



Pitney Bowes Second Quarter 2019 Earnings

August 6, 2019



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 its future revenue and earnings guidance and other statements about 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. These risks and uncertainties include, but are not limited to: declining physical mail volumes; changes in, or loss of, our contractual relationships with the U.S. Postal Service or posts in other major markets; changes in postal regulations; competitive factors, including pricing pressures, technological developments and the introduction of new products and services by competitors; the United Kingdom's potential exit from the European Union (Brexit); our success in developing and marketing new products and services, and obtaining regulatory approvals, if required; changes in banking regulations or the loss of our Industrial Bank charter; changes in labor conditions and transportation costs; macroeconomic factors, including global and regional business conditions that adversely impact customer demand, foreign currency exchange rates and interest rates; changes in global political conditions and international trade policies, including the imposition or expansion of trade tariffs and other factors as more fully outlined in the Company's 2018 Form 10-K Annual Report and other reports filed with the Securities and Exchange Commission. Pitney Bowes assumes no obligation to update any forward-looking statements contained in this document as a result of new information, events or developments.

Note: Consolidated statements of income; revenue and EBIT by business segment; and reconciliation of GAAP to non-GAAP measures for the three and six months ended June 30, 2019 and 2018, and consolidated balance sheets as of June 30, 2019 and December 31, 2018 are attached.

Use of Non-GAAP Measures

The Company's financial results are reported in accordance with generally accepted accounting principles (GAAP); however, in its disclosures the Company uses 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 constant currency basis and free cash flow.

The Company reports measures such as adjusted EBIT, adjusted EPS and adjusted net income to exclude the impact of special items like restructuring charges, tax adjustments, goodwill and asset write-downs, and costs related to dispositions and acquisitions. While these are actual Company expenses, they can mask underlying trends associated with its business. Such items are often inconsistent in amount and frequency and as such, the adjustments allow an investor greater insight into the current underlying operating trends of the business.

In addition, revenue growth is presented on a constant currency basis to exclude the impact of changes in foreign currency exchange rates since the prior period under comparison. Constant currency measures are intended to help investors better understand the underlying operational performance of the business excluding the impacts of shifts in currency exchange rates over the period. Constant currency is calculated by converting our current quarter reported results using the prior year's exchange rate for the comparable quarter. In addition, this quarter the Company reported the comparison of revenue excluding the impact of currency and market exits to prior year, which excludes the impact of changes in foreign currency exchange rates since the prior period and also excludes the revenues associated with the recent market exits in several smaller markets. This comparison allows an investor insight into the underlying revenue performance of the business and true operational performance from a comparable basis to prior period. A reconciliation of reported revenue to constant currency revenue, as well as reported revenue to "revenue excluding the impact of currency and market exits" can be found in the Company's attached financial schedules.

Use of Non-GAAP Measures

The Company reports free cash flow in order to provide investors insight into the amount of cash that management could have available for other discretionary uses. Free cash flow adjusts GAAP cash from operations for capital expenditures, restructuring payments, unusual tax settlements, special contributions to the Company's pension fund and cash used for other special items. A reconciliation of GAAP cash from operations to free cash flow can be found in the Company's attached financial schedules.

Segment EBIT is the primary measure of profitability and operational performance at the segment level. Segment EBIT is determined by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses not allocated to a particular business segment, restructuring charges and goodwill and asset impairments, which are recognized on a consolidated basis. The Company has also included segment EBITDA as a useful measure for profitability and operational performance, and an additional way to look at the economics of the segments, especially in light of some of the Company's more recent, larger acquisitions. Segment EBITDA further excludes depreciation and amortization expense for the segment. A reconciliation of segment EBIT and EBITDA to net income can be found in the attached financial schedules.

Pitney Bowes has provided a quantitative reconciliation to GAAP in supplemental schedules. This information can be found at the Company's web site www.pb.com/investorrelations

Disclosure Using Social Media

Pitney Bowes announces material information to its investors using SEC filings, press releases, public conference calls and webcasts. The Company already makes frequent use of its investor relations website to disseminate material information, as well as social media platforms, including Twitter, Facebook and LinkedIn. Investors, buy and sell-side analysts, media and influencers should note that the Company plans to continue to announce material financial information using the Pitney Bowes investor relations website, SEC filings, and press releases, public conference calls and webcasts. Pitney Bowes is notifying investors, media and others interested in the company that in the future, the Company may choose to communicate material information through its social media channels, or it is possible that information it discloses through social media channels may be deemed to be material. Therefore, Pitney Bowes encourages investors, the media, and others interested in the Company to review the information posted on the Company's investor relations site (<https://www.investorrelations.pitneybowes.com/>), *Twitter* (<https://twitter.com/PBnews> and <https://twitter.com/PitneyBowes>), *Facebook* (<https://www.facebook.com/PitneyBowes/>), and *LinkedIn* (<https://www.linkedin.com/company/pitney-bowes/>). *The Company may communicate on social media platforms not listed here as well as create new accounts in the future. Any updates to the list of social media channels Pitney Bowes will use to announce material information will be posted on the Investor Relations page.*

