



Stock Selection Guide[®]

The most widely used aid to good investment judgment

Company AUTOMATIC DATA PROCESSING Date 12/22/03

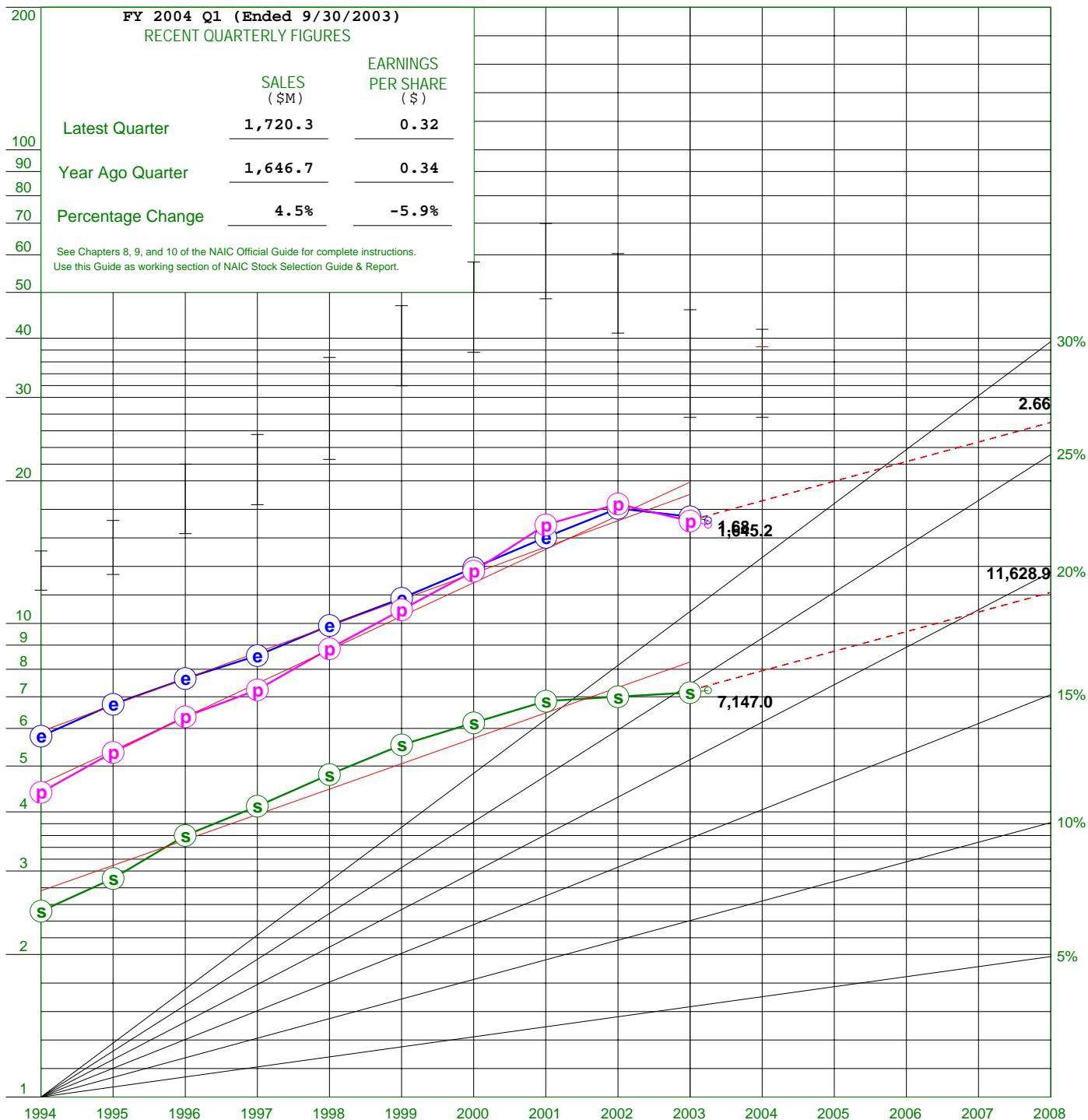
Prepared by MG Data taken from NAIC Data

Where traded NYSE Major product/service Data Proces

CAPITALIZATION --- Outstanding Amounts		Reference	
Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	594.4	2.0	72.8
Debt (\$M)	84.7	% to Tot.Cap.	1.6
		% Potential Dil.	None

