



# Pitney Bowes Second Quarter 2023 Earnings

August 3, 2023



# Forward Looking Statements

*This document contains “forward-looking statements” about the Company’s expected or potential future business and financial performance. Forward-looking statements include, but are not limited to, statements about future revenue and earnings guidance and future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. Factors which could cause future financial performance to differ materially from expectations include, without limitation, declining physical mail volumes; changes in postal regulations or the operations and financial health of posts in the U.S. or other major markets or changes to the broader postal or shipping markets; our ability to continue to grow and manage unexpected fluctuations in volumes, gain additional economies of scale and improve profitability within our Global Ecommerce segment; the loss of some of our larger clients in our Global Ecommerce and Presort Services segments; the loss of, or significant changes to, United States Postal Service (USPS) commercial programs, or our contractual relationships with the USPS or their performance under those contracts; the impacts on our cost of debt due to recent increases in interest rates and the potential for future interest rate hikes ; and other factors as more fully outlined in the Company's 2022 Form 10-K Annual Report and other reports filed with the Securities and Exchange Commission during 2023. Pitney Bowes assumes no obligation to update any forward-looking statements contained in this document as a result of new information, events or developments.*

# Use of Non-GAAP Measures

*Our financial results are reported in accordance with generally accepted accounting principles (GAAP). We also disclose certain non-GAAP measures, such as adjusted earnings before interest and taxes (Adjusted EBIT), adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), adjusted earnings per share (Adjusted EPS), revenue growth on a comparable basis and free cash flow.*

*Adjusted EBIT, Adjusted EBITDA and Adjusted EPS exclude the impact of restructuring charges, goodwill impairment, gains, losses and costs related to the sale of assets, acquisitions and dispositions, losses on debt redemptions and refinancings and other unusual items. Management believes that these non-GAAP measures provide investors greater insight into the underlying operating trends of the business.*

*We disclose revenue growth on a comparable basis, which excludes three items. First, the comparison excludes the impacts of foreign currency. Second, we are excluding the impact of the divestiture of the Borderfree business effective July 1, 2022. Third, we are excluding the impact of a change in the presentation of revenue beginning in the fourth quarter of 2022, from a gross basis to net basis due to an adjustment in terms of one of our contracts with the United States Postal Service. The change in revenue presentation impacts both our Global Ecommerce and SendTech Solutions segments. The change in revenue presentation does not impact gross profit. Management believes that excluding these items provides investors with a better understanding of the underlying revenue performance.*

# Use of Non-GAAP Measures

*Free cash flow adjusts cash flow from operations calculated in accordance with GAAP for capital expenditures, restructuring payments and other special items. Management believes free cash flow provides investors better insight into the amount of cash available for other discretionary uses.*

*Adjusted Segment EBIT is the primary measure of profitability and operational performance at the segment level and is determined by deducting from segment revenue the related costs and expenses attributable to the segment. Adjusted Segment EBIT excludes interest, taxes, unallocated corporate expenses, restructuring charges, goodwill impairment, and other items not allocated to a business segment. The Company also reports Adjusted Segment EBITDA as an additional useful measure of segment profitability and operational performance.*

*Complete reconciliations of non-GAAP measures to comparable GAAP measures can be found in the attached financial schedules and at the Company's web site at [www.pb.com/investorrelations](http://www.pb.com/investorrelations)*

*“We saw similar trends that affected first quarter results continue into the second quarter, and we took several significant actions to position the company well for the second half of the year. SendTech and Presort both grew profits, while the decline in cross-border weighed on the performance of Global Ecommerce. Domestic parcel volumes grew close to 30 percent, which we expect to continue in the second half. Importantly, the refinancing of our 2024 notes and execution of the restructuring plan announced last quarter further position the company for the long-term.”*

- Marc B. Lautenbach  
President and CEO

# Second Quarter 2023 Results

# Second Quarter 2023 – Overview<sup>(1)</sup>

- ❑ Revenue of \$776 million
  - 11% decline on a reported basis versus prior year
  - 5% decline on a comparable basis, excluding the impact of currency, Borderfree divestiture, and a change in revenue presentation
  
- ❑ GAAP EPS loss of \$0.81 and Adjusted EPS loss of \$0.02
  - • GAAP EPS a includes a loss of \$0.67 for a non-cash goodwill impairment charge related to the Global Ecommerce segment resulting from performance through June 30, 2023 and continuing changes in macroeconomic conditions
  
