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Q1 2021 Pitney Bowes Inc Earnings Call

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PRESENTATION

Operator

Good morning, and welcome to the Pitney Bowes First Quarter 2021 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; Ms. Ana Maria Chadwick, Executive Vice President and Chief Financial Officer; and Mr. Adam David, Vice President, Investor Relations and Financial Planning. Mr. David will now begin the call with the 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 2020 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 our 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***

Thank you, Adam, and thank you, everyone, for joining today's call.

We got off to a solid start for the year with every business making an important contribution to the quarter. Overall, revenue at constant currency grew 14% and every business improved their EBIT performance. For the second consecutive quarter, SendTech improved EBIT on a year-to-year basis. As I mentioned before, the transformation of SendTech from a business decline, to business well positioned to capture new value in the shipping market is one of the most impressive transformation I've ever seen. The business has leveraged digital technologies to transform our offerings and our go-to-market strategy. SendTech's platform is built on IoT technologies that are delivered on a SaaS chassis, and this business is very well positioned going forward.

Our Presort Services continued with the momentum we saw at the end of last year with both revenue and EBIT improving on a year-to-year basis. Global Ecommerce revenue at constant currency grew 40% for the quarter and EBIT margins improved nearly 400 basis points on a year-to-year basis. Importantly, profit performance improved throughout the quarter as our labor model continued to mature and pricing changes kicked in.

In the month of March, domestic parcel services per unit labor cost delivered the best performance compared to any quarter from the second quarter of last year. We expect unit labor costs to continue to improve and transportation and automation efficiencies are primarily still in front of us.

Transportation costs remains high in both our e-commerce and Presort businesses to further in-sourcing of transportation as well as the deployment of automation will benefit both businesses. There's a lot of opportunity in front of us as we continue to invest in areas that will yield future productivity benefits.

We also made several important additions to our Global Ecommerce team. While I'm sure the team will continue to evolve, we have a group of professionals and consultants guiding our business who have built business-to-consumer networks centered on induction to the USPS system. Cash performance for the quarter was also relatively strong compared to prior year off of an improved working capital performance. The team continues to demonstrate strong operational discipline.

We also executed a successful refinance in the quarter. There were 2 objectives to the refinancing. First, we wanted to push out the maturities, further decreasing our refinancing risk. Secondly, and more importantly from my perspective, we created strategic flexibility. We achieved both those objectives.

I've described 4 chapters of transformations: quick wins, sustained investments, revenue growth and finally, profitable revenue growth. Last quarter, I said, we are poised to enter that fourth chapter, profitable revenue growth. It's hard to call the first quarter an inflection point given the nominal EBIT increase, but revenue and profit did increase and a very much like our position going forward. Each business is poised to continue to make progress during this year and for that matter, going forward beyond this year. All in all, I'm quite pleased with the quarter. It turned another strong revenue performance and improved EBIT across each segment compared to the prior year.

As the revenue compares get more difficult as the year goes on, growth will inevitably moderate, but the trend is quite clear and I very much like the way we are positioned.

With that, I will turn it over to Ana.

Ana Maria Chadwick ***Pitney Bowes Inc. - Executive VP & CFO***

Thank you, Marc. Before I get into the details of the quarter, this being my first earnings call with the team, I want to share with you a few thoughts on what attracted me to Pitney Bowes.

The first thing that attracted me was the growth trajectory. Now that I have had a chance to go deeper into the business, I am confident that we are on the right path to achieving what Marc referred to as the fourth chapter of our transformation, which is profitable revenue growth.

The second item is culture. I can feel a true sense of team, pride and passion for continuously innovating and winning in the marketplace. These are concepts that you cannot necessarily teach. They are ingrained, and I consider them to be imperative to our success.

And last, what I did not realize but quickly learned is how much technology is deeply needed in everything we do. It's not as evident when you look at the business from a distance, but I believe it's one of the major enablers to the company's transformation.

Now let me turn to our first quarter results. Unless otherwise noted, I will talk to revenue comparisons on a constant currency basis and earnings-related items, including EPS and cash flow on an adjusted basis. Revenue was $915 million and grew 14% over prior year. Adjusted EPS was $0.07 and GAAP EPS was a loss of $0.18. GAAP EPS includes a $0.22 loss on the refinancing of our debt as well as a $0.02 loss from discontinued operations and $0.01 from restructuring charges. Free cash flow was a net use of $1 million and cash from operations was $66 million, both an improvement from prior year due to favorable working capital changes largely around the timing of accounts payable and accounts receivable along with improved collections. This was partially offset by lower customer deposits at our PB Bank.

