FINAL TRANSCRIPT

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PRESENTATION

Operator

Ladies and gentlemen, good afternoon and welcome to the Pitney Bowes third-quarter 2011 earnings results 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 your speakers for today's conference call, Mr. Murray Martin, Chairman, President and Chief Executive Officer; Mr. Michael Monahan, Executive Vice President and Chief Financial Officer; and Mr. Charles McBride, Vice President Investor Relations. Mr. McBride will now begin the call with a Safe Harbor overview.

Charles McBride - *Pitney Bowes Inc - VP- IR*

Thank you. Included in this presentation are forward-looking statements about our expected 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 risks and uncertainties can be found in our 2010 Form 10-K annual report and other reports filed with the SEC that are located on our website at www.pb.com by clicking on our Company and then our investor relations. Please keep in mind that we do not undertake any obligation to update any forward-looking statements as a result of new information or developments. Now our Chairman, President and Chief Executive Officer, Murray Martin will start with an overview of the quarter. Murray?

Murray Martin - *Pitney Bowes Inc - Chairman, President, CEO*

Thanks, Charlie, good afternoon and thanks for joining us. Let me start by sharing some thoughts on our performance. Mike will follow with the details on our third-quarter results and I will discuss our guidance for the full year. Afterwards we will take your questions.

Our performance this quarter reflects both the adverse impact of sustained economic uncertainty on most of our global customer base as well as the positive effect of our strategic transformation initiatives. We experienced revenue weakness throughout much of our business as the global economic environment affected buying confidence and delayed some capital and lease commitments. The notable exception was our Software business which experienced a 15% increase in revenue during the quarter. This growth was fueled by strong demand for our Software solutions, particularly in the Americas and Asia/Pacific. We are pleased that the ongoing execution of our strategic transformation initiatives enabled us to improve a profitability in the third quarter despite the revenue challenges.

During the quarter EBIT and EBIT margin grew in International Mailing, Software and Mail Services, and EBIT margin also improved in North America Mailing. Excluding the impact of the insurance reimbursement we received this quarter, presort network efficiency gains drove ongoing improvement in EBIT at Mail Services. The net insurance recoveries during the quarter neutralized the losses we experienced in the first 2 quarters of the year related to the Dallas fire.

Before I turn it over to Mike to discuss the quarter, let me address some of the conflicting public perceptions and media reports about the mailing industry. This past year, the US Postal Service delivered nearly 170 billion pieces of mail and helped sustain a $1 trillion mailing industry, which underscored the vital role it plays in the economy and in our society. It is important to remember that the number of messages exchanged between individuals, households and businesses is not declining. It is simply a matter of whether the messages are being delivered via physical or digital channels. Customers want the flexibility of options and channel preference varies with time, location and context.

That is why we've taken a number of actions to position ourselves to leverage the growth opportunities in the total delivery channel; physical, digital and hybrid. We continue to invest in adding technology and functionality to enhance the value of mail with offerings such as our web enabled Connect+, Intellijet printing and SendSuite Live shipping solutions. pbSmart Codes, the latest addition to our pbSmart Solutions family uses QR codes to link physical communication to information, video and offers on-line. Volly, our secure digital mail platform, will enable mailers to give their customers options on how they receive mail sent to their physical address.

We continue to make good progress in contracting with mailers for this exciting cloud-based offering. More than 25 large third-party mail service providers have now signed with us. These companies produce bills and statements on behalf of more than 4,000 companies and consumer brands and they will be able to provide these companies access to Volly as it becomes available. We are in discussions with many more bill and statement issuers and expect to role out this service to consumers in 2012.

Earlier, I noted the strong demand for our Software capabilities which help customers with physical and digital customer communications management solutions. We continue to make progress and investments in delivering our SMB and enterprise customers with a comprehensive array of the physical, digital and hybrid solutions they need to manage communications with their customers. Before I discuss guidance for the year and provide some closing remarks, Mike will provide an overview of our third-quarter financial results.

