

AUTOMATIC DATA PROCESSING INC
Form 10-K
August 03, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2018

OR

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

Commission File Number 1-5397

AUTOMATIC DATA PROCESSING, INC.

(Exact name of registrant as specified in its charter)

Delaware

22-1467904

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

One ADP Boulevard, Roseland, New Jersey

07068

(Address of principal executive offices)

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$0.10 Par Value

NASDAQ Global Select Market

(voting)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes

No

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 the 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 to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately \$51,688,560,196. On July 31, 2018 there were 438,082,756 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2018 Annual Meeting of Stockholders. Part III

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Part I

Item 1. Business

CORPORATE BACKGROUND

General

ADP was founded in 1949 on an innovative idea: to help business owners focus on core business activities by relieving them of certain non-core tasks such as payroll. Automatic Data Processing, Inc. was incorporated in the State of Delaware in June 1961 and completed its initial public offering in September 1961. A pioneer in business process outsourcing, today we are one of the world's leading providers of cloud-based human capital management ("HCM") solutions to employers, offering solutions to businesses of all sizes, whether they have simple or complex needs. We serve over 740,000 clients in more than 110 countries and territories. Our common stock is listed on the NASDAQ Global Select Market® under the symbol "ADP."

When we refer to "we," "us," "our," "ADP," or the "Company" in this Annual Report on Form 10-K, we mean Automatic Data Processing, Inc. and its consolidated subsidiaries.

Available Information

Our corporate website, www.adp.com, provides materials for investors and information about our solutions and services. ADP's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, and the Proxy Statements for our Annual Meetings of Stockholders are made available, free of charge, on our corporate website as soon as reasonably practicable after such reports have been filed with or furnished to the Securities and Exchange Commission ("SEC"), and are also available on the SEC's website at www.sec.gov. The content on any website referenced in this filing is not incorporated by reference into this filing unless expressly noted otherwise.

BUSINESS OVERVIEW

ADP's Mission and Strategy

ADP's mission is to power organizations with insightful solutions for clients and their employees, as digital technology, globalization and new business models reshape the way people work. As the world of work evolves, our technology, expertise and data insights deliver measurable results, peace-of-mind and an enabled, productive workforce. Our leading technology and commitment to service excellence is at the core of our relationship with each one of our clients, whether it's a small, mid-sized or large organization operating in one or multiple countries around the world. We are constantly innovating to help our clients leverage HCM solutions in order to streamline and simplify their human resources ("HR") processes, drive better business results and manage their most important investment – their people.

Our business strategy is based on the following three strategic pillars, which are designed to position ADP as the global market leader in HCM technology and services:

- Grow a complete suite of cloud-based HCM solutions;
- Grow and scale our market-leading HR Outsourcing ("HRO") solutions by leveraging our platforms and processes; and
- Leverage our global presence to offer clients HCM solutions where ever they do business.

Reportable Segments

ADP's two reportable business segments are Employer Services and Professional Employer Organization ("PEO") Services. For financial data by segment and by geographic area, see Note 15 to the "Consolidated Financial Statements" contained in this Annual Report on Form 10-K.

Employer Services. Our Employer Services segment serves clients ranging from single-employee small businesses to large enterprises with tens of thousands of employees around the world, offering a comprehensive range of HRO and technology-based HCM solutions, including our strategic, cloud-based platforms. These solutions address critical client needs and include:

- Payroll Services
- Benefits Administration
- Talent Management
- HR Management
- Time and Attendance Management
- Insurance Services
- Retirement Services
- Compliance Services

Professional Employer Organization Services. ADP's PEO business, called ADP TotalSource®, serves more than 12,000 clients with comprehensive employment administration outsourcing solutions through a relationship in which employees who work for a client (referred to as "worksites employees") are co-employed by us and the client. ADP TotalSource is the largest PEO in the United States based on the number of worksite employees, serving more than 530,000 worksite employees in all 50 states, and operates as a Certified Professional Employer Organization under the United States Internal Revenue Code.

PRODUCTS AND SERVICES

Employer Services' Products and Services

Human Capital Management. In order to serve the unique needs of diverse types of businesses and workforce models, ADP provides a range of solutions which businesses of all types and sizes can use to activate talent and lead organizational change as they recruit, pay, manage, and retain their workforce. We serve more than 630,000 clients via ADP's cloud-based strategic software as a service ("SaaS") offerings, which reduce complexity through simplicity, scale and flexibility. As a leader in the growing HR Outsourcing market, we offer seamless solutions that enable our clients to outsource their HR, time and attendance, payroll, benefits administration and talent management functions to ADP. Through innovative offerings like the ADP® DataCloud we provide clients with in-depth, workforce and business insights driven by big data. Through the ADP DataCloud, we also provide clients with a workforce intelligence engine that enables critical HR decisions that power workforce and business productivity, performance and alignment. For example, ADP's Pay Equity Explorer combines analytics and benchmarking to help employers gain a better understanding of potential gender or race pay gaps and provide them with real, aggregated and anonymized market data to understand how their compensation for a particular job compares to other employers.

Our innovative payment offerings support employers' need for flexible payment solutions due to macro trends, including the rise of the contingent workforce or "gig economy," that are reshaping the employment landscape. Wisely by ADP™ is our latest advancement in the future of pay. Following our acquisition of Global Cash Card, we launched the Wisely Pay by ADP payroll card, a network-branded payroll card and digital account that enables employers to disburse payroll to their employees, and enables employees to access their payroll funds immediately, including via a network member bank or an ATM, make purchases or pay bills, load additional funds onto the card, such as tax refunds and military pensions, and transfer funds to a bank account in the United States. We also launched Wisely Direct by ADP, a network-branded general purpose reloadable card and digital account, that offers similar features and functionality as Wisely Pay by ADP but is offered directly to consumers. Our digital card offerings are true banking alternatives that feature innovative services such as savings, digital wallet and other financial management features.

Through our acquisition of WorkMarket®, a cloud-based workforce management solutions provider, ADP became the first HCM provider with robust freelancer management functionality and reporting insights, enabling clients to effectively manage their extended workforce.

