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

FORM 10-Q

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

For the quarterly period ended June 30, 2020

OR

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

For the transition period from _______________ to _______________

Commission file number: 1-03579

PITNEY BOWES INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

As of July 31, 2020, 173,082,121 shares of common stock, par value $1 per share, of the registrant were outstanding.

PITNEY BOWES INC.
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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Revenue:				
Business services	**$ 528,990**	$ 417,963	**$ 973,369**	$ 824,508
Support services	**113,786**	127,705	**235,801**	256,304
Financing	**85,462**	92,419	**174,540**	189,462
Equipment sales	**57,837**	85,551	**134,110**	175,338
Supplies	**32,773**	46,490	**78,482**	97,443
Rentals	**18,644**	18,445	**37,458**	40,602
Total revenue	**837,492**	788,573	**1,633,760**	1,583,657
Costs and expenses:				
Cost of business services	**454,311**	337,918	**828,976**	664,964
Cost of support services	**36,725**	40,520	**76,485**	82,367
Financing interest expense	**11,939**	11,043	**24,428**	22,407
Cost of equipment sales	**47,920**	58,570	**105,279**	122,235
Cost of supplies	**8,379**	11,758	**20,619**	25,308
Cost of rentals	**6,022**	8,418	**12,400**	18,133
Selling, general and administrative	**233,631**	241,467	**482,264**	503,136
Research and development	**7,467**	13,572	**19,583**	26,149
Restructuring charges and asset impairments	**4,922**	5,899	**8,739**	9,599
Goodwill impairment	**—**	—	**198,169**	—
Interest expense, net	**26,446**	28,019	**52,329**	55,621
Other components of net pension and postretirement cost (income)	**386**	(1,618)	**235**	(2,256)
Other (income) expense	**(17,375)**	(27)	**16,112**	17,683
Total costs and expenses	**820,773**	755,539	**1,845,618**	1,545,346
Income (loss) from continuing operations before taxes	**16,719**	33,034	**(211,858)**	38,311
Provision for income taxes	**17,016**	3,724	**6,986**	11,544
(Loss) income from continuing operations	**(297)**	29,310	**(218,844)**	26,767
(Loss) income from discontinued operations, net of tax	**(3,032)**	(5,613)	**7,032**	(5,729)
Net (loss) income	**$ (3,329)**	$ 23,697	**$ (211,812)**	$ 21,038
Basic (loss) earnings per share [1]:				
Continuing operations	**$ —**	$ 0.17	**$ (1.28)**	$ 0.15
Discontinued operations	**(0.02)**	(0.03)	**0.04**	(0.03)
Net (loss) income	**$ (0.02)**	$ 0.13	**$ (1.24)**	$ 0.12
Diluted (loss) earnings per share [1]:				
Continuing operations	**$ —**	$ 0.16	**$ (1.28)**	$ 0.15
Discontinued operations	**(0.02)**	(0.03)	**0.04**	(0.03)
Net (loss) income	**$ (0.02)**	$ 0.13	**$ (1.24)**	$ 0.12

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

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Net (loss) income	**$ (3,329)**	$ 23,697	**$ (211,812)**	$ 21,038
Other comprehensive income, net of tax:				
Foreign currency translation, net of tax of $1,105, $(1,347), $(1,712) and $(423), respectively	**10,099**	10	**(17,636)**	21,378
Net unrealized loss on cash flow hedges, net of tax of $(421), $(80), $(479) and $(24), respectively	**(1,271)**	(234)	**(1,445)**	(71)
Net unrealized gain on investment securities, net of tax of $467, $1,100, $900 and $2,064, respectively	**1,407**	3,213	**2,715**	6,029
Amortization of pension and postretirement costs, net of tax benefits of $3,502, $2,124, $6,152 and $4,773, respectively	**11,377**	7,311	**20,247**	13,947
Other comprehensive income, net of tax	**21,612**	10,300	**3,881**	41,283
Comprehensive income (loss)	**$ 18,283**	$ 33,997	**$ (207,931)**	$ 62,321

See Notes to Condensed Consolidated Financial Statements

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

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 862,897**	$ 924,442
Short-term investments (includes $28,221 and $35,879, respectively, reported at fair value)	**153,221**	115,879
Accounts and other receivables (net of allowance of $32,474 and $17,830, respectively)	**391,748**	373,471
Short-term finance receivables (net of allowance of $20,999 and $12,556, respectively)	**555,196**	629,643
Inventories	**73,653**	68,251
Current income taxes	**1,893**	5,565
Other current assets and prepayments	**121,924**	101,601
Assets of discontinued operations	**—**	17,229
Total current assets	**2,160,532**	2,236,081
Property, plant and equipment, net	**375,465**	376,177
Rental property and equipment, net	**40,875**	41,225
Long-term finance receivables (net of allowance of $17,115 and $7,095 respectively)	**583,839**	625,487
Goodwill	**1,132,785**	1,324,179
Intangible assets, net	**175,460**	190,640
Operating lease assets	**199,162**	200,752
Noncurrent income taxes	**68,449**	71,903
Other assets (includes $264,500 and $230,442, respectively, reported at fair value)	**379,611**	400,456
Total assets	**$ 5,116,178**	$ 5,466,900
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 732,048**	$ 793,690
Customer deposits at Pitney Bowes Bank	**613,449**	591,118
Current operating lease liabilities	**35,432**	36,060
Current portion of long-term debt	**163,257**	20,108
Advance billings	**122,606**	101,920
Current income taxes	**11,723**	17,083
Liabilities of discontinued operations	**—**	9,713
Total current liabilities	**1,678,515**	1,569,692
Long-term debt	**2,553,490**	2,719,614
Deferred taxes on income	**270,376**	274,435
Tax uncertainties and other income tax liabilities	**35,928**	38,834
Noncurrent operating lease liabilities	**177,901**	177,711
Other noncurrent liabilities	**355,388**	400,518
Total liabilities	**5,071,598**	5,180,804
Commitments and contingencies (See Note 14)		
Stockholders' equity:		
Common stock, $1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	**323,338**	323,338
Additional paid-in capital	**68,498**	98,748
Retained earnings	**5,188,119**	5,438,930
Accumulated other comprehensive loss	**(836,262)**	(840,143)
Treasury stock, at cost (151,737,399 and 152,888,969 shares, respectively)	**(4,699,113)**	(4,734,777)
Total stockholders' equity	**44,580**	286,096
Total liabilities and stockholders' equity	**$ 5,116,178**	$ 5,466,900

See Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net (loss) income	**$ (211,812)**	$ 21,038
(Income) loss from discontinued operations, net of tax	**(7,032)**	5,729
Restructuring payments	**(11,365)**	(13,005)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Restructuring charges and asset impairments	**8,739**	9,599
Loss on disposition of businesses	**—**	17,683
Gain on sale of equity investment	**(11,908)**	—
Loss on extinguishment of debt	**36,987**	—
Depreciation and amortization	**81,787**	77,977
Goodwill impairment	**198,169**	—
Stock-based compensation	**6,950**	9,165
Allowance for credit losses	**27,941**	14,707
Amortization of debt fees	**5,054**	4,924
Changes in operating assets and liabilities, net of acquisitions/divestitures:		
(Increase) decrease in accounts receivable	**(49,403)**	18,565
Decrease in finance receivables	**84,342**	34,984
Increase in inventories	**(6,306)**	(10,881)
Increase in other current assets and prepayments	**(24,067)**	(33,476)
Decrease in accounts payable and accrued liabilities	**(25,168)**	(53,885)
Increase in current and noncurrent income taxes	**29,959**	663
Increase (decrease) in advance billings	**21,402**	(941)
Decrease in pension and retiree medical liabilities	**(24,164)**	(22,772)
Other, net	**(4,873)**	1,174
Net cash provided by operating activities - continuing operations	**125,232**	81,248
Net cash (used in) provided by operating activities - discontinued operations	**(38,423)**	5,534
Net cash provided by operating activities	**86,809**	86,782
Cash flows from investing activities:		
Purchases of available-for-sale securities	**(115,565)**	(6,391)
Proceeds from sales/maturities of available-for-sale securities	**94,425**	54,964
Net activity from short-term and other investments	**(44,035)**	(1,608)
Capital expenditures	**(59,954)**	(59,187)
Acquisitions, net of cash acquired	**(6,608)**	(4,882)
Sale of other investments (See Note 8)	**58,248**	—
Increase (decrease) in customer deposits at Pitney Bowes Bank	**22,331**	(8,316)
Other investing activities	**(885)**	(8,591)
Net cash used in investing activities - continuing operations	**(52,043)**	(34,011)
Net cash used in investing activities - discontinued operations	**(2,502)**	(2,140)
Net cash used in investing activities	**(54,545)**	(36,151)
Cash flows from financing activities:		
Increase in short-term borrowings	**100,000**	—
Proceeds from the issuance of long-term debt	**816,544**	—
Principal payments of long-term debt	**(948,224)**	(25,087)
Premiums and fees paid to extinguish debt	**(32,645)**	—
Dividends paid to stockholders	**(17,099)**	(18,346)
Common stock repurchases	**—**	(100,000)
Other financing activities	**(3,174)**	(3,337)
Net cash used in financing activities	**(84,598)**	(146,770)
Effect of exchange rate changes on cash and cash equivalents	**(9,211)**	(81)
Change in cash and cash equivalents	**(61,545)**	(96,220)
Cash and cash equivalents at beginning of period	**924,442**	867,262
Cash and cash equivalents at end of period	**$ 862,897**	$ 771,042
Cash interest paid	**$ 82,732**	$ 78,280

Cash income tax payments, net of refunds	**$ 12,176**	$ 17,348

See Notes to Condensed Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Description of Business

Pitney Bowes Inc. (we, us, our, or the company) is a global technology company providing commerce solutions that power billions of transactions. Clients around the world rely on the accuracy and precision delivered by our equipment, solutions, analytics, and application programming interface technology in the areas of ecommerce fulfillment, shipping and returns, cross-border ecommerce, office mailing and shipping, presort services and financing. Pitney Bowes Inc. was incorporated in the state of Delaware in 1920. For more information about us, our products, services and solutions, visit www.pitneybowes.com.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In addition, the December 31, 2019 Condensed Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In management's opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary to fairly state our financial position, results of operations and cash flows for the periods presented have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2020, particularly in light of the novel coronavirus pandemic (COVID-19) and its effects on domestic and global businesses and economies. These statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report to Stockholders on Form 10-K for the year ended December 31, 2019 (2019 Annual Report). Certain prior year amounts have been reclassified to conform to the current year presentation.

In August 2019, we entered into a definitive agreement to sell our Software Solutions business and recast prior periods to reflect the operating results of the Software Solutions business as discontinued operations. The sale was completed in December 2019, with the exception of the software business in Australia, which closed in January 2020. See Note 4 for additional information.

Accounts and other receivables includes other receivables of $61 million at June 30, 2020 and $91 million at December 31, 2019. In January 2019, we sold the direct operations and moved to a dealer model in six smaller international markets within Sending Technology Solutions (SendTech Solutions). Other receivables includes gross receivables of $24 million related to these direct operations.

Risks and Uncertainties

The effects of COVID-19 on global economies and businesses continues to impact how we conduct business and our operating results, financial position and cash flows. There still remains uncertainty around the severity, duration and governments' responses to COVID-19, particularly in the United States as parts of the country are experiencing a resurgence in COVID-19 cases and taking actions to modify re-opening plans. Accordingly, we are not able to reasonably estimate the full extent of the impact of the pandemic on our operating results, financial position and liquidity for the remainder of the year. Actual results could differ significantly from our estimates and assumptions, possibly resulting in additional impairments or other charges in future reporting periods.

We assessed certain accounting matters that require the use of estimates, assumptions and consideration of forecasted financial information in context with the known and projected future impacts of COVID-19. The most significant impacts are included below.

The determination of our provision for credit losses is now impacted by changes in forecasted economic conditions (see Accounting Pronouncements Adopted in 2020 below). The impact of COVID-19 on global economies and businesses resulted in an increased probability of recessionary conditions, delinquency rates and business bankruptcy. As a result, our credit loss provision for the three and six months ended June 30, 2020 was $12 million and $28 million compared to $4 million and $15 million for the three and six months ended June 30, 2019.

At December 31, 2019, the fair value of our Global Ecommerce business exceeded its carrying value by less than 20%. The determination of fair value is based on a number of estimates and assumptions, including, but not limed to, projected revenue growth, profitability and cash flows. During the first quarter of 2020, our Global Ecommerce business experienced weaker than expected performance in part due to the macroeconomic conditions resulting from COVID-19. As a result, we evaluated the Global Ecommerce goodwill for impairment and recorded a non-cash, pre-tax goodwill impairment charge of $198 million in the first quarter of 2020 (see Note 8 for additional information).

