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PRESENTATION

Operator

Good morning, and welcome to the Pitney Bowes Fourth Quarter 2019 Earnings Conference Call. (Operator Instructions) Today's call is also being recorded. (Operator Instructions) I would now like to introduce participants on today's conference call, Mr. Marc Lautenbach, President and Chief Executive Officer; Mr. Stan Sutula, Executive Vice President, Chief Financial Officer; and Mr. Adam David, Vice President, Investor Relations. Mr. David will now begin the call with a safe harbor overview.

Adam David ***Pitney Bowes Inc. - VP of IR***

Good morning. Included in this presentation are forward-looking statements about our expected future business and financial performance. Forward-looking statements involve risks and uncertainties that could cause actual results to be materially different from our projections. More information about these risks and uncertainties can be found in our earnings press release, our 2019 Form 10-K annual report and other reports filed with the SEC that are located on our website at www.pb.com and by clicking on Investor Relations.

Please keep in mind that we do not undertake any obligation to update any forward-looking statements as a result of new information or developments. Also, for non-GAAP measures used in the press release or discussed in this presentation, you can find reconciliations to the appropriate GAAP measures in the tables attached to our press release and also on our Investor Relations website. Additionally, we have provided slides that summarize many of the points we will discuss during the call. These slides can also be found on our Investor Relations website.

Now our President and Chief Executive Officer, Marc Lautenbach, will start with a few opening remarks. Marc?

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

Good morning, and thank you for joining the call. There were a lot of moving pieces to the quarter, which Stan will take you through. From my perspective, I was pleased with the quarter. SendTech continued to introduce new products within its SendPro family; our Presort business improved across its key metrics, as expected and exited the year within the long-term model; and our Global Ecommerce business delivered a high service level for the delivery and return business in the quarter. That said, we are still not where we need to be within our fulfillment business.

I will focus the balance of my remarks on the full year. For my set, 2019 was another important step forward. Excluding the impacts of currency, we grew revenue over prior years, substantially focused our portfolio, made real progress strengthening our balance sheet and set ourselves up to drive profitable revenue growth going forward. Powered by our growth in Commerce Services, 2019 marked our third consecutive year of revenue growth on a constant currency basis. As I have indicated before, revenue growth is the most dispositive indication of a successful transformation. Global Ecommerce continues its double-digit growth rate, and our Presort business grew 3%, which is against a market that is declining. While we continue to experience some growing pains in our Global Ecommerce business and invest in front of demand, it is also clear we have found an opportunity that's compelling, and we've earned the right to win.

2019 was also an important year from a portfolio perspective. We exited direct operations within 6 smaller European markets in our SendTech business and completed the sale of our software business. This is in addition to the divestiture of production mail in 2018.

Alternatively, we announced the introduction of the Wheeler Financial Services business. Our vision is clear. We are continuing to build off of our strong mail and financial services core to enter logical adjacencies, e-commerce shipping and the financing of mission-critical assets for our clients, both compelling opportunities that are growing, and we have a clear way to win.

In all of our key businesses, we have made substantial announcements about new offerings and capabilities, including the launches of the SendPro Tablet; SendPro White; and more recently, SendPro C Auto in our SendTech business. Within e-commerce, we launched our new Consumer Connect Services, which allows retailers to stay connected with the consumer post purchase. We also recently transitioned all of our major clients to our modern label API platform, seamlessly and with no disruption.

In our Presort business, we continue to build out our Bound and Packet Mail capabilities and expand our network. We exit 2019 in compelling markets where we have compelling capabilities. Likewise, 2019 was an important year from a balance sheet perspective. We reduced our debt by over $500 million. And if you look at 2018 and 2019 together, we have reduced our debt by over $1 billion. We are addressing our near-term debt towers and substantially reducing our refinancing risk.

The combination of repositioning the company for growth, focusing our portfolio, invest in our capabilities and strengthen our balance sheet have created the conditions for profitable revenue growth going forward. It is always dangerous to call inflection points. However, I'm certain if you don't have the right foundation, sustained long-term success is impossible. We are within 100 days of our 100th year anniversary, where a few companies achieve the kind of longevity Pitney Bowes has achieved. You don't get to 100 years by taking the easy way, shortcuts or making the expedient decisions. Our journey has not been easy, and I'm sure there'll be more challenges along the way, but I like how we are positioned.

Now I will turn it over to Stan.

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Thank you, Marc, and good morning. Let me start by providing an overview of the full year results, followed by the details of our fourth quarter. I'll then take you through our 2020 guidance.

As in the past, unless otherwise noted, my statements going forward will be on a constant currency basis when talking about revenue comparisons and on an adjusted basis when talking about earnings-related items, including cash flow. Reconciliations of all non-GAAP to GAAP measures can be found in the schedules posted with our earnings press release and on our Investor Relations website.

