

Pitney Bowes Inc.
Consolidated Statements of Income

(Unaudited; in thousands, except share and per share amounts)

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Revenue:				
Business services	\$ 467,192	\$ 444,965	\$ 1,710,801	\$ 1,566,470
Support services	123,609	135,169	506,187	552,472
Financing	88,051	100,280	368,090	394,557
Equipment sales	87,148	106,334	352,104	395,652
Supplies	45,026	52,451	187,287	218,304
Rentals	20,317	18,215	80,656	84,067
Total revenue	831,343	857,414	3,205,125	3,211,522
Costs and expenses:				
Cost of business services	386,086	360,922	1,389,569	1,233,105
Cost of support services	38,847	44,291	162,300	178,495
Financing interest expense	11,215	11,269	44,648	44,376
Cost of equipment sales	62,116	62,534	244,210	236,160
Cost of supplies	12,349	14,308	49,882	60,960
Cost of rentals	8,307	6,792	31,530	37,178
Selling, general and administrative	246,761	243,466	1,003,989	1,002,935
Research and development	12,837	13,872	51,258	58,523
Restructuring charges and asset impairments, net	12,990	7,128	69,606	25,899
Interest expense, net	26,585	26,004	110,910	115,381
Other components of net pension and postretirement cost	(1,087)	28,495	(4,225)	22,425
Other expense	5,956	-	24,306	7,964
Total costs and expenses	822,962	819,081	3,177,983	3,023,401
Income from continuing operations before taxes	8,381	38,333	27,142	188,121
Provision (benefit) for income taxes	344	(10,819)	(13,007)	6,416
Income from continuing operations	8,037	49,152	40,149	181,705
Income from discontinued operations, net of tax	168,659	817	154,460	60,106
Net income	\$ 176,696	\$ 49,969	\$ 194,609	\$ 241,811
Basic earnings per share (1):				
Continuing operations	\$ 0.05	\$ 0.26	\$ 0.23	\$ 0.97
Discontinued operations	0.99	0.00	0.88	0.32
Net income	\$ 1.04	\$ 0.27	\$ 1.10	\$ 1.29
Diluted earnings per share (1):				
Continuing operations	\$ 0.05	\$ 0.26	\$ 0.23	\$ 0.96
Discontinued operations	0.98	0.00	0.87	0.32
Net income	\$ 1.03	\$ 0.26	\$ 1.10	\$ 1.28
Weighted-average shares used in diluted earnings per share	171,587,745	188,806,855	177,337,161	188,381,647

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

Pitney Bowes Inc.
Consolidated Balance Sheets
(Unaudited; in thousands, except share amounts)

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 924,442	\$ 867,262
Short-term investments	115,879	59,391
Accounts and other receivables, net	374,833	371,797
Short-term finance receivables, net	629,643	653,236
Inventories	68,251	62,279
Current income taxes	5,565	5,947
Other current assets and prepayments	101,601	74,782
Assets of discontinued operations	17,229	602,823
Total current assets	2,237,443	2,697,517
Property, plant and equipment, net	376,177	398,501
Rental property and equipment, net	41,225	46,228
Long-term finance receivables, net	625,487	635,908
Goodwill	1,324,179	1,332,351
Intangible assets, net	190,640	213,200
Operating lease assets	200,752	152,554
Noncurrent income taxes	71,903	65,001
Other assets	400,456	397,159
Total assets	\$ 5,468,262	\$ 5,938,419
<u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,386,170	\$ 1,348,127
Current operating lease liabilities	36,060	35,208
Current portion of long-term debt	20,108	199,535
Advance billings	101,920	116,862
Current income taxes	17,083	15,284
Liabilities of discontinued operations	9,713	174,798
Total current liabilities	1,571,054	1,889,814
Long-term debt	2,719,614	3,066,073
Deferred taxes on income	274,435	253,560
Tax uncertainties and other income tax liabilities	38,834	39,548
Noncurrent operating lease liabilities	177,711	125,294
Other noncurrent liabilities	400,518	462,288
Total liabilities	5,182,166	5,836,577
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	-	1
Cumulative preference stock, no par value, \$2.12 convertible	-	396
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	98,748	121,475
Retained earnings	5,438,930	5,279,682
Accumulated other comprehensive loss	(840,143)	(948,961)
Treasury stock, at cost	(4,734,777)	(4,674,089)
Total stockholders' equity	286,096	101,842
Total liabilities and stockholders' equity	\$ 5,468,262	\$ 5,938,419