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

Accounting Pronouncements Adopted in 2020

Effective January 1, 2020, we adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses*. We adopted this standard using the modified retrospective transition approach with a cumulative effect adjustment to retained earnings. The adoption of the standard resulted in an increase in the opening reserve balance for Accounts and other receivables of $15 million and the opening reserve balance for finance receivables of $10 million and a net reduction to retained earnings of $22 million. The ASU applies to financial assets measured at amortized cost, including finance receivables, trade and other receivables and investments in debt securities classified as available-for-sale and held-to-maturity. The ASU replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. The models to estimate credit losses are required to be based on historical loss experience, current conditions, reasonable and supportable forecasts and current economic outlook.

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

	Balance at December 31, 2019	Cumulative effect of accounting change	Amounts charged to expense	Write-offs, recoveries and currency impact	Balance at June 30, 2020
Allowance for credit losses	$ 17,830	$ 15,336	$ 12,692	$ (13,384)	$ 32,474

Accounts receivable greater than 365 days past due, subject to certain exceptions, are written off against the allowance, although collection efforts may continue.

Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*. The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles and also clarifies and amends existing guidance. This standard is effective beginning January 1, 2021, with early adoption permitted. We do not expect this standard to have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The ASU is intended to provide temporary optional expedients and exceptions to U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The transition to new reference interest rates will require certain contracts to be modified and the ASU is intended to mitigate the effects of this transition. The accommodations provided by the ASU are effective as of March 12, 2020 through December 31, 2022 and may be applied at the beginning of any interim period within that time frame. We are currently assessing the impact this standard will have on our consolidated financial statements.

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

2. Revenue

Disaggregated Revenue

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

	Three Months Ended June 30, 2020					
	Global Ecommerce	Presort Services	SendTech Solutions	Revenue from products and services	Revenue from leasing transactions and financing	Total consolidated revenue
Major products/service lines						
Business services	$ 398,453	$ 118,127	$ 12,410	$ 528,990	$ —	$ 528,990
Support services	—	—	113,786	113,786	—	113,786
Financing	—	—	—	—	85,462	85,462
Equipment sales	—	—	14,492	14,492	43,345	57,837
Supplies	—	—	32,773	32,773	—	32,773
Rentals	—	—	—	—	18,644	18,644
Subtotal	398,453	118,127	173,461	690,041	$ 147,451	$ 837,492
Revenue from leasing transactions and financing						
Financing	—	—	85,462	85,462		
Equipment sales	—	—	43,345	43,345		
Rentals	—	—	18,644	18,644		
Total revenue	$ 398,453	$ 118,127	$ 320,912	$ 837,492		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	$ —	$ —	$ 58,750	$ 58,750		
Products/services transferred over time	398,453	118,127	114,711	631,291		
Total	$ 398,453	$ 118,127	$ 173,461	$ 690,041		

	Three Months Ended June 30, 2019					
	Global Ecommerce	Presort Services	SendTech Solutions	Revenue from products and services	Revenue from leasing transactions and financing	Total consolidated revenue
Major products/service lines						
Business services	$ 282,319	$ 128,138	$ 7,506	$ 417,963	$ —	$ 417,963
Support services	—	—	127,705	127,705	—	127,705
Financing	—	—	—	—	92,419	92,419
Equipment sales	—	—	19,384	19,384	66,167	85,551
Supplies	—	—	46,490	46,490	—	46,490
Rentals	—	—	—	—	18,445	18,445
Subtotal	282,319	128,138	201,085	611,542	$ 177,031	$ 788,573
Revenue from leasing transactions and financing						
Financing	—	—	92,419	92,419		
Equipment sales	—	—	66,167	66,167		
Rentals	—	—	18,445	18,445		
Total revenue	$ 282,319	$ 128,138	$ 378,116	$ 788,573		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	$ —	$ —	$ 82,790	$ 82,790		
Products/services transferred over time	282,319	128,138	118,295	528,752		
Total	$ 282,319	$ 128,138	$ 201,085	$ 611,542		

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

	Six Months Ended June 30, 2020					
	Global Ecommerce	Presort Services	SendTech Solutions	Revenue from products and services	Revenue from leasing transactions and financing	Total consolidated revenue
Major products/service lines						
Business services	$ 690,776	$ 258,847	$ 23,746	$ 973,369	$ —	$ 973,369
Support services	—	—	235,801	235,801	—	235,801
Financing	—	—	—	—	174,540	174,540
Equipment sales	—	—	31,621	31,621	102,489	134,110
Supplies	—	—	78,482	78,482	—	78,482
Rentals	—	—	—	—	37,458	37,458
Subtotal	690,776	258,847	369,650	1,319,273	$ 314,487	$ 1,633,760
Revenue from leasing transactions and financing						
Financing	—	—	174,540	174,540		
Equipment sales	—	—	102,489	102,489		
Rentals	—	—	37,458	37,458		
Total revenue	$ 690,776	$ 258,847	$ 684,137	$ 1,633,760		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	$ —	$ —	$ 137,124	$ 137,124		
Products/services transferred over time	690,776	258,847	232,526	1,182,149		
Total	$ 690,776	$ 258,847	$ 369,650	$ 1,319,273		

	Six Months Ended June 30, 2019					
	Global Ecommerce	Presort Services	SendTech Solutions	Revenue from products and services	Revenue from leasing transactions and financing	Total consolidated revenue
Major products/service lines						
Business services	$ 548,573	$ 262,985	$ 12,950	$ 824,508	$ —	$ 824,508
Support services	—	—	256,304	256,304	—	256,304
Financing	—	—	—	—	189,462	189,462
Equipment sales	—	—	40,677	40,677	134,661	175,338
Supplies	—	—	97,443	97,443	—	97,443
Rentals	—	—	—	—	40,602	40,602
Subtotal	548,573	262,985	407,374	1,218,932	$ 364,725	$ 1,583,657
Revenue from leasing transactions and financing						
Financing	—	—	189,462	189,462		
Equipment sales	—	—	134,661	134,661		
Rentals	—	—	40,602	40,602		
Total revenue	$ 548,573	$ 262,985	$ 772,099	$ 1,583,657		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	$ —	$ —	$ 169,666	$ 169,666		
Products/services transferred over time	548,573	262,985	237,708	1,049,266		
Total	$ 548,573	$ 262,985	$ 407,374	$ 1,218,932		

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

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

Business services includes providing mail processing services, shipping subscription solutions, fulfillment, delivery and return services and cross-border solutions. Revenue for mail processing services, fulfillment, delivery and return services and cross-border solutions is recognized over time as the services are provided and revenue for shipping subscription solutions is recognized ratably over the contract period. Contract terms for these services range from one to five years followed by annual renewal periods.

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

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

Supplies revenue is recognized upon delivery.

Revenue from leasing transactions and financing includes revenue from sales-type leases, operating leases, finance income and late fees.

Advance Billings from Contracts with Customers

	Balance sheet location	June 30, 2020	December 31, 2019	Increase/ (decrease)
Advance billings, current	Advance billings	$ 113,799	$ 92,464	$ 21,335
Advance billings, noncurrent	Other noncurrent liabilities	$ 1,102	$ 1,245	$ (143)

Advance billings are recorded when cash payments are due in advance of our performance. Revenue is recognized ratably over the contract term. Items in advance billings primarily relate to support services on mailing equipment. Advance billings at both June 30, 2020 and December 31, 2019 also includes $9 million from leasing transactions.

The net increase in advance billings at June 30, 2020 is due to new advance billings recognized during the period in excess of revenue recognized. Revenue recognized during the period includes $75 million of advance billings at the beginning of the period.

Future Performance Obligations

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

	Remainder of 2020	2021	2022-2025	Total
SendTech Solutions	$ 146,357	$ 252,289	$ 346,874	$ 745,520

The table above does not include revenue related to performance obligations for contracts with terms less than 12 months and expected consideration for those performance obligations where revenue is recognized based on the amount billable to the customer.

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

3. Segment Information

Our reportable segments are Global Ecommerce, Presort Services and SendTech Solutions. Global Ecommerce and Presort Services comprise the Commerce Services reporting group. The principal products and services of each reportable segment are as follows:

Global Ecommerce: Includes the revenue and related expenses from products and services that facilitate domestic retail and ecommerce shipping solutions, including fulfillment and returns, and global cross-border ecommerce transactions.

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

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

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

	Revenue			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Global Ecommerce	**$ 398,453**	$ 282,319	**$ 690,776**	$ 548,573
Presort Services	**118,127**	128,138	**258,847**	262,985
Commerce Services	**516,580**	410,457	**949,623**	811,558
SendTech Solutions	**320,912**	378,116	**684,137**	772,099
Total revenue	**$ 837,492**	$ 788,573	**$ 1,633,760**	$ 1,583,657

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

	EBIT			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Global Ecommerce	**$ (18,894)**	$ (15,576)	**$ (48,369)**	$ (30,176)
Presort Services	**12,582**	15,462	**28,277**	30,528
Commerce Services	**(6,312)**	(114)	**(20,092)**	352
SendTech Solutions	**104,268**	124,738	**210,830**	247,141
Total segment EBIT	**97,956**	124,624	**190,738**	247,493
Reconciliation of Segment EBIT to net (loss) income:				
Unallocated corporate expenses	**(49,489)**	(45,048)	**(93,211)**	(102,006)
Restructuring charges and asset impairments	**(4,922)**	(5,899)	**(8,739)**	(9,599)
Interest expense, net	**(38,385)**	(39,062)	**(76,757)**	(78,028)
Gain on sale of equity investment	**11,908**	—	**11,908**	—
Goodwill impairment	**—**	—	**(198,169)**	—
Loss on extinguishment of debt	**—**	—	**(36,987)**	—
Loss on dispositions and transaction costs	**(349)**	(1,581)	**(641)**	(19,549)
Provision for income taxes	**(17,016)**	(3,724)	**(6,986)**	(11,544)
(Loss) income from continuing operations	**(297)**	29,310	**(218,844)**	26,767
(Loss) income from discontinued operations, net of tax	**(3,032)**	(5,613)	**7,032**	(5,729)
Net (loss) income	**$ (3,329)**	$ 23,697	**$ (211,812)**	$ 21,038

During the three and six months ended June 30, 2020, we received insurance proceeds of $5 million and $9 million, respectively, related to the October 2019 malware attack, a portion of which has been allocated to the business segments.

4. Discontinued Operations

Discontinued operations includes the Software Solutions business, sold in December 2019, with the exception of the software business in Australia, which closed in January 2020, and the Production Mail business, sold in July 2018. Selected financial information of discontinued operations is as follows:

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Software Solutions	**Production Mail**	**Total**	Software Solutions	Production Mail	Total
Revenue	**$ —**	**$ —**	**$ —**	$ 72,206	$ —	$ 72,206
Earnings from discontinued operations	**$ —**	**$ —**	**$ —**	$ 1,342	$ —	$ 1,342
(Loss) gain on sale	**(3,416)**	**245**	**(3,171)**	—	(8,589)	(8,589)
(Loss) income from discontinued operations before taxes	**$ (3,416)**	**$ 245**	**(3,171)**	$ 1,342	$ (8,589)	(7,247)
Tax benefit			**(139)**			(1,634)
Loss from discontinued operations, net of tax			**$ (3,032)**			$ (5,613)

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

	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	Software Solutions	**Production Mail**	**Total**	Software Solutions	Production Mail	Total
Revenue	**$ —**	**$ —**	**$ —**	$ 145,524	$ —	$ 145,524
Earnings (loss) from discontinued operations	**$ —**	**$ —**	**$ —**	$ 2,938	$ (663)	$ 2,275
Gain (loss) on sale	**6,869**	**(167)**	**6,702**	—	(9,257)	(9,257)
Income (loss) from discontinued operations before taxes	**$ 6,869**	**$ (167)**	**6,702**	$ 2,938	$ (9,920)	(6,982)
Tax benefit			**(330)**			(1,253)
Income (loss) from discontinued operations, net of tax			**$ 7,032**			$ (5,729)

Assets of discontinued operations and liabilities of discontinued operations at December 31, 2019 includes the assets and liabilities of the software business in Australia.

