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Q3 2021 Pitney Bowes Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 03, 2021 / 12:00PM GMT

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PRESENTATION

Operator

Good morning, and welcome to the Pitney Bowes Third Quarter Earnings 2021 and Results Conference Call. (Operator Instructions) Today's call is also being recorded. If you have any objections, please disconnect your line at this time.

I would now like to introduce your participants for today's conference call: Mr. Marc Lautenbach, President and Chief Executive Officer; Ms. Ana Chadwick, Executive Vice President and Chief Financial Officer; and Mr. Ned Zachar, Vice President, Investor Relations.

Mr. Zachar will now begin the call with the safe harbor overview.

Ned Zachar

Good morning, everybody. This is Ned Zachar. I manage the Investor Relations program for Pitney Bowes. And I'd like to welcome everyone to the call this morning. We very much appreciate your participation.

Part of my new duties includes covering the usual and customary safe harbor information for these calls, so please bear with me for just a few minutes. Included in today's 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. For more information about these risks and uncertainties, please see our earnings press release, our 2020 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 that we do not undertake any obligation to update any forward-looking statements as a result of new information or developments.

Also for non-GAAP measures that are used in the press release or discussed in this presentation, you can find reconciliations to the appropriate GAAP measures in the tables attached to our press release and also on our Investor Relations website.

Additionally, we provided a slide presentation on our Investor Relations website that summarizes many of the points we will discuss during today's call.

Our format today is going to be familiar. Marc Lautenbach, our President and Chief Executive Officer, will begin with opening remarks, which will be followed by Ana Chadwick, our Chief Financial Officer, who will provide a deeper discussion of our financial results.

I'd now like to turn the presentation over to Marc. Marc, the floor is yours.

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

Thank you, everyone, for joining today's call. And I would like to welcome Ned to the team. Ned brings a wealth of experience to the role including investing and analyst experience. Ned has also been an investor in our debt, so he is familiar with our company.

Turning to the quarter. Given a return to pre-COVID top line seasonality, the distortions in last year results in supply and demand imbalances, there were many different crosscurrents running through the quarter and year-to-year comparisons. While it's easy to get lost in the numbers, from my perspective, the headline is this. Demand for our products and services remain strong, and we continue to make progress, repositioning our company for long-term success.

Our Presort business had an excellent quarter from both a top and bottom line perspective. The Presort team was able to overcome labor and transportation inflation by managing price and productivity and moved back into our long-term profit model. Importantly, the investments we have made in our network and technology have positioned us well to drive even more productivity and help more clients.

Our SendTech business performed close to the long-term model even though supply constraints hit the top and bottom line. Equipment sales in our backlog both increased in the quarter, evidencing strong demand. We will continue to battle through supply-demand dynamics, but clearly our new product innovations are making it a very positive difference. In addition, more of our business is moving to a subscription model. While this depresses short-term revenue, increased subscription revenue is a very positive harbinger for the future.

Within Global Ecommerce, while there are year-to-year aberrations, there are 2 things that are important to the long-term success of this business. The first is service to our clients. We have improved our end to end cycle times by 25% and since the beginning of the year, which is a significant improvement. And secondly, gross margin. It is notable that gross margin improved from prior year despite the fact that we had a substantial capacity and without the benefit of peak volumes. We have foreshadowed that as volumes normalize, thus, margin improvement would happen, and it did. We have been very disciplined about the kind of volumes we have committed to the fourth quarter, and we like what we have, both in terms of overall volume commitments, the economics and the kind of volume we anticipate receiving. Like others in the industry, we saw volumes decreased year-to-year in the quarter, but we very much like how we are positioned for the fourth quarter and going forward. However, to be clear, we expect there to be some challenges this peak season. Daily headlines talk about the supply chain disruptions, and larger players are already carrying out an impact on the results or outlook. We are not immune to these supply chain constraints more as it relates to our E-commerce client supply levels and, to a degree, our SendTech products.

While it remains a level of uncertainty, our team is substantially better positioned this year based on the actions we have taken thus far. Additionally and similar to the market, we're looking at pricing to help offset some of the higher costs, particularly as it relates to transportation and labor. For example, within Ecommerce, we have put in place a surcharge for this peak season and recently announced our annual general rate increase effective for 2022. And we've implemented pricing increases in other parts of our business where it's justified by the new and increased value we are delivering for clients through our new product portfolio. So lots of moving pieces, but from my perspective, a successful quarter across many dimensions, but most importantly in terms of how the quarter sets us up for our going forward success.

