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, 2023

OR

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

For the transition period from ________________ to ________________

Commission file number: 1-03579

PITNEY BOWES INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

As of July 28, 2023, 176,026,252 shares of common stock, par value $1 per share, of the registrant were outstanding.

PITNEY BOWES INC.
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PART I. FINANCIAL INFORMATION
Item 1: Financial Statements

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

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

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See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Net (loss) income	**$ (141,535)**	$ 4,336	**$ (149,272)**	$ 25,157
Other comprehensive income (loss), net of tax:				
Foreign currency translation, net of tax of $403, $(2,907), $576 and $(3,074), respectively	**9,193**	(48,138)	**20,080**	(65,703)
Net unrealized gain (loss) on cash flow hedges, net of tax of $125, $407, $(562) and $2,176, respectively	**375**	1,229	**(1,687)**	6,562
Net unrealized (loss) gain on investment securities, net of tax of $(415), $(3,661), $612 and $(8,808), respectively	**(1,322)**	(11,043)	**1,950**	(26,565)
Amortization of pension and postretirement costs, net of tax of $1,223, $1,870, $2,365 and $4,331, respectively	**3,739**	8,229	**7,228**	15,965
Other comprehensive income (loss), net of tax	**11,985**	(49,723)	**27,571**	(69,741)
Comprehensive loss	**$ (129,550)**	$ (45,387)	**$ (121,701)**	$ (44,584)

See Notes to Condensed Consolidated Financial Statements

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

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 541,704**	$ 669,981
Short-term investments (includes $2,399 and $1,882, respectively, reported at fair value)	**18,972**	11,172
Accounts and other receivables (net of allowance of $4,217 and $5,344, respectively)	**272,963**	343,557
Short-term finance receivables (net of allowance of $11,522 and $11,395, respectively)	**559,979**	564,972
Inventories	**92,783**	83,720
Current income taxes	**11,159**	8,790
Other current assets and prepayments	**117,132**	115,824
Total current assets	**1,614,692**	1,798,016
Property, plant and equipment, net	**401,905**	420,672
Rental property and equipment, net	**25,936**	27,487
Long-term finance receivables (net of allowance of $10,595 and $10,555 respectively)	**640,097**	627,124
Goodwill	**952,302**	1,066,951
Intangible assets, net	**70,062**	77,944
Operating lease assets	**284,783**	296,129
Noncurrent income taxes	**44,859**	46,613
Other assets (includes $227,583 and $229,936, respectively, reported at fair value)	**388,728**	380,419
Total assets	**$ 4,423,364**	$ 4,741,355
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 812,474**	$ 907,083
Customer deposits at Pitney Bowes Bank	**639,425**	628,072
Current operating lease liabilities	**53,984**	52,576
Current portion of long-term debt	**264,980**	32,764
Advance billings	**82,828**	105,207
Current income taxes	**2,929**	2,101
Total current liabilities	**1,856,620**	1,727,803
Long-term debt	**1,884,798**	2,172,502
Deferred taxes on income	**236,859**	263,131
Tax uncertainties and other income tax liabilities	**24,745**	23,841
Noncurrent operating lease liabilities	**254,051**	265,696
Other noncurrent liabilities	**241,778**	227,729
Total liabilities	**4,498,851**	4,680,702
Commitments and contingencies (See Note 13)		
Stockholders' (deficit) equity:		
Common stock, $1 par value (480,000 shares authorized; 323,338 shares issued)	**323,338**	323,338
Retained earnings	**4,908,641**	5,125,677
Accumulated other comprehensive loss	**(807,993)**	(835,564)
Treasury stock, at cost (147,557 and 149,307 shares, respectively)	**(4,499,473)**	(4,552,798)
Total stockholders' (deficit) equity	**(75,487)**	60,653
Total liabilities and stockholders' (deficit) equity	**$ 4,423,364**	$ 4,741,355

See Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net (loss) income	**$ (149,272)**	$ 25,157
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Depreciation and amortization	**79,770**	85,472
Allowance for credit losses	**7,164**	7,092
Stock-based compensation	**6,075**	9,866
Amortization of debt fees	**4,413**	2,985
(Gain) loss on debt redemption/refinancing	**(3,064)**	4,993
Restructuring charges	**26,042**	8,408
Restructuring payments	**(12,883)**	(8,255)
Pension contributions and retiree medical payments	**(25,196)**	(18,559)
Gain on sale of assets	**—**	(14,372)
Gain on sale of businesses	**—**	(2,522)
Goodwill impairment	**118,599**	—
Changes in operating assets and liabilities, net of acquisitions/divestitures:		
Accounts and other receivables	**67,506**	50,340
Finance receivables	**3,837**	1,260
Inventories	**(9,065)**	(4,078)
Other current assets and prepayments	**(1,561)**	(33,833)
Accounts payable and accrued liabilities	**(108,836)**	(72,101)
Current and noncurrent income taxes	**(27,903)**	(14,069)
Advance billings	**(22,948)**	(285)
Other, net	**7,564**	18,195
Net cash from operating activities	**(39,758)**	45,694
Cash flows from investing activities:		
Capital expenditures	**(54,646)**	(64,174)
Purchases of investment securities	**(9,973)**	(3,988)
Proceeds from sales/maturities of investment securities	**12,088**	18,601
Net investment in loan receivables	**(14,835)**	(22,537)
Proceeds from asset sales	**—**	50,766
Proceeds from sale of businesses	**—**	3,284
Settlement of derivative contracts	**6,185**	(19,470)
Other investing activities	**485**	10,000
Net cash from investing activities	**(60,696)**	(27,518)
Cash flows from financing activities:		
Repayments of debt	**(53,803)**	(106,779)
Premiums and fees paid to redeem/refinance debt	**(4,464)**	(4,759)
Dividends paid to stockholders	**(17,525)**	(17,313)
Customer deposits at Pitney Bowes Bank	**52,348**	(15,912)
Common stock repurchases	**—**	(13,446)
Other financing activities	**(9,109)**	(8,295)
Net cash from financing activities	**(32,553)**	(166,504)
Effect of exchange rate changes on cash and cash equivalents	**4,730**	(13,455)
Change in cash and cash equivalents	**(128,277)**	(161,783)
Cash and cash equivalents at beginning of period	**669,981**	732,480
Cash and cash equivalents at end of period	**$ 541,704**	$ 570,697

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 shipping and mailing company that provides technology, logistics, and financial services to small and medium sized businesses, large enterprises, including more than 90 percent of the Fortune 500, retailers and government clients around the world. These clients rely on us to remove the complexity and increase the efficiency in their sending of mail and parcels. For additional information, visit www.pitneybowes.com.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In addition, the December 31, 2022 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, 2023. 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, 2022 (2022 Annual Report).

Factors Affecting Comparability

Certain transactions and changes occurred during 2022 that impact the comparability of our 2023 financial results to the prior periods. These transactions and changes include:

- the sale of our Borderfree cross-border ecommerce solutions business (Borderfree) in July 2022. Accordingly, reported revenue and costs for the three and six months ended June 30, 2022 include revenue and costs for Borderfree. Net income of Borderfree for these periods was not significant.
- a change in the presentation of revenue for digital delivery services effective October 1, 2022, from a gross basis to a net basis. Accordingly, in 2023, revenue and costs of revenue for certain digital delivery services are reported on a net basis as business services revenue; whereas for the three and six months ended June 30, 2022, revenue and cost of revenue for these services were reported as business services revenue and cost of business services, respectively. The change primarily impacts our Global Ecommerce business.

Accounting Pronouncements Adopted in 2023

On January 1, 2023, we adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which requires disclosure of gross write-offs of finance receivables by year of origination. The adoption of this standard did not have a material impact on our financial statement disclosures.

Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The transition to new reference interest rates will require certain contracts to be modified and the ASU is intended to provide temporary optional expedients and exceptions to U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The accommodations provided by the ASU are effective through December 31, 2024, and may be applied at the beginning of any interim period within that time frame. We continue to assess the impact of this standard on our condensed 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, 2023					
	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	**$ 312,754**	**$ 143,107**	**$ 17,636**	**$ 473,497**	**$ —**	**$ 473,497**
Support services	**—**	**—**	**103,315**	**103,315**	**—**	**103,315**
Financing	**—**	**—**	**—**	**—**	**66,702**	**66,702**
Equipment sales	**—**	**—**	**19,060**	**19,060**	**60,391**	**79,451**
Supplies	**—**	**—**	**36,505**	**36,505**	**—**	**36,505**
Rentals	**—**	**—**	**—**	**—**	**17,011**	**17,011**
Subtotal	**312,754**	**143,107**	**176,516**	**632,377**	**$ 144,104**	**$ 776,481**
Revenue from leasing transactions and financing	**—**	**—**	**144,104**	**144,104**		
Total revenue	**$ 312,754**	**$ 143,107**	**$ 320,620**	**$ 776,481**		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	**$ —**	**$ —**	**$ 73,495**	**$ 73,495**		
Products/services transferred over time	**312,754**	**143,107**	**103,021**	**558,882**		
Total	**$ 312,754**	**$ 143,107**	**$ 176,516**	**$ 632,377**		

	Three Months Ended June 30, 2022					
	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	$ 393,770	$ 138,934	$ 18,774	$ 551,478	$ —	$ 551,478
Support services	—	—	107,625	107,625	—	107,625
Financing	—	—	—	—	67,298	67,298
Equipment sales	—	—	21,400	21,400	68,586	89,986
Supplies	—	—	38,245	38,245	—	38,245
Rentals	—	—	—	—	16,863	16,863
Subtotal	393,770	138,934	186,044	718,748	$ 152,747	$ 871,495
Revenue from leasing transactions and financing	—	—	152,747	152,747		
Total revenue	$ 393,770	$ 138,934	$ 338,791	$ 871,495		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	$ —	$ —	$ 76,153	$ 76,153		
Products/services transferred over time	393,770	138,934	109,891	642,595		
Total	$ 393,770	$ 138,934	$ 186,044	$ 718,748		

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

	Six Months Ended June 30, 2023					
	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	$ 661,145	$ 302,009	$ 33,834	$ 996,988	$ —	$ 996,988
Support services	—	—	208,599	208,599	—	208,599
Financing	—	—	—	—	133,751	133,751
Equipment sales	—	—	39,055	39,055	123,006	162,061
Supplies	—	—	75,340	75,340	—	75,340
Rentals	—	—	—	—	34,280	34,280
Subtotal	661,145	302,009	356,828	1,319,982	$ 291,037	$ 1,611,019
Revenue from leasing transactions and financing	—	—	291,037	291,037		
Total revenue	$ 661,145	$ 302,009	$ 647,865	$ 1,611,019		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	$ —	$ —	$ 150,559	$ 150,559		
Products/services transferred over time	661,145	302,009	206,269	1,169,423		
Total	$ 661,145	$ 302,009	$ 356,828	$ 1,319,982		

	Six Months Ended June 30, 2022					
	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	$ 812,297	$ 299,478	$ 37,087	$ 1,148,862	$ —	$ 1,148,862
Support services	—	—	217,977	217,977	—	217,977
Financing	—	—	—	—	139,327	139,327
Equipment sales	—	—	42,699	42,699	136,583	179,282
Supplies	—	—	79,306	79,306	—	79,306
Rentals	—	—	—	—	33,683	33,683
Subtotal	812,297	299,478	377,069	1,488,844	$ 309,593	$ 1,798,437
Revenue from leasing transactions and financing	—	—	309,593	309,593		
Total revenue	$ 812,297	$ 299,478	$ 686,662	$ 1,798,437		
Timing of revenue recognition from products and services						
Products/services transferred at a point in time	$ —	$ —	$ 154,526	$ 154,526		
Products/services transferred over time	812,297	299,478	222,543	1,334,318		
Total	$ 812,297	$ 299,478	$ 377,069	$ 1,488,844		

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

Support services includes providing maintenance, professional and subscription services for our equipment and digital mailing and shipping technology solutions. Contract terms range from one to five years, depending on the 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 the equipment is free of defects and meets stated specifications. The warranty is not considered a separate performance obligation.