5. Earnings per Share (EPS)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Numerator:				
(Loss) income from continuing operations	**$ (297)**	$ 29,310	**$ (218,844)**	$ 26,767
(Loss) income from discontinued operations, net of tax	**(3,032)**	(5,613)	**7,032**	(5,729)
Net (loss) income (numerator for diluted EPS)	**(3,329)**	23,697	**(211,812)**	21,038
Less: Preference stock dividend	**—**	—	**—**	8
(Loss) income attributable to common stockholders (numerator for basic EPS)	**$ (3,329)**	$ 23,697	**$ (211,812)**	$ 21,030
Denominator:				
Weighted-average shares used in basic EPS	**171,478**	177,192	**171,167**	181,446
Dilutive effect of common stock equivalents (1)	**—**	1,089	**—**	1,192
Weighted-average shares used in diluted EPS	**171,478**	178,281	**171,167**	182,638
Basic earnings (loss) per share (2):				
Continuing operations	**$ —**	$ 0.17	**$ (1.28)**	$ 0.15
Discontinued operations	**(0.02)**	(0.03)	**0.04**	(0.03)
Net (loss) income	**$ (0.02)**	$ 0.13	**$ (1.24)**	$ 0.12
Diluted earnings (loss) per share (2):				
Continuing operations	**$ —**	$ 0.16	**$ (1.28)**	$ 0.15
Discontinued operations	**(0.02)**	(0.03)	**0.04**	(0.03)
Net (loss) income	**$ (0.02)**	$ 0.13	**$ (1.24)**	$ 0.12
Common stock equivalents excluded from calculation of diluted earnings per share because their impact would be anti-dilutive:	**19,963**	16,297	**18,297**	16,077

(1) Dilutive effect of common stock equivalents for the three and six months ended June 30, 2020 was 1,019 and 1,190, respectively; however, is not included in the calculation of diluted earnings per share as the Company is reporting a net loss for both periods.

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

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

6. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the last-in, first-out (LIFO) basis for most U.S. inventories and the first-in, first-out (FIFO) basis for most non-U.S. inventories. Inventories consisted of the following:

	June 30, 2020	December 31, 2019
Raw materials	$ 20,021	$ 13,514
Supplies and service parts	22,787	21,840
Finished products	34,681	36,969
Inventory at FIFO cost	77,489	72,323
Excess of FIFO cost over LIFO cost	(3,836)	(4,072)
Total inventory, net	$ 73,653	$ 68,251

7. Finance Assets and Lessor Operating Leases

Finance Assets

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

Finance receivables consisted of the following:

	June 30, 2020			December 31, 2019		
	North America	International	Total	North America	International	Total
Sales-type lease receivables						
Gross finance receivables	$ 998,450	$ 196,767	$ 1,195,217	$ 1,055,852	$ 224,202	$ 1,280,054
Unguaranteed residual values	37,742	11,283	49,025	41,934	11,789	53,723
Unearned income	(282,027)	(58,487)	(340,514)	(319,281)	(65,888)	(385,169)
Allowance for credit losses	(26,603)	(4,743)	(31,346)	(10,920)	(2,085)	(13,005)
Net investment in sales-type lease receivables	727,562	144,820	872,382	767,585	168,018	935,603
Loan receivables						
Loan receivables	254,786	18,635	273,421	298,247	27,926	326,173
Allowance for credit losses	(6,482)	(286)	(6,768)	(5,906)	(740)	(6,646)
Net investment in loan receivables	248,304	18,349	266,653	292,341	27,186	319,527
Net investment in finance receivables	$ 975,866	$ 163,169	$ 1,139,035	$ 1,059,926	$ 195,204	$ 1,255,130

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

Maturities of gross sales-type lease receivables and gross loan receivables at June 30, 2020 were as follows:

	Sales-type Lease Receivables			Loan Receivables		
	North America	International	Total	North America	International	Total
Remaining for year ending December 31, 2020	$ 220,405	$ 41,451	$ 261,856	$ 216,777	$ 18,635	$ 235,412
Year ending December 31, 2021	336,863	68,465	405,328	12,032	—	12,032
Year ending December 31, 2022	234,552	47,971	282,523	10,414	—	10,414
Year ending December 31, 2023	138,308	26,324	164,632	5,582	—	5,582
Year ending December 31, 2024	58,803	10,403	69,206	6,807	—	6,807
Thereafter	9,519	2,153	11,672	3,174	—	3,174
Total	$ 998,450	$ 196,767	$ 1,195,217	$ 254,786	$ 18,635	$ 273,421

Aging of Receivables

The aging of gross finance receivables was as follows:

	June 30, 2020				
	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Past due amounts 0 - 90 days	**$ 974,864**	**$ 194,055**	**$ 246,491**	**$ 18,288**	**$ 1,433,698**
Past due amounts > 90 days	**23,586**	**2,712**	**8,295**	**347**	**34,940**
Total	**$ 998,450**	**$ 196,767**	**$ 254,786**	**$ 18,635**	**$ 1,468,638**
Past due amounts > 90 days					
Still accruing interest	**$ 4,982**	**$ 1,091**	**$ 5,205**	**$ 191**	**$ 11,469**
Not accruing interest	**18,604**	**1,621**	**3,090**	**156**	**23,471**
Total	**$ 23,586**	**$ 2,712**	**$ 8,295**	**$ 347**	**$ 34,940**

	December 31, 2019				
	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Past due amounts 0 - 90 days	$ 1,032,912	$ 220,819	$ 294,001	$ 27,697	$ 1,575,429
Past due amounts > 90 days	22,940	3,383	4,246	229	30,798
Total	$ 1,055,852	$ 224,202	$ 298,247	$ 27,926	$ 1,606,227
Past due amounts > 90 days					
Still accruing interest	$ 4,835	$ 1,081	$ 2,094	$ 121	$ 8,131
Not accruing interest	18,105	2,302	2,152	108	22,667
Total	$ 22,940	$ 3,383	$ 4,246	$ 229	$ 30,798

Allowance for Credit Losses

We estimate an allowance for credit losses based on historical loss experience, the nature of our portfolios, adverse situations that may affect a client's ability to pay, current conditions, reasonable and supportable forecasts and current economic outlook. Credit losses are estimated at the portfolio level based on asset type and geographic market. Historical loss experience was based on actual loss rates over the average term of the asset of five years for sales-type lease receivables and three years for loan receivables (including accrued interest). Additionally, we evaluate current conditions and review third-party economic forecasts on a quarterly basis to determine the impact on the allowance for credit losses. The assumptions used in determining an estimate of credit losses are inherently subjective and actual results may differ significantly from estimated reserves. The allowance for credit losses for the six months ended June 30, 2020 considers the current economic conditions and resulting impact on a client's future ability to pay amounts due.

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

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

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

	Sales-type Lease Receivables		Loan Receivables		
	North America	**International**	**North America**	**International**	**Total**
Balance at December 31, 2019	$ 10,920	$ 2,085	$ 5,906	$ 740	$ 19,651
Cumulative effect of accounting change	**9,271**	**1,750**	**(1,116)**	**(402)**	**9,503**
Amounts charged to expense	**9,025**	**1,257**	**4,758**	**208**	**15,248**
Write-offs	**(3,536)**	**(386)**	**(4,542)**	**(297)**	**(8,761)**
Recoveries	**946**	**44**	**1,386**	**1**	**2,377**
Other	**(23)**	**(7)**	**90**	**36**	**96**
Balance at June 30, 2020	**$ 26,603**	**$ 4,743**	**$ 6,482**	**$ 286**	**$ 38,114**

	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Balance at January 1, 2019	$ 10,253	$ 2,355	$ 6,777	$ 837	$ 20,222
Amounts charged to expense	3,660	455	2,329	315	6,759
Write-offs	(3,452)	(533)	(4,649)	(451)	(9,085)
Recoveries	813	167	1,909	4	2,893
Other	48	(182)	8	54	(72)
Balance at June 30, 2019	$ 11,322	$ 2,262	$ 6,374	$ 759	$ 20,717

Credit Quality

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

We use a third party to score the majority of the North America portfolio on a quarterly basis using a commercial credit score. The relative scores are determined based on a number of factors, including financial information, payment history, company type and ownership structure. A fourth class is shown for accounts that are not scored. Absence of a score is not indicative of the credit quality of the account. The degree of risk (low, medium, high), as defined by the third party, refers to the relative risk that an account may become delinquent in the next 12 months.

- Low risk accounts are companies with very good credit scores and are considered to approximate the top 30% of all commercial borrowers.
- Medium risk accounts are companies with average to good credit scores and are considered to approximate the middle 40% of all commercial borrowers.
- High risk accounts are companies with poor credit scores, are delinquent or are at risk of becoming delinquent and are considered to approximate the bottom 30% of all commercial borrowers.

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

The table below shows the gross sales-type lease receivable and loan receivable balances by relative risk class and year of origination based on the relative scores of the accounts within each class.

	Sales Type Lease Receivables							
	2020	**2019**	**2018**	**2017**	**2016**	**Prior**	**Loan Receivables**	**Total**
Low	$ 136,197	$ 252,315	$ 199,078	$ 118,201	$ 49,013	$ 19,906	$ 187,311	$ 962,021
Medium	25,754	57,452	45,269	28,693	10,886	5,688	53,748	227,490
High	3,249	6,342	5,295	3,380	1,802	323	4,210	24,601
Not Scored	35,880	82,099	56,596	33,466	15,450	2,883	28,152	254,526
Total	$ 201,080	$ 398,208	$ 306,238	$ 183,740	$ 77,151	$ 28,800	$ 273,421	$ 1,468,638

The majority of the Not Scored amounts above is within our International portfolio. We do not use a third party to score our International portfolio because the cost to do so is prohibitive, given that it is a localized process, and there is no single credit score model that covers all countries. International credit applications below $50 thousand are subjected to an automated review process. All other credit applications are manually reviewed. A manual review includes obtaining client financial information, credit reports and other available financial information. Approximately 80% of credit applications are approved or denied through the automated review process.

Lease Income

Lease income from sales-type leases was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Profit recognized at commencement (1)	**$ 21,271**	$ 36,508	**$ 51,166**	$ 73,112
Interest income	**34,055**	58,045	**68,315**	117,523
Total lease income from sales-type leases	**$ 55,326**	$ 94,553	**$ 119,481**	$ 190,635

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

Lessor Operating Leases

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

Remaining for year ending December 31, 2020	$ 20,222
Year ending December 31, 2021	27,899
Year ending December 31, 2022	10,881
Year ending December 31, 2023	4,899
Year ending December 31, 2024	1,528
Thereafter	200
Total	$ 65,629

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

8. Intangible Assets, Goodwill and Other Assets

Intangible Assets

Intangible assets consisted of the following:

	June 30, 2020			December 31, 2019		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	**$ 268,178**	**$ (101,688)**	**$ 166,490**	$ 265,665	$ (88,550)	$ 177,115
Software & technology	**31,600**	**(23,012)**	**8,588**	31,600	(19,999)	11,601
Trademarks & other	**13,324**	**(12,942)**	**382**	13,324	(11,400)	1,924
Total intangible assets	**$ 313,102**	**$ (137,642)**	**$ 175,460**	$ 310,589	$ (119,949)	$ 190,640

Amortization expense was $9 million for both the three months ended June 30, 2020 and 2019, and $18 million for both the six months ended June 30, 2020 and 2019.

Future amortization expense as of June 30, 2020 is shown in the table below. Actual amortization expense may differ due to, among other things, fluctuations in foreign currency exchange rates, impairments, acquisitions and accelerated amortization.

Remaining for year ending December 31, 2020	$ 15,699
Year ending December 31, 2021	30,227
Year ending December 31, 2022	29,281
Year ending December 31, 2023	26,443
Year ending December 31, 2024	26,443
Thereafter	47,367
Total	$ 175,460

Goodwill

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

	December 31, 2019	**Impairment**	**Acquisition**	**Currency impact**	**June 30, 2020**
Global Ecommerce	$ 609,431	**$ (198,169)**	**$ —**	**$ —**	**$ 411,262**
Presort Services	212,529	**—**	**8,463**	**—**	**220,992**
Commerce Services	821,960	**(198,169)**	**8,463**	**—**	**632,254**
SendTech Solutions	502,219	**—**	**—**	**(1,688)**	**500,531**
Total goodwill	$ 1,324,179	**$ (198,169)**	**$ 8,463**	**$ (1,688)**	**$ 1,132,785**

During the first quarter of 2020, our Global Ecommerce reporting unit experienced weaker than expected performance, in part due to the macroeconomic conditions resulting from COVID-19. At December 31, 2019, the fair value of our Global Ecommerce business exceeded its carrying value by less than 20%, and the deteriorating macroeconomic conditions and uncertainty brought on by COVID-19 caused us to evaluate the Global Ecommerce goodwill for impairment.

To test the Global Ecommerce goodwill for impairment, we determined the fair value of the Global Ecommerce reporting unit and compared it to the reporting unit's carrying value, including goodwill. We engaged a third-party to assist in the determination of the fair value of the reporting unit. The determination of fair value, and the resulting impairment charge, relied on internal projections developed using numerous estimates and assumptions that are inherently subject to significant uncertainties. These estimates and assumptions included revenue growth, profitability, cash flows, capital spending and other available information. The determination of fair value also incorporated a risk-adjusted discount rate, terminal growth rates and other assumptions that market participants may use. Changes in any of these estimates or assumptions could materially affect the determination of fair value and the associated goodwill impairment charge and could result in an additional impairment charge in the future. These estimates and assumptions are considered Level 3 inputs under the fair value hierarchy.

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

We determined that the reporting unit's estimated fair value was less than its carrying value and recorded a non-cash, pre-tax goodwill impairment charge of $198 million in the first quarter to reduce the carrying value of the Global Ecommerce reporting unit to its estimated fair value.

