UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission file number: 1-03579

PITNEY BOWES INC.

(Exact name of registrant as specified in its charter)

State of incorporation: **Delaware** I.R.S. Employer Identification No. **06-0495050**

Address of Principal Executive Offices: **3001 Summer Street, Stamford, Connecticut 06926**
Telephone Number: **(203) 356-5000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $1 par value per share	PBI	New York Stock Exchange
6.7% Notes due 2043	PBI.PRB	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☑	Non-accelerated filer	o
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of October 29, 2021, 176,064,604 shares of common stock, par value $1 per share, of the registrant were outstanding.

PITNEY BOWES INC.
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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Revenue:				
Business services	**$ 551,384**	$ 550,954	**$ 1,688,860**	$ 1,524,323
Support services	**113,413**	117,519	**347,266**	353,320
Financing	**71,936**	86,218	**223,201**	260,758
Equipment sales	**83,234**	79,572	**256,304**	213,682
Supplies	**38,211**	39,635	**119,090**	118,117
Rentals	**17,271**	18,000	**55,128**	55,458
Total revenue	**875,449**	891,898	**2,689,849**	2,525,658
Costs and expenses:				
Cost of business services	**472,216**	482,965	**1,454,564**	1,311,941
Cost of support services	**38,250**	37,647	**112,646**	114,132
Financing interest expense	**11,710**	11,626	**35,369**	36,054
Cost of equipment sales	**62,221**	59,766	**185,622**	165,045
Cost of supplies	**10,705**	10,132	**32,383**	30,751
Cost of rentals	**6,480**	6,055	**18,940**	18,455
Selling, general and administrative	**225,024**	238,618	**699,316**	720,882
Research and development	**10,621**	9,255	**32,996**	28,838
Restructuring charges	**3,701**	3,766	**11,434**	12,505
Goodwill impairment	**—**	—	**—**	198,169
Interest expense, net	**24,312**	27,175	**73,816**	79,504
Other components of net pension and postretirement cost (income)	**46**	(109)	**708**	126
Other expense (income)	**3,193**	(6,325)	**40,941**	9,787
Total costs and expenses	**868,479**	880,571	**2,698,735**	2,726,189
Income (loss) from continuing operations before taxes	**6,970**	11,327	**(8,886)**	(200,531)
(Benefit) provision for income taxes	**(1,525)**	554	**(10,602)**	7,540
Income (loss) from continuing operations	**8,495**	10,773	**1,716**	(208,071)
Income (loss) from discontinued operations, net of tax	**572**	616	**(4,334)**	7,648
Net income (loss)	**$ 9,067**	$ 11,389	**$ (2,618)**	$ (200,423)
Basic earnings (loss) per share [(1)]:				
Continuing operations	**$ 0.05**	$ 0.06	**$ 0.01**	$ (1.21)
Discontinued operations	**—**	—	**(0.02)**	0.04
Net income (loss)	**$ 0.05**	$ 0.07	**$ (0.02)**	$ (1.17)
Diluted earnings (loss) per share [(1)]:				
Continuing operations	**$ 0.05**	$ 0.06	**$ 0.01**	$ (1.21)
Discontinued operations	**—**	—	**(0.02)**	0.04
Net income (loss)	**$ 0.05**	$ 0.07	**$ (0.02)**	$ (1.17)

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

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited; in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Net income (loss)	**$ 9,067**	$ 11,389	**$ (2,618)**	$ (200,423)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation, net of tax of $(1,062), $1,621, $(765) and $(91), respectively	**(18,175)**	22,676	**(28,924)**	5,040
Net unrealized gain (loss) on cash flow hedges, net of tax of $17, $(317), $1,152 and $(796), respectively	**50**	(957)	**3,474**	(2,402)
Net unrealized loss on investment securities, net of tax of $(467), $(2,716), $(2,117) and $(1,816), respectively	**(1,408)**	(8,191)	**(6,385)**	(5,476)
Amortization of pension and postretirement costs, net of tax of $3,097, $2,875, $9,608 and $9,027, respectively	**9,606**	9,162	**29,736**	29,409
Other comprehensive (loss) income, net of tax	**(9,927)**	22,690	**(2,099)**	26,571
Comprehensive (loss) income	**$ (860)**	$ 34,079	**$ (4,717)**	$ (173,852)

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands, except share and per share amounts)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ **729,149**	$ 921,450
Short-term investments (includes $3,334 and $18,974, respectively, reported at fair value)	**14,060**	18,974
Accounts and other receivables (net of allowance of $11,807 and $18,899, respectively)	**313,765**	389,240
Short-term finance receivables (net of allowance of $14,078 and $18,012, respectively)	**556,985**	568,050
Inventories	**69,496**	65,845
Current income taxes	**32,290**	23,219
Other current assets and prepayments	**127,513**	120,145
Total current assets	**1,843,258**	2,106,923
Property, plant and equipment, net	**467,396**	391,280
Rental property and equipment, net	**36,461**	38,435
Long-term finance receivables (net of allowance of $15,829 and $17,857 respectively)	**582,352**	605,292
Goodwill	**1,124,705**	1,152,285
Intangible assets, net	**137,118**	159,839
Operating lease assets	**212,028**	201,916
Noncurrent income taxes	**67,049**	72,653
Other assets (includes $337,577 and $355,799, respectively, reported at fair value)	**484,247**	491,514
Total assets	$ **4,954,614**	$ 5,220,137
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ **871,798**	$ 880,616
Customer deposits at Pitney Bowes Bank	**642,712**	617,200
Current operating lease liabilities	**41,347**	39,182
Current portion of long-term debt	**24,733**	216,032
Advance billings	**104,094**	114,550
Current income taxes	**4,078**	2,880
Total current liabilities	**1,688,762**	1,870,460
Long-term debt	**2,314,151**	2,348,361
Deferred taxes on income	**283,395**	279,451
Tax uncertainties and other income tax liabilities	**35,380**	38,163
Noncurrent operating lease liabilities	**193,861**	180,292
Other noncurrent liabilities	**390,402**	437,015
Total liabilities	**4,905,951**	5,153,742
Commitments and contingencies (See Note 14)		
Stockholders' equity:		
Common stock, $1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	**323,338**	323,338
Additional paid-in capital	**2,463**	68,502
Retained earnings	**5,172,527**	5,201,195
Accumulated other comprehensive loss	**(841,230)**	(839,131)
Treasury stock, at cost (148,809,481 and 151,362,724 shares, respectively)	**(4,608,435)**	(4,687,509)
Total stockholders' equity	**48,663**	66,395
Total liabilities and stockholders' equity	$ **4,954,614**	$ 5,220,137

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	**$ (2,618)**	$ (200,423)
Loss (income) from discontinued operations, net of tax	**4,334**	(7,648)
Restructuring payments	**(14,847)**	(15,869)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	**121,225**	120,403
Allowance for credit losses	**6,382**	35,400
Stock-based compensation	**15,448**	15,236
Restructuring charges	**11,434**	12,505
Amortization of debt fees	**5,694**	7,962
Goodwill impairment	**—**	198,169
Loss on debt refinancing	**55,576**	36,987
Gain on asset sales	**(1,434)**	(21,969)
Gain on sale of business	**(10,201)**	—
Changes in operating assets and liabilities, net of acquisitions/divestitures:		
Accounts and other receivables	**62,537**	(8,064)
Finance receivables	**31,893**	86,135
Inventories	**(4,304)**	1,051
Other current assets and prepayments	**(8,900)**	(18,400)
Accounts payable	**20,953**	(14,486)
Accrued liabilities	**(28,285)**	13,439
Current and noncurrent income taxes	**(14,294)**	21,682
Advance billings	**(9,402)**	687
Pension and retiree medical liabilities	**(58,287)**	(60,442)
Other, net	**33,270**	27,234
Net cash from operating activities - continuing operations	**216,174**	229,589
Net cash from operating activities - discontinued operations	**—**	(38,423)
Net cash from operating activities	**216,174**	191,166
Cash flows from investing activities:		
Capital expenditures	**(140,907)**	(80,787)
Purchases of investment securities	**(70,896)**	(591,304)
Proceeds from sales/maturities of investment securities	**78,941**	501,459
Net investment in loan receivables	**(6,627)**	(3,806)
Proceeds from asset sales	**1,840**	58,248
Acquisitions, net of cash acquired	**—**	(6,608)
Proceeds from sale of business, net of cash sold	**27,573**	—
Other investing activities	**—**	9,559
Net cash from investing activities - continuing operations	**(110,076)**	(113,239)
Net cash from investing activities - discontinued operations	**(1,610)**	(2,502)
Net cash from investing activities	**(111,686)**	(115,741)
Cash flows from financing activities:		
Proceeds from the issuance of debt, net of discount	**1,195,500**	916,544
Principal payments of debt	**(1,429,603)**	(1,072,260)
Premiums and fees paid to refinance debt	**(50,130)**	(32,645)
Dividends paid to stockholders	**(26,050)**	(25,693)
Customer deposits at Pitney Bowes Bank	**25,512**	19,464
Other financing activities	**(7,078)**	(3,318)
Net cash from financing activities	**(291,849)**	(197,908)
Effect of exchange rate changes on cash and cash equivalents	**(4,940)**	(2,782)
Change in cash and cash equivalents	**(192,301)**	(125,265)
Cash and cash equivalents at beginning of period	**921,450**	924,442
Cash and cash equivalents at end of period	**$ 729,149**	$ 799,177

See Notes to Condensed Consolidated Financial Statements

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

1. Description of Business and Basis of Presentation

Description of Business

Pitney Bowes Inc. (we, us, our, or the company) is a global shipping and mailing company that provides technology, logistics, and financial services to more than 90 percent of the Fortune 500. Small business, retail, enterprise and government clients around the world rely on us to remove the complexity of sending mail and parcels. For additional information, visit www.pitneybowes.com.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In addition, the December 31, 2020 Condensed Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In management's opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary to fairly state our financial position, results of operations and cash flows for the periods presented have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2021, particularly in light of the coronavirus pandemic (COVID-19) and its effect on global businesses and economies. These statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report to Stockholders on Form 10-K for the year ended December 31, 2020 (2020 Annual Report).

In the fourth quarter 2020, we determined that based on their nature, certain cash flows from loan receivables classified as cash flows from operating activities should have been classified as investment in loans receivables within cash flows from investing activities. It was also determined that certain investment purchases and maturities that were previously reported on a net basis should have been reported on a gross basis. Finally, previously reported cash flows from investing activities resulting from changes in customer deposits at the Pitney Bowes Bank (the Bank) are now reported as cash flows from financing activities. These adjustments were not material to the previously issued 2020 interim financial statements; however, the cash flow statement for the period ended September 30, 2020 has been revised and the impact on our previously issued interim Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 is as follows:

	Nine Months Ended September 30, 2020			
(unaudited)	As Previously Reported	Adjustments	Reclass	As Revised and Reclassified
Cash flows from operating activities				
Changes in finance receivables	$ 85,593	$ 542	$ —	$ 86,135
Net cash from operating activities: continuing operations	$ 229,047	$ 542	$ —	$ 229,589
Net cash from operating activities	$ 190,624	$ 542	$ —	$ 191,166
Cash flows from investing activities				
Purchases of investment securities	$ (392,427)	$ (198,877)	$ —	$ (591,304)
Proceeds from sales/maturities of investment securities	$ 241,924	$ 259,535	$ —	$ 501,459
Net change in short-term and other investing activities	$ 68,464	$ (68,464)	$ —	$ —
Net investment in loan receivables	$ —	$ (542)	$ (3,264)	$ (3,806)
Customer deposits at the Bank	$ 19,464	$ (19,464)	$ —	$ —
Other investing activities	$ (1,511)	$ 7,806	$ 3,264	$ 9,559
Net cash from investing activities: continuing operations	$ (93,233)	$ (20,006)	$ —	$ (113,239)
Net cash from investing activities	$ (95,735)	$ (20,006)	$ —	$ (115,741)
Cash flows from financing activities				
Customer deposits at the Bank	$ —	$ 19,464	$ —	$ 19,464
Net cash from financing activities	$ (217,372)	$ 19,464	$ —	$ (197,908)

Risks and Uncertainties

The effects of COVID-19 on global economies and businesses continues to impact how we conduct business and our operating results, financial position and cash flows. Its impact on our business remains unpredictable and accordingly, we are not able to reasonably estimate the full extent of the impact of COVID-19 on our operating results, financial position and cash flows.

