ADP shareholders with significant "skin in the game"(1)

- If elected, The Nominees for ADP's Transformation will represent three of ten directors, with only one representative from Pershing Square

- These new directors will not have the ability to make unilateral changes to the company's strategy or management, and instead will work with the other directors to seek consensus on the best outcome for all stakeholders

- While our nominees, if elected, will represent a minority of the board, their election by shareholders will provide a clear mandate for the reconstituted board to transform ADP into a more efficient, profitable and competitive company

(1) Pershing Square has invested approximately $2.3 billion to acquire our stake in ADP. Our two independent nominees, Veronica M. Hagen and V. Paul Unruh, have each recently invested over $300,000 of their personal funds in ADP common stock. Together, Ms. Hagen and Mr. Unruh have made a larger investment of their out-of-pocket, personal funds in ADP than all ADP directors combined.

“As a company, we've had a knack of making a friend out of change, turning its uncertainty into opportunity. That's a relationship I hope we're able to renew for a very long time to come.”

- Henry Taub, Founder of ADP