Pitney Bowes, Inc.

Investor Call

May 29, 2024, at 8:00 a.m. Eastern

CORPORATE PARTICIPANTS

Jill Sutton – *Board Chair*

Lance Rosenzweig – *Interim Chief Executive Officer*

Alex Brown – *Investor Relations*

PRESENTATION

Operator
Good morning and welcome to the Pitney Bowes Investor Conference Call. Your lines have been placed in a listen only mode during the conference call until the question and answer segment. Today's call is also being recorded. If you have any objections, please disconnect your lines at this time.

I would now like to introduce the participants on today's conference call from Pitney Bowes: Jill Sutton, Board Chair; Lance Rosenzweig, Interim CEO and Board Member; John Witek, Interim CFO; Alex Brown, a member of the Investor Relations team. Mr. Brown will now begin the call with the safe harbor review.

Alex Brown
Thank you, and good morning. Included in today's presentation are forward-looking statements about our future business and financial performance. Forward-looking statements involve risks and uncertainties that could cause actual results to be materially different from our projections. More information about these items can be found in our 2023 Form 10-K annual report, and other reports filed with the SEC that are located on our website at www.pb.com and by clicking on Investor Relations. Please keep in mind, we do not undertake any obligation to update forward-looking statements as a result of new information or developments.

And now I'd like to turn the call over to Jill.

Jill Sutton
Good morning. On behalf of Pitney Bowes and its Board of Directors, thank you for joining today. The purpose of this call is to introduce our new Interim CEO, Lance Rosenzweig, and discuss our recently announced strategic initiatives. With that in mind, I want to take a few moments at the outset to cover three points.

First, please know that the reconstituted board is fully committed to accelerating the turnaround of this tremendous brand and business. We have embraced necessary and pragmatic change, much like Pitney Bowes has at numerous points throughout it's more than 100-year history. The speed and urgency we are now operating under has been informed not only by the scope of the company's value creation opportunity, but also our investors' feedback and views. That's why we wanted to host this call with you today.

Second, we chose to move from Interim CEO to Interim CEO to help us speed up the implementation of important initiatives. Lance's experience serving as a public company CEO, streamlining complex organizations and overseeing cost-out programs will allow us to realize faster, and we believe greater, progress in the coming months. While this change may be viewed as atypical, the Board placed a premium on shortening the timeline to value creation that this change represents. We will not shy away from difficult choices when we believe they are in the best interest for the overall company and its future.

Lastly, as previously disclosed, we have commenced a fresh search for a new permanent CEO. The reconstituted Board's agility, and its alignment on the ideal candidate profile will make this an expedited and productive process. We have begun steps to appoint a new nationally recognized search firm to source candidates. With respect to candidates, we are looking for in a CEO, we are looking for those who can run an efficient, lean enterprise that drives consistent value as well as those that will also look at disciplined adjacent growth opportunities from Pitney Bowes' core assets and segments. In addition to supporting Lance, this search will be among the Board's top priorities.

With that, let me turn the call over to Lance to introduce himself and talk about our near term priorities.

I'll remain on for the Q&A portion, to the extent there are any questions for the Board or related governance matters. Lance.

Lance Rosenzweig

Thank you, Jill. And thank you, everyone, for your interest in Pitney Bowes. I'd also like to thank Jason Dies. Jason spent several years at Pitney Bowes in executive roles, most recently as Interim CEO. I appreciate Jason's work paving the way for our next chapter, as we accelerate and amplify the progress that Jason had begun.

I'm excited to serve as the leader of this storied company. When this opportunity first presented itself, I spent a lot of time digging into the situation before accepting my new role. The more I looked at the company, the more I realized the tremendous opportunity that exists to unlock shareholder value. The size of the opportunity is why I requested a comp package that is more than 97% equity based. My goal is being aligned with shareholders on the value we are able to deliver during my term as Interim CEO.

We laid out four key initiatives in our May 22nd press release, all of which we will cover in today's brief presentation. In our view, these four initiatives represent the low-hanging fruit. After we successfully execute on them, we believe there is a long list of additional opportunities to streamline the organization's processes and further reduce costs, accelerate the company's growth, invest in high ROI opportunities with adjacencies to our successful core businesses and evaluate selective value-added acquisitions.

