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PRESENTATION

Operator

Good morning, and welcome to the Pitney Bowes Fourth Quarter 2021 and Full Year Earnings Conference Call. (Operator Instructions) Today's call is also being recorded. (Operator Instructions)

I would now like to introduce participants on today's conference call. Mr. Marc Lautenbach, President and Chief Executive Officer; Ms. Ana Maria Chadwick, Executive Vice President and Chief Financial Officer; and Mr. Ned Zachar, Vice President, Investor Relations. Mr. Zachar will now begin the call with the safe harbor overview.

Ned Zachar

Good morning, everybody. This is Ned Zachar. I manage the Investor Relations program for Pitney Bowes, and I'd like to welcome everyone to the call this morning. We very much appreciate your participation. Part of my duties includes covering the usual and customary safe harbor information for these calls. So please bear with me for just a few minutes.

Included in today's presentation are forward-looking statements about our expected future business and financial performance. Forward-looking statements involve risks and uncertainties that could cause actual results to be materially different from our projections. For more information about these risks and uncertainties, please see our earnings press release, our 2020 Form 10-K Annual Report and other reports filed with the SEC that are located on our website at www.pb.com and by clicking on Investor Relations.

Please keep in mind that we do not undertake any obligation to update any forward-looking statements as a result of new information or developments. Also, for non-GAAP measures that are used in this press release or discussed in this presentation, you can find reconciliations to the appropriate GAAP measures in the tables attached to our press release and also on our Investor Relations website.

Additionally, we provided a slide presentation on our Investor Relations website that summarize many of the points we will discuss during today's call. Our format today is going to be familiar. Marc Lautenbach, our President and Chief Executive Officer; will begin with opening remarks, which will be followed by Ana Chadwick, our Chief Financial Officer, who will provide a deeper discussion of our financial results.

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

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

Thanks, Ned, and good morning, everyone. Thank you for joining us this morning. Others have said it, but you can't say enough. Thank you to not just the PB team but to our industry colleagues and all other essential employees who did yeoman work during the holiday season. There's no doubt that the collective work of so many people put our country and our economy in a much better place than otherwise would have been the case.

As our custom has been, I will provide a perspective on the year, and Ana will discuss the quarter in detail. I will also provide my take on the quarter in a minute. It's suffice to say that there were many different crosscurrents running through the period. Presort performed exceptionally well, SendTech successfully negotiated their way through some difficult supply chain issues and turned in a solid quarter.

GEC had a very successful peak season in terms of providing good service to our customers but late-year changes in consumer buying behavior, created a different financial results than we expected. I'll come back to this topic in a moment. So let me elaborate on the annual results first.

I have said for a while that the final chapter of a successful transformation is profitable revenue growth. And in 2021, we grew revenue and earnings per share. For sure, not everything was perfect, and we are far from done, but 2021 was another important step forward.

SendTech and Presort had very good years and in aggregate the 2 businesses grew revenue and profit for the year. I think it's worth noting that the conventional wisdom for PB has been that GEC's revenue and profit improvement would outrun the declines in our traditional businesses, which many have characterized as melting icebergs.

In 2021, that paradigm changed and new initiatives in Presort and SendTech have put those businesses on a different trajectory. Now all of our businesses have clear line of sight to revenue growth and profit growth. This wasn't imaginable a few short years ago. For GEC, 2021 was a year of building capabilities and capacity. We invested in new facilities, new automation, transportation, and most importantly, we invested in our people. We believe the e-commerce shipping market continues to have very attractive long-run tailwinds albeit with some hard-to-predict short-term dynamics.

Our capabilities and value propositions continue to resonate in the market. After record revenue growth of 41% in 2020, we grew on top of that in 2021, and we continue to win new customers, adding 198 new logos with 387 new signings during 2021. Importantly, our customer satisfaction continued to improve in 2021, which is a vital indicator of future success.

For our profit performance after 3 quarters of strong improvement, the fourth quarter clearly turned out different than we thought due to what has been a well reported change in consumer buying behavior as the pandemic and supply chain issues continue to linger for the retail sector, including our clients.

This is a good segue to the fourth quarter. First, the easy part. As I said in the beginning of my remarks, Presort had an absolutely outstanding quarter and SendTech had a very good quarter. Both of these businesses are on an excellent trajectory. In GEC, our principal motivation for the fourth quarter was to deliver a successful holiday peak season for clients, and we did that. Our service levels improved dramatically from 2020 and we ensured our client shipments made it to the consumers in time for the holidays.

Given the circumstances, that is the supply chain challenges across the globe, along with our status as a relative newcomer to this market, great service is vital for PB. That being said, the financial performance of the business was not what we expected, and was disappointing.