1 VISUAL ANALYSIS of Sales, Earnings and Price

ADP



(1) Historical Sales Growth 13.1 % (3) Historical Earnings Per Share Growth 13.7 %
 (2) Estimated Future Sales Growth 10.0 % (4) Estimated Future Earnings Per Share Growth 10.0 %

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2 EVALUATING MANAGEMENT

Company

AUTOMATIC DATA PROCESSING

(ADP)

12/22/03

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	17.8	18.5	17.8	17.6	18.4	19.3	20.9	23.6	25.5	23.0	22.5	UP	
B % Earned on Equity (E/S ÷ Book Value)	19.2	18.6	19.0	18.8	17.6	17.6	18.0	20.2	21.1	18.6	19.1		EVEN

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE 38.400 HIGH THIS YEAR 41.800 LOW THIS YEAR 27.240

Year	A PRICE B		C Earnings Per Share	D Price Earnings Ratio		F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100
	HIGH	LOW		HIGH A ÷ C	LOW B ÷ C			
1 1999	46.9	31.8	1.13	41.5	28.1	0.295	26.1	0.9
2 2000	57.9	37.4	1.31	44.2	28.5	0.339	25.9	0.9
3 2001	69.9	48.5	1.52	46.0	31.9	0.395	26.0	0.8
4 2002	60.4	41.0	1.75	34.5	23.4	0.448	25.6	1.1
5 2003	46.0	27.2	1.68	27.4	16.2	0.475	28.3	1.7
6 TOTAL		185.9		193.6	128.1		131.9	
7 AVERAGE		37.2		38.7	25.6		26.4	
8 AVERAGE PRICE EARNINGS RATIO			32.2	9 CURRENT PRICE EARNINGS RATIO				23.3

4 Proj. P/E [21.16] Based on Next 4 qtr. EPS [1.82] Current P/E Based on Last 4 qtr. EPS [1.65] EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E 38.7 ^(3D7 as adj.) X Estimate High Earnings/Share 2.66 = Forecast High Price \$ 63.8 ^(4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 25.6 ^(3E7 as adj.) X Estimated Low Earnings/Share 1.68 = \$ 30.3

(b) Avg. Low Price of Last 5 Years = 37.2 ^(3B7)

(c) Recent Severe Market Low Price = 27.2

(d) Price Dividend Will Support Present Divd. 0.560 = 32.1
High Yield (H) 0.017

Selected Estimate Low Price = \$ 36.2 ^(4B1)

C ZONING

63.8 ^(4A1) High Forecast Price Minus 36.2 ^(4B1) Low Forecast Price Equals 27.6 ^(C) Range. 1/3 of Range = 6.9 ^(4CD)

^(4C2) Lower 1/3 = 36.2 ^(4B1) to 43.1 (Buy) Note: Ranges changed to 25%/50%/25%

^(4C3) Middle 1/3 = 43.1 to 56.9 (Maybe)

^(4C4) Upper 1/3 = 56.9 to 63.8 ^(4A1) (Sell)

Present Market Price of 38.400 is in the Buy ^(4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price ^(4A1) 63.8 Minus Present Price 38.400 = 25.4 = 11.5 To 1
 Present Price 38.400 Minus Low Price ^(4B1) 36.2 = 2.2 ^(4D)

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price ^(4A1) 63.8 = (1.661) X 100 = (166.1) - 100 = 66.1 ^(4E) % Appreciation

Present Market Price 38.400

Relative Value: 72.4% Proj. Relative Value: 65.7%

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A Present Full Year's Dividend \$ 0.560 Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.
 Present Price of Stock \$ 38.400 = 0.015 X 100 = 1.5 ^(5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 2.20 X Avg. % Payout 26.4 ^(3G) 25.9 = 57.0 = 1.5 %
 Present Price \$ 38.400 ^(5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential ^(4E) <u>66.1</u>			P.A.R.	Tot. Ret.
	<u>13.2</u> %		Average Yield <u>1.2%</u>	<u>1.1%</u>
Average Yield ^(5B) <u>1.5</u> %			Annual Appreciation <u>7.8%</u>	<u>10.7%</u>
Average Total Annual Return Over the Next 5 Years ^(5C) <u>14.7</u> %			% Compd Ann Rate of Ret <u>9.0%</u>	<u>11.8%</u>