Supplies includes revenue from supplies for our mailing equipment and is recognized upon delivery.

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

Advance Billings from Contracts with Customers

	Balance sheet location	**June 30, 2023**	December 31, 2022	Increase/ (decrease)
Advance billings, current	Advance billings	**$ 74,743**	$ 97,904	$ (23,161)
Advance billings, noncurrent	Other noncurrent liabilities	**$ 828**	$ 906	$ (78)

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. Revenue recognized during the period includes $80 million of advance billings at the beginning of the period. Advance billings, current, at June 30, 2023 and December 31, 2022 also includes $8 million and $7 million, respectively, from leasing transactions.

Future Performance Obligations

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

	Remainder of 2023	**2024**	**2025-2028**	**Total**
SendTech Solutions	$ 131,067	$ 227,613	$ 341,507	$ 700,187

The amounts above do not include revenue for performance obligations under contracts with terms less than 12 months or revenue for 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. The principal products and services of each reportable segment are as follows:

Global Ecommerce: Includes the revenue and related expenses from business to consumer logistics services for domestic and cross-border delivery, returns and fulfillment.

Presort Services: Includes revenue and related expenses from sortation services that enable clients to qualify for USPS workshare discounts in First Class Mail, Marketing Mail, Marketing Mail Flats and Bound Printed Matter.

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 clients simplify and save on the sending, tracking and receiving of letters, parcels and flats.

Management measures segment profitability and performance using adjusted segment earnings before interest and taxes (EBIT). Adjusted segment EBIT is calculated by deducting from segment revenue the related costs and expenses attributable to the segment. Adjusted segment EBIT excludes interest, taxes, unallocated corporate expenses, restructuring charges, goodwill impairment, and other items not allocated to business segments. Costs related to shared assets are allocated to the relevant segments. Management believes that adjusted segment EBIT provides investors a useful measure of operating performance and underlying trends of the business. Adjusted 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 a reconciliation of adjusted segment EBIT to net (loss) income.

	Revenue			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Global Ecommerce	**$ 312,754**	$ 393,770	**$ 661,145**	$ 812,297
Presort Services	**143,107**	138,934	**302,009**	299,478
SendTech Solutions	**320,620**	338,791	**647,865**	686,662
Total revenue	**$ 776,481**	$ 871,495	**$ 1,611,019**	$ 1,798,437

	Adjusted Segment EBIT			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Global Ecommerce	**$ (38,115)**	$ (28,825)	**$ (72,321)**	$ (42,521)
Presort Services	**20,429**	12,851	**47,334**	32,483
SendTech Solutions	**97,480**	95,565	**194,151**	200,140
Total adjusted segment EBIT	**79,794**	79,591	**169,164**	190,102
Reconciliation of adjusted segment EBIT to net (loss) income:				
Unallocated corporate expenses	**(47,709)**	(40,761)	**(104,058)**	(98,595)
Restructuring charges	**(22,443)**	(4,224)	**(26,042)**	(8,408)
Interest expense, net	**(37,683)**	(33,540)	**(74,561)**	(67,266)
Proxy solicitation fees	**(4,538)**	—	**(10,905)**	—
Goodwill impairment	**(118,599)**	—	**(118,599)**	—
Gain (loss) on debt redemption/refinancing	**228**	—	**3,064**	(4,993)
Gain on sale of assets	**—**	—	**—**	14,372
Loss on sale of businesses, including transaction costs	**—**	(3,756)	**—**	(2,878)
Benefit for income taxes	**9,415**	7,026	**12,665**	2,823
Net (loss) income	**$ (141,535)**	$ 4,336	**$ (149,272)**	$ 25,157

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

4. Earnings per Share

The calculation of basic and diluted earnings per share (EPS) is presented below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Numerator:				
Net (loss) income	**$ (141,535)**	$ 4,336	**$ (149,272)**	$ 25,157
Denominator:				
Weighted-average shares used in basic EPS	**175,695**	173,490	**175,094**	173,859
Dilutive effect of common stock equivalents (1)	**—**	3,479	**—**	3,814
Weighted-average shares used in diluted EPS	**175,695**	176,969	**175,094**	177,673
Basic net (loss) earnings per share	**$ (0.81)**	$ 0.02	**$ (0.85)**	$ 0.14
Diluted net (loss) earnings per share	**$ (0.81)**	$ 0.02	**$ (0.85)**	$ 0.14
Common stock equivalents excluded from calculation of diluted earnings per share because their impact would be anti-dilutive:	**11,426**	9,602	**9,833**	9,602

(1) Due to the net loss for the three and six months ended June 30, 2023, an additional 3.7 million and 4.1 million, respectively, of common stock equivalents were also excluded from the calculation of diluted earnings per share.

5. Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or net realizable value. Inventories consisted of the following:

	June 30, 2023	December 31, 2022
Raw materials	**$ 28,137**	$ 25,539
Supplies and service parts	**33,046**	27,573
Finished products	**31,600**	30,608
Total inventory, net	**$ 92,783**	$ 83,720

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

6. Finance Assets and Lessor Operating Leases

Finance Assets

Finance receivables are comprised of sales-type lease receivables, secured loans and unsecured loans. Sales-type leases and secured loans are from financing options for the purchase or lease of Pitney Bowes equipment or other manufacturers' equipment and are generally due in installments over periods ranging from three to five years. Unsecured loans comprise revolving credit lines offered to our clients for postage, supplies and working capital purposes. These revolving credit lines are generally due monthly; however, clients may rollover outstanding balances. Interest is recognized on finance receivables using the effective interest method. Annual fees are recognized ratably over the period covered and client acquisition costs are expensed as incurred. All finance receivables are in our SendTech Solutions segment and we segregate finance receivables into a North America portfolio and an International portfolio.

Finance receivables consisted of the following:

	June 30, 2023			December 31, 2022		
	North America	**International**	**Total**	North America	International	Total
Sales-type lease receivables						
Gross finance receivables	**$ 986,317**	**$ 143,792**	**$ 1,130,109**	$ 967,298	$ 158,167	$ 1,125,465
Unguaranteed residual values	**38,837**	**8,346**	**47,183**	38,832	8,798	47,630
Unearned income	**(246,871)**	**(45,218)**	**(292,089)**	(239,238)	(48,334)	(287,572)
Allowance for credit losses	**(14,255)**	**(2,434)**	**(16,689)**	(14,131)	(2,893)	(17,024)
Net investment in sales-type lease receivables	**764,028**	**104,486**	**868,514**	752,761	115,738	868,499
Loan receivables						
Loan receivables	**317,513**	**19,477**	**336,990**	311,887	16,636	328,523
Allowance for credit losses	**(5,264)**	**(164)**	**(5,428)**	(4,787)	(139)	(4,926)
Net investment in loan receivables	**312,249**	**19,313**	**331,562**	307,100	16,497	323,597
Net investment in finance receivables	**$ 1,076,277**	**$ 123,799**	**$ 1,200,076**	$ 1,059,861	$ 132,235	$ 1,192,096

Maturities of gross finance receivables at June 30, 2023 were as follows:

	Sales-type Lease Receivables			**Loan Receivables**		
	North America	**International**	**Total**	**North America**	**International**	**Total**
Remainder 2023	$ 197,140	$ 43,305	$ 240,445	$ 224,057	$ 19,477	$ 243,534
2024	323,973	45,253	369,226	33,442	—	33,442
2025	232,550	28,915	261,465	26,991	—	26,991
2026	148,495	16,607	165,102	18,104	—	18,104
2027	72,840	7,306	80,146	11,659	—	11,659
Thereafter	11,319	2,406	13,725	3,260	—	3,260
Total	$ 986,317	$ 143,792	$ 1,130,109	$ 317,513	$ 19,477	$ 336,990

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

Aging of Receivables

The aging of gross finance receivables was as follows:

	June 30, 2023				
	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Past due amounts 0 - 90 days	**$ 981,470**	**$ 141,849**	**$ 314,794**	**$ 19,285**	**$ 1,457,398**
Past due amounts > 90 days	**4,847**	**1,943**	**2,719**	**192**	**9,701**
Total	**$ 986,317**	**$ 143,792**	**$ 317,513**	**$ 19,477**	**$ 1,467,099**

	December 31, 2022				
	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Past due amounts 0 - 90 days	$ 959,203	$ 155,596	$ 308,872	$ 16,503	$ 1,440,174
Past due amounts > 90 days	8,095	2,571	3,015	133	13,814
Total	$ 967,298	$ 158,167	$ 311,887	$ 16,636	$ 1,453,988

Allowance for Credit Losses

We provide 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 and current economic conditions and outlook based on reasonable and supportable forecasts. We continually evaluate the adequacy of the allowance for credit losses and adjust as necessary. The assumptions used in determining an estimate of credit losses are inherently subjective and actual results may differ significantly from estimated reserves.

