



LSEG STREETEVENTS
EDITED TRANSCRIPT
Q4 2024 PITNEY BOWES INC EARNINGS CALL

EVENT DATE/TIME: February 11, 2025 / 10:00PM UTC



An LSEG Business



CORPORATE PARTICIPANTS

- **Alex Brown** *Pitney Bowes Inc - Director, Investor Relations*
- **Lance Rosenzweig** *Pitney Bowes Inc - Chief Executive Officer*
- **John Witek** *Pitney Bowes Inc - Interim Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Anthony Lebieczinski** *Sidoti & Company - Analyst*
- **David Steinhardt** *Contrarian Capital Management - Analyst*
- **Kartik Mehta** *Northcoast Research - Analyst*
- **Justin Dopierala** *DOMO Capital Management, LLC - Analyst*
- **Peter Sakon** *CreditSights - Analyst*
- **Matthew Swope** *Robert W. Baird & Co. Incorporated - Analyst*

PRESENTATION

Operator

Good afternoon and welcome to the Pitney Bowes's fourth quarter and full year 2024 earnings release call. (Operator Instructions) Today's call is also being recorded. If you have any objections, please disconnect your lines at this time.

I would now like to introduce the participants on today's conference call, Mr. Lance Rosenzweig, Chief Executive Officer and Board Member; Mr. John Witek, Interim Chief Financial Officer; and Mr. Alex Brown, Director of Investor Relations.

Mr. Brown will now begin the call with a Safe Harbor overview.

Alex Brown Pitney Bowes Inc - Director, Investor Relations

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

Our 2023 Form 10-K annual report and other reports filed with the SEC that are located on our website at www.pb.com and by clicking on investor relations. Please keep in mind we do not undertake any obligation to update forward-looking statements as a result of new information or developments.

Also included in today's presentation are non-GAAP measures. You can find reconciliations for these non-GAAP measures to the appropriate GAAP measure in the tables attached to our press release. We have also provided a slide presentation and a spreadsheet with historical segment information on our website.

Finally, in our prepared remarks, revenue comparisons will be on a constant currency basis with other items such as EBIT, EBITDA, EPS, and free cash flow on an adjusted basis.

At this time I'd like to turn the call over to our CEO, Lance.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Thank you, Alex, and good afternoon, everyone. 2024 was a transformative year for Pitney Bowes. We made swift and meaningful progress on all four of our strategic initiatives; exiting GEC, dramatically reducing costs and excess overhead, freeing up trapped cash, and deleveraging our balance sheet.

Pitney Bowes is now a more efficient and focused company on a path to sustained value creation. Our full year results bear this out. Revenue was \$2.027 billion in line with our expectations for a softer point in SendTech's product cycle and down 3% year over year. Adjusted EPS was \$0.82, up \$0.21, or 34% over the prior year. Adjusted EBIT was \$385 million, up \$77 million, or 25% over the prior year. And free cash flow was \$290 million which excludes \$86 million of restructuring payments.

Before I dive in further, I want to say how excited I am to have Bob Gold joining us next month as our new CFO. Bob's background and experience make him an excellent fit for Pitney Bowes. In his prior roles, he has helped successfully transform companies into more efficient, cash generating, and profitable organizations. And has significant capital allocation, cost containment, debt management, and transaction experience. He's an excellent addition to our management team as we work to enhance value for our shareholders, and I look forward to introducing many of you to Bob in the coming weeks.

I also want to extend my sincere appreciation to John for his exceptional service to Pitney Bowes over the past six years, most recently as interim CFO. John has been a wonderful partner since I joined the company, and he and his team have been instrumental in achieving each of our strategic objectives. John is retiring at the end of the quarter, and we wish him continued success going forward.

With that, let's shift to an update on our strategic initiatives and then discuss why we are so excited about the opportunities for Pitney Bowes in 2025 and beyond.

Exiting the global e-commerce segment was a critical step in simplifying our business structure. As we near the completion of the wind down, we have been able to firm up details around one-time costs, which are now expected to be approximately \$165 million. \$120 million of these costs were paid out by year end, with the remainder expected to be paid out in the first half of 2025. The \$165 million in exit costs are offset by a tax asset of approximately \$164 million recorded in 2024 GAAP earnings. We expect to realize this asset predominantly over the next three years by reducing cash taxes.