Accounting Pronouncements Adopted in 2021

In January 2021 we adopted ASU 2019-12, *Simplifying the Accounting for Income Taxes*. The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles and also clarifies and amends existing guidance. The adoption of this standard did not have a material impact on our consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The transition to new reference interest rates will require certain contracts to be modified and the ASU is intended to provide temporary optional expedients and exceptions to U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The accommodations provided by the ASU are effective through December 31, 2022 and may be applied at the beginning of any interim period within that time frame.

We have matched LIBOR-based debt with LIBOR based interest rate swaps and have elected to apply the practical expedient related to probability and the assessment of the effectiveness for future LIBOR-indexed cash flows, which assumes that the debt instrument will use the same index rate as its corresponding interest rate swap once a new reference rate is established to replace LIBOR. We may apply other expedients as additional reference rate changes occur. We continue to assess the impact of this standard on our consolidated financial statements.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

2. Revenue

Disaggregated Revenue

The following tables disaggregate our revenue by source and timing of recognition:

	Three Months Ended September 30, 2021					
	Global Ecommerce	**Presort Services**	**SendTech Solutions**	**Revenue from products and services**	**Revenue from leasing transactions and financing**	**Total consolidated revenue**
Major products/service lines						
Business services	**$ 398,011**	**$ 139,296**	**$ 14,077**	**$ 551,384**	**$ —**	**$ 551,384**
Support services	**—**	**—**	**113,413**	**113,413**	**—**	**113,413**
Financing	**—**	**—**	**—**	**—**	**71,936**	**71,936**
Equipment sales	**—**	**—**	**25,089**	**25,089**	**58,145**	**83,234**
Supplies	**—**	**—**	**38,211**	**38,211**	**—**	**38,211**
Rentals	**—**	**—**	**—**	**—**	**17,271**	**17,271**
Subtotal	**398,011**	**139,296**	**190,790**	**728,097**	**$ 147,352**	**$ 875,449**
Revenue from leasing transactions and financing						
Financing	**—**	**—**	**71,936**	**71,936**		
Equipment sales	**—**	**—**	**58,145**	**58,145**		
Rentals	**—**	**—**	**17,271**	**17,271**		
Total revenue	**$ 398,011**	**$ 139,296**	**$ 338,142**	**$ 875,449**		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	**$ —**	**$ —**	**$ 81,205**	**$ 81,205**		
Products/services transferred over time	**398,011**	**139,296**	**109,585**	**646,892**		
Total	**$ 398,011**	**$ 139,296**	**$ 190,790**	**$ 728,097**		

	Three Months Ended September 30, 2020					
	Global Ecommerce	**Presort Services**	**SendTech Solutions**	**Revenue from products and services**	**Revenue from leasing transactions and financing**	**Total consolidated revenue**
Major products/service lines						
Business services	$ 409,981	$ 127,705	$ 13,268	$ 550,954	$ —	$ 550,954
Support services	—	—	117,519	117,519	—	117,519
Financing	—	—	—	—	86,218	86,218
Equipment sales	—	—	17,935	17,935	61,637	79,572
Supplies	—	—	39,635	39,635	—	39,635
Rentals	—	—	—	—	18,000	18,000
Subtotal	409,981	127,705	188,357	726,043	$ 165,855	$ 891,898
Revenue from leasing transactions and financing						
Financing	—	—	86,218	86,218		
Equipment sales	—	—	61,637	61,637		
Rentals	—	—	18,000	18,000		
Total revenue	$ 409,981	$ 127,705	$ 354,212	$ 891,898		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	$ —	$ —	$ 73,602	$ 73,602		
Products/services transferred over time	409,981	127,705	114,755	652,441		
Total	$ 409,981	$ 127,705	$ 188,357	$ 726,043		

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

	Nine Months Ended September 30, 2021					
	Global Ecommerce	**Presort Services**	**SendTech Solutions**	**Revenue from products and services**	**Revenue from leasing transactions and financing**	**Total consolidated revenue**
Major products/service lines						
Business services	**$ 1,229,526**	**$ 417,041**	**$ 42,293**	**$ 1,688,860**	**$ —**	**$ 1,688,860**
Support services	**—**	**—**	**347,266**	**347,266**	**—**	**347,266**
Financing	**—**	**—**	**—**	**—**	**223,201**	**223,201**
Equipment sales	**—**	**—**	**66,600**	**66,600**	**189,704**	**256,304**
Supplies	**—**	**—**	**119,090**	**119,090**	**—**	**119,090**
Rentals	**—**	**—**	**—**	**—**	**55,128**	**55,128**
Subtotal	**1,229,526**	**417,041**	**575,249**	**2,221,816**	**$ 468,033**	**$ 2,689,849**
Revenue from leasing transactions and financing						
Financing	**—**	**—**	**223,201**	**223,201**		
Equipment sales	**—**	**—**	**189,704**	**189,704**		
Rentals	**—**	**—**	**55,128**	**55,128**		
Total revenue	**$ 1,229,526**	**$ 417,041**	**$ 1,043,282**	**$ 2,689,849**		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	**$ —**	**$ —**	**$ 236,016**	**$ 236,016**		
Products/services transferred over time	**1,229,526**	**417,041**	**339,233**	**1,985,800**		
Total	**$ 1,229,526**	**$ 417,041**	**$ 575,249**	**$ 2,221,816**		

	Nine Months Ended September 30, 2020					
	Global Ecommerce	**Presort Services**	**SendTech Solutions**	**Revenue from products and services**	**Revenue from leasing transactions and financing**	**Total consolidated revenue**
Major products/service lines						
Business services	$ 1,100,757	$ 386,552	$ 37,014	$ 1,524,323	$ —	$ 1,524,323
Support services	—	—	353,320	353,320	—	353,320
Financing	—	—	—	—	260,758	260,758
Equipment sales	—	—	49,556	49,556	164,126	213,682
Supplies	—	—	118,117	118,117	—	118,117
Rentals	—	—	—	—	55,458	55,458
Subtotal	1,100,757	386,552	558,007	2,045,316	$ 480,342	$ 2,525,658
Revenue from leasing transactions and financing						
Financing	—	—	260,758	260,758		
Equipment sales	—	—	164,126	164,126		
Rentals	—	—	55,458	55,458		
Total revenue	$ 1,100,757	$ 386,552	$ 1,038,349	$ 2,525,658		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	$ —	$ —	$ 210,726	$ 210,726		
Products/services transferred over time	1,100,757	386,552	347,281	1,834,590		
Total	$ 1,100,757	$ 386,552	$ 558,007	$ 2,045,316		

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

Our performance obligations for revenue from products and services are as follows:

Business services includes providing mail processing services, shipping subscription solutions, fulfillment, delivery and return services and cross-border solutions. Revenue for shipping subscription solutions is recognized ratably over the contract period as the client obtains equal benefit from these services through the period. Revenue for mail processing services, fulfillment, delivery and return services and cross-border solutions is recognized over time using an output method based on the number of parcels or mail pieces either processed or delivered, depending on the service type, since that measure best depicts the value of goods and services transferred to the client over the contract period. Contract terms for these services range from one to five years followed by annual renewal periods.

Support services includes providing maintenance, professional and subscription services for our equipment and digital mailing and shipping technology solutions. Contract terms range from one to five years, depending on the lease term of the related equipment. Revenue for maintenance and subscription services is recognized ratably over the contract period and revenue for professional services is recognized when services are provided.

Equipment sales, excluding sales-type leases, generally includes the sale of mailing and shipping equipment. We recognize revenue upon delivery for self-install equipment and upon acceptance or installation for other equipment. We provide a warranty that our equipment is free of defects and meets stated specifications. The warranty is not considered a separate performance obligation.

Supplies revenue is recognized upon delivery.

Revenue from leasing transactions and financing includes revenue from sales-type and operating leases, finance income, late fees and investment income, gains and losses at the Bank.

Advance Billings from Contracts with Customers

	Balance sheet location	September 30, 2021	December 31, 2020	Increase/ (decrease)
Advance billings, current	Advance billings	**$ 96,851**	$ 106,498	$ (9,647)
Advance billings, noncurrent	Other noncurrent liabilities	**$ 1,187**	$ 1,277	$ (90)

Advance billings are recorded when cash payments are due in advance of our performance. Revenue is recognized ratably over the contract term. Items in advance billings primarily relate to support services for our equipment and digital mailing and shipping technology solutions. Revenue recognized during the period includes $93 million of advance billings at the beginning of the period. Advance billings above at September 30, 2021 and December 31, 2020 excludes $7 million and $8 million, respectively, from leasing transactions.

Future Performance Obligations

Future performance obligations include revenue streams bundled with our leasing contracts, primarily maintenance and subscription services. The transaction prices allocated to future performance obligations will be recognized as follows:

	Remainder of 2021	2022	2023-2026	Total
SendTech Solutions	$ 85,186	$ 247,772	$ 364,157	$ 697,115

The amounts above exclude revenue related to performance obligations for contracts with terms less than 12 months and expected consideration for those performance obligations where revenue is recognized based on the amount billable to the customer.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

3. Segment Information

Our reportable segments are Global Ecommerce, Presort Services and Sending Technology Solutions (SendTech Solutions). The principal products and services of each reportable segment are as follows:

Global Ecommerce: Includes the revenue and related expenses from domestic parcel services, cross-border solutions and digital delivery services.

Presort Services: Includes revenue and related expenses from sortation services to qualify large volumes of First Class Mail, Marketing Mail, Marketing Mail Flats and Bound Printed Matter for postal worksharing discounts.

SendTech Solutions: Includes the revenue and related expenses from physical and digital mailing and shipping technology solutions, financing, services, supplies and other applications to help simplify and save on the sending, tracking and receiving of letters, parcels and flats.

Management measures segment profitability and performance using segment earnings before interest and taxes (EBIT). Segment EBIT is calculated by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, asset impairment charges and other items not allocated to a particular business segment. Management believes that it provides investors a useful measure of operating performance and underlying trends of the business. Segment EBIT may not be indicative of our overall consolidated performance and therefore, should be read in conjunction with our consolidated results of operations. The following tables provide information about our reportable segments and reconciliation of segment EBIT to net income (loss).

	Revenue			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Global Ecommerce	**$ 398,011**	$ 409,981	**$ 1,229,526**	$ 1,100,757
Presort Services	**139,296**	127,705	**417,041**	386,552
SendTech Solutions	**338,142**	354,212	**1,043,282**	1,038,349
Total revenue	**$ 875,449**	$ 891,898	**$ 2,689,849**	$ 2,525,658

	EBIT			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Global Ecommerce	**$ (20,950)**	$ (19,757)	**$ (58,157)**	$ (68,126)
Presort Services	**21,062**	14,481	**56,247**	42,758
SendTech Solutions	**98,950**	112,599	**320,541**	323,429
Total segment EBIT	**99,062**	107,323	**318,631**	298,061
Reconciliation of Segment EBIT to net income (loss):				
Unallocated corporate expenses	**(49,176)**	(53,429)	**(162,957)**	(146,640)
Restructuring charges	**(3,701)**	(3,766)	**(11,434)**	(12,505)
Interest expense, net	**(36,022)**	(38,801)	**(109,185)**	(115,558)
Gain on sale of assets	**—**	—	**1,434**	11,908
Goodwill impairment	**—**	—	**—**	(198,169)
Loss on debt refinancing	**(3,193)**	—	**(55,576)**	(36,987)
Gain on sale of business	**—**	—	**10,201**	—
Transaction costs	**—**	—	**—**	(641)
Benefit (provision) for income taxes	**1,525**	(554)	**10,602**	(7,540)
Income (loss) from continuing operations	**8,495**	10,773	**1,716**	(208,071)
Income (loss) from discontinued operations, net of tax	**572**	616	**(4,334)**	7,648
Net income (loss)	**$ 9,067**	$ 11,389	**$ (2,618)**	$ (200,423)

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

4. Discontinued Operations

Discontinued operations for the three and nine months ended September 30, 2021 and 2020 include working capital adjustments, tax-related adjustments and other adjustments in connection with the sale of our Software Solutions business in 2019 and Production Mail business in 2018. Discontinued operations for the nine months ended September 30, 2021 also includes a tax charge related to the sale of the Production Mail business and discontinued operations for the nine months ended September 30, 2020 also includes the gain on the sale of our software business in Australia, which closed in January 2020.

