pitney bowes

# Pitney Bowes

## Barclays High Yield Bond And Syndicated Loan Conference

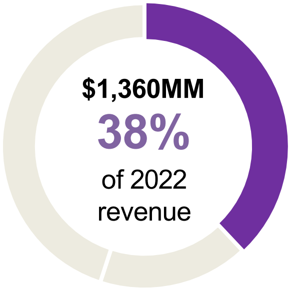
May 24, 2023

# Forward Looking Statements

*This document contains “forward-looking statements” about the Company’s expected or potential future business and financial performance. Forward-looking statements include, but are not limited to, statements about future revenue and earnings guidance and future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. While conditions related to the COVID-19 pandemic have improved, the pandemic continues to be dynamic, and near-term challenges across the economy remain and the effects that they may have on our, and our clients' businesses remain uncertain. Other factors which could cause future financial performance to differ materially from expectations include, without limitation, declining physical mail volumes; changes in postal regulations or the operations and financial health of posts in the U.S. or other major markets or changes to the broader postal or shipping markets; our ability to continue to grow and manage unexpected fluctuations in volumes, gain additional economies of scale and improve profitability within our Global Ecommerce segment; the loss of some of our larger clients in our Global Ecommerce and Presort Services segments; the loss of, or significant changes to, United States Postal Service (USPS) commercial programs, or our contractual relationships with the USPS or their performance under those contracts; the impacts of inflation and rising prices, higher interest rates and a slow-down in economic activity, including a global recession, to the company, our clients and retail consumers; and other factors as more fully outlined in the Company's 2022 Form 10-K Annual Report and other reports filed with the Securities and Exchange Commission during 2023. Pitney Bowes assumes no obligation to update any forward-looking statements contained in this document as a result of new information, events or developments.*

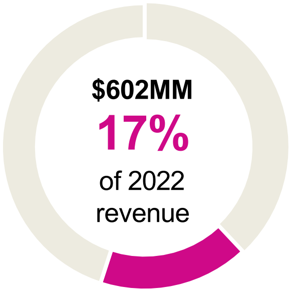
# Pitney Bowes provides technology, logistics, and financial services to businesses of all sizes

## SendTech
Digital and physical: Shipping / mail / analytics



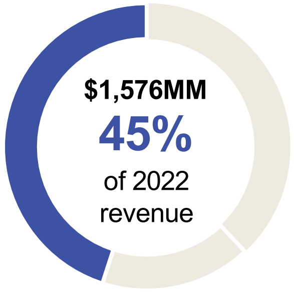

- **#1** global mailing and shipping hardware device provider
- **65-70%** recurring revenue
- **900K+** sending devices and SaaS solutions with **150K+ paid SaaS subscribers**
- **600K+** clients with **~90%** retention rate
- Growth initiatives increasing at **20%+** annually

## Presort services
Commingled: First Class Letter, Marketing Mail, and Flats




- **#1** workshare partner of the USPS
- **16BN** pieces of mail processed in 2022
- Volumes grew at **19% CAGR since 2008 vs. (39%) CAGR for USPS** total mail volumes
- **2,500+** clients across diversified verticals

## Global Ecommerce (GEC)
Domestic and cross-border parcel and technology services




- Platform **purpose-built** for Business-to- Consumer **(B2C) ecommerce**
- **~200MM** parcel volume exit rate in 2022
- **16** integrated national shipping hubs
- **600+** clients, incl. leading retailers and brands
- **~$45BN** current TAM with projected **14% CAGR** (2022–2026)[1]

**Our segments are squarely focused on simplifying the complexity of mailing and shipping, often accompanied by supporting financing offerings**

Note: TAM stands for 'Total Addressable Market'. [1]As perPitney Bowes Market Intelligence (2023), represents Domestic Parcel, Cross-Border, Digital, and Fulfillment market TAM.

# SendTech is a global technology solutions provider that simplifies shipping and mailing and is the leader in capturing postage market spend worldwide

