

AUTOMATIC DATA PROCESSING INC  
Form DFAN14A  
November 01, 2017

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934**

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Check the appropriate box:

Preliminary Proxy Statement

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Definitive Proxy Statement

Definitive Additional Materials

Soliciting material Pursuant to §240.14a-12

**Automatic Data Processing, Inc.**

**(Name of Registrant as Specified In Its Charter)**

**William A. Ackman**

**Veronica M. Hagen**

**V. Paul Unruh**

**Pershing Square Capital Management, L.P.**

**PS Management GP, LLC**

**Pershing Square, L.P.**

**Pershing Square II, L.P.**

**Pershing Square International, Ltd.**

**Pershing Square Holdings, Ltd.**

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On November 1, 2017 Pershing Square Capital Management, L.P. and certain affiliates delivered the following presentation relating to Automatic Data Processing, Inc., which may also be posted on [www.ADPascending.com](http://www.ADPascending.com):

ADP Ascending  
The Choice for Shareholders  
November 1, 2017

Disclaimer

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I believe that change, and the ever increasing pace of change, that we're all witnessing, puts an incredible pressure on our organizations, and the people in those organizations. I believe that people, human beings, fundamentally do not like change. It causes discomfort. I believe, that change and accelerating change without good leadership can turn that discomfort into fear. I believe that fear, left unchecked, can cause organizations



good  
people

to ignore reality. Do some really strange things. Ultimately  
cause the demise of their organization. Or, make them into  
something that is insignificant, compared to their past.

-

John Paul Jones  
ADP,  
Chairman  
of  
the  
Board  
Former Chairman and CEO of Air Products  
2

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Source:  
Villanova  
University.  
Summit  
on  
Leadership.  
Leading  
Today  
in  
a  
Changing  
World  
(Circa  
2009).  
[https://www.youtube.com/watch?v=nHbDZ0c\\_hsM](https://www.youtube.com/watch?v=nHbDZ0c_hsM)

ADP's Employer Services business is underperforming its potential  
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 to ~7%+  
Achieving ADP's structural potential will drive enormous shareholder value  
The long-term health of ADP will be driven by an improved and superior  
culture, employee engagement, innovation, and operational efficiency  
ADP's transformation can be accomplished without undue risk  
The transformations of Solera (f.k.a. Claims Services) and CDK (f.k.a. Dealer  
Services),  
previously  
owned  
by  
ADP,  
provide  
a

roadmap

ADP has an Enormous Opportunity for Improvement

3

4  
We  
believe  
there  
is  
likely  
a  
valid  
case  
for  
accelerated  
margin  
expansion  
at  
ADP...  
There  
is  
a

10-15  
[percentage  
point]  
delta  
between  
ADP  
and  
competitor  
margins  
which  
cannot  
be  
easily explained by structural differences

Lisa Ellis, Bernstein (Aug 31, 2017)

[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  
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)

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

Wall Street Analysts Agree

We believe there is sufficient evidence to suggest that additional margin expansion should be achievable in Employer Services, specifically the [Paychex] comp, the CDK case, headcount intensity, and lack of committed-to margin expansion from current initiatives.

Lisa Ellis, Bernstein (Oct 31, 2017)

83% of ADP's current long shareholders support Pershing Square's involvement in ADP  
83% of ADP's current long shareholders find it somewhat compelling or compelling that ADP's  
Employer Services should achieve operating margins of 35% or greater  
88% of ADP's current long shareholders find it somewhat compelling or compelling that ADP's  
Employer Services revenue growth can be accelerated through operational improvements and a best-  
in-class offering in ADP's Enterprise business

5

Shareholders

support

Pershing

Square's

views:

(1)

Shareholders and Proxy Advisory Firms Agree

The proxy advisory firms see the opportunity (emphasis added):

[ADP]

is  
not  
performing  
to  
its  
full  
potential,  
operationally  
or  
financially,  
and  
is  
not  
maximizing  
value for long-term shareholders. In our view, when compared to the productivity, profitability  
and  
growth  
of  
ADP's  
competitors  
in  
the  
HCM  
industry  
the  
substantial  
opportunity  
that  
Pershing  
Square  
has  
outlined  
for  
ADP  
to  
potentially  
achieve  
becomes  
readily  
apparent.

-  
Glass, Lewis & Co. (Oct 23, 2017)

[T]he  
dissident  
does  
appear  
to  
make  
a



valid  
point  
when  
noting  
that  
ADP's  
margins  
fall  
far  
short  
of Paychex's. Moreover, economies of scale in areas such as R&D and corporate expense  
should  
help  
ADP's  
margin  
relative  
to  
Paychex.  
ADP's  
revenues  
(excluding  
pass-throughs  
and  
clients' funds' interest) are approximately three times that of Paychex, and its payroll-related  
revenue is more than four times that of Paychex.

