



Pitney Bowes Fourth Quarter 2023 Earnings

February 1, 2024



Forward Looking Statements

This document contains “forward-looking statements” about the Company’s expected or potential future business and financial performance. Forward-looking statements include, but are not limited to, statements about future revenue and earnings guidance and future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. 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 their performance under those contracts; the impacts of higher interest rates and the potential for future interest rate increases on our cost of debt; and other factors as more fully outlined in the Company's 2022 Form 10-K Annual Report and other reports filed with the Securities and Exchange Commission during 2023. Pitney Bowes assumes no obligation to update any forward-looking statements contained in this document as a result of new information, events or developments.

Use of Non-GAAP Measures

Our financial results are reported in accordance with generally accepted accounting principles (GAAP). We also disclose certain non-GAAP measures, such as adjusted earnings before interest and taxes (Adjusted EBIT), adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), adjusted earnings per share (Adjusted EPS), revenue growth on a comparable basis and free cash flow.

Adjusted EBIT, Adjusted EBITDA and Adjusted EPS exclude the impact of restructuring charges, goodwill impairment charges, foreign currency gains and losses on intercompany loans, gains, losses and costs related to acquisitions and dispositions, gains and losses on debt redemptions and other unusual items. Management believes that these non-GAAP measures provide investors greater insight into the underlying operating trends of the business.

We disclose revenue growth on a comparable basis, which excludes three items. First, the comparison excludes the impacts of foreign currency. Second, we are excluding the impact of the divestiture of the Borderfree business effective July 1, 2022. Third, we are excluding the impact of a change in the presentation of revenue beginning in the fourth quarter of 2022, from a gross basis to net basis due to an adjustment in terms of one of our contracts with the United States Postal Service. The change in revenue presentation impacts both our Global Ecommerce and SendTech Solutions segments. The change in revenue presentation does not impact gross profit. Management believes that excluding these items provides investors with a better understanding of the underlying revenue performance.

Use of Non-GAAP Measures

Free cash flow adjusts cash flow from operations calculated in accordance with GAAP for capital expenditures, restructuring payments and other special items. Management believes free cash flow provides investors better insight into the amount of cash available for other discretionary uses.

Adjusted Segment EBIT is the primary measure of profitability and operational performance at the segment level and is determined by deducting from segment revenue the related costs and expenses attributable to the segment. Adjusted Segment EBIT excludes interest, taxes, unallocated corporate expenses, foreign currency gains and losses on intercompany loans, restructuring charges, goodwill impairment, and other items not allocated to a business segment. The Company also reports Adjusted Segment EBITDA as an additional useful measure of segment profitability and operational performance.

Complete reconciliations of non-GAAP measures to comparable GAAP measures can be found in the attached financial schedules and at the Company's web site at www.pb.com/investorrelations.

“Pitney Bowes is beginning 2024 with positive momentum and a strong set of go-forward priorities following a productive fourth quarter. At the enterprise level, we are on track with our cost reduction and restructuring efforts after increasing targets late last year. Our SendTech and Presort segments again delivered solid profit increases and margin expansion in the fourth quarter, reflecting continued focus on both productivity and revenue growth initiatives. Global Ecommerce delivered improved profitability year-over-year and sequentially in the fourth quarter, demonstrating the value of our network in peak and on a go forward basis. We are continuing to take actions and review options to realize the value of this segment. Importantly, as we look ahead in 2024, we will continue to operate with intensity and prioritize actions that support a shift into shipping solutions and our specific growth goals in SaaS shipping technology.”

- Jason Dies
Interim CEO

Fourth Quarter and Full Year 2023 Results

Fourth Quarter 2023 – Overview⁽¹⁾

- Revenue in the quarter was \$872 million
 - Decrease of 4% on a reported and comparable basis versus prior year
- GAAP EPS was a loss of \$1.27 and Adjusted EPS was \$0.07
 - GAAP EPS includes a loss of \$1.24 for a non-cash goodwill impairment charge related to the Global Ecommerce segment and \$0.08 for restructuring charges
- GAAP cash from operating activities was \$94 million in the quarter and Free Cash Flow was \$78 million
- Progressing well and on target with previously communicated cost reduction and restructuring efforts

