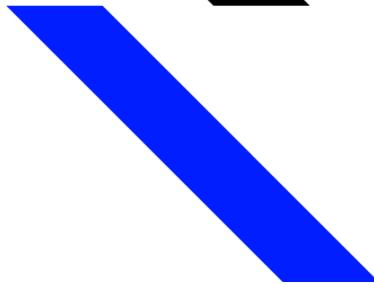
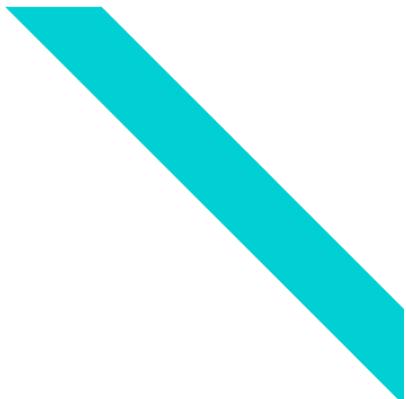


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Q1 2025 PITNEY BOWES INC EARNINGS CALL

EVENT DATE/TIME: May 07, 2025 / 9:00PM UTC



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CORPORATE PARTICIPANTS

- **Alex Brown** *Pitney Bowes Inc - Director, Investor Relations*
- **Lance Rosenzweig** *Pitney Bowes Inc - Chief Executive Officer*
- **Robert Gold** *Pitney Bowes Inc - Chief Executive Officer*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Kartik Mehta** *Northcoast Research - Analyst*
- **Anthony Lebiedzinski** *Sidoti - Analyst*
- **Peter Sakon** *CreditSights - Analyst*
- **Justin Dopierala** *DOMO Capital Management LLC - Analyst*
- **David Steinhardt** *Contrarian Capital - Analyst*

PRESENTATION

Operator

Thank you for standing by. My name is Janice, and I will be your conference operator today.

At this time, I would like to welcome everyone to the Q1 2025 Pitney Bowes Inc. Earnings Conference Call. (Operator Instructions)

I'd like to turn the call over to Alex Brown, Director, Investor Relations. Please go ahead.

Alex Brown *Pitney Bowes Inc - Director, Investor Relations*

Good afternoon and thank you for joining us. Included in today's presentation are forward-looking statements about our future business and financial performance. Forward-looking statements involve risks along with uncertainties that could cause actual results to be materially different from our projections.

More information about these items can be found in our earnings press release, our 2024 Form 10-K 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 forward-looking statements as a result of new information or development.

Also included in today's presentation are non-GAAP measures. Specifically, EBIT, EBITDA, EPS and free cash flow are all on an adjusted basis. You can find reconciliations for these items to the appropriate GAAP measure in the tables attached to our press release. We have also provided a slide presentation and a spreadsheet with historical segment information on our Investor Relations website. With that, I'd now like to turn the call over to Lance.

Lance Rosenzweig *Pitney Bowes Inc - Chief Executive Officer*

Thank you, Alex, and good afternoon, everyone. In the first quarter, we continued repositioning Pitney Bowes as a cash generative and profitable technology-enabled services company. We produced strong results that have enabled us to reiterate robust full-year guidance and increase our dividend for the second consecutive quarter. In terms of our results, revenue was \$493 million, in line with previously disclosed expectations for this point in our product life cycle, and down 5% year over year.

Adjusted EPS was \$0.33, up 74% year over year.

Adjusted EBIT was \$120 million, up 28% year over year. And free cash flow was a use of \$20 million, excluding \$13 million of restructuring payments. The use of cash was based on timing factors, and is consistent with our budget and guidance.

There were three main drivers of progress in the quarter: sustaining high margins in SendTech, sustaining high margins in Presort and remaining disciplined on cost controls at the corporate level. In light of our momentum, we have taken three notable steps today.

First, we've reaffirmed the company's full year guidance. This reflects our belief in the strength and resilience of our business, even against an uncertain economic backdrop and tariffs. And to be clear, our guidance bakes in tariffs based on what we know currently. Second, we are taking additional steps to cut costs and deleverage to strengthen our financial position. And third, given our improved financial position and stable outlook, we've increased our quarterly dividend for a second consecutive quarter from \$0.06 to \$0.07 a share.

Even in the current macroeconomic environment, we expect to remain on track to meaningfully grow cash flow and increase profitability in 2025. We are fortunate to operate businesses that are relatively insulated from consumer pullbacks and macro policy decisions such as tariffs.