Adoption of New Lease Accounting Standard

The company adopted the new lease accounting standard, ASC 842, effective January 1, 2019 using a modified retrospective approach, which requires the Company to recognize and measure leases at the beginning of the earliest period presented. Beginning with the quarter ending March 31, 2019, the Company's financial information will reflect adoption of the standard with prior periods adjusted accordingly. Certain reclassified historical financial information on a basis consistent with the new standard can be found within the Financial Reporting section of the Company's Investor Relations web site, or at www.investorrelations.pitneybowes.com/financial-information

This reclassified historical information does not take into account any other reclassifications that may be made to historical financial information to conform to the current year presentation.

Market Exits

The Company previously announced exits from direct operations in 6 smaller European markets (market exits). The transaction does not qualify for discontinued operations treatment and prior year is not restated. Revenue comparisons to prior year for total Pitney Bowes and SMB have been provided excluding the impacts of currency and market exits.

“I am pleased with our overall performance in the second quarter. Parcel volumes through our domestic ecommerce network increased 42 percent, which is an important metric as we continue to scale this business. The Company’s revenue in the second quarter continued to grow on a comparable basis and earnings were in-line with our expectations. We continued to make progress against our strategic objectives as we move our portfolio to the growth areas of the market, and are positioned to meet our financial goals for the year and over the long-term.”

Marc B. Lautenbach,
President and Chief Executive Officer

Second Quarter 2019 Results

Second Quarter 2019 – Highlights

- ❑ Revenue of \$861 million
 - (1%) as reported basis
 - Flat on a constant currency basis
 - 2% growth constant currency basis and excluding SMB International market exits

- ❑ GAAP EPS of \$0.13, includes
 - \$0.04 charge for discontinued operations
 - \$0.03 net charges for restructuring and assets impairments
 - \$0.01 charge for transaction cost

