

ADP (ADP)

\$257.18 (Stock Price as of 12/02/2025)

Price Target (6-12 Months): **\$268.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 09/29/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM: D

Value: D

Growth: C

Momentum: D

Summary

ADP aspires to grow on the back of its three-tier business strategy and use its transformation initiatives to innovate and expand margins. Acquisitions have been pivotal in ADP's ability to operate across borders. The company pursues buyouts that complement the overall business mix. This stock is eye candy for dividend-seeking investors. The recent rise in the current ratio suggests a robust liquidity position for the company. Meanwhile, rising expenses due to acquisitions and investments are worrisome and can affect profitability. Automatic Data Processing faces high competition, which shoots talent costs sky-high and can affect the company's growth. The stock decreased by 13.2% over the past year, and we maintain a neutral recommendation on it in anticipation of a cheaper entry for investors.

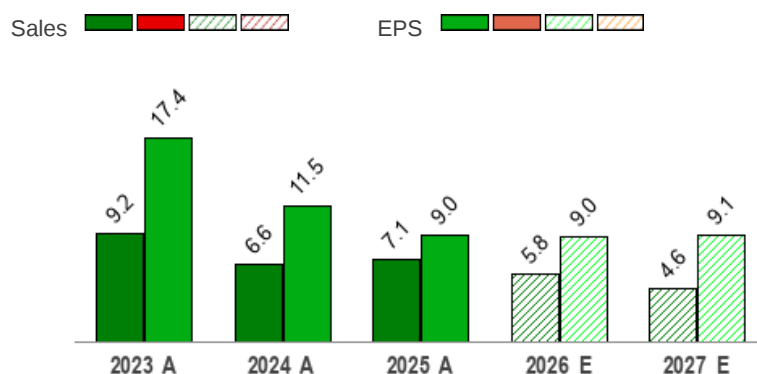
Price, Consensus & Surprise⁽¹⁾



Data Overview

52 Week High-Low	\$329.93 - \$247.18
20 Day Average Volume (sh)	2,044,679
Market Cap	\$103.5 B
YTD Price Change	-12.6%
Beta	0.86
Dividend / Div Yld	\$6.80 / 2.4%
Industry	Internet - Software
Zacks Industry Rank	Top 28% (67 out of 243)

Sales and EPS Growth Rates (Y/Y %)⁽²⁾



Last EPS Surprise	2.1%
Last Sales Surprise	1.0%
EPS F1 Est- 4 week change	0.1%
Expected Report Date	02/04/2026
Earnings ESP	-0.2%

Sales Estimates (millions of \$)⁽²⁾

	Q1	Q2	Q3	Q4	Annual*
2027	5,404 E	5,597 E	5,985 E	5,748 E	22,734 E
2026	5,175 A	5,325 E	5,852 E	5,393 E	21,744 E
2025	4,833 A	5,048 A	5,553 A	5,127 A	20,561 A

EPS Estimates⁽²⁾

	Q1	Q2	Q3	Q4	Annual*
2027	2.64 E	2.95 E	3.28 E	3.03 E	11.90 E
2026	2.49 A	2.58 E	3.26 E	2.58 E	10.91 E
2025	2.33 A	2.35 A	3.06 A	2.26 A	10.01 A

*Quarterly figures may not add up to annual.

P/E TTM	25.2
P/E F1	23.6
PEG F1	2.7
P/S TTM	5.0

(1) The data in the charts and tables, except the estimates, is as of 12/02/2025.

(2) The report's text, the analyst-provided estimates, and the price target are as of 11/17/2025.

Overview

Automatic Data Processing, Inc. is one of the leading providers of cloud-based Human Capital Management (HCM) technology solutions - including payroll, talent management, Human Resources and benefits administration, and time and attendance management - to employers around the world. The company delivers its global HCM strategy and makes investments in highly strategic areas and technology in order to strengthen its underlying business model and prospects for continued growth.