Other Assets

During the second quarter of 2020, we surrendered certain company owned life insurance policies and received proceeds of $46 million. We did not record a gain or loss on the surrender; however, the surrender resulted in a tax expense of $12 million (see Note 13 for further information). Also, during the second quarter of 2020, we sold our interest in an equity investment for $12 million and recognized a gain of $12 million.

9. Fair Value Measurements and Derivative Instruments

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

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

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

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

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

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds	$ 85,243	$ 441,600	$ —	$ 526,843
Equity securities	—	20,822	—	20,822
Commingled fixed income securities	1,713	19,376	—	21,089
Government and related securities	39,525	18,583	—	58,108
Corporate debt securities	—	75,557	—	75,557
Mortgage-backed / asset-backed securities	—	115,742	—	115,742
Derivatives				
Foreign exchange contracts	—	308	—	308
Total assets	$ 126,481	$ 691,988	$ —	$ 818,469
Liabilities:				
Derivatives				
Interest rate swaps	$ —	$ (1,605)	$ —	$ (1,605)
Foreign exchange contracts	—	(1,106)	—	(1,106)
Total liabilities	$ —	$ (2,711)	$ —	$ (2,711)

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

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds	$ 161,441	$ 240,364	$ —	$ 401,805
Equity securities	—	21,979	—	21,979
Commingled fixed income securities	1,656	18,404	—	20,060
Government and related securities	64,572	17,478	—	82,050
Corporate debt securities	—	72,149	—	72,149
Mortgage-backed / asset-backed securities	—	66,339	—	66,339
Derivatives				
Foreign exchange contracts	—	3,256	—	3,256
Total assets	$ 227,669	$ 439,969	$ —	$ 667,638
Liabilities:				
Derivatives				
Foreign exchange contracts	$ —	$ (1,402)	$ —	$ (1,402)
Total liabilities	$ —	$ (1,402)	$ —	$ (1,402)

Investment Securities

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

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

Derivative Securities

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

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

Available-For-Sale Securities

Available-for-sale securities are predominantly held at the Pitney Bowes Bank, whose primary business is to provide financing solutions to clients that rent postage meters and purchase supplies. Investment securities classified as available-for-sale are recorded at fair value with changes in fair value due to market conditions (i.e. interest rates) recorded in accumulated other comprehensive income (AOCI) and changes in fair value due to credit conditions recorded in earnings. Individual securities are considered impaired when the fair value declines below amortized cost. We use a discounted cash flow model to determine the amount of unrealized losses due to credit losses. Unrealized losses recorded during the period due to credit conditions were immaterial.

Available-for-sale securities consisted of the following:

	June 30, 2020			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**
Government and related securities	**$ 55,576**	**$ 1,289**	**$ (338)**	**$ 56,527**
Corporate debt securities	**71,689**	**4,558**	**(690)**	**75,557**
Commingled fixed income securities	**1,692**	**21**	**—**	**1,713**
Mortgage-backed / asset-backed securities	**113,497**	**2,520**	**(275)**	**115,742**
Total	**$ 242,454**	**$ 8,388**	**$ (1,303)**	**$ 249,539**

	December 31, 2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Government and related securities	$ 80,732	$ 1,358	$ (114)	$ 81,976
Corporate debt securities	70,426	2,009	(286)	72,149
Commingled fixed income securities	1,675	—	(19)	1,656
Mortgage-backed / asset-backed securities	65,679	960	(300)	66,339
Total	$ 218,512	$ 4,327	$ (719)	$ 222,120

Investment securities in a loss position were as follows:

	June 30, 2020		December 31, 2019	
	Fair Value	**Gross unrealized losses**	Fair Value	Gross unrealized losses
Less than 12 continuous months	$ 46,650	$ 1,192	$ 52,521	$ 583
Greater than 12 continuous months	4,441	111	9,227	136
Total	$ 51,091	$ 1,303	$ 61,748	$ 719

Our allowance for credit losses on available-for-sale investment securities was not significant at June 30, 2020. At June 30, 2020, approximately 10% of total securities in the investment portfolio were in a net loss position. We believe our allowance for credit losses on available-for-sale investment securities is adequate as the majority of our investments are in short-term, highly liquid investments, high grade corporate securities and U.S. government securities. We have not recognized an impairment on investment securities in an unrealized loss position because we have the ability and intent to hold these securities until recovery of the unrealized losses or expect to receive the stated principal and interest at maturity.

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

Scheduled maturities of available-for-sale securities at June 30, 2020 were as follows:

	Amortized cost	Estimated fair value
Within 1 year	$ 26,274	$ 26,407
After 1 year through 5 years	56,027	58,709
After 5 years through 10 years	47,838	49,663
After 10 years	112,315	114,760
Total	$ 242,454	$ 249,539

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

We have not experienced any significant write-offs in our investment portfolio. The majority of our mortgage-backed securities are either guaranteed or supported by the U.S. Government. We have no investments in inactive markets that would warrant a possible change in our pricing methods or classification within the fair value hierarchy.

Held-to-Maturity Securities

Held-to-maturity securities at June 30, 2020 and December 31, 2019, include $257 million and $383 million, respectively, of short-term, highly liquid time deposits. Due to the short-term nature of these securities, the carrying value approximates fair value.

Derivative Instruments

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

Foreign Exchange Contracts

We enter into foreign exchange contracts to mitigate the currency risk associated with the anticipated purchase of inventory between affiliates and from third parties. These contracts are designated as cash flow hedges. The effective portion of the gain or loss on cash flow hedges is included in AOCI in the period that the change in fair value occurs and is reclassified to earnings in the period that the hedged item is recorded in earnings. No amount of ineffectiveness was recorded in earnings for these designated cash flow hedges. At both June 30, 2020 and December 31, 2019, we had outstanding contracts associated with these anticipated transactions with notional amounts of $7 million. Amounts included in AOCI at June 30, 2020 will be recognized in earnings within the next 12 months.

Interest Rate Swaps

During the quarter, we entered into interest rate swap agreements with an aggregate notional amount of $500 million that are designated as cash flow hedges. The fair value of the interest rate swaps is recorded as a derivative asset or liability at the end of each reporting period with the change in fair value reflected in AOCI.

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

The fair value of derivative instruments was as follows:

Designation of Derivatives	Balance Sheet Location	June 30, 2020	December 31, 2019
Derivatives designated as hedging instruments			
Foreign exchange contracts	Other current assets and prepayments	**$ 46**	$ 207
	Accounts payable and accrued liabilities	**(214)**	(56)
Interest rate swaps	Other noncurrent liabilities	**(1,605)**	—
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Other current assets and prepayments	**262**	3,049
	Accounts payable and accrued liabilities	**(892)**	(1,346)
	Total derivative assets	**$ 308**	$ 3,256
	Total derivative liabilities	**(2,711)**	(1,402)
	Total net derivative (liability) asset	**$ (2,403)**	$ 1,854

Results of cash flow hedging relationships were as follows:

	Three Months Ended June 30,				
	Derivative Gain (Loss) Recognized in AOCI (Effective Portion)			Gain (Loss) Reclassified from AOCI to Earnings (Effective Portion)	
Derivative Instrument	2020	2019	Location of Gain (Loss) (Effective Portion)	2020	2019
Foreign exchange contracts	**$ (121)**	$ (320)	Revenue	**$ (64)**	$ (36)
			Cost of sales	**32**	29
Interest rate swap	**(1,605)**	—	Interest expense	**—**	—
	$ (1,726)	$ (320)		**$ (32)**	$ (7)

	Six Months Ended June 30,				
	Derivative Gain (Loss) Recognized in AOCI (Effective Portion)			Gain (Loss) Reclassified from AOCI to Earnings (Effective Portion)	
Derivative Instrument	2020	2019	Location of Gain (Loss) (Effective Portion)	2020	2019
Foreign exchange contracts	**$ (281)**	$ 25	Revenue	**$ (3)**	$ 75
			Cost of sales	**42**	45
Interest rate swap	**(1,605)**	—	Interest expense	**—**	—
	$ (1,886)	$ 25		**$ 39**	$ 120

We enter into foreign exchange contracts to minimize the impact of exchange rate fluctuations on short-term intercompany loans and related interest that are denominated in a foreign currency. The revaluation of intercompany loans and interest and the corresponding mark-to-market adjustment on derivatives are recorded in earnings. All outstanding contracts at June 30, 2020 mature within 12 months.

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

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

		Three Months Ended June 30, Derivative Gain (Loss) Recognized in Earnings	
Derivatives Instrument	**Location of Derivative Gain (Loss)**	**2020**	2019
Foreign exchange contracts	Selling, general and administrative expense	**$ 1,200**	$ (65)

		Six Months Ended June 30, Derivative Gain (Loss) Recognized in Earnings	
Derivatives Instrument	**Location of Derivative Gain (Loss)**	**2020**	2019
Foreign exchange contracts	Selling, general and administrative expense	**$ (3,667)**	$ 5,205

Fair Value of Financial Instruments

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

	June 30, 2020	December 31, 2019
Carrying value	**$ 2,716,747**	$ 2,739,722
Fair value	**$ 2,156,837**	$ 2,572,794

10. Restructuring Charges and Asset Impairments

Restructuring Charges

Activity in our restructuring reserves was as follows:

	Severance and benefits costs	**Other exit costs**	**Total**
Balance at January 1, 2020	$ 11,937	$ 69	$ 12,006
Expenses, net	**6,357**	**546**	**6,903**
Cash payments	**(10,772)**	**(593)**	**(11,365)**
Balance at June 30, 2020	**$ 7,522**	**$ 22**	**$ 7,544**
Balance at January 1, 2019	$ 13,641	$ 1,808	$ 15,449
Expenses, net	7,101	707	7,808
Cash payments	(10,786)	(2,219)	(13,005)
Balance at June 30, 2019	$ 9,956	$ 296	$ 10,252

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

Other Charges

Restructuring charges and asset impairments for the six months ended June 30, 2020 and 2019 also includes $2 million of non-cash charges related to asset impairments, pension settlements and facilities abandonment.

11. Debt

Total debt consisted of the following:

	Interest rate	**June 30, 2020**	December 31, 2019
Notes due October 2021	4.625%	**$ 172,456**	$ 600,000
Notes due May 2022	5.375%	**150,000**	400,000
Notes due April 2023	5.70%	**275,000**	400,000
Notes due March 2024	4.625%	**375,000**	500,000

Notes due January 2037	5.25%	**35,841**	35,841
Notes due March 2043	6.70%	**425,000**	425,000
Term loan due November 2024	Variable	**390,000**	400,000
Term loan due January 2025	Variable	**839,375**	—
Credit Facility	Variable	**100,000**	—
Other debt		**5,052**	5,108
Principal amount		**2,767,724**	2,765,949
Less: unamortized costs, net		**50,977**	26,227
Total debt		**2,716,747**	2,739,722
Less: current portion long-term debt		**163,257**	20,108
Long-term debt		**$ 2,553,490**	$ 2,719,614

Interest rates on certain notes are subject to adjustment based on changes in our credit ratings. As a result of credit rating downgrades in November 2019 and May 2020, the interest rates on the October 2021 notes and April 2023 notes increased 0.50% and the interest rate on the May 2022 notes increased 0.75%. Further, the interest rates on the October 2021 notes and April 2023 notes will increase an additional 0.25% in the fourth quarter of 2020.

In February 2020, we secured a five-year $850 million term loan maturing January 2025 (the 2025 Term Loan). The 2025 Term Loan bears interest at LIBOR plus 5.5% and resets monthly. In May 2020, we entered into interest rate swap agreements with an aggregate notional amount of $500 million to mitigate the interest rate risk associated with $500 million of our variable-rate term loans. Under the terms of the swap agreements, we pay fixed-rate interest of 0.4443% and receive variable-rate interest based on one-month LIBOR. The variable interest rate under the term loans and the swaps reset monthly.

In March 2020, we purchased under a tender offer $428 million of the October 2021 notes, $250 million of the May 2022 notes, $125 million of the April 2023 notes and $125 million of the March 2024 notes. A $37 million loss was incurred on the early redemption of debt.

During the first half of 2020, we repaid $21 million of principal related to our term loans.

We have a $500 million secured revolving credit facility that expires in November 2024 and contains financial and non-financial covenants. In April 2020, in light of the current macroeconomic environment, we drew down $100 million under the credit facility as a precautionary measure. This borrowing is considered short-term as the amount is due and interest resets monthly. At June 30, 2020, we were in compliance with all covenants.