Let me start by giving an update on the Ryuk ransomware attack in October. As we noted on our last earnings call, we have insurance to cover these events, and we have been working diligently with our insurers. We have seen no evidence that customer or employee data was improperly accessed. Additionally, we expect the portion of any impact to profit to be covered by insurance, and the timing of receiving the proceeds are expected to be in 2020. The insurance proceeds will be recorded when there is a high degree of certainty regarding the amount of insurance proceeds to be received, and we will continue to work with our insurers on any potential new claims that may arise.

For the fourth quarter and full year, we are estimating that the ransomware attack impacted revenue by approximately $18 million, EBIT by approximately $19 million and free cash flow by approximately $29 million. This is a result of business interruption and incremental costs related to the attack. As I discuss our results, I will quantify the impact on revenue and EBIT within each segment.

With that, let me take you through our full year results. Revenue was $3.2 billion, which was growth of 0.4% over prior year and is the third consecutive year of revenue growth. When market exits are taken into consideration, revenue grew 2% over prior year. In addition, we have estimated the ransomware attack adversely impacted revenue growth by approximately 0.6 points.

Looking at the composition of revenue, commerce services was 52% and SendTech was 48% of overall revenue. Revenues generated by our shipping products and capabilities, which spread across both Commerce Services and SendTech, represented 39% of overall revenue. Adjusted EPS was $0.68, which was within our guidance range and includes an estimated impact of $0.08 related to the ransomware attack. GAAP EPS was $1.10. GAAP cash from operations was $252 million, and free cash flow was $169 million. We have estimated the ransomware attack negatively impacted free cash flow by approximately $29 million.

Looking at our capital allocation and uses of cash for the year. We ended the year with just over $1 billion in cash and short-term investments on the balance sheet. For the year, we used free cash flow to return a total of $140 million to our common shareholders, including $35 million in dividends and $105 million in share repurchases. Our capital expenditures totaled $137 million, which was essentially flat to prior year. Through the year, we continued to make investments in new and existing facilities, our technology, platforms and products. As part of the ongoing transformation of Pitney Bowes, we also made $27 million in restructuring payments.

Within Wheeler Financial, we funded [$14] million in new third-party financing deals for the year and are entering 2020 with a healthy pipeline. From a debt perspective, we ended the year with $2.7 billion in total debt, which is a reduction of $526 million from prior year and nearly $1.1 billion over the last 2 years. We have been clear in communicating our plans to strengthen the balance sheet. And with the completion of our actions to date, we have reduced our debt and eliminated all debt maturities until October 2021.

Looking at the composition of our debt today, when you take the implied debt associated with our gross finance receivables of $1.1 billion, along with the $1 billion of cash and short-term investments on the balance sheet into account, our implied net debt position on an operating company basis is roughly $0.6 billion today. Additionally, in December, we announced that we obtained and allocated lender commitments for a $650 million Secured Term Loan B facility, which will be used to prepay future near-term bond maturities.

Let me now take you through the details of the quarter. In the fourth quarter, we delivered $831 million in revenue, which was a decline of 3% from prior year. When market exits are taken into consideration, revenue declined 2%. The decline from prior year is largely due to the impact of approximately $18 million or 2 points from the ransomware attack.

For the quarter, adjusted EPS was $0.14, and GAAP EPS was $1.03. GAAP cash from operations was $70 million in the quarter, and free cash flow was $66 million. During the quarter, we used free cash flow to pay approximately $9 million in dividends to shareholders. CapEx was about $42 million, and we had restructuring payments of $8 million.

Turning to the P&L, starting with revenue performance by line item as compared to prior year. Rental revenue grew 12%, and business services grew 5%. We had declines in support services of 8%, financing of 12%, supplies of 14% and equipment sales of 18%. Gross profit was $324 million, with a margin of 38.9%. This is a decline of 4 points from prior year, which largely reflects the shifting mix of our portfolio, the ransomware attack and lower e-commerce fulfillment margins.

SG&A was $247 million or 29.7% of revenue. Compared to prior year, SG&A increased $3 million and 1 point as a percent of revenue. R&D expense was $13 million or 1.5% of revenue. Compared to prior year, R&D expense was down $1 million and relatively flat as a percent of revenue.

EBIT was $65 million and EBIT margin was 7.9%. Compared to prior year, EBIT declined $49 million and EBIT margin declined by 5 points, driven primarily by the gross profit decline as well as the approximately $19 million impact from the ransomware attack. Interest expense, including financing interest expense, was $38 million, which was relatively flat to prior year. The provision for taxes on adjusted earnings was $3 million, and our tax rate for the quarter was 11.9%. Average diluted weighted shares outstanding at the end of the quarter were 172 million, which is about 17 million shares lower than prior year.

Let me now discuss the performance of each of our business segments this quarter. In our Commerce Services group, revenue was $459 million, which was growth of 5% over prior year. EBIT was $4 million, and EBITDA was $30 million.

