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PRESENTATION

Operator

Good morning and welcome to the Pitney Bowes first-quarter 2015 results conference call.

(Operator Instructions)

Today's call is also being recorded. If you have any objections, please disconnect your lines at this time.

I would now like to introduce your speakers for today's conference call. Mr. Marc Lautenbach, President and Chief Executive Officer; Mr. Michael Monahan, Executive Vice President, Chief Operating Officer, and Chief Financial Officer; Mr. Charles McBride, Vice President, Investor Relations. Mr. McBride will now begin the call with the Safe Harbor overview.

Charles McBride - *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 2014 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 most 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 Lautenbach - *Pitney Bowes Inc. - President & CEO*

Thank you, Charlie, and good morning everyone. 2015 is a very important year in our transformation and our first-quarter results reinforced the underlying strength of our business model and our strategy to unlock value in our Company. Earnings before interest and taxes grew 5%, 7% if you adjust for currency. We grew our EBIT even as we made substantial investments in our systems, our brand, and our product development.

Our first-quarter results were affected by currency fluctuations, divestitures not accounted for in Discontinued Operations, and a higher than usual tax rate. The impact of the strong dollar took almost 4 points off of revenue and divestitures reduced revenue by a little less than 1 point.

We expect our tax rate to return to more normal levels later in the year. In the second half of the year the currency impacts will begin to wrap, assuming the dollar stays at the current level.

There are three things that are clear about the first quarter. First, we anticipated that we would be operating in a challenging macroeconomic environment this year and that's what we saw in the first quarter. Economic conditions around the world are choppy and diverging monetary policies are creating fluctuations in currencies.

Second, even with these challenges, our growth businesses grew close to double-digits, excluding the impact of currency. And finally, unlike the first quarter of last year where we executed very well, our first quarter of 2015 was a more typical start to the year.

Turning to our three strategic initiatives, first stabilizing our mail business. Our enterprise mail business has performed very well in the quarter. Our SMB business in North America performed consistent with the last several quarters.

If you double click on that business, you would find that our new channels in North America mailing performed very well and our field sales organizations, we left a couple of large deals on the table in the public sector. Some of these deals closed in the first few days of April. It's a very good sign that our new channels are beginning to produce stronger results, but as we expected our SMB business in Europe experienced some disruptions in sales activity as a result of our go to market changes.

Second, we continued our focus on operational excellence. SG&A as a percentage of revenue decreased 220 basis points. EBIT margins increased and we continued to reduce our debt levels.

Again, importantly, we did this while making significant investments in our business. Let me add one more comment here. We continued to improve our debt to EBITDA level which gives us more flexibility making capital allocation decisions.

Finally, growing our business through expansion in digital commerce. While growth in our eCommerce business slowed due to the strong dollar, continued to grow and helped propel growth in our overall digital commerce business. Software license revenue continued to grow and our market and service business performed very, very well.

One last point about our digital commerce solutions business. One of our strategic opportunities is to distribute our software products through our SMB channel. Last year, we began to pursue this opportunity aggressively.

In the first quarter of 2015, our shipping business began to make real progress. More on this as the year unfolds.

All-in all, we are continuing to execute our plan against a relatively choppy environment. The first quarter provides continued evidence that we're on the right track and we are reaffirming our guidance for 2015.

With that, let me turn the call over to Mike to take you through a more detailed view of our first-quarter results.

Michael Monahan - *Pitney Bowes Inc. - EVP, COO & CFO*

Thank you, Marc, and good morning. As you've seen, currency had a meaningful impact on our reported results for the quarter. Adjusting for currency and the businesses we divested in Europe last year, revenue was flat.

We were able to grow EBIT 5% and improve EBIT margin to 20% through our operational excellence efforts. Despite a higher tax rate and currency impacts we delivered earnings per share in line with our expectations.