-  
ISS (Oct 25, 2017)

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(1)

Lisa Ellis, Bernstein. ADP vs. Ackman: And the Investor Survey Says...The Vote Might Be Closer Than You Thought. October

6

---

(1)

ADP's gross margins adjusted to exclude float income (-\$397m) but add-back Systems Development and Programming Costs to be more consistent with competitor gross margin presentation. Competitor gross margins have similarly been adjusted (as represented as a percentage of adjusted net operational revenue, excluding float income and reporting the PEO net of pass-through

(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.

Adjusted Net Operational Gross Profit Margins

(1)

(%)

Recurring

Median: 74%

Median: 71%

ES:

~58%

(2)

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

(3)

Smallest

Largest

ADP has a Substantial Opportunity to Improve its

Gross Margins

60%

30%

40%

50%

60%

70%

80%

90%

100%

ADP (1)

Paychex

Workday

Ultimate

Insperty

TriNet

Cornerstone

Paycom

Paylocity

ADP

Excluding PEO (ADP)

SMB

Enterprise

PEO

HCM

Major Accounts

Recurring Adjusted Gross Profit

Net Operational Revenue per Employee

(1)  
(Ex-Float)

7  
ADP has a Substantial Opportunity to Improve its  
Labor Efficiency

Median: \$232

Smallest

Largest

ES:

~\$153

(2)

---

Note: Based on latest fiscal year end, as relevant. Note that Kronos and Ceridian are two privately-owned competitors which d

(1)

Net operational revenue excludes float income ( Funds Held for Clients ) and PEO Services pass-through costs (~\$2.6bn for .

(2)

Inspirity 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 of

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.

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

(3)

ES:  
~\$212  
\$214  
\$238  
\$209  
~\$269  
\$249  
\$232  
\$159  
\$148  
\$161  
\$0  
\$50  
\$100  
\$150  
\$200

\$250

\$300

ADP

Paychex

Workday

Ultimate

Insperty

Trinet

Cornerstone

Paycom

Paylocity

ADP

Excluding PEO

SMB

Enterprise

PEO

HCM

Major Accounts

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

8

ADP vs. Paychex: the Gap is Widening

Revenue per Employee

(1)

(\$ 000)

Revenue Per Employee

(1,3,4)

(\$ 000)

---

(1)

For both ADP and Paychex analysis excludes Client Funds and PEO pass-through costs. Source: SEC public financials and/or

(2)

2008-2014 includes Dealer Services given lack of consistent disclosure. 2015 through 2017 excludes Dealer Services. Note that 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 2011, consistent with management commentary.

(4)

ADP excludes Dealer Services in both periods. 2009 employee headcount excluding Dealer Services based on disclosure from

\$100

\$150

\$200

\$250

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

ADP (2)

Paychex (3)

\$159

\$161

\$158

\$214

\$100

\$150

\$200

\$250

2009A

2017A



ADP  
Paychex  
+1.4x  
4.4% CAGR

9

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)

(%)

+2,200 bps

+1,600bps

+38%

19%

41%

22%

ADP

Paychex

58%

74%

60%

ADP

Paychex

\$153

\$212

\$161

\$214

ADP

Paychex

ADP (Employer Services)

Paychex (Excluding PEO)

Total: Including PEO, Net

(1)

For both ADP and Paychex analysis excludes Client Funds and PEO pass-through costs. Paychex PEO pass-through estimated revenue. Assumes ADP has 2,500 dedicated PEO employees. Assumes Paychex has 650 dedicated PEO employees, 75% gross profit margin.

(2)

ADP's gross margins adjusted to exclude float income (-\$397m) but add-back Systems Development and Programming Costs (+\$226m) to be more consistent with competitor gross margin presentation. Gross profit margins presented as a percentage of float income and reporting the PEO net of pass-through costs. Assumes ADP's PEO has a 72% net gross profit margin (excluding float income).