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

Thank you, Murray. Our revenue for the quarter was $1.3 billion, a decline of 3% on a reported basis when compared with the prior year. Currency this quarter was a 2% benefit to revenue. As Murray noted revenue was adversely impacted this quarter by heightened economic concerns among many of our customers, especially some of our larger customers who have delayed making capital investment commitments.

Breaking down our revenue for the quarter between US and non-US operations, US revenue declined by about 6%. Outside the US, revenue on a reported basis increased 3% versus the prior year, while excluding the impact of currency, revenue declined 4%. Non-US operations represented 31% of our total revenue.

Let me give you a quick update on the status of our recovery from the fire last February at our Dallas presort facility. As I stated last quarter, a new site was quickly identified after the fire and outfitted with state of the art equipment. Less than 5 months after the fire, at the end of June, the new permanent facility opened its doors. In August, the new facility achieved operational efficiency comparable to the original Dallas site.

We have continued to work closely with our insurance carriers to resolve our claims related to the fire. During the quarter, we received from the insurance carriers additional reimbursements related to the fire that included compensation for the lost earnings we experienced in the first 2 quarters of the year, which were about $15 million, or $0.05 per share. Accounting rules are such they were unable to offset the estimated $19 million in lost revenue we experienced with any of the insurance proceeds. We expect to finalize our remaining claims with the insurance carriers shortly.

Turning to adjusted earnings before interest and taxes, or EBIT for the quarter, it was $235 million, which was 3% higher than last year. EBIT margin was 18.1%, an increase of 120 basis points versus the prior year. EBIT margin was helped by the insurance reimbursement we received this quarter but was adversely affected by our planned investment in Volly, which was about $4 million during the quarter. Excluding the impact of these 2 items, the EBIT margin this quarter would have been about 17%, which is an improvement versus last year.

SG&A in the quarter declined about $5 million when compared with the prior year. Excluding the effects of currency, SG&A declined by almost $16 million. SG&A benefited from our ongoing productivity initiatives. EBIT margins this quarter improved year over year in 4 of our 7 business segments. Both our SMB segments improved this year, their year-over-year EBIT margins for the third consecutive quarter. Our Software and Mail Services businesses also had improving EBIT margins this quarter. These improvements are primarily a result of continued focus on increasing our operating efficiency across all of our businesses. Excluding the net insurance reimbursements, the Mail Services EBIT margin improved year over year due to the leverage of higher mail volumes processed and greater presort network efficiencies.

We continue to reap the benefits of the strategic transformation actions we have taken since the second half of 2009. We're implementing actions that are enabling us to improve the way we go to market, interact with our customers and develop new products. We continue to put in place new processes and systems that will make our operations more streamlined and our costs more variable, allowing us to improve profitability by better leveraging future revenue growth.

When we add back depreciation and amortization to our adjusted EBIT, adjusted EBITDA for the quarter was $302 million, or $1.49 per share. Net interest expense in the quarter, including financing interest, was $49 million, a modest decrease of $2 million when compared with the prior year. The average interest rate for the quarter was 4.63%, that was 19 basis points higher than the prior year due to changes in the debt portfolio mix.

The effective tax rate for the quarter on adjusted earnings was 22.4% versus 33.1% last year. The lower tax rate this year was primarily the result of our settlement with the IRS related to tax years 2001 through 2004. As a result, during the quarter we realized an income tax benefit of about $16 million in continuing operations. Excluding the impact of the tax settlement, our tax rate on adjusted earnings from continuing operations would have been 31.2% for the quarter. We actually had a GAAP tax benefit for the quarter in part because of the IRS tax settlement I just noted and in part because of the tax benefit we received from the sale of a leveraged lease asset in Canada. Excluding the benefits of these 2 items, GAAP tax rate this quarter would have been 31%.

Adjusted earnings per diluted share from continuing operations for the quarter was $0.69 compared with $0.55 for the same period last year. Our adjusted earnings per diluted share this quarter included a $0.05 benefit from net insurance proceeds received during the quarter related to the Dallas presort facility fire. This $0.05 net benefit offsets the fire-related losses we experienced in the first 2 quarters of the year. Adjusted earnings per diluted share also benefited from the IRS tax settlement as I discussed earlier, which equaled $0.08.