(1) A reconciliation of GAAP to Adjusted results for current and prior period can be found in the appendix of this presentation

Full Year 2023 – Overview⁽¹⁾

- Revenue was \$3.3 billion
 - Decrease of 8% on a reported basis and 3% on a comparable basis versus 2022
- GAAP EPS was a loss of \$2.20 and Adjusted EPS was \$0.04
 - GAAP EPS includes a loss of \$1.91 for non-cash goodwill impairment charges related to the Global Ecommerce segment and \$0.26 for restructuring charges
- GAAP cash from operating activities was \$79 million and Free Cash Flow was \$22 million
- Reduced total debt by \$59 million and refinanced our 2024 notes

(1) A reconciliation of GAAP to Adjusted results for current and prior period can be found in the appendix of this presentation

Fourth Quarter 2023 – Results vs Prior Year⁽¹⁾

\$ millions

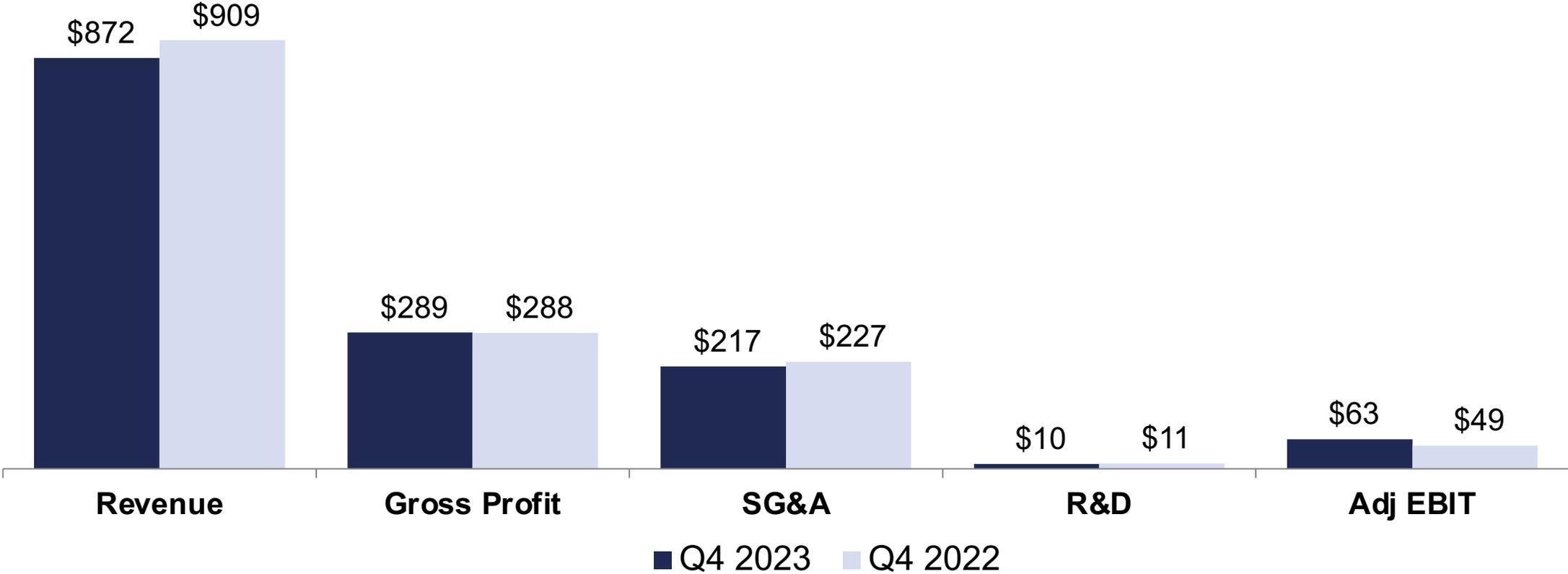
4% Y/Y Decline

Gross Profit Margin
 Q4 2023 = 33.1%
 Q4 2022 = 31.7%

SG&A as % of Revenue
 Q4 2023 = 24.9%
 Q4 2022 = 24.9%

R&D as a % of Revenue
 Q4 2023 = 1.2%
 Q4 2022 = 1.2%

Adj EBIT Margin
 Q4 2023 = 7.2%
 Q4 2022 = 5.4%



(1) A reconciliation of GAAP to Adjusted results for current and prior period can be found in the appendix of this presentation