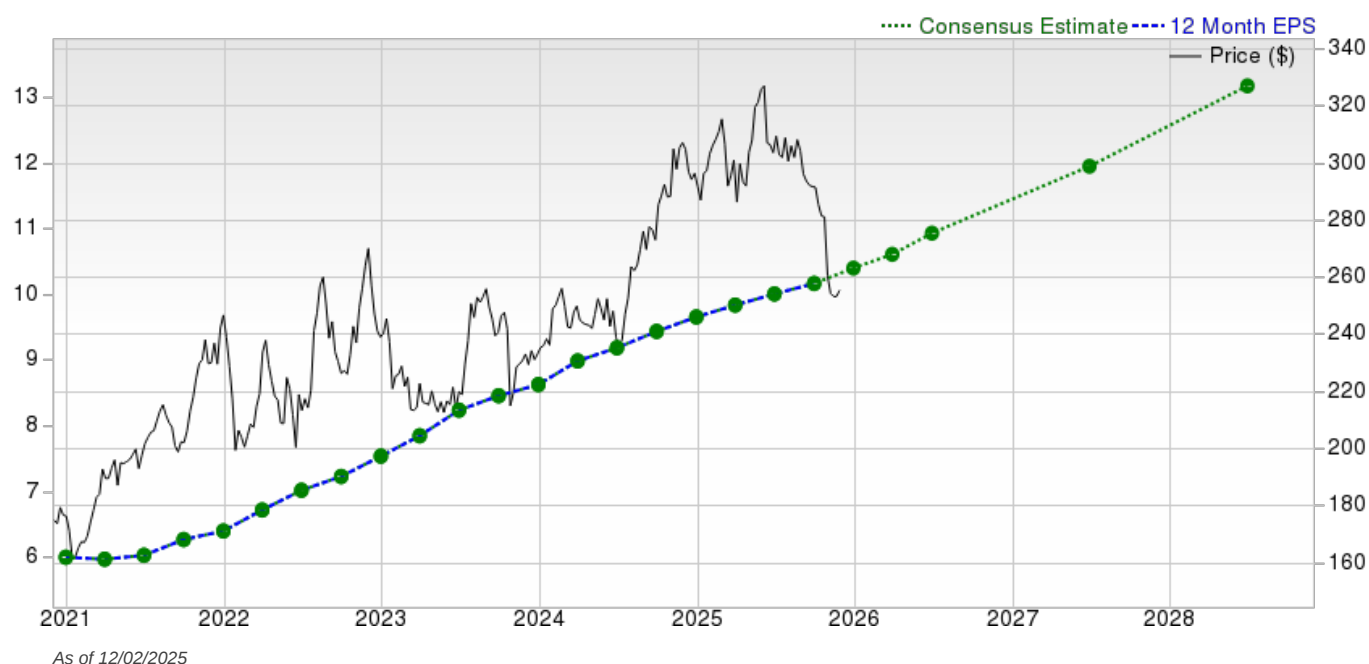
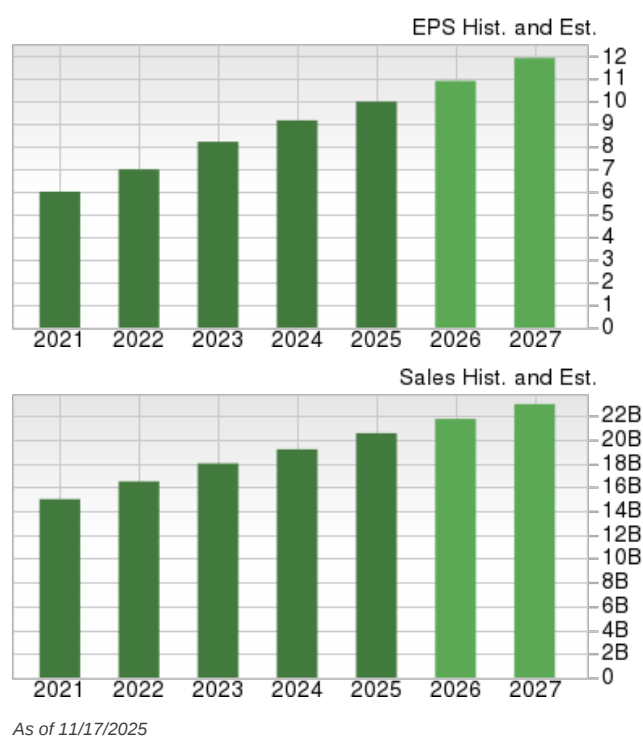
The company was founded in 1949, incorporated in the State of Delaware in June 1961 and completed its initial public offering in September 1961. The company serves more than 1 million clients across 140 countries and territories.