Moving on to cost takeout, we removed approximately \$30 million in annualized costs during the fourth quarter, which brings our run rate exiting 2024 to approximately \$120 million in annualized savings. We now expect to achieve a total of \$170 million to \$190 million in net annualized savings, up from the previously announced target of \$150 million to \$170 million.

The remaining savings will be realized over the course of 2025 and into 2026. These cost reductions will be primarily driven by further overhead reductions, IT system simplification, reduced vendor spend, and facility consolidation. Going forward, Pitney Bowes will operate with a mindset of continual improvement and cost savings.

Lastly, we have focused on simplifying and strengthening our balance sheet through cash optimization and deleveraging. On cash optimization, with the GEC wind down largely complete, we now anticipate needing to hold approximately \$100 million less in cash on our balance sheet.

We have also reduced the amount of cash we hold offshore by approximately \$90 million and now plan to hold around \$50 million overseas. Further, the Pitney Bowes Bank Receivables Purchase Program has accelerated the net realization of \$41 million of cash from leases in 2024, freeing up approximately that amount of cash flow to the parent company level.

Overall, these initiatives have unlocked more than \$200 million that we can deploy more efficiently. On the deleveraging front, our goal was to prioritize our high-cost debt and our near-term maturities. We have made excellent progress in both areas. Over the past three months, we paid off our most expensive debt in its entirety, the \$275 million in Oaktree notes, and we paid it off with internally generated cash.

In addition, this month we successfully refinanced our near-term maturities through the issuance of a new revolving credit facility, a \$160 million term loan A, and a \$615 million term loan B. Our nearest maturity is now our notes due in March 2027. I'd like to thank

our internal teams and our outside advisers for working so effectively together to deliver these successes in each of our four key initiatives.

Let's now talk about why we are so excited about the future of Pitney Bowes. We started 2025 with strong momentum in a solid foundation from which to grow cash flow and earnings. The core tenets that will guide us this year are what I call the 3S's: simplicity, speed, and sales. Leadership will be measuring the organization's rate of continued evolution and improvement based on these priorities, and you'll hear me refer back to them periodically.

Pitney Bowes has historically been a complicated business, so we will continue to drive simplification by breaking down silos and focusing on a narrower set of high margin opportunities. Our exit from GEC was an important step in simplifying our company. In 2025, we are taking additional steps to simplify our operations, systems and processes throughout the company.

Speed goes hand in hand with simplifying the company, and I believe we have demonstrated our ability to operate with urgency. Prioritizing both of these tenants has already enabled us to have greater flexibility with capital allocation.

In terms of sales, we are evolving Pitney Bowes from a business in slowly declining markets to a growing company with exciting long-term prospects, and we intend to do this without the need for transformative M&A or excessive growth related spend.

In particular, we see meaningful opportunities to grow our cash generating and profitable business segments, SendTech and Presort, as well as global financial services and have already been doing so in earnest.

In SendTech, our growth engine is our shipping technology business, which includes product offerings in office shipping, enterprise fulfillment software, and e-commerce. Each of these offerings include SaaS subscriptions with additional revenue streams including hardware, professional services, and carrier rebates. Our Shipping 360 platform integrates our offerings, this carrier agnostic, and brings our clients significant cost savings and advanced analytics.

In the fourth quarter, shipping technology related revenue grew 18%. To accelerate our growth in SendTech, we have reorganized much of our sales force from a geographically based organization to a vertical market organization, to benefit from our differentiated product offerings in mailing and shipping technology. Our key vertical markets include healthcare, banking and financial services, and government.

The Pitney Bowes Presort business has grown in 11 of the last 12 years, declining only during COVID. Presort's adjusted EBIT grew nearly 50% in 2024, driven largely by a combination of higher revenue per piece and cost reductions. In 2025, we will look to continue to profitably grow Presort, both organically and through tuck-in acquisitions that provide the opportunity to gain greater economies of scale.

We recently closed the acquisition of Royal Alliances' Presort Business, which has added 100 million pieces of first-class mail to our Presort business annually. We are continually looking at similar tuck in acquisitions that would be rapidly accretive and expand our capabilities and markets.

At Global Financial Services, we are looking to expand the depth and breadth of our offerings to our base of over half a million customers while continuing to generate significant cash for Pitney Bowes. Due to our growth initiatives and based on our current forecasts, we believe that we are on track to reach an inflection point where Pitney Bowes will become a growing company, and we will provide more context around that in future quarterly updates.

In light of our improved financial position, our leadership team and Board have given a great deal of thought to capital allocation. There are four elements that comprise our go forward capital allocation framework.