Since stepping into my new role, I have been met by a talented leadership team that is eager to see Pitney Bowes succeed in the market. Interim CFO, John Witek; Head of SendTech, Shemin Nurmohamed; and Head of Presort, Debbie Pfeiffer are among the many executives who are already helping me drive change. They are bought in to the hard work and difficult choices that need to be made to achieve a value enhancing turnaround. John, who is with me on this call, has been a particularly close partner as I've gotten started. Given the nature of our initiatives, this partnership with finance will be a tailwind for our organization, as we look to make every day count during this period of transformation.

With all that in mind, we ask that you refer to slide 5 of the deck accompanying this call. A little bit about me. My entire career has been focused on corporate transformation and shareholder value creation. I've been CEO of four public companies and several PE-owned companies. I've also been a board member of six public companies. Like Pitney Bowes, most of these companies have been in and around tech-enabled services, software and products. I've also been an entrepreneur, founding PeopleSupport, growing it to over 9,000 employees, taking it public in an IPO and then selling it to a strategic buyer, which then brought me on as its CEO. I'm excited to lead Pitney Bowes during this stage of transformation.

Pitney Bowes represents a compelling opportunity. The company has two exceptional businesses, SendTech and Presort, both with strong market positions, high margins, high cash generation and predictable and recurring earnings. We also have a third business, Global E-Commerce, built with the best hopes and aspirations but unfortunately never able to overcome its tough industry headwinds, leaving it with declining revenues, accelerating losses and negative cash flows.

To accelerate Pitney Bowes's transformation and build the company into a growing, profitable and highly cash positive business the Board has tasked me with implementing four key strategic initiatives. First, concluding the strategic review for GEC. This review had been ongoing for several months, and we now plan to accelerate and conclude this review in the next 60 days.

Second is cost rationalization. We've identified a range of $60 million to $100 million in actionable cost takeouts, I am highly confident that we will deliver on this target. I note that these are incremental savings on top of GEC and in addition to those that the company has achieved in the past.

Third is cash optimization. The company has historically operated with high levels of excess cash. We believe we can reduce our cash needs by $200 million.

And fourth, resulting balance sheet deleveraging. Through improvements in cash flow and accelerating cash generation, we plan to begin to deleverage our balance sheet, prioritizing our higher cost and shorter term debt.

We have an exceptional opportunity to transform Pitney Bowes, focusing on our highly profitable and cash positive business segments with greatly streamlined corporate overheads, and a much stronger balance sheet.

First, SendTech, I am super excited about this business under the leadership of Shemin Nurmohamed. SendTech is the global leader in mailing, with highly profitable and predictable earnings and cash flows. And despite its eroding market, the company has a terrific growth engine in its SaaS shipping business, with very high growth and margins in a large and growing market.

Second is Presort. This is another excellent business under the leadership of Debbie Pfeiffer. The company is the largest workshare partner of the USPS, is highly profitable, and has been a steady grower despite a declining market. We see good opportunities here to accelerate growth through tuck-in acquisitions.

Underscoring SendTech and Presort is the Pitney Bowes Bank and Global Financial Services, with a large base of captive customers and opportunities to accelerate cash contribution.

Our cost rationalization efforts are accelerating and expanding. As I mentioned, we are confident that we will achieve $60 million to $100 million in new savings. We are working with both internal teams and a recognized consulting firm, with John Witek as my partner, to deliver on our promise. A lot of these savings will come out of what the company has historically referred to as “corporate unallocated,” but there is also an opportunity to simplify our organization, consolidate duplicative structures and reduce discretionary spend.

We intend to generate $200 million in additional cash through better cash management. We've identified three sources of this cash. First, international cash repatriation. We are implementing a global cash pooling structure that will enable us to maintain lower levels of cash in our international jurisdictions, while still maintaining adequate levels of cash globally.

Second, optimizing the balance sheet of the Pitney Bowes Bank, enabling us to free up cash for use by the parent company.

And third, generally operating the business with a lower level of cash on an ongoing basis. The additional cash generation and ongoing cash flows will be used to reduce debt levels, and generally deleverage our balance sheet.

That concludes our presentation portion. And we would now like to open it up to Q&A.

QUESTIONS AND ANSWERS

Operator
We will now begin the question and answer session. To ask a question, you may press star then one on

your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

The first question today comes from Anthony Lebiedzinski with Sidoti. Please go ahead.