5. Earnings per Share (EPS)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Numerator:				
Income (loss) from continuing operations	**$ 8,495**	$ 10,773	**$ 1,716**	$ (208,071)
Income (loss) from discontinued operations, net of tax	**572**	616	**(4,334)**	7,648
Net income (loss)	**$ 9,067**	$ 11,389	**$ (2,618)**	$ (200,423)
Denominator:				
Weighted-average shares used in basic EPS	**174,399**	171,828	**173,691**	171,388
Dilutive effect of common stock equivalents [1]	**5,010**	2,876	**5,258**	—
Weighted-average shares used in diluted EPS	**179,409**	174,704	**178,949**	171,388
Basic earnings (loss) per share [2]:				
Continuing operations	**$ 0.05**	$ 0.06	**$ 0.01**	$ (1.21)
Discontinued operations	**—**	—	**(0.02)**	0.04
Net income (loss)	**$ 0.05**	$ 0.07	**$ (0.02)**	$ (1.17)
Diluted earnings (loss) per share [2]:				
Continuing operations	**$ 0.05**	$ 0.06	**$ 0.01**	$ (1.21)
Discontinued operations	**—**	—	**(0.02)**	0.04
Net income (loss)	**$ 0.05**	$ 0.07	**$ (0.02)**	$ (1.17)
Common stock equivalents excluded from calculation of diluted earnings per share because their impact would be anti-dilutive:	**6,529**	14,828	**6,529**	15,855

(1) Due to the net loss for the nine months ended September 30, 2020, common stock equivalents of 1,604 were also excluded from the calculation of diluted earnings per share as the impact would have been anti-dilutive.

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

6. Inventories

Inventories are stated at the lower of cost or market. Cost is determined on the last-in, first-out (LIFO) basis, the first-in, first-out (FIFO) basis or average cost. Inventories consisted of the following:

	September 30, 2021	December 31, 2020
Raw materials	**$ 19,289**	$ 16,570
Supplies and service parts	**26,162**	24,061
Finished products	**29,680**	30,849
Inventory at FIFO cost	**75,131**	71,480
Excess of FIFO cost over LIFO cost	**(5,635)**	(5,635)
Total inventory, net	**$ 69,496**	$ 65,845

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

7. Finance Assets and Lessor Operating Leases

Finance Assets

Finance receivables are comprised of sales-type lease receivables and unsecured revolving loan receivables. Sales-type lease receivables are generally due in installments over periods ranging from three to five years. Loan receivables arise primarily from financing services offered to our clients for postage and supplies and are generally due monthly; however, clients may rollover outstanding balances. Interest is recognized on loan receivables using the effective interest method. Annual fees are recognized ratably over the annual period covered and client acquisition costs are expensed as incurred.

Finance receivables consisted of the following:

	September 30, 2021			December 31, 2020		
	North America	**International**	**Total**	North America	International	Total
Sales-type lease receivables						
Gross finance receivables	**$ 960,290**	**$ 186,979**	**$ 1,147,269**	$ 994,985	$ 211,944	$ 1,206,929
Unguaranteed residual values	**37,827**	**11,101**	**48,928**	36,405	12,140	48,545
Unearned income	**(251,451)**	**(57,565)**	**(309,016)**	(275,359)	(61,686)	(337,045)
Allowance for credit losses	**(22,321)**	**(3,977)**	**(26,298)**	(22,917)	(6,006)	(28,923)
Net investment in sales-type lease receivables	**724,345**	**136,538**	**860,883**	733,114	156,392	889,506
Loan receivables						
Loan receivables	**259,653**	**22,410**	**282,063**	268,690	22,092	290,782
Allowance for credit losses	**(3,373)**	**(236)**	**(3,609)**	(6,484)	(462)	(6,946)
Net investment in loan receivables	**256,280**	**22,174**	**278,454**	262,206	21,630	283,836
Net investment in finance receivables	**$ 980,625**	**$ 158,712**	**$ 1,139,337**	$ 995,320	$ 178,022	$ 1,173,342

Maturities of gross sales-type lease receivables and gross loan receivables at September 30, 2021 were as follows:

	Sales-type Lease Receivables			**Loan Receivables**		
	North America	**International**	**Total**	**North America**	**International**	**Total**
Remaining for year ending December 31, 2021	$ 104,087	$ 16,956	$ 121,043	$ 205,035	$ 22,410	$ 227,445
Year ending December 31, 2022	353,220	70,368	423,588	20,692	—	20,692
Year ending December 31, 2023	253,168	48,930	302,098	14,616	—	14,616
Year ending December 31, 2024	154,417	29,172	183,589	11,998	—	11,998
Year ending December 31, 2025	76,001	15,305	91,306	6,429	—	6,429
Thereafter	19,397	6,248	25,645	883	—	883
Total	$ 960,290	$ 186,979	$ 1,147,269	$ 259,653	$ 22,410	$ 282,063

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

Aging of Receivables

The aging of gross finance receivables was as follows:

	September 30, 2021				
	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Past due amounts 0 - 90 days	$ 955,731	$ 184,616	$ 255,365	$ 22,311	$ 1,418,023
Past due amounts > 90 days	4,559	2,363	4,288	99	11,309
Total	$ 960,290	$ 186,979	$ 259,653	$ 22,410	$ 1,429,332
Past due amounts > 90 days					
Still accruing interest	$ 2,046	$ 872	$ —	$ —	$ 2,918
Not accruing interest	2,513	1,491	4,288	99	8,391
Total	$ 4,559	$ 2,363	$ 4,288	$ 99	$ 11,309

	December 31, 2020				
	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Past due amounts 0 - 90 days	$ 972,266	$ 208,968	$ 264,484	$ 21,932	$ 1,467,650
Past due amounts > 90 days	22,719	2,976	4,206	160	30,061
Total	$ 994,985	$ 211,944	$ 268,690	$ 22,092	$ 1,497,711
Past due amounts > 90 days					
Still accruing interest	$ 5,128	$ 463	$ 1,797	$ 59	$ 7,447
Not accruing interest	17,591	2,513	2,409	101	22,614
Total	$ 22,719	$ 2,976	$ 4,206	$ 160	$ 30,061

Allowance for Credit Losses

We estimate an allowance for credit losses based on historical loss experience, the nature of our portfolios, adverse situations that may affect a client's ability to pay, current conditions, management forecasts and independent economic forecasts. Credit losses are estimated at the portfolio level based on asset type and geographic market. Historical loss experience is based on actual loss rates over the average term of the asset of five years for sales-type lease receivables and three years for loan receivables (including accrued interest). The assumptions used in determining an estimate of credit losses are inherently subjective and actual results may differ significantly from estimated reserves.

We establish credit approval limits based on the credit quality of the client and the type of equipment financed. Our policy is to discontinue revenue recognition for lease receivables that are more than 120 days past due and for loan receivables that are more than 90 days past due. We resume revenue recognition when the client's payments reduce the account aging to less than 60 days past due. Finance receivables deemed uncollectible are written off against the allowance after all collection efforts have been exhausted and management deems the account to be uncollectible. However, we believe that our credit risk is low because of the geographic and industry diversification of our clients and small account balances for most of our clients.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

Activity in the allowance for credit losses for finance receivables was as follows:

	Sales-type Lease Receivables		Loan Receivables		
	North America	**International**	**North America**	**International**	**Total**
Balance at January 1, 2021	$ 22,917	$ 6,006	$ 6,484	$ 462	$ 35,869
Amounts charged to expense	**1,959**	**(1,019)**	**(979)**	**33**	**(6)**
Write-offs	**(4,816)**	**(773)**	**(4,748)**	**(251)**	**(10,588)**
Recoveries	**2,256**	**(16)**	**2,615**	**3**	**4,858**
Other	**5**	**(221)**	**1**	**(11)**	**(226)**
Balance at September 30, 2021	**$ 22,321**	**$ 3,977**	**$ 3,373**	**$ 236**	**$ 29,907**

	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Balance at December 31, 2019	$ 10,920	$ 2,085	$ 5,906	$ 740	$ 19,651
Cumulative effect of accounting change	9,271	1,750	(1,116)	(402)	9,503
Amounts charged to expense	10,009	1,314	6,792	429	18,544
Write-offs	(5,950)	(548)	(7,370)	(343)	(14,211)
Recoveries	1,488	91	2,399	1	3,979
Other	148	210	181	63	602
Balance at September 30, 2020	$ 25,886	$ 4,902	$ 6,792	$ 488	$ 38,068

Credit Quality

The extension of credit and management of credit lines to new and existing clients uses a combination of a client's credit score, where available, and a detailed manual review of their financial condition and payment history or an automated process for certain small dollar applications. Once credit is granted, the payment performance of the client is managed through automated collections processes and is supplemented with direct follow up should an account become delinquent. We have robust automated collections and extensive portfolio management processes to ensure that our global strategy is executed, collection resources are allocated appropriately and enhanced tools and processes are implemented as needed.

We use a third party to score the majority of the North America portfolio on a quarterly basis using a proprietary commercial credit score. The relative scores are determined based on a number of factors, including financial information, payment history, company type and ownership structure. We stratify the third party's credit scores of our clients into low, medium and high-risk accounts. Due to timing and other issues, our entire portfolio may not be scored at period end. We report these amounts as "Not Scored"; however, absence of a score is not indicative of the credit quality of the account. The third-party credit score is used to predict the payment behaviors of our clients and the probability that an account will become greater than 90 days past due during the subsequent 12-month period.

- Low risk accounts are companies with very good credit scores and a predicted delinquency rate of less than 5%.
- Medium risk accounts are companies with average to good credit scores and a predicted delinquency rate between 5% and 10%.
- High risk accounts are companies with poor credit scores, are delinquent or are at risk of becoming delinquent. The predicted delinquency rate would be greater than 10%.

We do not use a third party to score our International portfolio because the cost to do so is prohibitive as there is no single credit score model that covers all countries. Accordingly, the entire International portfolio is reported in the Not Scored category. Approximately 80% of credit applications are approved or denied through the automated review process. All other credit applications are manually reviewed by obtaining client financial information, credit reports and other available financial information.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

The table below shows the gross sales-type lease receivable and loan receivable balances by relative risk class and year of origination based on the relative scores of the accounts within each class as of September 30, 2021 and December 31, 2020.

	September 30, 2021							
	Sales Type Lease Receivables							
	2021	**2020**	**2019**	**2018**	**2017**	**Prior**	**Loan Receivables**	**Total**
Low	**$ 211,706**	**$ 206,401**	**$ 174,389**	**$ 111,650**	**$ 44,059**	**$ 17,317**	**$ 194,859**	**$ 960,381**
Medium	**35,526**	**38,343**	**36,921**	**22,257**	**10,355**	**5,551**	**49,385**	**198,338**
High	**4,169**	**5,335**	**4,744**	**3,013**	**1,050**	**830**	**5,265**	**24,406**
Not Scored	**65,099**	**56,985**	**51,426**	**27,735**	**10,079**	**2,329**	**32,554**	**246,207**
Total	**$ 316,500**	**$ 307,064**	**$ 267,480**	**$ 164,655**	**$ 65,543**	**$ 26,027**	**$ 282,063**	**$ 1,429,332**

	December 31, 2020							
	Sales Type Lease Receivables							
	2020	**2019**	**2018**	**2017**	**2016**	**Prior**	**Loan Receivables**	**Total**
Low	$ 256,573	$ 228,344	$ 165,244	$ 87,346	$ 30,518	$ 12,249	$ 192,971	$ 973,245
Medium	50,785	49,946	37,168	21,388	6,470	2,375	61,625	229,757
High	6,182	5,396	3,782	1,974	1,051	143	4,518	23,046
Not Scored	80,854	77,362	48,704	24,291	7,813	971	31,668	271,663
Total	$ 394,394	$ 361,048	$ 254,898	$ 134,999	$ 45,852	$ 15,738	$ 290,782	$ 1,497,711

Lease Income

Lease income from sales-type leases was as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2021	2020	**2021**	2020
Profit recognized at commencement [(1)]	**$ 28,394**	$ 29,169	**$ 92,756**	$ 80,348
Interest income	**45,806**	50,961	**142,072**	157,044
Total lease income from sales-type leases	**$ 74,200**	$ 80,130	**$ 234,828**	$ 237,392

[(1)] Lease contracts do not include variable lease payments.