However, adjusted earnings per share diluted share, were reduced this quarter by additional planned investment in Volly, which was about $0.01. Last year, third quarter adjusted earnings per diluted share were $0.55, which included a $0.03 favorable adjustment related to a leveraged lease portfolio in Canada. To put the year-over-year comparison of adjusted earnings per diluted share in perspective, if you back out the $0.13 of benefits we received this quarter, we would have earned $0.56. This compares with $0.52 last year, excluding the $0.03 benefit in that period. This represents an 8% increase in adjusted earnings per diluted share.

GAAP earnings per diluted share for the quarter increased almost 100% over the prior year to $0.85. There were a number of unusual items impacting GAAP earnings this quarter, including restructuring charges and asset impairments that totalled $0.11. Asset impairments included charges related to our strategic transformation program of $0.03, for the planned exit of our Harlow, UK facility. In addition, there was an impairment of intangible assets associated with our International Mail Services operations of $0.04 per share. GAAP earnings per diluted share also included a $0.15 impairment charge to goodwill related to International Mail Services, due to a change in expectations for the future growth of this business. Additionally, GAAP earnings per diluted share for the quarter included a net benefit of $0.13 related to the sale of a leveraged lease asset in Canada, and a $0.30 benefit in discontinued operations due to the tax settlement with the IRS, as I discussed previously.

Free cash flow was $260 million for the quarter. In comparison to the prior year, free cash flow for the quarter benefited from the release of tax bonds related to the IRS tax settlement, as well as from the timing of tax payments. Because of the effects of Hurricane Irene last quarter, the IRS allowed companies to defer tax payments normally due in the third quarter to the fourth quarter. Therefore, in the fourth quarter we will be making both our third quarter and fourth quarter tax payments. Cash flow also benefited from higher net income, as well as lower finance receivables. However, the benefit from finance receivables this quarter was about one-third less than the prior year.

During the quarter we returned $75 million of cash to our shareholders in the form of dividends. We also repurchased 2.6 million shares of Pitney Bowes common stock for about $50 million. We have $50 million of share repurchase authorization remaining, which we expect to use over the next 3 to 9 months. As of the end of the quarter, we had no commercial paper outstanding and we have no debt coming due until October 2012. About 76% of our total debt is fixed rate and 24% is floating rate.

Now let me update you on our strategic transformation program. In the third quarter, we continued to implement initiatives identified by our project team. During the third quarter, the pretax restructuring and asset impairment charges related to our strategic transformation program were approximately $21 million. $11 million of those charges were for severance and other exit costs associated with the elimination of about 400 positions across the Company. This brings the total number of positions eliminated since the beginning of the program to 3800.

As I noted earlier, we also had an asset impairment charge of $10 million during the quarter for the pending exit of our Harlow, UK facility and the move to a smaller more cost efficient building. Based on our expenditures to date, we still expect total charges for the year related to the strategic transformation program will be in the range of $0.25 to $0.35 per share. We continue to target a run rate of annualized net benefits for the full program in the range of $250 million to $300 million by the end of 2011. So that concludes my remarks. Now Murray will discuss our guidance and we'll have some closing comments.

Murray Martin - *Pitney Bowes Inc - Chairman, President, CEO*

Thanks, Mike. Turning to our full-year outlook, we are modifying our guidance to reflect a number of factors which Mike discussed, including our results year to date. We now expect 2011 revenue in a range of minus 3% to minus 4% excluding the impacts of currency. We are also narrowing our 2011 guidance for adjusted earnings per diluted share from continuing operations to reflect the impact in the third quarter of the tax settlement with the IRS for tax years 2001 through 2004.

We now expect adjusted earnings per diluted share for the year in the range of $2.30 to $2.35. We are also narrowing our the 2011 guidance range for GAAP earnings per diluted share from continuing operations to a range of $1.89 to $2.04. The change in the GAAP guidance range also reflects asset impairment and goodwill charges for International Mail Services, as well as the sale of a leveraged lease in Canada. The above range does not include results from discontinued operations.