Changes in currencies are having a significant impact on reported results for global companies. While our international exposure is not as great as other companies, we're not immune to the effects, particularly of the strengthening of the US dollar. During the quarter, currency translation adversely impacted our revenue comparisons by $34 million or nearly 4%, and our earnings per share by $0.01.

As Marc referenced we did see positive results in many areas of the business. Digital commerce solutions revenue growth was still solid this quarter. EBIT expanded nicely, despite the strengthening US dollar's dampening effect on our eCommerce package volumes from the US and a slower rate of software revenue growth.

Our pre-sort services business continued to grow both revenue and EBIT margin. Production mail revenue was flat, excluding the changes in currency and EBIT margin was also improved.

Our North American mailing business continued to have trends in line with the prior three quarters for revenue and EBIT margin continued to improve year-over-year. We experienced some disruption in our European mailing equipment sales, particularly in France as we transitioned our go to market model there.

As a reminder last year, we announced that we exited a non-core product-line in Norway and moved to a dealer network in six smaller European markets. Note that these strategic actions were not reclassified as discontinued operations. As a result, our year-over-year revenue comparison was negatively impacted by 1% on a consolidated basis and at the total SMB level and by nearly 5% in international mailing.

In order to properly understand our underlying operational results, it's important to take the impacts of currency and our strategic actions in Europe into consideration. Where appropriate, I'll address the impacts to growth rates of both factors.

Let me now take you through the details of our Income Statement and then I'll review our business segment results. As a reminder, the Company's first-quarter earnings related documents, which include our Press Release, financial statements and slides can be found on our Investor Relations website.

Revenue for the quarter totaled $891 million which was a decline of 1% on a constant currency basis and 5% on a reported basis. Total revenue was flat to the prior year when both periods are adjusted for currency and the businesses we divested in Europe last year. On a constant currency basis and adjusted for the divested revenues, revenue grew 9% in digital commerce solutions, grew 3% in enterprise business solutions and declined 5% in SMB solutions.

On a reported basis revenue grew 6% in digital commerce solutions, was flat in enterprise business solutions, and declined 11% in SMB solutions, reflecting significant impact of currency during the quarter. When compared to the prior year, our SG&A declined $22 million on a constant currency basis and $37 million on a reported basis. SG&A as a percentage of revenue improved by about 220 basis points as we remained focused on streamlining our operations and being more efficient.

Investment in our new ERP system and our marketing expenses increased over prior year by about $4 million. Due to some timing issues, particularly related to marketing spend, we now expect these expenses to be the highest in the second and the third quarters of this year. When we initially provided guidance in February, we anticipated these expenses would be greater in the first half of the year.

Net interest expense which includes financing interest was $43 million, which was a decline of about $1 million when compared to the prior year. Adjusted EBIT was $178 million, growth of 5% versus the prior year on a reported basis and 7% on a constant currency basis.

Adjusted EBIT margin improved 150 basis points. Adding back depreciation and amortization, adjusted EBITDA was $221 million, growth of 3% versus prior year on a reported basis and 6% on a constant currency basis.

The effective tax rate on adjusted earnings was 37.3%, compared to 27.8% in the prior year. Last year's tax rate included the favorable resolution of certain tax matters that resulted in a $6 million tax benefit. The higher tax rate this quarter is partially due to charges related to the expiration of certain stock options and a greater percentage of revenue from US operations.

Turning to earnings per share. Despite the challenging economic environment and lower revenue we were still able to deliver solid EBIT growth and earnings per share in line with our expectations. Earnings per diluted share from continuing operations were $0.40 compared to $0.42 in the prior year.

Currency had a $0.01 per share negative impact on EPS this quarter. Additionally, the higher tax rate this quarter negatively impacted EPS by about $0.03 per share when compared to the mid-point of the range for our expected tax rate on an annualized basis. We still expect the tax rate for the full-year to be in our original guidance range of 31% to 34%.

