PITNEY BOWES INC /DE/
Form 8-K
April 19, 2001

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

FORM 8-K
CURRENT REPORT

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

Date of Report (Date of earliest event reported): April 17, 2001

PITNEY BOWES INC.

Commission File Number: 1-3579

State of Incorporation	IRS Employer Identification No.
Delaware	06-0495050

World Headquarters
Stamford, Connecticut 06926-0700
Telephone Number: (203) 356-5000

Item 5 - Other Events.

The registrant's press release dated April 17, 2001, regarding its financial results for the period ended March 31, 2001, including consolidated statements of income and selected segment data for the three months ended March 31, 2001 and 2000, and consolidated balance sheets at March 31, 2001, December 31, 2000 and March 31, 2000, are attached.

In clarification of remarks made on a conference call following the registrant's release of earnings for the first quarter of 2001 on April 17, 2001, both the international portion of the registrant's Global Mailing segment and its total international operations achieved high single-digit revenue growth vs. the first quarter of 2000, as measured in local currency terms.

Item 7 - Financial Statements and Exhibits.

c. Exhibits.

The following exhibits are furnished in accordance with the provisions of Item 601 of Regulation S-K:

Exhibit	Description
(1)	Pitney Bowes Inc. press release dated April 17, 2001.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Pitney Bowes Inc.

April 19, 2001

/s/ B.P. Nolop

B.P. Nolop
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ A.F. Henock

A.F. Henock
Vice President - Finance
(Principal Accounting Officer)

(1)

Exhibit 1

PITNEY BOWES ACHIEVES REVENUE AND EARNINGS GUIDANCE IN FIRST QUARTER 2001

Diluted Earnings Per Share of 53 Cents, Before Restructuring Charge

Revenue Growth of 2.3%

Agreement to Acquire Danka Services International Expands Document

Services Solutions and Reach

STAMFORD, Conn., April 17, 2001 - Pitney Bowes Inc. (NYSE: PBI) today announced first quarter results that featured growth in diluted earnings per share from continuing operations to 53 cents, excluding the restructuring charge, from 50 cents the year before. Revenue grew two percent during the quarter to $966.3 million. Income from continuing operations declined one percent to $131.6 million before the restructuring charge.

During the quarter, as previously announced, the company recorded a pre-tax restructuring charge of $75 million, of which $43 million was related to continuing operations, and the remaining $32 million related to discontinued operations. These costs are associated with infrastructure and process improvements, and the planned spin-off of the Office Systems business. The company expects to record an additional $25 million to $35 million in the second quarter of 2001 to complete the previously announced restructuring plan.

Pitney Bowes Chairman and Chief Executive Officer Michael J. Critelli commented, "Pitney Bowes delivered revenue and earnings per share improvement during the quarter despite the fact that 2001 thus far has been a challenging year for most of corporate America. The continued, steady demand for our integrated mail and document management solutions in this economic environment, many of which are mission-critical to our customers, indicates that our products and services are just what many companies need to run their operations efficiently and reduce their costs. We also completed several strategic transactions during the quarter which will complement our suite of solutions for global customers of all sizes, positioning us for continued growth in the future.

(2)

"We continue our focus on improving shareholder value by building our base of loyal customers, and by extension, a large recurring revenue stream. Using a combination of internal development, acquisitions and partnerships we are creating the advanced solutions that global customers require to support their growing and increasingly complex, integrated applications. This customer-focused market development pays off. Today, approximately 75 percent of our revenues are recurring in nature, providing financial stability in a challenging economic environment. Our strong balance sheet gives us the financial flexibility to make investments and acquisitions to grow the business."

As previously announced, the company's recent acquisition activity exemplifies its strategic actions to expand internationally, meet the dynamic needs of global customers, and deliver shareholder value, according to Mr. Critelli. "It's good news for our customers and our shareholders that we have entered into an agreement to acquire Danka Services International (DSI), a division of Danka Business Systems. This business will strengthen our Enterprise Solutions segment which specializes in physical and electronic document management and high- volume mail production. In combination with other previously announced acquisition activity, the DSI agreement provides a solid platform for accelerated global growth, giving Pitney Bowes the critical mass, complementary technology and international presence to help customers optimize the management of the messages, money and business information contained in their integrated mail and document stream."

The Global Mailing Segment includes worldwide revenues and related expenses from the sale, rental and financing of mail finishing, mail creation and shipping equipment, related supplies and services, postal payment solutions, small business solutions and software. In the first quarter, Global Mailing revenue declined one percent while operating profit increased five percent. As in the prior two quarters, Global Mailing revenue comparisons to the prior year were adversely impacted by the loss of revenues associated with the sale of the credit card portfolio last year and the impact from unfavorable foreign currency during the quarter. Excluding the impact of these two factors, Global Mailing revenues increased three percent and operating profit increased six percent.

