

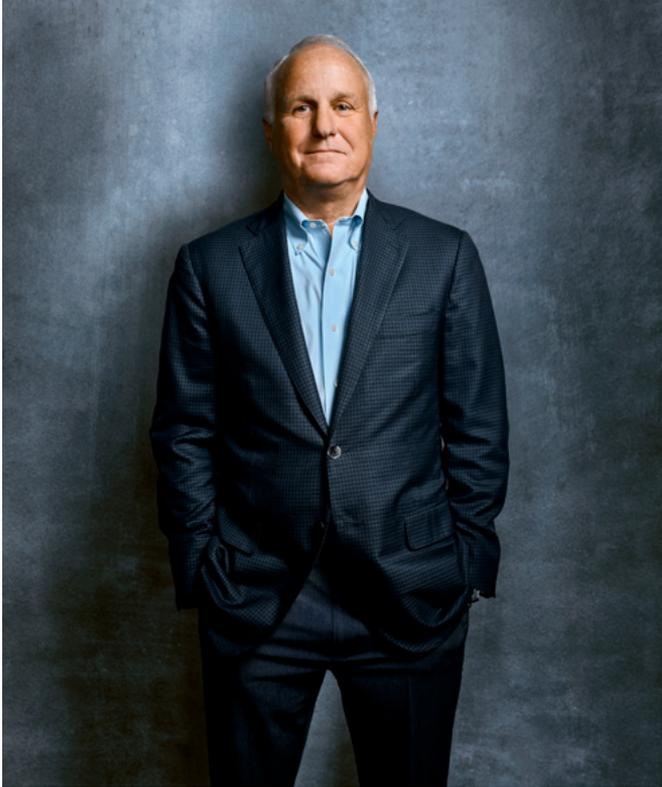
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Pitney Bowes  
**Annual Report**

**2022**

Pitney Bowes, a global shipping and mailing company, provides technology, logistics and financial services to help clients reduce the complexities of sending parcels and mail.





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**Marc B. Lautenbach**  
President and  
Chief Executive Officer

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## Fellow shareholders:

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We have made tremendous progress over the past decade evolving Pitney Bowes into a global shipping and mailing company to help clients reduce the complexities of sending parcels and mail. Ten years ago, when I joined as CEO, Pitney Bowes was stuck in secular decline with substantial debt. We are a much different company today. We are a vibrant company with innovative technology, great capabilities and a steely-eyed determination to serve our clients. We are also positioned to grow with many new opportunities that could not have been previously envisioned. And all this has happened while staying true to our core values.

While our progress has not always been a straight line — or easy — we continue to take the necessary actions to create long-term value. We have invested in our business, our people and our client relationships. This is reflected in our revenue results over the past five years, our employee engagement scores — which are consistent with high-performance companies — and our improving client satisfaction scores. While I am confident profitable revenue growth will follow, I would be the first to admit that it has taken longer than I would have hoped. That said, I believe the necessary ingredients are in place for sustained profitable revenue growth.

## Letter to Shareholders

Our Board of Directors and management team remain focused on delivering sustainable future value for our shareholders. Our strategy has always been keenly focused on a simple truth: Build a great business, consistent with the values that have sustained Pitney Bowes for over 100 years, and positive results will follow.

We continue to believe our portfolio is properly aligned in markets where we have brand permission to win. That being said, we are always on the lookout for opportunities to drive shareholder value.

Pitney Bowes has been reimagined and reshaped, strategically, with bold investment and a willingness to make the hard decisions to create long-term value. Our culture and resolve have never wavered. The people of this great company continue to do the right thing the right way.

Our watchwords going forward are agility, focus and acceleration. We will benefit from the strong alignment of businesses across our enterprise, which are truly differentiated, better and stronger together. Each of our businesses plays a critical role in driving our strategy and each benefits from significant competitive advantages as part of Pitney Bowes.

Transformation is never easy, but our people continue to forge ahead with grit and resilience.

### Recap of 2022

It was a good year overall, given all the external factors our people, clients and markets faced and had to overcome.

During 2022, we successfully reconfigured our parcel network. We added many new, key customer relationships. We established positive momentum toward the end of the year, particularly in our domestic parcel business.



### GLOBAL ECOMMERCE

## Positioned to pursue a large and rapidly growing ecommerce market opportunity

In 2022, GEC largely completed the buildout of its US Domestic Parcel network, comprising 17 hubs, a Pitney Bowes–owned transportation fleet and a network of transportation partners. The network is powered by a range of digital capabilities, including shipping label technology, compliance and accurate quoting and tracking.

With our footprint largely established, we continue to partner with some of the most innovative companies in the world to deploy technology solutions, including robotics and autonomous vehicles, that are redefining ecommerce logistics. These investments have helped us achieve market-competitive service levels with predictable costs. Our more consistent service has resulted in higher client satisfaction, new client acquisitions and significantly lower churn.

## Pitney Bowes Results

- For the year, our revenue was \$3.5 billion, similar to 2021 on a comparable basis
- Employee engagement scores were consistent with high-performance companies
- Continued improvement in client satisfaction scores
- Voted one of *America's Best Large Employers*, *Best Employers for Diversity* and *Best Employers for Women* by *Forbes*

## Presort Highlights

- Presort processed 16 billion pieces of mail and grew revenue by 5%
- Three new markets entered: [Las Vegas](#) Mega Center, Orlando and [Salt Lake City](#)

## SendTech Highlights

- Grew equipment sales by 4% on a constant currency basis and increased finance receivables by \$44 million to \$1.2 billion
- 20%+ growth in identified Growth Initiatives
- Introduced the Shipping 360™ Platform and launched PitneyShip Pro, which helped drive shipping-related revenue growth of 22% year over year

## Global Ecommerce Highlights

- Processed Domestic Parcel volumes of 170 million, grew Domestic Parcel revenue by 10% and expanded unit margins by \$0.34 versus prior year
- Based on new client wins, our annualized Domestic Parcel volumes are now approximately 200 million and we expect to build further on that level for full-year 2023
- Substantial improvement in service levels, which are now comparable to best-of-class providers

- Maintained high service levels and continued contribution margin improvement during the holiday peak season
- Launched next-gen portfolio of ecommerce logistics service platforms: [Designed Delivery](#), [Returns and Cross-Border](#) and [Fulfillment services](#)
- Network buildout completed with attendant automation

In early April of 2022, we were honored to be present at the signing by President Biden of the historic Postal Reform Bill. The legislation was 14 years in the making and made many necessary changes to the laws regulating the USPS. Our presence underscores the essential role Pitney Bowes plays in how the United States works. With new agreements in place, we look forward to serving as an even greater partner with the USPS in mail and parcels.

## Our Past 10 Years — and Our Past 100+

Over the past decade of our stewardship of this remarkable and iconic company, we undertook a purposeful transformation. The Board and management team have taken decisive action to remake the business that is focused on creating long-term value. And an entirely different company has emerged, carrying our proud legacy strengths forward, but also shaping and scaling for the future ahead of us all.

In 2012, it was clear that strategic transformation was required to ensure the long-term viability of Pitney Bowes as a profitable business. Therefore, we simplified our portfolio, expanded our base outside SendTech and Presort to have a strong presence in Global Ecommerce and improved our credit profile, including significantly reducing our debt.

Our focus on creating and bolstering a foundation for sustainable, profitable growth continues. This includes:

- Shifting our business into growth markets that are logical adjacencies

SENDING TECHNOLOGY SOLUTIONS

# Providing global technology solutions that reduce complexities in shipping and mailing



True innovation is not invention for invention's sake but invention plus commercialization. The International Design Award–winning PitneyShip Cube™, the first-ever wireless shipping label printer with built-in scale, is an extraordinary example of just that: true innovation.

That's not all. In 2022, our SendTech business launched more new shipping products than the previous 10 years combined. We continue to simplify our shipping and mailing portfolio for scale and growth through client-focused product development that delivers meaningful innovation.

With the attitude of a start-up, SendTech is laser-focused on aggressively pursuing growth opportunities, achieving efficiency in our traditional business and delivering an optimal client experience.

- Reducing complexity of shipping and mailing for our customers through our innovative offerings
- Optimizing our cost structure through rightsizing and operational improvements
- Leveraging economies of scale to drive profitability across the enterprise

This strategic and, frankly, necessary transformation over the past decade has required significant investment, but that CapEx is behind us, and we believe the benefits from these investments will soon be realized.

Of course, along the way we have endured many unforeseen challenges, chief among them the global pandemic and its ensuing fallout, but also two recessions and global supply chain issues across all industries, which contributed to delaying our transformation. But the people of Pitney Bowes did what they always do: persevere.

As we continue to navigate a turbulent market, we believe our businesses are well positioned for future success. We are confident that our shareholders will share in the value that derives from this success in the near future, especially as there has been recovery in various macro factors impacting our business.

### A Note on ESG

While our business purpose is rooted in delivering quality and value for our clients and a good return for our investors, at the same time, we are steadily raising the bar on environmental, social and governance matters in keeping with our responsibilities as employer, neighbor and corporate citizen. This broad effort spans environmental sustainability; employee health and safety; diversity, equity and inclusion; ethics and compliance; community involvement; and philanthropy. Our progress in this regard is detailed in our latest [ESG Report](#).

## Going Forward

We built Pitney Bowes for long-term success and keep driving toward it. We see significant opportunity in Domestic Parcel — a business only five years old and on the rise, with a great runway ahead of it. Global Ecommerce remains a strategic necessity for how we navigate and succeed in the present, with tremendous promise ahead.

Long term has always been our frame of reference, in all that we do.

We continue to attract and retain talent that embodies that perspective. We have great people who love working here. You can see it from afar in our NPS numbers, but it's even more present and palpable up close, in the voices, actions and spirit we share.

We all know that there is still a lot in front of us, but we have the goods and the grit to keep Pitney Bowes moving forward, as a leader and an integral part of how the global economy works best.

Now is our time for acceleration as we work toward bringing our favorable future to life.

Sincerely,



**Marc B. Lautenbach**

President and Chief Executive Officer



### PRESORT SERVICES

## Welcome to Las Vegas, home to the world's newest, most advanced presort mail center

In May, Pitney Bowes opened our first Presort Services Mega Center. The 175,000-square-foot facility located in North Las Vegas is our largest-ever Presort Services operating center and first to process First-Class™ letters and flats, Marketing Mail® letters, flats and parcels, and bound printed matter all in a single facility.

The Mega Center features some of the industry's fastest and most efficient conveyors and automation equipment, helping meet the demands of mailers and shippers from Arizona, California, Nevada, Utah and throughout the Pacific Northwest.

## Summary of Selected Financial Data

For the year ended December 31, (amounts in thousands, except per share data and total employees)	2022	2021	2020
<b>As reported</b>			
Revenue	\$ 3,538,042	\$ 3,673,561	\$ 3,554,075
Net income (loss)	\$ 36,940	\$ (1,351)	\$ (180,376)
Diluted earnings (loss) per share from continuing operations	\$ 0.21	\$ 0.02	\$ (1.11)
Net cash from operating activities	\$ 175,983	\$ 301,515	\$ 301,972
Depreciation and amortization	\$ 163,816	\$ 162,859	\$ 160,625
Capital expenditures	\$ 124,840	\$ 184,042	\$ 104,987
Dividends per share of common stock	\$ 0.20	\$ 0.20	\$ 0.20
Weighted average diluted shares outstanding	177,252	179,105	171,519
Total assets	\$ 4,741,355	\$ 4,958,871	\$ 5,224,363
Total debt	\$ 2,205,266	\$ 2,323,838	\$ 2,564,393
Stockholders' equity	\$ 60,653	\$ 112,632	\$ 70,621
Total employees	11,000	11,500	11,500
<b>As adjusted</b>			
EBIT	\$ 178,780	\$ 202,689	\$ 215,147
Income before taxes	\$ 37,011	\$ 58,744	\$ 61,232
Diluted earnings per share	\$ 0.15	\$ 0.32	\$ 0.31
Free cash flow	\$ 68,338	\$ 154,325	\$ 283,110
EBIT to interest	1.3x	1.4x	1.4x
EBITDA	\$ 342,596	\$ 365,548	\$ 375,772

## Reconciliation of Reported Consolidated Results to Adjusted Results

For the year ended December 31, (dollars in thousands, except per share data)	2022	2021	2020
Net income (loss)	\$ 36,940	\$ (1,351)	\$ (180,376)
Loss (income) from discontinued operations, net of tax	—	4,858	(10,115)
Provision (benefit) for income taxes	2,940	(10,922)	7,122
Income (loss) from continuing operations before taxes	39,880	(7,415)	(183,369)
Restructuring charges	18,715	19,003	20,712
Gain on sale of assets	(14,372)	(1,434)	(11,908)
(Gain) loss on sale of businesses, including transaction costs	(12,205)	(7,619)	641
Loss on debt redemption/refinancing	4,993	56,209	36,987
Goodwill impairment	—	—	198,169
Adjusted income before taxes	37,011	58,744	61,232
Interest expense, net	141,769	143,945	153,915
Adjusted EBIT	178,780	202,689	215,147
Depreciation and amortization	163,816	162,859	160,625
Adjusted EBITDA	\$ 342,596	\$ 365,548	\$ 375,772
Diluted earnings (loss) per share	\$ 0.21	\$ (0.01)	\$ (1.05)
Loss (income) from discontinued operations, net of tax	—	0.03	(0.06)
Restructuring charges	0.08	0.08	0.09
Gain on sale of assets	(0.06)	(0.01)	(0.05)
(Gain) loss on sale of businesses, including transaction costs	(0.09)	(0.01)	—
Loss on debt redemption/refinancing	0.02	0.24	0.16
Goodwill impairment	—	—	1.13
Tax on surrender of investment securities	—	—	0.07
Adjusted diluted earnings per share	\$ 0.15	\$ 0.32	\$ 0.31
Net cash from operating activities	\$ 175,983	\$ 301,515	\$ 301,972
Net cash used in operating activities — discontinued operations	—	—	37,912
Capital expenditures	(124,840)	(184,042)	(104,987)
Restructuring payments	15,406	21,990	20,014
Change in customer deposits at PB Bank	(3,990)	14,862	26,082
Transaction costs paid	5,779	—	2,117
Free cash flow	\$ 68,338	\$ 154,325	\$ 283,110

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

The Company's financial results are reported in accordance with generally accepted accounting principles (GAAP); however, the Company uses certain non-GAAP measures, such as adjusted income before taxes, adjusted earnings before interest and taxes (EBIT), adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted earnings per share (EPS) and free cash flow.

Adjusted income before taxes, Adjusted EBIT, Adjusted EBITDA and Adjusted EPS exclude the impact of discontinued operations, restructuring charges, gains, losses and costs related to the sale of assets, acquisitions and dispositions, goodwill impairment charges, losses on debt redemptions and refinancings, and other unusual or one-time items. Management believes that these non-GAAP measures provide investors greater insight into the underlying operating trends of the business.

Free cash flow adjusts cash from operations calculated in accordance with GAAP for discontinued operations, capital expenditures, restructuring payments, changes in customer deposits held at the Pitney Bowes Bank, transaction costs and other special items. Management believes free cash flow provides investors better insight into the amount of cash available for other discretionary uses.

The adjusted financial information may not be indicative of our overall consolidated performance and should therefore be read in conjunction with our consolidated financial results. Further, our definitions of adjusted financial measures may differ from similarly titled measures used by other companies.



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

Commission file number: 1-3579

**PITNEY BOWES INC.**

State of incorporation: **Delaware**

I.R.S. Employer Identification No. **06-0495050**

Address: **3001 Summer Street, Stamford, Connecticut 06926**

Telephone Number: **(203) 356-5000**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$1 par value per share	PBI	New York Stock Exchange
6.7% Notes due 2043	PBI.PRB	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files) Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark whether the registrant has elected not to use the extended transition period for complying with new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

As of June 30, 2022, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$628 million based on the closing sale price as reported on the New York Stock Exchange. At January 31, 2023, there were 174,184,551 outstanding shares of common stock, \$1 par value.

***DOCUMENTS INCORPORATED BY REFERENCE***

Portions of the registrant's proxy statement to be filed within 120 days after our fiscal year end in connection with the Annual Meeting of Stockholders, are incorporated by reference in Part III of this Form 10-K.

**PITNEY BOWES INC.  
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**Forward-Looking Statements**

This Annual Report on Form 10-K (Annual Report) contains statements that are forward-looking. We believe that these forward-looking statements are reasonable based on our current expectations and assumptions. However, we caution readers that any forward-looking statement within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 are subject to risks and uncertainties and actual results could differ materially. Words such as "estimate," "target," "project," "plan," "believe," "expect," "anticipate," "intend" and similar expressions may identify such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. Forward-looking statements in this Annual Report speak only as of the date hereof, and forward-looking statements in documents attached that are incorporated by reference speak only as of the date of those documents.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our results of operations, financial condition and forward-looking statements are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission. While conditions related to the COVID-19 pandemic have improved, the pandemic continues to be dynamic, and near-term challenges across the economy remain; and the effects that they may have on our, and our clients' businesses remain uncertain. Other factors which could cause future financial performance to differ materially from expectations include, without limitation:

- declining physical mail volumes
- changes in postal regulations or the operations and financial health of posts in the U.S. or other major markets, or changes to the broader postal or shipping markets
- the loss of, or significant changes to, United States Postal Service (USPS) commercial programs or our contractual relationships with the USPS or USPS' performance under those contracts
- our ability to continue to grow and manage unexpected fluctuations in volumes, gain additional economies of scale and improve profitability within our Global Ecommerce segment
- the impacts of inflation and rising prices, higher interest rates and a slow-down in economic activity, including a global recession, to the company, our clients and retail consumers
- the loss of some of our larger clients in our Global Ecommerce and Presort Services segments
- changes in labor and transportation availability and costs
- the impacts on our cost of debt due to recent increases in interest rates and the potential for future interest rate hikes
- changes in foreign currency exchange rates, especially the impact a strengthening U.S. dollar could have on our global operations
- declines in demand for our ecommerce services resulting from supply chain delays or interruptions affecting our retail clients, or changes in retail consumer behavior or spending patterns
- global supply chain issues adversely impacting our third-party suppliers' ability to provide us products and services
- competitive factors, including pricing pressures, technological developments and the introduction of new products and services by competitors
- expenses and potential impacts resulting from a breach of security, including cyber-attacks or other comparable events
- our success at managing customer credit risk
- changes in tax laws, rulings or regulations
- capital market disruptions or credit rating downgrades that adversely impact our ability to access capital markets at reasonable costs
- our success in developing and marketing new products and services and obtaining regulatory approvals, if required
- the continued availability and security of key information technology systems and the cost to comply with information security requirements and privacy laws
- changes in international trade policies, including the imposition or expansion of trade tariffs, and other geopolitical risks
- our success at managing relationships and costs with outsource providers of certain functions and operations
- changes in banking regulations or the loss of our Industrial Bank charter
- increased environmental and climate change requirements or other developments in these areas
- intellectual property infringement claims
- the use of the postal system for transmitting harmful biological agents, illegal substances or other terrorist attacks
- impact of acts of nature on the services and solutions we offer

**Further information about factors that could materially affect us, including our results of operations and financial condition, is contained in Item 1A. "Risk Factors" in this Annual Report.**

## **ITEM 1. BUSINESS**

### **General**

Pitney Bowes Inc. (we, us, our, or the company) is a global shipping and mailing company that provides technology, logistics, and financial services to small and medium sized businesses, large enterprises, including more than 90 percent of the Fortune 500, retailers and government clients around the world. These clients rely on us to remove the complexity and increase the efficiency in their sending of mail and parcels. For additional information, visit [www.pitneybowes.com](http://www.pitneybowes.com).

### **Business Segments**

#### Global Ecommerce

Domestic parcel services offers retailers a parcel delivery and returns network for end consumers. We operate numerous domestic parcel sortation centers connected by a nationwide transportation network, enabling us to pick up parcels from retailer distribution centers and move them through our physical network. We also offer fulfillment services, providing pick, pack and ship services for clients through four fulfillment centers co-located within four of our larger parcel sortation centers to facilitate same-day entry into our parcel delivery network.

Cross-border services offers a range of services for our clients to choose from to manage their international shopping and shipping experience. Our proprietary technology enables global tracking and logistics services; calculates duty, tax and shipping costs at checkout; enables multi-currency pricing, payment processing and fraud management; ensures compliance with product restrictions and produces all documentation requirements to meet export complexities and customs clearance.

Digital delivery services enables clients to reduce transportation and logistics costs, select the best carrier based on need and cost, improve delivery times and track packages in real-time. Powered by our shipping APIs, clients can purchase postage, print shipping labels and access shipping and tracking services from multiple carriers that can be easily integrated into any web application such as online shopping carts or ecommerce sites and provide guaranteed delivery times and flexible payment options.

#### Presort Services

We are the largest workshare partner of the USPS and national outsource provider of mail sortation services that allow clients to qualify large volumes of First-Class Mail, Marketing Mail and Marketing Mail Flats and Bound Printed Matter for postal workshare discounts. In 2022, we processed over 16 billion pieces of mail through our network of operating centers throughout the United States. Using our fully-customized proprietary technology, we provide clients with end-to-end solutions from pick up to delivery into the postal system network, expedited mail delivery and optimal postage savings.

#### Sending Technology Solutions (SendTech Solutions)

We provide clients with physical and digital mailing and shipping technology solutions and other applications to help simplify and save on the sending, tracking and receiving of letters, parcels and flats. We also offer supplies and maintenance services for these offerings. Our cloud enabled infrastructure provides software-as-a-service (SaaS) offerings delivered online and via connected or mobile devices. Our latest offerings are designed on an open platform architecture that have the capabilities to leverage partnerships with carriers, developers and other innovative companies to deliver value to our clients. We offer financing alternatives that enable clients to finance equipment and product purchases.

Through our wholly owned subsidiary, The Pitney Bowes Bank (the Bank), we offer our clients in the United States a revolving credit solution that enables them to purchase postage, services and supplies and an interest-bearing deposit solution to clients who prefer to prepay postage. Additionally, we offer financing alternatives that enable clients to finance or lease other manufacturers' equipment and provide working capital. We provide revolving credit solutions to clients in Canada and the U.K. that enable them to make meter rental payments and purchase postage, services and supplies.

### **Seasonality**

A larger percentage of our revenue is earned in the fourth quarter relative to the other quarters, driven primarily by higher shipping volumes during the holiday season.

### **Sales and Services**

We market our products, solutions and services through a direct and inside sales force, global and regional partner channels, direct mailings and digital channels. We provide call-center, online and on-site support services for our products and solutions. Support services are primarily provided under maintenance contracts.

## **Competition**

Our businesses face competition from large, multinational companies and smaller, more narrowly focused regional and local firms. We compete on the basis of technology and innovation, breadth of product offerings, our ability to design and tailor targeted solutions to meet client needs, performance, service and support, price, quality and brand.

We must continue to invest in our current technologies, products and solutions, and in the development of new technologies, products and solutions in order to maintain and improve our competitive position. We frequently encounter new competitors as the markets in which we participate evolve and newer businesses enter our existing markets.

A summary of the competitive environment for each of our segments is as follows:

### Global Ecommerce

The domestic parcel services and cross-border solutions market includes competitors of various sizes, including companies and national posts with greater financial resources than us. Some of these competitors specialize in point solutions or freight forwarding services, are full-service ecommerce business process outsourcers and online marketplaces with international logistic support, or major global delivery services companies. We also face competition from companies that can offer both domestic and cross-border solutions in a single package which creates pricing leverage. The principal competitive factors include speed of delivery, price, ease of integration and use, innovative services, reliability, functionality and scalability. We compete based on the accuracy, reliability and scalability of our platform and logistics services, our ability to provide clients and their customers a one-stop full-service ecommerce experience and the ability to provide a more customized shipping solution than some of the larger competitors in the industry.

Our digital delivery services business competes with technology providers who help make shipping easier and more cost-effective. These technology providers range from large, established companies to smaller companies offering negotiated carrier rates. The principal competitive factors include technology stability and reliability, innovation, access to preferred shipping rates and ease of integration with existing systems.

### Presort Services

We face competition from regional and local presort providers, cooperatives of multiple local presort providers, consolidators and service bureaus that offer presort solutions as part of a larger bundle of outsourcing services. We also face competition from large mailers that have sufficient volumes and the capability to sort their own mailings in-house and could use excess capacity to offer presort services to others. The principal competitive factors include price, innovative service, delivery speed, tracking and reporting, industry expertise and economies of scale. Our competitive advantages include our extensive network of presort facilities capable of processing significant volumes and our innovative proprietary technology that provides clients with reliable, secure and precise services and maximum postage discounts.

### Sending Technology Solutions

We face competition from other mail equipment and solutions providers and those that offer online shipping and mailing products and services solutions. Additionally, the growth of alternative communication methods as compared to physical mail continue to grow, which creates competition to mail and also to our offerings that enable clients to use the mail efficiently. We differentiate ourselves from our competitors through our breadth of physical and digital offerings, including cloud enabled SaaS and open platform architecture offerings; pricing; available financing and payment offerings; product reliability; support services; and our extensive knowledge of the shipping and mailing industry.

Our financing operations face competition, in varying degrees, from large, diversified financial institutions, including leasing companies, commercial finance companies and commercial banks, as well as small, specialized firms. We believe our competitive advantage that differentiates us from our competitors is the breadth of our financing and payment solutions and our ability to seamlessly integrate these solutions into our clients' shipping and mailing operations.

Also see Item 1A. Risk Factors for further details regarding the competition our businesses face.

## **Research, Development and Intellectual Property**

We invest in research and development activities to develop new products and solutions, enhance the effectiveness and functionality of existing products and solutions and deliver high value technology and differentiated services in high value segments of the market.

## **Third-Party Suppliers**

Our SendTech Solutions segment depends on third-party suppliers and outsource providers for a variety of services and product components and the hosting of our SaaS offerings. Our Global Ecommerce and Presort Services segments rely on third party suppliers

to help equip our facilities, provide warehouse support and assist with our logistical operations. All of our businesses and corporate functions depend on third-party providers for a variety of data analytics, sales, reporting and other functions. In certain instances, we rely on single-sourced or limited-sourced suppliers and outsourcing vendors around the world because doing so is advantageous due to quality, price or lack of alternative sources. We have risk mitigation programs to monitor conditions affecting our suppliers' ability to fulfill expected commitments. We believe that our available sources for services, components, supplies, logistics and manufacturing are adequate.

## **Regulatory Matters**

We are subject to the regulations of postal authorities worldwide related to product specifications of our postage meters. Our Presort Services segment is also subject to regulations of the USPS. The Bank is chartered as an Industrial Bank under the laws of the State of Utah. The Bank and certain company affiliates that provide services to the Bank are subject to the regulations of the Utah Department of Financial Institutions and the Federal Deposit Insurance Corporation. We are also subject to transportation regulations for various parts of our business, customs and trade regulations worldwide related to our cross-border shipping services and regulations concerning data privacy and security for our businesses that use, process and store certain personal, confidential or proprietary data.

## **Climate Change**

Although climate change has had no material impact on our operations to date, the risk of increasingly severe climate events or the risk that those events happen more frequently could affect one or more of our facilities and our ability to conduct daily operations in the future. Increasing regulatory restrictions in response to climate change could also materially affect our costs, especially with respect to transportation.

## **Human Capital**

### *Employee Profile*

We have approximately 11,000 employees, with 81% located in the United States. We also rely on a contingent hourly workforce to supplement our full-time workforce to meet fluctuating demand.

We seek to create a high-performance culture that will drive and sustain enhanced value for all our stakeholders. To attract, retain and engage the talent needed, we provide competitive compensation and strive to maintain a diverse, inclusive and safe workplace, with equitable opportunities for growth and development. Our compensation programs are designed to reward performance and contribution. We regularly assess the business environments and labor markets in the areas we operate to ensure our compensation programs reflect best practices and are market competitive. Depending on position and level, elements of our compensation packages include base salary or wages, variable compensation based on individual and company objectives and equity. We provide a competitive benefits package fostered on work/life balance, including medical, dental, life and disability insurance, and benefits that provide additional support for our employees' mental, physical, financial and social well being.

### *Diversity and Inclusion*

Maintaining a diverse workforce and an inclusive environment is critical to our success and we view diversity and inclusion as a competitive differentiator that helps us attract, grow, engage and retain the best talent. We celebrate a rich mix of countries, cultures, ages, races, ethnicities, gender identities, sexual orientation, abilities, and perspectives that showcase our humanity, differentiate us as individuals and enhance our businesses. Our global workforce is comprised of over 43% women and 35% of our global managers are women. Our U.S. population is nearly 50% people of color and 36% of our U.S. managers are people of color.

We continue to increase diversity and inclusion awareness throughout our company through enhancements and improvements to our talent acquisition processes, cultural awareness training and the creation of allies and mentors to help advance diversity and inclusion in our workforce.

### *Employee Engagement and Development*

We are committed to creating a culture where our employees feel supported and valued. We offer our employees many opportunities to advance their skills, learn new skills and achieve career goals through virtual and in-person development and training programs, professional development initiatives, experiential learning, mentoring and coaching programs and inclusion networks.

Through multiple platforms, we offer employees and candidates varied opportunities to find development opportunities and stay informed about key changes to our business. We also conduct an independent annual employee engagement survey with demonstrated high levels of employee participation. We benchmark our results against our previous year's performance, as well as against an external database of high-performing organization, with a particular focus on our strategic enablers and implement changes where possible and financially prudent. Each year, we consider the feedback from employees, enhancing our relationship with them.

## Health and Safety

We are committed to providing a safe workplace that protects against and limits personal injury and environmental harm. Through regular evaluations of site safety performance, sharing of successes, and creating projects to engage employees in safety improvements, we identify risks, provide guidance and training, review and learn from accidents, and reduce injuries. We also report monthly to both local site management and senior leadership on safety metrics, trends, risks and regulatory activity. Through these efforts and employee engagement, we have experienced seen significant improvements in our total recordable cases and total recordable incident rates since 2019.

