PITNEY BOWES INC /DE/
Form 10-K
February 20, 2015
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, 2014   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
Common Stock, $1 par value per share	New York Stock Exchange
$2.12 Convertible Cumulative Preference Stock (no par value)	New York Stock Exchange

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 þ 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 þ
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 þ 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 þ 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 þ   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 þ
As of June 30, 2014, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $5.6 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 12, 2015: 201,622,001 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 11, 2015, are incorporated by reference in Part III of this Form 10-K.

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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 and transitioning to more digital-based products and services and the market’s acceptance of these new products and services
- the success of our investment in rebranding the company to build the market awareness to create new demand for our businesses
- our ability to gain product approval in new markets where regulatory approval is required
- changes in postal or banking regulations
- the continued availability and security of key information systems
- our ability to successfully implement a new ERP system without significant disruption to existing operations
- 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
- loss of some of our largest clients or business partners in our Digital Commerce Solutions segment
- the cost to comply with current and any changes in information security requirements and privacy laws
- intellectual property infringement claims
- our success at managing customer credit risk
- significant changes in pension, health care and retiree medical costs
- macroeconomic factors, including global and regional business conditions that adversely impact customer demand, access to capital markets at reasonable costs, changes in interest rates and foreign currency exchange rates
- 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 enable commerce in the areas of customer information management, location intelligence, customer engagement, shipping and mailing, and global ecommerce. More than 1.5 million clients in approximately 100 countries around the world rely on our products, solutions and services.

For more information about us, our products, services and solutions, visit www.pb.com. Also, 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 or from the SEC's website at 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.

Our Strategy and Business Segments

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

Small and Medium Business Solutions

We are a global leader in providing a full range of mailing equipment, software, supplies and support services that enable our clients to efficiently create mail and evidence postage. 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 postage meters and have over 900,000 meters installed in North America 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. We segment the Enterprise Business Solutions group between 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.

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 provides mailers with end-to-end solutions from pick up at their location to delivery into the postal system. Approximately 90 billion pieces of mail are processed annually by third-parties like us or through in-house operations. Through our network of 32 U.S. locations, and with our fully-customized proprietary technology, we process approximately 15 billion pieces of mail annually and are able to expedite mail delivery and optimize postage savings for our clients. Our client volumes represent less than 25% of all automated first-class, standard-class and flat mail.

Digital Commerce Solutions

We provide a broad range of solutions, including customer information management, location intelligence, customer engagement, shipping management and global ecommerce. These solutions are primarily delivered as traditional software licenses, enterprise platforms, software-as-a-service (SaaS) and on-demand applications. The DCS segment is dependent on a relatively small number of clients and business partners for a large portion of its revenue.

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 very 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.

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, as well as desktop and production shipping environments.

Global ecommerce solutions enable full transparency of the fully landed costs by quoting duty, taxes and shipping at checkout, compliance with all import/export complexities, restrictions, regulations and documentation requirements and provide reliable tracking information. Our global ecommerce software platform is currently utilized by over 40 direct merchants and a major online marketplace enabling millions of parcels to be shipped to over 60 countries from the U.S. and more than 15 countries from the U.K.

We also offer targeted direct and digital marketing programs to large advertisers that enable them to connect with movers. Through a contract with the USPS, we produce a "Movers' Guide" in both printed and digital format and a "Welcome Kit" in printed format with targeted advertisers' coupons for movers. We also offer digital advertising programs through MyMove.com, a move related website we own and operate.

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 sell to a variety of business, governmental, institutional and other organizations. We have a broad base of clients and we are not dependent upon any one client or type of client for a significant part of our total revenue.

We market our products and services through a direct and inside sales force, direct mailings, outbound telemarketing, independent dealers and distributors and web channels. During 2014, we began implementing a phased roll-out of a go-to-market strategy designed to improve the sales process and reduce costs by providing our clients broader access to products and services though expanded insides sales and web channels with less reliance on a direct sales force. We are in the final stages of implementing this go-to-market strategy in our North America businesses and will implement this strategy in our International Mailing and other businesses in 2015.