Fourth Quarter 2023 – SendTech

SendTech Solutions offers physical and digital mailing and shipping technology solutions, financing, services, supplies and other applications for clients of all sizes to help simplify and save on the sending, tracking and receiving of letters, parcels and flats

(\$ millions)	Q4 2023	Q4 2022	% Change Reported	% Change Comparable Basis
Revenue	\$327	\$341	(4%)	(5%)
Adjusted Segment EBITDA	\$121	\$113	7%	
Adjusted Segment EBIT	\$113	\$106	7%	

EBIT and EBIT margin expansion in the fourth quarter was driven by improvements in gross margin, strong execution, and cost reduction actions.

Fourth quarter revenue decline was driven by a reduction in our meter base, timing of our product lifecycle, and a tough prior year compare in our shipping products. Recurring revenue from our shipping solutions grew 17 percent versus prior year and helped offset the decline.

Fourth Quarter 2023 – Presort

Presort Services provides sortation services that enable clients to qualify for USPS workshare discounts in First Class Mail, Marketing Mail, Marketing Mail Flats and Bound Printed Matter

(\$ millions)	Q4 2023	Q4 2022	% Change Reported
Revenue	\$163	\$158	3%
Adjusted Segment EBITDA	\$43	\$37	17%
Adjusted Segment EBIT	\$34	\$29	17%

Presort delivered strong top and bottom-line performance. New sales and higher revenue per piece more than offset organic mail decline, driving revenue growth in the fourth quarter.

Adjusted Segment EBIT and EBITDA growth was driven by higher revenue and improved labor productivity from increased automation and process improvements.

Fourth Quarter 2023 – Global Ecommerce

Global Ecommerce provides business to consumer logistics services for domestic and cross-border delivery, returns and fulfillment

(\$ millions)	Q4 2023	Q4 2022	% Change Reported	% Change Comparable Basis
Revenue	\$381	\$410	(7%)	(7%)
Adjusted Segment EBITDA	(\$3)	(\$6)	47%	
Adjusted Segment EBIT	(\$20)	(\$23)	14%	

Global Ecommerce experienced strong volumes during peak, processing 61 million domestic parcels in the fourth quarter, which is up 13 percent from fourth quarter 2022. Domestic parcel revenue grew 7 percent in the fourth quarter versus prior year, which was more than offset by a loss in revenue from cross-border.

Improved EBIT in the fourth quarter reflects the positive impact of cost actions, higher domestic parcel volumes, and increased network productivity. These benefits were partially offset by the decline in cross-border.

Debt Profile

Debt Composition at 12/31/2023 (\$ Billions)

Total Debt	\$ 2.15
- Implied Financing Related Debt ⁽¹⁾	- 1.10
Implied Operating Company Debt	\$ 1.04

Capital Structure (\$ Millions)

	Interest Rate	12/31/2023	12/31/2022
Revolver - (\$500mm)		-	0.0
Term Loan A due March 2026	SOFR + 2.25%	285.5	351.5
Notes due March 2028	SOFR + 6.90%	274.3	0.0
Term Loan B due March 2028	SOFR + 4.00%	438.6	442.1
Subtotal: Secured Debt		\$998.4	793.6
Notes due March 2024	4.625%	-	236.7
Notes due March 2027	6.875%	380.0	396.8
Notes due March 2029	7.25%	350.0	350.0
Notes due January 2037	5.25%	35.8	35.8
Notes due March 2043	6.70%	425.0	425.0
Other debt		1.2	2.4
Subtotal: Unsecured Debt		\$1,192.0	\$1,446.8
Principal Debt⁽²⁾		\$2,189.5	\$2,240.4

Manageable debt profile

(1) Total Finance Receivables at 8:1 debt:equity ratio

(2) Excludes \$43 million and \$35 million of unamortized costs, net as of 12/31/2023 and 12/31/2022, respectively

Full Year 2024 Expectations

Full Year 2024 Guidance

We expect revenue growth to range from flat to a low-single digit decline and EBIT margins to remain relatively flat on a year-over-year basis.

