Automatic Data Processing ADP [Nasdaq] | ★★★

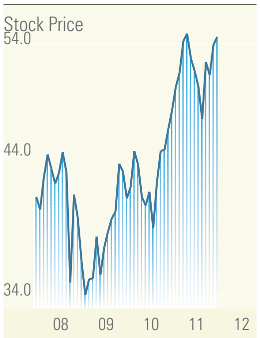
Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Stewardship	Morningstar Credit Rating	Industry
54.01 USD	57.00 USD	39.90 USD	77.00 USD	Medium	Wide	B	—	Business Services

No Major Surprises in ADP's Fiscal 2012 Second Quarter

by Vishnu Lekraj
Senior Stock Analyst
Analysts covering this company do not own its stock.

Pricing data through February 10, 2012.
Rating updated as of
February 10, 2012.

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.



Analyst Note Jan. 25, 2012
Automatic Data Processing produced an in-line quarter with little in terms of surprises. Year over year, total revenue increased 7.4% as all of the firm's operating segments reported solid top-line growth. Total operating margins decreased a marginal 13 basis points to 18.80%, as lower float income (mainly due to historically low short-term interest rates) was a material headwind. Given the Fed's plan to keep its benchmark rate at a historically low level for the next few years, we expect no major improvement in float income for an extended period. ADP's core operating results (which only include business-line revenue and profitability and exclude any float impact) were stronger from a profitability standpoint, as operating margins for the firm's core operations increased 58 basis points to 14.92%.

Year over year, ADP's core employer services division produced revenue growth of 8.30%, helped by an improving employment market. Profitability for this division was hampered somewhat this quarter, but this trend should improve as our expectations for continued growth in checks per client should positively add to operating margins. Management also mentioned that the employer services division remains on a positive trajectory and should maintain this path through the rest of fiscal 2012. We believe this is a reasonable assessment as we expect accelerating employment growth through most of calendar 2012. After factoring these latest results, we are maintaining our fair value estimate.

Thesis Dec. 20, 2011
Scale, high customer switching costs, and a respected brand image constitute a strong triumvirate that has given ADP a substantial competitive advantage. The firm has leveraged these factors, along with the minimal capital requirements of its core business, to produce robust ROICs. Even with a sluggish employment market, we believe the firm has a long-term tailwind at its back given our belief that businesses will use HR outsourcing services at an increasing rate.

A number of factors contribute to ADP's wide moat and strong profitability. First, long-term contracts and the difficulty inherent in switching outsourced human resources processes to another provider allow ADP to lock clients into its services. Average client retention is estimated to be longer than 10 years. This level of stickiness allows ADP to raise prices with very little resistance. Second, ADP's scale allows it to be price-competitive without feeling margin pressure, as it can leverage its large 500,000-member client base to spread out costs associated with its servicing infrastructure. Finally, the firm's strong brand plays a role, as clients are hesitant to entrust critical HR functions to an unproven competitor. ADP's established competitive position and the industry's minimal capital-reinvestment requirements have enabled the firm to turn 17% of its revenue into free cash flow on average during the last five years.

About 6% of ADP's income is generated by the massive amount of client funds the firm holds through its payroll services division. This division collects and pays wages and other payroll-related requirements on behalf of its corporate clients. ADP invests these temporary funds and keeps the interest that is earned. The firm is very conservative when investing these funds, with the majority held in money market and U.S. government securities. However, this conservatism has worked against the firm somewhat as historically low high-grade interest rates have produced a minuscule return for ADP. This dynamic has kept the firm s bottom-line from expanding beyond its current level, but we believe this risk adverse investment strategy is beneficial on a net basis as client fund preservation is a linchpin for the firms business.

We believe ADP can continue to increase revenue and margins through new service offerings, increased market share, and price increases, even though it may face some headwinds in the current economic environment. In the

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Close Competitors	Currency(Mil)	Market Cap	TTM Sales	Oper Income	Net Income
Automatic Data Processing	USD	26,496	10,350	1,873	1,343
Paychex, Inc.	USD	11,347	2,163	829	539

Morningstar data as of February 10, 2012.

long run, ADP should benefit from the continual shift of the U.S. economy toward a more service-oriented structure. GDP figures for some time have shown a greater percentage of the nation's production coming from service industries, and this trend is expected to continue. HR capital costs will most likely become a more critical aspect of the business environment, and ADP should have a significant opportunity to capture some of the increased spending in this area.