We have made, and are continuing to make, significant investments in the rebranding of the company in order to build market awareness and client demand for our products and services. We are also making investments in marketing in support of the company’s brand and business strategy. The brand investments, including a newly launched external website (www.pb.com), are designed to 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 competition from other mail equipment companies and companies that offer products and services as alternative means of message communications. The principal competitive factors in these markets include 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 the use of certain mailing equipment under rental agreements and purchase products, supplies and services. The Bank also provides a deposit solution to those clients who prefer to prepay postage and earn interest on their deposits. 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 a small number of companies that offer large production printers, inserters or sorters, but only a few companies are able to offer all of these products and integrate them into an end-to-end solution. The principal competitive factors include functionality, reliability, productivity, price and support. We believe we have a competitive advantage as our equipment provides a wider range of features and functionality and greater productivity than our competitors, which drives a higher investment return for our clients.

Presort Services
We are a significant third-party presort service provider in the United States and the only provider with a national network. 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 experience and expertise and economies of scale. Our competitive advantage includes our extensive network, size of our presort facilities and our innovative and proprietary technology that enables us to provide our clients with reliable and accurate services at maximum discounts.

Digital Commerce Solutions
The DCS segment operates in several highly competitive and rapidly evolving markets. We face competition from large global companies that offer a broad range of solutions to smaller, more narrowly-focused companies that can design very targeted solutions. In addition, major global delivery services companies are acquiring the technology to improve their global ecommerce shipping capabilities. The principal competitive factors include reliability, functionality and ease of integration and use, scalability, innovation, support services and price. We compete in this segment based on the accuracy and processing speed of our solutions, particularly those used in our location intelligence and global ecommerce solutions, the breadth and scalability of our products and solutions, our single-sourced geocoding and reverse geocoding capabilities, and our ability to identify rapidly changing customer needs and develop technologies and solutions to meet these changing needs.

Our direct marketing services products compete with multiple alternative marketing offerings for a portion of our clients' overall marketing budget by demonstrating the value of our products and services relative to these other marketing programs available to our advertising clients.

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 an automatic approval 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.

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.

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.

Our research and development expenditures were $110 million, $110 million and $114 million in 2014, 2013 and 2012, respectively. In 2015, research and development activities will include investments in our DCS offerings. We will also invest in our mailing equipment product line to enhance the effectiveness, functionality and value proposition of these products and solutions.

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, 2014, we have approximately 10,600 employees in North America and 4,600 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.

Executive Officers of the Registrant
Our executive officers are as follows:

Name	Age	Title	Executive Officer Since
Marc B. Lautenbach	53	President and Chief Executive Officer	2012
Daniel J. Goldstein	53	Executive Vice President and Chief Legal and Compliance Officer	2010
Abby F. Kohnstamm	61	Executive Vice President and Chief Marketing Officer	2013
Michael Monahan	54	Executive Vice President, Chief Operating Officer and Chief Financial Officer (1)	2005
Roger J. Pilc	47	Executive Vice President and Chief Innovation Officer	2013
Mark L. Shearer	58	Executive Vice President and President, Pitney Bowes SMB Mailing Solutions	2013
Johnna G. Torsone	64	Executive Vice President and Chief Human Resources Officer	1993
Mark F. Wright	57	Executive Vice President and President, Pitney Bowes Digital Commerce Solutions	2013

There is no family relationship among the above officers. All of the officers have served in various corporate, division or subsidiary 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. Goldstein re-joined the company in October 2010 as Executive Vice President and Chief Legal and Compliance Officer. From September 2008 until October 2010, Mr. Goldstein served as the Senior Vice President and General Counsel for GAF Materials Corporation, International Specialty Products, and ISP Minerals, a group of privately held, commonly owned companies in the building materials, chemicals and mining industries. Mr. Goldstein originally joined Pitney Bowes in 1999 as Associate General Counsel and was appointed Vice President, Deputy General Counsel in 2005.

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.

Mr. Wright joined the company as Executive Vice President and President, Pitney Bowes Software Solutions in April 2013. In February 2014, the board of directors elected him to the office of Executive Vice President and President, Pitney Bowes Digital Commerce Solutions. Before joining Pitney Bowes, Mr. Wright served as Executive Vice

President, Enterprise Solutions Group, Information Global Solutions.