So what happened? You can overcomplicate the fourth quarter dynamics but the gist of it is we planned and expected a certain volume of parcels. The forecast was interlocked and reinterlocked with our clients. We built our capacity plan against the volume we anticipated. And in fact, we probably overbuilt our capacity a touch against the planned volume because we're determined to deliver successfully for our clients.

And simply said, we never got the volume we expected. It's been well reported that consumer responded to the blend of supply came issues plus COVID, plus holiday with new ways to buy that provides certainty of delivery. We see this with accelerated purchases, more traffic in stores and with online and move towards gift cards and in-store pickup. To a degree, we saw this in some of our market research in the quarter, but our strong bias was towards ensuring we had appropriate capacity available for our customers - so we did not dial down labor and transportation until late in the quarter.

Once we decided to dial down transportation and labor, we did it quickly, though it was too late to change the outcome for the quarter. This clearly created a disappointing financial result, but from my perspective, the unexpected change in consumer buying behavior was an aberration caused by the intersection of the pandemic, ongoing global supply chain issues and the holiday season. To be clear, we do not believe that this year's aberration is indicative of longer-term e-commerce trends. That said, we have taken a series of actions to ensure that we insulate ourselves against this outcome in the future. The gist of the changes includes more agility and analytics in our client forecasting process.

It's worth noting that we're able to take a chunk of the variable cost of our business in just a couple of weeks. And as said, I remain very confident in the e-commerce logistics market opportunity, our business model and mostly the capabilities we are building, particularly the team.

Let me sum it up. While the year is different in some ways than I thought it would be, I characterize the year as successful. We began the year with a very successful debt refinancing, built substantial capabilities in our GEC business, improved our client satisfaction, generated significant cash flow and reduced debt. And our team, notwithstanding the challenges of COVID, continues to be highly engaged, and that result was an increase in revenue and EPS for 2021. More to do but we continue to believe strongly that we're on the right path across our entire portfolio.

Thank you for your time and your attention. And now let me turn it over to Ana.

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

Thank you, Marc. Let me start by providing an update of the full year, followed by details of our fourth quarter. Unless otherwise noted, I will speak to revenue comparisons on a constant currency basis and other items such as EBIT, EBITDA, EPS and cash flow on an adjusted basis.

For the full year, total revenues grew 3% to $3.7 billion. This is our fifth consecutive year of consolidated revenue growth. EBIT was $203 million, 6% lower than the prior year. As Marc mentioned, the aggregate growth of Presort and SendTech was more than offset by lower Global Ecommerce results and somewhat higher unallocated expenses. I'll come back to Global Ecommerce performance momentarily.

Adjusted EPS for the year was $0.32 versus $0.31 last year. GAAP EPS was a loss of $0.01. As a reminder, GAAP EPS includes unusual items primarily related to our debt refinancing expense and other restructurings. GAAP cash from operations was $302 million, flat to last year. Free cash flow was $154 million despite the anticipated increase in our capital spending.

For the year, capital spending was $184 million versus $105 million a year ago. In addition, over the course of the year, we have made strides with our working capital efficiency as days sales outstanding improved to 40 days at year-end from 45 days in prior year.

Looking at our balance sheet and capital allocation. Liquidity remains strong as we ended the year with cash and short-term investments of $747 million and an undrawn revolver. We also took advantage of the favorable real estate market by organizing a sale and leaseback of our Shelton facility, which is expected to generate approximately $50 million of proceeds in the first quarter.

Total debt has declined $241 million since year-end 2020 to $2.3 billion. When you take into account our finance receivables, cash and short-term investments, our implied operating company debt is $533 million. Let's move next to the specifics of the P&L, starting with full year results versus prior year. For the year, equipment sales grew 10% and business services increased 6%.

Support services and financing were down 3% and 15%, respectively. Supplies and rentals were each down marginally. Gross profit was $1.2 billion, and gross margin declined 190 basis points to 32%. This decline is largely driven by the shifting mix of our portfolio. SG&A was $922 million, $41 million lower than 2020. SG&A as a percentage of revenue was 25%, 200 basis points better than last year. Unallocated corporate expenses were $208 million, an increase of 4% largely due to higher insurance expenses. EBITDA was $366 million versus $376 million for the prior year. EBITDA margin was 10% for 2021, a decrease of roughly 60 basis points.

Interest expense was $144 million, down $10 million from prior year. Our tax rate was 3% and as we previously stated, we expect to return to more normalized levels in 2022. Diluted shares outstanding were approximately 179.1 million.

Turning to the details of the fourth quarter. Total revenue for the period was $984 million, which was a decline of 4% from prior year. As you are all very aware, year-over-year comparisons continue to include the impact of COVID on our and many other companies. Compared to 2019, total revenues were 18% higher and for our Global Ecommerce segment, the increase was 46%. The point is, while revenues in the quarter were down from prior year, it's important to note that we have held on to the vast majority of the revenue gains we have experienced post-COVID.