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

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

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

	Sales-type Lease Receivables		Loan Receivables		
	North America	**International**	**North America**	**International**	**Total**
Balance at January 1, 2023	$ 14,131	$ 2,893	$ 4,787	$ 139	$ 21,950
Amounts charged to expense	**1,035**	**250**	**2,067**	**160**	**3,512**
Write-offs	**(2,374)**	**(779)**	**(2,668)**	**(145)**	**(5,966)**
Recoveries	**1,460**	**134**	**1,061**	**—**	**2,655**
Other	**3**	**(64)**	**17**	**10**	**(34)**
Balance at June 30, 2023	**$ 14,255**	**$ 2,434**	**$ 5,264**	**$ 164**	**$ 22,117**

	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Balance at January 1, 2022	$ 19,546	$ 3,246	$ 3,259	$ 167	$ 26,218
Amounts charged to expense	145	73	1,408	186	1,812
Write-offs	(2,806)	(433)	(2,491)	(152)	(5,882)
Recoveries	1,572	—	1,354	—	2,926
Other	(19)	(364)	(2)	(31)	(416)
Balance at June 30, 2022	$ 18,438	$ 2,522	$ 3,528	$ 170	$ 24,658

The table below shows write-offs of gross finance receivables by year of origination.

	June 30, 2023							
	Sales Type Lease Receivables							
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Loan Receivables**	**Total**
Write-offs	**$ 272**	**$ 688**	**$ 936**	**$ 601**	**$ 366**	**$ 290**	**$ 2,813**	**$ 5,966**

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

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, a detailed manual review of their financial condition and payment history, or an automated process. Once credit is granted, the payment performance of the client is managed through automated collections processes and is supplemented with direct follow up should an account become delinquent. We have robust automated collections and extensive portfolio management processes to ensure that our global strategy is executed, collection resources are allocated and enhanced tools and processes are implemented as needed.

Over 85% of our finance receivables are within the North American portfolio. We use a third-party to score the majority of this portfolio on a quarterly basis using a proprietary commercial credit score. The relative scores are determined based on a number of factors, including financial information, payment history, company type and ownership structure. We stratify the third party's credit scores of our clients into low, medium and high-risk accounts. Due to timing and other issues, our entire portfolio may not be scored at period end. We report these amounts as "Not Scored"; however, absence of a score is not indicative of the credit quality of the account. The third-party credit score is used to predict the payment behaviors of our clients and the probability that an account will become greater than 90 days past due during the subsequent 12-month period.

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

We do not use a third-party to score our International portfolio because the cost to do so is prohibitive as there is no single credit score model that covers all countries. Accordingly, the entire International portfolio is reported in the Not Scored category. This portfolio comprises less than 15% of total finance receivables. Most of the International credit applications are small dollar applications (i.e. below $50 thousand) and are subjected to an automated review process. Larger credit applications are manually reviewed, which includes obtaining client financial information, credit reports and other available financial information.

The table below shows gross finance receivables by relative risk class and year of origination based on the relative scores of the accounts within each class.

	June 30, 2023							
	Sales Type Lease Receivables						Loan Receivables	Total
	2023	2022	2021	2020	2019	Prior		
Low	$ 144,677	$ 255,499	$ 183,923	$ 119,576	$ 68,835	$ 25,262	$ 252,372	$ 1,050,144
Medium	27,214	45,522	33,343	22,615	16,592	6,076	49,631	200,993
High	2,345	4,581	3,055	2,482	1,214	850	6,416	20,943
Not Scored	48,423	50,455	37,337	17,854	9,379	3,000	28,571	195,019
Total	$ 222,659	$ 356,057	$ 257,658	$ 162,527	$ 96,020	$ 35,188	$ 336,990	$ 1,467,099

	December 31, 2022							
	Sales Type Lease Receivables						Loan Receivables	Total
	2022	2021	2020	2019	2018	Prior		
Low	$ 286,297	$ 206,511	$ 140,800	$ 95,485	$ 34,721	$ 12,674	$ 239,635	$ 1,016,123
Medium	53,419	40,669	27,013	19,668	6,751	3,441	56,048	207,009
High	6,492	3,840	3,119	1,942	750	508	6,800	23,451
Not Scored	71,435	53,831	29,957	19,232	5,889	1,021	26,040	207,405
Total	$ 417,643	$ 304,851	$ 200,889	$ 136,327	$ 48,111	$ 17,644	$ 328,523	$ 1,453,988

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

Lease Income

Lease income from sales-type leases, excluding variable lease payments, was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Profit recognized at commencement	**$ 30,839**	$ 34,337	**$ 62,661**	$ 69,378
Interest income	**39,181**	41,021	**78,112**	83,304
Total lease income from sales-type leases	**$ 70,020**	$ 75,358	**$ 140,773**	$ 152,682

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:

Remainder 2023	$ 10,241
2024	17,361
2025	18,934
2026	9,561
2027	2,779
Thereafter	607
Total	$ 59,483

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

7. Intangible Assets and Goodwill

Intangible Assets

Intangible assets consisted of the following:

	June 30, 2023			December 31, 2022		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	**$ 155,719**	**$ (87,804)**	**$ 67,915**	$ 155,715	$ (80,188)	$ 75,527
Software & technology	**21,973**	**(19,826)**	**2,147**	22,000	(19,583)	2,417
Total intangible assets	**$ 177,692**	**$ (107,630)**	**$ 70,062**	$ 177,715	$ (99,771)	$ 77,944

Amortization expense for the three months ended June 30, 2023 and 2022 was $4 million and $8 million, respectively and amortization expense for the six months ended June 30, 2023 and 2022 was $8 million and $15 million, respectively.

Future amortization expense as of June 30, 2023 is shown in the table below. Actual amortization expense may differ due to, among other things, fluctuations in foreign currency exchange rates, acquisitions, divestitures and impairment charges.

Remainder 2023	$ 7,859
2024	15,719
2025	15,515
2026	14,526
2027	11,471
Thereafter	4,972
Total	$ 70,062

Goodwill

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

	December 31, 2022	**Impairment**	**Currency impact**	**June 30, 2023**
Global Ecommerce	$ 339,184	**$ (118,599)**	**$ —**	**$ 220,585**
Presort Services	223,763	**—**	**—**	**223,763**
SendTech Solutions	504,004	**—**	**3,950**	**507,954**
Total goodwill	$ 1,066,951	**$ (118,599)**	**$ 3,950**	**$ 952,302**

Global Ecommerce goodwill is net of accumulated goodwill impairment charges of $317 million and $198 million at June 30, 2023 and December 31, 2022, respectively.

We determined that the performance of our Global Ecommerce reporting unit through June 30, 2023 and continuing changes in macroeconomic conditions, was a triggering event causing us to evaluate the Global Ecommerce goodwill for impairment at June 30, 2023. To assess Global Ecommerce goodwill for impairment, we determined the fair value of the Global Ecommerce reporting unit and compared it to the 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 fair value of the reporting unit was estimated using a discounted cash flow model based on management developed cash flow projections, which included judgements and assumptions related to revenue growth rates, operating margins, operating income, and a discount rate. We determined that the estimated fair value of the Global Ecommerce reporting unit was less than its carrying value and recorded a non-cash, pre-tax goodwill impairment charge of $119 million. Future changes in any of these judgements or assumptions could materially affect the determination of fair value and result in an additional impairment charge in the future. The 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)

8. 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, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds	$ 9,804	$ 178,973	$ —	$ 188,777
Equity securities	—	14,888	—	14,888
Commingled fixed income securities	1,538	6,318	—	7,856
Government and related securities	10,339	18,674	—	29,013
Corporate debt securities	—	52,907	—	52,907
Mortgage-backed / asset-backed securities	—	123,009	—	123,009
Derivatives				
Interest rate swap	—	13,283	—	13,283
Total assets	$ 21,681	$ 408,052	$ —	$ 429,733
Liabilities:				
Derivatives				
Foreign exchange contracts	$ —	$ (1,314)	$ —	$ (1,314)
Total liabilities	$ —	$ (1,314)	$ —	$ (1,314)

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

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds	$ 29,087	$ 238,536	$ —	$ 267,623
Equity securities	—	13,233	—	13,233
Commingled fixed income securities	1,520	6,526	—	8,046
Government and related securities	10,253	18,796	—	29,049
Corporate debt securities	—	52,319	—	52,319
Mortgage-backed / asset-backed securities	—	126,882	—	126,882
Derivatives				
Interest rate swap	—	15,283	—	15,283
Foreign exchange contracts	—	479	—	479
Total assets	$ 40,860	$ 472,054	$ —	$ 512,914
Liabilities:				
Derivatives				
Foreign exchange contracts	$ —	$ (1,472)	$ —	$ (1,472)
Total liabilities	$ —	$ (1,472)	$ —	$ (1,472)

Investment Securities

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

- *Money Market Funds:* Money market funds typically invest in government securities, certificates of deposit, commercial paper and other highly liquid, low risk securities. Money market funds are principally used for overnight deposits and are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.
- *Equity Securities*: Equity securities are comprised of mutual funds investing in U.S. and foreign stocks. These mutual funds are classified as Level 2.
- *Commingled Fixed Income Securities:* Commingled fixed income securities are comprised of mutual funds that invest in a variety of fixed income securities, including securities of the U.S. government and its agencies, corporate debt, mortgage-backed securities and asset-backed securities. Fair value is based on the value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding, as reported by the fund manager. These mutual funds are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.
- *Government and Related Securities:* Debt securities are classified as Level 1 when unadjusted quoted prices in active markets are available. 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. 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

Investment securities classified as available-for-sale are recorded at fair value with changes in fair value due to market conditions recorded in accumulated other comprehensive loss (AOCL), and changes in fair value due to credit conditions recorded in earnings. There were no unrealized losses due to credit losses charged to earnings in the six months ended June 30, 2023.

