



Pitney Bowes Fourth Quarter 2022 Earnings

January 31, 2023



Forward Looking Statements

This document contains “forward-looking statements” about the Company’s expected or potential future business and financial performance. Forward-looking statements include, but are not limited to, statements about future revenue and earnings guidance and future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. While conditions related to the COVID-19 pandemic have improved, the pandemic continues to be dynamic, and near-term challenges across the economy remain and the effects that they may have on our, and our clients’ businesses remain uncertain. Other factors which could cause future financial performance to differ materially from expectations include, without limitation, declining physical mail volumes; changes in postal regulations or the operations and financial health of posts in the U.S. or other major markets or changes to the broader postal or shipping markets; the loss of, or significant changes to, United States Postal Service (USPS) commercial programs, or our contractual relationships with the USPS or their performance under those contracts; our ability to continue to grow volumes, gain additional economies of scale and improve profitability within our Global Ecommerce segment; the impacts of inflation and rising prices, higher interest rates and a slow-down in economic activity, including a global recession, to the company, our clients and retail consumers, and the loss of some of our larger clients in our Global Ecommerce and Presort Services segments; and other factors as more fully outlined in the Company’s 2021 Form 10-K Annual Report and other reports filed with the Securities and Exchange Commission during 2022. Pitney Bowes assumes no obligation to update any forward-looking statements contained in this document as a result of new information, events or developments.

Use of Non-GAAP Measures

Our financial results are reported in accordance with generally accepted accounting principles (GAAP). We also disclose certain non-GAAP measures, such as adjusted earnings before interest and taxes (EBIT), adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted earnings per share (EPS), revenue growth on a comparable basis and free cash flow.

Adjusted EBIT, Adjusted EBITDA and Adjusted EPS exclude the impact of discontinued operations, restructuring charges, gains, losses and costs related to the sale of assets, acquisitions and dispositions, goodwill impairment charges, losses on debt redemptions and refinancings and other unusual or one-time items. Management believes that these non-GAAP measures provide investors greater insight into the underlying operating trends of the business.

We disclose revenue growth on a comparable basis, which excludes three items. First, the comparison excludes the impacts of foreign currency. Second, we are excluding the impact of the divestiture of the Borderfree business effective July 1, 2022. Third, we are excluding the impact of a change in the presentation of revenue beginning in the fourth quarter of 2022, from a gross basis to net basis due to an adjustment in terms of one of our contracts with the United States Postal Service. The change in revenue presentation impacts both our Global Ecommerce and SendTech Solutions segments. The change in revenue presentation does not impact gross profit. Management believes that excluding these items provides investors with a better understanding of the underlying revenue performance.

Use of Non-GAAP Measures

Free cash flow adjusts cash flow from operations calculated in accordance with GAAP for discontinued operations, capital expenditures, restructuring payments, changes in customer deposits held at the Pitney Bowes Bank and other special items. Management believes free cash flow provides investors better insight into the amount of cash available for other discretionary uses.

Segment EBIT is the primary measure of profitability and operational performance at the segment level and is determined by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, unallocated corporate expenses, restructuring charges, goodwill impairment charges, and other items not allocated to a segment. The Company also reports segment EBITDA as an additional useful measure of segment profitability and operational performance.

Complete reconciliations of non-GAAP measures to comparable GAAP measures can be found in the attached financial schedules and at the Company's web site at www.pb.com/investorrelations

“We have made important progress in the quarter against several initiatives that are key to our long-term objectives. Although financial performance did not meet our expectations, we have seen significant improvements which lay the groundwork for future success. Our SendTech and Presort businesses continued to deliver a solid and predictable performance, reaping the benefits of the investments we have made in those businesses over the last several years. Importantly, our Financial Services business performed very well and Global Ecommerce made substantial progress in ramping network volumes, profitability, and service levels.”