Adjusted EPS was $0.06, and GAAP EPS was $0.01. Free cash flow was $39 million and cash from operations was $85 million. During the quarter, we paid $9 million dividends and made $7 million in restructuring payments. Capital expenditures totaled $43 million in the quarter.

Let me now turn to each segment's performance. Within Global Ecommerce, revenue in the quarter declined 9% to $473 million, driven primarily by lower-than-expected domestic parcel volumes. Inside of Global Ecommerce, revenue from digital services was fractionally lower in the quarter while cross-border revenue was down low single digits. Domestic Parcel revenue experienced low double-digit declines. As you consider this quarter's top line performance, we think there are important context as we all wrestle with the challenges associated with COVID-19.

Compared to 4Q '19 Global Ecommerce revenues were up 46%. Specifically on volumes, we processed 47 million Domestic Parcels in the quarter, up from 41 million in the third quarter, though down from COVID impacted fourth quarter 2020, where we handled almost 65 million parcels. EBITDA for the quarter was a loss of $20 million, while EBIT was a loss of $41 million.

Let me unpack those numbers. We budgeted and planned for 4Q domestic parcel volumes that were approximately 20% more than we actually received. We built that plan based on our own models, our experiences in previous peak periods and with terrific cooperation and input from our clients. We also built that plan with an eye on delivering very strong service levels, which was an imperative in the context of our efforts to build a world-class logistics operation.

At the end of the day, 99% of the parcels we shipped reached their destination in time for the holidays. As a result, the feedback from our clients has been gratifying, which is a contrast to peak 2020.

In addition, average delivery times in the quarter improved by 25% compared to early 2021. We are much better positioned with our clients as we continue to improve service levels and win new business. As I noted earlier, Domestic Parcel volumes ran below our expectations, and we believe it was driven by 3 primary factors. First, the well-reported supply chain issues for our customers limited their available inventory for e-commerce. Second, it's also been well reported that many customers elected to shop via brick-and-mortar rather than online to be sure they could actually obtain what they were shopping for in a timely manner.

Lastly, some customers who shopped online opted for in-store pickup or gift cards to ensure certainty by the holidays. On the cost side, we held on to variable transportation and labor costs well into the fourth quarter to make sure we generated outstanding service levels for our clients and because they believed e-commerce volumes would pick up as the quarter moved on.

We accomplished our service level goals. But in the end, our expense levels were designed to handle higher volumes and resulted in financial performance that did not meet our expectations. It bears repeating that our experiences in the fourth quarter of 2020 and 2021 illustrates the significant challenges associated with planning and executing in a COVID world.

In December, we began to scale back our variable cost. We have seen meaningful improvement in labor cost per piece, down 40% and we're making steady progress on transportation cost per piece with early results showing a reduction of about 20%.

Going forward, we will focus our investments on network efficiencies, reduce per parcel cost and further improve service for our clients. We expect to reap the benefits of investments we have made in automation, including high-volume sortation, sort to light and robotics. In addition, we will continue to optimize our network routes and in-source transportation resources to move away from high-cost alternatives.

As previously announced, we initiated our general rate increase on January 1 across all lines of business, and we expect those increases to hold given our service performance in peak and overall market conditions. It is important to note that we continue to work very closely with our clients and have seen our weekly volume forecasting accuracy returned to pre-peak levels.

While our financial results did not meet expectations, the operational moves we made during 2021 created a much different, much, much better experience for our customers in this year's peak season, which is a very positive takeaway for the long-run health of the business.

Turning to Presort. Presort had another terrific quarter. Revenue was $156 million, 16% better than prior year. EBITDA was up 43% to $30 million despite double-digit increase in labor and transportation costs. EBIT improved 80% to $23 million versus 4Q 2020. This is the fourth consecutive quarter of revenue growth, driven by volume gains, especially from Marketing Mail along with higher revenue per piece.

We continue to experience significant benefits from network and technology investments as well as process improvement measures that resulted in year-over-year productivity gains. We feel good about the prospects for Presort heading into 2022, especially for the first half, driven by continued market share gains in Marketing Mail, additional efficiencies gained through 5-digit sorting plus the opening of 2 new markets: Las Vegas and Orlando.

Moving to the SendTech segment. SendTech revenue was $354 million, which was down 5% from the fourth quarter of 2020. EBITDA was $116 million and EBIT came in at $109 million, a decrease of 9% for both. Margins declined primarily as a result of lower high-margin financing revenues. Shifts in business mix as well as much higher freight costs were the primary factor in the margin decrease.

Lower credit reserves were an offset to some degree. To be clear, we continue to implement price increases to offset higher freight costs, which has become a familiar theme across the global supply chain landscape. Equipment sales were down 7% for the quarter, in part driven by ongoing supply chain challenges as well as a tough compare in last year's fourth quarter.