The disclosure of total lease income from sales-type leases for the three and nine months ended September 30, 2020 has been revised from $63 million to $80 million and from $182 million to $237 million, respectively. The revision did not have any impact on our Condensed Consolidated Statements of Operations.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

Lessor Operating Leases

We also lease mailing equipment under operating leases with terms of one to five years. Maturities of these operating leases are as follows:

Remaining for year ending December 31, 2021	$ 10,624
Year ending December 31, 2022	28,138
Year ending December 31, 2023	21,658
Year ending December 31, 2024	6,395
Year ending December 31, 2025	2,221
Thereafter	320
Total	$ 69,356

8. Intangible Assets and Goodwill

Intangible Assets

Intangible assets consisted of the following:

	September 30, 2021			December 31, 2020		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	**$ 268,189**	**$ (134,871)**	**$ 133,318**	$ 268,199	$ (115,010)	$ 153,189
Software & technology	**19,000**	**(15,200)**	**3,800**	19,000	(12,350)	6,650
Total intangible assets	**$ 287,189**	**$ (150,071)**	**$ 137,118**	$ 287,199	$ (127,360)	$ 159,839

Amortization expense for both the three months ended September 30, 2021 and 2020 was $8 million. Amortization expense for the nine months ended September 30, 2021 and 2020 was $23 million and $26 million, respectively.

Future amortization expense as of September 30, 2021 is shown in the table below. Actual amortization expense may differ due to, among other things, fluctuations in foreign currency exchange rates, impairments, acquisitions and accelerated amortization.

Remaining for year ending December 31, 2021	$ 7,573
Year ending December 31, 2022	29,315
Year ending December 31, 2023	26,465
Year ending December 31, 2024	26,465
Year ending December 31, 2025	19,805
Thereafter	27,495
Total	$ 137,118

Goodwill

Changes in the carrying value of goodwill, by reporting segment, are shown in the table below.

	Gross value before accumulated impairment	Accumulated impairment	December 31, 2020	**Disposition**	**Currency impact**	**September 30, 2021**
Global Ecommerce	$ 609,431	$ (198,169)	$ 411,262	**$ (16,200)**	**$ —**	**$ 395,062**
Presort Services	220,992	—	220,992	**—**	**—**	**220,992**
SendTech Solutions	520,031	—	520,031	**—**	**(11,380)**	**508,651**
Total goodwill	$ 1,350,454	$ (198,169)	$ 1,152,285	**$ (16,200)**	**$ (11,380)**	**$ 1,124,705**

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

During the second quarter, we sold a U.K. based software consultancy business ("Tacit") acquired as part of our 2017 acquisition of Newgistics. We received net proceeds of $28 million and recognized a pre-tax gain of $10 million (after-tax gain of $4 million), which included a goodwill allocation of $16 million attributable to Tacit.

9. Fair Value Measurements and Derivative Instruments

We measure certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. An entity is required to classify certain assets and liabilities measured at fair value based on the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity, may be derived from internally developed methodologies based on management's best estimate of fair value and that are significant to the fair value of the asset or liability.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect its placement within the fair value hierarchy. The following tables show, by level within the fair value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis.

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds	$ 84,772	$ 250,877	$ —	$ 335,649
Equity securities	—	29,898	—	29,898
Commingled fixed income securities	1,704	19,277	—	20,981
Government and related securities	9,847	25,179	—	35,026
Corporate debt securities	—	66,433	—	66,433
Mortgage-backed / asset-backed securities	—	187,435	—	187,435
Derivatives				
Interest rate swap	—	631	—	631
Foreign exchange contracts	—	723	—	723
Total assets	$ 96,323	$ 580,453	$ —	$ 676,776
Liabilities:				
Derivatives				
Foreign exchange contracts	$ —	$ (2,853)	$ —	$ (2,853)
Total liabilities	$ —	$ (2,853)	$ —	$ (2,853)

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds	$ 73,228	$ 434,791	$ —	$ 508,019
Equity securities	—	26,583	—	26,583
Commingled fixed income securities	1,722	19,669	—	21,391
Government and related securities	16,776	16,757	—	33,533
Corporate debt securities	—	71,433	—	71,433
Mortgage-backed / asset-backed securities	—	220,678	—	220,678
Derivatives				
Foreign exchange contracts	—	3,776	—	3,776
Total assets	$ 91,726	$ 793,687	$ —	$ 885,413
Liabilities:				
Derivatives				
Interest rate swap	$ —	$ (2,163)	$ —	$ (2,163)
Foreign exchange contracts	—	(1,960)	—	(1,960)
Total liabilities	$ —	$ (4,123)	$ —	$ (4,123)

Investment Securities

The valuation of investment securities is based on the market approach using inputs that are observable, or can be corroborated by observable data, in an active marketplace. The following information relates to our classification within the fair value hierarchy:

- *Money Market Funds:* Money market funds typically invest in government securities, certificates of deposit, commercial paper and other highly liquid, low risk securities. Money market funds are principally used for overnight deposits and are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.
- *Equity Securities:* Equity securities are comprised of mutual funds investing in U.S. and foreign stocks. These mutual funds are classified as Level 2.
- *Commingled Fixed Income Securities:* Commingled fixed income securities are comprised of mutual funds that invest in a variety of fixed income securities, including securities of the U.S. government and its agencies, corporate debt, mortgage-backed securities and asset-backed securities. Fair value is based on the value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding, as reported by the fund manager. These mutual funds are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.
- *Government and Related Securities:* Debt securities are classified as Level 1 where active, high volume trades for identical securities exist. Valuation adjustments are not applied to these securities. Debt securities are classified as Level 2 where fair value is determined using quoted market prices for similar securities or benchmarking model derived prices to quoted market prices and trade data for identical or comparable securities.
- *Corporate Debt Securities:* Corporate debt securities are valued using recently executed comparable transactions, market price quotations or bond spreads for the same maturity as the security. These securities are classified as Level 2.
- *Mortgage-Backed Securities / Asset-Backed Securities:* These securities are valued based on external pricing indices or external price/spread data. These securities are classified as Level 2.

Derivative Securities

- *Foreign Exchange Contracts:* The valuation of foreign exchange derivatives is based on the market approach using observable market inputs, such as foreign currency spot and forward rates and yield curves. We have not seen a material change in the creditworthiness of those banks acting as derivative counterparties. These securities are classified as Level 2.
- *Interest Rate Swaps:* The valuation of interest rate swaps is based on an income approach using inputs that are observable or that can be derived from, or corroborated by, observable market data. These securities are classified as Level 2.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

Available-For-Sale Securities

Available-for-sale securities are held at the Pitney Bowes Bank. Investment securities classified as available-for-sale are recorded at fair value with changes in fair value due to market conditions (i.e., interest rates) recorded in accumulated other comprehensive loss (AOCL), and changes in fair value due to credit conditions recorded in earnings. There were no unrealized losses due to credit losses charged to earnings through the nine months ended September 30, 2021.

Available-for-sale securities consisted of the following:

	September 30, 2021			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Government and related securities	$ 36,282	$ 74	$ (1,330)	$ 35,026
Corporate debt securities	68,720	313	(2,600)	66,433
Commingled fixed income securities	1,721	—	(17)	1,704
Mortgage-backed / asset-backed securities	191,769	215	(4,549)	187,435
Total	$ 298,492	$ 602	$ (8,496)	$ 290,598

	December 31, 2020			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Government and related securities	$ 31,882	$ 157	$ (78)	$ 31,961
Corporate debt securities	71,174	614	(355)	71,433
Commingled fixed income securities	1,706	16	—	1,722
Mortgage-backed / asset-backed securities	220,659	734	(715)	220,678
Total	$ 325,421	$ 1,521	$ (1,148)	$ 325,794

Investment securities in a loss position were as follows:

	September 30, 2021		December 31, 2020	
	Fair Value	Gross unrealized losses	Fair Value	Gross unrealized losses
Less than 12 continuous months	$ 181,105	$ 4,695	$ 132,267	$ 1,072
Greater than 12 continuous months	93,587	3,801	2,369	76
Total	$ 274,692	$ 8,496	$ 134,636	$ 1,148

At September 30, 2021, 35% of the securities in the investment portfolio were in a loss position. We believe our allowance for credit losses on available-for-sale investment securities is adequate as our investments are primarily in highly liquid U.S. government and agency securities, high grade corporate bonds and municipal bonds. The majority of our mortgage-backed securities are either guaranteed or supported by the U.S. Government. We have not recognized an impairment on investment securities in an unrealized loss position because we have the ability and intent to hold these securities until recovery of the unrealized losses or we receive the stated principal and interest at maturity.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

Scheduled maturities of available-for-sale securities at September 30, 2021 were as follows:

	Amortized cost	Estimated fair value
Within 1 year	$ 3,090	$ 3,082
After 1 year through 5 years	15,198	15,102
After 5 years through 10 years	73,743	71,325
After 10 years	206,461	201,089
Total	$ 298,492	$ 290,598

The scheduled maturities of mortgage-backed and asset-backed securities may not coincide with the actual payment as borrowers have the right to prepay obligations.

Held-to-Maturity Securities

At September 30, 2021, certain investments classified as available-for-sale are now classified as held-to-maturity as management determined that the intent is to now hold these securities until maturity. The reclassification of these securities did not have a material impact on our financial statements. Held-to-maturity securities at September 30, 2021 and December 31, 2020 totaled $19 million and $75 million, respectively, of short-term, highly liquid investments.

Derivative Instruments

In the normal course of business, we are exposed to the impact of changes in foreign currency exchange rates and interest rates. We mitigate these exposures by following established risk management policies and procedures, including the use of derivatives. We use derivative instruments to limit the effects of exchange rate fluctuations on financial results and manage the cost of debt. We do not use derivatives for trading or speculative purposes. We record derivative instruments at fair value and the accounting for changes in the fair value depends on the intended use of the derivative, the resulting designation and the effectiveness of the instrument in offsetting the risk exposure it is designed to hedge.

Foreign Exchange Contracts

We enter into foreign exchange contracts to mitigate the currency risk associated with the anticipated purchase of inventory between affiliates and from third parties. These contracts are designated as cash flow hedges. The effective portion of the gain or loss on cash flow hedges is included in AOCL in the period that the change in fair value occurs and is reclassified to earnings in the period that the hedged item is recorded in earnings. No amount of ineffectiveness was recorded in earnings for these designated cash flow hedges. At September 30, 2021 and December 31, 2020, we had outstanding contracts associated with these anticipated transactions with notional amounts of $2 million and $8 million, respectively. Amounts included in AOCL at September 30, 2021 will be recognized in earnings within the next 12 months.