Since the inception of the COVID-19 pandemic, we implemented numerous protocols, policies and process changes in our warehouses and offices to ensure the health and safety of our employees, suppliers and the surrounding communities. All our offices and facilities are open to employees; however, we have adopted a flexible workplace strategy in our offices, allowing employees that can work remotely the opportunity to continue to do so. For those employees that report to an office or facility, we continue to place an emphasis on maintaining a high level of performance while ensuring a safe work environment.

## Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments thereto filed with, or furnished to, the SEC, are available, free of charge, through the Investor Relations section of our website at [www.investorrelations.pitneybowes.com](http://www.investorrelations.pitneybowes.com) or from the SEC's website at [www.sec.gov](http://www.sec.gov), as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the SEC. The other information found on our website is not part of this or any other report we file with or furnish to the SEC.

## Information About Our Executive Officers

Name	Age	Title	Executive Officer Since
Marc B. Lautenbach	61	President and Chief Executive Officer	2012
Daniel J. Goldstein	61	Executive Vice President and Chief Legal Officer and Corporate Secretary	2010
Christoph Stehmann	60	Executive Vice President, International Sending Technology Solutions	2016
Jason C. Dies	53	Executive Vice President and Group Executive <sup>(1)</sup>	2017
Gregg Zegras	55	Executive Vice President and President, Global Ecommerce	2020
Ana Maria Chadwick	51	Executive Vice President and Chief Financial Officer	2021
James Fairweather	51	Executive Vice President, Chief Innovation Officer	2021

<sup>(1)</sup> Effective January 3, 2023, Mr. Dies was named Executive Vice President and Group Executive. Prior to this, he was Executive Vice President and President, Sending Technology Solutions.

There are no family relationships among the above officers. The above officers have served in various executive positions with the company for at least the past five years except as follows:

Mr. Zegras was appointed Executive Vice President and President, Global Ecommerce in July 2020. He joined the company in 2013 as President, Imagitas. Prior to joining the company, Mr. Zegras held several executive leadership positions, including at NBC Universal, Sharecare and Hearst Entertainment.

Ms. Chadwick joined the company as Executive Vice President and Chief Financial Officer in January 2021. Prior to joining the company, Ms. Chadwick was employed at GE Capital as President and CEO of GE Capital Global Legacy Solutions. Ms. Chadwick spent over 20 years at GE Capital, where she held several executive positions, including Controller of GE Capital Americas and CFO at GE Capital Energy Financial Services.

Mr. Fairweather was appointed Executive Vice President and Chief Innovation Officer in May 2021. Prior to this, he was Senior Vice President and Chief Technology Officer, Commerce Services. He has been a leader in the company's strategic digital transformation and technology initiatives across Design, SaaS, Data Science and Analytics, API Management, Security and Mobility.

## ITEM 1A. RISK FACTORS

Our operations face certain risks that should be considered in evaluating our business. We manage and mitigate these risks on a proactive basis, using an enterprise risk management program. Nevertheless, the following risk factors, some of which may be beyond our control, could materially affect our business, financial condition, results of operations, brand and reputation, and may cause future results to be materially different than our current expectations. These risk factors are not intended to be all inclusive.

### *Mailing and Shipping Industry Risks*

*The financial condition of the USPS, or the national posts in our other major markets, has affected, and could, in the future affect, the ability of those posts to provide services to us or our clients, which could adversely affect client demand for our offerings and thus our financial performance.*

We are dependent on financially viable national posts in the geographic markets where we operate, particularly in the United States. A significant portion of our revenue depends upon the ability of these posts, especially the USPS, to provide competitive mail and package delivery services to our clients and the quality of the services they provide. Their ability to provide high quality service at affordable rates in turn depends upon their ongoing financial strength. Although Congress provided the USPS a measure of relief with the enactment of the Postal Service Reform Act of 2022, the USPS, and national posts in our other major markets, still face financial challenges. If these challenges interfere with these posts' ability to continue to provide the services they currently provide, our financial performance may be adversely affected.

*Our ability to compete in the package shipping market in the United States depends upon certain contractual relationships we have with the USPS and the successful performance of those services.*

The USPS is our primary provider for the "last mile" component of our parcel delivery services in the United States. This represents a significant component of our cost in offering these services. If we are unable to receive competitive pricing from the USPS or take advantage of lower cost USPS options, our ability to compete with private carriers and achieve profitable revenue growth may be adversely affected. Our digital delivery options also depend upon certain contractual relationships with the USPS to enable us to offer these services profitably, and the USPS has adjusted the terms of those contracts in the past. Should the USPS make additional changes to how it contracts with us for this service, our profitability could be adversely affected. The quality of service we provide to our clients also depends upon the quality of delivery services received from the USPS. As the ecommerce market continues to evolve, and as the USPS implements changes to its network, if the USPS' service performance is materially worse than that of the private carriers, we may lose clients to competition and our financial performance may be adversely affected.

*We are subject to postal regulations and processes, which could adversely affect our financial performance.*

A significant portion of our business is subject to regulation and oversight by the USPS, posts in other major markets, and the governmental bodies that regulate the posts themselves. These postal authorities have the power to regulate some of our current products and services and to establish guidelines for postage rates. They also must approve many of our new or future product and service offerings before we can bring them to market. If our new or future product and service offerings are not approved or there are significant conditions to approval, favorable postage rates are reversed, regulations on our existing products or services are changed, if posts utilize their position in the market or their role as product regulator to limit competition in areas where the posts themselves offer solutions, or if we fall out of compliance with the posts' regulations, our financial performance could be adversely affected.

*If we are not able to respond to the continuing decline in the volume of physical mail delivered via traditional postal services, our financial performance could be adversely affected.*

Traditional mail volumes have declined and continue to decline and impact our current and future financial results, primarily within our SendTech Solutions and Presort Services segments. An accelerated or sudden decline could result from one or more of the following factors: changes in communication technologies and their use; changes in frequency and quality of mail delivery from national posts; legislation incentivizing alternative means of communication, burdening mail, or limiting how the mail be used; or pandemics or other external events affecting physical mail delivery. If we are not successful at meeting the continuing challenges faced in our mailing business, or if physical mail volumes were to experience an accelerated or sudden decline, our financial performance could be adversely affected.

*Significant changes to the laws regulating the USPS or other posts, or changes in their operating models could have an adverse effect on our financial performance.*

As a significant portion of our revenue and earnings is dependent on postal operations, changes in the laws and regulations that affect how posts operate could have an adverse effect on our financial performance. As posts consider new strategies for their operations in

an era of declining mail volumes and increasing package volumes, if we are unable to work with posts to support those strategies, our financial performance could be adversely affected.

### ***Business Operational Risks***

*We face intense competition in the industries in which we operate.*

The markets for our products and services in each of our segments are highly competitive. In our Global Ecommerce segment, we face competition from full-service ecommerce business process outsourcers, online marketplaces, freight forwarders, posts, and major global delivery services companies, including those that can offer both domestic and cross-border solutions in a single package. Our digital delivery business competes with technology providers ranging from large, established companies and national posts to smaller companies offering negotiated carrier rates. If we cannot compete successfully in these markets with, among other things, speed of delivery, price, reliability, functionality and scalability of our platform and logistic services and ease of integration and use, we may lose clients, incur additional costs and suffer from reduced margins, and the financial results of the segment may be adversely affected. Our Presort Services segment faces competition from regional and local presort providers, cooperatives of multiple local presort providers, consolidators and service bureaus that offer presort solutions as part of a larger bundle of outsourcing services and large volume mailers that have sufficient volumes and the capability to presort their own mailings in-house and could use excess capacity to offer presort services to others. If we are not able to effectively compete on price, innovative service, delivery speed, tracking and reporting, we may lose clients and the financial results of the segment may be adversely affected. Our Sending Technology Solutions segment faces competition from other mail equipment and solutions providers, companies that offer products and services as alternative means of message communications and those that offer online shipping and mailing products and services solutions. In addition, our financing operations face competition, in varying degrees, from large, diversified financial institutions, including leasing companies, commercial finance companies and commercial banks, as well as small, specialized firms. If we are not able to differentiate ourselves from our competitors or effectively compete with them, the financial results of the segment may be adversely affected.

*The evolution of our businesses to more digital and shipping-related services has resulted in a decline in our overall profit margins. If we cannot increase our volumes while at the same time reduce our costs, our overall profitability could be adversely affected.*

As our businesses shift to more digital and shipping-related services, the relative revenue contribution from our shipping-related offerings now exceeds that of the revenue from our mailing-related offerings. We expect the revenue contribution from shipping-related services to continue to grow; however, profit margins on these services are lower than those for our mailing-related offerings. As a result, we need to achieve higher dollars of revenue to generate the same dollars of profit that we generate in our mailing businesses. Accordingly, if we cannot continue to grow package volumes, gain additional economies of scale through increasing volumes, lowering our cost per piece and in turn, improve margins and profitability, our short and long-term financial performance may be adversely affected.

*Seasonality of the Global Ecommerce segment, unexpected declines in consumer demand or the performance of our retail customers, or unexpected spikes in the costs of labor or transportation, especially during the fourth quarter, could adversely affect our overall performance.*

Our Global Ecommerce segment derives the majority of its revenue from retail clients. The retail industry is subject to cyclical trends in consumer sentiment and spending habits that are affected by many factors, including prevailing economic conditions, recession or fears of recession, inflation, exchange rates, unemployment levels, pandemics, or geopolitical events. Our retail clients are also dependent on third party suppliers to provide them with either raw materials or finished goods to meet the demands of their clients. This segment also relies upon the availability of labor and transportation at a reasonable cost and unexpected increases in these costs due to higher demand or other macroeconomic factors (which have occurred in the past) could also impact the financial results of Global Ecommerce. Further, Global Ecommerce's financial results are highly dependent on its performance in the fourth quarter, so if any of these risk factors come to pass in that quarter, impact on the segment's performance could be more significant than other points in the year.

*The loss of any of our largest clients in our Global Ecommerce segment could adversely affect the financial performance of that segment.*

The Global Ecommerce segment receives a large portion of its revenue from a relatively small number of clients and business partners. If any of these larger clients or business partners leave our network or reduce their use of our services, which has occurred in the past, and we are unable to replace that lost volume, it could have a material adverse effect on the revenue and profitability of the segment.

There can be no assurance that our larger clients and business partners will continue to utilize our products or services at current levels, or that we would be able to replace any of these clients or business partners with others who can generate revenue at current levels.

*If we fail to effectively manage our third-party suppliers, or if their ability to perform were negatively impacted, our business, financial performance and reputation could be adversely affected.*

Our SendTech Solutions segment relies on third-party suppliers for services and components for our mailing equipment, spare parts, supplies and services and for the hosting of our SaaS offerings. We also rely on third-party suppliers to help us equip our Presort and Ecommerce facilities and to provide us with services related to some of our operations and productivity initiatives. In certain instances, we rely on single-sourced or limited-sourced suppliers around the world because of advantages in quality, price or lack of alternative sources. During the past few years, like many other companies, we and our suppliers experienced supply chain interruptions and increased supply costs, due to, among other things, lockdowns associated with COVID-19, disruptions in the container transportation market, volatility in the semiconductor industry, shortage of raw materials such as rubber and resin, threats of rail strikes, rising inflation and geopolitical instability. Although our 2022 financial results were not significantly impacted, these factors, at times, caused us to experience longer wait times for supplies or increased costs. If these supply chain constraints were to worsen or, if other unknown events cause our suppliers to not be able to provide their services, components or equipment to us in a timely manner, or, if the quality of the goods or services received were to deteriorate, our relationship with certain suppliers were to be terminated, or if the costs of using these third parties were to continue to increase and we were not able to find alternate suppliers, we could lose clients, incur significant disruptions in manufacturing and operations and increased costs (including higher freight and re-engineering costs) and delay automation and productivity initiatives in our warehouses.

*Fluctuations in transportation costs or disruptions to transportation services in our Global Ecommerce or Presort Services segments could adversely affect client satisfaction or our financial performance.*

In addition to our reliance on the USPS, our Global Ecommerce and Presort Services segments rely upon independent third-party transportation service providers to transport a significant portion of our parcel and mail volumes. Some of our providers may also be our competitors. The use of these providers is subject to risks, including our ability to negotiate acceptable terms, increased competition during peak periods, capacity issues, performance problems, extreme weather, natural or man-made disasters, pandemics, increased fuel costs, labor shortages or disputes and other unforeseen difficulties. Given our continued reliance upon these providers, any disruption to the timely supply of these services for any reason, any future unforeseen disruptions affecting these providers, any dramatic increase in the cost of these services or any deterioration of the performance of these services (each of which we have experienced, at times), have adversely affected or could adversely affect client satisfaction and our financial performance.

*Our business depends on our ability to attract, retain, and engage with, employees at a reasonable cost to meet the needs of our business and to consistently deliver highly differentiated, competitive offerings.*

The rapid growth of the ecommerce industry has resulted in intense competition for employees in the shipping, transportation, and logistics industry, including drivers and warehouse employees. At times, both our Global Ecommerce and Presort Services segments have experienced increased demand and competition for labor, especially for our warehouses, driving up costs. We supplement our workforce with contingent hourly workers from staffing agencies on an as-needed basis; however, if we experience labor shortages, do not effectively manage our use of contingent workers, or if our staffing agencies chose to terminate their relationship with us and we cannot find alternative providers, it could result in increased costs and adversely affect our operations. Moreover, given the nature of our Global Ecommerce and Presort Services employee base, if we cannot continue to maintain good relationships with those employees resulting in employee dissatisfaction and turnover, our operating costs could significantly increase, and our operational flexibility could be significantly reduced.

There is also significant competition for the talent needed for research and development of new products and services and talent needed to sell and service our other products and services within all our business units. Increased competition for employees has resulted in higher costs for wages and other benefits necessary to attract and retain employees with the right skill sets. Additional labor costs which may also impact our business include those triggered by regulatory actions; increased health care and workers' compensation insurance expenses; and costs associated with the health and safety of our employees.

*Difficulty in obtaining and protecting our intellectual property, and the risks of infringement claims by others may negatively impact our financial performance.*

Our businesses are not materially dependent on any one patent or license or group of related patents and licenses; however, our business success depends in part upon protecting our intellectual property rights, including proprietary technology developed or obtained through acquisitions. We rely on copyrights, patents, trademarks and trade secrets and other intellectual property laws to establish and protect our proprietary rights. If we are unable to protect our intellectual property rights, our competitive position may suffer, which could adversely affect our revenue and profitability. The continued evolution of patent law and the nature of our innovation work may affect the number of patents we are able to receive for our development efforts. As we continue to transition our business to more software and service-based offerings, patent protection of these innovations will be more difficult to obtain. In addition, from time to time, third parties may claim that we, our clients, or our suppliers, have infringed their intellectual property

rights. These claims, if successful, may require us to redesign affected products, enter into costly settlement or license agreements, pay damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain products.

*If we fail to comply with government contracting regulations, our financial performance, brand name and reputation could suffer.*

We have a significant number of contracts with governmental entities. Government contracts are subject to extensive and complex procurement laws and regulations, along with regular audits and investigations by government agencies. If one or more government agencies discovers contractual noncompliance by us or one of our subcontractors in the course of an audit or investigation, we may be subject to various civil or criminal penalties and administrative sanctions, which could include the termination of the contract, reimbursement of payments received, fines and debarment from doing business with one or more governments. Any of these events could not only affect our financial performance, but also adversely affect our brand and reputation.

*We may not fully realize the anticipated benefits of strategic acquisitions and divestitures which may harm our financial performance.*

We may make strategic acquisitions or divest certain businesses. These actions may involve significant risks and uncertainties, which could have an adverse effect on our financial performance, including:

- difficulties in achieving anticipated benefits or synergies;
- difficulties in integrating newly acquired businesses and operations, including combining product and service offerings and integrating financial reporting and other IT systems;
- the loss of key employees or clients of businesses acquired or divested;
- significant charges for employee severance and other restructuring costs, legal, accounting and financial advisory fees;
- reducing fixed costs previously associated with divested businesses; and
- possible goodwill and asset impairment charges as divestitures and changes in our business model may adversely affect the recoverability of certain long-lived assets and valuation of our operating segments.

*Our capital investments to develop new products and offerings or expand our current operations may not yield the anticipated benefits.*

We made and are continuing to make significant capital investments in new products, services, and facilities. If we are not successful in these new product or service introductions at the levels anticipated when making the investments, or our investments in facilities do not yield the expected productivity improvements, there may be an adverse effect on our financial performance.

### ***Cybersecurity and Technology Risks***

*Our financial performance and our reputation could be adversely affected, and we could be subject to legal liability or regulatory enforcement actions, if we or our suppliers are unable to protect against, or effectively respond to, cyberattacks or other cyber incidents.*

We depend on the security of our and our suppliers' information technology systems to support numerous business processes and activities, to service our clients, and to enable consumer transactions and postal services. There are numerous cybersecurity risks to these systems, including individual and group criminal hackers, industrial espionage, denial of service attacks, ransomware and malware attacks, attacks on the software supply chain, and employee errors and/or malfeasance. The risk of cyberattacks has increased in the past year by cyberwarfare in connection with the ongoing Russia/Ukraine conflict, including proliferation of malware from the conflict into systems unrelated to the conflict. These cyber threats are constantly evolving, thereby increasing the difficulty of preventing, detecting, and successfully defending against them. Successful breaches could, among other things, disrupt our operations or result in the unauthorized disclosure, theft and misuse of company, client, consumer and employee sensitive and confidential information, all of which could adversely affect our financial performance. Cybersecurity breaches could result in financial liability to other parties, governmental investigations, regulatory enforcement actions and penalties, and damage to our brand and reputation. Although we maintain insurance coverage relating to cybersecurity incidents, we may incur costs or financial losses that are either not insured against or not fully covered through our insurance.

We have security systems, procedures, and business continuity plans in place and require our suppliers to have them as well. These security systems, procedures, and business continuity plans are designed to ensure the continuous and uninterrupted performance of our information technology systems, protect against unauthorized access to information or disruption to our services, and minimize the impact of, and the time to detect, respond, and recover from a breach should one occur. Despite the protections we have in place, we have suffered cyber-events in the past, like the 2019 and 2020 ransomware attacks that were previously discussed in Item 7 of our Annual Reports for the periods ended December 31, 2019 and December 31, 2020.. In response to these attacks, as well as the constantly evolving cyber threat landscape, we continually implement and update measures to enhance our cybersecurity protections and minimize the impact of any future attack. None of these systems are fool proof and like all companies, intrusions will occur, and have occurred, from time to time. Our goal is to prevent meaningful incursions and minimize the overall impact of those that occur.

*Failure to comply with data privacy and protection laws and regulations could subject us to legal liability and adversely affect our reputation and our financial performance.*

Our businesses use, process, and store proprietary information and personal, sensitive, or confidential data relating to our business, clients, and employees. Privacy laws and similar regulations in many jurisdictions where we do business require that we take significant steps to safeguard that information, and these laws and regulations continue to evolve. The scope of the laws that may be applicable to us is often uncertain and may be conflicting. In addition, new laws may add a broad array of requirements on how we handle or use information and increase our compliance obligations. For example, the European Union greatly increased the jurisdictional reach of European Law by enacting the General Data Protection Regulation (GDPR), which, among other things, enhanced an individual's rights with respect to their information. However, ongoing litigation in the European Union on how to comply with GDPR requirements continues to create uncertainty in how to demonstrate compliance, and the outcome of these cases could impact how companies do business in the European Union. In the United States, several states have enacted different laws regarding personal information and privacy that impose significant new requirements on consumer personal information. In some instances (e.g., California), these laws also expand the definition of consumer personal information to include information related to employees and business contacts. Other countries or states may enact laws or regulations in the future that have similar or additional requirements. Although we continually monitor and assess the impact of these laws and regulations, and continually update our systems to protect our data and comply with these laws, their interpretation and enforcement are uncertain, subject to change, and may require substantial costs to monitor and implement. Failure to comply with data privacy and protection laws and regulations could also result in government enforcement actions (which could include substantial civil and/or criminal penalties) and private litigation, which could adversely affect our reputation and financial performance.

*If we or our suppliers encounter unforeseen interruptions or difficulties in the operation of our cloud-based applications, our business could be disrupted, our reputation and relationships may be harmed, and our financial performance could be adversely affected.*

Our business relies upon the continuous and uninterrupted performance of our and our suppliers' cloud-based applications and systems to support numerous business processes, to service our clients and to support their transactions with their customers and postal services. Our applications and systems, and those of our partners, may be subject to interruptions due to technological errors, system capacity constraints, software errors or defects, human errors, computer or communications failures, power loss, adverse acts of nature and other unexpected events. We have business continuity and disaster recovery plans in place to protect our business operations in case of such events and we also require our suppliers to have the same. Nonetheless, there can be no guarantee that these plans will function as designed. If we are unable to limit interruptions or successfully correct them in a timely manner or at all, it could result in lost revenue, loss of critical data, significant expenditures of capital, a delay or loss in market acceptance of our services and damage to our reputation, brand and relationships, any of which could have an adverse effect on our business and our financial performance.

### ***Macroeconomic and General Regulatory Risks***

*Periods of difficult economic conditions, other macroeconomic events, or a public health crisis, such as the ongoing global COVID-19 pandemic, could adversely affect our business.*

Our operations and financial performance are impacted by the economic conditions in the United States and the other countries where we and our clients do business. Any significant or perceived weakening of these economies, reduction in business confidence or change in business or consumer spending habits, concerns of a domestic or global recession, rising inflation or interest rates, limited availability of credit, or other macroeconomic events, not within our control, may reduce our client's demand for shipping and mailing products and services (especially in our Global Ecommerce business, which is subject to cyclical trends in consumer sentiment and spending habits) and thus, negatively affect our financial performance. These economic conditions, at times, have arisen and can arise suddenly, and the duration and full impact of such conditions can be difficult to predict. Moreover, while our financial results for the fiscal year 2022 were not significantly impacted by the COVID-19 pandemic, due to variants of the virus that continue to appear, COVID-19, or the emergence of another public health crisis, could also adversely impact our business, financial condition, and results of operations.

*Future credit rating downgrades or capital market disruptions could adversely affect our ability to maintain adequate liquidity, provide competitive financing services and to fund various discretionary priorities.*

We provide competitive finance offerings and fund discretionary priorities, such as business investments, strategic acquisitions, dividend payments and share repurchases through a combination of cash generated from operations, deposits held at the Bank and access to capital markets. Our ability to access U.S. capital markets and the associated cost of borrowing is dependent upon our credit ratings and is subject to capital market volatility. Given our current credit rating, we may experience reduced financial or strategic flexibility and higher costs when we do access the U.S. capital markets. We maintain a \$500 million revolving credit facility that requires we maintain certain financial and nonfinancial covenants.

A significant decline in cash flows, noncompliance with any of the covenants under the revolving credit facility, further credit rating downgrades, material capital market disruptions, significant withdrawals by depositors at the Bank, adverse changes to our industrial

loan charter or an increase in our credit default swap spread could impact our ability to maintain adequate liquidity, which could impact our ability to provide competitive finance offerings, repay or refinance maturing debt, and fund other strategic or discretionary activities, which could adversely affect our operational and financial performance.

*Changes in tax rates, laws or regulations could adversely impact our financial results.*

We are subject to taxes in the U.S. and in the foreign jurisdictions where we do business. Due to economic and political conditions, tax rates, assessments and enforcement approaches in the U.S. and various foreign jurisdictions have been and may be subject to significant change. In addition, changes in tax laws including further regulatory developments arising from U.S. tax reform legislation and/or regulations around the world could result in a tax expense or benefit. For example, in light of continuing global fiscal challenges, various levels of government and international organizations such as the Organization for Economic Co-operation and Development (OECD) and EU are increasingly focused on tax reform and other legislative or regulatory action to increase tax revenue. These tax reform efforts, such as the OECD-led Base Erosion and Profit Shifting project (BEPS), are designed as anti-abuse measures, including a global minimum tax. Although some countries have passed tax laws based on findings from the BEPS project, the final nature, timing and extent of any such tax reforms or other legislative or regulatory actions is unpredictable, and it is difficult to assess their overall effect. These changes could increase our effective tax rate and adversely impact our financial results.

*Our Global Ecommerce segment is exposed to increased foreign exchange rate fluctuations.*

The sales generated from many of our clients who use our cross-border services are exposed to foreign exchange rate fluctuations. Currently, merchants using our cross-border services are located primarily in the U.S. and the U.K. and a majority of consumers making purchases through these platforms are in a limited number of foreign countries. The current strength of the U.S. Dollar relative to currencies in the countries where we do the most business continues to impact our client's ability to compete internationally as the cost of similar international products improved relative to the cost of U.S. retailer's products. This in turn, adversely affected Global Ecommerce's revenue and profitability during 2022. If the strength of the U.S. dollar continues, or if the British Pound were to strengthen relative to other currencies, our retailers may continue to experience a decrease in international sales volumes, which, in turn would adversely affect this segment's revenue and profitability.

*Our operations and financial performance may be negatively affected by changes in trade policies, tariffs and regulations.*

Our Global Ecommerce segment is subject to significant trade regulations, taxes, and duties throughout the world. Any changes to these regulations could potentially impose increased documentation and delivery requirements, delay delivery times and subject us to increased costs and additional liabilities, which could adversely affect our financial performance. Within the last four years, the United States increased tariffs for certain goods, which triggered other nations to also increase tariffs on certain of their goods. For our Global Ecommerce segment, tariff increases, or even an environment of uncertainty surrounding trade issues, could reduce demand and adversely affect its financial performance. For our SendTech Solutions segment, increased tariffs resulted in additional costs on certain components used in some of our products.

*If we do not keep pace with evolving expectations and regulations in the areas of Environmental, Social and Governance (ESG) and address the potential impact of climate change on our costs and operations, our reputation and results of operations may be adversely affected.*

The set of topics incorporated within the term ESG in general, and climate change in particular, cover a range of issues that pose potential risks to our operations. From an environmental perspective, the impact of climate change and a potential increase in extreme weather events may pose risk to the operation of our sortation facilities and the ability to transport mail and packages. The increased focus on alternative energy sources and the need to reduce our carbon footprint over time, could result in higher investments in capital spending and increased operational costs. There are also a series of laws related to product stewardship and waste disposal to which we need to comply. From a "social" perspective, a failure to meet employee expectations around safety and diversity, equity and inclusion could impact our ability to recruit new employees and retain talent. Finally, from a "governance" perspective, if we do not maintain a good governance processes in general or do not satisfy investor stakeholder expectations on ESG, our reputation and attractiveness to portions of the investment community could be adversely affected.

### **Shareholder Activism Risks**

*Our business could be negatively affected as a result of shareholder activism.*

We value constructive input from investors and regularly engage in dialogue with our stockholders regarding strategy and performance. Our board of directors and management team are committed to acting in the best interests of all of our stockholders. There is no assurance that the actions taken by our board and management in seeking to maintain constructive engagement with certain stockholders will be successful.

The company recently received a notice from Hestia Capital Partners, LP (together with its affiliates, "Hestia") of Hestia's intention to nominate seven director candidates for election to our board at our 2023 annual meeting of stockholders. Hestia has also made public

statements critical of our board, management and strategy. Responding to Hestia's actions or potential actions by another activist stockholder could be time-consuming, disrupt our operations and divert the attention of management, our board and our employees. It could also require us to incur substantial legal, communications and other advisory fees and proxy solicitation expenses. Further, we may choose to initiate, or may become subject to, litigation as a result of proposals by activist stockholders or proxy contests or matters relating thereto, which would serve as a further distraction to our board of directors and management and could require us to incur significant additional costs.

Additionally, perceived uncertainties as to our future direction as a result of activist stockholders or changes to the composition of our board may lead to the perception of a change in the direction of our business or other instability, which may be exploited by our competitors and/or other activist stockholders and cause concern to our current or potential customers, employees, investors, rating agencies, strategic partners and other constituencies, which could result in lost sales and business opportunities, make it more difficult to attract and retain qualified personnel and business partners and adversely impact our ability to access capital markets at reasonable costs. Further, actions of activist stockholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 2. PROPERTIES**

We lease numerous facilities worldwide, including administrative offices, fulfillment centers, parcel operations and mail sortation facilities, service locations, data centers and call centers. Our corporate headquarters is located in Stamford, Connecticut.

Our Global Ecommerce segment leases four fulfillment centers that comprise the majority of our fulfillment operations. Our Global Ecommerce and Presort Services segments conduct parcel operations and mail sortation operations through a network of over 50 operating centers throughout the United States. Our SendTech Solutions segment leases a manufacturing and distribution facility in Indianapolis. This facility is significant as it stores a majority of the SendTech Solutions products, supplies and inventories.

Should any facility be unable to function as intended for an extended period of time, our ability to service our clients and operating results could be impacted.

We conduct our research and development activities in facilities located in Noida and Pune, India, Bielsko-Biala, Poland, Austin, Texas and Shelton, Connecticut. Management believes that our facilities are in good operating condition, materially utilized and adequate for our current business needs.

### **ITEM 3. LEGAL PROCEEDINGS**

See Note 16 Commitments and Contingencies for additional information.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is principally traded on the New York Stock Exchange (NYSE) under the symbol "PBI". At January 31, 2023, we had 12,394 common stockholders of record.

### Share Repurchases

We periodically repurchase shares of our common stock to manage the dilution created by shares issued under employee stock plans and for other purposes. During 2022, we repurchased 2.8 million shares of our common stock at an aggregate price of \$13 million. We did not repurchase any additional shares of our common stock in 2021 or 2020. At December 31, 2022, we have authorization from our Board of Directors to repurchase up to of \$3 million of our common stock.