In addition, our mobile applications enable businesses to process their payroll, and give approximately 17 million of our clients' employees and freelancers convenient access to their payroll and HR information through a variety of mobile device platforms, around the world and in more than 27 languages. ADP has also opened access for developers and system integrators to certain of our platforms' Application Programming Interface libraries through the ADP Marketplace. With ADP Marketplace, clients can integrate employee data from ADP core services across their other business systems, providers or platforms. This access enables the exchange of client data housed in ADP's databases, and creates a unified HCM ecosystem for clients informed by a single, comprehensive repository of their workforce data.

Integrated HCM Solutions. Our premier suite of HCM products offers complete solutions that assist employers of all types and sizes in all stages of the employment cycle, from recruitment to retirement:

RUN Powered by ADP® is used by more than 570,000 small businesses in the United States. It combines a software platform for managing small business payroll, HR management and tax compliance administration, with 24/7 service and support from our team of small business experts. RUN Powered by ADP also integrates with other ADP solutions, such as time and attendance management, workers' compensation insurance premium payment plans, and retirement plan administration systems.

ADP Workforce Now® is a flexible HCM solution used by more than 60,000 mid-sized and large businesses in North America to manage their employees. More businesses use ADP Workforce Now than any other HCM solution designed for both mid-sized and large businesses.

ADP Vantage HCM® is a solution for large enterprises in the United States. It offers a comprehensive set of HCM capabilities within a single solution that unifies the five major areas of HCM: HR management, benefits administration, payroll services, time and attendance management, and talent management.

ADP GlobalView® HCM is a solution for multinational organizations of all sizes. As an integrated and flexible infrastructure supported by a team of experts, ADP GlobalView HCM allows companies of all sizes – from those with small and mid-sized operations to the largest multinational corporations – to standardize their HCM strategies globally (including payroll, HR, talent, time and labor, and benefits management) and adapt to changing local needs, while helping to drive overall organizational agility and engagement.

Outside the United States, ADP offers comprehensive HCM solutions on local, country-specific platforms. These suites of services offer various combinations of payroll services, HR management, time and attendance management, talent management and benefits management, depending on the country in which the solution is provided.

Payroll Services. ADP pays approximately 26 million (approximately 1 out of every 6) workers in the United States, and approximately 14 million workers outside the United States. ADP provides flexible payroll services to employers of all sizes, including the preparation of employee paychecks, pay statements, supporting journals, summaries, and management reports. ADP provides employers with a wide range of payroll options, including entering their payroll data online with an Internet-based solution, using a mobile device or outsourcing their entire payroll process to ADP. ADP also enables its clients to connect their major enterprise resource planning (“ERP”) applications with ADP's payroll services. Employers can choose a variety of payroll payment options including ADP's electronic wage payment and, in the United States, payroll card solutions and digital accounts. On behalf of our clients in the United States, ADP prepares and files federal, state and local payroll tax returns and quarterly and annual Social Security, Medicare, and federal, state and local income tax withholding reports, and prepares and files similar reports internationally. In addition, as part of our global payroll services, ADP supplies year-end regulatory and legislative tax statements and other forms to our clients' employees. For clients in the United States who choose to process payroll in-house, ADP also offers our Compliance Solutions described below.

Benefits Administration. In the United States, ADP provides flexible solutions for employee benefits administration. These options include health and welfare administration, leave administration services, insurance carrier enrollment services, employee communication services, and dependent verification services. In addition, ADP benefits

administration solutions offer employers an efficient cloud-based eligibility and enrollment system that provides their employees with tools, communications, and other resources they need to understand their benefits options and make informed choices.

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Talent Management. ADP's Talent Management solutions simplify and improve the talent acquisition, management, and activation process from recruitment to ongoing employee engagement and development. ADP's talent acquisition solutions help employers recruit, screen and on-board talent quickly and cost effectively. Employers can also meet their hiring needs by outsourcing their internal recruitment function to ADP. ADP's talent management solutions provide performance, learning, succession and compensation management tools that help employers align goals to outcomes, while enabling managers to identify and mitigate potential retention risks. ADP's talent activation solutions include tools, such as ADP's StandOut® and Compass™ solutions, which provide team leaders with data and insights to drive employee engagement and leadership development, which in turn help clients drive employee performance while reliably measuring the impact in relation to business outcomes.

Human Resources Management. Commonly referred to as Human Resource Information Systems, ADP's Human Resources Management Solutions provide employers with a single system of record to support the entry, validation, maintenance, and reporting of data required for effective HR management, including employee names, addresses, job types, salary grades, employment history, and educational background. ADP's Human Resources Management Solutions can also be combined with ADP's Talent Management Solutions and other HCM offerings.

Time and Attendance Management. ADP offers multiple options for employers of all sizes to collect employee time and attendance information, including electronic timesheets, badge cards, biometric and touch-screen time clocks, telephone/interactive voice response, and mobile smartphones and tablets. ADP's time and attendance tracking tools simplify employee scheduling and automate the calculation and reporting of hours worked, helping employers consistently enforce leave and attendance policies, control overtime, and manage compliance with wage and hour regulations.

Insurance Services. ADP's Insurance Services business, in conjunction with our licensed insurance agency, Automatic Data Processing Insurance Agency, Inc., facilitates access in the United States to workers' compensation and group health insurance for small and mid-sized clients through a variety of insurance carriers. ADP's automated Pay-by-Pay® premium payment program calculates and collects workers' compensation premium payments each pay period simplifying this task for employers.

Retirement Services. ADP Retirement Services helps employers in the United States administer various types of retirement plans, such as 401(k) (including "safe harbor" 401(k) and Roth 401(k)), profit sharing (including new comparability), SIMPLE IRA, SEP IRA, and executive deferred compensation plans. ADP Retirement Services offers a full service 401(k) plan program which provides recordkeeping and administrative services, combined with an investment platform offered through ADP Broker-Dealer, Inc. that gives our clients' employees access to a wide range of non-proprietary investment options and online tools to monitor the performance of their investments. In addition, ADP Retirement Services offers investment management services to retirement plans through ADP Strategic Plan Services, LLC, a registered investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"). ADP Retirement Services also offers trustee services through a third party.