- ❑ GAAP Cash from Operations was breakeven; Free Cash Flow was a net use of \$11 million
  
- ❑ \$561 million in cash and short-term investments

*(1) A reconciliation of GAAP to Adjusted results for current and prior period can be found in the appendix of this presentation*

## Second Quarter 2023 – Overview Continued

- ❑ Global Ecommerce processed 50 million domestic parcels in the quarter, which is up 29% from second quarter 2022
- ❑ Presort grew Adjusted Segment EBIT by 59% and Adjusted Segment EBIT margins by 500 basis points versus prior year
- ❑ SendTech grew Adjusted Segment EBIT by 2% and Adjusted Segment EBIT margins by 200 basis points versus prior year
- ❑ SendTech shipping-related revenues increased 14% year-over-year; SaaS subscription revenues increased 29%
- ❑ Segment Adjusted EBIT was \$80 million in the quarter and flat versus prior year

# Second Quarter 2023 – Results vs Prior Year<sup>(1)</sup>

\$ millions

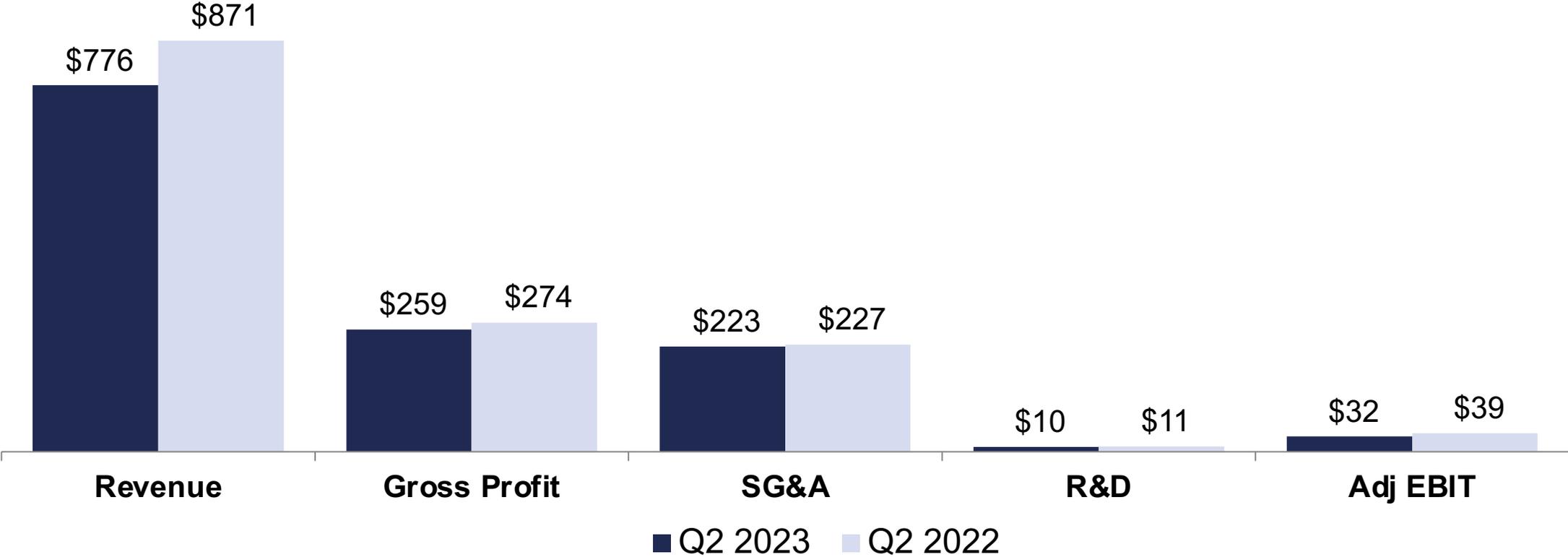
**11% Y/Y Decline**  
(5% Y/Y Change on comparable basis)