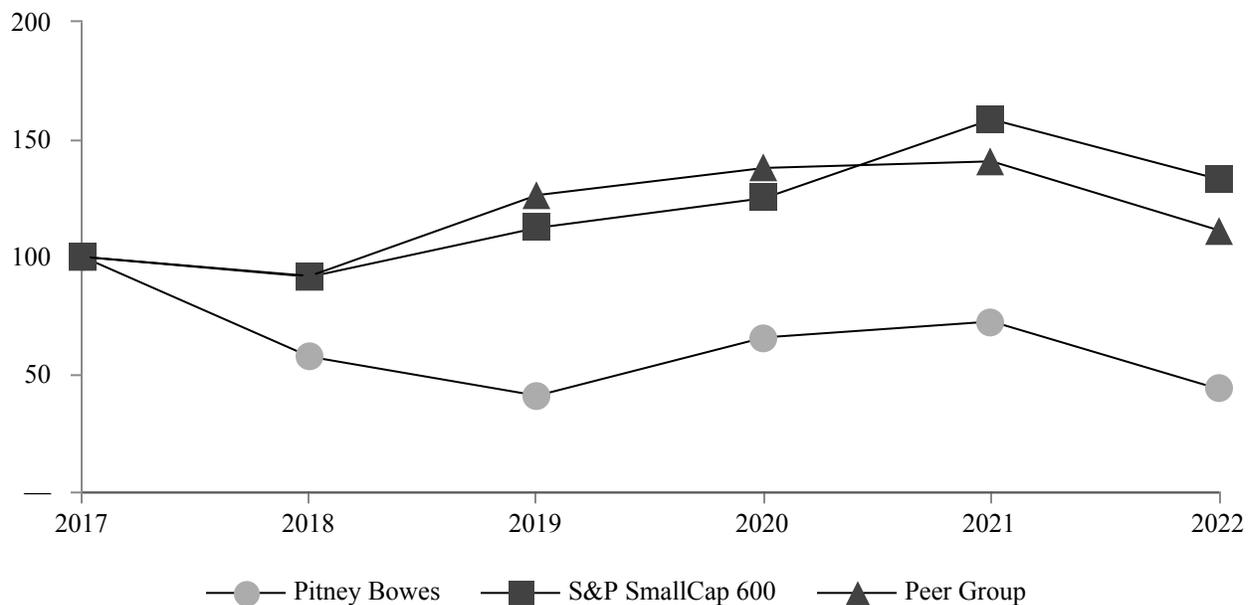
### Stock Performance Graph

Our peer group is comprised of: ACCO Brands Corporation, Bread Financial Holdings, Inc. (formerly Alliance Data Systems Corporation), Avery Dennison Corporation, Cimpres plc, Deluxe Corporation, Diebold Nixdorf, Incorporated, Etsy, Inc., Fidelity National Information Services, Inc., Fiserv, Inc., Hub Group, Inc., NCR Corporation, Overstock.com, Inc., Rockwell Automation, Inc., Ryder System, Inc., Schneider National, Inc., The Western Union Company, W.W. Grainger, Inc. and Xerox Holdings Corporation.

The accompanying graph shows the annual change in the value of a \$100 investment in Pitney Bowes Inc., the Standard and Poor's (S&P) SmallCap 600 Composite Index and our peer group over a five-year period assuming the reinvestment of dividends. On a total return basis, a \$100 investment on December 31, 2017, in Pitney Bowes Inc., the S&P SmallCap 600 Composite Index and our peer group would have been worth \$44, \$133, and \$111 respectively, on December 31, 2022.

All information is based upon data independently provided to us by Standard & Poor's Corporation and is derived from their official total return calculation. Total return for the S&P SmallCap 600 Composite Index and our peer group is based on market capitalization, weighted for each year. The stock price performance is not necessarily indicative of future stock price performance.

### Comparison of Cumulative Five Year Total Return to Shareholders



## ITEM 6. [RESERVED]

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and operating results should be read in conjunction with our risk factors, consolidated financial statements and related notes. This discussion includes forward-looking statements based on management's current expectations, estimates and projections and involves risks and uncertainties. Actual results may differ significantly from those currently expressed. A detailed discussion of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements is outlined under "Forward-Looking Statements" and "Item 1A. Risk Factors" in this Form 10-K. All table amounts are presented in thousands of dollars.

Throughout this discussion, we refer to revenue growth on a constant currency basis. Constant currency measures exclude the impact of changes in currency exchange rates from the prior period under comparison and is calculated by converting the current period non-U.S. dollar denominated revenue using the prior year's exchange rate. Management believes that excluding the impacts of currency exchange rates provides investors a better understanding of the underlying revenue performance. Where constant currency measures are not provided, the actual change and constant currency change are the same.

Management measures segment profitability and performance using segment earnings before interest and taxes (EBIT). Segment EBIT is calculated by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, goodwill impairment charges and other items not allocated to a business segment. Management believes that it provides investors a useful measure of operating performance and underlying trends of the business. Segment EBIT may not be indicative of our overall consolidated performance and should be read in conjunction with our consolidated results of operations.

A discussion of our financial condition and results of operations for the year ended December 31, 2020, can be found under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on February 22, 2022.

### Overview

#### *Financial Results Summary - Year Ended December 31:*

	Revenue			
	Years Ended December 31,			
	2022	2021	Actual % change	Constant Currency % Change
Business services	<b>\$2,249,941</b>	\$ 2,334,674	(4)%	(3)%
Support services	<b>438,191</b>	460,888	(5)%	(3)%
Financing	<b>274,508</b>	294,418	(7)%	(5)%
Equipment sales	<b>354,960</b>	350,138	1 %	4 %
Supplies	<b>154,186</b>	159,438	(3)%	— %
Rentals	<b>66,256</b>	74,005	(10)%	(9)%
<b>Total revenue</b>	<b><u>\$3,538,042</u></b>	<b><u>\$ 3,673,561</u></b>	<b><u>(4)%</u></b>	<b><u>(3)%</u></b>
Global Ecommerce	<b>\$1,576,348</b>	\$ 1,702,580	(7)%	(7)%
Presort Services	<b>602,016</b>	573,480	5 %	5 %
SendTech Solutions	<b>1,359,678</b>	1,397,501	(3)%	(1)%
<b>Total revenue</b>	<b><u>\$3,538,042</u></b>	<b><u>\$ 3,673,561</u></b>	<b><u>(4)%</u></b>	<b><u>(3)%</u></b>

	EBIT		
	Years Ended December 31,		
	2022	2021	% change
Global Ecommerce	<b>\$ (100,308)</b>	\$ (98,673)	(2)%
Presort Services	<b>82,430</b>	79,721	3 %
SendTech Solutions	<b>400,909</b>	429,415	(7)%
<b>Total Segment EBIT</b>	<b><u>\$ 383,031</u></b>	<b><u>\$ 410,463</u></b>	<b><u>(7)%</u></b>

Revenue decreased 4% (3% at constant currency) in 2022 compared to 2021 primarily due to a decrease in business services revenue primarily driven by lower Global Ecommerce volumes, lower support services revenue driven by a declining meter population and a shift to cloud-enabled products and lower financing revenue primarily due to lower lease extensions. Global Ecommerce revenue decreased 7%, Presort Services revenue increased 5% and SendTech Solutions revenue declined 3% (1% at constant currency).

Segment EBIT for 2022 decreased 7% compared to 2021. Global Ecommerce EBIT decreased 2%, primarily due to higher operating expenses and a decline in revenue from cross-border services and digital delivery services, partially offset by the increase in domestic parcel delivery services gross margin. Presort Services EBIT increased 3%, primarily due to higher revenue, partially offset by higher transportation costs. SendTech Solutions EBIT decreased 7%, primarily driven by the decline in revenue and lower margins. Refer to Results of Operations section for further information.

#### *Factors Affecting Comparability*

Certain transactions and changes occurred during the year that impact the comparability of our 2022 financial results to the prior periods. These transactions and changes include:

- The sale of our Borderfree cross-border ecommerce solutions business (Borderfree);
- A change in the presentation of revenue for digital delivery services primarily related to our Global Ecommerce business from a gross basis to a net basis due to an adjustment in terms of one of our contracts with the USPS; and
- A refinement in the methodology of allocating transportation costs between our Global Ecommerce and Presort Services segments

Effective July 1, 2022, we sold Borderfree, which was reported in our Global Ecommerce segment. Prior year results were not recast to exclude the revenue and expenses from Borderfree. Accordingly, revenue and costs for 2022 include only six months of operations for Borderfree, whereas 2021 includes a full year of operations. Net income of Borderfree was not significant in any period presented.

The change in revenue presentation became effective October 1, 2022. Accordingly, revenue and cost of revenue for certain digital delivery services for the first nine months of 2022 and full year 2021 are reported as business services revenue and cost of business services, respectively, and beginning for the fourth quarter of 2022, the revenue and cost of revenue for these services are reported on a net basis as business services revenue.

The refinement to the methodology of allocating transportation costs between Global Ecommerce and Presort Services resulted in an increase to Global Ecommerce EBIT and a corresponding decrease to Presort Services EBIT of approximately \$10 million in 2022.

#### **Outlook**

We expect consolidated revenue growth in 2023 to be flat to a mid-single digit increase, on a comparable basis, and the percentage of EBIT growth to outpace revenue growth, primarily due to an anticipated improvement in profitability in our Global Ecommerce segment.

Within Global Ecommerce, we anticipate growth in Domestic Parcel, partially offset by continued softness in our Cross-border operations. We anticipate Domestic Parcel margin and profit improvements from higher volumes and continued productivity improvements from the investments we made in our facilities and network. In 2022, we saw significant productivity improvements in labor, transportation and warehouse operations and expect further improvements in 2023. We expect our cross-border operations to continue to be adversely impacted by a strong U.S. dollar and headwinds from changes in how certain of our clients may access cross-border services in 2023 compared to 2022.

Within Presort Services, we expect margin and profit improvements from continued productivity improvements driven by our investments in increased automation and facilities consolidation. Revenue is expected to benefit from growth in Marketing Mail and Bound and Packet Mail and from a full year of volumes from our recent acquisitions, which we expect to offset the impact on revenue from the expected decline in First Class Mail volumes.

In SendTech Solutions, we expect revenue growth from new products and our cloud-enabled shipping solutions to partially offset an expected decline in mailing related revenues. We expect a stabilization in financing revenue due to new product offerings and an increasing finance receivable portfolio. Overall segment margins are expected to remain strong.

Certain factors beyond our control could have adverse impacts on our 2023 results including, but not limited to, reduced consumer spending due to inflationary pressures and rising prices, higher interest rates, a slow-down in economic activity, higher fuel and transportation costs and other adverse geopolitical developments. Inflationary pressures and rising prices could put increase pressure on wages, particularly warehouse and transportation employees, and result in higher component costs. Higher fuel and freight costs could also adversely impact our operations. We expect that interest expense for 2023 will be about \$30 million higher due to the recent increases in interest rates and additional increases anticipated in 2023.

## RESULTS OF OPERATIONS

### REVENUE AND SEGMENT EBIT

#### Global Ecommerce

Global Ecommerce includes the revenue and related expenses from domestic parcel services, cross-border solutions and digital delivery services.

	Revenue				Cost of Revenue		Gross Margin	
	Years Ended December 31,				Years Ended December 31,		Years Ended December 31,	
	2022	2021	Actual % change	Constant Currency % change	2022	2021	2022	2021
Business services	\$ 1,576,348	\$ 1,702,580	(7)%	(7)%	\$ 1,440,807	\$ 1,577,628	8.6 %	7.3 %

	Segment EBIT		
	Years Ended December 31,		
	2022	2021	Actual % change
Segment EBIT	\$ (100,308)	\$ (98,673)	(2)%

Global Ecommerce revenue decreased 7% in 2022 compared to 2021. The sale of Borderfree and the change in revenue presentation each contributed a revenue decline of 2%. Lower cross-border services volumes contributed a revenue decline of 5% and lower digital delivery services contributed a revenue decline of 2% compared to the prior year. Offsetting these declines, domestic parcel delivery services contributed revenue growth of 5% compared to the prior year due to pricing actions.

Gross margin increased \$11 million in 2022 compared to 2021 and gross margin percentage increased to 8.6% from 7.3% compared to the prior year. Domestic parcel delivery services gross margin increased \$59 million over the prior year due to pricing actions, improved warehouse productivity and a \$14 million prior year charge reflecting the estimated cost of a price assessment. Cross-border gross margin declined \$33 million compared to the prior year period primarily due to the decline in volumes driven by a strong U.S. dollar and the loss of \$21 million of gross margin due to the sale of Borderfree. Digital delivery services gross margin declined \$18 million compared to the prior year period primarily due to the decline in volumes and revenue.

Segment EBIT for 2022 was a loss of \$100 million compared to a loss of \$99 million in 2021. The slight increase in loss was driven by higher operating expenses of \$12 million primarily due to higher employee-related expenses, which more than offset the increase in gross margin of \$11 million.

#### Presort Services

Presort Services includes revenue and related expenses from sortation services to qualify large volumes of First Class Mail, Marketing Mail, Marketing Mail Flats and Bound Printed Matter for postal worksharing discounts.

	Revenue				Cost of Revenue		Gross Margin	
	Years Ended December 31,				Years Ended December 31,		Years Ended December 31,	
	2022	2021	Actual % change	Constant Currency % change	2022	2021	2022	2021
Business services	\$ 602,016	\$ 573,480	5 %	5 %	\$ 454,923	\$ 431,382	24.4 %	24.8 %

	Segment EBIT		
	Years Ended December 31,		
	2022	2021	Actual % change
Segment EBIT	\$ 82,430	\$ 79,721	3 %

Presort Services revenue increased 5% in 2022 compared to 2021. The processing of First Class Mail, Marketing Mail and Marketing Mail Flats and Bound Printed Matter contributed revenue growth of 3%, 1%, and 1%, respectively, primarily due to the impact of pricing actions.

Gross margin increased \$5 million and segment EBIT increased \$3 million, or 3% in 2022 compared to 2021 primarily due to higher revenue from pricing actions and productivity improvements driven by investments in automation, partially offset by higher transportation costs of \$23 million driven by increased demand, higher fuel costs and higher allocated costs due to the revised transportation cost allocation methodology. Gross margin percentage in 2022 was consistent with 2021.

### SendTech Solutions

SendTech Solutions includes the revenue and related expenses from physical and digital mailing and shipping technology solutions, financing, services, supplies and other applications to help simplify and save on the sending, tracking and receiving of letters, parcels and flats.

	Revenue				Cost of Revenue		Gross Margin	
	Years Ended December 31,				Years Ended December 31,		Years Ended December 31,	
	2022	2021	Actual % change	Constant Currency % change	2022	2021	2022	2021
Business services	\$ 71,578	\$ 58,614	22 %	23 %	\$ 37,272	\$ 25,174	47.9 %	57.1 %
Support services	438,191	460,888	(5)%	(3)%	147,653	147,716	66.3 %	67.9 %
Financing	274,508	294,418	(7)%	(5)%	51,789	47,059	81.1 %	84.0 %
Equipment sales	354,960	350,138	1 %	4 %	251,916	251,714	29.0 %	28.1 %
Supplies	154,186	159,438	(3)%	— %	43,537	43,980	71.8 %	72.4 %
Rentals	66,256	74,005	(10)%	(9)%	24,864	24,427	62.5 %	67.0 %
Total	\$ 1,359,679	\$ 1,397,501	(3)%	(1)%	\$ 557,031	\$ 540,070	59.0 %	61.4 %

	Segment EBIT		
	Years Ended December 31,		
	2022	2021	Actual % change
Segment EBIT	\$ 400,909	\$ 429,415	(7)%

SendTech Solutions revenue decreased 3% (1% at constant currency) in 2022 compared to 2021. Support services revenue declined 5% (3% at constant currency) primarily due to a declining meter population and shift to cloud-enabled products. Financing revenue declined 7% (5% at constant currency) primarily due to lower lease extensions as more clients are deciding to lease new equipment rather than extend leases on existing equipment. Rentals revenue declined 10% (9% at constant currency). Partially offsetting these decreases, business services revenue increased 22% (23% at constant currency) primarily due to growth in subscription services.

Gross margin for 2022 decreased \$55 million and gross margin percentage decreased to 59% from 61.4%, primarily due to declines in financing and support services revenue which have high gross margins. Segment EBIT decreased \$29 million, or 7%, due to the decline in gross margin, partially offset by lower operating expenses of \$26 million, due in part, to lower employee-related expenses, lower professional fees, lower credit loss provision and other cost savings.

## CONSOLIDATED EXPENSES

### *Selling, general and administrative (SG&A)*

SG&A expense of \$906 million in 2022 decreased 2%, or \$19 million, compared to 2021, primarily due to lower employee-related expenses of \$23 million, lower depreciation expense of \$7 million, and lower professional fees of \$7 million, partially offset by higher travel expenses of \$6 million and higher credit card fees of \$5 million.

The majority of our SG&A expenses are recorded directly or allocated to our reportable segments. SG&A expenses not recorded directly or allocated to our reportable segments are reported as unallocated corporate expenses. Unallocated corporate expenses primarily represents corporate administrative functions such as finance, marketing, human resources, legal, information technology and innovation.

	Years Ended December 31,		
	2022	2021	Actual % change
Unallocated corporate expenses	\$ 204,251	\$ 207,774	(2)%

Unallocated corporate expenses decreased \$4 million in 2022 compared to 2021 primarily driven by lower salaries and variable-compensation expenses of \$9 million and lower marketing expenses of \$6 million, partially offset by higher pension costs of \$5 million and higher travel expenses, rent expense and insurance costs of \$2 million each.

### *Research and development (R&D)*

R&D expense decreased 7%, or \$3 million in 2022 compared to 2021, primarily due to cost savings, partially offset by higher R&D spending in our SendTech Solutions segment.

### *Restructuring charges*

Restructuring charges, consisting of costs for employee severance and facility closures, were \$19 million for each of the years ended December 31, 2022 and 2021. See Note 12 to the Consolidated Financial Statements for further information.

### *Other components of net pension and postretirement cost*

Other components of net pension and postretirement cost for the year ended December 31, 2022, was \$4 million compared to \$1 million in 2021. The amount of other components of net pension and postretirement cost (income) recognized each year will vary based on actuarial assumptions and actual results of our pension plans. See Note 14 to the Consolidated Financial Statements for further information.

### *Other (income) expense*

Other income for the year ended December 31, 2022, of \$22 million consists of a \$14 million gain from the sale of our Shelton, Connecticut office building, a \$5 million gain from the sale of Borderfree, and a gain of \$7 million from deferred proceeds received related to the sale of businesses in prior years, and a charge of \$5 million from the early redemption of debt. See Notes 9, 11 and 13 to the Consolidated Financial Statements for further information.

### *Income taxes*

The effective tax rate for 2022 includes a tax benefit of \$5 million on the pre-tax gain from the sale of Borderfree as the tax basis was higher than book basis, and a \$1 million benefit associated with the 2019 sale of a business. See Note 15 to the Consolidated Financial Statements for further information.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2022 we had cash, cash equivalents and short-term investments of \$681 million, which includes \$182 million held at our foreign subsidiaries used to support the liquidity needs of those subsidiaries. Our primary sources of liquidity include existing cash and investments, cash generated from operations and borrowing capacity under our \$500 million revolving credit facility. We currently believe these sources of liquidity will be sufficient to fund our cash needs for the next 12 months.

### *Cash Flow Summary*

The change in cash and cash equivalents is as follows:

	2022	2021	Increase/ (decrease)
Net cash from operating activities	\$ 175,983	\$ 301,515	\$ (125,532)
Net cash from investing activities	(24,269)	(155,251)	130,982
Net cash from financing activities	(198,083)	(330,371)	132,288
Effect of exchange rate changes on cash and cash equivalents	(16,130)	(4,863)	(11,267)
Change in cash and cash equivalents	<u>\$ (62,499)</u>	<u>\$ (188,970)</u>	<u>\$ 126,471</u>

### *Operating activities*

Cash flows from operating activities in 2022 declined \$126 million compared to 2021, primarily due to growth in our trade and finance receivables which reduced year-over-year cash flow by \$100 million. Cash flow from operations was also impacted by higher tax payments of \$10 million, higher interest payments of \$10 million due to increases in variable rates and a postage payment of \$14 million in 2022 related to a 2021 volume-related vendor price adjustment.

### *Investing activities*

Cash flows from investing activities for 2022 improved \$131 million compared to the prior year. Proceeds from the sale of businesses and assets increased \$133 million, primarily due to the sale of Borderfree (\$95 million) and our Shelton, CT office building (\$51 million), and capital expenditures were \$59 million lower than the prior year. These improvements were partially offset by increased investments in our financing products of \$47 million and net payments of \$28 million for the settlement of foreign currency exchange contracts due to increased volatility in foreign exchange rates during 2022. We enter into foreign currency exchange contracts with third-parties to offset the earnings volatility caused by changes in foreign currency exchange rates and the revaluation of intercompany loans denominated in a foreign currency. Although there is minimal impact to our reported earnings, the settlement of these derivative contracts results in cash outflows or inflows.

### *Financing activities*

Cash flows from financing activities for 2022 improved \$132 million compared to the prior year primarily due to lower net repayments of debt of \$126 million and lower premiums and fees paid to refinance debt of \$42 million. These improvements were partially offset by lower cash flow from changes in customer deposits at the PB Bank of \$19 million and common stock repurchases of \$13 million.

### *Debt Activity*

During 2022, we have reduced debt by \$124 million, primarily from the redemption of the remaining \$90 million of outstanding April 2023 notes, scheduled term loan repayments of \$24 million and the purchase of \$9 million of our debt in the open market. Through February 16, 2023, we have purchased an additional \$12 million of our debt in the open market.

The credit agreement that governs our \$500 million secured revolving credit facility and term loans contains financial and non-financial covenants. At December 31, 2022, we were in compliance with all covenants and there were no outstanding borrowings under the revolving credit facility. In December 2022, we amended our \$500 million credit facility to adjust our financial covenants and provide additional financial flexibility. Borrowings under the revolving credit facility and term loans are secured by assets of the company.

During 2022, The PB Bank (the Bank), a wholly owned subsidiary, has become a member of the Federal Home Loan Bank (FHLB) of Des Moines. As a member, the Bank has access to certain credit products as a funding source known as "advances." As of December 31, 2022, the Bank had yet to apply for any advances.

### ***Future Cash Requirements***

The following table summarizes our known and contractually committed cash requirements at December 31, 2022 (in millions):

	Payments due in						
	Total	2023	2024	2025	2026	2027	Thereafter
Debt maturities	\$ 2,240	\$ 33	\$ 281	\$ 51	\$ 245	\$ 401	\$ 1,229
Lease obligations	405	74	70	63	53	46	99
Purchase obligations	217	215	1	1	—	—	—
Retiree medical payments	93	12	11	11	10	10	39
Total	\$ 2,955	\$ 334	\$ 363	\$ 126	\$ 308	\$ 457	\$ 1,367

### ***Debt***

At December 31, 2022, we have outstanding debt of \$2.2 billion. Approximately 65% of this debt is at fixed rates, including the effect of interest rate swaps, and the remaining 35% is at variable rates. The weighted average interest rate of our variable rate debt at December 31, 2022 was 7.5%. We estimate that cash interest payments for the next 12 months will be \$170 - \$180 million.

Required debt repayments over the next 12 months are \$33 million, which we anticipate satisfying through available cash on hand and cash generated from operations. Our next material principal maturity is in March 2024. We expect to satisfy this obligation with a cost-effective capital market solution, available cash, or revolver access. See Note 13 to the Consolidated Financial Statements for information regarding our debt.

### ***Lease obligations***

We lease real estate and equipment under operating and capital lease arrangements. These leases have terms of up to 15 years and include renewal options. Lease obligations in the table above do not include \$53 million of payments for leases signed but not yet commenced at December 31, 2022. See Note 8 and Note 17 to the Consolidated Financial Statements for further information.

### ***Purchase obligations***

Purchase obligations include unrecorded agreements to purchase goods and services that are enforceable and legally binding upon us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancellable without penalty.

In addition to the above known and contractually committed cash payments, we anticipate using cash for the following items:

### ***Capital Expenditures***

We will continue to invest in new solutions and services across our businesses to capitalize on market opportunities, and in our facilities and technology to grow our businesses, improve productivity and gain additional economies of scale. Capital expenditures are evaluated and approved by senior leadership based on several factors, including expected impacts on revenue growth, productivity enhancements, service improvements and cost savings.

Capital expenditures totaled \$125 million and \$184 million for the years ended December 31, 2022 and 2021, respectively. In 2021, we invested significantly in our facilities, network and technologies to expand operations, improve productivity and gain economies of scale in our Global Ecommerce and Presort operations. During 2022, we continued to make necessary investments in our facilities, network and technologies.

### ***Dividends***

We have historically paid a quarterly dividend to our shareholders. Each quarter, our Board of Directors considers our recent and projected earnings and other capital needs and priorities in deciding whether to approve a dividend. We expect to continue to pay a quarterly dividend of \$0.05 per share; however, our Board of Directors may decide to increase or decrease this amount or to not approve the payment of a dividend at any time and for any reason without notice. Assuming the current \$0.05 per quarter dividend payment, we estimate that dividend payments will be approximately \$35 million in 2023. There are no material restrictions on our ability to declare dividends.

Share Repurchases

We may repurchase shares of our common stock to manage the dilution created by shares issued under employee stock plans and for other purposes. At December 31, 2022, we have authorization from our Board of Directors to repurchase up to of \$3 million of our common stock.

***Off Balance Sheet Arrangements***

At December 31, 2022, we had approximately \$26 million outstanding letters of credit guarantees with financial institutions that are primarily issued as security for insurance, leases, customs and other performance obligations. In general, we would only be liable for the amount of these guarantees in the event of default in the performance of our obligations, the probability of which we believe is remote.

## **Critical Accounting Estimates**

The preparation of our financial statements in conformity with GAAP requires management to make estimates and assumptions about certain items that affect the reported amounts of assets, liabilities, revenues, expenses and accompanying disclosures, including the disclosure of contingent assets and liabilities. The accounting policies below have been identified by management as those policies that are most critical to our financial statements due to the estimates and assumptions required. Management believes that the estimates and assumptions used are reasonable and appropriate based on the information available at the time the financial statements were prepared; however, actual results could differ from those estimates and assumptions. See Note 1 to the Consolidated Financial Statements for a summary of our accounting policies.

### ***Revenue recognition***

We derive revenue from multiple sources including the sale and lease of equipment, equipment rentals, financing, support services and business services. Certain transactions are consummated at the same time and can therefore generate revenue from multiple sources. The most common form of these arrangements involves a sale or noncancelable lease of equipment, meter services and an equipment maintenance agreement. We are required to determine whether each product and service within the contract should be treated as a separate performance obligation (unit of accounting) for revenue recognition purposes. We recognize revenue for performance obligations when control is transferred to the customer. Transfer of control may occur at a point in time or over time, depending on the nature of the contract and the performance obligation.

Revenue is allocated among performance obligations based on relative standalone selling prices (SSP), which are a range of selling prices that we would sell the good or service to a customer on a separate basis. SSP are established for each performance obligation at the inception of the contract and can be observable prices or estimated. Revenue is allocated to the meter service and equipment maintenance agreement elements using their respective observable selling prices charged in standalone and renewal transactions. For sale and lease transactions, the SSP of the equipment is based on a range of observable selling prices in standalone transactions. We recognize revenue on non-lease transactions when control of the equipment transfers to the customer, which is upon delivery for customer installable models and upon installation or customer acceptance for other models. We recognize revenue on equipment for lease transactions upon shipment for customer installable models and upon installation or customer acceptance for other models.

### ***Impairment review***

Goodwill is tested annually for impairment at the reporting unit level during the fourth quarter or sooner if circumstances indicate an impairment may exist. The impairment test for goodwill determines the fair value of each reporting unit and compares it to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not impaired. If the fair value of the reporting unit is less than the carrying value of the net assets assigned to the reporting unit, a goodwill impairment loss is calculated as the difference between these amounts, limited to the amount of goodwill allocated to the reporting unit.

Testing goodwill for impairment requires us to identify our reporting units and assign assets and liabilities, including goodwill, to each reporting unit. The fair value of a reporting unit is based on one or a combination of techniques, which include a discounted cash flow model, multiples of competitors, and/or multiples from sales of like businesses. The results of our annual goodwill impairment test indicated that the fair value of our reporting units exceeded their fair value and no impairment existed.

During 2022, we determined that the agreement to sell Borderfree was a triggering event and an impairment test was performed as of July 1, 2022. Further, we determined that the shortfall in fourth quarter performance of the Global Ecommerce reporting unit was an additional triggering event. Accordingly, we performed another goodwill impairment test as of December 31, 2022 to assess whether the goodwill of the Global Ecommerce reporting unit was impaired. We engaged a third-party to assist in the determination of the reporting unit fair value. The fair value was estimated using a discounted cash flow model based on management developed cash flow projections, which included judgements and assumptions related to revenue growth rates, operating margins, operating income, and discount rate.

The results of our impairment analysis indicated that the Global Ecommerce reporting unit was not impaired. However, the fair value of the reporting unit exceeded the carrying value by less than 10%. The judgements and assumptions used to estimate the fair value of the reporting unit are inherently subjective and changes in any of the judgements or assumptions used to determine the fair value of this reporting unit at December 31, 2022, could result in a different fair value determination. In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test, we applied hypothetical changes to our most significant judgments and assumptions. The most significant judgements and assumptions used in our analysis to determine the fair value of the reporting unit was the discount rate and operating margins. Assuming all other factors remain constant, a 100 basis point increase in the discount rate or a 100 basis point reduction in operating margins in each year would have resulted in a reporting unit fair value less than its carrying value. The carrying value of goodwill for the Global Ecommerce reporting unit at December 31, 2022 was \$339 million.