- Marc B. Lautenbach
President and CEO

Fourth Quarter & Full Year 2022 Results

Fourth Quarter 2022 – Overview⁽¹⁾

- ❑ Revenue of \$909 million
 - 8% decline on a reported basis versus prior year
 - Flat on a comparable basis, excluding the impact of currency, Borderfree divestiture, and a change in revenue presentation

- ❑ Adjusted EBIT of \$49 million

- ❑ GAAP EPS of \$0.04 and Adjusted EPS of \$0.06

- ❑ GAAP Cash from Operations was \$167 million

- ❑ Free Cash Flow was \$108 million

- ❑ \$681 million in cash and short-term investments

(1) A reconciliation of GAAP to Adjusted results for current and prior period can be found in the appendix of this presentation

Fourth Quarter 2022 – Overview Continued

- ❑ Global Ecommerce processed 54 million in Domestic Parcel volume, ending the quarter with an annualized exit rate of approximately 200 million
- ❑ Global Ecommerce gross margins improved 300 basis points versus prior year, but short of our expectations
- ❑ Presort grew year-over-year revenues and expanded EBIT margins by 440 basis points versus third quarter 2022
- ❑ SendTech revenue was flat compared to prior year with growth in equipment sales and service revenue being offset by declines in financing and supplies revenues

Full Year 2022 – Overview⁽¹⁾

- ❑ Revenue of \$3.5 billion
 - 4% decline on a reported basis versus prior year
 - Flat on a comparable basis, excluding the impact of currency, Borderfree divestiture, and a change in revenue presentation

- ❑ Adjusted EBIT of \$179 million

- ❑ GAAP EPS of \$0.21 and Adjusted EPS of \$0.15

- ❑ GAAP Cash from Operations was \$176 million

- ❑ Free Cash Flow was \$68 million

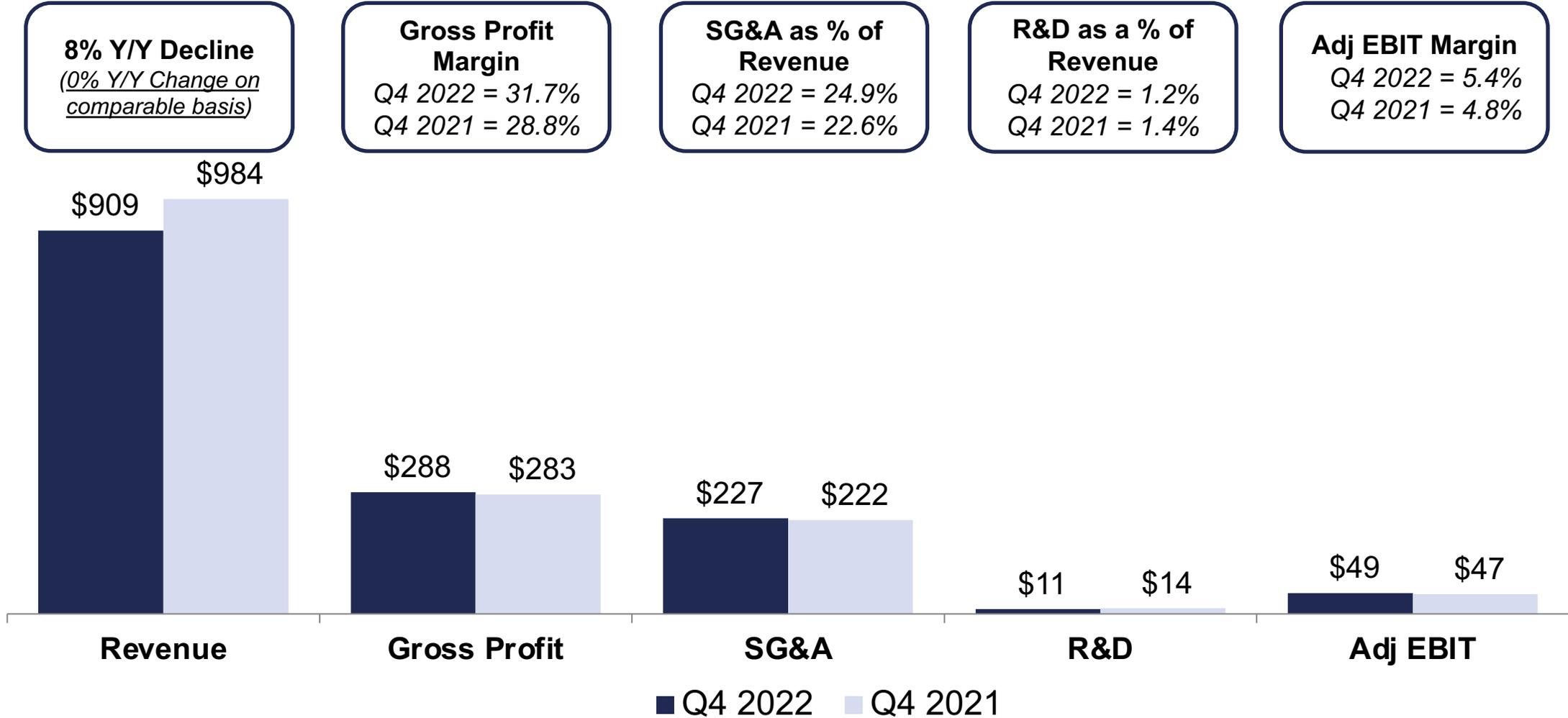
(1) A reconciliation of GAAP to Adjusted results for current and prior period can be found in the appendix of this presentation

