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Q1 2024 Pitney Bowes Inc Earnings Call

EVENT DATE/TIME: MAY 02, 2024 / 12:00PM GMT

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PRESENTATION

Operator

Good morning, and welcome to the Pitney Bowes First Quarter 2024 Earnings Conference Call. (Operator Instructions) Today's call is also being recorded. If you have any objections, please disconnect your lines at this time.

I would now like to introduce participants on today's conference call; Mr. Jason Dies, Interim Chief Executive Officer; Mr. John Witek, Interim Chief Financial Officer; and Mr. Philip Landler, Vice President, Investor Relations and Global Strategy. Mr. Landler will now begin the call with a safe harbor overview.

Philip Landler ***Pitney Bowes Inc. - VP of IR & Global Strategy***

Good morning. I'm Phil Landler, Vice President, Investor Relations and Global Strategy. Thank you for joining us this morning.

Included in today's presentation are forward-looking statements about our future business and financial performance. Forward-looking statements involve risks and uncertainties that could cause actual results to be materially different from our projections. More information about these risks and uncertainties can be found in our earnings press release, our 2023 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, we do not undertake any obligation to update forward-looking statements as a result of new information or developments. For non-GAAP measures that are included in the press release or discussed in our presentation materials, you can find reconciliations to the appropriate GAAP measures in the tables attached to our press release. We have also provided a slide presentation and a spreadsheet with historical segment information on our website.

Finally, in our prepared remarks, revenue comparisons will be on a constant currency basis. Other items such as EBIT, EBITDA, EPS and free cash flow on an adjusted basis.

And now I'd like to turn the call over to Interim CEO, Jason Dies.

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Good morning, and thank you for joining the call and your ongoing investment and interest in Pitney Bowes.

I'd like to start the call today by first addressing the recent changes to our Board of Directors before providing a high-level overview of our Q1 results. As many of you know, last year, the Board endorsed our strategic priorities focused on achieving efficiencies, simplifying the corporate structure, increasing efforts to maximize the value of GEC and renewing our focus on our cash generating in high-margin segments.

Given the clarity on the path ahead and the confidence in our team to carry out that mission, several directors felt this year's annual meeting is an appropriate time to retire from the Board. This will result in a more streamlined Board for this next phase of Pitney Bowes' transformation. I and the rest of the management team look forward to working with them to accelerate progress on the key priorities and opportunities ahead of us.

I'd also like to thank our retiring Board members for their leadership, guidance and insights during this period of transformation. Their skills, experiences and counsel have been invaluable as we reposition the company for an exciting future.

Now, moving on to first quarter, our results from the past quarter reflect the enterprise-wide changes in focus, priorities and accountability that we've been implementing over the past few months. The impact of these changes is evident in our strengthened performance across multiple parts of the business with EBIT growing by more than $23 million on relatively flat revenue. This represents a 71% improvement when compared to prior year.

We also continued to make progress on our cost reduction and restructuring efforts. As a result, we now expect cost savings from the program we announced last year to exceed the $75 million to $85 million target. We see additional opportunities to build on this momentum by maintaining strong execution and a disciplined focus on cost to increase cash flow and create capacity for investment in high-margin growth areas.

At the segment level, SendTech and Presort Services recorded strong results in the quarter. Presort achieved record revenue and EBIT with expanded EBIT margins. We will continue to capitalize on our excellent operational and client support capabilities to create value in this segment. SendTech had another solid quarter with increased EBIT, expanding margins and accelerating growth in shipping. SendTech will continue to shift resources towards investments in our shipping capabilities where we see meaningful long-term profitable growth potential.

Global Ecommerce grew domestic parcel volumes 20% in a challenging market and reduced operating expense, while delivering the best network performance since the pre-COVID timeframe. The team continues to take the necessary steps to accelerate progress and improve results, as we continue our efforts to maximize value for this segment.

Looking ahead into our 2024 strategic and operational priorities, we continue to look at ways to increase accountability, streamline the organization and further improve execution. We will continue to simplify the business to both reduce cost and build on the productivity improvements that you've seen over the last couple of quarters. To complement these efforts, we have recently engaged an outside firm to help us identify and implement additional ways to remove complexity and increase efficiency. These savings will create capacity for us to further capitalize on attractive growth opportunities.