Interest Rate Swaps

In May 2021, we terminated our $500 million aggregate notional amount of interest rate swap agreements. We received $2 million that was recorded in AOCL and will be recognized ratably in income through 2024. We concurrently entered into new interest rate swap agreements with an aggregate notional amount of $200 million and designated these instruments as cash flow hedges. The fair value of the interest rate swaps is recorded as a derivative asset or liability at the end of each reporting period with the change in fair value reflected in AOCL.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

The fair value of derivative instruments was as follows:

Designation of Derivatives	Balance Sheet Location	September 30, 2021	December 31, 2020
Derivatives designated as hedging instruments			
Foreign exchange contracts	Other current assets and prepayments	**$ 42**	$ 96
	Accounts payable and accrued liabilities	**(6)**	(112)
Interest rate swaps	Other assets (Other noncurrent liabilities)	**631**	(2,163)
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Other current assets and prepayments	**681**	3,680
	Accounts payable and accrued liabilities	**(2,847)**	(1,848)
	Total derivative assets	**$ 1,354**	$ 3,776
	Total derivative liabilities	**(2,853)**	(4,123)
	Total net derivative liability	**$ (1,499)**	$ (347)

Results of cash flow hedging relationships were as follows:

	Three Months Ended September 30,				
	Derivative Gain (Loss) Recognized in AOCL (Effective Portion)		Location of Gain (Loss) (Effective Portion)	Gain (Loss) Reclassified from AOCL to Earnings (Effective Portion)	
Derivative Instrument	2021	2020		2021	2020
Foreign exchange contracts	**$ 41**	$ (80)	Revenue	**$ 45**	$ (104)
			Cost of sales	**(21)**	(6)
Interest rate swap	**186**	(1,303)	Interest expense	**—**	—
	$ 227	$ (1,383)		**$ 24**	$ (110)

	Nine Months Ended September 30,				
	Derivative Gain (Loss) Recognized in AOCI (Effective Portion)		Location of Gain (Loss) (Effective Portion)	Gain (Loss) Reclassified from AOCI to Earnings (Effective Portion)	
Derivative Instrument	2021	2020		2021	2020
Foreign exchange contracts	**$ 215**	$ (361)	Revenue	**$ 289**	$ (107)
			Cost of sales	**(126)**	36
Interest rate swap	**2,794**	(2,908)	Interest expense	**—**	—
	$ 3,009	$ (3,269)		**$ 163**	$ (71)

We enter into foreign exchange contracts to minimize the impact of exchange rate fluctuations on short-term intercompany loans and related interest that are denominated in a foreign currency. The revaluation of intercompany loans and interest and the corresponding mark-to-market adjustment on derivatives are recorded in earnings. All outstanding contracts at September 30, 2021 mature within 12 months.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

The mark-to-market adjustments of non-designated derivative instruments were as follows:

		Three Months Ended September 30,	
		Derivative Gain (Loss) Recognized in Earnings	
Derivatives Instrument	Location of Derivative Gain (Loss)	**2021**	2020
Foreign exchange contracts	Selling, general and administrative expense	**$ (5,592)**	$ 891

		Nine Months Ended September 30,	
		Derivative Gain (Loss) Recognized in Earnings	
Derivatives Instrument	Location of Derivative Gain (Loss)	**2021**	2020
Foreign exchange contracts	Selling, general and administrative expense	**$ (4,524)**	$ (2,776)

Fair Value of Financial Instruments

Financial instruments not reported at fair value on a recurring basis include cash and cash equivalents, held-to-maturity investment securities, accounts receivable, loan receivables, accounts payable and debt. The carrying value for cash and cash equivalents, held-to-maturity investment securities, accounts receivable, loans receivable and accounts payable approximate fair value. The fair value of debt is estimated based on recently executed transactions and market price quotations. The inputs used to determine the fair value of debt are classified as Level 2 in the fair value hierarchy. The carrying value and estimated fair value of debt was as follows:

	September 30, 2021	December 31, 2020
Carrying value	**$ 2,338,884**	$ 2,564,393
Fair value	**$ 2,396,064**	$ 2,479,895

10. Restructuring Charges

Activity in our restructuring reserves was as follows:

	Severance and other exit costs
Balance at January 1, 2021	$ 10,063
Expenses, net	**11,434**
Cash payments	**(14,847)**
Noncash activity	**(541)**
Balance at September 30, 2021	**$ 6,109**
Balance at January 1, 2020	$ 12,006
Expenses, net	12,505
Cash payments	(15,869)
Noncash activity	(2,649)
Balance at September 30, 2020	$ 5,993

The majority of the restructuring reserves are expected to be paid over the next 12 to 24 months.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

11. Debt

Total debt consisted of the following:

	Interest rate	September 30, 2021	December 31, 2020
Notes due October 2021	4.875%	**$ —**	$ 152,588
Notes due May 2022	5.625%	**—**	148,792
Notes due April 2023	6.20%	**91,766**	271,000
Notes due March 2024	4.625%	**251,046**	374,000
Notes due March 2027	6.875%	**400,000**	—
Notes due March 2029	7.25%	**350,000**	—
Notes due January 2037	5.25%	**35,841**	35,841
Notes due March 2043	6.70%	**425,000**	425,000
Term loan due March 2026	LIBOR + 1.75%	**375,250**	380,000
Term loan due January 2025	LIBOR + 5.5%	**—**	818,125
Term loan due March 2028	LIBOR + 4.0%	**447,750**	—
Other debt		**3,991**	4,900
Principal amount		**2,380,644**	2,610,246
Less: unamortized costs, net		**41,760**	45,853
Total debt		**2,338,884**	2,564,393
Less: current portion long-term debt		**24,733**	216,032
Long-term debt		**$ 2,314,151**	$ 2,348,361

In 2021, we issued a $400 million 6.875% unsecured note due March 2027, a $350 million 7.25% unsecured note due March 2029 and entered into a new seven-year $450 million secured term loan maturing March 2028. We redeemed all the outstanding October 2021 notes and an aggregate $363 million of the May 2022 notes, April 2023 notes and March 2024 notes under a tender offer, the remaining balance of the May 2022 notes and repaid the remaining balance of our January 2025 term loan. A $56 million pre-tax loss was incurred on the refinancing of debt.

We also amended our $500 million secured revolving credit facility and our $380 million secured term loan to extend their maturities from November 2024 to March 2026. The credit agreement that governs the revolving credit facility and term loans contains financial and non-financial covenants. At September 30, 2021, we were in compliance with all covenants and there were no outstanding borrowings under the revolving credit facility.

We also terminated our existing $500 million interest rate swap agreements and entered into new interest rate swap agreements with an aggregate notional amount of $200 million. Under the terms of the new swap agreements, we pay fixed-rate interest of 0.56% and receive variable-rate interest based on one-month LIBOR. The variable interest rate under the term loans and the swaps reset monthly.

At September 30, 2021, the interest rate of the 2028 Term Loan was 4.1% and the interest rate on the 2026 Term Loan was 1.8%.

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

12. Pensions and Other Benefit Programs

The components of net periodic benefit cost (income) were as follows:

	Defined Benefit Pension Plans				Nonpension Postretirement Benefit Plans	
	United States		Foreign			
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2021	2020	**2021**	2020	**2021**	2020
Service cost	**$ 64**	$ 16	**$ 346**	$ 422	**$ 232**	$ 229
Interest cost	**10,353**	12,719	**2,961**	3,548	**891**	1,255
Expected return on plan assets	**(18,883)**	(20,932)	**(7,979)**	(8,297)	**—**	—
Amortization of transition credit	**—**	—	**—**	(1)	**—**	—
Amortization of prior service (credit) cost	**(15)**	(15)	**67**	62	**32**	93
Amortization of net actuarial loss	**9,366**	7,972	**2,340**	2,092	**913**	926
Settlement	**—**	75	**—**	833	**—**	—
Net periodic benefit cost (income)	**$ 885**	$ (165)	**$ (2,265)**	$ (1,341)	**$ 2,068**	$ 2,503
Contributions to benefit plans	**$ 1,161**	$ 2,061	**$ 355**	$ 445	**$ 2,642**	$ 2,422

	Defined Benefit Pension Plans				Nonpension Postretirement Benefit Plans	
	United States		Foreign			
	Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020	**2021**	2020
Service cost	**$ 195**	$ 69	**$ 1,055**	$ 1,220	**$ 682**	$ 663
Interest cost	**31,842**	39,077	**8,929**	10,473	**2,816**	3,742
Expected return on plan assets	**(57,839)**	(63,539)	**(24,070)**	(24,474)	**—**	**—**
Amortization of transition credit	**—**	—	**—**	(3)	**—**	—
Amortization of prior service (credit) cost	**(45)**	(45)	**202**	182	**97**	280
Amortization of net actuarial loss	**28,643**	24,367	**7,065**	6,156	**3,068**	2,400
Settlement	**314**	1,076	**—**	4,023	**—**	—
Net periodic benefit cost (income)	**$ 3,110**	$ 1,005	**$ (6,819)**	$ (2,423)	**$ 6,663**	$ 7,085
Contributions to benefit plans	**$ 4,020**	$ 5,959	**$ 9,379**	$ 9,013	**$ 9,542**	$ 10,493

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

13. Income Taxes

The effective tax rate for the three and nine months ended September 30, 2021 was (21.9)% and 119.3%, respectively, and includes a net tax benefit of $3 million from the resolution of tax matters partially offset by a charge from the filing of state income tax returns. The effective tax rate for the nine months ended September 30, 2021 also includes benefits of $5 million due to tax legislation in the U.K., a tax charge of $6 million on the pre-tax gain of $10 million from the sale of Tacit as the tax basis was lower than the book basis, a benefit of $3 million from an affiliate reorganization and $2 million from the vesting of restricted stock, partially offset by a charge of $1 million for the write-off of deferred tax assets associated with the expiration of out-of-the-money stock options.

The effective tax rate for the three and nine months ended September 30, 2020 was 4.9% and (3.8)%, respectively, and includes a $3 million benefit, which is primarily due to regulations enacted into law during the quarter. The effective tax rate for the nine months ended September 30, 2020 also includes a $12 million charge for the surrender of company owned life insurance policies, a benefit of $2 million on the $198 million goodwill impairment charge as the majority of this charge was nondeductible, a benefit of $1 million from the resolution of certain tax examinations and a charge of $3 million for the write-off of deferred tax assets associated with the expiration of out-of-the-money stock options and the vesting of restricted stock.

As is the case with other large corporations, our tax returns are examined by tax authorities in the U.S. and other global taxing jurisdictions in which we have operations. As a result, it is reasonably possible that the amount of unrecognized tax benefits will decrease in the next 12 months, and this decrease could be up to 10% of our unrecognized tax benefits.

The Internal Revenue Service examinations of our consolidated U.S. income tax returns for tax years prior to 2017 are closed to audit; however, various post-2014 U.S. state and local tax returns are still subject to examination, with some states in appeals from 2011. For our significant non-U.S. jurisdictions, Canada is closed to examination through 2016 except for a specific issue arising in earlier years, France is closed through 2019, Germany is closed through 2016 and the U.K. is closed through 2018. We also have other less significant tax filings currently subject to examination.

14. Commitments and Contingencies

In the ordinary course of business, we are routinely defendants in, or party to, a number of pending and threatened legal actions. These may involve litigation by or against us relating to, among other things, contractual rights under vendor, insurance or other contracts; intellectual property or patent rights; equipment, service, payment or other disputes with clients; or disputes with employees. Some of these actions may be brought as a purported class action on behalf of a purported class of employees, customers or others. In management's opinion, as of September 30, 2021, the potential liability, if any, that may result from these actions, either individually or collectively, is not reasonably expected to have a material effect on our financial position, results of operations or cash flows. However, as litigation is inherently unpredictable, there can be no assurances in this regard.

As of September 30, 2021, we have entered into leases that have not commenced. These leases have terms ranging from seven to ten years and aggregate payments of $20 million.