For the year, equipment sales were up over 10%, driven by increased penetration of our ongoing product refresh. Our SaaS-based subscription revenues grew 10% and paid subscribers for our SendPro online product were up 52% over prior year. SendPro Online is a cloud-based product that enables customers to manage and track their mail and parcels with multi-carrier alternatives to find the best rates and delivery options.

Our new SendTech product and offerings have been gaining traction in the marketplace, led by the SendPro family, which is an all-in-one system to select carriers, track parcels, gain postage discounts and manage spend. In North America, more than 28% of our revenue comes from these new products, and we have begun to launch these products in select international markets.

In addition, we're also seeing strong demand for our SendPro mail station, which was launched in April 2020. And to date, we have shipped over 50,000 of these devices. In Global Financial Services, we are very pleased with the portfolio credit performance and continue to work to expand the value of our financing offerings. Lastly, we're seeing improving trends in total finance receivables, which bodes well for the future of financing revenues.

Let me now turn to the outlook. For 2022, we expect annual revenue and EBIT growth in the low to mid-single digit. For first quarter, we expect our year-to-year EPS comparison to be impacted by prior year tax benefits that will not repeat this year. In addition, we expect supply chain issues to linger in the first half, more so than in the second half of the year.

We expect capital spending to be lower after last year's meaningful network expansion in Global Ecommerce. Also, working capital benefits in 2021, largely the previously mentioned reductions in day sales outstanding are not expected to continue at the same levels in 2022. I want to be clear, we also expect to generate healthy levels of free cash flow for full year 2022. We also note that our supply chain and COVID issues hopefully dissipate. We expect to provide additional perspective on our future financial performance as we move through the year.

I'd like to close with a few comments on some key operational and financial progress the company made in 2021. We completed a very successful debt refinancing in the first quarter, which substantially extended our debt maturity profile. As I noted earlier, we reduced debt by $241 million to $2.3 billion. We generated very healthy levels of free cash flow despite a material increase in capital investment across the portfolio, which are generating gains in productivity.

Presort and SendTech, in aggregate produced top line gains in the year, which is impressive for mature businesses. And in Global Ecommerce, we remain confident in the long-term growth prospects of this sector. The value of the network we have created and our ability to improve efficiency as we scale the business.

Thank you very much, and I'd like to ask the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will come from the line of Allen Klee of Maxim Group.

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

For the Global Ecommerce segment, could you give a little more detail about how you're thinking about and your confidence on shifting this to cash flow positive and then getting to the longer-term margins? How should we think about 2022 as investors getting confident in that?

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

Sure. Let me start and I'll let Ana add. So we continue to be very confident in that market opportunity. We're very confident in the business model that we have and the team that we put on the field is fantastic. In terms of 2022, obviously, we're coming off a quarter where we didn't have great visibility. So we're a little bit cautious about being terribly specific.

But here's what I would say, we expect substantial improvement in that business from both an EBIT perspective as well as an EBITDA perspective. And I expect it to be EBITDA positive in 2022. We see that kind of progressing throughout the year with the stronger second half, partially just because that's the way that business always operates with peak, but also as some of the supply chain issues that our customers are facing begin to even out to touch and consumer buying behaviors revert back to the main.

So we expect substantial improvement. We expect to be EBITDA positive this year. And the team has a plan to be EBIT positive. But obviously, I would consider that plan pretty high risk right now based on the quarter that we're coming off of, and we're not banking the corporate plan on it.

Operator

Our next question will come from the line of Shannon Cross with Cross Research.

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

I was wondering if you could talk a bit more about cash flow drivers in the future. Because obviously, right now, your debt profile is fine, but you do have several maturities coming up in a couple of years. So how do you think about the ability of the model to start driving incremental cash flow? Or are we still within e-commerce in a pretty significant investment phase? And then I have a follow-up.

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

Sure, maybe. This is Ana. Let me start by saying that we expect to continue to have strong free cash flow into the future. And as I mentioned previously, with the amount of uncertainties and some of the timings of COVID and all the uncertainties out there, we're not giving anything more specific. But I will say that there are a few areas that we will focus on.

So first, we have done significant investment in capital expenditures in 2021, and we will continue to invest in Global Ecommerce, but probably at a slower rate because we will focus more of that instead of an expansion of capacity and optimization of the capacity that we have now put out there.

Second thing is the team here has done a great job focusing on our accounts receivable collections. And I mentioned that our day sales outstandings had a significant drop of about 5 days -- and we continue to focus on collections, but that rate of improvement is going to be difficult to match. So I think those are 2 kind of currents going in different directions. But again, the overall business, we expect to generate healthy free cash flow. And as COVID and supply chain challenges dissipate, we will come back with more specifics.