First, we will continue to invest in organic growth initiatives that generate a risk adjusted return that is well above our cost of capital.

Second, we will target opportunistic tuck in acquisitions that are quickly accretive and can generate a very attractive risk adjusted ROI. We do not currently anticipate any large transformative acquisitions.

Third, we will continue to retire debt on a reasonable time frame as we seek to maintain an optimal leverage profile which we believe is 3.0 over the next two years.

And fourth, we will return capital to shareholders through our dividend and through share buybacks, utilizing our newly authorized share repurchase facility of \$150 million.

I want to emphasize that we are fully committed to prudently increasing the amount of capital that we return to shareholders, and we intend to do this on a consistent basis, beginning with today's [\$0.01] per share increase in dividends and moving forward by utilizing our new share repurchase facility. In future quarterly calls, we intend to provide relevant updates on each of these buckets in a clear

and coherent fashion.

In closing, I want to emphasize that we are committed to continuing our strong execution and identifying additional ways to maximizing value for shareholders.

Now I'll turn the call over to John to discuss our fourth quarter and full year results in greater detail.

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Thanks, Lance. As Lance alluded to, this has truly been a great year for Pitney Bowes, and we are now on a much improved trajectory. Let me start by providing an overview of our full year results followed by the fourth quarter. For the full year, revenue was \$2 billion down 3% year over year. Adjusted EPS was \$0.82, and improvement of \$0.21 over the prior year.

Adjusted EBIT was \$385 million, up \$77 million over the prior year. Free cash flow was \$290 million and excludes \$86 million of restructuring payments.

Now turning to the quarter. Q4 revenue was \$516 million down 2% versus the prior year. Adjusted EBIT was \$114 million a 33% increase versus the prior year showcasing our strength and profitability as we continue to simplify our business. Fourth quarter, year over year comparison, benefited from higher Presort profit contribution and lower costs across the company from our cost reduction initiatives.

Fourth quarter, adjusted EPS was \$0.32, up \$0.12 year over year, driven by higher EBIT. Fourth quarter free cash flow was \$145 million and excludes \$32 million of restructuring payments. An important note, the variable compensation we recorded across our reporting segments was a headwind to our 2024 segment results and a tailwind in 2023.

From a year over year perspective, variable compensation in the fourth quarter was a \$2 million headwind to Presort, and \$11 million headwind to SendTech, and a \$5 million help to corporate expenses. For modeling purposes, assume that the year over year headwinds for the segments are roughly split 50, 50 between 2023 benefit and the 2024 headwind.

Now turning to business segments. Beginning with SendTech, We completed the IMI migration in the fourth quarter. As we previously guided, the last tranche of transactions produced higher cancellation rates than we typically see. Going forward, we expect our cancellation rates to revert to normalized levels, which are mid-single digits.

Equipment revenue in the quarter declined 16% year over year in line with our expectations. Shipping-related revenues in the quarter grew 18% and comprised 17% of full year SendTech segment revenue. For the fourth quarter, we drove significant growth in our subscription base and ended the year with almost 200,000 paid subscribers. This resulted in a 33% year over year improvement in SaaS subscription revenue in the quarter.

SendTech gross profit declined \$10 million in the quarter versus prior year primarily due to the decline in revenue. However, gross margin percentage increased to 67.1% from 66.4% compared to the prior year. Operating expenses for the quarter increased \$11 million year over year, primarily as a result of non-recurring items. However, operating expenses for the full year declined by about \$12 million.

Moving to our global financial services within SendTech. In the quarter, we sold \$19 million of securities at PB Bank. This resulted in a \$3 million realized loss in our P&L. We are reinvesting the proceeds from the sale into higher yielding finance receivables in line with our growth strategy in financial services. Finance receivables were \$1.15 billion at the end of the year, down 6% year over year.

Shifting to Presort, revenue for the full year was \$663 million, up from \$618 million the prior year. Revenue in the quarter was \$180 million up 10% over the prior year from pricing, mix, and a higher five-digit qualification. Volumes were flat year over year. Adjusted EBIT for the full year was \$166 million, up 49% versus the prior year. Adjusted EBIT for the quarter was \$52 million an increase of 52% year over year.

Outside of the business units, corporate expenses were \$34 million in the quarter, \$31 million lower than last year. Our cost reduction initiatives drove most of this improvement.

