

PITNEY BOWES INC /DE/

Form 10-K

February 22, 2016

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, 2015 Commission file number: 1-3579

PITNEY BOWES INC.

Incorporated in Delaware

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

3001 Summer Street, Stamford, CT 06926

(203) 356-5000

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

Title of Each Class	Name of Each Exchange on Which Registered
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Common Stock, \$1 par value per share	New York Stock Exchange
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\$2.12 Convertible Cumulative Preference Stock (no par value)	New York Stock Exchange
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Securities registered pursuant to Section 12(g) of the Act: 4% Convertible Cumulative Preferred Stock (\$50 par value)

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 marks whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files) Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

As of June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$4.2 billion based on the closing sale price as reported on the New York Stock Exchange.

Number of shares of common stock, \$1 par value, outstanding as of close of business on February 18, 2016:

191,560,676 shares.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be filed with the Securities and Exchange Commission (the Commission) no later than 120 days after our fiscal year end and to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held May 9, 2016, are incorporated by reference in Part III of this Form 10-K.



PITNEY BOWES INC.  
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## PART I

### Forward-Looking Statements

This Annual Report on Form 10-K (Annual Report) contains statements that are forward-looking. We want to caution readers that any forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 may change based on various factors. These forward-looking statements are based on current expectations and assumptions that 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 statements, whether as a result of new information, future events or otherwise. Factors which could cause future financial performance to differ materially from the expectations as expressed in any forward-looking statement made by or on our behalf include, without limitation:

- declining physical mail volumes
- competitive factors, including pricing pressures, technological developments and introduction of new products and services by competitors
- our success in developing new products and services, including digital-based products and services, obtaining regulatory approval if required, and the market's acceptance of these new products and services
- our ability to successfully implement and transition to a new Enterprise Resource Planning (ERP) system in the United States without significant disruption to existing operations
- the success of our investment in rebranding the company to build market awareness and create new demand for our businesses
- changes in postal or banking regulations
- macroeconomic factors, including global and regional business conditions that adversely impact customer demand, access to capital markets at reasonable costs, changes in interest rates, foreign currency exchange rates and fuel prices
- the continued availability and security of key information systems and the cost to comply with information security requirements and privacy laws
- third-party suppliers' ability to provide product components, assemblies or inventories
- our success at managing the relationships with our outsource providers, including the costs of outsourcing functions and operations not central to our business
- the loss of some of our larger clients in the Global Ecommerce segment
- integrating newly acquired businesses including operations and product and service offerings
- intellectual property infringement claims
- our success at managing customer credit risk
  - significant changes in pension, health care and retiree medical costs
- income tax adjustments or other regulatory levies for prior audit years and changes in tax laws, rulings or regulations
- a disruption of our businesses due to changes in international or national political conditions, including the use of the mail for transmitting harmful biological agents or other terrorist attacks
- acts of nature

Other risks that may also adversely impact us are more fully described under Item 1A. "Risk Factors" in this Annual Report.

## ITEM 1. BUSINESS

### General

Pitney Bowes Inc. (we, us, our, or the company), was incorporated in the state of Delaware in 1920. We are a global technology company offering innovative products and solutions that help our clients navigate the complex world of commerce. We offer customer information management, location intelligence and customer engagement products and solutions to help our clients market to their customers, and shipping and mailing, and cross border ecommerce

products and solutions that enable the sending of parcels and packages across the globe. More than 1.5 million clients around the world rely on our products, solutions and services. For more information about us, our products, services and solutions, visit [www.pb.com](http://www.pb.com).

## Our Strategy and Business Segments

Our business is organized around three distinct sets of solutions -- Small and Medium Business Solutions (SMB), Enterprise Business Solutions and Digital Commerce Solutions (DCS).

### Small and Medium Business Solutions

We are a global leader in providing a full range of equipment, software, supplies and services that enable our clients to efficiently create physical and digital mail and evidence postage for the sending of mail, flats and parcels. We segment the SMB Solutions group between our North America operations, comprising the U.S. and Canadian businesses, and our International operations, comprising all other SMB businesses globally. We are a leading provider of mailing systems globally with about 900,000 meters installed in our North America operations and over 300,000 meters installed elsewhere. This business is characterized by a high level of recurring revenue driven by rental, lease and loan arrangements, contract support services and supplies sales.

### Enterprise Business Solutions

Our Enterprise Business Solutions group includes equipment and services that enable large enterprises to process inbound and outbound mail. The Enterprise Business Solutions group includes our Production Mail operations and Presort Services operations.

### Production Mail

Our product and service offerings enable clients to integrate all areas of print and mail into an end-to-end production environment from message creation to dispatch while realizing cost savings on postage. The core products within this segment include high-speed, high-volume inserting equipment, customized sortation products for mail and parcels and high-speed digital color printing systems that create high-value, relevant and timely communications targeted to our clients' customers. Beginning in 2016, we will offer new services and technical innovations including cloud connectivity for machines.

### Presort Services

We are a national outsource provider of mail presort services for first-class, standard-class and flat mail in the U.S. and a workshare partner of the United States Postal Service (USPS). Our Presort Services network and fully-customized proprietary technology provides our clients with end-to-end solutions from pick up at their location to delivery into the postal system network. We process approximately 15 billion pieces of mail annually and are able to expedite mail delivery and optimize postage savings for our clients.

### Digital Commerce Solutions

Within the Digital Commerce Solutions group, we provide a broad range of solutions, including customer information management, location intelligence and customer engagement software and shipping management and cross border ecommerce solutions for businesses of all sizes. These solutions are primarily delivered as traditional software licenses, enterprise platforms, software-as-a-service (SaaS) and on-demand applications. Our Digital Commerce Solutions group includes Software Solutions and Global Ecommerce.

### Software Solutions

Customer information management solutions help businesses harness and deliver a deep and broad understanding of their customers and their context, such as location, relationships, propensity, sentiment and influence. The trusted data and associated insights allow our clients to deliver a personalized customer experience across multiple channels, manage risk and compliance, and improve sales, marketing and service effectiveness. We are one of the market leaders in the data quality segment. Large corporations and government agencies rely on our products in complex, high-volume, transactional environments to support their business processes.

Location intelligence solutions enable our clients to organize and understand the complex relationships between location, geographic and other forms of data to drive business decisions and customer experiences. Our location

intelligence solutions use predictive analytics, location, geographic and socio-demographic characteristics, which enable our clients to harness the power of location to better serve their customers, solve business problems, deliver location-based services and ultimately drive business growth.

Customer engagement solutions provide clients with insight and understanding into customer behavior and interactions across the entire customer lifecycle, enabling them to orchestrate impactful, relevant and timely physical and digital interactions. When coupled with our inserting, sortation and digital print products, we are able to provide clients an all-inclusive solution that enables them to create, print and distribute wide-spread targeted customer communications. Our customer engagement solutions enable our clients to create connected experiences that positively influence future consumer behavior and generate business growth.

#### Global Ecommerce

Global Ecommerce includes our cross-border ecommerce solutions and shipping management solutions. Our cross-border ecommerce technology and services platforms enable retailers to transact with consumers globally. With our proprietary technology, we are able to manage all aspects of the international shopping and shipping experience, including multi-currency pricing, payment processing, fraud management, calculation of fully landed costs by quoting duty, taxes and shipping at checkout, compliance with product restrictions, export complexities and documentation requirements for customs clearance and brokerage and global logistics services. Our cross-border ecommerce software platforms are currently utilized by over 250 direct merchants as well as a major online marketplace enabling millions of parcels to be shipped to over 200 countries and territories worldwide. In 2015, we expanded our cross-border ecommerce capabilities through the acquisition of Borderfree, Inc. See Note 3 to the Consolidated Financial Statements.

Shipping management solutions enable 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. We also offer scalable global logistics management systems that can be integrated into mail centers for the office and retail markets, as well as desktop and production shipping environments.

See Item 7, "Management Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 to the Consolidated Financial Statements for additional segment and geographic information.

#### Client Service

We have a client care service organization that provides telephone, online and on-site support to diagnose and repair our increasingly complex mailing equipment, production printers and sophisticated software solutions. Most of our support services are provided under annual contracts.

#### Sales and Marketing

We market our products and services through a direct and inside sales force, direct mailings, telemarketing, independent dealers and distributors and web channels. We sell to a variety of business, governmental, institutional and other organizations, and in our Ecommerce business only, we also sell to consumers as well as a variety of businesses. We have a broad base of clients and are not dependent upon any one client or type of client for a significant part of our total revenue.

In 2014, we began a phased roll-out in our SMB Solutions operations of a strategy designed to provide clients broader access to products and services, improve the sales process and reduce costs by shifting more of our client coverage from field sales to inside sales. During 2015, we successfully rolled out this strategy worldwide and in 2016, we will begin shifting more client coverage activity to web channels.

We have made, and are continuing to make, significant investments in the rebranding of the company. These investments include marketing and advertising spending designed to build market awareness and client demand for our products and services, and enhance our operational and go-to-market changes, including how we sell to and service clients.

#### Competition

All of our businesses face competition from a number of companies. Our competitors range from large, multinational companies that compete against many of our businesses to 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 solutions to specific client needs; performance; client 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 will encounter new competitors as we transition to higher value markets and offerings and enter new markets.



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

**North America Mailing and International Mailing**

We face significant competition from other mail equipment and software companies, companies that offer products and services as alternative means of message communications and non-traditional competitors that offer shipping and mailing products and services through online solutions. The principal competitive factors include the composition of offerings between software and hardware solutions, pricing, available financing and payment offerings, product reliability, support services, industry knowledge and expertise and attractiveness of alternative communication methods. Our competitive advantage includes our breadth of physical and web-based digital offerings, customer service and our extensive knowledge of the shipping and mailing industry.

Through our wholly owned subsidiary, The Pitney Bowes Bank (the Bank), we offer a revolving credit solution to our SMB clients in the United States that enables them to pay for postage, the rental of certain mailing equipment and purchase products, supplies and services. The Bank also provides an interest-bearing deposit solution to those clients in the United States who prefer to prepay postage. We also provide similar revolving credit solutions to our clients in Canada and the U.K but do not offer these through the Bank in overseas markets. 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. Not all our competitors are able to offer these financing and payment solutions to their customers and we believe these solutions differentiate us from our competitors and are a source of competitive advantage. The Bank is chartered as an Industrial Bank under the laws of the State of Utah, and regulated by the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions.

#### Production Mail

We face competition from other companies that offer large production printers, inserters or sorters. We also face competition from the fact that some companies choose to outsource although those outsource providers can also be our customers. Our competitive advantage lies in our ability to offer all of these products and services and integrate them into an end-to-end solution. The principal competitive factors include functionality, reliability, productivity, price and support.

#### Presort Services

We face competition from regional and local presort providers, service bureaus that offer presort solutions as part of a larger bundle of outsourcing services and large entities that have the capability to presort their own mailings in-house. The principal competitive factors include innovative service, delivery speed, industry expertise and economies of scale. Our competitive advantage includes our extensive network of presort facilities capable of processing significant volumes of mail and our innovative and proprietary technology that enables us to provide our clients with reliable and accurate services at maximum discounts.

#### Software Solutions

We operate in several highly competitive and rapidly evolving markets and face competition ranging from large global companies that offer a broad suite of solutions to smaller, more narrowly-focused companies that can design very targeted solutions. The principal competitive factors include reliability, functionality and ease of integration and use, scalability, innovation, support services and price. We compete based on the accuracy and processing speed of our solutions, particularly those used in our location intelligence solutions, the breadth and scalability of our products and solutions, our geocoding and reverse geocoding capabilities, and our ability to identify rapidly changing customer needs and develop technologies and solutions to meet these changing needs.

#### Global Ecommerce

The market for international ecommerce software and fulfillment services is highly fragmented, and includes competitors of various sizes, including companies with greater financial resources than us, some that specialize in point solutions or freight forwarding services, full-service ecommerce business process outsourcers and online marketplaces with international logistic support. In addition, major global delivery services companies are acquiring the technology to improve their cross border ecommerce shipping capabilities. The principal competitive factors include reliability, functionality and ease of integration and use, scalability, innovation, support services and price. We compete based on the accuracy, reliability and scalability of our platform, and our ability to provide our clients and their customers a one-stop full-service cross border ecommerce experience.

#### Financing Solutions

We offer a variety of finance and payment solutions to clients to finance their equipment and product purchases, rental and lease payments, postage replenishment and supplies purchases. We establish credit approval limits and procedures based on the credit quality of the client and the type of product or service provided to control risk in extending credit

to clients. In addition, we utilize a systematic decision program for certain leases. This program is designed to facilitate low dollar transactions by utilizing historical payment patterns and losses realized for clients with common credit characteristics. The program defines the criteria under which we will accept a client without performing a more detailed credit investigation, such as maximum equipment cost, a client's time in business and payment experience. We closely monitor the portfolio by analyzing industry sectors and delinquency trends by product line, industry and client to ensure reserve levels and credit policies reflect current trends. Management continues to closely monitor credit lines and collection resources and revise credit policies as necessary to be more selective in managing the portfolio.

#### Research, Development and Intellectual Property

We invest in research and development programs to develop new products and solutions, enhance the effectiveness and functionality of existing products and solutions and deliver high value technology, innovative software and differentiated services in high value segments of the market. As a result of our research and development efforts, we have been awarded a number of patents with respect to several of our existing and planned products. However, our businesses are not materially dependent on any one patent or license or group of related patents or licenses. Research and development expenditures were \$110 million, in each of 2015, 2014 and 2013.

#### Material Suppliers

We depend on third-party suppliers for a variety of services, components, supplies and a large portion of our product manufacturing. In certain instances, we rely on single-sourced or limited-sourced suppliers around the world because the relationship is advantageous due to quality, price, or there are no alternative sources. We have not historically experienced shortages in services, components or products and believe that our available sources for materials, components, services and supplies are adequate.

#### Regulatory Matters

We are subject to the regulations of postal authorities worldwide related to product specifications and business practices involving our postage meters. We are further subject to the regulations of the State of Utah Department of Financial Institutions and the FDIC with respect to the operations of the Bank and certain company affiliates that provide services to the Bank. We are also subject to the regulations of transportation, customs and other trade authorities worldwide related to the cross-border shipment of equipment, materials and parcels. In addition, we are subject to regulations worldwide concerning data privacy and security for our businesses that use, process and store certain personal, confidential or proprietary data.

#### Employees and Employee Relations

At December 31, 2015, we have approximately 10,500 employees in North America and 4,300 employees internationally. We believe that our current relations with employees are good. Management keeps employees informed of decisions and encourages and implements employee suggestions whenever practicable.

#### 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 Securities and Exchange Commission (the SEC), are available, free of charge, through the Investor Relations section of our website at [www.pb.com/investorrelations](http://www.pb.com/investorrelations) 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.

You may also read and copy any document we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549 or request copies of these documents by writing to the Office of Public Reference. Call the SEC at (800) 732-0330 for further information on the operations of the Public Reference Room and copying charges.

## Executive Officers of the Registrant

Our executive officers are as follows:

Name	Age	Title	Executive Officer Since
Marc B. Lautenbach	54	President and Chief Executive Officer	2012
Daniel J. Goldstein	54	Executive Vice President and Chief Legal Officer and Corporate Secretary	2010
Robert Guidotti	58	Executive Vice President and President, Software Solutions	2016
Abby F. Kohnstamm	62	Executive Vice President and Chief Marketing Officer	2013
Michael Monahan	55	Executive Vice President, Chief Operating Officer and Chief Financial Officer	2005
Roger J. Pilc	48	Executive Vice President and Chief Innovation Officer	2013
Mark L. Shearer	59	Executive Vice President and President, Pitney Bowes SMB Mailing Solutions	2013
Lila Snyder	43	Executive Vice President and President, Global Ecommerce	2016
Christoph Stehmann	53	Executive Vice President and President, Enterprise Solutions Group	2016
Johnna G. Torson	65	Executive Vice President and Chief Human Resources Officer	1993
Mark F. Wright	58	Executive Vice President, Strategic Growth Initiatives	2013

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

Mr. Lautenbach was appointed President and Chief Executive Officer of the company in December 2012. Before joining Pitney Bowes, Mr. Lautenbach held numerous positions during his career at IBM, which he joined in 1985. His leadership roles at IBM included serving as Vice President Small and Medium Business in Asia Pacific from 1998-2000, General Manager of IBM Global Small and Medium Business from 2000-2005, General Manager of IBM North America from 2005-2010, and Managing Partner, North America, for IBM Global Business Services.