(3)

Excludes float income and pass-through costs. Note ADP's Employer Services margin of 19%; ADP's PEO has a 48% net op

Paychex (~41% EBIT Margins) is Comparable to At

Least ~\$3bn of ADP's Employer Services Business

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)

10

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)  
ADP vs. Paychex: Revenue Composition by  
Underlying Client Size  
Implies all other ES  
revenue (>150 EEs)  
margins of ~6%  
Implied ADP Employer Services Margin  
Excl. Paychex Comparable Revenue  
x41%  
ADP  
Mid-Market  
(50-999)  
~\$2bn  
~\$2bn  
(RUN  
by  
ADP)  
~\$0.6bn  
~\$1bn  
\$2.8bn  
\$8.5bn  
~\$2bn  
\$1.7bn  
\$1.8bn  
~\$5.5bn  
\$8.5bn  
~\$2bn  
~\$1bn  
~\$0.8bn  
~\$0.4bn

---

(1)  
EEs is an ADP / HCM industry term which denotes the number of underlying employees per client.  
\$1.6bn  
\$0.4bn  
\$5.5bn  
= 6%  
Workforce

Now

\$0

\$1

\$2

\$3

\$4

\$5

\$6

\$7

\$8

\$9

Paychex

ADP

SMB (1-49)

Large-Mid Market (150-999)

Enterprise (1,000+)

International

All Other

Net Operational Revenue

Operational EBIT

Small-Mid Market (50-149)

ADP's Management Has Admitted That There is  
Plenty of Room for Improvement

Carlos  
Rodriguez,  
President  
&  
CEO

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  
11

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

Growth in ADP's Employer Services is Deteriorating  
Growth in Employer Services has deteriorated in recent years and must  
dramatically accelerate to meet ADP's September 12th plan  
12

---

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

ADP's

Plan

(18-20)

calls

for

ES

growth

of 6-7%; will require 19-20 inflection

Employer Services Revenue Growth (%)

ACA ( Obamacare )

related activity

significantly boosts

revenue growth

ACA tailwinds

fade, growth

declines

6%

6%

7%

6%

6%

4%

2%

3%

7%

9%

7%

9%

2%

3%

4%

5%

6%

7%

8%

9%

FY 2012

FY 2013

FY 2014

FY 2015

FY 2016

FY 2017

FY 2018E

FY 2019E

FY 2020E

Organic Revenue Growth (%)

Implied FY 2018 -

FY 2020 Plan (Midpoint)

(1)

ADP is Falling Behind Competitors, Particularly  
in Enterprise HCM (~20% of Employer Services)

13

ADP's board and management have failed to develop 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)

Change in Revenue

(FY 2009

FY 2017) (\$bn)

(3)

Enterprise Value Creation

(FY 2009

FY 2017) (\$bn)

(5)

(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 S

(5)

Workday 2009 valuation based on its Series E private financing round, per Fortune. <http://fortune.com/2012/10/15/the-vc-firm>

(6)

Assumes 40% flow through from revenue to EBIT, a 33% tax rate and a 25x unlevered earnings multiple.

(2)

(4)

(6)

In the case of an ADP So I consider them a more competition. 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

In the case of an ADP So I consider them a more competition. 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

Despite ADP's installed base (circa 11)

of ~4k, a large client base to sell to

Est. ~40% directly comp-

arable to ADP Enterprise

bn

bn

bn

bn

bn

bn

350

1,344

1,400

ADP

(Vantage)

Workday

Ultimate

Software

(\$0.2)

\$1.5

\$0.6

ADP

(Enterprise)

Workday

Ultimate

Software

(\$1.3)

\$20.2

\$5.1

ADP

(Enterprise)

Workday

Ultimate

Software

Ultimate Software Wins ~45% of Clients from ADP;

What These Clients Say About ADP is Instructive

14

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

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

---

Source: Ultimate Software Investor Presentation.

Competitors published reasons for why they're winning in the marketplace invalidates

ADP's claim that its current service offering is a point of competitive advantage



15

---

(1)

Net operational revenues, excludes float allocations. Adjusts for currency and divestitures. Consistent with ADP's prior presentation

(2)

Based on ADP's 2009 Analyst Day disclosure as contrasted against recent comments (Q3 2017 Earnings Call).

Employer Services has achieved a ~5% constant-currency organic revenue

CAGR

since

2009

(1)

,  
despite

Enterprise

revenues

declining

~10%

(2)

over

that

time

If Enterprise had a best-in-class product and grew at least in-line with the

broader ES business, growth would accelerate to ~7%+

ADP's

PEO

business

is

massively

underpenetrated

relative

to

ADP's

client

base (at 5% to 7% of ADP's addressable client base vs. 14% to 16% for the broader economy)

the PEO has extremely attractive relative unit economics

Additional growth drivers include: (1) big-data, (2) gig economy or other related HCM offerings, and (3) consumer-focused product extensions & adjacencies