Compliance Services. ADP's Compliance Services provides industry-leading expertise in payment compliance and employment-related tax matters that complement the payroll, HR and ERP systems of its clients.

ADP SmartCompliance. In the United States, ADP SmartCompliance® integrates client data delivered from ADP's integrated HCM platforms or third-party payroll, HR and financial systems into a single, cloud-based solution. ADP's specialized teams use the data to work with clients to help them manage changing regulatory landscapes and improve business processes. ADP SmartCompliance includes service capabilities for several HCM-related compliance processes, including employment tax, wage payments, tax credits, health compliance, wage garnishments, employment verifications, and unemployment claims.

ADP SmartCompliance Employment Tax. As part of ADP's full service employment tax services in the United States, ADP prepares and files employment tax returns on our clients' behalf and, in connection with these services, collects employment taxes from clients and remits these taxes, as appropriate, to more than 7,100 federal, state, and local tax agencies. In our fiscal year ended June 30, 2018, ADP in the United States processed and delivered approximately 64 million employee year-end tax statements, and moved more than \$1.85 trillion in client funds to taxing and other agencies and to our clients' employees and other payees.

ADP SmartCompliance Wage Payments. In the United States, ADP offers compliant pay solutions for the modern workforce, including electronic payroll disbursement options such as payroll cards, digital accounts and direct deposit, as well as traditional payroll check offerings, that can be integrated with clients' ERP and payroll systems.

ADP SmartCompliance - Other ADP Solutions. Our other ADP SmartCompliance solutions include:

Tax Credits. ADP helps clients in the United States take advantage of tax credit and incentive opportunities as they hire new employees.

- Health Compliance. ADP helps businesses manage crucial employer-related elements of the U.S. Patient Protection and Affordable Care Act (the "Affordable Care Act").

Wage Garnishments. ADP offers an integrated solution to help our clients manage the wage garnishment process through integration with their payroll systems.

Employment Verification. ADP offers an automated solution to securely verify employment and income.

Unemployment Claims. ADP offers a single-source solution to help manage the entire unemployment claims process in the United States.

Professional Employer Organization Services' Products and Services

ADP TotalSource, ADP's PEO business, offers small and mid-sized businesses a comprehensive HR outsourcing solution through a co-employment model. In 2017, ADP TotalSource became one of the first PEOs certified by the Internal Revenue Service as meeting the requirements to operate as a Certified Professional Employer Organization under the Internal Revenue Code. As a PEO, ADP TotalSource provides complete HR management services while the client continues to direct the day-to-day job-related duties of the employees. ADP TotalSource combines key HR management and employee benefits functions, including HR administration, employee benefits, and employer liability management, into a single-source solution:

HR Administration. ADP TotalSource offers a variety of comprehensive HR administration services, such as:

- employee recruitment
- payroll and tax administration
- time and attendance management
- benefits administration
- employee training and development
- online HR management tools

•employee leave administration

Employee Benefits. Through the co-employment model, ADP TotalSource provides eligible worksite employees with access to:

- group health, dental and vision coverage
- a 401(k) retirement savings plan
- health savings accounts
- flexible spending accounts
- group term life and disability coverage
- an employee assistance program

Employer Liability Management. ADP TotalSource helps clients manage and limit employment-related risks and related costs by providing:

- a workers' compensation program
- unemployment claims management
- safety compliance guidance and access to safety training
- access to employment practices liability insurance
- guidance on compliance with U.S. federal, state and local employment laws and regulations

The scale of ADP TotalSource allows us to deliver a variety of benefits and services with efficiency and value typically out of reach to small and mid-sized businesses. ADP TotalSource serves approximately 12,000 clients and more than 530,000 worksite employees in all 50 states.

MARKETS AND SALES

Employer Services' HCM solutions are offered in more than 110 countries and territories. The most material markets for our HCM solutions are the United States, Canada and Europe. In each market, we have both country-specific solutions and multi-country solutions, for employers of all sizes and complexities. The major components of our HCM offerings throughout these geographies are payroll, HR outsourcing and time and attendance management. In addition, we offer wage and tax collection and remittance services in the United States, Canada, the United Kingdom, the Netherlands, France, Australia, India, and China. PEO Services offers services exclusively in the United States. We market our solutions primarily through our direct sales force. Employer Services also markets its solutions through indirect sales channels, such as marketing relationships with certified public accountants and banks, among others. None of ADP's major business groups has a single homogeneous client base or market. While concentrations of clients exist in specific industries, no one client, industry or industry group is material to ADP's overall revenues. ADP enjoys a leadership position in each of its major service offerings and does not believe any major service or major business unit of ADP is subject to unique market risk.

COMPETITION

The industries in which ADP operates are highly competitive. ADP knows of no reliable statistics by which it can determine the number of its competitors, but it believes that it is one of the largest providers of HCM solutions in the world. Employer Services competes with other business outsourcing companies, companies providing ERP services, providers of cloud-based HCM solutions and financial institutions. PEO Services competes with other PEOs providing similar services, as well as business outsourcing companies, companies providing ERP services and providers of cloud-based HCM solutions. Other competitive factors include a company's in-house function, whereby a company installs and operates its own HCM system.

Competition for business outsourcing solutions is primarily based on product and service quality, reputation, ease of use and accessibility of technology, breadth of offerings, and price. We believe that ADP is competitive in each of these areas and that our leading-edge technology, together with our commitment to service excellence, distinguishes us from our competitors.

INDUSTRY REGULATION

Our business is subject to a wide range of complex U.S. and foreign laws and regulations. In addition, many of our solutions are designed to assist clients with their compliance with certain U.S. and foreign laws and regulations that apply to them. We have, and continue to enhance, compliance programs and policies to monitor and address the legal and regulatory requirements applicable to our operations and client solutions, including dedicated compliance personnel and training programs.

