

Pitney Bowes Inc.

Consolidated Statements of Income (Loss)

(Unaudited; in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue:				
Business services	\$ 550,954	\$ 419,101	\$ 1,524,323	\$ 1,243,609
Support services	117,519	126,274	353,320	382,578
Financing	86,218	90,577	260,758	280,039
Equipment sales	79,572	89,618	213,682	264,956
Supplies	39,635	44,818	118,117	142,261
Rentals	18,000	19,737	55,458	60,339
Total revenue	<u>891,898</u>	<u>790,125</u>	<u>2,525,658</u>	<u>2,373,782</u>
Costs and expenses:				
Cost of business services	482,965	338,519	1,311,941	1,003,483
Cost of support services	37,647	41,086	114,132	123,453
Financing interest expense	11,626	11,026	36,054	33,433
Cost of equipment sales	59,766	59,859	165,045	182,094
Cost of supplies	10,132	12,225	30,751	37,533
Cost of rentals	6,055	5,090	18,455	23,223
Selling, general and administrative	238,618	254,092	720,882	757,228
Research and development	9,255	12,272	28,838	38,421
Restructuring charges	3,766	47,017	12,505	56,616
Goodwill impairment	-	-	198,169	-
Interest expense, net	27,175	28,704	79,504	84,325
Other components of net pension and postretirement (income), expense	(109)	(882)	126	(3,138)
Other (income) expense, net	(6,325)	667	9,787	18,350
Total costs and expenses	<u>880,571</u>	<u>809,675</u>	<u>2,726,189</u>	<u>2,355,021</u>
Income (loss) from continuing operations before taxes	11,327	(19,550)	(200,531)	18,761
Provision (benefit) for income taxes	554	(24,895)	7,540	(13,351)
Income (loss) from continuing operations	10,773	5,345	(208,071)	32,112
Income (loss) from discontinued operations, net of tax	616	(8,470)	7,648	(14,199)
Net income (loss)	<u>\$ 11,389</u>	<u>\$ (3,125)</u>	<u>\$ (200,423)</u>	<u>\$ 17,913</u>
Basic earnings (loss) per share (1):				
Continuing operations	\$ 0.06	\$ 0.03	\$ (1.21)	\$ 0.18
Discontinued operations	-	(0.05)	0.04	(0.08)
Net income (loss)	<u>\$ 0.07</u>	<u>\$ (0.02)</u>	<u>\$ (1.17)</u>	<u>\$ 0.10</u>
Diluted earnings (loss) per share (1):				
Continuing operations	\$ 0.06	\$ 0.03	\$ (1.21)	\$ 0.18
Discontinued operations	-	(0.05)	0.04	(0.08)
Net income (loss)	<u>\$ 0.07</u>	<u>\$ (0.02)</u>	<u>\$ (1.17)</u>	<u>\$ 0.10</u>
Weighted-average shares used in diluted earnings per share	<u>174,704</u>	<u>171,201</u>	<u>171,388</u>	<u>179,096</u>

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

Pitney Bowes Inc.
Consolidated Balance Sheets
(Unaudited; in thousands)

<u>Assets</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Current assets:		
Cash and cash equivalents	\$ 799,177	\$ 924,442
Short-term investments	21,185	115,879
Accounts and other receivables, net	348,565	373,471
Short-term finance receivables, net	559,148	629,643
Inventories	66,974	68,251
Current income taxes	11,477	5,565
Other current assets and prepayments	115,981	101,601
Assets of discontinued operations	-	17,229
Total current assets	<u>1,922,507</u>	<u>2,236,081</u>
Property, plant and equipment, net	367,466	376,177
Rental property and equipment, net	40,352	41,225
Long-term finance receivables, net	587,548	625,487
Goodwill	1,142,144	1,324,179
Intangible assets, net	167,493	190,640
Operating lease assets	213,490	200,752
Noncurrent income taxes	69,305	71,903
Other assets	533,726	400,456
Total assets	<u>\$ 5,044,031</u>	<u>\$ 5,466,900</u>
 <u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 760,363	\$ 793,690
Customer deposits at Pitney Bowes Bank	610,582	591,118
Current operating lease liabilities	38,007	36,060
Current portion of long-term debt	63,509	20,108
Advance billings	102,919	101,920
Current income taxes	2,527	17,083
Liabilities of discontinued operations	-	9,713
Total current liabilities	<u>1,577,907</u>	<u>1,569,692</u>
Long-term debt	2,531,712	2,719,614
Deferred taxes on income	279,526	274,435
Tax uncertainties and other income tax liabilities	40,642	38,834
Noncurrent operating lease liabilities	192,789	177,711
Other noncurrent liabilities	342,330	400,518
Total liabilities	<u>4,964,906</u>	<u>5,180,804</u>
Stockholders' equity:		
Common stock	323,338	323,338
Additional paid-in-capital	67,512	98,748
Retained earnings	5,190,914	5,438,930
Accumulated other comprehensive loss	(813,572)	(840,143)
Treasury stock, at cost	(4,689,067)	(4,734,777)
Total stockholders' equity	<u>79,125</u>	<u>286,096</u>
Total liabilities and stockholders' equity	<u>\$ 5,044,031</u>	<u>\$ 5,466,900</u>