Full Year 2022 – Overview Continued

- ❑ Global Ecommerce processed Domestic Parcel volumes of 170 million, grew Domestic Parcel revenue 10%, and expanded unit margins by \$0.34 versus prior year
- ❑ Presort processed 16 billion pieces of mail and grew revenue by 5 percent
- ❑ SendTech grew equipment sales by 4% on a constant currency basis and increased finance receivables by \$44 million to \$1.2 billion
- ❑ SendTech introduced the Shipping 360 Platform and launched PitneyShip Pro, which helped drive shipping-related revenue growth to 19%

Fourth Quarter 2022 – Results vs Prior Year⁽¹⁾

\$ millions



(1) A reconciliation of GAAP to Adjusted results for current and prior period can be found in the appendix of this presentation

Fourth Quarter 2022 – Global Ecommerce

Global Ecommerce provides business to consumer logistics services for domestic and cross-border delivery, returns and fulfillment

(\$ millions)	Q4 2022	Q4 2021	% Change Reported	% Change Comparable Basis
Revenue	\$410	\$473	(13%)	0%
EBITDA	(\$6)	(\$20)	72%	
EBIT	(\$23)	(\$41)	43%	

Continued improvement in Domestic Parcel was offset by weakness in Cross-border. Domestic Parcel volumes were 54 million in the quarter, growing 16% Y/Y. Revenue growth was 1% excluding Borderfree and the Revenue Presentation change. Cross-border volumes and revenue declined due to continued pressure from a strong USD and slower international ecommerce activity.

Domestic Parcel unit gross margin improved \$0.21 versus third quarter 2022, driving higher segment margins. A higher-than-expected mix of light weight parcels received late in the quarter contributed to lower-than-expected profitability.

Fourth Quarter 2022 – Presort

Presort Services provides sortation services that enable clients to qualify for USPS workshare discounts in First Class Mail, Marketing Mail, Marketing Mail Flats and Bound Printed Matter

(\$ millions)	Q4 2022	Q4 2021	% Change Reported
Revenue	\$158	\$156	1%
EBITDA	\$37	\$30	22%
EBIT	\$29	(\$23)	25%

Revenue growth in the quarter was driven by new client additions and higher revenue per piece. Growth was partially offset by lower volumes from existing clients.

EBIT margins improved 440 basis points sequentially and 360 basis point versus prior year, driven by higher revenue per piece and productivity gains from investments in automation.