Valuation, Growth and Profitability

We are increasing our fair value estimate for ADP to $57 per share from $52. We believe the employment market will recover moderately over calendar 2012, and we expect the pace of job additions to accelerate throughout the year. Additionally, ADP has executed very well on the sales front for its core payroll/HR-outsourcing services. Accordingly, we believe top- and bottom-line growth for these services should be solid over the near term. The U.S. auto-dealer market has also improved at a strong clip as the recovery of the Detroit Three and pent-up vehicle replacement demand should act as long-term catalysts for this division, in our opinion. However, the disasters in Japan in 2011 have definitely taken a toll on the future supply of vehicles, and supply constraints should continue to hamper dealers during the first half of 2012. Even though this could be a mild near-term negative, positive long-term secular auto demand dynamics should remain in place.

Short-term interest rates will not increase materially until the latter half of 2012 at the earliest, which will affect ADP's income from its float portfolio, from our perspective. We forecast revenue growth to accelerate to a compound annual growth rate of 8.0% during our five-year explicit forecast period. This compares to an 5% CAGR during the previous five years. We expect operating margins to trend upward over the long term, ranging from a low of 18.5% to a high of 22% and average 20%. This compares to a 20% average for operating margins during the last five years.

Risk

Another severe downturn in economic growth is a major risk the firm could have to contend with if the current economic recovery falters. The affect upon growth and profits would be material if this scenario materializes. The management of its temporary client funds could create potential problems if handled improperly. Unfavorable regulatory requirements, both from domestic and foreign governments, could also pressure margins and revenues. Only 18% of revenue is generated overseas, but as this number grows, currency risk will also play a larger role.

Bulls Say

- Having access to a large sample of business payrolls gives ADP insight that allows it to stay ahead of business trends.
- ADP processed more than 54 million end-of-year tax statements for its clients' employees and helped facilitate the transfer of more than $1 trillion in client funds to taxing entities.
- Average client retention is estimated to be longer than 10 years.

Bears Say

- Fifteen percent of ADP's revenue base is tied to the volatile auto industry through its dealer services division.

- The firm has a large amount of overlapping services and divisions, which could cause confusion and inefficiencies.
- Interest income from client temporary funds could fluctuate greatly, given the current interest rate environment.

Financial Overview

Financial Health: ADP is in excellent financial health, with only a nominal amount of debt on its balance sheet. Its ability to generate strong cash flow should keep the company from being too highly leveraged.

Company Overview

Profile: ADP competes in the human resources administration services industry. The firm provides services that satisfy companies' human resources needs, such as payroll processing and benefits administration. The firm was founded in 1949 and has its headquarters in Roseland, N.J. It serves more than 550,000 clients with 46,000 employees worldwide.

Management: Gary Butler recently retired from his post as CEO, having served in that role since August of 2006. His tenure has been positive in our opinion as ADP maintained its high level of performance while also building a strong product portfolio for multinational customers. Butler had been with the firm since 1975 and was only the fifth CEO in ADP's history. His stewardship of ADP has been impressive in our opinion. Carlos Rodriguez took the top job after previously serving as the firm's COO. Rodriguez has been with ADP since 1999 in various managerial roles, most notably as head of the firm's PEO business. We believe this experience is key, as PEO services are an all-encompassing HR service. As we mentioned in previous notes, management made a concerted effort to change how market participants view the firm moving forward. Outside of ADP's core payroll segment, the firm's focus is now to build out a total HR outsourcing business. Given Rodriguez's leadership experience, we believe his promotion makes sense given the tweaked strategic direction ADP will be pursuing.

We like that more than 90% of executive pay is tied to variable compensation based on performance, but a major portion of CEO and CFO variable pay is based on net income, a number that is easily manipulated. We're impressed by the management of ADP's portfolio of temporary client funds. Although many firms that found themselves with large amounts of investable cash chased the supposedly high quality and returns of mortgage-backed securities, ADP stayed conservative with government bonds and sacrificed return for preservation of capital.

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Nov. 09, 2011

Gary Butler Retires as ADP CEO, Current COO Carlos Rodriguez Promoted to Replace Him

On Wednesday, Automatic Data Processing announced that CEO Garry Butler has retired and will be succeeded by current COO Carlos Rodriguez. ADP's board of directors had previously established a succession plan that, upon when Butler retired, Rodriguez would replace him. We do not believe this was a forced action; however, the timing may have been a little abrupt.

