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 dividends paid per share of common stock	$0.75	$0.9375	$1.50	$1.48	$1.46

Balance sheet data:

	December 31,				
	2014	2013	2012	2011	2010
Total assets	$6,485,693	$6,772,708	$7,859,891	$8,147,104	$8,444,023
Long-term debt	$2,927,127	$3,346,295	$3,642,375	$3,683,909	$4,239,248
Total debt	$3,252,006	$3,346,295	$4,017,375	$4,233,909	$4,289,248
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

Revenue for 2014 increased 1% to $3,822 million compared to $3,791 million in 2013. Business service revenue increased 23% over the prior year, primarily due to growth in our global ecommerce solutions and higher volumes of first-class mail processed and improved operational efficiencies in our presort business. Software revenue increased 8% due to higher software licensing revenue. Supplies revenue increased 5% due to the growing base of production print equipment and improved sales in our mailing business. Partially offsetting these increases was a decline in equipment sales of 11% primarily due to strong sales of production print equipment in 2013 and lower equipment sales in our mailing business. Rentals and support services declined 5% and 3%, respectively, due to a decline in the number of installed meters worldwide and financing revenue declined 4% because of lower equipment sales in prior periods.

Looking at our operating segments, DCS revenue grew 21% primarily due to increased parcel volumes using our global ecommerce solutions and higher software licensing revenue. Enterprise Business Solutions revenue declined 2% due to a 10% decline in Production Mail revenue primarily as a result of strong sales of production print equipment in 2013. This decline was partially offset by a 6% increase in Presort Services due to higher volumes of first-class mail processed and improved operational efficiencies. SMB revenue declined 4% primarily due to continued declines in mail volumes and our installed meter population.

Net income from continuing operations and earnings per diluted share for the year were $300 million and $1.47, respectively, compared to $288 million and $1.42, respectively, in 2013. The increase was primarily due to lower selling, general and administrative expenses primarily due to the benefits of our restructuring actions, changes in our go-to-market strategy and other productivity initiatives. An increase in the effective tax rate partially offset these benefits.

We generated cash flow from operations of $656 million, received $102 million from the sale of businesses and issued $509 million of long-term debt. We used these proceeds to redeem $600 million of debt, fund capital investments of $181 million, pay dividends of $170 million and repurchased $50 million of our common shares. At December 31, 2014, cash and cash equivalents was $1,079 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 2015, we will make significant investments to begin implementing our ERP program, expand our marketing efforts to build awareness of our unique capabilities and refreshed brand identity and complete our go-to-market initiatives globally. We anticipate these incremental expenses could approximate $0.15 to $0.18 per diluted share in 2015. However, we anticipate the continued benefits from prior restructuring programs and the transition to an inside sales organization should mostly offset the incremental costs associated with the ERP implementation and expanded brand and marketing programs. We also expect the incremental expenses incurred in 2015 to provide profitability benefits in 2016 and beyond.

We expect revenue and profitability growth in our DCS segment to be driven by increasing volumes associated with our global ecommerce solutions, including a full year benefit of our U.K. outbound cross-border services, continued licensing demand for our location intelligence, customer information management and customer engagement solutions and higher revenue from marketing services and shipping solutions driven by new client acquisitions and expanded services provided to existing clients.

Within the SMB group, we expect revenue to decline, but at a moderating rate as trends in our North America mailing business continue to progress and stabilize and we see improved sales productivity from our go-to-market initiatives. In our International Mailing business, we expect revenue to be challenged due in part to the uncertain macro-economic environment in Europe, potential distractions from the roll-out of our go-to-market strategy, and as a result of our 2014 initiatives to exit certain non-core product lines in Norway and transition our business in certain European countries to a dealer network.

Within the Enterprise Business Solutions group, we expect continued revenue and profitability growth in our Presort Services segment due to client expansion, higher processed mail volumes and operational efficiencies. Within our Production Mail segment, we anticipate that revenue growth could be challenged by the uncertain macro-economic environment in Europe, the impact on revenue from the transition of our business in certain European countries to a dealer network and declining services revenue.

In recent months, we have seen 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 as well as a competitive perspective, as the cost of our international competitors' products and solutions improves relative to our products and solutions. A strengthening dollar could also affect the demand for U.S. goods sold to consumers in other countries through our global ecommerce solutions.