Fourth Quarter 2022 – SendTech

Sending Technology Solutions offers physical and digital mailing and shipping technology solutions, financing, services, supplies and other applications for clients of all sizes to help simplify and save on the sending, tracking and receiving of letters, parcels and flats

(\$ millions)	Q4 2022	Q4 2021	% Change Reported	% Change Comparable Basis
Revenue	\$341	\$354	(4%)	0%
EBITDA	\$113	\$116	(3%)	
EBIT	\$106	\$109	(3%)	

Revenue was flat compared to prior year on a comparable basis. Strong demand for our new mailing and shipping products drove growth in Equipment sales and Service Revenues in the quarter. Shipping-related revenues grew 30%. Financing revenue and Supplies sales declined in the quarter.

Debt Profile

Debt Composition at 12/31/2022 (\$ Billions)

Total Debt	\$ 2.21
- Implied Financing Related Debt ⁽¹⁾	- 1.08
Implied Operating Company Debt	\$ 1.13
- Cash & S/T Investments	- 0.68
Implied Net Debt	\$ 0.44

Capital Structure (\$ Millions)

	Interest Rate	12/31/2021	12/31/2022
Cash & S/T Investments		\$746.9	\$681.2
Revolver - (\$500mm)		0.0	0.0
Term Loan A due March 2026	SOFR + 2.00%	370.5	351.5
Term Loan B due March 2028	SOFR + 4.00%	446.6	442.1
Subtotal: Secured Debt		817.1	793.6
Notes due April 2023	6.20%	90.3	0.0
Notes due March 2024	4.625%	242.6	236.7
Notes due March 2027	6.875%	400.0	396.8
Notes due March 2029	7.25%	350.0	350.0
Notes due January 2037	5.25%	35.8	35.8
Notes due March 2043	6.70%	425.0	425.0
Other debt		3.7	2.4
Subtotal: Unsecured Debt		1,547.4	1,446.8
Principal Debt⁽²⁾		\$2,364.5	\$2,240.4
Net Debt⁽²⁾		\$1,617.6	\$1,559.3

Manageable debt profile; next bond maturity 2024

(1) Total Finance Receivables at 8:1 debt:equity ratio

(2) Excludes \$41 million and \$35 million of unamortized costs, net as of 12/31/2021 and 12/31/2022, respectively

Full Year 2023 Expectations

Full Year 2023 Guidance

We are providing the following revenue and EBIT guidance for Full Year 2023:

- We expect flat to mid-single digit revenue growth on a comparable basis
- We expect percentage EBIT growth to outpace revenue growth as GEC profitability continues to improve

Appendix

Consolidated Statements of Operations

(Unaudited; in thousands, except per share amounts)

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Revenue:				
Business services	\$ 582,674	\$ 645,814	\$ 2,249,941	\$ 2,334,674
Support services	112,572	113,622	438,191	460,888
Financing	67,424	71,217	274,508	294,418
Equipment sales	92,150	93,834	354,960	350,138
Supplies	37,425	40,348	154,186	159,438
Rentals	16,446	18,877	66,256	74,005
Total revenue	<u>908,691</u>	<u>983,712</u>	<u>3,538,042</u>	<u>3,673,561</u>
Costs and expenses:				
Cost of business services	500,732	579,913	1,934,206	2,034,477
Cost of support services	37,366	37,060	148,829	149,706
Financing interest expense	13,962	11,690	51,789	47,059
Cost of equipment sales	65,662	66,292	253,843	251,914
Cost of supplies	10,704	11,597	43,778	43,980
Cost of rentals	6,053	5,487	25,105	24,427
Selling, general and administrative	226,571	224,847	905,570	924,163
Research and development	11,257	13,781	43,657	46,777
Restructuring charges	6,043	7,569	18,715	19,003
Interest expense, net	23,164	23,070	89,980	96,886
Other components of net pension and postretirement expense	1,079	302	4,308	1,010
Other (income) expense, net	(1,319)	633	(21,618)	41,574
Total costs and expenses	<u>901,274</u>	<u>982,241</u>	<u>3,498,162</u>	<u>3,680,976</u>
Income (loss) from continuing operations before taxes	7,417	1,471	39,880	(7,415)
Provision (benefit) for income taxes	1,121	(320)	2,940	(10,922)
Income from continuing operations	6,296	1,791	36,940	3,507
Loss from discontinued operations, net of tax	-	(524)	-	(4,858)
Net income (loss)	<u>\$ 6,296</u>	<u>\$ 1,267</u>	<u>\$ 36,940</u>	<u>\$ (1,351)</u>
Basic earnings (loss) per share:				
Continuing operations	\$ 0.04	\$ 0.01	\$ 0.21	\$ 0.02
Discontinued operations	-	-	-	(0.03)
Net income (loss)	<u>\$ 0.04</u>	<u>\$ 0.01</u>	<u>\$ 0.21</u>	<u>\$ (0.01)</u>
Diluted earnings (loss) per share:				
Continuing operations	\$ 0.04	\$ 0.01	\$ 0.21	\$ 0.02
Discontinued operations	-	-	-	(0.03)
Net income (loss)	<u>\$ 0.04</u>	<u>\$ 0.01</u>	<u>\$ 0.21</u>	<u>\$ (0.01)</u>
Weighted-average shares used in diluted earnings per share	<u>177,999</u>	<u>179,506</u>	<u>177,252</u>	<u>179,105</u>