**Gross Profit Margin**  
Q2 2023 = 33.3%  
Q2 2022 = 31.4%

**SG&A as % of Revenue**  
Q2 2023 = 28.7%  
Q2 2022 = 26.0%

**R&D as a % of Revenue**  
Q2 2023 = 1.3%  
Q2 2022 = 1.3%

**Adj EBIT Margin**  
Q2 2023 = 4.1%  
Q2 2022 = 4.5%



(1) A reconciliation of GAAP to Adjusted results for current and prior period can be found in the appendix of this presentation

# Second Quarter 2023 – Global Ecommerce

*Global Ecommerce provides business to consumer logistics services for domestic and cross-border delivery, returns and fulfillment*

(\$ millions)	Q2 2023	Q2 2022	% Change Reported	% Change Comparable Basis
Revenue	\$313	\$394	(21%)	(9%)
Adjusted Segment EBITDA	(\$21)	(\$7)	>(100%)	
Adjusted Segment EBIT	(\$38)	(\$29)	(32%)	

Revenue and Adjusted Segment EBIT decline was driven by the continuing weakness in cross-border, specifically from a change in how two clients access our offerings.

These declines were partially offset by a 19 percent increase in Domestic parcel revenue and lower operating expenses in the quarter.

# Second Quarter 2023 – Presort

*Presort Services provides sortation services that enable clients to qualify for USPS workshare discounts in First Class Mail, Marketing Mail, Marketing Mail Flats and Bound Printed Matter*

(\$ millions)	Q2 2023	Q2 2022	% Change Reported
Revenue	\$143	\$139	3%
Adjusted Segment EBITDA	\$29	\$20	45%
Adjusted Segment EBIT	\$20	\$13	59%

Presort processed 3.6 billion pieces, which represented a decline of 5 percent versus prior year. Revenue per piece improvement and growth in higher yielding mail classes drove growth in revenue.

Adjusted Segment EBIT growth versus prior year driven by higher revenue, improved labor productivity from investments in automation, and lower unit transportation costs.

# Second Quarter 2023 – SendTech

*Sending Technology Solutions offers physical and digital mailing and shipping technology solutions, financing, services, supplies and other applications for clients of all sizes to help simplify and save on the sending, tracking and receiving of letters, parcels and flats*

(\$ millions)	Q2 2023	Q2 2022	% Change Reported	% Change Comparable Basis
Revenue	\$321	\$339	(5%)	(4%)
Adjusted Segment EBITDA	\$105	\$103	1%	
Adjusted Segment EBIT	\$97	\$96	2%	

Decline in segment revenue was primarily driven by lower in-period equipment sales as we entered a phase of our product lifecycle where we have less new lease opportunities offset by a corresponding increase in lease extensions. Growth in shipping-related revenues partially offset the decline in revenues.

Simplification and cost reduction actions more than offset the secular mailing install base decline, driving improvement in Adjusted Segment EBIT.

# Debt Profile

## Debt Composition at 6/30/2023 (\$ Billions)

<b>Total Debt</b>	<b>\$ 2.15</b>
- Implied Financing Related Debt <sup>(1)</sup>	- 1.09
<b>Implied Operating Company Debt</b>	<b>\$ 1.06</b>
- Cash & S/T Investments	- 0.56
<b>Implied Net Debt</b>	<b>\$ 0.50</b>

## Capital Structure (\$ Millions)

	Interest Rate	6/30/2023 <sup>(2)</sup>	12/31/2022
<b>Cash &amp; S/T Investments</b>		<b>\$560.7</b>	<b>\$681.2</b>
Revolver - (\$500mm)		0.0	0.0
Term Loan A due March 2026	SOFR + 2.25%	336.5	351.5
Term Loan B due March 2028	SOFR + 4.00%	439.9	442.1
<b>Subtotal: Secured Debt</b>		<b>\$776.4</b>	<b>793.6</b>
Notes due March 2024	4.625%	214.5	236.7
Notes due March 2027	6.875%	380.0	396.8
Notes due March 2029	7.25%	350.0	350.0
Notes due January 2037	5.25%	35.8	35.8
Notes due March 2043	6.70%	425.0	425.0
Other debt		1.8	2.4
<b>Subtotal: Unsecured Debt</b>		<b>\$1,407.1</b>	<b>\$1,446.8</b>
<b>Principal Debt<sup>(3)</sup></b>		<b>\$2,183.5</b>	<b>\$2,240.4</b>
<b>Net Debt<sup>(3)</sup></b>		<b>\$1,622.8</b>	<b>\$1,559.3</b>