During the quarter, we paid $9 million in dividends and made $4 million in restructuring payments. We invested $43 million in CapEx as part of our plan to drive future operational efficiencies. We ended the quarter with $697 million in cash and short-term investments. Total debt was $2.4 billion.

We took several actions during the quarter to refine our capital structure, along with reducing overall debt by $126 million from prior year. These actions further reduce refinancing risk with the reduction of our near-term bond maturities.

We also improved the pricing of and substantially paid down our Term Loan B, improved our covenants, which provides us greater strategic flexibility and extended the duration across our capital structure. When you take our finance receivables and cash into account with our debt, our implied operating debt is $690 million.

Looking at the P&L, starting with revenue versus prior year. Business services grew 28%. Equipment sales grew 12%, and rentals were flat to prior year. We have declines in support services of 4%, supplies of 10% and financing revenues of 14%. Gross profit was $299 million, and gross margin was 33%, which was down from the same period last year, largely due to the mix and shift of the portfolio but is an improvement from the fourth quarter.

SG&A was $238 million or 26% of revenue. This is an improvement of $10 million and 5 points, respectively, from prior year. Within SG&A, corporate expenses were $57 million, which was up about $14 million over prior year, largely due to benefits recognized last year around employee variable related costs and a sales tax credit.

R&D was $11 million or 1% of revenue and down slightly from prior year. Adjusted EBIT dollars were $50 million, which was a slight improvement over prior year. Adjusted EBIT margin was 5%.

Interest expense including finance interest was $37 million. Our tax provision on adjusted earnings was a benefit of about $400,000 and includes a benefit associated with an affiliate reorganization. Compared to prior year, our tax provision benefited EPS by about $0.015. For purposes of determining adjusted EPS, shares outstanding are approximately 179 million.

Let me now turn to each segment's performance, starting with e-commerce. Revenue for the segment was $413 million and grew 40% over prior year. Revenue continues to benefit from the strong demand, along with the prepandemic comparison. Volumes grew year-over-year across all lines of service. Domestic parcel services volumes grew 23%, cross-border volumes were more than double, and our digital services volumes grew 36%. EBIT was a loss of $26 million and EBITDA was a loss of $8 million. Compared to prior year, EBIT improved $3 million and EBIT margin improved nearly 400 basis points.

We made progress through the quarter where earlier on, we were still dealing with the residual of peak holiday season. We continue to work to improve service levels in our domestic parcel network, balancing cost and quality, which are all headed in a positive direction.

As with the industry, we all continue to see relatively high transportation costs and a competitive labor market. However, as we move through the quarter, our domestic parcel network improved parcel process per hour by approximately 45% as our labor model continued to mature. Margins continued to be healthy in our digital and cross-border services. Of the $26 million EBIT loss in the quarter, we saw a loss of $4 million in March and we reported positive EBITDA for the month.

Within our domestic parcel service, our initiatives to improve productivity are still largely in front of us. As we have discussed in the past, Investments will include new automated sorters, along with streamlining our processes to improve productivity. We placed one new sorter in a high-volume site in the first quarter and expect to roll out more over the next 12 to 24 months. In addition, we are implementing modern sortation processes in each of our facilities before the upcoming holiday peak season this year.

This investment and related productivity actions are expected more than double our pieces process per hour over time. In addition, our transportation team continues to execute on the strategy of migrating outsourced lanes into our own PB fleet. In the first quarter, we insourced several of these lanes with more plans for the second quarter, all of which will improve cost and service.

We also brought in third-party industry expertise to help support our execution in the area of transportation. We believe that optimizing our transportation will yield significant productivity benefits.

Finally, we are in the process of opening 2 new sites and upgrading another, which we expect to have completed prior to the peak season. This will allow us to handle volumes more efficiently and delivered deeper into the USPS network. Ultimately, we expect transportation and labor productivity, along with optimizing final mile solutions to be critical drivers in attaining our long-term e-commerce margins. We expect these to account for approximately 75% of the margin improvement.