On the cost front, we're keeping our foot on the pedal. We removed an additional \$34 million of annualized costs in Q1, reaching an annualized run rate of \$157 million at the end of the quarter. Consequently, we are raising our cost savings target to \$180 million to \$200 million.

In terms of debt management, we repurchased \$37 million of debt at an average cost slightly below par through the end of last week. Additionally, we now expect to drop below our 3x leverage ratio target by Q3 of this year. Once we get there, we will no longer be limited with respect to restricted payments under our covenants. This will further increase our ability to take value enhancing actions such as continuing to increase dividends and repurchasing shares at attractive prices. Now I'll summarize our 2025 business level priorities.

In SendTech, we're focused on maximizing profitability and minimizing churn in our mailing business while continuing to grow our shipping business. As we have stated in previous calls, our shipping business has similar profitability characteristics to our mailing business, and we expect shipping growth to more than offset revenue slowdowns elsewhere in SendTech over the next 12 months to 24 months. We are specifically focused on high margin customer groups in targeted verticals. As far as global financial services, this business has been a hidden gem for Pitney Bowes.

For the past 50 years, we have financed captive equipment, enabled postage payments for our clients, and as of the end of this quarter, we had \$1.15 billion of finance receivables. You're going to begin hearing more from us about our efforts to capture value via the Pitney Bowes Bank's Receivables Purchase Program, which involves the sale of eligible leases to the bank. These sales accelerate time to cash, allowing us to reduce parent company interest costs while also improving bank profitability.

The Pitney Bowes Bank held \$84 million of associated leases at the end of Q1, and we're aiming to grow that figure to at least \$120 million by the end of 2025. We expect this program to accelerate the return of an additional \$100 million in cash over the next few years, and we are evaluating other ways to expand the program. Bob will talk more about Global Financial Services in a bit.

In Presort, we intend to sustain our efficient and lean model that benefits from unique economies of scale and a true moat in the industry. On past calls, we mentioned our focus on tuck-in acquisitions that meet a very high return on invested capital threshold. We intend to continue pursuing these small roll-up transactions that generate high ROIs with very short payback periods. However, I want to be clear that we are not pursuing high-cost or transformative acquisitions anywhere throughout the company.

Looking forward, we have significant momentum in our pursuit of strong cash flow, earnings and overall value. Also, we are committed to generating meaningful value for shareholders by returning a significant portion of that cash flow to them. I am incredibly optimistic about what we can accomplish by remaining disciplined and focused here in 2025.

With that, I welcome Bob Gold to his first earnings call with us. Bob, over to you.

Robert Gold Pitney Bowes Inc - Chief Executive Officer

Thank you, Lance. First, let me say how excited I am to have joined Pitney Bowes. After about two months in the role, I've seen first-hand the strength of our team, the durability of our business model and the many opportunities ahead. As Lance mentioned, Q1 was a strong start to the year. I won't repeat what Lance already covered, but just a word on free cash flow.

The use of \$20 million in Q1 reflected normal seasonality and working capital needs, specifically in Presort where clients drew down prefunded postage they deposited late in Q4, ahead of our January peak, as well as the timing of employee benefit and variable compensation payments.

Importantly, despite the negative cash flow in the first quarter, we remain a highly cash-generative company, and we continue to expect \$330 million to \$370 million in free cash flow for the full year. From a capital allocation perspective, during Q1, we repurchased \$15 million of shares, paid \$11 million in dividends and bought back \$23 million of debt through open market transactions.

Following quarter end through May 2, we repurchased an additional \$12 million of shares and \$14 million of debt. As of the end of last week, we had \$123 million left in our share repurchase authorization. Returning capital to shareholders will remain a central part of the company's capital allocation framework, and the company will repurchase stock opportunistically based on market conditions and other relevant considerations.

I want to highlight two accounting changes we made this quarter to simplify and better reflect the business.

First, with respect to revenue, we condensed six categories into three: products, services and financing and other, aligned with our current offerings. Second, with respect to marketing and innovation expenses. These costs have moved from corporate to SendTech to align with the organizational structure. Nearly all marketing and innovation spending supports SendTech today. We posted a file on our Investor Relations site that reflects these historical adjustments.

Turning to segment performance, starting with SendTech. Revenue was \$298 million, down 9%, in line with our expectations. As I anticipated, the conclusion of the IMI migration in Q4 2024 resulted in less product revenue.

We expect this rate of decline to moderate over the next one to two quarters. We continue to see a shift from new equipment placements toward lease extensions. While these lease extensions defer revenue recognition to future periods, they also enhance overall profitability and support stable cash flow throughout the lease term. Simply put, these lease extensions are better for the long-term health of the business, but do not have the upfront revenue associated with new equipment sales.