ADP Can Grow More Quickly

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

Root Causes

16

ADP's senior executive management  
Executives  
have  
decades  
of  
tenure  
at  
ADP  
and  
effectively  
no  
outside  
experience  
or  
perspectives

ADP's CTO is not a technologist by training (previously a GM)

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

Carlos Rodriguez (CNBC August 10, 2017)

ADP's Senior Management Team is Insular

17

Name

Position

Age

Joined

Tenure

Carlos Rodriguez

CEO, President & Director

53

1999

18

Jan Siegmund

CFO & Corporate VP

53

1999

18

Thomas Perrotti

President of Worldwide Sales & Marketing

48

1993

24

Edward Flynn

President of Global Enterprise Solutions

57

1988

29

Deborah Dyson

President of National Account Services and Client Experience, Continuous Improvement

51

1988

29

John Ayala

President of Major Account Services & ADP Canada

50

2002

15

Maria Black

President of Small Business Solutions & HR Outsourcing

43

1996

21

Douglas Politi

President of Added Value Services & Corporate VP

55

1992

25

Stuart Sackman

Corporate VP, Global Product and Technology

56

1992

25

Donald

Weinstein

Corporate VP, Chief Strategy Officer

48

2006

11

Michael

Bonarti

Corporate VP, General Counsel & Secretary

51

1997

20

Dermot O'Brien

Chief Human Resources Officer

51

2012

5

Average Tenure

20

---

Source: Glassdoor, Inc. July 2017.

Overall Rating

Approval of CEO

Approve of Senior

Management

ADP Rank:

Last

2 to Last

Last

ADP Trails Major Peers Across a Variety  
of Employee Satisfaction Metrics

18

4.4

3.7

4.2

4.2  
4.2  
4.2  
4.6  
3.8  
3.7  
3.5  
2.0  
3.0  
4.0  
5.0  
Paylocity  
Paycom  
Cornerstone  
OnDemand  
Intuit  
Kronos  
Ceridian  
Ultimate  
Software  
Workday  
Paychex  
ADP  
95%  
81%  
95%  
96%  
96%  
91%  
97%  
91%  
93%  
86%  
50%  
60%  
70%  
80%  
90%  
100%  
4.3  
3.7  
4.1  
3.9  
3.9  
4.1  
4.6  
3.7  
3.5  
3.1  
2.0



3.0

4.0

5.0

ADP

SMB

Mid-Market

Enterprise

"Beyond Payroll"

nd

Note: Green stars denote Glassdoor Highest Rated CEOs from 2016 or 2017 based on U.S. employee feedback between 5/2/15

---

Source: Glassdoor, Inc. July 2017.

Culture & Values

Recommend to a

Friend

Positive Business

Outlook

ADP Rank:

Last

Last

Last

ADP Trails Major Peers Across a Variety  
of Employee Satisfaction Metrics

19

4.5

3.9

4.5  
4.4  
4.2  
4.3  
4.7  
4.0  
3.8  
3.5  
2.0  
3.0  
4.0  
5.0  
Paylocity  
Paycom  
Cornerstone  
OnDemand  
Intuit  
Kronos  
Ceridian  
Ultimate  
Software  
Workday  
Paychex  
ADP  
86%  
69%  
85%  
86%  
85%  
88%  
92%  
72%  
71%  
68%  
50%  
60%  
70%  
80%  
90%  
100%  
85%  
67%  
80%  
83%  
82%  
83%  
93%  
77%  
66%  
59%

50%

60%

70%

80%

90%

100%

ADP

SMB

Mid-Market

Enterprise

"Beyond Payroll"

#### ADP's Culture Needs to Change

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

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

Challenge in recruiting employees

Insular, outsiders don't get ahead  
Outside views aren't considered or embraced, change never pursued

ADP is an accounting and processing company

ADP is not a technology or software  
company

7. Ultimate Software

8. Salesforce

13. Intuit

18. Workday

20

ADP is notably absent

Prior Dispositions Provide a  
Roadmap for ADP  
21

ADP's Prior Dispositions Demonstrate The  
Opportunity For Improvement

22

CDK (f.k.a. Dealer Services )

Solera (f.k.a. Claims Services )

Adjusted EBIT Margins (%)

Adjusted EBIT Margins (%)

---

Source: ADP, Solera and CDK Global financials. Adjusted EBIT as presented includes certain non-GAAP adjustments consistent with  
See page 76, ADP Ascending: Detailed Supporting Materials (October 11, 2017).