Our Presort Services saw the momentum from the second half of 2020 continue into the first quarter. The business turned in a solid performance, growing revenue, EBIT and EBIT margin over prior year. Revenue was $143 million and grew 2%. Overall, average daily volumes were flat to prior year, where First Class letter mail declined 2%, Marketing Mail grew 11% and Marketing Mail Flats and Bound Printed Matter grew 30%. EBIT was $19 million and EBIT margin was 13%. EBITDA was $27 million, and EBITDA margin was 19%. EBIT and EBITDA improved from prior year due to both revenue growth and lower expenses.

We have been able to maintain double-digit margins in the Presort business, even as we continue to invest in our talent and equipment. Compared to prior year, we improved pieces per labor hour by 4%, resulting in 85,000 less processing hours.

Within SendTech, we also picked up on the momentum from the second half of 2020 as we continue to soften the decline in our revenue and maintain strong EBIT margins. Revenue was $359 million and declined 3%. We continue to differentiate ourselves in the market with our end-to-end mailing and shipping offerings to enterprise and small office providers that are attracted to both existing and new clients. We have a growing revenue stream around office shipping that carries with it high margin, approaching that of our legacy mailing business and a software business.

Unlike the legacy mailing business, the shipping opportunity in SendTech provides multiple paths for us to add profit and revenue like supply, financing and the professional services. SendTech's shipping-related revenue grew at a low double-digit rate to approximately $30 million in the quarter. The number of labels printed through our shipping offerings grew over 40%, and paid subscriptions grew approximately 80%. Additionally, we are seeing good growth in shipping volumes that our U.S. clients are financing, which grew nearly 80% over prior year.

These positive metrics show that our clients are adopting and using these new offerings as they see the value it brings to their businesses.

Equipment sales grew 12% over prior year, driven by strong placement of our SendPro C, which includes a large government deal, and we continue to see good placements of our new central mail station multipurpose device. It is important to point out that like others, we have experienced transportation issues related to our supply chain. We have been able to properly manage our inventory and grow our equipment sales despite these challenges. And it is an area that we are closely monitoring. We are also keeping a close eye on the semiconductor industry and are looking to mitigate any potential second half supply shortage by repositioning our solutions as necessary.

We turned in a strong EBIT performance of $114 million, which represents growth of $8 million over prior year, and is the second consecutive quarter of EBIT growth. EBIT margin was 32%, which improved 250 basis points over prior year. EBITDA was $122 million, EBITDA margin was 34%, both improving over prior year.

As you may recall, prior year included an increase to our credit loss provision to reflect macroeconomic conditions resulting from COVID-19 in connection with the application of the CECL accounting standard.

One other point that I'd like to make is that this team has done a tremendous amount of work, not only to transform its products and offerings, but also its channel. Today, about 80% of all U.S. sales transactions are happening through our web or inside sales channel. This has allowed our field team to concentrate on larger enterprise deals. And this has been a great contributor to maintaining the very healthy margins that we see in this business.

I am pleased with the performance our team turned in the first quarter. We entered the year with good momentum and continued to concentrate on the opportunities in front of us, and we expect to make good progress throughout the year. As discussed during our last earnings call, we continue to expect annual revenue at constant currency to grow over prior year in the low to mid-single-digit range making this our fifth consecutive year of constant currency revenue growth. We also continue to expect adjusted EPS to grow over prior year. Free cash flow is expected to be lower from prior year, primarily due to specific items which benefit 2020, such as higher customer deposits, lower finance receivables and lower CapEx, which are not expected to continue at the same level in 2021.

Within our segments, we expect Global Ecommerce revenue growth to be stronger in the first half compared to the second half, as the revenue comparisons will get more difficult as we move through the year. We also expect e-commerce to demonstrate significant profit improvement and deliver positive EBITDA for the full year.

Within SendTech, we expect the momentum we saw in the second half of 2020 and first quarter to continue, particularly around our shipping capabilities and new multipurpose devices, and help partially offset the decline in reoccurring related revenues. We also expect the improvement in volume trends we saw in Presort in the second half of 2020 and first quarter to continue through 2021.