Given our focus on long-term profitability and cash flow, we have begun emphasizing lease extensions over new equipment placements. SendTech year-over-year results were impacted by two nonrecurring items: a \$4 million unfavorable one-time accounting adjustment related to prior period shipping revenue. Shipping-related revenue declined 1% in the first quarter year over year, including this adjustment. However, excluding the prior period accounting adjustment, shipping-related revenue grew 7%.

Additionally, for comparative purposes, the prior period included \$4 million of upfront revenue from a large government contract. We continue to expect shipping growth for the rest of the year.

SendTech gross profit was down by \$13 million year over year, driven by revenue declines. However, gross margin improved by 230 basis points to 68.9%, benefiting from service cost optimizations and a favorable mix shift toward financing and other revenue.

Operating expenses declined \$14 million or 11%, reflecting strong cost discipline. As a result, SendTech EBIT increased slightly to \$95 million.

Moving to Global Financial Services within SendTech. Net finance receivables ended the quarter at \$1.15 billion, up slightly from year-end. Portfolio quality remained very stable with relatively low levels of delinquencies and write-offs.

Bank deposits were \$701 million, down seasonally from year-end. Under the Pitney Bowes Bank Receivables Purchase Program, from inception through the first quarter of 2025, we have freed up \$84 million of cash at the parent company level while providing the bank with access to diversified low-risk, high-yielding assets. The program is working well, and we will continue to evaluate ways to expand the program to maximize the benefits of accelerating cash and lowering the effective borrowing costs of our finance receivables as we move leases down to the bank.

Turning to Presort Services. Revenue was \$178 million, up 5%, driven by higher revenue per piece. Volumes declined 2%, and there was one less day in the quarter. Average daily volumes were flat year over year. Gross profit rose \$11 million, up 17%, helped by pricing, a 3% improvement in labor productivity and 3% lower unit transportation costs.

Operating expenses declined \$4 million or 17%. Presort EBIT was \$55 million, up \$14 million or 36%. Finally, corporate expenses were \$32 million, down \$10 million from the prior year. Turning to guidance. We are reaffirming our full year guidance and continue to feel good about the quarters to come.

As always, the Board and management will continue to evaluate our guidance as the year progresses. We continue to realize benefits from our strategic initiatives, particularly our cost reduction program.

In Q1 alone, we removed \$34 million of annualized costs, exiting the quarter with an annualized run rate of \$157 million. As Lance mentioned, we are raising our cost savings target to between \$180 million and \$200 million of annualized net savings over the next year.

On our ability to successfully navigate tariffs, we do not expect tariffs to have a meaningful impact on the business. Approximately 85% of our revenue is US-based, and the majority of our mailing products have their final assembly here in the United States. We do source certain components from abroad, but we have a diversified supplier base that we believe will allow us to mitigate country-specific impacts.

More broadly, our business is highly durable with meaningful recurring high-margin revenue streams and stable cash flows. Pitney Bowes has historically weathered downturns well, and we believe we are well positioned to do so again.

In closing, Q1 was a good start to 2025, and I'm energized about the opportunities ahead to enhance shareholder value. We have a range of strategic and operational levers, and we're focused on executing with discipline to deliver sustained performance.

With that, I'll turn it back to Lance. Thank you.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Thank you, Bob. I want to end by taking a step back and making some broad observations. Over the past year, we have completely transformed the financial position of Pitney Bowes.

Specifically, we have exited the extremely unprofitable GEC business; identified and are quickly implementing \$180 million to \$200 million of cost cuts, which translates to profitability improvements; improved cash management, seeing the amount of freed up trapped cash reach approximately \$275 million; begun to leverage significant opportunities to unlock value from Pitney Bowes Bank; and thanks to all these actions, we have paid off our most expensive debt entirely from company cash and refinanced our revolving credit facility, Term Loan A and Term Loan B with more relaxed covenants.

Thanks to the tough decisions and hard work of our teams, we are now in a position that few outside the company could have imagined just 18 months ago, expecting to generate between \$330 million and \$370 million of free cash flow in 2025. For context, our market capitalization was roughly \$500 million less than two years ago. Even based on our current market capitalization of approximately \$1.6 billion, we are still trading at only 5x levered free cash flow, representing what we believe is the significant opportunity for investment in our shares.