In the fourth quarter, we reached agreement with the IRS on the tax treatment of a number of issues, and agreed to tax -- revise tax calculations as part of the negotiations to settle a 2005 to 2008 IRS tax examination. As a result, we will recognize an income tax benefit of at least $30 million in the fourth quarter, with approximately $5 million recorded in discontinued operations. The impact of this agreement with the IRS is not included in our earnings guidance for the year.

We are increasing free cash flow guidance for the year by $100 million, and now expect to generate free cash flow for 2011 in the range of $850 million to $950 million. This is based on our free cash flow to date and expectations for the fourth quarter.

We are making progress on our journey to transform our ability to deliver sustained long-term value for customers and shareholders. We remain confident in the actions we are taking, focussed on enhancing the customer experience and committed to investing in the growth of our business. Thank you. Now let's open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Shannon Cross with Cross Research.

Shannon Cross - *Cross Research - Analyst*

Thank you very much. I've got a few questions for you. The first is on linearity during the quarter and actually I'll sort of combine it. Can you talk about linearity as well as specific verticals that were weak during the quarter? And probably more importantly, ones that you expect weakness from whether it's geographic or verticals during fourth quarter?

Murray Martin - *Pitney Bowes Inc - Chairman, President, CEO*

We certainly saw an affect from Europe with the change in the ongoing debt discussions in the third quarter. And also in North America on large ticket items. So, this particularly affected DMT, which has the large capital expenditures.

We also would note in the quarter that there was a lot of discussion about the postal service, which affected our core business in the quarter. We are seeing changes as that has really started to die down in the -- as a hot topic in the media. But, it definitely had some impact in the quarter.

Shannon Cross - *Cross Research - Analyst*

What specifically -- what slowed, I guess, within the comments about the postal service issue, like what specific business lines?

Murray Martin - *Pitney Bowes Inc - Chairman, President, CEO*

That would be across the Mailing businesses, particularly DMT and our traditional mailing business. The concern of customers in misreading the communication as to the viability of the postal service and its ability to survive, were the main items that customers were discussing and they wanted clarity before signing into long-term contracts.

Shannon Cross - *Cross Research - Analyst*

Okay. That makes sense. And linearity?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

Shannon, I think if you look at the constant currency base of revenue, second quarter to third quarter, they're actually quite similar in terms of overall revenue. So, a part of it is a comparison to the prior year. But to Murray's comment, it's really around the equipment sales line, particularly the large ticket DMT equipment and to some extent in the US mailing business.

If we look at the recurring revenue streams, if you recall when we gave guidance at the beginning of the year, we said we expected an impact from the-- impact on the recurring revenue streams to be about $0.25 to $0.30 for the year. If we look at year to date, it's about $0.20 and in the third quarter about $0.07.

So, it's tracking right in line with what we had given as guidance originally. And the third quarter is pretty much in line with the first half of the year. So, there's puts and takes within the line items, but those line items generally are tracking to what our original view of them were. So, the biggest variance here is around the equipment sale side.

Shannon Cross - *Cross Research - Analyst*

Okay. And then can you maybe just, Mike, if you can you walk us through the guidance from an EPS standpoint for fourth quarter, just on an, I don't know, apples-to-apples basis, because there is so much in and out? So, if you think about where consensus was for fourth quarter, which I had in front of me but just happened to close, how should we think about what you're guiding to now relative to that number?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

Sure, so if you look at our numbers, what we've done is taken the reported 3 quarters and then adjusted our guidance range. Obviously for the fact that we're through 3 quarters of actual, as well as, in effect the $0.08 that is included for the gain on the tax settlement that was included in adjusted earnings.

That's really the only variances, that $0.08. The $0.05 in the quarter for Mail Services is just a recovery of the earnings we lost in the first half of the year. So, the way I would look at the guidance is, the 3 quarters of adjusted earnings, and then, obviously, our full-year guidance, which is the revised guidance we gave.