Our shipping play in SendTech represents one of these significant opportunities, where we can leverage our assets and footprint to drive meaningful growth in targeted verticals, particularly for enterprise clients. We are leveraging our existing relationships in the office segment, and we'll continue to invest and develop specialized vertical shipping solutions with differentiated value. Similarly, in Presort Services, we can leverage our national footprint, extensive transportation network and operational excellence to drive growth in targeted areas.

In closing, we're making significant progress against our strategic and financial objectives. As a reminder, we grew EBIT 28% in Q4 and have built on that with another 71% growth in the first quarter. We also see significant opportunities to build on that momentum as we look forward, especially in the second half of the year.

The progress we've made over the past 7 months and the opportunities ahead give me great confidence in our future. I'd like to thank all of our teams for their hard work in delivering a strong first quarter and their continued dedication as we move through the next phase of our transformation.

And now, I'd like to turn it over to John to discuss our Q1 results in more detail.

John Witek ***Pitney Bowes Inc. - Interim CFO***

Thanks, Jason, and good morning, everyone. As Jason highlighted, we drove significant progress over the past 2 quarters in improving execution and reducing costs. These actions are showing up in our financial results, especially on the bottom line, with first quarter EBIT up 71% year-over-year. Consolidated revenue was $831 million in the quarter, down 1% versus prior year, with solid performance across each of the segments. EBIT improved $23 million to $56 million for the quarter, driven by cost reduction actions and strong operational performance from SendTech and Presort.

EPS was flat versus prior year at a loss of $0.01 as EBIT improvement was offset by higher interest and tax expense. Our effective tax rate was high in the quarter, primarily due to unfavorable tax adjustments related to the U.S. taxation of our foreign operations and state valuation allowance adjustments. Free cash flow was a use of $17 million, which was an improvement of $43 million versus prior year due to several items, including lower CapEx, changes in finance receivables and lower pension and retiree medical payments.

Before I get to our segment results, I want to talk about our enterprise cost reduction efforts. As Jason mentioned, this is one of our key priorities in 2024. This was an area I directly oversaw prior to assuming this interim CFO role. We continued to progress on our restructuring plan in the quarter, and now, we expect to exceed the high end of the $75 million to $85 million range.

Turning to our segments, effective January 1, 2024, we moved the digital delivery services offering, which was previously in GEC to SendTech to better leverage our go-to-market and our capabilities to create client value. We have recast prior period financial results to conform with this change. Recast quarterly segment results can be found within the Financial Reporting section of our Investor Relations website.

SendTech continued its momentum from last quarter, with another solid quarter from strong execution and growth in shipping. Revenue declined 2% to $327 million, while EBIT grew 6% to $101 million as product mix and cost reductions more than offset lower revenue. Shipping related revenue grew 8% on a recast basis and now comprises 15% of total segment revenue.

Growth primarily came from our digital offerings, including subscriptions. Revenue from SaaS subscriptions grew 40% year-over-year, building a strong base of recurring revenue. Lower in-period equipment and professional services tempered the overall shipping growth. Mailing related revenue declined 4% year-over-year, primarily from a decrease in our meter base due to a couple of factors. One, overall secular decline in the installed base; and two, an expected uptick in cancellation rates as we near the tail end of our product migration.

Also, the current phase of our product life cycle with more lease extensions than new placements negatively impacted in-period results. As a reminder, this shift results in lower equipment sales, partially offset by higher margin financing revenue spread over the lease term. We expect these headwinds to increase in the second half of the year as we near the end of the migration process.

In the quarter, we migrated about 5% of our total installed base to our new product lines and ended the quarter with 77% of our total base on the new IMI technology. As a reminder, our low- and mid-volume product lines are further along in their migration process and are required to be IMI compliant by the end of this year. Our high-volume products are in the early stages and have until 2027 to be compliant.

This quarter, we benefited from about $6 million of in-period revenue as a result of 2 large deals signed in the fourth quarter of 2023 and implemented this quarter. Inside the financial services portion of SendTech, net finance receivables were $1.2 billion and remained relatively flat, declining $2 million versus the prior year. We also continue to make progress on our previously announced program where our bank is participating in the financing of select captive lease receivables, an initiative that will be good for the bank and the enterprise overall.

Shifting to SendTech segment profitability, gross profit was flat despite revenue decline, as we had a favorable mix of higher-margin revenue streams. Financing revenue grew 1%, and business service revenue grew 36%, primarily as a result of higher SaaS subscription and volume-based revenue streams from our digital shipping offerings. Gross margins continue to benefit from improvements we made to our supply chain in 2023, which resulted in lower product and transportation costs. Simplification and cost reduction initiatives drove a $6 million or 5% decline in operating expenses year-over-year.