Now let's turn to guidance. In 2025, we expect to generate between \$1.95 billion and \$2 billion in revenue, representing a modest decline year over year. This decline is mainly driven by revenue headwinds in SendTech as we turn the page on the product migration. Other operations include revenue from certain GEC operations we exited in 2023. We expect these to be partially offset by growth in Presort and shipping related revenues in SendTech.

Moving to profitability, we expect to generate between \$450 million and \$480 million in adjusted EBIT in 2025, mainly driven by additional savings from our cost reduction initiatives and growth in Presort and SendTech shipping. We also expect 2025 adjusted EPS to be between \$1.10 to \$1.30 per share. We expect our effective tax rate for adjusted earnings to be between 27% and 31%. The \$164 million tax assets associated with the GEC wind down were already recorded in 2024 and will benefit cash taxes on the cash flow statement.

We expect interest expense to decline year over year as a result of our recent paydown of the OakTree notes and refinancing. From a cash flow perspective, we expect 2025 free cash flow to range between \$330 million and \$370 million. Free cash flow excludes restructuring payments and CapEx. We expect CapEx to be comparable to 2024. We've made great progress in starting our cost reduction initiatives in 2024. As of the end of 2024, we had removed approximately \$120 million of annualized cost, contributing a \$52 million dollar benefit to our full year bottom line.

As Lance mentioned, we are increasing our target to a total of \$170 million to \$190 million in net annualized savings.

Now let me add more color on our 2025 guidance. First, SendTech. As previously guided, we expect 2025 to be a transition year due to the end of its migration cycle. Our upfront equipment revenue will decline from lower transaction opportunities. Our revenue profile will shift to more recurring revenue from a higher mix of lease extensions.

From a modeling perspective, we expect SendTech revenue and gross profit to experience a similar rate of decline in the first half of 2025, as we saw in the second half of 2024. We expect this to moderate in the second half of '25.

We expect shipping to continue to grow at double digit rates and partially offset the product migration headwinds.

Turning to Presort, Presort had a great 2024, and we expect to continue strong financial performance in 2025. In addition, we have a robust pipeline of tuck in M&A opportunities. These are not factored into our expectations and would be incremental to guidance.

Since this will be my last earnings call with you, I want to conclude by saying that it's been an honor to serve as the Interim CFO at Pitney Bowes and that I'm proud of everything the team has accomplished in recent months. I look forward to helping Bob with his transition and welcome him to the company.

And with that, I'll pass it back over to Lance. Thank you.

Lance Rosenzweig *Pitney Bowes Inc - Chief Executive Officer*

Thank you, John. To sum up our message today, we have come a long way and have a solid foundation for the future. I see 2025 as a year of continued progress following the transformative changes we made in 2024. We have a lot of work to do, but as I shared earlier about our growth strategy, we see many exciting opportunities before us and are forging ahead with simplicity, speed, and sales as our guide to becoming an even more profitable and efficient organization.

And now we'll open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Anthony Lebiedzinski, Sidoti.

Anthony Lebiedzinski *Sidoti & Company - Analyst*

Good afternoon, everyone. And thank you for taking the questions. It's really nice to see the out performance in the quarter and the guidance looks pretty good as well. And, John, best of luck in your pending retirement. So first, question here for me, I guess, going back to the pre-announcement that you guys had a couple of weeks ago, and also, that's when you announced the final paydown of the OakTree.

In that release, you guys talked about the EBIT being better because of some one-time in nature items. So maybe I missed it, but maybe if you could just -- maybe just clarify what those one-time items was and kind of, how much of that was -- because of some one-time items.

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Hey, Anthony, it's John. Nice to hear from you. So, the outperform was really twofold, Anthony, I'll get to the one time in a second. We actually had better performance in the business that was beginning to layer in at the early part of the quarter. So that was a big part of the outperform. We also had some additional savings that -- quite frankly, became more clear to us as we became more aware of what the business looks like in a more simple fashion with just two business segments.

So as we were organizing ourselves and going through the savings process, we recognized that there was more savings than we previously had thought. It was primarily overheads, Anthony. Things that were third party related, and they started to actually fall into place, and quite frankly, they fell into place, a lot quicker than we thought that they would.