(3)

The U.S. mail finishing business is performing as expected as administrative costs decline due to continuous process improvements. As anticipated, sales of mail creation and shipping products again underperformed, reflecting the need for a change in the sales process for these products. Though this effort is well underway, results do not yet reflect the positive effect we expect. During the quarter, the company formed a strategic partnership with Vertex Interactive Inc., a market-leading, e-business supply chain and fulfillment solutions provider. Under the agreement, the companies will jointly develop, offer and support a modular suite of integrated supply chain and shipping applications, extending Pitney Bowes' reach and capability in a fast-growing segment of this market.

Additionally, within the Global Mailing segment, our international business continued to have strong growth in both revenues and operating profit on a local currency basis, helped by meter migration and Euro conversion requirements in several European countries. However, on a U.S. dollar basis, the Global Mailing segment revenue growth was reduced by one and one-half percentage points due to unfavorable foreign currency impacts, principally the British Pound, the Canadian Dollar and the Euro.

The Enterprise Solutions Segment includes Pitney Bowes Management Services and Document Messaging Technologies (formerly Production Mail). Revenues from Management Services include facilities management contracts for advanced mailing, reprographic, document management and other added-value services to large enterprises. Revenues from Document Messaging Technologies include sales, service and financing of high speed, software-enabled production mail systems, sorting equipment, incoming mail systems, electronic statement, billing and payment solutions, and mailing software. The Enterprise Solutions segment, which represents nearly one-quarter of consolidated revenue, grew revenue 14 percent and operating profit grew 28 percent, the second consecutive quarter of double-digit growth for both revenue and operating profit.

(4)

Pitney Bowes Management Services achieved its sixth consecutive quarter of improving revenue growth, recording a 15 percent increase over 2000. The growth in business came from both new, value-added services for existing clients, and new enterprise contracts through the acquisition of Services Integration Group, L.P., the outsourcing unit of Shell Services International Inc. Upon completion of the transaction referenced earlier, Danka Systems International will be integrated into Management Services. This acquisition is an important element in the Management Services' strategy to support global enterprises with sophisticated, high value document management throughout a document's physical and electronic lifecycle. The parties expect the transaction to close during the second quarter of 2001.

Document Messaging Technologies revenues grew 12 percent during the quarter, while operating profit grew at a substantially greater rate. There continued to be solid worldwide demand for high-speed, software enabled production mail equipment and mail processing software. During the quarter, the M3(TM) Mixed Mail Manager System for incoming mail management was launched and the first installations were completed. In addition, the company's new subsidiary MailCode, Inc., a mail processing company that manufactures complementary incoming mail management and sorting equipment, also performed well. DocSense continues to expand its customer base as the demand for versatile and reliable electronic bill and statement management grows. To further enhance its capabilities in this important and growing market, though not impacting the quarter's results, the company has entered into a merger agreement with Alysis Technologies, a leading provider of business-to-business and business-to-consumer digital document delivery solutions.

Total Messaging Solutions, the combined results of the Global Mailing and Enterprise Solutions segments, reported a three percent increase in revenues and a seven percent increase in operating profit.

The Capital Services Segment includes primarily asset- and fee-based income generated by financing or arranging transactions of critical large- ticket customer assets. Revenue for the quarter declined five percent, consistent with the company's ongoing objective to shift to fee-based transactions. Operating profit increased 12 percent for the quarter.

(5)

During the quarter, the Company repurchased two million shares, leaving $228 million of authorization for future share repurchases. Free cash flow from continuing operations, excluding payments associated with the restructuring plan and spin-off, exceeded $120 million during the quarter.

Compared to year 2000 results, the company expects revenue growth for the second quarter 2001 to be in the range of two to four percent and four to six percent for the second half of the year, prior to the inclusion of any revenues from the recently announced plan to acquire Danka Services International. Excluding restructuring charges, diluted earnings per share from continuing operations are expected to be in the range of 58 to 59 cents for the second quarter 2001 and $2.35 to $2.37 for the full year.

First quarter 2001 revenue included $471.5 million from sales, up seven percent from $441.2 million in the first quarter of 2000; $368.0 million from rentals and financing, down three percent from $380.7 million; and $126.9 million from support services, up three percent from $122.9 million. Income from continuing operations for the period was $103.9 million, or 42 cents per diluted share, or $131.6 million, or 53 cents per diluted share before the restructuring charge, compared to first-quarter 2000 income from continuing operations of $133.5 million, or 50 cents per diluted share. First quarter 2001 net income was $103.9 million or 42 cents per diluted share compared to first quarter 2000 net income of $146.9 or 55 cents per diluted share. First quarter 2001 net income did not include any income from discontinued operations, while first quarter 2000 net income included $18.1 million of income from discontinued operations, or seven cents per diluted share and a $4.7 million charge from an accounting change or two cents per diluted share.

Pitney Bowes is a $4 billion global provider of integrated mail, messaging and document management solutions headquartered in Stamford, Connecticut. The company serves over 2 million businesses of all sizes in more than 130 countries through dealer and direct operations.