Mr. Guidotti was appointed Executive Vice President and President, Software Solutions in January 2016. Before joining Pitney Bowes, Mr. Guidotti has been in the software industry for over 20 years and held a series of executive positions at IBM including General Manager, Software Sales where he was responsible for sales, technical sales, and channels for the \$23 billion Software portfolio worldwide.

Ms. Kohnstamm joined the company as Executive Vice President and Chief Marketing Officer in June 2013. Before joining Pitney Bowes, Ms. Kohnstamm served as President of Abby F. Kohnstamm & Associates, Inc., a marketing and consulting firm.

Mr. Pilc joined the company as Executive Vice President and Chief Innovation Officer in June 2013. Before joining Pitney Bowes, Mr. Pilc served as General Manager at CA Technologies, where he was responsible for the company's Industries, Solutions and Alliances unit.

Mr. Shearer joined the company as Executive Vice President and President, Pitney Bowes SMB Mailing Solutions in April 2013. Before joining Pitney Bowes, Mr. Shearer held numerous positions during his 30 year career at IBM, including general management, business and product strategy, and marketing. Before his retirement from IBM in 2010, he served as Vice President, Marketing and Strategy for IBM's hardware business.

Ms. Snyder was elected to the office of Executive Vice President by the board of directors in January 2016. She joined the company in November 2013 as President, Document Messaging Technologies (DMT) and became President,

Global Ecommerce in June 2015. Prior to joining Pitney Bowes, Ms. Snyder was a Partner at McKinsey & Company, Inc. In her 15 years at McKinsey, she focused on serving clients in the technology, media and communications sectors and was the leader of McKinsey's Stamford office.

Mr. Wright joined the company as Executive Vice President and President, Pitney Bowes Software Solutions in April 2013. He was elected Executive Vice President and President, Pitney Bowes Digital Commerce Solutions in February 2014. In January 2016 he was elected Executive Vice President, Strategic Growth Initiatives. Before joining Pitney Bowes, Mr. Wright served as Executive Vice President, Enterprise Solutions Group for Infor Global Solutions.

## 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, including through the use of an enterprise risk management program. Nevertheless, the following risk factors, some of which may be beyond our control, could materially impact 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.

We are subject to postal regulations and processes, which could adversely affect our revenue and profitability. A significant portion of our revenue and profitability is directly or indirectly subject to regulation and oversight by postal authorities worldwide. We depend on a healthy postal sector in the geographic markets where we do business, which could be influenced positively or negatively by legislative or regulatory changes in those countries. Our revenue and profitability in a particular country could be affected by adverse changes in postal regulations, the business processes and practices of individual posts, the decision of a post to enter into particular markets in direct competition with us and the impact of any of these changes on postal competitors that do not use our products or services. These changes could affect product specifications, service offerings, client behavior and the overall mailing industry.

If we are not able to respond to the continuing decline in the volume of physical mail delivered via traditional postal services, our results of operations and profitability could be adversely impacted.

Declining mail volumes has had an adverse impact on our revenues and profitability and is expected to continue to influence our revenue and profitability in the future. We continue to employ strategies for stabilizing the mailing business which include new product and service offerings, transitioning our current products and services to more digital offerings and providing our clients broader access to products and services through online and direct sales channels. There is no guarantee that these offerings will be widely accepted in the marketplace, and they will likely face competition from existing and emerging alternative products and services.

Further, an accelerated or sudden decline in physical mail volumes could have an adverse effect on our mailing business. An accelerated or sudden decline could result from, among other things, changes in our clients' communication behavior, changes in communication technologies or legislation or regulations that mandate electronic substitution, prohibit certain types of mailings, increase the difficulty of using information or materials in the mail, or impose higher taxes or fees on mailing or postal services.

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 results could be negatively impacted.

We may not realize the anticipated benefits from our implementation of a new Enterprise Resource Planning (ERP) system, and the transition to the new ERP system may not be uninterrupted or error-free.

We have made, and will continue to make, significant investments in the development and implementation of a new ERP system that is expected to provide operating cost savings through the elimination of redundant systems and strategic efficiencies through the use of a standardized, integrated system. In the fourth quarter of 2015, we completed the implementation of the ERP system for our Canadian operations and will begin implementing this system in the U.S. in 2016. If the implementation of the ERP system in the U.S. is not successful, or is delayed, the expected operating cost savings and strategic efficiencies may be delayed or may not be obtained or sustainable and may prevent us from introducing new products or services.

Further, the transition to the new ERP system will affect numerous systems necessary for the company's operation. If we fail to correctly implement one or more components of the ERP system, we could experience significant disruption to our operations. Such disruptions could include, among other things, temporary loss of data, inability to process certain orders, failure of systems to communicate with each other and the inability to track or reconcile key data.



If we are unable to protect our information technology systems against service interruptions, misappropriation of data, or breaches of security resulting from cyber-attacks or other events, or we encounter other unforeseen difficulties in the operation of our information technology systems, our operations could be disrupted, our reputation may be harmed and we could be subject to legal liability or regulatory enforcement action.

We rely on the continuous and uninterrupted performance of our information technology systems to support numerous business processes and activities, to support and service our clients, to support consumer transactions and to support postal services. Several of our businesses use, process and store proprietary information and sensitive or confidential data relating to our businesses, our clients, consumers and our employees. Privacy laws and similar regulations in many jurisdictions where we do business require that we take significant steps to safeguard such information, and such legal requirements continue to evolve. In today's environment there are numerous risks to cybersecurity and privacy, including individual and groups of criminal hackers, industrial espionage, employee errors and/or malfeasance and technological errors. These cyber threats are constantly evolving, thereby increasing the difficulty of detecting and successfully defending against them. We have security systems and procedures in place designed to ensure the continuous and uninterrupted performance of our information technology systems and protect against unauthorized access to such information. However, there is no guarantee that these security measures will prevent or detect the unauthorized access by experienced computer programmers, hackers or others. Successful breaches could, among other things, result in the unauthorized disclosure, theft and misuse of company, client, consumer and employee sensitive and confidential information, disrupt the performance of our information technology systems and deny services to our clients. Additionally, we could be exposed to potential liability, litigation, governmental inquiries, investigations or regulatory enforcement actions, our brand and reputation damaged, and we could be subject to the payment of fines or other penalties, legal claims by our clients and significant remediation costs.

Our systems are also subject to adverse acts of nature, computer viruses, vandalism, power loss, computer or communications failures and other unexpected events. We have business continuity and disaster recovery plans in place to protect our business operations in case of such events; however, there can be no guarantee that these plans will function as designed. If our information technology systems are damaged or cease to function properly, we could be prevented from fulfilling orders and servicing clients and postal services. Also, we may have to make a significant investment to repair or replace these systems, and could suffer loss of critical data and interruptions or delays in our operations.

We depend on third-party suppliers and outsource providers and our business could be adversely affected if we fail to manage these vendors effectively.

We depend on third-party suppliers and outsource providers for a variety of services, components and supplies, including a large portion of our product manufacturing, the hosting of our software-as-a-service offerings, as well as the logistics portion of our cross-border ecommerce business, and some non-core functions and operations. 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. If production or services were interrupted and we were not able to find alternate third-party suppliers, we could experience disruptions in manufacturing and operations including product shortages, higher freight costs and re-engineering costs. If outsourcing services were interrupted, not performed, or the performance was poor, our ability to process, record and report transactions with our clients, consumers and other constituents could be impacted. Such interruptions in the provision of supplies and/or services could impact our ability to meet client demand, damage our reputation and client relationships and adversely affect our revenue and profitability.

Capital market disruptions and credit rating downgrades could adversely affect our ability to provide competitive financing services to our clients and to fund various discretionary priorities.

Our financing activities include, among other things, providing competitive financing offerings to our clients and funding various discretionary priorities, such as business investments, strategic acquisitions, share repurchases and dividend payments. We fund these activities through a combination of cash generated from operations, deposits held in the Bank, commercial paper borrowings and long-term borrowings.

Our ability to fund these activities is dependent, in part, upon our ability to borrow and the cost of borrowing in U.S. capital markets. This ability and the cost, in turn, is dependent upon our credit ratings and is subject to capital market volatility. A credit ratings downgrade, an increase in the company's credit default swap spread, material capital market disruptions, significant withdrawals by depositors at the Bank, adverse changes to our industrial loan charter or a significant decline in cash flow could impact our ability to provide competitive finance offerings to our clients and fund other financing activities, which in turn, could adversely affect our revenue, profitability and financial condition.

The international nature of our Global Ecommerce segment subjects us to increased customs and regulatory risks from cross-border transactions, and fluctuations in foreign currency exchange rates. Further, the loss of any of our largest clients in our Global Ecommerce segment could have a material adverse effect on the segment.

International sales generated by our clients processing transactions through our platform are the primary source of both revenue and profit for the Global Ecommerce segment. 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, increase costs, delay delivery times, and subject us to additional liabilities, which could negatively impact our ability to compete in international markets and adversely impact our revenues and profitability.

The operating results of, and sales generated from, many of our clients' internationally focused websites running on our platform are exposed to foreign exchange rate fluctuations. Currently, our platforms are located in the United States and United Kingdom and a majority of consumers making purchases through these platforms are in a limited number of foreign countries. A strengthening of the U.S. Dollar or British Pound relative to currencies in the countries where we do the most business impacts our ability to compete internationally as the cost of similar international products improves relative to the cost of U.S. and U.K. retailers' products. A strong U.S. Dollar or British Pound would likely result in a decrease in international sales volumes, which would adversely affect the segment's revenue and profitability.

The Global Ecommerce segment is dependent on a relatively small number of significant clients and business partners for a large portion of its revenue. The loss of any of these larger clients or business partners, or a substantial reduction in their use of our products or services, 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.

Our inability to obtain and protect our intellectual property and defend against claims of infringement by others may negatively impact our operating results.

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.

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 operating results, 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 instances of contractual non-compliance 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 us financially, but also adversely affect our brand and reputation.

We may not realize the anticipated benefits of strategic acquisitions and divestitures, which may harm our financial results.

As we increase our focus towards providing more digital technology and software solutions while maintaining a leadership role in the mailing industry, we may make strategic acquisitions or divest certain businesses. These

acquisitions and divestitures may involve significant risks and uncertainties, which could have an adverse effect on our operating results, including:

- difficulties in achieving anticipated benefits or synergies from acquisitions and divestitures;
- difficulties in integrating newly acquired businesses and operations, including combining product and service offerings and entering new markets, or reducing fixed costs previously associated with divested businesses;
- the loss of key employees or clients of businesses acquired or divested; and
- significant charges to earnings for employee severance and other restructuring costs, goodwill and asset impairments and legal, accounting and financial advisory fees.

Our investment in rebranding the company and enhancing marketing programs to build the market awareness necessary to create demand for our businesses may not result in increased revenue and could adversely affect our profitability.

Our new brand strategy and identity are important to the next phase of our global business transformation. Our phased roll-out of the new branding through an advertising campaign, which is now entering a new phase in its progress, is integrated into the way we sell and service clients, and acquire new clients, including sales collateral and the digital experience of getting information, service performance and transacting on our website. These factors are important to maintaining acceptance of our products and services by our existing clients and achieving increased acceptance with new clients. We expect increased spending in brand development and marketing promotion activities and if this increased spending does not result in increased revenue sufficient to offset these expenses, our profitability could be adversely affected.

Our operational costs could increase from changes in environmental regulations, or it could be subject to significant liabilities.

We are subject to various federal, state, local and foreign environmental protection laws and regulations around the world, including without limitation, those related to the manufacture, distribution, use, packaging, labeling, recycling or disposal of our products or the products of our clients for whom we perform services. Environmental rules concerning products and packaging can have a significant impact on the cost of operations or affect our ability to do business in certain countries. We are also subject to laws concerning use, discharge or disposal of materials. All of these laws are complex, change frequently and have tended to become more stringent over time. If we are found to have violated these laws, we could be fined, criminally charged, otherwise sanctioned by regulators, or we could be subject to liability and clean-up costs. These risk can apply to both current and legacy operations and sites. From time to time, we may be involved in litigation over these issues. The amount and timing of costs under environmental laws are difficult to predict and there can be no assurance that these costs will not have an adverse effect our financial condition, results of operations or cash flows.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

We own or lease numerous facilities worldwide, which house general offices, including our corporate headquarters located in Stamford, Connecticut, sales offices, service locations, data centers and call centers. We conduct research and development, manufacturing and assembly, product management, information technology and many other activities at our Global Technology Center located in Danbury, Connecticut. Our other primary research and development facility is located in Noida, India. Management believes that our facilities are well maintained, are in good operating condition and are suitable and adequate for our current business needs.

## ITEM 3. LEGAL PROCEEDINGS

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 December 2013, we received a Civil Investigative Demand (CID) from the Department of Justice (DOJ) pursuant to the False Claims Act requesting documents and information relating to compliance with certain postal regulatory requirements in our Presort Services business. We provided information to the DOJ in response to letter requests and the CID. On October 9, 2015, we reached a settlement with the DOJ without any admission of liability, for \$7 million, net of recoveries.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

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

Our common stock is traded under the symbol "PBI" and is principally traded on the New York Stock Exchange (NYSE). At January 31, 2016, we had 17,989 common stockholders of record. The following table sets forth the high and low sales prices, as reported on the NYSE, and the cash dividends paid per share of common stock, for the periods indicated.

	Stock Price		Dividend Per Share
	High	Low	
2015			
First Quarter	\$24.60	\$21.15	\$0.1875
Second Quarter	\$23.93	\$20.79	0.1875
Third Quarter	\$21.64	\$18.59	0.1875
Fourth Quarter	\$21.76	\$19.12	0.1875
			\$0.75
2014			
First Quarter	\$26.63	\$21.01	\$0.1875
Second Quarter	\$28.23	\$24.06	0.1875
Third Quarter	\$28.37	\$24.63	0.1875
Fourth Quarter	\$25.68	\$22.38	0.1875



### Share Repurchases

We may periodically repurchase shares of our common stock to manage the dilution created by shares issued under employee stock plans and for other purposes. For the full year 2015, we repurchased 6,655,196 shares of our common stock at an average share price of \$20.35. The following table provides information about our purchases of our common stock during the three months ended December 31, 2015:

	Number of shares purchased	Average price paid per share	Number of shares purchased as part of a publicly announced plan	Approximate dollar value of shares that may be purchased under the plan (in thousands) <sup>(1)</sup>
Beginning balance				\$100,000
October 2015	—	—	—	\$100,000
November 2015	—	—	—	\$100,000
December 2015	1,744,600	\$20.31	1,744,600	\$64,567
	1,744,600	\$20.31	1,744,600	

(1) In September 2015, we received authorization from our Board of Directors to repurchase \$100 million of our common stock. The plan does not have an expiration date.

In February 2016, we received authorization from our Board of Directors to repurchase an additional \$150 million of outstanding stock.