Rodriguez has been with ADP since 1999 in various managerial roles, most notably as head of the firm's PEO business. We believe this experience is key, as PEO services are an all-encompassing HR service. As we mentioned in our last earnings note, management made a concerted effort to change how market participants view the firm moving forward. Outside of ADP's core payroll segment, the firm's focus is now to build out a total HR outsourcing business. Given Rodriguez's leadership experience, we believe his promotion makes sense given the tweaked strategic direction ADP will be pursuing. These latest developments do not materially change our valuation forecast for the HR outsourcing behemoth and we are leaving our fair value estimate unchanged.

Oct. 26, 2011

ADP Reports Another Strong Quarter

Automatic Data Processing once again leveraged its strong competitive advantages and solid operational execution into another great quarter. For the firm's fiscal 2012 first quarter, total revenue grew 13.15%, but operating margins compressed 109 basis points to 16.94%. Lower float income (mainly due to historically low short-term interest rates) and acquisition-related costs were the main drivers for this decrease. ADP's core operating results (which only include business line revenue and profitability and exclude any float impact) were stronger from a profitability standpoint, as operating margins for the core operations increased 49 basis points to 15.91%. A combination of

Analyst Notes (continued)

strong sales growth, increased client retention, and increased client employee head count helped drive the solid performance. We are leaving our fair value estimate unchanged.

In addition to the normal earnings-related developments, management made a concerted effort to redefine the firm's future operational focus. Management said it recently acquired a recruitment process outsourcing firm in order to enter the employee acquisition market. This service will be mainly sold to large businesses with 15,000-plus employees. The ability to provide this service rounds out ADP's suite of products and will allow the firm to assist customers with almost all human resources-related activities. Management also announced that it will no longer break out the results for its payroll and other ancillary HR services separately. ADP will report these services together under the employer services business segment only.

We believe management is now confident enough with ADP's nonpayroll HR outsourcing services to tweak the firm's operational focus. Instead of operating the firm as only a payroll processor that also offers add-on HR services, the firm's sales and service operations will now emphasize the plethora of products and product suites ADP is able to offer. This slight change in focus could be highly positive, given the marginal profitably each additional HR service provides. The firm's payroll service will remain the core of its product lineup, but customer switching costs, pricing power, and scale all grow stronger as ADP's customers use more than one of the firm's services, in our opinion. We also believe that over the long term, many businesses (especially larger ones) will seek to outsource their HR activities as human capital becomes more expensive to handle.

Disclaimers & Disclosures

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Automatic Data Processing ADP

Sales USD Mil	Mkt Cap USD Mil	Industry	Sector
10,350	26,496	Business Services	Industrials

ADP competes in the human resources administration services industry. The firm provides services that satisfy companies' human resources needs, such as payroll processing and benefits administration. The firm was founded in 1949 and has its headquarters in Roseland, N.J. It serves more than 550,000 clients with 46,000 employees worldwide.

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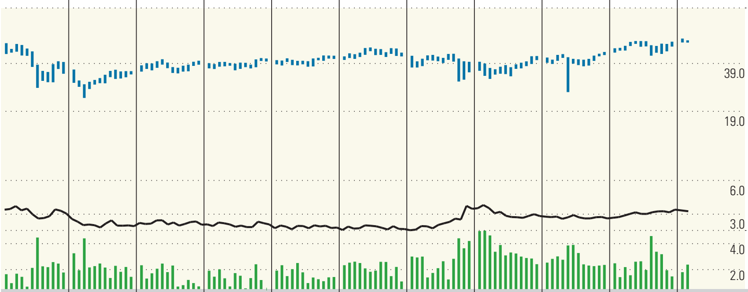
★★★	54.01	57.00	Medium	Wide	B

per share prices in USD

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD	
53.47	36.66	42.50	43.21	44.86	50.30	45.97	44.50	47.17	55.12	57.10	Annual Price High
28.13	24.30	34.67	36.26	38.18	42.08	30.83	32.03	26.46	44.72	53.92	Low
											Recent Splits



Price Volatility
Monthly High/Low
Rel Strength to S&P 500

52 week High/Low
57.10 - 44.72

10 Year High/Low
57.10 - 24.30

Bear-Market Rank
6 (10=worst)