Within Global Ecommerce, revenue was $324 million, which was growth of 6.5% over prior year. We have estimated that the ransomware attack negatively impacted revenue by approximately $7 million or 2 points. During the quarter, volumes grew across each of our e-commerce solutions. Delivery and return volumes to our domestic parcel services grew 10% to 37 million parcels in the quarter. We delivered double-digit volume growth over prior year despite a shorter holiday season, which also led clients and consumers to shift a higher proportion of their parcels to guaranteed expedited delivery services this season. For the year, we processed 126 million domestic delivery and return parcels, which was 21% growth over prior year. Volumes through our shipping solutions and cross-border offerings once again grew this quarter over prior year, marking 3 consecutive quarters of growth, resulting in growth for the year.

EBIT was a loss of $18 million in the quarter, and EBITDA was essentially breakeven. We have estimated that the ransomware attack negatively impacted both EBIT and EBITDA by approximately $6 million. Along with the ransomware impact, the loss was driven by investments for growth, incremental costs associated with our fulfillment services to serve clients and a mix of business.

Let me elaborate on each of these to provide some color. From an investment perspective, we continue to expand our network, primarily in major markets on East and West Coast, which required operational and capital expense upfront. These facilities are now fully operational for processing parcels and are ramping up volumes. In addition to the new facilities, we continue to invest to support the growth and efficiency of this business, which includes investments in engineering and marketing. Profitability in the fulfillment business was challenged in the fourth quarter, partly due to the ransomware attack, which created a significant backlog of services and required additional resources. With the new clients we brought in, we experienced incremental volumes during the quarter, to which we had to reallocate and ramp up resources to handle volumes based on the needs of those clients. We are taking actions to improve margins in the fulfillment business, including investments and enhancements to align operations with the increased volumes, a review of the client portfolio to ensure we are working with the right clients based on their fit within our capabilities and targeted pricing adjustments.

From a mix perspective, we continue to ramp up volumes in our domestic parcel service, with delivery and fulfillment revenue outpacing returns. As we have talked about in the past, our returns business operates at a higher margin, which creates a shift in the total margin. As delivery and fulfillment get to scale, this mix shift impact is expected to decrease.

We are taking actions across the e-commerce business by investing in our systems, reducing costs and improving efficiencies. While these haven't manifested themselves in our results yet, we are seeing signs of progress. For example, within our domestic delivery return services, we saw our gross profit margins improve in the fourth quarter when compared to prior quarter and prior year, largely due to the work we have done to reduce costs and drive productivity. Our domestic parcel network performed well during the fourth quarter, with on-time delivery metrics improving materially relative to the prior year in spite of higher volumes. And we believe our network also performed well relative to competition.

Within our digital API services, we recently concluded transitioning all of our clients to our modern label API platform seamlessly and with no disruption. This is a major win as it provides all of our e-commerce shipping clients a high-quality of service and access to new innovation and functionality. The new platform continues to consistently operate at a very high level and quality of service, which allows us to sunset our old platform and improves our overall economics. Additionally, we've streamlined our organization, bringing us closer to the client and improving productivity.

We have implemented a price increase, which is in line with the market and continues our commitment to our clients of providing simplified pricing with fewer surcharges than our competitors. So a lot of work being done within this business to continue to bring in new clients grow volumes, reduce costs and improve efficiencies. We are seeing the benefits from these actions starting to materialize, and we expect them to ramp as we go through 2020. As a result, we expect significant profit improvements year-to-year.

Within Presort Services, we are very pleased with the Presort performance this quarter. Revenue was $135 million, which was growth of 1% over prior year. We have estimated that the ransomware attack negatively impacted revenue by approximately $4 million or 3 points. Revenue growth was driven by investments in acquisitions to expand our network, along with growth in our existing clients' volumes. In total, we processed 4.4 billion pieces of mail in the quarter, which was 4% growth over prior year. Volumes grew across all categories, with the major drivers being Marketing and First Class Mail. For the year, our Presort business set a new record, processing over 17 billion in volumes, which was 3% in growth over prior year. This is growth in a market that is declining.

EBIT margins continued to improve in our Presort business, improving every quarter throughout the year. The leadership team took full measure of the obstacles faced in the transportation labor markets earlier in the year and launched a major initiative to innovate around business processes, the product portfolio, which delivered improved margins and importantly, a better client experience. Presort's fourth quarter EBIT margins increased over prior quarter and prior year. We are also seeing benefits from synergies with our domestic parcel services, where we are optimizing routes and sharing delivery lines. This is a strong proof point to the capability of this business and what it can do as we look ahead.

EBIT was $22 million and EBIT margin was 16.6%, which is a significant improvement from where we were in the prior quarter and prior year. EBITDA was $30 million, and EBITDA margin was 22.4%. We have estimated the ransomware attack negatively impacted EBIT and EBITDA by approximately $4 million.

Turning to our SendTech segment. Revenue was $372 million, which was a decline of 11% from prior year. Excluding the impact of our market exits, revenue declined 9%. In addition, we have estimated the ransomware attack negatively impacted revenue by approximately $8 million or 2 points. The revenue decline was driven by lower equipment sales, which was largely due to timing differential between when we ship product and when we install it. We ended the quarter with a higher backlog of shipped but not installed orders versus prior year, in part due to a higher mix of solutions being sold with our equipment, which requires a longer installation period. Revenue was also negatively impacted by the business interruption related to the ransomware attack.