Looking at free cash flow and the balance sheet. Free cash flow during the quarter was $85 million and on a GAAP basis we generated $104 million in cash from operations. In comparison to the prior year, free cash flow was lower this quarter primarily due to the timing of accounts payable and higher capital expenditures related to the Company's ERP implementation.

At the end of the quarter we had $3.1 billion of debt, which was about $177 million lower than the prior year and we had $913 million of cash and short-term investments on the balance sheet. Average outstanding borrowings during the quarter were about $157 million lower than the prior year. The average interest rate this quarter was 5.4% which was about flat to the prior year.

During the quarter we returned $38 million of cash to our common shareholders in the form of dividends and we made $22 million of restructuring payments. Also during the quarter we redeemed $275 million of debt that matured in March, through use of $175 million in cash on the balance sheet and $100 million in commercial paper.

Turning to our business segment results. In North American mailing, revenue for the quarter was $362 million and EBIT was $164 million. Revenue declined 4% on a constant currency basis and 5% on a reported basis, while EBIT increased 2%.

Revenue for the quarter was consistent with the prior three quarters results. Recurring revenue stream trends were in line with prior quarters, driven primarily by financing revenue which declined less than 1% and continued stabilization of rentals revenue.

In the US, equipment sales declined at a mid-single digit rate compared to a relatively strong first quarter of 2014, which was just prior to the significant channel resources shift as part of the go to market strategy. We expect the trend for equipment sales to improve as the initial go to market changes begin to annualize. EBIT margin was 45.2% which was an improvement of 310 basis points versus the prior year, driven by savings from our go to market implementation as well as other ongoing cost reduction initiatives.

In international mailing, revenue for the quarter was $116 million and EBIT was $12 million. Revenue declined 12% on a constant currency basis and 24% on a reported basis. Excluding currency and the divested revenues I mentioned earlier, revenue declined 7%.

During the quarter we ramped up the implementation of our go to market strategy throughout Europe. This transition was first completed in the UK in January, which had positive revenue growth during the quarter and is now complete in Germany.

However in France, our second largest market in Europe, we are still in the early notification and consultation stages of the proposed go to market transition which has significantly impacted sales productivity there. Lower sales in France account for a large portion of the international mailing revenue decline after the impact of currency and the divested revenues. EBIT margin was 10.1% which was a decline of 610 basis points versus the prior year, due primarily to the lower revenue performance and the impact of currency on some supply chain costs.

Turning to the enterprise business solutions group. In production mail, revenue for the quarter was $100 million and EBIT was $9 million. Revenue was flat on a constant currency basis and declined 5% on a reported basis. Excluding the currency and the divested revenues in Europe related to this segment, revenue would have grown 1%.

Equipment sales grew as a result of a larger number of inserting equipment installations during the quarter. Supplies revenue continued to benefit from the growth in production print installations in 2014.

Support services revenue declined as a result of some of in-house mailers shifting their mail processing to third-party outsourcers, who provide some self-service on equipment. EBIT margin was 9.1% which was an improvement of 170 basis points versus the prior year, due to the higher mix of inserting equipment and ongoing cost reduction initiatives.

In pre-sort services, revenue for the quarter was $122 million and EBIT was $27 million. Revenue grew 4% on both a constant currency and reported basis.

Revenue benefited from the addition of new customers and an increase in the volume of mail processed. EBIT margin was 22.6% which was an improvement of 210 basis points versus the prior year, due to revenue growth and ongoing operational productivity initiatives.

For the digital commerce solutions segment, revenue was $192 million and EBIT was $16 million. Revenue grew 9% on a constant currency basis and 6% on a reported basis.

On a constant currency basis, this segment continued to deliver revenue growth in eCommerce, shipping solutions and marketing services. Software revenue was flat on a constant currency basis.

ECommerce's revenue growth was driven in part by a continued increase in the number of packages shipped, but did also reflect the unfavorable impacts of a stronger US dollar on the number of purchases outbound from the US. ECommerce also achieved continued expansion in its UK outbound cross-border services.