### Stock Performance Graph

Our peer group is comprised of: Alliance Data Systems Corporation, Diebold, Incorporated, DST Systems Inc., EchoStar Corp., Fidelity National Information Services, Inc., Fiserv, Inc., Harris Corporation, Iron Mountain Inc., Lexmark International Inc., NCR Corp., Pitney Bowes Inc., R.R. Donnelley & Sons Company, Rockwell Automation Inc., Unisys Corporation, The Western Union Company and Xerox Corporation.

The accompanying graph shows the annual changes for the five-year period based on the assumption that \$100 was invested in Pitney Bowes, the Standard and Poor's (S&P) 500 Composite Index and our peer group, and that all dividends were reinvested. On a total return basis, \$100 invested in Pitney Bowes, the S&P 500 Composite Index and our peer group on December 31, 2010 would have been worth \$115, \$181, \$173, respectively, on December 31, 2015.

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 500 Composite Index and each peer group is based on market capitalization, weighted for each year. The stock price performance is not necessarily indicative of future stock price performance.





## ITEM 6. SELECTED FINANCIAL DATA

The following table of selected financial data should be read in conjunction with the more detailed consolidated financial statements and related notes thereto included in Item 8 of this Form 10-K.

	Years Ended December 31,				
	2015	2014	2013	2012	2011
Total revenue	\$3,578,060	\$3,821,504	\$3,791,335	\$3,823,713	\$4,030,669
Amounts attributable to common stockholders:					
Net income from continuing operations	\$402,672	\$300,006	\$287,612	\$379,107	\$418,967
Income (loss) from discontinued operations	5,271	33,749	(144,777)	) 66,056	198,513
Net income - Pitney Bowes Inc.	\$407,943	\$333,755	\$142,835	\$445,163	\$617,480
Basic earnings per share attributable to common stockholders <sup>(1)</sup> :					
Continuing operations	\$2.01	\$1.49	\$1.43	\$1.89	\$2.07
Discontinued operations	0.03	0.17	(0.72)	) 0.33	0.98
Net income - Pitney Bowes Inc.	\$2.04	\$1.65	\$0.71	\$2.22	\$3.06
Diluted earnings per share attributable to common stockholders <sup>(1)</sup> :					
Continuing operations	\$2.00	\$1.47	\$1.42	\$1.88	\$2.07
Discontinued operations	0.03	0.17	(0.71)	) 0.33	0.98
Net income - Pitney Bowes Inc.	\$2.03	\$1.64	\$0.70	\$2.21	\$3.05
Cash dividends paid per share of common stock	\$0.75	\$0.75	\$0.9375	\$1.50	\$1.48
Balance sheet data:					
	December 31,				
	2015	2014	2013	2012	2011
Total assets	\$6,141,462	\$6,499,702	\$6,777,436	\$7,834,798	\$8,162,622
Long-term debt	\$2,507,912	\$2,927,127	\$3,346,295	\$3,642,375	\$3,683,909
Total debt	\$2,968,997	\$3,252,006	\$3,346,295	\$4,017,375	\$4,233,909
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	\$296,370	\$296,370	\$296,370	\$296,370	\$296,370

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

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes. This discussion and analysis contains forward-looking statements based on management's current expectations, estimates and projections and involve risks and uncertainties. Our actual results may differ significantly from those currently expressed in our forward-looking statements as a result of various factors, including those factors described under "Forward-Looking Statements" and "Risk Factors" contained elsewhere in this Annual Report. All table amounts are presented in thousands of dollars, unless otherwise stated.

### Overview

During 2015, we continued to execute on our strategic priorities to stabilize our mail business, drive operational excellence and grow our business through digital commerce. We expanded our marketing efforts to build awareness of our unique capabilities and refreshed our brand identity, completed our transition to a larger inside sales organization (part of our changes in our go-to-market strategy) in major markets, launched several new products and repositioned our portfolio through acquisitions and divestitures. We acquired a provider of cross-border ecommerce solutions through a proprietary technology and services platform that enables retailers to transact with consumers around the world, a provider of technology that enables clients to provide personalized interactive video communications to their customers, and expanded our presort sites. We also sold our marketing services business, Imagitas, and exited certain geographic markets as part of our initiative to simplify our geographic footprint. We also continued to reduce costs through our restructuring initiatives and worked to implement our new global enterprise resource planning (ERP) system, which was launched in Canada in the fourth quarter of 2015.

The U.S. dollar remained strong against other currencies throughout the year, which adversely affected our reported revenues and profitability, both from a translation perspective as well as a competitive perspective, as the cost of our international competitors' products and solutions improved relative to products and solutions manufactured or sold from the U.S. The current strength of the dollar relative to other currencies also affected demand for U.S. goods sold to consumers in other countries through our global ecommerce operations.

In the second quarter, we acquired Borderfree and sold Imagitas. As a result we realigned our segment reporting. Our business continues to be organized around three distinct sets of solutions - Small and Medium Business (SMB) Solutions, Enterprise Business Solutions and Digital Commerce Solutions (DCS). There were no changes to SMB Solutions or Enterprise Business Solutions. Within DCS, we now report Software Solutions and Global Ecommerce as reportable segments. Imagitas, previously included in DCS, is now reported in Other.

Revenue for 2015 decreased 6% to \$3,578 million compared to \$3,822 million in 2014. Revenue was negatively impacted by 3% due to foreign currency translation, 2% from the sale of Imagitas and 1% from the exit of non-core product lines in Norway and the transition in certain European countries to a dealer network in the third quarter of 2014 (Divested Businesses). Revenue benefited by 2% from the acquisition of Borderfree.

On a reported basis, equipment sales declined 10%, support services declined 11%, software declined 10%, rentals revenue declined 9%, financing declined 5% and supplies declined 4%. Partially offsetting these declines, was revenue growth in business services of 3%.

Excluding the impacts of foreign currency, equipment sales declined 5%, primarily due to continued weakness in our international markets reflecting difficult economic circumstances and productivity disruptions caused by the implementation of our go-to-market strategy primarily in France. Support services revenue declined 7% and rentals revenue declined 6% due to fewer mailing machines in service and a shift by customers to lower cost, less featured mailing machines. Support services revenue was also impacted by lower maintenance contracts on production mail equipment as some in-house mailers moved their mail processing to third-party service bureaus who service some of their own equipment. Software revenue declined 5% primarily due to the inclusion of significant North America

licensing deals in 2014. These declines were partially offset by revenue growth in business services of 3% primarily due to the acquisition of Borderfree and higher volumes of mail processed in presort services.

Looking at our operating segments, SMB Solutions revenue declined 9% primarily due to the unfavorable impact from foreign currency translation of 4%, the continuing decline in installed meters and shift by clients to lower cost, less fully featured machines and declines in our international mailing operations due to difficult economic circumstances and productivity disruptions. Enterprise Business Solutions revenue decreased 3%, primarily due to the unfavorable impact from currency translation of 3% and lower service revenue in Production Mail, partially offset by increased volumes in Presort Services. DCS revenue increased 5% primarily due to the acquisition of Borderfree and higher volume of packages shipped from our U.K. outbound cross-border service facility, which began in the fourth quarter of 2014, partially offset by lower software licensing revenue due to the inclusion of significant large licensing deals in 2014.

Net income from continuing operations and earnings per diluted share for the year were \$403 million and \$2.00, respectively, compared to \$300 million and \$1.47, respectively, in 2014. The increase was primarily due to improving gross margins and lower selling, general and administrative expenses due in part to the benefits of our restructuring actions, changes in our go-to-market strategy and other productivity initiatives. A 5% increase in the effective tax rate partially offset these benefits.

We generated cash flow from operations of \$515 million, received proceeds of \$292 million from the sale of Imagitas and \$52 million from the sale of our former corporate headquarters building and other assets, and issued \$90 million of commercial paper. We used cash of \$394 million to acquire businesses, \$365 million to reduce debt, \$166 million to fund capital investments, \$168 million to pay dividends to our stockholders and noncontrolling interests and \$132 million to repurchase our common stock. At December 31, 2015, cash and cash equivalents was \$651 million.

#### Outlook

Our growth initiatives continue to focus on leveraging our expertise in physical and digital communications, hybrid communications and the development of products, software, services and solutions that help our clients connect with customers to power commerce and grow their businesses.

In 2016, we will continue to invest in the implementation of our ERP system in the United States and launch a new advertising campaign. We anticipate the continued benefits from our restructuring actions, synergies from acquisitions, the benefits of the go-to-market strategy in major markets and expected benefits from the implementation of the new ERP system should mostly offset these incremental costs.

In February 2016, we received additional authorization to repurchase an additional \$150 million of our common stock and expect to repurchase up to \$215 million of our common stock during 2016.

During 2015, we experienced a considerable strengthening of the U.S. dollar. A continuing strong U.S. dollar could adversely affect our reported revenues and profitability, both from a translation perspective and as a competitive perspective, as the cost of international competitors' products and solutions improves relative to products and solutions sold from the U.S. A strengthening dollar could also continue to affect demand for U.S. goods sold to consumers in other countries through our global ecommerce operations.

Within SMB Solutions, the introduction of new solutions and services is being well-received in the marketplace and we anticipate further stabilization in revenue through further product upgrades and launches in 2016. Internationally, the implementation of our go-to-market strategy is now complete in our major markets and as a result we expect stabilizing trends in those markets. We will also focus on the transition and training of a new sales organization, which is expected to improve productivity.

Within Enterprise Business Solutions, we expect continued revenue and profitability growth in Presort Services due to client expansion and higher processed mail volumes; however, we anticipate that Production Mail revenue growth will continue to be challenged by the uncertain macroeconomic environment in Europe and declining services revenue.

Within DCS, we anticipate increased demand in Software Solutions due to new industry-specific solutions, expansion of our partner channel and improved sales efficiencies, and revenue growth in Global Ecommerce from our retail business and continued demand for our shipping solutions driven by new client acquisitions and expanded services provided to existing clients should further enhance our performance. In January 2016, we acquired a cloud-based, software-as-a-service enterprise retail and fulfillment solutions company.



## RESULTS OF OPERATIONS

Revenue by source and the related cost of revenue are shown in the following tables:

	Revenue			% change	
	Years Ended December 31,			2015	2014
	2015	2014	2013	2015	2014
Equipment sales	\$695	\$770	\$868	(10)%	(11)%
Supplies	288	300	286	(4)%	5%
Software	386	430	398	(10)%	8%
Rentals	442	485	512	(9)%	(5)%
Financing	410	433	449	(5)%	(4)%
Support services	555	625	647	(11)%	(3)%
Business services	802	779	631	3%	23%
Total revenue	\$3,578	\$3,822	\$3,791	(6)%	1%

  

	Cost of Revenue					
	Years Ended December 31,					
	2015		2014		2013	
	\$	% of revenue	\$	% of revenue	\$	% of revenue
Cost of equipment sales	\$331	47.6%	\$366	47.5%	\$423	48.7%
Cost of supplies	89	30.8%	94	31.2%	89	31.3%
Cost of software	114	29.4%	124	28.8%	111	27.8%
Cost of rentals	84	19.1%	97	20.1%	100	19.6%
Financing interest expense	72	17.5%	78	18.1%	78	17.3%
Cost of support services	323	58.2%	377	60.3%	400	61.9%
Cost of business services	546	68.1%	545	70.0%	450	71.3%
Total cost of revenue	\$1,559	43.6%	\$1,681	44.0%	\$1,651	43.5%

## Equipment sales

Equipment sales decreased 10% in 2015 compared to 2014. Foreign currency translation adversely affected equipment sales by 5%. Excluding the impact of foreign currency, equipment sales declined 3% in international markets primarily due to difficult economic circumstances and productivity disruptions caused by the implementation of our go-to-market strategy in Europe and lower sales of production mail equipment worldwide. Sales in North America declined 1% due to the continuing trend of clients to extend existing leases rather than purchase new equipment. Cost of equipment sales as a percentage of equipment sales revenue of 47.6% was comparable to the prior year.

Equipment sales decreased 11% in 2014 compared to 2013. Approximately half of this decrease came from lower sales of production mail inserters and high-speed printers due to significant installations of this equipment in 2013 and half came from lower sales in our SMB group due to a temporary distraction from the transition to an inside sales organization and reassignment of accounts and resources in North America, the impact of Divested Businesses and lower sales in France. Cost of equipment sales as a percentage of equipment sales revenue decreased to 47.5% compared to 48.7% in the prior year primarily due to the decline in sales of production printers, which have a lower margin relative to other products.

## Supplies

Supplies revenue decreased 4% in 2015 compared to 2014. Foreign currency translation adversely impacted supplies revenue by 6%. Excluding the impact of foreign currency, supplies revenue increased 2% due to productivity improvements and pricing actions in our North America mailing business and higher sales of supplies for production printers. Cost of supplies as a percentage of supplies revenue improved to 30.8% in 2015 compared to 31.2% in 2014 primarily due to a greater mix of higher margin core supplies.

Supplies revenue increased 5% in 2014 compared to 2013. Targeted outreach to customers and pricing actions contributed to a 3% increase and the remaining 2% was due to the growing base of production print equipment. Cost of supplies as a percentage of supplies revenue was virtually unchanged at 31.2% in 2014 compared to 31.3% in 2013.



#### Software

Software revenue decreased 10% in 2015 compared to 2014. Foreign currency translation adversely impacted software revenue by 5%. Software revenue in 2015 compared to 2014 was also impacted by 4% due to more significant licensing deals in 2014 compared to 2015. Excluding the impact of foreign currency and the significant licensing deals in 2014, software revenue declined 1%, primarily due to declines in maintenance, data and services revenue. Cost of software as a percentage of software revenue increased to 29.4% in 2015 compared to 28.8% in 2014 primarily due to the decline in high-margin licensing revenue.

Software revenue increased 8% in 2014 compared to 2013, primarily due to a 33% increase in worldwide licensing revenue from our software solutions products, particularly enterprise location intelligence. Cost of software as a percentage of software revenue increased to 28.8% compared to 27.8% in the prior year primarily due to investments in the specialization of the software sales channel and higher production costs.

#### Rentals

Rentals revenue decreased 9% in 2015 compared to 2014. Foreign currency translation adversely impacted rentals revenue by 3%. Excluding the impact of foreign currency, rentals revenue declined 6% primarily due to the continuing decline in the number of installed meters and shift by clients to less-featured, lower cost machines. Cost of rentals as a percentage of rentals revenue improved to 19.1% in 2015 compared to 20.1% in 2014 primarily due to lower depreciation.

Rentals revenue decreased 5% in 2014 compared to 2013. Rentals revenue declined 4% due to a reduction in the number of installed meters and clients downgrading to lower cost, less functional machines and 1% due to lower rentals revenue in France. Cost of rentals as a percentage of rentals revenue increased to 20.1% compared to 19.6% in the prior year primarily due to a higher proportion of fixed costs as a percentage of revenue.

#### Financing

Financing revenue decreased 5% in 2015 compared to 2014. Foreign currency translation accounted for 3% of the decrease and lower equipment sales in prior periods and a declining lease portfolio accounted for the remaining decrease. Financing revenue decreased 4% in 2014 compared to 2013 as a result of declining equipment sales in prior years.

We allocate a portion of our total cost of borrowing to financing interest expense. In computing financing interest expense, we assume a 10:1 debt to equity leverage ratio and apply our overall effective interest rate to the average outstanding finance receivables. Due to declining equipment sales in prior periods, average outstanding finance receivables declined. As a result, financing interest expense declined 9% in 2015 compared to 2014. Financing interest expense as a percentage of financing revenue improved to 17.5% in 2015 compared to 18.1% in 2014. Financing interest expense as a percentage of financing revenue increased in 2014 as compared to 2013 due to an increase in our overall effective interest rate.

#### Support Services

Support services revenue decreased 11% in 2015 compared to 2014, primarily due to 5% from foreign currency translation and 2% from Divested Businesses. Support services revenue was also impacted by lower maintenance contracts on production mail equipment as some in-house mailers moved their mail processing to third-party service bureaus who service some of their own equipment. Cost of support services as a percentage of support services revenue decreased to 58.2% in 2015 compared to 60.3% in 2014 primarily due to expense reductions and productivity initiatives.