Next, moving to Presort Services. Presort had another great quarter and achieved its highest ever quarterly revenue and EBIT. The segment's continued excellent performance is a testament to the high quality of our product offering. Revenue was $170 million, up 7% year-over-year. Higher revenue per piece drove the growth. Sorted volume declined 2% to 3.9 billion pieces.

Turning to margin. Higher revenue per piece, along with a 10% improvement in labor productivity and a 7% improvement in unit transportation costs, drove nearly a 700 basis point expansion in EBIT margins. EBIT was $40 million in the quarter. Year-over-year improvement in both revenue and EBIT did benefit from a $5 million one-time prior period adjustment booked in this quarter. Even without this benefit, Presort still would have achieved record revenue and EBIT.

We continue to raise the bar on labor productivity with pieces fed per labor hour improving at 27 of our 33 sites and reaching an all-time high for us. Investments in automation equipment continue to bring meaningful step-ups in productivity. We are also realizing better labor efficiencies through investments in analytics and process standardization across our network. On the transportation side, we continue to optimize both our in-sourced fleet and our outsourced contract lanes.

Turning to Global Ecommerce. Segment revenue was $333 million, with domestic parcel growing 8% and cross-border declining 49%. We will lap the headwind in cross-border next quarter. EBIT and EBITDA were a loss of $35 million and $21 million, respectively, which were $2 million and $3 million worse than prior year. Year-over-year decline was driven by lower gross profit and partially offset by a 19% reduction in our operating expenses.

Turning to the domestic parcel space specifically, we continue to see 3 trends: One, volume growth; two, lower revenue per piece; and three, better cost per piece. Domestic parcel continued to add volume in a soft market. We processed 60 million parcels in the quarter, 20% growth over prior year. Service levels remain very competitive, which is helping us attract volumes and offset fixed costs.

Our network performed the best it has during the quarter with more than 80% of our overall volume delivered in less than 3 days and return volume processed consistently within 4 to 5 days. Revenue per piece declined 10% as market overcapacity continues to put downward pressure on price. Our client and product mix also shifted towards lower revenue per piece with lighter weight and shorter zone delivery volume and fewer returns. Both shifts are consistent with larger market trends.

Moving to costs. We continue to make steady progress in driving efficiency from prior investments in technology and systems. However, lower revenue per piece more than offset improvements in unit costs. Unit transportation costs declined 24%, driven by productivity improvements and increased leverage from higher volumes. Transportation utilization improved significantly in the quarter, as in-sourcing of certain lanes and the rollout of our regional model yielded results. We are also seeing better labor productivity, which improved 12% year-over-year. Total fixed costs were higher versus prior year from investments in our network and automation made in the first half of last year. Despite higher absolute costs, unit fixed costs improved year-over-year from higher volumes.

To wrap up, our first quarter was strong. We made progress in each of our segments, and our cost reduction initiatives helped deliver a significant bottom-line improvement. We exited this quarter on a good trajectory and are optimistic about the opportunities in front of us, especially in the second half of the year.

With that, thank you, and operator, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Anthony Lebiedzinski from Sidoti & Company.

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

So certainly nice to see the EBIT improvement in Presort and SendTech. Presort, especially. So I guess on the Presort side, maybe we could start there. I know you guys have done well in that segment and have done some acquisitions also in that segment. Just wondering what's your confidence level and your ability to sustain this strong performance and whether you're looking for perhaps additional acquisitions in Presort.

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes, Anthony, sure. This is Jason. I'll take that. So I appreciate the comments and the call out on Presort. That team certainly had a fantastic quarter. But as I've said on previous calls, they've had a fantastic few years. The past few years, they've done a tremendous job of driving both topline and bottom-line growth. That team, I think, still has plenty of runway. If you think about the market and you think about the dynamics in the market, we've done a tremendous job of bringing in additional volumes despite the overall headwinds from first-class mail.

We have growth opportunities in that space as well, not only from additional offerings around things like marketing mail, but also additional opportunities, as you point out, to pull in additional volumes both from clients who have traditionally in-sourced, that work before, who now look to outsource it, but also from taking additional share by bringing in additional acquisition opportunities. We've certainly focused on that in the past. I think the number off the top of my head is we've probably done 12 acquisitions in that space in the past 10 years. It's certainly something we continue to look at. And I think we have continued opportunity to drive both topline and bottom-line growth, both because we can take in volumes on the top line, but secondly, I'd just call out again, the productivity that, that team has been able to deliver has been outstanding.