RESULTS OF OPERATIONS

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

Revenue

	Year Ended December 31,			% change	
	2014	2013	2012	2014	2013
Equipment sales	$770	$868	$841	(11)%	3%
Supplies	300	286	279	5%	2%
Software	430	398	413	8%	(3)%
Rentals	485	512	541	(5)%	(5)%
Financing	433	449	481	(4)%	(7)%
Support services	625	647	675	(3)%	(4)%
Business services	779	631	594	23%	6%
Total revenue	$3,822	$3,791	$3,824	1%	(1)%

Cost of revenue

	Year Ended December 31,					
	2014		2013		2012	
	$	% of revenue	$	% of revenue	$	% of revenue
Cost of equipment sales	$366	47.5%	$423	48.7%	$378	45.0%
Cost of supplies	94	31.2%	89	31.3%	86	30.7%
Cost of software	124	28.8%	111	27.8%	115	28.0%
Cost of rentals	97	20.1%	100	19.6%	110	20.3%
Financing interest expense	78	18.1%	78	17.3%	77	16.1%
Cost of support services	377	60.3%	400	61.9%	420	62.2%
Cost of business services	545	70.0%	450	71.3%	396	66.7%
Total cost of revenue	$1,681	44.0%	$1,651	43.5%	$1,582	41.4%

Equipment sales

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 and half came from lower sales in our SMB group. The decline in production mail inserters and high-speed production printers was due to significant installations of this equipment for certain enterprise customers in 2013. In our mailing business, equipment sales declined due to a temporary distraction from the transition to an inside sales organization and reassignment of accounts and resources in North America, the exit of certain non-core product lines in Norway, the transition of our business in certain European countries to a dealer network 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.

Equipment sales increased 3% in 2013 compared to 2012. Higher sales of production printers globally and sorting equipment in North America drove a 5% increase in equipment sales; however, lower mailing equipment sales in North America accounted for a 2% decrease in equipment sales. Cost of equipment sales as a percentage of equipment sales revenue increased to 48.7% compared with 45.0% in the prior year primarily due to a higher mix of production printers, which have a lower margin relative to other products.

Supplies

Supplies revenue increased 5% in 2014 compared to 2013. Of this amount, 3% was due to targeted outreach to customers and favorable pricing in our postage meter business 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.

Supplies revenue increased 2% in 2013 compared to 2012 primarily due to supply sales related to the growing base of production print equipment installations. Supplies sales for our postage meter business in 2013 were flat compared to 2012 due to higher ink sales in the U.K. and a slowing decline in worldwide meter population trends. Cost of supplies as a percentage of supplies revenue was 31.3% compared to 30.7% in the prior year primarily due to lower relative margins on supplies for production print equipment.

Software

Software revenue increased 8% in 2014 compared to 2013, primarily due to a 33% worldwide increase in licensing revenue. 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.

Software revenue decreased 3% in 2013 compared to 2012 primarily due to constrained public sector spending, especially in our international markets, and lower licensing revenue in North America. This decrease was partially offset by licensing revenue from our digital mail delivery service offering. Cost of software as a percentage of software revenue improved slightly to 27.8% compared with 28.0% in the prior year.

Rentals

Rentals revenue decreased 5% in 2014 compared to 2013. Of this amount, 4% was due to a reduction in the number of installed meters and clients downgrading to lower cost, less functional machines as a result of declining mail volumes. Lower rentals revenue in France accounted for the remaining 1% decrease. 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.

Rentals revenue decreased 5% in 2013 compared to 2012 primarily due to a decline in our installed meter base in North America and a customer driven change in mix from rental to equipment sales in France. Cost of rentals as a percentage of rentals revenue improved to 19.6% compared with 20.3% in the prior year primarily due to lower depreciation expense.

Financing

We earn finance revenue primarily on sales-type leases from equipment sales. As a result of declining equipment sales in prior periods, financing revenue has also been declining year-over-year. We allocate a portion of our total cost of borrowing to financing interest expense. In computing financing interest expense, we assume a 10:1 leverage ratio of debt to equity and apply our overall effective interest rate to the average outstanding finance receivables. Despite lower average outstanding finance receivables, financing interest expense as a percentage of financing revenue has increased in 2014 compared to 2013 and 2013 compared to 2012 due to an increase in our overall effective interest rate.

Support Services

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, the exit of certain non-core product lines in Norway and the transition of our business in certain European countries to a dealer network. 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.