Financing, support services and supplies revenues declined but were partially offset by higher rentals and business services. The growth in business services is being driven by the new shipping capabilities in our SendPro product family. EBIT was $112 million, and EBIT margin was 30.1%. EBITDA was $122 million, and EBITDA margin was 32.7%. Margins were impacted this quarter by the lower equipment sales margins, primarily due to costs related to tariffs, in addition to costs related to the ransomware attack. We have estimated the ransomware attack negatively impacted EBIT and EBITDA by approximately $8 million.

We continue to bring innovation to the marketplace. We recently launched the SendPro Tablet, the SendPro Light and the SendPro C Auto. These products are the next-generation in our SendPro family of products. In the upcoming months, we will also introduce new products to address the low end of our SendPro product line. Essentially, over the course of 2020, we will complete the refresh of our entire line of mailing and shipping products, and we will roll out certain products internationally.

Let me now update you on our 2020 annual guidance. For the full year, we expect revenue on a constant currency basis to be in the range of a 1% decline to 1.5% of growth over prior year; adjusted EPS to be in the range of $0.60 to $0.70; and free cash flow, net of our investment in Wheeler Financial, to be in the range of $140 million to $170 million.

Let me drill down on each of these to provide more color, starting with revenue. Our revenue guidance reflects an e-commerce clients' decision to remain with Pitney Bowes for labeling and tracking services through our shipping APIs but has elected to no longer take advantage of our guaranteed delivery service. As such, we no longer take the risk associated with guaranteeing the delivery and therefore, the treatment moves from gross to net revenue recognition. While this impacts the company's total year-to-year revenue by approximately 2 points, it has minimal impact on our 2020 earnings and free cash flow. As a result, we expect Global Ecommerce revenue to grow in the mid-single-digit range in 2020, but returning to double-digit growth longer term.

We expect Presort to continue to grow faster than the market at a low single-digit rate and SendTech to decline in the mid-single-digit range, all on a constant currency basis. With regard to our 2020 adjusted earnings per share guidance, there are several items to take into consideration. We expect adjusted EBIT dollars to grow in the double-digit range in 2020 when compared to 2019. There are some puts and takes from year-to-year, but let me take you through how we see the operational performance of the business segments contributing to the EBIT dollar growth in 2020.

Within e-commerce, we expect significant year-over-year improvement in EBIT dollars, which will be driven by continued growth in volumes to get to a scale, bundling of offerings, pricing actions, along with organizational and operational efficiencies within our network. We expect to see improvement through the year as a result of these actions. This improvement supports our investment thesis around profitable revenue growth going forward.

We expect Presort revenue and EBIT to grow. The proof point here is the progress we made throughout 2019, where the actions we have taken around labor and transportation costs, synergies with our domestic parcel services and pricing have started to materialize in our P&L. Partly offsetting the year-to-year improvement in Commerce Services EBIT dollars will be a decline in SendTech EBIT dollars, driven by the mid-single-digit revenue decline but holding margins in a long-term range of 30% to 35%. We expect SendTech EBIT dollars to decline. It will be at a lesser rate than 2019.

We expect to further streamline operations and reduce spend, particularly across our shared services functions, to align with our simpler business model and improve expense to revenue ratio. At an EPS level, the growth in 2020 EBIT dollars will be offset by a tax headwind of approximately $0.20 when you compare it to the midpoint of our 2020 tax rate to 2019. We expect the 2020 tax rate on adjusted earnings to return to the 23% to 27% range. To a lesser degree, EBIT dollars will also be offset by slightly higher interest expense due to the timing of debt repayments and a higher rate on the new term loan.

Looking at free cash flow for 2020. Excluding the investment in our third-party financing initiatives through Wheeler, we expect to generate free cash flow in a range of $220 million to $250 million. We expect to use free cash of approximately $80 million for new originations through Wheeler. Out of the growth in Wheeler, our free cash flow guidance is $140 million to $170 million.

Looking at the timing through the year, our portfolio continues to shift to markets that are growing, particularly around shipping. As a result, the fourth quarter will continue to be our largest revenue quarter for the year. Assuming the midpoint of our annual guidance, we would expect first quarter revenue attainment to the full year to be in line or slightly above prior year's first quarter attainment. As a result of improved margins, we expect first quarter's adjusted EPS attainment to the full year to be approximately 3 points higher than prior year, again, when assuming the midpoint of our annual guidance.

So let me wrap up. In 2019, we made progress in our transformation by streamlining our portfolio, strengthening the balance sheet, investing in capacity, new products and innovation, which leaves us well positioned for 2020. In 2020, we will continue on our transformation journey, with a major focus shifting to profitable revenue growth, expanding margins, which will result in EBIT dollar growth. This, coupled with an improved and manageable debt profile, gives us confidence to achieve our longer-term goals.

With that, we will now take your questions. Operator, please open the line.