Consolidated Balance Sheets

(Unaudited; in thousands)

Assets

Current assets:

Cash and cash equivalents
Short-term investments
Accounts and other receivables, net
Short-term finance receivables, net
Inventories
Current income taxes
Other current assets and prepayments

Total current assets

Property, plant and equipment, net

Rental property and equipment, net

Long-term finance receivables, net

Goodwill

Intangible assets, net

Operating lease assets

Noncurrent income taxes

Other assets

Total assets

Liabilities and stockholders' equity

Current liabilities:

Accounts payable and accrued liabilities
Customer deposits at Pitney Bowes Bank
Current operating lease liabilities
Current portion of long-term debt
Advance billings
Current income taxes

Total current liabilities

Long-term debt

Deferred taxes on income

Tax uncertainties and other income tax liabilities

Noncurrent operating lease liabilities

Other noncurrent liabilities

Total liabilities

Stockholders' equity:

Common stock
Additional paid-in-capital
Retained earnings
Accumulated other comprehensive loss
Treasury stock, at cost

Total stockholders' equity

Total liabilities and stockholders' equity

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	\$	\$
	669,981	732,480
	11,172	14,440
	343,557	334,630
	564,972	560,680
	83,720	78,588
	8,790	13,894
	115,824	157,341
	<u>1,798,016</u>	<u>1,892,053</u>
	420,672	429,162
	27,487	34,774
	627,124	587,427
	1,066,951	1,135,103
	77,944	132,442
	296,129	208,428
	47,662	68,398
	380,419	471,084
	<u>\$ 4,742,404</u>	<u>\$ 4,958,871</u>
	\$	\$
	907,083	922,543
	628,072	632,062
	52,576	40,299
	32,764	24,739
	105,207	99,280
	3,150	9,017
	<u>1,728,852</u>	<u>1,727,940</u>
	2,172,502	2,299,099
	263,131	286,445
	23,841	31,935
	265,696	192,092
	227,729	308,728
	<u>4,681,751</u>	<u>4,846,239</u>
	323,338	323,338
	-	2,485
	5,125,677	5,169,270
	(835,564)	(780,312)
	(4,552,798)	(4,602,149)
	<u>60,653</u>	<u>112,632</u>
	<u>\$ 4,742,404</u>	<u>\$ 4,958,871</u>

Business Segment Revenue

(Unaudited; in thousands)