15. Stockholders' Equity

Changes in stockholders' equity were as follows:

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at July 1, 2021	$ 323,338	$ 5,903	$ 5,172,185	$ (831,303)	$ (4,616,753)	$ 53,370
Net income	—	—	9,067	—	—	9,067
Other comprehensive loss	—	—	—	(9,927)	—	(9,927)
Dividends paid ($0.05 per common share)	—	—	(8,725)	—	—	(8,725)
Issuance of common stock	—	(6,610)	—	—	8,318	1,708
Stock-based compensation expense	—	3,170	—	—	—	3,170
Balance at September 30, 2021	$ 323,338	$ 2,463	$ 5,172,527	$ (841,230)	$ (4,608,435)	$ 48,663

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at July 1, 2020	$ 323,338	$ 68,498	$ 5,188,119	$ (836,262)	$ (4,699,113)	$ 44,580
Net income	—	—	11,389	—	—	11,389
Other comprehensive income	—	—	—	22,690	—	22,690
Dividends paid ($0.05 per common share)	—	—	(8,594)	—	—	(8,594)
Issuance of common stock	—	(9,272)	—	—	10,046	774
Stock-based compensation expense	—	8,286	—	—	—	8,286
Balance at September 30, 2020	$ 323,338	$ 67,512	$ 5,190,914	$ (813,572)	$ (4,689,067)	$ 79,125

	Common stock	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Treasury stock**	**Total equity**
Balance at January 1, 2021	**$ 323,338**	**$ 68,502**	**$ 5,201,195**	**$ (839,131)**	**$ (4,687,509)**	**$ 66,395**
Net loss	**—**	**—**	**(2,618)**	**—**	**—**	**(2,618)**
Other comprehensive loss	**—**	**—**	**—**	**(2,099)**	**—**	**(2,099)**
Dividends paid ($0.15 per common share)	**—**	**—**	**(26,050)**	**—**	**—**	**(26,050)**
Issuance of common stock	**—**	**(81,487)**	**—**	**—**	**79,074**	**(2,413)**
Stock-based compensation expense	**—**	**15,448**	**—**	**—**	**—**	**15,448**
Balance at September 30, 2021	**$ 323,338**	**$ 2,463**	**$ 5,172,527**	**$ (841,230)**	**$ (4,608,435)**	**$ 48,663**

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at January 1, 2020	$ 323,338	$ 98,748	$ 5,438,930	$ (840,143)	$ (4,734,777)	$ 286,096
Cumulative effect of accounting change	—	—	(21,900)	—	—	(21,900)
Net loss	—	—	(200,423)	—	—	(200,423)
Other comprehensive income	—	—	—	26,571	—	26,571
Dividends paid ($0.15 per common share)	—	—	(25,693)	—	—	(25,693)
Issuance of common stock	—	(46,472)	—	—	45,710	(762)
Stock-based compensation expense	—	15,236	—	—	—	15,236
Balance at September 30, 2020	$ 323,338	$ 67,512	$ 5,190,914	$ (813,572)	$ (4,689,067)	$ 79,125

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

16. Accumulated Other Comprehensive Loss

Reclassifications out of AOCL were as follows:

	Gain (Loss) Reclassified from AOCL			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Cash flow hedges				
Revenue	**$ 45**	$ (104)	**$ 289**	$ (107)
Cost of sales	**(21)**	(6)	**(126)**	36
Interest expense, net	**(133)**	—	**(229)**	—
Total before tax	**(109)**	(110)	**(66)**	(71)
Income tax benefit	**(28)**	(27)	**(17)**	(18)
Net of tax	**$ (81)**	$ (83)	**$ (49)**	$ (53)
Available-for-sale securities				
Financing revenue	**$ (2)**	$ 6,490	**$ (2)**	$ 10,060
Selling, general and administrative expense	**(183)**	263	**76**	210
Total before tax	**(185)**	6,753	**74**	10,270
Income tax (benefit) provision	**(45)**	1,681	**19**	2,557
Net of tax	**$ (140)**	$ 5,072	**$ 55**	$ 7,713
Pension and postretirement benefit plans				
Transition credit	**$ —**	$ 1	**$ —**	$ 3
Prior service costs	**(84)**	(140)	**(254)**	(417)
Actuarial losses	**(12,619)**	(10,990)	**(38,776)**	(32,923)
Settlement	**—**	(908)	**(314)**	(5,099)
Total before tax	**(12,703)**	(12,037)	**(39,344)**	(38,436)
Income tax benefit	**(3,097)**	(2,875)	**(9,608)**	(9,027)
Net of tax	**$ (9,606)**	$ (9,162)	**$ (29,736)**	$ (29,409)

Changes in AOCL, net of tax were as follows:

	Cash flow hedges	**Available for sale securities**	**Pension and postretirement benefit plans**	**Foreign currency adjustments**	**Total**
Balance at January 1, 2021	$ (1,411)	$ 402	$ (851,063)	$ 12,941	$ (839,131)
Other comprehensive income (loss) before reclassifications	**3,425**	**(6,330)**	**—**	**(28,924)**	**(31,829)**
Reclassifications into earnings	**49**	**(55)**	**29,736**	**—**	**29,730**
Net other comprehensive income (loss)	**3,474**	**(6,385)**	**29,736**	**(28,924)**	**(2,099)**
Balance at September 30, 2021	**$ 2,063**	**$ (5,983)**	**$ (821,327)**	**$ (15,983)**	**$ (841,230)**

	Cash flow hedges	Available for sale securities	Pension and postretirement benefit plans	Foreign currency adjustments	Total
Balance at January 1, 2020	$ 337	$ 2,849	$ (819,018)	$ (24,311)	$ (840,143)
Other comprehensive (loss) income before reclassifications	(2,455)	2,237	—	5,040	4,822
Reclassifications into earnings	53	(7,713)	29,409	—	21,749
Net other comprehensive (loss) income	(2,402)	(5,476)	29,409	5,040	26,571
Balance at September 30, 2020	$ (2,065)	$ (2,627)	$ (789,609)	$ (19,271)	$ (813,572)

(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

17. Supplemental Financial Statement Information

Activity in the allowance for credit losses on accounts receivables for the nine months ended September 30, 2021 and 2020 is presented below. See Note 7 for additional information pertaining to our finance receivables.

	Balance at beginning of year	Cumulative effect of accounting change	Amounts charged to expense	Write-offs, recoveries and other	Balance at end of period	Accounts and other receivables	Other assets
September 30, 2021	$ 35,344	$ —	$ 6,388	$ (11,677)	$ 30,055	$ 11,807	$ 18,248
September 30, 2020	$ 17,830	$ 15,336	$ 16,856	$ (20,353)	$ 29,669	$ 29,669	$ —

Other expense (income) consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Loss on debt refinancing	**$ 3,193**	$ —	**$ 55,576**	$ 36,987
Insurance proceeds	**—**	(6,325)	**(3,000)**	(15,292)
Gain on sale of assets	**—**	—	**(1,434)**	(11,908)
Gain on sale of business	**—**	—	**(10,201)**	—
Other expense (income)	**$ 3,193**	$ (6,325)	**$ 40,941**	$ 9,787

Supplemental cash flow information is as follows:

	Nine Months Ended September 30,	
	2021	2020
Cash interest paid	**$ 106,942**	$ 115,143
Cash income tax payments, net of refunds	**$ 2,451**	$ 19,861
Finance leased assets obtained in exchange for new lease obligations	**$ 25,882**	$ 3,614

18. Subsequent Event

In November 2021, we entered into an agreement to sell our Shelton, Connecticut facility for approximately $50 million and simultaneously entered into a ten year lease agreement. This transaction is expected to close before the end of 2021 and we anticipate recognizing a pre-tax gain from the sale of approximately $15 million.

In November 2021, we also acquired CrescoData for $15 million in cash plus potential additional payments of up to $7 million based on the achievement of revenue targets during the periods 2022-2024. CrescoData is a Singapore based, Platform-as-a-Service business that enables mapping and automating of product, stock and order data between platforms and will be reported in our SendTech Solutions segment.

Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains statements that are forward-looking. We caution readers that any forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Securities Exchange Act of 1934 (Exchange Act) may change based on various factors. Forward-looking statements are based on current expectations and assumptions, which we believe are reasonable; however, such statements are subject to risks and uncertainties, and actual results could differ materially from those projected or assumed in any of our forward-looking statements. Words such as "estimate," "target," "project," "plan," "believe," "expect," "anticipate," "intend" and similar expressions may identify such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Forward-looking statements in this Form 10-Q speak only as of the date hereof, and forward-looking statements in documents that are incorporated by reference speak only as of the date of those documents.

Our results of operations, financial condition and forward-looking statements are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission. In particular, we continue to navigate the impacts of the COVID-19 pandemic (COVID-19), including its effects on the cost and availability of labor and transportation and global supply chains. Other factors which could cause future financial performance to differ materially from the expectations, and which may also be exacerbated by COVID-19 or a negative change in the economy, 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
- the loss of, or significant changes to, our contractual relationships with the United States Postal Service (USPS) or USPS' performance under those contracts
- our ability to continue to grow and manage volumes, gain additional economies of scale and improve profitability within our Global Ecommerce and Presort Services segments
- changes in labor and transportation availability and costs
- third-party suppliers' ability to provide products and services required by us and our clients
- competitive factors, including pricing pressures, technological developments and the introduction of new products and services by competitors
- the loss of some of our larger clients in our Global Ecommerce and Presort Services segments
- expenses and potential impacts resulting from a breach of security, including cyber-attacks or other comparable events
- our success at managing customer credit risk
- capital market disruptions or credit rating downgrades that adversely impact our ability to access capital markets at reasonable costs
- our success in developing and marketing new products and services and obtaining regulatory approvals, if required
- the continued availability and security of key information technology systems and the cost to comply with information security requirements and privacy laws
- changes in international trade policies, including the imposition or expansion of trade tariffs
- changes in tax laws, rulings or regulations, including the impact of potential U.S. tax reform
- our success at managing relationships and costs with outsource providers of certain functions and operations
- changes in banking regulations or the loss of our Industrial Bank charter
- changes in foreign currency exchange rates and interest rates
- increased environmental and climate change requirements or other developments in these areas
- the United Kingdom's exit from the European Union
- intellectual property infringement claims
- the use of the postal system for transmitting harmful biological agents, illegal substances or other terrorist attacks
- impact of acts of nature on the services and solutions we offer

Further information about factors that could materially affect us, including our results of operations and financial condition, is contained in Item 1A. "Risk Factors" in our 2020 Annual Report, as supplemented by Part II, Item 1A in this Quarterly Report on Form 10-Q.

Overview

Financial Results Summary - Three and Nine Months Ended September 30:

	Revenue							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	Actual % change	Constant Currency % Change	**2021**	2020	Actual % change	Constant Currency % change
Business services	**$ 551,384**	$ 550,954	— %	(1) %	**$ 1,688,860**	$ 1,524,323	11 %	10 %
Support services	**113,413**	117,519	(3) %	(4) %	**347,266**	353,320	(2) %	(3) %
Financing	**71,936**	86,218	(17) %	(17) %	**223,201**	260,758	(14) %	(16) %
Equipment sales	**83,234**	79,572	5 %	4 %	**256,304**	213,682	20 %	18 %
Supplies	**38,211**	39,635	(4) %	(4) %	**119,090**	118,117	1 %	(1) %
Rentals	**17,271**	18,000	(4) %	(5) %	**55,128**	55,458	(1) %	(2) %
Total revenue	**$ 875,449**	$ 891,898	(2) %	(2) %	**$ 2,689,849**	$ 2,525,658	7 %	5 %

	Revenue							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	Actual % change	Constant currency % change	**2021**	2020	Actual % change	Constant currency % change
Global Ecommerce	**$ 398,011**	$ 409,981	(3) %	(4) %	**$ 1,229,526**	$ 1,100,757	12 %	11 %
Presort Services	**139,296**	127,705	9 %	9 %	**417,041**	386,552	8 %	8 %
SendTech Solutions	**338,142**	354,212	(5) %	(5) %	**1,043,282**	1,038,349	— %	(1) %
Total	**$ 875,449**	$ 891,898	(2) %	(2) %	**$ 2,689,849**	$ 2,525,658	7 %	5 %

	EBIT					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% change	**2021**	2020	% change
Global Ecommerce	**$ (20,950)**	$ (19,757)	(6) %	**$ (58,157)**	$ (68,126)	15 %
Presort Services	**21,062**	14,481	45 %	**56,247**	42,758	32 %
SendTech Solutions	**98,950**	112,599	(12) %	**320,541**	323,429	(1) %
Total Segment EBIT	**$ 99,062**	$ 107,323	(8) %	**$ 318,631**	$ 298,061	7 %

Revenue decreased 2% in the third quarter of 2021 compared to the prior year. Business services revenue, which includes revenue from Presort Services and Global Ecommerce, was flat as reported and declined 1% at constant currency compared to the prior year. Presort Services revenue increased 9% primarily due to higher mail volumes, a shift in the mix of mail volumes and investments made in the network and technology to enable a higher level of five-digit sortation services. Presort Services revenue also benefited in part, from the impacts of COVID-19 that adversely affected mail volumes in the prior year quarter. This increase was offset by a 3% decrease as reported (4% at constant currency) in Global Ecommerce revenue, primarily due to lower domestic parcel delivery volumes. The decline in Global Ecommerce revenue was also driven in part, by the impacts of COVID-19 that favorably affected parcel volumes in the prior year quarter. SendTech Solutions revenue declined 5% primarily due to lower financing income and support services revenue, partially offset by higher equipment sales. Financing revenue declined 17% primarily due to a prior year gain from the sale of investment securities, lower lease extensions and lower fee income. Support services revenue declined 3% (4% at constant currency) driven by a declining meter population and a shift to cloud-enabled products. Equipment sales increased 5% (4% at constant currency) due in part to the adverse impact on demand and our inability to perform on-site service and installations in the prior year quarter due to COVID-19.

