PITNEY BOWES INC /DE/
Form 10-K
February 22, 2017
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, 2016 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, 2016, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $3.3 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 17, 2017: 186,399,332 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 8, 2017, 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 ability to fully utilize the new enterprise business platform in the United States and successfully implement it internationally without significant disruptions to existing operations
- our success in developing new products and services, including digital-based products and services, obtaining regulatory approval if required, and the market’s acceptance of these new products and services
- the success of our investment in rebranding the company to build market awareness and create new demand for our products, services and solutions
- changes in postal or banking regulations
- macroeconomic factors, including global and regional business conditions that adversely impact customer demand and foreign currency exchange rates
- capital market disruptions or credit rating downgrades that adversely impact our ability to access capital markets at reasonable costs
- changes in interest rates and fuel prices
- the continued availability and security of key information systems and the cost to comply with information security requirements and privacy laws
- a breach of security, including a cyberattack or other comparable event
- 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
- the loss of some of our larger clients in the Global Ecommerce segment
- integrating newly acquired businesses including operations and product and service offerings
- intellectual property infringement claims
- our success at managing customer credit risk
- significant changes in pension, health care and retiree medical costs
- 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

Risks 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 help our clients navigate the complex world of commerce. We offer customer information management, location intelligence and customer engagement products and solutions to help our clients market to their customers, and shipping, mailing, and cross border ecommerce products and solutions that enable the sending of parcels and packages across the globe. Clients around the world rely on our products, solutions and services. For more information about us, our products, services and solutions, visit www.pb.com.

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

Small and Medium Business Solutions
We are a global leader in providing a full range of equipment, software, supplies and services that enable our clients to efficiently create physical and digital mail, evidence postage and print shipping labels for the sending of mail, flats and parcels. 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 mailing systems globally with about 1.2 million meters installed worldwide. We are also continuing to expand our business to include online offerings without a hardware component. 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. The Enterprise Business Solutions group includes 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. In 2017, we expect to expand our cloud connectivity solutions currently available for our inserter equipment into our print and sortation machines.

Presort Services
We are a national outsource provider of mail presort services for First-Class, Standard, flat and parcels in the U.S. and a workshare partner of the United States Postal Service (USPS). Our Presort Services network and fully-customized proprietary technology provides our clients with end-to-end solutions from pick up at their location to delivery into the postal system network. We process approximately 15 billion pieces of mail annually through our network of operating centers throughout the Unites States and are able to expedite mail delivery and optimize postage savings for our clients. In 2016, we began offering sortation services for parcel mail and expect to expand this offering in 2017.

Digital Commerce Solutions
Within the Digital Commerce Solutions group, we provide a broad range of solutions, including customer information management, location intelligence, customer engagement software and shipping management and cross border ecommerce solutions for businesses of all sizes. These solutions are delivered as traditional software licenses, enterprise platforms, software-as-a-service (SaaS) or on-demand applications. Our Digital Commerce Solutions group includes Software Solutions and Global Ecommerce.

Software Solutions
Customer information management solutions help businesses harness and develop 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 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.

Global Ecommerce

Global Ecommerce includes our cross-border ecommerce solutions and retail and warehouse shipping management solutions. Global Ecommerce provides a full suite of domestic and cross-border solutions that help businesses of all sizes conduct commerce and participate in the parcel journey from “Anywhere to Everywhere™.” It is our technology, services and industry expertise that have made us an industry leader in global commerce. We offer a unified commerce platform of capabilities for cross-border, marketplaces and shipping that center around the consumer. With our proprietary technology, we are able to manage all aspects of the international shopping and shipping experience, including multi-currency pricing, payment processing, fraud management, calculation of fully landed costs by quoting duty, taxes and shipping at checkout, compliance with product restrictions, export complexities and documentation requirements for customs clearance and brokerage and global logistics services. Our cross-border ecommerce software platforms are currently utilized by direct merchants as well as a major online marketplace enabling millions of parcels to be shipped to countries and territories worldwide. Our platform also connects retailers to marketplaces around the world, opening new markets and expanding existing markets for their goods.