As one of the world's largest providers of HCM solutions, our systems contain a significant amount of sensitive data related to clients, employees of our clients, vendors and our employees. We are, therefore, subject to compliance obligations under federal, state and foreign privacy, data protection and cybersecurity-related laws, including federal, state and foreign security breach notification laws with respect to both our own employee data and client employee data. The changing nature of these laws in the United States, Europe and elsewhere, including the adoption by the European Union (the "EU") of the General Data Protection Regulation (the "GDPR"), will impact our processing of personal information of our employees and on behalf of our clients. The GDPR, which became effective in May 2018, imposes stricter and more comprehensive requirements on us as both a data controller and data processor. As part of our overall data protection compliance program, including with respect to data protection laws in the EU, in February 2018 we obtained approval from all 28 EU Data Protection Authorities to implement Binding Corporate Rules ("BCRs"). Compliance with our BCRs will permit us to process and transfer personal data across borders in accordance with GDPR and other data protection laws in the EU. In addition, in the United States, the Health Insurance Portability and Accountability Act of 1996 applies to our insurance services businesses and ADP TotalSource.

As part of our payroll and payroll tax management services, we move client funds to taxing authorities, our clients' employees, and other payees via electronic transfer, direct deposit, prepaid access and ADPCheck. Some elements of our U.S. money transmission activities, including our electronic payment and prepaid access (payroll pay card) offerings, are subject to certain licensing requirements. In addition, our U.S. prepaid access offering is subject to the anti-money laundering and reporting provisions of The Bank Secrecy Act of 1970, as amended by the USA PATRIOT Act of 2000 (the "BSA"). Elements of our money transmission activities outside of the United States are subject to similar licensing and anti-money laundering and reporting laws and requirements in the countries in which we provide such services. Our employee screening and selection services business offers background checking services that are subject to the Fair Credit Reporting Act. ADP TotalSource is subject to various state licensing requirements and maintains certifications with the Internal Revenue Service. Because ADP TotalSource is a co-employer with respect to its clients' worksite employees, we may be subject to limited obligations and responsibilities of an employer under federal and state tax, insurance and employment laws. In April 2017, we formed a registered investment adviser that provides certain investment management and advisory services to retirement plan administrators under a heightened "fiduciary" standard and is regulated by the SEC and the U.S. Department of Labor.

In addition, many of our businesses offer solutions that assist our clients in complying with certain U.S. and foreign laws and regulations that apply to them. Although these laws and regulations apply to our clients and not to ADP, changes in such laws or regulations may affect our operations, products and services. For example, our payroll services are designed to facilitate compliance with state laws and regulations applicable to the payment of wages. In addition, our HCM solutions help clients manage their compliance with certain requirements of the Affordable Care Act in the United States. Similarly, our Tax Credit Services business, which helps clients in the United States take advantage of tax credit opportunities in connection with the hiring of new employees and certain other activities, is based on federal, state, or local tax laws and regulations allowing for tax credits, which are subject to renewal, amendment or rescission.

The foregoing description does not include an exhaustive list of the laws and regulations governing or impacting our business. See the discussion contained in the "Risk Factors" section in Part I, Item 1A of this Annual Report on Form 10-K for information regarding changes in laws and regulations that could have a materially adverse effect on our reputation, results of operations or financial condition or have other adverse consequences.

CLIENTS AND CLIENT CONTRACTS

ADP provides its services to more than 740,000 clients. In fiscal 2018, no single client or group of affiliated clients accounted for revenues in excess of 2% of ADP's annual consolidated revenues.

ADP is continuously in the process of performing implementation services for new clients. Depending on the service agreement and/or the size of the client, the installation or conversion period for new clients can vary from a short period of time for a small Employer Services client (as little as 24 hours) to a longer period for a large Employer Services client with multiple deliverables (generally six to nine months). In some cases, the period may exceed two years for a large, multi-country GlobalView client or other large, complicated implementation. Although we monitor sales that have not yet been installed, we do not view this metric as material to an understanding of our overall business in light of the recurring nature of our business. This metric is not a reported number, but it is used by management as a planning tool to allocate resources needed to install services, and as a means of assessing our performance against the expectations of our clients. In addition, some of our products and services are sold under longer term contracts with initial terms ranging from two to seven years. However, this anticipated future revenue under contract is not a significant portion of ADP's expected future revenue, is not a meaningful indicator of our future performance and is not material to management's estimate of ADP's future revenue.

Our business is typically characterized by long-term client relationships that result in recurring revenue. Our services are provided under written price quotations or service agreements having varying terms and conditions. No one price quotation or service agreement is material to ADP. ADP's client retention is estimated at approximately 10 years in Employer Services, and approximately 7 years in PEO Services, and has not varied significantly from period to period.

PRODUCT DEVELOPMENT

ADP continually upgrades, enhances, and expands its solutions and services. In general, new solutions and services supplement rather than replace our existing solutions and services and, given our recurring revenue model, do not have a material and immediate effect on ADP's revenues. ADP believes that our strategic solutions and services have significant remaining life cycles.

SYSTEMS DEVELOPMENT AND PROGRAMMING

During the fiscal years ended June 30, 2018, 2017, and 2016, ADP invested approximately \$1 billion, \$859 million, and \$818 million, respectively, from continuing operations, in systems development and programming, which includes expenses for activities such as client migrations to our new strategic platforms, the development of new products and maintenance of our existing technologies, including purchases of new software and software licenses.

LICENSES

ADP is the licensee under a number of agreements for computer programs and databases. ADP's business is not dependent upon a single license or group of licenses. Third-party licenses, patents, trademarks, and franchises are not material to ADP's business as a whole.

NUMBER OF EMPLOYEES

ADP employed approximately 57,000 persons as of June 30, 2018.

Item 1A. Risk Factors

Our businesses routinely encounter and address risks, some of which may cause our future results to be different than we currently anticipate. The risk factors described below represent our current view of some of the most important risks facing our businesses and are important to understanding our business. The following information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures About Market Risk and the consolidated financial statements and related notes included in this Annual Report on Form 10-K. This discussion includes a number of forward-looking statements. You should refer to the description of the qualifications and limitations on forward-looking statements in the first paragraph under Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Annual Report on Form 10-K. The level of importance of each of the following risks may vary from time to time, and any of these risks may have a materially adverse effect on our business, results of operations or financial condition.