John mentioned that I think in his comments. We had 27 to 33 sites improved productivity across the network. They were up about 10% on pieces fed per labor hour, which is one of the key metrics that, that team focuses on. And in the quarter, we were able to take out about 150,000 labor hours. So if you look at kind of all the metrics on that business, we feel very good about it, and we are going to be very aggressive in trying to bring in additional volumes into that because they can be accretive very quickly.

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

Got it. And then, Jason, for you, and John both sounded, I guess, more optimistic about the second half of the year. What's driving that optimism and whether or not there is something to read into the second quarter? Are you being just less optimistic about the near term? And I just wanted to -- for you to take that opportunity to square that away.

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. Look, I don't think you should read it majorly on our confidence in the second quarter versus the second half. I certainly see opportunities as we continue to progress throughout the year. I think the comment that John and I were making is as we look at kind of this next round of cost improvements and restructuring, that's going to take a little bit of time to bake in. So as we're doing that work now, you'll start to see the improvements of that more in the second half than you will in the first half.

And then I think as you look from a business segment point of view, certainly, I think, Presort has opportunity in the back half of the year that I think will increase. And I think SendTech will continue to see benefit as they grow their shipping business. So it's not a statement necessarily of the timing on that, but particularly around the cost takeout in this next round that we're going to be working with the third party on. That is going to take a little bit of time. So I wouldn't read into too much, but it's a fair comment.

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

Okay. Got you. And then in terms of GEC, I know this is the last quarter, I believe, that you're lapping the cross-border headwinds. That being said, the business admittedly still lost more money. There was a shareholder letter sent to the Board of Directors a couple of days ago. Just wondering if you guys have a response to that. And how do we think about this in the near term and long term in this segment?

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. Look, I mean it's not going to be a tremendously different answer than I've given in the past. What I've said is we are certainly focused on maximizing the value of that business as best we can. I think the team has done a really good job of creating value with that business over the past few months and over the past few years. You think about kind of what's going on in that business. I'll just kind of step back and give a little bit of color on it.

Clearly, there's a couple of headwinds that we're facing. The market is clearly at overcapacity. You heard that from multiple of our competitors. You heard it from the USPS as they talked about their volumes. That's creating tremendous pressure on rate per piece. That said, if you look at kind of the 3 factors that we've always talked about for that business, we always talk about volumes as being important, and we're doing very good on that. We continue to grow volumes and bring clients into our network, which is a testament of the value we can provide to clients and a recognition by clients of the value we provide.

Secondly is improving on cost performance. We continue to make strides there. And again, I would say that the team has really taken up the banner on that over the last 2 or 3 quarters. This quarter, I think John said, we were down 19% on OpEx, which is really a solid improvement.

And then the third variable is the one I just mentioned, which is kind of the price and the rate per piece in the market, which is clearly at a tough point market-wide, not just with us, and that's going to take some time to stable out and to stabilize.

That said, if you look at what we're doing from an internal perspective, we're doing the things that we need to do for both short-term and long-term success. We are driving more volumes into the network to cover our fixed costs. We are working to make our mix more effective, right, if you think about that rate per piece, so things like focusing on our returns business, which generally comes in at a better rate per piece.

And we're continuing to focus on cost reductions, and you'll see more improvement on that as we go forward throughout the year. So internally, we're focused on what we can control to make the business better. Externally, we're looking at things like partnerships and other opportunities that present themselves in the market to make sure that we maximize the value of this business going forward.

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

Got it. Yes. And then last question before I pass it on to others. I guess maybe for John. So the tax rate was higher here in the first quarter. How do we think about the tax rate for the balance of the year?

John Witek ***Pitney Bowes Inc. - Interim CFO***

Yes. So thanks for the question. The tax rate in the quarter was really affected by a couple of things, really tax-only permanent tax items, really was due to the unfavorable mix between U.S. and foreign income, the tax on U.S. tax on foreign income and some permanent disallowances of deductions. So that's what we would expect aligned right now. And there's an opportunity to take a better look at that.

Operator

(Operator Instructions) Next, we'll go to the line of Matt Swope from Baird.