(1) Mr. Monahan was appointed to the newly created position of Chief Operating Officer effective February 9, 2015. He will continue his role as Chief Financial Officer.

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.

The volume of physical mail delivered via traditional postal services has been declining and is projected to continue to decline. If we are not successful at addressing this decline and transitioning to more digital-based products and services, our results of operations and profitability could be adversely impacted.
The historical decline in 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 have been employing strategies for stabilizing our mailing business and providing our clients broader access to products and services through online and direct sales channels. In addition, we are introducing new products and services and transitioning our current products and services to more digital offerings; however, the margins associated with these digital offerings are typically lower than our traditional mailing business. 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.

If we are not successful in increasing revenue in our DCS segment, our consolidated revenues, profitability and long-term growth could be adversely impacted.
We are executing on a strategy to grow revenue significantly in our DCS segment. The successful execution of this strategy will require us to make continued investments in research and development opportunities that offer the greatest potential for near and long-term growth. These investments include, among other things, new and enhanced offerings in our global ecommerce, location intelligence and customer engagement solutions, and the specialization of sales channels. However, the process of developing new technologies, products and solutions can be time-consuming, costly and uncertain, and there are no guarantees that we will be successful developing new technologies and solutions to meet rapidly changing customer needs. Further, even if we are successful at developing new technologies and solutions, they may not be accepted by the marketplace.

We may not realize the anticipated benefits from our planned 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 are in the process of implementing 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. We have made and will continue to make significant investments and incur incremental expenses over the course of the implementation of this ERP system. We expect this implementation will begin in 2015 and occur in stages over the next few years. If the implementation of the system is not successful, or is delayed, the expected operating cost savings and strategic efficiencies may be delayed or may not be obtained or sustainable.

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 new 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.
Several of our businesses use, process and store proprietary information and confidential data relating to our businesses, clients and employees. Privacy laws and similar regulations in many jurisdictions where we do business, as well as customer demands, require that we take significant steps to safeguard this information. Both customer demands and legal requirements continue to evolve. We have security systems and procedures in place designed to protect against unauthorized access to such information. However, there is no guarantee that experienced computer programmers or hackers will not be able to breach our security systems and misappropriate confidential information. Breaches of our security systems could result in the loss of data or the unauthorized disclosure or misuse of confidential information of our clients or our clients' customers. This could result in harm to our reputation, damage to our systems, governmental inquiries, investigations or regulatory enforcement action, the payment of fines or other penalties, legal claims by our clients and the payment of significant remediation costs.

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 and to support postal services. We maintain secure systems to collect revenue for certain postal services, which is critical to enable both our systems and the postal systems to run reliably. These systems are subject to adverse acts of nature, targeted or random security breaches, cyber-attacks, computer viruses, vandalism, power loss, computer or communications failures and other unexpected events. We have 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 constituents 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 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 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 financing services to our clients and to fund various discretionary priorities, including business investments, acquisitions and dividend payments.
We fund our financing activities with a combination of cash generated from operations, deposits held in the Bank and access to the U.S. capital markets to facilitate short and long-term borrowings. Our ability to access the U.S. capital markets and the cost associated with our funding activities is dependent on our credit ratings and market volatility. A credit ratings downgrade, 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. In addition, if such events occurred, there can be no assurance that liquidity funding sources would be available or sufficient and that related costs would not adversely impact our ability to fund various discretionary priorities, including business investments, acquisitions and dividend payments.

The loss of any of the company's largest clients or business partners in our DCS segment could have a material adverse effect on the segment.

The DCS 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.
We rely on copyright, trade secret, patent and other intellectual property laws to establish and protect proprietary rights that are important to our business. If we fail to enforce our intellectual property rights, our business may suffer. We, our clients, or our suppliers, may be subject to third-party claims of infringement on 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 of contract pricing and our business practices by government agencies. If we are found to have violated some provisions of these contracts, we could be required to provide a refund, pay significant damages, or be subject to contract cancellation, civil or criminal penalties, fines or debarment from doing business with the government. 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:

- the loss of key employees or clients of businesses acquired or divested;
- significant charges to earnings for employee severance and other restructuring costs, goodwill and asset impairments and legal, accounting and financial advisory fees;
- 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; and
- difficulties in identifying and separating intellectual property to be divested from intellectual property we wish to keep.