Available-for-sale securities consisted of the following:

	June 30, 2023		
	Amortized cost	**Gross unrealized losses**	**Estimated fair value**
Government and related securities	**$ 35,186**	**$ (7,694)**	**$ 27,492**
Corporate debt securities	**65,638**	**(12,731)**	**52,907**
Commingled fixed income securities	**1,768**	**(230)**	**1,538**
Mortgage-backed / asset-backed securities	**151,671**	**(28,662)**	**123,009**
Total	**$ 254,263**	**$ (49,317)**	**$ 204,946**

	December 31, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Government and related securities	$ 35,744	$ 11	$ (8,210)	$ 27,545
Corporate debt securities	66,300	—	(13,981)	52,319
Commingled fixed income securities	1,749	—	(229)	1,520
Mortgage-backed / asset-backed securities	156,352	—	(29,470)	126,882
Total	$ 260,145	$ 11	$ (51,890)	$ 208,266

Investment securities in a loss position were as follows:

	June 30, 2023		December 31, 2022	
	Fair Value	**Gross unrealized losses**	Fair Value	Gross unrealized losses
Greater than 12 continuous months				
Government and related securities	**$ 22,263**	**$ 5,001**	$ 17,063	$ 2,753
Corporate debt securities	**52,440**	**12,715**	48,812	13,749
Mortgage-backed / asset-backed securities	**122,646**	**28,642**	114,839	28,040
Total	**$ 197,349**	**$ 46,358**	$ 180,714	$ 44,542
Less than 12 continuous months				
Government and related securities	**$ 5,229**	**$ 2,693**	$ 10,061	$ 5,457
Corporate debt securities	**467**	**16**	3,508	232
Commingled fixed income securities	**1,538**	**230**	1,520	229
Mortgage-backed / asset-backed securities	**363**	**20**	12,042	1,430
Total	**$ 7,597**	**$ 2,959**	$ 27,131	$ 7,348

At June 30, 2023, all securities in the investment portfolio were in an unrealized loss position. However, 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. Accordingly, we have not recognized an impairment loss and our allowance for credit losses on these investment securities is not significant.

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

Scheduled maturities of available-for-sale securities at June 30, 2023 were as follows:

	Amortized cost	Estimated fair value
Within 1 year	$ 2,640	$ 2,399
After 1 year through 5 years	14,947	13,501
After 5 years through 10 years	72,584	59,847
After 10 years	164,092	129,199
Total	$ 254,263	$ 204,946

Actual maturities may not coincide with scheduled maturities as certain securities contain early redemption features and/or allow for the prepayment of obligations.

Held-to-Maturity Securities

Held-to-maturity securities at June 30, 2023 and December 31, 2022 totaled $24 million and $22 million, respectively. Held-to-maturity securities primarily consist of highly-liquid government securities with maturities less than two years.

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 limit these risks by following established risk management policies and procedures, including the use of derivatives. We use derivative instruments to limit the effects of currency exchange rate fluctuations on financial results and manage the cost of debt. We do not use derivatives for trading or speculative purposes. Derivative instruments are recorded at fair value and the accounting for changes in 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 may enter into foreign exchange contracts to mitigate the currency risk associated with anticipated inventory purchases between affiliates and from third parties. These contracts are designated as cash flow hedges. The effective portion of the gain or loss on cash flow hedges is included in AOCL in the period that the change in fair value occurs and is reclassified to earnings in the period that the hedged item is recorded in earnings. There were no outstanding contracts associated with these anticipated transactions at June 30, 2023. At December 31, 2022, outstanding contracts associated with these anticipated transactions had a notional value of $1 million.

Interest Rate Swaps

We have interest rate swap agreements with an aggregate notional value of $200 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 AOCL.

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

The fair value of derivative instruments was as follows:

Designation of Derivatives	Balance Sheet Location	June 30, 2023	December 31, 2022
Derivatives designated as hedging instruments			
Foreign exchange contracts	Other current assets and prepayments	$ —	$ 15
	Accounts payable and accrued liabilities	—	(23)
Interest rate swaps	Other assets	13,283	15,283
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Other current assets and prepayments	—	464
	Accounts payable and accrued liabilities	(1,314)	(1,449)
	Total derivative assets	$ 13,283	$ 15,762
	Total derivative liabilities	(1,314)	(1,472)
	Total net derivative asset	$ 11,969	$ 14,290

Results of cash flow hedging relationships were as follows:

	Three Months Ended June 30,				
	Derivative Gain (Loss) Recognized in AOCL (Effective Portion)		Location of Gain (Loss) (Effective Portion)	Gain (Loss) Reclassified from AOCL to Earnings (Effective Portion)	
Derivative Instrument	2023	2022		2023	2022
Foreign exchange contracts	$ —	$ 100	Revenue	$ —	$ —
			Cost of sales	(34)	49
Interest rate swap	586	1,717	Interest expense	138	138
	$ 586	$ 1,817		$ 104	$ 187

	Six Months Ended June 30,				
	Derivative Gain (Loss) Recognized in AOCL (Effective Portion)		Location of Gain (Loss) (Effective Portion)	Gain (Loss) Reclassified from AOCL to Earnings (Effective Portion)	
Derivative Instrument	2023	2022		2023	2022
Foreign exchange contracts	$ (25)	$ 123	Revenue	$ —	$ —
			Cost of sales	(33)	63
Interest rate swap	(2,000)	8,927	Interest expense	275	275
	$ (2,025)	$ 9,050		$ 242	$ 338

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

Nondesignated Derivative Instruments

We also enter into foreign exchange contracts to minimize the impact on earnings from the revaluation of short-term intercompany loans and related interest denominated in a foreign currency. These foreign exchange contracts are not designated as hedging instruments. Accordingly, the revaluation of intercompany loans and interest and the change in fair value of these derivatives are recorded in earnings. All outstanding contracts at June 30, 2023 mature within three months.

The impact on earnings from the change in fair value of these foreign exchange contracts, exclusive of the corresponding impact on earnings from the revaluation of the intercompany loans and related interest, was as follows:

		Three Months Ended June 30,	
		Derivative Gain (Loss) Recognized in Earnings	
Derivatives Instrument	**Location of Derivative Gain (Loss)**	**2023**	2022
Foreign exchange contracts	Selling, general and administrative expense	**$ 5,893**	$ (17,769)

		Six Months Ended June 30,	
		Derivative Gain (Loss) Recognized in Earnings	
Derivatives Instrument	**Location of Derivative Gain (Loss)**	**2023**	2022
Foreign exchange contracts	Selling, general and administrative expense	**$ 7,464**	$ (21,183)

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, available-for-sale and held-to-maturity investment securities, accounts receivable, loan receivables, derivative instruments, accounts payable and debt. The carrying value of cash and cash equivalents, held-to-maturity investment securities, accounts receivable, loans receivable, and accounts payable approximate fair value. The fair value of available-for-sale investment securities and derivative instruments are presented above. 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 were classified as Level 2 in the fair value hierarchy. The carrying value and estimated fair value of debt was as follows:

	June 30, 2023	December 31, 2022
Carrying value	**$ 2,149,778**	$ 2,205,266
Fair value	**$ 1,744,098**	$ 1,856,878

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

9. Restructuring Charges

In May 2023, we approved a worldwide plan (the 2023 Plan) designed to improve profitability and cash flow by reducing complexity, streamlining processes, and driving further operational efficiencies. This will be achieved in part, through the expansion of the Company's shared services activities, further centralization and standardization of processes, increased automation and the closure and consolidation of select facilities in North America.

We expect to eliminate 400-500 positions worldwide. Total charges are expected to be $40 million-$50 million, consisting of employee severance and facility consolidation costs. We expect to substantially complete these actions by the first half of 2024.

Activity in our restructuring reserves was as follows:

	2023 Plan	Prior Plan	Total
Balance at January 1, 2023	$ —	$ 7,647	$ 7,647
Amounts charged to expense	**22,443**	**3,599**	**26,042**
Cash payments	**(1,637)**	**(11,246)**	**(12,883)**
Noncash activity	**(1,478)**	**—**	**(1,478)**
Balance at June 30, 2023	**$ 19,328**	**$ —**	**$ 19,328**
Balance at January 1, 2022	$ —	$ 5,747	$ 5,747
Amounts charged to expense	—	8,408	8,408
Cash payments	—	(8,255)	(8,255)
Noncash activity	—	(275)	(275)
Balance at June 30, 2022	$ —	$ 5,625	$ 5,625

Components of restructuring expense were as follows:

	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022
	2023 Plan	Prior Plan	Total	Prior Plan
Severance	**$ 20,965**	**$ —**	**$ 20,965**	$ 3,170
Facilities and other	**1,478**	**—**	**1,478**	1,054
Total	**$ 22,443**	**$ —**	**$ 22,443**	$ 4,224

	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022
	2023 Plan	Prior Plan	Total	Prior Plan
Severance	**$ 20,965**	**$ 3,057**	**$ 24,022**	$ 6,377
Facilities and other	**1,478**	**542**	**2,020**	2,031
Total	**$ 22,443**	**$ 3,599**	**$ 26,042**	$ 8,408

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

10. Debt

Total debt consisted of the following:

	Interest rate	June 30, 2023	December 31, 2022
Notes due March 2024	4.625%	$ **214,510**	$ 236,749
Term loan due March 2026	SOFR + 2.25%	**336,500**	351,500
Notes due March 2027	6.875%	**380,000**	396,750
Term loan due March 2028	SOFR + 4.0%	**439,875**	442,125
Notes due March 2029	7.25%	**350,000**	350,000
Notes due January 2037	5.25%	**35,841**	35,841
Notes due March 2043	6.70%	**425,000**	425,000
Other debt		**1,817**	2,446
Principal amount		**2,183,543**	2,240,411
Less: unamortized costs, net		**33,765**	35,145
Total debt		**2,149,778**	2,205,266
Less: current portion long-term debt		**264,980**	32,764
Long-term debt		$ **1,884,798**	$ 2,172,502

Through June 30, 2023, we purchased an aggregate $39 million of the March 2024 notes and March 2027 notes and recognized a gain of $3 million. Additionally, we made scheduled principal repayments of $17 million on our term loans. At June 30, 2023, the interest rate on the 2026 Term Loan was 7.5% and the interest rate of the 2028 Term Loan was 9.2%.

The credit agreement that governs our $500 million secured revolving credit facility and term loans contains financial and non-financial covenants. In June 2023, we amended this credit agreement to provide additional flexibility in managing our capital structure. At June 30, 2023, we were in compliance with all covenants and there were no outstanding borrowings under the revolving credit facility. Borrowings under the revolving credit facility and term loans are secured by assets of the company.

We have outstanding interest rate swaps that effectively convert $200 million of our variable rate debt to fixed rates. In January 2023, the reference rate of the interest rate swaps was amended to align with the secured revolving credit facility. Under the terms of the interest rate swaps, we pay fixed-rate interest of 0.585% and receive variable-rate interest based on one-month SOFR plus 0.1%. The variable interest rates under the term loans and the swaps reset monthly.

The Pitney Bowes Bank (the Bank), a wholly owned subsidiary, is a member of the Federal Home Loan Bank of Des Moines and has access to certain credit products as a funding source known as "advances." As of June 30, 2023, the Bank had yet to apply for any advances.

In July 2023, we issued senior secured notes in an aggregate principal amount of $275 million, pursuant to a private placement. The notes mature in March 2028 and bear interest of SOFR plus 6.9%, payable quarterly, and were issued with original issue discount of 3%. The net proceeds will be used to redeem our March 2024 notes and a portion of our tranche A term loan due March 2026.

