# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020    Commission file number: 1-3579

# PITNEY BOWES INC.

| | | | | | | |
|---|---|---|---|---|---|---|
| State of incorporation: | **Delaware** | | | | I.R.S. Employer Identification No. | **06-0495050** |
| Address: | **3001 Summer Street,** | **Stamford,** | **Connecticut** | **06926** | | |
| Telephone Number: | **(203)    356-5000** | | | | | |

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Stock, $1 par value per share | PBI | New York Stock Exchange |
| 6.7% Notes due 2043 | PBI.PRB | New York Stock Exchange |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files) Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | | |
|---|---|---|---|---|---|
| Large accelerated filer | o | Accelerated filer | ☑ | Non-accelerated filer | o |
| Smaller reporting company | ☐ | Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark whether the registrant has elected not to use the extended transition period for complying with new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☑ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of June 30, 2020, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $446 million based on the closing sale price as reported on the New York Stock Exchange. At January 29, 2021, there were 173,274,463 outstanding shares of common stock, $1 par value.

***DOCUMENTS INCORPORATED BY REFERENCE***

Portions of the registrant's proxy statement to be filed within 120 days after our fiscal year end in connection with the Annual Meeting of Stockholders to be held May 3, 2021, are incorporated by reference in Part III of this Form 10-K.

**PITNEY BOWES INC.**
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## Forward-Looking Statements

This Annual Report on Form 10-K (Annual Report) contains statements that are forward-looking. We believe that these forward-looking statements are reasonable based on our current expectations and assumptions. However, we caution readers that any forward-looking statement within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 are subject to risks and uncertainties and actual results could differ materially. Words such as "estimate," "target," "project," "plan," "believe," "expect," "anticipate," "intend" and similar expressions may identify such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. Forward-looking statements in this Annual Report speak only as of the date hereof, and forward-looking statements in documents attached that are incorporated by reference speak only as of the date of those documents.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition, results of operations and forward-looking statements are subject to change and to inherent risks and uncertainties, as disclosed or incorporated by reference in our filings with the Securities and Exchange Commission (the SEC). In particular, the uncertainty around the severity, magnitude and duration of the COVID-19 pandemic (COVID-19), including governments' responses to COVID-19, the efficacy and availability of a vaccine, its continuing impact on our operations, employees, the availability and cost of labor and transportation, global supply chain and demand across our and our clients' businesses, as well as any deterioration or instability in global macroeconomic conditions, could cause our actual results to differ than those expressed in any forward-looking statement. Other factors which could cause future financial performance to differ materially from the expectations, and which may also be exacerbated by COVID-19 or a negative change in the economy, include, without limitation:

- declining physical mail volumes
- changes in postal regulations or operations, or the financial health of posts, in the U.S. or other major markets or the loss of, or significant changes to the broader postal or shipping industry
- changes in our contractual relationships with the United States Postal Service (USPS) or USPS' performance under those contracts.
- our ability to continue to grow and manage volumes, gain additional economies of scale and improve profitability within our Commerce Services group
- changes in labor and transportation availability and costs
- third-party suppliers' ability to provide products and services required by us and our clients
- competitive factors, including pricing pressures, technological developments and the introduction of new products and services by competitors
- the loss of some of our larger clients in our Commerce Services group
- expenses and potential impacts resulting from a breach of security, including cyber-attacks or other comparable events
- our success at managing customer credit risk
- capital market disruptions or credit rating downgrades that adversely impact our ability to access capital markets at reasonable costs
- our success in developing and marketing new products and services and obtaining regulatory approvals, if required
- the continued availability and security of key information technology systems and the cost to comply with information security requirements and privacy laws
- changes in international trade policies, including the imposition or expansion of trade tariffs
- our success at managing relationships and costs with outsource providers of certain functions and operations
- changes in banking regulations or the loss of our Industrial Bank charter or changes in foreign currency exchange rates and interest rates
- the United Kingdom's (U.K.) exit from the European Union
- intellectual property infringement claims
- the use of the postal system for transmitting harmful biological agents, illegal substances or other terrorist attacks
- impact of acts of nature on the services and solutions we offer.

**Further information about factors that could materially affect us, including our results of operations and financial condition, is contained in Item 1A. "Risk Factors" in this Annual Report.**

## ITEM 1. BUSINESS

### General

Pitney Bowes Inc. (we, us, our, or the company) is a global technology company providing commerce solutions that power billions of transactions. Clients around the world rely on the accuracy and precision delivered by our equipment, solutions, analytics, and application programming interface (API) technology in the areas of ecommerce fulfillment, shipping and returns, cross-border ecommerce, office mailing and shipping, presort services and financing. For more information about us, our products, services and solutions, visit www.pitneybowes.com.

### Business Segments

Commerce Services

The Commerce Services group includes domestic parcel services, cross-border solutions, digital delivery services and mail sortation services. The Commerce Services group includes the Global Ecommerce and Presort Services segments.

*Global Ecommerce*

Domestic parcel services offers retailers a cost-effective parcel delivery and returns network for end consumers. We operate numerous domestic parcel sortation centers connected by a nationwide transportation network, enabling us to pick up parcels from retailer distribution centers and move them through our physical network. We also offer fulfillment services, providing pick, pack and ship services for clients through four fulfillment centers. These centers are located within our parcel sortation centers to facilitate same-day entry into our parcel delivery network.

Cross-border solutions manages all aspects of the international shopping and shipping experience. Our proprietary technology enables global tracking and logistics services; calculates duty, tax and shipping costs at checkout; enables multi-currency pricing, payment processing and fraud management; ensures compliance with product restrictions and produces all documentation requirements to meet export complexities and customs clearance. Our proprietary technology is utilized by direct merchants and major online marketplaces facilitating millions of parcels to be shipped worldwide.

Digital delivery services enables clients to reduce transportation and logistics costs, select the best carrier based on need and cost, improve delivery times and track packages in real-time. Powered by our shipping APIs, clients can purchase postage, print shipping labels and access shipping and tracking services from multiple carriers that can be easily integrated into any web application such as online shopping carts or ecommerce sites and provide guaranteed delivery times and flexible payment options.

*Presort Services*

We are a workshare partner of the USPS and national outsource provider of mail sortation services that allow clients to qualify large volumes of First-Class Mail, Marketing Mail and Marketing Mail Flats and Bound Printed Matter for postal workshare discounts. Our network of operating centers throughout the United States and fully-customized proprietary technology provides clients with end-to-end solutions from pick up at their location to delivery into the postal system network, expedited mail delivery and optimal postage savings.

Sending Technology Solutions

We offer our clients physical and digital mailing and shipping technology solutions, supplies and other applications to help simplify and save on the sending, tracking and receiving of letters, parcels and flats. Our cloud enabled infrastructure provides software-as-a-service (SaaS) offerings delivered online and via connected or mobile devices. Our latest offerings are designed on an open platform architecture that have the capabilities to leverage partnerships with other innovative companies, including partnerships with carriers, and developers to deliver new value to our clients.

Through our wholly owned subsidiary, The Pitney Bowes Bank (the Bank), we offer our clients in the United States a revolving credit solution that enables clients to make meter rental payments and purchase postage, services and supplies and an interest-bearing deposit solution to clients who prefer to prepay postage. Additionally, we offer financing alternatives that enable clients to finance equipment and product purchases, finance or lease other manufacturers' equipment and provide working capital.

We also provide revolving credit solutions to clients in Canada and the U.K.

We establish credit approval limits and procedures based on the credit quality of the client and the type of product or service provided to control credit risk. We closely monitor the portfolio by analyzing industry sectors and delinquency trends by product line, industry and client to ensure reserve levels and credit policies reflect current trends. Management continuously monitors credit lines and collection resources and revises credit policies as necessary to be more selective in managing the portfolio.

## Seasonality

A larger percentage of our revenue is earned in the fourth quarter relative to the other quarters, driven primarily by an increase in shipping volumes during the holiday season.

## Sales and Services

We market our products, solutions and services through a direct and inside sales force, global and regional partner channels, direct mailings and digital channels. We provide call-center, online and on-site support services for our products and solutions. Support services are primarily provided under maintenance contracts.

## Competition

Our businesses face competition from large, multinational companies and smaller, more narrowly focused regional and local firms. We compete on the basis of technology and innovation, breadth of product offerings, our ability to design and tailor targeted solutions to meet client needs, performance, service and support, price, quality and brand.

We must continue to invest in our current technologies, products and solutions, and in the development of new technologies, products and solutions in order to maintain and improve our competitive position. We frequently encounter new competitors as the markets in which we participate evolve and newer businesses enter our existing markets.

A summary of the competitive environment for each of our segments is as follows:

### Global Ecommerce

The domestic parcel services and cross-border solutions market includes competitors of various sizes, including companies with greater financial resources than us. Some of these competitors specialize in point solutions or freight forwarding services, are full-service ecommerce business process outsourcers and online marketplaces with international logistic support, or major global delivery services companies. We also face competition from companies that can offer both domestic and cross-border solutions in a single package which creates pricing leverage. The principal competitive factors include speed of delivery, reliability, functionality, ease of integration and use, scalability, innovation, support services and price. We compete based on the accuracy, reliability and scalability of our platform and logistics services, our ability to provide clients and their customers a one-stop full-service ecommerce experience and the ability to provide a more customized shipping solution than some of the larger competitors in the industry.

Within digital delivery services, we compete with a wide range of technology providers who help make shipping easier and more cost-effective. These technology providers range from large, established companies to smaller companies offering negotiated carrier rates. The principal competitive factors include technology stability and reliability, innovation, access to preferred shipping rates and ease of integration with existing systems.

### Presort Services

We face competition from regional and local presort providers, cooperatives of multiple local presort providers, consolidators and service bureaus that offer presort solutions as part of a larger bundle of outsourcing services. While not necessarily competitors in the traditional sense, large mail owners have the capability to presort their own mailings in-house, and could use excess capacity to offer presort services to others. The principal competitive factors include price, innovative service, delivery speed, tracking and reporting, industry expertise and economies of scale. Our competitive advantages include our extensive network of presort facilities capable of processing significant volumes and our innovative proprietary technology that provides clients with reliable, secure and precise services and maximum postage discounts.

### Sending Technology Solutions

We face competition from other mail equipment and solutions providers, companies that offer products and services as alternative means of message communications and those that offer on-line shipping and mailing products and services solutions. Additionally, as alternative communication methods in comparison to physical mail grow, our operations could be affected. We differentiate ourselves from our competitors through our breadth of physical and digital offerings, including cloud enabled SaaS and open platform architecture offerings; pricing; available financing and payment offerings; product reliability; support services; and our extensive knowledge of the shipping and mailing industry.

Our financing operations face competition, in varying degrees, from large, diversified financial institutions, including leasing companies, commercial finance companies and commercial banks, as well as small, specialized firms. Not all our competitors are able to offer the same or similar financing and payment solutions that we offer, and we believe this is a source of competitive advantage that differentiates us from our competitors.

## Research, Development and Intellectual Property

We invest in research and development activities to develop new products and solutions, enhance the effectiveness and functionality of existing products and solutions and deliver high value technology and differentiated services in high value segments of the market.

## Third-Party Suppliers

We depend on third-party suppliers and outsource providers for a variety of services and product components, the hosting of our SaaS offerings, the logistics portion of our ecommerce business, and some non-core functions and operations. In certain instances, we rely on single-sourced or limited-sourced suppliers and outsourcing vendors around the world because doing so is advantageous due to quality, price or lack of alternative sources. We have risk mitigation programs to monitor conditions affecting our suppliers' ability to fulfill expected commitments. We believe that our available sources for services, components, supplies and manufacturing are adequate.

## Regulatory Matters

We are subject to the regulations of postal authorities worldwide related to product specifications of our postage meters. Our Presort Services segment is also subject to regulations of the USPS. The Bank is chartered as an Industrial Bank under the laws of the State of Utah. The Bank and certain company affiliates that provide services to the Bank are subject to the regulations of the Utah Department of Financial Institutions and the Federal Deposit Insurance Corporation. We are also subject to transportation regulations for various parts of our business, customs and trade regulations worldwide related to our cross-border shipping services and regulations concerning data privacy and security for our businesses that use, process and store certain personal, confidential or proprietary data.

## Human Capital

We have more than 11,500 employees, with approximately 80% located in the United States and approximately 20% located outside the United States. We also rely on a contingent hourly workforce to supplement our full-time workforce to meet fluctuating demand. We seek to create a high-performance culture that will drive and sustain enhanced value for all our stakeholders. To attract, retain and engage the talent needed, we strive to maintain a diverse, inclusive and safe workplace, with equitable opportunities for growth and development, supported by strong compensation, benefits and health and wellness programs, and by programs that build connections between our employees and their communities.

*Diversity and Inclusion*

We believe that a diverse workforce is critical to our success. We celebrate a rich mix of countries, cultures, ages, races, ethnicities, gender identities, sexual orientation, abilities and perspectives that showcase our humanity, differentiate us as individuals and enhance our businesses. We have received numerous external acknowledgments of our progress in diversity and inclusion over the years.

*Employee Engagement and Development*

We emphasize employee development and training and provide professional development initiatives, training, experiential learning and inclusion networks to our employees to enable them to advance their skills and achieve career goals. We also believe employee engagement is important to the company's success and conduct a survey annually that has had historically high participation rates as well as increasing engagement scores overall.

*Health, Safety and Wellness*

We are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of flexible and convenient health and wellness programs.

In response to COVID-19, we implemented significant changes that we determined were in the best interest of our employees, as well as the communities in which we operate, and which comply with government regulations. These changes included adjusting processes to enable social distancing, providing personal protective equipment, ongoing monitoring of the health of our employees, and contact tracing when an employee is diagnosed with COVID-19. We encourage employees capable of working remotely to do so and limit the number of employees who can be in any of our offices at any given time.

## Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments thereto filed with, or furnished to, the SEC, are available, free of charge, through the Investor Relations section of our website at www.investorrelations.pitneybowes.com or from the SEC's website at www.sec.gov, as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the SEC. The other information found on our website is not part of this or any other report we file with or furnish to the SEC.

**Information About Our Executive Officers**

| Name | Age | Title | Executive Officer Since |
|---|---|---|---|
| Marc B. Lautenbach | 59 | President and Chief Executive Officer | 2012 |
| Johnna G. Torsone | 70 | Executive Vice President and Chief Human Resources Officer | 1993 |
| Daniel J. Goldstein | 59 | Executive Vice President and Chief Legal Officer and Corporate Secretary | 2010 |
| Christoph Stehmann | 58 | Executive Vice President, International Sending Technology Solutions | 2016 |
| Jason C. Dies | 51 | Executive Vice President and President, Sending Technology Solutions | 2017 |
| Gregg Zegras | 53 | Executive Vice President and President, Global Ecommerce | 2020 |
| Ana Maria Chadwick | 49 | Executive Vice President and Chief Financial Officer (1) | 2021 |

(1) Effective January 29, 2021, Ms. Chadwick assumed the responsibilities of Executive Vice President and Chief Financial Officer.

There are no family relationships among the above officers. The above officers have served in various executive positions with the company for at least the past five years except as follows:

Mr. Dies was appointed Executive Vice President and President, Sending Technology Solutions in October 2017. He joined the company in 2015 as President, Document Messaging Technologies (DMT). Prior to joining the company, Mr. Dies was employed at IBM where he held several leadership positions in North America, Europe, and Asia across diverse business units.

Mr. Zegras was appointed Executive Vice President and President, Global Ecommerce in July 2020. He joined the company in 2013 as President, Imagitas. Prior to joining the company, Mr. Zegras held several executive leadership positions, including at NBC Universal, Sharecare and Hearst Entertainment.

Ms. Chadwick joined the company as Executive Vice President and Chief Financial Officer on January 29, 2021. Prior to joining the company, Ms. Chadwick was employed at GE Capital as President and CEO of GE Capital Global Legacy Solutions. Ms. Chadwick spent over 20 years at GEC Capital, where she held several executive positions, including Controller of GE Capital Americas and CFO at GE Capital Energy Financial Services.

## ITEM 1A. RISK FACTORS

Our operations face certain risks that should be considered in evaluating our business. We manage and mitigate these risks on a proactive basis, using an enterprise risk management program. Nevertheless, the following risk factors, some of which may be beyond our control, could materially affect our business, financial condition, results of operations, brand and reputation, and may cause future results to be materially different than our current expectations. These risk factors are not intended to be all inclusive.

***COVID-19 Pandemic Risks***

*Our operations and financial performance are being affected and will continue to be affected by the global coronavirus outbreak. The duration and severity of the COVID-19 crisis is unknown and constantly changing, and a prolonged duration of this crisis or the emergence of another similar virus in the future could have a significantly material effect on our operations, financial condition and liquidity.*

The COVID-19 pandemic is impacting, and is expected to continue to impact, our business, operations and financial performance. Given the unpredictability of the severity, magnitude and duration of the COVID-19 pandemic, including various governments' responses to the pandemic, its effect on the global economy, and the efficacy and availability of a vaccine, the ultimate impact of the pandemic on our business, operations and financial performance remains uncertain. There are many factors, not within our control, which could affect the pandemic's ultimate outcome on our business and our ability to execute our business strategies and initiatives in the expected time frame. These include, but are not limited to: the response of the government, businesses and individuals to the pandemic; an acceleration of the decline in the use of physical mail; the impact of the pandemic on the global economy and economic activity; the changing spending habits of consumers and businesses; disruptions in global supply chains; and significant volatility and disruption of financial markets. In addition to having the effect of potentially heightening many of our other risk factors in this section, the COVID-19 pandemic may, or may continue to, adversely affect the following to the detriment of our business, including:

- Accelerate the decline of physical mail volume in the geographies in which we operate, which adversely affects both our Presort Services and SendTech Solutions segments. We cannot yet assess the extent to which these declines in mail volumes, and resulting impact to our business, are permanent or temporary.
- The adverse effect that declines in physical mail are having on the financial health of posts around the world, especially that of the USPS. If these financial difficulties are not resolved, or if any resolution requires them to operate differently, price in a manner that hurts their competitiveness or further reduces postal volume, or causes them to change their contractual relationships with their partners or vendors, these changes could have a material adverse effect on our business.
- Social distancing rules and heightened security policies have inhibited, and may continue to inhibit, our ability to sell products and provide services to our clients, fulfill orders and install equipment on a timely basis and market to prospective new clients.
- The increased costs and reduced labor productivity associated with extended safety protocols, including sanitizing facilities and equipment multiple times a day and incremental costs that may be required to hire temporary labor or redirect volumes to other facilities.
- Our Global Ecommerce segment could experience further capacity and cost issues due to further sudden and significant increases in volumes resulting from COVID-19, including costs and capacity issues relating to postage, transportation, labor, and warehouse space.
- Significant declines in the retail industry caused by the pandemic. Although our Global Ecommerce segment has seen an increase in volume of packages in the short-term, should there be a long-term change in consumer sentiment or purchasing habits it could have a material effect on our retail clients, including some of our largest clients, which could have an adverse impact on our financial performance.
- A decline in the frequency of long-distance airplane flights may continue to result in higher costs and at times, reduced demand for our Global Ecommerce cross-border offerings.
- We could experience further increases in delinquencies in collections and bankruptcies in our clients, which could affect our cash flow. Client requests for potential payment deferrals or other contract modifications could also reduce the profitability or ongoing cash flow from some of our current customers.
- Our suppliers and third-party service providers may not be able to satisfy their obligations to us. If they are unable to satisfy these obligations, it could affect our ability to satisfy service or sales obligations to our clients, or it may affect other aspects of our internal operations.
- A prolonged duration or resurgence of COVID-19 could adversely impact our earnings or cash flows, which could result in additional credit rating downgrades, higher costs of borrowing, or limit our access to additional debt.

The COVID-19 pandemic may also have the effect of heightening many other risks, including the risks listed below and may also affect our business, operations and financial performance in a manner that is not presently known to us.

***Mailing and Shipping Industry Risks***

*Further significant deterioration in the financial condition of the USPS, or the national posts in our other major markets could affect the ability of those posts to provide services to us or our clients, which could adversely affect client demand for our offerings and thus our financial performance.*

We are dependent on financially viable national posts in the geographic markets where we operate, particularly in the United States. A significant portion of our revenue depends upon the ability of these posts, especially the USPS to provide competitive mail and package delivery services to our clients and the quality of the services they provide. Their ability to provide high quality service at affordable rates in turn depends upon their ongoing financial strength. If the posts are unable to continue to provide these services into the future, our financial performance will be adversely affected.

*Our ability to compete in the package shipping market in the United States depends upon certain contractual relationships we have with the USPS and the successful performance of those services.*

The USPS is our primary provider for the “last mile” component of our parcel delivery services in the United States. This represents a significant component of our cost in offering these services. If we are unable to receive competitive pricing from the USPS or take advantage of lower cost USPS options, our ability to compete with private carriers and to achieve profitable revenue growth will be adversely affected. The quality of service we provide to our clients also depends upon the quality of delivery services received from the USPS. The dramatic increase in parcel volumes due to the COVID-19 pandemic, especially during the peak holiday season, as well as the broader effects of the pandemic on the USPS' operations, has adversely impacted the quality of delivery performance from the USPS and some of our costs with them increased. If its performance does not revert to prior levels, or becomes materially worse than that of the private carriers, we may lose clients to competition and our financial performance will be adversely affected.

*We are subject to postal regulations and processes, which could adversely affect our financial performance.*

A significant portion of our business is subject to regulation and oversight by the USPS and posts in other major markets. These postal authorities have the power to regulate some of our current products and services. They also must approve many of our new or future product and service offerings before we can bring them to market. If our new or future product and service offerings are not approved, there are significant conditions to approval, regulations on our existing products or services are changed or, we fall out of compliance with those regulations, our financial performance could be adversely affected.

*If we are not able to respond to the continuing decline in the volume of physical mail delivered via traditional postal services, our financial performance could be adversely affected.*

Traditional mail volumes continue to decline and impact our current and future financial results, primarily within our SendTech Solutions and Presort Services segments. This rate of decline has been exacerbated by the COVID-19 pandemic, but we cannot yet assess the extent to which this decline, and resulting impact to our business, is permanent or temporary. Any further accelerated or sudden decline in physical mail volumes could have an adverse effect on these segments. An accelerated or sudden decline could result from changes in communication behavior or available communication technologies, reductions to the Universal Service Obligation (USO) under which the USPS and other national posts are required to deliver to every address in a country with similar pricing and frequency, pandemics, and legislation or regulations that mandate electronic substitution for communication by mail, prohibit certain types of mailings, increase the difficulty of using information or materials in the mail, or impose higher taxes or fees on postal services. If we are not successful at meeting the continuing challenges faced in our mailing business, or if physical mail volumes were to experience an accelerated or sudden decline, our financial performance could be adversely affected.

***Business Operational Risks***

*The transformation of our businesses to more digital and package related services will result in a decline in our overall profit margins. If we cannot increase our volumes while at the same time reduce our costs, our overall profitability could be adversely affected.*

As we transform our business to more digital and package related delivery services, the relative revenue contribution from our package delivery offerings now exceeds that of the revenue from our mailing-related offerings. We expect the portion of our revenue derived from package delivery offerings to continue to grow. The profit margins in these package-related offerings are generally lower than those for our mailing-related offerings. If we are unable to obtain sufficient scale, or are unable to lower per package costs as we achieve scale, our overall profitability could be adversely affected.

*The loss of any of our largest clients in our Global Ecommerce segment could adversely affect the financial performance of that segment.*

The Global Ecommerce segment receives a large portion of its revenue from a relatively small number of clients and business partners. The loss of any of these larger clients or business partners, or a substantial reduction in their use of our products or services, could have a material adverse effect on the revenue and profitability of the segment. There can be no assurance that our larger clients and business partners will continue to utilize our products or services at current levels, or that we would be able to replace any of these clients or business partners with others who can generate revenue at current levels.

*A material change in consumer sentiment or spending habits that negatively impacts our retail clients could adversely affect the financial performance of our Global Ecommerce segment.*

Our Global Ecommerce segment derives the majority of its revenue from retail clients. The retail industry is subject to cyclical trends in consumer sentiment and spending habits that are affected by many factors, including prevailing economic conditions (including those caused by the impact of the ongoing COVID-19 pandemic), recession or fears of recession and unemployment levels. If consumer sentiment and spending habits deteriorate such that the demand for our retail clients' products are negatively impacted, it could potentially have an adverse impact on our financial performance.

*If we fail to effectively manage our third-party suppliers and outsource providers, our business, financial performance and reputation could be adversely affected.*

We depend on third-party suppliers and outsource providers for a variety of services and product components, the hosting of our SaaS offerings, the logistics portion of our ecommerce segment, the provision of temporary labor and some non-core functions and operations. Some of our suppliers may also be our competitors in other contexts. In certain instances, we rely on single-sourced or limited-sourced suppliers and outsourcing vendors around the world because doing so is advantageous due to quality, price or lack of alternative sources. To a certain extent in 2020, the performance of our outsourced service providers, due largely to circumstances associated with the COVID-19 pandemic, negatively impacted our ability to timely execute transactions with our clients, consumers and other constituents. If production or services were interrupted for any reason, the quality of those offerings were to degrade as a result of poor supplier performance, these suppliers chose to terminate their relationship with us, or if the costs of using these third parties were to increase and we were not able to find alternate suppliers, we could experience loss of clients, significant disruptions in manufacturing and operations (including product shortages, higher freight costs and re-engineering costs) as well as increased costs in the logistics portion of our Global Ecommerce segment.

*Fluctuations in transportation costs or disruptions to transportation services in our Global Ecommerce or Presort Services segments could adversely affect client satisfaction or our financial performance.*

In addition to our reliance on the USPS, our Global Ecommerce and Presort Services segments rely upon independent third-party transportation service providers to transport a significant portion of our parcel and mail volumes. The use of these providers is subject to risks, including our ability to negotiate acceptable terms, increased competition during peak periods, capacity issues, performance problems, extreme weather, natural or man-made disasters, pandemics, increased fuel costs, labor shortages or disputes or other unforeseen difficulties. Any disruption to the timely supply of these services for any reason or any dramatic increase in the cost of these services could adversely affect client satisfaction or our financial performance. The dramatic increase in demand for shipping services, especially in the fourth quarter of the year, caused us to incur higher costs and declines in performance and client satisfaction. Although we proactively manage our volumes, especially during the peak holiday season, given our reliance upon these providers, any future unforeseen disruptions affecting these providers could similarly adversely affect client satisfaction and our financial performance.

*Our business depends on the availability of, and our ability to attract and retain, employees at a reasonable cost to meet the needs of our business and to consistently deliver highly differentiated, competitive offerings.*

The rapid growth of the ecommerce industry has resulted in intense competition for employees in the shipping, transportation and logistics industry, including drivers and warehouse employees. The COVID-19 pandemic has accelerated this industry growth resulting in our Global Ecommerce segment experiencing a higher demand, and increased competition, for labor, especially in our warehouses. This demand and increased competition for workers has also impacted our Presort Services segment, which has experienced staffing shortages. Although we supplement our workforce with contingent hourly workers from staffing agencies on an as-needed basis, due to the accelerated demand and competition, concern over exposure to COVID-19 and other factors, we could continue to experience a decrease in the pool of available qualified talent. There is also significant competition for the talent needed to develop our other products. Increased competition for employees may result in increased wages and costs of other benefits necessary to attract and retain high quality employees with the right skill sets. Additional labor costs which may also impact our business include those triggered by regulatory actions; increased health care and workers' compensation insurance expenses; and, those costs associated with the COVID-19 pandemic, which in our Global Ecommerce and Presort Services segments, continues to include costs resulting from reduced productively (staggering shifts and breaks to enhance social distancing), costs for extended safety protocols in our warehouses (sanitizing equipment multiple times a day and providing personal protection equipment) and incremental costs required to hire temporary labor.

*Our inability to obtain and protect our intellectual property and defend against claims of infringement by others may negatively impact our financial performance.*

Our businesses are not materially dependent on any one patent or license or group of related patents and licenses; however, our business success depends in part upon protecting our intellectual property rights, including proprietary technology developed or obtained through acquisitions. We rely on copyrights, patents, trademarks and trade secrets and other intellectual property laws to establish and protect our proprietary rights. If we are unable to protect our intellectual property rights, our competitive position may suffer, which could adversely affect our revenue and profitability. The continued evolution of patent law and the nature of our innovation work may affect the number of patents we are able to receive for our development efforts. As we continue to transition our business to more software and service-based offerings, patent protection of these innovations will be more difficult to obtain. In addition, from time to time, third-parties may claim that we, our clients, or our suppliers, have infringed their intellectual property rights. These claims, if successful, may require us to redesign affected products, enter into costly settlement or license agreements, pay damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain products.

*If we fail to comply with government contracting regulations, our financial performance, brand name and reputation could suffer.*

We have a significant number of contracts with governmental entities. Government contracts are subject to extensive and complex procurement laws and regulations, along with regular audits and investigations by government agencies. If one or more government agencies discovers contractual noncompliance by us or one of our subcontractors in the course of an audit or investigation, we may be subject to various civil or criminal penalties and administrative sanctions, which could include the termination of the contract, reimbursement of payments received, fines and debarment from doing business with one or more governments. Any of these events could not only affect our financial performance, but also adversely affect our brand and reputation.

*We may not fully realize the anticipated benefits of strategic acquisitions and divestitures which may harm our financial performance.*

As we transition our business to sustainable long-term growth, we may make strategic acquisitions or divest certain businesses. These actions may involve significant risks and uncertainties, which could have an adverse effect on our financial performance, including:

- difficulties in achieving anticipated benefits or synergies;
- difficulties in integrating newly acquired businesses and operations, including combining product and service offerings and entering new markets, or reducing fixed costs previously associated with divested businesses;
- the loss of key employees or clients of businesses acquired or divested;
- significant charges for employee severance and other restructuring costs, legal, accounting and financial advisory fees; and
- possible goodwill and asset impairment charges as divestitures and changes in our business model may adversely affect the recoverability of certain long- lived assets and valuation of our operating segments.

*Our capital investments to develop new products and offerings or expand our current operations may not yield the anticipated benefits.*

We are making significant capital investments in new products, services, and facilities. If we are not successful in these new product or service introductions at the levels anticipated when making the investments, there may be an adverse effect on our financial performance.

***Cybersecurity and Technology Risks***

*Our financial performance and our reputation could be adversely affected, and we could be subject to legal liability or regulatory enforcement actions, if we or our suppliers are unable to protect against, or effectively respond to, cyberattacks or other cyber incidents.*

We depend on the security of our and our suppliers' information technology systems to support numerous business processes and activities, to service our clients and to enable consumer transactions and postal services. There are numerous cybersecurity risks to these systems, including individual and group criminal hackers, industrial espionage, denial of service attacks, malware attacks, computer viruses, vandalism and employee errors and/or malfeasance. These cyber threats are constantly evolving, thereby increasing the difficulty of preventing, detecting and successfully defending against them. Successful breaches could, among other things, disrupt our operations, result in the unauthorized disclosure, theft and misuse of company, client, consumer and employee sensitive and confidential information, all of which could adversely affect our financial performance. Cybersecurity breaches could result in financial liability to other parties, governmental investigations, regulatory enforcement actions, and penalties, and our brand and reputation could be damaged. Although we maintain insurance coverage relating to cybersecurity incidents, we may incur costs or financial losses that are either not insured against or not fully covered through our insurance.

We have security systems, procedures and business continuity plans in place-and require our suppliers to have them as well-that are designed to ensure the continuous and uninterrupted performance of our information technology systems, to protect against unauthorized access to information or disruption to our services, and to minimize the time to detect, respond or minimize the impact of a breach should one occur. None of those systems, however, are fool proof but, our goal is to prevent meaningful incursions and minimize the time to detect and respond, as well as the overall impact of those that occur, and like all companies, intrusions will occur, and have occurred, from time to time.

Despite the protections we have in place, we have suffered two significant cyber-events, one in October 2019 and another in May 2020. In 2019, we were affected by a ransomware attack, known as RYUK, that temporarily disrupted customer access to some of our services. Our financial information was not affected and there is no evidence that any sensitive or confidential data was improperly accessed or extracted from our network. Although this attack adversely impacted 2019 revenue by $18 million and earnings per share from continuing operations by $0.08, primarily as a result of the business interruption, incremental costs related to the attack and costs to enhance our cybersecurity protection, we were able to recover $17 million from our insurers in 2020. In addition, in May 2020, we were affected by a Maze ransomware attack. The Maze attackers were able to exfiltrate a small amount of our confidential data, which did not include any client confidential information, but we were able to successfully thwart the attack before any of our ongoing operations could be disrupted. The attempted attack did not have any impact on our financial results, and we satisfied all regulatory obligations arising out of the attack. In response to these attacks, we implemented a variety of measures to further enhance our cybersecurity protections and minimize the impact of any future attack. Cyber threats are constantly evolving and will require us to continually assess and improve our protections; however, there can be no guarantee that a future cyber event will not occur.

*Failure to comply with data privacy and protection laws and regulations could subject us to legal liability and adversely affect our reputation and our financial performance.*

Our businesses use, process and store proprietary information and personal, sensitive or confidential data relating to our business, clients, and employees. Privacy laws and similar regulations in many jurisdictions where we do business require that we take significant steps to safeguard that information, and these laws and regulations continue to evolve. The scope of the laws that may be applicable to us is often uncertain and may be conflicting. In addition, new laws may add a broad array of requirements on how we handle or use information and increase our compliance obligations. For example, the European Union greatly increased the jurisdictional reach of European Law by enacting the General Data Protection Regulation (GDPR), which, among other things, enhanced an individual’s rights with respect to their information and ongoing litigation in the European Union continues to create uncertainty in how to demonstrate compliance. In the United States, several states have enacted different laws regarding personal information, including recent changes to privacy laws in California, that impose significant new requirements. Other countries or states may enact laws or regulations in the future that have similar or additional requirements. Although we continually monitor and assess the impact of these laws and regulations, their interpretation and enforcement are uncertain, subject to change and may require substantial costs to monitor and implement. Failure to comply with data privacy and protection laws and regulations could also result in government enforcement actions (which could include substantial civil and/or criminal penalties), private litigation, and adversely affect our reputation and the results of our operations.