Now I will turn it over to Ana.

Ana Maria Chadwick ***Pitney Bowes Inc. - Executive VP & CFO***

Thank you, Marc. Unless otherwise noted, I will speak to revenue comparisons on a constant currency basis and to other items such as EBIT, EBITDA, EPS and cash flow on an adjusted basis.

Total revenue for the third quarter was $875 million and declined 2% from prior year. Recall that the year-over-year comparisons include the impact of COVID on us and many other companies. Last year's third quarter saw a very positive impact on E-commerce revenue and an adverse impact on SendTech and Presort. When we compare this year's third quarter to the third quarter of 2019, in other words, pre-COVID, our 2021 revenue grew over 10%, which illustrates that the bulk of the top line gains we made last year remain intact.

Adjusted EPS was $0.08, and GAAP EPS was $0.05. EPS includes a $0.02 net tax benefit offset by a $0.03 charge related to a specific pricing assessment in Global Ecommerce, which I will discuss momentarily.

Free cash flow was $30 million, and cash from operations was $71 million, down from prior year, largely due to higher CapEx and changes in working capital, which are in line with our previous commentary on this topic. During the quarter, we paid $9 million in dividends and made $6 million in restructuring payments. We spent $57 million in CapEx, as we continue to enhance our E-commerce network and drive productivity initiatives in both our Ecommerce and Presort businesses. We ended the quarter with $743 million in cash and short-term investments. During the quarter, we redeemed our 2022 notes for $72 million. Notably, total debt has declined about

$225 million since year-end 2020 to $2.3 billion. When you take our finance receivables, cash and short-term investments into consideration, our implied operating company debt is $556 million.

Let me turn to the specifics in the P&L, starting with revenue versus prior year. Equipment Sales grew 4%. We had declines in Business Services of 1%, Support Services and Supplies of 4%, Rentals of 5% and Financing of 17%. I would like to point out that as it relates to our Financing revenue, prior year results included investment gains related to the sale of securities, which represent about half of the year-over-year decline.

Gross profit was $286 million and improved across our Ecommerce and Presort segments. Gross margin of 33% was flat to prior year. SG&A was $225 million and approximately $14 million lower year-over-year. SG&A was 26% of revenue, which is a 100 basis point improvement over prior year. Within SG&A, corporate expenses were $49 million, $4 million lower than prior year largely due to variable employee-related costs.

R&D was $11 million or 1% of revenue. EBITDA was $92 million, and EBITDA margin was 10.5%, both of which were relatively flat to prior year.

EBIT of $50 million was down about $4 million from prior year, while EBIT margin of 6% was flat to prior year. Total interest expense was $36 million, down $3 million year-over-year. Our tax rate of 1% includes net benefits associated with the resolution of tax matters. And we expect our rate will return to more normalized levels going forward. Shares outstanding were approximately 179 million.

Let me turn to each segment's performance. Within Ecommerce, revenue in the quarter declined 4% to $398 million. However, recall that last year's third quarter saw a surge of new revenues driven by the effects of the pandemic. If you compare this quarter to third quarter of 2019, revenues for the Ecommerce segment are up over 40%. Said another way, we kept the vast majority of the revenue gains we experienced post COVID.

Inside of Ecommerce, revenue growth from Cross Border and Digital Services was offset by lower revenues from Domestic Parcel services. Domestic Parcel volumes were 41 million in the quarter, down from prior year on a tough compare, but up from 2019 levels. Aside from the tough compare, the decline in volumes can be attributed to the return of a more normal seasonality, where third quarter is typically softer than second. Additionally, we made a strategic decision to take on volumes that fit our desired partial profiles and drive improved service levels, which also had an impact on volumes.

Demand for our services continues to be strong, as we signed over 130 client deals in the quarter and were able to bundle additional services with 40% of those signings. Gross margin improved 100 basis points from prior year despite higher labor and transportation cost and inclusive of the previously mentioned pricing assessment. EBITDA for the quarter was breakeven, which is an improvement of $3 million versus the same period last year. EBIT was a loss of $21 million.