There are a few headwinds to be aware of on a year-to-year basis that will partially offset the overall business unit improvements. In 2020, we recorded insurance proceeds. In 2021, we expect higher employee-related costs as it relates to variable compensation. Additionally, we expect a higher tax rate in 2021.

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 quarter of the year for revenue and earnings. For the second quarter, we expect revenue to grow in the mid- to high single-digit range. Similar to first quarter, we also expect adjusted EPS to grow modestly over prior year.

That concludes my remarks. Operator, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Ananda Baruah from Loop Capital.

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

And congrats on the solid start to the year. Yes, you just answered what was going to be my first question, which is how you feel about potential for e-commerce profitability as you move through the year but let me ask it this way, too. So you mentioned an EBITDA positive for the full year. Do you feel like you have any opportunity for EBIT positive, if not for the full year by the end of the year? And then, I have a couple of quick follow-ups.

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

Sure. Listen, we're pleased with the progress that the Global Ecommerce team is making to get the profitability. And being EBITDA profitable for the years is an important milestone, but it's just that. It's a milestone. We have more work to do.

My expectation is we're on a trajectory as we exit this year to be EBIT profitable next year. So I think that's probably one way of answering your question. So, we like to introduce -- I would also point out, we made 400 -- nearly 400 basis points of EBIT improvement year-to-year. If we do that for the next couple of years, we're on the long-term model in 2024 as we have outlined. So good progress, more to do. And as Ana said, the benefits around transportation and automation are still in front of us. And with that, we'll carry better labor unit cost.

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

And it sounds -- that's great. Listen, I mean, you did a great job of laying out sort of the upcoming initiatives in e-commerce with transportation, automation, labor, et cetera. In any way -- and it sounds like you're talking about a 24-month time frame for the ones that you're speaking to today, any way to frame for us when you think you'll reach sort of -- when in that 24 months you'll hit kind of sort of, I guess, the bulk of normalized impact just so we can sort of frame for ourselves as we model out, quite frankly, '21 and '22 because that's what we have to do. Like when we might expect those initiatives to layer in, in a really critical mass kind of way? And I have one last quick one.

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

Sure. It's a little bit hard to predict with precision just because you take transportation in particular, there's a lot of unknowns, not the least of which is how quickly you can get trucks and truck drivers, which right now are remarkably scarce. So as I said, we think EBITDA positive this year on a trajectory to be EBIT positive next year is kind of how we're thinking about it.

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

Okay. That's helpful. And then the last one -- the last one for me is any way you can give us a sense of what the e-commerce gross margin profile look like for the quarter just reported the March quarter and then relative to the December quarter and then relative to year-over-year March quarter last year as well, just so we can get a sense of what progression is there, too?

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

Yes. So there's 2 different things that affect gross margins in Global Ecommerce. One is the various efficiency of the businesses and the second is mix. So as you look at the gross margins for the cross-border business, as well as the expedited business and the digital business, those margins are all very healthy. Delivery margins improved, but they still have a way to go. So I would say gross margins were a touchdown in the business, but it was due to mix more than anything else.

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

So on a Q-over-Q basis, a touchdown?

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

Year-over-year.

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

Year-over-year. Got it. Got it. Okay. Great.

Operator

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

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

I have a few questions about e-commerce. FedEx had mentioned China outbound is back to normal. So just overall, what are you seeing in terms of cross-border? And maybe you can talk about a regional performance?

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

Cross-border business was quite strong across almost all lines, including China.

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

Okay. I mean, is it -- I guess, my question is, is it -- do you think you're back to normal? Or is there still some improvement to go related to COVID?

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

Yes. No, I think that has a very different personality depending on where in the world you are. So obviously, if you're in India or Brazil, right now, those economies are -- and those societies are suffering a lot. So it's very different depending on where in the -- where you are. Most of our lanes are into Europe so -- as well as China. So for the most part, we're for the moment, not being dramatically affected in the cross-border business and candidly, the currency rates help us as well.

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

And what about pricing. You've taken prices up. Do you think there's room to take them up again given the improving demand? Or are you feeling pretty good about where your prices are?

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

So as I said in my comments, base pricing is the highest we've had in the last 12 months. The peak price -- and this is an important dynamic for Global Ecommerce, so the peak pricing, we reinstated. But we didn't reinstate it until the end of January. So if you look at this -- Ana said in her comments, the texture of the quarter, we got off to a more difficult start in Global Ecommerce, but it was expected because you had all of the increased costs, but you didn't have peak pricing.