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

11. Pensions and Other Benefit Programs

The components of net periodic benefit (income) cost 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,	
	2023	2022	**2023**	2022	**2023**	2022
Service cost	**$ 10**	$ 24	**$ 194**	$ 332	**$ 88**	$ 179
Interest cost	**16,089**	11,141	**5,334**	3,450	**1,306**	939
Expected return on plan assets	**(21,613)**	(17,862)	**(7,515)**	(6,809)	**—**	—
Amortization of prior service (credit) cost	**(5)**	(11)	**72**	64	**—**	—
Amortization of net actuarial loss (gain)	**4,416**	8,232	**522**	1,726	**(357)**	88
Settlement	**314**	—	**—**	—	**—**	—
Net periodic benefit (income) cost	**$ (789)**	$ 1,524	**$ (1,393)**	$ (1,237)	**$ 1,037**	$ 1,206
Contributions to benefit plans	**$ 1,908**	$ 1,148	**$ 512**	$ 392	**$ 2,838**	$ 3,490

	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,	
	2023	2022	**2023**	2022	**2023**	2022
Service cost	**$ 20**	$ 48	**$ 388**	$ 687	**$ 177**	$ 358
Interest cost	**32,178**	22,282	**10,556**	7,084	**2,611**	1,879
Expected return on plan assets	**(43,226)**	(35,725)	**(14,859)**	(14,014)	**—**	—
Amortization of prior service (credit) cost	**(10)**	(22)	**142**	132	**—**	—
Amortization of net actuarial loss (gain)	**8,833**	16,464	**1,027**	3,547	**(713)**	175
Settlement	**314**	—	**—**	—	**—**	—
Net periodic benefit (income) cost	**$ (1,891)**	$ 3,047	**$ (2,746)**	$ (2,564)	**$ 2,075**	$ 2,412
Contributions to benefit plans	**$ 3,035**	$ 2,298	**$ 15,545**	$ 8,613	**$ 6,616**	$ 7,648

12. Income Taxes

The effective tax rate for the three and six months ended June 30, 2023 was 6.2% and 7.8%, respectively, primarily due to a benefit of $1 million on the $119 million goodwill impairment charge as the majority of this charge is nondeductible.

For the three months ended June 30, 2022, we reported a tax benefit of $7 million on a pre-tax loss of $3 million primarily due to the recognition of a one-time tax benefit from a tax basis adjustment resulting from the Borderfree business being classified as assets held for sale. For the six months ended June 30, 2022, we reported a tax benefit of $3 million on pre-tax income of $22 million primarily due to the benefit related to the Borderfree business and a $1 million benefit associated with the 2019 sale of a business.

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 15% of our unrecognized tax benefits.

With regard to U.S Federal income tax, the Internal Revenue Service examination of our consolidated U.S. income tax returns for tax years prior to 2019 are closed to audit, but for review of the Tax Cuts and Jobs Act Sec. 965 transition tax. On a state and local level, the company is closed through 2017 in most jurisdictions. For our significant non-U.S. jurisdictions, Canada is closed to examination through 2017 except for a specific issue under current exam. For France, Germany and the U.K., the company is closed through 2019, 2016, and 2020 respectively. We also have other less significant tax filings currently subject to examination.

13. Commitments and Contingencies

From time to time, in the ordinary course of business, we are involved in litigation pertaining 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 customers, employees, or others. Due to uncertainties inherent in litigation, any actions could have an adverse effect on our financial position, results of operations or cash flows; however, in management's opinion, the final outcome of outstanding matters will not have a material adverse effect on our business.

As of June 30, 2023, we have entered into real estate and equipment leases with aggregate payments of $59 million and terms ranging from three to seven years that have not commenced.

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

14. Stockholders' (Deficit) Equity

Changes in stockholders' (deficit) equity were as follows:

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total (deficit) equity
Balance at April 1, 2023	$ 323,338	$ —	$ 5,060,852	$ (819,978)	$ (4,504,248)	$ 59,964
Net loss	—	—	(141,535)	—	—	(141,535)
Other comprehensive income	—	—	—	11,985	—	11,985
Dividends paid ($0.05 per common share)	—	—	(8,800)	—	—	(8,800)
Issuance of common stock	—	(2,830)	(1,876)	—	4,775	69
Stock-based compensation expense	—	2,830	—	—	—	2,830
Balance at June 30, 2023	$ 323,338	$ —	$ 4,908,641	$ (807,993)	$ (4,499,473)	$ (75,487)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at April 1, 2022	$ 323,338	$ —	$ 5,141,636	$ (800,330)	$ (4,571,762)	$ 92,882
Net income	—	—	4,336	—	—	4,336
Other comprehensive loss	—	—	—	(49,723)	—	(49,723)
Dividends paid ($0.05 per common share)	—	—	(8,625)	—	—	(8,625)
Issuance of common stock	—	(5,371)	(99)	—	5,383	(87)
Stock-based compensation expense	—	5,371	—	—	—	5,371
Balance at June 30, 2022	$ 323,338	$ —	$ 5,137,248	$ (850,053)	$ (4,566,379)	$ 44,154

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total (deficit) equity
Balance at January 1, 2023	$ 323,338	$ —	$ 5,125,677	$ (835,564)	$ (4,552,798)	$ 60,653
Net loss	—	—	(149,272)	—	—	(149,272)
Other comprehensive income	—	—	—	27,571	—	27,571
Dividends paid ($0.10 per common share)	—	—	(17,525)	—	—	(17,525)
Issuance of common stock	—	(6,075)	(50,239)	—	53,325	(2,989)
Stock-based compensation expense	—	6,075	—	—	—	6,075
Balance at June 30, 2023	$ 323,338	$ —	$ 4,908,641	$ (807,993)	$ (4,499,473)	$ (75,487)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at January 1, 2022	$ 323,338	$ 2,485	$ 5,169,270	$ (780,312)	$ (4,602,149)	$ 112,632
Net income	—	—	25,157	—	—	25,157
Other comprehensive loss	—	—	—	(69,741)	—	(69,741)
Dividends paid ($0.10 per common share)	—	—	(17,313)	—	—	(17,313)
Issuance of common stock	—	(12,351)	(39,866)	—	49,216	(3,001)
Stock-based compensation expense	—	9,866	—	—	—	9,866
Repurchase of common stock	—	—	—	—	(13,446)	(13,446)
Balance at June 30, 2022	$ 323,338	$ —	$ 5,137,248	$ (850,053)	$ (4,566,379)	$ 44,154

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

15. Accumulated Other Comprehensive Loss

Reclassifications out of AOCL were as follows:

	Gain (Loss) Reclassified from AOCL			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Cash flow hedges				
Cost of sales	**(34)**	49	**$ (33)**	$ 63
Interest expense, net	**138**	138	**275**	275
Total before tax	**104**	187	**242**	338
Income tax provision	**26**	47	**61**	83
Net of tax	**$ 78**	$ 140	**$ 181**	$ 255
Available-for-sale securities				
Financing revenue	**$ (1)**	$ (4)	**$ 9**	$ (6)
Selling, general and administrative expense	**—**	35	**—**	22
Total before tax	**(1)**	31	**9**	16
Income tax provision	**—**	8	**2**	5
Net of tax	**$ (1)**	$ 23	**$ 7**	$ 11
Pension and postretirement benefit plans				
Prior service costs	**(67)**	(53)	**$ (132)**	$ (110)
Actuarial losses	**(4,581)**	(10,046)	**(9,147)**	(20,186)
Settlement	**(314)**	—	**(314)**	—
Total before tax	**(4,962)**	(10,099)	**(9,593)**	(20,296)
Income tax benefit	**(1,223)**	(1,870)	**(2,365)**	(4,331)
Net of tax	**$ (3,739)**	$ (8,229)	**$ (7,228)**	$ (15,965)

Changes in AOCL, net of tax were as follows:

	Cash flow hedges	**Available for sale securities**	**Pension and postretirement benefit plans**	**Foreign currency adjustments**	**Total**
Balance at January 1, 2023	$ 12,503	$ (39,440)	$ (716,056)	$ (92,571)	$ (835,564)
Other comprehensive (loss) income before reclassifications	**(1,506)**	**1,957**	**—**	**20,080**	**20,531**
Reclassifications into earnings	**(181)**	**(7)**	**7,228**	**—**	**7,040**
Net other comprehensive (loss) income	**(1,687)**	**1,950**	**7,228**	**20,080**	**27,571**
Balance at June 30, 2023	**$ 10,816**	**$ (37,490)**	**$ (708,828)**	**$ (72,491)**	**$ (807,993)**

	Cash flow hedges	Available for sale securities	Pension and postretirement benefit plans	Foreign currency adjustments	Total
Balance at January 1, 2022	$ 3,803	$ (6,249)	$ (756,639)	$ (21,227)	$ (780,312)
Other comprehensive income (loss) before reclassifications	6,817	(26,554)	—	(65,703)	(85,440)
Reclassifications into earnings	(255)	(11)	15,965	—	15,699
Net other comprehensive income (loss)	6,562	(26,565)	15,965	(65,703)	(69,741)
Balance at June 30, 2022	$ 10,365	$ (32,814)	$ (740,674)	$ (86,930)	$ (850,053)

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

16. Supplemental Financial Statement Information

Activity in the allowance for credit losses on accounts and other receivables and other assets is presented below. See Note 7 for information regarding the allowance for credit losses on finance receivables.