Failure to comply with, or changes in, laws and regulations applicable to our businesses could have a materially adverse effect on our reputation, results of operations or financial condition, or have other adverse consequences

Our business is subject to a wide range of complex U.S. and foreign laws and regulations, including, but not limited to, the laws and regulations described in the “Industry Regulation” section in Part I, Item 1 of this Annual Report on Form 10-K. Failure to comply with laws and regulations applicable to our operations or client solutions and services could result in the suspension or revocation of licenses or registrations, the limitation, suspension or termination of services, and the imposition of consent orders or civil and criminal penalties, including fines, that could damage our reputation and have a materially adverse effect on our results of operation or financial condition.

In addition, changes in laws or regulations, or changes in the interpretation of laws or regulations by a regulatory authority, may decrease our revenues and earnings and may require us to change the manner in which we conduct some aspects of our business. For example, a change in regulations either decreasing the amount of taxes to be withheld or allowing less time to remit taxes to government authorities would adversely impact average client balances and, thereby adversely impact interest income from investing client funds before such funds are remitted to the applicable taxing authorities. Changes in taxation regulations could adversely affect our effective tax rate and our net income. Changes in laws that govern the co-employment arrangement between a professional employer organization and its worksite employees may require us to change the manner in which we conduct some aspects of our PEO business. Health care reform under the Affordable Care Act, related state laws, and the regulations thereunder, as well as the uncertainty surrounding the Affordable Care Act, have the potential to further impact the health insurance market for our PEO business and the demand for our health care compliance solutions. We are unable to determine the additional impact that any of this will have on our PEO business, our ability to attract and retain PEO clients or demand for our health care compliance solutions.

Amendments to money transmitter statutes have required us to obtain licenses in some jurisdictions. The adoption of new money transmitter statutes in other jurisdictions, changes in regulators’ interpretation of existing state and federal money transmitter or money services business statutes or regulations, or disagreement by a regulatory authority with our interpretation of such statutes or regulations, could require additional registration or licensing, limit certain of our business activities until they are appropriately licensed, and expose us to financial penalties. These occurrences could also require changes to the manner in which we conduct some aspects of our money movement business or client funds investment strategy, which could adversely impact interest income from investing client funds before such funds are remitted.

Failure to comply with anti-corruption laws and regulations, anti-money laundering laws and regulations, economic and trade sanctions, and similar laws could have a materially adverse effect on our reputation, results of operations or financial condition, or have other adverse consequences

Regulators worldwide are exercising heightened scrutiny with respect to anti-corruption, economic and trade sanctions, and anti-money laundering laws and regulations. Such heightened scrutiny has resulted in more aggressive investigations and enforcement of such laws and more burdensome regulations, any of which could adversely impact our business. We operate our business around the world, including in numerous developing economies where companies and government officials are more likely to engage in business practices that are prohibited by domestic and foreign laws and regulations, including the United States Foreign Corrupt Practices Act and the U.K. Bribery Act. Such laws generally prohibit improper payments or offers of payments to foreign government officials and leaders of political parties, and in some cases, to other persons, for the purpose of obtaining or retaining business. We are also subject to economic and trade sanctions programs, including those administered by the U.S. Treasury Department’s Office of Foreign Assets Control, which prohibit or restrict transactions or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially designated, including narcotics traffickers and terrorists or terrorist organizations, among others. In addition, some of our businesses in the U.S. and a number of countries in which we operate are subject to anti-money laundering laws and regulations, including, for example, The Bank Secrecy Act of 1970, as amended by the USA PATRIOT Act of 2000 (the “BSA”). Among other things, the BSA requires certain financial institutions, including banks and money services businesses (such as money transmitters and providers of prepaid access), to develop and implement risk-based anti-money laundering programs, report large cash transactions and suspicious activity, and maintain transaction records. We have registered our payroll card business with the Treasury Department’s Financial Crimes Enforcement Network (“FinCEN”) as a provider of prepaid access pursuant to a FinCEN regulation.

We have implemented policies and procedures to monitor and address compliance with applicable anti-corruption, economic and trade sanctions and anti-money laundering laws and regulations, and we are continuously in the process of reviewing, upgrading and enhancing certain of our policies and procedures. However, there can be no assurance that our employees, consultants or agents will not take actions in violation of our policies for which we may be ultimately responsible, or that our policies and procedures will be adequate or will be determined to be adequate by regulators. Any violations of applicable anti-corruption, economic and trade sanctions or anti-money laundering laws or regulations could limit certain of our

business activities until they are satisfactorily remediated and could result in civil and criminal penalties, including fines, which could damage our reputation and have a materially adverse effect on our results of operation or financial condition. Further, bank regulators are imposing additional and stricter requirements on banks to ensure they are meeting their BSA obligations, and banks are increasingly viewing money services businesses, as a class, to be higher risk customers for money laundering. As a result, our banking partners may limit the scope of services they provide to us or may impose additional requirements on us. These regulatory restrictions on banks and changes to banks' internal risk-based policies and procedures may result in a decrease in the number of banks that may do business with us, may require us to change the manner in which we conduct some aspects of our business, may decrease our revenues and earnings and could have a materially adverse effect on our results of operation or financial condition.

Failure to comply with privacy, data protection and cyber security laws and regulations could have a materially adverse effect on our reputation, results of operations or financial condition, or have other adverse consequences. The collection, hosting, transfer, disclosure, use, storage and security of personal information required to provide our services is subject to federal, state and foreign privacy, data protection and cyber security laws. These laws, which are not uniform, do one or more of the following: regulate the collection, transfer (including in some cases, the transfer outside the country of collection), processing, storage, security, use, disclosure and disposal of personal information; require notice to individuals of privacy practices; give individuals certain access and correction rights with respect to their personal information; and prevent the use or disclosure of personal information for secondary purposes such as marketing. Under certain circumstances, some of these laws require us to provide notification to affected individuals, clients, data protection authorities and/or other regulators in the event of a data breach. In many cases, these laws apply not only to third-party transactions, but also to transfers of information among the Company and its subsidiaries. The European Union (the "EU") General Data Protection Regulation (the "GDPR"), which became effective in May 2018, is one of the most comprehensive of these laws. As part of our overall data protection compliance program, in February 2018 we obtained approval from all 28 EU Data Protection Authorities to implement Binding Corporate Rules ("BCRs") as both a data processor and data controller, which permits us to process and transfer personal data across borders in compliance with EU data protection laws. Complying with these laws and requirements, including the enhanced obligations imposed by the GDPR and our BCRs, may result in significant costs to our business and require us to amend certain of our business practices. Further, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase. The future enactment of more restrictive laws, rules or regulations and/or future enforcement actions or investigations could have a materially adverse impact on us through increased costs or restrictions on our businesses and noncompliance could result in significant regulatory penalties and legal liability.