As I referenced earlier, our results in the quarter include an $8 million charge associated with a pricing assessment, which was mainly caused by lower-than-anticipated volumes that originate outside of the U.S. for our domestic delivery services. This assessment encompasses the first 3 quarters of the year. The impact from this pricing assessment has been factored into our full year guidance.

It is also important to highlight that since the beginning of the year, there has been a 25% improvement in our end-to-end cycle time from induction into our system to the actual delivery of the parcels. Looking ahead, we have taken numerous steps to be ready for this year's holiday peak season. We have brought in new leadership with deep industry expertise across virtually every facility in the network. Additionally, last year's peak called for a change in our approach to hourly labor, and we have made very good progress heading into this year-end. We have more than doubled the ratio of our permanent hourly workforce from a year ago, and we are seeing promising results from new wage programs, resulting in a more effective recruiting process and improved employee retention, both of which will further improve service quality.

We have increased our PB fleet by 42% over prior year, which reduces our reliance on third-party transportation including use of the spot market. Lastly, we opened 3 new facilities and are expanding another to create more effective network footprint with enhanced coverage.

Additionally, all of our new facilities now have some element of induction and/or sortation automation with plenty of opportunity for further automation still in front of us. The net of all these items is that we believe we are well-positioned to handle peak volumes and deliver appropriate service levels to our clients.

Turning to Presort. Presort had a terrific quarter. Revenue was $139 million, 9% better than prior year. This is the third consecutive quarter of positive revenue growth, illustrating the resilience of a business that has recovered nicely from the impact of COVID. Revenue growth was driven by several factors including higher revenue per piece, strong sales performance and growth in overall volumes. In addition, we are realizing clear financial benefits from network investments we made to capture greater work share discounts around 5-digit sortation.

While volumes and revenue grew, so did variable cost to support that growth. On a positive note, the strength of our management systems as well as the investments we have made in technology have enabled us to hold productivity levels flat to prior year. In the end, we are pleased that volumes and revenue growth more than offset the market-driven increases in our Presort costs.

We will continue to invest in automation and productivity in order to help us continue to grow EBIT dollars and expand profit margins. For the quarter, Presort EBITDA was $27 million, and EBITDA margin was 20%. EBIT was $21 million, and EBIT margin was 15%. All of these are significant improvements from prior year and aligned with our long-term targets.

Moving to the SendTech segment. SendTech revenue was $338 million, which was down 5% from prior year. As noted earlier, last year's third quarter included investment gains which benefited financing revenue and created a challenging year-over-year comparison. Last year's investment gains represent about 200 basis points of the year-over-year revenue decline for SendTech in the quarter. Inside SendTech, I'd like to highlight Equipment Sales, which is a leading indicator for future revenue streams. For the quarter, Equipment Sales saw 4% growth despite some supply chain challenges in obtaining product.

I'd also highlight our efforts to shift our business mix to the growth areas of the shipping and mailing markets. Our new SendTech products and offerings have been gaining traction in the marketplace led by the SendPro family, which is an all-in-one system that offers multi-carrier alternatives to find the best rates and delivery options, track parcels, gain postage discounts and manage spend. In North America, more than 25% of our revenue comes from these new products, and we have begun to launch these products in select international markets. We are also seeing strong demand for our SendPro mailstation product, which we launched in April 2020 and have shipped over 40,000 of these devices to date. Our SaaS-based Subscription revenue grew 21%, and paid subscribers for our SendPro online product were up 58% over prior year.

I am also pleased to report that we have been able to satisfy the strong demand for our products, while managing supplier and transportation disruptions that have become prevalent across global supply chains. SendTech EBITDA was $107 million, and EBITDA margin was 32%. EBIT was $99 million, and EBIT margin was 29%. Margins reflect the decrease in high-margin financing results as well as increased freight and shipping costs that have become a theme across the corporate sector. It's important to note that we have implemented pricing actions where it is justified by the new and increased value we are delivering for clients through our newer product portfolio.