Anthony Lebiezinski Sidoti & Company - Analyst

Okay, that sounds good. And then, with respect to Presort, so the EBIT margins used to be historically in the range between anywhere from mid-teens to kind of low 20s. Now the last two quarters, you're in a high 20% range. So, is this kind of the new normal? Or do you think these -- the higher margins are sustainable, as we look forward, I know there was a benefit for pricing here. To just -- how do we think about that?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Yeah, I mean, in the quarter, we ended up -- excuse me, from a full year perspective our EBIT margins about 25% versus about 18% last year. So I think, what you saw in the second half of this year is where we'd like to think, going into the first half of next year should be. I mean, and that's a combination of two things. One is pricing, the mix of the volumes that we're seeing.

And also we keep mentioning the productivity, let's not forget about the efforts that the team's putting in around the CapEx that we've invested and the return that we're getting on that productivity return.

Anthony Lebiezinski Sidoti & Company - Analyst

Got you. Okay. And then, as far as, SendTech, so I know you guys talked about the product migration, so it looks like that's going to be a bit of a headwind here, more so in the first half versus the back half of the year. But, as we look forward to 2026, is that a period where you think that you, as you fully anniversary all of that and then you grow the shipping revenue, you'll start to see improvements in margins in SendTech by that point?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Yeah, I mean by the time -- the way we see it on the longer lens, Anthony, and keep in mind, it is a longer lens, we actually start to see the continuum of the shipping growth, and we talk about shipping growth rates continue to be double digit going into 2025. And by the time we get to '26, we're really expecting the improvement in shipping year over year to outweigh the decline on the mailing business. So that's kind of where the lines cross and that's how we've been seeing it, and I think that's what our view is right now.

Anthony Lebiezinski Sidoti & Company - Analyst

Got you. And then, just to follow up about shipping, so obviously, it is a growing sub-segment of SendTech. Do you guys have a goal in mind as to how much of segment revenue that could be, whether it's next year or the year after that. I just wanted to get your take as to what you think the goal is or what you think that could be.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Hey Anthony, it's Lance. We're super excited about the shipping technology business within SendTech, and that's not something that sort of grows and then stops growing, we have a very long term optimistic view of that portion of that business and and it's a very nice sort of high margin business. It's largely SaaS revenues and kind of related revenue lines, and I think that that's something that could continue to perform over the long run.

It's also a much larger market and the the TAM, the total available market in shipping is far larger than it is in mailing. And so I think increasingly going to take share of a of a larger and growing market.

Anthony Lebieczinski Sidoti & Company - Analyst

All right, yeah, well, that's great to hear. And then I guess the last question before I pass it on to others. So I guess, now that the business is more predictable, how should we think about the the quarterly distribution or the seasonality of earnings throughout the year or just wondering, if there's anything that we should be aware as far as the quarterly cadence, of the business throughout the year.

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Yeah, I think you'd see a similar sort of cadence and pace on the restated business as you've seen in the past. And Anthony, you're familiar with some of the seasonality with Presort with the peak in the first quarter and first class and (inaudible) in the fourth quarter. -- I'm sorry, did I say first class, I meant first quarter for first class, and (inaudible) in the fourth quarter. And then in the fourth quarter, fourth quarter has typically seemly high quarter for us. So I think that's what we've seen, and I don't really expect much deviation from that.

Anthony Lebieczinski Sidoti & Company - Analyst

Alright. Thank you very much and best of luck.

Operator

David Steinhardt, Contrarian Capital.

David Steinhardt Contrarian Capital Management - Analyst

Hey, great work so far. In terms of capital allocation, the board has authorized \$150 million to be deployed into share repurchases. Can you give us any idea of the cadence for that deployment and what the company will be looking at and the board will be looking at to determine when to repurchase shares.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Hey David, thanks for the question. I'll put it into context, which is that the \$150 million authorized program is over the course of the next three years, and we're guiding to \$330 million to \$370 million in free cash flow for 2025 alone.

So, we don't have specific timing on executing it, we've got a Board and a leadership team that's got a lot of experience in the capital markets and is looking for opportunities to take advantage of kind of market situations that make sense for us. So, we'll be opportunistic, we'll be prudent, and we'll regularly report back on our progress.

David Steinhardt Contrarian Capital Management - Analyst

Great, and in terms of your debt. You'll have significant free cash flow theoretically over the next year. Can you give us a sense of which debt securities you might be tackling first in terms of paying them down or --

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Yeah, I mean, I would say similarly will be opportunistic, but we'll continue to prioritize nearer term maturities and also more expensive debt. There might be opportunities in some of our longer standing debt if there are again kind of market situations that enable us to purchase them at attractive prices, we'll be open to that.