	Six Months Ended June 30,	
	2023	2022
Balance at beginning of year	**$ 5,864**	$ 29,179
Amounts charged to expense	**3,652**	5,280
Write-offs, recoveries and other	**(5,299)**	(21,763)
Balance at end of period	**$ 4,217**	$ 12,696
Accounts and other receivables	**$ 4,217**	$ 12,176
Other assets	**—**	520
Total	**$ 4,217**	$ 12,696

Other income, net consisted of the following:

	Three Months Ended June 30,	Six Months Ended June 30,	
	2023	**2023**	2022
(Gain) loss on debt redemption/refinancing	**$ (228)**	**$ (3,064)**	$ 4,993
Gain on sale of assets	**—**	**—**	(14,372)
Gain on sale of businesses	**—**	**—**	(2,522)
Other income, net	**$ (228)**	**$ (3,064)**	$ (11,901)

Supplemental cash flow information is as follows:

	Six Months Ended June 30,	
	2023	2022
Cash interest paid	**$ 75,425**	$ 64,511
Cash income tax payments, net of refunds	**$ 15,100**	$ 11,164
Noncash activity		
Capital assets obtained under capital lease obligations	**$ 1,495**	$ 14,017

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

Forward-Looking Statements

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

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 our forward-looking statements. Our results of operations, financial condition and forward-looking statements are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission. Other factors which could cause future financial performance to differ materially from expectations, include, without limitation:

- declining physical mail volumes
- changes in postal regulations or the operations and financial health of posts in the U.S. or other major markets, or changes to the broader postal or shipping markets
- our ability to continue to grow and manage unexpected fluctuations in volumes, gain additional economies of scale and improve profitability within our Global Ecommerce segment
- the loss of some of our larger clients in our Global Ecommerce and Presort Services segments
- the loss of, or significant changes to, United States Postal Service (USPS) commercial programs or our contractual relationships with the USPS or USPS' performance under those contracts
- the impacts on our cost of debt due to recent increases in interest rates and the potential for future interest rate hikes
- declines in demand for our ecommerce services resulting from supply chain delays or interruptions affecting our retail clients, or changes in retail consumer behavior or spending patterns
- changes in international trade policies, including the imposition or expansion of trade tariffs, and other geopolitical risks, including those related to China
- global supply chain issues adversely impacting our third-party suppliers' ability to provide us products and services
- expenses and potential impacts resulting from a breach of security, including cyber-attacks or other comparable events
- changes in labor and transportation availability and costs
- competitive factors, including pricing pressures, technological developments and the introduction of new products and services by competitors
- capital market disruptions or credit rating downgrades that adversely impact our ability to access capital markets at reasonable costs
- the impacts of inflation and rising prices, higher interest rates and a slow-down in economic activity, including a global recession, to the company, our clients and retail consumers
- changes in foreign currency exchange rates, especially the impact a strengthening U.S. dollar could have on our global operations
- our success at managing customer credit risk
- changes in banking regulations, major bank failures or the loss of our Industrial Bank charter
- changes in tax laws, rulings or regulations
- our success in developing and marketing new products and services and obtaining regulatory approvals, if required
- the continued availability and security of key information technology systems and the cost to comply with information security requirements and privacy laws
- our success at managing relationships and costs with outsource providers of certain functions and operations
- increased environmental and climate change requirements or other developments in these areas
- intellectual property infringement claims
- the use of the postal system for transmitting harmful biological agents, illegal substances or other terrorist attacks
- impact of pandemics (including the lingering effects of COVID-19) and acts of nature on the Company and the services and solutions we offer

Further information about factors that could materially affect us, including our results of operations and financial condition, is contained in Item 1A. "Risk Factors" in our 2022 Annual Report, as supplemented by Part II, Item 1A in this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS

OUTLOOK

For the full year 2023, we expect consolidated revenue on a comparable basis (see Factors Affecting Comparability below), to be relatively flat compared to 2022, and the percentage of adjusted EBIT growth to outpace revenue performance.

Within Global Ecommerce, we anticipate growth in Domestic Parcel operations, partially offset by continued softness in our Cross-border operations. We anticipate Domestic Parcel margin and profit improvements from higher parcel volumes and the investments we made in our facilities and network. We expect our cross-border operations to be adversely impacted by macroeconomic challenges and a reduction in parcel volumes, primarily from two clients in 2023 compared to 2022.

Presort Services revenue is expected to benefit from pricing actions designed to offset inflationary pressure on costs, a full year of mail volumes from prior year acquisitions and growth in Marketing Mail Flats and Bound Printed Matter volumes, which are expected to offset the impact on revenue from the expected decline in First Class Mail volumes. We expect margin and profit improvements driven by our investments in automation and facilities consolidation.

In SendTech Solutions, we expect revenue growth from new products and our cloud-enabled shipping solutions to partially offset an expected decline in mailing related revenues. Overall segment margins are expected to remain within their historical range.

In May 2023, we approved a worldwide plan (the 2023 Plan) designed to improve profitability and cash flow by reducing complexity, streamlining operating processes, and drive further operational efficiencies. The 2023 Plan includes the elimination of 400-500 positions worldwide through the expansion of our shared services activities, further centralization and standardization of processes, increased automation, and the closure and consolidation of select facilities in North America. Total charges are expected to be $40 million-$50 million. Total cash payments are expected to be $20 million-$30 million, a majority of which will be paid in 2023. We expect to substantially complete these actions by the first half of 2024. As a result of the 2023 Plan, we expect annualized cost savings of $35 million- $45 million by the end of 2024.

Certain factors beyond our control could have adverse impacts on our 2023 results including, but not limited to, reduced consumer spending due to inflationary pressures and rising prices, higher interest rates, a slow-down in economic activity, higher fuel and transportation costs and other adverse geopolitical developments, including those related to China. Inflationary pressures and rising prices could put increased pressure on wages, particularly warehouse and transportation employees, and result in higher component costs. Higher fuel and freight costs could also adversely impact our operations. We expect interest expense for 2023 will be about $30 million higher than 2022 due to the recent increases in interest rates and additional increases anticipated in 2023.

OVERVIEW OF CONSOLIDATED RESULTS

Factors Affecting Comparability

Certain transactions and changes occurred in 2022 that impact the comparability of our 2023 financial results to the prior periods. These transactions and changes include:

- the sale of our Borderfree cross-border ecommerce solutions business (Borderfree) in July 2022. Accordingly, reported revenue and costs for the three and six months ended June 30, 2022 include revenue and costs for Borderfree. Net income of Borderfree for these periods was not significant.
- a change in the presentation of revenue for digital delivery services effective October 1, 2022, from a gross basis to a net basis. Accordingly, in 2023, revenue and costs of revenue for certain digital delivery services are reported on a net basis as business services revenue; whereas for the three and six months ended June 30, 2022, revenue and cost of revenue for these services were reported as business services revenue and cost of business services, respectively. The change primarily impacts our Global Ecommerce business.

Constant Currency

In the tables below, we report the change in revenue on a reported basis and a constant currency basis. Constant currency measures exclude the impact of changes in currency exchange rates from the prior period under comparison. We believe that excluding the impacts of currency exchange rates provides investors with a better understanding of the underlying revenue performance. Constant currency change is calculated by converting the current period non-U.S. dollar denominated revenue using the prior year's exchange rate.

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

	Three Months Ended June 30,			
			Favorable/(Unfavorable)	
	2023	2022	Actual % Change	Constant Currency % change
Total revenue	**$ 776,481**	$ 871,495	(11)%	(11)%
Total costs and expenses	**927,431**	874,185	(6)%	
Loss before taxes	**(150,950)**	(2,690)	>(100%)	
Benefit for income taxes	**(9,415)**	(7,026)	34 %	
Net (loss) income	**$ (141,535)**	$ 4,336	>(100%)	

Revenue decreased $95 million in the second quarter of 2023 compared to the prior year primarily due to a decrease in business services revenue of $78 million, lower equipment sales of $11 million and lower support services revenue of $4 million.

Total costs and expenses increased $53 million compared to the prior year primarily due to:

- Costs of revenue (excluding financing interest expense) decreased $80 million primarily due to lower cost of business services of $67 million and lower cost of equipment sales of $8 million.

- Selling, general and administrative (SG&A) expense declined $4 million, compared to the prior year period primarily driven by lower amortization expense of $4 million, lower credit card fees of $3 million, lower marketing expenses of $2 million and lower credit loss provision of $2 million, partially offset by incremental proxy solicitation fees of $5 million and higher variable compensation expense of $4 million.

- Restructuring expense increased $18 million compared to the prior year period primarily driven by actions taken in connection with the 2023 Plan.

- During the quarter, we recorded a non-cash goodwill impairment charge of $119 million associated with our Global Ecommerce reporting unit. See Note 7 for more information.

- Interest expense represents interest on our outstanding debt, net of interest income. We allocate a portion of total interest expense to financing interest expense based on our effective interest rate and average finance receivables for the period. Total interest expense, including financing interest expense, for the second quarter of 2023 increased $4 million compared to the prior year period primarily due to rising interest rates resulting in higher interest expense on our debt of $7 million, partially offset by higher interest income of $3 million.

The effective tax rate for the three months ended June 30, 2023 was 6.2%, primarily due to the nondeductibility of the goodwill impairment charge. See Note 12 for more information.

Net loss for the second quarter was $142 million compared to net income of $4 million in the prior year period.

	Six Months Ended June 30,						
					Favorable/(Unfavorable)	
		2023		2022	Actual % Change	Constant Currency % change
Total revenue	**$**	**1,611,019**	$	1,798,437	(10)%	(10)%
Total costs and expenses		**1,772,956**		1,776,103	— %	
(Loss) income before taxes		**(161,937)**		22,334	>(100%)	
Benefit for income taxes		**(12,665)**		(2,823)	>100%	
Net (loss) income	**$**	**(149,272)**	$	25,157	>(100%)	

Revenue decreased $187 million in the first half of 2023 compared to the prior year primarily due to a decrease in business services revenue of $152 million, lower equipment sales of $17 million, lower support services revenue of $9 million and lower financing revenue of $6 million.

Total costs and expenses decreased $3 million compared to the prior year primarily due to:

- Costs of revenue (excluding financing interest expense) decreased $144 million primarily due to lower cost of business services of $124 million and lower cost of equipment sales of $14 million.

- SG&A expense declined $5 million compared to the prior year period primarily driven by lower amortization expense of $8 million and lower credit card fees of $7 million, partially offset by incremental proxy solicitation fees of $11 million.

- Restructuring expense increased $18 million compared to the prior year period primarily driven by actions taken in connection with the 2023 Plan.

- During the second quarter, we recorded a non-cash goodwill impairment charge of $119 million associated with our Global Ecommerce reporting unit.

- Interest expense represents interest on our outstanding debt, net of interest income. We allocate a portion of total interest expense to financing interest expense based on our effective interest rate and average finance receivables for the period. Total interest expense, including financing interest expense, for the first half of 2023 increased $7 million compared to the prior year period primarily due to rising interest rates resulting in higher interest expense on our debt of $13 million, partially offset by higher interest income of $6 million.

- Other income, net declined $9 million compared to the prior year period primarily driven by prior year gains of $17 million, partially offset by a favorable year-over-year impact of $8 million associated with the redemption/refinancing of debt.

The effective tax rate for the six months ended June 30, 2023 was 7.8%, primarily due to the nondeductibility of the goodwill impairment charge. See Note 12 for more information..

Net loss for the first half of 2023 was $149 million compared to net income of $25 million in the prior year period.