Trading Volume Million

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD	Stock Performance
-32.6	2.2	13.4	5.0	9.0	2.8	-9.0	12.2	11.3	19.9	0.0	Total Return %
-9.2	-24.2	4.4	2.0	-4.6	-0.7	29.5	-11.2	-1.5	19.9	-6.8	+/- Market
-12.7	-27.1	3.6	-0.8	-8.5	-3.3	22.1	-15.5	-2.9	16.0	-4.8	+/- Industry
1.2	1.3	1.3	1.4	1.6	2.2	3.0	3.1	3.0	2.7	2.7	Dividend Yield %
21139	20989	23229	23773	24358	23431	19980	21534	22872	26395	26496	Market Cap USD Mil

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Financials
7004	7147	7755	8500	8882	7800	8777	8867	8928	9880	10350	Revenue USD Mil
57.6	56.7	54.5	53.3	51.7	56.5	55.4	45.4	43.7	42.0	41.4	Gross Margin %
1673	1518	1438	1645	1679	1507	1726	1797	1762	1816	1873	Oper Income USD Mil
23.9	21.2	18.5	19.3	18.9	19.3	19.7	20.3	19.7	18.4	18.1	Operating Margin %
1101	1018	936	1055	1554	1139	1236	1333	1211	1254	1343	Net Income USD Mil
1.75	1.68	1.56	1.79	2.68	2.04	2.34	2.63	2.40	2.52	2.70	Earnings Per Share USD
0.45	0.48	0.54	0.61	0.71	0.88	1.10	1.28	1.35	1.42	1.48	Dividends USD
631	606	599	590	580	558	527	506	504	498	497	Shares Mil
8.30	9.11	9.70	10.16	10.73	9.84	9.53	11.43	11.69	12.65	12.60	Book Value Per Share USD
1532	1565	1392	1433	1813	1298	1787	1563	1682	1706	1806	Oper Cash Flow USD Mil
-255	-134	-204	-196	-411	-323	-278	-254	-227	-278	-279	Cap Spending USD Mil
1276	1431	1188	1237	1402	975	1509	1309	1455	1428	1527	Free Cash Flow USD Mil

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Profitability
6.1	5.3	4.6	4.3	5.6	4.2	4.9	5.4	4.6	4.1	4.1	Return on Assets %
22.4	19.4	17.3	18.8	26.4	20.4	24.1	25.6	22.4	21.8	22.5	Return on Equity %
15.7	14.2	12.1	12.4	17.5	14.6	14.1	15.0	13.6	12.7	13.0	Net Margin %
0.39	0.38	0.38	0.35	0.32	0.29	0.35	0.36	0.34	0.32	0.32	Asset Turnover
3.6	3.7	3.9	4.8	4.6	5.2	4.7	4.8	4.9	5.7	5.3	Financial Leverage

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	12-11	Financial Health
1406	1677	993	1640	2167	1573	1467	1948	2265	1797	1930	Working Capital USD Mil
91	85	76	76	74	44	52	43	40	34	26	Long-Term Debt USD Mil
5114	5371	5418	5784	6012	5148	5087	5323	5479	6010	6182	Total Equity USD Mil
0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00	Debt/Equity

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Valuation
21.8	24.6	27.2	24.6	24.4	22.4	16.8	16.0	19.3	20.0	20.0	Price/Earnings
—	—	—	—	—	—	—	—	—	1.1	1.4	P/E vs. Market
3.4	3.2	3.3	3.0	3.0	2.9	2.3	2.5	2.5	2.6	2.6	Price/Sales
4.7	4.3	4.6	4.5	4.6	4.5	4.1	3.8	4.0	4.3	4.3	Price/Book
16.9	15.9	17.3	16.4	20.1	18.5	10.8	13.9	13.9	14.9	14.9	Price/Cash Flow

Growth Rates Compound Annual

Grade: C	1 Yr	3 Yr	5 Yr	10 Yr
Revenue %	10.7	4.0	2.1	3.5
Operating Income %	3.1	1.7	1.6	1.2
Earnings/Share %	5.0	4.6	6.4	5.8
Dividends %	5.2	8.9	14.9	13.7
Book Value/Share %	10.0	7.7	3.3	5.0
Stock Total Return %	11.9	15.7	6.6	2.8
+/- Industry	9.3	-4.1	4.3	-2.3
+/- Market	10.3	-1.8	8.0	1.3