But as you mentioned, deleveraging remains important for us and we do have an expectation of significant cash generation that can continue to deleverage our balance sheet.

David Steinhardt Contrarian Capital Management - Analyst

So giving more color into the future of the SendTech business. As you've mentioned on this call, you expect to see growth opportunities. Perhaps it makes sense to have a wider Investor Day to perhaps increase the reach and voice the company, that other people might understand the value that's at play here.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Yeah, no, I appreciate the thought, and I think that makes a lot of sense. It's something that we'll be looking at going forward. I think that the SendTech business is super exciting. And I think as you're kind of alluding to a little bit misappreciated and we're going to be attempting to do just a better and better job giving clarity to that business, and continuing to be transparent about what exactly we do and what the opportunities are.

David Steinhardt Contrarian Capital Management - Analyst

Great. Thank you so much.

Operator

Kartik Mehta, North Coast Research.

Kartik Mehta Northcoast Research - Analyst

Hey, good afternoon. Yeah, just on the Presort business, I know you talked a little bit about pricing and I'm wondering what your volume expectations are for 2025.

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Yeah, we expect to see -- Hey Karthik, it's John. So we expect to see similar volumes in in Presort going forward and it's really about the mix of the four buckets that we track between first class and marketing mail and flats.

So we're going to see that and quite frankly, Kartik, I think we've mentioned this before, in certain quarters and in particular this past quarter, we've seen a fair amount of project work, the work that comes up, sort of, I'll say a bonus if you would from a volumes perspective, sort of unplanned for our clients based off of events that they serve. And that could actually play into some of the mix that we might see going forward. It certainly played into some of the mix we saw in the past year.

Kartik Mehta Northcoast Research - Analyst

Hey Lance, it seems like you guys have done a great job on the capital side, paying down debt, getting this authorization from the Board, and I'm wondering maybe what metrics you'll need to see or the Board will need to see for them to feel comfortable in executing the authorization?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Yeah, I mean, we're tracking closely first of all around the constraints of our debt covenants, so we successfully renegotiated several lines of our debt, our revolver, our TLA and our TLB, and as part of doing, that freed up and provided company with a lot more flexibility going forward, it really brings our covenants back to a more market like package.

But as I as I mentioned, we'll be operating within those constraints. So, at least earlier on there's certain limitations as to what we can do. But as we evaluate it, we'll be looking closely at what our leverage ratio is, what our cash flow generation is, what market opportunities there are and hopefully making good and prudent decisions.

Kartik Mehta Northcoast Research - Analyst

Good, Thank you very much. I really appreciate it.

Operator

Justin Dopierala, DOMO Capital Management.

Justin Dopierala DOMO Capital Management, LLC - Analyst

Yeah, hi, thank you. First off, incredible quarter, execution, incredibly thoughtful shareholder value and enhancing initiatives. Absolutely love it. Maybe I missed it, but did you comment on what you expect 2025 CapEx to be?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Hey, Justin, it's John. How are you? We're quoting a very similar 2025 and, maybe a little better, but we're just -- let's just say it's very similar to 2024.

Justin Dopierala DOMO Capital Management, LLC - Analyst

Okay. And correct me if I'm wrong, but your EBIT of \$385 million for the year, that was \$25 million more than what you got it to in mid-November, right?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

It was \$20 million better than the high-end, yes.

Justin Dopierala DOMO Capital Management, LLC - Analyst

Okay. Okay. So yes, along those lines, my math was leading me to an adjusted EBIT of around \$490 million in '25, but that was before you blew away all of your previous guidance and added additional cost cuts. So I mean, I usually have you over \$500 million and EBIT now, I guess, therefore, my question is, do you think you're kind of consistently being overly conservative with the guidance?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

So, I really appreciate your enthusiasm. I'm enthusiastic as well, but you, I'm going to stick to my range of what we quoted earlier, \$450 million to \$480 million. And look, there's a lot of logic behind what we're seeing. We talked about some of the headwinds that are probably backing off, what you might see, but I'm going to stick firm and appreciate your comments.

Justin Dopierala DOMO Capital Management, LLC - Analyst

All right. And then, lastly, on the share repurchase, I know a lot of it has already been asked, but I guess maybe just two things. Is it fair to say that at \$10 per share, you view the shares of the company are significantly undervalued?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Yeah, we won't specifically answer that question, but I will say that, we see a lot of great opportunity for our company going forward. I think that there's a continued strong cash generation. I think that we see continued strong earnings growth, and we're excited on the new business segments and opportunities on the revenue side.