Our businesses collect, host, transfer, disclose, use, store and secure personal and business information, and collect, store and transmit client funds, and a security or privacy breach may damage or disrupt our businesses, result in the disclosure of confidential information, damage our reputation, increase our costs, cause losses and adversely affect our results of operations.

In connection with our business, we collect, host, transfer, disclose, use, store and secure large amounts of personal and business information about our clients, employees of our clients, our vendors and our employees, contractors and temporary staff, including payroll information, health care information, personal and business financial data, social security numbers and their foreign equivalents, bank account numbers, tax information and other sensitive personal and business information. We also collect and transmit significant amounts of funds from the accounts of our clients to their employees, taxing authorities and others.

We are focused on ensuring that we safeguard and protect personal and business information and client funds, and we devote significant resources to maintain and regularly update our systems and processes. Nonetheless, globally, attacks on information technology systems continue to grow in frequency, complexity and sophistication, and we are regularly targeted by unauthorized parties using malicious tactics, code and viruses. Although this is a global problem, it may affect our businesses more than other businesses because malevolent third parties may focus on the amount and type of personal and business information that our businesses collect, host, use, transmit and store, and the clients funds that we collect and transmit.

We have programs in place to prevent, detect and respond to data or cyber security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, are

increasingly more complex and sophisticated and may be difficult to detect for long periods of time, we may be unable or fail to anticipate these techniques or implement adequate or timely preventive or responsive measures. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other

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problems that could compromise the confidentiality, integrity or availability of data or our systems. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other methods of deceiving these third parties or our employees, contractors, and temporary staff. As these threats continue to evolve and increase, we may be required to invest significant additional resources to modify and enhance our information security and controls and to investigate and remediate any security vulnerabilities. In addition, while our operating environments are designed to safeguard and protect personal and business information, we do not have the ability to monitor the implementation or effectiveness of any safeguards by our clients, vendors or partners, and, in any event, third parties may be able to circumvent those security measures. Information obtained by malevolent parties resulting from successful attacks against our clients, vendors, partners or other third parties may, in turn, be used to attack our information technology systems.

Any cyberattack, unauthorized intrusion, malicious software infiltration, network disruption, denial of service, corruption of data, theft of non-public or other sensitive information, or similar act by a malevolent party, or inadvertent acts or inactions by our employees, contractors or temporary staff, could result in the disclosure or misuse of confidential personal or business information or the theft of client funds, and could have a materially adverse effect on our business or results of operations, or that of our clients, result in liability, litigation, regulatory investigations and sanctions or a loss of confidence in our ability to serve clients, or cause current or potential clients to choose another service provider.

Although we believe that we maintain a robust program of information security and controls and none of the data or cyber security incidents that we have encountered to date have materially impacted us, a data or cyber security incident could have a materially adverse effect on our business, results of operations, financial condition and reputation. While ADP maintains insurance coverage that, subject to policy terms and conditions and a significant self-insured retention, is designed to address losses or claims that may arise in connection with certain aspects of data and cyber risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise in the continually evolving area of data and cyber risk.

Our systems may be subject to disruptions that could have a materially adverse effect on our business and reputation. Many of our businesses are highly dependent on our ability to process, on a daily basis, a large number of complicated transactions. We rely heavily on our payroll, financial, accounting, and other data processing systems. If any of these systems fails to operate properly or becomes disabled even for a brief period of time, we could suffer financial loss, a disruption of our businesses, liability to clients, loss of clients, regulatory intervention, or damage to our reputation, any of which could have a materially adverse effect on our results of operation or financial condition. We have disaster recovery, business continuity, and crisis management plans and procedures designed to protect our businesses against a multitude of events, including natural disasters, military or terrorist actions, power or communication failures, or similar events. Despite our preparations, our plans may not be successful in preventing or mitigating the loss of client data, service interruptions, disruptions to our operations, or damage to our important facilities.

A disruption of our data centers could have a materially adverse effect on our business.

We host our applications and serve our clients from data centers that we operate and from data centers operated by third-party vendors. If any of our or our third-party vendors' data centers fail or become disabled, even for a limited period of time, our businesses could be disrupted and we could suffer financial loss, liability to clients, loss of clients, regulatory intervention, or damage to our reputation, any of which could have a material adverse effect on our results of operation or financial condition. In addition, our third-party vendors may cease providing data center facilities or services, elect to not renew their agreements with us on commercially reasonable terms or at all, breach their agreements with us or fail to satisfy our expectations, which could disrupt our operations and require us to incur costs which could materially adversely affect our results of operation or financial condition.

If we fail to protect our intellectual property rights, it could materially adversely affect our business and our brand. Our ability to compete and success depend, in part, upon our intellectual property. We rely on patent, copyright, trade secret and trademark laws, and confidentiality or license agreements with our employees, customers, vendors, partners and others to protect our intellectual property rights. We may need to devote significant resources, including cybersecurity resources, to monitoring our intellectual property rights. In addition, the steps we take to protect our intellectual property rights may be inadequate or ineffective, or may not provide us with a significant competitive advantage. Our intellectual property could be wrongfully acquired as a result of a cyber-attack or other wrongful

conduct by employees or third parties. Litigation brought to protect and enforce our intellectual property rights could be costly and time-consuming. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights which may be successful.

We may be sued by third parties for infringement of their proprietary rights

There is considerable intellectual property development activity in our industry. Third parties, including our competitors, may own or claim to own intellectual property relating to our products or services and may claim that we are infringing their intellectual property rights. We may be found to be infringing upon such rights, even if we are unaware of their intellectual property rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, obtain licenses, modify applications, prevent us from offering our services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers, vendors or partners in connection with any such claim or litigation. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming.