We expect incremental benefit in 2024 from our company-wide cost reduction program as savings from actions taken in 2023 annualize and we further execute on the plan. We expect restoration of variable compensation and wage inflation to partially offset gains.

We also expect similar levels of capital expenditures in 2024 as in 2023 and interest expense to remain around the elevated rate incurred in Q4 2023.

Appendix

Consolidated Statements of Operations

(Unaudited; in thousands, except per share amounts)

	Three months ended December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
Revenue:				
Business services	\$ 564,094	\$ 582,674	\$ 2,045,069	\$ 2,249,941
Support services	100,280	112,572	410,734	438,191
Financing	68,874	67,424	271,197	274,508
Equipment sales	84,973	92,150	323,739	354,960
Supplies	36,674	37,425	147,709	154,186
Rentals	16,683	16,446	67,900	66,256
Total revenue	<u>871,578</u>	<u>908,691</u>	<u>3,266,348</u>	<u>3,538,042</u>
Costs and expenses:				
Cost of business services	477,545	500,732	1,756,616	1,934,206
Cost of support services	32,486	37,366	137,676	148,829
Financing interest expense	17,169	13,962	63,281	51,789
Cost of equipment sales	57,454	65,662	223,757	253,843
Cost of supplies	10,740	10,704	43,347	43,778
Cost of rentals	4,755	6,053	19,614	25,105
Selling, general and administrative	223,175	226,571	897,260	905,570
Research and development	10,276	11,257	41,405	43,657
Restructuring charges	18,965	6,043	61,585	18,715
Goodwill impairment	220,585	-	339,184	-
Interest expense, net	28,401	23,164	100,445	89,980
Other components of net pension and postretirement (income) cost	(2,112)	1,079	(8,256)	4,308
Other income, net	-	(1,319)	(3,064)	(21,618)
Total costs and expenses	<u>1,099,439</u>	<u>901,274</u>	<u>3,672,850</u>	<u>3,498,162</u>
(Loss) income before taxes	(227,861)	7,417	(406,502)	39,880
(Benefit) provision for income taxes	(4,025)	1,121	(20,875)	2,940
Net (loss) income	<u>\$ (223,836)</u>	<u>\$ 6,296</u>	<u>\$ (385,627)</u>	<u>\$ 36,940</u>
(Loss) earnings per share:				
Basic	<u>\$ (1.27)</u>	<u>\$ 0.04</u>	<u>\$ (2.20)</u>	<u>\$ 0.21</u>
Diluted	<u>\$ (1.27)</u>	<u>\$ 0.04</u>	<u>\$ (2.20)</u>	<u>\$ 0.21</u>
Weighted-average shares used in diluted earnings per share	<u>176,342</u>	<u>177,999</u>	<u>175,640</u>	<u>177,252</u>

Consolidated Balance Sheets

(Unaudited; in thousands)

Assets

Current assets:

Cash and cash equivalents
Short-term investments
Accounts and other receivables, net
Short-term finance receivables, net
Inventories
Current income taxes
Other current assets and prepayments

Total current assets

Property, plant and equipment, net

Rental property and equipment, net

Long-term finance receivables, net

Goodwill

Intangible assets, net

Operating lease assets

Noncurrent income taxes

Other assets

Total assets

December 31, 2023

\$	601,053
	22,166
	342,236
	563,536
	70,053
	564
	98,802
	1,698,410
	383,628
	23,583
	653,085
	734,409
	62,250
	309,958
	60,995
	352,360
\$	4,278,678

December 31, 2022

\$	669,981
	11,172
	343,557
	564,972
	83,720
	8,790
	115,824
	1,798,016
	420,672
	27,487
	627,124
	1,066,951
	77,944
	296,129
	46,613
	380,419
\$	4,741,355

Liabilities and stockholders' (deficit) equity

Current liabilities:

Accounts payable and accrued liabilities
Customer deposits at Pitney Bowes Bank
Current operating lease liabilities
Current portion of long-term debt
Advance billings
Current income taxes

Total current liabilities

Long-term debt

Deferred taxes on income

Tax uncertainties and other income tax liabilities

Noncurrent operating lease liabilities

Other noncurrent liabilities

Total liabilities

\$	881,969
	640,323
	60,069
	58,931
	89,087
	6,523
	1,736,902
	2,087,101
	211,477
	19,091
	277,981
	314,702
	4,647,254