## Unrivalled end-to-end mailing and shipping value proposition


## Key segment highlights

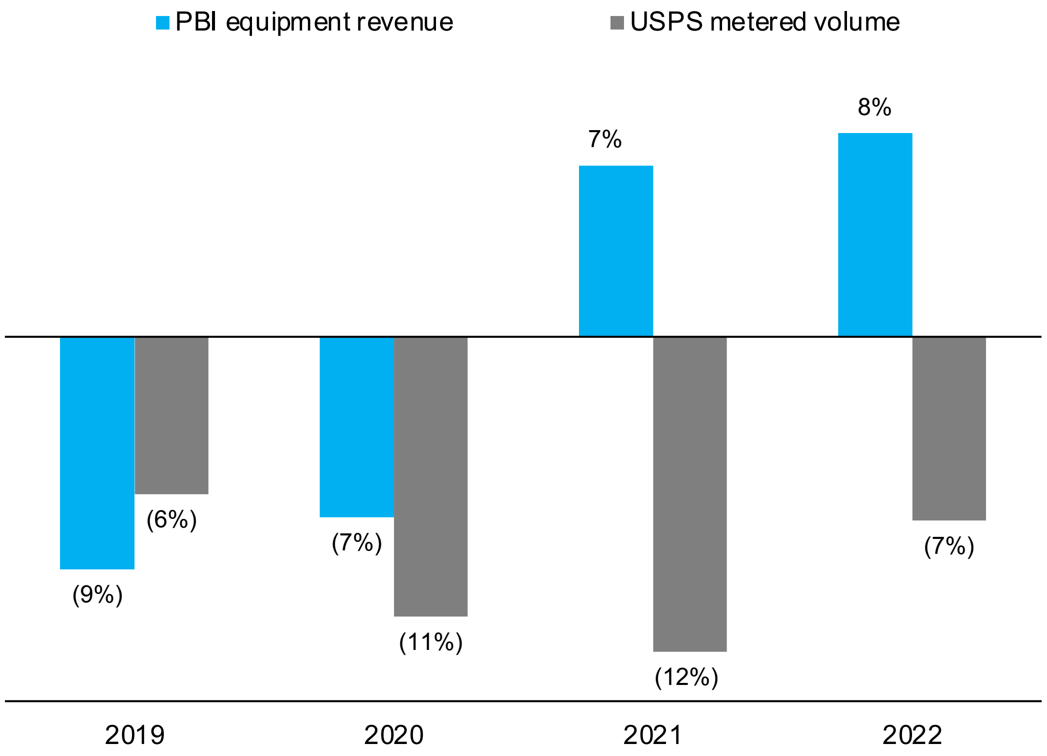
- ✓ **#1 global sending devices market provider**
- ✓ **Market leader in capturing U.S. metered postage spend with 65-70% recurring revenue**
- ✓ **900K+ sending devices and SaaS solutions with 150K+ paid SaaS subscribers**
- ✓ **600K+ SendTech clients including large enterprises, Government and Fortune 500 companies**
- ✓ **8+ years average customer relationship and ~90% retention rate**
- ✓ **80%+ of transactions generated through tele / web sales channel**
- ✓ **$1.2BN finance receivables portfolio**

**SendTech is a proven, high-margin and recurring revenue business with a durable client base and adjacent growth opportunity in shipping**

# SendTech's successful repositioning has fueled its profitable growth, despite declines in the traditional mailing industry

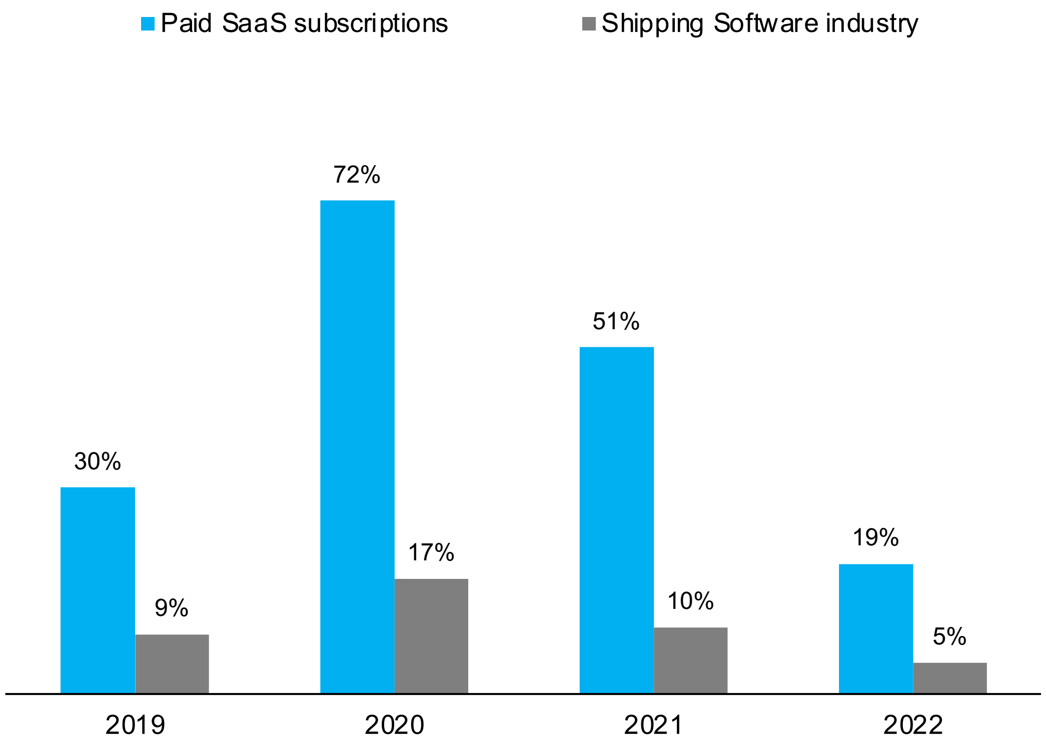
## Product refresh has provided stability to our mailing portfolio