If we are not successful at realizing the anticipated benefits of strategic acquisitions and divestitures, our financial results could be negatively impacted.

Our operations expose us to the risk of material environmental liabilities, litigation and violations.
We are subject to various federal, state, local and foreign environmental protection and health and safety laws governing, among other things:

- the generation, storage, use and transportation of hazardous materials;
- emissions or discharges of substances into the environment;
- the cleanup of contaminated sites;
- substances that may be subject to regulation in the manufacture, distribution, use or disposal of our products; and
- the health and safety of our employees.

Environmental 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 or otherwise sanctioned by regulators. In addition, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. Certain environmental laws can assess liability on contaminated sites retroactively, on a joint and several basis, and without any finding of noncompliance or fault. 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 materially adversely affect our financial condition, results of operations or cash flows.

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 is integrated into the way we sell and service 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.

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. We also have research and development facilities located in Noida, India and Pune, 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 had previously provided information to the DOJ in response to letter requests and continue to provide information in response to the CID and other requests from the DOJ. Given the current stage of this inquiry, we cannot provide an estimate of any possible losses or range of loss and we cannot yet predict the ultimate outcome of this matter or its impact, if any, on our business, financial condition or results of operations.

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, 2015, we had 18,689 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
	High	Low	Share
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
			$0.75
2013			
First Quarter	$15.56	$10.71	$0.3750
Second Quarter	$16.43	$13.12	0.1875
Third Quarter	$18.82	$13.76	0.1875
Fourth Quarter	$24.18	$18.21	0.1875
			$0.9375

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. During 2014, we repurchased 1,863,262 shares of our common stock in the open market at an average share price of $26.84. There were no share repurchases during the fourth quarter of 2014. At December 31, 2014, we have authorization to repurchase up to $100 million of our common stock.

Stock Performance Graph

In 2014, we revised our peer group in response to our enhanced focus on software and technology. Our new peer group consists of services, industrial and technology companies with revenues of $3 to $22 billion and market capitalization of $2 to $16 billion.

Our new 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.

Our prior peer group was comprised of: Agilent Technologies Inc., Alliance Data Systems Corporation, Avery Dennison Corp., Diebold, Incorporated, DST Systems 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 and Xerox Corporation.

The accompanying graph and table below compare the most recent five-year share performance of Pitney Bowes, the Standard and Poor's (S&P) 500 Composite Index, our new peer group and our prior peer group. On a total return basis, assuming reinvestment of all dividends, $100 invested in Pitney Bowes, the S&P 500 Composite Index, the new peer group and the prior peer group on December 31, 2009 would have been worth $149, $205, $203 and $205, respectively, on December 31, 2014.

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.

	Indexed Returns December 31,					
Company Name / Index	2009	2010	2011	2012	2013	2014
Pitney Bowes	$100	$114	$93	$60	$139	$149
S&P 500	$100	$115	$117	$136	$180	$205
New Peer Group	$100	$115	$110	$120	$185	$203
Old Peer Group	$100	$121	$110	$125	$191	$205

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,				
	2014	2013	2012	2011	2010
Total revenue	$3,821,504	$3,791,335	$3,823,713	$4,030,669	$4,125,101
Amounts attributable to common stockholders:					
Net income from continuing operations	$300,006	$287,612	$379,107	$418,967	$244,460
Income (loss) from discontinued operations	33,749	(144,777)	66,056	198,513	47,919
Net income - Pitney Bowes Inc.	$333,755	$142,835	$445,163	$617,480	$292,379
Basic earnings per share attributable to common stockholders [1]:					
Continuing operations	$1.49	$1.43	$1.89	$2.07	$1.19
Discontinued operations	0.17	(0.72)	0.33	0.98	0.23
Net income - Pitney Bowes Inc.	$1.65	$0.71	$2.22	$3.06	$1.42
Diluted earnings per share attributable to common stockholders [1]:					
Continuing operations	$1.47	$1.42	$1.88	$2.07	$1.18
Discontinued operations	0.17	(0.71)	0.33	0.98	0.23
Net income - Pitney Bowes Inc.	$1.64	$0.70	$2.21	$3.05	$1.41

Cash divid