Support services revenue decreased 4% in 2013 compared to 2012 primarily due to a decline in equipment maintenance revenue resulting from fewer mailing and production machines in service. Cost of support services as a percentage of support services revenue improved slightly to 61.9% in 2013 compared to 62.2% in 2012.

Business Services

Business services revenue increased 23% in 2014 compared to 2013. Of this amount, 17% was due to higher volumes in our global ecommerce solutions, 4% was due to higher volumes of first-class mail processed and improved operational efficiencies in our presort business and 2% was due to higher marketing services fees due to new clients. 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.

Business services revenue increased 6% in 2013 compared to 2012. Revenue from our global ecommerce solutions increased revenue by 10%, but lower marketing services fees resulting from certain contract renewals decreased revenue by 4%. Cost of business services as a percentage of business services revenue increased to 71.3% in 2013 compared to 66.7% in 2012 primarily due to continuing investment in our global ecommerce solutions and lower marketing services fees.

Selling, general and administrative (SG&A)

SG&A expense decreased 3% in 2014 compared to 2013. The decrease was 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.

SG&A expense decreased 5% in 2013 compared to 2012 primarily driven by lower employee-related costs resulting from ongoing restructuring actions and productivity initiatives.

Restructuring charges and asset impairments, net

In 2013, we initiated actions designed to enhance our responsiveness to changing market conditions, further streamline our business operations, reduce our cost structure and create long-term flexibility to invest in growth (Operational Excellence). This program was completed as of December 31, 2014. Total restructuring charges recorded in 2013 and 2014 related to this program were $157 million. We anticipate this program will provide annualized pre-tax benefits of $130 to $165 million, net of investments, by 2016. In addition, a non-cash asset impairment charge of $26 million was recorded in 2013 to write-down the carrying value of our corporate headquarters building to its fair value. See Note 11 to the Consolidated Financial Statements for further details.

Other expense, net

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. See Liquidity and Capital Resources - Financings and Capitalization and Note 14 to the Consolidated Financial Statements for further details.

Other expense, net for 2013 includes costs associated with the early redemption of debt. See Liquidity and Capital Resources - Financings and Capitalization for further details.

Other expense, net in 2012 includes losses of $6 million on a forward rate swap agreement, $2 million on the early redemption of debt and $4 million on the sale of leveraged lease assets offset by income of $11 million from insurance proceeds received in connection with the 2011 presort facility fire.

Income taxes

See Note 14 to the Consolidated Financial Statements.

Discontinued operations

See Note 3 to the Consolidated Financial Statements.

Preferred stock dividends of subsidiaries attributable to noncontrolling interests

See Note 15 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 and supplies for small and medium businesses to efficiently create mail and evidence postage in the U.S. and Canada.

International Mailing: Includes the revenue and related expenses from the sale, rental, financing and servicing of mailing equipment and supplies for small and medium businesses to efficiently create mail and evidence postage in areas outside North America.

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:
Digital Commerce Solutions: Includes the worldwide revenue and related expenses from (i) the sale of non-equipment-based mailing, customer information management, location intelligence and customer engagement solutions and related support services; (ii) shipping and global ecommerce solutions; and (iii) direct marketing services for targeted clients.

Segment earnings before interest and taxes (EBIT) is determined 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 investors with 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. Refer to 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				
	Year Ended December 31,			% change	
	2014	2013	2012	2014	2013
North America Mailing	$1,492	$1,555	$1,644	(4)%	(5)%
International Mailing	573	603	602	(5)%	—%
Small & Medium Business Solutions	2,065	2,158	2,246	(4)%	(4)%
Production Mail	462	512	480	(10)%	6%
Presort Services	457	430	430	6%	—%
Enterprise Business Solutions	919	942	910	(2)%	3%
Digital Commerce Solutions	838	691	668	21%	4%
Total	$3,822	$3,791	$3,824	1%	(1)%

	EBIT				
	Year Ended December 31,			% change	
	2014	2013	2012	2014	2013
North America Mailing	$642	$641	$647	—%	(1)%
International Mailing	89	71	76	24%	(6)%
Small & Medium Business Solutions	731	712	723	3%	(1)%
Production Mail	48	55	49	(14)%	12%
Presort Services	98	83	106	18%	(22)%
Enterprise Business Solutions	146	138	155	5%	(11)%
Digital Commerce Solutions	84	55	53	53%	3%
Total	$961	$905	$931	6%	(3)%