The statements contained in this news release that are not purely historical are forward-looking statements with the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements may be identified by their use of forward-looking terminology such as the words "expects," "anticipates," "intends" and other similar words. Such forward-looking statements include, but are not limited to, statements about possible restructuring charges and our future guidance, including our expected revenue in the second quarter and full year 2001, and our expected diluted earnings per share from continuing operations for the second quarter and for the full year 2001. Such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to: severe adverse changes in the economic environment, timely development and acceptance of new products or gaining product approval; successful entry into new markets; changes in interest rates; and changes in postal regulations, as more fully outlined in the company's 2000 Form 10-K Annual Report filed with the Securities and Exchange Commission. In addition, the forward-looking statements are subject to change based on the timing and specific terms of the spin-off and any announced acquisitions. The forward-looking statements contained in this news release are made as of the date hereof and we do not assume any obligation to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

Note: Consolidated statements of income for the three months ended March 31, 2001 and 2000, and consolidated balance sheets at March 31, 2001, December 31, 2000, and March 31, 2000, are attached.

Pitney Bowes Inc.
Consolidated Statements of Income

(Dollars in thousands, except per share data)

	(Unaudited) Three Months Ended March 31,	
	2001	2000
Revenue from:		
Sales	$ 471,472	$ 441,194
Rentals and financing	367,992	380,671
Support services	126,859	122,900
Total revenue	966,323	944,765
Costs and expenses:		
Cost of sales	278,350	258,094
Cost of rentals and financing	90,833	99,916
Selling, service and administrative	322,903	317,869
Research and development	31,602	29,511
Interest, net	50,585	44,684
Restructuring charge	43,151	-
Total costs and expenses	817,424	750,074
Income from continuing operations before income taxes	148,899	194,691
Provision for income taxes	44,962	61,238
Income from continuing operations	103,937	133,453
Discontinued operations	-	18,100
Cumulative effect of accounting change	-	(4,683)
Net income	103,937	146,870
Restructuring charge after-tax	27,617	-
Net income excluding restructuring charge	$ 131,554	$ 146,870
Basic earnings per share		
Continuing operations	$ 0.42	$ 0.51
Discontinued operations	-	0.07
Cumulative effect of accounting change	-	(0.02)

Net income	0.42	0.56
Restructuring charge	0.11	-
Net income excluding restructuring charge	$ 0.53	$ 0.56

Diluted earnings per share		
Continuing operations	$ 0.42	$ 0.50
Discontinued operations	-	0.07
Cumulative effect of accounting change	-	(0.02)
Net income	0.42	0.55
Restructuring charge	0.11	-
Net income excluding restructuring charge	$ 0.53	$ 0.55
Average common and potential common shares outstanding	249,760,556	266,033,984

Pitney Bowes Inc.
Consolidated Balance Sheets

(Dollars in thousands, except per share data)

Assets	(Unaudited) 03/31/01	1
Current assets:		
Cash and cash equivalents	$ 194,386	$
Short-term investments, at cost which approximates market	1,572	
Accounts receivable, less allowances: 03/01 $25,860 12/00 $26,468 03/00 $25,443	323,135	
Finance receivables, less allowances: 03/01 $43,184 12/00 $44,129 03/00 $43,034	1,539,414	1,
Inventories	184,734	
Other current assets and prepayments	168,177	
Net assets of discontinued operations	215,594	
Total current assets	2,627,012	2,
Property, plant and equipment, net	492,749	
Rental equipment and related inventories, net	586,340	
Property leased under capital leases, net	2,098	
Long-term finance receivables, less allowances: 03/01 $53,681 12/00 $53,222 03/00 $59,089	1,916,666	1,
Investment in leveraged leases	1,169,389	1,

Goodwill, net of amortization:		
03/01 $60,423 12/00 $58,658 03/00 $56,628	219,859	
Other assets	647,814	
Net assets of discontinued operations	211,726	
Total assets	$7,873,653	$7,
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$1,004,469	$
Income taxes payable	264,379	
Notes payable and current portion of long-term obligations	1,229,189	1,
Advance billings	339,297	
Total current liabilities	2,837,334	2,
Deferred taxes on income	1,240,225	1,
Long-term debt	1,911,636	1,
Other noncurrent liabilities	321,913	
Total liabilities	6,311,108	6,
Preferred stockholders' equity in a subsidiary company	310,000	
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	29	
Cumulative preference stock, no par value, $2.12 convertible	1,695	
Common stock, $1 par value	323,338	
Capital in excess of par value	7,972	
Retained earnings	3,798,924	3,
Accumulated other comprehensive income	(135,815)	(
Treasury stock, at cost	(2,743,598)	(2,
Total stockholders' equity	1,252,545	1,
Total liabilities and stockholders' equity	$7,873,653	$7,

Pitney Bowes Inc.
Revenue and Operating Profit
By Business Segment
March 31, 2001
(Unaudited)

(Dollars in thousands)

	2001	2000
First Quarter		

Revenue		
Global Mailing	$ 692,736	$ 698,051
Enterprise Solutions	230,590	201,537
Total Messaging Solutions	923,326	899,588
Capital Services	42,997	45,177
Total Revenue	$ 966,323	$ 944,765
Operating Profit (1)		
Global Mailing	$ 207,171	$ 197,177
Enterprise Solutions	18,819	14,695
Total Messaging Solutions	225,990	211,872
Capital Services	14,705	13,121
Total Operating Profit	$ 240,695	$ 224,993