*If we or our suppliers encounter unforeseen interruptions or difficulties in the operation of our cloud-based applications, our business could be disrupted, our reputation and relationships may be harmed and our financial performance could be adversely affected.*

Our business relies upon the continuous and uninterrupted performance of our and our suppliers' cloud-based applications and systems to support numerous business processes, to service our clients and to support their transactions with their customers and postal services. Our applications and systems, and those of our partners, may be subject to interruptions due to technological errors, system capacity constraints, software errors or defects, human errors, computer or communications failures, power loss, adverse acts of nature and other unexpected events. We have business continuity and disaster recovery plans in place to protect our business operations in case of such events and we also require our suppliers to have the same. Nonetheless, there can be no guarantee that these plans will function as designed. If we are unable to limit interruptions or successfully correct them in a timely manner or at all, it could result in lost revenue, loss of critical data, significant expenditures of capital, a delay or loss in market acceptance of our services and damage to our reputation, brand and relationships, any of which could have an adverse effect on our business and our financial performance.

***Macroeconomic and General Regulatory Risks***

*Future credit rating downgrades or capital market disruptions could adversely affect our ability to maintain adequate liquidity to provide competitive financing services to our clients and to fund various discretionary priorities.*

We provide competitive finance offerings to our clients and fund discretionary priorities, such as business investments, strategic acquisitions, dividend payments and share repurchases through a combination of cash generated from operations, deposits held at the Bank and access to capital markets. Our ability to access U.S. capital markets and the associated cost of borrowing is dependent upon our credit ratings and is subject to capital market volatility. Given our current credit rating, we may experience reduced financial or strategic flexibility and higher costs when we do access the U.S. capital markets. We maintain a $500 million revolving credit facility that requires we maintain certain financial and nonfinancial covenants.

A significant decline in cash flows, noncompliance with any of the covenants under the revolving credit facility, further credit rating downgrades, material capital market disruptions, significant withdrawals by depositors at the Bank, adverse changes to our industrial loan charter or an increase in our credit default swap spread could impact our ability to maintain adequate liquidity to provide competitive finance offerings to our clients, refinance maturing debt and fund other financing activities, which in turn, could adversely affect our financial performance.

*Our Global Ecommerce segment is exposed to increased foreign exchange rate fluctuations.*

The sales generated from many of our clients’ internationally focused websites running on our cross-border platform are exposed to foreign exchange rate fluctuations. Currently, our platforms are located in the U.S. and the U.K. and a majority of consumers making purchases through these platforms are in a limited number of foreign countries. A strengthening of the U.S. Dollar or British Pound relative to currencies in the countries where we do the most business impacts our ability to compete internationally as the cost of similar international products improves relative to the cost of U.S. and U.K. retailers' products. A strong U.S. Dollar or British Pound would likely result in a decrease in international sales volumes, which would adversely affect the segment's revenue and profitability.

*Our operations and financial performance may be negatively affected by changes in trade policies, tariffs and regulations.*

Our Global Ecommerce segment is subject to significant trade regulations, taxes, and duties throughout the world. Any changes to these regulations could potentially impose increased documentation and delivery requirements, increase costs, delay delivery times, subject us to additional liabilities, and could adversely affect our financial performance. Over the past three years, the United States increased tariffs for certain goods while also raising the possibility of additional tariffs. These actions triggered other nations to also increase tariffs on certain of their goods. For our Global Ecommerce segment, tariff increases, or even the political environment surrounding trade issues, could reduce demand and adversely affect our financial performance. For our SendTech Solutions segment, the increased tariffs resulted in additional costs on certain components used in some of our products. Although we have been taking actions to mitigate these costs by changing where we source certain parts, these added costs and the potential for further tariffs could affect demand for our products or the amount of profitability in some of our products and adversely affect our financial performance.

*Our operational costs could increase from changes in environmental regulations, or we could be subject to significant liabilities.*

We are subject to various federal, state, local and foreign environmental protection laws and regulations around the world, including without limitation, those related to the manufacture, distribution, use, packaging, labeling, recycling or disposal of our products or the products of our clients for whom we perform services. Environmental rules concerning products and packaging can have a significant impact on the cost of operations or affect our ability to do business in certain countries. We are also subject to laws concerning use, discharge or disposal of materials. These laws are complex, change frequently and have tended to become more stringent over time. Additionally, the change in the Presidential administration may increase the uncertainty with regard to potential changes in these laws and regulations and the enforcement of any new legislation or directives by government authorities. If we are found to have violated these laws, we could be fined, criminally charged, otherwise sanctioned by regulators, or we could be subject to liability and clean-up costs. These risks can apply to both current and legacy operations and sites. From time to time, we may be involved in litigation over these issues. The amount and timing of costs under environmental laws are difficult to predict and there can be no assurance that these costs will not have an adverse effect on our financial performance.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

We lease numerous facilities worldwide, including our corporate headquarters located in Stamford, Connecticut, sales offices, service locations, data centers and call centers.

Our Global Ecommerce segment leases four fulfillment centers that comprise the majority of our fulfillment operations. Our Global Ecommerce and Presort Services segments conduct parcel operations and mail sortation operations through a network of over 50 operating centers throughout the United States. Our SendTech Solutions segment leases a manufacturing and distribution facility in Indianapolis. This facility is significant as it stores a majority of the SendTech Solutions products, supplies and inventories.

Should any facility be unable to function as intended for an extended period of time, our ability to service our clients and operating results could be impacted.

We conduct most of our research and development activities in facilities located in Noida and Pune, India and Shelton, Connecticut. Management believes that our facilities are in good operating condition, materially utilized and adequate for our current business needs.

## ITEM 3. LEGAL PROCEEDINGS

See Note 16 Commitments and Contingencies for additional information.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is principally traded on the New York Stock Exchange (NYSE) under the symbol "PBI". At January 31, 2021, we had 13,436 common stockholders of record.

### Share Repurchases

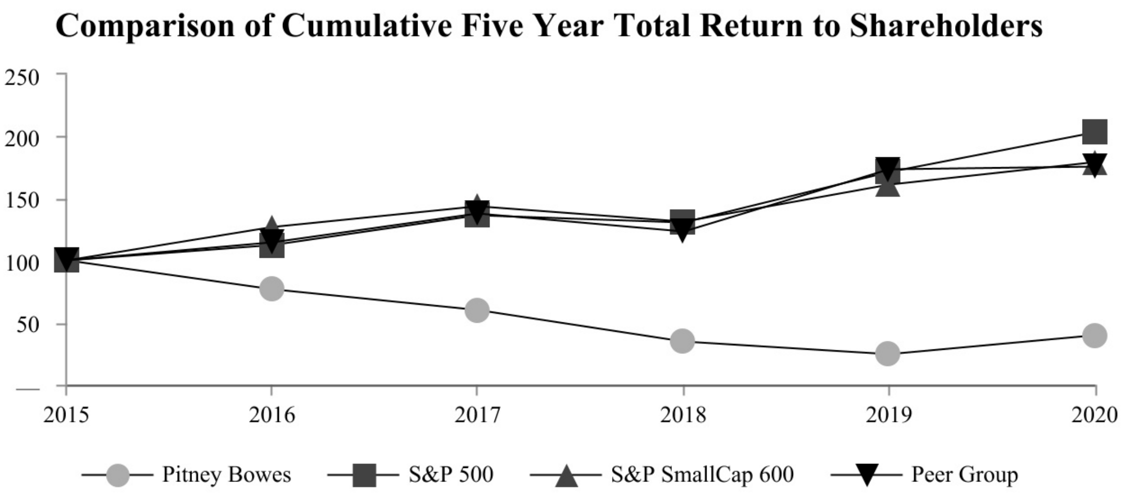
We periodically repurchase shares of our common stock to manage the dilution created by shares issued under employee stock plans and for other purposes. During 2020, we did not repurchase any additional shares of our common stock and in 2019, we repurchased 18.6 million shares of our common stock at an aggregate price of $105 million. At December 31, 2020, we have authorization to repurchase up to of $16 million of our common stock.

### Stock Performance Graph

Our peer group is comprised of: ACCO Brands Corporation, Alliance Data Systems Corporation, Deluxe Corporation, Diebold Nixdorf, Incorporated, Echo Global Logistics, Inc., Fidelity National Information Services, Inc., Fiserv, Inc., Hub Group, Inc., NCR Corporation, R.R. Donnelley & Sons Company, Rockwell Automation, Inc., Stamps.com Inc., The Western Union Company and Xerox Holdings Corporation.

The accompanying graph shows the annual change in the value of a $100 investment in Pitney Bowes Inc., the Standard and Poor's (S&P) 500 Composite Index, the S&P SmallCap 600 Composite Index and our peer group over a five-year period assuming the reinvestment of dividends. On a total return basis, a $100 investment on December 31, 2015 in Pitney Bowes Inc., the S&P 500 Composite Index, the S&P SmallCap 600 Composite Index and our peer group would have been worth $39, $203, $179 and $175, respectively, on December 31, 2020.

All information is based upon data independently provided to us by Standard & Poor's Corporation and is derived from their official total return calculation. Total return for the S&P 500 and S&P SmallCap 600 Composite Indexes and our peer group is based on market capitalization, weighted for each year. The stock price performance is not necessarily indicative of future stock price performance.



## ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the more detailed consolidated financial statements and related notes included in this Annual Report. Effective January 1, 2020, we adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses* using the modified retrospective transition approach with a cumulative effect adjustment at the date of initial application. Accordingly, periods prior to January 1, 2020, have not been restated for this standard and are presented under the prior guidance. Effective January 1, 2019, we adopted Accounting Standards Codification (ASC) 842, *Leases* (ASC 842) using the modified retrospective transition approach of applying the standard at the beginning of the earliest comparative period presented in the financial statements and recorded a cumulative effect adjustment at the date of initial application. Accordingly, periods prior to January 1, 2017, have not been restated for this standard and are presented under the prior guidance. Effective January 1, 2018, we adopted ASU 2014-09, *Revenue from Contracts with Customers* on a modified retrospective basis with a cumulative effect adjustment at the date of initial application. Accordingly, periods prior to January 1, 2018, have not been restated for this standard and are presented under the prior guidance. Discontinued operations includes our Software Solutions and Production Mail businesses.

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| Total revenue | **$ 3,554,075** | $ 3,205,125 | $ 3,211,522 | $ 2,784,007 | $ 2,656,172 |
| | | | | | |
| Amounts attributable to common stockholders: | | | | | |
| (Loss) income from continuing operations | **$ (191,659)** | $ 40,149 | $ 181,705 | $ 180,039 | $ 210,861 |
| Income (loss) from discontinued operations | **10,115** | 154,460 | 60,106 | 63,489 | (118,056) |
| Net (loss) income | **$ (181,544)** | $ 194,609 | $ 241,811 | $ 243,528 | $ 92,805 |
| | | | | | |
| Basic (loss) earnings per share attributable to common stockholders [(1)]: | | | | | |
| Continuing operations | **$ (1.12)** | $ 0.23 | $ 0.97 | $ 0.97 | $ 1.12 |
| Discontinued operations | **0.06** | 0.88 | 0.32 | 0.34 | (0.63) |
| Net (loss) income | **$ (1.06)** | $ 1.10 | $ 1.29 | $ 1.31 | $ 0.49 |
| | | | | | |
| Diluted (loss) earnings per share attributable to common stockholders [(1)]: | | | | | |
| Continuing operations | **$ (1.12)** | $ 0.23 | $ 0.96 | $ 0.96 | $ 1.12 |
| Discontinued operations | **0.06** | 0.87 | 0.32 | 0.34 | (0.62) |
| Net (loss) income | **$ (1.06)** | $ 1.10 | $ 1.28 | $ 1.30 | $ 0.49 |
| | | | | | |
| Cash dividends paid per share of common stock | **$ 0.20** | $ 0.20 | $ 0.75 | $ 0.75 | $ 0.75 |
| | | | | | |
| *Balance sheet data:* | | | | | |
| | December 31, | | | | |
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| Total assets | **$ 5,220,137** | $ 5,466,900 | $ 5,938,419 | $ 6,634,606 | $ 5,837,133 |
| Long-term debt | **$ 2,348,361** | $ 2,719,614 | $ 3,066,073 | $ 3,559,278 | $ 2,750,405 |
| Total debt | **$ 2,564,393** | $ 2,739,722 | $ 3,265,608 | $ 3,830,335 | $ 3,364,890 |

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

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and operating results should be read in conjunction with our risk factors, consolidated financial statements and related notes. This discussion includes forward-looking statements based on management's current expectations, estimates and projections and involves risks and uncertainties. Actual results may differ significantly from those currently expressed. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is outlined under "Forward-Looking Statements" and "Item 1A. Risk Factors" in this Form 10-K. All table amounts are presented in thousands of dollars.

Throughout this discussion, we may refer to revenue growth on a constant currency basis. Constant currency measures exclude the impact of changes in currency exchange rates from the prior period under comparison. We believe that excluding the impacts of currency exchange rates provides investors a better understanding of the underlying revenue performance. Constant currency change is calculated by converting the current period non-U.S. dollar denominated revenue using the prior year's exchange rate. Where constant currency measures are not provided, the actual change and constant currency change are the same.

Management measures segment profitability and performance using segment earnings before interest and taxes (EBIT). Segment EBIT is calculated by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, asset impairment charges, goodwill impairment charges and other items not allocated to a business segment. Management believes that it provides investors a useful measure of operating performance and underlying trends of the business. Segment EBIT may not be indicative of our overall consolidated performance and therefore, should be read in conjunction with our consolidated results of operations.

Overview

*Financial Results Summary - Twelve Months Ended December 31:*

| | Revenue | | | |
|---|---|---|---|---|
| | Years Ended December 31, | | | |
| | **2020** | 2019 | Actual % change | Constant Currency % Change |
| Business services | **$ 2,191,306** | $ 1,710,801 | 28 % | 28 % |
| Support services | **473,292** | 506,187 | (6)% | (7)% |
| Financing | **341,034** | 368,090 | (7)% | (7)% |
| Equipment sales | **314,882** | 352,104 | (11)% | (11)% |
| Supplies | **159,282** | 187,287 | (15)% | (15)% |
| Rentals | **74,279** | 80,656 | (8)% | (8)% |
| **Total revenue** | **$ 3,554,075** | $ 3,205,125 | 11 % | 11 % |

| | Revenue | | | |
|---|---|---|---|---|
| | Years Ended December 31, | | | |
| | **2020** | 2019 | Actual % change | Constant currency % change |
| Global Ecommerce | **$ 1,618,897** | $ 1,151,510 | 41 % | 41 % |
| Presort Services | **521,212** | 529,588 | (2)% | (2)% |
| **Commerce Services** | **2,140,109** | 1,681,098 | 27 % | 27 % |
| SendTech Solutions | **1,413,966** | 1,524,027 | (7)% | (7)% |
| **Total** | **$ 3,554,075** | $ 3,205,125 | 11 % | 11 % |

| | EBIT | | |
|---|---|---|---|
| | Years Ended December 31, | | |
| | **2020** | 2019 | % change |
| Global Ecommerce | **$ (82,894)** | $ (70,146) | (18)% |
| Presort Services | **55,799** | 70,693 | (21)% |
| **Commerce Services** | **(27,095)** | 547 | >(100%) |
| SendTech Solutions | **441,085** | 490,322 | (10)% |
| **Total Segment EBIT** | **$ 413,990** | $ 490,869 | (16)% |

Revenue increased 11% in 2020 compared to 2019, driven by a 28% increase in business services revenue, primarily due to significantly higher volumes in our Global Ecommerce segment. This growth more than offset declines in all other revenue line items driven in part from the continuing impacts of COVID-19. Within our business segments, Global Ecommerce revenue grew 41% due to increased domestic parcel delivery and cross-border volumes, Presort Services revenue declined 2% due to lower First Class Mail and Marketing Mail volumes and SendTech Solutions revenue declined 7%, primarily due to lower equipment sales and supplies revenue. Global Ecommerce EBIT decreased 18% and Presort Services EBIT decreased 21% from the prior year primarily driven by higher labor and transportation costs caused by increased demand and competition for these resources and increased costs and reduced productivity due to COVID-19. SendTech Solutions EBIT declined 10% primarily due to lower revenue and higher credit loss provisions. Prior year segment EBIT was adversely impacted by $19 million related to a ransomware attack and current year segment EBIT includes $13 million of insurance proceeds related to this attack. Refer to Results of Operations section for further information.

*Impacts of COVID-19*

The global spread of COVID-19 and the efforts to contain it are adversely affecting global economies, impacting demand for a broad variety of goods and services and creating disruptions and shortages in supply chains. We implemented measures in our facilities to protect the health and safety of our employees and contractors, including staggering shifts and breaks to enhance social distancing, providing personal protection equipment, conducting temperature checks and sanitizing equipment and facilities multiple times a day. Employees that have the ability to work remotely are doing so and corporate and local management continue to assess conditions to determine when, and how, these employees should return to their office locations.

COVID-19 has impacted our financial results in different ways in each of our businesses. Global Ecommerce has seen a significant increase in volumes due to the demand for ecommerce solutions in the current environment. However, this increase in volumes has resulted in higher postal costs driven by capacity constraints and higher labor and transportation costs as many companies are competing for these resources. At the start of the pandemic, Presort Services experienced a significant decline in both First Class and Marketing Mail. However, while volumes for the full year 2020 were down from the prior year, we did see quarter over quarter improvement throughout the year. Presort Services was also impacted by higher labor costs. As a result of the health and safety measures implemented in all our Commerce Services facilities, we also incurred additional costs and reduced productivity.

In SendTech Solutions, the global shut-down of businesses and increase in the number of clients working remotely at the onset of COVID-19 had a significantly adverse impact on demand for and usage of our mailing equipment and supplies, and our ability to perform on-site service and installations. We saw improving trends in equipment sales and supplies revenues quarter over quarter throughout 2020. As businesses continue to operate remotely, we are also seeing improvement in our cloud-enabled shipping and mailing solutions.

**Outlook**

We continue to position ourselves for long-term success as a global technology company focused on shipping, mailing and related financial services. We are investing in market opportunities and new solutions and services across all our businesses, optimizing our operations and implementing cost savings initiatives to drive long-term value. Our portfolio is shifting to higher growth markets and we expect margins to improve as we build scale and realize the full benefits of our investments and optimizations.

Within Global Ecommerce, we expect the accelerated market growth of ecommerce brought on by COVID-19 to continue and anticipate revenue growth in 2021. We expect margin and profit improvements in 2021 from pricing initiatives and operational improvements within our facilities and network designed to drive efficiencies and increased productivity. Within Presort Services, we expect the improving volume trends in the second half of 2020 to continue throughout 2021 through organic volume growth and acquisitions. Margins are expected to improve in 2021 from productivity initiatives, increased automation and facilities consolidation and optimization. Within SendTech Solutions, we expect recurring revenue streams to continue to decline, but growth in our cloud-enabled shipping solutions and sales of our multi-purpose devices to partially offset these declines. On a consolidated basis, we expect modest revenue growth in 2021 compared to 2020.

The COVID-19 pandemic is expected to continue to impact our business, operations and financial performance. Given the unpredictability of the severity, magnitude and duration of the COVID-19 pandemic, including various governments' responses to the pandemic, its effect on the global economy, and the efficacy and availability of a vaccine, the ultimate impact of the pandemic on our business, operations and financial performance remains uncertain. Accordingly, there are many factors not within our control that could affect the pandemic's ultimate impact on our business and current outlook for 2021. However, we believe we are well positioned to manage through the current conditions and will continue to take proactive steps to manage our cash flows and liquidity.

## RESULTS OF OPERATIONS

### REVENUE AND SEGMENT EBIT

***Global Ecommerce***

Global Ecommerce includes the revenue and related expenses from domestic parcel services, cross-border solutions and digital delivery services.

| | Revenue | | | | Cost of Revenue | | Gross Margin | |
|---|---|---|---|---|---|---|---|---|
| | Years Ended December 31, | | | | Years Ended December 31, | | Years Ended December 31, | |
| | **2020** | 2019 | Actual % change | Constant Currency % change | **2020** | 2019 | **2020** | 2019 |
| Business services | **$ 1,618,897** | $ 1,151,510 | 41 % | 41 % | **$ 1,480,612** | $ 988,747 | 8.5 % | 14.1 % |

| | Segment EBIT | | |
|---|---|---|---|
| | Years Ended December 31, | | |
| | **2020** | 2019 | Actual % change |
| Segment EBIT | **$ (82,894)** | $ (70,146) | (18)% |

Global Ecommerce revenue increased 41% in 2020 due to significantly higher volumes primarily attributable to a market shift to ecommerce solutions brought on by COVID-19. Domestic parcel delivery volumes contributed revenue growth of 36% and increased cross-border volumes contributed revenue growth of 5%.

Gross margin decreased to 8.5% from 14.1% in the prior year due primarily to increased postal, transportation and labor costs resulting from capacity restraints and increased competition for transportation and labor resources due to the accelerated and sudden market growth in ecommerce solutions, investments to support this growth and incremental COVID-19 related costs.

Segment EBIT in 2020 was a loss of $83 million compared to a loss of $70 million in 2019 primarily due to the decline in gross margin, which reduced EBIT by $30 million, partially offset by lower operating expenses of $5 million. Prior year segment EBIT was adversely impacted by $6 million as a result of a ransomware attack and current year segment EBIT benefited from $6 million in net insurance proceeds received related to this attack.

### *Presort Services*

Presort Services includes revenue and related expenses from sortation services to qualify large volumes of First Class Mail, Marketing Mail, Marketing Mail Flats and Bound Printed Matter for postal worksharing discounts.

| | Revenue | | | | Cost of Revenue | | Gross Margin | |
|---|---|---|---|---|---|---|---|---|
| | Years Ended December 31, | | | | Years Ended December 31, | | Years Ended December 31, | |
| | **2020** | 2019 | Actual % change | Constant Currency % change | **2020** | 2019 | **2020** | 2019 |
| Business services | **$ 521,212** | $ 529,588 | (2)% | (2)% | **$ 402,599** | $ 392,716 | 22.8 % | 25.8 % |

| | Segment EBIT | | |
|---|---|---|---|
| | Years Ended December 31, | | |
| | **2020** | 2019 | Actual % change |
| Segment EBIT | **$ 55,799** | $ 70,693 | (21)% |

Presort Services revenue decreased 2% in 2020 compared to 2019 due to lower volumes of First Class Mail and Marketing Mail, driven primarily by COVID-19. Incremental volumes from acquisitions during the year contributed revenue growth of 3%.

Gross margin declined to 22.8% from 25.8% due to higher labor costs and incremental costs associated with COVID-19. Segment EBIT declined 21% in 2020. Prior year segment EBIT was adversely impacted by $4 million as a result of a ransomware attack and current year segment EBIT benefited from $4 million of insurance proceeds received related to this attack.

### *SendTech Solutions*

SendTech Solutions includes the revenue and related expenses from physical and digital mailing and shipping technology solutions, financing, services, supplies and other applications to help simplify and save on the sending, tracking and receiving of letters, parcels and flats.

| | Revenue | | | | Cost of Revenue | | Gross Margin | |
|---|---|---|---|---|---|---|---|---|
| | Years Ended December 31, | | | | Years Ended December 31, | | Years Ended December 31, | |
| | **2020** | 2019 | Actual % change | Constant Currency % change | **2020** | 2019 | **2020** | 2019 |
| Business services | **$ 51,197** | $ 29,703 | 72 % | 75 % | **$ 20,694** | $ 7,289 | 59.6 % | 75.5 % |
| Support services | **473,292** | 506,187 | (6)% | (7)% | **148,293** | 161,648 | 68.7 % | 68.1 % |
| Financing | **341,034** | 368,090 | (7)% | (7)% | **48,162** | 44,648 | 85.9 % | 87.9 % |
| Equipment sales | **314,882** | 352,104 | (11)% | (11)% | **236,550** | 243,393 | 24.9 % | 30.9 % |
| Supplies | **159,282** | 187,287 | (15)% | (15)% | **41,679** | 49,882 | 73.8 % | 73.4 % |
| Rentals | **74,279** | 80,656 | (8)% | (8)% | **25,600** | 31,530 | 65.5 % | 60.9 % |
| Total revenue | **$ 1,413,966** | $ 1,524,027 | (7)% | (7)% | **$ 520,978** | $ 538,390 | 63.2 % | 64.7 % |

| | Segment EBIT | | |
|---|---|---|---|
| | Years Ended December 31, | | |
| | **2020** | 2019 | Actual % change |
| Segment EBIT | **$ 441,085** | $ 490,322 | (10)% |

SendTech Solutions revenue decreased 7% in 2020 compared to 2019. Supplies and equipment sales decreased 15% and 11%, respectively, as the effects of COVID-19 hindered our ability to perform on-site sales calls and installations and reduced usage and demand for supplies. Rentals and support services revenue decreased 8% and 7% at constant currency, respectively, primarily driven by a declining meter population and reduced service calls from COVID-19. Financing revenue decreased 7%, primarily driven by a declining lease portfolio and was partially offset by $10 million of gains from the sale of investment securities. Business services revenue increased $21 million, or 75% at constant currency, primarily due to an increased use of our shipping products.

Gross margin in 2020 was 63.2% compared to 64.7% in 2019. The slight decrease in gross margin was primarily due to the decline in revenue as well as the mix of equipment sales due in part to delays in scheduling and performing on-site installations of our higher end products.

We allocate a portion of our total cost of borrowing to financing interest expense. In computing financing interest expense, we assume an 8:1 debt to equity leverage ratio and apply our overall effective interest rate to the average outstanding finance receivables.

Segment EBIT decreased 10% in 2020 compared to 2019, primarily due to the decline in revenue and higher credit loss provision of $10 million due to the current economic recessionary conditions and outlook caused by COVID-19, partially offset by lower expenses of $47 million from cost savings initiatives, including lower professional fees of $14 million, lower marketing expenses of $11 million, lower research and development costs of $9 million and lower travel expenses of $4 million. Prior year segment EBIT was adversely impacted by $8 million as a result of a ransomware attack and current year segment EBIT benefited from $3 million of insurance proceeds received related to this attack.

**UNALLOCATED CORPORATE EXPENSES**

The majority of our SG&A expense is recorded directly or allocated to our reportable segments. Those expenses not recorded directly or allocated to our reportable segments are reported as unallocated corporate expenses. Unallocated corporate expenses primarily represents corporate administrative functions such as finance, marketing, human resources, legal, information technology and innovation.

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | Actual % change |
| Unallocated corporate expenses | **$ 200,406** | $ 211,529 | (5)% |

The decline in unallocated corporate expenses of $11 million in 2020 compared to 2019 was primarily driven by lower employee-related expenses of $15 million, lower professional fees of $6 million and insurance proceeds of $4 million received in connection with a ransomware attack partially offset by an increase in marketing expenses of $8 million.

**CONSOLIDATED EXPENSES**

***Selling, general and administrative (SG&A)***

SG&A expense of $963 million in 2020 decreased 4%, or $41 million, compared to 2019, primarily due to lower professional and consulting fees of $19 million, lower employee-related expenses of $12 million and lower travel related expenses of $11 million partially offset by higher credit loss provision of $14 million.

***Research and development (R&D)***

R&D expense decreased 25%, or $13 million in 2020 compared to 2019, primarily due to lower project spending and cost savings initiatives.

***Restructuring charges and asset impairments***

Restructuring charges and asset impairments for the year ended December 31, 2020 was $21 million. See Note 12 to the Consolidated Financial Statements for further information.

***Goodwill impairment***

We recorded a non-cash, pre-tax goodwill impairment charge of $198 million associated with our Global Ecommerce reporting unit in the first quarter of 2020. See Note 9 to the Consolidated Financial Statements for further information.

***Other components of net pension and postretirement (income) cost***

Other components of net pension and postretirement income for the year ended December 31, 2020 was $2 million. The amount of other components of net pension and postretirement (income) cost recognized each year will vary based on actuarial assumptions and actual results of our pension plans. See Note 14 to the Consolidated Financial Statements for further information.

***Other expense, net***

Other expense for the year ended December 31, 2020 includes a $37 million loss on the early extinguishment of debt, partially offset by $17 million of insurance proceeds and a $12 million gain on the sale of an equity investment.

## INCOME TAXES AND DISCONTINUED OPERATIONS

***Income taxes***

The effective tax rate for 2020 includes a $12 million charge for the surrender of company owned life insurance policies, a $5 million benefit for the correction of tax balances in certain domestic and international tax jurisdictions, a $3 million benefit due to regulations enacted into law, a $2 million benefit for the carryback of net operating losses resulting from the CARES Act and a benefit of $2 million on the $198 million goodwill impairment charge as the majority of this charge is nondeductible. See Note 15 to the Consolidated Financial Statements for further information.

***Income from discontinued operations, net of tax***

Discontinued operations includes the Software Solutions business sold in December 2019, with the exception of the software business in Australia, which closed in January 2020, and the Production Mail business sold in July 2018. Income from discontinued operations for the year ended December 31, 2020 primarily includes the net gain on the sale of the Australia software business. See Note 4 to the Consolidated Financial Statements for further information.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2020 we had cash, cash equivalents and short-term investments of $940 million, which includes $202 million held at our foreign subsidiaries used to support the liquidity needs of those subsidiaries. Our ability to maintain adequate liquidity for our operations is dependent upon a number of factors, including our revenue and earnings, our clients ability to pay their balances on a timely basis, the length and severity of COVID-19 and its impact on macroeconomic conditions and our ability to take further cost savings and cash conservation measures if necessary. At this time, we believe that existing cash and investments, cash generated from operations and borrowing capacity under our $500 million revolving credit facility will be sufficient to fund our cash needs for the next 12 months.

***Cash Flow Summary***

The change in cash and cash equivalents is as follows:

| | **2020** | 2019 As Revised |
|---|---|---|
| Net cash provided by operating activities | **$ 301,972** | $ 267,883 |
| Net cash (used in) provided by investing activities | **(75,692)** | 457,550 |
| Net cash used in financing activities | **(235,371)** | (670,299) |
| Effect of exchange rate changes on cash and cash equivalents | **6,099** | 2,046 |
| Change in cash and cash equivalents | **$ (2,992)** | $ 57,180 |

*Operating activities*

Cash provided by operating activities of $302 million in 2020 increased $34 million compared to 2019. Cash flows from continuing operations increased $81 million over the prior year to $340 million primarily driven by the timing of working capital. This was partially offset by a decrease in cash flows from discontinued operations of $47 million primarily due to the settlement of taxes related to the gain on the sale of our Software Solutions business in 2020.

*Investing activities*

Cash of $76 million was used in investing activities in 2020 compared to cash provided by investing activities of $458 million in 2019. Cash flow from investing activities in 2019 includes $670 million from discontinued operations, primarily from proceeds of the sale of the Software Solutions business. Cash used in investing activities of continuing operations was $73 million compared to $213 million in 2019. The improvement was due to lower capital expenditures of $32 million due to the prioritization and delay of certain investments in light of COVID-19 and $58 million in proceeds from the surrender of company-owned life insurance policies ($46 million) and the sale of an equity investment ($12 million).

*Financing activities*

Cash used in financing activities was $235 million in 2020 compared to $670 million in 2019. The improvement in cash flow was primarily due to lower net debt repayments of $351 million and lower stock repurchases of $105 million, partially offset by $28 million of higher premium payments and fees associated with the early extinguishment of debt.

***Debt and Capitalization***

In February 2020, we secured a five-year $850 million term loan maturing January 2025 (the 2025 Term Loan). The 2025 Term Loan bears interest at LIBOR plus 5.5% and resets monthly. We have interest rate swap agreements with an aggregate notional amount of $500 million to mitigate the interest rate risk associated with $500 million of our variable-rate term loans. Under the terms of the swap agreements, we pay fixed-rate interest of 0.4443% and receive variable-rate interest based on one-month LIBOR. The variable interest rate under the term loans and the swaps reset monthly.

In March 2020, we purchased under a tender offer $428 million of the October 2021 notes, $250 million of the May 2022 notes, $125 million of the April 2023 notes and $125 million of the March 2024 notes. A $37 million loss was incurred on the early redemption of debt.

During 2020, we repaid $52 million of principal related to our term loans in accordance with the terms of these loans. In 2021, $63 million of our term loans is scheduled to mature.
We have a $500 million secured revolving credit facility that expires in November 2024 (the Credit Facility). The Credit Facility requires that we maintain a Consolidated Adjusted Total Leverage Ratio (as defined in the Credit Facility agreement) and a Consolidated Adjusted Interest Coverage Ratio (as defined in the Credit Facility agreement), and comply with certain other nonfinancial covenants. Compliance with covenants is determined at the end of each fiscal quarter. In the event of noncompliance with any of the covenants, borrowings under the Credit Facility, the 2024 Term Loan and the 2025 Term Loan (collectively, the Facilities) may be accelerated (subject to grace periods, as appropriate). For more information on our financial covenants refer to our exhibits. At December 31, 2020, we were in compliance with all covenants. In April 2020, we borrowed $100 million under the Credit Faciltiy and repaid this amount in September 2020. At December 31, 2020 and 2019, there were no outstanding borrowings under the Credit Facility.

Borrowings under the Facilities are secured by substantially all company assets and the assets of certain of our domestic subsidiaries, subject to customary exclusions and limitations set forth in the Credit Facility agreement and other executed loan documents. The Credit Facility agreement contains representations and warranties and affirmative and negative covenants that are usual and customary, including negative covenants that, among other things, limit our ability to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and make dividends and distributions.

Interest rates on certain notes are subject to adjustment based on changes in our credit ratings. As a result of credit rating downgrades in November 2019 and May 2020, the interest rates on the October 2021 notes and April 2023 notes increased 0.25% in the fourth quarter of 2020. On February 10, 2021, Standard and Poor's downgraded our credit rating and the credit ratings of our secured and unsecured debt. As a result, the interest rates on the May 2022 notes and April 2023 notes will increase 0.25% after their next interest payment date. Further, on February 17, 2021, we announced that on February 22, 2021, we will redeem the October 2021 notes.

Interest rates on secured borrowings under the Facilities are determined based on LIBOR, which is expected to be phased out after 2021. At this time, no consensus exists as to what rate or rates will become accepted alternatives to LIBOR. Our credit documents include language to address the transition from LIBOR to an alternative rate; however, there are still many uncertainties about this transition and no assurances can be given that the transition to an alternate rate will not increase our cost of debt.

We have a total of $2.1 billion of debt maturing within the next five years. We fully expect to be able to fund these maturities with cash or by refinancing through the U.S. capital markets. However, our ability to access the U.S. capital markets is dependent upon our credit ratings and is subject to capital market volatility. Given our current credit rating, we may experience reduced flexibility and higher costs when we access the U.S. capital markets.

Each quarter, our Board of Directors considers our recent and projected earnings and other capital needs and priorities in deciding whether to approve a dividend. There are no material restrictions on our ability to declare dividends. We expect to continue to pay a quarterly dividend; however, no assurances can be given.