Shannon Cross - *Cross Research - Analyst*

Okay, great. And 1 last question is just on share repurchase. How are you thinking about share repurchase going forward? And what was your ending share count. The average for the quarter and then the ending share count.

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

The average for the quarter on a fully diluted basis was, I think, 203 million and we were, I think, just below 200 million on an actual count basis. In terms of share repurchase, we kind of look at that as the option on the end with our cash flow.

Actually in the quarter it was 202 million not 203 million. But, in terms of cash flow at the end of the day, we look at share repurchase as one of those variables. We have bought 100 million this year. We have 50 million remaining, and consistent with what our original authorization was, we look at whether we would acquire that over the next 3 to 9 months.

Shannon Cross - *Cross Research - Analyst*

Right. But, I guess, there's no change in your thought from a long-term standpoint with $850 million to $950 million in cash generation, that this remains a focus?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

I would say that hasn't changed our perspective on it.

Shannon Cross - *Cross Research - Analyst*

Great. Thank you very much.

Operator

Ananda Baruah with Brean Murray.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Thanks, guys. I guess, just a couple along the same lines, if I could. I guess, just on the verticals where you saw production mail be softer than expected, can you talk about some of the specific verticals where you may have seen softness there?

Murray Martin - *Pitney Bowes Inc - Chairman, President, CEO*

In particular, what we saw is, financial services having some hold-back as they looked at what the debt situation was around the world and their potential effects. So, we've seen some hesitancy in that sector in particular.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Okay and I guess what's, Murray, what's the best way for us to think about, to think about sort of past December quarter, I mean when we think about sort of what the trends may be going into 2012. Is it best right now, based on your conversations with customers, not to expect that that comes back any time soon? Are we sort of in a wait and see pattern there? Are they in a wait and see pattern there?

Murray Martin - *Pitney Bowes Inc - Chairman, President, CEO*

I think if you look on an annualized basis, rather than a quarterly, and realize that with the volatility in markets, there are things that affect periods. But over the longer term, I think that the trends will stay consistent, because these assets generate savings in cost and enhanced ability for them to communicate with their customers.

So, I don't see these as long-term deferrals, but they're large ticket, and have quarter-to-quarter impacts. So, what I'd look at is the annual, and realize that it will shift on periodic basis, as you have economic swings that occur. But I don't think, on the long term it will have a material effect.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Okay, that's helpful. And then just on the guidance maybe, Mike or Murray, it seems though you guys are guiding for about sort of flattish revenue Q-over -Q to get to your annual guidance of down through 3% to 4%?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

Well, remember that our guidance is on a constant currency basis, and through the three quarters we're in that 3% to 4% range. So, that's why we guided the way we did on an annual basis.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Right. And I guess that was my next question, what do you guys have baked in, in terms of FX impact into the Q4 guidance right now?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

Well, again the guidance is on a constant currency basis, so we're not factoring it into that. The 9 months to date is about 3.5% constant currency, versus the reported that you see.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

I got it, I got it. Okay. And a couple more if I could and then I'll get back in the queue. Just a clarification on Shannon's question, so should we use for September quarter, Mike, in the context of your guidance, should we be using $0.61 for the September quarter?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

You would take the $0.69 less the $0.08 of the IRS, that would give you $0.61, correct.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Got it, thanks. And then just the last one from me for now. So, can you just talk about what's going on with the production operating margins and should we expect a net loss, an operating loss in the December quarter as well, or is there anything you can do in the near term to clean that up a bit?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

Yes, there's a couple of things associated with that. One is that remember that the expenses for Volly are included in the Production Mail segment for reporting purposes, so that's obviously pure investment that's going on today. That really doesn't affect the Production Mail business directly in terms of its sale of equipment, but those expenses are included there because we're leveraging that customer base. So, that's Number One today. Number 2 is that, this business tends to have its strongest quarter in the fourth quarter in terms of a seasonality within the year. So, it tends to be a business where you see leverage off the revenue.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Okay, great. Thanks. So, it sounds like we should expect some sort of profitability in that. We can expect some sort of profitability in the fourth quarter in Production Mail.