QUESTIONS AND ANSWERS

Operator

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

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

So first, just looking at 4Q. You mentioned that there was the impact of a shorter holiday season. I was wondering if you guys have any estimate as to what that could have been as far as impact? And looking at your parcel increase of 10%, I just wanted to get a better sense as to the breakdown between existing clients and any new clients. And obviously, the 10% was a deceleration from prior quarters. I know some of that was because of the ransomware attack. But if there's anything else that, that happened in the quarter, certainly, I would love to hear your thoughts on that.

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

Sure. Anthony, thanks for the question. So first, the question on shorter holidays. As you've seen from the press, this impacted a number of retailers out there as well as logistics players. And it did have an impact on us. Let me put a little bit of context around it.

So in the fourth quarter, Global Ecommerce revenue grew 6.5%, as reported. I'm going to use Rayuk and ransomware and malware interchangeably, but that did have an impact in this business, and we estimate that's about 2 points. So on an operational base, roughly 9% growth, and all lines of business grew.

To your point, volumes grew 10%. It is a shorter holiday season. Some of the clients were doing more expedited shipping, given the proximity to the holiday. In addition, some of our retail clients had a slower holiday season. You've seen that in some of the press, and we did have 1 client declare a bankruptcy. But I think it's important to put that in context with the full year. There is -- these are going to be ebbs and flows as you go through any various quarter. If we pull back to the full year, revenue grew 13% within the long-term model, and volumes grew a healthy 21%. And underlying that is an improved delivery of performance on a year-to-year basis. That significantly benefited us and I think brings confidence on a go-forward basis. So yes, the shorter holiday period did have an impact. But when you look at in context for the full year, we're still pretty comfortable at 13% revenue and 21% volume growth.

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

Got it. Okay. Yes. And I know it was Stan, you gave some color as far as the Q1 and how we should think about that. As far as the rest of the year and kind of high-level thoughts as to how we should model the rest of the year, I know, for instance, Christmas is going to shift from a Wednesday to a Friday, and the holiday season actually will be 2 days longer because of an earlier Thanksgiving. So any sort of high-level thoughts about the Q2, Q3 and Q4 as to how we should think about modeling those quarters?

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Yes. Anthony, as you think about that, we talked a little bit about Q1. If you kind of look at the -- through the rest of the year, again, we're going to see a slightly heavier weighting towards fourth quarter as e-commerce. We told you that the commerce service is making up a larger proportion of our overall business. So you're going to continue to see a slight skew back towards the fourth quarter in that peak holiday season.

The magnitude of that, I think, will be a little bit lower than prior years, but you should still expect that fourth quarter would be a little bit higher than this past year, in particular, with the change in the holiday.

On a profit front, I think you should think about more of this being towards the back end of the year as we ramp up our efforts to improve Global Ecommerce's profitability that's going to ramp through the year, similar to what you saw in Presort this year.

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

Got it. Okay. So is that consistent with, I think, Marc's thoughts about the growing pains that you saw in the fourth quarter as you get more scale, you should see more profitability in that segment?

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Correct.

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

Yes. I would just add, I mean, the [flow of] businesses continue to add clients, and that's a great thing. And as they add volume, we, a, invest slightly in front of that and kind of work through the operational issues. I think to your point about the shorter season, it was approximately, I think, 3 points of growth. Stan, correct me if...

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

That's estimated. I mean, it's hard to tell on that exactly, but that's probably in a ballpark.

Operator

Your next question comes from the line of Kartik Mehta from North Coast Research.

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

Marc, just on Global Ecommerce big picture. It sounds like 2020, you're still anticipating an operating loss for the year, if you could just tell me if that's true or not.

And secondly, as you look at towards the back end of the year, do you anticipate Global Ecommerce to be positive from a profit standpoint towards the end of the year?

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Kartik, why don't I start off and let Marc give you some color around it? So let me start at a macro level. Our 2020 guidance has EBIT growing double digits. I just want to pause there. It's been a long time since that's happened here. And Global Ecommerce is certainly a part of that. And as we develop this guidance, there are multiple ways to achieve our objectives. Obviously, it's February. So a lot of unknowns for the year, which is why we lay out internally a plan A, a plan B, et cetera.

And as it pertains to Global Ecommerce specifically, we're going to make significant progress in profitability in 2020. Now some of the contributors to that, growth in volumes are obviously going to yield scale benefits and transport warehouse and labor. We're increasingly bundling our offerings. We've taken additional pricing actions in a number of areas, and we've streamlined the organization.

We also have a long list of productivity actions around things like site consolidation, process improvements and labor scheduling. Candidly, we have specific investments for the team on delivering profitability. Now some of these actions are done. Some are underway, and some are going to occur later in the year. So the momentum will build through the year, back to your point about exiting the year at a profitable rate. But it's an uncertain or less certain macro environment, economic conditions, trade, China and the coronavirus and the retailer performance. But this business has come a long way. I mean, if you step back and look at $15 million of revenue in 2012 to over $1.1 billion in 2019, our models evolving toward profitable revenue growth, and we're confident that these actions will help us progress and you'll see significant improvement in global e-commerce.