### *Contractual Obligations*

The following table summarizes our known contractual obligations at December 31, 2020 and the effect that such obligations are expected to have on our liquidity and cash flow in future periods (in millions):

| | Payments due in | | | | |
|---|---|---|---|---|---|
| | **Total** | **2021** | **2022-2023** | **2024-2025** | **After 2025** |
| Debt maturities | **$ 2,610** | $ 216 | $ 630 | $ 1,303 | $ 461 |
| Interest payments on debt (1) | **966** | 132 | 217 | 106 | 511 |
| Noncancelable operating lease obligations | **280** | 52 | 79 | 58 | 91 |
| Purchase obligations (2) | **244** | 244 | — | — | — |
| Pension plan contributions (3) | **15** | 15 | — | — | — |
| Retiree medical payments (4) | **120** | 15 | 29 | 25 | 51 |
| Total | **$ 4,235** | $ 674 | $ 955 | $ 1,492 | $ 1,114 |

(1) Assumes interest rates in effect at December 31, 2020 and that all debt is held to maturity.

(2) Includes unrecorded agreements to purchase goods and services that are enforceable and legally binding upon us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.

(3) Represents the contributions we anticipate making to our pension plans during 2021. This amount is subject to change as we assess our funding alternatives throughout the year.

(4) Our retiree health benefit plans are unfunded plans and cash contributions are made to cover medical claims. The amounts reported in the above table represent our estimate of future payments.

The amount and period of future payments related to our income tax uncertainties cannot be reliably estimated and are not included in the above table. See Note 15 to the Consolidated Financial Statements for further details.

### *Off-Balance Sheet Arrangements*

As of December, 31, 2020, we had approximately $37 million outstanding in letters of credit guarantees with financial institutions that are primarily issued as security for insurance, leases, customs and other performance obligations. In general, we would only be liable for the amount of these guarantees in the event of default in the performance of our obligations, the probability of which we believe is remote.

## Critical Accounting Estimates

The preparation of our financial statements in conformity with GAAP requires management to make estimates and assumptions about certain items that affect the reported amounts of assets, liabilities, revenues, expenses and accompanying disclosures, including the disclosure of contingent assets and liabilities. The accounting policies below have been identified by management as those policies that are most critical to our financial statements due to the estimates and assumptions required. Management believes that the estimates and assumptions used are reasonable and appropriate based on the information available at the time the financial statements were prepared; however, actual results could differ from those estimates and assumptions. See Note 1 to the Consolidated Financial Statements for a summary of our accounting policies.

### *Revenue recognition*

We derive revenue from multiple sources including the sale and lease of equipment, equipment rentals, financing, support services and business services. Certain transactions are consummated at the same time and can therefore generate revenue from multiple sources. The most common form of these arrangements involve a sale or noncancelable lease of equipment, meter services and an equipment maintenance agreement. We are required to determine whether each product and service within the contract should be treated as a separate performance obligation (unit of accounting) for revenue recognition purposes. We recognize revenue for performance obligations when control is transferred to the customer. Transfer of control may occur at a point in time or over time, depending on the nature of the contract and the performance obligation.

Revenue is allocated among performance obligations based on relative standalone selling prices (SSP), which are a range of selling prices that we would sell the good or service to a customer on a separate basis. SSP are established for each performance obligation at the inception of the contract and can be observable prices or estimated. Revenue is allocated to the meter service and equipment maintenance agreement elements using their respective observable selling prices charged in standalone and renewal transactions. For sale and lease transactions, the SSP of the equipment is based on a range of observable selling prices in standalone transactions. We recognize revenue on non-lease transactions when control of the equipment transfers to the customer, which is upon delivery for customer installable models and upon installation or customer acceptance for other models. We recognize revenue on equipment for lease transactions upon shipment for customer installable models and upon installation or customer acceptance for other models.

### *Impairment review*

Goodwill is tested annually for impairment at the reporting unit level during the fourth quarter or sooner if circumstances indicate an impairment may exist. The impairment test for goodwill determines the fair value of each reporting unit and compares it to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recognized for the difference, not to exceed the carrying amount of goodwill.

Testing goodwill for impairment requires us to identify our reporting units and assign assets and liabilities, including goodwill, to each reporting unit. The fair value of a reporting unit is based on one or a combination of techniques, which include a discounted cash flow model, multiples of competitors, and/or multiples from sales of like businesses. To determine fair value using a discounted cash flow model, management's cash flow projections include significant judgements and assumptions relating to revenue growth rates, projected operating income and discount rate. Changes in any of these estimates or assumptions could materially affect the determination of fair value and the associated goodwill impairment assessment for each reporting unit. Potential events and circumstances, such as the loss of a significant client, inability to acquire new clients, downward pressures on pricing or rising interest rates could materially impact the fair value determination of a reporting unit and potentially result in a non-cash impairment charge in future periods.

During the first quarter of 2020, the Global Ecommerce reporting unit experienced weaker than expected performance, due in part to the deteriorating macroeconomic conditions and uncertainty brought on by the COVID-19 pandemic, causing us to evaluate the Global Ecommerce goodwill for impairment. We determined that the estimated fair value of the Global Ecommerce reporting unit was less than its carrying value and recorded a non-cash, pre-tax goodwill impairment charge of $198 million. During the fourth quarter of 2020, we performed our annual goodwill impairment test to assess the recoverability of the carrying value of goodwill. As a result of the annual test, we determined that the fair value of all reporting units exceeded their carrying values and no additional impairment charges were recorded.

Long-lived and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The estimated future undiscounted cash flows expected to result from the use and eventual disposition of the assets is compared to the carrying value. If the sum of the undiscounted cash flows is less than the asset's carrying value, an impairment charge is recorded for an amount by which the carrying value exceeds its fair value. The fair value of the impaired asset is determined using probability weighted expected cash flow estimates, quoted market prices when available and appraisals, as appropriate. We derive the cash flow estimates from our long-term business plans and historical experience. Changes in the estimates and assumptions incorporated in our impairment assessment could materially affect the determination of fair value and the associated impairment charge.

***Allowances for credit losses and doubtful accounts***

Finance receivables are comprised of sales-type leases, secured loans and unsecured revolving loans. We provide an allowance for probable credit losses based on historical loss experience, the nature of our portfolios, adverse situations that may affect a client's ability to pay, current conditions, reasonable and supportable forecasts and current economic outlook.

Total allowance for credit losses as a percentage of finance receivables was 3% at December 31, 2020 and 2% at December 31, 2019. Holding all other assumptions constant, a 0.25% change in the allowance rate at December 31, 2020 would have reduced pre-tax income by $3 million.

Trade accounts receivable are generally due within 30 days after the invoice date. Accounts deemed uncollectible are written off against the allowance after all collection efforts have been exhausted and management deems the account to be uncollectible. We believe that our accounts receivable credit risk is low because of the geographic and industry diversification of our clients and small account balances for most of our clients.

The allowance for doubtful accounts as a percentage of trade accounts receivables was 5% at both December 31, 2020 and 2019. Holding all other assumptions constant, a 0.25% change in the allowance rate at December 31, 2020 would have reduced pre-tax income by $1 million.

***Income taxes and valuation allowance***

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Our annual tax rate is based on income, statutory tax rates, tax reserve changes and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining the annual tax rate and in evaluating our tax positions. We regularly assess the likelihood of tax adjustments in each of the tax jurisdictions in which we have operations and account for the related financial statement implications. We have established tax reserves that we believe are appropriate given the possibility of tax adjustments. Determining the appropriate level of tax reserves requires judgment regarding the uncertain application of tax laws. Reserves are adjusted when information becomes available or when an event occurs indicating a change in the reserve is appropriate. Changes in tax reserves could have a material impact on our financial condition or results of operations.

Significant judgment is also required in determining the amount of deferred tax assets that will ultimately be realized and corresponding deferred tax asset valuation allowance. When estimating the necessary valuation allowance, we consider all available evidence for each jurisdiction including historical operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies. If new information becomes available that would alter our estimate of the amount of deferred tax assets that will ultimately be realized, we adjust the valuation allowance through income tax expense. Changes in the deferred tax asset valuation allowance could have a material impact on our financial condition or results of operations.

***Pension benefits***

The calculation of net periodic pension expense and determination of net pension obligations are dependent on assumptions and estimates relating to, among other things, the discount rate (interest rate used to discount the future estimated liability) and the expected rate of return on plan assets. These assumptions are evaluated and updated annually.

The discount rate for our largest plan, the U.S. Qualified Pension Plan (the U.S. Plan) and our largest foreign plan, the U.K. Qualified Pension Plan (the U.K. Plan) used in the determination of net periodic pension expense for 2020 was 3.35% and 1.90%, respectively. For 2021, the discount rate used in the determination of net periodic pension expense for the U.S. Plan and the U.K. Plan will be 2.55% and 1.30%, respectively. A 0.25% change in the discount rate would not materially impact annual pension expense for the U.S. Plan or the U.K. Plan. A 0.25% change in the discount rate would impact the projected benefit obligation of the U.S. Plan and U.K. Plan by $51 million and $31 million, respectively.

The expected rate of return on plan assets used in the determination of net periodic pension expense for 2020 was 6.25% for the U.S. Plan and 5.75% for the U.K. Plan. For 2021, the expected rate of return on plan assets used in the determination of net periodic pension expense for the U.S. Plan will be 5.60% and the U.K. Plan will be 4.75%. A 0.25% change in the expected rate of return on plan assets would impact annual pension expense for the U.S. Plan by $3 million and the U.K. Plan by $1 million.

Actual pension plan results that differ from our assumptions and estimates are accumulated and amortized primarily over the life expectancy of plan participants and affect future pension expense. Net pension expense is also based on a market-related valuation of plan assets where differences between the actual and expected return on plan assets are recognized over a five-year period. Plan benefits for participants in a majority of our U.S. and foreign pension plans are frozen.

***Residual value of leased assets***

Equipment residual values are determined at the inception of the lease using estimates of the equipment's fair value at the end of the lease term. Residual value estimates impact the determination of whether a lease is classified as an operating lease or a sales-type lease. Fair value estimates of equipment at the end of the lease term are based on historical renewal experience, used equipment markets, competition and technological changes.

We evaluate residual values on an annual basis or sooner if circumstances warrant. Declines in estimated residual values considered "other-than-temporary" are recognized immediately. Increases in estimated future residual values are not recognized until the equipment is remarketed. If the actual residual value of leased assets were 10% lower than management's current estimates and considered "other-than-temporary", pre-tax income would be $5 million lower.

**Legal and Regulatory Matters**

See *Regulatory Matters* in Item 1, *Other Tax Matters* in Note 15 to the Consolidated Financial Statements for regulatory matters regarding our tax returns and Note 16 to the Consolidated Financial Statements for information regarding our legal proceedings.

**Foreign Currency Exchange**

The functional currency for most of our foreign operations is the local currency. Changes in the value of the U.S. dollar relative to the currencies of countries in which we operate impact our reported assets, liabilities, revenue and expenses. Exchange rate fluctuations can also impact the settlement of intercompany receivables and payables between our subsidiaries in different countries. During 2020, 12% of our consolidated revenue was from operations outside the United States and the translation of foreign currencies to the U.S. dollar did not have a material impact on revenues or operating results for the year ended December 31, 2020.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to the impact of changes in foreign currency exchange rates. Our objective in managing exposure to foreign currency is to reduce the volatility in earnings and cash flows associated with fluctuations in foreign currency exchange rates on transactions denominated in foreign currencies. Accordingly, we enter into forward contracts, which are intended to offset the corresponding change in value of the underlying external and intercompany transactions. The principal currencies actively hedged are the British Pound, Canadian Dollar and the Euro.

We are also exposed to changes in interest rates. At December 31, 2020, 46% of our debt was variable rate obligations, compared to 14% in 2019. To mitigate our exposure to changing interest rates, we may enter into interest rate swap agreements to effectively convert a portion of our variable rate debt to fixed rate. The weighted average interest rate of variable debt at December 31, 2020 and 2019 was 4.5% and 3.6%, respectively. A one-percentage point change in the effective interest rate of our variable rate debt at December 31, 2020 would have reduced pre-tax income by $7 million.

We employ established policies and procedures governing the use of financial instruments to manage our exposure to such risks and do not enter into foreign currency or interest rate transactions for speculative purposes.

We utilize a "Value-at-Risk" (VaR) model to determine the potential loss in fair value from changes in market conditions. The VaR model utilizes a Monte Carlo simulation approach and assumes normal market conditions, a 95% confidence level and a one-day holding period. The model includes our public debt, interest rate swaps and foreign exchange derivative contracts, but excludes anticipated transactions, firm commitments and accounts receivables and payables denominated in foreign currencies, which certain of these instruments are intended to hedge. The VaR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred, nor does it consider the potential effect of favorable changes in market factors.

During 2020 and 2019, our maximum potential one-day loss in fair value of our exposure to foreign exchange rates and interest rates, was not material.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See "Index to Consolidated Financial Statements and Schedules" in this Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), that are designed to reasonably assure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and to reasonably assure that such information is accumulated and communicated to management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure.

Any system of controls and procedures, no matter how well designed and operated, can provide only reasonable (and not absolute) assurance of achieving the desired control objectives. Under the direction of our CEO and CFO, management evaluated the effectiveness of the design and operation of our disclosure controls and procedures as required by Rule 13a-15 or Rule 15d-15 under the Exchange Act. Notwithstanding this caution, the CEO and CFO have reasonable assurance that the disclosure controls and procedures were effective as of December 31, 2020.

### Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Management assessed the effectiveness of the internal control over financial reporting as of December 31, 2020 under the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (2013)* and concluded that the internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report in this Form 10-K.

### Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

None.

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than information regarding our executive officers disclosed in Part I of this Annual Report, the information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2021 Annual Meeting of Stockholders.

Code of Ethics

We have Business Practices Guidelines (BPG) that apply to all our officers and other employees and a Code of Business Conduct and Ethics (the Code) that applies to our Board of Directors. The BPG and the Code are posted on our corporate governance website located at www.pb.com/us/our-company/leadership-and-governance/corporate-governance.html. Amendments to either the BPG or the Code and any waiver from a provision of the BPG or the Code requiring disclosure will be disclosed on our corporate governance website.

Audit Committee - Audit Committee Financial Expert

The information regarding the Audit Committee, its members and the Audit Committee financial experts is incorporated by reference to our Proxy Statement to be filed in connection with the 2021 Annual Meeting of Stockholders.

## ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2021 Annual Meeting of Stockholders.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

EQUITY COMPENSATION PLAN INFORMATION TABLE

The following table provides information as of December 31, 2020 regarding the number of shares of common stock that may be issued under our equity compensation plans.

| Plan Category | (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights | (b) Weighted-average exercise price of outstanding options, warrants and rights | (c) Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 12,814,365 | $11.81 | 20,581,676 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 12,814,365 | $11.81 | 20,581,676 |

Other than information regarding securities authorized for issuance under equity compensation plans, the information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2021 Annual Meeting of Stockholders.

## ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2021 Annual Meeting of Stockholders.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2021 Annual Meeting of Stockholders.

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Index to Consolidated Financial Statements and Schedules


| | Page Number in Form 10-K |
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| Consolidated Statements of Income (Loss) for the years ended December 31, 2020, 2019 and 2018 | 36 |
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(a)(2) Exhibits

| Reg. S-K exhibits | Description | Status or incorporation by reference |
|---|---|---|
| 3(a) | Amended and Restated Certificate of Incorporation of Pitney Bowes Inc. | Incorporated by reference to Exhibit 3(i)(a) to Form 8-K filed with the Commission on September 30, 2019 (Commission file number 1-3579) |
| 3(b) | Pitney Bowes Inc. Amended and Restated By-laws (effective May 10, 2013) | Incorporated by reference to Exhibit 3(d) to Form 8-K filed with the Commission on May 13, 2013 (Commission file number 1-3579) |
| 4 | Description of Registered Securities | Exhibit 4 |
| 4(a) | Form of Indenture between the Company and SunTrust Bank, as Trustee | Incorporated by reference to Exhibit 4.4 to Registration Statement on Form S-3 (No. 333-72304) filed with the Commission on October 26, 2001 |
| 4(b) | Supplemental Indenture No. 1 dated April 18, 2003 between the Company and SunTrust Bank, as Trustee | Incorporated by reference to Exhibit 4.1 to Form 8-K filed with the Commission on August 18, 2004 |
| 4(d) | First Supplemental Indenture, by and among Pitney Bowes Inc., The Bank of New York, and Citibank, N.A., to the Indenture, dated as of February 14, 2005, by and between the Company and Citibank | Incorporated by reference to Exhibit 4.1 to Form 8-K filed with the Commission on October 24, 2007 (Commission file number 1-3579) |
| 4(e) | Supplemental Indenture No. 2 dated as of February 26, 2020, by and between the Company and The Bank of New York Mellon, as trustee | Incorporated by reference to Exhibit 4.1 to Form 8-K filed with the Commission on February 26, 2020 (Commission file number 1-3579) |
| 10(a) * | Retirement Plan for Directors of Pitney Bowes Inc. | Incorporated by reference to Exhibit 10(a) to Form 10-K filed with the Commission on March 30, 1993 (Commission file number 1-3579) |
| 10(b.3) * | Pitney Bowes Inc. Directors' Stock Plan (Amended and Restated effective May 12, 2014) | Incorporated by reference to Exhibit 10(b.3) to Form 10-K filed with the Commission on February 20, 2015 (Commission file number 1-3579) |
| 10(c) * | Pitney Bowes Stock Plan (as amended and restated as of January 1, 2002) | Incorporated by reference to Annex 1 to the Definitive Proxy Statement for the 2002 Annual Meeting of Stockholders filed with the Commission on March 26, 2002 (Commission file number 1-3579) |
| 10(d) * | Pitney Bowes Inc. 2007 Stock Plan (as amended November 7, 2009) | Incorporated by reference to Exhibit (v) to Form 10-K filed with the Commission on February 26, 2010 (Commission file number 1-3579) |
| 10(e) * | Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated February 4, 2019) | Incorporated by reference to Exhibit 10(e) to Form 10-K filed with the Commission on February 20, 2019 (Commission file number 1-3579) |
| 10(f) * | Pitney Bowes Severance Plan (as amended and restated as of January 1, 2008) | Incorporated by reference to Exhibit 10(e) to Form 10-K filed with the Commission on February 29, 2008 (Commission file number 1-3579) |
| 10(g) * | Pitney Bowes Senior Executive Severance Policy (as amended and restated as of February 4, 2019) | Incorporated by reference to Exhibit 10(g) to Form 10-K filed with the Commission on February 20, 2019 (Commission file number 1-3579) |
| 10(h) * | Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors, as amended and restated effective January 1, 2009 | Incorporated by reference to Exhibit 10(g) to Form 10-K filed with the Commission on February 26, 2009 (Commission file number 1-3579) |

| Reg. S-K exhibits | Description | Status or incorporation by reference |
|---|---|---|
| 10(i) * | Pitney Bowes Inc. Deferred Incentive Savings Plan as amended and restated effective January 1, 2009 | Incorporated by reference to Exhibit 10(h) to Form 10-K filed with the Commission on February 26, 2009 (Commission file number 1-3579) |
| 10(j) * | Pitney Bowes Inc. 1998 U.K. S.A.Y.E. Stock Option Plan | Incorporated by reference to Annex II to the Definitive Proxy Statement for the 2006 Annual Meeting of Stockholders filed with the Commission on March 23, 2006 (Commission file number 1-3579) |
| 10(k) * | Form of Long Term Incentive Award Agreement | Incorporated by reference to Exhibit 10(k) to Form 10-K filed with the Commission on February 25, 2013 (Commission file number 1-3579) |
| 10(m)* | Pitney Bowes Director Equity Deferral plan dated November 8, 2013 (effective May 12, 2014) | Incorporated by reference to Exhibit 10(o) to Form 10-K filed with the Commission on February 22, 2016 (Commission file number 1-3579) |
| 10(o)* | Pitney Bowes Executive Equity Deferral Plan dated November 7, 2014 | Incorporated by reference to Exhibit 10(p) to Form 10-K filed with the Commission on February 22, 2016 (Commission file number 1-3579) |
| 10(p)* | Pitney Bowes Inc. 2013 Stock Plan | Incorporated by reference to Annex A to the Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders filed with the Commission on March 25, 2013 (Commission file number 1-3579) |
| 10(q)* | Amended and Restated Pitney Bowes Inc. 2018 Stock Plan | Incorporated by reference to Annex A to the Definitive Proxy Statement for the 2019 Annual Meeting of Stockholders filed with the Commission on March 18, 2020 (Commission file number 1-3579) |
| 10(r) | Credit Agreement, dated as of November 1, 2019 (the "Credit Agreement"), among the company, the lenders and issuing banks party thereto and JPMorgan Chase Bank, N.A., as administrative agent. | Incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Commission on November 5, 2019 (Commission file number 1-3579) |
| 10(s) | First Incremental Facility Amendment, dated as of February 19, 2020, to the Credit Agreement, among the company, the lenders and issuing banks party thereto and JPMorgan Chase Bank, N.A., administrative agent. | Incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Commission on February 20, 2020 (Commission file number 1-3579) |
| 21 | Subsidiaries of the registrant | Exhibit 21 |
| 23 | Consent of independent registered accounting firm | Exhibit 23 |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended. | Exhibit 31.1 |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended. | Exhibit 31.2 |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 | Exhibit 32.1 |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 | Exhibit 32.2 |
| 101.SCH | XBRL Taxonomy Extension Schema Document | |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document | |
| 101.DEF | XBRL Taxonomy Definition Linkbase Document | |
| 101.LAB | XBRL Taxonomy Label Linkbase Document | |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document | |
| 104 | The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline XBRL (included as Exhibit 101). | |

* The Exhibits identified above with an asterisk (*) are management contracts or compensatory plans or arrangements.

The Company has outstanding certain other long-term indebtedness. Such long-term indebtedness does not exceed 10% of the total assets of the Company; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The Company agrees to furnish copies of such instruments to the SEC upon request.

## ITEM 16. FORM 10-K SUMMARY

None

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 19, 2021 PITNEY BOWES INC.

Registrant

By: /s/ Marc B. Lautenbach
Marc B. Lautenbach
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Marc B. Lautenbach<br>Marc B. Lautenbach | President and Chief Executive Officer - Director | February 19, 2021 |
| /s/ Ana Maria Chadwick<br>Ana Maria Chadwick | Executive Vice President, Chief Financial Officer (Principal Financial Officer) | February 19, 2021 |
| /s/ Joseph R. Catapano<br>Joseph R. Catapano | Vice President, Chief Accounting Officer (Principal Accounting Officer) | February 19, 2021 |
| /s/ Michael I. Roth<br>Michael I. Roth | Non-Executive Chairman - Director | February 19, 2021 |
| /s/ Anne M. Busquet<br>Anne M. Busquet | Director | February 19, 2021 |
| /s/ Robert M. Dutkowsky<br>Robert M. Dutkowsky | Director | February 19, 2021 |
| /s/ Anne Sutherland Fuchs<br>Anne Sutherland Fuchs | Director | February 19, 2021 |
| /s/ Mary J. Steele Guilfoile<br>Mary J. Steele Guilfoile | Director | February 19, 2021 |
| /s/ S. Douglas Hutcheson<br>S. Douglas Hutcheson | Director | February 19, 2021 |
| /s/ Linda S. Sanford<br>Linda S. Sanford | Director | February 19, 2021 |
| /s/ David L. Shedlarz<br>David L. Shedlarz | Director | February 19, 2021 |
| /s/ Sheila A. Stamps<br>Sheila A. Stamps | Director | February 19, 2021 |

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Pitney Bowes Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Pitney Bowes Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(1) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

*Changes in Accounting Principles*

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for credit losses on financial assets in 2020 and the manner in which it accounts for revenues from contracts with customers in 2018.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Goodwill Impairment Assessment - Global Ecommerce Reporting Unit*

As described in Notes 1 and 9 to the consolidated financial statements, the Company’s consolidated goodwill balance was $1,152 million as of December 31, 2020, and the goodwill balance associated with the Global Ecommerce reporting unit was $411 million. Goodwill is tested annually for impairment at the reporting unit level during the fourth quarter or sooner if circumstances indicate an impairment may exist. The impairment test for goodwill determines the fair value of each reporting unit and compares it to the reporting unit’s carrying value, including goodwill. If the fair value of a reporting unit is less than its carrying value an impairment loss is recognized for the difference, not to exceed the carrying amount of goodwill. During the first quarter of 2020, the Global Ecommerce reporting unit experienced weaker than expected performance, due in part to the deteriorating macroeconomic conditions and uncertainty brought on by COVID-19, causing management to evaluate the Global Ecommerce goodwill for impairment. As a result of the impairment test, management determined that the estimated fair value of the Global Ecommerce reporting unit was less than its carrying value and recorded a non-cash, pre-tax goodwill impairment charge of $198 million. During the fourth quarter of 2020, management performed its annual goodwill impairment test to assess the recoverability of the carrying value of goodwill. As a result of the annual test, management determined that the fair value of the Global Ecommerce reporting unit exceeded its carrying value and therefore no further impairment was recorded. The fair value of the Global Ecommerce reporting unit was estimated by management using a discounted cash flow model. Management's cash flow projections included judgments and assumptions relating to revenue growth rates, projected operating income, and the discount rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessments of the Global Ecommerce reporting unit is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management’s significant assumptions related to revenue growth rates, projected operating income, and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s goodwill impairment assessments, including controls over the valuation of the Global Ecommerce reporting unit. These procedures also included, among others (i) testing management’s process for developing the fair value estimate; (ii) evaluating the appropriateness of the discounted cash flow model; (iii) testing the completeness and accuracy of underlying data used in the model; and (iv) evaluating the significant assumptions used by management related to the revenue growth rates, projected operating income, and the discount rate. Evaluating management’s assumptions related to revenue growth rates and projected operating income involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of management’s discounted cash flow model and the discount rate assumption.

/s/ PricewaterhouseCoopers LLP
Stamford, Connecticut
February 19, 2021

We have served as the Company’s auditor since 1934.

## PITNEY BOWES INC.
## CONSOLIDATED STATEMENTS OF INCOME (LOSS)
## (In thousands, except per share amounts)

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Revenue: | | | |
| Business services | **$ 2,191,306** | $ 1,710,801 | $ 1,566,470 |
| Support services | **473,292** | 506,187 | 552,472 |
| Financing | **341,034** | 368,090 | 394,557 |
| Equipment sales | **314,882** | 352,104 | 395,652 |
| Supplies | **159,282** | 187,287 | 218,304 |
| Rentals | **74,279** | 80,656 | 84,067 |
| Total revenue | **3,554,075** | 3,205,125 | 3,211,522 |
| Costs and expenses: | | | |
| Cost of business services | **1,904,078** | 1,389,569 | 1,233,105 |
| Cost of support services | **149,988** | 162,300 | 178,495 |
| Financing interest expense | **48,162** | 44,648 | 44,376 |
| Cost of equipment sales | **236,716** | 244,210 | 236,160 |
| Cost of supplies | **41,679** | 49,882 | 60,960 |
| Cost of rentals | **25,600** | 31,530 | 37,178 |
| Selling, general and administrative | **963,323** | 1,003,989 | 1,002,935 |
| Research and development | **38,384** | 51,258 | 58,523 |
| Restructuring charges and asset impairments | **20,712** | 69,606 | 25,899 |
| Goodwill impairment | **198,169** | — | — |
| Interest expense, net | **105,753** | 110,910 | 115,381 |
| Other components of net pension and postretirement (income) cost | **(1,708)** | (4,225) | 22,425 |
| Other expense, net | **8,151** | 24,306 | 7,964 |
| Total costs and expenses | **3,739,007** | 3,177,983 | 3,023,401 |
| (Loss) income from continuing operations before income taxes | **(184,932)** | 27,142 | 188,121 |
| Provision (benefit) for income taxes | **6,727** | (13,007) | 6,416 |
| (Loss) income from continuing operations | **(191,659)** | 40,149 | 181,705 |
| Income from discontinued operations, net of tax | **10,115** | 154,460 | 60,106 |
| Net (loss) income | **$ (181,544)** | $ 194,609 | $ 241,811 |
| Basic (loss) earnings per share attributable to common stockholders [1]: | | | |
| Continuing operations | **$ (1.12)** | $ 0.23 | $ 0.97 |
| Discontinued operations | **0.06** | 0.88 | 0.32 |
| Net (loss) income | **$ (1.06)** | $ 1.10 | $ 1.29 |
| Diluted (loss) earnings per share attributable to common stockholders [1]: | | | |
| Continuing operations | **$ (1.12)** | $ 0.23 | $ 0.96 |
| Discontinued operations | **0.06** | 0.87 | 0.32 |
| Net (loss) income | **$ (1.06)** | $ 1.10 | $ 1.28 |

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

*See Notes to Consolidated Financial Statements*

**PITNEY BOWES INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(In thousands)**

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Net (loss) income | **$ (181,544)** | $ 194,609 | $ 241,811 |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translations, net of tax of $2,374, $3,071 and $(4,992), respectively | **37,252** | 75,319 | (52,299) |
| Net unrealized (loss) gain on cash flow hedges, net of tax of $(583), $49 and $232, respectively | **(1,748)** | 146 | 684 |
| Net unrealized (loss) gain on available for sale securities, net of tax of $(816), $1,970 and $(1,545), respectively | **(2,447)** | 5,910 | (5,002) |
| Adjustments to pension and postretirement plans, net of tax of $(20,440), $(1,270) and $(13,508), respectively | **(70,623)** | (845) | (46,170) |
| Amortization of pension and postretirement costs, net of tax of $11,930, $9,497 and $21,675, respectively | **38,578** | 28,288 | 64,999 |
| Other comprehensive income (loss), net of tax | **1,012** | 108,818 | (37,788) |
| Comprehensive (loss) income | **$ (180,532)** | $ 303,427 | $ 204,023 |

*See Notes to Consolidated Financial Statements*

**PITNEY BOWES INC.**
**CONSOLIDATED BALANCE SHEETS**
**(In thousands, except share amounts)**

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| ***ASSETS*** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 921,450** | $ 924,442 |
| Short-term investments (includes $18,974 and $35,879, respectively, reported at fair value) | **18,974** | 115,879 |
| Accounts and other receivables (net of allowance of $18,899 and $17,830 respectively) | **389,240** | 373,471 |
| Short-term finance receivables (net of allowance of $18,012 and $12,556, respectively) | **568,050** | 629,643 |
| Inventories | **65,845** | 68,251 |
| Current income taxes | **23,219** | 5,565 |
| Other current assets and prepayments | **120,145** | 101,601 |
| Assets of discontinued operations | **—** | 17,229 |
| Total current assets | **2,106,923** | 2,236,081 |
| Property, plant and equipment, net | **391,280** | 376,177 |
| Rental property and equipment, net | **38,435** | 41,225 |
| Long-term finance receivables (net of allowance of $17,857 and $7,095, respectively) | **605,292** | 625,487 |
| Goodwill | **1,152,285** | 1,324,179 |
| Intangible assets, net | **159,839** | 190,640 |
| Operating lease assets | **201,916** | 200,752 |
| Noncurrent income taxes | **72,653** | 71,903 |
| Other assets (includes $355,799 and $230,442, respectively, reported at fair value) | **491,514** | 400,456 |
| Total assets | **$ 5,220,137** | $ 5,466,900 |
| | | |
| ***LIABILITIES AND STOCKHOLDERS' EQUITY*** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | **$ 880,616** | $ 793,690 |
| Customer deposits at the Bank | **617,200** | 591,118 |
| Current operating lease liabilities | **39,182** | 36,060 |
| Current portion of long-term debt | **216,032** | 20,108 |
| Advance billings | **114,550** | 101,920 |
| Current income taxes | **2,880** | 17,083 |
| Liabilities of discontinued operations | **—** | 9,713 |
| Total current liabilities | **1,870,460** | 1,569,692 |
| Long-term debt | **2,348,361** | 2,719,614 |
| Deferred taxes on income | **279,451** | 274,435 |
| Tax uncertainties and other income tax liabilities | **38,163** | 38,834 |
| Noncurrent operating lease liabilities | **180,292** | 177,711 |
| Other noncurrent liabilities | **437,015** | 400,518 |
| Total liabilities | **5,153,742** | 5,180,804 |
| | | |
| Commitments and contingencies (See Note 16) | | |
| | | |
| Stockholders' equity: | | |
| Common stock, $1 par value (480,000,000 shares authorized; 323,337,912 shares issued) | **323,338** | 323,338 |
| Additional paid-in capital | **68,502** | 98,748 |
| Retained earnings | **5,201,195** | 5,438,930 |
| Accumulated other comprehensive loss | **(839,131)** | (840,143) |
| Treasury stock, at cost (151,362,724 and 152,888,969 shares, respectively) | **(4,687,509)** | (4,734,777) |
| Total stockholders' equity | **66,395** | 286,096 |
| Total liabilities and stockholders' equity | **$ 5,220,137** | $ 5,466,900 |