Our shipping management solutions enable clients to reduce transportation and logistics costs, to select the best carrier based on need and cost, to improve delivery times and to track packages in real-time. Our Shipping API technology, an integral part of the Pitney Bowes Commerce Cloud, provides easy access to shipping and tracking services that can be easily integrated into any web application such as online shopping carts or ecommerce sites. We also offer scalable shipping solutions that can be integrated into mail centers for the office market.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 to the Consolidated Financial Statements for additional segment and geographic information.

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 market our products and services through a direct and inside sales force, direct mailings, telemarketing, independent dealers and distributors and web channels. We sell to a variety of business, governmental, institutional and other organizations, and in our Ecommerce business only, we also sell to consumers. We have a broad base of clients and are not dependent upon any one client or type of client for a significant part of our total revenue.

We have made, and are continuing to make significant investments in the rebranding of the company. These investments include marketing and advertising designed to build market awareness and client demand for our products and services, and 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 significant competition from other mail equipment and software companies, companies that offer products and services as alternative means of message communications and non-traditional competitors that offer shipping and mailing products and services through online solutions. The principal competitive factors include the composition of offerings between software and hardware solutions, 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 clients in the United States that enables them to pay for postage, the rental of certain mailing equipment and purchase products, supplies and services. The Bank also provides an interest-bearing deposit solution to those clients in the United States who prefer to prepay postage. We also provide similar revolving credit solutions to our clients in Canada and the U.K. but do not offer these through the Bank. 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. 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 other companies that offer large production printers, inserters or sorters. We also face competition from the fact that some companies choose to outsource although those outsource providers can also be our customers. Our primary competitive advantage lies in our ability to offer all of these products and services and integrate them into an end-to-end solution. The principal competitive factors include functionality, reliability, productivity, price and support.

Presort Services
We face competition from regional and local presort providers and 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 expertise and economies of scale. Our competitive advantage includes our extensive network of presort facilities capable of processing significant volumes of mail and our innovative and proprietary technology that enables us to provide our clients with reliable and accurate services at maximum discounts.

Software Solutions
We operate in several highly competitive and rapidly evolving markets and face competition ranging from large global companies that offer a broad suite of solutions to smaller, more narrowly-focused companies that can design very targeted solutions. The principal competitive factors include reliability, functionality, ease of integration and use, scalability, innovation, support services and price. We compete based on the accuracy and processing speed of our solutions, particularly those used in our location intelligence solutions, the breadth and scalability of our products and solutions, our geocoding and reverse geocoding capabilities, and our ability to identify rapidly changing customer needs and develop technologies and solutions to meet these changing needs.

Global Ecommerce
The market for international ecommerce software and fulfillment services is highly fragmented and includes competitors of various sizes, including companies with greater financial resources than us. Some of these competitors specialize in point solutions or freight forwarding services, are full-service ecommerce business process outsourcers

and online marketplaces with international logistic support, or major global delivery services companies. The principal competitive factors include reliability, functionality, ease of integration and use, scalability of our platform and our logistics services, innovation, support services and price. We compete based on the accuracy, reliability and scalability of our platform, and our ability to provide our clients and their customers a one-stop full-service cross border ecommerce experience. In our shipping solutions business, we compete with a wide range of technology providers who help make shipping easier and more cost-effective for the retailer, warehouse, or office shipper. There are established players in the marketplace who are set-up to compete against their client base. The remainder of the shipping market is very fragmented with many small companies offering negotiated carrier rates (primarily with the USPS). The principal competitive factors include technology stability and reliability, innovation, access to preferred shipping rates, and ease of integration with existing systems.

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. As our other product and service offerings evolve, we continually evaluate whether there are appropriate financing solutions for us to offer our clients. 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 a systematic decision 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.

