

PITNEY BOWES INC /DE/
Form 10-Q
November 05, 2010

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 September 30, 2010

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

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

Edgar Filing: PITNEY BOWES INC /DE/ - Form 10-Q

Yes o

No p

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of November 3, 2010.

Class	Outstanding
Common Stock, \$1 par value per share	203,353,768 shares

PITNEY BOWES INC.
INDEX

	<u>Page Number</u>
<u>Part I - Financial Information:</u>	
<u>Item 1:</u>	
<u>Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2010 and 2009</u>	3
<u>Condensed Consolidated Balance Sheets at September 30, 2010 and December 31, 2009</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2010 and 2009</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2:</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3:</u>	
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	32
<u>Item 4:</u>	
<u>Controls and Procedures</u>	32
<u>Part II - Other Information:</u>	
<u>Item 1:</u>	
<u>Legal Proceedings</u>	33
<u>Item 1A:</u>	
<u>Risk Factors</u>	33
<u>Item 2:</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
<u>Item 3:</u>	
<u>Defaults Upon Senior Securities</u>	33
<u>Item 4:</u>	
<u>Removed and Reserved</u>	33
<u>Item 5:</u>	
<u>Other Information</u>	33
<u>Item 6:</u>	
<u>Exhibits</u>	33
<u>Signatures</u>	34

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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue:				
Equipment sales	\$ 248,228	\$ 225,759	\$ 718,399	\$ 714,780
Supplies	77,304	83,464	239,635	253,466
Software	95,850	87,295	265,130	254,401
Rentals	151,399	163,711	456,977	487,992
Financing	157,333	171,228	476,712	528,534
Support services	175,844	177,607	531,176	531,200
Business services	439,784	447,756	1,303,183	1,344,493
Total revenue	1,345,742	1,356,820	3,991,212	4,114,866
Costs and expenses:				
Cost of equipment sales	115,721	106,326	325,120	331,144
Cost of supplies	23,843	23,785	73,381	68,495
Cost of software	21,191	19,413	61,064	60,480
Cost of rentals	36,277	40,508	107,658	114,372
Financing interest expense	22,189	23,975	65,948	73,865
Cost of support services	111,521	119,034	337,822	356,620
Cost of business services	335,588	335,406	1,003,712	1,033,933
Selling, general and administrative	435,292	435,931	1,304,941	1,317,410
Research and development	38,454	45,052	117,487	138,623
Restructuring charges and asset impairments	33,805	12,845	103,039	12,845
Other interest expense	29,310	27,244	86,172	84,548
Interest income	(393)	(668)	(1,851)	(3,153)
Total costs and expenses	1,202,798	1,188,851	3,584,493	3,589,182
Income from continuing operations before income taxes	142,944	167,969	406,719	525,684
Provision for income taxes	46,880	57,691	155,302	192,375
Income from continuing operations	96,064	110,278	251,417	333,309
(Loss) gain from discontinued operations, net of income tax	(2,536)	(2,429)	(8,332)	5,296
Net income before attribution of noncontrolling interests	93,528	107,849	243,085	338,605
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	4,593	4,622	13,730	13,714
Pitney Bowes Inc. net income	\$ 88,935	\$ 103,227	\$ 229,355	\$ 324,891

Edgar Filing: PITNEY BOWES INC /DE/ - Form 10-Q

Amounts attributable to Pitney Bowes Inc.:								
Income from continuing operations	\$	91,471	\$	105,656	\$	237,687	\$	319,595
(Loss) gain from discontinued operations		(2,536)		(2,429)		(8,332)		5,296
Pitney Bowes Inc. net income	\$	88,935	\$	103,227	\$	229,355	\$	324,891
Basic earnings per share attributable to Pitney Bowes Inc. common stockholders (1):								
Continuing operations	\$	0.44	\$	0.51	\$	1.15	\$	1.55
Discontinued operations		(0.01)		(0.01)		(0.04)		0.03
Net income	\$	0.43	\$	0.50	\$	1.11	\$	1.57
Diluted earnings per share attributable to Pitney Bowes Inc. common stockholders (1):								
Continuing operations	\$	0.44	\$	0.51	\$	1.15	\$	1.54
Discontinued operations		(0.01)		(0.01)		(0.04)		0.03
Net income	\$	0.43	\$	0.50	\$	1.11	\$	1.57
Dividends declared per share of common stock	\$	0.365	\$	0.36	\$	1.095	\$	1.08

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

See Notes to Condensed Consolidated Financial Statements

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

	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 386,046	\$ 412,737
Short-term investments	21,351	14,682
Accounts receivables, gross	760,532	859,633
Allowance for doubtful accounts receivables	(34,865)	(42,781)
Accounts receivables, net	725,667	816,852
Finance receivables	1,357,187	1,417,708
Allowance for credit losses	(48,366)	(46,790)
Finance receivables, net	&	