So what I would say so far is the base pricing as well as the peak pricing has held in terms of the possibility of increasing prices further. Obviously, we'll pay attention to what the other industry players do. To a degree, Shannon, it's going to depend on what happens to transportation costs. So labor costs are, I think, going to stay high, but we've got ways with automation to deal with that. And candidly, as the model matures, it will become more efficient.

Transportation is the one that -- transportation costs don't moderate, and I would expect that there'll be pressure on prices upward.

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

Okay. Great. And then just one last question with regard to equipment. Like how much was related to the large government deal in terms of the growth? And then, how should we think about the pipeline that you're seeing for equipment sales as we look through the year?

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

Yes. So the -- Adam or I'll give you a specific number. I think $5 million in the quarter was from the government deal. So an important contributor. But again, the low end of that product line as well as the midrange of the product line has done well and continues to do well.

In terms of backlog, we like how the backlog is situated. Second quarter for SendTech, a pretty easy comparison. So I think you're going to see pretty strong relative performance into the second quarter and to a degree, into the third quarter, and that will moderate as the year goes on.

Adam, do you have a specific number for the government deal?

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

Yes. That's correct, Marc. So Shannon, without the government deal, we would have still grown equipment sales in the mid- to high single-digit range.

Operator

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

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

Marc, you've talked obviously about the Global Ecommerce business and transportation costs being a headwind. But it seems like transportation costs, labor costs and automation, all 3 help you. How do the 3 -- what's the most important? Is transportation just a near-term issue you have, but longer term, one of the other 2 have to be -- have to moderate? And so I guess, on a long-term standpoint, what's the most important out of the 3?

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

Transportation is the most important of the 3. So if you look at the cost complexion of that business, 50% postal costs, there's some percent there. 25% or so is transportation cost. There is, we believe, a lot of opportunity there. I mean, if you look at spot rates on a year-to-year basis, in general, they've gone up 40-plus percent. And candidly, they went up from January to March. So it continues to be pressured up. And then labor cost is around 12% of the total.

So as you look at transportation and labor, those are the preponderance of the opportunity for improvement. And as Ana said, our play is pretty simple here, and it gives me high confidence that it's executable. I mean, we are simply trying to in-source more lane. So we insourced 7 lanes in the first quarter. We're going to insource another 20 lanes in the second quarter. So that, not only gives you better economics and makes you less vulnerable to the spot rate, but it also -- you provide better service because if you're in the spot rate, then your volume, that doesn't get necessarily the same priority as others. So this is a win-win, and it's not spinning atoms. We just -- we need to get the trucks and the truck drivers. So we've got a lot of pressure on the team to add the resource.

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

And then on the Presort business, obviously, a good margin quarter. And you talked about, it seems like the revenue momentum should stay for the remainder of the year. Is the margin -- would you anticipate the margin momentum to also stay the rest of the year?

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

I think the margins are probably going to stay pretty close to where they are. There's -- on the one hand, the work that we did a couple of years ago around transforming that business, saved us a lot of labor hours. I think we saved 85,000 or 90,000 labor hours in the quarter on a year-to-year basis, so that was good. On the other side of it, like Global Ecommerce, they're susceptible to transportation price increases and labor obviously is becoming more scarce. So we're looking at some accelerated opportunities to apply automation to our Presort business that will help, but my expectation is margins will stay kind of in the ZIP code that they are, this year with the opportunity to make substantial improvement going forward. And we're looking at automation opportunities that can make a real difference in that business.

Operator

Your next question comes from the line of Allen Klee from Maxim Group.

Allen Robert Klee ***Maxim Group LLC, Research Division - MD & Senior Equity Research Analyst***

Yes. For the debt that you've paid down in refinance, where does that put you in terms of how much debt and notes are now due in '21 and in '22?

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

I'll let Ana -- Ana, take a swing at that one, but we're in pretty good shape for '21 and '22.

Ana Maria Chadwick ***Pitney Bowes Inc. - Executive VP & CFO***

Yes. Absolutely. So the maturities that are coming due now for the remainder of '21, we really don't have any. And the maturity profile for '22 is a small amount, it's around $72 million. So really, we truly accomplished what we set out to do when we issued our debt refinancing. And not only did we pushed out some of our maturities, but we also improved some of the terms. And we believe we're much better positioned now for having more flexibility as we execute our strategy.