\$	907,083
	628,072
	52,576
	32,764
	105,207
	2,101
	1,727,803
	2,172,502
	263,131
	23,841
	265,696
	227,729
	4,680,702

Stockholders' (deficit) equity:

Common stock
Retained earnings
Accumulated other comprehensive loss
Treasury stock, at cost

Total stockholders' (deficit) equity

Total liabilities and stockholders' (deficit) equity

270,338	
3,077,988	
(851,245)	
(2,865,657)	
(368,576)	
\$	4,278,678

323,338	
5,125,677	
(835,564)	
(4,552,798)	
60,653	
\$	4,741,355

Business Segment Revenue

(Unaudited; in thousands)

	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Global Ecommerce						
Revenue, as reported	\$ 381,020	\$ 409,725	(7%)	\$ 1,355,326	\$ 1,576,348	(14%)
Impact of change in revenue presentation		-			(115,171)	
Impact of Borderfree divestiture		-			(22,550)	
Comparable revenue before currency	381,020	409,725	(7%)	1,355,326	1,438,627	(6%)
Impact of currency on revenue	(955)			1,300		
Comparable revenue	\$ 380,065	\$ 409,725	(7%)	\$ 1,356,626	\$ 1,438,627	(6%)
Presort Services						
Revenue, as reported	\$ 163,139	\$ 157,714	3%	\$ 617,599	\$ 602,016	3%
Sending Technology Solutions						
Revenue, as reported	\$ 327,419	\$ 341,252	(4%)	\$ 1,293,423	\$ 1,359,678	(5%)
Impact of change in revenue presentation		-			(12,916)	
Comparable revenue before currency	327,419	341,252	(4%)	1,293,423	1,346,762	(4%)
Impact of currency on revenue	(1,745)			1,719		
Comparable revenue	\$ 325,674	\$ 341,252	(5%)	\$ 1,295,142	\$ 1,346,762	(4%)
Consolidated						
Revenue, as reported	\$ 871,578	\$ 908,691	(4%)	\$ 3,266,348	\$ 3,538,042	(8%)
Impact of change in revenue presentation		-			(128,087)	
Impact of Borderfree divestiture		-			(22,550)	
Comparable revenue before currency	871,578	908,691	(4%)	3,266,348	3,387,405	(4%)
Impact of currency on revenue	(2,700)			3,019		
Comparable revenue	\$ 868,878	\$ 908,691	(4%)	\$ 3,269,367	\$ 3,387,405	(3%)

Adjusted Segment EBIT & EBITDA

(Unaudited; in thousands)

	Three months ended December 31,							
	2023			2022			% change	
	Adjusted Segment EBIT ⁽¹⁾	D&A	Adjusted Segment EBITDA	Adjusted Segment EBIT ⁽¹⁾	D&A	Adjusted Segment EBITDA	Adjusted Segment EBIT	Adjusted Segment EBITDA
Global Ecommerce	\$ (19,700)	\$ 16,758	\$ (2,942)	\$ (22,906)	\$ 17,390	\$ (5,516)	14%	47%
Presort Services	34,454	8,470	42,924	29,386	7,438	36,824	17%	17%
Sending Technology Solutions	113,435	7,661	121,096	105,535	7,330	112,865	7%	7%
Segment total	<u>\$ 128,189</u>	<u>\$ 32,889</u>	161,078	<u>\$ 112,015</u>	<u>\$ 32,158</u>	144,173	<u>14%</u>	<u>12%</u>

Reconciliation of Segment Adjusted EBITDA to Net (Loss) Income:

Segment depreciation and amortization	(32,889)	(32,158)
Unallocated corporate expenses	(65,169)	(62,748)
Restructuring charges	(18,965)	(6,043)
Goodwill impairment	(220,585)	-
Foreign currency loss on intercompany loans	(5,761)	-
Gain on sale of businesses, including transaction costs	-	1,319
Interest expense, net	(45,570)	(37,126)
Benefit (provision) for income taxes	4,025	(1,121)
Net (loss) income	<u>\$ (223,836)</u>	<u>\$ 6,296</u>