*See Notes to Consolidated Financial Statements*

**PITNEY BOWES INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **Cash flows from operating activities:** | | | |
| Net (loss) income | **$ (181,544)** | $ 194,609 | $ 241,811 |
| Income from discontinued operations, net of tax | **(10,115)** | (154,460) | (60,106) |
| Restructuring payments | **(20,014)** | (27,148) | (52,730) |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | |
| Depreciation and amortization | **160,625** | 159,142 | 148,464 |
| Allowance for credit losses | **42,193** | 28,488 | 26,370 |
| Stock-based compensation | **17,476** | 23,149 | 21,042 |
| Restructuring charges and asset impairments | **20,712** | 69,606 | 25,899 |
| Amortization of debt fees | **10,871** | 10,482 | 6,771 |
| Goodwill impairment | **198,169** | — | — |
| Loss on extinguishment of debt | **36,987** | 6,623 | 7,964 |
| Gain on sale of investments | **(21,969)** | — | — |
| Loss on sale of businesses | **—** | 17,683 | — |
| Pension plan settlement | **—** | — | 31,329 |
| Deferred tax provision | **14,885** | 4,931 | 64,065 |
| Changes in operating assets and liabilities, net of acquisitions/divestitures: | | | |
| Increase in accounts and other receivables | **(47,236)** | (8,027) | (53,801) |
| Decrease in finance receivables | **70,505** | 29,171 | 38,453 |
| Decrease (increase) in inventories | **3,145** | (5,588) | (1,441) |
| Increase in other current assets and prepayments | **(19,581)** | (27,096) | (9,881) |
| Increase (decrease) in accounts payable and accrued liabilities | **94,851** | 22,081 | (4,368) |
| Increase (decrease) in current and noncurrent income taxes | **8,622** | (40,119) | (28,127) |
| Increase (decrease) in advance billings | **11,009** | (10,361) | (19,802) |
| Decrease in pension and retiree medical liabilities | **(36,009)** | (37,469) | (40,941) |
| Other, net | **(13,698)** | 2,914 | 11,597 |
| Net cash provided by operating activities: continuing operations | **339,884** | 258,611 | 352,568 |
| Net cash (used in) provided by operating activities: discontinued operations | **(37,912)** | 9,272 | (7,916) |
| **Net cash provided by operating activities** | **301,972** | 267,883 | 344,652 |
| **Cash flows from investing activities:** | | | |
| Capital expenditures | **(104,987)** | (137,253) | (137,810) |
| Purchases of investment securities | **(596,841)** | (137,194) | (82,153) |
| Proceeds from sales/maturities of investment securities | **576,536** | 108,548 | 175,866 |
| Net investment in loan receivables | **(4,174)** | (15,676) | (1,773) |
| Acquisitions, net of cash acquired | **(6,608)** | (22,100) | (10,484) |
| Sale of other investments | **58,248** | — | — |
| Other investing activities | **4,636** | (8,905) | 8,168 |
| Net cash used in investing activities: continuing operations | **(73,190)** | (212,580) | (48,186) |
| Net cash (used in) provided by investing activities: discontinued operations | **(2,502)** | 670,130 | 334,532 |
| **Net cash (used in) provided by investing activities** | **(75,692)** | 457,550 | 286,346 |
| **Cash flows from financing activities:** | | | |
| Proceeds from issuance of long-term debt | **916,544** | 389,986 | — |
| Principal payments of long-term debt | **(1,105,650)** | (930,189) | (570,180) |
| Premiums and fees to extinguish debt | **(32,645)** | (4,704) | (6,575) |
| Dividends paid to stockholders | **(34,291)** | (35,361) | (140,498) |
| Increase in customer deposits at the Bank | **26,082** | 16,341 | 21,008 |
| Common stock repurchases | **—** | (105,000) | — |
| Other financing activities | **(5,411)** | (1,372) | (49,166) |
| **Net cash used in financing activities** | **(235,371)** | (670,299) | (745,411) |
| Effect of exchange rate changes on cash and cash equivalents | **6,099** | 2,046 | (25,381) |
| (Decrease) increase in cash and cash equivalents | **(2,992)** | 57,180 | (139,794) |
| Cash and cash equivalents at beginning of period | **924,442** | 867,262 | 1,009,021 |
| Cash and cash equivalents at end of period | **921,450** | 924,442 | 869,227 |
| Less cash and cash equivalents of discontinued operations | **—** | — | 1,965 |
| Cash and cash equivalents of continuing operations at end of period | **$ 921,450** | $ 924,442 | $ 867,262 |
| | | | |
| Cash interest paid | **$ 151,857** | $ 157,709 | $ 171,120 |
| Cash income tax payments, net of refunds | **$ 20,185** | $ 27,109 | $ 25,906 |

*See Notes to Consolidated Financial Statements*

**PITNEY BOWES INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(In thousands)**

| | Preferred stock | Preference stock | Common Stock | Additional Paid-in Capital | Retained earnings | Accumulated other comprehensive loss | Treasury stock | Total equity |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2017 | $ 1 | $ 441 | $ 323,338 | $ 138,367 | $ 5,074,343 | $ (794,940) | $ (4,710,997) | $ 30,553 |
| Cumulative effect of accounting changes | — | — | — | — | 104,026 | (116,233) | — | (12,207) |
| Net income | — | — | — | — | 241,811 | — | — | 241,811 |
| Other comprehensive loss | — | — | — | — | — | (37,788) | — | (37,788) |
| Cash dividends | | | | | | | | |
| Common ($0.75 per share) | — | — | — | — | (140,466) | — | — | (140,466) |
| Preference | — | — | — | — | (32) | — | — | (32) |
| Issuances of common stock | — | — | — | (37,030) | — | — | 35,959 | (1,071) |
| Conversions to common stock | — | (45) | — | (904) | — | — | 949 | — |
| Stock-based compensation | — | — | — | 21,042 | — | — | — | 21,042 |
| Balance at December 31, 2018 | 1 | 396 | 323,338 | 121,475 | 5,279,682 | (948,961) | (4,674,089) | 101,842 |
| Net income | — | — | — | — | 194,609 | — | — | 194,609 |
| Other comprehensive income | — | — | — | — | — | 108,818 | — | 108,818 |
| Cash dividends | | | | | | | | |
| Common ($0.20 per share) | — | — | — | — | (35,353) | — | — | (35,353) |
| Preference | — | — | — | — | (8) | — | — | (8) |
| Issuances of common stock | — | — | — | (43,062) | — | — | 41,378 | (1,684) |
| Conversions to common stock | — | (130) | — | (2,804) | — | — | 2,934 | — |
| Redemption of preferred/preference stock | (1) | (266) | — | (10) | — | — | — | (277) |
| Stock-based compensation | — | — | — | 23,149 | — | — | — | 23,149 |
| Repurchase of common stock | — | — | — | — | — | — | (105,000) | (105,000) |
| Balance at December 31, 2019 | — | — | 323,338 | 98,748 | 5,438,930 | (840,143) | (4,734,777) | 286,096 |
| Cumulative effect of accounting changes | **—** | **—** | **—** | **—** | **(21,900)** | **—** | **—** | **(21,900)** |
| Net loss | **—** | **—** | **—** | **—** | **(181,544)** | **—** | **—** | **(181,544)** |
| Other comprehensive income | **—** | **—** | **—** | **—** | **—** | **1,012** | **—** | **1,012** |
| Dividends ($0.20 per share) | **—** | **—** | **—** | **—** | **(34,291)** | **—** | **—** | **(34,291)** |
| Issuances of common stock | **—** | **—** | **—** | **(47,722)** | **—** | **—** | **47,268** | **(454)** |
| Stock-based compensation | **—** | **—** | **—** | **17,476** | **—** | **—** | **—** | **17,476** |
| Balance at December 31, 2020 | **$ —** | **$ —** | **$ 323,338** | **$ 68,502** | **$ 5,201,195** | **$ (839,131)** | **$ (4,687,509)** | **$ 66,395** |

*See Notes to Consolidated Financial Statements*

(Tabular amounts in thousands, except per share amounts)

## *1. Summary of Significant Accounting Policies*

### Basis of Presentation

The accompanying Consolidated Financial Statements of Pitney Bowes Inc. and its wholly owned subsidiaries (we, us, our, or the company) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation.

In the fourth quarter 2020, we determined that based on their nature, certain cash flows from loan receivables classified as cash flows from operating activities should have been classified as investments in loan receivables within cash flows from investing activities. It was also determined that certain investment purchases and maturities that were previously reported on a net basis in 2019 and 2018 should have been reported on a gross basis. Finally, previously reported cash flows from investing activities resulting from changes in customer deposits at the Pitney Bowes Bank (the Bank) have been adjusted to be reported as cash flows from financing activities. We have determined that these adjustments were not material to the previously issued financial statements. The net impact of these changes to our previously reported Consolidated Statements of Cash Flows on the years ended December 31, 2019 and 2018 is shown below. The impact on our previously issued interim Condensed Consolidated Statements of Cash Flows for each of the year-to-date interim periods in 2020 is presented in Note 21 and will be revised in our 2021 Form 10-Q filings.

| | Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | As Previously Reported | Adjustments | Reclass | As Revised and Reclassified |
| **Cash flows from operating activities** | | | | |
| Allowance for credit losses | $ — | $ — | $ 28,488 | $ 28,488 |
| Changes in accounts and other receivables | $ 8,318 | $ — | $ (16,345) | $ (8,027) |
| Changes in finance receivables | $ 25,638 | $ 15,676 | $ (12,143) | $ 29,171 |
| Net cash from operating activities: continuing operations | $ 242,935 | $ 15,676 | $ — | $ 258,611 |
| Net cash from operating activities | $ 252,207 | $ 15,676 | $ — | $ 267,883 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Purchases of investment securities | $ (57,194) | $ (80,000) | $ — | $ (137,194) |
| Proceeds from sales/maturities of investment securities | $ 108,548 | $ — | $ — | $ 108,548 |
| Net change in short-term and other investing activities | $ (78,814) | $ 78,814 | $ — | $ — |
| Net investment in loan receivables | $ — | $ (15,676) | $ — | $ (15,676) |
| Customer deposits at the Bank | $ 16,341 | $ (16,341) | $ — | $ — |
| Other investing activities | $ (10,091) | $ 1,186 | $ — | $ (8,905) |
| Net cash from investing activities: continuing operations | $ (180,563) | $ (32,017) | $ — | $ (212,580) |
| Net cash from investing activities | $ 489,567 | $ (32,017) | $ — | $ 457,550 |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Customer deposits at the Bank | $ — | $ 16,341 | $ — | $ 16,341 |
| Net cash from financing activities | $ (686,640) | $ 16,341 | $ — | $ (670,299) |

(Tabular amounts in thousands, except per share amounts)

| | Year Ended December 31, 2018 | | | |
|---|---|---|---|---|
| | As Previously Reported | Adjustments | Reclass | As Revised and Reclassified |
| **Cash flows from operating activities** | | | | |
| Allowance for credit losses | $ — | $ — | $ 26,370 | $ 26,370 |
| Changes in accounts and other receivables | $ (44,031) | $ — | $ (9,770) | $ (53,801) |
| Changes in finance receivables | $ 53,280 | $ 1,773 | $ (16,600) | $ 38,453 |
| Net cash from operating activities: continuing operations | $ 350,795 | $ 1,773 | $ — | $ 352,568 |
| Net cash from operating activities | $ 342,879 | $ 1,773 | $ — | $ 344,652 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Purchases of investment securities | $ (81,527) | $ (626) | $ — | $ (82,153) |
| Proceeds from sales/maturities of investment securities | $ 175,820 | $ 46 | $ — | $ 175,866 |
| Net change in short-term and other investing activities | $ 11,838 | $ (11,838) | $ — | $ — |
| Net investment in loan receivables | $ — | $ (1,773) | $ — | $ (1,773) |
| Customer deposits at the Bank | $ 21,008 | $ (21,008) | $ — | $ — |
| Other investing activities | $ (4,250) | $ 12,418 | $ — | $ 8,168 |
| Net cash from investing activities: continuing operations | $ (25,405) | $ (22,781) | $ — | $ (48,186) |
| Net cash from investing activities | $ 309,127 | $ (22,781) | $ — | $ 286,346 |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Customer deposits at the Bank | $ — | $ 21,008 | $ — | $ 21,008 |
| Net cash from financing activities | $ (766,419) | $ 21,008 | $ — | $ (745,411) |

Effective January 1, 2018, we adopted ASU 2014-09, Revenue from Contracts with Customers using the modified retrospective method and recognized a $9 million cumulative effect adjustment to retained earnings at the date of the initial application. Additionally in 2018, we adopted ASU 2016-06, Income Taxes: Intra-entity Transfers of Assets other than Inventory and recognized a $3 million cumulative effect adjustment to retained earnings and ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income with a cumulative effect adjustment to reclassify $116 million from AOCI to opening retained earnings.

### Risks and Uncertainties

The effects of COVID-19 on global economies and businesses continues to impact how we conduct business and our operating results, financial position and cash flows. Its impact on our business remains unpredictable and accordingly, we are not able to reasonably estimate the full extent of COVID-19 on our operating results, financial position and cash flows.

We assessed certain accounting matters that require the use of estimates, assumptions and consideration of forecasted financial information in context with the known and projected future impacts of COVID-19. The most significant impacts were to our allowance for credit losses (see Accounting Pronouncements Adopted in 2020 below) and the carrying value of goodwill (see Note 9). Actual results could differ significantly from our estimates and assumptions, possibly resulting in additional impairments or other charges.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and accompanying disclosures, including the disclosure of contingent assets and liabilities. These estimates and assumptions are based on management's best knowledge of current events, historical experience and other information available when the financial statements are prepared. These estimates include, but are not limited to, goodwill and intangible asset impairment review, deferred tax asset valuation allowance, income tax reserves, revenue recognition for multiple element arrangements, pension and other postretirement costs, allowance for doubtful accounts and credit losses, residual values of leased assets, useful lives of long-lived and intangible assets, restructuring costs, the allocation of purchase price to assets and liabilities acquired in business combinations, stock-based compensation expense and loss contingencies. Actual results could differ from those estimates and assumptions.

**Cash Equivalents and Investments**

Cash equivalents include interest-earning investments with maturities of three months or less at the date of purchase. Short-term investments include investments with original maturities of greater than three months and remaining maturities of less than one year from the reporting date. Investments with maturities greater than one year from the reporting date are recorded as other assets.

Investment securities classified as available-for-sale are recorded at fair value with unrealized holding gains and losses, net of tax, recorded in accumulated other comprehensive income (AOCI). Purchase premiums and discounts are amortized using the effective interest method over the term of the security. Gains and losses on the sale of available-for-sale securities are recorded on the trade date using the specific identification method. Investment securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost.

**Accounts and Other Receivables and Allowance for Doubtful Accounts**

Accounts receivable are generally due within 30 days after the invoice date. We provide an allowance for doubtful accounts based on historical loss experience, the age of the receivables, specific troubled accounts and other currently available information.

Accounts receivable are written off against the allowance after all collection efforts have been exhausted and management deems the account to be uncollectible, or when they are 365 days past due, if sooner. We believe that our accounts receivable credit risk is low because of the geographic and industry diversification of our clients and small account balances for most of our clients. We continually evaluate the adequacy of the allowance for doubtful accounts and adjust as necessary.

At December 31, 2019, accounts and other receivables included $24 million recognized in connection with the sale of certain operations in six smaller international markets. As a result of ongoing negotiations, approximately $17 million of this receivable was reclassified to other assets at December 31, 2020.

**Finance Receivables and Allowance for Credit Losses**

Finance receivables are comprised of sales-type leases, secured loans and unsecured revolving loans. Sales-type lease receivables and secured loans are financing options to clients for Pitney Bowes equipment or leasing of other manufacturers' equipment and are generally due in installments over periods ranging from three to five years. Unsecured loan receivables comprise revolving credit lines offered to our clients for postage and supplies and working capital purposes. These revolving credit lines are generally due monthly; however, clients may rollover outstanding balances. Interest is recognized on finance receivables using the effective interest method. Annual fees are recognized ratably over the annual period covered and client acquisition costs are expensed as incurred.

We provide an allowance for credit losses based on historical loss experience, the nature of our portfolios, adverse situations that may affect a client's ability to pay, current conditions, reasonable and supportable forecasts and current economic outlook. We continually evaluate the adequacy of the allowance for credit losses and adjust as necessary.

We establish credit approval limits based on the credit quality of the client and the type of equipment financed. We discontinue financing revenue recognition for lease receivables that are more than 120 days past due and for unsecured loan receivables that are more than 90 days past due. Revenue recognition is resumed when the client's payments reduce the account aging to less than 60 days past due. Finance receivables are written off against the allowance after all collection efforts have been exhausted and management deems the account to be uncollectible. We believe that our finance receivable credit risk is low because of the geographic and industry diversification of our clients and small account balances for most of our clients.

**Inventories**

Inventories are stated at the lower of cost or market. Cost is determined on the last-in, first-out (LIFO) basis, the first-in, first-out (FIFO) basis or average cost. At both December 31, 2020 and 2019, approximately 60% of inventories was determined on the LIFO basis.

**Fixed Assets**

Property, plant and equipment and rental equipment are stated at cost and depreciated principally using the straight-line method over their estimated useful lives, which are 50 years for buildings, 10 to 20 years for building improvements, up to 3 years for internal use software development costs, 3 to 12 years for machinery and equipment and 4 to 6 years for rental equipment. Major improvements that add to the productive capacity or extend the life of an asset are capitalized while repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized over the shorter of their estimated useful life or the remaining lease term. Fully depreciated assets are retained in fixed assets and accumulated depreciation until they are removed from service.

**Intangible Assets**

Finite-lived intangible assets are amortized using the straight-line method over their estimated useful lives of up to 10 years.

**Deferred Costs**

Certain incremental costs to obtain a contract are capitalized if we expect the benefit of those costs to be realized over a period greater than one year. These costs primarily relate to sales commissions on multi-year equipment and Global Ecommerce contracts. and are amortized in a manner consistent with the timing of the related revenue over the contract performance period or longer, if renewals are expected and the renewal commission is not commensurate with the initial commission. Unamortized deferred costs at December 31, 2020 and December 31, 2019, included in other assets, were $40 million and $26 million, respectively. Amortization expense for these costs for the years ended December 31, 2020, 2019 and 2018 was $10 million, $7 million and $9 million, respectively.

**Revenue Recognition**

We derive revenue from multiple sources including sales, rentals, financing and services. Certain transactions are consummated at the same time and can therefore generate revenue from multiple sources. The most common form of these transactions involves a sale or noncancelable lease of equipment, meter services and an equipment maintenance agreement. We determine whether each product and service within the contract should be treated as a separate performance obligation (unit of accounting) for revenue recognition purposes. For contracts that include multiple performance obligations, the transaction price is allocated based on relative standalone selling prices (SSP) which are a range of selling prices that we would sell a product or service to a customer on a separate basis. SSP are established for each performance obligation at the inception of the contract and can be observable prices or estimated. The allocation of the transaction price to the various performance obligations impacts the timing of revenue recognition, but does not change the total revenue recognized. More specifically, revenue related to our offerings is recognized as follows:

Business services

Business services includes providing mail processing services, shipping subscription solutions, fulfillment, delivery and return services and cross-border solutions. Revenue for shipping subscription solutions is recognized ratably over the contract period as the client obtains equal benefit from these services through the period. Revenue for mail processing services, fulfillment, delivery and return services and cross-border solutions is recognized over time using an output method based on the number of parcels or mail pieces either processed or delivered, depending on the service type, since that measure best depicts the value of goods and services transferred to the client over the contract period. We review third party relationships and record revenue on a gross basis when we act as a principal in a transaction and on a net basis when we act as an agent between a client and vendor. In determining whether we are acting as principal or agent, we consider several factors such as whether we are the primary obligor to the client, have control over pricing or have inventory risk.

Support services

Support services revenue includes revenue from maintenance, professional and subscription services for our mailing equipment and professional services for our digital delivery services. Revenue is allocated to these services using selling prices charged in standalone replacement and renewal transactions. Revenue for maintenance and subscription services is recognized ratably over the contract period and revenue for professional services is recognized when services are provided.

Financing

We provide financing for our products primarily through sales-type leases and revolving lines of credit for the purchase of postage and supplies. Financing revenue also includes finance income, late fees and investment income, gains and losses at the Bank. We record financing income over the lease term using the effective interest method. Financing revenue also includes amounts related to sales-type leases that customers have extended or renewed for an additional term. Revenue for these contracts is recognized over the term of the modified lease using the effective interest method. We believe that our sales-type lease portfolio contains only normal collection risk.

Equipment residual values are determined at the inception of the lease using management's best estimate of fair value at the end of the lease term. Fair value estimates are determined based on historical renewal experience, used equipment markets, competition and technological changes. We evaluate residual values on an annual basis or sooner if circumstances warrant. Declines in estimated residual values considered "other-than-temporary" are recognized immediately. Increases in estimated future residual values are not recognized until the equipment is remarketed.

Equipment sales

We sell and lease equipment directly to customers and to distributors (re-sellers) throughout the world. The amount of revenue allocated to the equipment is based on a range of observable selling prices in standalone transactions. Revenue from the sale of equipment under sales-type leases is recognized as control of the equipment transfers to the customer, which is upon shipment for self-installed products and upon installation or customer acceptance for other products. Revenue from the direct sale of equipment is recognized as control of the equipment transfers to the customer, which is upon delivery for self-installed products and upon installation or customer acceptance for other products. We do not typically offer any rights of return.

Supplies
Supplies revenue is recognized upon delivery.

Rentals
Rentals revenue includes revenue from mailing equipment that does not meet the criteria to be accounted for as a sales-type lease. We may invoice in advance for rentals according to the terms of the agreement. We initially defer these advanced billings and recognize rentals revenue on a straight-line basis over the rental period. Revenue generated from financing clients for the continued use of equipment subsequent to the expiration of the original lease is recognized as rentals revenue.

**Shipping and Handling**

Shipping and handling costs are recognized as costs of revenue as incurred.

**Research and Development Costs**

Research and development costs include engineering costs related to research and development activities and are expensed as incurred.

**Restructuring Charges**

Costs associated with restructuring actions primarily include employee severance and other separation costs. These costs are recognized when a liability is incurred, which is generally upon communication to the affected employees, and the amount to be paid is both probable and reasonably estimable. Severance accruals are based on company policy, historical experience and negotiated settlements.

**Stock-based Compensation**

We primarily issue restricted stock units, non-qualified stock options and performance stock units under our stock award plans. Compensation expense for stock-based awards is measured based on the estimated fair value of the awards expected to vest and recognized ratably over the requisite service period. The fair value of restricted stock units is estimated based on the fair value of our common stock on the grant date, less the present value of expected dividends. The fair value of non-qualified stock options is determined using the Black-Scholes valuation model and fair value of performance stock units is determined using the Monte Carlo simulation model. We believe that these valuation techniques and the underlying assumptions are appropriate in estimating the fair value of stock awards. Stock-based compensation expense is recognized primarily in selling, general and administrative expense. Forfeitures are estimated at the time of grant to recognize expense for those awards that are expected to vest and are based on our historical forfeiture rates.

**Retirement Plans**

Net periodic benefit cost includes current service cost, interest cost, expected return on plan assets and the amortization of actuarial gains and losses. Actuarial gains and losses arise from actual results that differ from previous assumptions and changes in assumptions. The expected return on plan assets is based on a market-related valuation of plan assets where differences between the actual and expected return on plan assets are recognized over a five-year period. Actuarial gains and losses are recognized in other comprehensive income, net of tax, and amortized to benefit cost primarily over the life expectancy of plan participants. The funded status of pension and other postretirement benefit plans is recognized in the consolidated balance sheets.

**Impairment Review**

Long-lived assets and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset is compared to the asset's carrying value. The fair value of the asset is determined using probability weighted expected cash flow estimates, derived from our long-term business plans and historical experience, quoted market prices when available and appraisals, as appropriate. If the estimated undiscounted cash flows are less than the asset's carrying value, an impairment charge is recorded to reduce the assets carrying value to its fair value.

Goodwill is tested annually for impairment at the reporting unit level during the fourth quarter or sooner if circumstances indicate an impairment may exist. The impairment test for goodwill determines the fair value of each reporting unit and compares it to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit is less than the carrying value an impairment loss is recognized for the difference, not to exceed the carrying amount of goodwill.

**Derivative Instruments**

In the normal course of business, we are exposed to the impact of changes in foreign currency exchange rates and interest rates. We limit these risks by following established risk management policies and procedures, including the use of derivatives. We use derivative instruments to limit the effects of currency exchange rate fluctuations on financial results and manage the related cost of debt. We do not use derivatives for trading or speculative purposes.

Derivative instruments are measured at fair value and reported as assets and liabilities on the consolidated balance sheets, as applicable. The accounting for changes in fair value depends on the intended use of the derivative, the resulting designation and the effectiveness of the instrument in offsetting the risk exposure it is designed to hedge. To qualify as a hedge, a derivative must be highly effective in offsetting the risk designated for hedging purposes. The hedge relationship must be formally documented at inception, detailing the particular risk management objective and strategy for the hedge. The effectiveness of the hedge relationship is evaluated on a retrospective and prospective basis.

The use of derivative instruments exposes us to counterparty credit risk. To mitigate such risks, we only enter into agreements with financial institutions that meet stringent credit requirements. We regularly review our credit exposure and the creditworthiness of our counterparties. We have not seen a material change in the creditworthiness of our derivative counterparties.

**Income Taxes**

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date of such change. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized. In estimating the necessity and amount of a valuation allowance, we consider all available evidence for each jurisdiction including historical operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies. We adjust the valuation allowance through income tax expense when new information becomes available that would alter our determination of the amount of deferred tax assets that will ultimately be realized.

**Earnings per Share**

Basic earnings per share is computed based on the weighted-average number of common shares outstanding during the year. Diluted earnings per share is computed based on the weighted-average number of common shares outstanding during the year plus the dilutive effect of common stock equivalents.

**Translation of Non-U.S. Currency Amounts**

In general, the functional currency of our foreign operations is the local currency. Assets and liabilities of subsidiaries operating outside the U.S. are translated at rates in effect at the end of the period and revenue and expenses are translated at average monthly rates during the period. Net deferred translation gains and losses are included as a component of accumulated other comprehensive income.

**Loss Contingencies**

In the ordinary course of business, we are routinely defendants in, or party to, a number of pending and threatened legal actions. On a quarterly basis, we review the status of each significant matter and assess the potential financial exposure. If the potential loss from any claim or legal action is considered probable and can be reasonably estimated, we establish a liability for the estimated loss. The assessment of the ultimate outcome of each claim or legal action and the determination of the potential financial exposure requires significant judgment. Estimates of potential liabilities for claims or legal actions are based only on information that is available at that time. As additional information becomes available, we may revise our estimates, and these revisions could have a material impact on our results of operations and financial position. Legal fees are expensed as incurred.

**New Accounting Pronouncements**

*New Accounting Pronouncements - Standards Adopted in 2020*

Effective January 1, 2020, we adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses*. The ASU applies to financial assets measured at amortized cost, including finance receivables, trade and other receivables and investments in debt securities classified as available-for-sale and held-to-maturity. The ASU replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. The models to estimate credit losses are required to be based on historical loss experience, current conditions, reasonable and supportable forecasts and current economic outlook. The impact of COVID-19 on global businesses and economies resulted in an increased probability of recessionary conditions, delinquency rates and business bankruptcy.

We adopted this standard using the modified retrospective transition approach with a cumulative effect adjustment to retained earnings. The adoption of the standard resulted in an increase in the allowance for credit losses on accounts receivable of $15 million and the allowance for credit losses on finance receivables of $10 million and a net reduction to retained earnings of $22 million. The adoption of the standard did not have a material impact on our available-for-sale investment portfolio.

*New Accounting Pronouncements - Standards Not Yet Adopted*

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*. The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles and also clarifies and amends existing guidance. The standard will be adopted effective January 1, 2021 and will not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The ASU is intended to provide temporary optional expedients and exceptions to U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The transition to new reference interest rates will require certain contracts to be modified and the ASU is intended to mitigate the effects of this transition. The accommodations provided by the ASU are effective as of March 12, 2020 through December 31, 2022 and may be applied at the beginning of any interim period within that time frame. We are currently assessing the impact this standard will have on our consolidated financial statements.

(Tabular amounts in thousands, except per share amounts)

## *2. Revenue*

*Disaggregated Revenue*

The following tables disaggregate our revenue by source and timing of recognition:

| | Year Ended December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Global Ecommerce | Presort Services | SendTech Solutions | Revenue from products and services | Revenue from leasing transactions and financing | Total consolidated revenue |
| **Revenue from products and services** | | | | | | |
| Business services | $ 1,618,897 | $ 521,212 | $ 51,197 | $ 2,191,306 | $ — | $ 2,191,306 |
| Support services | — | — | 473,292 | 473,292 | — | 473,292 |
| Financing | — | — | — | — | 341,034 | 341,034 |
| Equipment sales | — | — | 74,660 | 74,660 | 240,222 | 314,882 |
| Supplies | — | — | 159,282 | 159,282 | — | 159,282 |
| Rentals | — | — | — | — | 74,279 | 74,279 |
| Subtotal | 1,618,897 | 521,212 | 758,431 | 2,898,540 | $ 655,535 | $ 3,554,075 |
| | | | | | | |
| **Revenue from leasing transactions and financing** | | | | | | |
| Financing | — | — | 341,034 | 341,034 | | |
| Equipment sales | — | — | 240,222 | 240,222 | | |
| Rentals | — | — | 74,279 | 74,279 | | |
| **Total revenue** | $ 1,618,897 | $ 521,212 | $ 1,413,966 | $ 3,554,075 | | |
| | | | | | | |
| **Timing of revenue recognition from products and services** | | | | | | |
| Products/services transferred at a point in time | $ — | $ — | $ 293,648 | $ 293,648 | | |
| Products/services transferred over time | 1,618,897 | 521,212 | 464,783 | 2,604,892 | | |
| Total | $ 1,618,897 | $ 521,212 | $ 758,431 | $ 2,898,540 | | |

| | Year Ended December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Global Ecommerce | Presort Services | SendTech Solutions | Revenue from products and services | Revenue from leasing transactions and financing | Total consolidated revenue |
| **Revenue from products and services** | | | | | | |
| Business services | $ 1,151,510 | $ 529,588 | $ 29,703 | $ 1,710,801 | $ — | $ 1,710,801 |
| Support services | — | — | 506,187 | 506,187 | — | 506,187 |
| Financing | — | — | — | — | 368,090 | 368,090 |
| Equipment sales | — | — | 80,562 | 80,562 | 271,542 | 352,104 |
| Supplies | — | — | 187,287 | 187,287 | — | 187,287 |
| Rentals | — | — | — | — | 80,656 | 80,656 |
| Subtotal | 1,151,510 | 529,588 | 803,739 | 2,484,837 | $ 720,288 | $ 3,205,125 |
| | | | | | | |
| **Revenue from leasing transactions and financing** | | | | | | |
| Financing | — | — | 368,090 | 368,090 | | |
| Equipment sales | — | — | 271,542 | 271,542 | | |
| Rentals | — | — | 80,656 | 80,656 | | |
| **Total revenue** | $ 1,151,510 | $ 529,588 | $ 1,524,027 | $ 3,205,125 | | |
| | | | | | | |
| **Timing of revenue recognition from products and services** | | | | | | |
| Products/services transferred at a point in time | $ — | $ — | $ 334,046 | $ 334,046 | | |
| Products/services transferred over time | 1,151,510 | 529,588 | 469,693 | 2,150,791 | | |
| Total | $ 1,151,510 | $ 529,588 | $ 803,739 | $ 2,484,837 | | |

(Tabular amounts in thousands, except per share amounts)

| | Year Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | **Global Ecommerce** | **Presort Services** | **SendTech Solutions** | **Revenue from products and services** | **Revenue from leasing transactions and financing** | **Total consolidated revenue** |
| **Revenue from products and services** | | | | | | |
| Business services | $ 1,022,862 | $ 515,795 | $ 27,813 | $ 1,566,470 | $ — | $ 1,566,470 |
| Support services | — | — | 552,472 | 552,472 | — | 552,472 |
| Financing | — | — | — | — | 394,557 | 394,557 |
| Equipment sales | — | — | 88,616 | 88,616 | 307,036 | 395,652 |
| Supplies | — | — | 218,304 | 218,304 | — | 218,304 |
| Rentals | — | — | — | — | 84,067 | 84,067 |
| Subtotal | 1,022,862 | 515,795 | 887,205 | 2,425,862 | $ 785,660 | $ 3,211,522 |
| | | | | | | |
| **Revenue from leasing transactions and financing** | | | | | | |
| Financing | — | — | 394,557 | 394,557 | | |
| Equipment sales | — | — | 307,036 | 307,036 | | |
| Rentals | — | — | 84,067 | 84,067 | | |
| **Total revenue** | $ 1,022,862 | $ 515,795 | $ 1,672,865 | $ 3,211,522 | | |
| | | | | | | |
| **Timing of revenue recognition from products and services** | | | | | | |
| Products/services transferred at a point in time | $ — | $ — | $ 386,844 | $ 386,844 | | |
| Products/services transferred over time | 1,022,862 | 515,795 | 500,361 | 2,039,018 | | |
| Total | $ 1,022,862 | $ 515,795 | $ 887,205 | $ 2,425,862 | | |

Our performance obligations for revenue from products and services are as follows:

Business services includes providing mail processing services, shipping subscription solutions, fulfillment, delivery and return services and cross-border solutions. Revenue for shipping subscription solutions is recognized ratably over the contract period as the client obtains equal benefit from these services through the period. Revenue for mail processing services, fulfillment, delivery and return services and cross-border solutions is recognized over time using an output method based on the number of parcels or mail pieces either processed or delivered, depending on the service type, since that measure best depicts the value of goods and services transferred to the client over the contract period. Contract terms for these services range from one to five years followed by annual renewal periods.

Support services includes providing maintenance, professional and subscription services for our mailing equipment and professional services for our digital delivery services. Contract terms range from one to five years, depending on the term of the lease contract for the related equipment. Revenue for maintenance and subscription services is recognized ratably over the contract period and revenue for professional services is recognized when services are provided.

Equipment sales generally includes the sale of mailing and shipping equipment, excluding sales-type leases. We recognize revenue upon delivery for self-install equipment and upon acceptance or installation for other equipment. We provide a warranty that the equipment is free of defects and meets stated specifications. The warranty is not considered a separate performance obligation.

Supplies revenue is recognized upon delivery.

Revenue from leasing transactions and financing includes revenue from sales-type and operating leases, finance income, late fees and investment income, gains and losses at the Bank.

*Advance Billings from Contracts with Customers*

| | **Balance Sheet Location** | **December 31, 2020** | December 31, 2019 | Increase/ (decrease) |
|---|---|---|---|---|
| Advance billings, current | Advance billings | **$ 106,498** | $ 92,464 | $ 14,034 |
| Advance billings, noncurrent | Other noncurrent liabilities | **$ 1,277** | $ 1,245 | $ 32 |

(Tabular amounts in thousands, except per share amounts)

Advance billings are recorded when cash payments are due in advance of our performance. Revenue is recognized ratably over the contract term. Items in advance billings primarily relate to support services on mailing equipment. Revenue recognized during the period includes $92 million of advance billings at the beginning of the period. Advance billings, current at December 31, 2020 and 2019 also includes $8 million and $9 million, respectively, from leasing transactions.

*Future Performance Obligations*

Future performance obligations include revenue streams bundled with our leasing contracts, primarily maintenance and subscription services. The transaction prices allocated to future performance obligations will be recognized as follows:

| | 2021 | 2022 | 2023-2025 | Total |
|---|---|---|---|---|
| SendTech Solutions | $ 278,159 | $ 210,656 | $ 226,267 | $ 715,082 |

The table above does not include revenue for performance obligations under contracts with terms less than 12 months or revenue for performance obligations where revenue is recognized based on the amount billable to the customer.

## *3. Segment Information*

Our reportable segments are Global Ecommerce, Presort Services and SendTech Solutions. Global Ecommerce and Presort Services comprise the Commerce Services reporting group. The principal products and services of each reportable segment are as follows:

*Global Ecommerce:* Includes the revenue and related expenses from domestic parcel services, cross-border solutions and digital delivery services.