Events and circumstances that could change our estimates and assumptions and impact the fair value determination of the Global Ecommerce reporting unit, include, but are not limited to, continued financial and operating performance below expectations, reduced consumer spending due to inflationary pressures and rising prices, a continued and prolonged slow-down in economic activity, increased competition and pricing pressures, changing consumer behaviors, our ability to increase volumes, gain economies of scale and improve margins, and rising interest rates.

Long-lived and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The estimated future undiscounted cash flows expected to result from the use and eventual disposition of the assets is compared to the carrying value. If the sum of the undiscounted cash flows is less than the asset's carrying value, an impairment charge is recorded for an amount by which the carrying value exceeds its fair value. The fair value of the impaired asset is determined using probability weighted expected cash flow estimates, quoted market prices when available and appraisals, as appropriate. We derive the cash flow estimates from our long-term business plans and historical experience. Changes in the estimates and assumptions incorporated in our impairment assessment could materially affect the determination of fair value and the associated impairment charge.

#### ***Allowances for credit losses***

Finance receivables are comprised of sales-type leases, secured loans and unsecured revolving loans. We provide an allowance for probable credit losses based on historical loss experience, the nature of our portfolios, adverse situations that may affect a client's ability to pay and current economic conditions and outlook based on reasonable and supportable forecasts. Total allowance for credit losses as a percentage of finance receivables was 2% at both December 31, 2022 and 2021. Holding all other assumptions constant, a 0.25% increase in the allowance rate at December 31, 2022 would have reduced pre-tax income by \$3 million.

Trade accounts receivable are generally due within 30 days after the invoice date. We provide an allowance for credit losses based on historical loss experience, the age of the receivables, specific troubled accounts and other currently available information. Accounts deemed uncollectible are written off against the allowance after all collection efforts have been exhausted and management deems the account to be uncollectible, or when they are 365 days past due, if sooner. We believe that our accounts receivable credit risk is low because of the geographic and industry diversification of our clients and small account balances for most of our clients. The allowance for credit losses as a percentage of trade accounts receivables was 2% at December 31, 2022 and 3% at December 31, 2021. Holding all other assumptions constant, a 0.25% increase in the allowance rate at December 31, 2022 would have reduced pre-tax income by \$1 million.

#### ***Income taxes and valuation allowance***

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Our annual tax rate is based on income, statutory tax rates, tax reserve changes and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining the annual tax rate and in evaluating our tax positions. We regularly assess the likelihood of tax adjustments in each of the tax jurisdictions in which we have operations and account for the related financial statement implications. We have established tax reserves that we believe are appropriate given the possibility of tax adjustments. Determining the appropriate level of tax reserves requires judgment regarding the uncertain application of tax laws. Reserves are adjusted when information becomes available or when an event occurs indicating a change in the reserve is appropriate. Changes in tax reserves could have a material impact on our financial condition or results of operations.

Significant judgment is also required in determining the amount of deferred tax assets that will ultimately be realized and corresponding deferred tax asset valuation allowance. When estimating the necessary valuation allowance, we consider all available evidence for each jurisdiction including historical operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies. If new information becomes available that would alter our estimate of the amount of deferred tax assets that will ultimately be realized, we adjust the valuation allowance through income tax expense. Changes in the deferred tax asset valuation allowance could have a material impact on our financial condition or results of operations.

#### ***Pension benefits***

The calculation of net periodic pension expense and determination of net pension obligations are dependent on assumptions and estimates relating to, among other things, the discount rate (interest rate used to discount the future estimated liability) and the expected rate of return on plan assets. These assumptions are evaluated and updated annually.

The discount rate for our largest plan, the U.S. Qualified Pension Plan (the U.S. Plan) and our largest foreign plan, the U.K. Qualified Pension Plan (the U.K. Plan) used in the determination of net periodic pension expense for 2022 was 2.85% and 1.85%, respectively. For 2023, the discount rate used in the determination of net periodic pension expense for the U.S. Plan and the U.K. Plan will be 5.55% and 4.8%, respectively. A 0.25% change in the discount rate would not materially impact annual pension expense for the U.S.

Plan or the U.K. Plan. A 0.25% change in the discount rate would impact the projected benefit obligation of the U.S. Plan and U.K. Plan by \$24 million and \$12 million, respectively.

The expected rate of return on plan assets used in the determination of net periodic pension expense for 2022 was 5.1% for the U.S. Plan and 4.0% for the U.K. Plan. For 2023, the expected rate of return on plan assets used in the determination of net periodic pension expense for the U.S. Plan will be 6.5% and the U.K. Plan will be 5.25%. A 0.25% change in the expected rate of return on plan assets would impact annual pension expense for the U.S. Plan by \$3 million and the U.K. Plan by \$1 million.

Actual pension plan results that differ from our assumptions and estimates are accumulated and amortized primarily over the life expectancy of plan participants and affect future pension expense. Net pension expense is also based on a market-related valuation of plan assets where differences between the actual and expected return on plan assets are recognized over a five-year period. Plan benefits for participants in a majority of our U.S. and foreign pension plans are frozen.

#### ***Residual value of leased assets***

Equipment residual values are determined at the inception of the lease using estimates of the equipment's fair value at the end of the lease term. Residual value estimates impact the determination of whether a lease is classified as an operating lease or a sales-type lease. Fair value estimates of equipment at the end of the lease term are based on historical renewal experience, used equipment markets, competition and technological changes.

We evaluate residual values on an annual basis or sooner if circumstances warrant. Declines in estimated residual values considered "other-than-temporary" are recognized immediately. Increases in estimated future residual values are not recognized until the equipment is remarketed. If the actual residual value of leased assets were 10% lower than management's current estimates and considered "other-than-temporary", pre-tax income would be \$5 million lower.

#### **Legal and Regulatory Matters**

See *Regulatory Matters* in Item 1 and *Other Tax Matters* in Note 15 to the Consolidated Financial Statements for regulatory matters regarding our tax returns and Note 16 to the Consolidated Financial Statements for information regarding our legal proceedings.

#### **Foreign Currency Exchange**

The functional currency for most of our foreign operations is the local currency. Changes in the value of the U.S. dollar relative to the currencies of countries in which we operate impact our reported assets, liabilities, revenue and expenses. Exchange rate fluctuations can also impact the settlement of intercompany receivables and payables between our subsidiaries in different countries. During 2022, 13% of our consolidated revenue was from operations outside the United States and the translation of foreign currencies to the U.S. dollar did not have a material impact on revenues or operating results for the year ended December 31, 2022.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risks primarily from changes in foreign currency exchange rates and interest rates. To manage these market risks, we employ derivatives, including foreign currency contracts and interest rate swaps, according to established policies and procedures. We do not use derivatives for speculative purposes. We are also exposed to credit risk on our accounts receivable and finance receivable portfolio.

### *Foreign Exchange Risk*

Our foreign currency risks include the translation of local currency balances of foreign subsidiaries and transaction gains and losses associated with intercompany loans, transactions denominated in currencies other than a location's functional currency and forecasted inventory purchases between affiliates and third parties. Our objective in managing exposure to foreign currency is to reduce the volatility in earnings and cash flows associated with fluctuations in foreign currency exchange rates. The principal currencies actively hedged are the British Pound, Canadian Dollar and the Euro.

At December 31, 2022 and 2021, we had outstanding foreign currency exchange rate contracts to mitigate the currency risk associated with forecasted inventory purchases between affiliates and third parties. These contracts are designated as cash flow hedges and changes in fair value are recognized in accumulated other comprehensive income, a component of stockholders' equity. At December 31, 2022 and 2021, we also had outstanding foreign currency exchange rate contracts to mitigate the currency risk associated with intercompany loans and related interest denominated in foreign currencies. These contracts are not designated as hedging instruments and changes in fair value of the derivative contract and transaction gains and losses associated with the revaluation of the intercompany loans are recorded in earnings. Changes in the fair values of foreign currency derivative contracts recognized in earnings are generally offset by transaction gains and losses on the underlying intercompany loans. While there is typically minimal impact to our reported earnings, the settlement of these derivative contracts results in cash outflows or inflows, which could be significant.

### *Interest Rate Risk*

We are exposed to interest rate risk on our variable-rate debt borrowings. At December 31, 2022 and 2021, 35% and 26% of our debt was at variable rates, respectively. The weighted average interest rate of our variable rate debt at December 31, 2022 and 2021 was 7.5% and 3.1%, respectively. A 100 basis point change in the weighted average interest rate of our variable rate debt in 2022 would have increased interest expense approximately \$6 million.

We also maintain a significant investment portfolio comprised of fixed-rate interest-bearing money market funds, government and municipal securities, corporate securities, mortgage-backed securities and asset-backed securities. Changes in interest rates impact the fair value of these investments. However, these securities are designated as available-for-sale, and changes in fair value due to changes in interest rates are recognized in accumulated other comprehensive income, a component of equity, and not net income. We do not expect to recognize impairment losses on investment securities in an unrealized loss position as we have the intent and ability to hold these securities until recovery of unrealized losses or maturity.

### *Credit Risk*

We are exposed to credit risk on our accounts receivable and finance receivable balances. This risk is mitigated due to our large, diverse client base, dispersed over various geographic regions and industrial sectors. No single client comprised more than 10% of our consolidated net sales in 2022 or 2021. We maintain provisions for potential credit losses based on historical experience, age of receivable, current economic conditions and future outlook and other relevant factors that may impact our customers' ability to pay. We continually evaluate the adequacy of our allowance for credit losses and adjust as necessary.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See "Index to Consolidated Financial Statements and Schedules" in this Form 10-K.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), that are designed to reasonably assure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to reasonably assure that such information is accumulated and communicated to management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure.

Any system of controls and procedures, no matter how well designed and operated, can provide only reasonable (and not absolute) assurance of achieving the desired control objectives. Under the direction of our CEO and CFO, management evaluated the effectiveness of the design and operation of our disclosure controls and procedures as required by Rule 13a-15 or Rule 15d-15 under the Exchange Act. Notwithstanding this caution, the CEO and CFO have reasonable assurance that the disclosure controls and procedures were effective as of December 31, 2022.

### **Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Management assessed the effectiveness of the internal control over financial reporting as of December 31, 2022 under the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (2013)* and concluded that the internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report in this Form 10-K.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during the three months ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

None.

## **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than information regarding our executive officers disclosed in Part I of this Annual Report, the information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2023 Annual Meeting of Stockholders.

#### Code of Ethics

We have Business Practices Guidelines (BPG) that apply to all our officers and other employees and a Code of Business Conduct and Ethics (the Code) that applies to our Board of Directors. The BPG and the Code are posted on our corporate governance website located at [www.pb.com/us/our-company/leadership-and-governance/corporate-governance.html](http://www.pb.com/us/our-company/leadership-and-governance/corporate-governance.html). Amendments to either the BPG or the Code and any waiver from a provision of the BPG or the Code requiring disclosure will be disclosed on our corporate governance website.

#### Audit Committee - Audit Committee Financial Expert

The information regarding the Audit Committee, its members and the Audit Committee financial experts is incorporated by reference to our Proxy Statement to be filed in connection with the 2023 Annual Meeting of Stockholders.

### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2023 Annual Meeting of Stockholders.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

#### EQUITY COMPENSATION PLAN INFORMATION TABLE

The following table provides information as of December 31, 2022 regarding the number of shares of common stock that may be issued under our equity compensation plans.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	(b) Weighted-average exercise price of outstanding options, warrants and rights (2)	(c) Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)
Equity compensation plans approved by security holders	18,036,423	\$9.91	17,217,552
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>18,036,423</b>	<b>\$9.91</b>	<b>17,217,552</b>

- (1) Includes 10,027,048 shares issuable pursuant to outstanding stock options, 7,197,755 shares issuable pursuant to outstanding RSUs and 811,620 shares issuable pursuant to outstanding PSUs.
- (2) Excludes RSUs and PSUs that convert to common stock from determination of weighted average exercise price.

Other than information regarding securities authorized for issuance under equity compensation plans, the information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2023 Annual Meeting of Stockholders.

### ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2023 Annual Meeting of Stockholders.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2023 Annual Meeting of Stockholders.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

	Page Number in Form 10-K
(a)(1) Index to Consolidated Financial Statements and Schedules	38
Consolidated Statements of Income (Loss) for the years ended December 31, 2022, 2021 and 2020	39
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2022, 2021 and 2020	40
Consolidated Balance Sheets at December 31, 2022 and 2021	41
Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020	42
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2022, 2021 and 2020	43
Notes to Consolidated Financial Statements	47
Schedule II - Valuation and Qualifying Accounts and Reserves for the years ended December 31, 2022, 2021 and 2020	87

(a)(2) Exhibits

Reg. S-K exhibits	Description	Status or incorporation by reference
3(a)	Amended and Restated Certificate of Incorporation of Pitney Bowes Inc.	<a href="#">Incorporated by reference to Exhibit 3(i)(a) to Form 8-K filed with the Commission on September 30, 2019 (Commission file number 1-3579)</a>
3(b)	Pitney Bowes Inc. Amended and Restated By-laws (effective May 10, 2013)	<a href="#">Incorporated by reference to Exhibit 3(d) to Form 8-K filed with the Commission on May 13, 2013 (Commission file number 1-3579)</a>
4	Description of Registered Securities	<a href="#">Exhibit 4</a>
4(a)	Senior Debt Indenture, dated as of February 14, 2005, by and between the Company and Citibank N.A., as trustee	<a href="#">Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-3 filed with the Commission on June 18, 2008 (Commission file number 1-3579)</a>
4(b)	First Supplemental Indenture, dated as of October 23, 2007, by and among Pitney Bowes Inc., The Bank of New York, as successor trustee, and Citibank, N.A., as resigning trustee	<a href="#">Incorporated by reference to Exhibit 4.1 to Form 8-K filed with the Commission on October 24, 2007 (Commission file number 1-3579)</a>
4(c)	Supplemental Indenture No. 2 dated as of February 26, 2020, by and between Pitney Bowes Inc. and The Bank of New York Mellon, as successor trustee to Citibank N.A.	<a href="#">Incorporated by reference to Exhibit 4.1 to Form 8-K filed with the Commission on February 26, 2020 (Commission file number 1-3579)</a>
4(d)	Form of 5.25% Global Medium-Term Note due 2037	<a href="#">Incorporated by reference to Exhibit 4(d)(1) to Form 8-K filed with the Commission on November 16, 2006 (Commission file number 1-3579)</a>
4(e)	Officer's Certificate establishing the terms of the Notes, dated March 7, 2013, and Specimen of 6.70% Notes due 2043	<a href="#">Incorporated by reference to Exhibits 4.1 and 4.2 to Form 8-K filed with the Commission on March 7, 2013 (Commission file number 1-3579)</a>
4(f)	Officer's Certificate establishing the terms of the 4.625% Notes due 2024, dated March 13, 2014, and Specimen of 4.625% Notes due 2024.	<a href="#">Incorporated by reference to Exhibits 4.1 and 4.2 to Form 8-K filed with the Commission on March 13, 2014 (Commission file number 1-3579)</a>
4(g)	Indenture, dated March 19, 2021, among Pitney Bowes Inc., the guarantors party thereto and Truist Bank, as trustee, with respect to Pitney Bowes Inc.'s 6.875% Senior Notes due 2027.	<a href="#">Incorporated by reference to Exhibit 4.1 to the Form 8-K filed with the Commission on March 23, 2021 (Commission file number 1-3579).</a>
4(h)	Indenture, dated March 19, 2021, among Pitney Bowes Inc., the guarantors party thereto and Truist Bank, as trustee, with respect to Pitney Bowes Inc.'s 7.250% Senior Notes due 2029.	<a href="#">Incorporated by reference to Exhibit 4.2 to the Form 8-K filed with the Commission on March 23, 2021 (Commission file number 1-3579).</a>
10(a) *	Retirement Plan for Directors of Pitney Bowes Inc.	<a href="#">Incorporated by reference to Exhibit 10(a) to Form 10-K filed with the Commission on March 30, 1993 (Commission file number 1-3579)</a>
10(b.3) *	Pitney Bowes Inc. Directors' Stock Plan (Amended and Restated effective May 12, 2014)	<a href="#">Incorporated by reference to Exhibit 10(b.3) to Form 10-K filed with the Commission on February 20, 2015 (Commission file number 1-3579)</a>
10(d) *	Pitney Bowes Inc. 2007 Stock Plan (as amended November 7, 2009)	<a href="#">Incorporated by reference to Exhibit (v) to Form 10-K filed with the Commission on February 26, 2010 (Commission file number 1-3579)</a>
10(e) *	Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated February 4, 2019)	<a href="#">Incorporated by reference to Exhibit 10(e) to Form 10-K filed with the Commission on February 20, 2019 (Commission file number 1-3579)</a>

**PART IV**

Reg. S-K exhibits	Description	Status or incorporation by reference
10(f) *	Pitney Bowes Severance Plan (as amended and restated as of January 1, 2008)	<a href="#">Incorporated by reference to Exhibit 10(e) to Form 10-K filed with the Commission on February 29, 2008 (Commission file number 1-3579)</a>
10(g) *	Pitney Bowes Senior Executive Severance Policy (as amended and restated as of February 4, 2019)	<a href="#">Incorporated by reference to Exhibit 10(g) to Form 10-K filed with the Commission on February 20, 2019 (Commission file number 1-3579)</a>
10(h) *	Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors, as amended and restated effective January 1, 2009	<a href="#">Incorporated by reference to Exhibit 10(g) to Form 10-K filed with the Commission on February 26, 2009 (Commission file number 1-3579)</a>
10(i) *	Pitney Bowes Inc. Deferred Incentive Savings Plan as amended and restated effective January 1, 2009	<a href="#">Incorporated by reference to Exhibit 10(h) to Form 10-K filed with the Commission on February 26, 2009 (Commission file number 1-3579)</a>
10(k) *	Form of Long Term Incentive Award Agreement	<a href="#">Incorporated by reference to Exhibit 10(k) to Form 10-K filed with the Commission on February 25, 2013 (Commission file number 1-3579)</a>
10(m)*	Pitney Bowes Director Equity Deferral plan dated November 8, 2013 (effective May 12, 2014)	<a href="#">Incorporated by reference to Exhibit 10(o) to Form 10-K filed with the Commission on February 22, 2016 (Commission file number 1-3579)</a>
10(o)*	Pitney Bowes Executive Equity Deferral Plan dated November 7, 2014	<a href="#">Incorporated by reference to Exhibit 10(p) to Form 10-K filed with the Commission on February 22, 2016 (Commission file number 1-3579)</a>
10(p)*	Pitney Bowes Inc. 2013 Stock Plan	<a href="#">Incorporated by reference to Annex A to the Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders filed with the Commission on March 25, 2013 (Commission file number 1-3579)</a>
10(q)*	Amended and Restated Pitney Bowes Inc. 2018 Stock Plan	<a href="#">Incorporated by reference to Annex A to the Definitive Proxy Statement for the 2019 Annual Meeting of Stockholders filed with the Commission on March 18, 2020 (Commission file number 1-3579)</a>
10(r)	Credit Agreement, dated as of November 1, 2019 (the "Credit Agreement"), among the company, the lenders and issuing banks party thereto and JPMorgan Chase Bank, N.A., as administrative agent.	<a href="#">Incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Commission on November 5, 2019 (Commission file number 1-3579)</a>
10(s)	First Incremental Facility Amendment, dated as of February 19, 2020, to the Credit Agreement, among the company, the lenders and issuing banks party thereto and JPMorgan Chase Bank, N.A., administrative agent.	<a href="#">Incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Commission on February 20, 2020 (Commission file number 1-3579)</a>
10(t)	First Amendment, dated as of March 19, 2021, among Pitney Bowes Inc., the subsidiaries of Pitney Bowes Inc. party thereto, the lenders and issuing banks party thereto, and JPMorgan Chase Bank, N.A., as administrative agent	<a href="#">Incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Commission on March 23, 2021 (Commission file number 1-3579)</a>
10(u)	First Refinancing Agreement, dated as of March 19, 2021, among Pitney Bowes Inc., the subsidiaries of Pitney Bowes Inc. party thereto and JPMorgan Chase Bank, N.A., as administrative agent and refinancing tranche B term lender.	<a href="#">Incorporated by reference to Exhibit 10.2 to the Form 8-K filed with the Commission on March 23, 2021 (Commission file number 1-3579)</a>
10(v)	Second Amendment, dated as of May 11, 2022, to the Credit Agreement, among Pitney Bowes Inc., the Lenders and issuing banks party thereto and JP Morgan Chase, N.A., as administrative agent	<a href="#">Incorporated by reference to Exhibit 10.1 to the Form 10-Q filed with the Commission on November 4, 2022 (Commission file number 1-3579)</a>
10(w)	Third Amendment, dated as of December 7, 2022, to the Credit Agreement, among Pitney Bowes Inc., the Lenders and issuing banks party thereto and JP Morgan Chase, N.A., as administrative agent.	<a href="#">Incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Commission on December 8, 2022 (Commission file number 1-3579)</a>
10(x)	Fourth Amendment, dated as of December 8, 2022, to the Credit Agreement, among Pitney Bowes Inc., the Lenders and issuing banks party thereto and JP Morgan Chase, N.A., as administrative agent	<a href="#">Exhibit 10(x)</a>
21	Subsidiaries of the registrant	<a href="#">Exhibit 21</a>
23	Consent of independent registered accounting firm	<a href="#">Exhibit 23</a>
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.	<a href="#">Exhibit 31.1</a>
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.	<a href="#">Exhibit 31.2</a>
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350	<a href="#">Exhibit 32.1</a>
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	<a href="#">Exhibit 32.2</a>

## PART IV

Reg. S-K exhibits	Description	Status or incorporation by reference
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Definition Linkbase Document	
101.LAB	XBRL Taxonomy Label Linkbase Document	
101.PRE	XBRL Taxonomy Presentation Linkbase Document	
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, formatted in Inline XBRL (included as Exhibit 101).	

\* The Exhibits identified above with an asterisk (\*) are management contracts or compensatory plans or arrangements.

The Company has certain outstanding long-term indebtedness that does not exceed 10% of the total assets of the Company; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The Company agrees to furnish copies of such instruments to the SEC upon request.

### ITEM 16. FORM 10-K SUMMARY

None

## PART IV

### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 17, 2023

PITNEY BOWES INC.  
Registrant

By: /s/ Marc B. Lautenbach  
Marc B. Lautenbach  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Marc B. Lautenbach</u> Marc B. Lautenbach	President and Chief Executive Officer - Director (Principal Executive Officer)	February 17, 2023
<u>/s/ Ana Maria Chadwick</u> Ana Maria Chadwick	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 17, 2023
<u>/s/ Joseph R. Catapano</u> Joseph R. Catapano	Vice President, Chief Accounting Officer (Principal Accounting Officer)	February 17, 2023
<u>/s/ Michael I. Roth</u> Michael I. Roth	Non-Executive Chairman - Director	February 17, 2023
<u>/s/ Anne M. Busquet</u> Anne M. Busquet	Director	February 17, 2023
<u>/s/ Robert M. Dutkowsky</u> Robert M. Dutkowsky	Director	February 17, 2023
<u>/s/ Mary J. Steele Guilfoile</u> Mary J. Steele Guilfoile	Director	February 17, 2023
<u>/s/ S. Douglas Hutcheson</u> S. Douglas Hutcheson	Director	February 17, 2023
<u>/s/ Linda S. Sanford</u> Linda S. Sanford	Director	February 17, 2023
<u>/s/ David L. Shedlarz</u> David L. Shedlarz	Director	February 17, 2023
<u>/s/ Sheila A. Stamps</u> Sheila A. Stamps	Director	February 17, 2023

**PART IV**

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Pitney Bowes Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Pitney Bowes Inc. and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of income (loss), comprehensive income (loss), stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2022, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(1) (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

#### *Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for credit losses on financial assets in 2020.

#### ***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

## ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### ***Goodwill Impairment Assessment - Global Ecommerce Reporting Unit***

As described in Notes 1 and 9 to the consolidated financial statements, the Company's consolidated goodwill balance was \$1,067 million as of December 31, 2022, and the goodwill balance associated with the Global Ecommerce reporting unit was \$339 million. Goodwill is tested annually for impairment at the reporting unit level during the fourth quarter or sooner if circumstances indicate an impairment may exist. The impairment test for goodwill determines the fair value of each reporting unit and compares it to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not impaired. If the fair value of the reporting unit is less than the carrying value of the net assets assigned to the reporting unit, a goodwill impairment loss is calculated as the difference between these amounts, limited to the amount of goodwill allocated to the reporting unit. Management determined that the agreement to sell Borderfree was a triggering event and an impairment test was performed as of July 1, 2022. Further, management determined that the shortfall in fourth quarter performance of the Global Ecommerce reporting unit was an additional triggering event. Accordingly, management performed another goodwill impairment test as of December 31, 2022 to assess whether the goodwill of the Global Ecommerce reporting unit was impaired. The results of management's annual test and triggering event tests indicated that the fair value of the Global Ecommerce reporting unit exceeded its carrying value and no impairment existed. However, the estimated fair value of the reporting unit at December 31, 2022 exceeded its carrying value by less than 10%. The fair value of the Global Ecommerce reporting unit was estimated by management using a discounted cash flow model based on management developed cash flow projections, which included judgments and assumptions related to revenue growth rates, operating margins and operating income, and discount rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Global Ecommerce reporting unit is a critical audit matter are (i) the significant judgment by management when developing the fair value of the reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenue growth rates, certain forecasted costs included in the determination of operating income and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Global Ecommerce reporting unit. These procedures also included, among others, (i) testing management's process for developing the fair value estimate; (ii) evaluating the appropriateness of the discounted cash flow model; (iii) testing the completeness and accuracy of underlying data used in the model; and (iv) evaluating the reasonableness of the significant

assumptions used by management related to the revenue growth rates, certain forecasted costs included in the determination of projected operating income, and the discount rate. Evaluating management's assumptions related to revenue growth rates and certain forecasted costs included in the determination of projected operating income involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's discounted cash flow model and the discount rate assumption.

/s/ PricewaterhouseCoopers LLP  
Stamford, Connecticut  
February 17, 2023

We have served as the Company's auditor since 1934.