Matthew Warren Swope ***Robert W. Baird & Co. Incorporated, Research Division - MD and High Yield Desk Analyst***

Jason, you've done a fantastic job in the interim role, but it's gone on for a long time. We've got an interim CFO now as well. It feels like the Board is up in the air with all the changes that have gone on and an impending vote. Can you help us feel more comfortable about something a little more permanent in terms of management here, both on the Board side? And maybe you could remind us when the next Board vote is and then with the CEO and CFO positions?

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes, I'll take that in 2 parts. So we do have our shareholder annual meeting on Monday, May 6. So that will be the time when we see this new constitution or new iteration of the Board take effect. Look, what I would say is the Board has undergone significant change over the past year, right? I mean, there's no doubt about that. Even back before the proxy over a year ago, we had changes to the Board. The Board has been working through that. I will tell you they've been very effective at helping us to create the mandate and the strategic direction going forward.

If you look back over the past 6 to 9 months, there's been absolute clarity from the Board on what we need to get done and how we need to progress against our strategic objectives. So from a Board dynamics perspective, I personally don't have any issue at all. And I don't think there's been any hesitation with the Board on what we need to do, how we need to progress the business and kind of what the priorities are for PB as we go forward. So there's been tremendous stability from that respect despite Board members for sure coming on and off the board.

I look forward to working with the new Board as of May 6, many of them have been around for a bit, and so I do know them and have a comfort level with them and think we'll be able to work together effectively to progress our goals.

On the CEO search, we're kind of in the same spot that we've been in for a while. And we have had no updates, obviously, on that today to announce. We are in a similar place this quarter as we were last quarter with the Board considering internal and external candidates for the role. I will say -- the additional point I want to make on this is that the Board continues to give me a very active mandate to execute on that strategic set of priorities that I talked about before. And they've supported me soup to nuts on the decisions that I've made as we've progressed the business over the past couple of quarters. So we've made a lot of progress over the last 6 months, especially on driving better execution and improving our cost base. And I remain very optimistic about what we continue to do as we look forward over the second half of the year.

Matthew Warren Swope ***Robert W. Baird & Co. Incorporated, Research Division - MD and High Yield Desk Analyst***

That's all helpful, Jason. And would it be right to assume that post the shareholder meeting next week, something could happen before May is out to get a little more permanent on some of those?

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Look, I'm not going to prejudge or preannounce anything that the Board may or may not do. You can understand that making a decision around a CEO, for sure, and a CFO, in particular, are the most important decisions the Board can make, and I respect them for taking the time and effort that they need to make sure that we have the right person in place to take Pitney Bowes forward.

Matthew Warren Swope ***Robert W. Baird & Co. Incorporated, Research Division - MD and High Yield Desk Analyst***

That's fair enough. And then on SendTech and Presort, really good numbers in both. But obviously, both businesses are under some secular pressure. Can you highlight -- you guys mentioned in your comments, both the continued reduction in the meter base in SendTech and then the decline in volumes in Presort? As we model forward, how do you think about just sort of an average secular decline in both of those things, both in postage meters and in volumes in Presort?

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. Look, I'll take them one at a time. And I would say the market headwinds have not changed substantively in any business, in either of the 2 businesses from what we've seen. So as you think about the market decline in Presort on first-class letters, it's been pretty steady. Off the top of my head, it's been in the 6% to 8% decline range if memory serves.

The good news is, as I've said, we've been able to continue to grow revenue, not just the past couple of quarters, but the past few years in that business. And again, as you well know, Presort is a little countercyclical. As those first-class volumes go down, our opportunity to in-source volumes from other parties goes up. And so I do like the opportunity that Presort has ahead of it going forward to continue to do that, to continue to bring volumes in. And as we've demonstrated, we can make those volumes accretive very quickly and can do it in a very productive way that drives both topline and bottom-line growth.

On the SendTech side, again, no change in the mail trajectory on that either. What I will say on the SendTech side is we've done a tremendous job on 2 fronts over the past couple of years. One is with our new product portfolio, which is now refreshed from the top of the line all the way down to the bottom of the line. Over the past couple of years, we've been able to outrun the market headwinds just by bringing new products with new value into the market. And that's the key point. We keep finding ways to deliver value to clients on those products.