*YoY growth %*




## Our SaaS offerings drive consistent above-market growth

*YoY growth %*




**4%**
YoY '22 growth
in finance receivables

**45+**
Product launches
since 2019

**150k+**
Paid SaaS cloud users

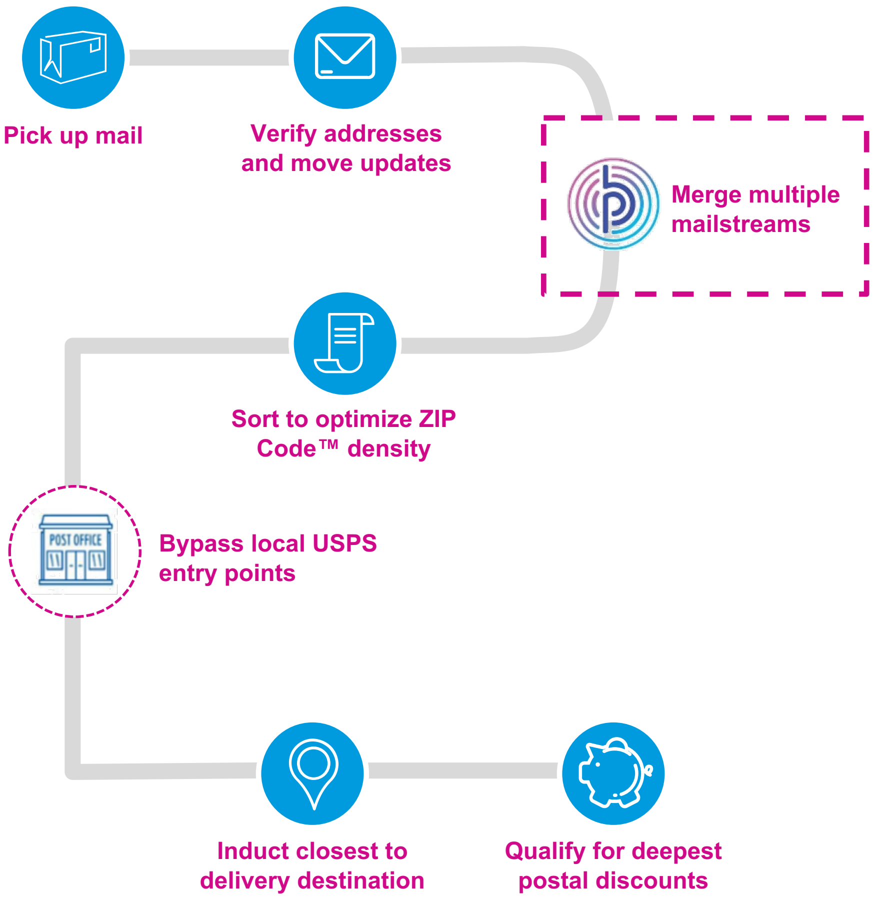
**~2.5x**
Above market growth
in shipping software sales

**~500bps**
Reduction in SG&A
as % of sales between '17-22

Source: USPS; Pitney Bowes Market Intelligence, Colography Group

# Our Presort segment is the largest USPS workshare partner and the only national outsourced mail network

## Maximize mailing speed and density by zip code to minimize cost



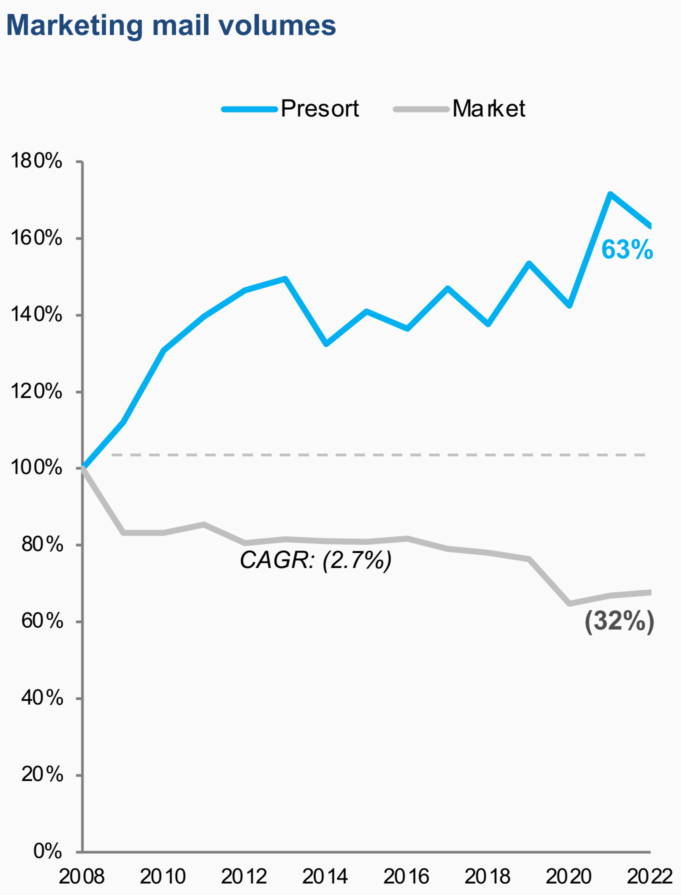

## Key segment highlights

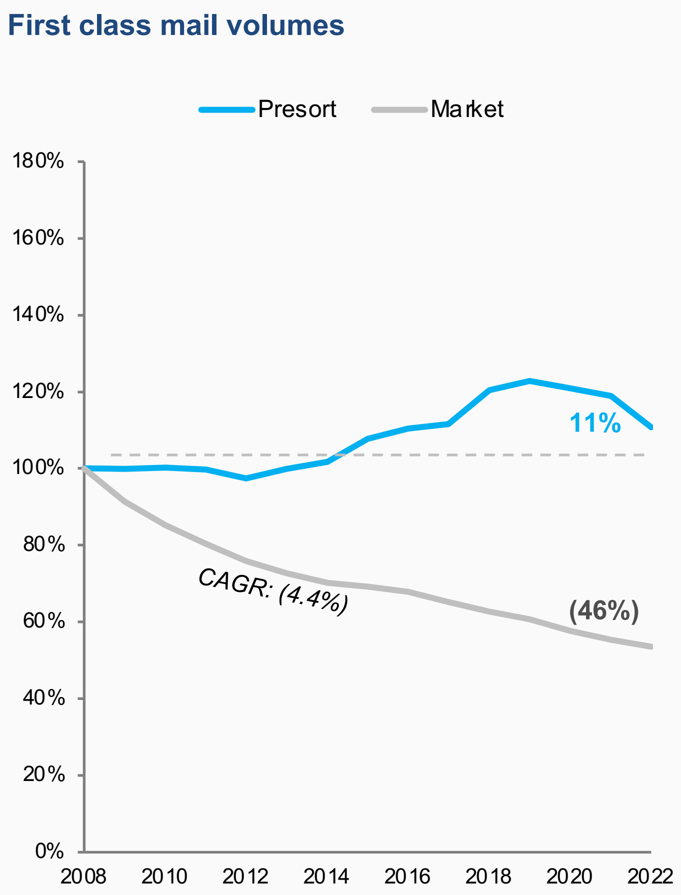
- ✓ #1 workshare partner of the USPS
- ✓ Only national network with 35 sortation facilities
- ✓ 16BN pieces of mail processed in 2022 with volumes maintained in the face of overall mail volume declines
- ✓ 2,500+ clients across resilient verticals
- ✓ Simplifies USPS compliance process