## Manageable debt profile

(1) Total Finance Receivables at 8:1 debt:equity ratio

(2) In July 2023, we borrowed \$275 million in a private placement offering due March 2028. Net proceeds will be used to redeem our March 2024 notes and a portion of our term loan due March 2026

(3) Excludes \$34 million and \$35 million of unamortized costs, net as of 6/30/2023 and 12/31/2022, respectively

# Full Year 2023 Expectations

# Full Year 2023 Guidance

- We expect full year revenue to be on the lower end of our previously provided guidance, resulting in relatively flat growth on a comparable basis.
- We continue to expect adjusted EBIT performance to outpace the percent change in revenue.

# Appendix

## Consolidated Statements of Operations

(Unaudited; in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue:				
Business services	\$ 473,497	\$ 551,478	\$ 996,988	\$ 1,148,862
Support services	103,315	107,625	208,599	217,977
Financing	66,702	67,298	133,751	139,327
Equipment sales	79,451	89,986	162,061	179,282
Supplies	36,505	38,245	75,340	79,306
Rentals	17,011	16,863	34,280	33,683
Total revenue	<u>776,481</u>	<u>871,495</u>	<u>1,611,019</u>	<u>1,798,437</u>
Costs and expenses:				
Cost of business services	410,638	477,544	856,955	980,759
Cost of support services	35,018	37,711	71,858	74,845
Financing interest expense	14,763	12,533	29,299	24,135
Cost of equipment sales	56,180	63,815	113,351	127,586
Cost of supplies	10,884	11,028	22,109	22,545
Cost of rentals	5,142	7,473	10,570	12,782
Selling, general and administrative	222,549	226,638	464,669	469,423
Research and development	10,274	11,254	20,767	22,588
Restructuring charges	22,443	4,224	26,042	8,408
Goodwill impairment	118,599	-	118,599	-
Interest expense, net	22,920	21,007	45,262	43,131
Other components of net pension and postretirement (income) cost	(1,751)	958	(3,461)	1,802
Other income, net	(228)	-	(3,064)	(11,901)
Total costs and expenses	<u>927,431</u>	<u>874,185</u>	<u>1,772,956</u>	<u>1,776,103</u>
(Loss) income before taxes	(150,950)	(2,690)	(161,937)	22,334
Benefit for income taxes	(9,415)	(7,026)	(12,665)	(2,823)
Net (loss) income	<u>\$ (141,535)</u>	<u>\$ 4,336</u>	<u>\$ (149,272)</u>	<u>\$ 25,157</u>
(Loss) earnings per share:				
Basic	<u>\$ (0.81)</u>	<u>\$ 0.02</u>	<u>\$ (0.85)</u>	<u>\$ 0.14</u>
Diluted	<u>\$ (0.81)</u>	<u>\$ 0.02</u>	<u>\$ (0.85)</u>	<u>\$ 0.14</u>
Weighted-average shares used in diluted earnings per share	<u>175,695</u>	<u>176,969</u>	<u>175,094</u>	<u>177,673</u>

## Consolidated Balance Sheets

(Unaudited; in thousands)

### Assets

#### Current assets:

Cash and cash equivalents	
Short-term investments	
Accounts and other receivables, net	
Short-term finance receivables, net	
Inventories	
Current income taxes	
Other current assets and prepayments	

#### Total current assets

Property, plant and equipment, net

Rental property and equipment, net

Long-term finance receivables, net

Goodwill

Intangible assets, net

Operating lease assets

Noncurrent income taxes

Other assets

Total assets

June 30, 2023

\$	541,704
	18,972
	272,963
	559,979
	92,783
	11,159
	117,132
	1,614,692
	401,905
	25,936
	640,097
	952,302
	70,062
	284,783
	44,859
	388,728
\$	4,423,364

December 31, 2022

\$	669,981
	11,172
	343,557
	564,972
	83,720
	8,790
	115,824
	1,798,016
	420,672
	27,487
	627,124
	1,066,951
	77,944
	296,129
	46,613
	380,419
\$	4,741,355

### Liabilities and stockholders' (deficit) equity

#### Current liabilities:

Accounts payable and accrued liabilities	
Customer deposits at Pitney Bowes Bank	
Current operating lease liabilities	
Current portion of long-term debt	
Advance billings	
Current income taxes	