Support services revenue decreased 3% in 2014 compared to 2013 primarily due to declines in our mailing business due to fewer installed mailing machines in North America and the impact of Divested Businesses. Cost of support

services as a percentage of support services revenue improved to 60.3% in 2014 compared to 61.9% in 2013 primarily due to continued focus on expense reductions and productivity initiatives.

**Business Services**

Business services revenue increased 3% in 2015 compared to 2014. Business services revenue for 2015 was impacted by the sale of

Imagitas in May 2015 and the acquisition of Borderfree in June 2015. Excluding the impacts of these transactions, business services

revenue increased 5% in 2015 compared to 2014. Higher volumes of mail processed in Presort Services increased business services

revenue 2% and additional volumes of packages shipped from our U.K. outbound cross-border service facility increased business services revenue 4%. Cost of business services as a percentage of business services revenue improved to 68.1% in 2015 and compared to 70.0% in 2014, primarily due to operational efficiencies in Presort Services and higher revenue.

Business services revenue increased 23% in 2014 compared to 2013. Higher volumes in our global ecommerce solutions contributed to

a 17% increase, higher volumes of first-class mail processed and improved operational efficiencies in our Presort Services business contributed to a 4% increase and higher marketing services fees due to new clients contributed to a 2% increase. Cost of business services as a percentage of business services revenue improved to 70.0% in 2014 compared to 71.3% in 2013 as margin improvement in our presort operations and marketing services more than offset our continuing investment in our global ecommerce solutions.

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

SG&A expense decreased 7% in 2015 compared to 2014 despite expenses of \$13 million associated with implementation of our ERP system, a one-time compensation charge of \$10 million for the accelerated vesting and settlement of Borderfree stock-based compensation awards, additional amortization expense of \$9 million related to the acquisition of Borderfree and costs of \$5 million related to the exit of certain geographic markets during the fourth quarter of 2015. The overall decrease in SG&A expense is primarily due to our focus on operational excellence and the benefits of productivity and cost-cutting initiatives. Foreign currency translation also reduced SG&A expenses by 4% in 2015.

SG&A expense decreased 3% in 2014 compared to 2013 primarily due to the benefits of our restructuring actions and productivity initiatives and lower depreciation expense. These benefits were partially offset by expenses of \$36 million incurred in connection with expanded branding and marketing programs and the planned implementation of an ERP system.

#### Restructuring charges and asset impairments, net

Restructuring charges and asset impairments of \$26 million in 2015 consists of a restructuring charge of \$21 million and a loss of \$5 million on the sale of the corporate headquarters building. See Note 12 to the Consolidated Financial Statements for further details.

#### Other (income) expense, net

Other income, net for 2015 includes the gain on the sale of Imagitas of \$112 million, transaction costs of \$10 million incurred in connection with the acquisitions of Borderfree and RTC (see Note 3 to the Consolidated Financial Statements) and a charge of \$7 million associated with the settlement of a legal matter (see Note 17 to the Consolidated Financial Statements).

Other expense, net for 2014 includes costs of \$62 million incurred in connection with the early redemption of debt offset by \$16 million recognized in connection with the divestiture of a partnership investment.

Other expense, net for 2013 includes costs associated with the early redemption of debt.

#### Income taxes

See Note 15 to the Consolidated Financial Statements.

#### Discontinued operations

See Note 4 to the Consolidated Financial Statements.

#### Preferred stock dividends of subsidiaries attributable to noncontrolling interests

See Note 16 to the Consolidated Financial Statements.

## Business Segments

The principal products and services of each of our reportable segments are as follows:

### Small & Medium Business Solutions:

**North America Mailing:** Includes the revenue and related expenses from the sale, rental, financing and servicing of mailing equipment, software and supplies for small and medium businesses to efficiently create physical and digital mail and evidence postage for the sending of mail, flats and parcels in the U.S. and Canada.

**International Mailing:** Includes the revenue and related expenses from the sale, rental, financing and servicing of mailing equipment, software and supplies for small and medium businesses to efficiently create physical and digital mail and evidence postage for the sending of mail, flats and parcels in areas outside the U.S. and Canada.

### Enterprise Business Solutions:

**Production Mail:** Includes the worldwide revenue and related expenses from the sale of production mail inserting and sortation equipment, high-speed production print systems, supplies and related support services to large enterprise clients to process inbound and outbound mail.

**Presort Services:** Includes revenue and related expenses from presort mail services for our large enterprise clients to qualify large mail volumes for postal worksharing discounts.

### Digital Commerce Solutions:

**Software Solutions:** Includes the worldwide revenue and related expenses from the sale of non-equipment-based mailing, customer information engagement, location intelligence and customer engagement solutions and related support services.

**Global Ecommerce:** Includes the worldwide revenue and related expenses from cross-border ecommerce and shipping solutions.

We determine segment EBIT by deducting the related costs and expenses attributable to the segment from segment revenue. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges and other items, which are not allocated to a particular business segment. Management uses segment EBIT to measure profitability and performance at the segment level. Management believes segment EBIT provides a useful measure of our operating performance and underlying trends of the businesses. Segment EBIT may not be indicative of our overall consolidated performance and therefore, should be read in conjunction with our consolidated results of operations. See Note 2 to the Consolidated Financial Statements for a reconciliation of segment EBIT to income from continuing operations before income taxes.

Revenue and EBIT by business segment are presented in the tables below.

	Revenue			% change	
	Years Ended December 31,			2015	2014
	2015	2014	2013	2015	2014
North America Mailing	\$1,435	\$1,492	\$1,555	(4)%	(4)%
International Mailing	445	572	603	(22)%	(5)%
Small & Medium Business Solutions	1,880	2,064	2,158	(9)%	(4)%
Production Mail	421	462	512	(9)%	(10)%
Presort Services	474	457	430	4%	6%
Enterprise Business Solutions	895	919	942	(3)%	(2)%
Software Solutions	386	429	395	(10)%	9%
Global Ecommerce	362	282	170	29%	66%
Digital Commerce Solutions	748	711	565	5%	26%
Other	55	128	126	(57)%	1%
Total	\$3,578	\$3,822	\$3,791	(6)%	1%



	EBIT			% change		
	Years Ended December 31,			2015	2014	
	2015	2014	2013	2015	2014	
North America Mailing	\$647	\$642	\$641	1	% —	%
International Mailing	51	89	72	(42)	)% 24	%
Small & Medium Business Solutions	698	731	712	(5)	)% 3	%
Production Mail	48	48	55	1	% (14)	)%
Presort Services	105	98	83	7	% 18	%
Enterprise Business Solutions	153	146	138	5	% 5	%
Software Solutions	49	51	48	(5)	)% 7	%
Global Ecommerce	19	17	1	16	% >100%	
Digital Commerce Solutions	68	68	49	—	% 39	%
Other	10	19	6	(45)	)% 229	%
Total	\$929	\$964	\$905	(4)	)% 6	%

#### Small & Medium Business Solutions

##### North America Mailing

North America Mailing revenue decreased 4% in 2015 compared to 2014. Foreign currency translation had a 1% unfavorable impact on revenue. Excluding the impact of foreign currency, rentals revenue and support services revenue decreased 5% and 7%, respectively, due to the continuing decline in installed meters and shift by clients to lower cost, less fully featured machines. Equipment sales decreased 3% primarily due to the decline in the first half of the year caused by declining mail volumes and the continuing trend of clients to extend existing leases rather than purchasing new equipment. Partially offsetting these declines was a 3% increase in supplies sales due to productivity improvements and pricing actions. Despite the decline in revenue, EBIT increased 1% primarily due to the benefits of productivity improvements and cost reduction initiatives and a favorable product mix.

North America Mailing revenue decreased 4% in 2014 compared to 2013. This decrease was due to lower rentals revenue and support services revenue due to a decline in the number of installed meters in service and lower equipment sales primarily due to a temporary distraction due to the transition to an inside sales organization and reassignment of accounts and resources. Financing revenue also declined due to lower equipment sales in current and prior years, but was offset by higher supply sales due to sales efficiencies and favorable pricing. Despite the decline in revenue, EBIT remained relatively flat due to cost savings from the transition to an inside sales organization and other ongoing productivity initiatives and cost reductions.

##### International Mailing

International Mailing revenue decreased 22% in 2015 as compared to 2014. Revenue was unfavorably impacted by 12% from foreign currency translation and 3% from Divested Businesses. Excluding the impacts of foreign currency and Divested Businesses, revenue decreased 7%. International Mailing results have been adversely impacted throughout the year by difficult economic circumstances in many of our international markets and productivity disruptions caused by the implementation of our go-to-market strategy in certain European markets, particularly in France. EBIT decreased 42% in 2015 as compared to 2014, primarily due to the decline in revenue and reduced margins due to productivity disruptions and incremental costs of transitioning the sales organization in France. Foreign currency translation unfavorably impacted EBIT by 10% in 2015.

International Mailing revenue decreased 5% in 2014 compared to 2013 primarily due to the impact of Divested Businesses and lower equipment sales and rentals in France. EBIT increased 24% in 2014 compared to 2013 primarily due to productivity and cost reduction initiatives and savings from the transition to an inside sales organization in certain European markets.

## Enterprise Business Solutions

### Production Mail

Production Mail revenue decreased 9% in 2015 compared to 2014. Revenue was unfavorably impacted by 5% from foreign currency translation and by less than 1% from Divested Businesses. Excluding the impacts of foreign currency and Divested Businesses, production mail revenue decreased 3% primarily due to declines in support services revenue of 5% as some in-house mailers moved their mail processing to third-party service bureaus who service some of their own equipment. Equipment sales decreased 1% compared to the prior year as lower sales in Europe and Asia-Pacific were mostly offset by higher sales in the United States. Despite the decline in revenue, EBIT increased 1% in 2015 compared to 2014 primarily due to a higher margin product mix and ongoing cost reduction initiatives.

Production Mail revenue decreased 10% in 2014 compared to 2013 primarily due to a 19% decline in equipment sales due to significant installations of production mail inserters and high-speed printers to certain enterprise customers in 2013. Support services revenue also declined but was more than offset by higher supplies revenue due to the growing base of production printers. EBIT decreased 14% in 2014 compared to 2013 primarily due to the decline in revenue.

### Presort Services

Presort Services revenue increased 4% in 2015 compared to 2014 primarily due to a 6% increase in the volume of mail processed. EBIT increased 7% in 2015 compared to 2014 primarily due to the increase in revenue and lower transportation costs.

Presort Services revenue increased 6% in 2014 compared to 2013 primarily due to a 2% increase in the volume of first-class mail processed and improved operational efficiencies. EBIT increased 18% in 2014 compared to 2013 primarily due to the increase in revenue and improved operational efficiencies.

## Digital Commerce Solutions

### Software

Software Solutions revenue decreased 10% in 2015 compared to 2014. Foreign currency translation unfavorably impacted revenue by 5%. Software revenue in 2015 compared to 2014 was also impacted by 4% due to more significant licensing deals in 2014 as compared to 2015. Excluding the impact of foreign currency and significant licensing deals in 2014, software revenue declined 1%, primarily due to declines in maintenance, data and services revenue. EBIT decreased 5% primarily as a result of lower high-margin licensing revenue.

Software Solutions revenue increased 9% in 2014 compared to 2013, primarily due to a higher worldwide licensing revenue from our software solutions products, particularly enterprise location intelligence. Licensing revenue increased 36% in North America and 29% internationally, primarily due to product enhancements and investments in the specialization of the software sales channel. EBIT increased 7% primarily due to the increase in revenue.

### Global Ecommerce

Global Ecommerce revenue increased 29% in 2015 compared to 2014 primarily due to the acquisition of Borderfree and higher volumes

of packages shipped from our U.K. outbound cross-border service facility, which began in the fourth quarter of 2014. Volumes of packages shipped from our U.S. outbound cross-border service facility were lower than the prior year and continue to be pressured by a strong U.S. dollar. EBIT increased 16% in 2015 compared to 2014 as synergy savings from the Borderfree acquisition and recognition of \$6 million of deferred cross-border delivery fees were more than offset by the incremental costs related to the Borderfree acquisition including \$9 million of additional amortization expense.

Global Ecommerce revenue increased 66% in 2014 compared to 2013 due to an increase in the number of orders processed and parcels shipped. Late in the third quarter of 2014, we began outbound ecommerce services from the U.K., which had a small benefit to the full-year revenue. EBIT increased significantly in 2014 compared to 2013

primarily due to the increase in revenue and improved operating leverage which offset fixed costs and continued investments in global ecommerce technology and infrastructure.

Other

Other includes our Marketing Services business which was sold in May 2015.

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## LIQUIDITY AND CAPITAL RESOURCES

We believe that existing cash and investments, cash generated from operations and borrowing capacity under our commercial paper program will be sufficient to support our current cash needs, including discretionary uses such as capital investments, dividends, share repurchases and acquisitions. Cash and cash equivalents and short-term investments were \$768 million at December 31, 2015 and \$1,103 million at December 31, 2014. We continuously review our credit profile through published credit ratings and the credit default swap market. We also monitor the creditworthiness of those banks acting as derivative counterparties, depository banks or credit providers.

Cash and cash equivalents held by our foreign subsidiaries were \$470 million at both December 31, 2015 and December 31, 2014. Cash and cash equivalents held by our foreign subsidiaries are generally used to support the liquidity needs of these subsidiaries. Most of these amounts could be repatriated to the U.S. but would be subject to additional taxes. Repatriation of some foreign balances is restricted by local laws.

### Cash Flow Summary

The change in cash and cash equivalents is as follows:

	Years Ended December 31,			Change	
	2015	2014	2013	2015	2014
Net cash provided by operating activities	\$514	\$655	\$625	\$(141)	\$30
Net cash (used in) provided by investing activities	(303)	(147)	241	(156)	(388)
Net cash used in financing activities	(571)	(312)	(868)	(259)	556
Effect of exchange rate changes on cash and cash equivalents	(44)	(29)	(13)	(15)	(16)
Change in cash and cash equivalents	\$(404)	\$167	\$(15)	\$(571)	\$182

Cash flows from operations decreased \$141 million in 2015 compared to 2014, primarily due to the timing of payments of accounts payable and accrued liabilities including, higher employee-related payments, and higher inventory purchases, primarily for parts and supplies in the U.S. and U.K., lower collections of accounts receivable due to timing and amounts received in the prior year for transition services in connection with the sale of our Management Services business. These decreases were partially offset by lower interest and tax payments.

Cash flows from operations increased \$30 million in 2014 compared to 2013, primarily due to higher income and lower tax and interest payments partially offset by higher cash payments related to the early repayment of debt and changes in working capital accounts, primarily due to lower cash flows from changes in inventory and accounts receivable. Cash management initiatives implemented in 2013 significantly improved working capital and cash flows from operations. In 2014, we continued to see benefits from changes in accounts receivable and inventory; however, the benefits were not as dramatic as in 2013. The timing of payments for accounts payables and accrued liabilities partially offset these reductions in cash flow from working capital.

Cash flows used by investing activities were \$156 million higher in 2015 compared to 2014. In 2015, we paid \$394 million for acquisitions, purchased short term investments of \$69 million, received proceeds of \$292 million from the sale of Imagitas and \$52 million from the sale of our former corporate headquarters building and other assets. During 2014, we received proceeds of \$102 million from the sale of businesses.

Cash flows from investing activities were \$388 million lower in 2014 compared to 2013. In 2014, we received \$102 million from the sale of businesses compared to \$390 million in 2013. Higher cash outflows of \$48 million for the purchase of available for sale investments and \$43 million of higher capital expenditures primarily due to spending on our global ERP system also contributed to the decrease in cash flows from investing activities in 2014.