Pitney Bowes Inc.
Business Segment Revenue
(Unaudited; in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
REVENUE						
Global Ecommerce	\$ 409,981	\$ 278,995	47%	\$ 1,100,757	\$ 827,568	33%
Presort Services	127,705	131,483	(3%)	386,552	394,468	(2%)
Commerce Services	537,686	410,478	31%	1,487,309	1,222,036	22%
Sending Technology Solutions	354,212	379,647	(7%)	1,038,349	1,151,746	(10%)
Total revenue - GAAP	891,898	790,125	13%	2,525,658	2,373,782	6%
Currency impact on revenue	(2,454)	-		2,514	-	
Revenue, at constant currency	\$ 889,444	\$ 790,125	13%	\$ 2,528,172	\$ 2,373,782	7%

Pitney Bowes Inc.
Business Segment EBIT & EBITDA

(Unaudited; in thousands)

	Three months ended September 30,								
	2020			2019			% change		
	EBIT (1)	D&A	EBITDA	EBIT (1)	D&A	EBITDA	EBIT	EBITDA	
Global Ecommerce	\$ (19,757)	\$ 16,824	\$ (2,933)	\$ (21,793)	\$ 17,356	\$ (4,437)	9%	34%	
Presort Services	14,481	8,031	22,512	17,687	7,667	25,354	(18%)	(11%)	
Commerce Services	(5,276)	24,855	19,579	(4,106)	25,023	20,917	(28%)	(6%)	
Sending Technology Solutions	112,599	7,955	120,554	130,954	9,579	140,533	(14%)	(14%)	
Segment total	<u>\$ 107,323</u>	<u>\$ 32,810</u>	<u>140,133</u>	<u>\$ 126,848</u>	<u>\$ 34,602</u>	<u>161,450</u>	<u>(15%)</u>	<u>(13%)</u>	

Reconciliation of Segment EBITDA to Net (Loss) Income:

Segment depreciation and amortization	(32,810)	(34,602)
Interest, net	(38,801)	(39,730)
Unallocated corporate expenses (2)	(53,429)	(58,277)
Restructuring charges and asset impairments	(3,766)	(47,017)
Loss on debt extinguishment	-	(667)
Transaction costs and other	-	(707)
(Provision) benefit for income taxes	(554)	24,895
Income from continuing operations	10,773	5,345
Income (loss) from discontinued operations, net of tax	616	(8,470)
Net income (loss)	<u>\$ 11,389</u>	<u>\$ (3,125)</u>

	Nine months ended September 30,								
	2020			2019			% change		
	EBIT (1)	D&A	EBITDA	EBIT (1)	D&A	EBITDA	EBIT	EBITDA	
Global Ecommerce	\$ (68,126)	\$ 52,187	\$ (15,939)	\$ (51,969)	\$ 50,697	\$ (1,272)	(31%)	>(100%)	
Presort Services	42,758	23,662	66,420	48,215	21,675	69,890	(11%)	(5%)	
Commerce Services	(25,368)	75,849	50,481	(3,754)	72,372	68,618	>(100%)	(26%)	
Sending Technology Solutions	323,429	25,771	349,200	378,095	30,347	408,442	(14%)	(15%)	
Segment Total	<u>\$ 298,061</u>	<u>\$ 101,620</u>	<u>399,681</u>	<u>\$ 374,341</u>	<u>\$ 102,719</u>	<u>477,060</u>	<u>(20%)</u>	<u>(16%)</u>	