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

I guess, for Marc, from a big picture, as you look at global e-commerce, if you look over the next few years, what's your expectations for kind of profit margins for that business?

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

Yes. I'd say our long-term view is still in that 8% to 12% range. There's nothing that's changed about that. As you look at the arc of that growth, we still think getting to 250 million parcels is key, if you kind of do the math from where we are at 125 million to 130 million parcels. So I mean, I think that kind of gives you the trajectory. It kind of gives you a sense of when we get to the long-term model, and we'll make progress as we go on.

I would just highlight, with Standard, we expect significant progress this year. We've got multiple ways to get to the full year plan. And I would underline that the team has important financial incentives to get this business to profit this year, but it's a long-haul from where they are.

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

And then, Stan, just one last question on the debt. As you look for -- towards your debt, any more refinancings anticipated in 2020? Or are you kind of done for now and you'll reassess the portfolio at a later point?

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Yes. Kartik, it's a good question. So you've seen, we've been very busy over the last several months. Back in September, we repaid the balance of the term loan for $200 million; November, we did a New Term Loan A for $400 million; repaid $150 million and $300 million, respectively, on other term loans; did a new revolving credit facility; and then in December, we redeemed $300 million of notes. Now in December, you saw that we obtained commitments for $650 million Term loan B and that we intend to use a portion of the remaining software sale proceeds together with this term loan to prepay future near bond maturities. So that -- obviously, we haven't done that yet. I'm not going to give you exact specifics. But I think if you step back, this is resulting in a healthier balance sheet, lower leverage, currently no maturities until October 2021. And then as we address the new term debt maturities, that debt profile that towers out in time, I think, is going to improve significantly.

Operator

Your next question comes from the line of Shannon Cross from Cross Research.

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

Can you talk a bit about the customer, the client that decided to stop using the fulfillment service? I'm just curious, is this the trend you expect or just sort of a one-off? And then how should we think about that business sort of from a longer-term standpoint? And then I have a follow-up.

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Shannon, just to clarify, the client didn't leave the fulfillment business. The client currently is on -- using our shipping APIs for labels and printing those, and they were taking advantage of our guaranteed delivery service. Just as a reminder, this guaranteed delivery service was really born out of our analytics, where we have enough history and confidence looking at the to and the from locations to guarantee delivery. When we guarantee that delivery, we take the risk of any claims. This client has elected not to participate in that guaranteed delivery anymore. So hence, we don't have the risk. So that's -- the revenue impact moves to a net treatment.

Now the client is still a PB client. This offering, in general, has had great take ups since it start. We believe that it continues to bring a lot of value in the market, in particular, to small and mid-sized retailers. And I wouldn't see this as a trend. I think this was an economic decision for the 1 client.

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

Yes. I would just add, if you look at Global Ecommerce broadly and you look at the churn rate a little bit to kind of the broader theme of your question, the churn rate on a year-to-year basis, 2019 to 2018, the churn rate was half in 2019 as it was in 2018. So substantial progress in reducing churn, I think that speaks to the team's progress in providing outstanding service delivery, and we saw it clearly in the fourth quarter where the network performed by any measure at above market rates.

So in general, we like how we're positioned from a client retention. As they make different choices, it affects some aspects of the revenue recognition. But in general, we like where we're positioned. And no, we don't see it as a trend on the contrary.

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

Okay. That's very helpful. And then I'm curious, the -- was the churn you were seeing sort of out of the old logistics business and so you've been able to improve? Because I know they had some customer service issues over time. Or was it in other areas? That's a significant improvement. So I'm just wondering what -- where specifically you saw an improvement?

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

Well, for instance, we had them in logistics but also our API business. So if you go back a couple of years and we introduced that product, we had some growing pains when we first introduced. So it's really across Global Ecommerce. But to your point, it's principally in logistics.

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

Okay. And then in terms of the third-party leasing business, that is -- obviously, you've gotten some traction there. So can you talk a bit more about how you're seeing that business? How big it could be over time? Just it seems to be a good use of cash at this point.

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Sure. I'll take that one, Shannon. So look, with Wheeler, we told you that when we created this, we were going to do this with purpose, meaning a third-party platform, the right industry talent and the right approach. And we ramped up through the year. So in 2019, we signed 14 million and funded 14 million in deals. A little bit of color, that's roughly a 70-30 split between loans and fair market value leases.

In total, we signed roughly 50 transactions. So you can get a feel for the structure of the deals as we look at that, and we're gaining momentum. As we look into this year, we said that the net impact of Wheeler would be a use of cash of roughly $80 million. We're confident with the pipeline that we can build into that level.

Now for the longer term, how big could this business get? Look, we have aspirations to grow it responsibly, but we'll look at this. We'll measure that rate and pace of progress also with the macroeconomic environment, but we like how we're positioned. We think we're bringing value to our clients. And we think that this business is getting some legs.