ADP

Owned

Solera

ADP

Owned

CDK



These dispositions highlight ADP's inadequate business oversight and governance

+2.2x

+2.2x

ADP has recently sold yet another business (CHSA / COBRA to WageWorks) which is

also

poised

to

double

margins

(1)

In our view, the Solera and CDK cases are perhaps the most compelling evidence of the ADP board's sub-optimal business oversight and the validity of the opportunity asserted by Pershing Square for ADP's Employer Services to substantially improve its performance given more effective board oversight, proper direction, a different mentality and a new operating plan.

-

Glass, Lewis & Co. (Oct 23, 2017)

18%

40%

FY 2005A

FY 2011A

16%

~35%

FY 2014A

FY 2019E (Exit)

Adj. Rev Growth (excl

F/X):

Adj. EBITA Margins:

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

23

CDK: Dividend-Adjusted Share Price Performance

2015A

8%

18%

Jun 16, 2015: CDK announces

Transformation Plan to Strengthen the

Business and Enhance Long-term Value

2016A

7%

22%

2017A

6%

26%

May 23, 2016: CDK announces a comprehensive reorganization streamlining the organization around a new operating structure

Aug 3, 2016: CDK reports FY 2016 results including FY 2019 target of Adj. EBITDA exit margin of 40% or above

Oct 27, 2014: Sachem Head files 13D, announces 9.8% stake in CDK

May 4, 2016: Elliott letter identifies an opportunity for CDK to expand Adj. EBITDA margins to 42%

2018E

~4-5%

~30%

CDK Embraced the Views of Shareholders and Delivered on its Potential

Aug 3, 2016: CDK adds two independent directors after agreement with Elliott

Oct 1, 2014: CDK spins-out of ADP at \$31 per share

---

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

\$20

\$25

\$30

\$35

\$40

\$45

\$50

\$55

\$60

\$65

\$70

Sep-14

Feb-15

Jul-15

Dec-15

May-16

Oct-16

Mar-17

Aug-17

CDK Global:

What Was CDK's Transformation Plan?

24

Under ADP's Ownership / Post-Spin

CDK Transformation Plan

Segments

Sales

R&D

We're committed to an avg. 40-50bps of margin improvement

over

the

next

five

years

(10)

---

(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).

Margins (%)

~16% to ~35% over 5 years

Seven R&D organizations reporting

to six different places

(3)

Five sales organizations

(3)

Reducing complexity

One

global

R&D

organization

(7)

Duplication

Multiple

organizations

doing

the

same

thing

(3)

12

different

old

and

clunky

systems

(3)

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

One

sales

organization

(7)

Billing Systems

Product Sprawl

1,500 software version; 74 products

(2)

<400

versions

and

declining

(6)

Complexity

Excessive

legacy

complexity

(3)

Simplified

structure

(5)

One

system

(8)

Implementations

Reducing average implementation

times

by

approximately

30%

(9)

Overly cumbersome and lengthy product

implementation

process

(4)

Reducing duplication

Three separate entities

(1)

CDK was NOT a risky and complicated technology transformation  
neither is ADP  
CDK's transformation consisted mostly of basic blocking-and-tackling  
and  
operational  
excellence:  
25  
All  
of  
these  
initiatives  
improve  
the  
client  
experience  
and  
will  
lead  
to  
higher  
client  
retention  
and  
satisfaction  
Simplifying the organizational structure

Delaying middle-management  
Engaging in facility rationalization  
Improving labor productivity  
Streamlining service and implementation  
Enhancing strategic sourcing  
Promoting pricing discipline



ADP s Response is Not Adequate  
26

Attempting to discredit Pershing Square, including claiming we are uninformed about ADP's business  
Promoting a false TSR which it claims is in excess of its HCM competitors  
Selectively recasting its historical operating performance in a misleading light for shareholders  
Using fear tactics that our plan will introduce unacceptable risk including necessitating drastic headcount reductions  
Claiming to already be doing it and having a plan in place to

deliver 500bps of margin improvement by FY 2020

An Overview of ADP's Engagement Throughout this

Proxy Contest

27

The Company's selective presentation of certain metrics, calculated inconsistently or without context, purportedly to make ADP's absolute or relative performance appear better, in this case is a tactic which considerably weakens the Company's defense, in our view.

-

Glass, Lewis & Co. (Oct 23, 2017)

ADP's defense has consisted of:

Reality

[W]hen

ADP's

total

returns

are

calculated

appropriately

and

objectively,

and

judged

in

proper

context

against

a

peer

set

consisting

of

the

most

directly

comparable

publicly-listed

companies

that

compete

with

ADP

in

the

HCM

industry,

ADP's

TSR

performance

is

not

as  
strong  
as  
the  
Company  
claims.