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

If you were to take the Volly expenses out in the third quarter, I think it would be net marginally profitable to begin with in the third quarter, so. Fourth quarter, if the revenue is higher, that would generate some leverage.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Okay. Great. Thanks.

Operator

(Operator Instructions) Chris Whitmore with Deutsche Bank.

Chris Whitmore - *Deutsche Bank - Analyst*

Thanks very much. I wanted to ask about the weakness in the SMB North American Mailing business. That performed a bit worse than I expected, and it looks like it is a combination of both equipment placements in addition to, or meter placements in addition to the recurring streams.

Can you kind of flush out, Number One, what you're seeing in terms of meter demand and meter placements? And then Number 2, where are we in the lease renewal cycle and the echo from the previous upgrade cycle?

Murray Martin - *Pitney Bowes Inc - Chairman, President, CEO*

So I'll cover the first part, Chris. On the meter renewal cycle, the third quarter was one of the softer quarters on the leases that are available. That begins to start moving more -- a little more positively, as we move forward. But that was sort the negative effect in that area.

We have seen a positive trend in renewals, so there are more on a percentile being renewed. We did see the lease extensions continue in the third quarter, at a little higher rate than we expected, and I think that has to do with my comments about all the press around the postal service.

I think we'll see that beginning to abate in the fourth quarter. And as we go into next year, as the postal service is now beginning to start to talk positively about mail, and is starting to actually put advertising and marketing out about the value of mail, and different programs to stimulate mail.

So, I think we'll start to see -- we'll see a reduction in the negative impact that we had in the third quarter and attending towards a more positive feel about mail. On the second part of your question, Mike?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

Yes, in terms of the recurring revenue streams within the core mailing business we did see, and again it's a bit of a mixed bag, we did see supplies and down a little bit in terms of greater than the trend line, in part because of the lower equipment sales.

Rental and support services, we've seen that kind of, particularly rentals, level off, in terms of the trend of decline in that business, so it's been relatively stable. And support service is actually improving, with finance a little bit negative again, more associated with the equipment sales than anything else. But net/net, again we're seeing the trend in the recurring revenue streams, in line with what our original annual guidance was.

Chris Whitmore - *Deutsche Bank - Analyst*

So that annual guidance implies $0.35 to-- I'm sorry, $0.25 to $0.35 of EPS hit this year. Should we expect the same kind of headwind for 2012 earnings?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

We obviously haven't given 2012 guidance, yet. I think, as we talked about this originally, we would expect to see a diminishing impact on recurring revenue streams based on what we saw 2010 to 2011, and then we would expect to see that diminish further 2011 to 2012.

Chris Whitmore - *Deutsche Bank - Analyst*

When I look at the recent trends in your -- in terms of meter placements, et cetera, it seems to suggest your install base continues to decline at about that mid single-digit rate year on year. Is that fair, first? And then, secondly, should we expect a similar kind of trend in the recurring streams going forward on, in term of mid single-digit rate of decline? Thanks a lot.

Murray Martin - *Pitney Bowes Inc - Chairman, President, CEO*

I think that the numbers are the numbers, but it's really mix that affects revenue. And as we've stated, Connect+ is continuing to be a bigger and bigger part, which is a larger ticket. And so, you're seeing a shift in our focus on the customers themselves and a much heavier focus on the up market, as we have products that go beyond mail that include mail, shipping, tracking, et cetera.

So, we're seeing a continued uptake in the larger ticket. We expect to see that continue on an ongoing basis, and we would also expect to see that some of the shift out that has occurred in mailing to start abating as we go forward.

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

I would just add to that, Chris, that at the low end where it-- that which influences those meter count numbers, there has been real lack of new business formations that we normally see out of a recovery. And so we haven't added as much at that end, and quite honestly haven't marketed it quite as aggressively at that end without seeing the new business formations. As the general economy turns and we start to see that pick up, then we would look back to that segment for additional opportunity.

