ADP

Investment Thesis 2026 03 12

ADP is a global leader in HR and payroll solutions, serving over 1.1 million clients and paying over 42 million workers in over 140 countries and territories. The company pays over 26 million (approximately 1 out of every 6) workers in the United States. The company offers a broad range of human resource solutions to businesses of any size, from small businesses with a couple employees up through international corporations with thousands of employees. ADP also offers a fully outsourced HR solution called ADP TotalSource, which provides a broad range of HR administrative services, including payroll and payroll tax, employer compliance, HR guidance, employee benefits and benefit administration, employee acquisition strategies, retirement plans, and workers' compensation insurance including risk and claims management. ADP's HR outsourcing solutions currently serve over three million client employees.

ADP's long, well-established history, its size and scope, its massive data, its commitment to the continual development of its technology, and its broad range of flexible solution options provide the company's competitive advantages. During the fiscal years ended June 30, 2025, 2024, and 2023, the company invested approximately $1.388 billion, $1.276 billion, and $1.195 billion, respectively, in research and development. These investments included expenses for the development of new products, maintenance expenses associated with existing technologies, and investments in generative AI and the development of AI agents.

Prospects over the next 9 to 12 months

Analysts' median price target is $272, with a high of $332 and a low of $230. My fair price is $271.53. It is based on a current EPS of $10.20, a growth rate of 10%, and a PE of 17. The company has a 3% dividend and fairly consistently repurchases its stock.

AUTOMATIC DATA PROCESSING, INC. (XNAS:ADP)												
	2019	2020	2021	2022	2023	2024	2025	TTM	10 year	5 year	1 year	current trend
Revenue Mil	14,538	14,591	15,697	17,247		19,903	21,214	21,214	6%	8%	7%	0.00%
Net Income	2,463	2,482	2,744	3,146		3,934	4,235	4,235	11%	11%	8%	0.00%
Earnings Per Share USD	5.24	5.70	6.07	7.00	8.21	9.10	9.98	10.41	13%	13%	10%	4.31%
Operating Income	3,154	3,169	3,544	4,117		5,219	5,574	5,574	10%	12%	7%	0.00%
Operating Income Per Share	7.20	7.32	8.28	9.78	0.00	12.67	13.63	13.70	12%	13%	8%	0.49%
Book Value Per Share USD	12.41	13.57	12.73	6.22	8.46	13.14	15.82	15.88	6%	6%	20%	0.38%
Free Cash Flow USD Mil	2,272	2,507	2,587	2,931	3,391	4,196	4,185	4,185	10%	13%	0%	0.00%
Free Cash Flow Per Share	5.19	5.79	6.04	6.96	8.15	10.18	10.23	10.28	11%	14%	0%	0.49%
Working Capital	1,715	1,438	2,647	-354	-597	463	1,974	2,331	-7%	-7%	326%	18.09%
Return on Assets %	5.7	6.1	5.9	5.3	6.0	7.1	7.6	5.7	5.7	6.4	7.4	6.7
Return on Equity %	45.2	44.2	45.5	66.3	101.3	93.1	76.0	73.8	58.9	76.4	84.6	74.9
Operating Margin %	21.4	21.5	22.2	23.1	25.0	25.8	26.3	26.3	22.2	24.5	26.1	26.3
Shares	438	433	428	421	416	412	409	407	-1%	-1%	-1%	-0.49%
$32.01												
$544.20												
$271.53												
$162.92												