In terms of our ability to pay some of the maturities coming up, we feel good with maturities coming up in '23 that our existing plans for free cash flow can absolutely pay for that. I also mentioned that we have the pending closing of our sale leaseback for Shelton, which will generate approximately $50 million of free cash flow. Again, giving us even that more comfort into the next 2 to 3 years and then we'll be fine as we progress on that. I hope that answers your question.

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

Shannon, can I just add a honest point, if I might. So let me start with the bottom line. We are highly confident in our balance sheet. And now as we look at the maturities and the tenure of those maturities versus our cash flows and what we've got cash on the balance sheet, there's no issue there. So that's the most important part.

I would just dimensionalize something that Ana said because I think it's important that our investors understand. So if you look at our long-term plan for our GEC network, our build-out, we have, in 2021, completed most of what we need to do. So the current capacity of our network is well beyond the volumes that were seeing. So we're in good shape in terms of the network. So we've got 1 node that we'll build out this year in Chicago. And then we've got 2 smaller nodes that will probably get to '23 or '24 and that's -- that will be the complete network.

So the GEC cash consumption in terms of CapEx, we'll continue to dial down, and as Ana said, rotate towards efficiency and optimization of what we have. So as we think about cash flow, generally, the principal driver of the cash flow going forward is going to be from earnings and as GEC continues to improve.

And candidly, we didn't talk about it as much as perhaps we could have, but with Presort and SendTech being EBIT positive that not only secures the debt, but it also is an important source of cash going forward.

Operator

Our next question will come from the line of Anthony Lebiedzinski of Sidoti & Company.

Anthony Chester Lebiedzinski ***Sidoti & Company, LLC - Senior Equity Research Analyst***

So first, on Global Ecommerce. You guys talked about adding new customers. Just wondering as far as the overall customer mix, has there been any notable churn as far as -- have you lost any notable customers? Just want to get a better sense as to how the customer mix has evolved. If you could put any metrics on it, that would be helpful. But just wanted to get a better understanding of the overall client mix within Global Ecommerce.

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

Sure. So the first thing I would say is that customer mix is heavily skewed toward mid-market retailers. That's an important point. The second thing I would say, if you look at when we bought this business in 2017, versus today, I think when we bought this business, we had 100 or 150 customers. I think today, as we exited 2021, we had 430 customers. So you've seen a dramatic increase in the customer base.

In terms of losing any customers, no, we haven't lost any customers, but that's candidly why it was so important for us, particularly coming off of the peak in 2020 where the industry struggled to provide good service that we were so focused on providing a high level of service to our customers. So we didn't lose any customers. And candidly, we were able to increase customers.

The other point I would make is we deferred a fair amount of business that we won in the fourth quarter into the first quarter because we were trying to be disciplined in terms of not adding to the network at a time where we assume the network was going to be under stress. So you've got to fight for customers every day. You got -- and that tends to be on service levels and price.

So we're never complacent here, and we need to continue to improve our service levels to continue to earn our customers' business. But if you look at the overall trajectory of the customer base, it's continued to increase. And we like the mid-market. It is a market that's traditionally underserved, and you can get a little bit better economics.

Anthony Chester Lebiedzinski ***Sidoti & Company, LLC - Senior Equity Research Analyst***

That was very helpful. And then as far as the guidance for 2022, I know you guys touched on Global Ecommerce, you expect improvement there. Can you touch on the other 2 segments as to how should we think about revenue and EBIT from Presort and SendTech?

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

Sure. I'll start and maybe Marc can add. We continue to expect Presort to be in the trajectory of growth, understanding that 2021 was a significant growth year. So we will see that trend continue. And then for SendTech, there's initiatives around growth of shipping, and that is taking good traction in the market.

It might be out a few years as we aim to have the rate of reduction of our traditional mailing be more than offset by the shipping. So that could take us just a little bit longer than just 1 year, but we are in a good trajectory, and we expect, as Marc mentioned before, for both Presort and SendTech to continue similar trends of margins and healthy cash flows.

Anthony Chester Lebiedzinski ***Sidoti & Company, LLC - Senior Equity Research Analyst***

Got you. Okay. And then last question for me. What should we expect as far as CapEx? I know you said that it's going to be lower, but can you perhaps put a number on that as to what you expect for CapEx? And any sort of guidance for the tax rate as to how we should think about that for this year?

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

Yes. I mean, as I mentioned, it will be lower than 2021. And we will continue to assess as the year progresses. In terms of our tax rate, we expect that to go back to more normal levels of the low 20 percentage type range as we progress here into 2022.

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

From a CapEx perspective, I mean, if you look at 2020, I think it was a little over $100 million. Last year, it was a little over $180 million. The norm is somewhere in between those 2 numbers, I mean, probably smack that in the middle. So I think it's fair to expect a return to the norm.

Operator

We'll go next to the line of Kartik Mehta of Northcoast Research.