*Presort Services*: Includes the revenue and related expenses from sortation services to qualify large volumes of First Class Mail, Marketing Mail and Bound and Packet Mail (Marketing Mail Flats and Bound Printed Matter) for postal worksharing discounts.

*SendTech Solutions:* Includes the revenue and related expenses from physical and digital mailing and shipping technology solutions, financing, services, supplies and other applications to help simplify and save on the sending, tracking and receiving of letters, parcels and flats.

Management measures segment profitability and performance using segment earnings before interest and taxes (EBIT). Segment EBIT is calculated by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, asset impairment charges and other items not allocated to a particular business segment. Management believes that it provides investors a useful measure of operating performance and underlying trends of the business. Segment EBIT may not be indicative of our overall consolidated performance and therefore, should be read in conjunction with our consolidated results of operations. The following tables provide information about our reportable segments and reconciliation of segment EBIT to net (loss) income.

| | Revenue | | |
|---|---|---|---|
| | Years Ended December 31, | | |
| | **2020** | 2019 | 2018 |
| Global Ecommerce | **$ 1,618,897** | $ 1,151,510 | $ 1,022,862 |
| Presort Services | **521,212** | 529,588 | 515,795 |
| **Commerce Services** | **2,140,109** | 1,681,098 | 1,538,657 |
| SendTech Solutions | **1,413,966** | 1,524,027 | 1,672,865 |
| Total revenue | **$ 3,554,075** | $ 3,205,125 | $ 3,211,522 |
| | | | |
| *Geographic data:* | | | |
| United States | **$ 3,112,285** | $ 2,745,928 | $ 2,679,300 |
| Outside United States | **441,790** | 459,197 | 532,222 |
| Total revenue | **$ 3,554,075** | $ 3,205,125 | $ 3,211,522 |

(Tabular amounts in thousands, except per share amounts)

| | EBIT | | |
|---|---|---|---|
| | Years Ended December 31, | | |
| | **2020** | 2019 | 2018 |
| Global Ecommerce | **$ (82,894)** | $ (70,146) | $ (32,379) |
| Presort Services | **55,799** | 70,693 | 73,768 |
| **Commerce Services** | **(27,095)** | 547 | 41,389 |
| SendTech Solutions | **441,085** | 490,322 | 558,959 |
| **Total segment EBIT** | **413,990** | 490,869 | 600,348 |
| Reconciling items: | | | |
| Interest, net | **(153,915)** | (155,558) | (159,757) |
| Unallocated corporate expenses | **(200,406)** | (211,529) | (185,919) |
| Restructuring charges and asset impairments | **(20,712)** | (69,606) | (25,899) |
| Goodwill impairment | **(198,169)** | — | — |
| Loss on extinguishment of debt | **(36,987)** | (6,623) | (7,964) |
| Gain on sale of equity investment | **11,908** | — | — |
| Pension settlement | **—** | — | (31,329) |
| Loss on sale of businesses | **—** | (17,683) | — |
| Transaction costs | **(641)** | (2,728) | (1,359) |
| (Provision) benefit for income taxes | **(6,727)** | 13,007 | (6,416) |
| (Loss) income from continuing operations | **(191,659)** | 40,149 | 181,705 |
| Income from discontinued operations, net of tax | **10,115** | 154,460 | 60,106 |
| Net (loss) income | **$ (181,544)** | $ 194,609 | $ 241,811 |

During the year ended December 31, 2020, we received insurance proceeds of $17 million related to the October 2019 malware attack, a portion of which has been recorded to the business segments and reflected in segment EBIT.

| | Depreciation and amortization | | |
|---|---|---|---|
| | Years Ended December 31, | | |
| | **2020** | 2019 | 2018 |
| Global Ecommerce | **$ 69,676** | $ 68,385 | $ 61,046 |
| Presort Services | **31,769** | 29,440 | 26,838 |
| **Commerce Services** | **101,445** | 97,825 | 87,884 |
| SendTech Solutions | **34,316** | 39,758 | 39,104 |
| Total for reportable segments | **135,761** | 137,583 | 126,988 |
| Corporate | **24,864** | 21,559 | 21,476 |
| Total depreciation and amortization | **$ 160,625** | $ 159,142 | $ 148,464 |

| | Capital expenditures | | |
|---|---|---|---|
| | Years Ended December 31, | | |
| | **2020** | 2019 | 2018 |
| Global Ecommerce | **$ 46,427** | $ 53,374 | $ 46,073 |
| Presort Services | **15,795** | 27,394 | 42,531 |
| **Commerce Services** | **62,222** | 80,768 | 88,604 |
| SendTech Solutions | **28,823** | 32,276 | 24,648 |
| Total for reportable segments | **91,045** | 113,044 | 113,252 |
| Corporate | **13,942** | 24,209 | 24,558 |
| Total capital expenditures | **$ 104,987** | $ 137,253 | $ 137,810 |

**(Tabular amounts in thousands, except per share amounts)**

| | Assets | | |
|---|---|---|---|
| | December 31, | | |
| | **2020** | 2019 | 2018 |
| Global Ecommerce | **$ 994,554** | $ 1,102,313 | $ 1,023,732 |
| Presort Services | **523,690** | 524,817 | 431,512 |
| **Commerce Services** | **1,518,244** | 1,627,130 | 1,455,244 |
| SendTech Solutions | **2,065,393** | 2,152,734 | 2,325,797 |
| Total for reportable segments | **3,583,637** | 3,779,864 | 3,781,041 |
| Cash and cash equivalents | **921,450** | 924,442 | 867,262 |
| Short-term investments | **18,974** | 115,879 | 59,391 |
| Assets of discontinued operations | **—** | 17,229 | 602,823 |
| Long-term investments | **364,212** | 238,882 | 269,374 |
| Other corporate assets | **331,864** | 390,604 | 358,528 |
| Consolidated assets | **$ 5,220,137** | $ 5,466,900 | $ 5,938,419 |
| *Identifiable long-lived assets:* | | | |
| United States | **$ 613,990** | $ 596,694 | $ 577,260 |
| Outside United States | **17,641** | 21,460 | 20,023 |
| Total | **$ 631,631** | $ 618,154 | $ 597,283 |

## *4. Discontinued Operations*

Discontinued operations includes the operating results of the Software Solutions business, sold in 2019 (except for the software business in Australia, which closed in January 2020), and the Production Mail business, sold in 2018. Assets of discontinued operations and liabilities of discontinued operations at December 31, 2019 includes the assets and liabilities of the software business in Australia.

Selected financial information of discontinued operations is as follows:

| | **Year Ended December 31, 2020** | | |
|---|---|---|---|
| | **Software Solutions** | **Production Mail** | **Total** |
| Gain (loss) on sale | **$ 7,972** | **$ (167)** | **$ 7,805** |
| Tax benefit | | | **(2,310)** |
| Income from discontinued operations, net of tax | | | **$ 10,115** |

| | Year Ended December 31, 2019 | | |
|---|---|---|---|
| | Software Solutions | Production Mail | Total |
| Revenue | $ 272,565 | $ — | $ 272,565 |
| | | | |
| Earnings (loss) from discontinued operations | $ 22,160 | $ (663) | $ 21,497 |
| Gain (loss) on sale | 195,957 | (14,644) | 181,313 |
| Income (loss) from discontinued operations before taxes | $ 218,117 | $ (15,307) | 202,810 |
| Tax provision | | | 48,350 |
| Income from discontinued operations, net of tax | | | $ 154,460 |

**(Tabular amounts in thousands, except per share amounts)**

| | Year Ended December 31, 2018 | | |
|---|---|---|---|
| | Software Solutions | Production Mail | Total |
| Revenue | $ 340,855 | $ 211,542 | $ 552,397 |
| | | | |
| Earnings from discontinued operations | $ 49,587 | $ 18,952 | $ 68,539 |
| Gain on sale | — | 60,611 | 60,611 |
| Income from discontinued operations before taxes | $ 49,587 | $ 79,563 | 129,150 |
| Tax provision | | | 69,044 |
| Income from discontinued operations, net of tax | | | $ 60,106 |

## *5. Earnings per Share (EPS)*

The calculations of basic and diluted earnings per share are presented below. The sum of earnings per share amounts may not equal the totals due to rounding.

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **Numerator:** | | | |
| (Loss) income from continuing operations | **$ (191,659)** | $ 40,149 | $ 181,705 |
| Income from discontinued operations, net of tax | **10,115** | 154,460 | 60,106 |
| Net (loss) income (numerator for diluted EPS) | **(181,544)** | 194,609 | 241,811 |
| Less: Preference stock dividend | **—** | 8 | 32 |
| (Loss) income attributable to common stockholders (numerator for basic EPS) | **$ (181,544)** | $ 194,601 | $ 241,779 |
| **Denominator:** | | | |
| Weighted-average shares used in basic EPS | **171,519** | 176,251 | 187,277 |
| Dilutive effect of common stock equivalents [(1)] | **—** | 1,198 | 1,105 |
| Weighted-average shares used in diluted EPS | **171,519** | 177,449 | 188,382 |
| **Basic (loss) earnings per share:** | | | |
| Continuing operations | **$ (1.12)** | $ 0.23 | $ 0.97 |
| Discontinued operations | **0.06** | 0.88 | 0.32 |
| Net (loss) income | **$ (1.06)** | $ 1.10 | $ 1.29 |
| **Diluted (loss) earnings per share:** | | | |
| Continuing operations | **$ (1.12)** | $ 0.23 | $ 0.96 |
| Discontinued operations | **0.06** | 0.87 | 0.32 |
| Net (loss) income | **$ (1.06)** | $ 1.10 | $ 1.28 |
| | | | |
| Common stock equivalents excluded from calculation of diluted earnings per share because their impact would be anti-dilutive: | **11,626** | 15,751 | 12,089 |

[(1)] Due to the net loss for the year ended December 31, 2020, common stock equivalents of 2,483 shares were excluded from the calculation of diluted earnings per share as the impact would have been anti-dilutive.

(Tabular amounts in thousands, except per share amounts)

## *6. Inventories*

Inventories consisted of the following:

| | December 31, | |
|---|---|---|
| | **2020** | 2019 |
| Raw materials | **$ 16,570** | $ 13,514 |
| Supplies and service parts | **24,061** | 21,840 |
| Finished products | **30,849** | 36,969 |
| Inventory at FIFO cost, net | **71,480** | 72,323 |
| Excess of FIFO cost over LIFO cost | **(5,635)** | (4,072) |
| Total inventory, net | **$ 65,845** | $ 68,251 |

## *7. Finance Assets and Lessor Operating Leases*

*Finance Assets*

Finance receivables consisted of the following:

| | **December 31, 2020** | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | **North America** | **International** | **Total** | North America | International | Total |
| Sales-type lease receivables | | | | | | |
| Gross finance receivables | **$ 994,985** | **$ 211,944** | **$ 1,206,929** | $ 1,055,852 | $ 224,202 | $ 1,280,054 |
| Unguaranteed residual values | **36,405** | **12,140** | **48,545** | 41,934 | 11,789 | 53,723 |
| Unearned income | **(275,359)** | **(61,686)** | **(337,045)** | (319,281) | (65,888) | (385,169) |
| Allowance for credit losses | **(22,917)** | **(6,006)** | **(28,923)** | (10,920) | (2,085) | (13,005) |
| Net investment in sales-type lease receivables | **733,114** | **156,392** | **889,506** | 767,585 | 168,018 | 935,603 |
| Loan receivables | | | | | | |
| Loan receivables | **268,690** | **22,092** | **290,782** | 298,247 | 27,926 | 326,173 |
| Allowance for credit losses | **(6,484)** | **(462)** | **(6,946)** | (5,906) | (740) | (6,646) |
| Net investment in loan receivables | **262,206** | **21,630** | **283,836** | 292,341 | 27,186 | 319,527 |
| Net investment in finance receivables | **$ 995,320** | **$ 178,022** | **$ 1,173,342** | $ 1,059,926 | $ 195,204 | $ 1,255,130 |

Maturities of finance receivables at December 31, 2020 were as follows:

| | **Sales-type Lease Receivables** | | | **Loan Receivables** | | |
|---|---|---|---|---|---|---|
| | **North America** | **International** | **Total** | **North America** | **International** | **Total** |
| 2021 | $ 397,662 | $ 82,625 | $ 480,287 | $ 228,274 | $ 22,092 | $ 250,366 |
| 2022 | 287,397 | 60,501 | 347,898 | 14,455 | — | 14,455 |
| 2023 | 185,401 | 38,753 | 224,154 | 8,584 | — | 8,584 |
| 2024 | 92,183 | 20,607 | 112,790 | 8,420 | — | 8,420 |
| 2025 | 30,488 | 7,661 | 38,149 | 7,903 | — | 7,903 |
| Thereafter | 1,854 | 1,797 | 3,651 | 1,054 | — | 1,054 |
| Total | $ 994,985 | $ 211,944 | $ 1,206,929 | $ 268,690 | $ 22,092 | $ 290,782 |

**(Tabular amounts in thousands, except per share amounts)**

*Allowance for Credit Losses*

Activity in the allowance for credit losses on finance receivables was as follows:

| | Sales-type Lease Receivables | | Loan Receivables | | |
|---|---|---|---|---|---|
| | North America | International | North America | International | Total |
| Balance at December 31, 2017 | $ 7,721 | $ 2,794 | $ 7,098 | $ 1,020 | $ 18,633 |
| Amounts charged to expense | 7,928 | 1,315 | 6,825 | 532 | 16,600 |
| Write-offs | (5,753) | (1,909) | (14,467) | (733) | (22,862) |
| Recoveries | 1,572 | 285 | 7,349 | 15 | 9,221 |
| Other | (1,215) | (130) | (28) | 3 | (1,370) |
| Balance at December 31, 2018 | 10,253 | 2,355 | 6,777 | 837 | 20,222 |
| Amounts charged to expense | 5,672 | 1,157 | 4,746 | 569 | 12,144 |
| Write-offs | (6,971) | (1,505) | (8,971) | (849) | (18,296) |
| Recoveries | 1,717 | 181 | 3,519 | 9 | 5,426 |
| Other | 249 | (103) | (165) | 174 | 155 |
| Balance at December 31, 2019 | 10,920 | 2,085 | 5,906 | 740 | 19,651 |
| Cumulative effect of accounting change | **9,271** | **1,750** | **(1,116)** | **(402)** | **9,503** |
| Amounts charged to expense | **10,789** | **2,902** | **8,158** | **555** | **22,404** |
| Write-offs | **(7,609)** | **(1,068)** | **(9,955)** | **(551)** | **(19,183)** |
| Recoveries | **2,070** | **194** | **3,474** | **4** | **5,742** |
| Other | **(2,524)** | **143** | **17** | **116** | **(2,248)** |
| Balance at December 31, 2020 | **$ 22,917** | **$ 6,006** | **$ 6,484** | **$ 462** | **$ 35,869** |

*Aging of Receivables*

The aging of gross finance receivables was as follows:

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Sales-type Lease Receivables | | Loan Receivables | | |
| | North America | International | North America | International | Total |
| Past due amounts 0 - 90 days | **$ 972,266** | **$ 208,968** | **$ 264,484** | **$ 21,932** | **$ 1,467,650** |
| Past due amounts > 90 days | **22,719** | **2,976** | **4,206** | **160** | **30,061** |
| Total | **$ 994,985** | **$ 211,944** | **$ 268,690** | **$ 22,092** | **$ 1,497,711** |
| Past due amounts > 90 days | | | | | |
| Still accruing interest | **$ 5,128** | **$ 463** | **$ 1,797** | **$ 59** | **$ 7,447** |
| Not accruing interest | **17,591** | **2,513** | **2,409** | **101** | **22,614** |
| Total | **$ 22,719** | **$ 2,976** | **$ 4,206** | **$ 160** | **$ 30,061** |

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Sales-type Lease Receivables | | Loan Receivables | | |
| | North America | International | North America | International | Total |
| Past due amounts 0 - 90 days | $ 1,032,912 | $ 220,819 | $ 294,001 | $ 27,697 | $ 1,575,429 |
| Past due amounts > 90 days | 22,940 | 3,383 | 4,246 | 229 | 30,798 |
| Total | $ 1,055,852 | $ 224,202 | $ 298,247 | $ 27,926 | $ 1,606,227 |
| Past due amounts > 90 days | | | | | |
| Still accruing interest | $ 4,835 | $ 1,081 | $ 2,094 | $ 121 | $ 8,131 |
| Not accruing interest | 18,105 | 2,302 | 2,152 | 108 | 22,667 |
| Total | $ 22,940 | $ 3,383 | $ 4,246 | $ 229 | $ 30,798 |

(Tabular amounts in thousands, except per share amounts)

*Credit Quality*

The extension of credit and management of credit lines to new and existing clients uses a combination of a client's credit score, where available, and a detailed manual review of their financial condition and payment history or an automated process for certain small dollar applications. Once credit is granted, the payment performance of the client is managed through automated collections processes and is supplemented with direct follow up should an account become delinquent. We have robust automated collections and extensive portfolio management processes to ensure that our global strategy is executed, collection resources are allocated appropriately, and enhanced tools and processes are implemented as needed.

We use a third party to score the majority of the North America portfolio on a quarterly basis using a commercial credit score. The relative scores are determined based on several factors, including financial information, payment history, company type and ownership structure. Certain accounts are not scored; however, absence of a score is not indicative of poor credit quality. The degree of risk (low, medium, high), refers to the relative risk that an account may become delinquent in the next 12 months.

- Low risk accounts are companies with very good credit scores and are considered to approximate the top 30% of all commercial borrowers.
- Medium risk accounts are companies with average to good credit scores and are considered to approximate the middle 40% of all commercial borrowers.
- High risk accounts are companies with poor credit scores, are delinquent or are at risk of becoming delinquent and are considered to approximate the bottom 30% of all commercial borrowers.

The table below shows the gross finance receivable balances by relative risk class and year of origination based on the relative scores of the accounts within each class.

| | Sales Type Lease Receivables | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Loan Receivables | Total |
| Low | $ 256,573 | $ 228,344 | $ 165,244 | $ 87,346 | $ 30,518 | $ 12,249 | $ 192,971 | $ 973,245 |
| Medium | 50,785 | 49,946 | 37,168 | 21,388 | 6,470 | 2,375 | 61,625 | 229,757 |
| High | 6,182 | 5,396 | 3,782 | 1,974 | 1,051 | 143 | 4,518 | 23,046 |
| Not Scored | 80,854 | 77,362 | 48,704 | 24,291 | 7,813 | 971 | 31,668 | 271,663 |
| Total | $ 394,394 | $ 361,048 | $ 254,898 | $ 134,999 | $ 45,852 | $ 15,738 | $ 290,782 | $ 1,497,711 |

The majority of the Not Scored amounts above is within our International portfolio. We do not use a third party to score our International portfolio because the cost to do so is prohibitive, given that it is a localized process, and there is no single credit score model that covers all countries. Approximately 80% of credit applications are approved or denied through an automated review process. All other credit applications are manually reviewed by obtaining client financial information, credit reports and other available financial information.

*Lease Income*

Lease income from sales-type leases, excluding variable lease payments, was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Profit recognized at commencement | **$ 117,359** | $ 146,923 | $ 173,060 |
| Interest income | **206,517** | 229,719 | 245,751 |
| Total lease income from sales-type leases | **$ 323,876** | $ 376,642 | $ 418,811 |

(Tabular amounts in thousands, except per share amounts)

*Lessor Operating Leases*

We also lease mailing equipment under operating leases with terms of one to five years. Maturities of these operating leases are as follows:

| | | |
|---|---|---|
| 2021 | $ | 35,275 |
| 2022 | | 13,780 |
| 2023 | | 10,815 |
| 2024 | | 3,911 |
| 2025 | | 744 |
| Total | $ | 64,525 |

## *8. Fixed Assets*

Fixed assets consisted of the following:

| | December 31, | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| Land | **$** | **9,333** | $ | 9,333 |
| Machinery and equipment | | **617,748** | | 606,420 |
| Capitalized software | | **443,400** | | 410,171 |
| Buildings and improvements | | **203,788** | | 191,108 |
| | | **1,274,269** | | 1,217,032 |
| Accumulated depreciation | | **(882,989)** | | (840,855) |
| Property, plant and equipment, net | **$** | **391,280** | $ | 376,177 |
| | | | | |
| Rental property and equipment | **$** | **145,954** | $ | 151,195 |
| Accumulated depreciation | | **(107,519)** | | (109,970) |
| Rental property and equipment, net | **$** | **38,435** | $ | 41,225 |

Depreciation expense was $127 million, $123 million and $110 million for the years ended December 31, 2020, 2019 and 2018, respectively.

## *9. Intangible Assets and Goodwill*

*Intangible Assets*

Intangible assets consisted of the following:

| | **December 31, 2020** | | | | | | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Gross Carrying Amount** | | **Accumulated Amortization** | | **Net Carrying Amount** | | Gross Carrying Amount | | Accumulated Amortization | | Net Carrying Amount | |
| Customer relationships | **$** | **268,199** | **$** | **(115,010)** | **$** | **153,189** | $ | 265,665 | $ | (88,550) | $ | 177,115 |
| Software & technology | | **19,000** | | **(12,350)** | | **6,650** | | 31,600 | | (19,999) | | 11,601 |
| Trademarks & other | | **—** | | **—** | | **—** | | 13,324 | | (11,400) | | 1,924 |
| Total intangible assets, net | **$** | **287,199** | **$** | **(127,360)** | **$** | **159,839** | $ | 310,589 | $ | (119,949) | $ | 190,640 |

Amortization expense was $33 million, $36 million and $39 million for the years ended December 31, 2020, 2019 and 2018, respectively.

**(Tabular amounts in thousands, except per share amounts)**

Future amortization expense for intangible assets at December 31, 2020 is as follows:

| | |
|---|---|
| 2021 | $ 30,295 |
| 2022 | 29,315 |
| 2023 | 26,465 |
| 2024 | 26,465 |
| 2025 | 19,805 |
| Thereafter | 27,494 |
| Total | $ 159,839 |

Actual amortization expense may differ from the amounts above due to, among other things, fluctuations in foreign currency exchange rates, acquisitions, divestitures and impairment charges.

*Goodwill*

Changes in the carrying amount of goodwill by reporting segment are shown in the tables below.

| | December 31, 2019 | Acquisitions | Impairment | FX Impact | December 31, 2020 |
|---|---|---|---|---|---|
| Global Ecommerce | $ 609,431 | **$ —** | **$ (198,169)** | **$ —** | **$ 411,262** |
| Presort Services | 212,529 | **8,463** | **—** | **—** | **220,992** |
| **Commerce Services** | 821,960 | **8,463** | **(198,169)** | **—** | **632,254** |
| SendTech Solutions | 502,219 | **—** | **—** | **17,812** | **520,031** |
| **Total goodwill** | $ 1,324,179 | **$ 8,463** | **$ (198,169)** | **$ 17,812** | **$ 1,152,285** |

| | December 31, 2018 | Acquisitions/dispositions | FX Impact | December 31, 2019 |
|---|---|---|---|---|
| Global Ecommerce | $ 609,431 | $ — | $ — | $ 609,431 |
| Presort Services | 207,465 | 5,064 | — | 212,529 |
| **Commerce Services** | 816,896 | 5,064 | — | 821,960 |
| SendTech Solutions | 515,455 | (10,490) | (2,746) | 502,219 |
| Total goodwill | $ 1,332,351 | $ (5,426) | $ (2,746) | $ 1,324,179 |

During the first quarter of 2020, our Global Ecommerce reporting unit experienced weaker than expected performance, due in part to the deteriorating macroeconomic conditions and uncertainty brought on by COVID-19, causing us to evaluate the Global Ecommerce goodwill for impairment. To test Global Ecommerce goodwill for impairment, we determined the fair value of the Global Ecommerce reporting unit and compared it to its unit's carrying value, including goodwill. We engaged a third-party to assist in the determination of the fair value of the reporting unit. The fair value of the Global Ecommerce reporting unit was estimated using a discounted cash flow model. The cash flow projections included judgements and assumptions relating to revenue growth rates, projected operating income and the discount rate. Changes in any of these estimates or assumptions could materially affect the determination of fair value and the associated goodwill impairment charge and could result in an additional impairment charge in the future. These estimates and assumptions are considered Level 3 inputs under the fair value hierarchy. As a result of the impairment test, we determined that the estimated fair value of the Global Ecommerce reporting unit was less than its carrying value and recorded a non-cash, pre-tax goodwill impairment charge of $198 million.

During the fourth quarter of 2020, we performed our annual goodwill impairment test to assess the recoverability of the carrying value of goodwill. As a result of the annual test, we determined that the fair value of the Global Ecommerce reporting unit exceeded its carrying value and no further impairment was recorded.

(Tabular amounts in thousands, except per share amounts)

## *10. Fair Value Measurements and Derivative Instruments*

We measure certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. An entity is required to classify certain assets and liabilities measured at fair value based on the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity, may be derived from internally developed methodologies based on management's best estimate of fair value and that are significant to the fair value of the asset or liability.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect its placement within the fair value hierarchy. The following tables show, by level within the fair value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis.

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Investment securities | | | | |
| Money market funds | $ 73,228 | $ 434,791 | $ — | $ 508,019 |
| Equity securities | — | 26,583 | — | 26,583 |
| Commingled fixed income securities | 1,722 | 19,669 | — | 21,391 |
| Government and related securities | 16,776 | 16,757 | — | 33,533 |
| Corporate debt securities | — | 71,433 | — | 71,433 |
| Mortgage-backed / asset-backed securities | — | 220,678 | — | 220,678 |
| Derivatives | | | | |
| Foreign exchange contracts | — | 3,776 | — | 3,776 |
| Total assets | $ 91,726 | $ 793,687 | $ — | $ 885,413 |
| **Liabilities:** | | | | |
| Derivatives | | | | |
| Interest rate swaps | $ — | $ (2,163) | $ — | $ (2,163) |
| Foreign exchange contracts | — | (1,960) | — | (1,960) |
| Total liabilities | $ — | $ (4,123) | $ — | $ (4,123) |

(Tabular amounts in thousands, except per share amounts)

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Investment securities | | | | |
| Money market funds | $ 161,441 | $ 240,364 | $ — | $ 401,805 |
| Equity securities | — | 21,979 | — | 21,979 |
| Commingled fixed income securities | 1,656 | 18,404 | — | 20,060 |
| Government and related securities | 64,572 | 17,478 | — | 82,050 |
| Corporate debt securities | — | 72,149 | — | 72,149 |
| Mortgage-backed / asset-backed securities | — | 66,339 | — | 66,339 |
| Derivatives | | | | |
| Foreign exchange contracts | — | 3,256 | — | 3,256 |
| Total assets | $ 227,669 | $ 439,969 | $ — | $ 667,638 |
| **Liabilities:** | | | | |
| Derivatives | | | | |
| Foreign exchange contracts | $ — | $ (1,402) | $ — | $ (1,402) |
| Total liabilities | $ — | $ (1,402) | $ — | $ (1,402) |

**Investment Securities**

The valuation of investment securities is based on a market approach using inputs that are observable, or can be corroborated by observable data, in an active marketplace. The following information relates to our classification within the fair value hierarchy:

- *Money Market Funds:* Money market funds typically invest in government securities, certificates of deposit, commercial paper and other highly liquid, low risk securities. Money market funds are principally used for overnight deposits and are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.

- *Equity Securities:* Equity securities are comprised of mutual funds investing in U.S. and foreign stocks. These mutual funds are classified as Level 2.

- *Commingled Fixed Income Securities:* Commingled fixed income securities are comprised of mutual funds that invest in a variety of fixed income securities, including securities of the U.S. government and its agencies, corporate debt, mortgage-backed securities and asset-backed securities. Fair value is based on the value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding, as reported by the fund manager. These mutual funds are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.

- *Government and Related Securities:* Debt securities are classified as Level 1 where active, high volume trades for identical securities exist. Valuation adjustments are not applied to these securities. Debt securities are classified as Level 2 where fair value is determined using quoted market prices for similar securities or benchmarking model derived prices to quoted market prices and trade data for identical or comparable securities.

- *Corporate Debt Securities:* Corporate debt securities are valued using recently executed comparable transactions, market price quotations or bond spreads for the same maturity as the security. These securities are classified as Level 2.

- *Mortgage-Backed Securities / Asset-Backed Securities:* These securities are valued based on external pricing indices or on external price/spread data. These securities are classified as Level 2.

**Derivative Securities**

- *Foreign Exchange Contracts:* The valuation of foreign exchange derivatives is based on a market approach using observable market inputs, such as foreign currency spot and forward rates and yield curves. We have not seen a material change in the creditworthiness of those banks acting as derivative counterparties. These securities are classified as Level 2.

- *Interest Rate Swaps:* The valuation of interest rate swaps is based on an income approach using inputs that are observable or that can be derived from, or corroborated by, observable market data. These securities are classified as Level 2.

**(Tabular amounts in thousands, except per share amounts)**

**Available-For-Sale Securities**

Available-for-sale securities are predominantly held at the Bank. Investment securities classified as available-for-sale are recorded at fair value with changes in fair value due to market conditions (i.e., interest rates) recorded in accumulated other comprehensive income (AOCI), and changes in fair value due to credit conditions recorded in earnings. There were no unrealized losses due to credit losses charged to earnings in 2020 or 2019.

Available-for-sale securities consisted of the following:

| | **December 31, 2020** | | | |
|---|---|---|---|---|
| | **Amortized cost** | **Gross unrealized gains** | **Gross unrealized losses** | **Estimated fair value** |
| Government and related securities | **$ 31,882** | **$ 157** | **$ (78)** | **$ 31,961** |
| Corporate debt securities | **71,174** | **614** | **(355)** | **71,433** |
| Commingled fixed income securities | **1,706** | **16** | **—** | **1,722** |
| Mortgage-backed / asset-backed securities | **220,659** | **734** | **(715)** | **220,678** |
| Total | **$ 325,421** | **$ 1,521** | **$ (1,148)** | **$ 325,794** |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| Government and related securities | $ 80,732 | $ 1,358 | $ (114) | $ 81,976 |
| Corporate debt securities | 70,426 | 2,009 | (286) | 72,149 |
| Commingled fixed income securities | 1,675 | — | (19) | 1,656 |
| Mortgage-backed / asset-backed securities | 65,679 | 960 | (300) | 66,339 |
| Total | $ 218,512 | $ 4,327 | $ (719) | $ 222,120 |

Investment securities in a loss position were as follows:

| | **December 31, 2020** | | December 31, 2019 | |
|---|---|---|---|---|
| | **Fair Value** | **Gross unrealized losses** | Fair Value | Gross unrealized losses |
| Greater than 12 continuous months | $ 2,369 | $ 76 | $ 9,227 | $ 136 |
| Less than 12 continuous months | 132,267 | 1,072 | 52,521 | 583 |
| Total | $ 134,636 | $ 1,148 | $ 61,748 | $ 719 |

At December 31, 2020, approximately 20% of total securities in the investment portfolio were in a net loss position. Our allowance for credit losses on available-for-sale investment securities is not significant, but we believe it is adequate as our investments are primarily in highly liquid U.S. government and agency securities, high grade corporate bonds and municipal bonds. We have not recognized an impairment on investment securities in an unrealized loss position because we have the ability and intent to hold these securities until recovery of the unrealized losses or expect to receive the stated principal and interest at maturity.

At December 31, 2020, scheduled maturities of available-for-sale securities were as follows:

| | **Amortized cost** | **Estimated fair value** |
|---|---|---|
| Within 1 year | $ 17,110 | $ 17,152 |
| After 1 year through 5 years | 7,814 | 8,000 |
| After 5 years through 10 years | 42,553 | 42,674 |
| After 10 years | 257,944 | 257,968 |
| Total | $ 325,421 | $ 325,794 |

The actual maturities may not coincide with scheduled maturities as certain securities contain early redemption features and/or allow for the prepayment of obligations with or without penalty.

(Tabular amounts in thousands, except per share amounts)

**Held-to-Maturity Securities**

Held-to-maturity securities at December 31, 2020 and 2019 include $75 million and $383 million, respectively, of short-term, highly liquid time deposits. Due to the short-term nature of these securities, the carrying value approximates fair value.

**Derivative Instruments**

*Foreign Exchange Contracts*

We enter into foreign exchange contracts to mitigate the currency risk associated with anticipated inventory purchases between affiliates and from third parties. These contracts are designated as cash flow hedges. The effective portion of the gain or loss on cash flow hedges is included in AOCI in the period that the change in fair value occurs and is reclassified to earnings in the period that the hedged item is recorded in earnings. At December 31, 2020 and 2019, outstanding contracts associated with these anticipated transactions had a notional amount of $8 million and $7 million, respectively. The valuation of foreign exchange derivatives is based on a market approach using observable market inputs, such as foreign currency spot and forward rates and yield curves.

*Interest Rate Swaps*

We have interest rate swap agreements with an aggregate notional amount of $500 million that are designated as cash flow hedges. The fair value of the interest rate swaps is recorded as a derivative asset or liability at the end of each reporting period with the change in fair value reflected in AOCI.

The fair value of our derivative instruments was as follows:

| Designation of Derivatives | Balance Sheet Location | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **Derivatives designated as hedging instruments** | | | |
| Foreign exchange contracts | Other current assets and prepayments | **$ 96** | $ 207 |
| | Accounts payable and accrued liabilities | **(112)** | (56) |
| Interest rate swaps | Other noncurrent liabilities | **(2,163)** | — |
| **Derivatives not designated as hedging instruments** | | | |
| Foreign exchange contracts | Other current assets and prepayments | **3,680** | 3,049 |
| | Accounts payable and accrued liabilities | **(1,848)** | (1,346) |
| | Total derivative assets | **3,776** | 3,256 |
| | Total derivative liabilities | **(4,123)** | (1,402) |
| | Total net derivative (liability) asset | **$ (347)** | $ 1,854 |

The amounts included in AOCI at December 31, 2020 will be recognized in earnings within the next 12 months. No amount of ineffectiveness was recorded in earnings for these designated cash flow hedges.

The following represents the results of cash flow hedging relationships:

| Derivative Instrument | Derivative Gain (Loss) Recognized in AOCI (Effective Portion) 2020 | Derivative Gain (Loss) Recognized in AOCI (Effective Portion) 2019 | Location of Gain (Loss) (Effective Portion) | Gain (Loss) Reclassified from AOCI to Earnings (Effective Portion) 2020 | Gain (Loss) Reclassified from AOCI to Earnings (Effective Portion) 2019 |
|---|---|---|---|---|---|
| | Years Ended December 31, | | | | |
| Foreign exchange contracts | **$ (317)** | $ 371 | Revenue | **$ (161)** | $ 72 |
| | | | Cost of sales | **11** | 104 |
| Interest rate swaps | **(2,163)** | — | Interest Expense | **—** | — |
| | **$ (2,480)** | $ 371 | | **$ (150)** | $ 176 |

We also enter into foreign exchange contracts to minimize the impact of exchange rate fluctuations on short-term intercompany loans and related interest that are denominated in a foreign currency. The revaluation of the intercompany loans and interest and the mark-to-market adjustment on the derivatives are both recorded in earnings. All outstanding contracts at December 31, 2020 mature over the next three months.