Justin Dopierala DOMO Capital Management, LLC - Analyst

Okay. I know you talked about the covenants. I mean, so based on what you renegotiated, is it fair to say that -- I mean, if you so chose that you would be able to repurchase the entire \$150 million worth of stock in 2025, at least from a covenant standpoint.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Yeah, what I would say is that, the credit agreement and its details are going to be filed in an 8-K shortly, and so that will go, kind of covenant by covenant and give you all the details that you need. There's just a lot of put and takes, and it's hard to kind of overly simplify that question.

Justin Dopierala DOMO Capital Management, LLC - Analyst

All right, thanks a lot, keep up the great work.

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

Appreciate it, Justin.

Operator

Peter Sakon, CreditSites.

Peter Sakon CreditSights - Analyst

Hi, good evening. I had a question regarding the corporate expense significant decline in the fourth quarter. Was that just the cost savings that you've announced, or has there been any reallocation of corporate to the business units?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Hey, Peter, it's John. That's straight from cost savings. We have -- and don't forget I mentioned earlier in my remarks in the fourth quarter, there was a little bit of a pushdown of how we accrued for comp that was about \$5 million in the quarter.

But aside from that, the vast majority of that is, if not all, the remainder is all about our cost savings. Keep in mind that our cost savings primarily was wrapped around in overheads -- the corporate overheads. So that's where you're seeing it.

Peter Sakon CreditSights - Analyst

How many employees would you say you've got at corporate today versus maybe a year ago?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

I didn't catch the first part of that, Peter.

Peter Sakon CreditSights - Analyst

How many employees do you have, roughly at year end versus a year ago?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Oh gosh. I know that in -- we've announced, a reduction of force over the year of in excess of 2000 people, but a lot of that was wrapped around GEC. So, I think we can probably follow up with you on that one offline. I mean, all that data is going to be in the 8-K. And the 8-K is going to be out within about 10 days or so.

Peter Sakon CreditSights - Analyst

Okay, and then could you elaborate on this tension charge and tell me, to better understand.

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Yeah, so we actually had a lump sum campaign in the US and in Canada, and what that did was it actually positioned us better from a risk balance for our pension. Keeping in mind that our pension in the US is about 99% in change funded, and in Canada we're over 100% funded. This puts us in much better position and the \$91 million was a non-cash item. We recorded that in GAAP and you won't see that in the adjusted -- but what that was is to really account to true up for the campaign reduction. And it really -- and again it just puts us in better position from our assets and liabilities.

Peter Sakon CreditSights - Analyst

So, maybe to simplify it, -- the amount of it is reduced, so yeah, there's volatility in the market, the amount of volatility is going down because you have people that have been taken off the books, if you will. Is that the right way to think about it?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

That's exactly so. It represented about 10% of the plant assets.

Peter Sakon CreditSights - Analyst

Okay, that's all I've got.

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

So as you reduce your exposure on the plan itself, you reduce your exposure in the market.

Peter Sakon CreditSights - Analyst

Understood. Thank you.

Operator

Matthew Swope, Baird.

Matthew Swope Robert W. Baird & Co. Incorporated - Analyst

Congratulations guys on a great year. I was wondering, John, how do you think about the 2027 and 2029 notes now that you've chipped away at so much of the capital structure? Are those bonds we could see you refinanced either one or both of this year?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

So I'm going to -- Hey, Matt, how are you? I'm going to refer back to something I said earlier. So as we think about, our capital allocation strategy, I mean we're going to look at all of the notes, all of the debt, and of course, we'll probably have a closer eye on the nearer term debt, but I mean, we're going to be opportunistic when that comes available to us as we go through the year.

Matthew Swope Robert W. Baird & Co. Incorporated - Analyst

Were you concerned about announcing the sort of move towards at least more distributions to shareholders before you have the whole cap structure taken care of? I know it's sort of a tenuous dance back and forth, but coming out of the last few years, everything that the debt has gone through and then the amazing recovery you've had in the last 18 months or so. Was there any hesitation in announcing the shareholder distributions now?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

I don't think, Matt, there was ever any hesitation in any announcements, but there was hesitation in doing anything while the company was not achieving the kind of cash flow that gave us confidence to put a program like that in place.