The thing that's particularly interesting on SendTech is the shift we've been able to make into an adjacent space and shipping, which gives us tremendous opportunity going forward. And I'll just remind you on that. If you think about the enterprise and office space, where Pitney Bowes has traditionally had its bread and butter from a mailing perspective, we have relationships and brand reputation in that space that's allowed us to move into that office shipping space very aggressively.

If you think about our SaaS business this past quarter, we grew our SaaS revenue on the shipping side 40%. And if you look under the covers at what we've been able to do in the enterprise space, so think about large clients, Fortune 500 companies, we actually grew our

SaaS revenue 61% in first quarter. So as you think about shipping as a growing part of that business portfolio going forward and offsetting the natural decline that you have in the Mailing business, our job is really 2 parts.

One is to stem the mailing decline as best we can, and we've demonstrated that we've been able to do that by introducing new value and new products. And second, to begin to grow into an adjacent space, shipping now is going to be somewhere north of $230 million, $240 million of revenue this year as part of that portfolio. It's a tremendous growth success story that we're going to continue to leverage as we go forward.

Matthew Warren Swope ***Robert W. Baird & Co. Incorporated, Research Division - MD and High Yield Desk Analyst***

That's great. And then just a last one for me. On GEC, you guys have talked in the past about one of the things driving the revenue per piece down being lower weight per piece. Can you talk about that trend and where that sits now?

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. Look, I mean I'm not going to get into parsing the types of volumes necessarily because I think to some degree, that's going down a rabbit hole. But you are correct. If you look at the market as a whole, the market as a whole has been affected by increased volumes coming from Asia and China in particular. Those volumes think about things like Temu, Alibaba, those types of places, tend to come in at a much lower weight, which definitely impacts the rate per piece as you go -- as you prosecute the business.

That said, there's always opportunities from a mix perspective. There's always opportunities that you have to try to go after improvements in rate per piece. What I will tell you is this market is very hard right now with the overcapacity that's out there. I think the USPS had a number that said there's about a 12 million parcel a day overcapacity across the entire country. And until that begins to normalize a little bit, I think you're going to continue to see pressure on that rate per piece.

Operator

Your next question comes from the line of Will Brunemann from Northcoast Research.

Will Brunemann ***Northcoast Research - Research Associate***

So I was going to ask you about what you're seeing in the current environment for Global Ecommerce. And are you guys seeing pricing competition on that side stabilize? And then I have 1 follow-up.

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. Look, what I would say is pricing competition remains very robust. And again, it stems from this overcapacity piece that we've talked about a few times. I will tell you, our win rates in the market tend to be about what they've been over the past few quarters. So we think we're competing effectively.

And if you look at the fact that we've been able to bring in new clients and new volumes into the network for GEC, I think that demonstrates the fact that we have a client value proposition that's resonating. That said, it is a dogfight out there, and you're constantly fighting for volumes across the board as everyone seeks to try to put it in packages that will fill their network and offset their fixed costs.

Will Brunemann ***Northcoast Research - Research Associate***

Awesome. I think that answers my question. And then I also wanted to ask you guys, so the Presort business performed really well this quarter on the margin side, are you guys seeing those margins as sustainable long term?

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. Look, I mean -- no, I think that's a fair question. And the way I will say it is this, I think the Presort team has demonstrated the ability to continue to drive improvements in their business over time. That said, just like any business, it has headwinds. It has labor headwinds. It has inflationary pressures from suppliers. We've been very effective at overperforming against those headwinds. I'm not sure that I would say that you can expect that we're going to continue to overperform at the rate and pace that you saw in the first quarter. But we do think that we have opportunity and the ability to continue to drive EBIT margin improvement and EBIT improvement in that business as we look forward.

Operator

Your next question comes from the line of Peter Sakon from CreditSights.

Peter Sakon ***CreditSights, Inc. - Senior Analyst***

I was pleased to see the improvement in corporate overhead. Can you talk about what the largest items are? And should we expect similar improvements throughout the rest of the year?

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. Look, I'm not going to get into specific areas that we cut on corporate overhead. What I will tell you on this is, again, as we talk about this, and I've said this in previous quarters, my goal is to get cost out of the business. My goal is to simplify the business, make us more efficient, more effective, bring speed to the business, and we're going to take that cost out wherever we find it to take out. I talked last quarter, I believe, about one of the things that we did is we did a pro forma allocation for our business unit leaders of our corporate costs so that they could have more control and more say over what it is that they want to pay for and what they think is effective in driving the business. We're going to continue to focus on that, and we're going to continue to take cost out as we go through the second half of the year.