Let me now turn to our outlook. As Marc discussed, we expect there will be some supply chain disruptions. We are not immune to the market-wide supply chain challenges, but we believe our outlook takes this into consideration, and we are reaffirming what we have previously communicated. We still expect annual revenue at constant currency to grow over prior year in the low to mid-single-digit range. We still expect adjusted EPS to be in the range of $0.35 to $0.42. And we continue to expect Global Ecommerce to be EBITDA positive for the year. We still expect free cash flow to be lower than prior year driven primarily by a rebound in CapEx investments largely as it relates to the expansion of our E-commerce network and productivity initiatives, along with a slower decline in our finance receivables. We also expect our tax rate in the fourth quarter to return to a normalized level.

In summary, I feel that Pitney Bowes is in very good shape both operationally and financially. We have taken important steps throughout the year to strengthen our network capabilities and footprint, our balance sheet and our human capital. These actions leave us well-positioned to achieve our financial objectives for the year and going forward. Thank you very much.

And now I'd like to ask the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Allen Klee with the Maxim Group.

Allen Robert Klee ***Maxim Group LLC, Research Division - MD & Senior Equity Research Analyst***

Two questions on Global Ecommerce. First, could you talk about, as you think out over the next few years, the levers that are -- that you should get the -- how you think about the timing of getting the margin improvement there?

And then second, on the $8 million charge in that segment that was pricing related, could you just explain that a little more to help me understand that?

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

Sure, Allen. Let me take the first one. I'll give Ana the second question. So as we think about Global Ecommerce and the levers that we have at our disposal, the first thing I would say is it doesn't take large incremental improvements to get to the long-term model. As you look at our long-term model and you look at each of the line items, whether it be transportation, labor or postal, fairly small incremental improvements end up getting you to the margins that we've described. In the short term, labor and transportation are the 2 most substantial levers that we have. And it comes in a couple of form. Transportation -- or let me start with labor.

Labor is, first of all, just getting a more mature labor model. So if you look at our labor composition last year, it was predominantly temporary. If you look at where we are today, it's 55% permanent and 45% temp as you have a more permanent workforce. They just are better at what they do. So that's kind of the first lever. The second lever around labor is around automation. So we've introduced automation into a couple of our sites. I've had the opportunity to see it over the last 60 or 90 days. So if you look at where we have the preponderance of our labor, putting parcels in sacks, most of that can be done via robotics, so large opportunities there. And candidly, we've just scratched the surface there. So while we got the robotics in place in a couple of our sites, we're early days. So you can see the benefits, but it's a lot more in front of us.

In terms of transportation, again, a couple of levers. First of all, last year, we talked about being very dependent on the spot market for our trucks. We've added substantial capacity in the last 12 months in terms of our own transportation capability. We probably added 40% of our -- 40% of our capability. We will continue to do that. As you are able to do that, you become less reliant on the spot market. And the spot market economics versus having your own internal transportation is dramatically different. I mean it can be 4 or 5x different per lane, so substantial benefits there.

More recently, we've redesigned our Western region transportation network. We've seen substantial benefits. They are principally in service levels, but again, it all adds up.

And then finally, postal savings is a significant driver. And what we mean by that is if you can ingest more deeply into the postal network, you get better economics. So those 3 together produce 74% of our benefit.

We continue to see price as an important dynamic. What this industry has demonstrated over the last 12 or 15 months, inflation has gone up around transportation and labor. The industry as a whole. continues to price that in. And you see it in our peak pricing in the fourth quarter, but you also see it in our GRI that we announced earlier this week. So price is an important lever as well.

In terms of our expectation going forward, we expect this business to make steady progress. We've seen steady progress this year, and we continue to expect that going forward.

Ana, I'll let you talk about the charge.

Ana Maria Chadwick ***Pitney Bowes Inc. - Executive VP & CFO***

Sure, Marc. So as I mentioned before, the pricing assessment is caused by lower-than-anticipated volumes between the year 2020 and 2021 of certain kind of parcels. So we entered into a contract with a vendor that set that pricing based on specific growth rate target. And as we discussed, there are several reasons mainly especially the fact that 2020, due to COVID, had very high volumes that we are not anticipating now meeting that volume targets. And for that reason, we have taken this charge. It's important to note that we do not anticipate any adverse impact from this as we move into 2022. And we have included anything associated with this related to our guidance for 2021. So I view this as a unique onetime activity.

Operator

And we do have a question from the line of Ananda Baruah with Loop Capital.