Anthony Lebiedzinski
Good morning and thank you for taking the questions. And welcome, Lance. Look forward to working with you, so thanks for the opportunity here.

I guess first, in terms of the $60 million to $100 million of additional cost savings that you're looking to do, what's the timeline that we should expect for you guys to be able to accomplish these goals? And then, I know you said it was going to be largely in the corporate unallocated portion, but just thinking about the different segments, maybe you could provide some additional color. Will all of these savings ultimately drop down to the bottom line? Or do you think there'll be a need to reinvest any of these savings back into other areas of the business? I just wanted to get more color on that. Thank you.

Lance Rosenzweig
Thanks, Anthony. Appreciate the question. Your first part of the question was on our timetable. We are moving very fast. We've already identified the categories of cost savings and the locations of cost savings. And we expect to, by the end of next month, have our plans pretty much finalized and ready for implementation.

As you mentioned, most of these are in in this corporate unallocated category, and generally in corporate spend. The majority of them are going to be in our overheads. And our goal is to simplify our corporate structure, take cost out of that corporate structure and empower our operating business to do what they're doing so well, which is generating great earnings and cash flow.

Your question on the bottom line, yes, we intend all of these savings to flow through to the bottom line. And we expect that you'll start seeing that happening in the next quarter through the income statement. There will be one-time costs to get out some of these costs, but going forward these are all savings.

Anthony Lebiedzinski
Okay. Thanks for that. And then in terms of GEC, obviously that's been a drain on the company's profitability for sure. So, if this business is ultimately divested or sold, as I think your presentation implies, how much of unallocated corporate costs could be taken out because you have a simplified structure? Or are you already including the $60 million to $100 million in cuts already in that plan?

Lance Rosenzweig
Great question. We are concluding our strategic review of GEC. We're in the final innings there, so that's almost at the point of resolving itself. The $60 million to $100 million of savings that we mentioned is on top of the GEC savings. As we implement and execute on GEC, these are additional savings that will reduce that corporate and other expense categories.

Anthony Lebiedzinski
Okay. All right. And then as far as the cash optimization, how quickly do you think you can achieve these goals?

Lance Rosenzweig
We're also moving very fast on our cash optimization, and we intend to generate the vast majority, if not all of that, by the end of this year.

Anthony Lebiedzinski
Okay. And then my last question before I pass it on to others. Do you guys have any thoughts as far as the dividend and debt reduction? How are you guys thinking about capital allocation?

Lance Rosenzweig
Yes, so we mentioned that as we improve our cash flow and also reduce our need for cash, we are prioritizing debt repaid down, particularly in our higher cost debt, and also in our nearer term debt. We've not made any comment on our dividend.

Anthony Lebiedzinski
Understood. Thank you very much, and best of luck.

Lance Rosenzweig
Thank you, Anthony.

Operator
The next question comes from Peter Sakon with CreditSights. Please go ahead.

Peter Sakon
Morning. In the past, when these annualized cost savings have been announced, there was maybe a bit of confusion on cost cuts versus cost savings. And I believe that maybe some inflation was included in there, so money that wasn't going to be spent. Can you quantify how much of these savings are actually cuts for this plan?

Lance Rosenzweig
Absolutely. Thanks, Peter. I've been on the job for one week, so I can't talk to what's happened in the past. But what I can say is 100% of these cost cuts are actual cost cuts, they’re money that the company is spending that it will no longer spend.

Peter Sakon
Okay, thank you. First of all, you said there is going to be some implementation, how much it will cost for these cuts to happen and when they will be completed? And then could you maybe quantify the impact for 2024 EBITDA and 2025 EBITDA?

Lance Rosenzweig
Yes, so we're not getting into that level of specificity on this call. But what I will say is that the one-time non-recurring costs that typically accompany a cost reduction will be adjusted out in any adjusted EBITDA calculation. And also, as mentioned, we're moving super-fast and we expect that the majority of these cost cuts are going to be out by the end of the year as well.

Peter Sakon
I’m sorry. How much did you say the costs are going to be?

Lance Rosenzweig
The one-time costs? We've not given a number on the one-time non-recurring costs.

Peter Sakon
Okay. And then for the cash, the $200 million cash, can you go by buckets, how much will be from the International jurisdictions versus optimizing PB Bank, etc.?