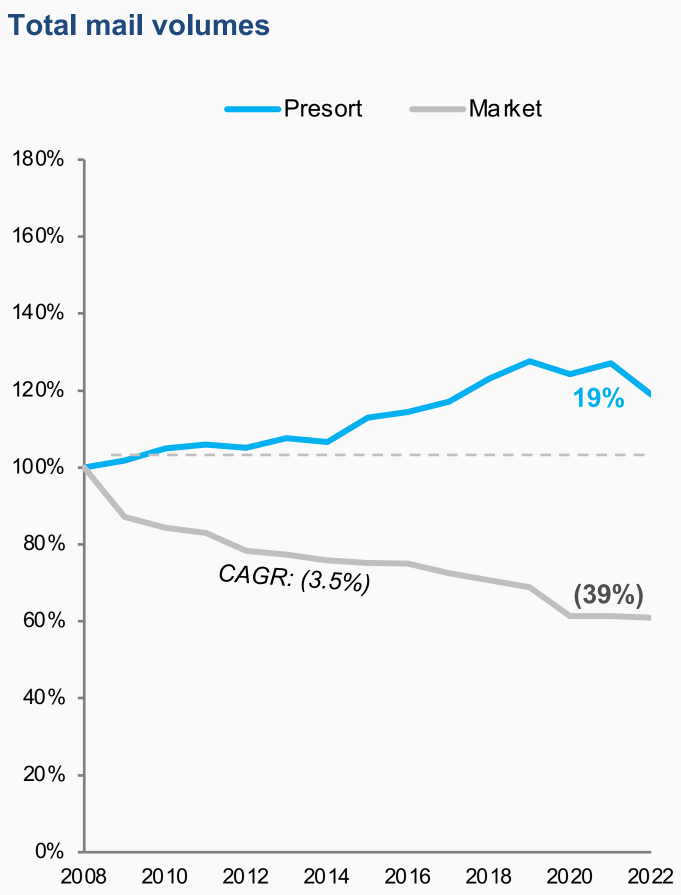
**Presort revenues have grown in 9 of the last 10 years despite secular headwinds (2020 was the only declining year due to COVID-driven impact), underlining the strength and resiliency of our national network**

# Market leading position in Presort with growing revenue base despite secular challenges

## Pitney Bowes Presort vs. USPS mail volumes since 2008 (rebased to 100)



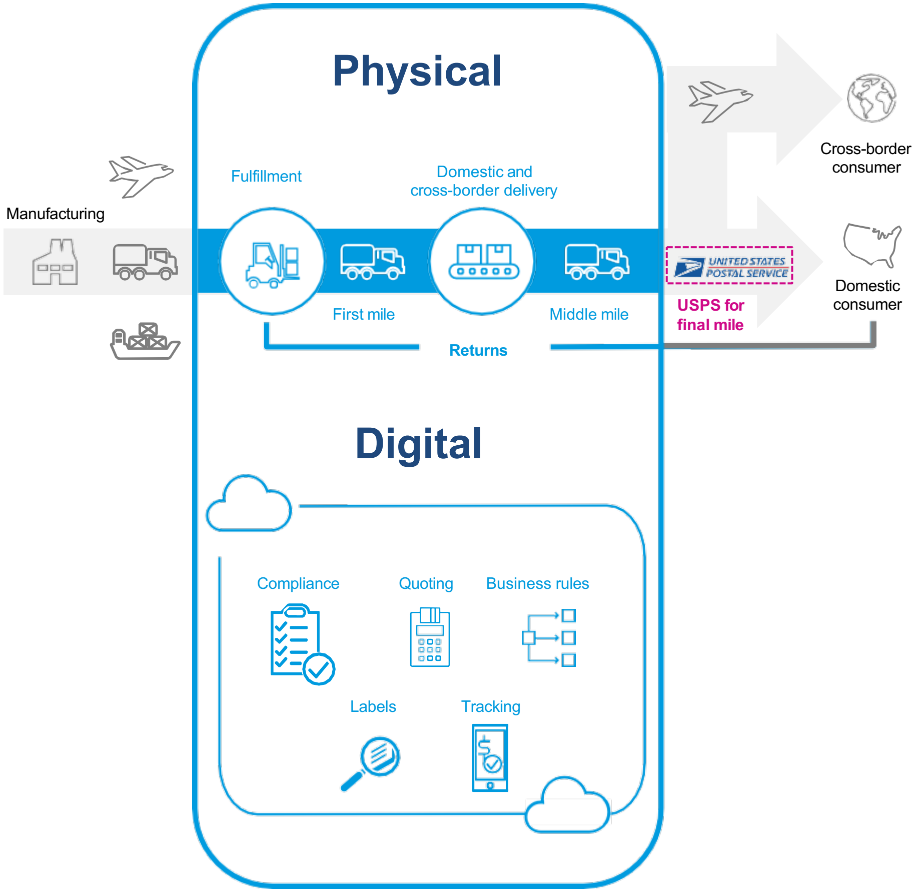




- We **have invested $73MM in 12 tuck-ins and $231MM of capex** into Presort since December 2012, with 3 tuck-ins in 2022
- Our organic and inorganic investments into Presort's network have helped grow **market share and remain the largest USPS workshare partner with the *only national network***