(Tabular amounts in thousands, except per share amounts)

The following represents the mark-to-market adjustment on our non-designated derivative instruments:

| | | Years Ended December 31, Derivative Gain (Loss) Recognized in Earnings | |
|---|---|---|---|
| **Derivatives Instrument** | **Location of Derivative Gain (Loss)** | **2020** | 2019 |
| Foreign exchange contracts | Selling, general and administrative expense | **$ 5,298** | $ 5,154 |

**Fair Value of Financial Instruments**

Our financial instruments include cash and cash equivalents, investment securities, accounts receivable, loan receivables, derivative instruments, accounts payable and debt. The carrying value for cash and cash equivalents, accounts receivable, loans receivable, and accounts payable approximate fair value. The fair value of our debt is estimated based on recently executed transactions and market price quotations. The inputs used to determine the fair value of our debt were classified as Level 2 in the fair value hierarchy. The carrying value and estimated fair value of our debt was as follows:

| | December 31, | |
|---|---|---|
| | **2020** | 2019 |
| Carrying value | **$ 2,564,393** | $ 2,739,722 |
| Fair value | **$ 2,479,895** | $ 2,572,794 |

## *11. Supplemental Financial Statement Information*

Activity in the allowance for credit losses on accounts receivables is presented below.

| | Balance at beginning of year | Cumulative effect of accounting change | Amounts charged to expense | Write-offs, recoveries and other | Balance at end of year | Accounts and other receivables | Other assets |
|---|---|---|---|---|---|---|---|
| 2020 | **$ 17,830** | **$ 15,336** | **$ 19,789** | **$ (17,611)** | **$ 35,344** | **$ 18,899** | **$ 16,445** |
| 2019 | $ 17,443 | $ — | $ 16,345 | $ (15,958) | $ 17,830 | $ 17,830 | $ — |
| 2018 | $ 14,319 | $ — | $ 9,770 | $ (6,646) | $ 17,443 | $ 17,443 | $ — |

Other expense, net consisted of the following:

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Loss on extinguishment of debt | **$ 36,987** | $ 6,623 | $ 7,964 |
| Insurance proceeds | **(16,928)** | — | — |
| Gain on sale of equity investment | **(11,908)** | — | — |
| Loss on sale of businesses | **—** | 17,683 | — |
| Other expense, net | **$ 8,151** | $ 24,306 | $ 7,964 |

Supplemental cash flow information is as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Purchases of property and equipment in Accounts payable | **$ 16,098** | $ 1,301 | $ 4,293 |

(Tabular amounts in thousands, except per share amounts)

Selected balance sheet information is as follows:

| | December 31, | |
|---|---|---|
| | **2020** | 2019 |
| *Other assets:* | | |
| Long-term investments | **$ 364,212** | $ 238,882 |
| Company owned life insurance policies | **—** | 50,081 |
| Other (net of allowance of $16,445 in 2020) | **127,302** | 111,493 |
| Total | **$ 491,514** | $ 400,456 |
| | | |
| *Accounts payable and accrued liabilities:* | | |
| Accounts payable | **$ 295,173** | $ 282,125 |
| Customer deposits | **165,774** | 115,889 |
| Employee related liabilities | **232,236** | 219,995 |
| Other | **187,433** | 175,681 |
| Total | **$ 880,616** | $ 793,690 |
| | | |
| *Other noncurrent liabilities:* | | |
| Pension liabilities | **$ 235,439** | $ 214,742 |
| Postretirement medical benefits | **153,838** | 147,972 |
| Other | **47,738** | 37,804 |
| Total | **$ 437,015** | $ 400,518 |

## *12. Restructuring Charges and Asset Impairments*

Activity in our restructuring reserves was as follows:

| | Severance and benefits costs | Other exit costs | Total |
|---|---|---|---|
| Balance at December 31, 2018 | $ 13,641 | $ 1,808 | $ 15,449 |
| Expenses, net | 22,794 | 911 | 23,705 |
| Cash payments | (24,498) | (2,650) | (27,148) |
| Balance at December 31, 2019 | 11,937 | 69 | 12,006 |
| Expenses, net | **16,399** | **1,672** | **18,071** |
| Cash payments | **(18,295)** | **(1,719)** | **(20,014)** |
| Balance at December 31, 2020 | **$ 10,041** | **$ 22** | **$ 10,063** |

The majority of the remaining restructuring reserves are expected to be paid over the next 12-24 months.

*Asset impairments*

There were no asset impairment charges in 2020. Asset impairment charges in 2019 were $44 million and primarily included the write-off of capitalized software costs related to the development of an enterprise resource planning (ERP) system in our international markets. Asset impairment charges in 2018 were $1 million.

*Other Charges*

Restructuring charges and asset impairments includes non-cash charges of $3 million and $2 million in 2020 and 2019, respectively, related to pension settlements and facilities abandonment.

**(Tabular amounts in thousands, except per share amounts)**

## *13. Debt*

| | | December 31, | |
|---|---|---|---|
| | Interest rate | **2020** | 2019 |
| Notes due October 2021 | 4.875% | **152,588** | 600,000 |
| Notes due May 2022 | 5.375% | **148,792** | 400,000 |
| Notes due April 2023 | 5.95% | **271,000** | 400,000 |
| Notes due March 2024 | 4.625% | **374,000** | 500,000 |
| Notes due January 2037 | 5.25% | **35,841** | 35,841 |
| Notes due March 2043 | 6.70% | **425,000** | 425,000 |
| Term loan due November 2024 | LIBOR + 1.75% | **380,000** | 400,000 |
| Term loan due January 2025 | LIBOR + 5.5% | **818,125** | — |
| Other debt | | **4,900** | 5,108 |
| Principal amount | | **2,610,246** | 2,765,949 |
| Less: unamortized costs, net | | **45,853** | 26,227 |
| Total debt | | **2,564,393** | 2,739,722 |
| Less: current portion long-term debt | | **216,032** | 20,108 |
| Long-term debt | | **$ 2,348,361** | $ 2,719,614 |

In February 2020, we secured a five-year $850 million term loan maturing January 2025. We entered into interest rate swap agreements with an aggregate notional amount of $500 million to mitigate the interest rate risk associated with $500 million of our variable-rate term loans. Under the terms of the swap agreements, we pay fixed-rate interest of 0.4443% and receive variable-rate interest based on one-month LIBOR. The variable interest rate under the term loans and the swaps reset monthly.

In March 2020, we purchased under a tender offer $428 million of the October 2021 notes, $250 million of the May 2022 notes, $125 million of the April 2023 notes and $125 million of the March 2024 notes. A $37 million loss was incurred on the early redemption of debt.

During 2020, we repaid $52 million of principal related to our term loans. The interest rate for the November 2024 term loan and the January 2025 term loan at December 31, 2020 was 1.9% and 5.65%, respectively. Interest rates on certain notes are subject to adjustment based on changes in our credit ratings. As a result of credit rating downgrades in November 2019 and May 2020, the interest rates on the October 2021 notes and April 2023 notes increased 0.25% in the fourth quarter of 2020.

Annual maturities of outstanding debt at December 31, 2020 are as follows:

| | |
|---|---|
| 2021 | $ 216,303 |
| 2022 | 238,471 |
| 2023 | 391,955 |
| 2024 | 750,181 |
| 2025 | 552,495 |
| Thereafter | 460,841 |
| Total | $ 2,610,246 |

We have a $500 million secured revolving credit facility that expires in November 2024 and contains financial and non-financial covenants. At December 31, 2020, we were in compliance with all covenants. In April 2020, we borrowed $100 million under this facility and repaid the amount in September 2020. At December 31, 2020 and 2019, there were no borrowings under this facility.

On February 10, 2021, Standard and Poor's downgraded our credit rating and the credit ratings of our secured and unsecured debt. As a result of this downgrade, the interest rates on the May 2022 notes and April 2023 notes will increase 0.25% after their next interest payment date. Further, on February 17, 2021, we announced that on February 22, 2021, we will redeem the October 2021 notes.

(Tabular amounts in thousands, except per share amounts)

## *14. Retirement Plans and Postretirement Medical Benefits*

### Retirement Plans

We provide retirement benefits to eligible employees in the U.S. and outside the U.S. under various defined benefit retirement plans. Benefit accruals under most of our significant defined benefit plans have been frozen. The benefit obligations and funded status of defined benefit pension plans are as follows:

| | United States | | Foreign | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Accumulated benefit obligation** | **$ 1,729,515** | $ 1,612,551 | **$ 829,413** | $ 745,658 |
| | | | | |
| **Projected benefit obligation** | | | | |
| Benefit obligation - beginning of year | **$ 1,613,054** | $ 1,501,140 | **$ 746,942** | $ 662,644 |
| Service cost | **86** | 83 | **1,650** | 1,543 |
| Interest cost | **52,103** | 63,171 | **13,379** | 17,853 |
| Actuarial loss (gain) | **185,306** | 160,390 | **76,006** | 68,385 |
| Foreign currency changes | **—** | — | **29,128** | 25,452 |
| Settlements and curtailments | **(3,854)** | (6,684) | **(15,171)** | (2,682) |
| Benefits paid | **(116,736)** | (105,046) | **(21,260)** | (26,253) |
| Benefit obligation - end of year | **$ 1,729,959** | $ 1,613,054 | **$ 830,674** | $ 746,942 |
| | | | | |
| **Fair value of plan assets** | | | | |
| Fair value of plan assets - beginning of year | **$ 1,487,018** | $ 1,327,034 | **$ 668,308** | $ 562,517 |
| Actual return on plan assets | **225,812** | 261,579 | **78,120** | 98,006 |
| Company contributions | **9,546** | 10,135 | **9,674** | 10,085 |
| Settlements and curtailments | **(3,854)** | (6,684) | **(15,171)** | (1,773) |
| Foreign currency changes | **—** | — | **22,968** | 25,726 |
| Benefits paid | **(116,736)** | (105,046) | **(21,260)** | (26,253) |
| Fair value of plan assets - end of year | **$ 1,601,786** | $ 1,487,018 | **$ 742,639** | $ 668,308 |
| | | | | |
| **Amounts recognized in the Consolidated Balance Sheets** | | | | |
| Noncurrent asset | **$ 465** | $ 383 | **$ 26,053** | $ 20,020 |
| Current liability | **(5,843)** | (9,019) | **(1,444)** | (1,313) |
| Noncurrent liability | **(122,795)** | (117,401) | **(112,644)** | (97,341) |
| Funded status | **$ (128,173)** | $ (126,037) | **$ (88,035)** | $ (78,634) |

Information provided in the table below is only for pension plans with an accumulated benefit obligation in excess of plan assets:

| | United States | | Foreign | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Projected benefit obligation | **$ 1,729,638** | $ 1,612,745 | **$ 691,909** | $ 615,288 |
| Accumulated benefit obligation | **$ 1,729,194** | $ 1,612,241 | **$ 690,887** | $ 614,293 |
| Fair value of plan assets | **$ 1,601,000** | $ 1,486,325 | **$ 577,821** | $ 516,634 |

(Tabular amounts in thousands, except per share amounts)

Pretax amounts recognized in AOCI consist of:

| | United States | | Foreign | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Net actuarial loss | **$ 783,211** | $ 772,850 | **$ 334,520** | $ 315,319 |
| Prior service (credit) cost | **(209)** | (270) | **8,072** | 8,317 |
| Transition asset | **—** | — | **(7)** | (11) |
| Total | **$ 783,002** | $ 772,580 | **$ 342,585** | $ 323,625 |

The components of net periodic benefit cost (income) for defined benefit pension plans were as follows:

| | United States | | | Foreign | | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | **2020** | 2019 | 2018 |
| Service cost | **$ 86** | $ 83 | $ 92 | **$ 1,650** | $ 1,543 | $ 2,159 |
| Interest cost | **52,103** | 63,171 | 61,490 | **13,379** | 17,853 | 18,089 |
| Expected return on plan assets | **(84,719)** | (92,726) | (101,087) | **(34,391)** | (34,363) | (35,687) |
| Amortization of net transition asset | **—** | — | — | **(4)** | (6) | (7) |
| Amortization of prior service (credit) cost | **(60)** | (60) | (60) | **245** | 243 | (71) |
| Amortization of net actuarial loss | **32,490** | 26,146 | 31,298 | **7,842** | 6,337 | 7,264 |
| Special termination benefits | **—** | — | — | **—** | — | 208 |
| Settlements and curtailments | **1,364** | 2,381 | 44,665 | **5,060** | 397 | (13) |
| Net periodic benefit cost (income) | **$ 1,264** | $ (1,005) | $ 36,398 | **$ (6,219)** | $ (7,996) | $ (8,058) |

In 2018, we incurred a non-cash pension settlement charge of $45 million in connection with the disposition of the Production Mail Business and certain other actions. We recognized $32 million of this charge in other components of net pension and postretirement cost and $13 million in income from discontinued operations, net of tax.

Other changes in plan assets and benefit obligations for defined benefit pension plans recognized in other comprehensive income were as follows:

| | United States | | Foreign | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Net actuarial (gain) loss | **$ 44,216** | $ (8,459) | **$ 32,103** | $ 3,643 |
| Amortization of net actuarial loss | **(32,490)** | (26,146) | **(7,842)** | (6,337) |
| Amortization of prior service credit (cost) | **60** | 60 | **(245)** | (243) |
| Net transition asset | **—** | — | **4** | 6 |
| Settlements and curtailments | **(1,364)** | (2,381) | **(5,060)** | (397) |
| Total recognized in other comprehensive income | **$ 10,422** | $ (36,926) | **$ 18,960** | $ (3,328) |

(Tabular amounts in thousands, except per share amounts)

Weighted-average actuarial assumptions used to determine end of year benefit obligations and net periodic benefit cost for defined benefit pension plans include:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **United States** | | | |
| Used to determine benefit obligations | | | |
| Discount rate | **2.54%** | 3.34% | 4.34% |
| Rate of compensation increase | **N/A** | N/A | N/A |
| | | | |
| Used to determine net periodic benefit cost | | | |
| Discount rate | **3.34%** | 4.34% | 3.69% |
| Expected return on plan assets | **6.25%** | 6.75% | 7.00% |
| Rate of compensation increase | **N/A** | N/A | N/A |
| | | | |
| **Foreign** | | | |
| Used to determine benefit obligations | | | |
| Discount rate | **0.70 % - 2.40%** | 0.65 % - 2.95% | 0.75 % - 3.55% |
| Rate of compensation increase | **1.50 % - 2.50%** | 1.50 % - 2.50% | 1.50 % - 2.50% |
| | | | |
| Used to determine net periodic benefit cost | | | |
| Discount rate | **0.65 % - 2.95%** | 0.75 % - 3.55% | 0.65 % - 3.35% |
| Expected return on plan assets | **4.25 % - 6.00%** | 4.25 % - 6.25% | 3.75 % - 6.25% |
| Rate of compensation increase | **1.50 % - 2.50%** | 1.50 % - 2.50% | 1.50 % - 3.25% |

A discount rate is used to determine the present value of our future benefit obligations. The discount rate for our U.S. pension and postretirement medical benefit plans is determined by matching the expected cash flows associated with our benefit obligations to a pool of corporate long-term, high-quality fixed income debt instruments available as of the measurement date. The discount rate for our largest foreign plan, the U.K. Qualified Pension Plan (the U.K. Plan), is determined using a model that discounts each year's estimated benefit payments by an applicable spot rate derived from a yield curve created from a large number of high quality corporate bonds. For our other smaller foreign pension plans, the discount rate is selected based on high-quality fixed income indices available in the country in which the plan is domiciled.

The expected return on plan assets is based on the target asset allocation for the applicable pension plan and expected rates of return for various asset classes in the plans' investment portfolio after analyzing historical experience and future expectations of the returns and volatility of the various asset classes.

**Investment Strategy and Asset Allocation**

The investment strategy for our pension plans is to maximize returns within reasonable and prudent risk levels, achieve and maintain full funding of the accumulated benefit obligation and the actuarial liabilities and earn the expected rate of return. Investment strategies of our foreign plans are also tailored to achieve the expected rate of return within an appropriate risk level, depending upon the liability profile of plan participants, local funding requirements, investment markets and restrictions.

Pension plan assets are invested in accordance with our strategic asset allocation policy. Pension plan assets are exposed to various risks, including interest rate risks, market risks and credit risks. Investments are diversified across asset classes and within each class to reduce the risk of large losses and are periodically rebalanced. Derivatives, such as swaps, options, forwards and futures contracts may be used for market exposure, to alter risk/return characteristics and to manage foreign currency exposure. We do not have any significant concentrations of credit risk within the plan assets.

(Tabular amounts in thousands, except per share amounts)

*U.S. Pension Plans*

Investment objectives and investment managers are reviewed periodically. Target and actual asset allocations for the U.S. pension plans were as follows:

| | Target allocation | Percent of Plan Assets at December 31, | |
|---|---|---|---|
| | **2021** | **2020** | 2019 |
| **Asset category** | | | |
| Equities | **27 %** | 33 % | 30 % |
| Multi-asset credit | **4 %** | — % | — % |
| Fixed income | **60 %** | 62 % | 63 % |
| Real estate | **8 %** | 4 % | 5 % |
| Private equity | **1 %** | 1 % | 2 % |
| Total | **100 %** | 100 % | 100 % |

*Foreign Pension Plans*

Our foreign pension plan assets are managed by outside investment managers and monitored regularly by local trustees and our corporate personnel. Target and actual asset allocations for the U.K. Plan, which comprises 78% of the total foreign pension plan assets, were as follows:

| | Target Allocation | Percent of Plan Assets at December 31, | |
|---|---|---|---|
| | **2021** | **2020** | 2019 |
| **Asset category** | | | |
| Equities | **5 %** | 6 % | 35 % |
| Non-U.K. equities | **15 %** | 16 % | — % |
| Fixed income | **60 %** | 60 % | 46 % |
| Real estate | **10 %** | 8 % | 9 % |
| Diversified growth | **10 %** | 9 % | 9 % |
| Cash | **— %** | 1 % | 1 % |
| Total | **100 %** | 100 % | 100 % |

**(Tabular amounts in thousands, except per share amounts)**

**Fair Value Measurements of Plan Assets**

The following tables show the U.S. and foreign pension plans' assets, by level within the fair value hierarchy. The plan asset categories presented in the following tables are subsets of the broader asset allocation categories.

*United States Pension Plans*

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | $ — | $ 14,442 | $ — | $ 14,442 |
| Equity securities | — | 323,311 | — | 323,311 |
| Commingled fixed income securities | — | 264,896 | — | 264,896 |
| Government and related securities | 322,851 | 22,549 | — | 345,400 |
| Corporate debt securities | — | 586,998 | — | 586,998 |
| Mortgage-backed /asset-backed securities | — | 45,861 | — | 45,861 |
| Real estate | — | — | 69,347 | 69,347 |
| Securities lending collateral | — | 151,049 | — | 151,049 |
| Total plan assets at fair value | $ 322,851 | $ 1,409,106 | $ 69,347 | $ 1,801,304 |
| Securities lending payable | | | | (151,049) |
| Investments valued at NAV | | | | 17,132 |
| Cash | | | | 15,449 |
| Other | | | | (81,050) |
| Fair value of plan assets | | | | $ 1,601,786 |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | $ — | $ 4,917 | $ — | $ 4,917 |
| Equity securities | — | 265,832 | — | 265,832 |
| Commingled fixed income securities | — | 275,335 | — | 275,335 |
| Government and related securities | 292,506 | 15,764 | — | 308,270 |
| Corporate debt securities | — | 528,425 | — | 528,425 |
| Mortgage-backed /asset-backed securities | — | 51,770 | — | 51,770 |
| Real estate | — | — | 71,337 | 71,337 |
| Securities lending collateral | — | 106,886 | — | 106,886 |
| Total plan assets at fair value | $ 292,506 | $ 1,248,929 | $ 71,337 | $ 1,612,772 |
| Securities lending payable | | | | (106,886) |
| Investments valued at NAV | | | | 23,608 |
| Cash | | | | 9,409 |
| Other | | | | (51,885) |
| Fair value of plan assets | | | | $ 1,487,018 |

**(Tabular amounts in thousands, except per share amounts)**

*Foreign Plans*

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Money market funds | **$ —** | **$ 10,072** | **$ —** | **$ 10,072** |
| Equity securities | **—** | **166,683** | **—** | **166,683** |
| Commingled fixed income securities | **—** | **379,656** | **—** | **379,656** |
| Government and related securities | **—** | **46,268** | **—** | **46,268** |
| Corporate debt securities | **—** | **37,002** | **—** | **37,002** |
| Real estate | **—** | **—** | **45,275** | **45,275** |
| Diversified growth funds | — | — | **50,750** | **50,750** |
| Total plan assets at fair value | **$ —** | **$ 639,681** | **$ 96,025** | **$ 735,706** |
| Cash | | | | **6,448** |
| Other | | | | **485** |
| Fair value of plan assets | | | | **$ 742,639** |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | $ — | $ 8,734 | $ — | $ 8,734 |
| Equity securities | — | 222,554 | — | 222,554 |
| Commingled fixed income securities | — | 264,131 | — | 264,131 |
| Government and related securities | — | 43,405 | — | 43,405 |
| Corporate debt securities | — | 34,528 | — | 34,528 |
| Real estate | — | — | 45,335 | 45,335 |
| Diversified growth funds | — | — | 47,621 | 47,621 |
| Total plan assets at fair value | $ — | $ 573,352 | $ 92,956 | $ 666,308 |
| Cash | | | | 1,516 |
| Other | | | | 484 |
| Fair value of plan assets | | | | $ 668,308 |

The following information relates to our classification of investments into the fair value hierarchy:

- *Money Market Funds:* Money market funds typically invest in government securities, certificates of deposit, commercial paper and other highly liquid, low risk securities. Money market funds are principally used for overnight deposits and are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.
- *Equity Securities:* Equity securities are comprised of mutual funds investing in U.S. and foreign stocks. These mutual funds are classified as Level 2.
- *Commingled Fixed Income Securities:* Commingled fixed income securities are comprised of mutual funds that invest in a variety of fixed income securities, including securities of the U.S. government and its agencies, corporate debt, mortgage-backed securities and asset-backed securities. Fair value is based on the value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding, as reported by the fund manager. These mutual funds are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.
- *Government and Related Securities:* Debt securities are classified as Level 1 where active, high volume trades for identical securities exist. Valuation adjustments are not applied to these securities. Debt securities are classified as Level 2 where fair value is determined using quoted market prices for similar securities or benchmarking model derived prices to quoted market prices and trade data for identical or comparable securities.

(Tabular amounts in thousands, except per share amounts)

- *Corporate Debt Securities:* Corporate debt securities are valued using recently executed comparable transactions, market price quotations or bond spreads for the same maturity as the security. These securities are classified as Level 2.
- *Mortgage-Backed Securities / Asset-Backed Securities:* These securities are valued based on external pricing indices or on external price/spread data. These securities are classified as Level 2.
- *Real Estate:* include units in open-ended commingled real estate funds. Investments are valued on an annual basis by certified appraisers. Valuation techniques used to value these investments include the cost approach, sales-comparison method and the income approach. These securities are classified as Level 3.
- *Diversified Growth Funds:* comprised of units in commingled diversified growth funds that comprise a mix of different asset classes. The underlying investments may not be listed on an exchange in an active market or traded on a daily basis and may fall into all three fair value categories. Accordingly, these securities are classified as Level 3.
- *Securities Lending Fund:* represents a commingled fund through our custodian's securities lending program. The U.S. pension plan lends securities that are held within the plan to other banks and/or brokers, and receives collateral, typically cash. This collateral is invested in a commingled fund that invests in short-term fixed income securities. This investment is classified as Level 2. This amount invested in the fund is offset by a corresponding liability reflected in the U.S. pension plan's net assets available for benefits.

**Net Asset Value (NAV)**
Represents investments in private equity limited partnerships that are measured at fair value using the Net Asset Value (NAV) per share as a practical expedient and are not categorized in the fair value hierarchy. These investments were previously classified as Level 3 within the fair value hierarchy, but have been reclassified as NAV and excluded from fair value hierarchy. There is no active market for these investments and the pension plan receives a proportionate share of the gains, losses and expenses in accordance with the partnership agreements. There is a remaining unfunded commitment of $9 million at December 31, 2020. These investments comprise 1.1% and 1.6% of total U.S. Pension Fund assets at December 31, 2020 and 2019, respectively.

**Level 3 Gains and Losses**

The following table summarizes the changes in the fair value of Level 3 assets:

| | U.S. Plans | Foreign Plans | |
|---|---|---|---|
| | Real estate | Real estate | Diversified Growth Funds |
| Balance at December 31, 2018 | $ 96,877 | $ 42,143 | $ 40,766 |
| Realized gains | 14,876 | — | — |
| Unrealized losses | (12,517) | (799) | 4,954 |
| Net purchases, sales and settlements | (27,899) | 1,618 | 107 |
| Foreign currency and other | — | 2,373 | 1,794 |
| Balance at December 31, 2019 | 71,337 | 45,335 | 47,621 |
| Realized gains | **1,554** | **—** | **—** |
| Unrealized (losses) gains | **(3,360)** | **(2,134)** | **1,493** |
| Net purchases, sales and settlements | **(184)** | **1,221** | **56** |
| Foreign currency and other | **—** | **853** | **1,580** |
| Balance at December 31, 2020 | **$ 69,347** | **$ 45,275** | **$ 50,750** |

(Tabular amounts in thousands, except per share amounts)

**Postretirement Medical Benefits**

We provide certain employer subsidized health care and employer provided life insurance benefits in the U.S. and Canada to eligible retirees and their dependents. The cost of these benefits is recognized over the period the employee provides credited service to the company. The benefit obligation and funded status for postretirement medical benefit plans are as follows:

| | 2020 | 2019 |
|---|---|---|
| **Benefit obligation** | | |
| Benefit obligation - beginning of year | $ 164,104 | $ 166,476 |
| Service cost | 885 | 967 |
| Interest cost | 4,993 | 6,584 |
| Actuarial loss | 11,496 | 6,930 |
| Foreign currency changes | 340 | 674 |
| Benefits paid, net | (12,608) | (17,527) |
| Benefit obligation - end of year [1] | $ 169,210 | $ 164,104 |
| **Fair value of plan assets** | | |
| Fair value of plan assets - beginning of year | $ — | $ — |
| Company contribution | 12,608 | 17,527 |
| Benefits paid, net | (12,608) | (17,527) |
| Fair value of plan assets - end of year | $ — | $ — |
| **Amounts recognized in the Consolidated Balance Sheets** | | |
| Current liability | $ (15,372) | $ (16,132) |
| Non-current liability | (153,838) | (147,972) |
| Funded status | $ (169,210) | $ (164,104) |

(1) The benefit obligation for U.S. postretirement medical benefits plan was $153 million and $150 million at December 31, 2020 and 2019, respectively.

Pretax amounts recognized in AOCI consist of:

| | 2020 | 2019 |
|---|---|---|
| Net actuarial loss | $ 41,570 | $ 33,272 |
| Prior service cost | 129 | 502 |
| Total | $ 41,699 | $ 33,774 |

The components of net periodic benefit cost for postretirement medical benefit plans were as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Service cost | $ 885 | $ 967 | $ 1,405 |
| Interest cost | 4,993 | 6,584 | 6,640 |
| Amortization of prior service cost | 373 | 321 | 304 |
| Amortization of net actuarial loss | 3,198 | 2,026 | 3,048 |
| Curtailment | — | — | 246 |
| Net periodic benefit cost | $ 9,449 | $ 9,898 | $ 11,643 |

**(Tabular amounts in thousands, except per share amounts)**

Other changes in benefit obligation for postretirement medical benefit plans recognized in other comprehensive income were as follows:

| | **2020** | 2019 |
|---|---|---|
| Net actuarial loss (gain) | **$ 11,496** | $ 6,931 |
| Amortization of net actuarial loss | **(3,198)** | (2,026) |
| Amortization of prior service cost | **(373)** | (321) |
| Total recognized in other comprehensive income | **$ 7,925** | $ 4,584 |

The weighted-average discount rates used to determine end of year benefit obligation and net periodic pension cost include:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Discount rate used to determine benefit obligation | | | |
| U.S. | **2.35 %** | 3.20 % | 4.20 % |
| Canada | **2.50 %** | 3.00 % | 3.60 % |
| | | | |
| Discount rate used to determine net period benefit cost | | | |
| U.S. | **3.20 %** | 4.20 % | 3.55 % |
| Canada | **3.00 %** | 3.60 % | 3.35 % |

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation for the U.S. plan was 7.0% and 6.5% for 2020 and 2019, respectively. The assumed health care trend rate is 6.75% for 2021 and will gradually decline to 5.0% by the year 2028 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans.

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, are expected to be paid.

| | **Pension Benefits** | **Postretirement Medical Benefits** |
|---|---|---|
| 2021 | $ 133,588 | $ 15,332 |
| 2022 | 131,658 | 14,730 |
| 2023 | 130,138 | 14,077 |
| 2024 | 125,913 | 12,995 |
| 2025 | 126,921 | 11,948 |
| Thereafter | 611,769 | 50,774 |
| | $ 1,259,987 | $ 119,856 |

During 2021, we estimate making contributions of $6 million to our U.S. pension plans and $9 million to our foreign pension plans.

**Savings Plans**

We offer voluntary defined contribution plans to our U.S. employees designed to help them accumulate additional savings for retirement. We provide a core contribution to all employees, regardless if they participate in the plan, and match a portion of each participating employees' contribution, based on eligible pay. Total contributions to our defined contribution plans were $28 million in both 2020 and 2019.

(Tabular amounts in thousands, except per share amounts)

## *15. Income Taxes*

(Loss) income from continuing operations before taxes consisted of the following:

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| U.S. | **$ (245,323)** | $ 910 | $ 109,393 |
| International | **60,391** | 26,232 | 78,728 |
| Total | **$ (184,932)** | $ 27,142 | $ 188,121 |

The provision (benefit) for income taxes from continuing operations consisted of the following:

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| U.S. Federal: | | | |
| Current | **$ (10,582)** | $ (18,789) | $ (56,743) |
| Deferred | **6,205** | 11,577 | 61,514 |
| | **(4,377)** | (7,212) | 4,771 |
| U.S. State and Local: | | | |
| Current | **(2,569)** | (9,142) | (12,214) |
| Deferred | **4,016** | 8,043 | 866 |
| | **1,447** | (1,099) | (11,348) |
| International: | | | |
| Current | **4,993** | 9,993 | 11,308 |
| Deferred | **4,664** | (14,689) | 1,685 |
| | **9,657** | (4,696) | 12,993 |
| | | | |
| Total current | **(8,158)** | (17,938) | (57,649) |
| Total deferred | **14,885** | 4,931 | 64,065 |
| Total provision (benefit) for income taxes | **$ 6,727** | $ (13,007) | $ 6,416 |
| | | | |
| Effective tax rate | **(3.6)%** | (47.9)% | 3.4 % |

The effective tax rate for 2020 includes a $12 million charge for the surrender of company owned life insurance policies, a $5 million benefit for the correction of tax balances in certain domestic and international tax jurisdictions, a $3 million benefit due to regulations enacted into law, a $2 million benefit for the carryback of net operating losses resulting from the CARES Act and a benefit of $2 million on the $198 million goodwill impairment charge as the majority of this charge is nondeductible.

The effective tax rate for 2019 includes benefits of $23 million from the release of a foreign valuation allowance and $9 million from the resolution of certain tax examinations. The effective tax rate for 2019 also includes a tax of $3 million on the $18 million book loss from the disposition of operations in certain international markets, primarily due to nondeductible basis differences.

The effective tax rate for 2018 includes tax benefits of $37 million related to true-ups from the Tax Cuts and Jobs Act of 2017 and $17 million from the resolution of certain tax examinations.

(Tabular amounts in thousands, except per share amounts)

A reconciliation of income taxes computed at the federal statutory rate and our provision for income taxes consist of the following:

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Federal statutory provision | **$ (38,836)** | $ 5,700 | $ 39,505 |
| State and local income taxes [1] | **1,143** | (868) | 1,292 |
| Impact of foreign operations taxed at rates other than the U.S. statutory rate [2] | **(3,345)** | (18,541) | (2,483) |
| Accrual/release of uncertain tax amounts related to foreign operations | **1,802** | 191 | (4,595) |
| U.S. tax impacts of foreign income in the U.S. | **(2,300)** | 5,587 | 5,854 |
| CARES Act carryback benefit | **(1,646)** | — | — |
| Tax incentives/credits/exempt income | **(750)** | (5,437) | 3,526 |
| Unrealized stock compensation benefits | **2,312** | 2,176 | 1,941 |
| Surrender of company-owned life insurance policies | **10,313** | — | — |
| Goodwill impairment | **40,328** | — | — |
| Remeasurement of U.S. deferred taxes | **—** | — | (13,121) |
| U.S. tax on unremitted earnings | **—** | — | (23,711) |
| Other, net [3] | **(2,294)** | (1,815) | (1,792) |
| Provision (benefit) for income taxes | **$ 6,727** | $ (13,007) | $ 6,416 |

(1) Includes a charge of $2 million for the surrender of company-owned life insurance for the year ended December 31, 2020 and a benefit from the release of tax uncertainties of $9 million for the year ended December 31, 2018.

(2) Includes a benefit of $3 million for tax balance corrections and a deferred tax rate change benefit of $2 million for the year ended December 31, 2020 and a foreign valuation allowance release of $23 million and a $3 million tax on the disposition of operations in certain international markets for the year ended December 31, 2019.

(3) Includes a $2 million benefit related to tax balance corrections and a $1 million charge related to interest for the year ended December 31, 2020.