Marketing services and shipping solutions revenue continued to grow as a result of new client additions for the respective product offerings. Software license revenue increased at a high-single digit rate on a constant currency basis, but was offset by lower professional services and maintenance revenue when compared to the prior year.

EBIT margin was 8.3% which was an improvement of 300 basis points versus the prior year. EBIT margin improved even as the Company continued to invest in development activities and infrastructure in eCommerce and software solutions.

That concludes my comments on our financial performance for the quarter. Now I'd like to discuss our annual guidance and provide some insights on our outlook as we continue to drive the transformation of the Company.

We are reaffirming our annual guidance for revenue, earnings per share and free cash flow. Revenue is still expected to be in the range of flat to 3% growth on a constant currency basis. Earnings per share are still expected to be in the range of $1.85 to $2, and free cash flow is still expected to be in the range of $475 million to $550 million for the year.

As I noted when I originally gave guidance in February, currency exchange rates could reduce reported revenues versus constant currency revenue by more than 3 percentage points on an annual basis. EPS could also be adversely impacted by about $0.04 to $0.06 per share on an annual basis. Additionally, the action completed in the third quarter of 2014 to exit the non-core product line in Norway and transition to a dealer sales network in six smaller European Markets are expected to adversely impact total revenue comparisons for 2015 by about $30 million, through the first three quarters of the year, equaling about 1% on an annual basis.

As I mentioned last quarter, 2015 represents a critical third year in our business transformation. It is the peak year for investment as we complete our major go to market initiatives internationally, continue the buildout of our ERP program and increase investment in our brand and marketing to build greater awareness of our unique capabilities. We originally anticipated that the investment in these areas would be more heavily weighted in the first half of the year, but the timing and mix for some of these expenses has shifted.

We now expect the highest periods of incremental earnings impact when compared to the prior year to be more concentrated in the second quarter and third quarter. In the full-year we still expect the incremental expenses related to our ERP program and marketing efforts in the aggregate to be in the range of $0.15 to $0.18 per share.

That concludes my remarks. Operator can you please open the line for questions?

QUESTIONS AND ANSWERS

Operator

Thank you, ladies and gentlemen.

(Operator Instructions)

Our first question is from Ananda Baruah from Brean Capital.

Ananda Baruah - *Brean Capital, LLC - Analyst*

Hi, good morning guys and congratulations on putting up solid results in this tough environment. A few if I could. I guess the first for Marc. Could you just go into a little bit more depth with regards to where you are both in North American mailing and international mailing? I guess France you mentioned is a little bit more acute. Where you are in the process, just put more context around it in each of the regions and give us a little more detail, that would be great.

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

Sure. So in North America, as we have previously indicated, we finished off the go to market changes last year. As I indicated in my remarks, we saw good performance and a different kind of performance in our new channels in the first quarter and we're very gratified by that. We think that's a very good sign.

The overall SMB business in North America, ironically was affected by some deals that we left on the table with our field sales so that will happen, some of your large deals kind of will flop from one quarter to another. In international, so in Europe if you unlayer it as Mike indicated, you have to look at it on a country basis. We're done in the UK. I would note in the UK, we had good performance, not just overall but as well in our new channels. Again we see that as a very positive sign.

We are done in Germany. Germany performed as we would have expected given the disruptions. And I would say we are in the early innings in France in terms of working our way through the process with the works councils. Importantly, we have begun the process in Asia, so I would say you have to look at this now at a country by country basis. In a couple of the majors in Europe we're done. France will take some bit of time to work our way through and we're going through the process in Asia.

Ananda Baruah - *Brean Capital, LLC - Analyst*

That's great, Marc, thanks that's helpful. I guess as a follow on to that, I believe part of the process is also kind of getting the indirect guys or the inside guys trained to sell up the stack, so to speak. Where are you in that process and which parts, I guess which countries, which regions have you gained traction in?