# GEC is a leading ecommerce logistics player which leverages USPS connectivity for nationwide coverage

## Critical presence in the logistics supply chain




## Key segment highlights

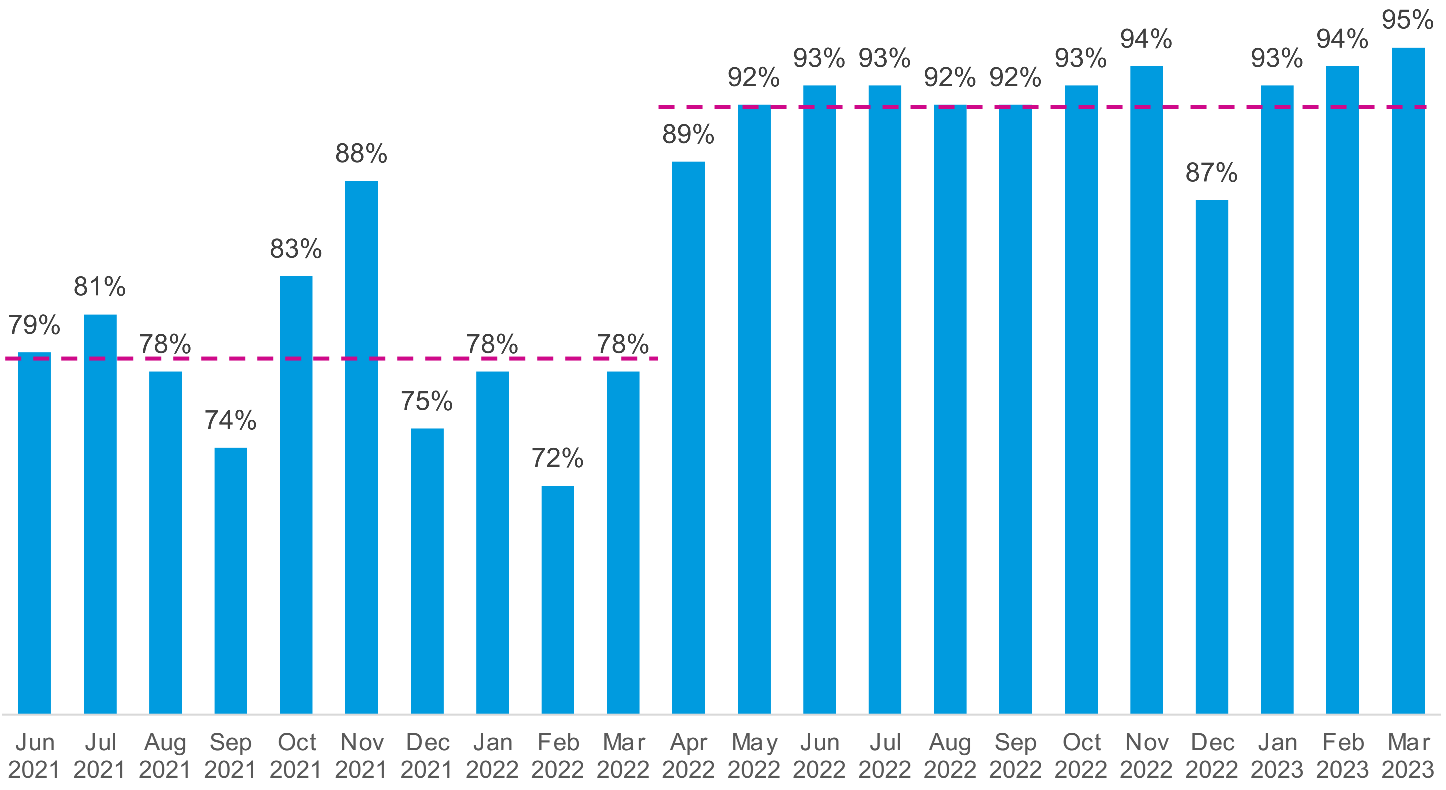
- ✓ ~$45BN current industry TAM projected to grow at ~14% annually[1]
- ✓ Domestic, cross-border and digital solutions
- ✓ Full range of delivery, fulfilment and return services
- ✓ Critical fulfilment to middle-mile presence
- ✓ USPS relationship leveraged for capex-heavy final mile
- ✓ 600+ clients, incl. leading retailers and brands
- ✓ ~200MM domestic parcels exit rate in 2022

**GEC is a leader in purpose-built solutions for B2C clients with fulfilment through middle-mile presence and partnership with USPS for the capex heavy final mile – creating an end-to-end ecommerce logistics player**

Note: [1] As per Pitney Bowes Market Intelligence (2023), represents 2022-2026 TAM for Domestic Parcel, Cross-Border, Digital, and Fulfillment market.