- ❑ Adjusted EPS of \$0.21

Second Quarter 2019 – Highlights

- ❑ GAAP Cash from Operations of \$17 million

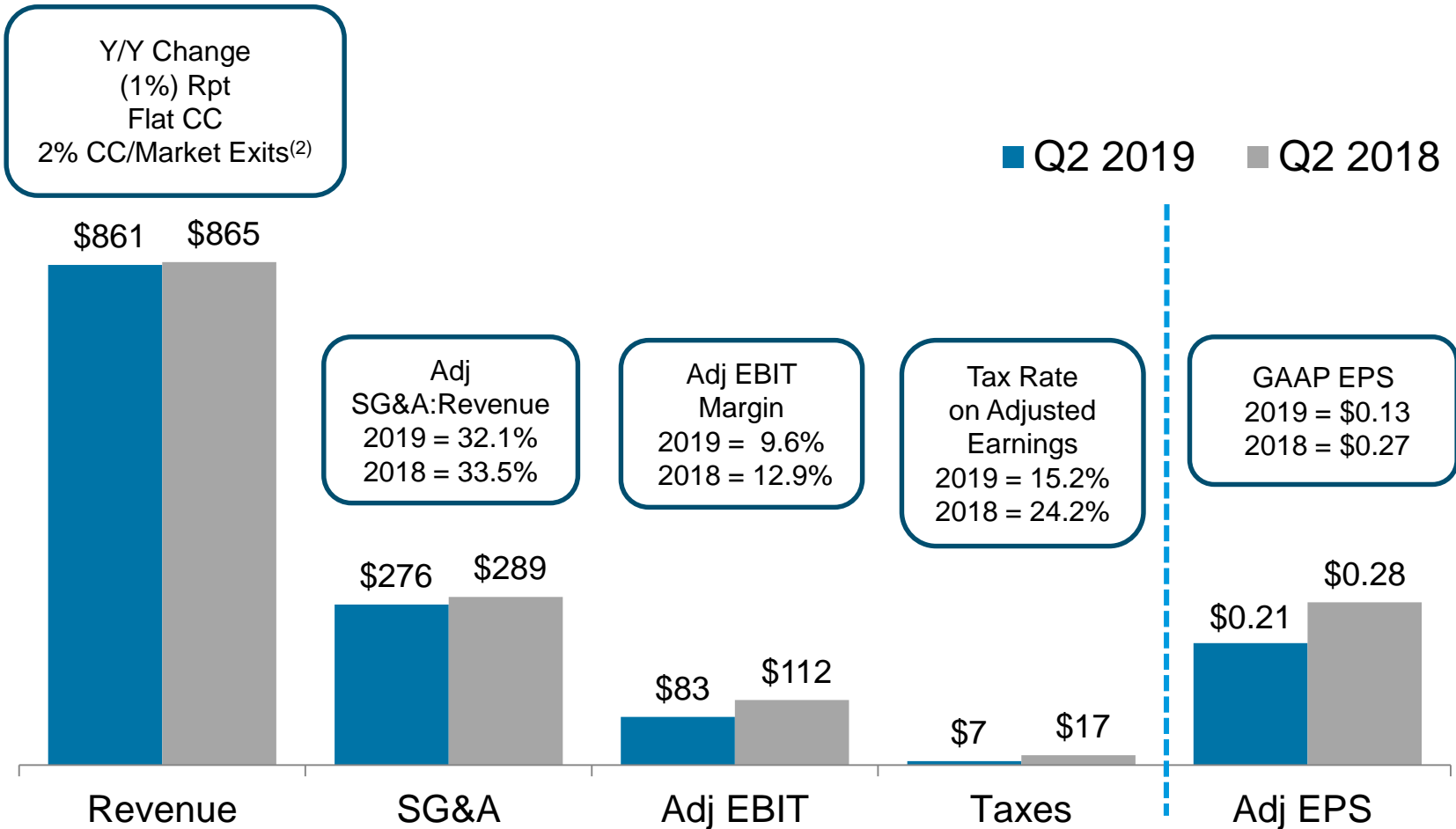
- ❑ Free Cash Flow of \$13 million

- ❑ Returned \$70 million to shareholders:
 - Repurchased \$61 million in stock, or 11.8 million shares
 - Paid \$9 million in dividends

- ❑ The Company is reaffirming its 2019 annual guidance

Second Quarter 2019 – Adjusted Results⁽¹⁾

\$ millions, except EPS

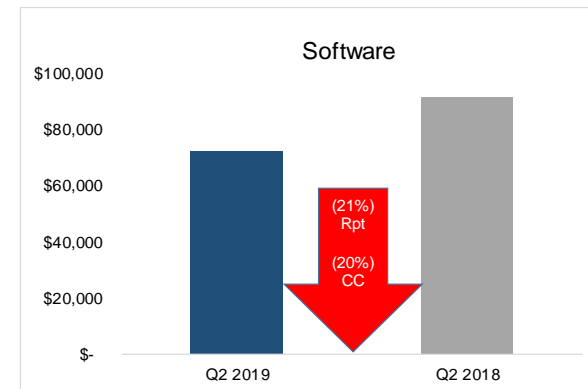
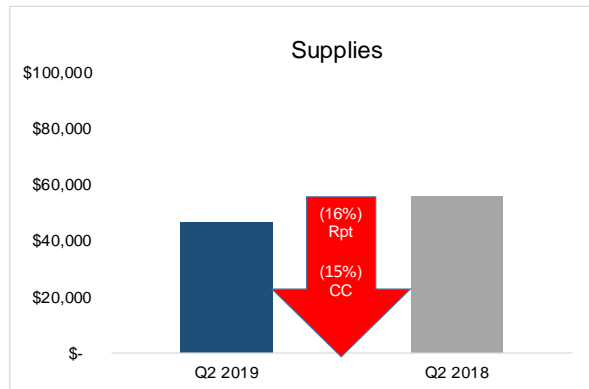
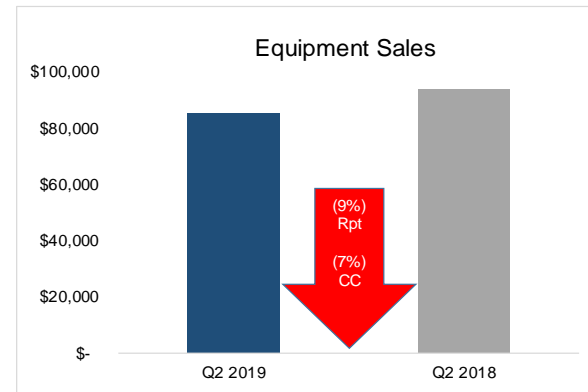
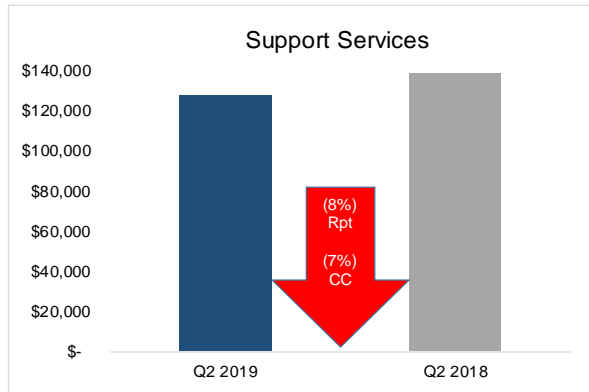
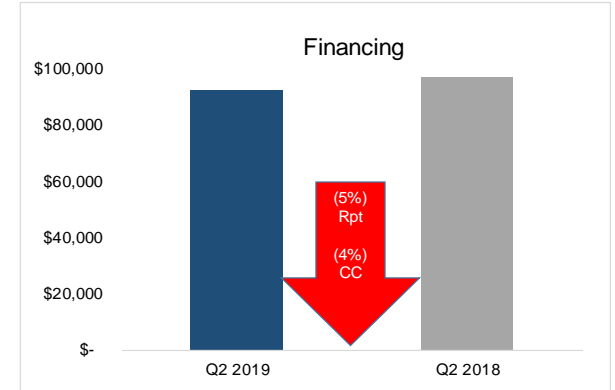
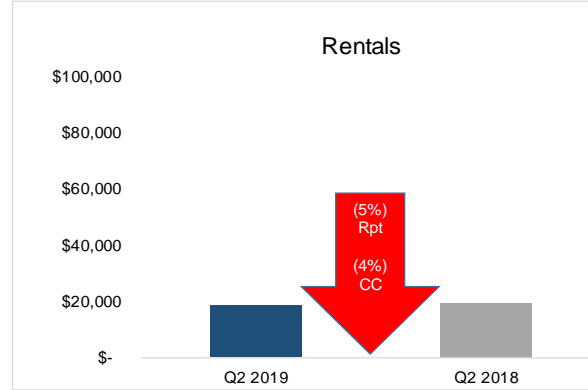
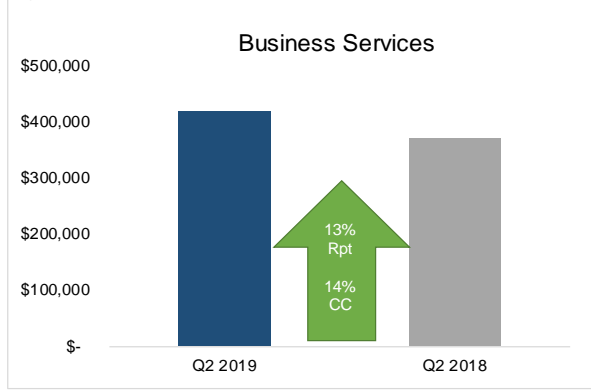