Cash flows used in financing activities increased \$259 million in 2015 due to higher net payments to reduce debt and higher stock repurchases in 2015. During 2015, we reduced total debt by \$275 million and repurchased \$132 million of our common shares compared to a net reduction in total debt of \$91 million and share repurchases of \$50 million in

2014. Cash flows from financing activities increased \$556 million in 2014 due to the timing of debt activity. See Financing and Capitalization section below for a detailed discussion of our debt activity for 2015, 2014 and 2013.

### Financings and Capitalization

We are a Well-Known Seasoned Issuer with the SEC, which allows us to issue debt securities, preferred stock, preference stock, common stock, purchase contracts, depositary shares, warrants and units in an expedited fashion. We have a commercial paper program that is an important source of liquidity for us and a committed credit facility of \$1.0 billion to support our commercial paper issuances. At December 31, 2015, there was \$90 million of outstanding commercial paper borrowings with an effective interest rate of 1.1%. In 2015, commercial paper borrowings averaged \$66 million at a weighted-average interest rate of 0.6% and the maximum amount of commercial paper outstanding at any point in time was \$291 million. During 2014, we did not borrow under our commercial paper program. The credit facility was renewed in January 2015 and expires in January 2020. We have not drawn upon the credit facility.

### 2015 Activity

We redeemed the \$110 million 5.25% notes due November 2022 at par plus accrued but unpaid interest and repaid the \$275 million 5% notes. We also repaid \$130 million of outstanding term loans and borrowed \$150 million under a new term loan. The new term loan bears interest at the applicable Eurodollar Rate plus .90%. The Eurodollar Rate on the date of funding was .59%. The term loan matures in December 2016 but can be extended to June 2017 at our option.

In January 2016, we borrowed \$300 million under a new term loan and used the proceeds to repay a portion of the \$371 million, 4.75% notes due January 15, 2016. The remaining portion was repaid through cash from operations. The new term loan bears interest at the applicable Eurodollar Rate plus 1.25% and matures in December 2020. The Eurodollar Rate on the date of funding was .62%.

### 2014 Activity

We issued \$500 million of 4.625% fixed rate 10-year notes. The notes mature in March 2024, but may be redeemed, at any time, in whole or in part, at our option. If the notes are redeemed prior to December 15, 2023, the redemption price will be equal to the sum of 100% of the principal amount, accrued and unpaid interest and a make-whole payment. Net proceeds of \$493 million received after fees and discounts were used to fund the 2014 Tender Offer (see below).

We redeemed an aggregate \$500 million of the 5.75% Notes due 2017 and the 5.25% Notes due 2037 through a cash tender offer (the 2014 Tender Offer). Holders who validly tendered their notes received the principal amount, all accrued and unpaid interest and a premium payment. We incurred expenses of \$62 million, consisting of the call premium, the write-off of unamortized costs and bank transaction fees.

We also repaid \$100 million of outstanding term loans and received a loan of \$16 million from the State of Connecticut in connection with the relocation of our corporate headquarters. The loan consisted of a \$15 million development loan and \$1 million jobs-training grant that is subject to refund if certain conditions are not met. The loan requires monthly interest payments through November 2020 and principal and interest payments from December 2020 through maturity in November 2024. In 2015, we satisfied the conditions under the jobs-training grant.

### 2013 Activity

We issued \$425 million of 6.7% fixed-rate 30-year notes. The notes mature in March 2043, but may be redeemed, in whole or in part, at our option any time on or after March 2018 at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest. Net proceeds of \$412 million received after fees and discounts were used to fund the 2013 Tender Offer (see below).

We redeemed an aggregate \$405 million of the 4.875% notes due 2014, the 5.0% notes due 2015, and the 4.75% notes due 2016 through a cash tender offer (the 2013 Tender Offer). Holders who validly tendered their notes received the principal amount, all accrued and unpaid interest and a premium payment. We received \$5 million from the unwinding of certain interest rate swap agreements and recognized a net loss of \$25 million, consisting primarily of the premium payment.

We redeemed \$375 million of maturing 3.875% notes and an additional \$300 million of 4.875% notes that were scheduled to mature in August 2014. In connection with the early redemption of the notes, we received \$3 million from the unwinding of an interest rate swap and incurred expenses of \$8 million, consisting primarily of a premium payment.

#### Debt Maturities

We have \$2 billion of debt maturing within the next five years. While we fully expect to be able to fund these maturities with cash or by refinancing through the U.S. capital markets, these obligations could increase our vulnerability to adverse market conditions and impact our ability to refinance existing maturities. In addition, in October 2016, the \$300 million of outstanding Preferred Stock of one of our subsidiaries is redeemable at our option. If we do not redeem, the dividend rate increases 50% and will increase 50% every six months thereafter. We are currently evaluating various alternatives to redeem or refinance the Preferred Stock. See Note 16 to the Consolidated Financial Statements.

### Dividends and Share Repurchases

We paid dividends to our common stockholders of \$150 million (\$0.75 per share), \$152 million (\$0.75 per share) and \$189 million (\$0.94 per share) in 2015, 2014 and 2013, respectively. Each quarter, our Board of Directors considers our recent and projected earnings and other capital needs and priorities in deciding whether to approve the payment, as well as the amount of a dividend. There are no material restrictions on our ability to declare dividends.

We repurchased \$132 million of our common shares during 2015 and \$50 million of our common shares during 2014. At December 31, 2015, we had authorization to repurchase up to \$65 million of our common shares. In February 2016, we received authorization to repurchase an additional \$150 million of outstanding stock. We expect to repurchase up to \$215 million of our common stock during 2016.

### Contractual Obligations

The following table summarizes our known contractual obligations at December 31, 2015 and the effect that such obligations are expected to have on our liquidity and cash flow in future periods:

	Payments due in				
	Total	2016	2017-18	2019-20	After 2020
Commercial paper borrowings	\$90	\$90	\$—	\$—	\$—
Debt maturities	2,862	371	1,135	301	1,055
Interest payments on debt (1)	1,261	133	205	119	804
Preferred stock (2)	300	300	—	—	—
Non-cancelable operating lease obligations	202	40	57	37	68
Purchase obligations (3)	203	188	15	—	—
Pension plan contributions (4)	55	55	—	—	—
Retiree medical payments (5)	166	19	37	34	76
Total	\$5,139	\$1,196	\$1,449	\$491	\$2,003

The amount and period of future payments related to our income tax uncertainties cannot be reliably estimated and are not included in the above table. See Note 15 to the Consolidated Financial Statements for further details.

- (1) Assumes all debt is held to maturity. Certain notes are redeemable, either at our option or the bondholders, at par plus accrued interest before the scheduled maturity date.
- (2) Represents outstanding Preferred Stock of one of our subsidiaries that is redeemable at our option. If we do not redeem by October 30, 2016, the dividend rate increases 50% and will increase 50% every six months thereafter. Includes unrecorded agreements to purchase goods or 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 cancelable without penalty.
- (3) Represents the amount of contributions we anticipate making to our pension plans during 2016; however, we will assess our funding alternatives as the year progresses.
- (4) Our retiree health benefit plans are non-funded plans and cash contributions are made each year to cover medical claims costs incurred. The amounts reported in the above table represent our estimate of future benefits payments.

### Off-Balance Sheet Arrangements

At December 31, 2015, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, results of operations or liquidity. See Note 17 to the Consolidated Financial Statements for detailed information about our commitments and contingencies.



### 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 accounting 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 - Multiple element arrangements

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 non-cancelable lease of equipment, a meter rental and an equipment maintenance agreement. As a result, we are required to determine whether the deliverables in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes, and if so, how the price should be allocated among the delivered elements and when to recognize revenue for each element. We recognize revenue for delivered elements only when the fair values of undelivered elements are known, customer acceptance has occurred and payment is probable.

In these multiple element arrangements, revenue is allocated to each of the elements based on relative "selling prices" and the selling price for each of the elements is determined based on vendor specific objective evidence (VSOE). We establish VSOE of selling prices for our products and services based on the prices charged for each element when sold separately in standalone transactions. The allocation of relative selling price to the various elements impacts the timing of revenue recognition, but does not change the total revenue recognized. Revenue is allocated to the meter rental and equipment maintenance agreement elements using their respective selling prices charged in standalone and renewal transactions. For a sale transaction, revenue is allocated to the equipment based on a range of selling prices in standalone transactions. For a lease transaction, revenue is allocated to the equipment based on the present value of the remaining minimum lease payments. The amount allocated to equipment is compared to the range of selling prices in standalone transactions during the period to ensure the allocated equipment amount approximates average selling prices.

We also have multiple element arrangements containing only software and software related elements. Under these arrangements, revenue is allocated based on VSOE, which is based on company specific stand-alone sales data or renewal rates. If we cannot obtain VSOE for any undelivered software element, revenue is deferred until all deliverables have been delivered or until VSOE can be determined for any remaining undelivered software elements. When the fair value of a delivered element cannot be established, but fair value evidence exists for the undelivered software elements, we use the residual method to recognize revenue. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement consideration is allocated to the delivered elements and recognized as revenue.

### Pension benefits

The valuation of our pension assets and obligations and the calculation of net periodic pension expense are dependent on assumptions and estimates relating to, among other things, the interest rate used to discount the future estimated liability (discount rate) and the expected rate of return on plan assets. These assumptions are evaluated and updated annually and are described in further detail in Note 14 to the Consolidated Financial Statements.

The discount rate for our largest plan, the U.S. Qualified Pension Plan (the U.S. 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 largest foreign plan, the U.K.

Qualified Pension Plan (the U.K. Plan), is determined by 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. The discount rate used in the determination of net periodic pension expense for 2015 was 4.15% for the U.S. Plan and 3.7% for the U.K. Plan. For 2016, the discount rate used in the determination of net periodic pension expense for the U.S. Plan and the U.K. Plan will be 4.55% and 3.75%, respectively. A 0.25% change in the discount rate would impact annual pension expense by less than \$1 million for both the U.S. Plan and the U.K. Plan, and the projected benefit obligation of the U.S. Plan and U.K. Plan by \$43 million and \$21 million, respectively.

Pension assets are exposed to various risks such as interest rate, market and credit risks. We invest our pension plan assets in a variety of investment securities in accordance with our strategic asset allocation policy. The expected return on plan assets is based on historical and expected future returns for current and targeted asset allocations for each asset class in the investment portfolio, adjusted for historical and expected experience of active portfolio management results, as compared to the benchmark returns. The expected rate of return on



plan assets used in the determination of net periodic pension expense for 2015 was 7.0% for both the U.S. Plan and the U.K. Plan. For 2016, the expected rate of return on plan assets used in the determination of net periodic pension expense for the U.S. Plan will be 7.0% and the U.K. Plan will be 6.5%. A 0.25% change in the expected rate of return on plan assets would impact annual pension expense for the U.S. Plan by \$4 million and the U.K. Plan by \$1 million. See Note 14 to the Consolidated Financial Statements for information about the allocation of pension assets.

Actual pension plan results that differ from our assumptions and estimates are accumulated and amortized over the life expectancy of inactive 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 in the calculation of the market-related value of assets over a five-year period. Effective December 31, 2014, plan benefits for participants in a majority of our U.S. and foreign pension plans were frozen.

#### Residual value of leased assets

We provide financing for our equipment sales primarily through sales-type leases. Equipment residual values are determined at inception of the lease using estimates of 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. Estimates of equipment fair value at end of lease term are based primarily on our historical experience. We also consider forecasted supply and demand for our various products, product retirement and future product launch plans, end of lease client behavior, regulatory changes, remanufacturing strategies, used equipment markets, if any, 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. Estimated increases in 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, pre-tax income would be lower by \$11 million.

#### Allowances for doubtful accounts and credit losses

We estimate our credit risk for accounts receivables and finance receivables and provide allowances for estimated losses. We believe that our credit risk is low because of the geographic and industry diversification of our clients and small account balances for most of our clients. We continuously monitor collections and payments from our clients and evaluate the adequacy of the applicable allowance based on historical loss experience, past due status, adverse situations that may affect a client's ability to pay and prevailing economic conditions and make adjustments to the reserves as deemed necessary. This evaluation is inherently subjective and actual results may differ significantly from estimated reserves.

The allowance for doubtful accounts as a percentage of trade receivables was 2.0% at December 31, 2015 and 2.4% at December 31, 2014. Holding all other assumptions constant, a 0.25% change in the allowance rate at December 31, 2015 would have changed the 2015 provision by \$1 million.

Total allowance for credit losses as a percentage of finance receivables was 1.3% at December 31, 2015 and 1.5% at December 31, 2014. Holding all other assumptions constant, a 0.25% change in the allowance rate at December 31, 2015 would have changed the 2015 provision by \$4 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. Tax reserves have been established that we believe to be appropriate given the possibility of tax adjustments. Determining the appropriate level of tax reserves requires us to exercise judgment regarding the uncertain application of tax laws. The amount of reserves is adjusted when information becomes available or when an event occurs indicating a change in the reserve is appropriate. Future changes in tax reserve requirements could have a material impact on our financial condition or results of operations.

Significant judgment is also required in determining the amount of valuation allowance to be recorded against deferred tax assets. In assessing whether a valuation allowance is necessary, and the amount of such 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 with a corresponding impact to income tax expense in the period in which such determination is made.

#### Impairment review

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. We derive the cash flow estimates from our long-term business plans and historical experience. 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. Changes in the estimates and assumptions incorporated in our impairment assessment could materially affect the determination of fair value and the associated impairment charge.

Goodwill is tested annually for impairment at the reporting unit level during the fourth quarter or sooner when circumstances indicate an impairment may exist. The impairment test for goodwill is a two-step approach. In the first step, the fair value of each reporting unit is determined and compared to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit is less than its carrying value, the second step of the goodwill impairment test is performed to measure the amount of impairment, if any. In the second step, the fair value of the reporting unit is allocated to the assets and liabilities of the reporting unit as if it had been acquired in a business combination and the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared to the actual carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss is recognized for the difference.

Significant estimates and assumptions are used in our goodwill impairment review and include the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units and determining the fair value of each reporting unit. The fair value of each reporting unit is determined based on a combination of techniques, including the present value of future cash flows, multiples of competitors and multiples from sales of like businesses. The assumptions used to estimate fair value are based on projections incorporated in our current operating plans as well as other available information. Our operating plans include significant assumptions and estimates associated with sales growth, profitability and related cash flows, along with cash flows associated with taxes and capital spending. The determination of fair value also incorporates a risk-adjusted discount rate based on current interest rates and the economic conditions of the reporting unit. We also consider other assumptions that market participants may use. Changes in any of these estimates or assumptions could materially affect the determination of fair value and the associated goodwill impairment charge for each reporting unit. Potential events and circumstances, such as the inability to acquire new clients, downward pressures on pricing and rising interest rates could have an adverse impact on our assumptions and result in non-cash impairment charges in future periods.

Based on the results of the annual impairment test performed during the fourth quarter of 2015, we determined that the estimated fair value of each of the reporting units exceeded their carrying value by more than 20%.

#### Stock-based compensation expense

We recognize compensation cost for stock-based awards based on the estimated fair value of the award, net of estimated forfeitures. Compensation costs for those shares expected to vest are recognized on a straight-line basis over the requisite service period.

The fair value of stock awards is estimated using a Black-Scholes valuation model or Monte Carlo simulation model. These models require assumptions to 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 stock award. The expected life of the award and dividend yield are based on historical experience.

We believe that the valuation techniques and the underlying assumptions are appropriate in estimating the fair value of our stock-based awards. If factors change causing our assumptions to change, our stock-based compensation expense could be different in the future. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value. In addition, we are required to estimate the expected forfeiture rate and recognize expense only for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, stock-based compensation expense could be significantly different from what we have recorded in the current period.