Small & Medium Business Solutions
North America Mailing
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

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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.
North America Mailing revenue decreased 5% in 2013 compared to 2012. Recurring stream revenues, comprised of supplies, rentals and financing revenue, declined 5% primarily due to fewer meters in service and lower equipment sales in prior periods. The decline in recurring stream revenues caused a 3% decline in North America Mailing revenue. The remaining 2% decrease was due to lower equipment sales and support services revenue primarily due to declines in the U.S. EBIT decreased 1% in 2013 compared to 2012 due to the decline in revenue, partially offset by various productivity initiatives. EBIT also benefited from the progress made in implementing our go-to-market strategy designed to improve the sales process and reduce costs by providing our clients broader access to products and services through online and direct sales channels.

International Mailing
International Mailing revenue decreased 5% in 2014 compared to 2013 primarily due to the exit of certain non-core product lines in Norway, the transition of our business in certain European countries to a dealer network 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.
International Mailing revenue in 2013 was relatively flat compared to 2012 as higher equipment sales, supplies sales and financing revenue were offset by lower rental revenue. Equipment sales increased 1% primarily due to higher sales in France and Germany, partially offset by lower sales in the U.K. Supplies revenue increased 2% due to a stabilization in our international meter population, favorable pricing in the U.K. and higher sales in Asia-Pacific. Rentals revenue declined 8% primarily due to a change in mix from rental to equipment sales in France. EBIT decreased 6% in 2013 compared to 2012 primarily due to lower margins on equipment sales.

Enterprise Business Solutions
Production Mail
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.
Production Mail revenue increased 6% in 2013 compared to 2012. Higher sales and installations of large production printers globally and sorters in North America increased Production Mail revenue 8%, while higher supplies sales due to the growing base of production printers increased Production Mail revenue 2%. These increases were partially offset by lower support services revenue primarily due to fewer maintenance contracts on new equipment installations which caused a 3% decline in Production Mail revenue. EBIT increased 12% in 2013 compared to 2012 primarily due to the increase in revenue and productivity improvement initiatives.

Presort Services
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.
Presort Services revenue in 2013 was flat compared to 2012 as reduced discounts in certain presort categories offset the impact of a 2% increase in presort mail volumes. EBIT decreased 22% in 2013 compared to 2012 primarily due to a benefit of $11 million from insurance recoveries in 2012 and margin compression in 2013.

Digital Commerce Solutions
DCS revenue increased 21% in 2014 compared to 2013. Of this amount, 16% was due to higher revenue from our global ecommerce solutions due to an increase in the number of orders processed and parcels shipped. Late in the third quarter, we began outbound ecommerce services from the U.K., which had a small benefit to the full-year revenue. Higher licensing revenue from our software solutions products, particularly enterprise location intelligence,

increased DCS revenue 5%. 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 53% 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.
DCS revenue increased 4% in 2013 compared to 2012. Revenue from our global ecommerce solutions and our digital mail delivery service drove a 10% increase in DCS revenue. However, this revenue growth was partially offset by a decline in worldwide software revenue and lower marketing services fees, which caused DCS revenue to decline 4% and 3%, respectively. EBIT increased 3% in 2013

compared to 2012 as higher volumes in global ecommerce parcels helped partially offset the high level of fixed costs and our continuing investment in this business and reduced margins on equipment sales.

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 and share repurchases. Cash and cash equivalents and short-term investments were $1,111 million at December 31, 2014 and $939 million at December 31, 2013. 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 December 31, 2014 and $392 million at December 31, 2013. 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:

	Year Ended December 31,			Change	
	2014	2013	2012	2014	2013
Net cash provided by operating activities	$655	$625	$660	$30	$(35)
Net cash (used in) provided by investing activities	(143)	251	(87)	(394)	338
Net cash used in financing activities	(312)	(868)	(519)	556	(349)
Effect of exchange rate changes on cash and cash equivalents	(29)	(13)	3	(16)	(16)
Change in cash and cash equivalents	$171	$(5)	$57	$176	$(62)

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 last year. In 2014, we continue 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 from operations decreased $35 million in 2013 compared to 2012. The decrease in cash flow from operations was due to lower income and cash payments related to early repayment of debt. These decreases were partially offset by lower pension contributions, lower restructuring payments and increased cash from working capital management. During 2013, we implemented several cash management initiatives to improve working capital and cash flows from operations. These initiatives resulted in improved supply chain management, which resulted in lower inventory purchases and lower inventory levels, and lower accounts receivable through enhanced collection efforts, which resulted in an improvement in days sales outstanding. These cash flow improvements were offset by lower accounts payable and accrued liabilities due to the timing of payments.