**PITNEY BOWES INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
(In thousands, except per share amounts)

	Years Ended December 31,		
	2022	2021	2020
Revenue:			
Business services	\$ 2,249,941	\$ 2,334,674	\$ 2,191,306
Support services	438,191	460,888	473,292
Financing	274,508	294,418	341,034
Equipment sales	354,960	350,138	314,882
Supplies	154,186	159,438	159,282
Rentals	66,256	74,005	74,279
Total revenue	<u>3,538,042</u>	<u>3,673,561</u>	<u>3,554,075</u>
Costs and expenses:			
Cost of business services	1,934,206	2,034,477	1,904,078
Cost of support services	148,829	149,706	149,988
Financing interest expense	51,789	47,059	48,162
Cost of equipment sales	253,843	251,914	235,153
Cost of supplies	43,778	43,980	41,679
Cost of rentals	25,105	24,427	25,600
Selling, general and administrative	905,570	924,163	963,323
Research and development	43,657	46,777	38,384
Restructuring charges	18,715	19,003	20,712
Goodwill impairment	—	—	198,169
Interest expense, net	89,980	96,886	105,753
Other components of net pension and postretirement cost (income)	4,308	1,010	(1,708)
Other (income) expense	(21,618)	41,574	8,151
Total costs and expenses	<u>3,498,162</u>	<u>3,680,976</u>	<u>3,737,444</u>
Income (loss) from continuing operations before income taxes	39,880	(7,415)	(183,369)
Provision (benefit) for income taxes	2,940	(10,922)	7,122
Income (loss) from continuing operations	36,940	3,507	(190,491)
(Loss) income from discontinued operations, net of tax	—	(4,858)	10,115
Net income (loss)	<u>\$ 36,940</u>	<u>\$ (1,351)</u>	<u>\$ (180,376)</u>
Basic earnings (loss) per share attributable to common stockholders <sup>(1)</sup> :			
Continuing operations	\$ 0.21	\$ 0.02	\$ (1.11)
Discontinued operations	—	(0.03)	0.06
Net income (loss)	<u>\$ 0.21</u>	<u>\$ (0.01)</u>	<u>\$ (1.05)</u>
Diluted earnings (loss) per share attributable to common stockholders <sup>(1)</sup> :			
Continuing operations	\$ 0.21	\$ 0.02	\$ (1.11)
Discontinued operations	—	(0.03)	0.06
Net income (loss)	<u>\$ 0.21</u>	<u>\$ (0.01)</u>	<u>\$ (1.05)</u>

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

*See Notes to Consolidated Financial Statements*

**PITNEY BOWES INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In thousands)

	Years Ended December 31,		
	2022	2021	2020
Net income (loss)	\$ 36,940	\$ (1,351)	\$ (180,376)
Other comprehensive (loss) income, net of tax:			
Foreign currency translations, net of tax of \$(3,942), \$(767) and \$2,374, respectively	(71,344)	(34,168)	37,252
Net unrealized gain (loss) on cash flow hedges, net of tax of \$2,900, \$1,738 and \$(583), respectively	8,700	5,214	(1,748)
Net unrealized loss on available for sale securities, net of tax of \$(10,424), \$(2,217) and \$(816), respectively	(33,191)	(6,651)	(2,447)
Adjustments to pension and postretirement plans, net of tax of \$4,312, \$17,986 and \$(20,440), respectively	9,297	54,618	(70,623)
Amortization of pension and postretirement costs, net of tax of \$9,315, \$12,755 and \$11,930, respectively	31,286	39,806	38,578
Other comprehensive (loss) income, net of tax	(55,252)	58,819	1,012
Comprehensive (loss) income	<u>\$ (18,312)</u>	<u>\$ 57,468</u>	<u>\$ (179,364)</u>

*See Notes to Consolidated Financial Statements*

**PITNEY BOWES INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share amounts)

	December 31, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 669,981	\$ 732,480
Short-term investments (includes \$1,882 and \$2,658, respectively, reported at fair value)	11,172	14,440
Accounts and other receivables (net of allowance of \$5,344 and \$11,168 respectively)	343,557	334,630
Short-term finance receivables (net of allowance of \$11,395 and \$12,812, respectively)	564,972	560,680
Inventories	83,720	78,588
Current income taxes	8,790	13,894
Other current assets and prepayments	115,824	157,341
Total current assets	<u>1,798,016</u>	<u>1,892,053</u>
Property, plant and equipment, net	420,672	429,162
Rental property and equipment, net	27,487	34,774
Long-term finance receivables (net of allowance of \$10,555 and \$13,406, respectively)	627,124	587,427
Goodwill	1,066,951	1,135,103
Intangible assets, net	77,944	132,442
Operating lease assets	296,129	208,428
Noncurrent income taxes	46,613	68,398
Other assets (includes \$229,936 and \$318,754, respectively, reported at fair value)	380,419	471,084
Total assets	<u>\$ 4,741,355</u>	<u>\$ 4,958,871</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 907,083	\$ 922,543
Customer deposits at the Bank	628,072	632,062
Current operating lease liabilities	52,576	40,299
Current portion of long-term debt	32,764	24,739
Advance billings	105,207	99,280
Current income taxes	2,101	9,017
Total current liabilities	<u>1,727,803</u>	<u>1,727,940</u>
Long-term debt	2,172,502	2,299,099
Deferred taxes on income	263,131	286,445
Tax uncertainties and other income tax liabilities	23,841	31,935
Noncurrent operating lease liabilities	265,696	192,092
Other noncurrent liabilities	227,729	308,728
Total liabilities	<u>4,680,702</u>	<u>4,846,239</u>
Commitments and contingencies (See Note 16)		
Stockholders' equity:		
Common stock, \$1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	323,338	323,338
Additional paid-in capital	—	2,485
Retained earnings	5,125,677	5,169,270
Accumulated other comprehensive loss	(835,564)	(780,312)
Treasury stock, at cost (149,307,325 and 148,606,517 shares, respectively)	(4,552,798)	(4,602,149)
Total stockholders' equity	<u>60,653</u>	<u>112,632</u>
Total liabilities and stockholders' equity	<u>\$ 4,741,355</u>	<u>\$ 4,958,871</u>

*See Notes to Consolidated Financial Statements*

**PITNEY BOWES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Years Ended December 31,		
	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 36,940	\$ (1,351)	\$ (180,376)
Loss (income) from discontinued operations, net of tax	—	4,858	(10,115)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	163,816	162,859	160,625
Allowance for credit losses	8,937	7,808	42,193
Stock-based compensation	16,629	20,862	17,476
Amortization of debt fees	8,674	7,163	10,871
Loss on debt refinancing	4,993	56,209	36,987
Restructuring charges	18,715	19,003	20,712
Restructuring payments	(15,406)	(21,990)	(20,014)
Pension contributions and retiree medical payments	(26,769)	(27,534)	(31,828)
Gain on sale of businesses, including transaction costs	(12,205)	(10,201)	—
Gain on sale of assets	(14,372)	(1,434)	(21,969)
Goodwill impairment	—	—	198,169
Deferred taxes	3,688	(19,883)	15,280
Changes in operating assets and liabilities, net of acquisitions/divestitures:			
Accounts and other receivables	(29,303)	37,503	(47,236)
Finance receivables	(12,591)	20,934	70,505
Inventories	(4,942)	(8,008)	1,582
Other current assets and prepayments	2,727	(1,184)	(19,581)
Accounts payable and accrued liabilities	18,577	57,780	94,851
Current and noncurrent income taxes	(14,464)	2,971	8,622
Advance billings	8,342	(14,029)	11,009
Other, net	13,997	9,179	(17,879)
Net cash from operating activities: continuing operations	175,983	301,515	339,884
Net cash from operating activities: discontinued operations	—	—	(37,912)
<b>Net cash from operating activities</b>	<b>175,983</b>	<b>301,515</b>	<b>301,972</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(124,840)	(184,042)	(104,987)
Purchases of investment securities	(8,863)	(74,923)	(596,841)
Proceeds from sales/maturities of investment securities	28,724	97,358	576,536
Net investment in loan receivables	(53,114)	(6,288)	(4,174)
Proceeds from sale of business, net of cash sold	111,593	27,573	—
Proceeds from asset sales	50,766	1,840	58,248
Acquisitions, net of cash acquired	(5,139)	(14,996)	(6,608)
Settlement of derivative contracts	(27,660)	—	—
Other investing activities	4,264	—	4,636
Net cash from investing activities: continuing operations	(24,269)	(153,478)	(73,190)
Net cash from investing activities: discontinued operations	—	(1,773)	(2,502)
<b>Net cash from investing activities</b>	<b>(24,269)</b>	<b>(155,251)</b>	<b>(75,692)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from the issuance of debt, net of discount	—	1,195,500	916,544
Principal payments of debt	(124,101)	(1,445,734)	(1,105,650)
Premiums and fees to refinance debt	(8,535)	(50,763)	(32,645)
Dividends paid to stockholders	(34,718)	(34,800)	(34,291)
Customer deposits at the Bank	(3,990)	14,862	26,082
Common stock repurchases	(13,446)	—	—
Other financing activities	(13,293)	(9,436)	(5,411)
<b>Net cash from financing activities</b>	<b>(198,083)</b>	<b>(330,371)</b>	<b>(235,371)</b>
Effect of exchange rate changes on cash and cash equivalents	(16,130)	(4,863)	6,099
Change in cash and cash equivalents	(62,499)	(188,970)	(2,992)
Cash and cash equivalents at beginning of period	732,480	921,450	924,442
Cash and cash equivalents at end of period	<b>\$ 669,981</b>	<b>\$ 732,480</b>	<b>\$ 921,450</b>

*See Notes to Consolidated Financial Statements*

**PITNEY BOWES INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)

	Common Stock	Additional Paid-in Capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at December 31, 2019	\$ 323,338	\$ 98,748	\$ 5,441,988	\$ (840,143)	\$ (4,734,777)	\$ 289,154
Cumulative effect of accounting change	—	—	(21,900)	—	—	(21,900)
Net loss	—	—	(180,376)	—	—	(180,376)
Other comprehensive income	—	—	—	1,012	—	1,012
Dividends (\$0.20 per share)	—	—	(34,291)	—	—	(34,291)
Issuance of common stock	—	(47,722)	—	—	47,268	(454)
Stock-based compensation	—	17,476	—	—	—	17,476
Balance at December 31, 2020	323,338	68,502	5,205,421	(839,131)	(4,687,509)	70,621
Net loss	—	—	(1,351)	—	—	(1,351)
Other comprehensive income	—	—	—	58,819	—	58,819
Dividends (\$0.20 per share)	—	—	(34,800)	—	—	(34,800)
Issuance of common stock	—	(86,879)	—	—	85,360	(1,519)
Stock-based compensation	—	20,862	—	—	—	20,862
Balance at December 31, 2021	323,338	2,485	5,169,270	(780,312)	(4,602,149)	112,632
Net income	—	—	<b>36,940</b>	—	—	<b>36,940</b>
Other comprehensive loss	—	—	—	<b>(55,252)</b>	—	<b>(55,252)</b>
Dividends (\$0.20 per share)	—	—	<b>(34,718)</b>	—	—	<b>(34,718)</b>
Issuance of common stock	—	<b>(19,114)</b>	<b>(45,815)</b>	—	<b>62,797</b>	<b>(2,132)</b>
Stock-based compensation	—	<b>16,629</b>	—	—	—	<b>16,629</b>
Repurchase of common stock	—	—	—	—	<b>(13,446)</b>	<b>(13,446)</b>
Balance at December 31, 2022	<u>\$ 323,338</u>	<u>\$ —</u>	<u>\$ 5,125,677</u>	<u>\$ (835,564)</u>	<u>\$ (4,552,798)</u>	<u>\$ 60,653</u>

*See Notes to Consolidated Financial Statements*

**PITNEY BOWES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular amounts in thousands, except per share amounts)**

## ***1. Summary of Significant Accounting Policies***

### **Basis of Presentation**

The accompanying Consolidated Financial Statements of Pitney Bowes Inc. and its wholly owned subsidiaries (we, us, our, or the company) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation.

Effective January 1, 2020, we adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses*, applicable to financial assets measured at amortized cost, including finance receivables, trade and other receivables and investments in debt securities classified as available-for-sale and held-to-maturity. We adopted the standard using the modified retrospective transition approach with a cumulative effect adjustment to retained earnings, which resulted in an increase in the allowance for credit losses on accounts receivable of \$15 million and the allowance for credit losses on finance receivables of \$10 million and a net reduction to retained earnings of \$22 million.

Pre-tax income for the twelve months ended December 31, 2022 includes a benefit of \$3 million to correct misstatements related to prior periods. The impact of these misstatements is not material to the consolidated financial statements of the current annual period or for any prior quarterly or annual periods.

### **Factors Affecting Comparability**

Certain transactions and changes occurred during 2022 that impact the comparability of our 2022 financial results to the prior periods. These transactions and changes include:

- The sale of our Borderfree cross-border ecommerce solutions business (Borderfree);
- A change in the presentation of revenue from digital delivery services primarily related to our Global Ecommerce business from a gross basis to a net basis due to an adjustment in terms of one of our contracts with the USPS; and
- A refinement in our methodology for allocating transportation costs between our Global Ecommerce and Presort Services segments.

Effective July 1, 2022, we sold Borderfree, which was reported in our Global Ecommerce segment. Prior year results were not recast to exclude the revenue and expenses from Borderfree. Accordingly, revenue and expenses for 2022 include only six months of operations for Borderfree, whereas the prior years presented include a full year of operations. Net income of Borderfree was not significant in any period presented.

The change in revenue presentation became effective October 1, 2022. Accordingly, revenue and related costs of revenue for these services for the first nine months of 2022 and full year 2021 and 2020 are reported on a gross basis as business services revenue and cost of business services, respectively, and on a net basis in business services revenue beginning in the fourth quarter of 2022.

The refinement to the methodology of allocating transportation costs between Global Ecommerce and Presort Services resulted in an increase to Global Ecommerce EBIT and a corresponding decrease to Presort Services EBIT of approximately \$10 million in 2022.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and accompanying disclosures, including the disclosure of contingent assets and liabilities. These estimates and assumptions are based on management's best knowledge of current events, historical experience and other information available when the financial statements are prepared. These estimates include, but are not limited to, goodwill and intangible asset impairment review, deferred tax asset valuation allowance, income tax reserves, revenue recognition for multiple element arrangements, pension and other postretirement costs, allowance for credit losses, residual values of leased assets, useful lives of long-lived and intangible assets, restructuring costs, the allocation of purchase price to assets and liabilities acquired in business combinations, stock-based compensation expense and loss contingencies. Actual results could differ from those estimates and assumptions.

### **Cash Equivalents**

Cash equivalents include interest-earning investments with maturities of three months or less at the date of purchase.

### **Marketable Securities**

Marketable investment securities are classified as available-for-sale or held-to-maturity. Investment securities classified as available-for-sale are recorded at fair value with changes in fair value due to market conditions (i.e., interest rates) recorded in accumulated

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other comprehensive loss (AOCL), and changes in fair value due to credit conditions recorded in earnings. Purchase premiums and discounts are amortized using the effective interest method over the term of the security. Gains and losses on sales of available-for-sale securities are recorded on the trade date using the specific identification method. There were no unrealized losses due to credit losses charged to earnings in 2022, 2021, or 2020.

Investment securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost.

**Accounts and Other Receivables and Allowance for Credit Losses**

Accounts receivables are generally due within 30 days after the invoice date. We provide an allowance for credit losses based on historical loss experience, the age of the receivables, specific troubled accounts and other currently available information.

Accounts receivables are written off against the allowance after all collection efforts have been exhausted and management deems the account to be uncollectible, or when they are 365 days past due, if sooner. We believe that our accounts receivable credit risk is low because of the geographic and industry diversification of our clients and small account balances for most of our clients. We continually evaluate the adequacy of the allowance for credit losses and adjust as necessary.

**Finance Receivables and Allowance for Credit Losses**

Finance receivables are comprised of sales-type leases, secured loans and unsecured loans. Sales-type leases and secured loans are from financing options provided to clients for Pitney Bowes equipment or leasing of other manufacturers' equipment and are generally due in installments over periods ranging from three to five years. Unsecured loans comprise revolving credit lines offered to our clients for postage and supplies and working capital purposes. These revolving credit lines are generally due monthly; however, clients may rollover outstanding balances. Interest is recognized on finance receivables using the effective interest method. Annual fees are recognized ratably over the annual period covered and client acquisition costs are expensed as incurred.

We provide an allowance for credit losses based on historical loss experience, the nature of our portfolios, adverse situations that may affect a client's ability to pay and current economic conditions and outlook based on reasonable and supportable forecasts. We continually evaluate the adequacy of the allowance for credit losses and adjust as necessary.

Credit approval limits are established based on the credit quality of the client and the type of equipment financed. We cease financing revenue recognition for lease receivables and for unsecured loan receivables that are more than 90 days past due. Revenue recognition is resumed when the client's payments reduce the account aging to less than 60 days past due. Finance receivables are written off against the allowance after all collection efforts have been exhausted and management deems the account to be uncollectible. We believe that our finance receivable credit risk is low because of the geographic and industry diversification of our clients and small account balances for most of our clients.

**Inventories**

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis or net realizable value.

**Fixed Assets**

Property, plant and equipment and rental equipment are stated at cost and depreciated principally using the straight-line method over their estimated useful lives, which are 50 years for buildings, 10 to 20 years for building improvements, up to 3 years for internal use software development costs, 3 to 12 years for machinery and equipment and 3 to 6 years for rental equipment. Leasehold improvements are amortized over the shorter of their estimated useful life or the remaining lease term. Major improvements that add to the productive capacity or extend the life of an asset are capitalized while repairs and maintenance are charged to expense. Fully depreciated assets are retained in fixed assets and accumulated depreciation until they are removed from service.

**Intangible Assets**

Finite-lived intangible assets are amortized using the straight-line method over their estimated useful lives of up to 10 years.

**Deferred Costs**

Certain incremental costs to obtain a contract are capitalized if we expect the benefit of those costs to be realized over a period greater than one year. These costs primarily relate to sales commissions on multi-year equipment and Global Ecommerce contracts. Costs are amortized in a manner consistent with the timing of the related revenue over the contract performance period or longer, if renewals are expected and the renewal commission is not commensurate with the initial commission. Unamortized deferred costs at December 31, 2022 and December 31, 2021, included in other assets, were \$41 million and \$48 million, respectively. Amortization expense for these costs for the years ended December 31, 2022, 2021 and 2020 was \$22 million, \$18 million and \$10 million, respectively.

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**Revenue Recognition**

We derive revenue from multiple sources including sales, rentals, financing and services. Certain transactions are consummated at the same time and can therefore generate revenue from multiple sources. The most common form of these transactions involves a sale or noncancelable lease of equipment, meter services and an equipment maintenance agreement. We determine whether each product and service within the contract should be treated as a separate performance obligation (unit of accounting) for revenue recognition purposes. For contracts that include multiple performance obligations, the transaction price is allocated based on relative standalone selling prices (SSP), which are a range of selling prices that we would sell a product or service to a customer on a separate basis. SSP are established for each performance obligation at the inception of the contract and can be observable prices or estimated. The allocation of the transaction price to the various performance obligations impacts the timing of revenue recognition, but does not change the total revenue recognized. More specifically, revenue related to our offerings is recognized as follows:

Business services

Business services includes fulfillment, delivery and return services, cross-border solutions, mail processing services and shipping subscription solutions. Revenue for fulfillment, delivery and return services, cross-border solutions and mail processing services is recognized over time using an output method based on the number of parcels or mail pieces either processed or delivered, depending on the service type, since that measure best depicts the value of goods and services transferred to the client over the contract period. Revenue for shipping subscription solutions is recognized ratably over the contract period as the client obtains equal benefit from these services throughout the period. We review third-party relationships and record revenue on a gross basis when we act as a principal in a transaction and on a net basis when we act as an agent between a client and vendor. In determining whether we are acting as principal or agent, we consider several factors such as whether we are the primary obligor to the client or have control over pricing.

Support services

Support services revenue includes revenue from maintenance, professional and subscription services for our mailing equipment and professional services for our digital delivery services. Revenue is allocated to these services using selling prices charged in standalone transactions. Revenue for maintenance and subscription services is recognized ratably over the contract period and revenue for professional services is recognized when services are provided.

Financing

We provide financing for our products primarily through sales-type leases and revolving lines of credit for the purchase of postage and supplies. Financing revenue also includes finance income, late fees and investment income, gains and losses at the Bank. We record financing income over the lease term using the effective interest method. Financing revenue also includes amounts related to sales-type leases that customers have extended or renewed for an additional term. Revenue for these contracts is recognized over the term of the modified lease using the effective interest method. We believe that our sales-type lease portfolio contains only normal collection risk.

Equipment residual values are determined at the inception of the lease using management's best estimate of fair value at the end of the lease term. Fair value estimates are determined based on historical renewal experience, used equipment markets, competition and technological changes. We evaluate residual values on an annual basis or sooner if circumstances warrant. Declines in estimated residual values considered "other-than-temporary" are recognized immediately. Increases in estimated future residual values are not recognized until the equipment is remarketed.

Equipment sales

We sell and lease equipment directly to customers and to distributors (re-sellers) throughout the world. The amount of revenue allocated to the equipment is based on a range of observable selling prices in standalone transactions. Revenue is recognized as control of the equipment transfers to the customer. Revenue from the sale of equipment under sales-type leases is recognized upon shipment for self-installed products and upon installation or customer acceptance for other products. Revenue from the direct sale of equipment is recognized upon delivery for self-installed products and upon installation or customer acceptance for other products. We do not typically offer any rights of return.

Supplies

Supplies revenue includes revenue from supplies for our mailing equipment and is recognized upon delivery when control transfers to the customer.

Rentals

Rentals revenue includes revenue from mailing equipment that does not meet the criteria to be accounted for as a sales-type lease. We may invoice in advance for rentals according to the terms of the agreement. Advanced billings are initially deferred and recognized on

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a straight-line basis over the billing period. Revenue generated from financing clients for the continued use of equipment subsequent to the expiration of the original lease is recognized as rentals revenue.

**Shipping and Handling**

Shipping and handling costs are recognized as costs of revenue as incurred.

**Research and Development Costs**

Research and development includes research, development and engineering activities relating to the development of new products and solutions and enhancements of existing products and solutions. Costs primarily include salaries, benefits and other employee-related expenses, materials, contract services, information systems and facilities and equipment costs. Research and development costs are charged to expense as incurred.

**Restructuring Charges**

Restructuring costs primarily include employee severance and related separation costs and real estate lease early termination costs. Employee severance and related costs are recognized when a liability is incurred, which is generally upon communication to the affected employees, and the amount to be paid is both probable and reasonably estimable. Severance accruals are based on company policy, historical experience and negotiated settlements. Costs for the early termination of real estate leases are recognized as incurred.

**Stock-based Compensation**

We primarily issue restricted stock and non-qualified stock options under our stock award plans. Compensation expense for stock-based awards is measured based on the estimated fair value of the awards expected to vest and recognized ratably over the requisite service period. The fair value of restricted stock is estimated based on the fair value of our common stock on the grant date, less the present value of expected dividends. The fair value of non-qualified stock options is determined using the Black-Scholes valuation model. We believe that these valuation techniques and the underlying assumptions are appropriate in estimating the fair value of stock awards. Forfeitures are estimated at the time of grant to recognize expense for those awards that are expected to vest and are based on our historical forfeiture rates. Stock-based compensation expense is recognized primarily in selling, general and administrative expense.

**Retirement Plans**

Net periodic benefit cost includes current service cost, interest cost, expected return on plan assets and the amortization of actuarial gains and losses. Actuarial gains and losses arise from actual results that differ from previous assumptions and changes in assumptions. The expected return on plan assets is based on a market-related valuation of plan assets where differences between the actual and expected return on plan assets are recognized over a five-year period. Actuarial gains and losses are recognized in other comprehensive loss, net of tax, and amortized to benefit cost primarily over the life expectancy of plan participants. The funded status of pension and other postretirement benefit plans is recognized in the consolidated balance sheets.

**Impairment Review**

Long-lived assets and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset is compared to the asset's carrying value. The fair value of the asset is determined using probability weighted expected cash flow estimates, derived from our long-term business plans and historical experience, quoted market prices when available and appraisals, as appropriate.

Goodwill is tested annually for impairment at the reporting unit level during the fourth quarter or sooner if circumstances indicate an impairment may exist. The impairment test for goodwill determines the fair value of each reporting unit and compares it to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not impaired. If the fair value of the reporting unit is less than the carrying value of the net assets assigned to the reporting unit, a goodwill impairment loss is calculated as the difference between these amounts, limited to the amount of goodwill allocated to the reporting unit.

We performed our annual goodwill impairment test to assess the recoverability of the carrying value of goodwill and determined that the fair value of each reporting unit exceeded its carrying value and no impairment existed. Further, the significant shortfall in the fourth quarter performance of the Global Ecommerce reporting unit caused us to reassess this reporting unit's goodwill for impairment. See Note 9 for further details.

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**Derivative Instruments**

In the normal course of business, we are exposed to the impact of changes in foreign currency exchange rates and interest rates. We limit these risks by following established risk management policies and procedures, including the use of derivatives. We use derivative instruments to limit the effects of currency exchange rate fluctuations on financial results and manage the related cost of debt. We do not use derivatives for trading or speculative purposes.

Derivative instruments are measured at fair value and reported as assets and liabilities on the consolidated balance sheets, as applicable. The accounting for changes in fair value depends on the intended use of the derivative, the resulting designation and the effectiveness of the instrument in offsetting the risk exposure it is designed to hedge. To qualify as a hedge, a derivative must be highly effective in offsetting the risk designated for hedging purposes. The hedge relationship must be formally documented at inception, detailing the particular risk management objective and strategy for the hedge. The effectiveness of the hedge relationship is evaluated on a retrospective and prospective basis.

The use of derivative instruments exposes us to counterparty credit risk. To mitigate such risks, we only enter into agreements with financial institutions that meet stringent credit requirements. We regularly review our credit exposure and the creditworthiness of our counterparties. We have not seen a material change in the creditworthiness of our derivative counterparties.

**Income Taxes**

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date of such change. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized. In estimating the necessity and amount of a valuation allowance, we consider all available evidence for each jurisdiction, including historical operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies. We adjust the valuation allowance through income tax expense when new information becomes available that would alter our determination of the amount of deferred tax assets that will ultimately be realized.

**Earnings per Share**

Basic earnings per share is computed based on the weighted-average number of common shares outstanding during the year. Diluted earnings per share is computed based on the weighted-average number of common shares outstanding during the year plus the dilutive effect of common stock equivalents.

**Translation of Non-U.S. Currency Amounts**

In general, the functional currency of our foreign operations is the local currency. Assets and liabilities of subsidiaries operating outside the U.S. are translated at rates in effect at the end of the period and revenue and expenses are translated at average monthly rates during the period. Net deferred translation gains and losses are included as a component of accumulated other comprehensive loss.

**Loss Contingencies**

In the ordinary course of business, we are routinely defendants in, or party to, a number of pending and threatened legal actions. On a quarterly basis, we review the status of each significant matter and assess the potential financial exposure. If the potential loss from any claim or legal action is considered probable and can be reasonably estimated, we establish a liability for the estimated loss. The assessment of the ultimate outcome of each claim or legal action and the determination of the potential financial exposure requires significant judgment. Estimates of potential liabilities for claims or legal actions are based only on information that is available at that time. As additional information becomes available, we may revise our estimates, and these revisions could have a material impact on our results of operations and financial position. Legal fees are expensed as incurred.

**Accounting Pronouncements Not Yet Adopted**

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The transition to new reference interest rates will require certain contracts to be modified and the ASU is intended to provide temporary optional expedients and exceptions to U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The accommodations provided by the ASU are effective through December 31, 2024, and may be applied at the beginning of any interim period within that time frame.

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Effective in December 2022 with the modification of our revolving credit facility, we elected to apply the practical expedient to the replacement of LIBOR reference rate and our assessment of hedge effectiveness. We may apply other expedients as additional reference rate changes occur. We continue to assess the impact of this standard on our consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which requires disclosure of gross write-offs and recoveries of finance receivables by year of origination. The standard is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. We will adopt this standard in the first quarter of 2023 and the adoption will not have a material impact on our financial statement disclosures.

## 2. Revenue

### *Disaggregated Revenue*

The following tables disaggregate our revenue by source and timing of recognition:

	Year Ended December 31, 2022					
	Global Ecommerce	Presort Services	SendTech Solutions	Revenue from products and services	Revenue from leasing transactions and financing	Total consolidated revenue
<b>Revenue from products and services</b>						
Business services	\$ 1,576,348	\$ 602,016	\$ 71,577	\$ 2,249,941	\$ —	\$ 2,249,941
Support services	—	—	438,191	438,191	—	438,191
Financing	—	—	—	—	274,508	274,508
Equipment sales	—	—	88,022	88,022	266,938	354,960
Supplies	—	—	154,186	154,186	—	154,186
Rentals	—	—	—	—	66,256	66,256
Subtotal	<u>1,576,348</u>	<u>602,016</u>	<u>751,976</u>	<u>2,930,340</u>	<u>\$ 607,702</u>	<u>\$ 3,538,042</u>
Revenue from leasing transactions and financing	—	—	607,702	607,702		
<b>Total revenue</b>	<u><u>\$ 1,576,348</u></u>	<u><u>\$ 602,016</u></u>	<u><u>\$ 1,359,678</u></u>	<u><u>\$ 3,538,042</u></u>		
<b>Timing of revenue recognition from products and services</b>						
Products/services transferred at a point in time	\$ —	\$ —	\$ 318,438	\$ 318,438		
Products/services transferred over time	<u>1,576,348</u>	<u>602,016</u>	<u>433,538</u>	<u>2,611,902</u>		
Total	<u><u>\$ 1,576,348</u></u>	<u><u>\$ 602,016</u></u>	<u><u>\$ 751,976</u></u>	<u><u>\$ 2,930,340</u></u>		

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Year Ended December 31, 2021

	Global Ecommerce	Presort Services	SendTech Solutions	Revenue from products and services	Revenue from leasing transactions and financing	Total consolidated revenue
<b>Revenue from products and services</b>						
Business services	\$1,702,580	\$ 573,480	\$ 58,614	\$2,334,674	\$ —	\$2,334,674
Support services	—	—	460,888	460,888	—	460,888
Financing	—	—	—	—	294,418	294,418
Equipment sales	—	—	91,015	91,015	259,123	350,138
Supplies	—	—	159,438	159,438	—	159,438
Rentals	—	—	—	—	74,005	74,005
Subtotal	<u>1,702,580</u>	<u>573,480</u>	<u>769,955</u>	<u>3,046,015</u>	<u>\$ 627,546</u>	<u>\$3,673,561</u>
Revenue from leasing transactions and financing	—	—	627,546	627,546		
<b>Total revenue</b>	<u><u>\$1,702,580</u></u>	<u><u>\$ 573,480</u></u>	<u><u>\$1,397,501</u></u>	<u><u>\$3,673,561</u></u>		
<b>Timing of revenue recognition from products and services</b>						
Products/services transferred at a point in time	\$ —	\$ —	\$ 318,077	\$ 318,077		
Products/services transferred over time	1,702,580	573,480	451,878	2,727,938		
Total	<u><u>\$1,702,580</u></u>	<u><u>\$ 573,480</u></u>	<u><u>\$ 769,955</u></u>	<u><u>\$3,046,015</u></u>		

Year Ended December 31, 2020

	Global Ecommerce	Presort Services	SendTech Solutions	Revenue from products and services	Revenue from leasing transactions and financing	Total consolidated revenue
<b>Revenue from products and services</b>						
Business services	\$1,618,897	\$ 521,212	\$ 51,197	\$2,191,306	\$ —	\$2,191,306
Support services	—	—	473,292	473,292	—	473,292
Financing	—	—	—	—	341,034	341,034
Equipment sales	—	—	74,660	74,660	240,222	314,882
Supplies	—	—	159,282	159,282	—	159,282
Rentals	—	—	—	—	74,279	74,279
Subtotal	<u>1,618,897</u>	<u>521,212</u>	<u>758,431</u>	<u>2,898,540</u>	<u>\$ 655,535</u>	<u>\$3,554,075</u>
Revenue from leasing transactions and financing	—	—	655,535	655,535		
<b>Total revenue</b>	<u><u>\$1,618,897</u></u>	<u><u>\$ 521,212</u></u>	<u><u>\$1,413,966</u></u>	<u><u>\$3,554,075</u></u>		
<b>Timing of revenue recognition from products and services</b>						
Products/services transferred at a point in time	\$ —	\$ —	\$ 293,648	\$ 293,648		
Products/services transferred over time	1,618,897	521,212	464,783	2,604,892		
Total	<u><u>\$1,618,897</u></u>	<u><u>\$ 521,212</u></u>	<u><u>\$ 758,431</u></u>	<u><u>\$2,898,540</u></u>		

Our performance obligations for revenue from products and services are as follows:

Business services includes fulfillment, delivery and return services, cross-border solutions, mail processing services and shipping subscription solutions. Revenue for fulfillment, delivery and return services, cross-border solutions and mail processing services is recognized over time using an output method based on the number of parcels or mail pieces either processed or delivered, depending on the service type, since that measure best depicts the value of goods and services transferred to the client over the contract period. Contract terms for these services initially range from one to five years and contain annual renewal options. Revenue for shipping subscription solutions is recognized ratably over the contract period as the client obtains equal benefit from these services throughout the period.