(Tabular amounts in thousands, except per share amounts)

Deferred tax liabilities and assets consisted of the following:

| | December 31, | |
|---|---|---|
| | **2020** | 2019 |
| **Deferred tax liabilities:** | | |
| Depreciation | **$ (69,900)** | $ (69,222) |
| Deferred profit (for tax purposes) on sale to finance subsidiary | **(28,101)** | (30,791) |
| Lease revenue and related depreciation | **(190,852)** | (174,083) |
| Intangible assets | **(81,816)** | (88,024) |
| Operating lease liability | **(50,071)** | (52,731) |
| Other | **(27,865)** | (24,941) |
| Gross deferred tax liabilities | **(448,605)** | (439,792) |
| | | |
| **Deferred tax assets:** | | |
| Postretirement medical benefits | **42,423** | 41,015 |
| Pension | **48,385** | 43,763 |
| Operating lease asset | **54,538** | 52,731 |
| Inventory and equipment capitalization | **2,494** | 2,735 |
| Restructuring charges | **2,022** | 2,944 |
| Long-term incentives | **12,905** | 12,929 |
| Net operating loss | **82,823** | 82,673 |
| Tax credit carry forwards | **64,070** | 64,430 |
| Tax uncertainties gross-up | **6,656** | 6,577 |
| Other | **42,079** | 38,247 |
| Gross deferred tax assets | **358,395** | 348,044 |
| Less: Valuation allowance | **(116,543)** | (110,781) |
| Net deferred tax assets | **241,852** | 237,263 |
| Total deferred taxes, net | **$ (206,753)** | $ (202,529) |

The deferred tax assets and liabilities disclosure at December 31, 2019 has been adjusted to reflect the gross deferred tax operating lease asset and related gross deferred operating lease liability recognized in accordance with ASC 842.

The valuation allowance relates primarily to certain foreign, state and local net operating loss and tax credit carryforwards that will more-likely-than-not expire unutilized.

We have net operating loss carryforwards in international jurisdictions of $179 million as of December 31, 2020, of which $157 million can be carried forward indefinitely and the remainder expire over the next 20 years. We also have net operating loss carryforwards in most states totaling $1.1 billion that will expire over the next 20 years. In addition, we have tax credit carryforwards of $64 million, of which $52 million can be carried forward indefinitely and the remainder expire over the next 12 years.

As of December 31, 2020, we assert that we are permanently reinvested in our pre-1987 and post-2017 undistributed earnings of $288 million as well as all other outside basis differences. While a determination of the full liability that would be incurred if these earnings were repatriated is not practicable, we have estimated the withholding taxes would be approximately $1 million.

**(Tabular amounts in thousands, except per share amounts)**

### Uncertain Tax Positions

A reconciliation of the amount of unrecognized tax benefits is as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance at beginning of year | **$ 60,302** | $ 71,458 | $ 89,767 |
| Increases from prior period positions | **2,147** | 510 | 88 |
| Decreases from prior period positions | **(47)** | (9,711) | (15,145) |
| Increases from current period positions | **3,472** | 5,052 | 6,001 |
| Decreases relating to settlements with tax authorities | **(12,508)** | (2,626) | (4,844) |
| Reductions from lapse of applicable statute of limitations | **(3,302)** | (4,381) | (4,409) |
| Balance at end of year | **$ 50,064** | $ 60,302 | $ 71,458 |

The amount of the unrecognized tax benefits at December 31, 2020, 2019 and 2018 that would affect the effective tax rate if recognized was $44 million, $54 million and $65 million, respectively.

On a regular basis, we conclude tax return examinations, statutes of limitations expire, and court decisions interpret tax law. We regularly assess tax uncertainties in light of these developments. As a result, it is reasonably possible that the amount of our unrecognized tax benefits will decrease in the next 12 months, and we expect this change could be up to 10% of our unrecognized tax benefits. We recognize interest and penalties related to uncertain tax positions in our provision for income taxes. Amounts included in our provision for income taxes related to interest and penalties on uncertain tax positions for each of the years ended December 31, 2020, 2019 and 2018 were not significant. We had $4 million and $3 million accrued for the payment of interest and penalties at December 31, 2020 and 2019, respectively.

### Other Tax Matters

The Internal Revenue Service examinations of our consolidated U.S. income tax returns for tax years prior to 2017 are closed to audit; however, various post-2014 U.S. state and local tax returns are still subject to examination, with some states in appeals from 2011. For our significant non-U.S. jurisdictions, Canada is closed to examination through 2014, France is closed through 2013, Germany is closed through 2016 and the U.K. is closed through 2017. We also have other less significant tax filings currently subject to examination.

We regularly assess the likelihood of tax adjustments in each of the tax jurisdictions in which we have operations and account for the related financial statement implications. We believe we have established tax reserves that are appropriate given the possibility of tax adjustments. However, determining the appropriate level of tax reserves requires judgment regarding the uncertain application of tax law and the possibility of tax adjustments. Future changes in tax reserve requirements could have a material impact, positive or negative, on our results of operations, financial position and cash flows.

## *16. Commitments and Contingencies*

In the ordinary course of business, we are routinely defendants in, or party to, a number of pending and threatened legal actions. These may involve litigation by or against us relating to, among other things, contractual rights under vendor, insurance or other contracts; intellectual property or patent rights; equipment, service, payment or other disputes with clients; or disputes with employees. Some of these actions may be brought as a purported class action on behalf of a purported class of employees, clients or others. In management's opinion, it is not reasonably possible that the potential liability, if any, that may result from these actions, either individually or collectively, will have a material effect on our financial position, results of operations or cash flows. However, as litigation is inherently unpredictable, there can be no assurances in this regard.

(Tabular amounts in thousands, except per share amounts)

## *17. Leased Assets and Liabilities*

We lease real estate and equipment under operating and finance lease agreements. Our leases have terms of up to 15 years, and may include an option to extend the lease for up to 5 years. At lease commencement, a lease liability and corresponding right-of-use asset is recognized. Lease liabilities represent the present value of future lease payments over the expected lease term, including options to extend or terminate the lease when it is reasonably certain those options will be exercised. Lease payments include all fixed payments and variable payments tied to an index, but exclude costs such as common area maintenance charges, property taxes, insurance and mileage. The present value of our lease liability is determined using our incremental borrowing rate at lease commencement. Information regarding operating and financing leases are as follows:

| Leases | Balance Sheet Location | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **Assets** | | | |
| Operating | Operating lease assets | **$ 201,916** | $ 200,752 |
| Finance | Property, plant and equipment, net | **23,973** | 10,443 |
| Total leased assets | | **$ 225,889** | $ 211,195 |
| | | | |
| **Liabilities** | | | |
| Operating | Current operating lease liabilities | **$ 39,182** | $ 36,060 |
| | Noncurrent operating lease liabilities | **180,292** | 177,711 |
| Finance | Accounts payable and accrued liabilities | **4,714** | 2,879 |
| | Other noncurrent liabilities | **18,862** | 7,927 |
| Total lease liabilities | | **$ 243,050** | $ 224,577 |

| | Years Ended December 31, | | |
|---|---|---|---|
| **Lease Cost** | **2020** | 2019 | 2018 |
| Operating lease expense | **$ 54,718** | $ 48,503 | $ 43,727 |
| Finance lease expense | | | |
| Amortization of leased assets | **3,792** | 3,372 | 2,697 |
| Interest on lease liabilities | **949** | 700 | 527 |
| Variable lease expense | **21,413** | 23,188 | 21,864 |
| Sublease income | **(979)** | (1,948) | (1,735) |
| Total expense | **$ 79,893** | $ 73,815 | $ 67,080 |

Operating lease expense includes immaterial amounts related to leases with terms of 12 months or less.

| **Future Lease Payments** | Operating Leases | Finance Leases | Total |
|---|---|---|---|
| 2021 | $ 52,010 | $ 6,206 | $ 58,216 |
| 2022 | 42,934 | 5,642 | 48,576 |
| 2023 | 35,758 | 4,899 | 40,657 |
| 2024 | 32,127 | 3,972 | 36,099 |
| 2025 | 25,471 | 2,853 | 28,324 |
| Thereafter | 91,000 | 5,074 | 96,074 |
| Total | 279,300 | 28,646 | 307,946 |
| Less: present value discount | 59,826 | 5,070 | 64,896 |
| Lease liability | $ 219,474 | $ 23,576 | $ 243,050 |

Future lease payments exclude $31 million of payments for leases signed but not yet commenced at December 31, 2020.

(Tabular amounts in thousands, except per share amounts)

| Lease Term and Discount Rate | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Weighted-average remaining lease term | | |
| Operating leases | **7.2 years** | 7.7 years |
| Finance leases | **5.6 years** | 3.9 years |
| Weighted-average discount rate | | |
| Operating leases | **7.1%** | 6.1% |
| Finance leases | **7.1%** | 6.8% |

| | Years Ended December 31, | | |
|---|---|---|---|
| Cash Flow Information | 2020 | 2019 | 2018 |
| Operating cash outflows - operating leases | **$ 52,565** | $ 44,252 | $ 40,599 |
| Operating cash outflows - finance leases | **$ 949** | $ 700 | $ 527 |
| Financing cash outflows - finance leases | **$ 4,223** | $ 3,096 | $ 2,564 |
| | | | |
| Leased assets obtained in exchange for new lease obligations | | | |
| Operating leases | **$ 38,641** | $ 87,160 | $ 36,260 |
| Finance leases | **$ 17,741** | $ 4,072 | $ 5,715 |

## *18. Stockholders' Equity*

*Common and Treasury Stock*

The following table summarizes the changes in shares of Common Stock outstanding and Treasury Stock:

| | Common Stock Outstanding | Treasury Stock |
|---|---|---|
| Balance at December 31, 2017 | 186,603,738 | 136,734,174 |
| Issuance of common stock | 1,043,809 | (1,043,809) |
| Conversions to common stock | 27,535 | (27,535) |
| Balance at December 31, 2018 | 187,675,082 | 135,662,830 |
| Repurchases of common stock | (18,595,315) | 18,595,315 |
| Issuance of common stock | 1,276,797 | (1,276,797) |
| Conversions to common stock | 92,379 | (92,379) |
| Balance at December 31, 2019 | 170,448,943 | 152,888,969 |
| Issuance of common stock | **1,526,245** | **(1,526,245)** |
| Balance at December 31, 2020 | **171,975,188** | **151,362,724** |

At December 31, 2020, 41,956,401 shares were reserved for issuance under our stock plans and dividend reinvestment program.

(Tabular amounts in thousands, except per share amounts)

## *19. Accumulated Other Comprehensive Loss*

Reclassifications out of accumulated other comprehensive loss were as follows:

| | Gain (Loss) Reclassified from AOCL (a) | | |
|---|---|---|---|
| | Years Ended December 31, | | |
| | **2020** | 2019 | 2018 |
| **Cash flow hedges** | | | |
| Revenue | **$ (161)** | $ 72 | $ 11 |
| Cost of sales | **11** | 104 | 51 |
| Interest expense | **—** | — | (1,183) |
| Loss on extinguishment of debt | **—** | — | (1,267) |
| Total before tax | **(150)** | 176 | (2,388) |
| Tax (benefit) provision | **(37)** | 44 | (941) |
| Net of tax | **$ (113)** | $ 132 | $ (1,447) |
| | | | |
| **Available for sale securities** | | | |
| Financing revenue | **$ 10,124** | $ 1,079 | $ 3,244 |
| Selling, general and administrative expense | **231** | — | — |
| Total before tax | **10,355** | 1,079 | 3,244 |
| Tax provision | **2,589** | 270 | 821 |
| Net of tax | **$ 7,766** | $ 809 | $ 2,423 |
| | | | |
| **Pension and Postretirement Benefit Plans (b)** | | | |
| Transition asset | **$ 4** | $ 6 | $ 7 |
| Prior service costs | **(558)** | (504) | (173) |
| Actuarial losses | **(43,530)** | (34,509) | (41,610) |
| Settlement | **(6,424)** | (2,778) | (44,898) |
| Total before tax | **(50,508)** | (37,785) | (86,674) |
| Tax benefit | **(11,930)** | (9,497) | (21,675) |
| Net of tax | **$ (38,578)** | $ (28,288) | $ (64,999) |

(a) Amounts in parentheses indicate reductions to income and increases to other comprehensive income.

(b) Reclassified from accumulated other comprehensive loss to other components of net pension and postretirement cost. These amounts are included in net periodic costs for defined benefit pension plans and postretirement medical benefit plans (see Note 14 for additional details).

(Tabular amounts in thousands, except per share amounts)

Changes in accumulated other comprehensive loss, net of tax, were as follows:

| | Cash flow hedges | Available-for-sale securities | Pension and postretirement benefit plans | Foreign currency adjustments | Total |
|---|---|---|---|---|---|
| Balance at December 31, 2017 | $ (406) | $ 1,597 | $ (748,800) | $ (47,331) | $ (794,940) |
| Cumulative effect of accounting change | (87) | 344 | (116,490) | — | (116,233) |
| Restated balance at December 31, 2017 | (493) | 1,941 | (865,290) | (47,331) | (911,173) |
| Other comprehensive loss before reclassifications | (763) | (2,579) | (46,170) | (52,299) | (101,811) |
| Amounts reclassified from accumulated other comprehensive loss | 1,447 | (2,423) | 64,999 | — | 64,023 |
| Net other comprehensive income (loss) | 684 | (5,002) | 18,829 | (52,299) | (37,788) |
| Balance at December 31, 2018 | 191 | (3,061) | (846,461) | (99,630) | (948,961) |
| Other comprehensive income (loss) before reclassifications | 278 | 6,719 | (845) | 75,319 | 81,471 |
| Amounts reclassified from accumulated other comprehensive loss | (132) | (809) | 28,288 | — | 27,347 |
| Net other comprehensive income (loss) | 146 | 5,910 | 27,443 | 75,319 | 108,818 |
| Balance at December 31, 2019 | 337 | 2,849 | (819,018) | (24,311) | (840,143) |
| Other comprehensive (loss) income before reclassifications | **(1,861)** | **5,319** | **(70,623)** | **37,252** | **(29,913)** |
| Amounts reclassified from accumulated other comprehensive loss | **113** | **(7,766)** | **38,578** | **—** | **30,925** |
| Net other comprehensive (loss) income | **(1,748)** | **(2,447)** | **(32,045)** | **37,252** | **1,012** |
| Balance at December 31, 2020 | **$ (1,411)** | **$ 402** | **$ (851,063)** | **$ 12,941** | **$ (839,131)** |

## *20. Stock-Based Compensation Plans*

We typically grant restricted stock units, non-qualified stock options and performance stock units to eligible employees. All stock-based awards are approved by the Executive Compensation Committee of the Board of Directors. We settle stock awards with treasury shares. At December 31, 2020, there were 20,581,676 shares available for future grants.

*Restricted Stock Units*

Restricted stock units (RSUs) typically vest ratably over a three-year service period and entitle the holder to shares of common stock as the units vest. The following table summarizes information about RSUs:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Shares** | **Weighted average fair value** | Shares | Weighted average fair value |
| Outstanding - beginning of the year | **4,480,847** | **$ 9.51** | 3,228,339 | $ 13.33 |
| Granted | **4,123,544** | **3.92** | 3,113,886 | 6.56 |
| Vested | **(1,486,371)** | **9.65** | (1,360,219) | 11.90 |
| Forfeited | **(557,648)** | **5.06** | (501,159) | 8.71 |
| Outstanding - end of the year | **6,560,372** | **$ 6.27** | 4,480,847 | $ 9.51 |

The fair value of RSUs is determined based on the stock price on the grant date less the present value of expected dividends. At December 31, 2020, there was $10 million of unrecognized compensation cost related to RSUs that is expected to be recognized over a weighted-average period of 1.6 years. The intrinsic value of RSUs outstanding at December 31, 2020 was $40 million. The fair value of RSUs vested during 2020, 2019 and 2018 was $6 million, $8 million and $11 million, respectively. During 2018, we granted 1,754,098 RSUs at a weighted average fair value of $12.36.

In 2020 and 2019, we granted 282,131 and 155,709 RSUs, respectively, to non-employee directors. These RSUs vest one year from the grant date.

(Tabular amounts in thousands, except per share amounts)

*Performance Stock Units*

Performance stock units (PSUs) are stock awards where the number of shares ultimately received by the employee is conditional upon the attainment of certain performance targets and total shareholder return relative to peer companies. PSUs vest at the end of a three-year service period and the actual number of shares awarded may range from 0% to 200% of the target award. The final determination of the number of shares to be issued is made by the Board of Directors, who may reduce, but not increase, the number of shares to be awarded (negative discretion). PSUs are accounted for as variable awards until the end of the service period when the grant date is established.

The following table summarizes share information about PSUs:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Shares** | **Weighted average grant date fair value** | Shares | Weighted average grant date fair value |
| Outstanding - beginning of the year | **2,778,362** | **$ 10.09** | 1,653,004 | $ 13.08 |
| Granted | **—** | **—** | 1,368,182 | 6.60 |
| Vested | **(303,460)** | **4.00** | — | — |
| Forfeited | **(744,900)** | **11.57** | (242,824) | 9.65 |
| Outstanding - end of the year | **1,730,002** | **$ 9.31** | 2,778,362 | $ 10.09 |

Share-based compensation expense for PSUs is recognized ratably over the service period based on the number shares expected to be awarded and the fair value of an award. The fair value of PSUs is determined using a Monte Carlo simulation model. Due to the variability of these awards, significant fluctuations in share-based compensation expense for PSUs recognized from one period to the next are possible. During 2018, we granted 733,148 PSUs at a weighted average grant date fair value of $12.64.

*Stock Options*

Stock options are granted at an exercise price equal to or greater than the stock price of our common stock on the grant date. Options vest ratably over three years and expire ten years from the grant date. At December 31, 2020, there was $2 million of unrecognized compensation cost related to stock options that is expected to be recognized over a weighted-average period of 1.5 years. The intrinsic value of options outstanding at December 31, 2020 was $5 million and the intrinsic value of options exercisable was not significant.

The following table summarizes information about stock option activity:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Shares** | **Per share weighted average exercise prices** | Shares | Per share weighted average exercise prices |
| Options outstanding - beginning of the year | **12,822,684** | **$ 14.08** | 13,593,156 | $ 15.30 |
| Granted | **2,801,982** | **3.98** | 869,297 | 6.57 |
| Exercised | **(33,501)** | **6.82** | — | — |
| Canceled | **(1,653,126)** | **10.09** | (533,921) | 11.06 |
| Expired | **(1,123,674)** | **22.09** | (1,105,848) | 24.75 |
| Options outstanding - end of the year | **12,814,365** | **$ 11.81** | 12,822,684 | $ 14.08 |
| Options exercisable - end of the year | **7,027,974** | **$ 16.76** | 7,288,614 | $ 18.49 |

There were no stock option exercises in 2018.

(Tabular amounts in thousands, except per share amounts)

The following table provides additional information about stock options outstanding and exercisable at December 31, 2020:

| | Options Outstanding | | | Options Exercisable | | |
|---|---|---|---|---|---|---|
| Range of per share exercise prices | Shares | Per share weighted-average exercise price | Weighted-average remaining contractual life | Shares | Per share weighted-average exercise price | Weighted-average remaining contractual life |
| $3.98 - $12.64 | 6,762,415 | $ 6.57 | 8.2 years | 976,024 | $ 11.26 | 7.3 years |
| $13.11 - $17.20 | 4,242,651 | $ 14.75 | 5.2 years | 4,242,651 | $ 14.75 | 5.1 years |
| $19.45 - $26.07 | 1,809,299 | $ 24.43 | 1.0 year | 1,809,299 | $ 24.43 | 1.1 years |
| | 12,814,365 | $ 11.81 | 6.2 years | 7,027,974 | $ 16.76 | 4.4 years |

The fair value of stock options is determined using a Black-Scholes valuation model and requires assumptions be made regarding the expected stock price volatility, risk-free interest rate, life of the award and dividend yield. The expected stock price volatility is based on historical price changes of our stock. The risk-free interest rate is based on U.S. Treasuries with a term equal to the expected life of the award. The expected life of the award and expected dividend yield are based on historical experience.

The following table lists the weighted average of assumptions used to calculate the fair value of stock options granted:

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Expected dividend yield | **5.0 %** | 3.0 % | 9.9 % |
| Expected stock price volatility | **43.0 %** | 41.5 % | 37.8 % |
| Risk-free interest rate | **1.5 %** | 2.5 % | 2.8 % |
| Expected life | **7 years** | 5 years | 7 years |
| Weighted-average fair value per option granted | **$3.98** | $1.98 | $1.26 |
| Fair value of options granted | **$11,152** | $1,722 | $6,229 |

*Employee Stock Purchase Plan (ESPP)*

We maintain a non-compensatory ESPP that enables substantially all U.S. and Canadian employees to purchase shares of our common stock at an offering price of 95% of the average market price on the offering date. At no time will the exercise price be less than the lowest price permitted under Section 423 of the Internal Revenue Code. Employees purchased 291,540 shares and 258,838 shares in 2020 and 2019, respectively. We have reserved 2,001,626 common shares for future purchase under the ESPP.

(Tabular amounts in thousands, except per share amounts)

## *21. Quarterly Financial Data (unaudited)*

| 2020 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total |
|---|---|---|---|---|---|
| Revenue | $ 796,268 | $ 837,492 | $ 891,898 | $ 1,028,417 | $ 3,554,075 |
| Cost of revenue | 502,891 | 565,296 | 608,191 | 729,845 | 2,406,223 |
| Operating expenses | 521,954 | 255,477 | 272,380 | 282,973 | 1,332,784 |
| (Loss) income from continuing operations before income taxes | (228,577) | 16,719 | 11,327 | 15,599 | (184,932) |
| (Benefit) provision for income taxes | (10,030) | 17,016 | 554 | (813) | 6,727 |
| (Loss) income from continuing operations | (218,547) | (297) | 10,773 | 16,412 | (191,659) |
| Income (loss) from discontinued operations | 10,064 | (3,032) | 616 | 2,467 | 10,115 |
| Net (loss) income | $ (208,483) | $ (3,329) | $ 11,389 | $ 18,879 | $ (181,544) |
| Basic (loss) earnings per share [1] | | | | | |
| Continuing operations | $ (1.28) | $ — | $ 0.06 | $ 0.10 | $ (1.12) |
| Discontinued operations | 0.06 | (0.02) | — | 0.01 | 0.06 |
| Net (loss) income | $ (1.22) | $ (0.02) | $ 0.07 | $ 0.11 | $ (1.06) |
| Diluted (loss) earnings per share [1] | | | | | |
| Continuing operations | $ (1.28) | $ — | $ 0.06 | $ 0.09 | $ (1.12) |
| Discontinued operations | 0.06 | (0.02) | — | 0.01 | 0.06 |
| Net (loss) income | $ (1.22) | $ (0.02) | $ 0.07 | $ 0.11 | $ (1.06) |

| 2019 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total |
|---|---|---|---|---|---|
| Revenue | $ 795,084 | $ 788,573 | $ 790,125 | $ 831,343 | $ 3,205,125 |
| Cost of revenues | 467,187 | 468,227 | 467,805 | 518,920 | 1,922,139 |
| Operating expenses | 322,620 | 287,312 | 341,870 | 304,042 | 1,255,844 |
| Income (loss) from continuing operations before income taxes | 5,277 | 33,034 | (19,550) | 8,381 | 27,142 |
| Provision (benefit) for income taxes | 7,820 | 3,724 | (24,895) | 344 | (13,007) |
| (Loss) income from continuing operations | (2,543) | 29,310 | 5,345 | 8,037 | 40,149 |
| (Loss) income from discontinued operations | (116) | (5,613) | (8,470) | 168,659 | 154,460 |
| Net (loss) income | $ (2,659) | $ 23,697 | $ (3,125) | $ 176,696 | $ 194,609 |
| Basic (loss) earnings per share [1]: | | | | | |
| Continuing operations | $ (0.01) | $ 0.17 | $ 0.03 | $ 0.05 | $ 0.23 |
| Discontinued operations | — | (0.03) | (0.05) | 0.99 | 0.88 |
| Net (loss) income | $ (0.01) | $ 0.13 | $ (0.02) | $ 1.04 | $ 1.10 |
| Diluted (loss) earnings per share [1]: | | | | | |
| Continuing operations | $ (0.01) | $ 0.16 | $ 0.03 | $ 0.05 | $ 0.23 |
| Discontinued operations | — | (0.03) | (0.05) | 0.98 | 0.87 |
| Net (loss) income | $ (0.01) | $ 0.13 | $ (0.02) | $ 1.03 | $ 1.10 |

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

Net income for the fourth quarter 2020 includes a tax benefit of $5 million for the correction of tax balances in certain domestic and international tax jurisdictions (see Note 15).

(Tabular amounts in thousands, except per share amounts)

In the fourth quarter 2020, we determined that certain amounts reported in our previously issued interim statements of cash flows were not properly classified or reported (see Note 1 for further details). We have determined that these adjustments were not material to the previously issued financial statements, but have provided the impact on our previously issued interim Condensed Consolidated Statements of Cash Flows for each of the year-to-date interim periods in 2020 below.

| | Three Months Ended March 31, 2020 | | |
|---|---|---|---|
| *(unaudited)* | As Previously Reported | Adjustments | As Revised |
| **Cash flows from operating activities** | | | |
| Changes in finance receivables | $ 18,843 | $ (1,071) | $ 17,772 |
| Net cash from operating activities: continuing operations | $ (28,479) | $ (1,071) | $ (29,550) |
| Net cash from operating activities | $ (66,284) | $ (1,071) | $ (67,355) |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchases of investment securities | $ (67,312) | $ (40,000) | $ (107,312) |
| Proceeds from sales/maturities of investment securities | $ 24,102 | $ 80,120 | $ 104,222 |
| Net change in short-term and other investing activities | $ 48,431 | $ (48,431) | $ — |
| Net investment in loan receivables | $ — | $ 1,071 | $ 1,071 |
| Customer deposits at the Bank | $ (888) | $ 888 | $ — |
| Other investing activities | $ (230) | $ 8,311 | $ 8,081 |
| Net cash from investing activities: continuing operations | $ (22,956) | $ 1,959 | $ (20,997) |
| Net cash from investing activities | $ (25,458) | $ 1,959 | $ (23,499) |
| | | | |
| **Cash flows from financing activities** | | | |
| Customer deposits at the Bank | $ — | $ (888) | $ (888) |
| Net cash from financing activities | $ (159,596) | $ (888) | $ (160,484) |

(Tabular amounts in thousands, except per share amounts)

| | Six Months Ended June 30, 2020 | | |
|---|---|---|---|
| *(unaudited)* | As Previously Reported | Adjustments | As Revised |
| **Cash flows from operating activities** | | | |
| Changes in finance receivables | $ 84,342 | $ (387) | $ 83,955 |
| Net cash from operating activities: continuing operations | $ 125,232 | $ (387) | $ 124,845 |
| Net cash from operating activities | $ 86,809 | $ (387) | $ 86,422 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchases of investment securities | $ (115,565) | $ (166,500) | $ (282,065) |
| Proceeds from sales/maturities of investment securities | $ 94,425 | $ 120,041 | $ 214,466 |
| Net change in short-term and other investing activities | $ (44,035) | $ 44,035 | $ — |
| Net investment in loan receivables | $ — | $ 387 | $ 387 |
| Customer deposits at the Bank | $ 22,331 | $ (22,331) | $ — |
| Other investing activities | $ (885) | $ 2,424 | $ 1,539 |
| Net cash from investing activities: continuing operations | $ (52,043) | $ (21,944) | $ (73,987) |
| Net cash from investing activities | $ (54,545) | $ (21,944) | $ (76,489) |
| | | | |
| **Cash flows from financing activities** | | | |
| Customer deposits at the Bank | $ — | $ 22,331 | $ 22,331 |
| Net cash from financing activities | $ (84,598) | $ 22,331 | $ (62,267) |

| | Nine Months Ended September 30, 2020 | | | |
|---|---|---|---|---|
| *(unaudited)* | As Previously Reported | Adjustments | Reclass | As Revised and Reclassified |
| **Cash flows from operating activities** | | | | |
| Changes in finance receivables | $ 85,593 | $ 542 | $ — | $ 86,135 |
| Net cash from operating activities: continuing operations | $ 229,047 | $ 542 | $ — | $ 229,589 |
| Net cash from operating activities | $ 190,624 | $ 542 | $ — | $ 191,166 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Purchases of investment securities | $ (392,427) | $ (198,877) | $ — | $ (591,304) |
| Proceeds from sales/maturities of investment securities | $ 241,924 | $ 259,535 | $ — | $ 501,459 |
| Net change in short-term and other investing activities | $ 68,464 | $ (68,464) | $ — | $ — |
| Net investment in loan receivables | $ — | $ (542) | $ (3,264) | $ (3,806) |
| Customer deposits at the Bank | $ 19,464 | $ (19,464) | $ — | $ — |
| Other investing activities | $ (1,511) | $ 7,806 | $ 3,264 | $ 9,559 |
| Net cash from investing activities: continuing operations | $ (93,233) | $ (20,006) | $ — | $ (113,239) |
| Net cash from investing activities | $ (95,735) | $ (20,006) | $ — | $ (115,741) |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Customer deposits at the Bank | $ — | $ 19,464 | $ — | $ 19,464 |
| Net cash from financing activities | $ (217,372) | $ 19,464 | $ — | $ (197,908) |

**PITNEY BOWES INC.**
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**
**(Dollars in thousands)**

| Description | Balance at beginning of year | Additions charged to expense | Deductions | Balance at end of year |
|---|---|---|---|---|
| **Valuation allowance for deferred tax asset** | | | | |
| 2020 | **$ 110,781** | **$ 23,150** | **$ (17,388)** | **$ 116,543** |
| 2019 | $ 142,496 | $ 5,324 | $ (37,039) | $ 110,781 |
| 2018 | $ 178,156 | $ 3,682 | $ (39,342) | $ 142,496 |

**Exhibit 4**

# DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Pitney Bowes Inc. ("Pitney Bowes", the "Company", "we", "our" or "us") has two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): our common stock, par value $1.00 per share (the "Common Stock") and our 6.70% Notes Due 2043 (the "notes"). When we refer to "Pitney Bowes", the "Company", "we", "our" and "us" in this exhibit, we mean only Pitney Bowes Inc., and not Pitney Bowes Inc. together with any of its subsidiaries, unless the context indicates or requires otherwise.

## DESCRIPTION OF COMMON STOCK

The following summary description sets forth some of the general terms and provisions of the Common Stock. Because this is a summary description, it does not contain all of the information that may be important to you. For a more detailed description of the Common Stock, you should refer to the provisions of our restated certificate of incorporation (the "certificate of incorporation") and our by-laws, as amended and restated, each of which is an exhibit to the Annual Report on Form 10-K to which this description is an exhibit.

### General

Under the certificate of incorporation, the Company is authorized to issue up to 480,000,000 shares of Common Stock with a par value of $1.00 per share, 600,000 shares of cumulative preferred stock with a par value of $50.00 per share (the "preferred stock") and 5,000,000 shares of preference stock without a par value (the "preference stock"). The shares of Common Stock currently outstanding are fully paid and nonassessable. As of January 31, 2020, there were 173,274,463 shares of Common Stock outstanding and no shares of preferred stock or preference stock outstanding. The Board of Directors has the authority to make, alter, amend or repeal the by-laws, subject to certain limitations set forth in the certificate of incorporation and the by-laws.

### No Preemptive, Redemption or Conversion Rights

The Common Stock is not redeemable, is not subject to sinking fund provisions, does not have any conversion rights and is not subject to call. Holders of shares of Common Stock have no preemptive rights to maintain their percentage of ownership in future offerings or sales of stock of the Company.

### Voting Rights

Holders of shares of Common Stock have one vote per share in all elections of directors and on all other matters submitted to a vote of stockholders of the Company. Holders of shares of Common Stock do not have cumulative voting rights.

**Board of Directors**

Our Board of Directors is not classified. Our by-laws establish that the size of the whole Board of Directors shall be not less than 3, with the exact number of directors to be fixed from time to time by a duly adopted resolution of the Board of Directors.

**No Action by Stockholder Consent**

The certificate of incorporation prohibits action that is required or permitted to be taken at any annual or special meeting of stockholders of the Company from being taken by the written consent of stockholders without a meeting.

**Power to Call Special Stockholder Meeting**

Under Delaware law, a special meeting of stockholders may be called by our Board of Directors or by any other person authorized to do so in the certificate of incorporation or by-laws. Pursuant to our by-laws, special meetings of the stockholders may be called, for any purpose or purposes, only by the Board of Directors at any time pursuant to a resolution approved by the majority of the Board of Directors.

**Advance Notice Requirements**

Our by-laws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or other business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals of these kinds must be timely given in writing to the Secretary of the Company before the meeting at which the action is to be taken. Generally, to be timely, notice of stockholder proposals generally must be delivered no later than the 90th and no earlier than the 120th day before the first anniversary of the preceding year's annual meeting. However, in the event that the date of the annual meeting is more than 30 days before or 60 days after such anniversary, notice must be delivered no earlier than the 120th day before such annual meeting and no later than the latest of (i) the 90th day before such annual meeting or (ii) if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement is first made. The notice must contain certain information specified in the by-laws.

**Dividend Rights**

Subject to the preferences applicable to any outstanding shares of preferred stock or preference stock, the holders of Common Stock are entitled to receive dividends, if any, when and as declared, from time to time, by our Board of Directors out of the assets legally available therefor.

**Liquidation, Dissolution or Similar Rights**

Subject to the preferences applicable to any outstanding shares of preferred stock or preference stock, upon the dissolution, liquidation or winding up of the Company, the remainder of the assets of the Company shall be distributed ratably among the holders of the shares of Common Stock at the time outstanding.

## DESCRIPTION OF THE NOTES

The following summary description sets forth some of the general terms and provisions of the notes. Because this is a summary description, it does not contain all of the information that may be important to you. For a more detailed description of the notes, you should refer to the provisions of the indenture dated as of February 14, 2005, as amended or supplemented from time to time (the “indenture”), between us and The Bank of New York Mellon (formerly known as The Bank of New York), as successor trustee to Citibank, N.A., as trustee (the “trustee”), which has been filed as an exhibit to our registration statement on Form S-3 (File No. 333-151753) filed with the SEC on June 18, 2008.

### General

As of January 31, 2020, there was $425 million total principal amount of the notes outstanding. We may, without the consent of the holders of the notes, issue additional senior debt securities having the same ranking and the same interest rate, maturity date and other terms as the notes. Any such additional senior debt securities, together with the notes currently outstanding, will constitute a single series of senior debt securities under the indenture.

The notes are our unsecured senior obligations and rank equally with all of our other unsubordinated debt. The notes do not constitute obligations of our subsidiaries. Creditors of our subsidiaries are entitled to a claim on the assets of those subsidiaries Consequently, in the event of a liquidation or reorganization of any subsidiary, creditors of the subsidiary are likely to be paid in full before any distribution is made to the Company and holders of notes, except to the extent that the Company is itself recognized as a creditor of such subsidiary, in which case the Company’s claims would still be subordinate to any security interests in the assets of such subsidiary and any debt of such subsidiary senior to that held by the Company.