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

I would say we're continuing to go through that. So if you look at the United States as a place we're the furthest along, and by the way part of this is an ongoing process. You always try to improve the skills of your team, but in the United States, particularly where we are focused is end of lease and trying to become more sophisticated about providing the right offers at the right times. I would say our marketing team is providing great insight into that.

You can discern by UK that they are in pretty good shape based on their performance and I would say the other geographies are coming up the curve. So, but to your point, these are still relatively new channels. If you think about putting a new channel in place, in substance over 12 or 18 months and getting reasonable performance, I find that to be a very important point of evidence.

Ananda Baruah - *Brean Capital, LLC - Analyst*

Got it, thanks, and just last one for me for now. Mike, you mentioned that you now are expecting to see greater investment from the investments you've been talking about in the second quarter and the third quarter. So does that, it sounds like that could suggest that sort of EPS might be in the context of your guidance. Might be more skewed towards the December quarter than it typically might be. I just want to confirm that and if so, is there any I guess context you can give us, any guidance I guess in how we should think about sort of the EPS layering in through the year just so we can appropriately set our models?

Michael Monahan - *Pitney Bowes Inc. - EVP, COO & CFO*

Yes, so I guess if you look at it just in the context of the incremental impacts of ERP and the marketing spend, we identified $0.15 to $0.18 incrementally. As you can tell by what I gave before, incrementally in the first quarter was only a penny plus and therefore the majority of that will come into the second and third quarter. We probably saw a little bit more capitalization of ERP in the first quarter than we had baked into our original outlook but all-in all, the program continues to be within our overall road map for it in terms of total spend. This is really more just a timing shift with the concentration of that being more so in the second and third quarter.

Ananda Baruah - *Brean Capital, LLC - Analyst*

Okay, great. Thanks a lot.

Operator

Thank you. Our next question is from the line of George Tong from Piper Jaffray.

George Tong - *Piper Jaffray - Analyst*

Hi, thanks, good morning. I'd like to drill into the North American SMB business a bit more. If the contracts left on the table were booked in the quarter as opposed to shifted into Q2, could you help us understand what declines would have been and could you provide your latest views on if and when you expect declines to return to the low-single digits?

Michael Monahan - *Pitney Bowes Inc. - EVP, COO & CFO*

I'm sorry, George, make sure I understand your question about it?

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

George, you're asking what the impact of, had those deals that slipped into the second quarter been recorded in the first quarter, what would have been the impact on North American mailing?

George Tong - *Piper Jaffray - Analyst*

Yes and from a timing perspective when you expect declines to return to the low-single digits?

Michael Monahan - *Pitney Bowes Inc. - EVP, COO & CFO*

Sure. So in terms of those deals I think as we mentioned, the equipment sales in the US was down in the mid-single digits and so the deals that were on the table potentially would take that closer to flat. But it will see how much of that we get in, in total of the opportunity, but certainly we saw some of them come in early in the year. So the key drivers behind bringing that closer to level is equipment sales. We saw very good performance again in recurring revenue streams, financing, income down just 1%, actually slightly less than 1%.

Rental comparison continued to improve, so I think as Marc outlined, the channel maturity is really the key driver to that as we go forward and in the first quarter that inside sales, what Marc referred to as the new channels, achieved our objectives in the quarter. So we continue to move in the right direction and obviously, this is the last quarter since we made the big changes last year, so we begin to have comparison on an apples-to-apples basis going forward.

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

Just to dimensionalize the question a second, if you look at the North American overall revenue, I believe it was $365 million or something like that, so that's minus four, so in the low single digits in absolute dollars, George, $5 million to $10 million, you can define your own what low-single digit means. But in absolute dollars it's a fairly small number in the context of almost $1 billion worth of sales.

George Tong - *Piper Jaffray - Analyst*

Got it and turning to the EU, can you help us quantify the impact you expect to see as you adopt your shifts and go to market strategy and as you increase the number of countries that will be transitioning, what that impact will go to?