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Support services includes providing maintenance, professional and subscription services for our equipment and digital mailing and shipping technology solutions. Contract terms range from one to five years, depending on the term of the lease contract for the related equipment. Revenue for maintenance and subscription services is recognized ratably over the contract period and revenue for professional services is recognized when services are provided.

Equipment sales generally includes the sale of mailing and shipping equipment, excluding sales-type leases. We recognize revenue upon delivery for self-install equipment and upon acceptance or installation for other equipment. We provide a warranty that the equipment is free of defects and meets stated specifications. The warranty is not considered a separate performance obligation.

Supplies revenue includes revenue from supplies for our mailing equipment and is recognized upon delivery.

Revenue from leasing transactions and financing includes revenue from sales-type and operating leases, finance income, late fees and investment income, gains and losses at the Bank.

*Advance Billings from Contracts with Customers*

	<b>Balance Sheet Location</b>	<b>December 31, 2022</b>	December 31, 2021	Increase/ (decrease)
Advance billings, current	Advance billings	\$ 97,904	\$ 92,926	\$ 4,978
Advance billings, noncurrent	Other noncurrent liabilities	\$ 906	\$ 1,109	\$ (203)

Advance billings are recorded when cash payments are due in advance of our performance. Revenue is recognized ratably over the contract term. Items in advance billings primarily relate to support services on mailing equipment. Revenue recognized during the twelve months ended December 31, 2022 includes \$93 million of advance billings at the beginning of the period. Advance billings, current at December 31, 2022 and 2021 also includes \$7 million and \$6 million, respectively, from leasing transactions.

*Future Performance Obligations*

Future performance obligations include revenue streams bundled with our leasing contracts, primarily maintenance and subscription services. The transaction prices allocated to future performance obligations will be recognized as follows:

	<b>2023</b>	<b>2024</b>	<b>2025-2027</b>	<b>Total</b>
SendTech Solutions	\$ 260,058	\$ 191,558	\$ 235,328	\$ 686,944

The table above does not include revenue for performance obligations under contracts with terms less than 12 months or revenue for performance obligations where revenue is recognized based on the amount billable to the customer.

**3. Segment Information**

Our reportable segments are Global Ecommerce, Presort Services and SendTech Solutions. The principal products and services of each reportable segment are as follows:

*Global Ecommerce:* Includes the revenue and related expenses from domestic parcel services, cross-border solutions and digital delivery services.

*Presort Services:* Includes the revenue and related expenses from sortation services to qualify large volumes of First Class Mail, Marketing Mail, Marketing Mail Flats and Bound Printed Matter for postal worksharing discounts.

*SendTech Solutions:* Includes the revenue and related expenses from physical and digital mailing and shipping technology solutions, financing, services, supplies and other applications to help simplify and save on the sending, tracking and receiving of letters, parcels and flats.

Management measures segment profitability and performance using segment earnings before interest and taxes (EBIT). Segment EBIT is calculated by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, goodwill impairment charges and other items not allocated to a particular business segment. Costs related to shared assets are allocated to the relevant segments. Management believes that it provides investors a useful measure of operating performance and underlying trends of the business. Segment EBIT may not be indicative of

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our overall consolidated performance and therefore, should be read in conjunction with our consolidated results of operations. The following tables provide information about our reportable segments and reconciliation of segment EBIT to net income (loss).

	Revenue		
	Years Ended December 31,		
	2022	2021	2020
Global Ecommerce	\$ 1,576,348	\$ 1,702,580	\$ 1,618,897
Presort Services	602,016	573,480	521,212
SendTech Solutions	1,359,678	1,397,501	1,413,966
<b>Total revenue</b>	<b>\$ 3,538,042</b>	<b>\$ 3,673,561</b>	<b>\$ 3,554,075</b>
<i>Geographic data:</i>			
United States	\$ 3,065,211	\$ 3,114,905	\$ 3,112,285
Outside United States	472,831	558,656	441,790
<b>Total revenue</b>	<b>\$ 3,538,042</b>	<b>\$ 3,673,561</b>	<b>\$ 3,554,075</b>

	EBIT		
	Years Ended December 31,		
	2022	2021	2020
Global Ecommerce	\$ (100,308)	\$ (98,673)	\$ (82,894)
Presort Services	82,430	79,721	55,799
SendTech Solutions	400,909	429,415	442,648
<b>Total segment EBIT</b>	<b>383,031</b>	<b>410,463</b>	<b>415,553</b>
<i>Reconciling items:</i>			
Interest, net	(141,769)	(143,945)	(153,915)
Unallocated corporate expenses	(204,251)	(207,774)	(200,406)
Restructuring charges	(18,715)	(19,003)	(20,712)
Goodwill impairment	—	—	(198,169)
Gain on sale of assets	14,372	1,434	11,908
Gain on sale of businesses, including transaction costs	12,205	7,619	(641)
Loss on debt redemption/refinancing	(4,993)	(56,209)	(36,987)
(Provision) benefit for income taxes	(2,940)	10,922	(7,122)
Income (loss) from continuing operations	36,940	3,507	(190,491)
(Loss) income from discontinued operations, net of tax	—	(4,858)	10,115
<b>Net income (loss)</b>	<b>\$ 36,940</b>	<b>\$ (1,351)</b>	<b>\$ (180,376)</b>

	Depreciation and amortization		
	Years Ended December 31,		
	2022	2021	2020
Global Ecommerce	\$ 78,296	\$ 79,128	\$ 69,676
Presort Services	28,039	27,243	31,769
SendTech Solutions	29,489	29,950	34,316
<b>Total for reportable segments</b>	<b>135,824</b>	<b>136,321</b>	<b>135,761</b>
Corporate	27,992	26,538	24,864
<b>Total depreciation and amortization</b>	<b>\$ 163,816</b>	<b>\$ 162,859</b>	<b>\$ 160,625</b>

**PITNEY BOWES INC.**  
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	Capital expenditures		
	Years Ended December 31,		
	2022	2021	2020
Global Ecommerce	\$ 51,430	\$ 89,488	\$ 46,427
Presort Services	23,363	36,628	15,795
SendTech Solutions	33,364	26,028	28,823
Total for reportable segments	108,157	152,144	91,045
Corporate	16,683	31,898	13,942
Total capital expenditures	<u>\$ 124,840</u>	<u>\$ 184,042</u>	<u>\$ 104,987</u>
	Assets		
	December 31,		
	2022	2021	2020
Global Ecommerce	\$ 996,297	\$ 1,032,434	\$ 994,554
Presort Services	510,345	479,392	523,690
SendTech Solutions	2,023,020	2,013,361	2,071,028
Total for reportable segments	3,529,662	3,525,187	3,589,272
Cash and cash equivalents	669,981	732,480	921,450
Short-term investments	11,172	14,440	18,974
Long-term investments	259,977	333,052	364,212
Other corporate assets	270,563	353,712	330,455
Consolidated assets	<u>\$ 4,741,355</u>	<u>\$ 4,958,871</u>	<u>\$ 5,224,363</u>
<i>Identifiable long-lived assets:</i>			
United States	\$ 730,347	\$ 658,070	\$ 613,990
Outside United States	13,941	14,294	17,641
Total	<u>\$ 744,288</u>	<u>\$ 672,364</u>	<u>\$ 631,631</u>

#### ***4. Discontinued Operations***

Discontinued operations for the years ended December 31, 2021 and 2020 primarily include net working capital and other adjustments relating to the sale of the Software Solutions business in 2019 (except for the software business in Australia, which closed in January 2020). Discontinued operations for the year ended December 31, 2021 also includes a tax charge related to the sale of the Production Mail business in 2018.

**PITNEY BOWES INC.**  
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**5. Earnings per Share (EPS)**

The calculations of basic and diluted earnings per share are presented below. The sum of earnings per share amounts may not equal the totals due to rounding.

	Years Ended December 31,		
	2022	2021	2020
<b>Numerator:</b>			
Income (loss) from continuing operations	\$ 36,940	\$ 3,507	\$ (190,491)
(Loss) income from discontinued operations, net of tax	—	(4,858)	10,115
Income (loss) attributable to common stockholders (numerator for EPS)	<u>\$ 36,940</u>	<u>\$ (1,351)</u>	<u>\$ (180,376)</u>
<b>Denominator:</b>			
Weighted-average shares used in basic EPS	173,912	173,914	171,519
Dilutive effect of common stock equivalents <sup>(1)</sup>	3,340	5,191	—
Weighted-average shares used in diluted EPS	<u>177,252</u>	<u>179,105</u>	<u>171,519</u>
<b>Basic earnings (loss) per share:</b>			
Continuing operations	\$ 0.21	\$ 0.02	\$ (1.11)
Discontinued operations	—	(0.03)	0.06
Net income (loss)	<u>\$ 0.21</u>	<u>\$ (0.01)</u>	<u>\$ (1.05)</u>
<b>Diluted earnings (loss) per share:</b>			
Continuing operations	\$ 0.21	\$ 0.02	\$ (1.11)
Discontinued operations	—	(0.03)	0.06
Net income (loss)	<u>\$ 0.21</u>	<u>\$ (0.01)</u>	<u>\$ (1.05)</u>
Common stock equivalents excluded from calculation of diluted earnings per share because their impact would be anti-dilutive:	<u>10,234</u>	<u>6,514</u>	<u>11,626</u>

<sup>(1)</sup> Due to the loss from continuing operations for the year ended December 31, 2020, common stock equivalents of 2,483 were excluded from the calculation of diluted earnings per share as the impact would have been anti-dilutive.

**6. Inventories**

Inventories consisted of the following:

	December 31,	
	2022	2021
Raw materials	\$ 25,539	\$ 22,352
Supplies and service parts	27,573	26,076
Finished products	30,608	30,160
Total inventory, net	<u>\$ 83,720</u>	<u>\$ 78,588</u>

**PITNEY BOWES INC.**  
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**7. Finance Assets and Lessor Operating Leases**

*Finance Assets*

All finance receivables are in our SendTech segment. We segregate our finance receivables into a North America portfolio and International portfolio. Finance receivables consisted of the following:

	December 31, 2022			December 31, 2021		
	North America	International	Total	North America	International	Total
<u>Sales-type lease receivables</u>						
Gross finance receivables	\$ 967,298	\$ 158,167	\$ 1,125,465	\$ 958,440	\$ 187,831	\$ 1,146,271
Unguaranteed residual values	38,832	8,798	47,630	37,896	10,717	48,613
Unearned income	(239,238)	(48,334)	(287,572)	(246,381)	(56,643)	(303,024)
Allowance for credit losses	(14,131)	(2,893)	(17,024)	(19,546)	(3,246)	(22,792)
Net investment in sales-type lease receivables	<u>752,761</u>	<u>115,738</u>	<u>868,499</u>	<u>730,409</u>	<u>138,659</u>	<u>869,068</u>
<u>Loan receivables</u>						
Loan receivables	311,887	16,636	328,523	262,310	20,155	282,465
Allowance for credit losses	(4,787)	(139)	(4,926)	(3,259)	(167)	(3,426)
Net investment in loan receivables	<u>307,100</u>	<u>16,497</u>	<u>323,597</u>	<u>259,051</u>	<u>19,988</u>	<u>279,039</u>
Net investment in finance receivables	<u>\$ 1,059,861</u>	<u>\$ 132,235</u>	<u>\$ 1,192,096</u>	<u>\$ 989,460</u>	<u>\$ 158,647</u>	<u>\$ 1,148,107</u>

Maturities of finance receivables at December 31, 2022 were as follows:

	Sales-type Lease Receivables			Loan Receivables		
	North America	International	Total	North America	International	Total
2023	\$ 367,414	\$ 62,334	\$ 429,748	\$ 242,529	\$ 16,636	\$ 259,165
2024	274,086	45,140	319,226	26,861	—	26,861
2025	181,627	28,088	209,715	20,702	—	20,702
2026	104,521	15,769	120,290	12,308	—	12,308
2027	39,018	5,631	44,649	7,331	—	7,331
Thereafter	632	1,205	1,837	2,156	—	2,156
Total	<u>\$ 967,298</u>	<u>\$ 158,167</u>	<u>\$ 1,125,465</u>	<u>\$ 311,887</u>	<u>\$ 16,636</u>	<u>\$ 328,523</u>

**PITNEY BOWES INC.**  
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*Allowance for Credit Losses*

Activity in the allowance for credit losses on finance receivables was as follows:

	Sales-type Lease Receivables		Loan Receivables		Total
	North America	International	North America	International	
Balance at December 31, 2019	\$ 10,920	\$ 2,085	\$ 5,906	\$ 740	\$ 19,651
Cumulative effect of accounting change	9,271	1,750	(1,116)	(402)	9,503
Amounts charged to expense	10,789	2,902	8,158	555	22,404
Write-offs	(7,609)	(1,068)	(9,955)	(551)	(19,183)
Recoveries	2,070	194	3,474	4	5,742
Other	(2,524)	143	17	116	(2,248)
Balance at December 31, 2020	22,917	6,006	6,484	462	35,869
Amounts charged to expense	648	(1,788)	(426)	19	(1,547)
Write-offs	(7,120)	(846)	(6,045)	(302)	(14,313)
Recoveries	3,097	173	3,245	3	6,518
Other	4	(299)	1	(15)	(309)
Balance at December 31, 2021	19,546	3,246	3,259	167	26,218
Amounts charged to expense	(2,476)	712	3,992	288	2,516
Write-offs	(6,043)	(791)	(4,903)	(295)	(12,032)
Recoveries	3,184	39	2,447	1	5,671
Other	(80)	(313)	(8)	(22)	(423)
Balance at December 31, 2022	<u>\$ 14,131</u>	<u>\$ 2,893</u>	<u>\$ 4,787</u>	<u>\$ 139</u>	<u>\$ 21,950</u>

*Aging of Receivables*

The aging of gross finance receivables was as follows:

	December 31, 2022				
	Sales-type Lease Receivables		Loan Receivables		Total
	North America	International	North America	International	
Past due amounts 0 - 90 days	\$ 959,203	\$ 155,596	\$ 308,872	\$ 16,503	\$ 1,440,174
Past due amounts > 90 days	8,095	2,571	3,015	133	13,814
Total	<u>\$ 967,298</u>	<u>\$ 158,167</u>	<u>\$ 311,887</u>	<u>\$ 16,636</u>	<u>\$ 1,453,988</u>
	December 31, 2021				
	Sales-type Lease Receivables		Loan Receivables		Total
	North America	International	North America	International	
Past due amounts 0 - 90 days	\$ 950,138	\$ 185,057	\$ 258,514	\$ 20,018	\$ 1,413,727
Past due amounts > 90 days	8,302	2,774	3,796	137	15,009
Total	<u>\$ 958,440</u>	<u>\$ 187,831</u>	<u>\$ 262,310</u>	<u>\$ 20,155</u>	<u>\$ 1,428,736</u>
Past due amounts > 90 days <sup>(1)</sup>					
Still accruing interest	\$ 4,964	\$ 682	\$ —	\$ —	\$ 5,646
Not accruing interest	3,338	2,092	3,796	137	9,363
Total	<u>\$ 8,302</u>	<u>\$ 2,774</u>	<u>\$ 3,796</u>	<u>\$ 137</u>	<u>\$ 15,009</u>

<sup>(1)</sup> In 2021, our policy was to cease financing revenue recognition for sales-type lease receivables that were more than 120 days past due.

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*Credit Quality*

The extension of credit and management of credit lines to new and existing clients uses a combination of a client's credit score, where available, a detailed manual review of their financial condition and payment history or an automated process. Once credit is granted, the payment performance of the client is managed through automated collections processes and is supplemented with direct follow up should an account become delinquent. We have robust automated collections and extensive portfolio management processes to ensure that our global strategy is executed, collection resources are allocated and enhanced tools and processes are implemented as needed.

Over 85% of our finance receivables are within our North American portfolio. We use a third party to score the majority of this portfolio on a quarterly basis using a proprietary commercial credit score. The relative scores are determined based on a number of factors, including financial information, payment history, company type and ownership structure. We stratify the third party's credit scores of our clients into low, medium and high-risk accounts. Due to timing and other issues, our entire portfolio may not be scored at period end. We report these amounts as "Not Scored"; however, absence of a score is not indicative of the credit quality of the account. The third-party credit score is used to predict the payment behaviors of our clients and the probability that an account will become greater than 90 days past due during the subsequent 12-month period.

- Low risk accounts are companies with very good credit scores and a predicted delinquency rate of less than 5%.
- Medium risk accounts are companies with average to good credit scores and a predicted delinquency rate between 5% and 10%.
- High risk accounts are companies with poor credit scores, are delinquent or are at risk of becoming delinquent. The predicted delinquency rate would be greater than 10%.

We do not use a third party to score our International portfolio because the cost to do so is prohibitive as there is no single credit score model that covers all countries. Accordingly, the entire International portfolio is reported in the Not Scored category. This portfolio comprises less than 15% of total finance receivables. Most of the International credit applications are small dollar applications (i.e. below \$50 thousand) and are subjected to an automated review process. Larger credit applications are manually reviewed, which includes obtaining client financial information, credit reports and other available information.

The table below shows gross finance receivables by relative risk class and year of origination based on the relative scores of the accounts within each class as of December 31, 2022 and 2021.

Sales Type Lease Receivables								
	2022	2021	2020	2019	2018	Prior	Loan Receivables	Total
Low	\$ 286,297	\$ 206,511	\$ 140,800	\$ 95,485	\$ 34,721	\$ 12,674	\$ 239,635	\$ 1,016,123
Medium	53,419	40,669	27,013	19,668	6,751	3,441	56,048	207,009
High	6,492	3,840	3,119	1,942	750	508	6,800	23,451
Not Scored	71,435	53,831	29,957	19,232	5,889	1,021	26,040	207,405
Total	<u>\$ 417,643</u>	<u>\$ 304,851</u>	<u>\$ 200,889</u>	<u>\$ 136,327</u>	<u>\$ 48,111</u>	<u>\$ 17,644</u>	<u>\$ 328,523</u>	<u>\$ 1,453,988</u>

Sales Type Lease Receivables								
	2021	2020	2019	2018	2017	Prior	Loan Receivables	Total
Low	\$ 274,191	\$ 195,421	\$ 162,479	\$ 95,661	\$ 33,698	\$ 14,862	\$ 192,161	\$ 968,473
Medium	43,403	34,955	31,038	17,895	6,981	3,619	55,708	193,599
High	5,474	5,017	4,044	2,708	849	889	4,822	23,803
Not Scored	45,644	54,097	47,973	33,998	19,161	12,214	29,774	242,861
Total	<u>\$ 368,712</u>	<u>\$ 289,490</u>	<u>\$ 245,534</u>	<u>\$ 150,262</u>	<u>\$ 60,689</u>	<u>\$ 31,584</u>	<u>\$ 282,465</u>	<u>\$ 1,428,736</u>

*Lease Income*

Lease income from sales-type leases, excluding variable lease payments, was as follows:

	Years Ended December 31,		
	2022	2021	2020
Profit recognized at commencement	\$ 134,717	\$ 127,469	\$ 117,359
Interest income	163,485	186,532	206,517
Total lease income from sales-type leases	<u>\$ 298,202</u>	<u>\$ 314,001</u>	<u>\$ 323,876</u>

**PITNEY BOWES INC.**  
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*Lessor Operating Leases*

We also lease mailing equipment under operating leases with terms of one to five years. Maturities of these operating leases are as follows:

2023	\$ 24,375
2024	17,423
2025	18,656
2026	4,398
2027	2,008
Thereafter	5
<b>Total</b>	<b>\$ 66,865</b>

**8. Fixed Assets**

Fixed assets consisted of the following:

	December 31,	
	2022	2021
Machinery and equipment	\$ 673,898	\$ 707,843
Capitalized software	516,816	488,837
Leasehold improvements	127,357	126,456
	<b>1,318,071</b>	1,323,136
Accumulated depreciation	<b>(897,399)</b>	(893,974)
Property, plant and equipment, net	<b>\$ 420,672</b>	<b>\$ 429,162</b>
Rental property and equipment	\$ 111,188	\$ 125,967
Accumulated depreciation	<b>(83,701)</b>	(91,193)
Rental property and equipment, net	<b>\$ 27,487</b>	<b>\$ 34,774</b>

Depreciation expense was \$140 million, \$132 million and \$127 million for the years ended December 31, 2022, 2021 and 2020, respectively.

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**9. Acquisitions, Divestitures, Intangible Assets and Goodwill**

*Acquisitions/Divestitures*

Effective July 1, 2022, we sold Borderfree for proceeds of \$95 million, net of cash transferred, and recognized a pre-tax gain of \$5 million, which included a goodwill allocation of \$56 million attributable to Borderfree and write-off of intangible assets of \$34 million. During 2022, we also received additional proceeds of \$7 million related to the 2021 sale of a business and recognized a pre-tax gain of \$4 million, and spent \$5 million on acquisitions for our Presort Services segment.

During 2021, we sold a U.K. based software consultancy business ("Tacit") acquired as part of our 2017 acquisition of Newgistics. We received net proceeds of \$28 million and recognized a pre-tax gain of \$10 million (after-tax gain of \$4 million), which included a goodwill allocation of \$16 million attributable to Tacit. Additionally, we acquired CrescoData for \$15 million in cash plus potential additional payments of up to \$7 million based on the achievement of revenue targets during 2022-2024. CrescoData is a Singapore based, Platform-as-a-Service business that enables mapping and automating of product, stock and order data between platforms and is included in our SendTech Solutions segment.

*Intangible Assets*

Intangible assets consisted of the following:

	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 155,715	\$ (80,188)	\$ 75,527	\$ 268,187	\$ (141,492)	\$ 126,695
Software & technology	22,000	(19,583)	2,417	21,981	(16,234)	5,747
Total intangible assets, net	\$ 177,715	\$ (99,771)	\$ 77,944	\$ 290,168	\$ (157,726)	\$ 132,442

Amortization expense was \$24 million, \$30 million and \$33 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Future amortization expense for intangible assets at December 31, 2022 is as follows:

2023	\$ 15,724
2024	15,724
2025	15,520
2026	14,530
2027	11,475
Thereafter	4,971
Total	\$ 77,944

Actual amortization expense may differ from the amounts above due to, among other things, fluctuations in foreign currency exchange rates, acquisitions, divestitures and impairment charges.

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*Goodwill*

During 2022, we determined that the agreement to sell Borderfree was a triggering event and an impairment test was performed as of July 1, 2022. Further, we determined that the shortfall in fourth quarter performance of the Global Ecommerce reporting unit was an additional triggering event. Accordingly, we performed another goodwill impairment test as of December 31, 2022 to assess whether the goodwill of the Global Ecommerce reporting unit was impaired. We engaged a third-party to assist in the determination of the reporting unit fair value. The fair value was estimated using a discounted cash flow model based on management developed cash flow projections, which included judgements and assumptions related to revenue growth rates, operating margins and operating income, and discount rate.

The results of our annual test and triggering event tests indicated that the fair value of the Global Ecommerce reporting unit exceeded its carrying value and no impairment existed. However, the estimated fair value of the reporting unit at December 31, 2022 exceeded its carrying value by less than 10%. Further, the judgements and assumptions used to estimate the fair value of the reporting unit are inherently subjective and changes in any of these judgements or assumptions used to determine the fair value of this reporting unit at December 31, 2022 could result in a different fair value determination in a future period. The carrying value of goodwill for the Global Ecommerce reporting unit at December 31, 2022 was \$339 million.

Events and circumstances that could change our original judgements and assumptions and materially impact the fair value determination of the Global Ecommerce reporting unit, include, but are not limited to, continued financial and operating performance below expectations, reduced consumer spending due to inflationary pressures and rising prices, a continued and prolonged slow-down in economic activity, increased competition and pricing pressures, changing consumer behaviors, our ability to increase volumes, gain economies of scale and improve margins, and rising interest rates.

Changes in the carrying amount of goodwill by reporting segment are shown in the tables below.

	Goodwill before accumulated impairment	Accumulated impairment	December 31, 2021	Acquisitions/ (dispositions)	FX Impact	December 31, 2022
Global Ecommerce	\$ 593,231	\$ (198,169)	\$ 395,062	\$ (55,878)	\$ —	\$ 339,184
Presort Services	220,992	—	220,992	2,771	—	223,763
SendTech Solutions	519,049	—	519,049	—	(15,045)	504,004
<b>Total goodwill</b>	<b>\$ 1,333,272</b>	<b>\$ (198,169)</b>	<b>\$ 1,135,103</b>	<b>\$ (53,107)</b>	<b>\$ (15,045)</b>	<b>\$ 1,066,951</b>

	Goodwill before accumulated impairment	Accumulated impairment	December 31, 2020	Acquisitions/ (dispositions)	FX Impact	December 31, 2021
Global Ecommerce	\$ 609,431	\$ (198,169)	\$ 411,262	\$ (16,200)	\$ —	\$ 395,062
Presort Services	220,992	—	220,992	—	—	220,992
SendTech Solutions	520,031	—	520,031	13,804	(14,786)	519,049
<b>Total goodwill</b>	<b>\$ 1,350,454</b>	<b>\$ (198,169)</b>	<b>\$ 1,152,285</b>	<b>\$ (2,396)</b>	<b>\$ (14,786)</b>	<b>\$ 1,135,103</b>

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**10. Fair Value Measurements and Derivative Instruments**

We measure certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. An entity is required to classify certain assets and liabilities measured at fair value based on the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity, may be derived from internally developed methodologies based on management's best estimate of fair value and that are significant to the fair value of the asset or liability.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect its placement within the fair value hierarchy. The following tables show, by level within the fair value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis.

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investment securities				
Money market funds	\$ 29,087	\$ 238,536	\$ —	\$ 267,623
Equity securities	—	13,233	—	13,233
Commingled fixed income securities	1,520	6,526	—	8,046
Government and related securities	10,253	18,796	—	29,049
Corporate debt securities	—	52,319	—	52,319
Mortgage-backed / asset-backed securities	—	126,882	—	126,882
Derivatives				
Interest rate swaps	—	15,283	—	15,283
Foreign exchange contracts	—	479	—	479
Total assets	<u>\$ 40,860</u>	<u>\$ 472,054</u>	<u>\$ —</u>	<u>\$ 512,914</u>
<b>Liabilities:</b>				
Derivatives				
Foreign exchange contracts	\$ —	\$ (1,472)	\$ —	\$ (1,472)
Total liabilities	<u>\$ —</u>	<u>\$ (1,472)</u>	<u>\$ —</u>	<u>\$ (1,472)</u>

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	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investment securities				
Money market funds	\$ 88,705	\$ 338,043	\$ —	\$ 426,748
Equity securities	—	29,356	—	29,356
Commingled fixed income securities	1,692	16,815	—	18,507
Government and related securities	9,790	25,439	—	35,229
Corporate debt securities	—	65,167	—	65,167
Mortgage-backed / asset-backed securities	—	172,018	—	172,018
Derivatives				
Interest rate swap	—	3,103	—	3,103
Foreign exchange contracts	—	2,474	—	2,474
Total assets	<u>\$ 100,187</u>	<u>\$ 652,415</u>	<u>\$ —</u>	<u>\$ 752,602</u>
<b>Liabilities:</b>				
Derivatives				
Foreign exchange contracts	\$ —	\$ (304)	\$ —	\$ (304)
Total liabilities	<u>\$ —</u>	<u>\$ (304)</u>	<u>\$ —</u>	<u>\$ (304)</u>

**Investment Securities**

The valuation of investment securities is based on a market approach using inputs that are observable, or can be corroborated by observable data, in an active marketplace. The following information relates to our classification within the fair value hierarchy:

- *Money Market Funds:* Money market funds typically invest in government securities, certificates of deposit, commercial paper and other highly liquid, low risk securities. Money market funds are principally used for overnight deposits and are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.
- *Equity Securities:* Equity securities are comprised of mutual funds investing in U.S. and foreign stocks. These mutual funds are classified as Level 2.
- *Commingled Fixed Income Securities:* Commingled fixed income securities are comprised of mutual funds that invest in a variety of fixed income securities, including securities of the U.S. government and its agencies, corporate debt, mortgage-backed securities and asset-backed securities. Fair value is based on the value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding, as reported by the fund manager. These mutual funds are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.
- *Government and Related Securities:* Debt securities are classified as Level 1 when unadjusted quoted prices in active markets are available. Debt securities are classified as Level 2 where fair value is determined using quoted market prices for similar securities or benchmarking model derived prices to quoted market prices and trade data for identical or comparable securities.
- *Corporate Debt Securities:* Corporate debt securities are valued using recently executed comparable transactions, market price quotations or bond spreads for the same maturity as the security. These securities are classified as Level 2.
- *Mortgage-Backed Securities / Asset-Backed Securities:* These securities are valued based on external pricing indices or on external price/spread data. These securities are classified as Level 2.

**Derivative Securities**

- *Foreign Exchange Contracts:* The valuation of foreign exchange derivatives is based on a market approach using observable market inputs, such as foreign currency spot and forward rates and yield curves. These securities are classified as Level 2.
- *Interest Rate Swaps:* The valuation of interest rate swaps is based on an income approach using inputs that are observable or that can be derived from, or corroborated by, observable market data. These securities are classified as Level 2.