Cash flows from investing activities were $394 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 $54 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 from investing activities increased $338 million in 2013 compared to 2012 mainly due to net proceeds of $390 million from the sale of businesses during 2013 and lower capital expenditures, partially offset by lower deposits at the Bank. Cash flow in 2012 included proceeds of $106 million from the sale of leveraged lease assets.

Cash flows from financing activities increased $556 million in 2014 and decreased $349 million in 2013 due to the timing of debt activity. See Financing and Capitalization section below for a detailed discussion of our debt activity for 2014, 2013 and 2012.

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. During 2014, we did not borrow under our commercial paper program. In 2013, commercial paper borrowings averaged $52 million at a weighted-average interest rate of 0.41% and the maximum amount of commercial paper outstanding at any point in time was $300 million. The credit facility was renewed in January 2015 and expires in January 2020. We have not drawn upon the credit facility.

2014 Activity
We issued $500 million of 4.625% fixed rate 10-year notes. Interest is payable in March and September and 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 consists 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.
We repurchased $50 million of our common shares during 2014.

2013 Activity
We issued $425 million of 6.7% fixed-rate 30-year notes. Interest is payable quarterly and 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 unwind 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 unwind of an interest rate swap and incurred expenses of $8 million, consisting primarily of a premium payment.

2012 Activity
We borrowed $230 million under term loan agreements that bear interest at the applicable London Interbank Offered Rate plus 2.25% or Prime Rate plus 1.25%, at our option. Interest is paid quarterly and the loans mature in 2015 and 2016. We also issued $110 million of 10-year notes with a coupon rate of 5.25%. Interest is paid quarterly and the notes mature in November 2022. However, we may redeem some or all of the notes at any time on or after November 2015 at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest. The proceeds from these issuances were for general corporate purposes, including the repayment of 2013 debt maturities.

Debt Maturities

We have $2 billion of debt maturing within the next five years, including $325 million due in 2015. 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.

Dividends

We paid dividends to our common stockholders of $152 million ($0.75 per share), $189 million ($0.9375 per share) and $301 million ($1.50 per share) in 2014, 2013 and 2012, 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.

Contractual Obligations

The following table summarizes our known contractual obligations at December 31, 2014 and the effect that such obligations are expected to have on our liquidity and cash flow in future periods:

	Payments due in				
	Total	2015	2016-17	2018-19	After 2019
Debt maturities	$3,227	$325	$836	$900	$1,166
Interest payments on debt (1)	1,458	159	261	159	879
Non-cancelable operating lease obligations	211	47	62	34	68
Purchase obligations (2)	198	156	38	4	—
Pension plan contributions (3)	23	23	—	—	—
Retiree medical payments (4)	193	22	42	40	89
Total	$5,310	$732	$1,239	$1,137	$2,202

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 14 to the Consolidated Financial Statements for further details.

(1) Assumes all debt is held to maturity. Certain notes permit us to redeem, or the bondholders to require us to redeem, some or all of the applicable outstanding notes at par plus accrued interest before the scheduled maturity date.

(2) 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 2015; 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, 2014, 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 16 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 13 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 2014 was 4.95% for the U.S. Plan and 4.45% for the U.K. Plan. For 2015, the discount rate used in the determination of net periodic pension expense for the U.S. Plan and the U.K. Plan will be 4.15% and 3.7%, 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 $49 million and $23 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. When assessing the expected future returns for the portfolio, management places more emphasis on the expected future returns than historical returns. The expected rate of return on plan assets used in the determination of net periodic pension expense for 2014 was 7.0% for the U.S. Plan and 7.5% for the U.K. Plan. For 2015, the expected rate of return on plan assets used in the determination of net periodic pension expense for both the U.S. Plan and the U.K. Plan will be 7.0%. A 0.25% change in the expected rate of return on plan return on assets would impact annual pension expense for the U.S. Plan by $4 million and the U.K. Plan by $1 million. See Note 13 to the Consolidated Financial Statements for information about the allocation of pension assets.