Moving forward, we are set up to reward our long-term shareholders for their patience by returning a significant amount of capital to them. One of our top objectives will remain sustaining both appropriate dividend increases and meaningful share repurchases. Thank you to everyone for joining today.

And now we'll open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Kartik Mehta, Northcoast Research.

Kartik Mehta Northcoast Research - Analyst

Bob, you talked about extending lease -- emphasizing lease extensions versus new equipment, which makes sense. I'm assuming you're at a point where the number of customers that want new equipment is getting down to a few and therefore, extending leases is probably the right financial decision. But I'm wondering what type of impact you anticipate that having on revenue since you're not selling new equipment?

Robert Gold Pitney Bowes Inc - Chief Executive Officer

What we expect to see -- thank you, Kartik, for the question. Appreciate it. What we expect to see with respect to the lease extensions is a more stable revenue -- revenue and cash flow. I don't think that the number of product placements or equipment placements is few and far between. We still have demand for new product placements. But the focus on lease extensions gives us a much more predictable, stable revenue stream and cash flow.

Kartik Mehta Northcoast Research - Analyst

And then obviously, there's been a lot of discussion about what could happen to the USPS. It seems like there's a new story every other day. I'm wondering if there have been any changes at the USPS that you've noticed? And if any of those changes have resulted in either a positive or negative impact to the business?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Kartik, I'll take that one. Thanks for that question. I was actually just with virtually the entire leadership team of the USPS last week. And I think that the organization continues to be strong. And the partnership that Pitney Bowes has with the USPS, which has been there for over 100 years, I think, is exceptional on many, many levels throughout the organization.

We've got a great working relationship, a great partnership across our businesses, and we're excited about the future of the USPS.

Kartik Mehta Northcoast Research - Analyst

And then just one last question, Lance. I know obviously, tariffs aren't impacting the business. I'm wondering if you're seeing any hesitation or any change in how your customers are reacting, especially for the Presort business because of what might be happening with their business related to tariffs?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Yes. So I'd say a couple of things. One is we have seen some delays from businesses that are operating under greater levels of uncertainty. We might have expected a close in one quarter and it's kind of being pushed off to the next quarter. And you mentioned Presort.

There's also a little bit of that across particularly federal clients, federal agencies. I wouldn't say any of that is material. It's more kind of anecdotal at this stage.

Operator

Anthony Lebiedzinski, Sidoti.

Anthony Lebiedzinski Sidoti - Analyst

My apologies I joined the call late, so you may have addressed some of these topics. But in terms of the increased cost savings program that you announced today, where is that coming from? And could you give us maybe some examples of what else you're finding there to save money on? And then I have a couple of other questions as well.

Robert Gold Pitney Bowes Inc - Chief Executive Officer

Anthony, thank you for the question. The cost savings we're seeing today are part of the broader cost saving program we announced last year. They are primarily -- they're really across the business and bottoms-up built. What I would say is we're also focusing on indirect spend and external spend, contract negotiations, vendor negotiations as well as things like insurance.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

And Anthony, I'd add to that that we've really implemented a cultural shift at Pitney Bowes that kind of puts cost management and lean operations really at the forefront. And we're going to continue to prioritize running an efficient and well-run business going forward.

Anthony Lebiedzinski Sidoti - Analyst

Got you. Okay. And then in terms of the SendTech business, I know you talked about the shipping component of that increasing, I think, 7% in the quarter. What was that as a percentage of overall revenue for SendTech? And do you guys have a goal in mind as to where you want to be by the end of the year or by next year in terms of shipping as a percentage of SendTech?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Yes. We don't -- I'll give a general answer, Anthony, and then Bob can fill in some details. So we don't have a specific announced goal. We have said that we expect that the growth in SendTech shipping will overtake any declines in SendTech mailing, and we gave a time period of 12 months to 24 months.

Anthony Lebiedzinski Sidoti - Analyst

Got you. Okay. That's very helpful. Okay. And then as far as Presort, so obviously you guys have done a great job there in terms of improving the sales and profitability of that segment.

This quarter, again you had higher revenue per piece, improved productivity. What's your confidence level about being able to sustain this even with some of the macro and tariff uncertainties?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Yes. Presort is a great business, you know, as is SendTech. We love all of our businesses. But Presort has really proven over the last, I don't know, dozen years that it could consistently grow in all the ups and downs and changes of the economy. I think the only year that it didn't show growth was the COVID year.

And we're very optimistic about the future of that business. It's not really that dependent on tariffs and things along those lines. Its customers are all -- I think it's 100% U.S. And the -- it's based on the mail volumes of these large shippers who send very large quantities of mail across first-class mail and also marketing mail that has some really attractive growth opportunities for us.