Reconciliation of Segment EBITDA to Net Income:

Segment depreciation and amortization	(101,620)	(102,719)
Interest, net	(115,558)	(117,758)
Unallocated corporate expenses (2)	(146,640)	(160,283)
Restructuring charges and asset impairments	(12,505)	(56,616)
Goodwill impairment	(198,169)	-
Gain on sale of equity investment	11,908	-
Loss on debt extinguishment	(36,987)	(667)
Loss on dispositions and transaction costs	(641)	(20,256)
(Provision) benefit for income taxes	(7,540)	13,351
(Loss) income from continuing operations	(208,071)	32,112
Income (loss) from discontinued operations, net of tax	7,648	(14,199)
Net (loss) income	<u>\$ (200,423)</u>	<u>\$ 17,913</u>

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

(2) Includes corporate depreciation and amortization expense of \$5,806 and \$5,935 for the three months ended September 30, 2020 and 2019, respectively and \$18,783 and \$15,795 for the nine months ended September 30, 2020 and 2019, respectively.

Pitney Bowes Inc.

Reconciliation of Reported Consolidated Results to Adjusted Results

(Unaudited; in thousands, except per share amounts)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Reconciliation of reported net income (loss) to adjusted net income, adjusted EBIT and adjusted EBITDA				
Net income (loss)	\$ 11,389	\$ (3,125)	\$ (200,423)	\$ 17,913
(Income) loss from discontinued operations, net of tax	(616)	8,470	(7,648)	14,199
Restructuring charges and asset impairments	2,639	34,722	8,493	41,709
Goodwill impairment	-	-	196,600	-
Gain on sale of equity investment	-	-	(8,943)	-
Tax on surrender of company owned life insurance policies	-	-	12,229	-
Loss on debt extinguishment	-	497	27,777	497
Loss on dispositions and transaction costs	-	527	487	21,313
Adjusted net income	13,412	41,091	28,572	95,631
Interest, net	38,801	39,730	115,558	117,758
Provision (benefit) for income taxes, as adjusted	1,681	(12,250)	7,291	669
Adjusted EBIT	53,894	68,571	151,421	214,058
Depreciation and amortization	38,616	40,537	120,403	118,514
Adjusted EBITDA	\$ 92,510	\$ 109,108	\$ 271,824	\$ 332,572

Reconciliation of reported diluted earnings (loss) per share to adjusted diluted earnings per share				
Diluted earnings (loss) per share	\$ 0.07	\$ (0.02)	\$ (1.17)	\$ 0.10
(Income) loss from discontinued operations, net of tax	-	0.05	(0.04)	0.08
Restructuring charges and asset impairments	0.02	0.20	0.05	0.23
Goodwill impairment	-	-	1.14	-
Gain on sale of equity investment	-	-	(0.05)	-
Tax on surrender of company owned life insurance policies	-	-	0.07	-
Loss on debt extinguishment	-	-	0.16	-
Loss on dispositions and transaction costs	-	-	-	0.12
Adjusted diluted earnings per share	\$ 0.08	\$ 0.24	\$ 0.17	\$ 0.53

Note: The sum of the earnings per share amounts may not equal the totals due to rounding.

Reconciliation of reported net cash from operating activities to free cash flow				
Net cash provided by operating activities	\$ 103,815	\$ 95,502	\$ 190,624	\$ 182,284
Net cash (provided by) used in operating activities - discontinued operations	-	(10,324)	38,423	(15,858)
Capital expenditures	(20,833)	(36,034)	(80,787)	(95,221)
Restructuring payments	4,504	5,840	15,869	18,845
Change in customer deposits at PB Bank	(2,867)	11,441	19,464	3,125
Transaction costs paid	-	2,917	2,117	9,025
Free cash flow	\$ 84,619	\$ 69,342	\$ 185,710	\$ 102,200