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. The continued evolution of patent law and the nature of our innovation work may affect the number of patents we are able to receive for our internal development efforts. However, our businesses are not materially dependent on any one patent or license or group of related patents or licenses. Research and development expenditures were $121 million in 2016 and $110 million, in both 2015 and 2014.

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 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, 2016, we have approximately 14,200 employees worldwide. We believe that we maintain strong relationships with our employees. Management keeps employees informed of decisions and encourages and implements employee suggestions whenever practicable.

Available Information

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.

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

Name	Age	Title	Executive Officer Since
Marc B. Lautenbach	55	President and Chief Executive Officer	2012
Daniel J. Goldstein	55	Executive Vice President and Chief Legal Officer and Corporate Secretary	2010
Robert Guidotti	59	Executive Vice President and President, Software Solutions	2016
Abby F. Kohnstamm	63	Executive Vice President and Chief Marketing Officer	2013
Michael Monahan	56	Executive Vice President and Chief Operating Officer	2005
Roger J. Pilc	49	Executive Vice President and Chief Innovation Officer	2013
Mark L. Shearer	60	Executive Vice President and President, Pitney Bowes SMB Mailing Solutions	2013
Lila Snyder	44	Executive Vice President and President, Global Ecommerce	2016
Christoph Stehmann	54	Executive Vice President and President, Enterprise Solutions Group	2016
Stanley J. Sutula III	51	Executive Vice President and Chief Financial Officer (1)	2017
Johnna G. Torsone	66	Executive Vice President and Chief Human Resources Officer	1993

(1) Effective February 1, 2017, Mr. Sutula assumed the responsibilities of Executive Vice President and Chief Financial Officer. Prior to that date, Mr. Monahan had the responsibilities of Chief Financial Officer.
There are no family relationships among the above officers. All of the officers have served in various executive 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 from 2010-2012.

Mr. Guidotti was appointed Executive Vice President and President, Software Solutions in January 2016. Before joining Pitney Bowes, Mr. Guidotti has been in the software industry for over 20 years and held a series of executive positions at IBM including General Manager, Software Sales where he was responsible for sales, technical sales, and channels for the $23 billion Software portfolio worldwide.

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.

Ms. Snyder was elected to the office of Executive Vice President by the board of directors in January 2016. She joined the company in November 2013 as President, Document Messaging Technologies (DMT) and became President, Global Ecommerce in June 2015. Prior to joining Pitney Bowes, Ms. Snyder was a Partner at McKinsey & Company, Inc. In her 15 years at McKinsey, she focused on serving clients in the technology, media and communications sectors and was the leader of McKinsey's Stamford office.

Mr. Sutula joined the company as Executive Vice President and Chief Financial Officer in February 2017. Prior to joining the company, Mr. Sutula was employed at IBM for 28 years where he held several leadership positions in the United States and in Europe. Most recently, Mr. Sutula was Vice President and Controller.

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.

If we are not able to respond to the continuing decline in the volume of physical mail delivered via traditional postal services, our results of operations and profitability could be adversely impacted.

Declining 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 continue to employ strategies for stabilizing the mailing business which include new product and service offerings, transitioning our current products and services to more digital offerings and providing our clients broader access to products and services through online and direct sales channels. 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 unable to protect our information technology systems against service interruptions, misappropriation of data, or breaches of security resulting from cyberattacks 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.