#### Restructuring

We have undertaken restructuring actions which require management to utilize certain estimates related to the amount and timing of expenses. If the actual amounts differ from our estimates, the amount of the restructuring charges could be impacted. On a quarterly basis, we update our estimates of future remaining obligations and costs associated with all restructuring actions and compare these updated estimates to our current restructuring reserves, and make adjustments if necessary.

#### 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 and Regulatory Matters

See Legal Proceedings in Item 3 for information regarding our legal proceedings and Other Tax Matters in Note 15 to the Consolidated Financial Statements for regulatory matters regarding our tax returns.

#### Foreign Currency Exchange

During 2015, we derived 25% of our consolidated revenue from operations outside the United States. The functional currency for most of our foreign operations is the local currency. Our largest foreign currency exposures are to the British pound, Euro, Canadian dollar, Australian dollar and Japanese Yen (see Note 10 to the Consolidated Financial Statements for information regarding our foreign exchange derivative instruments). 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. For the years ended December 31, 2015, 2014 and 2013, the translation of foreign currencies to U.S. dollar decreased revenues by 4.0%, 0.4% and 0.4%, respectively. A continuing strong U.S. dollar could adversely affect our reported revenues and profitability, both from a translation perspective as well as a competitive perspective, as the cost of international competitors' products and solutions improve relative to products and solutions sold from the U.S. A strengthening dollar could also continue to affect the demand for U.S. goods sold to consumers in other countries through our global ecommerce solutions.

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

We are exposed to the impact of interest rate changes and foreign currency fluctuations due to our investing and funding activities and our operations denominated in different foreign currencies. Our objective in managing exposure to foreign currency fluctuations is to reduce the volatility in earnings and cash flows associated with the effect of foreign currency exchange rate changes on transactions that are denominated in foreign currencies. Accordingly, we enter into various contracts, which change in value as foreign currency exchange rates change, to protect the value of external and intercompany transactions. The principal currencies actively hedged are the British pound and Euro. At December 31, 2015, 92% of our debt was fixed rate obligations at a weighted average interest rate of 5.2%. Our variable rate debt, which consists of commercial paper and term loans, had a weighted average interest rate at December 31, 2015 of 1.35%. A one-percentage point change in the effective interest rate of our variable rate debt would not have had a material impact on our 2015 pre-tax income. To limit the volatility and impact of changing interest rates on earnings and cash flows, we may from time to time enter into interest rate swap agreements that convert fixed rate interest payments to variable rates and vice versa. During 2015 and 2014, we did not enter into any interest rate swap agreements.

We employ established policies and procedures governing the use of financial instruments to manage our exposure to such risks. We do not enter into foreign currency or interest rate transactions for speculative purposes. The gains and losses on these contracts are intended to offset changes in the value of the related exposures.

We utilize a "Value-at-Risk" (VaR) model to determine the potential loss in fair value from changes in market conditions. The VaR model utilizes a "variance/co-variance" approach and assumes normal market conditions, a 95% confidence level and a one-day holding period. The model includes all of our debt, interest rate derivative contracts and foreign exchange derivative contracts associated with forecasted transactions. The model excludes all anticipated transactions, firm commitments and accounts receivables and payables denominated in foreign currencies, which certain of these instruments are intended to hedge. The VaR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred, nor does it consider the potential effect of favorable changes in market factors.

During 2015 and 2014, our maximum potential one-day loss in fair value of our exposure to foreign exchange rates and interest rates, using the variance/co-variance technique described above, was not material.

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

See "Index to Consolidated Financial Statements and Supplemental Data" 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. Management, under the direction of our CEO and CFO, 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, 2015.

We acquired Borderfree in a purchase business combination on in June 2015 as described in Note 3 to our Consolidated Financial Statements included in this Form 10-K. We are in the process of reviewing and evaluating the business and internal controls and processes of Borderfree and are implementing our internal control structure over this acquired business. Our evaluation and integration efforts will continue into 2016.

### 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, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013). Based on its assessment, management concluded that, as of December 31, 2015, the internal control over financial reporting was effective based on the criteria issued by COSO in Internal Control - Integrated Framework (2013).

Pursuant to SEC guidance, a recently acquired business may be omitted from the scope of assessment of the effectiveness of internal control over financial reporting in the year of acquisition. Accordingly, the recently acquired Borderfree business was excluded from our evaluation of the effectiveness of internal control over financial reporting as of December 31, 2015. The Borderfree business represents 8% of total assets and less than 2% of total revenue.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Form 10-K.

### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

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 2016 Annual Meeting of Stockholders.

## Code of Ethics

We have a Business Practices Guidelines (BPG) that applies to all our officers and other employees. Our Board of Directors also has a Code of Business Conduct and Ethics (the Code) that applies to our 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 2016 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 2016 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, 2015 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	(b) Weighted-average exercise price of outstanding options, warrants and rights	(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	11,606,329	\$28.18	20,092,604
Equity compensation plans not approved by security holders	—	—	—
Total	11,606,329	\$28.18	20,092,604

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 2016 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 2016 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 2016 Annual Meeting of Stockholders.

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) 1. Financial statements - see "Index to Consolidated Financial Statements and Supplemental Data" on page 37 of this Form 10-K.
2. Financial statement schedules - see "Index to Consolidated Financial Statements and Supplemental Data" on page 37 of this Form 10-K.
3. Index to Exhibits

Reg. S-K exhibits	Description	Status or incorporation by reference
3(a)	Restated Certificate of Incorporation of Pitney Bowes Inc.	Incorporated by reference to Exhibit 3(c) to Form 8-K filed with the Commission on May 12, 2011 (Commission file number 1-3579)
3(b)	Pitney Bowes Inc. Amended and Restated By-laws (effective May 10, 2013)	Incorporated by reference to Exhibit 3(d) to Form 8-K filed with the Commission on May 13, 2013 (Commission file number 1-3579)
4(a)	Form of Indenture between the Company and SunTrust Bank, as Trustee	Incorporated by reference to Exhibit 4.4 to Registration Statement on Form S-3 (No. 333-72304) filed with the Commission on October 26, 2001
4(b)	Supplemental Indenture No. 1 dated April 18, 2003 between the Company and SunTrust Bank, as Trustee	Incorporated by reference to Exhibit 4.1 to Form 8-K filed with the Commission on August 18, 2004
4(c)	Form of Indenture between the Company and Citibank, N.A., as Trustee, dated as of February 14, 2005	Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-3ASR (No. 333-151753) filed with the Commission on June 18, 2008
4(d)	First Supplemental Indenture, by and among Pitney Bowes Inc., The Bank of New York, and Citibank, N.A., to the Indenture, dated as of February 14, 2005, by and between the Company and Citibank	Incorporated by reference to Exhibit 4.1 to Form 8-K filed with the Commission on October 24, 2007 (Commission file number 1-3579)
10(a) *	Retirement Plan for Directors of Pitney Bowes Inc.	Incorporated by reference to Exhibit 10(a) to Form 10-K filed with the Commission on March 30, 1993 (Commission file number 1-3579)
10(b) *	Pitney Bowes Inc. Directors' Stock Plan (as amended and restated 1999)	Incorporated by reference to Exhibit (i) to Form 10-K filed with the Commission on March 30, 2000 (Commission file number 1-3579)
10(b.1) *	Pitney Bowes Inc. Directors' Stock Plan (Amendment No. 1, effective as of May 12, 2003)	Incorporated by reference to Exhibit 10 to Form 10-Q filed with the Commission on August 11, 2003 (Commission file number 1-3579)
10(b.2) *	Pitney Bowes Inc. Directors' Stock Plan (Amendment No. 2, effective as of May 1, 2007)	Incorporated by reference to Exhibit 10(b.2) to Form 10-K filed with the Commission on March 1, 2007 (Commission file number 1-3579)
10(b.3) *	Pitney Bowes Inc. Directors' Stock Plan (Amended and Restated effective May 12, 2014)	Exhibit 10(b.3)
10(c) *	Pitney Bowes Stock Plan (as amended and restated as of January 1, 2002)	Incorporated by reference to Annex 1 to the Definitive Proxy Statement for the 2002 Annual Meeting of Stockholders filed with the Commission on March 26, 2002 (Commission file number

1-3579)

10(d) \*

Pitney Bowes Inc. 2007 Stock Plan (as amended November 7, 2009)

Incorporated by reference to Exhibit (v) to Form 10-K filed with the Commission on February 26, 2010 (Commission file number 1-3579)

10(e) \*

Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated October 1, 2007) (as amended November 7, 2009)

Incorporated by reference to Exhibit (iv) to Form 10-K filed with the Commission on February 26, 2010 (Commission file number 1-3579)

10(f) \*

Pitney Bowes Severance Plan (as amended and restated as of January 1, 2008)

Incorporated by reference to Exhibit 10(e) to Form 10-K filed with the Commission on February 29, 2008 (Commission file number 1-3579)

10(g) \*

Pitney Bowes Senior Executive Severance Policy (as amended and restated as of January 1, 2008)

Incorporated by reference to Exhibit 10(f) to Form 10-K filed with the Commission on February 29, 2008 (Commission file number 1-3579)

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Reg. S-K exhibits	Description	Status or incorporation by reference
10(h) *	Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors, as amended and restated effective January 1, 2009	Incorporated by reference to Exhibit 10(g) to Form 10-K filed with the Commission on February 26, 2009 (Commission file number 1-3579)
10(i) *	Pitney Bowes Inc. Deferred Incentive Savings Plan as amended and restated effective January 1, 2009	Incorporated by reference to Exhibit 10(h) to Form 10-K filed with the Commission on February 26, 2009 (Commission file number 1-3579)
10(j) *	Pitney Bowes Inc. 1998 U.K. S.A.Y.E. Stock Option Plan	Incorporated by reference to Annex II to the Definitive Proxy Statement for the 2006 Annual Meeting of Stockholders filed with the Commission on March 23, 2006 (Commission file number 1-3579)
10(k) *	Form of Long Term Incentive Award Agreement	Incorporated by reference to Exhibit 10(k) to Form 10-K filed with the Commission on February 21, 2014 (Commission file number 1-3579)
10(l)*	Stock purchase agreement dated May 11, 2015 between Pitney Bowes Inc. and Red Ventures HoldCo, LP.	Incorporated by reference to Exhibit 2.1 to Form 8-K filed May 11, 2015 (Commission file number 1-3579)
10(m)*	Agreement and plan of mergers dated May 5, 2015, by and among Pitney Bowes Inc., BrickBreaker Acquisition Corp and Borderfree Inc.	Incorporated by reference to Exhibit 2.1 to Form 8-K filed May 7, 2015 (Commission file number 1-3579)
10(o)*	Pitney Bowes Director Equity Deferral plan dated November 8, 2013 (effective May 12, 2014)	Exhibit 10(o)
10(p)*	Pitney Bowes Executive Equity Deferral Plan dated November 7, 2014	Exhibit 10(p)
10(q)*	Pitney Bowes Inc. 2013 Stock Plan	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)
12	Computation of ratio of earnings to fixed charges	Exhibit 12
21	Subsidiaries of the registrant	Exhibit 21
23	Consent of experts and counsel	Exhibit 23
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.	Exhibit 31.1
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.	Exhibit 31.2
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350	Exhibit 32.1
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	Exhibit 32.2
101.INS	XBRL Report Instance Document	
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	

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

The Company has outstanding certain other long-term indebtedness. Such long-term indebtedness 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.

## 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 22, 2016      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.

Signature	Title	Date
/s/ Marc B. Lautenbach Marc B. Lautenbach	President and Chief Executive Officer - Director	February 22, 2016
/s/ Michael Monahan Michael Monahan	Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)	February 22, 2016
/s/ Steven J. Green Steven J. Green	Vice President-Finance and Chief Accounting Officer (Principal Accounting Officer)	February 22, 2016
/s/ Michael I. Roth Michael I. Roth	Non-Executive Chairman - Director	February 22, 2016
/s/ Linda G. Alvarado Linda G. Alvarado	Director	February 22, 2016
/s/ Anne M. Busquet Anne M. Busquet	Director	February 22, 2016
/s/ Roger Fradin Roger Fradin	Director	February 22, 2016
/s/ Anne Sutherland Fuchs Anne Sutherland Fuchs	Director	February 22, 2016
/s/ S. Douglas Hutcheson S. Douglas Hutcheson	Director	February 22, 2016
/s/ Eduardo R. Menascé Eduardo R. Menascé	Director	February 22, 2016
/s/ Linda S. Sanford Linda S. Sanford	Director	February 22, 2016
/s/ David L. Shedlarz David L. Shedlarz	Director	February 22, 2016
/s/ David B. Snow, Jr. David B. Snow, Jr.	Director	February 22, 2016

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Pitney Bowes Inc. and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, 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 these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it classifies deferred tax assets and liabilities as of December 31, 2015.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for discontinued operations in 2014.

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.

As described in the Report of Management on Internal Control over Financial Reporting, management has excluded Borderfree from its assessment of internal control over financial reporting as of December 31, 2015 because it was acquired by the Company in a purchase business combination during 2015. We have also excluded Borderfree from our audit of internal control over financial reporting. Borderfree is a wholly-owned subsidiary whose total



consolidated assets and total consolidated net revenues represent approximately 8% and approximately 2%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2015.

/s/PricewaterhouseCoopers LLP  
Stamford, CT  
February 22, 2016

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

	Years Ended December 31,		
	2015	2014	2013
Revenue:			
Equipment sales	\$695,159	\$770,371	\$867,593
Supplies	288,103	300,040	285,730
Software	386,506	429,743	398,664
Rentals	441,663	484,629	512,493
Financing	410,035	432,859	448,906
Support services	554,764	625,135	646,657
Business services	801,830	778,727	631,292
Total revenue	3,578,060	3,821,504	3,791,335
Costs and expenses:			
Cost of equipment sales	331,069	365,724	422,580
Cost of supplies	88,802	93,675	89,365
Cost of software	113,580	123,760	110,653
Cost of rentals	84,188	97,338	100,335
Financing interest expense	71,791	78,562	77,719
Cost of support services	322,960	377,003	400,038
Cost of business services	546,201	544,729	449,932
Selling, general and administrative	1,279,961	1,378,400	1,420,096
Research and development	110,156	109,931	110,412
Restructuring charges and asset impairments, net	25,782	84,560	84,344
Interest expense, net	87,583	90,888	109,268
Other (income) expense, net	(94,838)	) 45,738	32,639
Total costs and expenses	2,967,235	3,390,308	3,407,381
Income from continuing operations before income taxes	610,825	431,196	383,954
Provision for income taxes	189,778	112,815	77,967
Income from continuing operations	421,047	318,381	305,987
Income (loss) from discontinued operations, net of tax	5,271	33,749	(144,777)
Net income	426,318	352,130	161,210
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	18,375	18,375	18,375
Net income - Pitney Bowes Inc.	\$407,943	\$333,755	\$142,835
Amounts attributable to common stockholders:			
Net income from continuing operations	\$402,672	\$300,006	\$287,612
Income (loss) from discontinued operations, net of tax	5,271	33,749	(144,777)
Net income - Pitney Bowes Inc.	\$407,943	\$333,755	\$142,835
Basic earnings per share attributable to common stockholders <sup>(1)</sup> :			
Continuing operations	\$2.01	\$1.49	\$1.43
Discontinued operations	0.03	0.17	(0.72)
Net income - Pitney Bowes Inc.	\$2.04	\$1.65	\$0.71
Diluted earnings per share attributable to common stockholders <sup>(1)</sup> :			
Continuing operations	\$2.00	\$1.47	\$1.42
Discontinued operations	0.03	0.17	(0.71)
Net income - Pitney Bowes Inc.	\$2.03	\$1.64	\$0.70

Dividends declared per share of common stock	\$0.75	\$0.75	\$0.9375
(1) The sum of the earnings per share amounts may not equal the totals due to rounding.			