(1) A reconciliation of GAAP to Non-GAAP measures can be found in the appendix of this presentation.

(2) Year-over-year change excluding the impact of currency and market exits

Second Quarter 2019 – Revenue Results

\$000s



Second Quarter 2019 - Earnings Per Share Reconciliation⁽¹⁾

	Q2 2019	Q2 2018
GAAP EPS	\$0.13	\$0.27
Discontinued operations	\$0.04	(\$0.01)
GAAP EPS from continuing operations	\$0.17	\$0.27
Restructuring charges and asset impairments, net	\$0.03	\$0.04
Transaction costs	\$0.01	-
Tax Adjustments, net	-	(\$0.03)
Adjusted EPS	\$0.21	\$0.28

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

Second Quarter 2019 Business Segment Results

Business Segment Reporting

The business reporting groups reflect how the Company manages these groups and the clients served in each market.

The Commerce Services group includes the Global Ecommerce and Presort Services segments. Global Ecommerce facilitates global cross-border ecommerce transactions and domestic retail and ecommerce shipping solutions, including fulfillment and returns. Presort Services provides sortation services to qualify large volumes of First-Class Mail; Marketing Mail; and Bound and Packet Mail (Standard Flats and Bound Printed Matter) for postal workshare discounts.

The Small and Medium Business (SMB) Solutions group offers mailing and shipping solutions, financing, services, supplies and other applications for small and medium businesses to help simplify and save on the sending, tracking and receiving of letters, parcels and flats. This group includes the North America Mailing and International Mailing segments.

Software Solutions provide customer engagement, customer information, location intelligence software and data.