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, to support consumer transactions and to support postal services. Several of our businesses use, process and store proprietary information and sensitive or confidential data relating to our businesses, our clients, consumers and our employees. Privacy laws and similar regulations in many jurisdictions where we do business require that we take significant steps to safeguard such information, and such legal requirements continue to evolve. In today's environment there are numerous risks to cybersecurity and privacy, including individual and groups of criminal hackers, industrial espionage, employee errors and/or malfeasance and technological errors. These cyber threats are constantly evolving, thereby increasing the difficulty of detecting and successfully defending against them. We have security systems and procedures in place designed to ensure the continuous and uninterrupted performance of our information technology systems and protect against unauthorized access to such information. However, there is no guarantee that these security measures will prevent or detect the unauthorized access by experienced computer programmers, hackers or others. Successful breaches could, among other things, result in the unauthorized disclosure, theft and misuse of company, client, consumer and employee sensitive and confidential information, disrupt the performance of our information technology systems and deny services to our clients. Additionally, we could be exposed to potential liability, litigation, governmental inquiries, investigations or regulatory enforcement actions, our brand and reputation damaged, and we could be subject to the payment of fines or other penalties, legal claims by our clients and significant remediation costs.

Our systems are also subject to adverse acts of nature, computer viruses, vandalism, power loss, computer or communications failures and other unexpected events. We have business continuity and 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 vendors 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, the hosting of our software-as-a-service offerings, as well as the logistics portion of our cross-border ecommerce business, 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, consumers 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 competitive financing services to our clients and to fund various discretionary priorities.

Our financing activities include, among other things, providing competitive financing offerings to our clients and funding various discretionary priorities, such as business investments, strategic acquisitions, share repurchases and dividend payments. We fund these activities through a combination of cash generated from operations, deposits held in the Bank, commercial paper borrowings and long-term borrowings.

Our ability to fund these activities is dependent, in part, upon our ability to borrow and the cost of borrowing in U.S. capital markets. This ability and the cost, in turn, is dependent upon our credit ratings and is subject to capital market volatility. Credit rating downgrades, an increase in our credit default swap spread, 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 and fund other financing activities, which in turn, could adversely affect our revenue, profitability and financial condition.

The international nature of our Global Ecommerce business subjects us to increased customs and regulatory risks from cross-border transactions, and fluctuations in foreign currency exchange rates. Further, the loss of any of our largest clients in our Global Ecommerce segment could have a material adverse effect on the segment.

International sales generated by our clients processing transactions through our platform are the primary source of both revenue and profit for the Global Ecommerce segment. Our Global Ecommerce segment is subject to significant trade regulations, taxes, and duties throughout the world. Any changes to these regulations could potentially impose increased documentation and delivery requirements, increase costs, delay delivery times, and subject us to additional liabilities, which could negatively impact our ability to compete in international markets and adversely impact our revenues and profitability.

The operating results of, and sales generated from, many of our clients' internationally focused websites running on our platform are exposed to foreign exchange rate fluctuations. Currently, our platforms are located in the United States, the United Kingdom and Australia and a majority of consumers making purchases through these platforms are in a limited number of foreign countries. A strengthening of the U.S. Dollar or British Pound relative to currencies in the countries where we do the most business impacts our ability to compete internationally as the cost of similar international products improves relative to the cost of U.S. and U.K. retailers' products. A strong U.S. Dollar or British Pound would likely result in a decrease in international sales volumes, which would adversely affect the segment's revenue and profitability.

The Global Ecommerce 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 business, results of operations and financial condition may be negatively impacted by conditions abroad, including local economies, political environments and fluctuating foreign currencies.

A portion of our revenue is generated from operations outside the United States. Our future revenues, costs and results of operations could be affected by changes in foreign currency exchange rates as well as by a number of other factors, including changes in economic conditions from country to country, changes in a country's political conditions, trade protection measures, licensing requirements, local tax issues, capitalization and other related legal matters. We generally hedge foreign currency denominated transactions primarily through the use of currency derivative contracts. The use of derivative contracts is intended to mitigate or reduce transactional level volatility in the results of foreign operations, but does not completely eliminate volatility. We do not hedge the translation effect of international revenues and expenses, which are denominated in currencies other than our U.S. parent functional currency.

Our inability to obtain and protect our intellectual property and defend against claims of infringement by others may negatively impact our operating results.