Anthony Lebiedzinski Sidoti - Analyst

Got it, yes. And just to kind of follow up on this on the Presort side. I know you did a tuck-in acquisition earlier in the year. Maybe just give us a quick update on that. And are you looking for additional tuck-in deals in that space?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Yes. So that deal is going very, very well. It's been fully integrated within the Presort network. We did not take on any of that company's assets. So we have completely subsumed it within our existing operations, which improves our capital efficiency, it improves our asset utilization, it improves our returns, very fast payback.

Super excited with how the Presort team has implemented that acquisition. And we hope to do more. It's really a focus area of us to do these small kind of tuck-in acquisitions. But again, I want to emphasize that we are not looking at game-changing, large-size transformative acquisitions, 0 interest. But these small tuck-ins, they're really terrific.

Operator

Peter Sakon, CreditSights.

Peter Sakon CreditSights - Analyst

In your prepared remarks, you discussed minimizing churn at SendTech. Could you give us some specifics such as how much is it currently, and what was it last year? And then what are your goals going forward?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Yes. So we don't specify churn as a metric. But what we are focused on -- and that's really in the mailing side of the business -- is sort of elongating the strong cash flows and performance of that business. And I sort of analogize it to the software businesses that a few years ago, many of them transformed from kind of licensed software models to SaaS models. And as we do that migration in that business, we think it provides a very predictable, consistent level of revenues and earnings.

And it enables customers to kind of stick with their Pitney Bowes products without needing to lay out significant CapEx for new equipment.

Robert Gold Pitney Bowes Inc - Chief Executive Officer

Lance, I think the only thing I would add is that as we've gotten past the IMI migration, we see cancellation rates really mitigating through this year.

Peter Sakon CreditSights - Analyst

And following on Kartik's question about equipment sales, how much are new quarterly product placements at SendTech?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Can you sort of explain exactly what you're looking for, Peter? I want to make sure we answer it correctly.

Peter Sakon CreditSights - Analyst

Yes. The first question, he was -- Kartik was asking about equipment sales being few and far between. And I agree, it's not that. But I was just wondering if you could quantify new quarterly equipment sales versus, I guess, existing sales that run through the income statement.

Robert Gold Pitney Bowes Inc - Chief Executive Officer

Peter, thank you. We don't provide that breakdown, equipment versus services sales. Our sales are broken out in products and services now, as I mentioned earlier. And equipment sales, supplies and so on are all included in products for SendTech, but that would include shipping equipment as well. What I just do want to stress that I think it was Kartik who said it earlier, equipment sales are not few and far between.

While we are seeing a long-term decline in equipment sales, it's still a strong part of our revenue stream.

Peter Sakon CreditSights - Analyst

Okay. And then my last question is regarding Presort. I believe there's a July 1 annual adjustment to pricing. How much is the adjustment this year? And how much will it impact profitability going forward for the back half of the year?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Sure. So the announced changes are still subject to final approval. And so we're kind of waiting until it's fully baked. But we think that the impact on Pitney Bowes, if what has been announced is approved, is sort of modestly positive for us.

Operator

Justin Dopierala, DOMO Capital Management, LLC.

Justin Dopierala DOMO Capital Management LLC - Analyst

Fantastic quarter. Just a question, first of all, on restructuring. Should we think of the \$13 million is kind of the run rate for each quarter?

Robert Gold Pitney Bowes Inc - Chief Executive Officer

No. Thank you, Justin, for the question. I don't have the specific run rate at my fingertips, but as we're nearing the end of the period of executing the restructuring, we would expect those payments to tail off.

Justin Dopierala DOMO Capital Management LLC - Analyst

Got it. Okay. Because I know your \$330 million to \$370 million excludes it. So I mean, as I'm thinking about that number then and the negative \$20 million approximately in the first quarter, I mean that means over the next 3 quarters, you guys may be generating close to \$400 million in free cash flow.

And I guess as I think about it, if we're just looking at the first quarter specifically, you allocated about \$25 million towards dividends and buybacks, and \$25 million approximately towards debt repurchases, so like a 50-50.

And I guess I'm wondering, over the next nine months, like how should we think about the split that you're thinking of for the \$400 million of free cash flow your company will be getting and how you allocate that towards debt versus, as you would call it, the shareholder initiatives and giving back to shareholders?