	Three months ended December 31,			Twelve months ended December 31,		
	2022	2021	% Change	2022	2021	% Change
Global Ecommerce						
Revenue, as reported	\$ 409,725	\$ 473,054	(13%)	\$ 1,576,348	\$ 1,702,580	(7%)
Impact of change in revenue presentation		(44,228)			(44,228)	
Impact of Borderfree divestiture		(16,384)			(30,024)	
Comparable revenue before currency ⁽¹⁾	409,725	412,442	(1%)	1,576,348	1,628,328	(3%)
Impact of currency on revenue	4,726			12,643		
Comparable revenue	\$ 414,451	\$ 412,442	0%	\$ 1,588,991	\$ 1,628,328	(2%)
Presort Services						
Revenue, as reported	\$ 157,714	\$ 156,439	1%	\$ 602,016	\$ 573,480	5%
Impact of currency on revenue	-			-		
Revenue at constant currency	\$ 157,714	\$ 156,439	1%	602,016	\$ 573,480	5%
Sending Technology Solutions						
Revenue, as reported	\$ 341,252	\$ 354,219	(4%)	\$ 1,359,678	\$ 1,397,501	(3%)
Impact of change in revenue presentation		(3,102)			(3,102)	
Comparable revenue before currency ⁽¹⁾	341,252	351,117	(3%)	1,359,678	1,394,399	(2%)
Impact of currency on revenue	8,311			28,517		
Comparable revenue	\$ 349,563	\$ 351,117	(0%)	\$ 1,388,195	\$ 1,394,399	(0%)
Consolidated						
Revenue, as reported	\$ 908,691	\$ 983,712	(8%)	\$ 3,538,042	\$ 3,673,561	(4%)
Impact of change in revenue presentation		(47,330)			(47,330)	
Impact of Borderfree divestiture		(16,384)			(30,024)	
Comparable revenue before currency ⁽¹⁾	908,691	919,998	(1%)	3,538,042	3,596,207	(2%)
Impact of currency on revenue	13,037			41,160		
Comparable revenue	\$ 921,728	\$ 919,998	0%	\$ 3,579,202	\$ 3,596,207	(0%)

⁽¹⁾ Revenue on a comparable basis before currency for 2021 excludes the impact of the change in revenue presentation for certain services from a gross basis to net basis for the fourth quarter of 2021 and the revenue from the Borderfree business for the third and fourth quarters of 2021.

Business Segment EBIT & EBITDA

(Unaudited; in thousands)

	Three months ended December 31,							
	2022			2021			% change	
	EBIT ⁽¹⁾	D&A	EBITDA	EBIT ⁽¹⁾	D&A	EBITDA	EBIT	EBITDA
Global Ecommerce	\$ (22,906)	\$ 17,390	\$ (5,516)	\$ (40,516)	\$ 20,957	\$ (19,559)	43%	72%
Presort Services	29,386	7,438	36,824	23,474	6,711	30,185	25%	22%
Sending Technology Solutions	105,535	7,330	112,865	108,874	7,116	115,990	(3%)	(3%)
Segment total	<u>\$ 112,015</u>	<u>\$ 32,158</u>	144,173	<u>\$ 91,832</u>	<u>\$ 34,784</u>	126,616	<u>22%</u>	<u>14%</u>

Reconciliation of Segment EBITDA to Net Income:

Segment depreciation and amortization		(32,158)		(34,784)
Unallocated corporate expenses		(62,748)		(44,817)
Restructuring charges		(6,043)		(7,569)
Gain (loss) on sale of businesses, including transaction costs		1,319		(2,582)
Loss on debt redemption/refinancing		-		(633)
Interest, net		(37,126)		(34,760)
(Provision) benefit for income taxes		(1,121)		320
Income from continuing operations		6,296		1,791
Loss from discontinued operations, net of tax		-		(524)
Net income		<u>\$ 6,296</u>		<u>\$ 1,267</u>

	Twelve months ended December 31,							
	2022			2021			% change	
	EBIT ⁽¹⁾	D&A	EBITDA	EBIT ⁽¹⁾	D&A	EBITDA	EBIT	EBITDA
Global Ecommerce	\$ (100,308)	\$ 78,296	\$ (22,012)	\$ (98,673)	\$ 79,128	\$ (19,545)	(2%)	(13%)
Presort Services	82,430	28,039	110,469	79,721	27,243	106,964	3%	3%
Sending Technology Solutions	400,909	29,489	430,398	429,415	29,951	459,366	(7%)	(6%)
Segment Total	<u>\$ 383,031</u>	<u>\$ 135,824</u>	518,855	<u>\$ 410,463</u>	<u>\$ 136,322</u>	546,785	<u>(7%)</u>	<u>(5%)</u>

