

AUTOMATIC DATA PROCESSING INC

Form 10-Q

February 07, 2012

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

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FORM 10-Q

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

For the Quarterly Period Ended December 31, 2011

OR

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

For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-5397

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

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Delaware  
(State or other jurisdiction of incorporation or organization)

22-1467904  
(IRS Employer Identification No.)

One ADP Boulevard, Roseland, New  
Jersey  
(Address of principal executive offices)

07068  
(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares outstanding of the registrant's common stock as of January 31, 2012 was 490,575,881.

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## Part I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2011	2010	2011	2010
<b>REVENUES:</b>				
Revenues, other than interest on funds held for clients and PEO revenues	\$2,054.0	\$1,921.0	\$4,056.7	\$3,684.8
Interest on funds held for clients	117.9	129.0	239.8	255.8
PEO revenues (A)	411.1	355.7	809.0	694.6
<b>TOTAL REVENUES</b>	<b>2,583.0</b>	<b>2,405.7</b>	<b>5,105.5</b>	<b>4,635.2</b>
<b>EXPENSES:</b>				
<b>Costs of revenues:</b>				
Operating expenses	1,307.7	1,173.6	2,600.3	2,290.3
Systems development and programming costs	149.1	142.1	298.8	277.0
Depreciation and amortization	63.1	64.6	126.9	124.9
<b>TOTAL COSTS OF REVENUES</b>	<b>1,519.9</b>	<b>1,380.3</b>	<b>3,026.0</b>	<b>2,692.2</b>
Selling, general and administrative expenses	577.5	570.1	1,166.7	1,085.7
Interest expense	2.1	2.8	4.2	5.6
<b>TOTAL EXPENSES</b>	<b>2,099.5</b>	<b>1,953.2</b>	<b>4,196.9</b>	<b>3,783.5</b>
Other income, net	(96.2 )	(32.1 )	(130.4 )	(69.3 )
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>579.7</b>	<b>484.6</b>	<b>1,039.0</b>	<b>921.0</b>
Provision for income taxes	204.7	174.5	361.3	332.4
<b>NET EARNINGS</b>	<b>\$375.0</b>	<b>\$310.1</b>	<b>\$677.7</b>	<b>\$588.6</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$0.77</b>	<b>\$0.63</b>	<b>\$1.39</b>	<b>\$1.20</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$0.76</b>	<b>\$0.62</b>	<b>\$1.38</b>	<b>\$1.19</b>
Basic weighted average shares outstanding	486.7	492.0	487.3	491.7
Diluted weighted average shares outstanding	492.4	496.9	492.8	495.9
Dividends declared per common share	\$0.3950	\$0.3600	\$0.7550	\$0.7000

(A) Professional Employer Organization (“PEO”) revenues are net of direct pass-through costs, primarily consisting of payroll wages and payroll taxes, of \$4,810.4 and \$4,231.3 for the three months ended December 31, 2011 and 2010, respectively, and \$8,745.7 and \$7,582.7 for the six months ended December 31, 2011 and 2010, respectively.

See notes to the consolidated financial statements.

Automatic Data Processing, Inc. and Subsidiaries  
Consolidated Balance Sheets  
(In millions, except per share amounts)  
(Unaudited)

	December 31, 2011	June 30, 2011
Assets		
<b>Current assets:</b>		
Cash and cash equivalents	\$1,331.3	\$1,389.4
Short-term marketable securities	23.9	36.3
Accounts receivable, net	1,353.9	1,364.8
Other current assets	659.4	648.3
Assets held for sale	9.1	9.1
<b>Total current assets before funds held for clients</b>	<b>3,377.6</b>	<b>3,447.9</b>
Funds held for clients	23,349.5	25,135.6
<b>Total current assets</b>	<b>26,727.1</b>	<b>28,583.5</b>
Long-term marketable securities	98.7	98.0
Long-term receivables, net	125.2	128.7
Property, plant and equipment, net	707.9	716.2
Other assets	964.0	922.6
Goodwill	3,130.0	3,073.6
Intangible assets, net	731.5	715.7
<b>Total assets</b>	<b>\$32,484.4</b>	<b>\$34,238.3</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$137.3	\$153.3
Accrued expenses and other current liabilities	963.0	930.4
Accrued payroll and payroll-related expenses	447.4	558.3
Dividends payable	189.2	174.2
Short-term deferred revenues	325.3	350.9
Income taxes payable	45.1	28.6
<b>Total current liabilities before client funds obligations</b>	<b>2,107.3</b>	<b>2,195.7</b>
Client funds obligations	22,690.2	24,591.1
<b>Total current liabilities</b>	<b>24,797.5</b>	<b>26,786.8</b>
Long-term debt	25.5	34.2
Other liabilities	605.3	556.2
Deferred income taxes	409.3	373.5
Long-term deferred revenues	464.4	477.2
<b>Total liabilities</b>	<b>26,302.0</b>	<b>28,227.9</b>
<b>Stockholders' equity:</b>		
Preferred stock, \$1.00 par value:		
Authorized, 0.3 shares; issued, none	-	-
Common stock, \$0.10 par value:		
Authorized, 1,000.0 shares; issued 638.7		

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shares at December 31, 2011 and June 30, 2011;

outstanding, 489.1 and 490.8 shares at December 31, 2011 and June 30, 2011, respectively	63.9	63.9
Capital in excess of par value	479.2	489.5
Retained earnings	12,112.6	11,803.9
Treasury stock - at cost: 149.6 and 147.9 shares at December 31, 2011 and June 30, 2011, respectively	(6,812.8 )	(6,714.0 )
Accumulated other comprehensive income	339.5	367.1
Total stockholders' equity	6,182.4	6,010.4
Total liabilities and stockholders' equity	\$32,484.4	\$34,238.3

See notes to the consolidated financial statements.



Automatic Data Processing, Inc. and Subsidiaries  
 Statements of Consolidated Cash Flows  
 (In millions)  
 (Unaudited)

	Six Months Ended December 31,	
	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Net earnings	\$677.7	\$588.6
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Depreciation and amortization	158.9	158.2
Deferred income taxes	7.2	17.2
Stock-based compensation expense	45.7	36.7
Net pension expense	18.3	20.2
Net realized gain from the sales of marketable securities	(12.2 )	(15.4 )
Net amortization of premiums and accretion of discounts on available-for-sale securities	27.2	27.1
Impairment losses on available-for-sale securities	5.8	-
Impairment losses on assets held for sale	-	8.6
Gain on sale of assets	(66.0 )	-
Gains on sales of buildings	-	(1.8 )
Other	1.2	33.6