#### Total current liabilities

Long-term debt

Deferred taxes on income

Tax uncertainties and other income tax liabilities

Noncurrent operating lease liabilities

Other noncurrent liabilities

Total liabilities

\$	812,474
	639,425
	53,984
	264,980
	82,828
	2,929
	1,856,620
	1,884,798
	236,859
	24,745
	254,051
	241,778
	4,498,851

\$	907,083
	628,072
	52,576
	32,764
	105,207
	2,101
	1,727,803
	2,172,502
	263,131
	23,841
	265,696
	227,729
	4,680,702

#### Stockholders' (deficit) equity:

Common stock	
Retained earnings	
Accumulated other comprehensive loss	
Treasury stock, at cost	

Total stockholders' (deficit) equity

Total liabilities and stockholders' (deficit) equity

	323,338
	4,908,641
	(807,993)
	(4,499,473)
	(75,487)
\$	4,423,364

	323,338
	5,125,677
	(835,564)
	(4,552,798)
	60,653
\$	4,741,355

## Business Segment Revenue

(Unaudited; in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	2023	2022	% Change
<b>Global Ecommerce</b>						
Revenue, as reported	\$ 312,754	\$ 393,770	(21%)	\$ 661,145	\$ 812,297	(19%)
Impact of change in revenue presentation		(37,790)			(75,376)	
Impact of Borderfree divestiture		(10,820)			(22,550)	
Comparable revenue before currency	312,754	345,160	(9%)	661,145	714,371	(7%)
Impact of currency on revenue	437			3,278		
Comparable revenue	\$ 313,191	\$ 345,160	(9%)	\$ 664,423	\$ 714,371	(7%)
<b>Presort Services</b>						
Revenue, as reported	\$ 143,107	\$ 138,934	3%	\$ 302,009	\$ 299,478	1%
<b>Sending Technology Solutions</b>						
Revenue, as reported	\$ 320,620	\$ 338,791	(5%)	\$ 647,865	\$ 686,662	(6%)
Impact of change in revenue presentation		(4,853)			(8,543)	
Comparable revenue before currency	320,620	333,938	(4%)	647,865	678,119	(4%)
Impact of currency on revenue	725			5,569		
Comparable revenue	\$ 321,345	\$ 333,938	(4%)	\$ 653,434	\$ 678,119	(4%)
<b>Consolidated</b>						
Revenue, as reported	\$ 776,481	\$ 871,495	(11%)	\$ 1,611,019	\$ 1,798,437	(10%)
Impact of change in revenue presentation		(42,643)			(83,919)	
Impact of Borderfree divestiture		(10,820)			(22,550)	
Comparable revenue before currency	776,481	818,032	(5%)	1,611,019	1,691,968	(5%)
Impact of currency on revenue	1,162			8,847		
Comparable revenue	\$ 777,643	\$ 818,032	(5%)	\$ 1,619,866	\$ 1,691,968	(4%)

## Adjusted Segment EBIT & EBITDA

(Unaudited; in thousands)

	Three months ended June 30,							
	2023			2022			% change	
	Adjusted Segment EBIT <sup>(1)</sup>	D&A	Adjusted Segment EBITDA	Adjusted Segment EBIT <sup>(1)</sup>	D&A	Adjusted Segment EBITDA	Adjusted Segment EBIT	Adjusted Segment EBITDA
Global Ecommerce	\$ (38,115)	\$ 16,620	\$ (21,495)	\$ (28,825)	\$ 21,480	\$ (7,345)	(32%)	>(100%)
Presort Services	20,429	8,337	28,766	12,851	7,000	19,851	59%	45%
Sending Technology Solutions	97,480	7,383	104,863	95,565	7,908	103,473	2%	1%
Segment total	<u>\$ 79,794</u>	<u>\$ 32,340</u>	112,134	<u>\$ 79,591</u>	<u>\$ 36,388</u>	115,979	<u>0%</u>	<u>(3%)</u>

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

Segment depreciation and amortization		(32,340)		(36,388)
Unallocated corporate expenses		(47,709)		(40,761)
Restructuring charges		(22,443)		(4,224)
Goodwill impairment		(118,599)		-
Gain on debt redemption		228		-
Proxy solicitation fees		(4,538)		-
Loss on sale of business, including transaction costs		-		(3,756)
Interest, net		(37,683)		(33,540)
Benefit for income taxes		9,415		7,026
Net (loss) income		<u>\$ (141,535)</u>		<u>\$ 4,336</u>