If we fail to upgrade, enhance and expand our technology and services to meet client needs and preferences, the demand for our solutions and services may diminish

Our businesses operate in industries that are subject to rapid technological advances and changing client needs and preferences. In order to remain competitive and responsive to client demands, we continually upgrade, enhance, and expand our existing solutions and services. If we fail to respond successfully to technology challenges and client needs and preferences, the demand for our solutions and services may diminish.

We may not realize the expected benefits from our business transformation initiatives, and these efforts could have a materially adverse effect on our business, operations, financial results and competitive position

We have been and will be undertaking certain transformation initiatives, which are designed to streamline our organization, extend our world-class distribution and strengthen our talent and culture, while supporting our revenue growth, margin improvement and productivity. If we do not successfully manage and execute these initiatives, or if they are inadequate or ineffective, we may fail to meet our financial goals and achieve anticipated benefits, improvements may be delayed or not realized and our business, operations and competitive position could be adversely affected. These initiatives, or our failure to successfully manage them, could result in unintended consequences or unforeseen costs, including distraction of our management and employees, attrition, inability to attract or retain key personnel, and reduced employee productivity, which could adversely affect our business, financial condition, and results of operations.

Political and economic factors may adversely affect our business and financial results

Trade, monetary and fiscal policies, and political and economic conditions may substantially change, and credit markets may experience periods of constriction and volatility. When there is a slowdown in the economy, employment levels and interest rates may decrease with a corresponding impact on our businesses. Clients may react to worsening conditions by reducing their spending on HCM services or renegotiating their contracts with us, which may adversely affect our business and financial results.

We invest our client funds in liquid, investment-grade marketable securities, money market securities, and other cash equivalents. Nevertheless, our client fund assets are subject to general market, interest rate, credit, and liquidity risks. These risks may be exacerbated, individually or in unison, during periods of unusual financial market volatility. In addition, as part of our client funds investment strategy, we extend the maturities of our investment portfolio for client funds and utilize short-term financing arrangements to satisfy our short-term funding requirements related to client funds obligations. In order to satisfy these short-term funding requirements, we maintain access to various sources of liquidity, including borrowings under our commercial paper program and our committed credit facilities, our ability to execute reverse repurchase transactions and corporate cash balances. A reduction in the availability of any such financing during periods of disruption in the financial markets or otherwise may require us to sell client fund assets to satisfy our short-term funding requirements, which may result in the recognition of losses and adversely impact our results of operations, financial condition and cash flow.

We are dependent upon various large banks to execute electronic payments and wire transfers as part of our client payroll, tax and other money movement services. While we have contingency plans in place for bank failures, a systemic shutdown of the banking industry would impede our ability to process funds on behalf of our payroll, tax and other money movement services clients and could have an adverse impact on our financial results and liquidity.

We derive a significant portion of our revenues and operating income outside of the United States and, as a result, we are exposed to market risk from changes in foreign currency exchange rates that could impact our results of

operations, financial position and cash flows.

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Our business could be negatively impacted as a result of actions by activist stockholders or others

We may be subject to actions or proposals from activist stockholders or others that may not align with our business strategies or the interests of our other stockholders. Responding to such actions could be costly and time-consuming, disrupt our business and operations, and divert the attention of our Board of Directors and senior management from the pursuit of our business strategies. Activist stockholders may create perceived uncertainties as to the future direction of our business or strategy which may be exploited by our competitors and may make it more difficult to attract and retain qualified personnel, potential customers and business partners and may affect our relationships with current customers, vendors, investors and other third parties. In addition, actions of activist stockholders may cause periods of fluctuation in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Change in our credit ratings could adversely impact our operations and lower our profitability

The major credit rating agencies periodically evaluate our creditworthiness and have given us very strong, investment-grade long-term debt ratings and the highest commercial paper ratings. Failure to maintain high credit ratings on long-term and short-term debt could increase our cost of borrowing, reduce our ability to obtain intra-day borrowing required by our Employer Services business, and adversely impact our results of operations.

If the distribution of CDK Global® common stock to ADP's stockholders does not qualify as a tax-free spinoff, we could incur substantial liabilities and may not be fully indemnified for such liabilities

On September 30, 2014, the Company completed the tax-free spinoff of its former Dealer Services business through the distribution of all of the issued and outstanding common stock of CDK Global, Inc. ("CDK Global") to ADP's stockholders. CDK Global was formed to hold ADP's former Dealer Services business and, as a result of the distribution, became an independent public company trading under the symbol "CDK" on the NASDAQ Global Select Market. Prior to completing the spinoff of CDK Global, ADP received an opinion from Paul, Weiss, Rifkind, Wharton & Garrison LLP, its counsel, to the effect that, based on certain facts, assumptions, representations and undertakings set forth in the opinion, the distribution qualified as a transaction that is tax-free under Section 355 and other related provisions of the Internal Revenue Code. ADP also received a private letter ruling from the IRS with respect to certain discrete and significant issues arising in connection with the transactions effected in connection with the separation and distribution. The opinion and the ruling were based upon various factual representations and assumptions, as well as certain undertakings made by ADP and CDK Global. If any of those factual representations or assumptions was untrue or incomplete in any material respect, any undertaking is not complied with, or the facts upon which the opinion and the ruling were based were materially different from the facts at the time of the distribution, the distribution may not qualify for tax-free treatment. Although a private letter ruling from the IRS generally is binding on the IRS, the IRS did not rule that the distribution satisfies every requirement for a tax-free distribution. Opinions of counsel are not binding on the IRS or the courts. As a result, the conclusions expressed in an opinion of counsel could be challenged by the IRS, and if the IRS prevails in such challenge, the tax consequences to ADP's stockholders that received CDK Global common stock pursuant to the distribution could be materially less favorable.