In October 2014, the Society of Actuaries published updated mortality tables for U.S. plans (RP-2014) and an updated improvement scale (MP-2014), which both reflect improved longevity. We have historically utilized the Society of Actuaries' published mortality data in our plan assumptions. Accordingly, we adopted RP-2014 and MP-2014 for purposes of measuring pension and other postretirement benefit obligations at year end. The change to the mortality assumption increased the year-end pension and other postretirement obligation by an aggregate $119 million.

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. At 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 lease financing for our products primarily through sales-type leases. Equipment residual values are determined at inception of the lease using estimates of equipment 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 future equipment fair value 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 customer 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 $12 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 limited because of our large number of customers, small account balances for most of our customers and customer geographic and industry diversification. We continuously monitor collections and payments from our customers and evaluate the adequacy of the applicable allowance based on historical loss experience, past due status, adverse situations that may affect a customer's ability to pay and prevailing economic conditions. We 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 2.5% at December 31, 2014 and 2.7% at 2013. Holding all other assumptions constant, a 0.25% change in the allowance rate at December 31, 2014 would have changed the 2014 provision by $1 million.

Total allowance for credit losses as a percentage of finance receivables was 1.5% at December 31, 2014 and 1.8% at 2013. Holding all other assumptions constant, a 0.25% change in the allowance rate at December 31, 2014 would have changed the 2014 provision by $5 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 our 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 our 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 which 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 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.

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 of the asset and its eventual disposition is compared to the carrying amount. We derive the cash flow estimates from our future long-term business plans and historical experience. If the sum of the expected cash flows is less than the carrying amount, an impairment charge is recorded for an amount by which the carrying amount exceeds the fair value of the asset. The fair value of the asset is determined using probability weighted expected discounted 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 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, applicable 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 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 2014, we determined that the estimated fair value of each of the reporting units exceeded their carrying value by 20% or more.

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 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 the approach utilized to develop the underlying assumptions are appropriate in estimating the fair value of our stock-based awards. If factors change and we use different assumptions, 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 14 to the Consolidated Financial Statements for regulatory matters regarding our tax returns.

Foreign Currency Exchange

During 2014, we derived 28% 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 9 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, 2014, 2013 and 2012, currency rate movements did not have a significant impact on our revenue, decreasing revenue 0.4%, 0.4% and 1.1%, respectively. However, in recent months, we have seen 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 as well as a competitive perspective, as the cost of our international competitors' products and solutions improves relative to our products and solutions. A strengthening dollar could also 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 exchange rate changes on transactions that are denominated in foreign currencies. Accordingly, we enter into various contracts, which change in value as foreign exchange rates change, to protect the value of external and intercompany transactions. The principal currencies actively hedged are the British pound and Euro.

Our objective in managing exposure to changing interest rates is to limit the volatility and impact of changing interest rates on earnings and cash flows. To achieve these objectives, we may enter into interest rate swap agreements that convert fixed rate interest payments to variable rates and vice-versa. At December 31, 2014, 96% of our debt was fixed rate obligations at a weighted average interest rate of 5.2%. Our variable rate debt had a weighted average interest rate at December 31, 2014 of 2.48%. A one-percentage point change in the effective interest rate of our variable rate debt would not have had a material impact on our 2014 pre-tax income.

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 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 2014 and 2013, 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" on page 35 of 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
Under the direction of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), we evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) and internal control over financial reporting. Our CEO and CFO concluded that such disclosure controls and procedures were effective as of December 31, 2014, based on the evaluation of these controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15 under the Exchange Act. Any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals. Notwithstanding this caution, the CEO and CFO have reasonable assurance that the disclosure controls and procedures were effective as of December 31, 2014.

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. Our 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all 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 internal control policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. 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, 2014, our internal control over financial reporting was effective based on the criteria issued by COSO in Internal Control - Integrated Framework (2013).

The effectiveness of our internal control over financial reporting as of December 31, 2014 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 have been no changes in our internal control over financial reporting during the three months ended December 31, 2014, 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 2015 Annual Meeting of Stockholders.

Code of Ethics

We have adopted Business Practices Guidelines (BPG) that applies to all our officers and other employees. Our Board of Directors has also adopted 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. 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.

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 2015 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, 2014 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	13,323,075		