Pitney Bowes Inc.
Business Segment Revenue
(Unaudited; in thousands)

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
REVENUE						
Global Ecommerce	\$ 323,942	\$ 304,327	6%	\$ 1,151,510	\$ 1,022,862	13%
Presort Services	135,120	133,273	1%	529,588	515,795	3%
Commerce Services	<u>459,062</u>	<u>437,600</u>	5%	<u>1,681,098</u>	<u>1,538,657</u>	9%
Sending Technology Solutions	372,281	419,814	(11%)	1,524,027	1,672,865	(9%)
Total revenue - GAAP	831,343	857,414	(3%)	3,205,125	3,211,522	(0%)
Currency impact on revenue	1,027	-		19,010	-	
Revenue, at constant currency	832,370	857,414	(3%)	3,224,135	3,211,522	0%
Less revenue from Market Exits	2,114	13,497		11,656	52,844	
Revenue, excluding currency and Market Exits	<u>\$ 830,256</u>	<u>\$ 843,917</u>	(2%)	<u>\$ 3,212,479</u>	<u>\$ 3,158,678</u>	2%

Pitney Bowes Inc.
Business Segment EBIT & EBITDA
(Unaudited; in thousands)

	Three Months Ended December 31,							
	2019			2018			% change	
	EBIT (1)	D&A	EBITDA	EBIT (1)	D&A	EBITDA	EBIT	EBITDA
Global Ecommerce	\$ (18,177)	\$ 17,687	\$ (490)	\$ (4,345)	\$ 15,999	\$ 11,654	>(100%)	>(100%)
Presort Services	22,478	7,765	30,243	16,742	7,186	23,928	34%	26%
Commerce Services	4,301	25,452	29,753	12,397	23,185	35,582	(65%)	(16%)
Sending Technology Solutions	112,227	9,411	121,638	146,532	8,126	154,658	(23%)	(21%)
Segment Total	\$ 116,528	\$ 34,863	151,391	\$ 158,929	\$ 31,311	190,240	(27%)	(20%)

Reconciliation of Segment EBITDA to Net Income:

Segment depreciation and amortization	(34,863)	(31,311)
Unallocated corporate expenses	(51,246)	(44,598)
Interest, net	(37,800)	(37,273)
Restructuring charges and asset impairments, net	(12,990)	(7,128)
Pension settlement	-	(31,329)
Loss on extinguishment of debt	(5,956)	-
Transaction costs	(155)	(268)
(Provision) benefit for income taxes	(344)	10,819
Income from continuing operations	8,037	49,152
Income from discontinued operations, net of tax	168,659	817
Net income	\$ 176,696	\$ 49,969

	Year Ended December 31,							
	2019			2018			% change	
	EBIT (1)	D&A	EBITDA	EBIT (1)	D&A	EBITDA	EBIT	EBITDA
Global Ecommerce	\$ (70,146)	\$ 68,385	\$ (1,761)	\$ (32,379)	\$ 61,046	\$ 28,667	>(100%)	>(100%)
Presort Services	70,693	29,440	100,133	73,768	26,838	100,606	(4%)	(0%)
Commerce Services	547	97,825	98,372	41,389	87,884	129,273	(99%)	(24%)
Sending Technology Solutions	490,322	39,758	530,080	558,959	39,104	598,063	(12%)	(11%)
Segment Total	\$ 490,869	\$ 137,583	628,452	\$ 600,348	\$ 126,988	727,336	(18%)	(14%)