	Twelve months ended December 31,							
	2023			2022			% change	
	EBIT ⁽¹⁾	D&A	EBITDA	EBIT ⁽¹⁾	D&A	EBITDA	EBIT	EBITDA
Global Ecommerce	\$ (133,733)	\$ 66,664	\$ (67,069)	\$ (100,308)	\$ 78,296	\$ (22,012)	(33%)	>(100%)
Presort Services	110,912	33,642	144,554	82,430	28,039	110,469	35%	31%
Sending Technology Solutions	405,347	30,005	435,352	400,909	29,489	430,398	1%	1%
Segment total	<u>\$ 382,526</u>	<u>\$ 130,311</u>	512,837	<u>\$ 383,031</u>	<u>\$ 135,824</u>	518,855	<u>(0%)</u>	<u>(1%)</u>

Reconciliation of Segment EBITDA to Net (Loss) Income:

Segment depreciation and amortization	(130,311)	(135,824)
Unallocated corporate expenses	(210,931)	(204,251)
Restructuring charges	(61,585)	(18,715)
Goodwill impairment	(339,184)	-
Gain (loss) on debt redemption	3,064	(4,993)
Foreign currency loss on intercompany loans	(5,761)	-
Proxy solicitation fees	(10,905)	-
Gain on sale of assets	-	14,372
Gain on sale of businesses, including transaction costs	-	12,205
Interest expense, net	(163,726)	(141,769)
Benefit (provision) for income taxes	20,875	(2,940)
Net (loss) income	<u>\$ (385,627)</u>	<u>\$ 36,940</u>

(1) Adjusted segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, goodwill impairment, and other items that are not allocated to a particular business segment.

Reconciliation of Reported Consolidated Results to Adjusted Results

(Unaudited; in thousands, except per share amounts)

	Three months ended December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
Reconciliation of reported net (loss) income to adjusted EBIT and adjusted EBITDA				
Net (loss) income	\$ (223,836)	\$ 6,296	\$ (385,627)	\$ 36,940
(Benefit) provision for income taxes	(4,025)	1,121	(20,875)	2,940
(Loss) income before taxes	(227,861)	7,417	(406,502)	39,880
Restructuring charges	18,965	6,043	61,585	18,715
Goodwill impairment	220,585	-	339,184	-
(Gain) loss on debt redemption	-	-	(3,064)	4,993
Foreign currency loss on intercompany loans	5,761	-	5,761	-
Proxy solicitation fees	-	-	10,905	-
Gain on sale of assets	-	-	-	(14,372)
Gain on sale of businesses, including transaction costs	-	(1,319)	-	(12,205)
Adjusted net income before tax	17,450	12,141	7,869	37,011
Interest, net	45,570	37,126	163,726	141,769
Adjusted EBIT	63,020	49,267	171,595	178,780
Depreciation and amortization	40,398	39,064	160,430	163,816
Adjusted EBITDA	\$ 103,418	\$ 88,331	\$ 332,025	\$ 342,596
Reconciliation of reported diluted (loss) earnings per share to adjusted diluted earnings per share				
Diluted (loss) earnings per share	\$ (1.27)	\$ 0.04	\$ (2.20)	\$ 0.21
Restructuring charges	0.08	0.03	0.26	0.08
Goodwill impairment	1.24	-	1.91	-
(Gain) loss on debt redemption	-	-	(0.01)	0.02
Foreign currency loss on intercompany loans	0.02	-	0.02	-
Proxy solicitation fees	-	-	0.05	-
Gain on sale of assets	-	-	-	(0.06)
Gain on sale of businesses, including transaction costs	-	(0.01)	-	(0.09)
Adjusted diluted earnings per share ⁽¹⁾	\$ 0.07	\$ 0.06	\$ 0.04	\$ 0.15
Reconciliation of reported net cash from operating activities to free cash flow				
Net cash from operating activities	\$ 93,921	\$ 166,754	\$ 79,468	\$ 175,983
Capital expenditures	(25,280)	(27,307)	(102,878)	(124,840)
Restructuring payments	9,291	3,645	34,443	15,406
Proxy solicitation fees paid	-	-	10,905	-
Transaction costs paid	-	379	-	5,779
Free cash flow	\$ 77,932	\$ 143,471	\$ 21,938	\$ 72,328

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