Ananda Prosad Baruah ***Loop Capital Markets LLC, Research Division - MD***

Yes, a couple, if I could. Just to sort of piggyback off of the transportation comment, can you, Marc, just go into a little more context for us what aspect of the transportation you're in-sourcing? You've talked about in-sourcing transportation in the past. But now that it sounds like it's actually getting some traction, just spend a second sort of just providing us the context of what all parts you're in-sourcing would be helpful.

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

So let me kind of do it through the life of a parcel just to kind of make it a little bit clearer. So parcels get from retailers or marketplaces in 1 of 2 ways. Predominantly, they come in third-party trucks that are contracted by the retailer of the marketplaces. So there's a little bit of transportation there. But where most of our transportation is, is from our sortation centers into the postal network or the postal DDUs. So that's where the preponderance of our transportation is.

Last year, as volumes spiked, we were very vulnerable to what happened in the spot markets. And in some ways, those prices went 4, 5x what they had been. So just to kind of dimensionalize it for you, I visited one of our sites 30 days ago. And if we were to use a spot market, driver that was costing between $3,500 to $4,000 a lane, with one of our drivers, it was $600. So the principal use of the transportation is from our sortation facilities into the postal network, so less reliance on the spot market. As I said, we've increased our capacity a lot.

The second thing is, if you can ingest directly into the postal network as opposed to going from our Atlanta facility to our Orlando facility and then from Orlando into the postal facility, you save a trip. And that's largely what we've done in the West region pilot which will roll out. So that's how we use transportation. That kind of gives you an order of magnitude of the savings that are available to us and, candidly, just as importantly, from our perspective, taking time out of overall service levels. Does that help?

Ananda Prosad Baruah ***Loop Capital Markets LLC, Research Division - MD***

Yes. No, that's great context. I really appreciate it. And then I guess a quick follow-up on E-commerce. Are you guys -- are you expecting December quarter volumes to be up year-over-year? Or I guess maybe I should ask what are you expecting year-over-year from December quarter volumes? And the facility expansion that you spoke of to handle peak volumes, has that been completed or is that still taking place?

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

We expect volumes for GEC to be up quarter-to-quarter, third quarter to fourth quarter is peak. I would expect they'd be a little bit down from last year. And they're down for a couple of reasons. First and foremost, we have been very careful about the kind of volumes that we've taken on to ensure that we can provide the right service levels to our clients and, importantly, the right economics to our firm. So we've been very, very thoughtful about that. Obviously, this is in the context of overall supply chain challenges. So if you look at retailers and you see this in your own experience going to stores, stores are pretty short, retailers are pretty short of inventory right now. So that also has an overall effect. So I would say the fourth quarter volume forecasts are pretty dynamic at this point. We'd go through that with our customers on a weekly basis. And it will be interesting to see how it turns out.

I'm sorry, was there a second part of the question?

Ananda Prosad Baruah ***Loop Capital Markets LLC, Research Division - MD***

The facility expansions to handle peak, has it been completed or is it still occurring?

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

Completed for this year. So a different -- a much different dynamic this year than last. I visited our Orlando site earlier this week. Orlando was just coming online 12 months ago. So as you look at our sites today, they've all been in business for a while. Now I visited Columbus last week. That's a fairly new site. We're not really relying on a lot of volume there. So the overall network is much more stable today than it was 12 months ago. And I've visited 75% of the sites in the last 60 or 90 days, and their readiness for peak is in a much, much better place. And I was really pleased with what I saw.

In terms of the overall network build-out, we've got 2 or 3 sites, larger sites that will build out over the coming 12 months. But as it relates to the fourth quarter and peak, we're in pretty good shape and pretty stabilized.

Operator

And we do have a question from the line of Shannon Cross with Cross Research.

Shannon Siemsen Cross ***Cross Research LLC - Co-Founder, Principal & Analyst***

I was wondering, with your contracts with your customers, how much flexibility do you have in terms of pricing? I assume obviously the -- whatever you incur from a...

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

Did we lose Shannon?

Operator

Her line is still open.