Lance Rosenzweig
Yes, we haven't given specific breakdowns of those three categories. I will say that the biggest of the categories will be just generally operating the business more efficiently with lower levels of cash. The company has just been highly conservative in maintaining large buckets of cash in various places, and we believe that most of that cash is unnecessary and we can just operate the company much more efficiently, as most other companies do.

Peter Sakon
Okay. Look forward to learning more as you flesh out the details of it. Thank you.

Lance Rosenzweig
Thank you, Peter.

Operator
The next question comes from Justin Dopierala with DOMO Capital. Please go ahead.

Justin Dopierala
I too, was hoping for some EBITDA projections. But I guess I was wondering, in light of that, is there any way you can comment on how these cuts will impact Pitney's leverage ratios and potential credit rating, especially as you're looking to pay down debt and maybe refinance?

Lance Rosenzweig
Yes, all of these cuts are going to result in improved cash flow and EBITDA and net income. So, it's all going to be very healthy from a balance sheet point of view. We haven't, as I mentioned, specified, the one-time non-recurring costs associated with it, but we think it will all be very positively impacting the income statement and the balance sheet.

Justin Dopierala
Okay. And lastly, I just want to follow up with one of the first questioners. I understand that you haven't fully completed your review yet, but that aside, is there some sort of estimate or approximation that you can provide to us as far as how much of the corporate unallocated is associated with GEC, even broadly speaking?

Lance Rosenzweig
We have not given that level of detail on the breakdown of the corporate unallocated.

Justin Dopierala
Okay. And is that the one you'll be looking to provide on the next earnings call?

Lance Rosenzweig
You'll find that with me, and others on our team, is we're highly transparent. And in our next earnings call we're going to report both on the progress that we've made quarter to date on these cost takeouts and other initiatives and our expectations going forward. And you'll get a lot of detail in that earnings call.

Justin Dopierala
Thank you.

Lance Rosenzweig
Thank you.

Operator
Again, if you have a question, please press star then one.

The next question comes from David Steinhardt with Contrarian Capital. Please go ahead.

David Steinhardt
Hi, good morning, it seems that we are still, I guess, pretty broad-based in terms of our thinking and not getting a lot of specifics on this particular call, which is disappointing. Is there any thought that you can put towards an EPS goal or a realistic leverage target, or a realistic EBITDA margin in the pathways that you've set out, that you can describe on this call? Just to understand the types of transformation that you're looking to make at Pitney Bowes.

Lance Rosenzweig
Hey, David. I would say the purpose of this call was mainly to just introduce me and give my perspective on the four key initiatives that went out in our last press release. You're going to hear a lot more information in our next earnings call that's going to go into, I think you're referring to things like guidance and early updating guidance and things like that. That's not the purpose of this call. But as we go into the next quarter you'll be getting a lot more information along the lines that you're requesting,

David Steinhardt
Understood. And in terms of the types of work that the Board is doing, and you as the interim CEO, in terms of taking costs out of the business, in your opinion what does quickly mean? I don't know exactly the term that you were using to describe the cadence at which that you are trying to effectuate change, but is it days? Weeks? Months? Quarters? I'm just trying to understand the pace at which that you're trying to actually move the business forward.

Lance Rosenzweig
We've got about one month left in this quarter, and we expect to really stake out our plans in that month, and then starting early the following quarter those plans will start being executed. And you'll see that in the earnings call. But we are moving super-fast. We had a consulting firm which was working with us on specifically identifying categories of cost savings, and although I just started, they've been working on this initiative for several weeks. We are well into this, and this is an action-oriented management team and Board.

David Steinhardt
Got it. And not trying to create a problematic situation, but can you describe at all the evolution of the strategic review for Global E-Commerce in this forum? Or is that best not to be discussed?

Lance Rosenzweig
What I would say is, again, I haven't been involved in that strategic review. That's been going on for several months. But I am going to be involved in bringing it to a rapid conclusion, and that's what we're focused on at this stage.

David Steinhardt
Understood. Thank you.

Lance Rosenzweig
Thank you, David.

CONCLUSION

Operator
This concludes our question and answer session. I would like to turn the conference back over to management for any closing remarks.

Lance Rosenzweig
Thank you all for joining this morning. I look forward to further updates on our progress in our Q2 earnings call.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.