# The completion of our Domestic Parcel network and improvements achieved in 2022 position us well for growth and margin expansion

## Domestic Parcel – On Time Delivery




## Domestic Parcel Highlights

**$0.34 unit gross profit improvement**
**2022 vs. 2021**

**23 point improvement in NPS score**
**2022 vs. 2021**

**8% revenue churn**
**in 2022 vs. 17% in 2021**

**90+ new contract signings**
**in 2022**

**2.0 days faster average domestic delivery time**
**2022 vs. 2021**

**With our network now operating with predictable cost and reliable service, we are well positioned for growth and margin expansion as volumes increase**

# First Quarter 2023 Financial Results

## Business and Financial Highlights

- **Revenue in the quarter was $835 million, a decrease of 10 percent on a reported basis and 4 percent on a comparable basis versus prior year**
- **GAAP EPS was a loss of $0.04 and Adjusted EPS was a loss of $0.01 in the quarter versus GAAP EPS of $0.12 and Adjusted EPS of $0.08 in first quarter of 2022**
- **Global Ecommerce processed 50 million domestic parcels in the quarter, up 22 percent from 41 million in first quarter 2022**
- **Global Ecommerce on-time delivery performance remains excellent, and is now in the mid-90 percent range**
- **Presort grew Adjusted Segment EBIT margins by nearly 500 basis points in the quarter versus prior year**
- **SendTech shipping-related revenues grew 8 percent in the quarter; SaaS subscription revenues grew 24 percent**

## Segment Financial Results *(in $ Millions)*

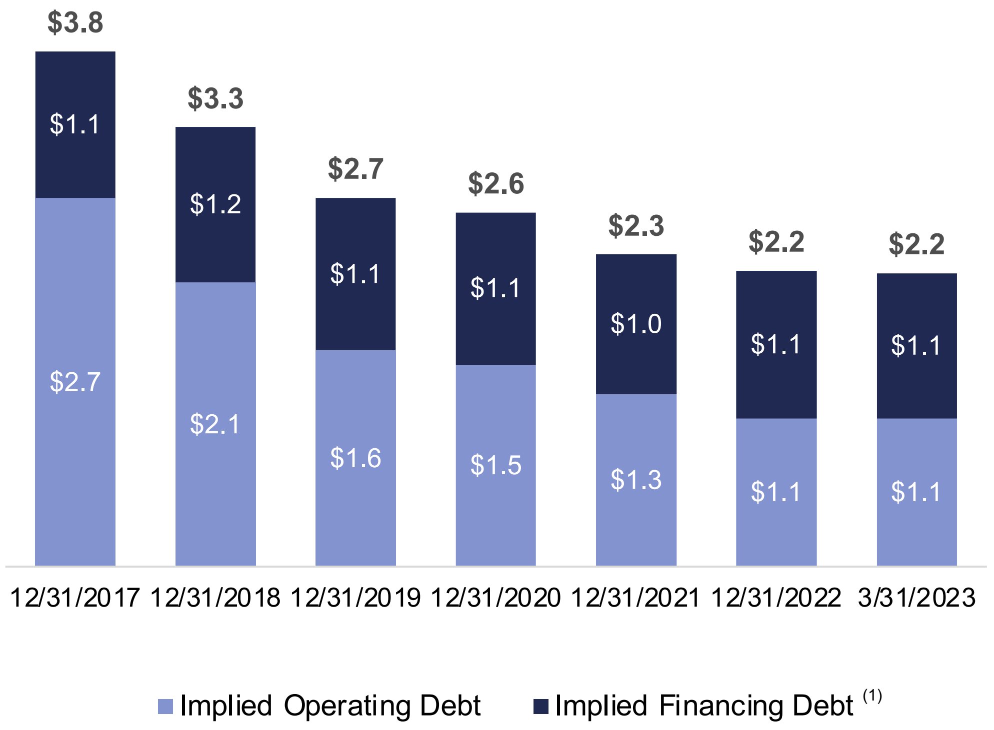
| *Segment Revenue* | Q1 2023 Revenue | Y/Y % Change Reported | Y/Y % Change Comparable Basis |
|---|---|---|---|
| SendTech | $348 | (17%) | (5%) |
| Presort | $159 | (1%) | (1%) |
| Global Ecommerce | $327 | (6%) | (4%) |

| *Adjusted Segment EBITDA* | Q1 2023 EBITDA | Y/Y % Change Reported | Y/Y % Change Comparable Basis |
|---|---|---|---|
| SendTech | $104 | (7%) | |
| Presort | $35 | 36% | |
| Global Ecommerce | ($18) | >(100%) | |

| *Adjusted Segment EBIT* | Q1 2023 EBIT | Y/Y % Change Reported | Y/Y % Change Comparable Basis |
|---|---|---|---|
| SendTech | $97 | (8%) | |
| Presort | $27 | 37% | |
| Global Ecommerce | ($34) | >(100%) | |