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

Let me answer the question at least as I understand it. And if we get Shannon back, she can elaborate. So in terms of pricing, pricing really happens on a pretty predictable rhythm within the industry. There is a matter of practice of what the industry will referred to as a GRI. That's an annual price increase. We just announced our price increase for next year earlier in the week, and then there's a price increase as it relates to peak, which goes into effect November 1 and then goes through the peak season. So I would say that the pricing happens on a fairly predictable and stable rhythm and adjust a couple of times a year.

Operator

And we do have a question from the line of Kartik Mehta with Northcoast Research.

Unidentified Analyst

This is Alex on for Kartik. Great news here seeing some of the transitions of reducing some of those variable costs within Global Ecommerce. I guess the first question is what is the time frame of bringing some of those temporary workers to more permanent workers. And then also, I believe at a recent conference, you guys highlighted Global Ecommerce to have EBIT margins in the long term of about 8% to 12%. Does that -- does this recent news confirm some of that confidence that you guys have in those -- in that margin guidance? Or does that bring some of the targets forward? Or how are you guys thinking about that?

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

Yes. I'd say our long-term view continues to be that the margins in this business will be 8% to 12%. As we look at some of the other companies in the space, that seemed to be kind of industry norms. So we've learned nothing from the industry or our own internal operations that would suggest those EBIT aspirations, the long-term model are out of range.

What I would add to that is if you look at incrementally what needs to be done, and I think this is really important to understand, that it's 1 or 2 points of improvement on an annual basis. These are not long puts. These are kind of things that you would expect within the normal course of business, and that gives me a lot of confidence.

In terms of the labor model, so again, perspective is important. We're essentially going from all temporary workforce to 55% permanent. The plan this year was to be around that number. I'd like over time to get that number to 70%. But we're about where we expected to be for this year. And if you look at industry models, they vary. I mean some of our largest competitors have an all-temporary model. But as we look at we think 70% is important, and that gives you the ability to flex up and flex down with volume. But clearly, the more permanent workforce you can have, it just makes things better. More permanent workforce is more reliable. They understand how to use the conveyor system better. They understand how to use the equipment better. It's just they feel more ownership of what they're doing. So we think that's kind of the right model for us. So we made a heck of a lot of progress in the last 12 months. I'd say we've got a little bit more to do, but we're in the zip code.

Operator

And we have a follow-up question from the line of Ananda Baruah with Loop Capital.

Ananda Prosad Baruah ***Loop Capital Markets LLC, Research Division - MD***

Yes, I appreciate it. On SendTech, how would you -- it sounds like things are pretty solid. How would you describe the demand backdrop in general? And you talked about being constrained, but how would you describe the demand backdrop in general? And then just you mentioned moving to a sub model. Just any context around what that looks like and which customers are participating in that?

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

I'm sorry, what was the second part of your question?

Ananda Prosad Baruah ***Loop Capital Markets LLC, Research Division - MD***

The subscription model, yes, more adoption of the subscription model.

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

All right. So I would start where you kind of started. I would say the demand environment for SendTech is super solid, super solid. And as you unpack the results, candidly, we left between $5 million and $10 million on the docs in the third quarter because of supply that we couldn't get. And that kind of takes 3 different forms. First of all, we're reliant, like many others are, on the chips that are in such short supply. Secondly, we had, as many others, ships circling the Los Angeles port waiting to get in. And then third, trucks, so we ended up using some of our own trucks to get parts from the Los Angeles port to Chicago, where they go from Chicago to (inaudible) where we assemble the technology. So $5 million to $10 million of revenue left on the docs for the third quarter.

Also, as Ana highlighted, last year had some onetime benefits that affected both revenue and top line. If you look at the 2 of those together, the business is pretty close to flat overall. If you look at Equipment Sales, again, Equipment Sales were up, notwithstanding the fact that we left some revenue on the quarter.

In terms of subscription model, it's the same customers that we have in general. It's just they're opting for a different way to procure the technology. So it's a transition that we've been making for a while. We haven't talked a lot about it. We think it's the right long-term thing to do for the business, but it clearly suppresses in-period revenue.

So when you kind of look at all those things together, some onetime aberrations last year, some supply chain challenges this year, move to subscription revenue, super good demand environment relatively speaking in a market that's challenged. And candidly, I'd point right back to the product innovations that the team has driven over the last 3 or 4 years. They're -- each of those products is really hitting the ball and hitting the ball well.