Kartik Mehta ***Northcoast Research Partners, LLC - Executive MD, Director of Research, Principal & Equity Research Analyst***

Marc, I'm not sure if you said this or not, if you have, I apologize. But in the past, you would talk about Global Ecommerce breakeven or maybe the way to think about it is number of parcels ship. And I'm wondering if that metric has changed or if your thoughts have changed at all as the business has evolved.

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

No, that's actually largely the same. I mean I would say what we're trying to assess is, given this new normal, whenever it lands, how does that affect the unit economics. So for example, if you look at our transportation costs pre-COVID, they've more than doubled at the unit level. Conversely, under the side of it, price has gone up by 30% or 40%. So it's a little bit hard at the moment to be terribly precise when the fundamental building blocks of the economics are moving around.

That being said, I continue to be -- this is an incredible opportunity and we don't see that changing at all. So we're at a moment in time where there's a little bit of uncertainty, but that doesn't cover our long-term view.

In terms of volume, we always thought 250 million to 300 million parcels was kind of an important place to get to. And I still think that's an important place to get to. So that hasn't changed. But let me dimensionalize it a little bit for you. So if you look at our exit rate for

2021 in terms of parcels, it's probably around 200 million parcels going into 2022. If that number goes from 200 million to 300 million, your fixed cost absorption between 200 million parcels and 350 million parcels provides probably $100 million of benefit to the bottom line. So there's -- this is a fairly light business model from a fixed cost perspective, but it is highly highway leveraged -- so right now, the inflection points on units, I think, still is kind of in the same basic ZIP code. But with the caveat that COVID changed a lot.

So we're touching up the long-term plan. And candidly, when we get that finalized, we're going to have an Investor Day, but I need to give the team a little bit more time to get settled in terms of how the unit -- particularly labor and transportation are settling out.

Kartik Mehta ***Northcoast Research Partners, LLC - Executive MD, Director of Research, Principal & Equity Research Analyst***

Thanks, Marc. And Ana, you talked a little bit about budgeting Global Ecommerce. And unfortunately, the fourth quarter, it didn't turn out as you anticipated. Have you had to -- have you changed any of the methodology for the budget? Gone more conservative? Or would you think it was a onetime issue and the process works going forward?

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

Sure. We think this is a onetime issue and our methodologies in terms of the financial planning stay the same. What I will say in terms of our forecasting, especially as we interlock ourselves with our clients more, we're definitely working towards gathering much more operational data early on in the process so that we can give the lead time to the operations, whether it's the parcel profile or other things around the parcel, so that we can have a better connection between the client forecast and how it translates operationally into our sites. But to take a macro step back from a financial planning perspective, we continue to follow the same process we've been doing.

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

I think it's important to understand. I think Ana said it in her comments, I mean, the forecast that we had received from clients up until the fourth quarter had been 98% or 99% accurate. So we're heavily reliant on our customers' forecast. And we're going to continue to be heavily reliant on our customers' forecast.

As Ana said, we're going to use a little bit more analytics, a little bit more sophistication in terms of how we plan with them. And I think the other important thing is because their forecasts have been so reliable, we probably weren't as open-minded as we should have been in terms of the possibility that the commits forecast.

Now I'm not sure that's the bet I necessarily would have made in the middle of peak in supply chain crisis when there was so much focus, but we have weekly forecasts, daily forecast from clients. So you miss it for a week or so, I think we'll be a little more open-minded to how we adjust that forecast going forward.

Operator

Thank you. Next, we'll go to the line of Ananda Baruah of Loop Capital.

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

A few, if I could. Marc, do you have a view on this if Pitney was maybe more greatly exposed to the industry dynamics that you mentioned in the December quarter than some of the other shippers?

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

Yes. So we can do this earlier. So the answer to that question is, yes, I do think we are more exposed. And here's why: we are heavily heavily concentrated in the mid-market. I think we're still waiting to see customers report. But I think what you're going to find, at least my hypothesis is, the big box guys were able to take a series of actions that protected their supply chain more. So you read about Walmart or Costco or Target getting their own ships or their own planes, in a series of actions like that. Those types of actions aren't available to the mid-market.

So my expectation and it is more on the data that we've seen so far is we were more susceptible to what happened in the in the fourth quarter than others. That being said, there's a series of positive things that go along with the mid-market that I think on a longer-term basis, are very appealing. As I said, not the least of which is an underserved market that has very attractive economics.

So we own -- UPS announced this morning, I thought they announced pretty good results. I will point out that if you look at their results versus our results in 2019, we've still grown faster. But UPS has a broadly diversified business. And I think in moments of choppy economics, choppy market behavior, a broadly diversified base helps.

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

That's really helpful. And it's -- I mean are you thinking any differently about long-term volume opportunity in the industry. That sounds like not anecdotally, but I just want to ask the question.