Segment results for the quarter and prior year may not equal the subtotals for each segment group due to rounding

Second Quarter 2019 Financial Performance

Commerce Services Group

	(\$ millions)	Q2 2019	Q2 2018	Y/Y % Reported	Y/Y % Ex Currency
Revenue	Global Ecommerce	\$282	\$239	18%	19%
	Presort Services	128	\$123	4%	4%
	Commerce Services Revenue	\$410	\$362	13%	14%
EBITDA	Global Ecommerce	\$1	\$9	(86%)	
	Presort Services	\$23	\$19	18%	
	Commerce Services EBITDA	\$24	\$29	(17%)	
EBIT	Global Ecommerce	(\$16)	(\$6)	>(100%)	
	Presort Services	\$15	\$13	23%	
	Commerce Services EBIT	(\$0)	\$7	>(100%)	

Global Ecommerce

- Revenue growth in domestic parcel and shipping solutions volumes.
- EBIT and EBITDA margins declined driven by a shift in the mix of business to faster growing, lower margin services.
- Margins also impacted by investments in market growth opportunities, including marketing programs, along with investments in operational excellence initiatives.

Presort Services

- Revenue growth driven by higher volume across all mail classes along with higher revenue per piece.
- Volume drivers were higher Marketing Mail and flats processed.
- EBIT and EBITDA margins increased primarily due to the higher revenue per piece, along with lower labor costs.

Second Quarter 2019 Financial Performance

SMB Solutions Group

	(\$ millions)	Q2 2019	Q2 2018	Y/Y % Reported	Y/Y % Ex Currency	Y/Y% Ex Currency & Market Exits
Revenue	North America Mailing	\$303	\$319	(5%)	(5%)	(5%)
	International Mailing	\$75	\$93	(20%)	(15%)	(3%)
	SMB Solutions Revenue	\$378	\$412	(8%)	(7%)	(4%)
EBITDA	North America Mailing	\$123	\$128	(4%)		
	International Mailing	\$14	\$15	(9%)		
	SMB Solutions EBITDA	\$137	\$144	(5%)		
EBIT	North America Mailing	\$113	\$120	(6%)		
	International Mailing	\$12	\$13	(9%)		
	SMB Solutions EBIT	\$125	\$133	(6%)		

North America Mailing

- Revenue declined on lower equipment sales and recurring revenue streams.
- Recurring revenue stream decline driven by lower support services, supplies and financing revenue, partially offset by higher business services.
- EBIT and EBITDA margins were relatively flat to prior year driven by the lower revenue along with higher tariff costs partially offset by lower expenses.

International Mailing

- Excluding the effect from currency and market exits, the revenue decline was driven by lower supplies and services, partially offset by higher rentals.
- Revenue decline was driven by weakness in the UK and Germany partially offset by growth in the France.
- EBIT and EBITDA margins increased primarily driven by the lower expenses.

Second Quarter 2019 Financial Performance

Software Solutions

(\$ millions)	Q2 2019	Q2 2018	Y/Y % Reported	Y/Y % Ex Currency
Software Revenue	\$72	\$92	(21%)	(20%)
Software EBITDA	\$4	\$21	(79%)	
Software EBIT	\$2	\$18	(89%)	

Software

- Revenue declined driven by lower license revenue partially offset by higher data subscriptions and SaaS revenue.
- Prior year included several large renewal license deals. In addition, new license deals were down compared to prior year.
- EBIT and EBITDA margins decreased largely driven by the lower license revenue.

2019 Guidance

2019 Guidance

This guidance discusses future results, which are inherently subject to unforeseen risks and developments. As such, discussions about the business outlook should be read in the context of an uncertain future, as well as the risk factors identified in the safe harbor language at the end of this release and as more fully outlined in the Company's 2018 Form 10-K Annual Report and other reports filed with the Securities and Exchange Commission.

This guidance excludes any unusual items that may occur or additional portfolio or restructuring actions, not specifically identified, as the Company implements plans to further streamline its operations and reduce costs. Revenue guidance is provided on a constant currency basis. The Company cannot reasonably predict the impact that future changes in currency exchange rates will have on revenue and net income. Additionally, the Company cannot provide GAAP EPS and GAAP cash from operations guidance due to the uncertainty of future potential restructurings, goodwill and asset write-downs, unusual tax settlements or payments and special contributions to its pension funds, acquisitions, divestitures and other potential adjustments, which could (individually or in the aggregate) have a material impact on the Company's performance. The Company's guidance is based on an assumption that the global economy and foreign exchange markets in 2019 will not change significantly.