Reconciliation of Segment EBITDA to Net Income:

Segment depreciation and amortization	(137,583)	(126,988)
Unallocated corporate expenses	(211,529)	(185,919)
Interest, net	(155,558)	(159,757)
Restructuring charges and asset impairments, net	(69,606)	(25,899)
Pension settlement	-	(31,329)
Loss on disposition of businesses	(17,683)	-
Loss on extinguishment of debt	(6,623)	(7,964)
Transaction costs	(2,728)	(1,359)
Benefit (provision) for income taxes	13,007	(6,416)
Income from continuing operations	40,149	181,705
Income from discontinued operations, net of tax	154,460	60,106
Net income	\$ 194,609	\$ 241,811

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

(2) Includes depreciation and amortization expense of reporting segments only, and excludes corporate depreciation and amortization expense of \$5,765 and \$4,998 for the three months ended December 31, 2019 and 2018, respectively, and \$21,559 and \$21,476 for the year ended December 31, 2019 and 2018, respectively.

Pitney Bowes Inc.
Reconciliation of Reported Consolidated Results to Adjusted Results
(Unaudited; in thousands, except per share amounts)

	Three months ended		Year ended December 31,	
	December 31,		2019	2018
	2019	2018	2019	2018
Reconciliation of reported net income to adjusted earnings				
Net income	\$ 176,696	\$ 49,969	\$ 194,609	\$ 241,811
Income from discontinued operations, net of tax	(168,659)	(817)	(154,460)	(60,106)
Restructuring charges and asset impairments, net	10,719	6,282	52,427	20,071
Loss on disposition of businesses	883	-	20,280	-
Pension settlement	-	23,402	-	23,402
Tax adjustments, net	-	(20,316)	-	(34,281)
Loss on extinguishment of debt	4,464	-	4,961	5,933
Transaction costs	116	200	2,033	1,012
Adjusted net income	24,219	58,720	119,850	197,842
Provision for income taxes, as adjusted	3,264	18,338	3,933	56,831
Interest, net	37,800	37,273	155,558	159,757
Adjusted EBIT	65,283	114,331	279,341	414,430
Depreciation and amortization	40,628	36,309	159,142	148,464
Adjusted EBITDA	\$ 105,911	\$ 150,640	\$ 438,483	\$ 562,894

Reconciliation of reported diluted earnings per share to adjusted diluted earnings per share

Diluted earnings per share	\$ 1.03	\$ 0.26	\$ 1.10	\$ 1.28
Income from discontinued operations, net of tax	(0.98)	(0.00)	(0.87)	(0.32)
Restructuring charges and asset impairments, net	0.06	0.03	0.30	0.11
Loss on disposition of businesses	0.01	-	0.11	-
Pension settlement	-	0.12	-	0.12
Tax adjustments, net	-	(0.11)	-	(0.18)
Loss on extinguishment of debt	0.03	-	0.03	0.03
Transaction costs	-	-	0.01	0.01
Adjusted diluted earnings per share	\$ 0.14	\$ 0.31	\$ 0.68	\$ 1.05

Note: The sum of the earnings per share amounts may not equal the totals due to rounding.

Reconciliation of reported net cash from operating activities to free cash flow

Net cash provided by operating activities	\$ 69,922	\$ 84,309	\$ 252,207	\$ 342,879
Net cash used in (provided by) operating activities - discontinued operations	6,587	76,343	(9,272)	7,916
Capital expenditures	(42,032)	(32,515)	(137,253)	(137,810)
Restructuring payments	8,303	13,488	27,148	52,730
Reserve account deposits	13,216	14,144	16,341	21,008
Transaction costs paid	10,463	961	19,488	14,203
Free cash flow	\$ 66,459	\$ 156,730	\$ 168,659	\$ 300,926