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

12. Pensions and Other Benefit Programs

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

	Defined Benefit Pension Plans				Nonpension Postretirement Benefit Plans	
	United States		Foreign			
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2020	2019	**2020**	2019	**2020**	2019
Service cost	**$ 27**	$ 21	**$ 399**	$ 388	**$ 217**	$ 228
Interest cost	**13,179**	15,708	**3,407**	4,308	**1,242**	1,637
Expected return on plan assets	**(21,303)**	(23,184)	**(7,969)**	(8,505)	**—**	—
Amortization of transition credit	**—**	—	**(1)**	(1)	**—**	—
Amortization of prior service (credit) cost	**(15)**	(15)	**59**	60	**94**	81
Amortization of net actuarial loss	**8,197**	6,037	**2,005**	1,572	**738**	503
Settlement [1]	**612**	801	**3,190**	397	**—**	—
Net periodic benefit cost (income)	**$ 697**	$ (632)	**$ 1,090**	$ (1,781)	**$ 2,291**	$ 2,449
Contributions to benefit plans	**$ 1,969**	$ 2,423	**$ 580**	$ 878	**$ 3,616**	$ 4,457

	Defined Benefit Pension Plans				Nonpension Postretirement Benefit Plans	
	United States		Foreign			
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019	**2020**	2019
Service cost	**$ 53**	$ 42	**$ 798**	$ 772	**$ 434**	$ 483
Interest cost	**26,358**	31,586	**6,925**	8,796	**2,487**	3,291
Expected return on plan assets	**(42,607)**	(46,363)	**(16,177)**	(17,269)	**—**	—
Amortization of transition credit	**—**	—	**(2)**	(3)	**—**	—
Amortization of prior service (credit) cost	**(30)**	(30)	**120**	123	**187**	161
Amortization of net actuarial loss	**16,395**	13,073	**4,064**	3,184	**1,474**	1,014
Settlement [1]	**1,001**	801	**3,190**	397	**—**	—
Net periodic benefit cost (income)	**$ 1,170**	$ (891)	**$ (1,082)**	$ (4,000)	**$ 4,582**	$ 4,949
Contributions to benefit plans	**$ 3,898**	$ 4,051	**$ 8,568**	$ 9,088	**$ 8,071**	$ 9,213

(1) Approximately $2.6 million and $0.5 million of total settlement charges were recorded in discontinued operations and restructuring charges, respectively, for the three and six months ended June 30, 2020 and approximately $0.3 million and $0.7 million of total settlement charges were recorded in discontinued operations and restructuring charges, respectively, for the three and six months ended June 30, 2019.

13. Income Taxes

The effective tax rate for the three and six months ended June 30, 2020 was 101.8% and (3.3)%, respectively and includes a $12 million charge for the surrender of company owned life insurance policies (see Note 8). The effective tax rate for the six months ended June 30, 2020 also includes a benefit of $2 million on the $198 million goodwill impairment charge as the majority of this charge is nondeductible, a benefit of $2 million from the resolution of certain tax examinations and a charge of $3 million for the write-off of deferred tax assets associated with the expiration of out-of-money vested stock options and the vesting of restricted stock.

The effective tax rate for the three and six months ended June 30, 2019 was 11.3% and 30.1%, respectively, and includes benefits from the resolution of certain tax examinations of $3 million and $6 million, respectively. The effective tax rate for the six months ended June 30, 2019 also includes a $2 million tax on the $18 million book loss incurred from the disposition of operations in certain international markets, primarily due to nondeductible basis differences and a charge of $2 million for the write-off of deferred tax assets associated with the expiration of out-of-money vested stock options and the vesting of restricted stock.

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

The Internal Revenue Service examinations of our consolidated U.S. income tax returns for tax years prior to 2017 are closed to audit; however, various post-2011 U.S. state and local tax returns are still subject to examination. In Canada, the examination of our tax filings prior to 2015 are closed to audit. Other significant jurisdictions include France (closed through 2016), Germany (closed through 2016) and the U.K. (closed through 2017). We also have other less significant tax filings currently subject to examination.

14. Commitments and Contingencies

In the ordinary course of business, we are routinely defendants in, or party to, a number of pending and threatened legal actions. These may involve litigation by or against us relating to, among other things, contractual rights under vendor, insurance or other contracts; intellectual property or patent rights; equipment, service, payment or other disputes with clients; or disputes with employees. Some of these actions may be brought as a purported class action on behalf of a purported class of employees, customers or others. In management's opinion, the potential liability, if any, that may result from these actions, either individually or collectively, is not reasonably expected to have a material effect on our financial position, results of operations or cash flows as of June 30, 2020. However, as litigation is inherently unpredictable, there can be no assurances in this regard.

In December 2018 and then in February 2019, certain of the Company’s officers and directors were named as defendants in two virtually identical derivative actions purportedly brought on behalf of the Company, Clem v. Lautenbach et al. and Devolin v. Lautenbach et al. These two actions, both filed by the same counsel in Connecticut state court, allege, among other things, breaches of fiduciary duty relating to these same disclosures, and seek compensatory damages and other relief derivatively for the benefit of the Company. Both of these are derivative claims related to a prior action filed in Connecticut state court, City of Livonia Retiree Health and Disability Benefits Plan v. Pitney Bowes Inc. et al. (“Livonia”). On October 24, 2019, the court had granted the defendants’ motions to dismiss the Livonia case, and that judgment is now final. Given that the defendants prevailed in the Livonia action, the plaintiffs in the Clem and Devolin actions moved to withdraw their complaints, and on February 20, 2020 the court granted the motions. Both cases have now been dismissed.

We have entered into three equipment leases for our Commerce Services operations that will commence in the fourth quarter with terms ranging from seven to nine years. Aggregate lease payments for the three leases will approximate $30 million.

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

15. Stockholders' Equity

Changes in stockholders' equity were as follows:

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at April 1, 2020	**$ 323,338**	**$ 69,553**	**$ 5,200,024**	**$ (857,874)**	**$ (4,705,611)**	**$ 29,430**
Net loss	**—**	**—**	**(3,329)**	**—**	**—**	**(3,329)**
Other comprehensive income	**—**	**—**	**—**	**21,612**	**—**	**21,612**
Dividends paid ($0.05 per common share)	**—**	**—**	**(8,576)**	**—**	**—**	**(8,576)**
Issuance of common stock	**—**	**(6,484)**	**—**	**—**	**6,498**	**14**
Stock-based compensation expense	**—**	**5,429**	**—**	**—**	**—**	**5,429**
Balance at June 30, 2020	**$ 323,338**	**$ 68,498**	**$ 5,188,119**	**$ (836,262)**	**$ (4,699,113)**	**$ 44,580**

	Preferred stock	Preference stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at April 1, 2019	$ 1	$ 388	$ 323,338	$ 109,166	$ 5,267,615	$ (917,978)	$ (4,696,080)	$ 86,450
Net income	—	—	—	—	23,697	—	—	23,697
Other comprehensive income	—	—	—	—	—	10,300	—	10,300
Dividends paid ($0.05 per common share)	—	—	—	—	(8,938)	—	—	(8,938)
Issuance of common stock	—	—	—	(3,807)	—	—	4,024	217
Conversion to common stock	—	(122)	—	(2,389)	—	—	2,511	—
Redemption of preferred/preference stock	(1)	(266)	—	(10)	—	—	—	(277)
Stock-based compensation expense	—	—	—	2,381	—	—	—	2,381
Repurchase of common stock	—	—	—	—	—	—	(60,858)	(60,858)
Balance at June 30, 2019	$ —	$ —	$ 323,338	$ 105,341	$ 5,282,374	$ (907,678)	$ (4,750,403)	$ 52,972

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at January 1, 2020	**$ 323,338**	**$ 98,748**	**$ 5,438,930**	**$ (840,143)**	**$ (4,734,777)**	**$ 286,096**
Cumulative effect of accounting changes	**—**	**—**	**(21,900)**	**—**	**—**	**(21,900)**
Net loss	**—**	**—**	**(211,812)**	**—**	**—**	**(211,812)**
Other comprehensive income	**—**	**—**	**—**	**3,881**	**—**	**3,881**
Dividends paid ($0.10 per common share)	**—**	**—**	**(17,099)**	**—**	**—**	**(17,099)**
Issuance of common stock	**—**	**(37,200)**	**—**	**—**	**35,664**	**(1,536)**
Stock-based compensation expense	**—**	**6,950**	**—**	**—**	**—**	**6,950**
Balance at June 30, 2020	**$ 323,338**	**$ 68,498**	**$ 5,188,119**	**$ (836,262)**	**$ (4,699,113)**	**$ 44,580**

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

	Preferred stock	Preference stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at January 1, 2019	$ 1	$ 396	$ 323,338	$ 121,475	$ 5,279,682	$ (948,961)	$ (4,674,089)	$ 101,842
Net income	—	—	—	—	21,038	—	—	21,038
Other comprehensive income	—	—	—	—	—	41,283	—	41,283
Dividends paid ($0.10 per common share)	—	—	—	—	(18,346)	—	—	(18,346)
Issuance of common stock	—	—	—	(22,731)	—	—	20,998	(1,733)
Conversion to common stock	—	(130)	—	(2,558)	—	—	2,688	—
Redemption of preferred/preference stock	(1)	(266)	—	(10)	—	—	—	(277)
Stock-based compensation expense	—	—	—	9,165	—	—	—	9,165
Repurchase of common stock	—	—	—	—	—	—	(100,000)	(100,000)
Balance at June 30, 2019	$ —	$ —	$ 323,338	$ 105,341	$ 5,282,374	$ (907,678)	$ (4,750,403)	$ 52,972

16. Accumulated Other Comprehensive Loss (AOCL)

Reclassifications out of AOCL were as follows:

	Gain (Loss) Reclassified from AOCL			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Cash flow hedges				
Revenue	**$ (64)**	$ (36)	**$ (3)**	$ 75
Cost of sales	**32**	29	**42**	45
Total before tax	**(32)**	(7)	**39**	120
Income tax (benefit) provision	**(8)**	(1)	**10**	31
Net of tax	**$ (24)**	$ (6)	**$ 29**	$ 89
Available-for-sale securities				
Interest expense, net	**$ 3,233**	$ (81)	**$ 3,517**	$ (104)
Income tax provision (benefit)	**805**	(21)	**876**	(27)
Net of tax	**$ 2,428**	$ (60)	**$ 2,641**	$ (77)
Pension and postretirement benefit plans				
Transition credit	**$ 1**	$ 1	**$ 2**	$ 3
Prior service costs	**(138)**	(126)	**(277)**	(254)
Actuarial losses	**(10,940)**	(8,112)	**(21,933)**	(17,271)
Settlement	**(3,802)**	(1,198)	**(4,191)**	(1,198)
Total before tax	**(14,879)**	(9,435)	**(26,399)**	(18,720)
Income tax benefit	**(3,502)**	(2,124)	**(6,152)**	(4,773)
Net of tax	**$ (11,377)**	$ (7,311)	**$ (20,247)**	$ (13,947)

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

Changes in AOCL were as follows:

	Cash flow hedges	Available for sale securities	Pension and postretirement benefit plans	Foreign currency adjustments	Total
Balance at January 1, 2020	$ 337	$ 2,849	$ (819,018)	$ (24,311)	$ (840,143)
Other comprehensive (loss) income before reclassifications [1]	**(1,416)**	**5,356**	**—**	**(17,636)**	**(13,696)**
(Gain) loss reclassified into earnings [1]	**(29)**	**(2,641)**	**20,247**	**—**	**17,577**
Net other comprehensive (loss) income	**(1,445)**	**2,715**	**20,247**	**(17,636)**	**3,881**
Balance at June 30, 2020	**$ (1,108)**	**$ 5,564**	**$ (798,771)**	**$ (41,947)**	**$ (836,262)**

	Cash flow hedges	Available for sale securities	Pension and postretirement benefit plans	Foreign currency adjustments	Total
Balance at January 1, 2019	$ 191	$ (3,061)	$ (846,461)	$ (99,630)	$ (948,961)
Other comprehensive income before reclassifications [1]	18	5,952	—	21,378	27,348
(Gain) loss reclassified into earnings [1]	(89)	77	13,947	—	13,935
Net other comprehensive (loss) income	(71)	6,029	13,947	21,378	41,283
Balance at June 30, 2019	$ 120	$ 2,968	$ (832,514)	$ (78,252)	$ (907,678)

(1) Amounts are net of tax.