SEGMENT RESULTS

Management measures segment profitability and performance by deducting from segment revenue the related costs and expenses attributable to the segment. Segment results exclude interest, taxes, unallocated corporate expenses, restructuring charges, and other items not allocated to a business segment.

Global Ecommerce

Global Ecommerce includes the revenue and related expenses from business to consumer logistics services for domestic and cross-border delivery, returns and fulfillment. Our domestic parcel services provide retailers domestic parcel delivery and returns services for its end consumers through our nationwide parcel sortation centers and transportation network. Our cross-border services offers our clients a range of services to manage their international shopping and parcel shipping experience. Using our digital delivery services, clients can purchase postage, print shipping labels and access shipping and tracking services from multiple carriers. Delivery and return parcels using our digital delivery services are not physically processed through our network.

Financial performance for the Global Ecommerce segment was as follows:

	Three Months Ended June 30,			
			Favorable/(Unfavorable)	
	2023	2022	Actual % Change	Constant Currency % change
Business Services Revenue	**$ 312,754**	$ 393,770	(21)%	(20)%
Cost of Business Services	**299,072**	356,025	16 %	
Gross Margin	**13,682**	37,745	(64)%	
Gross Margin %	***4.4 %***	*9.6 %*		
Selling, general and administrative	**48,678**	63,276	23 %	
Research and development	**3,119**	3,294	5 %	
Adjusted segment EBIT	**$ (38,115)**	$ (28,825)	(32)%	

Global Ecommerce revenue decreased $81 million in the second quarter of 2023 compared to the prior year period. The change in revenue presentation for digital delivery services and the sale of Borderfree accounted for $49 million of this decrease. Cross-border revenue declined $55 million due to lower volumes, primarily driven by changes in how two of our largest clients access our services and digital delivery services revenue declined $12 million due to a decrease in the number of shipping labels printed. These declines were partially offset by domestic parcel delivery revenue growth of $41 million, driven by an increase in domestic parcel volumes.

Gross margin decreased $24 million and gross margin percentage decreased to 4.4% from 9.6% compared to the prior year period. Cross-border services gross margin declined $13 million, primarily due to the decline in volumes. Digital delivery services gross margin declined $5 million primarily due to the decline in the number of shipping labels printed. The sale of Borderfree contributed a decline in gross margin of $4 million. Offsetting these declines, domestic parcel delivery services gross margin increased $1 million compared to the prior year primarily due to higher parcel volumes.

SG&A expenses declined $15 million compared to the prior year period, primarily due to lower amortization expense of $4 million, lower employee-related expenses of $3 million, lower credit card fees of $3 million and lower credit loss provision of $2 million.

Adjusted segment EBIT was a loss of $38 million for the second quarter of 2023 compared to a loss of $29 million in the prior year period.

	Six Months Ended June 30,			
			Favorable/(Unfavorable)	
	2023	2022	Actual % Change	Constant Currency % change
Business Services Revenue	**$ 661,145**	$ 812,297	(19)%	(18)%
Cost of Business Services	**625,818**	724,493	14 %	
Gross Margin	**35,327**	87,804	(60)%	
Gross Margin %	***5.3 %***	*10.8 %*		
Selling, general and administrative	**101,888**	124,137	18 %	
Research and development	**5,760**	6,188	7 %	
Adjusted segment EBIT	**$ (72,321)**	$ (42,521)	(70)%	

Global Ecommerce revenue decreased $151 million in the first half of 2023 compared to the prior year period. The change in revenue presentation for digital delivery services and the sale of Borderfree accounted for $98 million of the decrease. Cross-border revenue declined $86 million due to lower volumes, primarily driven by changes in how two of our largest clients access our services and digital delivery services revenue declined $24 million due to a decrease in the number of shipping labels printed. These declines were partially offset by domestic parcel delivery revenue growth of $78 million, driven by an increase in domestic parcel volumes.

Gross margin decreased $52 million and gross margin percentage decreased to 5.3% from 10.8% compared to the prior year period. Cross-border services gross margin declined $28 million, primarily due to the decline in volumes. Digital delivery services gross margin declined $10 million primarily due to the decline in the number of shipping labels printed. The sale of Borderfree contributed a decline in gross margin of $8 million. Offsetting these declines, domestic parcel delivery services gross margin increased $2 million compared to the prior year primarily due to higher parcel volumes.

SG&A expenses declined $22 million compared to the prior year period, primarily due to lower amortization expense of $8 million, lower credit card fees of $7 million and lower employee-related expenses of $4 million.

Adjusted segment EBIT was a loss of $72 million for the first half of 2023 compared to a loss of $43 million in the prior year period.

Presort Services

We are the largest workshare partner of the USPS and national outsource provider of mail sortation services that allow clients to qualify large volumes of First Class Mail, Marketing Mail, and Marketing Mail Flats and Bound Printed Matter for postal worksharing discounts.

Financial performance for the Presort Services segment was as follows:

	Three Months Ended June 30,			
			Favorable/(Unfavorable)	
	2023	2022	Actual % Change	Constant Currency % change
Business Services Revenue	**$ 143,107**	$ 138,934	3 %	3 %
Cost of Business Services	**104,068**	111,305	7 %	
Gross Margin	**39,039**	27,629	41 %	
Gross Margin %	***27.3 %***	*19.9 %*		
Selling, general and administrative	**18,555**	14,730	(26)%	
Other components of net pension and postretirement costs	**55**	48	(15)%	
Adjusted segment EBIT	**$ 20,429**	$ 12,851	59 %	

Revenue increased $4 million driven by pricing actions to mitigate inflationary pressures on costs, which offset the revenue decline driven by a 5% decrease in total mail volumes compared to the prior year quarter. The processing of Marketing Mail Flats and Bound Printed Matter and First Class Mail each contributed revenue increases of $3 million, which was partially offset by a decline in revenue of $2 million from the processing of Marketing Mail.

Gross margin increased $11 million and gross margin percentage increased from 19.9% to 27.3% compared to the prior year period. These margin improvements were driven by pricing actions and investments we made in network management, automation and higher-throughput sortation equipment. Transportation costs declined $5 million due to improved network management and production labor costs declined $1 million due to higher mail throughput per labor hour.

Selling, general and administrative expenses increased $4 million, primarily due to higher employee-related expenses of $3 million and higher professional fees of $1 million.

Adjusted segment EBIT was $20 million for the second quarter of 2023 compared to $13 million in the prior year period.

	Six Months Ended June 30,			
			Favorable/(Unfavorable)	
	2023	2022	Actual % Change	Constant Currency % change
Business Services Revenue	**$ 302,009**	$ 299,478	1 %	1 %
Cost of Business Services	**216,564**	235,956	8 %	
Gross Margin	**85,445**	63,522	35 %	
Gross Margin %	***28.3 %***	*21.2 %*		
Selling, general and administrative	**38,000**	30,943	(23)%	
Other components of net pension and postretirement costs	**111**	96	(16)%	
Adjusted segment EBIT	**$ 47,334**	$ 32,483	46 %	

Revenue increased $3 million driven by pricing actions to mitigate inflationary pressures on costs, which offset the revenue decline driven by a 7% decrease in total mail volumes compared to the prior year period. The processing of Marketing Mail Flats and Bound Printed Matter contributed a revenue increase of $6 million, which was partially offset by a decrease in revenue from the processing of Marketing Mail of $5 million.

Gross margin increased $22 million and gross margin percentage increased from 21.2% to 28.3% compared to the prior year period. These margin improvements were driven by pricing actions and investments we made in network management, automation and higher-throughput sortation equipment. Transportation costs declined $10 million due to improved network management and production labor costs declined $5 million due to higher mail throughput per labor hour.

Selling, general and administrative expenses increased $7 million primarily due to higher employee-related expenses.

Adjusted segment EBIT was $47 million in the first half of 2023 compared to $32 million in the prior year period.

SendTech Solutions

SendTech Solutions provides clients with physical and digital mailing and shipping technology solutions and other applications to help simplify and save on the sending, tracking and receiving of letters, parcels and flats, as well as supplies and maintenance services for these offerings. We offer financing alternatives that enable clients to finance equipment and product purchases, a revolving credit solution that enables clients to make meter rental payments and purchase postage, services and supplies, and an interest-bearing deposit solution to clients who prefer to prepay postage. We also offer financing alternatives that enable clients to finance or lease other manufacturers' equipment and provide working capital.

Financial performance for the SendTech Solutions segment was as follows:

	Three Months Ended June 30,			
			Favorable/(Unfavorable)	
	2023	2022	Actual % change	Constant Currency % change
Business services	**$ 17,636**	$ 18,774	(6)%	(6)%
Support services	**103,315**	107,625	(4)%	(4)%
Financing	**66,702**	67,298	(1)%	(1)%
Equipment sales	**79,451**	89,986	(12)%	(11)%
Supplies	**36,505**	38,245	(5)%	(4)%
Rentals	**17,011**	16,863	1 %	1 %
Total revenue	**320,620**	338,791	(5)%	(5)%
Cost of business services	**7,148**	9,858	27 %	
Cost of support services	**34,798**	37,365	7 %	
Cost of equipment sales	**55,751**	63,232	12 %	
Cost of supplies	**10,826**	10,957	1 %	
Cost of rentals	**5,084**	7,401	31 %	
Total costs of revenue	**113,607**	128,813	12 %	
Gross margin	**207,013**	209,978	(1)%	
Gross margin %	***64.6 %***	*62.0 %*		
Selling, general and administrative	**105,423**	109,016	3 %	
Research and development	**4,635**	5,481	15 %	
Other components of pension and post retirement costs	**(525)**	(84)	>100%	
Adjusted Segment EBIT	**$ 97,480**	$ 95,565	2 %	

SendTech Solutions revenue decreased $18 million in the second quarter of 2023 compared to the prior year period, primarily driven by lower equipment sales, support services revenue and supplies revenue. Equipment sales declined $11 million as we are seeing initial leases of some of our advanced technology products expiring and customers opting to extend these leases rather than purchase new equipment. Support services revenue declined $4 million primarily due to the continuing shift to cloud-enabled products that do not include an annual maintenance agreement option. Supplies revenue declined $2 million primarily driven by a declining meter population. Business services revenue decreased $1 million; however, the change in revenue presentation for digital delivery services reduced revenue by $5 million. The underlying increase of $4 million is primarily due to growth in enterprise shipping subscriptions.

Gross margin decreased $3 million primarily due to the decline in revenue. Gross margin percentage increased to 64.6% from 62.0% compared to the prior year period, primarily due to an improvement in business services gross margin, support services gross margin driven by a shift away from lower margin clients, and rentals gross margin primarily due to a $2 million prior year unfavorable scrap adjustment.