Profitability Analysis

Grade: C	Current	5 Yr Avg	Ind	Mkt
Return on Equity %	22.5	22.9	11.1	22.6
Return on Assets %	4.1	4.7	4.0	9.5
Fixed Asset Turns	14.9	12.3	6.9	7.5
Inventory Turns	—	—	13.1	16.1
Revenue/Employee USD K	202.9	193.6*	—	1049.9
Gross Margin %	41.4	48.6	36.6	38.3
Operating Margin %	18.1	19.5	14.9	16.7
Net Margin %	13.0	14.0	6.1	11.2
Free Cash Flow/Rev %	14.8	15.0	9.2	0.1
R&D/Rev %	—	—	—	9.7

Financial Position

Grade: C	06-11 USD Mil	12-11 USD Mil
Cash	1389	1331
Inventories	—	—
Receivables	1365	1354
Current Assets	28584	26727
Fixed Assets	716	708
Intangibles	3789	3862
Total Assets	34238	32484
Payables	356	372
Short-Term Debt	—	—
Current Liabilities	26787	24798
Long-Term Debt	34	26
Total Liabilities	28228	26302
Total Equity	6010	6182

Valuation Analysis

	Current	5 Yr Avg	Ind	Mkt
Price/Earnings	20.0	18.9	23.8	14.5
Forward P/E	18.0	—	—	13.5
Price/Cash Flow	14.9	14.4	10.8	7.4
Price/Free Cash Flow	17.6	17.3	15.5	16.9
Dividend Yield %	2.7	—	1.5	2.0
Price/Book	4.3	4.1	2.6	2.0
Price/Sales	2.6	2.5	1.5	1.2
PEG Ratio	1.7	—	—	1.4

Quarterly Results

Revenue USD Mil	Mar 11	Jun 11	Sep 11	Dec 11
Most Recent Period	2737.3	2507.1	2522.5	2583.0
Prior Year Period	2443.2	2190.3	2229.4	2405.7

Rev Growth %	Mar 11	Jun 11	Sep 11	Dec 11
Most Recent Period	12.0	14.5	13.2	7.4
Prior Year Period	2.9	3.9	6.0	9.1

Earnings Per Share USD	Mar 11	Jun 11	Sep 11	Dec 11
Most Recent Period	0.85	0.48	0.61	0.76
Prior Year Period	0.80	0.41	0.56	0.62

Industry Peers by Market Cap

	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
Automatic Data Proce	26496	10350	20.0	22.5
Paychex, Inc.	11347	2163	21.1	35.8

Major Fund Holders

	% of shares
	—
	—
	—

*3Yr Avg data is displayed in place of 5Yr Avg

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.

Morningstar's Approach to Rating Stocks

Our Key Investing Concepts

- Economic Moat™ Rating
- Discounted Cash Flow
- Discount Rate
- Fair Value
- Uncertainty
- Margin of Safety
- Consider Buying/Consider Selling
- Stewardship Grades

At Morningstar, we evaluate stocks as pieces of a business, not as pieces of paper. We think that purchasing shares of superior businesses at discounts to their intrinsic value and allowing them to compound their value over long periods of time is the surest way to create wealth in the stock market.

We rate stocks 1 through 5 stars, with 5 the best and 1 the worst. Our star rating is based on our analyst's estimate of how much a company's business is worth per share. Our analysts arrive at this "fair value estimate" by forecasting how much excess cash--or "free cash flow"--the firm will generate in the future, and then adjusting the total for timing and risk. Cash generated next year is worth more than cash generated several years down the road, and cash from a stable and consistently profitable business is worth more than cash from a cyclical or unsteady business.

Stocks trading at meaningful discounts to our fair value estimates will receive high star ratings. For high-quality businesses, we require a smaller discount than for mediocre ones, for a simple reason: We have more confidence in our cash-flow forecasts for strong companies, and thus in our value estimates. If a stock's market price is significantly above our fair value estimate, it will receive a low star rating, no matter how wonderful we think the business is. Even the best company is a bad deal if an investor overpays for its shares.

Our fair value estimates don't change very often, but market prices do. So, a stock may gain or lose stars based just on movement in the share price. If we think a stock's fair value is $50, and the shares decline to $40 without much change in the value of the business, the star rating will go up. Our estimate of what the business is worth hasn't changed, but the shares are more attractive as an investment at $40 than they were at $50.

Because we focus on the long-term value of businesses, rather than short-term movements in stock prices, at times we may appear out of step with the overall stock market. When stocks are high, relatively few will receive our highest rating of 5 stars. But when the market tumbles, many more will likely garner 5 stars. Although you might expect to see more 5-star stocks as the market rises, we find assets more attractive when they're cheap.