-

Glass, Lewis & Co. (Oct 23, 2017)

ADP Says to Shareholders That It Is Outperforming  
But This is Not True  
28

---

Source: Capital IQ; Total Shareholder Return. Dividend adjusted share price, assuming dividends reinvested (including CDK p  
(1)  
See  
pages  
30-43  
of  
Pershing  
Square s  
Response  
To

ADP's  
September  
12  
th  
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.

(3)

Includes the TSR of competitors which went public subsequent to the TSR measurement date. The starting date for the respective

May

9,

2012

(respectively)

or

the

competitors

IPO

date/price

(for

Workday,

TriNet,

Paycom

and

Paylocity).

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

(2,3)

Public

Competitors

as of Nov 8, 2011

(2)

-50%

Includes

Subsequent

IPOs

(3)

Upon

review,

we

consider

several

of

the

Company's

reported

TSR

figures

to

be

overstated,

and

the

Company's TSR comparisons to be less relevant than those presented in the Dissident's materials we find ADP's TSR performance to be far less impressive than touted by the board and management. Most notably,

ADP's

total

returns

are

either

merely

consistent

with

or

meaningfully

lower  
than  
the  
average  
returns  
of  
the  
Company's  
closest  
HCM  
competitors.

-

Glass, Lewis & Co. (Oct 23, 2017)

141%

126%

165%

191%

ADP

ADP Purported

"HCM-Related

Players" (Market

Cap Weighted)

Actual HCM

Competitors (Market

Cap Weighted)



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

29

On

September

12

th

,

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

[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 Transformation Plan

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

+40-75 bps per annum

---

(1)

Presented on an as-reported basis for comparability purposes. Includes both Client Funds income and PEO pass-through revenue

(2)

Permission to use quotations throughout this presentation neither sought nor obtained. Emphasis added.

Adjusted EBIT (%)

(1)

20%

21-22%

32%

ADP, Current

(FY 2017)

ADP's Long-Term Plan

(FY 2020)

PSCM Plan

(FY 2022)

ADP Has Failed to Address The Substance of Our  
Business Case

30

Perhaps  
most  
concerning  
has  
been  
the  
company's  
failure  
to  
directly  
address  
the  
dissident's  
main  
criticisms.  
In

its  
public  
response  
to  
the  
dissident,  
the  
board  
did  
not  
seem  
to  
provide  
adequate answers  
as to why its EBIT margin trails Paychex's so widely or how it plans to reverse  
market share losses among large customers, focusing instead on making pointed criticisms of the  
dissident's  
track  
record,  
fee  
structure,  
and  
behavior  
in  
this  
contest  
the  
company's  
lack  
of  
direct  
public  
response  
to  
two  
key  
issues  
raised  
by  
the  
dissident  
-  
how  
it  
will  
reverse  
market  
share  
loss  
among

large  
customers  
and  
why  
its  
EBIT  
margin  
trails  
Paychex's  
so  
widely

-  
suggests  
that  
having  
a significant shareholder on the board could help ensure that the company is addressing those  
challenges and responding to them with sufficient urgency.

-  
ISS (Oct 25, 2017)

[T]he  
Company's  
lack  
of  
a  
substantive  
response  
to  
several  
of  
the  
Dissident's  
arguments,  
including a series of questions raised by Pershing Square during this campaign with respect to  
ADP's operational performance (such as ADP's profit margins in Employer Services by sub-  
segment),  
suggests  
that  
particularly  
convincing  
evidence  
to  
refute  
the  
Dissident's  
critique  
does not exist... In our view, the board's response, or lack thereof, to the substance of Pershing  
Square's  
argument  
leaves  
much

to  
be  
desired  
by  
shareholders  
and,  
similarly,  
the  
board's  
stated  
operational  
and  
financial  
plan  
strikes  
us  
as  
being  
inadequate  
and  
underwhelming  
given  
the  
substantial opportunity thoroughly detailed by Pershing Square.

-  
Glass, Lewis & Co. (Oct 23, 2017)

---

Note: Emphasis added.

ADP Is Now Attempting to Pivot Its Tone and Message  
In Response to Shareholder Support for Our Views

31

I'm directly saying [Bill Ackman] doesn't know what he's talking about

-

Mr. Rodriguez, CNBC (Aug 10, 2017)

[W]e strongly disagree with many of the assertions made by Mr. Ackman [it] betrays a fundamental lack of understanding of the current state of ADP's business

-

Press Release (Aug 17, 2017)

ADP's strategy is working

-

Shareholder Materials (Sep 12, 2017)

ADP's Original Messaging (Aug / Sep)



[ADP] has not offered a convincing rebuttal, or even attempted to squarely address the substance of the Dissident's core arguments. Upon review, we find the Company's plan to be underwhelming. [T]he board's plan fails to acknowledge the magnitude of the opportunity.