	Six months ended June 30,							
	2023			2022			% change	
	EBIT <sup>(1)</sup>	D&A	EBITDA	EBIT <sup>(1)</sup>	D&A	EBITDA	EBIT	EBITDA
Global Ecommerce	\$ (72,321)	\$ 33,034	\$ (39,287)	\$ (42,521)	\$ 42,924	\$ 403	(70%)	>(100%)
Presort Services	47,334	16,859	64,193	32,483	13,419	45,902	46%	40%
Sending Technology Solutions	194,151	14,850	209,001	200,140	14,911	215,051	(3%)	(3%)
Segment total	<u>\$ 169,164</u>	<u>\$ 64,743</u>	233,907	<u>\$ 190,102</u>	<u>\$ 71,254</u>	261,356	<u>(11%)</u>	<u>(11%)</u>

### Reconciliation of Segment EBITDA to Net (Loss) Income:

Segment depreciation and amortization		(64,743)		(71,254)
Unallocated corporate expenses		(104,058)		(98,595)
Restructuring charges		(26,042)		(8,408)
Goodwill impairment		(118,599)		-
Gain (loss) on debt redemption		3,064		(4,993)
Proxy solicitation fees		(10,905)		-
Gain on sale of assets		-		14,372
Loss on sale of business, including transaction costs		-		(2,878)
Interest, net		(74,561)		(67,266)
Benefit for income taxes		12,665		2,823
Net (loss) income		<u>\$ (149,272)</u>		<u>\$ 25,157</u>

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

## Reconciliation of Reported Consolidated Results to Adjusted Results

(Unaudited; in thousands, except per share amounts)

### Reconciliation of reported net (loss) income to adjusted EBIT and adjusted EBITDA

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net (loss) income	\$ (141,535)	\$ 4,336	\$ (149,272)	\$ 25,157
Benefit for income taxes	(9,415)	(7,026)	(12,665)	(2,823)
(Loss) income before taxes	(150,950)	(2,690)	(161,937)	22,334
Restructuring charges	22,443	4,224	26,042	8,408
Goodwill impairment	118,599	-	118,599	-
(Gain) loss on debt redemption	(228)	-	(3,064)	4,993
Proxy solicitation fees	4,538	-	10,905	-
Gain on sale of assets	-	-	-	(14,372)
Loss on sale of business, including transaction costs	-	3,756	-	2,878
Adjusted net (loss) income before tax	(5,598)	5,290	(9,455)	24,241
Interest, net	37,683	33,540	74,561	67,266
Adjusted EBIT	32,085	38,830	65,106	91,507
Depreciation and amortization	39,873	43,470	79,770	85,472
Adjusted EBITDA	\$ 71,958	\$ 82,300	\$ 144,876	\$ 176,979

### Reconciliation of reported diluted (loss) earnings per share to adjusted diluted (loss) earnings per share

Diluted (loss) earnings per share	\$ (0.81)	\$ 0.02	\$ (0.85)	\$ 0.14
Restructuring charges	0.09	0.02	0.11	0.03
Goodwill impairment	0.67	-	0.67	-
(Gain) loss on debt redemption	(0.00)	-	(0.01)	0.02
Proxy solicitation fees	0.02	-	0.05	-
Gain on sale of assets	-	-	-	(0.06)
Loss on sale of business, including transaction costs	-	0.02	-	0.00
Tax benefit on sale of business	-	(0.03)	-	(0.03)
Adjusted diluted (loss) earnings per share <sup>(1)</sup>	\$ (0.02)	\$ 0.02	\$ (0.04)	\$ 0.10

<sup>(1)</sup> 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 from operating activities	\$ (44)	\$ 35,132	\$ (39,758)	\$ 45,694
Capital expenditures	(25,980)	(31,619)	(54,646)	(64,174)
Restructuring payments	8,242	4,970	12,883	8,255
Proxy solicitation fees paid	7,244	-	10,282	-
Transaction costs paid	-	-	-	2,132
Free cash flow	\$ (10,538)	\$ 8,483	\$ (71,239)	\$ (8,093)