ADP has two reportable business segments – Employer Services and Professional Employer Organization (PEO) Services.

Employer Services: The Employer Services segment offers a comprehensive suite of HRO and technology-based HCM solutions, which includes payroll services, benefits administration, talent management, HR management, time and attendance management, insurance services, retirement services and compliance services. The company mainly serves clients ranging from single-employee small businesses to large enterprises with tens of thousands of employees around the world. In fiscal 2025, revenues from this segment increased 6.2% year over year.

Professional Employer Organization (PEO) Services: The Professional Employer Organization (PEO) Services segment provides small and medium-sized businesses with employment administration outsourcing solutions, including payroll, payroll tax filing, HR guidance, 401(k) plan administration, benefits administration, compliance services, health and workers' compensation coverage, and other supplemental benefits for the employees. Revenues from this segment increased 7.3% on a year-over-year basis in fiscal 2025.

ADP's PEO business, named ADP TotalSource, is the largest PEO in the United States based on the number of worksite employees. It serves approximately 17,000 clients and more than 761,000 worksite employees across 50 states and operates as a certified PEO under the United States Internal Revenue.



Reasons To Buy:

- ▲ ADP's **three-tier business strategy** helps it maintain and grow its strong position as a human capital management (HCM) technology and services provider. The company is focused on delivering a complete suite of cloud-based HCM and HR Outsourcing solutions. It is expanding its international HCM and HRO businesses with established local, in-country software solutions and cloud-based multi-country solutions.
- ▲ ADP has been able to accelerate DataCloud penetration and increase investment in inside sales, mid-market migrations and service alignment initiatives through its ongoing **transformation initiatives**. Through these initiatives, the company continues to innovate, improve operations, expand margins and enhance innovation abilities.
- ▲ **Strategic acquisitions** like Celergo, WorkMarket, Global Cash Card and The Marcus Buckingham Company have strengthened ADP's customer base and are helping it expand operations in international markets. The company continues to pursue acquisitions that strategically fit its overall business mix and are easy to integrate over the long term. The recent acquisition of WorkForce Software improves ADP's human capital management solutions suite, primarily in workforce management.
- ▲ ADP has a consistent track record of **dividend payments**. In fiscal 2025, 2024, 2023, 2022, and 2021, the company paid \$2.4 billion, \$2.2 billion, \$1.9 billion, \$1.7 billion and \$1.6 billion in dividends, respectively. Such moves indicate the company's commitment to return value to shareholders and underline its confidence in business. We are expecting steady income growth, which will translate to steady cash flow, enabling ADP to pay out stable dividends.
- ▲ ADP's current ratio (a measure of liquidity) at the end of the first-quarter fiscal 2026 was pegged at 1.05, lower than the industry average of 1.95. However, a **current ratio of more than 1** often indicates that the company will be easily pay off its short-term obligations.

ADP's acquisition strategy and initiatives to streamline and expand its business. Shareholder-friendly policies and strong liquidity bodes well.

Reasons To Sell:

▼ The outsourcing industry is labor-intensive and heavily dependent on foreign talent. **Rising talent costs due to competition** could curb the industry's growth. ADP, being one of the companies in the industry, is likely to be affected.

Stiff competition and the rise in expenditures act as major headwinds for ADP.

▼ ADP has been witnessing a notable **uptick in its expenditures** due to ongoing acquisitions and investments in its transformation projects. Specifically, in fiscal 2025 and 2024, it increased 6.8% and 6.2%, respectively. The same had increased 8% and 10% in fiscal 2023 and 2022, respectively. This expense trend has persisted over several years, with expenses increasing 2% in 2021, 3% in fiscal 2020, 3.7% in fiscal 2019, and a significant 7.7% in fiscal 2018. Consequently, it is anticipated that this ongoing increase in expenses will continue to exert pressure on ADP's bottom-line performance in the foreseeable future.

▼ ADP faces significant **competition** in each of its product lines. Both its Employer Services and PEO Services segments compete with other independent business outsourcing companies in most of their operating regions. Also, the company has seen some negative impact on its retention rate owing to the increasing competition and migration from the legacy business. Moreover, the company faces significant regulatory risks in the U.S. as well as in the international markets. Partly due to these negatives, shares are down 13.2% in the past year.