Reconciliation of Segment EBITDA to Net Income (Loss):

Segment depreciation and amortization		(135,824)		(136,322)
Unallocated corporate expenses		(204,251)		(207,774)
Restructuring charges		(18,715)		(19,003)
Gain on sale of assets		14,372		1,434
Gain on sale of business, including transaction costs		12,205		7,619
Loss on debt redemption/refinancing		(4,993)		(56,209)
Interest, net		(141,769)		(143,945)
(Provision) benefit for income taxes		(2,940)		10,922
Income from continuing operations		36,940		3,507
Loss from discontinued operations, net of tax		-		(4,858)
Net income (loss)		<u>\$ 36,940</u>		<u>\$ (1,351)</u>

(1) Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, and other items that are not allocated to a particular business segment. In 2022, we refined the methodology for allocating transportation costs between Global Ecommerce and Presort Services, resulting in an increase in Global Ecommerce EBIT and a corresponding decrease in Presort Services EBIT of \$1 million and \$10 million for the three and twelve months ended December 31, 2022, respectively.

Reconciliation of Reported Consolidated Results to Adjusted Results

(Unaudited; in thousands, except per share amounts)

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Reconciliation of reported net income (loss) to adjusted EBIT and EBITDA				
Net income (loss)	\$ 6,296	\$ 1,267	\$ 36,940	\$ (1,351)
Loss from discontinued operations, net of tax	-	524	-	4,858
Provision (benefit) for income taxes	1,121	(320)	2,940	(10,922)
Income (loss) from continuing operations before taxes	7,417	1,471	39,880	(7,415)
Restructuring charges	6,043	7,569	18,715	19,003
Gain on sale of assets	-	-	(14,372)	(1,434)
(Gain) loss on sale of businesses, including transaction costs	(1,319)	2,582	(12,205)	(7,619)
Loss on debt redemption/refinancing	-	633	4,993	56,209
Adjusted net income before tax	12,141	12,255	37,011	58,744
Interest, net	37,126	34,760	141,769	143,945
Adjusted EBIT	49,267	47,015	178,780	202,689
Depreciation and amortization	39,064	41,634	163,816	162,859
Adjusted EBITDA	\$ 88,331	\$ 88,649	\$ 342,596	\$ 365,548
Reconciliation of reported diluted earnings (loss) per share to adjusted diluted earnings per share				
Diluted earnings (loss) per share	\$ 0.04	\$ 0.01	\$ 0.21	\$ (0.01)
Restructuring charges	0.03	0.03	0.08	0.08
Gain on sale of assets	-	-	(0.06)	(0.01)
(Gain) loss on sale of businesses, including transaction costs	(0.01)	0.01	(0.09)	(0.01)
Loss on debt redemption/refinancing	-	-	0.02	0.24
Loss from discontinued operations, net of tax	-	-	-	0.03
Adjusted diluted earnings per share ⁽¹⁾	\$ 0.06	\$ 0.06	\$ 0.15	\$ 0.32
Reconciliation of reported net cash from operating activities to free cash flow				
Net cash from operating activities	\$ 166,754	\$ 85,341	\$ 175,983	\$ 301,515
Capital expenditures	(27,307)	(43,135)	(124,840)	(184,042)
Restructuring payments	3,645	7,143	15,406	21,990
Change in customer deposits at PB Bank	(35,349)	(10,650)	(3,990)	14,862
Transaction costs paid	379	-	5,779	-
Free cash flow	\$ 108,122	\$ 38,699	\$ 68,338	\$ 154,325

⁽¹⁾ The sum of the earnings per share amounts may not equal the totals due to rounding.