-

Glass, Lewis & Co. (Oct 23, 2017)  
ADP's Revised Tone and Message (Oct)

---

Source: Various ADP press releases, shareholder letters, and management public commentary available on ADP's website and

(1)  
We  
have  
noted  
that  
neither  
Pershing  
Square,  
Wall  
Street  
research  
analysts  
(including  
Glass  
Lewis),  
or  
other  
shareholders  
with  
whom  
we  
have  
spoken  
can  
reconcile  
this  
claimed  
500

bps number with their stated aggregate margin goal of 100-200bps through FY 2020 (which is entirely consistent with their ex

We probably agree on a lot of different things from a thematic standpoint: The need to transform our technology at ADP, the need to be efficient, to improve margins. He's a few years late in terms of the ideas that he has

-

Mr. Rodriguez, Yahoo Finance (Oct 20, 2017)

[W]e  
just  
guided  
to  
another

500bps

(1)

improvement

over the next three years, so if Ackman is advocating for a 1200 bps margin improvement we've, over the course of six to nine years, we've been able to accomplish the same thing.

-

Mr. Rodriguez, Bloomberg TV (Oct 18, 2017)

ADP's stated Adj. EBIT margin guidance is only 100 to 200 bps by FY 2020  
Implies only ~220bps of Employer Services margin expansion  
Consistent with the natural flow-through margins of the business suggesting that the  
various productivity initiatives claimed by ADP will have no net impact on the business

32

ADP Claims Its Plan Achieves 500bps of Margin  
Expansion

It Is Not True

ADP's current plan calls for just ~300bps  
of net operational margin expansion

Operational Margin Expansion of ~500 bps

ADP's Claim

Reality

Upon closer scrutiny, ADP's three-year plan calls for only approximately 300 basis

points in net operating margin expansion, and only 220 basis points of margin expansion in Employer Services, which is consistent with ADP's historical performance and long-term plan of delivering 50 to 100 basis points per year.

-

Glass, Lewis & Co. (Oct 23, 2017)

ADP is attempting to overstate its operational progress, but this is not credible  
Pershing Square has publicly demanded that ADP provide detailed support  
for this 500bps claim or retract this misleading statement

33

There Is Much More That ADP Can Do To Improve

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

ADP has additional opportunities to improve performance, including:

Corporate restructuring / reducing legacy silos / spans-and-layers

Design products for self-sufficiency; restructure support organization, reduce labor intensity

Implementation automation

Back-end technology improvements

Reduced spending on legacy platforms

Technology and innovation leadership

ADP claims to have some elements of these workstreams

underway, while

entirely ignoring others, and the company has made no commitment to deliver

on the margin improvement these changes should drive

ADP's Transformation is Timely and  
Actionable Without Undue Risk

The Time is Now

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

While Enterprise (~20% of ES, ~15% of total) will require product migrations over the coming years to achieve ADP's full potential,

Pershing Square has suggested

various

risk-mitigating

strategies

which

ADP

is

now

adopting

We believe the majority of Enterprise 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  
we understand that  
ADP has now communicated it intends to adopt this strategy

(2)  
ADP's slow and plodding approach of small, incremental improvement risks ADP's  
long-term competitive position and is not good for employees, customers, and  
shareholders  
35

---

(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

(2)  
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 are  
could run on WorkForce

Now, ADP's mid-market platform. (Source: Stifel, Aug 17, 2017) More recently, management appears to be suggesting this  
by BMO: [M]anagement stated it could migrate some of the smaller Enterprise clients to its Workforce Now platform as Per  
Markets, Sep 13, 2017).

As a proxy tactic, 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. 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.

basic operational excellence. Our plan for ADP's transformation is responsive to clients needs (better technology,

improved  
support,  
etc.)  
and  
will  
improve  
ADP's  
client  
experience

ADP has recently claimed our plan will require drastic headcount reduction, introducing risk

that  
is  
not  
accurate  
and  
not  
supported  
by  
the  
facts  
(1)  
ADP  
has  
high  
(>10%)  
associate  
attrition

ADP  
needs  
to  
hire  
~6,000  
new  
employees

each year to keep headcount flat

ADP can grow into its labor productivity, much like Paychex; at ADP's growth rate it should be able to achieve competitor-level productivity within 5 years

CDK made enormous margin improvement while maintaining headcount at ~9k

Most of the changes necessary for ADP to achieve its potential will never be visible to ADP's client, beyond a better client implementation process and a higher-quality and more responsive service experience

36

---

(1)

See pages 12

13, Pershing Square Letter to ISS (October 30, 2017).