The notes will mature at 100% of their principal amount on March 7, 2043. However, we may redeem, or may be required to repurchase, the notes prior to their maturity at a redemption or repurchase price described below under “Optional Redemption” or “Change of Control Offer”, respectively. There is no sinking fund for the notes.

The notes have been issued only in minimum denominations of $25.00 or an integral multiple of $25.00 in excess thereof.

We will not pay any additional amounts to compensate any beneficial owner of notes for any United States tax withheld from payments of principal of or premium, if any, or interest on the notes.

The notes are subject to defeasance in the manner described under the heading “Defeasance” below.

Principal and interest is payable, and transfers of the notes may be registered, at the office or offices or agency we maintain for such purposes, provided that payment of interest on the notes will be paid at such place by check mailed to the persons entitled thereto at the addresses of such persons appearing on the security register. The notes have been issued as global debt securities. For more information, please refer to “Book-Entry Delivery and Form” below. DTC will be the depositary with respect to the notes. The notes have been issued as fully-registered securities in the name of Cede & Co., DTC's nominee.

**Interest**

The notes bear interest from the most recent interest payment date (as defined below) on which we paid or provided for interest on the notes, at the rate of 6.70% per annum. We pay interest on each note quarterly in arrears on March 7, June 7, September 7 and December 7 of each year. We refer to each of these dates as an "interest payment date". We pay interest on the notes on an interest payment date to the person in whose name that note was registered at the close of business on the date that is 15 calendar days immediately preceding an interest payment date, whether or not a business day, which we refer to herein as a "regular record date". Interest on the notes is paid on the basis of a 360-day year comprised of twelve 30-day months.

In the event that an interest payment date, stated maturity date or date of earlier redemption or repurchase, as the case may be, is not a business day, we will pay interest on the next day that is a business day, with the same force and effect as if made on such interest payment date, stated maturity date or date of earlier redemption or repurchase, as the case may be, and without any interest or other payment with respect to the delay. For purposes of the notes, a "business day" is a day other than a Saturday, a Sunday or any other day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed.

**Optional Redemption**

We may redeem the notes at our option, in whole or in part in $25.00 increments, at any time or from time to time on or after March 7, 2018 at a redemption price equal to the sum of 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, on those notes to the redemption date; provided, however, that interest shall be payable on an interest payment date that falls on or before the redemption date to holders of notes on the regular record date for such interest payment date.

If we have given notice as provided in the indenture and made funds available for the redemption of any notes called for redemption on the redemption date referred to in that notice, those notes will cease to bear interest on that redemption date. We will give written notice of any redemption of any notes to holders of the notes to be redeemed at their addresses, as shown in the security register for the notes, at least 30 days and not more than 60 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, the date fixed for redemption, the redemption price and the aggregate principal amount of the notes to be redeemed.

If we choose to redeem less than all of the notes, we will notify the trustee at least 60 days before giving notice of redemption, or such shorter period as is satisfactory to the trustee, of the aggregate principal amount of the notes to be redeemed and the applicable redemption date. The trustee will select, in such manner as it shall deem appropriate and fair, the notes to be redeemed in part.

**Change of Control Offer**

If a change of control triggering event occurs, unless we have exercised our option to redeem the notes as described above under "Optional Redemption", we will be required to make an offer (the "change of control offer") to each holder of notes to repurchase all or any part (equal to a principal amount of $25.00 or an integral multiple of $25.00 in excess thereof) of that holder's notes on the terms set forth in the notes. In the change of control offer, we will be required to offer payment in cash equal to 101% of the principal amount of the notes to be repurchased plus accrued and unpaid interest, if any, on the notes to be repurchased to the date of repurchase (the "change of control payment"), subject to the rights of holders of the notes on a regular record date to receive interest due on the related interest payment date falling on or prior to the date of repurchase.

Within 30 days following any change of control triggering event or, at our option, prior to any change of control, but after public announcement of the transaction that constitutes or may constitute the change of control, we will mail a notice to holders of the notes, with a copy to the trustee, describing the transaction that constitutes or may constitute the change of control triggering event and offering to repurchase the notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "change of control payment date"). The notice, if mailed prior to the date of consummation of the change of control, will state that the offer to purchase is conditioned on the change of control triggering event occurring on or prior to the change of control payment date. In the event that such offer to purchase fails to satisfy the condition in the preceding sentence, we will cause another notice meeting the aforementioned requirements to be mailed to holders of the notes.

On the change of control payment date, we will, to the extent lawful:

- accept for payment all notes or portions of notes properly tendered pursuant to the change of control offer;
- deposit with the paying agent an amount equal to the change of control payment in respect of all notes or portions of notes properly tendered; and
- deliver or cause to be delivered to the trustee the notes properly accepted together with an officers' certificate stating the aggregate principal amount of notes or portions of notes being repurchased.

The paying agent will promptly transmit to each holder of properly tendered notes the change of control payment for the notes being repurchased, and the trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new note equal in principal amount to any unrepurchased portion, if any, of any notes surrendered; provided, that each new note will be in a principal amount of $25.00 or an integral multiple of $25.00 in excess thereof.

We will not be required to make a change of control offer upon the occurrence of a change of control triggering event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and the third party repurchases all notes properly tendered and not withdrawn under its offer. In addition, we will not repurchase any notes if there has occurred and is continuing on the change of control payment date an event of default under the indenture, other than a default in the payment of the change of control payment upon a change of control triggering event.

Upon the occurrence of a change of control triggering event, we may not have sufficient funds to repurchase the notes in the amount of the change of control payment in cash at such time. In addition, our ability to repurchase the notes for cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. The failure to make such repurchase would result in a default under the notes.

We will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a change of control triggering event. To the extent that the provisions of any such securities laws or regulations conflict with the change of control offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the change of control offer provisions of the notes by virtue of any such conflict.

For purposes of the change of control offer provisions of the notes, the following terms will be applicable:

"***Change of control***" means the occurrence of any of the following: (1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) (other than Pitney Bowes, any subsidiary or employee benefit plan of Pitney Bowes or employee benefit plan of any subsidiary of Pitney Bowes) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the voting stock of Pitney Bowes or other voting stock into which the voting stock of Pitney Bowes is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (2) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of transactions approved by the board of directors of Pitney Bowes as part of a single plan, of 85% or more of the total consolidated assets of Pitney Bowes as shown on Pitney Bowes's most recent audited balance sheet, to one or more "persons" (as that term is defined in the indenture) (other than Pitney Bowes or one of the subsidiaries of Pitney Bowes); or (3) the first day on which a majority of the members of the board of directors of Pitney Bowes are not continuing directors. Notwithstanding the foregoing, a transaction will not be deemed to involve a change of control if (1) Pitney Bowes becomes a direct or indirect wholly-owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the voting stock of such holding company immediately following that transaction are substantially the same as the holders of the voting stock of Pitney Bowes immediately prior to that transaction or (B) immediately following that transaction, no person or group (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the voting stock of such holding company.

"***Change of control triggering event***" means the occurrence of both a change of control and a rating event.

"***Continuing directors***" means, as of any date of determination, any member of the board of directors of Pitney Bowes who (1) was a member of such board of directors on the date the notes were issued or (2) was nominated for election, elected or appointed to such board of directors with the approval of a majority of the continuing directors who were members of such board of directors at the time of such nomination, election or appointment (either by a specific vote or by approval of the proxy statement of Pitney Bowes in which such member was named as a nominee for election as a director, without objection to such nomination).

"***Investment grade rating***" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, and the equivalent investment grade credit rating from any additional rating agency or rating agencies selected by Pitney Bowes.

"***Moody's***" means Moody's Investors Service, Inc., and its successors.

"***Rating agencies***" means (1) each of Moody's and S&P; and (2) if either of Moody's or S&P ceases to rate the notes or fails to make a rating of the notes publicly available, in each case for reasons outside of the control of Pitney Bowes, a "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) of the Exchange Act selected by Pitney Bowes (as certified by a resolution of the board of directors of Pitney Bowes) as a replacement agency for Moody's or S&P, or both of them, as the case may be.

"***Rating event***" means the rating on the notes is lowered by each of the rating agencies and the notes are rated below an investment grade rating by each of the rating agencies on any day within the 60-day period (which 60-day period will be extended so long as the rating of the notes is under publicly announced consideration for a possible downgrade by any of the rating agencies) after the earlier of (1) the occurrence of a change of control and (2) public notice of the occurrence of a change of control or the intention of Pitney Bowes to effect a change of control; provided, however, that a rating event otherwise arising by virtue of a particular reduction in rating will be deemed not to have occurred in respect of a particular change of control (and thus will not be deemed a rating event for purposes of the definition of change of control triggering event) if the rating agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the trustee in writing at Pitney Bowes's or its request that the reduction was the result, in whole or in part, of any event or circumstance consisting of or arising as a result of, or in respect of, the applicable change of control (whether or not the applicable change of control has occurred at the time of the rating event).

"***S&P***" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

"***Voting stock***" means, with respect to any specified "person" (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

### Certain Covenants

Set forth below are certain covenants applicable to the notes. You can find the definitions of certain terms used in this section under "Certain Covenant Definitions".

*Limitation on Liens*

So long as any of the notes remain outstanding, we will not, nor will we permit any Restricted Subsidiary to, issue, assume, guarantee or become liable for any Indebtedness if that Indebtedness is secured by a Mortgage upon any Principal Domestic Manufacturing Plant or upon any shares of stock or Indebtedness of any Restricted Subsidiary without in any such case effectively providing that the notes will be secured equally and ratably with (or prior to) that Indebtedness, except that the foregoing restrictions will not apply to:

- Mortgages on property of any corporation existing at the time that corporation is acquired by us or a Restricted Subsidiary (including by way of merger or consolidation) or at the time of a sale, lease or other disposition of all or substantially all of the properties of a corporation to us or a Restricted Subsidiary, as long as any such Mortgage is not extended to cover any property previously owned by us or a Restricted Subsidiary;
- Mortgages on property of a corporation existing at the time the corporation first becomes a Restricted Subsidiary;
- Mortgages on any property existing on the date the notes are first issued under the indenture or when we acquired that property;
- Mortgages securing any Indebtedness that a wholly-owned Restricted Subsidiary owes to us or another wholly-owned Restricted Subsidiary;
- Mortgages that we enter into within specified time periods to finance the acquisition, repair, improvement or construction of any property;
- mechanics' liens, tax liens, liens in favor of a governmental body to secure progress payments or the acquisition of real or personal property from the governmental body, and other specified liens which were not incurred in connection with any borrowing of money, as long as we are contesting those liens in good faith or those liens do not materially impair the use of any Principal Domestic Manufacturing Plant;
- Mortgages arising from any judgment, decree or order of a court in a pending proceeding;
- any extension, renewal or replacement of any of the Mortgages described above, as long as the amount of Indebtedness secured does not exceed the amount originally secured plus any fees incurred in connection with the refinancing.

Notwithstanding the above, we may issue, assume, guarantee or become liable for, and may permit any Restricted Subsidiary to issue, assume, guarantee or become liable for, secured Indebtedness which would otherwise be subject to the foregoing restrictions, provided that the total of the aggregate amount of that Indebtedness then outstanding, excluding secured Indebtedness permitted under the foregoing exceptions, together with the aggregate amount of all Attributable Debt with respect to sale and leaseback transactions, does not exceed 15% of Consolidated Net Tangible Assets.

*Limitation on Sales and Leasebacks*

We will not, nor will we permit any Restricted Subsidiary to, enter into any sale and leaseback arrangement involving a Principal Domestic Manufacturing Plant which has a term of more than three years, except for sale and leaseback arrangements between us and a wholly-owned Restricted Subsidiary or between wholly-owned Restricted Subsidiaries, unless:

- we enter into the sale and leaseback transaction within 180 days after the Principal Domestic Manufacturing Plant is acquired, constructed or placed into service by us;
- the rent that we pay under the related lease is reimbursed under a contract between us or a Restricted Subsidiary and the United States government or one of its agencies or instrumentalities;
- the aggregate amount of all Attributable Debt with respect to sale and leaseback transactions plus all Indebtedness secured by Mortgages on Principal Domestic Manufacturing Plants or upon shares of stock or Indebtedness of any Restricted Subsidiary (with the exception of secured Indebtedness which is excluded as described under "Limitation on Liens" above) does not exceed 15% of Consolidated Net Tangible Assets; or
- we apply an amount equal to, in the case of a sale or transfer for cash, the lesser of the net proceeds of the sale or transfer of the Principal Domestic Manufacturing Plant and the net book value, or, in the case of a sale or transfer otherwise than for cash, the lesser of the fair market value of the Principal Domestic Manufacturing Plant and the net book value, within 180 days of the effective date of the sale and leaseback arrangement to the retirement of our or a Restricted Subsidiary's unsubordinated Indebtedness, which may include the notes. However, we cannot satisfy this test by retiring Indebtedness that we were otherwise obligated to repay within the 180-day period.

*Consolidation, Merger or Sale of Assets*

We shall not consolidate or merge with or into any other corporation and shall not sell, lease or convey our assets as an entirety, or substantially as an entirety, to another corporation if, as a result of that action, any of our assets would become subject to a Mortgage, unless either:

- that Mortgage could be created under the indenture without equally and ratably securing the notes; or
- the notes will be secured equally and ratably with or prior to the Indebtedness secured by that Mortgage.

The indenture provides that we may consolidate with, sell, convey or lease all or substantially all of our assets to, or merge with or into, any other corporation, if:

- either we are the continuing corporation or the successor corporation is a domestic corporation and expressly assumes the due and punctual payment of the principal of and premium, if any, and interest on all the debt securities outstanding under the indenture, including the notes, according to their tenor and the due and punctual performance and observance of all of the covenants and conditions of the indenture to be performed or observed by us; and
- immediately after such merger, consolidation, sale, conveyance or lease, we or such successor corporation, as the case may be, is not in material default in the performance or observance of any such covenant or condition.

*Certain Covenant Definitions*

For purposes of the foregoing covenants applicable to the notes, the following terms will be applicable:

"***Attributable Debt***" in respect of a sale and leaseback arrangement means, at the time of determination, the lesser of:

- the sale price of the Principal Domestic Manufacturing Plant to be leased multiplied by a fraction the numerator of which is the remaining portion of the base term of the lease and the denominator of which is the base term of the lease; and
- the total rental payments under the lease discounted to present value using an interest factor determined in accordance with generally accepted financial practice. However, if we cannot readily determine that interest factor, we will use an annual rate of 11%, compounded semi-annually. We will also exclude from rental payments any amounts paid on account of property taxes, maintenance, repairs, insurance, water rates and other items which are not payments for property rights.

"***Consolidated Net Tangible Assets***" means as of any particular time, the aggregate amount of assets after deducting current liabilities, goodwill, patents, copyrights, trademarks, and other intangibles, in each case as shown on our most recent consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles.

"***Consolidated Net Worth***" means the sum of (1) the par value of our capital stock, (2) our capital in excess of par value and (3) retained earnings, in each case as shown on our most recent consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles.

"***Indebtedness***" means any notes, bonds, debentures or other similar indebtedness for money borrowed.

"***Mortgage***" means a mortgage, security interest, pledge or lien.

"***Principal Domestic Manufacturing Plant***" means any manufacturing or processing plant or warehouse (other than any plant or warehouse which, in the opinion of our board of directors, is not material to our total business), including land and fixtures, which is owned by us or a Subsidiary, located in the United States and has a gross book value (without deduction of any depreciation reserves) on the determination date of more than 1% of our Consolidated Net Worth.

"***Restricted Subsidiary***" means any Subsidiary of ours which

- is organized under the laws of the United States or any state of the United States or the District of Columbia;
- transacts all or a substantial part of its business in the United States; and
- owns a Principal Domestic Manufacturing Plant.

However, "Restricted Subsidiary" does not include Pitney Bowes Credit Corporation or any other Subsidiary which

- is primarily engaged in providing or obtaining financing for the sale or lease of products that we or our Subsidiaries sell or lease or is otherwise primarily engaged in the business of a finance company; or
- is primarily engaged in the business of owning, developing or leasing real property other than a Principal Domestic Manufacturing Plant.

"***Subsidiary***" means any corporation of which at least a majority of the outstanding voting stock is owned by us, or by us and one or more Subsidiaries, or by one or more Subsidiaries.

**Trustee, Paying Agent, Authenticating Agent and Registrar**

The Bank of New York Mellon acts as trustee for the notes, which have been issued under the indenture. From time to time, we and some of our subsidiaries maintain deposit accounts and conduct other banking transactions, including lending transactions, with the trustee in the ordinary course of business.

**Notices**

Any notices required to be given to the holders of the notes will be given to DTC.

**Governing Law**

The indenture and the notes are governed by, and will be construed in accordance with, New York law.

**Book-Entry Delivery and Form**

The notes have been issued in the form of one or more global securities that were deposited upon issuance with the trustee as custodian for DTC in New York, New York, and registered in the name of Cede & Co., DTC's nominee.

Beneficial interests in the global securities are represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct or indirect participants in DTC. Investors hold their interests in the global securities through either DTC (in the United States) or (in Europe) through Clearstream or Euroclear. Investors may hold their interests in the global securities directly if they are participants of such systems, or indirectly through organizations that are participants in these systems. Clearstream and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective U.S. depositaries, which in turn will hold these interests in customers' securities accounts in the depositaries' names on the books of DTC. Except as set forth below, the global securities may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee.

Notes represented by a global security can be exchanged for definitive securities in registered form only if:

- DTC notifies us that it is unwilling or unable to continue as depositary for that global security and we do not appoint a successor depositary within 90 days after receiving that notice;

- at any time DTC ceases to be a clearing agency registered or in good standing under the Exchange Act or other applicable law and we do not appoint a successor depositary within 90 days after becoming aware that DTC has ceased to be registered or in good standing as a clearing agency; or
- we determine that that global security will be exchangeable for definitive securities in registered form and notify the trustee of our decision.

A global security that can be exchanged as described in the preceding paragraph will be exchanged for definitive securities of the same series and terms issued in authorized denominations in registered form for the same aggregate principal amount. The definitive securities will be registered in the names of the owners of the beneficial interests in the global security as directed by DTC.

We will make principal, premium, if any, and interest payments on all notes represented by a global security to the paying agent which in turn will make payment to DTC or its nominee, as the case may be, as the sole registered owner and the sole holder of the notes represented by a global security for all purposes under the indenture. Accordingly, we, the trustee and any paying agent will have no responsibility or liability for:

- any aspect of DTC’s records relating to, or payments made on account of, beneficial ownership interests in a note represented by a global security;
- any other aspect of the relationship between DTC and its participants or the relationship between those participants, and the owners of beneficial interests in a global security held through those participants, or the maintenance, supervision or review of any of DTC’s records relating to those beneficial ownership interests.

DTC has advised us that its practice is to credit participants’ accounts on each payment date with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global security as shown on DTC’s records upon DTC’s receipt of funds and corresponding detail information. Payments by participants to owners of beneficial interests in a global security will be governed by standing instructions and customary practices, as is the case with securities held for customer accounts registered in “street name”, and will be the sole responsibility of those participants. Book-entry notes may be more difficult to pledge because of the lack of a physical note.

So long as DTC or its nominee is the registered owner of a global security, DTC or its nominee, as the case may be, will be considered the sole owner and holder of the notes represented by that global security for all purposes of the notes. Owners of beneficial interests in the notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive physical delivery of the notes in definitive form and will not be considered owners or holders of notes under the indenture. Accordingly, each person owning a beneficial interest in a global security must rely on the procedures of DTC and, if that person is not a DTC participant, on the procedures of the participant through which that person owns its interest, to exercise any rights of a holder of notes. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of the securities in certificated form. These laws may impair the ability to transfer beneficial interests in a global security. Beneficial owners may experience delays in receiving payments on their notes since payments will initially be made to DTC and must then be transferred through the chain of intermediaries to the beneficial owner's account.

We understand that, under existing industry practices, if we request holders to take any action, or if an owner of a beneficial interest in a global security desires to take any action which a holder is entitled to take under the indenture, then DTC would authorize the participants holding the relevant beneficial interests to take that action and those participants would authorize the beneficial owners owning through such participants to take that action or would otherwise act upon the instructions of beneficial owners owning through them.

Beneficial interests in a global security will be shown on, and transfers of those ownership interests will be effected only through, records maintained by DTC and its participants for that global security. The conveyance of notices and other communications by DTC to its participants and by its participants to owners of beneficial interests in the notes will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect.

Redemption notices shall be sent to DTC or its nominee, Cede & Co. If less than all of the notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in such notes to be redeemed.

A beneficial owner will be required to give notice of any option to elect to have its notes repurchased by us, through its participant, to the trustee, and will effect delivery of those notes by causing the direct participant to transfer the participant's interest in the global security representing those notes, on DTC's records, to the trustee. The requirement for physical delivery of notes in connection with a demand for repurchase will be deemed satisfied when the ownership rights in the global security representing those notes are transferred by direct participants on DTC's records.

Payments in respect of the notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information from an issuer or agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with notes held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such participant and not of DTC, the agent, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or agent, disbursement of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners will be the responsibility of direct and indirect participants.

The indenture does not limit the amount of debt securities that can be issued thereunder and provide that debt securities of any series may be issued thereunder up to the aggregate principal amount that we may authorize from time to time. The indenture does not limit the amount of other indebtedness or securities that we may issue.

The indenture requires the annual filing by the Company with the trustee of a certificate as to compliance with certain covenants contained in the indenture.

We will comply with Section 14(e) under the Exchange Act, to the extent applicable, and any other tender offer rules under the Exchange Act that may then be applicable, in connection with any obligation to purchase notes at the option of the holders thereof.

Except as described herein, there are no covenants or provisions contained in the indenture that may afford the holders of the notes protection in the event that we enter into a highly-leveraged transaction.

**Events of Default**

An Event of Default with respect to the debt securities of any series issued under the indenture, including the notes, is defined as:

- default in the payment of any installment of interest upon any of the debt securities of such series as and when the same shall become due and payable, and continuance of such default for a period of 30 days;
- default in the payment of all or any part of the principal of any of the debt securities of such series as and when the same shall become due and payable either at maturity, upon any redemption, by declaration or otherwise;
- default in the performance, or breach, of any other covenant or warranty contained in the debt securities of such series or set forth in the indenture (other than a covenant or warranty included in the indenture solely for the benefit of one or more series of debt securities other than such series) and continuance of such default or breach for a period of 90 days after due notice by the trustee or by the holders of at least 25% in principal amount of the outstanding securities of such series; or
- certain events of bankruptcy, insolvency or reorganization of the Company.

The indenture provides that the trustee shall notify the holders of debt securities of each series of any continuing default known to the trustee which has occurred with respect to such series within 90 days after the occurrence thereof. The indenture provides that, notwithstanding the foregoing, except in the case of default in the payment of the principal of, or interest, if any, on any of the debt securities of such series, the trustee may withhold such notice if the trustee in good faith determines that the withholding of such notice is in the interests of the holders of debt securities of such series.

The indenture provides that if an Event of Default with respect to any series of debt securities shall have occurred and be continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of debt securities of such series then outstanding may declare the principal amount of all debt securities of such series to be due and payable immediately, but upon certain conditions such declaration may be annulled. Any past defaults and the consequences thereof, except a default in the payment of principal of or interest, if any, on debt securities of such series, may be waived by the holders of a majority in principal amount of the debt securities of such series then outstanding.

Subject to the provisions of the indenture relating to the duties of the trustee, in case an Event of Default with respect to any series of debt securities shall occur and be continuing, the trustee shall not be under any obligation to exercise any of the trusts or powers vested in it by the indentures at the request or direction of any of the holders of such series, unless such holders shall have offered to such trustee reasonable security or indemnity. The holders of a majority in aggregate principal amount of the debt securities of each series affected and then outstanding shall have the right, subject to certain limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the trustee under the indenture or exercising any trust or power conferred on the trustee with respect to the debt securities of such series; provided that the trustee may refuse to follow any direction which is in conflict with any law or the indenture and subject to certain other limitations.

No holder of any debt security of any series will have any right under the indenture to institute any proceeding with respect to the indenture or for any remedy thereunder, unless such holder shall have previously given the trustee written notice of an Event of Default with respect to debt securities of such series and unless the holders of at least 25% in aggregate principal amount of the outstanding debt securities of such series also shall have made written request, and offered reasonable indemnity, to the trustee to institute the proceeding, and the trustee shall have failed to institute the proceeding within 60 days after its receipt of such request, and the trustee shall not have received from the holders of a majority in aggregate principal amount of the outstanding debt securities of such series a direction inconsistent with such request. However, the right of a holder of any debt security to receive payment of the principal of and interest, if any, on such debt security on or after the due dates expressed in such debt security, or to institute suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of such holder.

**Merger**

The indenture provides that the Company may consolidate with, sell, convey or lease all or substantially all of its assets to, or merge with or into, any other corporation, if:

- either the Company is the continuing corporation or the successor corporation is a domestic corporation and expressly assumes the due and punctual payment of the principal of and interest on all the debt securities outstanding under the indenture according to their tenor and the due and punctual performance and observance of all of the covenants and conditions of the indenture to be performed or observed by the Company; and
- immediately after such merger, consolidation, sale, conveyance or lease, the Company or such successor corporation, as the case may be, is not in material default in the performance or observance of any such covenant or condition.

**Satisfaction and Discharge of Indentures**

The indenture with respect to any series of debt securities—except for certain specified surviving obligations including the Company's obligation to pay the principal of and interest on the debt securities of such series—will be discharged and cancelled upon the satisfaction of certain conditions, including the payment of all the debt securities of such series or the deposit with the trustee under the indenture of cash or appropriate government obligations or a combination thereof sufficient for such payment or redemption in accordance with the indenture and the terms of the debt securities of such series.

## Modification of the Indentures

The indenture contains provisions permitting the Company and the trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the debt securities of each series at the time outstanding under the indenture affected thereby, to execute supplemental indentures adding any provisions to, or changing in any manner or eliminating any of the provisions of, the indenture or any supplemental indenture or modifying in any manner the rights of the holders of the debt securities of each such series. No such supplemental indenture, however, may:

- extend the final maturity date of any debt security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of any interest thereon, or reduce any amount payable on redemption thereof, or impair or affect the right of any holder of debt securities to institute suit for payment thereof or, if the debt securities provide therefor, any right of repayment at the option of the holders of the debt securities, without the consent of the holder of each debt security so affected;
- reduce the aforesaid percentage of debt securities of such series, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all debt securities of such series so affected; or
- reduce the amount of principal payable upon acceleration of the maturity date of any original issue discount security.

Additionally, in certain circumstances prescribed in the indenture, the Company and the trustee may execute supplemental indentures without the consent of the holders of debt securities.

## Defeasance

The indenture provides, if such provision is made applicable to the debt securities of any series, that the Company may elect to terminate, and be deemed to have satisfied and to be discharged from, all its obligations with respect to such series of debt securities— except for the obligations to register the transfer or exchange of such debt securities, to replace mutilated, destroyed, lost or stolen debt securities, to maintain an office or agency in respect of such debt securities, to compensate and indemnify the trustee and to pay or cause to be paid the principal of, and interest, if any, on all debt securities of such series when due—upon the deposit with the trustee, in trust for such purpose, of funds or government obligations which through the payment of principal and interest in accordance with their terms will provide funds in an amount sufficient, in the opinion of a nationally recognized independent registered public accounting firm, to pay the principal of and premium and interest, if any, on the outstanding debt securities of such series, and any mandatory sinking fund or analogous payments thereon, on the scheduled due dates therefor. We call this termination, satisfaction and discharge "defeasance." Such a trust may be established only if, among other things:

- the Company has delivered to the trustee an opinion of counsel with regard to certain matters, including an opinion to the effect that the holders of such debt securities will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and discharge and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred, and which opinion of counsel must be based upon:

  - a ruling of the U.S. Internal Revenue Service to the same effect; or
  - a change in applicable U.S. federal income tax law after the date of the indenture such that a ruling is no longer required;

- no Event of Default shall have occurred or be continuing; and
- such deposit shall not result in a breach or violation of, or constitute a default under the indenture or any other material agreement or instrument to which the Company is a party or by which the Company is bound.

**Exhibit 21**

**PITNEY BOWES INC.**
**SUBSIDIARIES OF REGISTRANT**

The Registrant, Pitney Bowes Inc., a Delaware Corporation, has no parent
The following are subsidiaries of the Registrant
(as of December 31, 2020)

| Subsidiary Name | Country or state of incorporation |
|---|---|
| AtLast Holdings Inc. | Colorado |
| B. Williams Funding Corp. | Delaware |
| Borderfree Limited | Ireland |
| Borderfree Research and Development Ltd. | Israel |
| Borderfree Trading (Shanghai) Co., Ltd. | China |
| Borderfree UK Limited | United Kingdom |
| Borderfree, Inc. | Delaware |
| Enroute Systems Corporation | Deleware |
| FSL Holdings Inc. | Connecticut |
| FSL Risk Managers Inc. | New York |
| Harvey Company, L.L.C | Delaware |
| Intreprinderea Cu Capital Strain "Tacit Knowledge" S.R.L. | Republic of Moldova |
| JJG Commercial Services Ltd | Ireland |
| MCGW Technology Development Private Limited | India |
| Mount Verde Insurance Company, Inc. | Vermont |
| Newgistics, Inc. | Delaware |
| NGS Holdings, Inc. | Delaware |
| NGS Intermediate Holdings, Inc. | Delaware |
| OldEurope Limited | United Kingdom |
| OldMS Limited | United Kingdom |
| PB Equipment Management Inc. | Delaware |
| PB European UK LLC | Delaware |
| PB Nova Scotia Holdings ULC | Canada |
| PB Nova Scotia II ULC | Canada |
| PB Nova Scotia VI ULC | Canada |
| PB Nova Scotia VII ULC | Canada |
| PB Professional Services Inc. | Delaware |
| PB Wilmington USlux, LLC | Delaware |
| PB Worldwide Inc, | Delaware |
| Pitney Bowes (Asia Pacific) Pte. Ltd | Singapore |
| Pitney Bowes Australia FAS Pty Limited | Australia |
| Pitney Bowes Australia Pty Limited | Australia |
| Pitney Bowes Brasil Equipamentos e Servicos Ltda | Brazil |
| Pitney Bowes Canada II LP | Canada |
| Pitney Bowes Deutschland GmbH | Germany |
| Pitney Bowes Finance Ireland Limited | Ireland |
| Pitney Bowes Finance Limited | United Kingdom |
| Pitney Bowes Funding SRL | Barbados |
| Pitney Bowes Global Financial Services LLC | Delaware |
| Pitney Bowes Global Limited | United Kingdom |

| | |
|---|---|
| Pitney Bowes Global LLC | Delaware |
| Pitney Bowes Holdco Limited | United Kingdom |
| Pitney Bowes Holding SNC | France |
| Pitney Bowes Holdings Limited | United Kingdom |
| Pitney Bowes India Private Limited | India |
| Pitney Bowes International Finance Limited | United Kingdom |
| Pitney Bowes International Holdings, Inc. | Delaware |
| Pitney Bowes Ireland Limited | Ireland |
| Pitney Bowes Japan K.K. | Japan |
| Pitney Bowes Limited | United Kingdom |
| Pitney Bowes Luxembourg Holding II S.a.r.l. | Luxembourg |
| Pitney Bowes Luxembourg Holding S.a.r.l. | Luxembourg |
| Pitney Bowes New Zealand Limited | New Zealand |
| Pitney Bowes Nova Scotia ULC | Canada |
| Pitney Bowes of Canada Ltd. - Pitney Bowes du Canada Ltee | Canada |
| Pitney Bowes PayCo Australia PTY LTD | Australia |
| Pitney Bowes PayCo Canada Ltd. | Canada |
| Pitney Bowes PayCo EMR Limited | United Arab Emirates |
| Pitney Bowes PayCo Holdings Limited | Ireland |
| Pitney Bowes PayCo Hong Kong Limited | Hong Kong |
| Pitney Bowes PayCo Japan KK | Japan |
| Pitney Bowes PayCo Korea Ltd | South Korea |
| Pitney Bowes PayCo Mexico, S. DE R.L. DE C.V. | Mexico |
| Pitney Bowes PayCo Singapore Pte Ltd | Singapore |
| Pitney Bowes PayCo Switzerland GmbH | Switzerland |
| Pitney Bowes PayCo UK Limited | United Kingdom |
| Pitney Bowes PayCo US Inc. | Delaware |
| Pitney Bowes Polska Sp. z.o.o. | Poland |
| Pitney Bowes Presort Services, Inc. | Delaware |
| Pitney Bowes Puerto Rico, Inc. | Puerto Rico |
| Pitney Bowes SAS | France |
| Pitney Bowes Shelton Realty LLC | Connecticut |
| Pitney Bowes Software Pty Ltd | Australia |
| Pitney Bowes UK Funding Limited | United Kingdom |
| Pitney Bowes UK LP | United Kingdom |
| Tacit Knowledge Latin America, S. de R.L de C.V. | Mexico |
| Tacit Knowledge Ltd. | United Kingdom |
| Tacit Knowledge Singapore PTE. LTD. | Singapore |
| Tacit Knowledge, Inc. | California |
| The Pitney Bowes Bank, Inc. | Utah |
| Wheeler Financial from Pitney Bowes Inc. | Delaware |
| Wheeler Insurance, Ltd. | Vermont |

**EXHIBIT 23**

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-224833, 333-190308, 333-145527, 333-132592, 333-132591, 333-132590, 333-132589, 333-66735, 333-05731 and 333-231313) and on Form S-3 (Nos. 333-216744, 333-198756) of Pitney Bowes Inc. of our report dated February 19, 2021 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Stamford, Connecticut
February 19, 2021

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**

**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marc B. Lautenbach, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pitney Bowes Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2021

/s/ Marc B. Lautenbach
Marc B. Lautenbach
President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**

**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ana Maria Chadwick, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pitney Bowes Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2021

/s/ Ana Maria Chadwick

Ana Maria Chadwick
Executive Vice President and Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Pitney Bowes Inc. (the "Company") on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc B. Lautenbach, President and Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marc B. Lautenbach

Marc B. Lautenbach
President and Chief Executive Officer

Date: February 19, 2021

The foregoing certification is being furnished solely to accompany this report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company.

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Pitney Bowes Inc. (the "Company") on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ana Maria Chadwick, Executive Vice President and Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ana Maria Chadwick

Ana Maria Chadwick
Executive Vice President and Chief Financial Officer

Date: February 19, 2021

The foregoing certification is being furnished solely to accompany this report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company.