Chris Whitmore - *Deutsche Bank - Analyst*

Thanks a lot.

Operator

(Operator Instructions) Ananda Baruah with Brean Murray.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Hello, thanks, guys. I guess, Murray, can you-- couple of things, can you talk about now that we're getting closer to the end of the year, any potential opportunities for incremental cost savings as we move into 2012, are there any areas that you guys are beginning to identify, where you could see some cost savings above and beyond the current guidance of $250 million to $300 million?

Murray Martin - *Pitney Bowes Inc - Chairman, President, CEO*

Well, I think as we've stated for some time, we are and will always continue to be focussed on enhancing our productivity, and that will continue on every quarter on a go-forward basis. We have been saying that we are coming to conclusion of the program that we have been in.

That won't change our focus on costs. And usually, towards the end of the program, there is a more things that do come forward. But it wouldn't be -- I don't think we could predict that at this time.

Certainly as we get another 30 days into the quarter, we'll have a pretty good idea what other areas business units will come forward with. But, it is, and will continue to remain a priority, is to continue to reduce our cost base so that we can enhance our margins, and then gain leverage as the revenue begins to swing. We would expect to get better leverage to the bottom line.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Got it, that's helpful. And I guess, just as we think about the cash flow model for 2012, even if it's too early to sort of give guidance, it feels like you have softer-- you have softer revenues, but maybe you can get -- you should have some bit of ongoing improvement on margins on those revenues.

Is that -- is that the right way to think about it? And then I guess just a couple of other buckets, how should we think about CapEx? And there are a lot of, or there have been this year, at least, a lot of moving parts on one-time items, so I guess, are there any one-time items that are cash impacted that we should think about, that could influence 2012?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

Yes in terms of CapEx, our spend this year is pretty much in line with last year, with the one incremental investment in replacing the Dallas facility. So, we're tracking to our original expectations around that, and I don't anticipate anything at this point in time that would dramatically change that outlook as we go forward in terms of capital needs.

In terms of cash flow, again, we tend to look at these things on an annualized basis, the timing of tax payments, in this case in 2011, where we may have the delay of taxes from third to fourth quarter. We don't think that's an annual differential.

We do have some cash that we received on the leveraged net cash, we'll receive on the leveraged lease transaction as an incremental item. But beyond that, there's not a lot that would change our overall expectations on cash flow.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Okay. And actually just one last one if I could here. Mike, the remaining insurance claims that you guys have, is that-- do you expect to get that in Q4 and is that baked into the Q4 guidance?

Mike Monahan - *Pitney Bowes Inc - EVP, CFO*

Any additional claims we get are not likely to have a P&L impact. It would really be reimbursement for assets that we've invested in, in terms of the facility that we've replaced. But, we have not baked that into our expectations at this point.

Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Okay, great. Thanks a lot.

Operator

(Operator Instructions) And (inaudible) I'm showing no additional calls in queue. Please continue.

Murray Martin - *Pitney Bowes Inc - Chairman, President, CEO*

Sure. During the quarter, sustained economic uncertainty impacted our revenue with a notable exception of Software, where strong demand drove a 15% increase. Our strategic transformation initiatives enabled us to improve profitability in the quarter, despite the revenue challenges with the EBIT and EBIT margin improvement in International Mail, Software and Mail Services, and EBIT margin improvement in North America Mailing.

We've also seen continued progress with Volly as we continue to sign third-party mailers. We have positioned ourselves to leverage the growth opportunities in the total delivery channel as we look at physical, digital and hybrid. We remain confident in the actions we are taking as we make progress on our journey to deliver long-term value for our shareholders and customers. Thank you and have a great quarter.

Operator

Thank you. And ladies and gentlemen, this conference will be available for replay after 7.00 PM Eastern time today running through November 15, 2011 at midnight. You may access the AT&T Executive playback service at any time by dialing 800-475-6701 and entering the access code of 218789. Again that telephone number is 800-475-6701, and also 320-365-3844, using the access code of 218789. That does conclude your conference for today. We do thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.