Allen Robert Klee ***Maxim Group LLC, Research Division - MD & Senior Equity Research Analyst***

Great. And you had announced the partnership with UPS a couple of quarters ago to have them as one of your carriers. Could you just give an update on how that's going?

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

It's early. So we continue to be very optimistic about the possibilities here. They're a great company, and they're an important provider in the industry. So early days. So we'll have more to say about that as we go forward.

Allen Robert Klee ***Maxim Group LLC, Research Division - MD & Senior Equity Research Analyst***

Last question. I thought SendTech was great, I mean, the quarter. How do you think about now kind of where the top line -- the trend rate, longer term, for the top line and the bottom line, given that you have more shipping? Maybe you could also just remind us, maybe I missed it, how much of your revenues are coming from shipping? And if you could break out maybe the 3 components of -- well, anyway, no, forget that last one. It's to do with another segment, but just what I just said.

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

Okay. We'll come back to -- so you can finish off the last question. Listen, I felt good about SendTech. When I started in 2012, I thought there was great opportunities to extend the life of that business. If you ask me today, that's no longer my paradigm. My paradigm is that is going to be an important business in Pitney Bowes' future, indefinitely.

So I think that the top line will continue to moderate. It was minus 3 in the first quarter, a little bit better than that at actuals. Second quarter is going to be an easy compare. So that's going to look pretty positive. But we had talked about low to mid-single-digit decline in that business. I'm feeling right now it's closer to the low part than the mid, and the shipping is an important opportunity.

So just to dimensionalize it for you, the shipping revenue for SendTech was $30 million in the quarter against the total. It grew, depending on how you want to look at it, there were some anomalies and noise in the numbers, but somewhere between 10% and 15%. I would say, without the noise closer to 14% or 15%. So as you look at that, that number getting bigger and beginning to offset the top line and importantly, the bottom line, decline in the mail business, it's an improving dynamic and one that we're excited about.

And as Ana said, it's a similar margin profile. So if you look at that $30 million, I mean, there's probably $15 million of it that's pure software margins. And then there's other ancillary businesses, whether it be supplies or financing or rebates from suppliers that come at very high margins. So -- and the addressable opportunity for shipping and the office space is twice the opportunity -- twice the addressable opportunity in mail. So it's -- those dynamics all bode well for the mid- to long term.

And the other thing that I would say is the whole shipping dynamic doesn't really account for the fact that our meter attrition rate has moderated a bit. And there's lots of different reasons for that. We've clearly got some great products now and we're in a really good cycle. But also as you drive more value into those relationships, the devices are stickier. They're stickier in terms of people keeping them and people keeping them longer. So really good dynamics in that business going forward, and lots of opportunity.

Allen Robert Klee ***Maxim Group LLC, Research Division - MD & Senior Equity Research Analyst***

Could you give us an update on Wheeler Financial in terms of how much money was put to work and how you're thinking about that for the year?

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

Yes. I would -- and I'm going to defer to Adam on the specific number that was put to work. But I mean, in general, I would say our vision for that business continues to be very positive.

The nature of the opportunities that we're pursuing has changed slightly. So they went from a business that was focused on leasing mission-critical assets to loans around mission-critical assets. More and more of the opportunity that we've seen is now around working capital in the shipping market. So if you think about the whole genesis of the financial services business for Pitney Bowes, it was around providing the service to mailers that they could either prepay postage or conversely by postage on credit. Well, that same paradigm applies to shipping. So we've kind of evolved our way into where I think the sweet spot is. So it's a place of highly accretive to our shipping business. It's a natural extension. Obviously, it's a space that we understand very well.

So as our thinking has evolved on the target markets, and that's not to say we don't continue to put money to work and those other markets around equipment, leases and loans, but more and more it's around shipping working capital, which just feels right.

So Adam, I don't know if you had a specific number that we put to work in the first quarter on Wheeler?

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

Yes. We funded about $4 million, Allen, in the first quarter relative to Wheeler.