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

So let me just add to what Stan just said. So if you think about this business broadly, there's a couple of different dimensions. One is the level of placements we have. So think about that as new loans that we originate or new leases. And then second is how big do we let the balance sheet get. So as this business gets bigger and we fully expect that it will, we'll have options in terms of syndicating these assets or other types of activities. So it's really in those 2 dimensions.

And the way we think about that, Shannon, no surprise to you is we have a source of funds that is economically advantaged. We tend to -- our intent is to consume those funds, and then we'll begin to think about how it is that we think about the balance sheet going forward.

Operator

Your next question comes from the line of Allen Klee from National Securities Corporation.

Allen Robert Klee ***National Securities Corporation, Research Division - Research Analyst***

Looking at SendTech and the postal meter business, you said you're thinking about mid-single top line declines in 2020. That would be an improvement from what we've seen. Can you kind of help us understand where you get -- what actions you're taking and your confidence in getting there?

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Sure. Thanks, Allen. So let me talk briefly about SendTech. So the revenue for the quarter was down 11%, as reported. Recall that we had market exits here earlier in the year. So when you adjust for that, down 9%. But Ryuk had an impact on this business as well, and it normalized down to roughly 7%. But I think it's important to look at the full year. If you do the same market adjustments and impact to the ransomware, revenue was down about 5%, and that's in our long-term model range. And with that, as we look going forward, we expect that we'll see improvement. If you recall from my prepared remarks in the script, we had some issues around installs here in the fourth quarter. That's all recoverable. I mean, that is, as we go out and install those, that is items that we can pull back. And as we look forward, it's really bringing the new offerings we talked about in the prepared remarks, new product rolling them out internationally, then importantly, shipping. So we're seeing improvements in activation. We're seeing improvements in take-up and throughput. And remember, we're very early days into this business on shipping through this platform. So we're excited about that opportunity. And we think that the combination of those can be -- help as we go through.

Now on a profit point of view, this business operated the full year, 32% as reported and about 32.5% when you adjust for the malware, so right in the middle of the long-term model. And we expect, and keep in mind, that includes $10 million of tariff impact as well. So as we look forward, we like the positioning of SendTech. We think they're gaining some momentum here and can operate at a profitable level and improve that level of profit on a year-to-year basis, still decline, but at a lesser rate.

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

So I mean at a very simplistic level, if you think about 2019 as a baseline and you make the adjustments that Stan talked about for Ryuk as well as the market adjustments, it was minus 5-ish. So think about entering into 2020 with that as kind of the baseline, except you've got a completely replenished portfolio that moves around the world and increased traction on service -- on shipping services. So that's kind of -- I mean how I think

about it at a very high level.

Allen Robert Klee ***National Securities Corporation, Research Division - Research Analyst***

Okay. Then maybe some smaller modeling type of questions. In terms of your actions to continue to focus on operating -- operational excellence, how do you think about how much you are planning to cut out of expenses in 2020?

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Look, we're going to improve our SG&A, but you're going to see this actually ripple through the income statement in multiple areas. Because keep in mind how this operates. So our shared services functions, if you step back and look at, part of the transformation has been simplifying this business model into shipping and mailing underpinned by financing. We've gone from 6 segments a couple of years ago to 3 segments and really 2 groups here, Commerce and SendTech. So when you look at that, we continue to adjust our support services to align to that new model so that, that alignment will yield savings.

Now some of those savings, you'll see at the top, and some of those savings will ripple through the business. They'll also hit in different line items, depending on the source of the spend. So we're going to tackle that corporate structural spend. We're still going to make investments in other areas. And so you're going to see that manifest itself in different areas on the income statement.

Now the operational excellence also goes, not just from a pure dollars, but improving the support of the business. These 2 businesses are moving in new directions with new product, new offerings, and we're morphing to support that as well. And so as I think about where we've been and where we're going, we said a couple of years ago we were going to take out over $200 million of spend, and we executed that. So I think you should have confidence in our ability to execute this go forward.

Allen Robert Klee ***National Securities Corporation, Research Division - Research Analyst***

Okay. And can you take a stab at what you think the interest expense will be in 2020?

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Yes. When we've modeled out the interest expense, and if you think about -- I rattled off all the debt activity that we've had, I think you should think about the interest expense being just very modestly higher than what it was last year, single-digit million.

Operator

Your next question comes from the line of Ananda Baruah from Loop Capital.

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

Just a couple for me. Could you, both Marc and Stan, maybe describe the demand tempo as you saw it going through the December quarter? We did listen. There's been a lot of great context so far on sort of the moving parts of demand with sort of constant currency decline being a little bit stronger. Well, declines and sort of declines in SendTech and sort of growth tapered, which you have walked through the dynamics in e-commerce. But just sort of across the board, we'd love to just get a sense if you think your sort of business environment is holding up or if there's something sort of -- some sort of incremental headwind that you guys are also seeing that you haven't yet described? And then I have a follow-up to that as well. I appreciate it.