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**Available-For-Sale Securities**

Available-for-sale securities consisted of the following:

	December 31, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Government and related securities	\$ 35,744	\$ 11	\$ (8,210)	\$ 27,545
Corporate debt securities	66,300	—	(13,981)	52,319
Commingled fixed income securities	1,749	—	(229)	1,520
Mortgage-backed / asset-backed securities	156,352	—	(29,470)	126,882
<b>Total</b>	<b>\$ 260,145</b>	<b>\$ 11</b>	<b>\$ (51,890)</b>	<b>\$ 208,266</b>

	December 31, 2021			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Government and related securities	\$ 36,160	\$ 81	\$ (1,012)	\$ 35,229
Corporate debt securities	67,906	259	(2,998)	65,167
Commingled fixed income securities	1,725	—	(33)	1,692
Mortgage-backed / asset-backed securities	176,559	144	(4,685)	172,018
<b>Total</b>	<b>\$ 282,350</b>	<b>\$ 484</b>	<b>\$ (8,728)</b>	<b>\$ 274,106</b>

Investment securities in a loss position were as follows:

	December 31, 2022		December 31, 2021	
	Fair Value	Gross unrealized losses	Fair Value	Gross unrealized losses
<b>Greater than 12 continuous months</b>				
Government and related securities	\$ 17,063	\$ 2,753	\$ 16,018	\$ 579
Corporate debt securities	48,812	13,749	51,385	2,658
Mortgage-backed / asset-backed securities	114,839	28,040	135,441	4,057
<b>Total</b>	<b>\$ 180,714</b>	<b>\$ 44,542</b>	<b>\$ 202,844</b>	<b>\$ 7,294</b>
<b>Less than 12 continuous months</b>				
Government and related securities	\$ 10,061	\$ 5,457	\$ 15,438	\$ 433
Corporate debt securities	3,508	232	8,859	339
Commingled fixed income securities	1,520	229	1,692	33
Mortgage-backed / asset-backed securities	12,042	1,430	30,754	629
<b>Total</b>	<b>\$ 27,131</b>	<b>\$ 7,348</b>	<b>\$ 56,743</b>	<b>\$ 1,434</b>

At December 31, 2022, approximately 99% of total securities in the investment portfolio were in a net loss position. However, we have the ability and intent to hold these securities until recovery of the unrealized losses or expect to receive the stated principal and interest at maturity. Accordingly, we have not recognized an impairment loss and our allowance for credit losses on these investment securities is not significant. Our allowance for credit losses on available-for-sale investment securities is not significant.

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At December 31, 2022, scheduled maturities of available-for-sale securities were as follows:

	<u>Amortized cost</u>	<u>Estimated fair value</u>
Within 1 year	\$ 2,115	\$ 1,882
After 1 year through 5 years	15,731	14,190
After 5 years through 10 years	73,002	59,117
After 10 years	169,297	133,077
<b>Total</b>	<u><u>\$ 260,145</u></u>	<u><u>\$ 208,266</u></u>

The actual maturities may not coincide with scheduled maturities as certain securities contain early redemption features and/or allow for the prepayment of obligations with or without penalty.

**Held-to-Maturity Securities**

Held-to-maturity securities at December 31, 2022 and 2021 totaled \$22 million and \$20 million, respectively.

**Simple Agreement for Future Equity (SAFE) Investment**

In October 2022, we invested \$10 million in Ambi Robotics Inc., a robotics solutions company, via a SAFE arrangement. The SAFE investment provides us the right to participate in future equity offerings by Ambi Robotics Inc. The investment is carried at cost and recorded in Other assets. The carrying value of the investment could be increased or decreased based on future observable transactions by Ambi Robotics Inc.

**Derivative Instruments**

*Foreign Exchange Contracts*

We enter into foreign exchange contracts to mitigate the currency risk associated with anticipated inventory purchases between affiliates and from third parties. These contracts are designated as cash flow hedges. The effective portion of the gain or loss on cash flow hedges is included in AOCL in the period that the change in fair value occurs and is reclassified to earnings in the period that the hedged item is recorded in earnings. At both December 31, 2022 and 2021, outstanding contracts associated with these anticipated transactions had a notional amount of \$1 million. The amounts included in AOCL at December 31, 2022 will be recognized in earnings within the next 12 months.

*Interest Rate Swaps*

We enter into interest rate swaps to manage the cost of our variable rate debt. At December 31, 2022, we had outstanding interest rate swaps that effectively convert \$200 million of our variable rate debt to fixed rates. These swaps are designated as cash flow hedges. The fair value of the interest rate swaps is recorded as a derivative asset or liability at the end of each reporting period with the change in fair value reflected in AOCL.

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The fair value of our derivative instruments was as follows:

Designation of Derivatives	Balance Sheet Location	December 31,	
		2022	2021
<b>Derivatives designated as hedging instruments</b>			
Foreign exchange contracts	Other current assets and prepayments	\$ 15	\$ 21
	Accounts payable and accrued liabilities	(23)	(10)
Interest rate swaps	Other assets	15,283	3,103
<b>Derivatives not designated as hedging instruments</b>			
Foreign exchange contracts	Other current assets and prepayments	464	2,453
	Accounts payable and accrued liabilities	(1,449)	(294)
	Total derivative assets	15,762	5,577
	Total derivative liabilities	(1,472)	(304)
	Total net derivative asset	<u>\$ 14,290</u>	<u>\$ 5,273</u>

No amount of ineffectiveness was recorded in earnings for these designated cash flow hedges.

The following represents the results of cash flow hedging relationships:

Derivative Instrument	Years Ended December 31,				
	Derivative Gain (Loss) Recognized in AOCI (Effective Portion)		Location of Gain (Loss) (Effective Portion)	Gain (Loss) Reclassified from AOCI to Earnings (Effective Portion)	
	2022	2021		2022	2021
Foreign exchange contracts	\$ 159	\$ 198	Revenue	\$ —	\$ 289
			Cost of sales	178	(117)
Interest rate swaps	12,180	5,266	Interest Expense	549	(366)
	<u>\$ 12,339</u>	<u>\$ 5,464</u>		<u>\$ 727</u>	<u>\$ (194)</u>

*Non-designated derivative instruments*

We also enter into foreign exchange contracts to minimize the impact of exchange rate fluctuations on short-term intercompany loans and related interest that are denominated in a foreign currency. The revaluation of the intercompany loans and interest and the mark-to-market adjustment on the derivatives are both recorded in earnings. All outstanding contracts at December 31, 2022 mature over the next three months.

The following represents the mark-to-market adjustment on our non-designated derivative instruments:

Derivatives Instrument	Location of Derivative Gain (Loss)	Years Ended December 31,	
		2022	2021
Foreign exchange contracts	Selling, general and administrative expense	\$ (28,228)	\$ (4,540)

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**Fair Value of Financial Instruments**

Our financial instruments include cash and cash equivalents, investment securities, accounts receivable, loan receivables, derivative instruments, accounts payable and debt. The carrying value for cash and cash equivalents, accounts receivable, loans receivable, held-to-maturity investment securities and accounts payable approximate fair value. The fair value of available-for-sale investment securities and derivative instruments are presented above. The fair value of our debt is estimated based on recently executed transactions and market price quotations. The inputs used to determine the fair value of our debt were classified as Level 2 in the fair value hierarchy. The carrying value and estimated fair value of our debt was as follows:

	December 31,	
	2022	2021
Carrying value	\$ 2,205,266	\$ 2,323,838
Fair value	\$ 1,856,878	\$ 2,355,894

**11. Supplemental Financial Statement Information**

Activity in the allowance for credit losses on accounts receivable is presented below.

	Balance at beginning of year	Cumulative effect of accounting change	Amounts charged to expense	Write-offs, recoveries and other	Balance at end of year	Accounts and other receivables	Other assets
2022	\$ 29,179	\$ —	\$ 6,421	\$ (29,736)	\$ 5,864	\$ 5,344	\$ 520
2021	\$ 35,344	\$ —	\$ 9,355	\$ (15,520)	\$ 29,179	\$ 11,168	\$ 18,011
2020	\$ 17,830	\$ 15,336	\$ 19,789	\$ (17,611)	\$ 35,344	\$ 18,899	\$ 16,445

Other (income) expense consisted of the following:

	Years Ended December 31,		
	2022	2021	2020
Loss on redemption/refinancing of debt	\$ 4,993	\$ 56,209	\$ 36,987
Insurance proceeds	—	(3,000)	(16,928)
Gain on sale of assets	(14,372)	(1,434)	(11,908)
Gain on sale of businesses, including transaction costs	(12,239)	(10,201)	—
Other (income) expense	\$ (21,618)	\$ 41,574	\$ 8,151

In 2022, we entered into a sale and leaseback agreement for our Shelton, Connecticut office building and received proceeds of \$51 million and recognized a gain of \$14 million. The gain on sale of businesses includes a \$5 million gain on the sale of Borderfree and a gain of \$7 million on proceeds of \$16 million related to prior year business sales.

Supplemental cash flow information is as follows:

	Years Ended December 31,		
	2022	2021	2020
Purchases of property and equipment in accounts payable	\$ 5,213	\$ 5,305	\$ 16,098
Cash interest paid	\$ 134,247	\$ 124,084	\$ 151,857
Cash income tax payments, net of refunds	\$ 14,553	\$ 4,337	\$ 20,185

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Selected balance sheet information is as follows:

	December 31,	
	2022	2021
<i>Other assets:</i>		
Long-term investments	\$ 259,977	\$ 333,052
Other (net of allowance of \$520 and \$18,011, respectively)	120,442	138,032
Total	<u>\$ 380,419</u>	<u>\$ 471,084</u>
<i>Accounts payable and accrued liabilities:</i>		
Accounts payable	\$ 315,351	\$ 310,993
Customer deposits	209,662	185,528
Employee related liabilities	216,273	233,876
Other	165,797	192,146
Total	<u>\$ 907,083</u>	<u>\$ 922,543</u>
<i>Other noncurrent liabilities:</i>		
Pension liabilities	\$ 74,681	\$ 115,457
Postretirement medical benefits	87,745	126,675
Other	65,303	66,596
Total	<u>\$ 227,729</u>	<u>\$ 308,728</u>

## **12. Restructuring Charges**

Activity in our restructuring reserves was as follows:

	Severance and other exit costs
Balance at December 31, 2020	\$ 10,063
Expenses, net	19,003
Cash payments	(21,990)
Noncash activity	(1,329)
Balance at December 31, 2021	5,747
Expenses, net	18,715
Cash payments	(15,406)
Noncash activity	(1,409)
Balance at December 31, 2022	<u>\$ 7,647</u>

The majority of the remaining restructuring reserves are expected to be paid over the next 12-24 months.

**PITNEY BOWES INC.**  
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**13. Debt**

	<u>Interest rate</u>	<u>December 31,</u>	
		<u>2022</u>	<u>2021</u>
Notes due April 2023	6.20%	\$ —	\$ 90,259
Notes due March 2024	4.625%	236,749	242,603
Term loan due March 2026	SOFR + 2.0%	351,500	370,500
Notes due March 2027	6.875%	396,750	400,000
Term loan due March 2028	SOFR + 4.0%	442,125	446,625
Notes due March 2029	7.25%	350,000	350,000
Notes due January 2037	5.25%	35,841	35,841
Notes due March 2043	6.70%	425,000	425,000
Other debt		2,446	3,685
Principal amount		2,240,411	2,364,513
Less: unamortized costs, net		35,145	40,675
Total debt		2,205,266	2,323,838
Less: current portion long-term debt		32,764	24,739
Long-term debt		<u>\$ 2,172,502</u>	<u>\$ 2,299,099</u>

During 2022, we redeemed the April 2023 notes and recognized a \$5 million pre-tax loss in connection with this redemption. We also made scheduled principal repayments of \$24 million on our term loans and repurchased \$6 million of the March 2024 notes and \$3 million of the March 2027 notes in the open market. Through February 16, 2023, we have purchased an additional aggregate \$12 million of the March 2024 notes and March 2027 notes.

The credit agreement that governs our \$500 million secured revolving credit facility and term loans contains financial and non-financial covenants. At December 31, 2022, we were in compliance with all covenants and there were no outstanding borrowings under the revolving credit facility. In December 2022, we amended this credit facility to adjust our financial covenants and provide additional financial flexibility. Borrowings under the revolving credit facility and term loans are secured by assets of the company.

We have outstanding interest rate swaps that effectively convert \$200 million of our variable rate debt to fixed rates. Under the terms of these agreements, we pay fixed-rate interest of 0.56% and receive variable-rate interest based on one-month LIBOR. The variable interest rate under the term loans and the swaps reset monthly.

At December 31, 2022, the interest rate of the 2026 Term Loan was 6.4% and the interest rate on the 2028 Term Loan was 8.4%.

The PB Bank (the Bank), a wholly owned subsidiary, is a member of the Federal Home Loan Bank (FHLB) of Des Moines. As a member, the Bank has access to certain credit products as a funding source known as "advances." As of December 31, 2022, the Bank had yet to apply for any advances. The Bank was required to purchase an equity interest in the FHLB of \$1 million as a condition of membership. The equity interest investment is carried at cost since there is no readily determinable fair value as there is no actively traded market and investment is restricted to members only.

Annual maturities of outstanding principal at December 31, 2022 are as follows:

2023	\$ 32,739
2024	280,956
2025	50,500
2026	244,500
2027	401,250
Thereafter	1,230,466
Total	<u>\$ 2,240,411</u>

**PITNEY BOWES INC.**  
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**14. Retirement Plans and Postretirement Medical Benefits**

**Retirement Plans**

We provide retirement benefits to eligible employees in the U.S. and outside the U.S. under various defined benefit retirement plans. Benefit accruals under most of our defined benefit plans have been frozen. The benefit obligations and funded status of defined benefit pension plans are as follows:

	United States		Foreign	
	2022	2021	2022	2021
<b>Accumulated benefit obligation</b>	<b>\$ 1,205,135</b>	<b>\$ 1,609,125</b>	<b>\$ 447,401</b>	<b>\$ 762,558</b>
<b>Projected benefit obligation</b>				
Benefit obligation - beginning of year	\$ 1,609,508	\$ 1,729,959	\$ 770,468	\$ 830,674
Service cost	55	102	1,214	1,528
Interest cost	44,348	42,434	13,568	11,811
Net actuarial gain	(349,261)	(53,133)	(242,488)	(37,197)
Foreign currency changes	—	—	(68,519)	(10,747)
Settlements	(1,574)	(1,429)	—	—
Benefits paid	(97,893)	(108,425)	(22,906)	(25,601)
Benefit obligation - end of year	<u>\$ 1,205,183</u>	<u>\$ 1,609,508</u>	<u>\$ 451,337</u>	<u>\$ 770,468</u>
<b>Fair value of plan assets</b>				
Fair value of plan assets - beginning of year	\$ 1,549,157	\$ 1,601,786	\$ 737,443	\$ 742,639
Actual return on plan assets	(293,968)	51,828	(218,325)	17,929
Company contributions	5,639	5,397	8,731	9,686
Settlements	(1,574)	(1,429)	—	—
Foreign currency changes	—	—	(66,540)	(7,210)
Benefits paid	(97,893)	(108,425)	(22,906)	(25,601)
Fair value of plan assets - end of year	<u>\$ 1,161,361</u>	<u>\$ 1,549,157</u>	<u>\$ 438,403</u>	<u>\$ 737,443</u>
<b>Amounts recognized in the Consolidated Balance Sheets</b>				
Noncurrent asset	\$ —	\$ —	\$ 26,570	\$ 29,309
Current liability	(7,294)	(5,883)	(1,351)	(1,345)
Noncurrent liability	(36,528)	(54,468)	(38,153)	(60,989)
Funded status	<u>\$ (43,822)</u>	<u>\$ (60,351)</u>	<u>\$ (12,934)</u>	<u>\$ (33,025)</u>

Information provided in the table below is only for pension plans with an accumulated benefit obligation in excess of plan assets:

	United States		Foreign	
	2022	2021	2022	2021
Projected benefit obligation	\$ 1,205,183	\$ 1,609,508	\$ 38,238	\$ 59,859
Accumulated benefit obligation	\$ 1,205,135	\$ 1,609,125	\$ 37,972	\$ 59,352
Fair value of plan assets	\$ 1,161,361	\$ 1,549,157	\$ —	\$ —

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Pretax amounts recognized in AOCI consist of:

	United States		Foreign	
	2022	2021	2022	2021
Net actuarial loss	\$ 698,815	\$ 716,585	\$ 297,753	\$ 301,913
Prior service (credit) cost	(105)	(149)	7,552	7,804
Transition asset	—	—	(7)	(7)
Total	<u>\$ 698,710</u>	<u>\$ 716,436</u>	<u>\$ 305,298</u>	<u>\$ 309,710</u>

The components of net periodic benefit cost (income) for defined benefit pension plans were as follows:

	United States			Foreign		
	2022	2021	2020	2022	2021	2020
Service cost	\$ 55	\$ 102	\$ 86	\$ 1,214	\$ 1,528	\$ 1,650
Interest cost	44,348	42,434	52,103	13,568	11,811	13,379
Expected return on plan assets	(71,080)	(77,119)	(84,719)	(26,770)	(31,869)	(34,391)
Amortization of net transition asset	—	—	—	—	—	(4)
Amortization of prior service (credit) cost	(44)	(60)	(60)	252	268	245
Amortization of net actuarial loss	33,164	38,233	32,490	6,767	9,350	7,842
Settlements	394	551	1,364	—	—	5,060
Net periodic benefit cost (income)	<u>\$ 6,837</u>	<u>\$ 4,141</u>	<u>\$ 1,264</u>	<u>\$ (4,969)</u>	<u>\$ (8,912)</u>	<u>\$ (6,219)</u>

Other changes in plan assets and benefit obligations for defined benefit pension plans recognized in other comprehensive income were as follows:

	United States		Foreign	
	2022	2021	2022	2021
Net actuarial loss (gain)	\$ 15,788	\$ (27,842)	\$ 2,607	\$ (23,257)
Amortization of net actuarial loss	(33,164)	(38,233)	(6,767)	(9,350)
Amortization of prior service credit (cost)	44	60	(252)	(268)
Settlements	(394)	(551)	—	—
Total recognized in other comprehensive income	<u>\$ (17,726)</u>	<u>\$ (66,566)</u>	<u>\$ (4,412)</u>	<u>\$ (32,875)</u>

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Weighted-average actuarial assumptions used to determine year end benefit obligations and net periodic benefit cost for defined benefit pension plans include:

	2022	2021	2020
<b>United States</b>			
<u>Used to determine benefit obligations</u>			
Discount rate	<b>5.55%</b>	2.85%	2.54%
Rate of compensation increase	N/A	N/A	N/A
<u>Used to determine net periodic benefit cost</u>			
Discount rate	<b>2.85%</b>	2.54%	3.34%
Expected return on plan assets	<b>5.10%</b>	5.60%	6.25%
Rate of compensation increase	N/A	N/A	N/A
<b>Foreign</b>			
<u>Used to determine benefit obligations</u>			
Discount rate	<b>1.95 % - 5.10%</b>	0.85 % - 2.85%	0.70 % - 2.40%
Rate of compensation increase	<b>2.00 % - 3.00%</b>	1.50 % - 3.65%	1.50 % - 2.50%
<u>Used to determine net periodic benefit cost</u>			
Discount rate	<b>0.85 % - 2.85%</b>	0.70 % - 2.40%	0.65 % - 2.95%
Expected return on plan assets	<b>3.75 % - 5.75%</b>	3.50 % - 5.75%	4.25 % - 6.00%
Rate of compensation increase	<b>1.50 % - 2.50%</b>	1.50 % - 2.50%	1.50 % - 2.50%

A discount rate is used to determine the present value of our future benefit obligations. The discount rate for our U.S. pension plans is determined by matching the expected cash flows associated with our benefit obligations to a pool of corporate long-term, high-quality fixed income debt instruments available as of the measurement date. The discount rate for our largest foreign plan, the U.K. Qualified Pension Plan (the U.K. Plan), is determined using a model that discounts each year's estimated benefit payments by an applicable spot rate derived from a yield curve created from a large number of high quality corporate bonds. For our other smaller foreign pension plans, the discount rate is selected based on high-quality fixed income indices available in the country in which the plan is domiciled.

The expected return on plan assets is based on the target asset allocation for the applicable pension plan and expected rates of return for various asset classes in the investment portfolio after analyzing historical experience, future expectations of returns and volatility of asset classes.

**Investment Strategy and Asset Allocation**

The investment strategy for our pension plans is to maximize returns within reasonable and prudent risk levels, achieve and maintain full funding of the accumulated benefit obligation and the actuarial liabilities and earn the expected rate of return while adhering to regulations and restrictions.

Pension plan assets are invested in accordance with our strategic asset allocation policy. Pension plan assets are exposed to various risks, including interest rate risks, market risks and credit risks. Investments are diversified across asset classes and within each class to reduce the risk of large losses and are periodically rebalanced. Derivatives, such as swaps, options, forwards and futures contracts may be used for market exposure, to alter risk/return characteristics and to manage foreign currency exposure. We do not have any significant concentrations of credit risk within the plan assets.

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*U.S. Pension Plans*

Investment objectives and investment managers are reviewed periodically. Target and actual asset allocations for the U.S. pension plans were as follows:

<b>Asset category</b>	<b>Target allocation</b>	<b>Percent of Plan Assets at December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Equities	<b>16 %</b>	15 %	18 %
Multi-asset credit	<b>2 %</b>	2 %	3 %
Fixed income	<b>76 %</b>	74 %	73 %
Real estate	<b>5 %</b>	8 %	5 %
Private equity	<b>1 %</b>	1 %	1 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

*Foreign Pension Plans*

Our foreign pension plan assets are managed by outside investment managers and monitored regularly by local trustees and our corporate personnel. Target and actual asset allocations for the U.K. Plan, which comprises 73% of the total foreign pension plan assets, were as follows:

<b>Asset category</b>	<b>Target Allocation</b>	<b>Percent of Plan Assets at December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Global equities	<b>10 %</b>	8 %	12 %
Fixed income	<b>70 %</b>	70 %	69 %
Real estate	<b>10 %</b>	13 %	9 %
Diversified growth	<b>10 %</b>	8 %	9 %
Cash	<b>— %</b>	1 %	1 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

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**Fair Value Measurements of Plan Assets**

The following tables show the U.S. and foreign pension plans' assets, by level within the fair value hierarchy. The plan asset categories presented in the following tables are subsets of the broader asset allocation categories.

*United States Pension Plans*

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ —	\$ 10,623	\$ —	\$ 10,623
Equity securities	—	137,505	—	137,505
Commingled fixed income securities	—	220,281	—	220,281
Government and related securities	114,084	21,479	—	135,563
Corporate debt securities	—	527,407	—	527,407
Mortgage-backed /asset-backed securities	—	26,450	—	26,450
Real estate	—	—	91,500	91,500
Securities lending collateral	—	113,802	—	113,802
Total plan assets at fair value	<u>\$ 114,084</u>	<u>\$ 1,057,547</u>	<u>\$ 91,500</u>	<u>\$ 1,263,131</u>
Securities lending payable				(113,802)
Investments valued at NAV				10,416
Cash				3,525
Other				(1,909)
Fair value of plan assets				<u>\$ 1,161,361</u>

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ —	\$ 3,725	\$ —	\$ 3,725
Equity securities	—	195,037	—	195,037
Commingled fixed income securities	—	229,300	—	229,300
Government and related securities	202,416	26,582	—	228,998
Corporate debt securities	—	771,529	—	771,529
Mortgage-backed /asset-backed securities	—	12,486	—	12,486
Real estate	—	—	77,494	77,494
Securities lending collateral	—	145,855	—	145,855
Total plan assets at fair value	<u>\$ 202,416</u>	<u>\$ 1,384,514</u>	<u>\$ 77,494</u>	<u>\$ 1,664,424</u>
Securities lending payable				(145,855)
Investments valued at NAV				16,820
Cash				20,569
Other				(6,801)
Fair value of plan assets				<u>\$ 1,549,157</u>

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Foreign Plans

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ —	\$ 8,338	\$ —	\$ 8,338
Equity securities	—	42,717	—	42,717
Commingled fixed income securities	—	247,337	—	247,337
Government and related securities	—	35,887	—	35,887
Corporate debt securities	—	26,336	—	26,336
Real estate	—	4,446	42,980	47,426
Diversified growth funds	—	—	24,394	24,394
Total plan assets at fair value	<u>\$ —</u>	<u>\$ 365,061</u>	<u>\$ 67,374</u>	<u>\$ 432,435</u>
Cash				5,485
Other				483
Fair value of plan assets				<u>\$ 438,403</u>

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ —	\$ 8,577	\$ —	\$ 8,577
Equity securities	—	96,596	—	96,596
Commingled fixed income securities	—	431,845	—	431,845
Government and related securities	—	46,522	—	46,522
Corporate debt securities	—	33,583	—	33,583
Real estate	—	7,168	52,491	59,659
Diversified growth funds	—	—	52,169	52,169
Total plan assets at fair value	<u>\$ —</u>	<u>\$ 624,291</u>	<u>\$ 104,660</u>	<u>\$ 728,951</u>
Cash				7,966
Other				526
Fair value of plan assets				<u>\$ 737,443</u>

The following information relates to our classification of investments into the fair value hierarchy:

- *Money Market Funds:* Money market funds typically invest in government securities, certificates of deposit, commercial paper and other highly liquid, low risk securities. Money market funds are principally used for overnight deposits and are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.
- *Equity Securities:* Equity securities are comprised of mutual funds investing in U.S. and foreign stocks. These mutual funds are classified as Level 2.
- *Commingled Fixed Income Securities:* Commingled fixed income securities are comprised of mutual funds that invest in a variety of fixed income securities, including securities of the U.S. government and its agencies, corporate debt, mortgage-backed securities and asset-backed securities. Fair value is based on the value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding, as reported by the fund manager. These mutual funds are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange.
- *Government and Related Securities:* Debt securities are classified as Level 1 where active, high volume trades for identical securities exist. Valuation adjustments are not applied to these securities. Debt securities are classified as Level 2 where fair value is determined using quoted market prices for similar securities or benchmarking model derived prices to quoted market prices and trade data for identical or comparable securities.

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- *Corporate Debt Securities:* Corporate debt securities are valued using recently executed comparable transactions, market price quotations or bond spreads for the same maturity as the security. These securities are classified as Level 2.
- *Mortgage-Backed Securities / Asset-Backed Securities:* These securities are valued based on external pricing indices or on external price/spread data. These securities are classified as Level 2.
- *Real Estate:* include units in open-ended commingled real estate funds. Funds that are valued and traded on a daily basis in an active market are classified as Level 2. Investments that are valued on an annual basis by certified appraisers are classified as Level 3. The valuation techniques used to value Level 3 investments include the cost approach, sales-comparison method and the income approach.
- *Diversified Growth Funds:* comprised of units in commingled diversified growth funds that comprise a mix of different asset classes. The underlying investments may not be listed on an exchange in an active market or traded on a daily basis and may fall into all three fair value categories. Accordingly, these securities are classified as Level 3.
- *Securities Lending Fund:* represents a commingled fund through our custodian's securities lending program. The U.S. pension plan lends securities that are held within the plan to other banks and/or brokers, and receives collateral, typically cash. This collateral is invested in a commingled fund that invests in short-term fixed income securities. This investment is classified as Level 2. This amount invested in the fund is offset by a corresponding liability reflected in the U.S. pension plan's net assets available for benefits.

**Investments Valued at Net Asset Value**

Represents investments in private equity limited partnerships that are measured at fair value using the Net Asset Value (NAV) per share as a practical expedient and are not categorized in the fair value hierarchy. There is no active market for these investments and the pension plan receives a proportionate share of the gains, losses and expenses in accordance with the partnership agreements. There was a remaining unfunded commitment of \$6 million and \$8 million at December 31, 2022 and 2021, respectively. These investments comprise 1% of total U.S. Pension Fund assets at both December 31, 2022 and 2021.

**Level 3 Gains and Losses**

The following table summarizes the changes in the fair value of Level 3 assets:

	<u>U.S. Plans</u>	<u>Foreign Plans</u>	
	<u>Real estate</u>	<u>Real estate</u>	<u>Diversified Growth Funds</u>
Balance at December 31, 2020	\$ 69,347	\$ 45,275	\$ 50,750
Realized gains	1,791	—	—
Unrealized losses	6,958	6,357	1,995
Net purchases, sales and settlements	(602)	1,663	—
Foreign currency and other	—	(804)	(576)
Balance at December 31, 2021	77,494	52,491	52,169
Realized gains	<b>1,058</b>	—	—
Unrealized gains (losses)	<b>12,666</b>	<b>(6,741)</b>	<b>(5,933)</b>
Net purchases, sales and settlements	<b>282</b>	<b>1,729</b>	<b>(16,474)</b>
Foreign currency and other	—	<b>(4,499)</b>	<b>(5,368)</b>
Balance at December 31, 2022	<b>\$ 91,500</b>	<b>\$ 42,980</b>	<b>\$ 24,394</b>

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**Postretirement Medical Benefits**

We provide certain employer subsidized health care and employer provided life insurance benefits in the U.S. and Canada to eligible retirees and their dependents. The cost of these benefits is recognized over the period the employee provides credited service to the company. The benefit obligation and funded status for postretirement medical benefit plans are as follows:

	2022	2021
<b>Benefit obligation</b>		
Benefit obligation - beginning of year	\$ 139,516	\$ 169,210
Service cost	731	909
Interest cost	3,679	3,755
Net actuarial gain	(31,512)	(22,305)
Foreign currency changes	(740)	123
Benefits paid, net	(12,399)	(12,176)
Benefit obligation - end of year <sup>(1)</sup>	<u>\$ 99,275</u>	<u>\$ 139,516</u>
<b>Fair value of plan assets</b>		
Fair value of plan assets - beginning of year	\$ —	\$ —
Company contribution	12,399	12,176
Benefits paid, net	(12,399)	(12,176)
Fair value of plan assets - end of year	<u>\$ —</u>	<u>\$ —</u>
<b>Amounts recognized in the Consolidated Balance Sheets</b>		
Current liability	\$ (11,530)	\$ (12,841)
Non-current liability	(87,745)	(126,675)
Funded status	<u>\$ (99,275)</u>	<u>\$ (139,516)</u>

(1) The benefit obligation for U.S. postretirement medical benefits plan was \$90 million and \$126 million at December 31, 2022 and 2021, respectively.