We were very successful on our restructuring program that we announced last year. We said -- John and I both said that we are overperforming on that. You can think about that as over 1,000 heads out of the business based on the program that we announced previously. John mentioned we've got a third party in, and we're going to continue to look for opportunity as we go through the rest of the year to take significant chunks out of that cost as well. But again, I want the business unit leaders who are delivering for clients and delivering for shareholders to be the arbiters of what they see value in from a corporate perspective, and I think that's important.

John Witek ***Pitney Bowes Inc. - Interim CFO***

Yes. And Jason, just to complement that, as you said it, I think you touched on it, it's not about just taking cost out. It's about redefining what we do, how we do it and what the value we deliver for what we do for both our internal clients around the world.

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. Look, I will say we are a very different business going forward, right? If you think about the size and scale, if you think about moving to digital and SaaS. And certainly, the needs of the business will be different, and that's why I want the business unit leaders to be so integral into thinking about how we take that cost out.

Peter Sakon ***CreditSights, Inc. - Senior Analyst***

And tending to SendTech, can you talk about the headwinds you're expecting later this year in the noncompliant folks, if you will, to be shut off? Can you elaborate? Is it like something that will show up in the first quarter of 2025? Or is it something that we'll see throughout the rest of the year?

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. So that's a good question, Peter. So let me just take a step back and just remind everyone that there is a forced migration in the industry as the USPS has mandated that you move from a technology that's called IBI for the mailing meters to IMI. That's really a security standard primarily. It has some other pieces to it. We've been very public that every client on the low and middle range product set for us has to migrate by the end of this year. The top of the line clients have additional time. I think it's through 2027 to migrate before they have to be off.

Overall, from an overall portfolio perspective, we're up to about 77% of our clients who have migrated to that IBI category. That's up from about 72% in first quarter. If you look under the covers, on the middle of the line, the bottom of the line, we're up to about 82%, which is up 4 points quarter-over-quarter. So we are making very good progress on moving clients to that new technology. We have been very clear that any time that you do a forced migration of this population we do tend to see increased cancellation rates.

But if I look at the number of where we are of 82% of that bottom of the line, already migrated with 3 quarters to go, I think we're in a very good position. I'm not going to speculate as to what I think the cancellation rate will be, but we've made great progress. At the end of the day, those machines do get cut off and that will force additional clients to reach out to us to get the new technology. And so we're going to have to see how that plays out over the next 3 quarters.

Peter Sakon ***CreditSights, Inc. - Senior Analyst***

Follow-up on SaaS revenue. You mentioned that it grew 40% in the quarter, and I think you said SaaS revenue in the enterprise space grew 61%. What is the number of SaaS revenue? What is the SaaS revenue that you're referring to?

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Peter, you broke up. I think your question, just let me kind of restate it, is I said our SaaS revenue in SendTech grew 40% and our SaaS revenue in the enterprise space grew 61%. I think your question was what comprises that?

Peter Sakon ***CreditSights, Inc. - Senior Analyst***

No. My question was the amount. What is the dollar amount?

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

I'm sorry, I didn't get that. Say it one more time.

Peter Sakon ***CreditSights, Inc. - Senior Analyst***

I said what is the dollar amount? I'm trying to get context as to is this growing 40% is that up $50 million, $10 million? I'm trying to get a better feel for the impact to your financials.

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. Listen, what I will say is our shipping revenue overall grew 8% in the quarter. And if you look at the SaaS component of that shipping revenue, it makes up about 25% of the total shipping revenue for us. I'm not going to get into specific dollar amounts on products.

Operator

And at this time, there are no further questions. I'd now like to turn the call back to Mr. Dies for any additional remarks.

Jason C. Dies ***Pitney Bowes Inc. - Interim CEO***

Yes. Thank you, Greg. I appreciate it. So look, I'll just close the call by saying this. Again, I think we are making very significant progress against our strategic and financial objectives. I'm very happy with the performance that you've seen over the past 2 quarters. I think we now have 2 data points of real progress of both -- against both our business and cost priorities.

First quarter was, I think, a good start to the year for us as we look forward. As John and I both said, we see continued strength as we look forward throughout the remainder of the year, and I look forward to talking to you all on the next call about continued progress that we're making against our transformation priorities.

So thank you very much for joining.

Operator

Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation and for using AT&T TeleConference. You may now disconnect.