See Notes to Consolidated Financial Statements

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

	Years Ended December 31,		
	2015	2014	2013
Net income	\$426,318	\$352,130	\$161,210
Less: Preferred stock dividends attributable to noncontrolling interests	18,375	18,375	18,375
Net income - Pitney Bowes Inc.	407,943	333,755	142,835
Other comprehensive (loss) income, net of tax:			
Foreign currency translations	(88,137	) (93,368	) (46,236
Net unrealized gain on cash flow hedges, net of tax of \$484, \$1,080 and \$894, respectively	777	1,691	1,397
Net unrealized (loss) gain on available for sale securities, net of tax of \$(1,427), \$2,775 and \$(3,689), respectively	(2,430	) 4,735	(6,282
Adjustments to pension and postretirement plans, net of tax of \$13,844, \$(106,336) and \$64,316, respectively	19,146	(212,818	) 122,023
Amortization of pension and postretirement costs, net of tax of \$15,966, \$15,643 and \$19,228, respectively	28,165	28,160	35,755
Other comprehensive (loss) income	(42,479	) (271,600	) 106,657
Comprehensive income - Pitney Bowes Inc.	\$365,464	\$62,155	\$249,492

See Notes to Consolidated Financial Statements

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

	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 650,557	\$ 1,054,118
Short-term investments	117,021	49,135
Accounts receivable (net of allowance of \$9,262 and \$10,742, respectively)	457,327	437,275
Short-term finance receivables (net of allowance of \$15,514 and \$19,108, respectively)	935,170	1,000,304
Inventories	88,824	84,827
Current income taxes	6,584	28,584
Other current assets and prepayments	64,325	57,173
Assets held for sale	—	52,271
Total current assets	2,319,808	2,763,687
Property, plant and equipment, net	330,088	285,091
Rental property and equipment, net	180,662	200,380
Long-term finance receivables (net of allowance of \$6,249 and \$9,002, respectively)	763,054	819,721
Goodwill	1,745,957	1,672,721
Intangible assets, net	187,378	82,173
Noncurrent income taxes	70,294	98,806
Other assets	544,221	577,123
Total assets	\$ 6,141,462	\$ 6,499,702
<b>LIABILITIES, NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,448,321	\$ 1,572,971
Current income taxes	16,620	30,527
Current portion of long-term obligations	461,085	324,879
Advance billings	353,025	386,846
Total current liabilities	2,279,051	2,315,223
Deferred taxes on income	205,668	114,950
Tax uncertainties and other income tax liabilities	68,429	86,127
Long-term debt	2,507,912	2,927,127
Other noncurrent liabilities	605,310	682,646
Total liabilities	5,666,370	6,126,073
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	296,370	296,370
Commitments and contingencies (See Note 17)		
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	1	1
Cumulative preference stock, no par value, \$2.12 convertible	505	548
Common stock, \$1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	323,338	323,338
Additional paid-in capital	161,280	178,852
Retained earnings	5,155,537	4,897,708
Accumulated other comprehensive loss	(888,635 )	(846,156 )

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Treasury stock, at cost (127,816,704 and 122,309,948 shares, respectively)	(4,573,305 )	(4,477,032 )
Total Pitney Bowes Inc. stockholders' equity	178,721	77,259
Total liabilities, noncontrolling interests and stockholders' equity	\$6,141,461	\$6,499,702

See Notes to Consolidated Financial Statements

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

	Years Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	\$426,318	\$352,130	\$161,210
Restructuring payments	(62,086)	(56,162)	(59,520)
Tax and other payments on sale of businesses and leveraged lease assets	—	—	(75,545)
Net tax (payments) receipts from other investments	(20,602)	5,737	—
Adjustments to reconcile net income to net cash provided by operating activities:			
Restructuring charges and asset impairments	25,782	83,466	86,175
Goodwill impairment	—	—	101,415
Depreciation and amortization	173,312	198,088	211,243
(Gain) loss on sale of businesses	(105,826)	(28,151)	42,450
Gain on sale of leveraged lease assets, net of tax	(2,152)	—	—
Stock-based compensation	21,049	17,446	14,921
Proceeds from settlement of derivative instruments	—	—	8,059
Deferred tax provision (benefit)	40,184	1,454	(33,770)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable, net of acquisitions/divestitures	(13,844)	45,046	58,980
Decrease in finance receivables	96,611	119,668	123,587
(Increase) decrease in inventories	(7,621)	9,104	67,188
(Increase) decrease in other current assets and prepayments	(10,787)	(10,106)	3,172
Decrease in accounts payable and accrued liabilities	(111,953)	(51,080)	(95,843)
Increase (decrease) in current and non-current income taxes	21,567	(52,080)	6,322
Increase (decrease) in advance billings	1,344	(18,695)	(16,450)
Other, net	43,343	39,661	21,230
Net cash provided by operating activities	514,639	655,526	624,824
Cash flows from investing activities:			
Purchases of available-for-sale securities	(205,256)	(680,582)	(374,230)
Proceeds from sales/maturities of investment securities	207,063	628,727	370,631
Purchases of held-to-maturity investments	(69,329)	—	—
Capital expenditures	(166,329)	(180,556)	(137,512)
Proceeds from sale of assets	52,110	—	—
Reserve account deposits and other	(24,202)	(15,666)	(20,104)
Proceeds from sale of businesses, net of cash transferred	289,211	102,392	389,680
Acquisitions, net of cash acquired	(393,695)	—	—
Other investing activities	7,339	(1,585)	12,691
Net cash (used in) provided by investing activities	(303,088)	(147,270)	241,156
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	150,950	508,525	411,613
Principal payments of long-term obligations	(516,070)	(599,850)	(1,079,207)
Increase in short-term borrowings	90,000	—	—
Dividends paid to stockholders	(150,114)	(151,611)	(188,846)
Dividends paid to noncontrolling interests	(18,375)	(18,375)	(18,375)
Common stock repurchases	(131,719)	(50,003)	—



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Other financing activities	4,603	(530	) 6,753
Net cash used in financing activities	(570,725	) (311,844	) (868,062 )
Effect of exchange rate changes on cash and cash equivalents	(44,387	) (29,082	) (12,973 )
(Decrease) increase in cash and cash equivalents	(403,561	) 167,330	(15,055 )
Cash and cash equivalents at beginning of period	1,054,118	886,788	901,843
Cash and cash equivalents at end of period	\$650,557	\$1,054,118	\$886,788
Cash interest paid	\$165,287	\$180,250	\$199,505
Cash income tax payments, net of refunds	\$138,877	\$203,193	\$224,432
See Notes to Consolidated Financial Statements			

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

	Preferred stock	Preferred stock	Common Stock	Additional Paid-in Capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at December 31, 2012	\$4	\$ 648	\$323,338	\$223,847	\$4,761,575	\$ (681,213 )	\$(4,500,795)	\$ 127,404
Net income - Pitney Bowes Inc.	—	—	—	—	142,835	—	—	142,835
Other comprehensive loss	—	—	—	—	—	106,657	—	106,657
Cash dividends								
Common	—	—	—	—	(188,800 )	—	—	(188,800 )
Preference	—	—	—	—	(46 )	—	—	(46 )
Issuances of common stock	—	—	—	(40,569 )	—	—	42,774	2,205
Conversions to common stock	—	(57 )	—	(1,222 )	—	—	1,279	—
Stock-based compensation	—	—	—	14,921	—	—	—	14,921
Balance at December 31, 2013	4	591	323,338	196,977	4,715,564	(574,556 )	(4,456,742 )	205,176
Net income - Pitney Bowes Inc.	—	—	—	—	333,755	—	—	333,755
Other comprehensive income	—	—	—	—	—	(271,600 )	—	(271,600 )
Cash dividends								
Common	—	—	—	—	(151,567 )	—	—	(151,567 )
Preference	—	—	—	—	(44 )	—	—	(44 )
Issuances of common stock	—	—	—	(27,081 )	—	—	28,697	1,616
Conversions to common stock	(3 )	(43 )	—	(970 )	—	—	1,016	—
Stock-based compensation	—	—	—	17,446	—	—	—	17,446
Repurchase of common stock	—	—	—	—	—	—	(50,003 )	(50,003 )
Repurchase of subsidiary shares from noncontrolling interest	—	—	—	(7,520 )	—	—	—	(7,520 )
Balance at December 31, 2014	1	548	323,338	178,852	4,897,708	(846,156 )	(4,477,032 )	77,259
Net income - Pitney Bowes Inc.	—	—	—	—	407,943	—	—	407,943
Other comprehensive loss	—	—	—	—	—	(42,479 )	—	(42,479 )
Cash dividends								

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Common	—	—	—	—	(150,073 )	—	—	(150,073 )
Preference	—	—	—	—	(41 )	—	—	(41 )
Issuances of common stock	—	—	—	(37,705 )	—	—	34,487	(3,218 )
Conversions to common stock		(43 )	—	(916 )	—	—	959	—
Stock-based compensation	—	—	—	21,049	—	—	—	21,049
Repurchase of common stock	—	—	—	—	—	—	(131,719 )	(131,719 )
Balance at December 31, 2015	\$1	\$ 505	\$323,338	\$161,280	\$5,155,537	\$ (888,635 )	\$(4,573,305)	\$178,721

See Notes to Consolidated Financial Statements

PITNEY BOWES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in thousands, except per share amounts)

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements of Pitney Bowes Inc. (we, us, our, or the company) and its wholly owned subsidiaries 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.

As a result of the acquisition of Borderfree, Inc. (Borderfree) in June 2015 and the sale of our Marketing Services business, Imagitas, in May 2015 (see Note 3), we realigned our segment reporting to conform to the way we now manage our segments and recast prior period amounts to conform to the current year presentation (see Note 2). Our business continues to be organized around three distinct sets of solutions – Small and Medium Business (SMB) Solutions, Enterprise Business Solutions and Digital Commerce Solutions (DCS). Under the new segment reporting, there were no changes to SMB Solutions or Enterprise Business Solutions; however, within DCS, our Software Solutions operations and Global Ecommerce operations are reported as reportable segments. The Other segment is comprised of Imagitas. Imagitas was previously reported in DCS.

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, revenue recognition for multiple element arrangements, the allocation of purchase price to tangible and intangible assets acquired and liabilities assumed in business combinations, goodwill and intangible asset impairment review, allowance for doubtful accounts and credit losses, residual values of leased assets, useful lives of long-lived and intangible assets, restructuring costs, pensions and other postretirement costs, income tax reserves, deferred tax asset valuation allowance, stock-based compensation expense and loss contingencies. Actual results could differ from those estimates and assumptions.

Cash Equivalents and Short-Term Investments

Cash equivalents include liquid investments with maturities of three months or less at the date of purchase. Short-term investments include investments with a maturity of greater than three months but less than one year from the reporting date.

Investment Securities

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. Investment securities not classified as held-to-maturity are classified as available-for-sale and recorded at fair value, with unrealized gains and losses reported in other comprehensive income, net of tax. Purchase premiums and discounts are recognized in interest income using the effective interest method over the term of the security. Gains and losses on the sale of available-for-sale securities are recorded on the trade date and are determined using the specific identification method. Investment securities are recorded in the Consolidated Balance Sheets as cash and cash equivalents, short-term investments and other assets depending on the investment's maturity.

Accounts Receivable and Allowance for Doubtful Accounts

We estimate the probable losses on accounts receivable and provide an allowance for doubtful accounts. The estimate of probable losses is based on historical loss experience, aging of receivables, adverse situations that may affect a client's ability to pay and prevailing economic conditions. We continually evaluate the adequacy of the allowance for doubtful accounts and make adjustments as necessary. The assumptions used in determining an estimate of probable losses are inherently subjective and actual results may differ significantly from estimated reserves.

Accounts receivable are generally due within 30 days after the invoice date. Accounts deemed uncollectible 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 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.

PITNEY BOWES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in thousands, except per share amounts)

Finance Receivables and Allowance for Credit Losses

Finance receivables are composed of sales-type lease receivables and unsecured revolving loan receivables. We estimate the probable losses and provide an allowance for credit losses. The estimate of probable losses is based on historical loss experience, the nature and volume of our portfolios, adverse situations that may affect a client's ability to pay, prevailing economic conditions and our ability to manage the collateral. We continually evaluate the adequacy of the allowance for credit losses and make adjustments as necessary. The assumptions used in determining an estimate of credit losses are inherently subjective and actual results may differ significantly from estimated reserves.

We establish credit approval limits based on the credit quality of the client and the type of equipment financed. Our policy is to discontinue revenue recognition for lease receivables that are more than 120 days past due and for unsecured loan receivables that are more than 90 days past due. We resume revenue recognition when the client's payments reduce the account aging to less than 60 days past due. Finance receivables deemed uncollectible 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 or market. Cost is determined on the last-in, first-out (LIFO) basis for most U.S. inventories and on the first-in, first-out (FIFO) basis for most non-U.S. inventories.

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 up to 50 years for buildings, three to 15 years for machinery and equipment, four to six years for rental equipment and three to five years for computer equipment. Major improvements which add to productive capacity or extend the life of an asset are capitalized while repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining lease term. Fully depreciated assets are retained in fixed assets and accumulated depreciation until they are removed from service.

We capitalize certain costs of software developed for internal use. Capitalized costs include purchased materials and services, payroll and personnel-related costs and interest. The cost of internally developed software is amortized on a straight-line basis over its estimated useful life, principally three to 10 years

Intangible assets

Finite-lived intangible assets are amortized over their estimated useful lives, principally three to 15 years, using either the straight-line method or an accelerated attrition method.

Research and Development Costs

Research and product development costs include engineering costs related to research and product development activities and are expensed as incurred.

Impairment Review for Long-lived and Finite-Lived Intangible Assets

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. 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 asset's 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 cash flow estimates from our long-term business plans and historical experience.

#### Impairment Review for Goodwill

Goodwill is tested annually for impairment at the reporting unit level during the fourth quarter or sooner when circumstances indicate an impairment may exist. A reporting unit is the operating segment, or a business that is one level below that operating segment. Reporting units are aggregated as a single reporting unit if they have similar economic characteristics. Goodwill is tested for impairment using a two-step approach. In the first step, the fair value of each reporting unit is determined and compared to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit is less than its carrying value, the second step of the goodwill impairment test is performed to measure the amount of impairment, if any. In the second step, the fair value of the reporting unit is allocated to the assets and liabilities of the reporting unit as if it had been acquired in a business combination and the purchase price was equivalent to the fair

PITNEY BOWES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in thousands, except per share amounts)

value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared to the actual carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss is recognized for the difference. The fair value of a reporting unit is determined based on a combination of various techniques, including the present value of future cash flows, multiples of competitors and multiples from sales of like businesses.

#### 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 experiences that differ from previous assumptions as well as changes in assumptions including expected return on plan assets, discount rates used to measure pension and other postretirement obligations and life expectancy. The expected return on assets is measured using the market-related value of assets, which is a calculated value that recognizes changes in the fair value of plan assets over five years. Actuarial gains and losses are recognized in other comprehensive income, net of tax, and amortized to benefit cost over the life expectancy of inactive plan participants. The funded status of pension and other postretirement benefit plans is recognized in the Consolidated Balance Sheets.

#### Stock-based Compensation

We measure compensation expense for stock-based awards based on the estimated fair value of the awards expected to vest (net of estimated forfeitures) and recognize the expense on a straight-line basis over the requisite service period. The fair value of stock awards is estimated using a Black-Scholes valuation model or a Monte Carlo simulation model. These models require 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 stock award. The expected life of the award and expected dividend yield are based on historical experience. We believe that the valuation techniques and underlying assumptions are appropriate in estimating the fair value of stock awards.