Segment EBIT in the quarter decreased 8% over the prior year. Global Ecommerce EBIT declined 6% primarily due to an $8 million charge reflecting the estimated cost of a price assessment and SendTech Solutions EBIT decreased 12% primarily driven by the decline in revenue. Partially offsetting these declines, Presort Services EBIT increased 45% over the prior year quarter primarily due to higher revenue and improved productivity from investments made in the network and technology. Refer to Results of Operations section for further information.

Outlook

The impacts of COVID-19 on our business, operations and financial performance remain uncertain. Supply chain issues continue to pose challenges and could impact us for the remainder of the year and into 2022. Additionally, supply chain issues could also impact our clients' ability to meet their customers' demand, especially as we enter the peak holiday season, and could impact our shipping and delivery volumes. The duration and severity of these supply chain issues is unknown and unpredictable. We believe we are well positioned to navigate the current conditions and will continue to take proactive steps to manage our operations and related financial impacts; however, there are some unique factors not within our control that could affect our business.

Despite some of these ongoing uncertainties, we do not expect the global economy or our individual businesses to be affected to the same extent in 2021 as in 2020. Within Global Ecommerce, we anticipate revenue growth in 2021, although not at the growth rates experienced in 2020. We expect margin and profit improvements from pricing initiatives and operational improvements within our facilities and network designed to drive efficiencies and increase productivity; however, we also expect continued growth of the market's need for transportation services and labor to generate increased costs. Within Presort Services, we expect revenue growth for 2021 and margin and profit improvements as productivity initiatives, increased automation and facilities consolidation and optimization will more than offset expected higher labor and transportation costs. Within SendTech Solutions, we expect overall revenue to decline, but growth in our cloud-enabled shipping solutions from new clients and existing clients migrating to these solutions. Margins are expected to remain relatively consistent. On a consolidated basis, we expect revenue growth in the low to mid-single digit range in 2021 compared to 2020.

RESULTS OF OPERATIONS

In our revenue discussion, we may refer to revenue growth on a constant currency basis. Constant currency measures exclude the impact of changes in currency exchange rates since the prior period under comparison. We believe that excluding the impacts of currency exchange rates provides investors with a better understanding of the underlying revenue performance. Constant currency change is calculated by converting the current period non-U.S. dollar denominated revenue using the prior year's exchange rate. Where constant currency measures are not provided, the actual change and constant currency change are the same.

Management measures segment profitability and performance using segment earnings before interest and taxes (EBIT) which is calculated by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, asset impairment charges, goodwill impairment charges and other items not allocated to a particular business segment. Management believes that Segment EBIT provides investors a useful measure of operating performance and underlying trends of the business. Segment EBIT may not be indicative of our overall consolidated performance and therefore, should be read in conjunction with our consolidated results of operations.

REVENUE AND SEGMENT EBIT

Global Ecommerce

Global Ecommerce includes the revenue and related expenses from domestic parcel services, cross-border solutions and digital delivery services.

	Revenue				Cost of Revenue		Gross Margin	
	Three Months Ended September 30,				Three Months Ended September 30,		Three Months Ended September 30,	
	2021	2020	Actual % change	Constant Currency % change	**2021**	2020	**2021**	2020
Business services	**$ 398,011**	$ 409,981	(3)%	(4)%	**$ 364,375**	$ 379,409	8.5 %	7.5 %

	Segment EBIT		
	Three Months Ended September 30,		
	2021	2020	Actual % change
Segment EBIT	**$ (20,950)**	$ (19,757)	(6)%

Global Ecommerce revenue decreased 3% as reported and 4% at constant currency in the third quarter of 2021 compared to the prior year period due to lower revenue contribution of domestic parcel delivery volumes of 9%, partially offset by higher volumes in cross-border contributing revenue growth of 5%.

Total gross margin increased $3 million and gross margin percentage increased to 8.5% from 7.5% compared to the prior year primarily due to margin improvements in domestic parcel delivery, cross-border and fulfillment services, partially offset by an $8 million charge reflecting the estimated cost of a price assessment.

Segment EBIT for the third quarter of 2021 was a loss of $21 million compared to a loss of $20 million in the prior year period. The slight increase in EBIT loss was primarily driven by insurance proceeds received in the prior year of $3 million, offset by the increase in gross margin of $3 million.

	Revenue				Cost of Revenue		Gross Margin	
	Nine Months Ended September 30,				Nine Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	Actual % change	Constant Currency % change	**2021**	2020	**2021**	2020
Business services	**$ 1,229,526**	$ 1,100,757	12 %	11 %	**$ 1,122,031**	$ 1,000,490	8.7 %	9.1 %

	Segment EBIT		
	Nine Months Ended September 30,		
	2021	2020	Actual % change
Segment EBIT	**$ (58,157)**	$ (68,126)	15 %

Global Ecommerce revenue increased 12% as reported and 11% at constant currency in the first nine months of 2021 compared to the prior year period due to revenue growth from cross-border volumes and domestic parcel delivery volumes.

Total gross margin increased $7 million due to higher revenue, but the gross margin percentage declined to 8.7% from 9.1% primarily due to higher transportation, postal and labor costs as well as an $8 million charge reflecting the estimated cost of a price assessment recorded in the third quarter.

Segment EBIT for the first nine months of 2021 was a loss of $58 million compared to a loss of $68 million in the prior year period. The EBIT improvement was driven by the increase in gross margin and $3 million in lower operating expenses.

Presort Services

Presort Services includes revenue and related expenses from sortation services to qualify large volumes of First Class Mail, Marketing Mail, Marketing Mail Flats and Bound Printed Matter for postal worksharing discounts.

	Revenue				Cost of Revenue		Gross Margin	
	Three Months Ended September 30,				Three Months Ended September 30,		Three Months Ended September 30,	
	2021	2020	Actual % change	Constant Currency % change	**2021**	2020	**2021**	2020
Business services	**$ 139,296**	$ 127,705	9 %	9 %	**$ 103,194**	$ 97,810	25.9 %	23.4 %

	Segment EBIT		
	Three Months Ended September 30,		
	2021	2020	Actual % change
Segment EBIT	**$ 21,062**	$ 14,481	45 %

Presort Services revenue increased 9% in the third quarter of 2021 compared to the prior year period. Marketing Mail volumes and First Class Mail volumes contributed revenue growth of 5% and 4%, respectively, primarily due to a shift in the mix of mail volumes, the impact of pricing actions, improvements in five-digit sortation and the effects of COVID-19 on the prior year period.

Gross margin increased to 25.9% from 23.4% primarily due to the increase in revenue. We continue to experience significantly higher transportation and labor costs due to increased competition and demand for these resources. However, investments we have made to increase productivity and optimize our network have helped offset the impact of these increased costs.

Segment EBIT increased $7 million or 45% in the third quarter of 2021, due to a $6 million increase in gross margin and $1 million decrease in operating expenses.

	Revenue				Cost of Revenue		Gross Margin	
	Nine Months Ended September 30,				Nine Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	Actual % change	Constant Currency % change	**2021**	2020	**2021**	2020
Business services	**$ 417,041**	$ 386,552	8 %	8 %	**$ 315,368**	$ 296,591	24.4 %	23.3 %

	Segment EBIT		
	Nine Months Ended September 30,		
	2021	2020	Actual % change
Segment EBIT	**$ 56,247**	$ 42,758	32 %

Presort Services revenue increased 8% in the first nine months of 2021 compared to the prior year period. Marketing Mail volumes and First Class Mail volumes each contributed revenue growth of 4% primarily due to a shift in the mix of mail volumes, the impact of pricing actions, improvements in five-digit sortation and the effects of COVID-19 on the prior year period.

Gross margin increased $12 million and gross margin percentage increased to 24.4% from 23.3% primarily due to the increase in revenue.

Segment EBIT increased $13 million or 32% in the first nine months of 2021, primarily due to the increase in gross margin of $12 million and lower operating expenses of $1 million.

SendTech Solutions

SendTech Solutions includes the revenue and related expenses from physical and digital mailing and shipping technology solutions, financing, services, supplies and other applications to help simplify and save on the sending, tracking and receiving of letters, parcels and flats.

	Revenue				Cost of Revenue		Gross Margin	
	Three Months Ended September 30,				Three Months Ended September 30,		Three Months Ended September 30,	
	2021	2020	Actual % change	Constant Currency % change	**2021**	2020	**2021**	2020
Business services	**$ 14,077**	$ 13,268	6 %	6 %	**$ 4,610**	$ 5,666	67.3 %	57.3 %
Support services	**113,413**	117,519	(3)%	(4)%	**37,849**	36,832	66.6 %	68.7 %
Financing	**71,936**	86,218	(17)%	(17)%	**11,710**	11,626	83.7 %	86.5 %
Equipment sales	**83,234**	79,572	5 %	4 %	**62,182**	59,685	25.3 %	25.0 %
Supplies	**38,211**	39,635	(4)%	(4)%	**10,704**	10,132	72.0 %	74.4 %
Rentals	**17,271**	18,000	(4)%	(5)%	**6,480**	6,055	62.5 %	66.4 %
Total revenue	**$ 338,142**	$ 354,212	(5)%	(5)%	**$ 133,535**	$ 129,996	60.5 %	63.3 %

	Segment EBIT		
	Three Months Ended September 30,		
	2021	2020	Actual % change
Segment EBIT	**$ 98,950**	$ 112,599	(12)%

SendTech Solutions revenue decreased 5% in the third quarter of 2021 compared to the prior year. Financing revenue declined 17% primarily due to a prior year gain of $6 million from the sale of investment securities, lower lease extensions of $5 million driven by new product offerings and lower fee income of $3 million. Supplies revenue declined 4%, or $1 million, primarily due to decreased usage. Support services revenue declined 3% as reported and 4% at constant currency primarily due to the declining meter population and shift to cloud-enabled products. Partially offsetting these decreases, equipment sales increased 5% as reported (4% at constant currency), primarily due to the effect on the prior year from COVID-19 that impacted our ability to contact and service clients and perform on-site installations. Business services revenue increased 6%, or $1 million, primarily due to an increased use of our shipping products.

Gross margin for the third quarter of 2021 decreased to 60.5% from 63.3% in the prior year period. Financing gross margin decreased to 83.7% from 86.5% due to rising interest rates and the prior year gain from the sale of investment securities. Support services gross margin decreased to 66.6% from 68.7% and supplies gross margin decreased to 72.0% from 74.4% primarily due to the decline in revenue. Rentals gross margin decreased to 62.5% from 66.4% primarily driven by higher meter scrap costs.

Segment EBIT decreased $14 million, or 12% in the third quarter of 2021 compared to the prior year, primarily driven by the decline in gross margin of $20 million, partially offset by lower credit loss provision of $6 million.