Selling, general and administrative expenses decreased $4 million compared to the prior year period, primarily driven by lower professional fees of $2 million and lower marketing expenses of $1 million.

Adjusted segment EBIT was $97 million in the second quarter of 2023 compared to $96 million in the prior year period.

	Six Months Ended June 30,			
			Favorable/(Unfavorable)	
	2023	2022	Actual % change	Constant Currency % change
Business services	**$ 33,834**	$ 37,087	(9)%	(9)%
Support services	**208,599**	217,977	(4)%	(4)%
Financing	**133,751**	139,327	(4)%	(3)%
Equipment sales	**162,061**	179,282	(10)%	(9)%
Supplies	**75,340**	79,306	(5)%	(4)%
Rentals	**34,280**	33,683	2 %	3 %
Total revenue	**647,865**	686,662	(6)%	(5)%
Cost of business services	**13,816**	19,740	30 %	
Cost of support services	**71,330**	74,300	4 %	
Cost of equipment sales	**112,466**	126,673	11 %	
Cost of supplies	**21,983**	22,431	2 %	
Cost of rentals	**10,444**	12,668	18 %	
Total costs of revenue	**230,039**	255,812	10 %	
Gross margin	**417,826**	430,850	(3)%	
Gross margin %	***64.5 %***	*62.7 %*		
Selling, general and administrative	**215,121**	219,859	2 %	
Research and development	**9,678**	11,020	12 %	
Other components of pension and post retirement costs	**(1,124)**	(169)	>100%	
Adjusted Segment EBIT	**$ 194,151**	$ 200,140	(3)%	

SendTech Solutions revenue decreased $39 million in the first half of 2023 compared to the prior year period. Equipment sales declined $17 million primarily due to customers opting to extend leases of their existing advanced-technology equipment rather than purchase new equipment and lower sales in the first quarter relative to the first quarter of 2022 driven by the timing of installations. Support services revenue declined $9 million primarily due to the continuing shift to cloud-enabled products that do not include an annual maintenance agreement option. Financing revenue declined $6 million primarily due to $4 million of lower lease extensions and lower late fees of $2 million. Supplies revenue declined $4 million primarily driven by a declining meter population. Business services revenue decreased $3 million; however, the change in revenue presentation for digital delivery services reduced revenue by $8 million. The underlying increase of $5 million is primarily due to growth in enterprise shipping subscriptions.

Gross margin decreased $13 million primarily due to the decline in revenue. Gross margin percentage increased to 64.5% from 62.7% compared to the prior year period, primarily due to an improvement in business services gross margin, equipment sales gross margin, support services margin gross which was driven by a shift away from low margin clients, and rentals gross margin primarily due to a $2 million prior year unfavorable scrap adjustment.

Selling, general and administrative expenses declined $5 million primarily driven by lower outsourcing and professional fees of $4 million.

Adjusted segment EBIT was $194 million in the first half of 2023 compared to $200 million for the prior year period.

UNALLOCATED CORPORATE EXPENSES

The majority of our operating expenses are recorded directly or allocated to our reportable segments. Operating expenses not recorded directly or allocated to our reportable segments are reported as unallocated corporate expenses. Unallocated corporate expenses primarily represents corporate administrative functions such as finance, marketing, human resources, legal, information technology, and research and development.

Unallocated corporate expenses were as follows:

	Three Months Ended June 30,		
			Favorable/(Unfavorable)
	2023	2022	Actual % change
Unallocated corporate expenses	**$ 47,709**	$ 40,761	(17)%

Unallocated corporate expenses for the second quarter of 2023 increased $7 million compared to the prior year period primarily due to higher variable compensation expense of $4 million, higher professional and outsourcing fees of $1 million, and higher insurance costs of $1 million.

	Six Months Ended June 30,		
			Favorable/(Unfavorable)
	2023	2022	Actual % change
Unallocated corporate expenses	**$ 104,058**	$ 98,595	(6)%

Unallocated corporate expenses for the first half of 2023 increased $5 million compared to the prior year period primarily due to higher insurance costs of $2 million and higher professional and outsourcing fees of $2 million.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2023, we had cash, cash equivalents and short-term investments of $561 million, which includes $104 million held at our foreign subsidiaries used to support the liquidity needs of those subsidiaries. Our ability to maintain adequate liquidity for our operations is dependent upon a number of factors, including our revenue and earnings, our clients' ability to pay their balances on a timely basis, the impacts of changing macroeconomic and geopolitical conditions and our ability to manage costs and improve productivity. At this time, we believe that existing cash and investments, cash generated from operations and borrowing capacity under our $500 million revolving credit facility will be sufficient to fund our cash needs for the next 12 months.

Cash Flow Summary

Changes in cash and cash equivalents were as follows:

	2023	2022	Change
Net cash from operating activities	**$ (39,758)**	$ 45,694	$ (85,452)
Net cash from investing activities	**(60,696)**	(27,518)	(33,178)
Net cash from financing activities	**(32,553)**	(166,504)	133,951
Effect of exchange rate changes on cash and cash equivalents	**4,730**	(13,455)	18,185
Change in cash and cash equivalents	**$ (128,277)**	$ (161,783)	$ 33,506

Operating Activities

Cash flows from operating activities in 2023 declined $85 million compared to the prior year period. This decline was driven by lower earnings and higher payments of accounts payable and accrued liabilities ($37 million), pension contributions and retiree medical payments ($7 million) and restructuring payments ($5 million).

Investing Activities

Cash flows from investing activities for 2023 declined $33 million compared to the prior year period primarily due to prior year proceeds of $54 million from the sale of a business and our Shelton, Connecticut office building and lower cash from investment-related activities of $22 million, partially offset by year-over-year cash improvement of $26 million from settlements of derivative contracts and lower capital expenditures of $10 million.

Financing Activities

Cash flows from financing activities for 2023 improved $134 million compared to the prior year period primarily due to an increase in customer account deposits at the Bank of $68 million, lower net repayments of debt of $53 million and prior year common stock repurchases of $13 million.

Financings and Capitalization

During 2023, we purchased an aggregate $39 million of the March 2024 notes and March 2027 notes in the open market and made scheduled term loan principal repayments of $17 million.

The credit agreement that governs our $500 million secured revolving credit facility and term loans contains financial and non-financial covenants. In June 2023, we amended the credit agreement to provide additional flexibility in managing our capital structure. At June 30, 2023, we were in compliance with all covenants and there were no outstanding borrowings under the revolving credit facility. Borrowings under the revolving credit facility and term loans are secured by assets of the company.

We have $265 million of debt that is due within the next 12 months, including our March 2024 notes. In July 2023, we issued senior secured notes in an aggregate principal amount of $275 million, pursuant to a private placement. The notes mature in March 2028 and bear interest of SOFR plus 6.9%, payable quarterly, and were issued with original issue discount of 3%. The net proceeds will be used to redeem our March 2024 notes and a portion of our tranche A term loan due March 2026

The Pitney Bowes Bank, a wholly owned subsidiary, is a member of the Federal Home Loan Bank of Des Moines. As a member, the Bank has access to certain credit products as a funding source known as "advances." As of June 30, 2023, the Bank had yet to apply for any advances.

Each quarter, our Board of Directors considers whether to approve the payment of a dividend. Under the terms of the note purchase agreement entered into in July 2023 and the credit agreement, as amended in July 2023, the annual amount of permitted dividend payments is capped at the lesser of $36 million or a maximum dividend yield of 6.25%. In addition, share repurchases would further limit this amount. We currently expect to continue paying a quarterly dividend; however, no assurances can be given.

Contractual Obligations and Off-Balance Sheet Arrangements

At June 30, 2023, we have entered into real estate and equipment leases with aggregate payments of $59 million and terms ranging from three to seven years that have not commenced. Most of these leases are expected to commence in the third quarter of 2023.

At June 30, 2023, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on our financial condition, results of operations or liquidity.

Critical Accounting Estimates

Goodwill

The performance of our Global Ecommerce reporting unit through June 30, 2023, and continuing changes in macroeconomic conditions, was a triggering event causing us to evaluate the Global Ecommerce goodwill for impairment at June 30, 2023. To assess Global Ecommerce goodwill for impairment, we determined the fair value of the Global Ecommerce reporting unit and compared it to the unit's carrying value, including goodwill. We engaged a third-party to assist in the determination of the fair value of the reporting unit. 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 $119 million to reduce the carrying value of the Global Ecommerce reporting unit to its estimated fair value.

The fair value of the reporting unit was estimated using a discounted cash flow model based on management developed cash flow projections, which included judgements and assumptions related to revenue growth rates, operating margins, operating income, and a discount rate. The judgements and assumptions used to estimate the fair value were inherently subjective and changes in any of the judgements or assumptions could materially affect the determination of fair value and result in an additional impairment charge in the future.

Regulatory Matters

There have been no significant changes to the regulatory matters disclosed in our 2022 Annual Report.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosures made in our 2022 Annual Report.

Item 4: Controls and Procedures

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

With the participation of our CEO and CFO, management evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) and internal controls over financial reporting as of the end of the period covered by this report. Our CEO and CFO concluded that, as of the end of the period covered by this report, such disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the required time periods. In addition, no changes in internal control over financial reporting occurred during the quarter covered by this report that materially affected, or are reasonably likely to materially affect, such internal control over financial reporting.

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, 2023.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

See Note 13 to the Condensed Consolidated Financial Statements.

Item 1A: Risk Factors

There were no material changes to the risk factors identified in our 2022 Annual Report.

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

Repurchases of Equity Securities

There were no purchases of our common stock during the three months ended June 30, 2023. We have remaining authorization to purchase up to $3 million of our common stock.

Item 5: Other Information

None

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
10.1	Fifth Amendment, dated as of June 6, 2023, among Pitney Bowes Inc., the subsidiaries of Pitney Bowes Inc. party thereto, the lenders and issuing banks party thereto, and JP Morgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Commission on June 6, 2023)	10.1
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, 2023, 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, 2023

/s/ Ana Maria Chadwick

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

/s/ Joseph R. Catapano

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

Exhibit 31.1

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc B. Lautenbach, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 3, 2023

/s/ Marc B. Lautenbach

Marc B. Lautenbach

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ana Maria Chadwick, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 3, 2023

/s/ Ana Maria Chadwick

Ana Maria Chadwick

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

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pitney Bowes Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 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, 2023

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, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ana Maria Chadwick, Executive Vice President, Chief Operating Officer and Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Ana Maria Chadwick

Ana Maria Chadwick

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

Date: August 3, 2023

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.