ADP's Transformation Can Be Accomplished in a

Prudent and Measured Way

#### 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 resources (e.g., technology spend, salesforce, financial strength) are vast, even relative to its greater scale versus competitors

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 is a multiple of competitors

Innovative R&D spend of \$450mm per annum

o

ADP is already spending on needed next-generation strategic initiatives; the output from these initiatives 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 (f.k.a. Dealer Services) and Solera (f.k.a. Claims Services) were highly successful, with immediate and consistent progress

37

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

The Choice for Shareholders



With Support From Shareholders, ADP Can Create  
Enormous Value

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

Establish a long-term vision for ADP

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

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

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

39

Step One

Step Two

Step Three

Step Four

Step Five

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

The Choice for Shareholders

40

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

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 ADP's  
competitors' and its 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  
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

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(1)  
Lisa  
Ellis.  
ADP  
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Ackman  
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Where  
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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

ADP's board committees are chaired by the longest tenured directors replacing these directors will allow newer board additions to assume greater responsibility within the boardroom

41

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

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

42

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

The Nominees for ADP's Transformation



Incumbent Long-Tenured Directors

John Jones

(Board Chairman)

Glenn Hubbard (Chair, Nominating & Governance)

Eric Fast (Chair, Audit)

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

Veronica Hagen (Former Chief Executive Officer, Polymer Group)

Paul Unruh (Former Vice Chairman, Bechtel)

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

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

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

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

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

43

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

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

Independent Proxy Advisors Support Pershing  
Square's Campaign for Change at ADP  
44

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

Dissident nominee Ackman would bring a strong understanding of the company, with the resources and analytical ability that his firm has demonstrated while digging deeply into ADP's business, asking valid questions, presenting detailed data, and proposing solutions. His real estate background could also be helpful at this point in the company's life cycle, given ADP's ongoing initiatives to rationalize its footprint [T]he company's lack of direct public response to two key issues raised by

the  
dissident

-

how

it

will

reverse

market

share loss among large customers and why its EBIT margin trails Paychex's so widely - suggests that having a significant shareholder on the board could help ensure that the company is addressing those challenges and responding to them with sufficient urgency.

[W]e believe Pershing Square has argued the more convincing case, particularly that: (i) ADP is underperforming its potential; (ii) ADP's historical leadership position and scale advantages breed complacency with incremental improvements that accrue relatively easily year after year; (iii) ADP is not keeping pace with smaller competitors in key market segments in the evolving HCM industry; (iv) an inefficient corporate structure and insular culture restrain ADP from identifying and urgently responding to business opportunities and threats; and (v) ADP's performance can be significantly improved, and shareholder returns enhanced, pursuant to a transformation plan implemented in a prudent manner under the oversight of a partly reconstituted board of directors. In our view, the board's response, or lack thereof, to the substance of Pershing Square's argument leaves much to be desired by shareholders and, similarly, the board's stated operational and financial plan strikes us as being inadequate and underwhelming given the substantial opportunity thoroughly detailed by Pershing Square.

We believe that Pershing Square's nominees will reinforce the Board and management in addressing operational inefficiencies, strengthen corporate governance and unlock ADP's potential in order to maximize shareholder value.

Support for Bill

Ackman; withhold on

Eric Fast

Support

for

all

three

of

The Nominees for

ADP's Transformation

Support

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all

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of

The Nominees for

ADP's Transformation

To  
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GOLD  
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Three highly-qualified and experienced independent director nominees:  
o

Bill Ackman, Veronica ( Ronee ) Hagen, V. Paul Unruh

A withhold vote on the white card IS NOT

a vote for any of the Nominees

for ADP's Transformation and DOES NOT

ensure any or all of our

nominees will be elected to the Board

We

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ballot

to

ADP

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ADP's

board

rejected all of our candidates. This proposal was rejected

45

[W]e agree with the Dissident's assessment that the ADP board appears to be lacking in business transformation and operating efficiency experience, which forms the basis of Pershing Square's nomination of Ms. Hagen and Mr. Unruh. Furthermore, in nominating Mr. Ackman, Pershing Square believes his election would address a lack of significant stock ownership by the incumbent directors, promote an owner's mentality in the boardroom and add the perspective of an investor who has been involved in several business transformations.

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Glass Lewis (Oct. 23, 2017)

46  
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Inc.,  
at  
(866)  
342-1635.

Q&A