#### 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 non-cancelable lease of equipment, a meter rental and an equipment maintenance agreement. In these multiple element arrangements, revenue is allocated to each of the elements based on relative "selling prices" and the selling price for each of the elements is determined based on vendor specific objective evidence (VSOE). We establish VSOE of selling prices for our products and services based on the prices charged for each element when sold separately in standalone transactions. The allocation of relative selling price to the various elements impacts the timing of revenue recognition, but does not change the total revenue recognized. Revenue is allocated to the meter rental and equipment maintenance agreement elements using their respective selling prices charged in standalone and renewal transactions. For a sale transaction, revenue is allocated to the equipment based on a range of selling prices in standalone transactions. For a lease transaction, revenue is allocated to the equipment based on the present value of the remaining minimum lease payments. The amount allocated to equipment is compared to the range of selling prices in standalone transactions during the period to ensure the allocated equipment amount approximates average selling prices. More specifically, revenue related to our offerings is recognized as follows:

#### Sales Revenue



#### Sales of Equipment

We sell equipment directly to our customers and to distributors (re-sellers) throughout the world. We recognize revenue from these sales when the risks and rewards of ownership transfer to the client, which is generally upon shipment or acceptance by the customer. We recognize revenue from the sale of equipment under sales-type leases as equipment sales revenue at the inception of the lease. We do not typically offer any rights of return or stock balancing rights. Sales revenue from customized equipment, mail creation equipment and shipping products is generally recognized when installed.

#### Sales of Supplies

Revenue related to supplies is generally recognized upon delivery.

#### Standalone Software Sales and Integration Services

We also have multiple element arrangements containing only software and software related elements. Software related elements may include maintenance and support services, data subscriptions, training and integration services. Under these multiple element arrangements, we allocate revenue based on VSOE for software related elements and use the residual method to determine the amount of software licenses revenue. Under the residual method, the fair-value of the undelivered elements is deferred and the remaining portion of the arrangement consideration is allocated to the delivered elements and recognized as revenue. The majority of our software license

PITNEY BOWES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in thousands, except per share amounts)

arrangements are bundled with maintenance and support services and we establish VSOE of fair value using a bell-shaped curve analysis for maintenance and support services renewal rates. If we cannot obtain VSOE for any undelivered software element, revenue is deferred until all deliverables have been delivered or until VSOE can be determined for any remaining undelivered software elements.

We recognize revenue from standalone software licenses upon delivery of the product when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable and collectability is probable. For software licenses that are included in a lease contract, we recognize revenue upon shipment of the software unless the lease contract specifies that the license expires at the end of the lease or the price of the software is deemed not fixed or determinable based on historical evidence of similar software leases. In these instances, revenue is recognized on a straight-line basis over the term of the lease contract. We recognize revenue from software requiring integration services at the point of customer acceptance. We recognize revenue related to off-the-shelf perpetual software licenses generally upon shipment.

Rentals Revenue

We rent equipment, primarily postage meters and mailing equipment, under short-term rental agreements. Rentals revenue includes revenue from the subscription for digital meter services. We may invoice in advance for postage meter rentals according to the terms of the agreement. We initially defer these advanced billings and recognize rentals revenue on a straight-line basis over the invoice period. Revenues generated from financing clients for the continued use of equipment subsequent to the expiration of the original lease are recognized as rentals revenue.

We capitalize certain initial direct costs incurred in consummating a rental transaction and recognize these costs over the expected term of the agreement. Amortization of initial direct costs was \$8 million, \$10 million and \$11 million in 2015, 2014 and 2013, respectively. Initial direct costs included in rental property and equipment, net in the Consolidated Balance Sheets at December 31, 2015 and 2014 were \$20 million and \$22 million, respectively.

Financing Revenue

We provide lease financing for our products primarily through sales-type leases. We also provide revolving lines of credit to our clients for the purchase of postage and supplies. We believe that our sales-type lease portfolio contains only normal collection risk. Accordingly, we record the fair value of equipment as sales revenue, the cost of equipment as cost of sales and the minimum lease payments plus the estimated residual value as finance receivables. The difference between the finance receivable and the equipment fair value is recorded as unearned income and is amortized as income over the lease term using the interest method.

Equipment residual values are determined at inception of the lease using estimates of equipment fair value at the end of the lease term. Estimates of future equipment fair value are based primarily on historical experience. We also consider forecasted supply and demand for various products, product retirement and launch plans, regulatory changes, remanufacturing strategies, used equipment markets, if any, 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. Estimated increases in future residual values are not recognized until the equipment is remarketed.

Support Services Revenue

We provide support services for our equipment primarily through maintenance contracts. Revenue related to these agreements is recognized on a straight-line basis over the term of the agreement.

Business Services Revenue

Business services revenue includes revenue from presort mail services, global ecommerce solutions and shipping solutions. Prior to our divestiture of Imagitas in May 2015, business services revenue also included revenues from direct marketing services. Revenue for these services were recognized as the services were provided.

We also evaluate whether it is appropriate to record revenue on a gross basis when we are acting as a principal in the transaction or net of costs when we are acting as an agent between the client and the vendor. We consider several factors in determining whether we are acting as principal or agent such as whether we are the primary obligor to the client, have control over the pricing and have credit risk.

#### Shipping and Handling

Shipping and handling costs are recognized as incurred and recorded in cost of revenues.

PITNEY BOWES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in thousands, except per share amounts)

Deferred Marketing Costs

We capitalize certain costs associated with the acquisition of new customers and recognize these costs over the expected revenue stream of eight years. Amortization of deferred marketing costs was \$18 million, \$23 million and \$27 million in 2015, 2014 and 2013, respectively. Deferred marketing costs included in other assets in the Consolidated Balance Sheets at December 31, 2015 and 2014 were \$43 million and \$49 million, respectively. We review individual marketing programs for impairment on a quarterly basis or as circumstances warrant.

Restructuring Charges

Costs associated with restructuring actions and other exit or disposal activities include employee severance and other employee separation costs and lease termination costs. These costs are recognized when a liability has been incurred, which is generally upon communication to the affected employees or exit from a leased facility, and the amount to be paid is both probable and reasonably estimable. The rates used in determining severance accruals are based on company policy, historical experience and negotiated settlements.

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.

We record our derivative instruments at fair value and 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 enter into contracts with only those financial institutions that meet stringent credit requirements. We regularly review our credit exposure balances as well as the creditworthiness of our counterparties. We have not seen a material change in the creditworthiness of those banks acting as 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 assessing whether a valuation allowance is necessary, and the amount of such allowance, we consider all available evidence for each jurisdiction including past operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies. As new information becomes available that would alter our determination as to the amount of deferred tax assets that will ultimately be realized, we adjust the valuation allowance with a corresponding impact to income tax expense in the period in which such determination is made.

Earnings per Share

Basic earnings per share is based on the weighted-average number of common shares outstanding during the year. Diluted earnings per share also includes the dilutive effect of stock awards, preference stock, preferred stock and stock purchase plans.

#### 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 income.

#### 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

PITNEY BOWES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in thousands, except per share amounts)

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.

Reclassification

In 2015, we determined that certain investments were classified as cash and cash equivalents. Accordingly, the Consolidated Balance Sheet at December 2014 has been revised to reduce cash and cash equivalents by \$25 million, and increase short-term investments by \$17 million and other assets by \$8 million. Additionally, the Consolidated Statements of Cash Flows for the years ended December 31, 2014 and 2013 have also been revised to reduce cash and cash equivalents and increase short-term investments and other assets for certain investment accounts.

During 2015, we determined that certain customer deposits at December 31, 2014 within current liabilities should have been classified as either a current asset or a non-current liability. Accordingly, the Consolidated Balance Sheet at December 31, 2014 has been revised by increasing accounts receivable by \$23 million, accounts payable and accrued liabilities by \$14 million and other non-current liabilities by \$9 million.

New Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2015-17, Balance Sheet Classification of Deferred Taxes, which requires all deferred tax assets and liabilities to be presented as noncurrent in the balance sheet. The ASU is effective for interim and annual periods beginning after December 15, 2016, and can be applied either prospectively or retrospectively. Early adoption is permitted. We have elected to retrospectively adopt this ASU effective December 31, 2015. Accordingly, the Consolidated Balance Sheet at December 31, 2014 has been revised by reducing current income tax assets by \$12 million and current income tax liabilities by \$60 million and increasing noncurrent income taxes by \$2 million and deferred taxes on income by \$50 million.

In September 2015, the FASB issued ASU 2015-16, Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments, which eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. Consistent with existing guidance, the new guidance requires an acquirer to disclose the nature and amount of measurement period adjustments. The ASU is effective for interim and annual periods beginning after December 15, 2015 and requires that measurement period adjustments be applied prospectively. Early adoption is permitted. We will adopt this standard in the first quarter of 2016 and currently do not expect the adoption of this standard will have a significant impact on our consolidated financial statements or disclosures.

In July 2015, the FASB issued ASU 2015-11, Inventory - Simplifying the Measurement of Inventory, which requires inventory to be measured at the lower of cost and net realizable value (estimated selling price less reasonably predictable costs of completion, disposal and transportation). Prior to this guidance, inventory was measured at the lower of cost or market (where market was defined as replacement cost, with a ceiling of net realizable value and a floor of net realizable value of inventory, less a normal profit margin). Inventory measured using LIFO is not impacted by the new guidance. The ASU is effective for fiscal years beginning after December 15, 2016 and interim periods therein. Early adoption is permitted. We do not believe this standard will have a significant impact on our consolidated financial statements or disclosures.

In April 2015, the FASB issued ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which provides guidance on fees paid by an entity in a

cloud computing arrangement and whether an arrangement includes a license to the underlying software. This standard is effective for fiscal periods beginning after December 15, 2015. We will adopt this standard in the first quarter of 2016 and the adoption of this standard will not have a significant impact on our consolidated financial statements or disclosures.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This standard is effective for fiscal periods beginning after December 15, 2015. We will adopt this standard in the first quarter of 2016. Upon adoption, debt issuance costs currently recorded as other assets in the Consolidated Balance Sheets will be reclassified as a reduction in long-term debt. At December 31, 2015, debt issuance costs included in other assets in the Consolidated Balance Sheet was \$18 million.

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items, which removes the concept of extraordinary items, thereby eliminating the need for companies to assess transactions for extraordinary treatment. The standard retained the presentation and disclosure requirements for items that are unusual in nature and/or infrequent in occurrence. The standard is effective

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for fiscal periods beginning after December 15, 2015. We will adopt this standard in the first quarter of 2016 and the adoption of this standard will not have an impact on our consolidated financial statements or disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The standard requires companies to recognize revenue for the transfer of goods and services to customers in amounts that reflect the consideration the company expects to receive in exchange for those goods and services. The standard will also result in enhanced disclosures about revenue. In July 2015, the FASB approved a one-year deferral of the effective date. This standard is now effective for fiscal periods beginning after December 15, 2017. The standard can be adopted either retrospectively or as a cumulative-effect adjustment. Companies are permitted to adopt the standard as early as the original public entity effective date (fiscal periods beginning after December 15, 2016). Early adoption prior to that date is prohibited. We are currently assessing the impact this standard will have on our consolidated financial statements and disclosures.

## 2. Segment Information

The principal products and services of each of our reportable segments are as follows:

### Small & Medium Business Solutions:

**North America Mailing:** Includes the revenue and related expenses from the sale, rental, financing and servicing of mailing equipment, software and supplies for small and medium businesses to efficiently create physical and digital mail and evidence postage for the sending of mail, flats and parcels in the U.S. and Canada.

**International Mailing:** Includes the revenue and related expenses from the sale, rental, financing and servicing of mailing equipment, software and supplies for small and medium businesses to efficiently create physical and digital mail and evidence postage for the sending of mail, flats and parcels in areas outside the U.S. and Canada.

### Enterprise Business Solutions:

**Production Mail:** Includes the worldwide revenue and related expenses from the sale of production mail inserting and sortation equipment, high-speed production print systems, supplies and related support services to large enterprise clients to process inbound and outbound mail.

**Presort Services:** Includes revenue and related expenses from presort mail services for our large enterprise clients to qualify large mail volumes for postal worksharing discounts.

### Digital Commerce Solutions:

**Software Solutions:** Includes the worldwide revenue and related expenses from the sale of non-equipment-based mailing, customer information management, location intelligence and customer engagement solutions and related support services.

**Global Ecommerce:** Includes the worldwide revenue and related expenses from cross-border ecommerce and shipping solutions.

We determine segment earnings before interest and taxes (EBIT) by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges and asset impairment charges, which are not allocated to a particular business segment. Management uses segment EBIT to measure profitability and performance at the segment level. Management believes segment EBIT provides a useful measure of our operating performance and underlying trends of the businesses. Segment EBIT may not be indicative of our overall consolidated performance and therefore, should be read in conjunction with our consolidated results of operations.





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The following tables provide information about our reportable segments.

	Revenues		
	Years Ended December 31,		
	2015	2014	2013
North America Mailing	\$1,435,140	\$1,491,927	\$1,555,585
International Mailing	445,328	572,440	602,582
Small & Medium Business Solutions	1,880,468	2,064,367	2,158,167
Production Mail	421,178	462,199	511,544
Presort Services	473,612	456,556	430,469
Enterprise Business Solutions	894,790	918,755	942,013
Software Solutions	385,908	428,662	395,038
Global Ecommerce	362,087	281,643	169,908
Digital Commerce Solutions	747,995	710,305	564,946
Other	54,807	128,077	126,209
Total revenue	\$3,578,060	\$3,821,504	\$3,791,335
Geographic Data:			
United States	\$2,681,285	\$2,743,957	\$2,654,301
Outside United States	896,775	1,077,547	1,137,034
Total	\$3,578,060	\$3,821,504	\$3,791,335

	EBIT		
	Years Ended December 31,		
	2015	2014	2013
North America Mailing	\$646,913	\$642,521	\$640,830
International Mailing	51,070	88,710	71,516
Small & Medium Business Solutions	697,983	731,231	712,346
Production Mail	48,254	47,543	55,000
Presort Services	104,655	98,230	83,259
Enterprise Business Solutions	152,909	145,773	138,259
Software Solutions	48,531	51,193	47,707
Global Ecommerce	19,229	16,633	1,214
Digital Commerce Solutions	67,760	67,826	48,921
Other	10,569	19,240	5,856
Total EBIT	929,221	964,070	905,382
Reconciling items:			
Interest, net	(159,374	) (169,450	) (186,987
Unallocated corporate expenses	(213,095	) (233,126	) (217,458
Restructuring charges and asset impairments, net	(25,782	) (84,560	) (84,344
Acquisition/disposition related expenses	(14,983	) —	) —
Other income (expense), net	94,838	(45,738	) (32,639
Income from continuing operations before income taxes	\$610,825	\$431,196	\$383,954

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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	Depreciation and amortization		
	Years Ended December 31,		
	2015	2014	2013
North America Mailing	\$58,141	\$68,291	\$81,238
International Mailing	23,262	30,629	29,515
Small & Medium Business Solutions	81,403	98,920	110,753
Production Mail	4,075	7,740	15,740
Presort Services	27,305	28,462	29,999
Enterprise Business Solutions	31,380	36,202	45,739
Software Solutions	18,151	20,653	16,237
Global Ecommerce	21,025	8,073	3,592
Digital Commerce Solutions	39,176	28,726	19,829
Other	2,057	4,928	4,532
Total for reportable segments	154,016	168,776	180,853
Reconciliation to consolidated amount:			
Unallocated amount	19,296	29,312	14,052
Discontinued operations	—	—	16,338
Consolidated depreciation and amortization	\$173,312	\$198,088	\$211,243
	Capital expenditures		
	Years Ended December 31,		
	2015	2014	2013
North America Mailing	\$60,204	\$67,596	\$57,973
International Mailing	11,196	13,966	25,386
Small & Medium Business Solutions	71,400	81,562	83,359