Robert Gold Pitney Bowes Inc - Chief Executive Officer

Justin, thank you. There's a lot to unpack in that question. So if I miss something, you'll let me know.

First, I think it's important, as we talked earlier, there was a seasonal use of cash or timing use of cash in Q1, as I mentioned earlier, related to the drawdown of deposits that were made in Q4 related to our Presort customers who prepaid for their January peak volume. In addition to that, in Q1, we had seasonal -- I don't like the term seasonal, but we had first quarter employee benefit and

variable compensation payments that won't repeat in the following quarters.

The quarter performed very strong, excluding those payments. In addition, I guess the other side of your question is how are we going to allocate capital going forward? The answer to that is that we'll continue to opportunistically buy shares and debt as we have been, based on the markets.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

And the only thing I'd add, Justin, is that if you think about it, a couple of years ago, our free cash flow when we had GEC was around \$20 million. And today, it's up to \$330 million to \$370 million. And that kind of creates the opportunity for capital allocation.

Secondly, we've noted that the -- a really key kind of debt metric for us is getting below a 3.0 leverage ratio because at that point, restrictions on our use of cash become much more limited. And so we are continuing to prioritize debt reduction so that we get below that 3.0 number. But once we've done that, then I think we've got far more flexibility to allocate greater amounts toward shareholders.

Justin Dopierala DOMO Capital Management LLC - Analyst

Got it. Yes, I'm happy to hear that you guys also think the shares are extremely undervalued. My last question then is, do you see any opportunities with artificial intelligence?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Absolutely. You're really getting me excited here. So we have recently announced our new Chief Information Officer who's joined the company, Alex. And Alex brings an enormously impressive background in AI and is really looking across the organization at ways that we can better utilize AI.

I'm utilizing it personally in a whole bunch of different areas as is our leadership team, and we are rolling it out to improve our productivity, to improve our performance, to think better really across the company.

Operator

David Steinhardt, Contrarian Capital.

David Steinhardt Contrarian Capital - Analyst

I'm sure we'll see this in the 10-Q when it comes out, but what was the average price paid for the shares that we bought back?

Robert Gold Pitney Bowes Inc - Chief Executive Officer

I think -- I don't have that number at my fingertips. I'll have to follow up.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

We're tracking it, David, closely to make sure that our purchases are sort of in line, if not better, than daily averages. And it will be in the queue just to confirm that.

David Steinhardt Contrarian Capital - Analyst

Understood. Right. I was just hoping, I guess, for an early preview. In terms of when we get down to below 3x leverage, have you thought about what capital allocation might look like in terms of percent towards tuck-in acquisitions, repurchases of stock? And to that end, have you thought about a range in which that you would be comfortable operating in in terms of a debt level, let's say, 2x to 3x going forward?

Or is it too early to preview that?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

It's a bit early. I mean we obviously do a lot of thought to that and planning internally. But we're not yet giving guidance along the lines of sort of long-term debt levels, et cetera. But the company is very consistently generating cash. And that gives us comfort to maintain sort of reasonable debt levels.

And we're kind of excited about the long-term prospects in terms of cash generation and what we can do with that. One thing I mentioned that we're not planning to do with that is large acquisitions. And the small ones that we do, the tuck-ins, we have a very high threshold for ROI, for return -- for the payback period, et cetera, as we do for other uses of cash within the company. We really set a high bar that when we're investing internally, it has to have a very, very high return for us.

David Steinhardt Contrarian Capital - Analyst

Understood. And in terms of our credit rating, what will Moody's and S&P look for from us to improve our credit rating? And I don't know if the goal is to become an investment-grade company over time. But if you could give us a sense of what your discussions have been with your rating agencies, that would be helpful.

Robert Gold Pitney Bowes Inc - Chief Executive Officer

David, I'll take that. So as a part of my onboarding, I had initial meetings with both S&P and Moody's, and asked that exact question. The answer won't surprise you. They said we need to get a few more quarters under our belt before they will raise our rating. Clearly, coming out of this quarter after a really strong '24, I'm going to be pushing them again to raise our rating.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

And the only thing I'd add, Bob, is that we do not have a stated goal to become an investment-grade credit. Investment-grade credits are increasingly few and far between and are generally companies with relatively little levels of leverage. And I think we can be prudent in uses of leverage that don't necessarily require that kind of credit rating.

Operator

I will now turn the call back over to Lance Rosenzweig, CEO, for closing remarks. Please go ahead.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Thank you all for joining us for our first quarter earnings call, and we look forward to sharing more information in our next quarter call. Appreciate it.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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