The Company is Reaffirming 2019 Annual Guidance

2019 Guidance

Revenue Growth,
excluding the impact of currency

1% to 3%

Adjusted EPS

\$0.90 to \$1.05

Free Cash Flow (\$millions)

\$200 to \$250

GAAP Financial Schedules

Pitney Bowes Inc.
Consolidated Statements of Income

(Unaudited; in thousands, except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue:				
Equipment sales	\$ 85,551	\$ 93,811	\$ 175,338	\$ 200,519
Supplies	46,490	55,457	97,443	115,450
Software	72,206	91,703	145,524	167,997
Rentals	18,445	19,454	40,602	44,419
Financing	92,419	97,129	189,462	197,478
Support services	127,683	138,598	256,304	279,248
Business services	417,985	369,088	824,508	756,712
Total revenue	<u>860,779</u>	<u>865,240</u>	<u>1,729,181</u>	<u>1,761,823</u>
Costs and expenses:				
Cost of equipment sales	58,570	58,948	122,235	121,417
Cost of supplies	11,758	15,738	25,308	32,685
Cost of software	23,419	26,957	46,802	51,086
Cost of rentals	8,418	8,464	18,133	21,212
Financing interest expense	11,043	11,194	22,407	22,258
Cost of support services	40,448	42,306	82,227	88,371
Cost of business services	337,918	290,567	664,964	584,946
Selling, general and administrative	278,545	289,427	579,527	592,237
Research and development	22,630	23,574	44,404	48,069
Restructuring charges and asset impairments, net	7,279	11,503	10,877	12,407
Interest expense, net	28,019	30,775	55,621	62,789
Other components of net pension and postretirement cost	(1,618)	(2,499)	(2,256)	(4,218)
Other (income) expense	(27)	-	17,683	-
Total costs and expenses	<u>826,402</u>	<u>806,954</u>	<u>1,687,932</u>	<u>1,633,259</u>
Income from continuing operations before taxes	34,377	58,286	41,249	128,564
Provision for income taxes	4,099	7,899	12,400	26,694
Income from continuing operations	30,278	50,387	28,849	101,870
(Loss) income from discontinued operations, net of tax	(6,581)	1,208	(7,811)	9,695
Net income	<u>\$ 23,697</u>	<u>\$ 51,595</u>	<u>\$ 21,038</u>	<u>\$ 111,565</u>
Basic earnings (loss) per share (1):				
Continuing operations	\$ 0.17	\$ 0.27	\$ 0.16	\$ 0.54
Discontinued operations	(0.04)	0.01	(0.04)	0.05
Net income	<u>\$ 0.13</u>	<u>\$ 0.28</u>	<u>\$ 0.12</u>	<u>\$ 0.60</u>
Diluted earnings (loss) per share (1):				
Continuing operations	\$ 0.17	\$ 0.27	\$ 0.16	\$ 0.54
Discontinued operations	(0.04)	0.01	(0.04)	0.05
Net income	<u>\$ 0.13</u>	<u>\$ 0.27</u>	<u>\$ 0.12</u>	<u>\$ 0.59</u>
Weighted-average shares used in diluted earnings per share	<u>178,280,533</u>	<u>188,113,750</u>	<u>182,638,896</u>	<u>188,056,884</u>

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

Pitney Bowes Inc.
Consolidated Balance Sheets
(Unaudited; in thousands, except share amounts)

<u>Assets</u>	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 771,042	\$ 867,262
Short-term investments	59,516	59,391
Accounts and other receivables, net	419,776	456,138
Short-term finance receivables, net	682,828	752,773
Inventories	73,347	62,279
Current income taxes	22,474	5,947
Other current assets and prepayments	132,878	100,625
Assets of discontinued operations	-	4,854
Total current assets	<u>2,161,861</u>	<u>2,309,269</u>
Property, plant and equipment, net	416,512	410,114
Rental property and equipment, net	36,917	46,228
Long-term finance receivables, net	554,075	536,369
Goodwill	1,754,610	1,766,511
Intangible assets, net	212,596	227,137
Operating lease assets	180,983	156,788
Noncurrent income taxes	63,013	66,326
Other assets	377,420	419,677
Total assets	<u>\$ 5,757,987</u>	<u>\$ 5,938,419</u>
<u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,295,712	\$ 1,390,362
Current operating lease liabilities	34,612	37,208
Current portion of long-term debt	214,927	199,535
Advance billings	211,061	229,379
Current income taxes	6,011	15,284
Liabilities of discontinued operations	-	3,276
Total current liabilities	<u>1,762,323</u>	<u>1,875,044</u>
Long-term debt	3,029,246	3,066,073
Deferred taxes on income	264,191	254,353
Tax uncertainties and other income tax liabilities	45,586	39,548
Noncurrent operating lease liabilities	154,648	127,237
Other noncurrent liabilities	449,021	474,322
Total liabilities	<u>5,705,015</u>	<u>5,836,577</u>
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	-	1
Cumulative preference stock, no par value, \$2.12 convertible	-	396
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	105,341	121,475
Retained earnings	5,282,374	5,279,682
Accumulated other comprehensive loss	(907,678)	(948,961)
Treasury stock, at cost	(4,750,403)	(4,674,089)
Total stockholders' equity	<u>52,972</u>	<u>101,842</u>
Total liabilities and stockholders' equity	<u>\$ 5,757,987</u>	<u>\$ 5,938,419</u>