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

So let me start at a micro level, and then I'll move to a macro level. So in the context that you asked the question in terms of the trajectory throughout the quarter, keep in mind, to some extent, my answer to that is colored by the fact that we had the Rayuk incident from October 12 to October 27. So that affected how we saw demand. That being said, if you look at every 1 of the businesses, I think the demand environment was actually reasonably strong. SendTech, if you look at what we call written sales, which is the amount of business they write versus they install, that was pretty strong. If you look at Presort, again, it's strong and improving demand throughout the quarter. If you look at the GFS business, Wheeler, to Shannon's earlier question, strong demand. And then Global Ecommerce is good. And I would point out as you think about -- as I think about all those businesses, I like kind of how they're positioned for the first half of the year. They've got some good deals that we think are encouraging. We'll see how they unfold.

From a macro environment, I would say there's some good things and some things that are a little concerning. So clearly, I think USMCA is a positive thing that should help trade. The first phase with China is a good thing. We're encouraged by that. We're hopeful about the second phase. On the other side of it, the virus in China, the coronavirus in China is concerning, and our heart goes out to all the people that have been affected by that, but it obviously has kind of an uncertain impact on trade. So I would say we're cautiously optimistic about the macro environment that we're dealing with. And particularly, trade is -- I feel better about trade today than I did 120 days ago.

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

The only thing I'd add in that is if you step back, unfortunately, this impact from the malware incident, it's real, right? It happened, but it kind of clouds some of the underlying performance.

If you go to the macro view Marc highlighted, in 4Q, if you look at the impact of exiting the market exits and at constant currency and the malware incident, we're roughly flat. And if you look at the full year, we grew just over 2% on those same adjustments at constant currency. So third consecutive year of revenue growth. And I think it sets us well heading into 2020.

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

And you kind of put that in context, I mean, that 2% for '19 and you look at the guidance this year, adjusted for the client issue that we talked about, it's kind of in that same trajectory, even though the -- I think GDP is probably a little bit more modest growth in 2020 than '19. But overall, we're paying attention but nothing to be terribly concerned about right now.

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

And Marc, I think you just answered my second question, which was -- with the constant currency revenue growth guidance is flattish, plus/minus in '20, is the -- is really the 2% impact from this client. Does that really put to the difference relative to 2019?

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

Typically, Stan hits me over the headline and started talking about guidance, but I'm a little bit further away from him on the table. So I'll take a risk. If you think of minus 1% to plus 1.5%, that's slightly positive at the midpoint. You think of $60 million or $70 million for that client, that's a couple of points. That's kind of that same Zip code that we're in. And that's, I think, a prudent view of guidance.

Operator

Your next question comes from the line of Allen Klee from National Securities Corporation.

Allen Robert Klee ***National Securities Corporation, Research Division - Research Analyst***

Just a follow-up related to the coronavirus. I believe you do some of your manufacturing in China for your equipment. How do you think about how that could impact your having enough inventory? Or maybe another way to think of it is if the issues there lasted, for what time period would it then become a concern?

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

Listen, I mean, again, I'd go back to what I said. I mean, we're really very focused on all of the people in China, and our heart goes out to all those that are affected. In terms of the substance of your question, it's really hard to speculate. I mean, in that -- this is kind of unknown territory. As we sit here today, I'm not worried about any impact on the supply chain. We're kind of watching cross-border trade and how that works out. So we're concerned, but I -- we don't know enough to give you a responsible answer to your question.

Stanley J. Sutula ***Pitney Bowes Inc. - Executive VP & CFO***

Just keep in mind, I mean, with the tariff situation, we've also been working our supply chain over the last 18 to 24 months on improving that position. But it's early days here. We're taking care of our people and watching this closely with our partners.

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

Just as -- part of our supply chain was moved from China as well. So we're a little bit more geographically diversified than we were 18 months ago.

Operator

(Operator Instructions) And at this time, there are no further questions.

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

All right. Let me conclude. So as I look at 2019, just to finish it off, I would say a decent year. Not a great year, but a decent year, 2% revenue growth, third consecutive year of growth. As I said, that's the most dispositive indicator of a successful transformation, and we take that quite seriously. At the same time, a much more focused narrowed portfolio in markets that are growing and markets that we have a right to win, and we are winning. And you see that in the Global Ecommerce business. You see it in the service levels they're providing. You see it in the reduced churn. You see it in the 20% increase in volumes on a year-to-year basis. And this sense -- point about the balance sheet, the balance sheet's in a much stronger place. And if you look at the net debt overall of the company, you take out the finance receivables and cash, from my perspective, that's not only very improved but also very manageable.

Looking forward, we see continued growth. We see continued growth and how I'd go back to what Stan said, profitable revenue growth going forward. So it's one thing to have increase in profit. It's another thing to have increased revenue growth, but to have both of those at the same time is the next phase of the transformation and double-digit profit growth at that. So as always, an uncertain environment, some things from a macro perspective that we're paying attention to. But we like the demand posture throughout the fourth quarter and as we enter into the first quarter, and we're optimistic about the year. So with that, thank you for your time, and we'll talk to you in 90 days.

Operator

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