We calculate our star ratings nightly after the markets close, and issue them the following business day, which is why the rating date on our reports will always be the previous business day. We update the text of our reports as new information becomes available, usually about once or twice per quarter. That is why you'll see two dates on every Morningstar stock report. Of course, we monitor market events and all of our stocks every business day, so our ratings always reflect our analyst's current opinion.

Economic Moat™ Rating

The Economic Moat™ Rating is our assessment of a firm's ability to earn returns consistently above its cost of capital in the future, usually by virtue of some competitive advantage. Competition tends to drive down such

Morningstar Research Methodology for Valuing Companies

Competitive Analysis → **Economic Moat™ Rating** → Company Valuation → **Fair Value Estimate** → Uncertainty Assessment → ★★★★★

Competitive Analysis: Analyst conducts company and industry research:

- Management interviews
- Conference calls
- Trade-show visits
- Competitor, supplier, distributor, and customer interviews

Economic Moat™ Rating: The depth of the firm's competitive advantage is rated:

- None
- Narrow
- Wide

Company Valuation: Analyst considers company financial statements and competitive position to forecast future cash flows.

Assumptions are input into a discounted cash-flow model.

Fair Value Estimate: DCF model leads to the firm's Fair Value Estimate, which anchors the rating framework.

Uncertainty Assessment: An uncertainty assessment establishes the margin of safety required for the stock rating.

★
★★
★★★
★★★★
★★★★★

The current stock price relative to fair value, adjusted for uncertainty, determines the rating.

economic profits, but companies that can earn them for an extended time by creating a competitive advantage possess an Economic Moat. We see these companies as superior investments.

Discounted Cash Flow

This is a method for valuing companies that involves projecting the amount of cash a business will generate in the future, subtracting the amount of cash that the company will need to reinvest in its business, and using the result to calculate the worth of the firm. We use this technique to value nearly all of the companies we cover.

Discount Rate

We use this number to adjust the value of our forecasted cash flows for the risk that they may not materialize. For a profitable company in a steady line of business, we'll use a lower discount rate, also known as "cost of capital," than for a firm in a cyclical business with fierce competition, since there's less risk clouding the firm's future.

Fair Value

This is the output of our discounted cash-flow valuation models, and is our per-share estimate of a company's intrinsic worth. We adjust our fair values for off-balance sheet liabilities or assets that a firm might have--for example, we deduct from a company's fair value if it has issued a lot of stock options or has an under-funded pension plan. Our fair value estimate differs from a "target price" in two ways. First, it's an estimate of what the business is worth, whereas a price target typically reflects what other investors may pay for the stock. Second, it's a long-term estimate, whereas price targets generally focus on the next two to 12 months.

Uncertainty

To generate the Morningstar Uncertainty Rating, analysts consider factors such as sales predictability, operating leverage, and financial leverage. Analysts then classify their ability to bound the fair value estimate for the stock into one of several uncertainty levels: Low, Medium, High, Very High, or Extreme. The greater the level of uncertainty, the greater the discount to fair value required before a stock can earn 5 stars, and the greater the premium to fair value before a stock earns a 1-star rating.

Margin of Safety

This is the discount to fair value we would require before recommending a stock. We think it's always prudent to buy stocks for less than they're worth.The margin of safety is like an insurance policy that protects investors from bad news or overly optimistic fair value estimates. We require larger margins of safety for less predictable stocks, and smaller margins of safety for more predictable stocks.

Consider Buying/Consider Selling

The consider buying price is the price at which a stock would be rated 5 stars, and thus the point at which we would consider the stock an extremely attractive purchase. Conversely, consider selling is the price at which a stock would have a 1 star rating, at which point we'd consider the stock overvalued, with low expected returns relative to its risk.

Stewardship Grades

We evaluate the commitment to shareholders demonstrated by each firm's board and management team by assessing transparency, shareholder friendliness, incentives, and ownership. We aim to identify firms that provide investors with insufficient or potentially misleading financial information, seek to limit the power of minority shareholders, allow management to abuse its position, or which have management incentives that are not aligned with the interests of long-term shareholders. The grades are assigned on an absolute scale--not relative to peers--and can be interpreted as follows: A means "Excellent," B means "Good," C means "Fair," D means "Poor," and F means "Very Poor."