Pretax amounts recognized in AOCL consist of:

	2022	2021
Net actuarial (gain) loss	\$ (16,405)	\$ 15,175

The components of net periodic benefit cost for postretirement medical benefit plans were as follows:

	2022	2021	2020
Service cost	\$ 731	\$ 909	\$ 885
Interest cost	3,679	3,755	4,993
Amortization of prior service cost	—	129	373
Amortization of net actuarial loss	68	4,090	3,198
Net periodic benefit cost	<u>\$ 4,478</u>	<u>\$ 8,883</u>	<u>\$ 9,449</u>

Other changes in benefit obligation for postretirement medical benefit plans recognized in other comprehensive income were as follows:

	2022	2021
Net actuarial gain	\$ (31,512)	\$ (22,305)
Amortization of net actuarial loss	(68)	(4,090)
Amortization of prior service cost	—	(129)
Total recognized in other comprehensive income	<u>\$ (31,580)</u>	<u>\$ (26,524)</u>

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The weighted-average discount rates used to determine end of year benefit obligation and net periodic pension cost include:

	2022	2021	2020
<b>Discount rate used to determine benefit obligation</b>			
U.S.	<b>5.60 %</b>	2.80 %	2.35 %
Canada	<b>5.15 %</b>	2.90 %	2.50 %
<b>Discount rate used to determine net period benefit cost</b>			
U.S.	<b>2.80 %</b>	2.35 %	3.20 %
Canada	<b>2.90 %</b>	2.50 %	3.00 %

The discount rate for our U.S. postretirement medical benefit plan is determined by matching the expected cash flows associated with our benefit obligations to a pool of corporate long-term, high-quality fixed income debt instruments available as of the measurement date. The discount rate for our Canada postretirement medical benefit plan is determined by matching the expected cash flows associated with our benefit obligations to spot rates along a yield curve developed based on yields of corporate long-term, high-quality fixed income debt instruments available as of the measurement date.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation for the U.S. plan was 6.5% for 2022 and 6.8% for 2021. The assumed health care trend rate is 6.75% for 2023 and will gradually decline to 5.0% by the year 2028 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans.

#### **Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, are expected to be paid.

	<b>Pension Benefits</b>	<b>Postretirement Medical Benefits</b>
2023	\$ 128,361	\$ 11,561
2024	121,948	11,076
2025	122,072	10,568
2026	120,822	10,072
2027	119,912	9,523
Thereafter	582,503	39,736
	<b>\$ 1,195,618</b>	<b>\$ 92,536</b>

During 2023, we do not anticipate making contributions to our U.S. pension plans and estimate contributing approximately \$14 million to our foreign pension plans.

#### **Savings Plans**

We offer a voluntary defined contribution 401(k) plan to our U.S. employees designed to help them accumulate additional savings for retirement. We provide a core contribution to all employees, regardless if they participate in the plan, and an additional contribution to participating employees based on their eligible pay. Total employer contributions to the 401(k) plan were \$28 million in 2022 and \$27 million in 2021.

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**15. Income Taxes**

Income (loss) from continuing operations before taxes consisted of the following:

	Years Ended December 31,		
	2022	2021	2020
U.S.	\$ (39,294)	\$ (85,258)	\$ (243,760)
International	79,174	77,843	60,391
Total	<u>\$ 39,880</u>	<u>\$ (7,415)</u>	<u>\$ (183,369)</u>

The provision (benefit) for income taxes from continuing operations consisted of the following:

	Years Ended December 31,		
	2022	2021	2020
U.S. Federal:			
Current	\$ 223	\$ (7,419)	\$ (10,582)
Deferred	(12,284)	(13,825)	6,516
	<u>(12,061)</u>	<u>(21,244)</u>	<u>(4,066)</u>
U.S. State and Local:			
Current	(9,716)	5,401	(2,569)
Deferred	7,137	(5,827)	4,100
	<u>(2,579)</u>	<u>(426)</u>	<u>1,531</u>
International:			
Current	8,745	10,979	4,993
Deferred	8,835	(231)	4,664
	<u>17,580</u>	<u>10,748</u>	<u>9,657</u>
Total current	(748)	8,961	(8,158)
Total deferred	3,688	(19,883)	15,280
Total provision (benefit) for income taxes	<u>\$ 2,940</u>	<u>\$ (10,922)</u>	<u>\$ 7,122</u>
Effective tax rate	<u>7.4 %</u>	<u>147.3 %</u>	<u>(3.9)%</u>

The effective tax rate for 2022 includes a tax benefit of \$5 million on the pre-tax gain of \$5 million from the Borderfree sale as the tax basis was higher than book basis and a \$1 million benefit associated with the 2019 sale of a business.

The effective tax rate for 2021 includes benefits of \$7 million from the resolution of tax matters, \$5 million due to tax legislation in the U.K., \$3 million from an affiliate reorganization and \$2 million from the vesting of restricted stock, partially offset by charges of \$6 million on the pre-tax gain of \$10 million from the sale of a business as the tax basis was lower than the book basis and \$1 million for the write-off of deferred tax assets associated with the expiration of out-of-the-money stock options.

The effective tax rate for 2020 includes a \$12 million charge for the surrender of company owned life insurance policies, a \$5 million benefit for the correction of tax balances in certain domestic and international tax jurisdictions, a \$3 million benefit due to regulations enacted into law, a \$2 million benefit for the carryback of net operating losses resulting from the CARES Act and a benefit of \$2 million on the \$198 million goodwill impairment charge as the majority of this charge is nondeductible.

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A reconciliation of income taxes computed at the federal statutory rate and our provision for income taxes consist of the following:

	Years Ended December 31,		
	2022	2021	2020
Federal statutory provision	\$ 8,375	\$ (1,558)	\$ (38,507)
State and local income taxes <sup>(1)</sup>	(1,612)	(336)	1,209
Impact of foreign operations taxed at rates other than the U.S. statutory rate <sup>(2)</sup>	3,349	(2,220)	(3,345)
Accrual/release of uncertain tax amounts related to foreign operations	(2,753)	(7,288)	1,802
U.S. tax impacts of foreign income in the U.S. <sup>(3)</sup>	1,089	4,441	(2,300)
CARES Act carryback benefit	—	(2,270)	(1,646)
Tax credits	(850)	(500)	(750)
Unrealized stock compensation benefits	572	(505)	2,312
Surrender of company-owned life insurance policies	—	—	10,313
Goodwill impairment	—	—	40,328
Borderfree tax basis differences	(5,610)	—	—
Other, net <sup>(4)</sup>	380	(686)	(2,294)
Provision (benefit) for income taxes	<u>\$ 2,940</u>	<u>\$ (10,922)</u>	<u>\$ 7,122</u>

<sup>(1)</sup> Includes a benefit of \$1 million related to tax resolutions and a benefit of \$1 million for tax return true-ups for the year ended December 31, 2022 and a charge of \$2 million for the surrender of company-owned life insurance for the year ended December 31, 2020.

<sup>(2)</sup> Includes a charge of \$2 million for a deferred rate change and a charge of \$1 million for the establishment of a valuation allowance for the year ended December 31, 2022, a benefit of \$5 million for a deferred rate change for the year ended December 31, 2021, and a benefit of \$3 million for tax balance corrections and a deferred tax rate change benefit of \$2 million for the year ended December 31, 2020.

<sup>(3)</sup> Includes a benefit of \$1 million associated with the sale of a 2019 business for the year ended December 31, 2022.

<sup>(4)</sup> Includes a \$3 million benefit from an affiliate reorganization and charge of \$3 million related to the sale of a business for the year ended December 31, 2021, and a \$2 million benefit related to tax balance corrections and a \$1 million charge related to interest for the year ended December 31, 2020.

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Deferred tax liabilities and assets consisted of the following:

	December 31,	
	2022	2021
<b>Deferred tax liabilities:</b>		
Depreciation	\$ (51,717)	\$ (85,544)
Deferred profit (for tax purposes) on sale to finance subsidiary	(26,765)	(26,745)
Lease revenue and related depreciation	(216,282)	(202,862)
Intangible assets	(65,916)	(76,672)
Operating lease liability	(73,403)	(46,496)
Other	(27,366)	(25,438)
Gross deferred tax liabilities	<u>(461,449)</u>	<u>(463,757)</u>
<b>Deferred tax assets:</b>		
Postretirement medical benefits	24,892	34,681
Pension	9,640	20,472
Operating lease asset	78,765	52,271
Long-term incentives	12,946	12,308
Net operating and capital losses	130,640	125,699
Tax credit carry forwards	66,256	65,931
Section 163j carryforward	23,917	10,556
Tax uncertainties gross-up	4,982	6,929
Other	50,345	38,641
Gross deferred tax assets	<u>402,383</u>	<u>367,488</u>
Less: Valuation allowance	(157,450)	(121,778)
Net deferred tax assets	<u>244,933</u>	<u>245,710</u>
Total deferred taxes, net	<u>\$ (216,516)</u>	<u>\$ (218,047)</u>

The valuation allowance relates primarily to certain foreign, state and local net operating loss and tax credit carryforwards that will more-likely-than-not expire unutilized.

We have a federal net operating loss carryforward of \$48 million as of December 31, 2022, the majority of which has an indefinite carryforward period. We have net operating loss carryforwards in international jurisdictions of \$153 million as of December 31, 2022, of which \$139 million can be carried forward indefinitely and the remainder expire over the next 20 years. We also have net operating loss carryforwards in most states totaling \$932 million that will expire over the next 20 years. In addition, we have tax credit carryforwards of \$66 million, of which \$51 million can be carried forward indefinitely and the remainder expire over the next 10 years.

As of December 31, 2022, we assert that we are permanently reinvested in our pre-1987 and post-2017 undistributed earnings of \$307 million as well as all other outside basis differences. While a determination of the full liability that would be incurred if these earnings were repatriated is not practicable, we have estimated the withholding taxes would be approximately \$3 million.

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**Uncertain Tax Positions**

A reconciliation of the amount of unrecognized tax benefits is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 45,072	\$ 50,064	\$ 60,302
Increases from prior period positions	6	3,016	2,147
Decreases from prior period positions	(6,830)	(4,247)	(47)
Increases from current period positions	340	492	3,472
Decreases relating to settlements with tax authorities	(1,966)	(1,270)	(12,508)
Reductions from lapse of applicable statute of limitations	(3,322)	(2,983)	(3,302)
Balance at end of year	<u>\$ 33,300</u>	<u>\$ 45,072</u>	<u>\$ 50,064</u>

The amount of the unrecognized tax benefits at December 31, 2022, 2021 and 2020 that would affect the effective tax rate if recognized was \$29 million, \$39 million and \$44 million, respectively.

On a regular basis, we conclude tax return examinations, statutes of limitations expire, and court decisions interpret tax law. We regularly assess tax uncertainties in light of these developments. As a result, it is reasonably possible that the amount of our unrecognized tax benefits will decrease in the next 12 months, and we expect this change could be up to 20% of our unrecognized tax benefits. We recognize interest and penalties related to uncertain tax positions in our provision for income taxes. Amounts included in our provision for income taxes related to interest and penalties on uncertain tax positions for each of the years ended December 31, 2022, 2021 and 2020 were not significant. We had approximately \$3 million and \$4 million accrued for the payment of interest and penalties at December 31, 2022 and 2021, respectively.

**Other Tax Matters**

With regard to U.S. Federal income tax, the Internal Revenue Service examination of our consolidated U.S. income tax returns for tax years prior to 2019 are closed to audit, except for review of the Tax Cuts and Jobs Act (TCJA) Sec 965 transition tax. On a state and local level, returns for most jurisdictions are closed through 2017. For our significant non-U.S. jurisdictions, Canada is closed to examination through 2017 except for a specific issue under current exam, and France, Germany and the U.K. are closed through 2019, 2016, and 2020 respectively. We also have other less significant tax filings currently subject to examination.

We regularly assess the likelihood of tax adjustments in each of the tax jurisdictions in which we have operations and account for the related financial statement implications. We believe we have established tax reserves that are appropriate given the possibility of tax adjustments. However, determining the appropriate level of tax reserves requires judgment regarding the uncertain application of tax law and the possibility of tax adjustments. Future changes in tax reserve requirements could have a material positive or negative impact on our results of operations, financial position and cash flows.

**16. Commitments and Contingencies**

In the ordinary course of business, we are routinely defendants in, or party to, a number of pending and threatened legal actions. These may involve litigation by or against us relating to, among other things, contractual rights under vendor, insurance or other contracts; intellectual property or patent rights; equipment, service, payment or other disputes with clients; or disputes with employees. Some of these actions may be brought as a purported class action on behalf of a purported class of employees, clients or others. In management's opinion, it is not reasonably possible that the potential liability, if any, that may result from these actions, either individually or collectively, will have a material effect on our financial position, results of operations or cash flows. However, as litigation is inherently unpredictable, there can be no assurances in this regard.

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**17. Leased Assets and Liabilities**

We lease real estate and equipment under operating and finance lease agreements. Our leases have terms of up to 15 years, and may include renewal options. At lease commencement, a lease liability and corresponding right-of-use asset is recognized. Lease liabilities represent the present value of future lease payments over the expected lease term, including options to extend or terminate the lease when it is reasonably certain those options will be exercised. Lease payments include all fixed payments and variable payments tied to an index, but exclude costs such as common area maintenance charges, property taxes, insurance and mileage. The present value of the lease liability is determined using our incremental borrowing rate at lease commencement. Information regarding operating and financing leases is as follows:

Leases	Balance Sheet Location	December 31, 2022	December 31, 2021
<b>Assets</b>			
Operating	Operating lease assets	\$ 296,129	\$ 208,428
Finance	Property, plant and equipment, net	54,063	46,770
Total leased assets		<u>\$ 350,192</u>	<u>\$ 255,198</u>
<b>Liabilities</b>			
Operating	Current operating lease liabilities	\$ 52,576	\$ 40,299
	Noncurrent operating lease liabilities	265,696	192,092
Finance	Accounts payable and accrued liabilities	11,690	10,694
	Other noncurrent liabilities	43,858	39,535
Total lease liabilities		<u>\$ 373,820</u>	<u>\$ 282,620</u>

Lease Cost	Years Ended December 31,		
	2022	2021	2020
Operating lease expense	\$ 67,041	\$ 62,269	\$ 54,718
Finance lease expense			
Amortization of leased assets	12,321	9,191	3,792
Interest on lease liabilities	3,323	2,826	949
Variable lease expense	26,870	33,924	21,413
Sublease income	(1,086)	(1,761)	(979)
Total expense	<u>\$ 108,469</u>	<u>\$ 106,449</u>	<u>\$ 79,893</u>

Operating lease expense includes immaterial amounts related to leases with terms of 12 months or less.

Future Lease Payments	Operating Leases	Finance Leases	Total
2023	\$ 73,846	\$ 14,689	\$ 88,535
2024	69,552	13,378	82,930
2025	63,096	11,697	74,793
2026	53,016	9,989	63,005
2027	46,496	8,178	54,674
Thereafter	98,880	6,721	105,601
Total	<u>404,886</u>	<u>64,652</u>	<u>469,538</u>
Less: present value discount	86,614	9,104	95,718
Lease liability	<u>\$ 318,272</u>	<u>\$ 55,548</u>	<u>\$ 373,820</u>

Future lease payments exclude \$53 million of payments for leases signed but not yet commenced at December 31, 2022.

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<b>Lease Term and Discount Rate</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Weighted-average remaining lease term		
Operating leases	<b>6.4 years</b>	6.7 years
Finance leases	<b>5.1 years</b>	5.5 years
Weighted-average discount rate		
Operating leases	<b>8.2%</b>	6.5%
Finance leases	<b>6.2%</b>	6%

	<b>Years Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Cash Flow Information</b>			
Operating cash outflows - operating leases	<b>\$ 65,012</b>	\$ 59,748	\$ 52,565
Operating cash outflows - finance leases	<b>\$ 3,323</b>	\$ 2,826	\$ 949
Financing cash outflows - finance leases	<b>\$ 11,091</b>	\$ 7,707	\$ 4,223
Leased assets obtained in exchange for new lease obligations			
Operating leases	<b>\$ 135,359</b>	\$ 48,662	\$ 38,641
Finance leases	<b>\$ 20,927</b>	\$ 30,840	\$ 17,741

### **18. Stockholders' Equity**

The following table summarizes the changes in shares of Common Stock outstanding and Treasury Stock:

	<b>Common Stock Outstanding</b>	<b>Treasury Stock</b>
Balance at December 31, 2019	170,448,943	152,888,969
Issuance of treasury stock	1,526,245	(1,526,245)
Balance at December 31, 2020	171,975,188	151,362,724
Issuance of treasury stock	2,756,207	(2,756,207)
Balance at December 31, 2021	174,731,395	148,606,517
Repurchases of common stock	<b>(2,750,000)</b>	<b>2,750,000</b>
Issuance of treasury stock	<b>2,049,192</b>	<b>(2,049,192)</b>
Balance at December 31, 2022	<b>174,030,587</b>	<b>149,307,325</b>

At December 31, 2022, 35,385,343 shares were reserved for issuance under our stock plans and dividend reinvestment program.

**PITNEY BOWES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Tabular amounts in thousands, except per share amounts)

**19. Accumulated Other Comprehensive Loss**

Reclassifications out of accumulated other comprehensive loss were as follows:

	<u>Gain (Loss) Reclassified from AOCL (a)</u>		
	<u>Years Ended December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Cash flow hedges</b>			
Revenue	\$ —	\$ 289	\$ (161)
Cost of sales	178	(117)	11
Interest expense	549	(366)	—
Total before tax	727	(194)	(150)
Tax (benefit) provision	181	(49)	(37)
Net of tax	<u>\$ 546</u>	<u>\$ (145)</u>	<u>\$ (113)</u>
<b>Available for sale securities</b>			
Financing revenue	\$ (9)	\$ (6)	\$ 10,124
Selling, general and administrative expense	—	(7)	231
Total before tax	(9)	(13)	10,355
Tax (benefit) provision	(2)	(2)	2,589
Net of tax	<u>\$ (7)</u>	<u>\$ (11)</u>	<u>\$ 7,766</u>
<b>Pension and Postretirement Benefit Plans (b)</b>			
Transition asset	\$ —	\$ —	\$ 4
Prior service costs	(208)	(337)	(558)
Actuarial losses	(39,999)	(51,673)	(43,530)
Settlement	(394)	(551)	(6,424)
Total before tax	(40,601)	(52,561)	(50,508)
Tax benefit	(9,315)	(12,755)	(11,930)
Net of tax	<u>\$ (31,286)</u>	<u>\$ (39,806)</u>	<u>\$ (38,578)</u>

(a) Amounts in parentheses indicate reductions to income and increases to other comprehensive income.

(b) Reclassified from accumulated other comprehensive loss to other components of net pension and postretirement cost. These amounts are included in net periodic costs for defined benefit pension plans and postretirement medical benefit plans (see Note 14 for additional details).

**PITNEY BOWES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular amounts in thousands, except per share amounts)**

Changes in accumulated other comprehensive loss, net of tax, were as follows:

	Cash flow hedges	Available-for- sale securities	Pension and postretirement benefit plans	Foreign currency adjustments	Total
Balance at December 31, 2019	\$ 337	\$ 2,849	\$ (819,018)	\$ (24,311)	\$ (840,143)
Other comprehensive loss before reclassifications	(1,861)	5,319	(70,623)	37,252	(29,913)
Amounts reclassified from accumulated other comprehensive loss	113	(7,766)	38,578	—	30,925
Net other comprehensive income	(1,748)	(2,447)	(32,045)	37,252	1,012
Balance at December 31, 2020	(1,411)	402	(851,063)	12,941	(839,131)
Other comprehensive (loss) income before reclassifications	5,069	(6,662)	54,618	(34,168)	18,857
Amounts reclassified from accumulated other comprehensive loss	145	11	39,806	—	39,962
Net other comprehensive (loss) income	5,214	(6,651)	94,424	(34,168)	58,819
Balance at December 31, 2021	3,803	(6,249)	(756,639)	(21,227)	(780,312)
Other comprehensive income (loss) before reclassifications	9,246	(33,198)	9,297	(71,344)	(85,999)
Amounts reclassified from accumulated other comprehensive loss	(546)	7	31,286	—	30,747
Net other comprehensive income (loss)	8,700	(33,191)	40,583	(71,344)	(55,252)
Balance at December 31, 2022	<u>\$ 12,503</u>	<u>\$ (39,440)</u>	<u>\$ (716,056)</u>	<u>\$ (92,571)</u>	<u>\$ (835,564)</u>

## 20. Stock-Based Compensation Plans

We may grant restricted stock units, non-qualified stock options and other stock awards to eligible employees. All stock-based awards are approved by the Executive Compensation Committee of the Board of Directors. We settle stock awards with treasury shares. At December 31, 2022, there were 17,217,552 shares available for future grants.

### Restricted Stock Units

Restricted stock units (RSUs) typically vest ratably over a three-year service period and entitle the holder to shares of common stock as the units vest. The following table summarizes information about RSUs:

	2022		2021	
	Shares	Weighted average fair value	Shares	Weighted average fair value
Outstanding - beginning of the year	5,738,293	\$ 6.95	6,560,372	\$ 6.27
Granted	5,280,429	4.82	2,100,126	8.36
Vested	(2,221,027)	6.10	(2,504,189)	6.72
Forfeited	(1,599,940)	4.69	(418,016)	6.61
Outstanding - end of the year	<u>7,197,755</u>	<u>\$ 6.09</u>	<u>5,738,293</u>	<u>\$ 6.95</u>

The fair value of RSUs is determined based on the stock price on the grant date less the present value of expected dividends. At December 31, 2022, there was \$11 million of unrecognized compensation cost related to RSUs that is expected to be recognized over a weighted-average period of 1.6 years. The intrinsic value of RSUs outstanding at December 31, 2022 was \$27 million. The fair value of RSUs vested during 2022, 2021 and 2020 was \$11 million, \$22 million and \$6 million, respectively. During 2020, we granted 4,123,544 RSUs at a weighted average fair value of \$3.92.

In 2022 and 2021, we granted 158,416 and 121,455 RSUs, respectively, to non-employee directors. These RSUs vest one year from the grant date.

**PITNEY BOWES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular amounts in thousands, except per share amounts)**

*Performance Stock Units*

Performance stock units (PSUs) are stock awards where the number of shares ultimately received by the employee is conditional upon the attainment of certain performance targets and total shareholder return relative to peer companies. PSUs vest at the end of a three-year service period. There were no PSU awards granted since 2020 and the award period for the final award granted in 2019 closed in 2022. Awards outstanding at December 31, 2022 represent awards that have been deferred and will be issued at a later date.

The following table summarizes share information about PSUs:

	2022		2021	
	Shares	Weighted average fair value	Shares	Weighted average fair value
Outstanding - beginning of the year	1,009,091	\$ 6.60	1,730,002	\$ 9.31
Vested	(197,471)	6.73	(287,109)	9.33
Forfeited	—	—	(433,802)	9.33
Outstanding - end of the year	811,620	\$ 9.57	1,009,091	\$ 6.60

*Stock Options*

Stock options are granted at an exercise price equal to or greater than the market price of our common stock on the grant date. Options vest ratably over three years and expire ten years from the grant date. At December 31, 2022, there was less than \$1 million of unrecognized compensation cost related to stock options that is expected to be recognized over a weighted-average period of 1.3 years. The intrinsic value of options outstanding and exercisable at December 31, 2022 was not significant.

The following table summarizes information about stock option activity:

	2022		2021	
	Shares	Per share weighted average exercise prices	Shares	Per share weighted average exercise prices
Options outstanding - beginning of the year	11,120,069	\$ 10.65	12,814,365	\$ 11.81
Granted	—	—	737,842	8.48
Exercised	—	—	(777,429)	6.11
Canceled	(93,021)	8.09	(604,101)	11.71
Expired	(1,000,000)	18.29	(1,050,608)	25.85
Options outstanding - end of the year	10,027,048	\$ 9.91	11,120,069	\$ 10.65
Options exercisable - end of the year	8,912,286	\$ 10.42	8,853,859	\$ 11.94

During 2020, 33,501 stock options were exercised at a weighted average fair value of \$6.82.

The following table provides additional information about stock options outstanding and exercisable at December 31, 2022:

Range of per share exercise prices	Options Outstanding			Options Exercisable		
	Shares	Per share weighted-average exercise price	Weighted-average remaining contractual life	Shares	Per share weighted-average exercise price	Weighted-average remaining contractual life
\$3.98 - \$7.24	4,605,995	\$ 5.14	6.5 years	3,905,829	\$ 5.31	6.4 years
\$8.21 - \$13.16	3,674,457	\$ 12.05	5.1 years	3,259,861	\$ 12.49	4.8 years
\$16.82 - \$23.94	1,746,596	\$ 17.94	2.5 years	1,746,596	\$ 17.94	2.5 years
	10,027,048	\$ 9.91	5.3 years	8,912,286	\$ 10.42	5.0 years

The fair value of stock options is determined using a Black-Scholes valuation model and requires assumptions be made regarding the expected stock price volatility, risk-free interest rate, life of the award and dividend yield. The expected stock price volatility is based on historical price changes of our stock. The risk-free interest rate is based on U.S. Treasuries with a term equal to the expected life of the award. The expected life of the award and expected dividend yield are based on historical experience.

**PITNEY BOWES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular amounts in thousands, except per share amounts)**

The following table lists the weighted average of assumptions used to calculate the fair value of stock options granted:

	<b>Years Ended December 31,</b>	
	2021	2020
Expected dividend yield	2.4%	5.0 %
Expected stock price volatility	70.0%	43.0 %
Risk-free interest rate	1.1%	1.5 %
Expected life	7 years	7 years
Weighted-average fair value per option granted	\$4.53	\$1.01
Fair value of options granted	\$3,342	\$2,830

*Employee Stock Purchase Plan (ESPP)*

We maintain a non-compensatory ESPP that enables substantially all U.S. and Canadian employees to purchase shares of our common stock at an offering price of 95% of the average market price on the offering date. At no time will the exercise price be less than the lowest price permitted under Section 423 of the Internal Revenue Code. Employees purchased 381,229 shares and 182,899 shares in 2022 and 2021, respectively. We have reserved 1,437,498 common shares for future purchase under the ESPP.

**PITNEY BOWES INC.**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**  
**(Dollars in thousands)**

Description	Balance at beginning of year	Additions charged to expense	Deductions	Balance at end of year
<b>Valuation allowance for deferred tax asset</b>				
2022	\$ 121,778	\$ 44,188	\$ (8,516)	\$ 157,450
2021	\$ 116,543	\$ 7,490	\$ (2,255)	\$ 121,778
2020	\$ 110,781	\$ 23,150	\$ (17,388)	\$ 116,543

#### **About Pitney Bowes**

Pitney Bowes (NYSE:PBI) is a global shipping and mailing company that provides technology, logistics, and financial services to more than 90 percent of the Fortune 500. Small business, retail, enterprise, and government clients around the world rely on Pitney Bowes to remove the complexity of sending mail and parcels. For the latest news, corporate announcements and financial results visit <https://www.pitneybowes.com/us/newsroom.html>. For additional information visit Pitney Bowes at [www.pitneybowes.com](http://www.pitneybowes.com).

#### **Forward-Looking Statements**

This document contains "forward-looking statements" about the Company's expected or potential future business and financial performance. Forward-looking statements include, but are not limited to, statements about future revenue and earnings guidance and future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. In particular, we continue to navigate the impacts of the Covid-19 pandemic (Covid-19) as well as the risk of a global recession, and the effects that they may have on our and our clients' business. Other factors which could cause future financial performance to differ materially from expectations, and which may also be exacerbated by Covid-19 or the risk of a global recession or a negative change in the economy, include, without limitation, declining physical mail volumes; changes in postal regulations or the operations and financial health of posts in the U.S. or other major markets or changes to the broader postal or shipping markets; the loss of, or significant changes to, United States Postal Service (USPS) commercial programs, or our contractual relationships with the USPS or USPS's performance under those contracts; our ability to continue to grow and manage volumes, gain additional economies of scale and improve profitability within our Global Ecommerce segment; changes in labor and transportation availability and costs; and other factors as more fully outlined in the Company's 2022 Form 10-K Annual Report and other reports filed with the Securities and Exchange Commission (the "SEC"). Pitney Bowes assumes no obligation to update any forward-looking statements contained in this document as a result of new information, events or developments.

#### **Important Additional Information and Where to Find It**

Pitney Bowes has filed a definitive proxy statement (the "Proxy Statement") and other documents with the SEC in connection with its solicitation of proxies from shareholders in respect of the Annual Meeting. BEFORE MAKING ANY VOTING DECISION, INVESTORS AND SECURITY HOLDERS ARE URGED TO READ ALL RELEVANT DOCUMENTS, INCLUDING PITNEY BOWES' PROXY STATEMENT AND ANY AMENDMENTS AND SUPPLEMENTS THERETO AND THE ACCOMPANYING GOLD PROXY CARD, FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN, OR WILL CONTAIN, IMPORTANT INFORMATION ABOUT PITNEY BOWES. Shareholders may obtain free copies of the Proxy Statement and other relevant documents that Pitney Bowes files with the SEC and on Pitney Bowes' website at [www.pitneybowes.com](http://www.pitneybowes.com) or from the SEC's website at [www.sec.gov](http://www.sec.gov).

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