Our business success depends in part upon protecting our intellectual property rights, including proprietary technology developed or obtained through acquisitions. We rely on copyrights, patents, trademarks and trade secrets and other intellectual property laws to establish and protect our proprietary rights. If we are unable to protect our intellectual property rights, our competitive position may suffer which could adversely affect our revenue and profitability. The continued evolution of patent law and the nature of our innovation work may affect the number of patents we are able to receive for our internal development efforts.

From time to time, third-parties may claim that we, our clients, or our suppliers, have infringed their 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 and investigations by government agencies. If one or more government agencies discovers instances of contractual noncompliance in the course of an audit or investigation, we may be subject to various civil or criminal penalties and administrative sanctions, which could include the termination of the contract, reimbursement of payments received, fines and debarment from doing business with one or more governments. 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 from our implementation of a new enterprise business platform, and the transition to the new enterprise business platform may not be uninterrupted or error-free.

We have made significant investments in the development and implementation of a new enterprise business platform 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 implemented this platform for our Canadian operations in the fourth quarter of 2015, and completed the implementation of this system for our U.S. operations in the second quarter of 2016. We experienced temporary sales productivity and business disruptions from the implementations in Canada and the United States; however, material disruptions are not expected going forward.

We may not realize the anticipated benefits of strategic acquisitions and divestitures, which may harm our financial results.

As we look for opportunities to invest in strategic initiatives to drive revenue growth and market share gains 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:

- 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;
- the loss of key employees or clients of businesses acquired or divested; and
- significant charges to earnings for employee severance and other restructuring costs, goodwill and asset impairments and legal, accounting and financial advisory fees.

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 brand strategy and identity are important to our global business transformation. Our phased roll-out of the new branding through advertising campaigns is integrated into the way we sell and service clients and acquire new 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 continued 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.

Our operational costs could increase from changes in environmental regulations, or we could be subject to significant liabilities.

We are subject to various federal, state, local and foreign environmental protection laws and regulations around the world, including without limitation, those related to the manufacture, distribution, use, packaging, labeling, recycling or disposal of our products or the products of our clients for whom we perform services. Environmental rules concerning products and packaging can have a significant impact on the cost of operations or affect our ability to do business in certain countries. We are also subject to laws concerning use, discharge or disposal of materials. All of these 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, otherwise sanctioned by regulators, or we could be subject to liability and clean-up costs. These risk can apply to both current and legacy operations and sites. 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 have an adverse effect our financial condition, results of operations or cash flows.

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. Our other primary research and development facilities are located in Noida 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.

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, 2017, we had 16,276 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
	High	Low	Per Share
2016			
First Quarter	$21.60	$16.24	$0.1875
Second Quarter	$21.81	$16.28	0.1875
Third Quarter	$19.33	$16.88	0.1875
Fourth Quarter	$18.20	$14.22	0.1875
			$0.75
2015			
First Quarter	$24.60	$21.15	$0.1875
Second Quarter	$23.93	$20.79	0.1875

Third Quarter	$21.64	$18.59	0.1875
Fourth Quarter	$21.76	$19.12	0.1875
			$0.75

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. For the full year 2016, we repurchased 10,454,835 shares of our common stock at an average share price of $18.51. During the fourth quarter of 2016 we did not repurchase any shares of our common stock. We have remaining Board authorization to repurchase up to $21 million of our common stock.

Stock Performance Graph

We revised our peer group from last year to exclude companies that were no longer a strong fit from a business perspective and included companies that are better aligned with our diverse business portfolio.

The new peer group is comprised of: Alliance Data Systems Corporation, Deluxe Corporation, Diebold, Incorporated, EchoStar Corp., Fidelity National Information Services, Inc., Fiserv, Inc., NCR Corp., NetApp Inc., Pitney Bowes Inc., R.R. Donnelley & Sons Company, Rockwell Automation Inc., Teradata Corp., Unisys Corporation, The Western Union Company and Xerox Corporation.

The old peer group was 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.