	Revenue				Cost of Revenue		Gross Margin	
	Nine Months Ended September 30,				Nine Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	Actual % change	Constant Currency % change	**2021**	2020	**2021**	2020
Business services	**$ 42,293**	$ 37,014	14 %	14 %	**$ 16,925**	$ 14,708	60.0 %	60.3 %
Support services	**347,266**	353,320	(2)%	(3)%	**111,172**	112,656	68.0 %	68.1 %
Financing	**223,201**	260,758	(14)%	(16)%	**35,369**	36,054	84.2 %	86.2 %
Equipment sales	**256,304**	213,682	20 %	18 %	**185,474**	164,899	27.6 %	22.8 %
Supplies	**119,090**	118,117	1 %	(1)%	**32,383**	30,751	72.8 %	74.0 %
Rentals	**55,128**	55,458	(1)%	(2)%	**18,940**	18,455	65.6 %	66.7 %
Total revenue	**$ 1,043,282**	$ 1,038,349	— %	(1)%	**$ 400,263**	$ 377,523	61.6 %	63.6 %

	Segment EBIT		
	Nine Months Ended September 30,		
	2021	2020	Actual % change
Segment EBIT	**$ 320,541**	$ 323,429	(1)%

SendTech Solutions revenue was flat as reported and declined 1% at constant currency in the first nine months of 2021 compared to the prior year. Equipment sales increased 20% as reported and 18% at constant currency primarily due to the effect on the prior year from COVID-19 that impacted our ability to contact and service clients and perform on-site installations. Business services revenue increased 14% primarily due to an increased use of our shipping products. These increases were partially offset by declines in financing income and support services revenues. Financing revenue decreased 14% as reported and 16% at constant currency primarily driven by a prior year gain of $10 million from the sale of investment securities, lower lease extensions of $13 million driven by new product offerings and lower fee income of $8 million. Support services revenue decreased 2% as reported and 3% at constant currency primarily due to the declining meter population and shift to cloud-enabled products.

Gross margin for the first nine months of 2021 decreased to 61.6% from 63.6% compared to the prior year period. Financing gross margin decreased to 84.2% from 86.2% due to rising interest rates and the prior year gain from the sale of investment securities. Equipment sales gross margin increased to 27.6% from 22.8% primarily due the increase in revenue and lower engineering costs.

Segment EBIT decreased $3 million or 1% in the first nine months of 2021 compared to the prior year, primarily driven by a decline in gross margin of $18 million and higher operating expenses of $3 million, partially offset by lower credit loss provision of $18 million driven in part by a $10 million charge in the prior year associated with COVID-19.

UNALLOCATED CORPORATE EXPENSES

The majority of our SG&A expense is recorded directly or allocated to our reportable segments. Those expenses not recorded directly or allocated to our reportable segments are reported as unallocated corporate expenses. Unallocated corporate expenses primarily represents corporate administrative functions such as finance, marketing, human resources, legal, information technology and innovation.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Actual % change	**2021**	2020	Actual % change
Unallocated corporate expenses	**$ 49,176**	$ 53,429	(8)%	**$ 162,957**	$ 146,640	11 %

The decrease in unallocated corporate expenses in the quarter compared to the prior year period was driven primarily by lower variable-compensation expense of $3 million. The increase in unallocated corporate expenses for the first nine months of 2021 compared to the prior year was primarily due to higher employee-related expenses of $14 million.

CONSOLIDATED EXPENSES

Selling, general and administrative (SG&A)

SG&A expense of $225 million in the quarter decreased $14 million, or 6% compared to the prior period, primarily due to lower credit loss provision of $6 million and lower professional fees of $3 million. SG&A expense of $699 million for the first nine months of 2021 decreased $22 million, or 3% compared to the prior year period, primarily due to lower credit loss provision of $29 million and professional fees of $18 million, partially offset by higher employee-related expenses of $28 million.

Research and development (R&D)

R&D expense increased 15%, or $1 million in the third quarter of 2021 and increased 14%, or $4 million in the first nine months of 2021 compared to the prior year period.

Restructuring charges

Restructuring charges primarily includes costs for employee severance and facility closures. See Note 10 to the Condensed Consolidated Financial Statements for further information.

Other expense (income)

Other expense of $3 million in the third quarter of 2021 represents a loss on the refinancing of debt. Other expense for the first nine months of 2021 includes a $56 million loss on the refinancing of debt, $10 million gain from the sale of Tacit, $3 million of insurance proceeds and a $1 million gain from an asset sale. See Note 17 to the Condensed Consolidated Financial Statements for further information.

INCOME TAXES AND DISCONTINUED OPERATIONS

Income taxes

The effective tax rate for the three and nine months ended September 30, 2021 was (21.9)% and 119.3%, respectively. See Note 13 to the Condensed Consolidated Financial Statements for further information.

Discontinued Operations

Discontinued operations for the three and nine months ended September 30, 2021 includes adjustments related to the sale of our Software Solutions business in 2019 and Production Mail business in 2018. See Note 4 to the Condensed Consolidated Financial Statements for further information.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2021, we had cash, cash equivalents and short-term investments of $743 million. This includes $230 million held at our foreign subsidiaries used to support the liquidity needs of those subsidiaries. Our ability to maintain adequate liquidity for our operations is dependent upon a number of factors, including our revenue and earnings, our clients ability to pay their balances on a timely basis, the length and severity of COVID-19 and its impact on macroeconomic conditions and our ability to take further cost savings and cash conservation measures if necessary. At this time, we believe that existing cash and investments, cash generated from operations and borrowing capacity under our $500 million revolving credit facility will be sufficient to fund our cash needs for the next 12 months.

Cash Flow Summary

Changes in cash and cash equivalents were as follows:

	2021	2020	Change
Net cash provided by operating activities	**$ 216,174**	$ 191,166	$ 25,008
Net cash used in investing activities	**(111,686)**	(115,741)	4,055
Net cash used in financing activities	**(291,849)**	(197,908)	(93,941)
Effect of exchange rate changes on cash and cash equivalents	**(4,940)**	(2,782)	(2,158)
Change in cash and cash equivalents	**$ (192,301)**	$ (125,265)	$ (67,036)

Operating Activities

Cash provided by operating activities was $216 million for the nine months ended September 30, 2021 compared to $191 million in the prior year period. The increase of $25 million is primarily due to higher income and higher collections of receivables.

Investing Activities

Cash used in investing activities for the nine months ended September 30, 2021 improved $4 million compared to the prior year period. Net cash from investing activities benefited $95 million from the timing of purchases and maturities of investment securities but was partially offset by higher capital expenditures of $60 million and lower proceeds from the sale of assets and businesses of $29 million.

Capital expenditures were higher in 2021 compared to 2020 as we prioritized and limited our capital expenditures in 2020 in connection with COVID-19 and are investing in Global Ecommerce and Presort Services. Proceeds from the sale of assets and businesses in 2021 includes $28 million from the sale of Tacit and $2 million for the sale of other assets, while proceeds in 2020 included $46 million from the surrender of company-owned life insurance policies and $12 million from the sale of an equity investment.

Financing Activities

Cash used in financing activities for the nine months ended September 30, 2021 increased $94 million to $292 million compared to $198 million in the prior year period primarily due to higher net repayments of debt of $78 million and higher premiums and fees to extinguish debt of $17 million.

Financings and Capitalization

In 2021, we issued a $400 million 6.875% unsecured note due March 2027, a $350 million 7.25% unsecured note due March 2029 and entered into a new seven-year $450 million secured term loan maturing March 2028. We redeemed all the outstanding October 2021 notes and an aggregate $363 million of the May 2022 notes, April 2023 notes and March 2024 notes under a tender offer, the remaining balance of the May 2022 notes and repaid the remaining balance of our January 2025 term loan. A $56 million pre-tax loss was incurred on the refinancing of debt.

We also amended our $500 million secured revolving credit facility and our $380 million secured term loan to extend their maturities from November 2024 to March 2026. The credit agreement that governs the revolving credit facility and term loans contains financial and non-financial covenants. At September 30, 2021, we were in compliance with all covenants and there were no outstanding borrowings under the revolving credit facility.

In May 2021, we terminated our existing $500 million interest rate swap agreements and entered into new interest rate swap agreements with an aggregate notional amount of $200 million. Under the terms of the swap agreements, we pay fixed-rate interest of

0.56% and receive variable-rate interest based on one-month LIBOR. The variable interest rate under the term loans and the swaps reset monthly.

Each quarter, our Board of Directors considers whether to approve the payment, as well as the amount, of a dividend. There are no material restrictions on our ability to declare dividends. We expect to continue to pay a quarterly dividend; however, no assurances can be given.

Contractual Obligations and Off-Balance Sheet Arrangements

As of September 30, 2021, we have entered into leases that have not commenced. These leases have terms ranging from seven to ten years and aggregate payments of $20 million.

At September 30, 2021, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on our financial condition, results of operations or liquidity.

Regulatory Matters

There have been no significant changes to the regulatory matters disclosed in our 2020 Annual Report.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosures made in our 2020 Annual Report.

Item 4: Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures are also designed to reasonably ensure that such information is accumulated and communicated to management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow timely decisions regarding disclosures.

With the participation of our CEO and CFO, management evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) and internal controls over financial reporting as of the end of the period covered by this report. Our CEO and CFO concluded that, as of the end of the period covered by this report, such disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the required time periods. In addition, no changes in internal control over financial reporting occurred during the quarter covered by this report that materially affected, or are reasonably likely to materially affect, such internal control over financial reporting. Further, we have not experienced any material impact to our internal controls over financial reporting given that most of our employees are working remotely due to COVID-19. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact to their design and operating effectiveness.

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals. Notwithstanding this caution, the CEO and CFO have reasonable assurance that the disclosure controls and procedures were effective as of September 30, 2021.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

See Note 14 to the Condensed Consolidated Financial Statements.

Item 1A: Risk Factors

There were no material changes to the risk factors identified in our 2020 Annual Report.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of Equity Securities

We periodically repurchase shares of our common stock in the open market to manage the dilution created by shares issued under employee stock plans and for other purposes and currently have Board authorization to repurchase up to $16 million of our common stock. There have been no repurchases of our common stock during 2021.

Item 6: Exhibits

Exhibit Number	Description	Exhibit Number in this Form 10-Q
3(i)(a)	Amended and Restated Certificate of Incorporation of Pitney Bowes Inc. (incorporated by reference to Exhibit 3(i)(a) to the Form 8-K filed with the Commission on September 30, 2019)	3(i)(a)
3	Pitney Bowes Inc. Amended and Restated By-laws effective May 13, 2013 (incorporated by reference to Exhibit 3 to the Form 8-K filed with the Commission on May 15, 2013)	3
4.1	Indenture, dated March 19, 2021, among Pitney Bowes Inc., the guarantors party thereto and Truist Bank, as trustee, with respect to Pitney Bowes Inc.'s 6.875% Senior Notes due 2027. (incorporate by reference to Exhibit 4.1 to the Form 8-K filed with the Commission on March 23, 2021)	4.1
4.2	Indenture, dated March 19, 2021, among Pitney Bowes Inc., the guarantors party thereto and Truist Bank, as trustee, with respect to Pitney Bowes Inc.'s 7.250% Senior Notes due 2029. (incorporate by reference to Exhibit 4.1 to the Form 8-K filed with the Commission on March 23, 2021)	4.2
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended	31.1
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended	31.2
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350	32.1
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	32.2
101.SCH	Inline XBRL Taxonomy Extension Schema Document	
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document	
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document	
101.LAB	Inline XBRL Taxonomy Label Linkbase Document	
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document	
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL. (included as Exhibit 101).	

* Pursuant to Item 601(a)(5) of Regulation S-K, certain exhibits and schedules have been omitted. The registrant hereby agrees to furnish supplementally a copy of any omitted attachment to the SEC upon request.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PITNEY BOWES INC.

Date: November 5, 2021

/s/ Ana Maria Chadwick

Ana Maria Chadwick
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

/s/ Joseph R. Catapano

Joseph R. Catapano
Vice President and Chief Accounting Officer
(Duly Authorized Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc B. Lautenbach, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pitney Bowes Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Marc B. Lautenbach

Marc B. Lautenbach

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ana Maria Chadwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pitney Bowes Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Ana Maria Chadwick

Ana Maria Chadwick
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pitney Bowes Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Marc B. Lautenbach, President and Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marc B. Lautenbach
Marc B. Lautenbach
President and Chief Executive Officer

Date: November 5, 2021

The foregoing certification is being furnished solely to accompany this report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pitney Bowes Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ana Maria Chadwick, Executive Vice President, Chief Operating Officer and Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ana Maria Chadwick
Ana Maria Chadwick
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: November 5, 2021

The foregoing certification is being furnished solely to accompany this report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company.