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

Forward-Looking Statements

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

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission. In particular, the uncertainty around the severity, magnitude and duration of the COVID-19 pandemic (COVID-19), including governments' responses to COVID-19, its continuing impact on our operations, employees, the availability and cost of labor, global supply chain and demand across our and our clients' businesses, as well as any deterioration or instability in global macroeconomic conditions, could cause our actual results to differ than those expressed in any forward-looking statement. Other factors which could cause future financial performance to differ materially from the expectations, and which may also be exacerbated by COVID-19 or a negative change in the economy, include, without limitation:

- declining physical mail volumes
- changes in postal regulations, or the financial health of posts, in the U.S. or other major markets or the loss of, or significant changes to, our contractual relationship with the United States Postal Service (USPS)
- expenses and potential impacts resulting from a breach of security, including cyber-attacks or other comparable events
- our ability to continue to grow volumes, gain additional economies of scale and improve profitability within our Commerce Services group
- the loss of some of our larger clients in our Commerce Services group
- our success at managing customer credit risk
- third-party suppliers' ability to provide products and services required by our clients
- changes in labor conditions and transportation costs
- capital market disruptions or credit rating downgrades that adversely impact our ability to access capital markets at reasonable costs
- our success in developing and marketing new products and services and obtaining regulatory approvals, if required
- competitive factors, including pricing pressures, technological developments and the introduction of new products and services by competitors
- the continued availability and security of key information technology systems and the cost to comply with information security requirements and privacy laws
- changes in global political conditions and international trade policies, including the imposition or expansion of trade tariffs
- our success at managing relationships and costs with outsource providers of certain functions and operations
- changes in banking regulations or the loss of our Industrial Bank charter or changes in foreign currency exchange rates and interest rates
- the United Kingdom's exit from the European Union
- intellectual property infringement claims
- the use of the postal system for transmitting harmful biological agents, illegal substances or other terrorist attacks
- acts of nature

Further information about factors that could materially affect us, including our results of operations and financial condition, is contained in Item 1A. "Risk Factors" in our 2019 Annual Report, as supplemented by Part II, Item 1A in this Quarterly Report on Form 10-Q.

Overview

Financial Results Summary - Three and Six Months Ended June 30:

	Revenue							
	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	2019	Actual % change	Constant Currency % Change	**2020**	2019	Actual % change	Constant Currency % change
Business services	**$ 528,990**	$ 417,963	27 %	27 %	**$ 973,369**	$ 824,508	18 %	18 %
Support services	**113,786**	127,705	(11)%	(10)%	**235,801**	256,304	(8)%	(8)%
Financing	**85,462**	92,419	(8)%	(7)%	**174,540**	189,462	(8)%	(7)%
Equipment sales	**57,837**	85,551	(32)%	(32)%	**134,110**	175,338	(24)%	(23)%
Supplies	**32,773**	46,490	(30)%	(29)%	**78,482**	97,443	(19)%	(19)%
Rentals	**18,644**	18,445	1 %	2 %	**37,458**	40,602	(8)%	(7)%
Total revenue	**$ 837,492**	$ 788,573	6 %	7 %	**$ 1,633,760**	$ 1,583,657	3 %	3 %

	Revenue							
	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	2019	Actual % change	Constant currency % change	**2020**	2019	Actual % change	Constant currency % change
Global Ecommerce	**$ 398,453**	$ 282,319	41 %	41 %	**$ 690,776**	$ 548,573	26 %	26 %
Presort Services	**118,127**	128,138	(8)%	(8)%	**258,847**	262,985	(2)%	(2)%
Commerce Services	**516,580**	410,457	26 %	26 %	**949,623**	811,558	17 %	17 %
SendTech Solutions	**320,912**	378,116	(15)%	(15)%	**684,137**	772,099	(11)%	(11)%
Total	**$ 837,492**	$ 788,573	6 %	7 %	**$ 1,633,760**	$ 1,583,657	3 %	3 %

	EBIT					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% change	**2020**	2019	% change
Global Ecommerce	**$ (18,894)**	$ (15,576)	(21)%	**$ (48,369)**	$ (30,176)	(60)%
Presort Services	**12,582**	15,462	(19)%	**28,277**	30,528	(7)%
Commerce Services	**(6,312)**	(114)	>(100%)	**(20,092)**	352	>(100%)
SendTech Solutions	**104,268**	124,738	(16)%	**210,830**	247,141	(15)%
Total Segment EBIT	**$ 97,956**	$ 124,624	(21)%	**$ 190,738**	$ 247,493	(23)%

Revenue increased 6% as reported and 7% at constant currency for the quarter compared to the prior year. Business services revenue increased 27% driven by significantly higher volumes in our Global Ecommerce business, which more than offset double digit declines in equipment sales, supplies and support services driven in part by the continuing impacts of COVID-19. In our business segments, Global Ecommerce revenue grew 41% due to increased volumes, Presort Services revenue declined 8% due to lower First Class and Marketing Mail volumes and SendTech Solutions revenue declined 15%, primarily due to lower equipment sales and supplies revenue. Segment EBIT decreased 21%, primarily due to lower revenue in SendTech Solutions, higher credit losses in Global Ecommerce and increased costs attributed to COVID-19.

Revenue increased 3% for the first half of 2020 compared to the prior year. Business services revenue increased 18% due to higher Global Ecommerce volumes but was partially offset by declines in other revenue line items. In our business segments, Global Ecommerce revenue grew 26% due to increased volumes, Presort Services revenue declined 2% and SendTech Solutions revenue declined 11%. Segment EBIT decreased 23%, primarily due to lower revenue in SendTech Solutions, higher credit losses and the mix of business in Global Ecommerce and increased costs attributed to COVID-19. Refer to Results of Operations section for further information.

Commerce Services EBIT margins in the quarter and year-to-date periods were adversely impacted by increased labor and postal costs at Global Ecommerce due to the sudden and significant increase in volumes, higher credit losses at Global Ecommerce, lower volumes at Presort Services and increased costs and reduced productivity driven by COVID-19. However, the Global Ecommerce EBIT margin in the second quarter was improved from the first quarter 2020 and prior year period reflecting scale-related benefits in per unit transportation and warehousing costs. SendTech Solutions EBIT margins in the quarter and year-to-date periods were relatively unchanged compared to the prior year periods despite double-digit declines in revenue, primarily due to lower operating expenses from cost savings initiatives.

Second Quarter Highlights

We drew down $100 million under our revolving credit facility as a precautionary measure and invested these proceeds in highly liquid, short-term investments.

We surrendered certain company owned life insurance (COLI) policies and sold our interest in an equity investment for aggregate proceeds of $58 million. We recognized a gain of $12 million on the sale of the equity investment and while the surrender of the COLI policies did not result in a pre-tax gain or loss, the surrender resulted in a $12 million tax charge.

We also received insurance proceeds of $5 million related to the October 2019 malware attack that temporarily disrupted customer access to some services.

In May 2020, we were affected by a Maze ransomware attack. Although the Maze attackers were able to exfiltrate a small amount of our confidential data, working with our third-party security consultants, we were able to successfully thwart the attack before any of our operations could be disrupted or any data encrypted. The attempted attack did not have any impact on our financial results, and we satisfied all regulatory obligations arising out of the attack.

Impacts of COVID-19

The global spread of COVID-19 and the efforts to contain it adversely affected the U.S. and international economies, impacting demand for a broad variety of goods and services, creating disruptions and shortages in global supply chains and causing significant volatility in financial markets. Our employees worldwide that have the ability to work remotely are doing so. Our facilities continue to operate, and many employees continue to report to work at these facilities. We have implemented additional measures to protect the health and safety of our employees and contractors, including staggering shifts and breaks to enhance social distancing, providing personal protection equipment, conducting temperature checks and sanitizing equipment and facilities multiple times a day.

COVID-19 has impacted our financial results in different ways in each of our businesses. In Global Ecommerce, we saw significantly higher volumes in the quarter due to the demand for ecommerce solutions in the current environment. In Presort Services, First Class and Marketing Mail volumes have declined due to lower market demand and changing client behaviors in the current environment. As a result of the additional health and safety measures implemented in all our Commerce Services facilities, we have incurred, and will continue to incur, additional costs and reduced productivity.

In SendTech Solutions, the global shut-down of businesses and increase in the number of clients working remotely significantly adversely impacted demand for and usage of our mailing equipment and supplies, as well as our ability to contact and service clients and perform on-site installations. Despite the negative impacts of COVID-19, we saw improving trends in equipment sales and supplies revenues as we exited the quarter. Also, as businesses continue to operate remotely, we are seeing improvement in our cloud-enabled shipping and mailing solutions.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed into law in response to market volatility and instability resulting from COVID-19. The CARES Act includes provisions relating to the deferment of the employer portion of certain payroll taxes, net operating loss carryback periods and modifications to the net interest deduction limitations. We continue to assess the impact of these provisions; which we believe could affect the timing of certain cash payments but not materially impact our financial position or results of operations.

Outlook

The severity, duration and governmental responses of COVID-19 are uncertain, and we are not able to reasonably estimate the full extent of the impact on our operating results, liquidity, cash flows or financial position for the remainder of the year. As COVID-19 continues to affect global economies and how businesses operate, we will continue to take proactive measures to protect the health and safety of our employees, clients, partners and suppliers. These additional safety measures will result in additional expenses and reduced productivity. Corporate and local management will continue to assess conditions to determine when, or how, employees currently working remotely should return to office locations.

Our Commerce Services businesses are more demand-driven and it is difficult to predict how demand and volumes will trend and the impact to productivity throughout the duration of COVID-19. Within Global Ecommerce, domestic parcel delivery volumes have increased significantly due to a global market shift to ecommerce solutions. While we cannot predict the magnitude of volume increases, we expect this shift to continue throughout the remainder of the year. We signed on over 100 new clients in the second quarter and volumes from these clients will benefit the second half of the year. Cross-border volumes are still experiencing declines and we expect this to continue as long as there are restrictions on international shipments. The sudden and significant increase in volumes resulted in higher labor and postal costs in the second quarter as we needed to react quickly to process and deliver these parcels. However, the higher volumes resulted in scale-related benefits in per unit transportation and warehousing costs. We expect continued improvements in per unit transportation and warehousing costs as volumes increase and improvements in per unit labor costs as the business sizes itself to handle the higher volumes.

In Presort Services, approximately 80% of mail volumes processed are First Class Mail with the remaining 20% primarily Marketing Mail. There were declines in mail volumes from the onset of COVID-19; however, these volume declines started to moderate as we exited the second quarter. For the remainder of the year, we expect volumes of First Class Mail and Marketing Mail to be lower compared to the prior year. As businesses begin to re-open and clients return to their normal behaviors, we expect volumes to improve from current levels; however, the timing and magnitude of this improvement would be contingent on the severity and duration of COVID-19. While currently a small part of total volumes, volumes in Marketing Mail Flats and Bound Printed Matter grew over 30% in the second quarter and we anticipate these volumes will continue to grow throughout the remainder of the year.

Within SendTech Solutions, approximately two-thirds of revenue is recurring in nature and materially contributes to our cash flows. Nonrecurring revenues, primarily equipment sales and to a lesser extent, supplies, will continue to be adversely impacted by COVID-19 due to declining demand and usage. We are unable to predict the duration and magnitude of these declines or determine when, or if, demand and usage will return to normal levels; however, we would expect to see improving trends as more businesses start to re-open. As a result of clients working remotely and the necessity of alternate solutions, we saw an improvement in our cloud-enabled shipping and mailing solutions during the second quarter and expect this shift in market preference to continue as clients realize the value of our digital capabilities. We continue to monitor cash collections from our recurring revenue streams. There was an increase in delinquency rates during the second quarter that was in-line with our expectations, but we are starting to see an improvement in delinquency rates and positive changes in customer payment behaviors. There are no assurances that this improvement in delinquency rates and payment behaviors will continue, or that the impacts of COVID-19 will not result in higher client bankruptcies or account write-offs.

Before the onset of COVID-19 and the resulting economic decline, we had taken steps to reduce and refinance debt, improve liquidity and strengthen our balance sheet that we believe will enable us to manage through the current economic downturn. We are taking further actions to manage cash flows and maintain liquidity, including, but not limited to, prioritizing our capital expenditures to essential and necessary investments and reducing targeted loan originations at Wheeler Financial. We estimate that these actions alone will benefit annual cash flows by approximately $75 million. Refer to the Liquidity and Capital Resources section for further information.

RESULTS OF OPERATIONS

In our Results of Operations discussion, we present and discuss revenue and cost of revenue at the segment level since our revenue and related costs of revenue sources are predominantly specific to the segments. Operating and other expenses are presented and discussed on a consolidated basis as this basis provides a better understanding of the underlying drivers of change in these expense line items or they are not allocated to a specific segment.

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

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

REVENUE AND SEGMENT EBIT

Global Ecommerce

Global Ecommerce includes the revenue and related expenses from products and services that enable domestic and cross-border ecommerce transactions, including shipping, fulfillment and returns.

	Revenue				Cost of Revenue		Gross Margin	
	Three Months Ended June 30,				Three Months Ended June 30,		Three Months Ended June 30,	
	2020	2019	Actual % change	Constant Currency % change	**2020**	2019	**2020**	2019
Business services	**$ 398,453**	$ 282,319	41 %	41%	**$ 355,861**	$ 238,854	10.7%	15.4%

	Segment EBIT		
	Three Months Ended June 30,		
	2020	2019	Actual % change
Segment EBIT	**$ (18,894)**	$ (15,576)	(21)%

Global Ecommerce revenue increased 41% in the second quarter of 2020 due to significant growth in domestic parcel delivery volumes driven in part, by the market shift to ecommerce solutions as a result of COVID-19, and higher digital domestic and fulfillment services volumes. This volume growth contributed revenue growth of 47%, while a decline in domestic returns and cross-border volumes contributed a 6% decline in revenue.