# Significantly improved and manageable debt profile

**Total Debt Composition** *(in $ Billions)*




**Capital Structure as of 3/31/2023** *(in $ Millions)*

| | Interest Rate | 3/31/2023 | 12/31/2022 |
|---|---|---|---|
| **Cash & S/T Investments** | | **$527.4** | **$681.2** |
| Revolver - ($500mm) | | 0.0 | 0.0 |
| Term Loan A due March 2026 | SOFR + 2.00% | 345.5 | 351.5 |
| Term Loan B due March 2028 | SOFR + 4.00% | 441.0 | 442.1 |
| **Subtotal: Secured Debt** | | **786.5** | **793.6** |
| Notes due March 2024 | 4.625% | 227.1 | 236.7 |
| Notes due March 2027 | 6.875% | 380.0 | 396.8 |
| Notes due March 2029 | 7.25% | 350.0 | 350.0 |
| Notes due January 2037 | 5.25% | 35.8 | 35.8 |
| Notes due March 2043 | 6.70% | 425.0 | 425.0 |
| Other debt | | 2.1 | 2.4 |
| **Subtotal: Unsecured Debt** | | **1,420.0** | **1,446.8** |
| **Principal Debt(2)** | | **$2,206.6** | **$2,240.4** |
| **Net Debt(2)** | | **$1,679.1** | **$1,559.3** |

**Reduced our principal debt by ~$380 million over the past two years and by ~$1.6 billion over the past five years**

(1) Total Finance Receivables at 10:1 debt:equity ratio for 2017-2018 and 8:1 for 2019-2022
(2) Excludes $35 million and $34 million of unamortized costs, net as of 12/31/2022 and 3/31/2023, respectively

# Compelling Debt and Equity Investment Thesis

**SendTech and Presort have leading market positions with tangible avenues for growth**

**Global Ecommerce expected to achieve margin improvement in 2023**

**Solid cash flow generation and healthy liquidity provide excellent credit support**

**Deep and experienced management team**

**SendTech and Presort provide a strong foundation with upside opportunity from Global Ecommerce**

# Appendix

## Consolidated Statements of Operations

(Unaudited; in thousands, except per share amounts)

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Revenue: | | |
| Business services | $ 523,491 | $ 597,384 |
| Support services | 105,284 | 110,352 |
| Financing | 67,049 | 72,029 |
| Equipment sales | 82,610 | 89,296 |
| Supplies | 38,835 | 41,061 |
| Rentals | 17,269 | 16,820 |
| Total revenue | 834,538 | 926,942 |
| | | |
| Costs and expenses: | | |
| Cost of business services | 446,317 | 503,215 |
| Cost of support services | 36,840 | 37,134 |
| Financing interest expense | 14,536 | 11,602 |
| Cost of equipment sales | 57,171 | 63,771 |
| Cost of supplies | 11,225 | 11,517 |
| Cost of rentals | 5,428 | 5,309 |
| Selling, general and administrative | 242,120 | 242,785 |
| Research and development | 10,493 | 11,334 |
| Restructuring charges | 3,599 | 4,184 |
| Interest expense, net | 22,342 | 22,124 |
| Other components of net pension and postretirement (income) cost | (1,710) | 844 |
| Other income, net | (2,836) | (11,901) |
| Total costs and expenses | 845,525 | 901,918 |
| | | |
| (Loss) income before taxes | (10,987) | 25,024 |
| (Benefit) provision for income taxes | (3,250) | 4,203 |
| Net (loss) income | $ (7,737) | $ 20,821 |
| | | |
| (Loss) earnings per share: | | |
| Basic | $ (0.04) | $ 0.12 |
| Diluted | $ (0.04) | $ 0.12 |
| | | |
| Weighted-average shares used in diluted earnings per share | 174,626 | 178,034 |

## Consolidated Balance Sheets

(Unaudited; in thousands)

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 511,761 | $ 669,981 |
| Short-term investments | 15,614 | 11,172 |
| Accounts and other receivables, net | 271,496 | 343,557 |
| Short-term finance receivables, net | 551,348 | 564,972 |
| Inventories | 94,016 | 83,720 |
| Current income taxes | 19,318 | 8,790 |
| Other current assets and prepayments | 125,746 | 115,824 |
| Total current assets | 1,589,299 | 1,798,016 |
| Property, plant and equipment, net | 411,793 | 420,672 |
| Rental property and equipment, net | 26,955 | 27,487 |
| Long-term finance receivables, net | 636,518 | 627,124 |
| Goodwill | 1,069,660 | 1,066,951 |
| Intangible assets, net | 74,028 | 77,944 |
| Operating lease assets | 287,703 | 296,129 |
| Noncurrent income taxes | 44,595 | 46,613 |
| Other assets | 390,298 | 380,419 |
| Total assets | $ 4,530,849 | $ 4,741,355 |
| | | |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 800,050 | $ 907,083 |
| Customer deposits at Pitney Bowes Bank | 594,546 | 628,072 |
| Current operating lease liabilities | 53,848 | 52,576 |
| Current portion of long-term debt | 262,439 | 32,764 |
| Advance billings | 86,802 | 105,207 |
| Current income taxes | 981 | 2,101 |
| Total current liabilities | 1,798,666 | 1,727,803 |
| Long-term debt | 1,910,529 | 2,172,502 |
| Deferred taxes on income | 268,193 | 263,131 |
| Tax uncertainties and other income tax liabilities | 23,778 | 23,841 |
| Noncurrent operating lease liabilities | 256,158 | 265,696 |
| Other noncurrent liabilities | 213,561 | 227,729 |
| Total liabilities | 4,470,885 | 4,680,702 |
| | | |
| Stockholders' equity: | | |
| Common stock | 323,338 | 323,338 |
| Retained earnings | 5,060,852 | 5,125,677 |
| Accumulated other comprehensive loss | (819,978) | (835,564) |
| Treasury stock, at cost | (4,504,248) | (4,552,798) |
| Total stockholders' equity | 59,964 | 60,653 |
| Total liabilities and stockholders' equity | $ 4,530,849 | $ 4,741,355 |

