

PITNEY BOWES INC /DE/
Form 10-Q
May 05, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from _____ to _____

Commission file number: 1-3579

PITNEY BOWES INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

06-0495050

(I.R.S. Employer Identification No.)

1 Elmcroft Road, Stamford, Connecticut

(Address of principal executive offices)

06926-0700

(Zip Code)

(203) 356-5000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of April 26, 2011.

Class	Outstanding
Common Stock, \$1 par value per share	203,853,433 shares

PITNEY BOWES INC.
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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited; in thousands, except per share data)

	Three Months Ended March 31,	
	2011	2010
Revenue:		
Equipment sales	\$ 241,631	\$ 239,298
Supplies	82,870	85,277
Software	99,565	83,767
Rentals	143,051	155,437
Financing	154,230	162,775
Support services	178,614	180,034
Business services	423,108	441,645
Total revenue	1,323,069	1,348,233
Costs and expenses:		
Cost of equipment sales	114,753	105,837
Cost of supplies	26,192	25,365
Cost of software	25,212	21,156
Cost of rentals	32,599	37,071
Financing interest expense	23,293	21,938
Cost of support services	115,276	114,606
Cost of business services	333,567	330,472
Selling, general and administrative	429,919	443,297
Research and development	34,758	40,865
Restructuring charges and asset impairments	26,024	20,722
Other interest expense	28,524	27,658
Interest income	(1,222)	(762)
Total costs and expenses	1,188,895	1,188,225
Income from continuing operations before income taxes	134,174	160,008
Provision for income taxes	41,394	73,245
Income from continuing operations	92,780	86,763
Loss from discontinued operations, net of income tax	(1,882)	(3,130)
Net income before attribution of noncontrolling interests	90,898	83,633
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	4,594	4,594
Net income	\$ 86,304	\$ 79,039

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Amounts attributable to common stockholders:		
Income from continuing operations	\$ 88,186	\$ 82,169
Loss from discontinued operations	(1,882)	(3,130)
	<u> </u>	<u> </u>
Net income	\$ 86,304	\$ 79,039
	<u> </u>	<u> </u>

Basic earnings per share attributable to common stockholders:		
Continuing operations	\$ 0.43	\$ 0.40
Discontinued operations	(0.01)	(0.02)
	<u> </u>	<u> </u>
Net income	\$ 0.42	\$ 0.38
	<u> </u>	<u> </u>

Diluted earnings per share attributable to common stockholders:		
Continuing operations	\$ 0.43	\$ 0.40
Discontinued operations	(0.01)	(0.02)
	<u> </u>	<u> </u>
Net income	\$ 0.42	\$ 0.38
	<u> </u>	<u> </u>

Dividends declared per share of common stock	\$ 0.370	\$ 0.365
	<u> </u>	<u> </u>

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands, except share and per share data)

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 652,069	\$ 484,363
Short-term investments	28,398	30,609
Accounts receivables, gross	780,066	824,015
Allowance for doubtful accounts receivables	(30,073)	(31,880)
Accounts receivables, net	749,993	792,135
Finance receivables	1,336,881	1,370,305
Allowance for credit losses	(47,981)	(48,709)
Finance receivables, net	1,288,900	1,321,596
Inventories	180,292	168,967
Current income taxes	66,678	103,542
Other current assets and prepayments	115,683	107,029
Total current assets	3,082,013	3,008,241
Property, plant and equipment, net	420,385	426,501
Rental property and equipment, net	290,013	300,170
Finance receivables	1,228,294	1,265,220
Allowance for credit losses	(21,239)	(20,721)
Finance receivables, net	1,207,055	1,244,499
Investment in leveraged leases	258,905	251,006
Goodwill	2,331,022	2,306,793
Intangible assets, net	286,686	297,443
Non-current income taxes	134,564	130,601
Other assets	486,211	478,769
Total assets	\$ 8,496,854	\$ 8,444,023
LIABILITIES, NONCONTROLLING INTERESTS AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,757,372	\$ 1,825,261
Current income taxes	206,134	192,924
Notes payable and current portion of long-term obligations	45,450	53,494
Advance billings	508,160	481,900
Total current liabilities	2,517,116	2,553,579
Deferred taxes on income	273,379	261,118
Tax uncertainties and other income tax liabilities	546,881	536,531
Long-term debt	4,236,437	4,239,248
Other non-current liabilities	651,761	653,758

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Total liabilities	8,225,574	8,244,234
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	296,370	296,370
Commitments and contingencies (See Note 12)		
Stockholders' deficit:		
Cumulative preferred stock, \$50 par value, 4% convertible	4	4
Cumulative preference stock, no par value, \$2.12 convertible	741	752
Common stock, \$1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	323,338	323,338
Additional paid-in capital	236,633	250,928
Retained earnings	4,293,198	4,282,316
Accumulated other comprehensive loss	(414,496)	(473,806)
Treasury stock, at cost (119,489,510 and 119,906,910 shares, respectively)	(4,464,508)	(4,480,113)
Total Pitney Bowes Inc. stockholders' deficit	(25,090)	(96,581)
Total liabilities, noncontrolling interests and stockholders' deficit	\$ 8,496,854	\$ 8,444,023

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Three Months Ended March	
	2011	2010
Cash flows from operating activities:		
Net income before attribution of noncontrolling interests	\$ 90,898	\$ 83,633
Restructuring charges and asset impairments, net of tax	17,306	13,527
Restructuring payments	(29,745)	(27,720)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69,318	79,701
Stock-based compensation	3,918	5,055
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	51,868	60,369
(Increase) decrease in finance receivables	89,611	74,205
(Increase) decrease in inventories	(11,410)	(7,152)
(Increase) decrease in prepaid, deferred expense and other assets	(835)	(5,151)
Increase (decrease) in accounts payable and accrued liabilities	(79,362)	(61,488)
Increase (decrease) in current and non-current income taxes	66,915	57,312
Increase (decrease) in advance billings	22,100	21,694
Increase (decrease) in other operating capital, net	6,179	7,569