Gross margin decreased to 10.7% from 15.4% in the prior year primarily due to higher labor, postage and other incremental costs driven by COVID-19.

Segment EBIT for the second quarter of 2020 was a loss of $19 million compared to a loss of $16 million in the prior year period. The increased loss was primarily driven by incremental costs associated with COVID-19 including higher credit loss expense of $6 million, higher labor and postal costs of $3 million due to the rapid increase in volumes and incremental costs of $1 million related to sanitizing and safety measures. Segment EBIT margin of (4.7)% improved from the prior year period reflecting scale-related benefits in transportation and warehouse costs offset by increased labor and postal costs driven by COVID-19.

	Revenue				Cost of Revenue		Gross Margin	
	Six Months Ended June 30,				Six Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	Actual % change	Constant Currency % change	**2020**	2019	**2020**	2019
Business services	**$ 690,776**	$ 548,573	26 %	26%	**$ 621,082**	$ 461,312	10.1%	15.9%

	Segment EBIT		
	Six Months Ended June 30,		
	2020	2019	Actual % change
Segment EBIT	**$ (48,369)**	$ (30,176)	(60)%

Global Ecommerce revenue increased 26% in the first half of 2020 with higher domestic parcel delivery volumes driven in part, by the market shift to ecommerce solutions as a result of COVID-19, and higher digital domestic and fulfillment services volumes contributing revenue growth of 30%, partially offset by domestic returns volumes contributing a revenue decline of 4%.

Gross margin decreased to 10.1% from 15.9% in the prior year primarily due to a shift in the mix of business and incremental costs driven by COVID-19.

Segment EBIT for the first half of 2020 was a loss of $48 million compared to a loss of $30 million in the prior year period. The increased loss was primarily driven by higher credit loss expense of $8 million, higher labor and postal costs, incremental costs related to sanitizing and safety measures, the shift in the mix of business and incremental costs associated with new facilities that opened during the fourth quarter of 2019.

Presort Services

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

	Revenue				Cost of Revenue		Gross Margin	
	Three Months Ended June 30,				Three Months Ended June 30,		Three Months Ended June 30,	
	2020	2019	Actual % change	Constant Currency % change	**2020**	2019	**2020**	2019
Business services	**$ 118,127**	$ 128,138	(8)%	(8)%	**$ 93,542**	$ 97,040	20.8%	24.3%

	Segment EBIT		
	Three Months Ended June 30,		
	2020	2019	Actual % change
Segment EBIT	**$ 12,582**	$ 15,462	(19)%

Presort Services revenue decreased 8% in the second quarter of 2020 compared to the prior year period due to a reduction in volumes. Volumes decreased in the second quarter compared to the prior year primarily due to lower Marketing Mail and First Class Mail, driven by COVID-19, partially offset by higher volumes of Marketing Mail Flats and Bound Printed Matter. Revenue declined 11% due to lower organic volumes but benefited 3% from acquisitions.

Gross margin decreased to 20.8% from 24.3% and segment EBIT declined 19% in the second quarter of 2020. The decrease in gross margin was primarily due to the decline in revenue and increased costs associated with COVID-19, including $2 million for sanitizing and safety measures and quarantine payments. The increased costs were partially offset by improvements in transportation due to ongoing productivity initiatives. Segment EBIT includes $3 million from insurance proceeds related to the malware attack in late 2019. Segment EBIT margin of 10.7% was down 1 percentage point from the prior year period largely driven by reduced volumes and increased labor costs driven by COVID-19.

	Revenue				Cost of Revenue		Gross Margin	
	Six Months Ended June 30,				Six Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	Actual % change	Constant Currency % change	**2020**	2019	**2020**	2019
Business services	**$ 258,847**	$ 262,985	(2)%	(2)%	**$ 198,781**	$ 199,002	23.2%	24.3%

	Segment EBIT		
	Six Months Ended June 30,		
	2020	2019	Actual % change
Segment EBIT	**$ 28,277**	$ 30,528	(7)%

Presort Services revenue decreased 2% in the first half of 2020 compared to the prior year period due to lower volumes of Marketing Mail and First Class Mail, driven by COVID-19. Revenue declined 5% due to lower organic volumes but benefited 3% from acquisitions.

Gross margin decreased to 23.2% from 24.3% and segment EBIT declined $2 million, or 7%, in the first half of 2020. Gross margins were adversely impacted by lower revenue and the incremental costs associated with COVID-19. The decline in segment EBIT was driven by lower revenue and a $2 million charge for losses on certain investment securities driven by market conditions, partially offset by $3 million of insurance proceeds related to the malware attack in late 2019.

SendTech Solutions

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

	Revenue				Cost of Revenue		Gross Margin	
	Three Months Ended June 30,				Three Months Ended June 30,		Three Months Ended June 30,	
	2020	2019	Actual % change	Constant Currency % change	**2020**	2019	**2020**	2019
Business services	**$ 12,410**	$ 7,506	65 %	68 %	**$ 4,856**	$ 1,803	60.9%	76.0%
Support services	**113,786**	127,705	(11)%	(10)%	**36,196**	40,637	68.2%	68.2%
Financing	**85,462**	92,419	(8)%	(7)%	**11,939**	11,043	86.0%	88.1%
Equipment sales	**57,837**	85,551	(32)%	(32)%	**47,866**	58,486	17.2%	31.6%
Supplies	**32,773**	46,490	(30)%	(29)%	**8,377**	11,758	74.4%	74.7%
Rentals	**18,644**	18,445	1 %	2 %	**6,021**	8,418	67.7%	54.4%
Total revenue	**$ 320,912**	$ 378,116	(15)%	(15)%	**$ 115,255**	$ 132,145	64.1%	65.1%

	Segment EBIT		
	Three Months Ended June 30,		
	2020	2019	Actual % change
Segment EBIT	**$ 104,268**	$ 124,738	(16)%

SendTech Solutions revenue decreased 15% in the second quarter of 2020 compared to the prior year. Equipment sales and supplies decreased 32% and 29% at constant currency, respectively, as the impacts of COVID-19 impacted our ability to contact and service clients and perform on-site installations and reduced usage and demand for supplies. Support services revenue decreased 10% at constant currency driven by a declining meter population and financing revenue decreased 7% at constant currency primarily driven by a declining lease portfolio. Business services revenue increased $5 million, or 68% at constant currency, primarily due to an overall increase in our shipping offerings.

The total gross margin decreased 1 percentage point compared to the prior year. Business services gross margin decreased to 60.9% from 76.0% primarily driven by an increase in sales of lower margin solutions. Equipment sales gross margin decreased 14 percentage points to 17.2%, primarily due to lower revenue and the mix of product sales due to delays in scheduling and performing on-site installations of our higher end products. Rentals gross margin increased to 67.7% from 54.4% primarily due to lower scrap costs.

We allocate a portion of our total cost of borrowing to financing interest expense. In computing financing interest expense, we assume an 8:1 debt to equity leverage ratio and apply our overall effective interest rate to the average outstanding finance receivables. The financing gross margin decreased to 86.0% from 88.1% compared to the prior year primarily due to a higher effective interest rate.

Segment EBIT decreased 16% in the second quarter of 2020 compared to the prior year, driven by the decline in revenue partially offset by lower expenses of $15 million from cost savings initiatives, including professional fees of $3 million, marketing and advertising costs of $3 million, travel related expenses of $2 million and research and development costs of $4 million. Segment EBIT margin of 32.5% was flat compared to the prior year period as lower costs offset the decline in revenue.

	Revenue				Cost of Revenue		Gross Margin	
	Six Months Ended June 30,				Six Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	Actual % change	Constant Currency % change	**2020**	2019	**2020**	2019
Business services	**$ 23,746**	$ 12,950	83 %	86 %	**$ 9,042**	$ 3,992	61.9%	69.2%
Support services	**235,801**	256,304	(8)%	(8)%	**75,823**	82,400	67.8%	67.9%
Financing	**174,540**	189,462	(8)%	(7)%	**24,428**	22,407	86.0%	88.2%
Equipment sales	**134,110**	175,338	(24)%	(23)%	**105,214**	121,893	21.5%	30.5%
Supplies	**78,482**	97,443	(19)%	(19)%	**20,619**	25,308	73.7%	74.0%
Rentals	**37,458**	40,602	(8)%	(7)%	**12,400**	18,133	66.9%	55.3%
Total revenue	**$ 684,137**	$ 772,099	(11)%	(11)%	**$ 247,526**	$ 274,133	63.8%	64.5%

	Segment EBIT		
	Six Months Ended June 30,		
	2020	2019	Actual % change
Segment EBIT	**$ 210,830**	$ 247,141	(15)%

SendTech Solutions revenue decreased 11% in the first half of 2020 compared to the prior year. Equipment sales and supplies decreased 23% and 19% at constant currency, respectively, as the impacts of COVID-19 impacted our ability to contact and service clients and perform on-site installations and reduced usage and demand for supplies. Financing revenue decreased 7% at constant currency, primarily driven by a declining lease portfolio. Support services and rentals revenue decreased 8% and 7% at constant currency, respectively, primarily driven by a declining meter population. Business services revenue increased $11 million, or 86% at constant currency, primarily due to an increase in our shipping offerings, including the SendPro Online product.

The total gross margin remained relatively flat compared to the prior year. Business services gross margin decreased to 61.9% from 69.2%, primarily driven by higher sales of lower margin solutions. Equipment sales gross margin decreased 9 percentage points to 21.5%, primarily due to lower revenue and the mix of product sales. Equipment sales margin in the prior year period was impacted by a $9 million charge related to a SendPro C tablet replacement program. Rentals gross margin increased to 66.9% from 55.3%, primarily due to lower scrap costs in the current year and a $2 million favorable inventory provision adjustment. Financing gross margin decreased to 86.0% from 88.2% compared to the prior year primarily due to a higher effective interest rate.

Segment EBIT decreased 15% in first half of 2020 compared to the prior year, primarily due to the decline in revenue and higher credit loss provision of $10 million due to the current economic recessionary conditions and outlook caused by COVID-19, partially offset by lower expenses of $33 million from cost savings initiatives, including lower professional fees of $8 million, lower research and development costs of $6 million and lower marketing expenses of $5 million.

CONSOLIDATED OPERATING AND OTHER EXPENSES

Selling, general and administrative (SG&A)

SG&A expense of $234 million in the quarter decreased 3% compared to the prior period, primarily due to lower travel related expenses of $7 million as we imposed travel restrictions in response to COVID-19, lower professional fees of $5 million due to contract renegotiations and lower marketing expenses of $3 million, partially offset by higher credit loss provision of $8 million. SG&A expense of $482 million in the first half of 2020 decreased 4% compared to the prior period, primarily due to lower professional fees of $15 million, lower employee costs of $8 million and lower travel related expenses of $7 million, partially offset by higher credit loss provision of $13 million.

Research and development (R&D)

R&D expense decreased 45%, or $6 million, in the second quarter of 2020 and decreased 25%, or $7 million, in the first half of 2020 primarily due to lower project spending.

Restructuring charges and asset impairments

Restructuring charges and asset impairments for the three months ended June 30, 2020 and 2019 were $5 million and $6 million, respectively, and restructuring charges and asset impairments for the six months ended June 30, 2020 and 2019 were $9 million and $10 million, respectively. See Note 10 to the Condensed Consolidated Financial Statements for further information.

Goodwill impairment

We recorded a non-cash, pre-tax goodwill impairment charge of $198 million associated with our Global Ecommerce reporting unit in the first quarter of 2020. See Critical Accounting Estimates for further information.

Other (income) expense

Other (income) expense for the three months ended June 30, 2020 includes a $12 million gain on the sale of an equity investment and insurance proceeds of $5 million related to the 2019 malware attack. Other (income) expense for the six months ended June 30, 2020 includes a $37 million loss on the early extinguishment of debt, partially offset by the $12 million gain on the sale of an equity investment and $9 million of insurance proceeds related to the 2019 malware attack. Other (income) expense for the six months ended June 30, 2019 includes a loss of $18 million, primarily from the write-off of cumulative translation adjustments, in connection with the disposition of operations in certain international markets.

Income taxes

Provision for income taxes for the three and six months ended June 30, 2020 includes a tax charge of $12 million in connection with the surrender of company owned life insurance policies for which no pre-tax income or loss was recognized. The provision for income taxes for the six months ended June 30, 2020 also includes a benefit of $2 million on the $198 million goodwill impairment charge as most of this charge is nondeductible. See Note 13 to the Condensed Consolidated Financial Statements for further information.