Michael Monahan - *Pitney Bowes Inc. - EVP, COO & CFO*

Sure. What Marc outlined really are the three big ones. The UK, France and Germany. The UK transitioned through that well.

If you take all the noise out of the system, in other words look at the international mailing revenue performance this quarter, nearly half of it was currency related and then another 5 percentage points where it was related to the comparison for the businesses that we exited last year. That gets you down to a negative 7%. Most all of that was related to Germany in terms of -- I'm sorry to France, related to their comparison year-over-year.

So if you look at a very low single-digit, 1% or 2% decline year on year ex those factors, that's very much in the range of the performance of plus or minus 2% we've seen in Europe over the last several quarters if not several years, and so we think the impacts are fairly isolated. We know what we have left to complete in that process.

Other markets beyond those big three become quite a bit smaller. Once you get past UK, France, Germany and in North America, Canada as an international market which is already through the process as well. Then the rest are relatively small and we don't expect big measurable impacts from them going through the transformation.

George Tong - *Piper Jaffray - Analyst*

Got it and then last question. Could you further describe the impact of the stronger dollar is having on US outbound eCommerce volumes and how much of an offset you expect from new country penetration and also your new UK outbound service?

Michael Monahan - *Pitney Bowes Inc. - EVP, COO & CFO*

Well I think as you see in the results, eCommerce continued to be the driver of our earnings. I'm sorry of our growth in digital commerce. I would say that the UK expansion and growth was a good contributor to that.

We clearly saw some slowdown in volumes in the US reflected in that but still in terms of package volume growth, some growth there but clearly not at the level. Each market depends upon what the particular currency changes are and sort of the depth and speed at which those currencies change tend to have a greater impact. So a market like Russia that had a fairly steep devaluation, we saw a much greater impact and decline in volumes versus other markets where we saw slowing in the growth.

George Tong - *Piper Jaffray - Analyst*

Got it. Thank you.

Michael Monahan - *Pitney Bowes Inc. - EVP, COO & CFO*

Thank you.

Operator

Our next question is from Kartik Mehta from Northcoast Research.

Kartik Mehta - *Northcoast Research - Analyst*

Good morning. Marc, I wanted to ask a little bit about the North American mailing business and the margins you're seeing in that business. They're improving even though revenues are declining, and is this a trend you would expect? Do you think margins now stabilize even if we continue to evidence low-single digit revenue in there, or is it an opportunity for you to continue improving margin in that segment even in that trend?

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

Well as Mike often says, the quest of productivity you're always in the seventh inning, so we will continue to be working on productivity. I would expect over time the opportunities for SG&A reductions to moderate. That's how we will continue to look for continued opportunities.

ERP provides impact, the things that we've talked about provides another opportunity which we'll begin to realize those benefits in 2017. So I would say the major productivity improvements that we have seen are either landed in the cost in the terms of the go to market or in flight in terms of impact. Just to kind of again dimensionalize the ERP benefits, we've said it's $100 million to $125 million, those benefits will principally accrue to the largest businesses, read that as North American SMB, so there's more to do.

Kartik Mehta - *Northcoast Research - Analyst*

And then Mike, just thoughts on free cash flow. I know first quarter of 2015 was less than first quarter of 2014. Any thoughts on, does that put you kind of lower end of guidance or the higher, or is this kind of in line with what you expected?

Michael Monahan - *Pitney Bowes Inc. - EVP, COO & CFO*

Yes, in terms of what we saw in free cash flow, one of the key drivers in it was really the timing of payables and accrued benefits and related. And that often will vary from quarter end to quarter end based on the number of days of accrued payroll and other things like that. So we continue to view our annual cash flow guidance range as appropriate for our outlook. The variables at the end of the day will be any incremental investment in CapEx and that type of thing that we do, but all-in all we continue to view the guidance as appropriate.