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

Not. I'm thinking about the same way. And listen, I mean it continues to be a market opportunity that's growing in normal times, 12%, 13%, 14%, 15%. It continues to be a market opportunity that's underserved, continues to be a market opportunity that is short of capacity in general. And the big players, UPS, USPS, FedEx continue to raise prices.

So all of the fundamentals of the market, as I look at from an economic perspective, are really attractive. And I like our business model. I like a business model where we've got less than 10% of our costs are fixed, and we can vary up or down, admittedly, not in time to save a quarter always. But if you look at the cost actions that we've taken on transportation, labor over the last 60 days, it's pretty dramatic.

And I like our relationship with the postal service. So I do think when we look at the postal service data a little bit more closely, I think what we're going to find is their parcels were down for the quarter as well. At least that's what they're reporting through December 15, they report again. But that being said, I mean, I'll go back to the first point. I think we're more susceptible with these types of market generations at the moment.

Operator

(Operator Instructions) We have a follow-up from the line of Ananda Brewer of Loop Capital.

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

Okay. So no one else is on, I'll ask 1 or 2 more. So it does sound like you guys, just from the prepared remarks and to one of the questions, it sounds like over time, you actually believe now there is a growth vector in SendTech?

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

Yes, I do. And it's driven by 2 things. First of all, if you look at the business as they reconstituted itself. The shipping market that's addressable to them is larger than the mailing market. And it's growing as opposed to declining. So it's not growing as fast as e-commerce shipping, but it's growing. So all of a sudden, they're in an addressable market that's probably 3x as big as they were participating before in the aggregate of that market is growing.

So I think it's going to take them another couple of years. But I think the shipping revenue, the shipping opportunity there is considerable. And then obviously, the financial services opportunity continues to be another layer of opportunity that we're pursuing as well.

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

Okay. Cool. Awesome. And then just you mentioned some of the actions that you guys are taking. In the prepared remarks, Marc, you mentioned some of the actions that you're taking as a result of what manifested in Q4. Could you just sort of rank for us -- rank for us, like what's the most impactful one that you're taking first half of the year here?

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

Yes. I mean, so let me kind of separate the actions in the different buckets. So obviously, there's the processes and the work around the forecast that we do principally with our customers. So we talked about better tools, better process with our customers, being a little bit more open-minded that it's hard for our customers to forecast even though with all positive intentions.

If you look at the -- the second bucket I would characterize in terms of expense. It depends on how you want to characterize it. But as we exited the year and certainly in the first week of January, we had driven substantial labor and transportation out of the business. Part of that was kind of a -- candidly it was planned. I mean so you always dial up capacity for peak and then dial it back down. But suffice it to say, we dialed it back down pretty quickly in late December, early January. More work to do there. So I'd say we've got a little more work to do on transportation and labor.

And then the third thing that we're working on is it's a little arcane. But it's around how we optimize the network. So said another way, how we absorb parcels from our clients, where they get sorted, where they go to next. So one of the things that happened in 2019 or 2020, when we saw the spike in volume is we started delivering to a lot more postal destinations, a lot deeper in the network.

And we did that because the volumes seemed to warrant at the time. I think what we're going to look at now is, did we perhaps overdo that a touch? And if you ever do that touch, it affects your unit economics, it affects your service levels. So you have a unique opportunity if you kind of dial back some of the places you deliver to within the postal network, to improve your service levels and your cost at the same time. That's probably something we won't see the benefit of until we get into the second quarter, but it's a really good opportunity that's in front of us.

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

That's great context. Okay. Cool. Last one for me is, do you guys have any visibility to potential advertising impact to your suppliers, your mid-market suppliers given the supply chain disruption and the change in consumer behavior in December quarter?

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

I'm not sure I understand the question.

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

Well, so one of -- like as we have been monitoring the situation went through December quarter, I guess one of the things that was coming up in our work was that there may be an advertising impact as a result of the change in consumer behavior.

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

Yes. A little bit out of my daily work, but it's reasonable to assume if you are supply constrained, and you're a retailer or a consumer products company, you're going to dial back advertising. So I don't have any specific there on that, but that's probably a reasonable expectation.

Operator

And we have a follow-up from Allen Klee of Maxim Group.

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

I had 2 questions. First, given the attractiveness of the financing segment, I wanted to touch on Wheeler Financial. Can you tell us how much money was put to work in '21? How much excess bank deposits you now have? And how you think about if more money could be put to work in '22?

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

Sure. Let me take this one. So for Wheeler specific, which is our equipment lending and leasing, since inception, we've put to work about a little over $40 million, $44 million, $45 million. And we currently have receivables in the bank shy of about $30 million. We also have other growth initiatives. And I just want to be clear. I know Wheeler is more specific about kind of the equipment arm. But in the bank, we also have other growth initiatives around shipping financing and working capital, for which we also have around that kind of $30 million mark of receivables.