## Business Segment Revenue

(Unaudited; in thousands)

| | Three months ended March 31, | | |
|---|---|---|---|
| | 2023 | 2022 | % Change |
| **Global Ecommerce** | | | |
| Revenue, as reported | $ 348,391 | $ 418,527 | **(17%)** |
| Impact of change in revenue presentation | | (37,586) | |
| Impact of Borderfree divestiture | | (11,730) | |
| Comparable revenue before currency | 348,391 | 369,211 | **(6%)** |
| Impact of currency on revenue | 2,841 | | |
| Comparable revenue | $ 351,232 | $ 369,211 | **(5%)** |
| **Presort Services** | | | |
| Revenue, as reported | $ 158,902 | $ 160,544 | **(1%)** |
| **Sending Technology Solutions** | | | |
| Revenue, as reported | $ 327,245 | $ 347,871 | **(6%)** |
| Impact of change in revenue presentation | | (3,690) | |
| Comparable revenue before currency | 327,245 | 344,181 | **(5%)** |
| Impact of currency on revenue | 4,844 | | |
| Comparable revenue | $ 332,089 | $ 344,181 | **(4%)** |
| **Consolidated** | | | |
| Revenue, as reported | $ 834,538 | $ 926,942 | **(10%)** |
| Impact of change in revenue presentation | | (41,276) | |
| Impact of Borderfree divestiture | | (11,730) | |
| Comparable revenue before currency | 834,538 | 873,936 | **(5%)** |
| Impact of currency on revenue | 7,685 | | |
| Comparable revenue | $ 842,223 | $ 873,936 | **(4%)** |

## Adjusted Segment EBIT & EBITDA

(Unaudited; in thousands)

| | Three months ended March 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | | % change | |
| | Adjusted Segment EBIT (1) | D&A | Adjusted Segment EBITDA | Adjusted Segment EBIT (1) | D&A | Adjusted Segment EBITDA | Adjusted Segment EBIT | Adjusted Segment EBITDA |
| Global Ecommerce | $ (34,206) | $ 16,414 | $ (17,792) | $ (13,696) | $ 21,444 | $ 7,748 | >(100%) | >(100%) |
| Presort Services | 26,905 | 8,523 | 35,428 | 19,632 | 6,418 | 26,050 | 37% | 36% |
| Sending Technology Solutions | 96,671 | 7,467 | 104,138 | 104,575 | 7,003 | 111,578 | (8%) | (7%) |
| | $ 89,370 | $ 32,404 | 121,774 | $ 110,511 | $ 34,865 | 145,376 | (19%) | (16%) |

***Reconciliation of Segment Adjusted EBITDA to Net (Loss) Income:***

| | 2023 | 2022 |
|---|---|---|
| Segment depreciation and amortization | (32,404) | (34,865) |
| Unallocated corporate expenses | (56,349) | (57,834) |
| Restructuring charges | (3,599) | (4,184) |
| Gain (loss) on debt redemption/refinancing | 2,836 | (4,993) |
| Proxy solicitation fees | (6,367) | - |
| Gain on sale of assets | - | 14,372 |
| Gain on sale of business | - | 2,522 |
| Transaction costs | - | (1,644) |
| Interest, net | (36,878) | (33,726) |
| Benefit (provision) for income taxes | 3,250 | (4,203) |
| Net (loss) income | $ (7,737) | $ 20,821 |

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

## Reconciliation of Reported Consolidated Results to Adjusted Results

(Unaudited; in thousands, except per share amounts)

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| ***Reconciliation of reported net (loss) income to adjusted EBIT and adjusted EBITDA*** | | |
| Net (loss) income | $ (7,737) | $ 20,821 |
| (Benefit) provision for income taxes | (3,250) | 4,203 |
| (Loss) income before taxes | (10,987) | 25,024 |
| Restructuring charges | 3,599 | 4,184 |
| Proxy solicitation fees | 6,367 | - |
| (Gain) loss on debt redemption/refinancing | (2,836) | 4,993 |
| Gain on sale of assets | - | (14,372) |
| Gain on sale of business | - | (2,522) |
| Transaction costs | - | 1,644 |
| Adjusted net (loss) income before tax | (3,857) | 18,951 |
| Interest, net | 36,878 | 33,726 |
| Adjusted EBIT | 33,021 | 52,677 |
| Depreciation and amortization | 39,897 | 42,002 |
| Adjusted EBITDA | $ 72,918 | $ 94,679 |
| ***Reconciliation of reported diluted (loss) earnings per share to adjusted diluted (loss) earnings per share*** | | |
| Diluted (loss) earnings per share | $ (0.04) | $ 0.12 |
| Restructuring charges | 0.01 | 0.02 |
| (Gain) loss on debt redemption/refinancing | (0.01) | 0.02 |
| Proxy solicitation fees | 0.03 | - |
| Gain on sale of assets | - | (0.06) |
| Gain on sale of businesses | - | (0.02) |
| Transaction costs | - | 0.01 |
| Adjusted diluted (loss) earnings per share [(1)] | $ (0.01) | $ 0.08 |

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

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| ***Reconciliation of reported net cash from operating activities to free cash flow*** | | |
| Net cash from operating activities | $ (39,714) | $ 10,562 |
| Capital expenditures | (28,666) | (32,555) |
| Restructuring payments | 4,641 | 3,285 |
| Proxy solicitation fees paid | 3,038 | - |
| Transaction costs paid | - | 2,132 |
| Free cash flow | $ (60,701) | $ (16,576) |