Kartik Mehta - *Northcoast Research - Analyst*

Just one last question, Marc. I wanted to go back to a comment you made about capital allocation and having comfort with that as the balance sheet gets better. As you look at your balance sheet in relation to capital allocation, are you comfortable with where the debt level is or would you like to see it lower than where it is now, or what will the strategy be for you to get comfortable with giving more capital back to shareholders?

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

I would say broadly speaking, I'm comfortable with where the debt levels are. Our focus of the debt events going forward is more on the timing of those than trying to get the overall levels in a different place. As you get further into this transformation then I think it does become clearer what the options are in terms of capital allocation and that increases our, not just our flexibility, but candidly our conviction about how and when we return money back to shareholders. So the question now is more when than anything else.

Kartik Mehta - *Northcoast Research - Analyst*

Thanks Marc, I appreciate it.

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

Thank you.

Operator

Our next question is from Alan Cleave from Sidoti

Alan Cleave - *Sidoti & Company - Analyst*

Yes, hello. Could you elaborate on a comment you made of a strategic opportunity to distribute more of a business through the SMB channel?

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

Yes, I could. I'd be glad to, thank you for the question. So if you look at one of the great opportunities that Pitney Bowes has had, it's those 1.5 million clients that we have in our SMB base. If you look at our core of our digital commerce business, it's really an enterprise class client.

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Shipping business and principally shipping software is actually the intersection of those two circles, so what we're starting to see is real take up of our shipping business, our shipping software in the SMB client base. That is a tremendously exciting opportunity because it gives you a chance to really leverage the legacy of Pitney Bowes with some of our new opportunities. And then that business now is getting to the point where over time it can make a difference.

Alan Cleave - *Sidoti & Company - Analyst*

Okay, thank you. And then just following up on the capital allocation, I guess a similar question that was just asked, but in terms of last quarter you announced 100 million authorization of a buyback so how do you think about that as a priority and maybe also acquisitions in how you use capital?

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

Yes, so again, the context is how do we think about capital allocation for total shareholder returns, so just kind of keep that in mind. I would say that we are, we now have clear visibility of the potential acquisitions and while that changes over time I think we've got a pretty clear view of it. We've dimensionalized that so it does begin to allow you to make more informed decisions about how you approach capital allocation, debt, retirement, money back to shareholders, et cetera in a more clear and certain way.

Alan Cleave - *Sidoti & Company - Analyst*

Okay, great. Thank you so much.

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

Thank you.

Operator

(Operator Instructions)

We'll go to the line of Shannon Cross from Cross Research.

Shannon Cross - *Cross Research - Analyst*

Thank you very much for taking my question. My first question is just with regard to software. You made a number of changes in sales and some leadership over the last two quarters. Can you talk about where you think your software business is and if there are any areas that you might want to augment via acquisition or maybe an expansion of organic development. And then I have a follow-up, thank you.

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

I would say the software business is kind of, put this in context of where we were in 2013 when we first began to talk about it versus now, we have made tremendous progress. We grew high-single digits constant currency at a license level in the first quarter, that's off of the fourth quarter where I think we grew 20% or 30% in terms of license revenue. If you kind of look at that from where we started that's pretty impressive.

We have, I would say at this point a fairly stable leadership team in North America. We have a newer leadership team outside of North America. I would expect as those leaders get in place they will continue to make judgments about what they need to do, so I would say that business has come a long way in a couple years.

The software business by definition is a little bit lumpy, so it will ebb and flow over the course of the year and you have large transactions that can make a difference in a quarter and we'll continue to work our way through those quarters. In terms of potential acquisitions I know you wouldn't, Shannon, think that I would portray a particular thought beyond saying that each of the product businesses now in software have gone through their five year product road maps, have a very clear view of the capabilities that they need in order to retain leadership, are in the process now of making make versus buy decisions.