So when you take a step back, our combined growth initiatives at the bank are roughly around 25% of the current receivable base that we have there, and we intend to continue to grow that. We are working on additional initiatives and at due time, we'll be putting that out there.

The other thing I wanted to comment is, and I mentioned this during the script is we feel very good about the quality that we've been not only putting on, on the books, but our delinquency trends and the quality of our portfolio. And that gives us really a solid footing for that further growth. So I hope that answers your question.

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

I think just -- that's a really important point. It kind of ties back to Shannon's original question in terms of the debt. There was some question as we entered COVID about what you're going to see in terms of delinquencies? What you're going to see in terms of losses? What we planned to at the time was when we went through the last financial crisis in 2009 that we had very low losses, had very high credit and that turned out to be true again. So I just think it underlines the fact that this is a really solid business. It's a very well-run business and highly reliable in terms of producing cash.

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

That's great. And then lastly, could you just update us on 2 relatively recent, well, whatever last couple of months announcements, one was talk a little about what you're doing with smart lockers. You made an announcement in Canada, you're doing some stuff in the U.S. And then in November, you announced the acquisition of a Singapore-based CrescoData. So if you could just give us a little color on both of those, what's going on there?

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

Ana, you want to take that? You want me to?

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

Sure. No, I'll start, and Marc, please feel free to add to that. So on the locker space, it's a really good adjacency to our existing SendTech portfolio. And it provides another way for touchless receipt and delivery of packages and mail materials and things like that.

There are, of course, opportunities around universities and maybe office spaces and other areas that the team is actively pursuing. And we anticipate growth in that area, and that ties really nicely to that shipping strategy that we mentioned. Yes, go ahead, Marc.

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

No, go ahead and finish off, and I'll add.

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

I'll just maybe mention in terms of the acquisition, we're very excited because the acquisition, again, goes into that shipping space and it allows greater connectivity with the retail base for us to further do offerings and connect to our platforms as we continue to grow the shipping. But Marc, go ahead.

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

Yes. So I mean I'd say, listen, both are important initiatives to take advantage of the shipping opportunity for SendTech. Lockers, as Ana pointed out, is a near-term adjacency. We will not likely ever invest in metal but we will invest in the intellectual property and maybe some labor in order to take advantage of that opportunity. And that's what we did in Canada.

The second opportunity, the company bought in Singapore likewise was focused on shipping and how it is that you enable that opportunity, what carriers you use in some of the other digital capabilities that you need in order to make the opportunity come alive. So both were nice acquisitions or nice tuck-ins, and we'll continue to look for those kinds of opportunities to accelerate our initiatives and shipping and to make SendTech a growth business.

Operator

And there are no further questions in queue. So I'll turn it back to Mr. Lautenbach for any closing remarks.

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

Great. Thanks, operator. And again, I thank everyone for joining this call. I know there's a lot to unpack. Now let me conclude with a couple of thoughts. We're pleased with the progress we've made overall last year. As I said, everything wasn't perfect, but overall, I thought it was an important step forward.

Equipment sales were better, Presort is hitting on all cylinders, we expect that to continue. New products in SendTech are really getting traction and then we're moving those products around the world. Debt levels are down and free cash flow was solid to the conversation we had with Shannon.

Clearly, we've got work to do in Global Ecommerce, but it's obviously a challenging environment, and it's hard to balance supply and demand in COVID. I have to remind myself every once in a while that we've owned that business for 4 years and 2 of the 4 years that we've owned that business have been in a global pandemic. So it's in some ways, what is unusual for the rest of the world has kind of been the normal for the last 2 years and as we've built that business and grow that business.

With this year's delivery performance, we've earned client trust. And that's incredibly important. At the end of the day, the market is there. Importantly, we've got really good brand permission vis-a-vis all the other participants to win this market. I love our business model. I like the fact that it's principally variably based. I like our relationship with the Postal Service and we have a really incredible leadership team in place.

One of my great disappointments for the quarter besides the financial performance is the team worked so hard to prepare for the quarter and was so well prepared. And obviously, not get the volume was disappointing. But their work will pay important dividends going forward. So again, thank you for everyone, and we'll be around to answer whatever questions you have in the coming days. Thank you.

Operator

Thank you. And ladies and gentlemen, this conference is available for replay beginning at 10 a.m. Eastern Time today and running through midnight, March 1. You may access the AT&T replay system by dialing 1 (866) 207-1041 and entering the access code of 1142410, international dialers may dial 1 (402) 970-0847. Those numbers once again are 1 (866) 207-1041 or 1 (402) 970-0847 with the access code of 1142410. That does conclude our conference for today. Thank you for your participation and for using AT&T Event Conferencing. You may now disconnect.