Pitney Bowes Inc.
Business Segment Revenue
(Unaudited; in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
REVENUE						
Global Ecommerce	\$ 282,319	\$ 239,100	18%	\$ 548,573	\$ 485,690	13%
Presort Services	128,138	122,730	4%	262,985	257,188	2%
Commerce Services	<u>410,457</u>	<u>361,830</u>	<u>13%</u>	<u>811,558</u>	<u>742,878</u>	<u>9%</u>
North America Mailing	303,417	318,901	(5%)	618,891	659,712	(6%)
International Mailing	74,699	92,806	(20%)	153,208	191,236	(20%)
Small & Medium Business Solutions	<u>378,116</u>	<u>411,707</u>	<u>(8%)</u>	<u>772,099</u>	<u>850,948</u>	<u>(9%)</u>
Software Solutions	72,206	91,703	(21%)	145,524	167,997	(13%)
Total revenue	<u>\$ 860,779</u>	<u>\$ 865,240</u>	<u>(1%)</u>	<u>\$ 1,729,181</u>	<u>\$ 1,761,823</u>	<u>(2%)</u>

Reconciliation of reported revenue to revenue excluding currency and Market Exits

Total revenue	\$ 860,779	\$ 865,240	(1%)	\$ 1,729,181	\$ 1,761,823	(2%)
Currency impact on revenue	7,224	-		17,207		
Revenue, at constant currency	868,003	865,240	0%	1,746,388	1,761,823	(1%)
Less revenue from Market Exits	(2,356)	(14,014)		(8,369)	(28,893)	
Revenue, excluding currency and Market Exits	<u>\$ 865,647</u>	<u>\$ 851,226</u>	<u>2%</u>	<u>\$ 1,738,019</u>	<u>\$ 1,732,930</u>	<u>0%</u>

Pitney Bowes Inc.
Business Segment EBIT & EBITDA

(Unaudited; in thousands)

	Three Months Ended June 30,							
	2019			2018			% change	
	EBIT (1)	D&A	EBITDA	EBIT (1)	D&A	EBITDA	EBIT	EBITDA
Global Ecommerce	\$ (15,576)	\$ 16,883	\$ 1,307	\$ (5,993)	\$ 15,467	\$ 9,474	>(100%)	(86%)
Presort Services	15,462	7,087	22,549	12,565	6,623	19,188	23%	18%
Commerce Services	(114)	23,970	23,856	6,572	22,090	28,662	>(100%)	(17%)
North America Mailing	112,804	9,794	122,598	120,139	8,049	128,188	(6%)	(4%)
International Mailing	11,934	2,115	14,049	13,091	2,322	15,413	(9%)	(9%)
Small & Medium Business Solutions	124,738	11,909	136,647	133,230	10,371	143,601	(6%)	(5%)
Software Solutions	2,002	2,356	4,358	18,433	2,564	20,997	(89%)	(79%)
Segment Total	<u>\$ 126,626</u>	<u>\$ 38,235</u>	164,861	<u>\$ 158,235</u>	<u>\$ 35,025</u>	193,260	<u>(20%)</u>	<u>(15%)</u>

Reconciliation of Segment EBITDA to Net Income:

Segment depreciation and amortization (2)	(38,235)	(35,025)
Unallocated corporate expenses	(43,785)	(46,477)
Restructuring charges and asset impairments, net	(7,279)	(11,503)
Gain on disposition of businesses	27	-
Interest, net	(39,062)	(41,969)
Transaction costs	(2,150)	-
Provision for income taxes	(4,099)	(7,899)
Income from continuing operations	<u>30,278</u>	<u>50,387</u>
(Loss) income from discontinued operations, net of tax	<u>(6,581)</u>	<u>1,208</u>
Net income	<u>\$ 23,697</u>	<u>\$ 51,595</u>

(1) Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, and other items that are not allocated to a particular business segment.

(2) Includes depreciation and amortization expense of reporting segments only, and excludes corporate depreciation and amortization expense of \$5,213 and \$5,572 for the three months ended June 30, 2019 and 2018, respectively, and \$9,861 and \$11,365 for the six months ended June 30, 2019 and 2018, respectively.