If the distribution were determined not to qualify as a tax-free transaction under Section 355 of the Code, each United States holder of ADP common stock that received CDK Global common stock pursuant to the distribution generally would be treated as receiving a distribution taxable as a dividend in an amount equal to the fair market value of the shares of CDK Global common stock received by such holder. In addition, ADP generally would recognize gain with respect to the distribution and certain related transactions, and CDK Global could be required to indemnify ADP for any resulting taxes and related expenses, which could be material. The distribution and certain related transactions could be taxable to ADP if CDK Global or its stockholders were to engage in certain transactions after the distribution. In such cases, ADP or its stockholders that received CDK Global common stock pursuant to the spinoff could incur significant U.S. federal income tax liabilities, and CDK Global could be required to indemnify ADP for any resulting taxes and related expenses, which could be material. CDK Global may be unable to indemnify us fully for any such taxes and related expenses.

We may be unable to attract and retain qualified personnel

Our ability to grow and provide our clients with competitive services is partially dependent on our ability to attract and retain highly motivated people with the skills to serve our clients. Competition for skilled employees in the outsourcing and other markets in which we operate is intense and, if we are unable to attract and retain highly skilled

and motivated personnel, results of our operations may suffer.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

ADP owns 8 of its processing/print centers, and 18 other operational offices, sales offices, and its corporate headquarters in Roseland, New Jersey, which aggregate approximately 3,512,155 square feet. None of ADP's owned facilities is subject to any material encumbrances. ADP leases space for some of its processing centers, other operational offices, and sales offices. All of these leases, which aggregate approximately 6,401,280 square feet worldwide, expire at various times up to the year 2029. ADP believes its facilities are currently adequate for their intended purposes and are adequately maintained.

Item 3. Legal Proceedings

In the normal course of business, ADP is subject to various claims and litigation. While the outcome of any litigation is inherently unpredictable, ADP believes that it has valid defenses with respect to the legal matters pending against it and that the ultimate resolution of these matters will not have a materially adverse impact on its financial condition, results of operations, or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Registrant's Common Equity

The principal market for the Company's common stock is the NASDAQ Global Select Market under the symbol ADP. The following table sets forth the reported high and low sales prices of the Company's common stock reported on the NASDAQ Global Select Market and the cash dividends per share of common stock declared during each quarter for the two most recent fiscal years. As of June 30, 2018, there were 39,613 holders of record of the Company's common stock. As of such date, 562,262 additional holders held their common stock in "street name."

	Price Per Share		Dividends Per Share
	High	Low	
Fiscal 2018 quarter ended			
June 30	\$141.52	\$111.78	\$0.690
March 31	\$125.24	\$107.61	\$0.630
December 31	\$119.39	\$108.53	\$0.630
September 30	\$121.77	\$100.51	\$0.570
Fiscal 2017 quarter ended			
June 30	\$105.68	\$95.50	\$0.570
March 31	\$104.61	\$93.07	\$0.570
December 31	\$102.73	\$84.03	\$0.570
September 30	\$93.82	\$84.75	\$0.530

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Common Stock Repurchase Plan (2)	Maximum Number of Shares that may yet be Purchased under the Common Stock Repurchase Plan (2)
April 1, 2018 to April 30, 2018	1,263,686	\$116.50	1,262,037	18,346,131
May 1, 2018 to May 31, 2018	1,048,326	\$126.92	1,048,045	17,298,086
June 1, 2018 to June 30, 2018	828,868	\$135.98	816,211	16,481,875
Total	3,140,880		3,126,293	

(1) Pursuant to the terms of the Company's restricted stock program, the Company purchased 14,587 shares at the then market value of the shares in connection with the exercise by employees of their option under such program to satisfy certain tax withholding requirements through the delivery of shares to the Company instead of cash.

(2) The Company received the Board of Directors' approval to repurchase shares of the Company's common stock as follows:

Date of Approval	Shares
August 2015	25 million

There is no expiration date for the common stock repurchase plan.

Performance Graph

The following graph compares the cumulative return on the Company's common stock^(a) for the most recent five years with the cumulative return on the S&P 500 Index and the Peer Group Index,^(b) assuming an initial investment of \$100 on June 30, 2013, with all dividends reinvested. The stock price performance shown on this graph may not be indicative of future performance.

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

(b) We use the S&P 500 Information Technology Index as our Peer Group Index. The S&P 500 Information Technology Index is a broad index that includes the Company and several competitors.

Item 6. Selected Financial Data

The following selected financial data is derived from our Consolidated Financial Statements and should be read in conjunction with the Consolidated Financial Statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Quantitative and Qualitative Disclosures About Market Risk included in this Annual Report on Form 10-K. The Company uses certain non-GAAP financial measures that we believe better reflect the underlying operations of our business model, allow investors to assess our performance in a manner similar to the method used by management, and improve our ability to understand and assess our operating performance against prior periods. Refer to (A) below for additional information about our non-GAAP financial measures and our reconciliations to reported results. Additionally, prior period amounts have been adjusted to exclude discontinued operations.

(Dollars and shares in millions, except per share amounts)

Years ended June 30,	2018	2017	2016	2015	2014
Total revenues	\$13,325.8	\$12,379.8	\$11,667.8	\$10,938.5	\$10,226.4
Total costs of revenues	\$7,842.6	\$7,269.8	\$6,840.3	\$6,427.6	\$6,041.0
Earnings from continuing operations before income taxes	\$2,171.1	\$2,531.1	\$2,234.7	\$2,070.7	\$1,879.2
Net earnings from continuing operations	\$1,620.8	\$1,733.4	\$1,493.4	\$1,376.5	\$1,242.6
Adjusted earnings from continuing operations before interest and income taxes (A)	\$2,643.1	\$2,447.6	\$2,274.2	\$2,061.5	\$1,870.3
Adjusted net earnings from continuing operations (A)	\$1,928.1	\$1,665.0	\$1,494.8	\$1,376.5	\$1,242.6
Basic earnings per share from continuing operations	\$3.68	\$3.87	\$3.27	\$2.91	\$2.59
Diluted earnings per share from continuing operations	\$3.66	\$3.85	\$3.25	\$2.89	\$2.57
Adjusted diluted earnings per share from continuing operations (A)	\$4.35	\$3.70	\$3.26	\$2.89	\$2.57
Basic weighted average shares outstanding	440.6	447.8	457.0	472.6	478.9
Diluted weighted average shares outstanding	443.3	450.3	459.1	475.8	483.1
Cash dividends declared per share	\$2.52	\$2.24	\$2.08	\$1.95	\$1.88