Allen Robert Klee ***Maxim Group LLC, Research Division - MD & Senior Equity Research Analyst***

Great. I apologize for so many questions. The last one I had is within Global Ecommerce. Can you say what percent of the revenue was from your 3 big buckets of domestic cross-border and digital?

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

Adam, is there a number we made public?

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

Yes. We don't publicly make that number visible. I think Allen, Ana talked about in her comments, prepared remarks, growth in all 3 areas and gave some growth rates there. But we don't publicly disclose the exact amounts for each one of those.

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

But I mean, if you go by market sizes, I mean, the delivery business is clearly the biggest. And that's what it kind of affects the question earlier about gross margins. So as the opportunity is the biggest there, the flood of demand, and our business reflects that.

Operator

Your next question comes from the line of Anthony Lebiedzinski from Sidoti & Company.

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

So just wondering if you guys could provide a little bit more details as far as the expected time for some of the automation initiatives that you talked about?

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

Sure. We bought -- well, I mean, so -- let me talk about both for Presort as well as Global Ecommerce. So Global Ecommerce, we put one sorter to work in the first quarter in a large site. Second is, I believe, installed in the second quarter. We will continue to roll out the sorter technology throughout this year. We're looking at accelerating some of those investments, if we can get the equipment.

In Presort, while I don't think it requires big invention or innovation, the kind of equipment that we're looking at doesn't exist yet. So we're working with some automation companies to invent or bend a little bit metal to help with some of the work there. But again, it's a tremendous opportunity.

So if you look at the capital budget this year, we'll spend more money on capital this year, and that's principally because of automation. So -- and we're looking at accelerating that.

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

Right. So Marc, you just said that if you can get the equipment. So what -- I mean, I know there was a lot of constraints the supply chains with the ocean shipping containers and so on, so coming from Asia. So is that what -- why you said that if you can get the equipment and is like what are your -- how do you feel about that? It would be your confidence level about being able to get that equipment?

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

So listen, it kind of step back, it's not so much around the backup in the ports. It's just more around the availability of the equipment. So if you look at the overall demand for Global Ecommerce, logistics and shipping, it's increased dramatically over the last 12 months since COVID. So everyone is trying to get this automation. So I'm highly confident we'll get it. I'm not as confident that we'll get it as soon as I want.

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

Okay. Got it. Okay. That's fair. And then, I don't know if you guys talked about this, but just overall COVID-related incremental costs. Can you give a better sense as to how much that will impact the quarter?

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

I don't have a specific number off the top head. I mean, it was -- listen, I think we've done a really good job adapting to this new unfortunate world that we find ourselves in, silent. It wasn't a material impact from my perspective in terms of expense. And obviously, the place that we're paying close attention right now is around AR and delinquencies. And again, that's been relatively stable, but that's the place where there's I'd say our strongest focus.

Adam or Ana, if you want to add anything?

Ana Maria Chadwick ***Pitney Bowes Inc. - Executive VP & CFO***

No, I think you've covered it.

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

Got it. Okay. And then last question for me. I think you mentioned before that you expect a higher tax rate for this year. Can you give us a sense as to how we should think about the tax rate for 2021?

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

Ana or Adam?

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

I would say, 20% to 25%, that type of range, Anthony.

Operator

(Operator Instructions) And at this time, there are no further questions. I'd now like to turn the call back to Mr. Lautenbach, for any closing remarks.

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

Thanks, operator, and thanks for everyone for attention this morning. Listen, I thought we got off to a really solid start. We hit the ball in every business. Clearly, with that being said, we've got good opportunities to continue to improve our margins in Global Ecommerce. I'm highly confident we'll do that. The team has laid out a pretty good road map -- a very good road map for what needs to be done, the timing is a little bit varied, and there are some things out of our control. But as you look at the list of things in Global Ecommerce that get -- that need to get done. They're highly doable. And as I said in my remarks, we've made some really important additions to the team in terms of people that have experience in building these types of networks. I mean, building a business-to-consumer logistics network with postal ingestion is a little bit of a rarity, but it's a highly effective model. So I feel very good about where that business is headed.

Presort is back on its feet, hit the ball well in the first quarter, and I think is very well positioned for the year. And SendTech is just -- I'm as excited about the possibilities in SendTech as I am about the possibilities in Global Ecommerce.

So all in all, good start, more to do, and we'll be back with you soon. Thanks for your time this morning.

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.