Looking back the past couple of years, GEC was just such an anchor to the business and such a drain of cash. And, there was a lot of excess spend in the company and we just really couldn't do it. Now that we've repositioned the company, we have an opportunity and it's a great thing for us to take advantage of.

Matthew Swope Robert W. Baird & Co. Incorporated - Analyst

No, that's very fair, and you guys really have done a great job. Can I ask a nuts and bolts one, John, on -- you talked about free cash flow, without CapEx, without cash restructuring. That free cash flow number does include cash taxes, right? Do you have an estimate, especially with the savings you have now on cash taxes for 2025 or maybe even the next couple of years?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Yeah, I mean, so look, the bulk of the the tax asset is going to be recognized in the cash flow primarily over the next, I'd say '25, '26, and and probably trickle a little bit into '27. So think about it -- if you think about it that way. Not to disclose the absolute number right now, but I'd say it's probably evenly distribute going out in the next three years.

Matthew Swope Robert W. Baird & Co. Incorporated - Analyst

Okay. And then as far as the cash restructuring, I know that I think you said you've paid \$120 million out of the \$165 million, is it right to use about a \$45 million cash restructuring number for 2025?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Well that reference was on the GEC exit cost, so if we're talking about the same thing. So yes, against the \$165 million, we paid out about \$120 million, and that would be the math on the go.

Matthew Swope Robert W. Baird & Co. Incorporated - Analyst

Right. Okay, right, that makes sense. And then how about as far as other cash restructuring charges to achieve the cost savings you're getting?

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Well, I tell you that, a lot of the cost savings that we've done that would accompany a restructuring payment, a lot of that is behind us in 2024. So I'm not going to predict or forecast the restructuring payment, cash out today, but I tell you that the most of that is behind us on the trend from \$170 million to \$190 million. A lot of that is behind us already.

Matthew Swope Robert W. Baird & Co. Incorporated - Analyst

Great. And then Lance, just one last one for me. You mentioned in your prepared comments about sort of moving towards an inflection point where full company revenue goes positive. Is that something that happens in 2025 you think or 2026? How do you look at that?

Lance Rosenzweig Pitney Bowes Inc - Chief Executive Officer

We guided our revenues in 2025. So, we're not anticipating that in 2025, but you know we're working hard to make it happen and really very excited about heading toward that day.

Matthew Swope Robert W. Baird & Co. Incorporated - Analyst

That's great. Well, congratulations again guys.

John Witek Pitney Bowes Inc - Interim Chief Financial Officer

Thanks Matt.

Operator

At this time we have no further questions. Mr. Rosenzweig, any additional remarks at this time?

Lance Rosenzweig *Pitney Bowes Inc - Chief Executive Officer*

Thank you everyone for joining for our quarterly call. Thank you for the excellent questions and thank you particularly to John for your partnership and your your phenomenal service to the company. Looking forward to updating everyone next quarter.

John Witek *Pitney Bowes Inc - Interim Chief Financial Officer*

Thanks Lance.

Operator

Thank you, ladies and gentlemen. Your conference has concluded. Thank you for joining. You may now disconnect.

DISCLAIMER

THE LONDON STOCK EXCHANGE GROUP AND ITS AFFILIATES (COLLECTIVELY, "LSEG") RESERVES THE RIGHT TO MAKE CHANGES TO DOCUMENTS, CONTENT, OR OTHER INFORMATION ON THIS WEB SITE WITHOUT OBLIGATION TO NOTIFY ANY PERSON OF SUCH CHANGES. NO CONTENT MAY BE MODIFIED, REVERSE ENGINEERED, REPRODUCED, OR DISTRIBUTED IN ANY FORM BY ANY MEANS, OR STORED IN A DATABASE OR RETRIEVAL SYSTEM, WITHOUT THE PRIOR WRITTEN PERMISSION OF LSEG. THE CONTENT SHALL NOT BE USED FOR ANY UNLAWFUL OR UNAUTHORIZED PURPOSES. LSEG DOES NOT GUARANTEE THE ACCURACY, COMPLETENESS, TIMELINESS, OR AVAILABILITY OF THE CONTENT. LSEG IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS, REGARDLESS OF THE CAUSE, FOR THE RESULTS OBTAINED FROM THE USE OF THE CONTENT. IN NO EVENT SHALL LSEG BE LIABLE TO ANY PARTY FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL, OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING, WITHOUT LIMITATION, LOST INCOME OR LOST PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF THE CONTENT EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

Copyright ©2025 LSEG. All Rights Reserved.