Ananda Prosad Baruah ***Loop Capital Markets LLC, Research Division - MD***

That's helpful context, Marc. Would you -- just real -- one quick follow-up on that. Does what you guys have been seeing on the demand side, is it in any way alter your longer-term perspective with regards to the potential for SendTech, growth potential for SendTech and the way we should think about it? Or is it changing at least the way you may be thinking about it?

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

Yes, I won't presume to tell you how you should think about it. I tell you the way I'm thinking about it. I think about it in kind of a bifurcated way. So if you look at the mail industry, I think the mail industry is pretty set on the path that it's been on and will continue to decline. On the other side of it, however, is the shipping opportunity, and the shipping opportunity is larger and growing. And when you put those 2 opportunities together, which our technology allows us to address, the opportunity is for that business to grow over time.

So we'll update our long-term view of that business in our next Analyst Day, which I hope will be sooner versus later, where we can get together. But that technology that allows us to address the shipping market, which is so important to so many of our office customers, allows us to think about that market in a different way. And then candidly, if you throw a financial services opportunity on top of that, it makes it even more compelling.

So if I were trying to think about it, I would model the 2 markets separately and then aggregate them together. But my expectation is, at some point, shipping revenue gains is going to outpace mail declines.

One other point I'd make about SendTech as you're thinking about the fourth quarter in particular, the team has done a terrific job of getting most of the supply they need for the fourth quarter in our grasp. So it's our expectation that we'll have all the supply that we need for the quarter by the middle of November. So I think the supply chain issues are going to continue well into next year, but at least for this quarter, we have bought ahead and we're largely in possession of what we need to prosecute the quarter, as with how that business is executing.

Operator

And we do have a question from the line of Allen Klee with Maxim Group.

Allen Robert Klee ***Maxim Group LLC, Research Division - MD & Senior Equity Research Analyst***

Following up on SendTech, could you talk about for Wheeler Financial how much they put to work during the quarter? What's your excess bank deposits are? And how you think about going forward the opportunity with that?

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

$4 million to work for the quarter, we put $44 million life to date for Wheeler. I continue to think it's a great opportunity. We have plenty of deposits to put to work. And I would say more recently, as we've evolved towards providing working capital for shipping, we found an adjacency that in many ways resembles putting working capital to work for mail but in a growing market. So I continue to think it's a great opportunity, and we've scratched the surface of what we can do there.

Operator

(Operator Instructions) And at this time, it does appear there are no further questions from the phone lines. I'll now turn the conference back to Mr. Marc Lautenbach.

Marc B. Lautenbach ***Pitney Bowes Inc. - President, CEO & Director***

Great. Thanks, operator. And again, thank you for everyone to join this morning. Let me just conclude with a couple of thoughts.

The first is we really like the demand environment we're in. As I talked about SendTech demand environment is the best I've seen since I've been here. Presort, at 9% revenue growth, we don't think that's necessarily the long-term trajectory of that business is terrific. Ironically, as the mail market continues to decline, it allows us to make more and better acquisitions, so we can continue to grow that business and add to the demand. And in GEC, while volumes are moderating a touch from last year, I think it's important to have a little bit of perspective last year in the third quarter revenue grew 47% or so, and volumes more than doubled. So volumes revenue are a little bit off of last year but not much. So we've kept much of the demand that we have earned over the last couple of years. And importantly, the demand is now kind of in the sweet spot of what we think we can prosecute.

It's hard to know in the fourth quarter how supply and demand work out. The supply environment is problematic both from a overall capability perspective and also forecasted and visibility. But fourth quarter is one quarter. Overall, what will be enduring is the demand environment, supply issues will work themselves out, and we really like how we're positioned going forward. So we're looking forward to a very successful peak season. And importantly, I think as you look at the pillars of the business, they're all in very solid footing right now.

So with that, we'll close this morning's call, and we'll talk again soon. Thank you.

Operator

And ladies and gentlemen, today's conference will be available for replay after 10 a.m. Eastern today through December 3. You may access the AT&T replay system at any time by dialing 1 (866) 207-1041, entering the access code 3857059. International participants may dial (402) 970-0847. And those numbers again are 1 (866) 207-1041 and (402) 970-0847, again, entering the access code 3857059.

That does conclude your conference for today. Thank you for using AT&T Conferencing Service. You may now disconnect.