



# **ADP**

Expectation relative to market segment

# Outperform

Technology Segment
Human Capital Management

Ticker ADP Exchange NASD

Bloomberg
NH NUC <GO>

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The diversity and size of ADP's customer base has helped the vendor weather the downturn, while its competitive price point and international payroll offerings will drive strong new and recurring sales in 2021.

Price 1/22/2022 52 week range

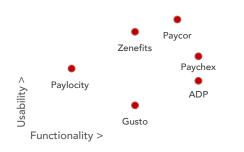
\$103.11 - \$182.32

\$161.01

#### **COMPANY**

ADP's product offerings include three multi-tenant HCM cloud solutions that are tailored to the needs of different sized organizations. ADP Run is designed for small businesses ranging from 1 to 50 employees, Workforce Now for those with 50 to 3,000 employees, and Vantage HCM for enterprise-sized organizations with more than 3,000 employees. Each of the solutions provide users with a wide range of functionality that is best suited to their business environment. As evidenced by its large market share, ADP is a leading provider of global payroll, long considered the default option for organizations with a global footprint, even if they use another vendor for their North American operations. For many years, the vendors ability to meet pay and compliance requirements across the globe left it as the only real international option.

#### MARKET POSITION



## MARKET

The payroll market as a whole has faced a negative impact from continued unemployment, as the revenue model relies on the Per Employee Per Month (PEPM) fee structure. While smaller vendors struggle to deal with declining payroll numbers, ADP, with its large and diverse customer base, is well positioned to pull through. The vendor's mid-term prospects for payroll remain stronger as the payroll vendor market consolidates, and it offers lower price points than the full suite HCM competition. This should help support growth over the next 6 months.

## **RELATIVE SOLUTION COST**

ADP	100%
Paylocity	97%
Paychex	97%
Paycor	95%
Zenefits	87%
Gusto	87%

Relative cost to a customer based on typical mid-sized deployments during the past 6 months.

#### COMPETITION

The company mainly competes with other vendors who offer payroll functionality for small businesses, such as Paychex, Paylocity, and Paycor, as well as smaller payroll providers, including Gusto and

## **CUSTOMER PERCEPTION**

#### > 85 Positive

Analyst estimate based on feedback from customers and prospects during the past 6 months

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#### **Nucleus Research Equity Snapshot**

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Zenefits. Nucleus analysts found that customers continue to express demand for the vendor's international payroll offering. ADP also competes against niche HCM suite providers such as Ceridian and UKG, where it offers competitive pricing, but less overall HCM functionality.

#### OUTLOOK

ADP has a strong presence in the SMB space, particularly in the restaurant and retail industries, which have been most affected by mass closures and furloughs. While this left the vendor vulnerable to the short-term impact on the economy, it's large revenue base has enabled it to continue to serve its customers, while other, smaller payroll vendors struggle to survive the downturn. The key to ADP's success will be its ability to attract remaining businesses to its payroll and HCM services. Based on conversations with HCM customers, Nucleus has found that ADP's most compelling selling point has been its price, while its biggest negative has been its customer service. While in the past, ADP's global footprint has made it the default option for global payroll and HR, other competitive global payroll solutions are challenging ADP's traditional role as the only player on the block. Nucleus has found that organizations with international operations are more willing to consider other vendors for global payroll and compliance, particularly as North American-focused HCM providers have expanded ecosystems that offer pre-built, seamless integrations.