Last Earnings Report

ADP's Q1 Earnings Beat Estimates

ADP has reported impressive first-quarter fiscal 2026 results, wherein earnings and revenues outpaced the Zacks Consensus Estimate.

ADP's earnings per share of \$2.49 beat the consensus estimate by 2.1% and increased 6.9% from the year-ago quarter. Total revenues of \$5.2 billion surpassed the consensus estimate by a slight margin and grew 7.1% on a year-over-year basis.

FY Quarter Ending	6/30/2025
Earnings Reporting Date	Oct 29, 2025
Sales Surprise	0.95%
EPS Surprise	2.05%
Quarterly EPS	2.49
Annual EPS (TTM)	10.16

ADP's Segmental Results

Employer Services' revenues of \$3.5 billion increased 7% on a reported basis and 5% on an organic constant-currency basis, surpassing our estimate of \$3.4 billion. Pays per control remained flat with the year-ago quarter.

PEO Services' revenues gained 7% from the year-ago quarter to \$1.7 billion and met our projection. Average worksite employees paid by PEO Services were 754,000, rising 2% from the year-ago quarter.

Interest on funds held for clients grew 13% from the year-ago quarter to \$287 million and missed our estimate of \$342.4 million. ADP's average client funds balance rose 7% to \$34.9 billion. The average interest yield on client funds expanded 20 basis points (bps) to 3.3%.

Automatic Data Processing's Margins

Adjusted EBIT increased 7% on a year-over-year basis to \$1.3 billion. The adjusted EBIT margin remained flat at 25.5%. The margin of Employer Services decreased 50 bps, while PEO Services declined 140 bps from the year-ago quarter.

Balance Sheet & Cash Flow of ADP

Automatic Data Processing exited first-quarter fiscal 2026 with cash and cash equivalents of \$2.5 billion compared with \$3.3 billion at the end of the preceding quarter. The long-term debt of \$4 billion remained flat with the preceding quarter. The company generated \$642.3 billion in cash from operating activities in the quarter.

Automatic Data Processing's FY26 Outlook

For fiscal 2026, ADP expects year-over-year revenue growth of 5-6%. The adjusted EPS growth guidance is kept at 8-10%. The adjusted effective tax rate is estimated to be 23%. The guidance for the adjusted EBIT margin is 50-70 bps. Automatic Data Processing's Employer Services' revenue growth expectations to 5-6%. The guidance for PEO Services is kept at 5-7%.

Recent News

On **Nov 12, 2025**, ADP announced a dividend of \$1.7 per share, payable on Jan 1, 2025, with the ex-dividend date set for Dec 12, 2025.

On **Oct 29, 2025**, ADP announced the acquisition of Perquity. This buyout will widen the tools ADP offers to support the complex compensation planning requirements of its mid-size, enterprise and multination customers.

On **Sept 19, 2025**, ADP announced its partnership with SAP to enable shared clients to run ADP Global Payroll in the cloud.

Valuation

ADP shares are down 12.2% in the year-to-date period and 13.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer and Technology sector gained 4.6% and 24.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector gained 10% and 28.1%, respectively.

The S&P 500 index is up 17.4% and 17.8% in the year-to-date period and in the past year, respectively.

The stock is currently trading at 22.38X forward 12-month price-to-earnings, which compares to 32.68X for the Zacks sub-industry, 28.42X for the Zacks sector, and 23.27X for the S&P 500 index.

Over the past five years, the stock has traded as high as 34.87X and as low as 22.28X, with a 5-year median of 27.8X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$268.00 price target reflects 23.72X price-to-earnings.

The table below shows summary valuation data for ADP.