I would reiterate that all of that needs to be in the context of total shareholder return, so we've set for ourselves some very stringent criteria around acquisitions in terms of IRR and when they need to be accretive and et cetera. So that's kind of where we are in the movie and we'll continue to execute. I would say again, people often ask me, do you see the need for a transformational type of acquisition. I like the spaces we're in. I think there's plenty of opportunity to execute in the domains that we've chosen.

Shannon Cross - *Cross Research - Analyst*

Great, thank you. I guess just along the lines of as you continue to dig through the portfolio, do you think you're pretty much done with divestitures or shifts like we saw in the last couple of quarters, or do you think there are more to come? Thank you.

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

Again, you wouldn't expect that I'd make specific comments on that. As I've indicated before, the portfolio's an evolving subject so we've put pretty strict criteria around how you stay in the portfolio. It's getting acceptable returns, so being a leader in your relative segment and strategic coherence and those things evolve over time. So I would say the portfolio is something that okay now we're done, the portfolio will continue to evolve as the business evolves.

Shannon Cross - *Cross Research - Analyst*

Okay, great. And then my last question is just Mike, as you look at the ERP implementation, can you give us is some idea of -- has anything sort of changed in terms of timing, or as you're going through have you identified anything? I'm just kind of curious if you could give us sort of an overview of where you are, what you've seen and thoughts. I know its been sort of an ongoing process?

Michael Monahan - *Pitney Bowes Inc. - EVP, COO & CFO*

Sure. I would say we continue to operate to plan. Basically, if the high level way I look at this is 2014 was really the planning and designing phase, 2015 is the build phase, 2016 is more or less the implementation phase and 2017 is when we get the bulk of the benefits. And to drill down a level, we're far along in the build phase now. We will look to at least get a pilot going before the end of the year and then as I said, 2016 is likely the bigger year of implementation, the biggest year of implementation, so we're tracking along to the plan.

We've maintained a very high level of out of box, meaning utilizing the standard system configurations and minimizing the amount of customization we're doing. That said, it's a big program with lots of people involved across the organization but we see a lot of benefits that will come from being able to streamline the business. Some of it, as Marc mentioned earlier, benefits in our traditional businesses and I think the other big benefit is, it will be a robust platform we can grow our digital commerce businesses on as well. So steady as she goes, as they say, and we'll continue to update you as we go forward.

Shannon Cross - *Cross Research - Analyst*

Thank you very much.

Michael Monahan - *Pitney Bowes Inc. - EVP, COO & CFO*

Thank you.

Operator

Thank you. At this time there are no further questions in queue. Please continue.

Marc Lautenbach - *Pitney Bowes Inc. - President & CEO*

So let me close. As many of you perhaps noticed last week, we celebrated our 95th anniversary. That's a tremendous accomplishment, no matter how you want to look at it. It really speaks to the outstanding work of generations of employees, decades of market defined innovation and a relentless focus on the success of our clients.

It's an important milestone in our history, but it's just not a milestone. We're in a multi-year journey to transform this Company and while we made significant progress in the last 30 months, we've got a heck of a lot more to do. I closed our year-end conference in February by saying that's hard to know precisely what 2015 was going to bring. I think that's turned out to be true. I don't think with particular impressions at the time but it is a choppy market environment.

I also said, however that I like our position. I like the hand that we've got, I like the opportunities that are in front of us and importantly, we're not building then Company for a quarter or for even a year. We're mindful that we've been around for 95 years and we're really trying to create the foundation for our future and to build a bridge, not just for the next five years but to our second century.

We're going to move forward in a very disciplined focus. You see that in our results. You see it in how we manage expense, you see it how we manage capital and again, all of that's for the long term success of the Company. I appreciate everyone's interest in this story. I appreciate your questions this morning and we'll talk to you in 90 days, thank you.

Operator

Thank you and ladies and gentlemen, this conference will be made available for replay after 10:00 AM today through May 30. You may access AT&T executive replay system at any time by dialing 320-365-3844 and entering the access code 356580. That does conclude our conference for today. Thank you for your participation and for using AT&T executive teleconference. You may now disconnect.