Discontinued Operations

Loss from discontinued operations for the three months ended June 30, 2020 primarily includes a pension settlement charge related to the Software Solutions sale. Income from discontinued operations for the six months ended June 30, 2020 primarily includes the gain on the sale of the Australia software business, which closed in January 2020, and the pension settlement charge related to the Software Solutions sale. See Note 4 to the Condensed Consolidated Financial Statements for further information.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2020, we had cash and cash equivalents and short-term investments of $1 billion, of which $182 million was held by our foreign subsidiaries. Cash held by our foreign subsidiaries is generally used to support the liquidity needs of those subsidiaries. Our ability to maintain adequate liquidity for our operations is dependent upon a number of factors, including our revenue and earnings, our clients ability to pay their balances on a timely basis, the length and severity of COVID-19 and its impact on macroeconomic conditions and our ability to take further cost-savings and cash conservation measures if necessary. At this time, we believe that existing cash and investments, cash generated from operations and borrowing capacity under our $500 million revolving credit facility will be sufficient to fund our cash needs for the next 12 months. We continuously review our credit profile through published credit ratings and the credit default swap market. We also monitor the creditworthiness of those banks acting as derivative counterparties, depository banks or credit providers.

Cash Flow Summary

Changes in cash and cash equivalents were as follows:

	2020	2019	Change
Net cash provided by operating activities	**$ 86,809**	$ 86,782	$ 27
Net cash used in investing activities	**(54,545)**	(36,151)	(18,394)
Net cash used in financing activities	**(84,598)**	(146,770)	62,172
Effect of exchange rate changes on cash and cash equivalents	**(9,211)**	(81)	(9,130)
Change in cash and cash equivalents	**$ (61,545)**	$ (96,220)	$ 34,675

Operating Activities

Cash provided by operating activities of $87 million in the first half of 2020 was flat compared to the prior year. Cash flows from continuing operations increased $44 million, primarily due to working capital changes including the timing of payments of accounts payable. Cash flows from discontinued operations declined due to taxes related to the gain on the sale of our Software Solutions business.

Investing Activities

Cash used in investing activities in the first half of 2020 of $55 million includes $65 million of net investment activity and $60 million in capital expenditures, partially offset by $46 million in proceeds from the surrender of COLI policies, higher customer deposits at the PB Bank of $22 million and proceeds of $12 million from the sale of an equity investment. Cash used in investing activities in the first half of 2019 was $36 million, consisting primarily of capital expenditures of $59 million and lower customer deposits at the PB Bank of $8 million, partially offset by net proceeds of $47 million from investment activities.

Financing Activities

Cash used in financing activities in the first half of 2020 was $85 million, and includes payments of $33 million for premiums and fees associated with the early extinguishment of debt, net cash of $32 million used for debt activities, including $21 million of scheduled term loan repayments and $17 million of dividend payments. See Financings and Capitalization below for additional information. In the first half of 2019, cash used in financing activities included $100 million to repurchase 17.4 million shares of common stock, $25 million to repay term loan debt and $18 million of dividend payments.

Financings and Capitalization

In the first quarter of 2020, we secured a five-year, $850 million term loan scheduled to mature January 2025 (the 2025 Term Loan). The 2025 Term Loan bears interest at LIBOR plus 5.5% and resets monthly. We used the net proceeds plus available cash to purchase under a tender offer $428 million of the October 2021 notes, $250 million of the May 2022 notes, $125 million of the April 2023 notes and $125 million of the March 2024 notes. We incurred a loss of a $37 million on the early redemption of debt.

We have a $500 million secured revolving credit facility that expires in November 2024 and contains financial and non-financial covenants. In April 2020, in light of the current macroeconomic environment, we drew down $100 million under the credit facility as a precautionary measure. At June 30, 2020, we were in compliance with all covenants.

Interest rates on certain notes are subject to adjustment based on changes in our credit ratings. As a result of credit rating downgrades in November 2019 and May 2020, the interest rates on the October 2021 notes and April 2023 notes increased 0.50% and the interest rate on the May 2022 notes increased 0.75%. Further, the interest rates on the October 2021 notes and April 2023 notes will increase an additional 0.25% in the fourth quarter of 2020.

Dividends and Share Repurchases

Each quarter, our Board of Directors considers our recent and projected earnings and other capital needs and priorities in deciding whether to approve the payment, as well as the amount, of a dividend. There are no material restrictions on our ability to declare dividends. We expect to continue to pay a quarterly dividend, however; in light of COVID-19 and the current macroeconomic conditions, no assurances can be given.

We did not repurchase any shares of our common stock during the first half of 2020. We have remaining authorization to repurchase up to $16 million of our common stock.

Contractual Obligations and Off-Balance Sheet Arrangements

We have entered into three equipment leases for our Commerce Services operations that will commence in the fourth quarter with terms ranging from seven to nine years. Aggregate lease payments for the three leases will approximate $30 million.

At June 30, 2020, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on our financial condition, results of operations or liquidity.

Critical Accounting Estimates

Goodwill impairment review

During the first quarter of 2020, our Global Ecommerce reporting unit experienced weaker than expected performance, in part due to the macroeconomic conditions resulting from COVID-19. At December 31, 2019, the fair value of our Global Ecommerce business exceeded its carrying value by less than 20% and the deteriorating macroeconomic conditions and uncertainty brought on by COVID-19 caused us to evaluate the Global Ecommerce goodwill for impairment.

To test the Global Ecommerce goodwill for impairment, we determined the fair value of the Global Ecommerce reporting unit and compared it to the reporting unit's carrying value, including goodwill. We engaged a third-party to assist in the determination of the fair value of the reporting unit. The determination of fair value, and the resulting impairment charge, relied on internal projections developed using numerous estimates and assumptions that are inherently subject to significant uncertainties. These estimates and assumptions included revenue growth, profitability, cash flows, capital spending and other available information. The determination of fair value also incorporated a risk-adjusted discount rate, terminal growth rates and other assumptions that market participants may use. Changes in any of these estimates or assumptions could materially affect the determination of fair value and the associated goodwill impairment charge and could result in an additional impairment charge to be recorded in the future. These estimates and assumptions are considered Level 3 inputs under the fair value hierarchy.

We determined that the reporting unit's estimated fair value was less than its carrying value and recorded a non-cash, pre-tax goodwill impairment charge of $198 million in the first quarter to reduce the carrying value of the Global Ecommerce reporting unit to its estimated fair value.

Regulatory Matters

There have been no significant changes to the regulatory matters disclosed in our 2019 Annual Report.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosures made in our 2019 Annual Report.

Item 4: Controls and Procedures

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

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

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals. Notwithstanding this caution, the CEO and CFO have reasonable assurance that the disclosure controls and procedures were effective as of June 30, 2020.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

See Note 14 to the Condensed Consolidated Financial Statements.

Item 1A: Risk Factors

There were no material changes to the risk factors identified in our 2019 Annual Report. However, we are supplementing the risk factors described in Item 1A of our 2019 Annual Report with the following additional risk factor:

Our operations and financial performance are being affected and will continue to be affected by the global coronavirus outbreak. The duration and severity of the COVID-19 crisis is unknown and constantly changing, and a prolonged duration of this crisis or a reoccurrence of COVID-19 or other similar virus in the future could have a significantly material effect on our operations, financial condition and liquidity

The COVID-19 pandemic is negatively impacting, and is expected to continue to negatively impact, our business, operations and financial performance. Given the unpredictability of the severity, magnitude and duration of the COVID-19 pandemic, including various governments' responses to the pandemic, and its effect on the global economy, the ultimate impact of the pandemic on our business, operations and financial performance remains uncertain. There are many factors, not within our control, which could affect the pandemic's ultimate outcome on our business and our ability to execute our business strategies and initiatives in the expected time frame. These include, but are not limited to: government, businesses and individuals' actions in response to the pandemic; an acceleration of the decline on the use of physical mail; the impact of the pandemic on the global economy and economic activity; the changing spending habits of consumers and businesses; disruptions in global supply chains; and significant volatility and disruption of financial markets. A prolonged duration of this crisis or a reoccurrence of the COVID-19 pandemic could exacerbate the impact on our business, operations and financial performance. It is also uncertain the extent to which the COVID-19 will permanently affect aspects of the economy to the detriment of our business, including:

- The dramatic acceleration in the decline of physical mail volume in the geographies in which we operate, which adversely affects both our Presort Services and SendTech Solutions businesses. We cannot yet assess the extent to which these declines in mail volumes, and resulting impact to our business, are permanent or temporary. Further detail on the risk of physical mail volume decline, including an acceleration of that decline, is described in the risk factor in our Annual Report on Form 10-K for the year ended December 31, 2019 (the 2019 Annual Report) relating to the *"The Continuing Decline in the Volume of Physical Mail Delivered via Traditional Postal Services"*.
- The adverse effect that declines in physical mail are having on the financial health of posts around the world, especially that of the United States Postal Service. If these financial difficulties are not resolved, or if any resolution requires them to operate differently, price in a manner that hurts their competitiveness or reduces postal volume, or causes them to change their contractual relationships with their partners or vendors, these changes could have a material adverse effect on our business. Further detail on this risk is described in the risk factor in our 2019 Annual Report related to "*Significant Disruptions to Postal Operations*".
- Significant declines in the retail industry caused by the pandemic. Although our Global Ecommerce business has seen an increase in volume of packages in the short-term, should there be a long-term change in consumer sentiment or purchasing habits it could have a material effect on our retail clients, including some of our largest clients, which could have an adverse impact on our financial performance. Further detail on this risk is described in the risk factor in our 2019 Annual Report related to "*Material Change in Consumer Sentiment or Spending Habits*".
- The decline in frequency of long-distance airplane flights has increased the costs of, and therefore the demand for, products purchased in our Global Ecommerce service's cross-border business.
- The effect that social distancing rules and heightened security policies have inhibited, and will continue to inhibit, our ability to sell products and provide services to our clients, fulfill orders and install equipment on a timely basis and market to prospective new clients.
- Increased costs and reduced labor productivity associated with extended safety protocols, including sanitizing facilities and equipment multiple times a day, implemented in our facilities and incremental costs that may be required to hire temporary labor or redirect volumes to other facilities.
- We could experience further increases in delinquencies in collections and bankruptcies in our clients, which could affect our cash flow. Client requests for potential payment deferrals or other contract modifications could also reduce the profitability or ongoing cash flow from some of our current customers.

- Given the severity of the pandemic, the business continuity plans of our suppliers and third-party service providers may not be sufficient to enable them to satisfy their obligations to us. If they are unable to satisfy these obligations, it could affect our ability to satisfy service or sales obligations to our clients, or it may affect other aspects of our internal operations. Further detail on this risk is described in the risk factor in our 2019 Annual Report related to "*Third-party Suppliers and Outsource Providers*".
- A prolonged period of generating lower earnings or cash from operations could result in additional credit rating downgrades, higher costs of borrowing, or limit our access to additional debt. Further detail on this risk is described in the risk factor in our 2019 Annual Report related to *"Future Credit Rating Downgrades or Capital Market Disruptions"*.

As the COVID-19 pandemic continues to adversely affect our business, operations and financial performance, it may also have the effect of heightening many of the other risks described in the risk factors in our 2019 Annual Report, including the risks described above. Further, the COVID-19 pandemic may also affect our business, operations and financial performance in a manner that is not presently known to us.

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

Repurchases of Equity Securities

We periodically repurchase shares of our common stock in the open market to manage the dilution created by shares issued under employee stock plans and for other purposes. We did not repurchase any shares during the six months ended June 30, 2020 and maintain Board authorization to repurchase up to $16 million of our common stock.

Item 6: Exhibits

Exhibit Number	Description	Exhibit Number in this Form 10-Q
3(i)(a)	Amended and Restated Certificate of Incorporation of Pitney Bowes Inc. (incorporated by reference to Exhibit 3(i)(a) to the Form 8-K filed with the Commission on September 30, 2019)	3(i)(a)
3	Pitney Bowes Inc. Amended and Restated By-laws effective May 13, 2013 (incorporated by reference to Exhibit 3 to the Form 8-K filed with the Commission on May 15, 2013)	3
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended	31.1
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended	31.2
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350	32.1
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	32.2
101.SCH	Inline XBRL Taxonomy Extension Schema Document	
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document	
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document	
101.LAB	Inline XBRL Taxonomy Label Linkbase Document	
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document	
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL. (included as Exhibit 101).	

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

Signatures

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

PITNEY BOWES INC.

Date: August 3, 2020

/s/ Stanley J. Sutula III

Stanley J. Sutula III
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

/s/ Joseph R. Catapano

Joseph R. Catapano
Vice President, Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc B. Lautenbach, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 3, 2020

/s/ Marc B. Lautenbach

Marc B. Lautenbach
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stanley J. Sutula III, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 3, 2020

/s/ Stanley J. Sutula III

Stanley J. Sutula III

Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pitney Bowes Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Marc B. Lautenbach, President and Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Marc B. Lautenbach

Marc B. Lautenbach

President and Chief Executive Officer

Date: August 3, 2020

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

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pitney Bowes Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stanley J. Sutula III, Executive Vice President, Chief Operating Officer and Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Stanley J. Sutula III

Stanley J. Sutula III

Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: August 3, 2020

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