Valuation Multiples - ADP					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.38	32.68	28.42	23.27
	5-Year High	34.87	67.35	30.04	23.81
	5-Year Low	22.28	32.15	18.7	15.73
	5-Year Median	27.8	43.72	26.61	21.2
P/S F12M	Current	4.61	4.8	6.7	5.31
	5-Year High	6.25	6.14	7.4	5.52
	5-Year Low	4.44	3.03	4.25	3.84
	5-Year Median	5.28	4.72	6.3	5.06
P/B TTM	Current	16.06	5.87	11.31	8.24
	5-Year High	43.46	7.2	11.99	9.19
	5-Year Low	11.68	2.87	6.53	6.62
	5-Year Median	22.25	5.38	9.52	8.04

As of 11/14/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Top 28% (67 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
TriNet Group, Inc. (TNET)	Outperform	1
Brink's Company (The...)(BCO)	Neutral	3
Broadridge Financial...(BR)	Neutral	3
Cap Gemini SA (CGEMY)	Neutral	3
Conduent Inc. (CNDT)	Neutral	4
Genpact Limited (G)	Neutral	2
Paychex, Inc. (PAYX)	Neutral	3
Adecco SA (AHEXY)	Underperform	4

Industry Comparison⁽¹⁾ Industry: Internet - Software

	ADP	X Industry	S&P 500	AHEXY	BR	CGEMY
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	D	-	-	B	D	A
Market Cap	103.47 B	777.03 M	37.90 B	4.67 B	26.44 B	27.11 B
# of Analysts	5	4	22	2	4	1
Dividend Yield	2.41%	0.00%	1.46%	2.31%	1.72%	1.62%
Value Score	D	-	-	A	D	A
Cash/Price	0.08	0.13	0.04	0.09	0.01	0.09
EV/EBITDA	13.41	4.48	14.39	8.83	17.23	NA
PEG Ratio	2.66	1.84	2.19	1.30	NA	3.93
Price/Book (P/B)	16.23	3.25	3.33	1.21	10.04	2.17
Price/Cash Flow (P/CF)	18.07	24.65	14.87	6.42	17.63	9.06
P/E (F1)	23.53	29.37	20.10	10.82	24.13	12.46
Price/Sales (P/S)	4.95	3.79	3.04	0.18	3.75	NA
Earnings Yield	4.27%	2.74%	4.96%	9.24%	4.14%	8.03%
Debt/Equity	0.62	0.00	0.57	0.78	1.06	0.32
Cash Flow (\$/share)	14.16	0.05	8.99	2.16	12.85	3.49
Growth Score	C	-	-	D	C	A
Hist. EPS Growth (3-5 yrs)	13.44%	14.47%	8.16%	-1.54%	11.04%	NA
Proj. EPS Growth (F1/F0)	8.99%	31.12%	8.35%	-7.25%	9.82%	-4.15%
Curr. Cash Flow Growth	7.00%	-17.35%	7.00%	-11.23%	7.91%	-2.33%
Hist. Cash Flow Growth (3-5 yrs)	7.48%	15.15%	7.31%	-6.69%	11.20%	13.79%
Current Ratio	1.05	1.58	1.19	1.04	0.93	1.11
Debt/Capital	38.41%	4.32%	38.15%	43.72%	51.35%	24.06%
Net Margin	19.79%	-0.85%	12.82%	1.22%	13.11%	NA
Return on Equity	70.63%	1.96%	17.00%	10.98%	43.28%	NA
Sales/Assets	0.37	0.59	0.53	1.92	0.85	NA
Proj. Sales Growth (F1/F0)	5.80%	3.77%	5.70%	6.40%	5.40%	NA
Momentum Score	D	-	-	A	C	C
Daily Price Chg	0.21%	-0.73%	-0.53%	-0.14%	-0.68%	1.26%
1 Week Price Chg	0.86%	2.97%	1.60%	-8.51%	-0.13%	2.48%
4 Week Price Chg	-0.52%	-7.27%	-0.57%	0.87%	2.43%	6.07%
12 Week Price Chg	-14.27%	-12.23%	4.89%	-3.69%	-10.61%	6.07%
52 Week Price Chg	-16.40%	-14.19%	12.66%	4.29%	-3.29%	0.09%
20 Day Average Volume	2,044,679	864,126	2,737,368	5,323	742,233	200,121
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.05%	0.00%
(F1) EPS Est 4 week change	0.05%	0.00%	0.06%	-1.16%	0.70%	0.00%
(F1) EPS Est 12 week change	0.05%	2.56%	0.62%	-3.76%	0.70%	0.00%
(Q1) EPS Est Mthly Chg	-0.23%	0.00%	0.00%	-12.50%	-11.59%	NA

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	C
Momentum Score	D
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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