Pitney Bowes Inc.
Business Segment EBIT & EBITDA
(Unaudited; in thousands)

	Six Months Ended June 30,							
	2019			2018			% change	
	EBIT (1)	D&A	EBITDA	EBIT (1)	D&A	EBITDA	EBIT	EBITDA
Global Ecommerce	\$ (30,176)	\$ 33,341	\$ 3,165	\$ (13,704)	\$ 29,897	\$ 16,193	>(100%)	(80%)
Presort Services	30,528	14,008	44,536	39,591	12,785	52,376	(23%)	(15%)
Commerce Services	352	47,349	47,701	25,887	42,682	68,569	(99%)	(30%)
North America Mailing	223,417	16,234	239,651	248,707	15,548	264,255	(10%)	(9%)
International Mailing	23,724	4,533	28,257	29,113	5,932	35,045	(19%)	(19%)
Small & Medium Business Solutions	247,141	20,767	267,908	277,820	21,480	299,300	(11%)	(10%)
Software Solutions	3,694	4,836	8,530	20,925	4,808	25,733	(82%)	(67%)
Segment Total	<u>\$ 251,187</u>	<u>\$ 72,952</u>	324,139	<u>\$ 324,632</u>	<u>\$ 68,970</u>	393,602	<u>(23%)</u>	<u>(18%)</u>

Reconciliation of Segment EBITDA to Net Income:

Segment depreciation and amortization (2)	(72,952)	(68,970)
Unallocated corporate expenses	(99,474)	(97,559)
Restructuring charges and asset impairments, net	(10,877)	(12,407)
Loss on disposition of businesses	(17,683)	-
Interest, net	(78,028)	(85,047)
Transaction costs	(3,876)	(1,055)
Provision for income taxes	(12,400)	(26,694)
Income from continuing operations	28,849	101,870
(Loss) income from discontinued operations, net of tax	(7,811)	9,695
Net income	<u>\$ 21,038</u>	<u>\$ 111,565</u>

(1) Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, and other items that are not allocated to a particular business segment.

(2) Includes depreciation and amortization expense of reporting segments only, and excludes corporate depreciation and amortization expense of \$5,213 and \$5,572 for the three months ended June 30, 2019 and 2018, respectively, and \$9,861 and \$11,365 for the six months ended June 30, 2019 and 2018, respectively.

Pitney Bowes Inc.
Reconciliation of Reported Consolidated Results to Adjusted Results
(Unaudited; in thousands, except per share amounts)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Reconciliation of reported net income to adjusted earnings				
Net income	\$ 23,697	\$ 51,595	\$ 21,038	\$ 111,565
Loss (income) from discontinued operations, net of tax	6,581	(1,208)	7,811	(9,695)
Restructuring charges and asset impairments, net	5,252	8,461	7,911	9,132
(Gain) loss on disposition of businesses	(27)	-	19,396	-
Transaction costs	1,602	-	2,891	786
Tax legislation	-	(5,980)	-	(5,980)
Adjusted net income	<u>37,105</u>	<u>52,868</u>	<u>59,047</u>	<u>105,808</u>
Provision for income taxes, as adjusted	6,674	16,921	14,638	36,216
Interest, net	39,062	41,969	78,028	85,047
Adjusted EBIT	<u>82,841</u>	<u>111,758</u>	<u>151,713</u>	<u>227,071</u>
Depreciation and amortization	43,448	40,597	82,813	80,335
Adjusted EBITDA	<u>\$ 126,289</u>	<u>\$ 152,355</u>	<u>\$ 234,526</u>	<u>\$ 307,406</u>
Reconciliation of reported diluted earnings per share to adjusted diluted earnings per share				
Diluted earnings per share	\$ 0.13	\$ 0.27	\$ 0.12	\$ 0.59
Loss (income) from discontinued operations, net of tax	0.04	(0.01)	0.04	(0.05)
Restructuring charges and asset impairments, net	0.03	0.04	0.04	0.05
(Gain) loss on disposition of businesses	(0.00)	-	0.11	-
Transaction costs	0.01	-	0.02	0.00
Tax legislation	-	(0.03)	-	(0.03)
Adjusted diluted earnings per share	<u>\$ 0.21</u>	<u>\$ 0.28</u>	<u>\$ 0.32</u>	<u>\$ 0.56</u>

Note: The sum of the earnings per share amounts may not equal the totals due to rounding.

Pitney Bowes Inc.
Reconciliation of Reported Consolidated Results to Adjusted Results
(Unaudited; in thousands, except per share amounts)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Reconciliation of reported net cash from operating activities to free cash flow				
Net cash provided by operating activities	\$ 16,925	\$ 85,040	\$ 86,782	\$ 154,493
Net cash used in (provided by) operating activities - discontinued operation	3,267	(16,916)	6,881	(41,772)
Capital expenditures	(32,441)	(50,640)	(61,327)	(79,481)
Restructuring payments	6,139	11,943	14,283	27,528
Reserve account deposits	14,720	(695)	(8,316)	5,959
Transaction costs paid	4,269	1,444	6,108	4,037
Free cash flow	<u>\$ 12,879</u>	<u>\$ 30,176</u>	<u>\$ 44,411</u>	<u>\$ 70,764</u>