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## Automatic Data Processing, Inc. F3Q09 (Qtr End 03/31/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) The first question comes from the line of James Kissane - BAS-ML.

#### James Kissane - BAS-ML

Just wondering if you have any guess on when or where pays per control might peak out?

#### Gary Butler

My guess is we started to see flat to negative growth there in about November of last year. As you recall, if you go back to the third quarter of 2007 we were actually at a 3% positive and really starting about that time it started tweaking down and over the course of last year it went from 2% to 1.5% to 1%, etc. Assuming the economy doesn't get dramatically worse than where we are today I would expect we would anniversary that decline some time in the late fall as we go into calendar 2010. But I would expect similar negative comparisons at least for the next quarter or two until we anniversary that [date].

#### James Kissane - BAS-ML

It sounds like the declines should ramp a little more from here just given the trends. Is that fair to say?

#### Gary Butler

I think it potentially could. I think you are going to see in the job report my guess is a little less of a drop this month than what we have seen in previous months. I would expect it will kind of flatten to maybe get slightly worse. I am not expecting another precipitous drop like we saw in the third quarter. I think really what happened is all the lay offs that started late summer and early fall that were announced last year a lot of people get some period of time before they actually lose their job. A lot of people remain on severance for a couple of months and then I think there was a pretty dramatic drop off on retail hiring or retail right sizing based on the poor holiday season and then I think it all started pouring out in January and February which is what we are seeing. That is just an informed guess. I don't have any digital data to back that up.

#### Chris Reidy

Having said that, our forecast for the year assumes it is going to get a little worse in the fourth quarter versus the 4%. You remember back we had been saying our down side or what we were looking at

in terms of stressing our guidance early on was potentially a 3% down for the year. Given where we are at 1.5% year-to-date that would assume like a 6% for the fourth quarter. So we kind of have it built in that it will get a little bit worse in the fourth quarter but as Gary said it is carrying into the first half of next year. The first quarter you have a tough compare because we actually grew the first quarter this year. The second quarter was down about 0.6% so you still have a tough compare there and then it gets a little bit easier as you anniversary that.

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