The accompanying graph shows the annual change in the value of a $100 investment in Pitney Bowes Inc., the Standard and Poor's (S&P) 500 Composite Index, the new peer group and the old peer group over a five-year period assuming the reinvestment of dividends. On a total return basis, a $100 investment on December 31, 2011 in Pitney Bowes Inc., the S&P 500 Composite Index, the old peer group and the new peer group would have been worth $108, $198, $207, and $175, respectively, on December 31, 2016.

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.

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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,				
	2016	2015	2014	2013	2012
Total revenue	$3,406,575	$3,578,060	$3,821,504	$3,791,335	$3,823,713
Amounts attributable to common stockholders:					
Net income from continuing operations	$95,506	$402,672	$300,006	$287,612	$379,107
(Loss) income from discontinued operations	(2,701)	5,271	33,749	(144,777)	66,056
Net income - Pitney Bowes Inc.	$92,805	$407,943	$333,755	$142,835	$445,163
Basic earnings per share attributable to common stockholders [1]:					
Continuing operations	$0.51	$2.01	$1.49	$1.43	$1.89
Discontinued operations	(0.01)	0.03	0.17	(0.72)	0.33
Net income - Pitney Bowes Inc.	$0.49	$2.04	$1.65	$0.71	$2.22
Diluted earnings per share attributable to common stockholders [1]:					
Continuing operations	$0.51	$2.00	$1.47	$1.42	$1.88
Discontinued operations	(0.01)	0.03	0.17	(0.71)	0.33
Net income - Pitney Bowes Inc.	$0.49	$2.03	$1.64	$0.70	$2.21
Cash dividends paid per share of common stock	$0.75	$0.75	$0.75	$0.94	$1.50

Balance sheet data:

	December 31,				
	2016	2015	2014	2013	2012
Total assets [2]	$5,837,133	$6,123,132	$6,476,599	$6,754,371	$7,846,867
Long-term debt [2]	$2,750,405	$2,489,583	$2,904,024	$3,323,231	$3,629,349
Total debt [2]	$3,364,890	$2,950,668	$3,228,903	$3,323,231	$4,004,349
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	$—	$296,370	$296,370	$296,370	$296,370

(1) The sum of earnings per share may not equal the totals due to rounding.
(2) Certain prior year amounts have been revised to conform to current year presentation.

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

During 2016, we continued to execute on our strategic priorities to stabilize and reinvent our mail business, drive operational excellence and grow our business through digital commerce. We made acquisitions in our strategic businesses and exited certain markets (Market Exits) as part of our initiative to simplify our geographic footprint. We launched an advertising campaign to reintroduce the Pitney Bowes brand and continued to introduce new products including the Pitney Bowes Commerce Cloud, which helps our clients identify customers, locate new sales opportunities, communicate with their existing and prospective customers, power shipping globally and manage payments for mailing and shipping. Additionally, we continued to build our partner channels particularly in the software business.

During the year, we deployed our new enterprise business platform in the United States, which is one of the productivity initiatives to drive operational excellence. As a result of the conversion process and required sales and support training, we experienced reduced productivity and lost sales, which adversely impacted equipment sales and stream revenues.

Financial Highlights

Revenue -2016 compared to 2015

Revenue for 2016 decreased 5% to $3,407 million compared to $3,578 million in 2015. Of this decrease, 1% is attributable to foreign currency translation and 1% to Market Exits.

- Equipment sales declined 3%, supplies revenues declined 9%, software revenue declined 10%, rentals revenue declined 7%, financing income declined 11% and support services revenue declined 8%. Business services revenue increased 3%, partially offsetting these declines.
- Within SMB, North America Mailing revenue was down 6% and International Mailing revenue was down 9%. In total, SMB revenue decreased 7% on a reported basis and 6% excluding the impacts of foreign currency translation and Market Exists.
- Within Enterprise Business Solutions, Production Mail revenue decreased 4% and Presort revenue was flat. In total, Enterprise Business Solutions revenue decreased 2% on a reported basis and was flat excluding the impacts of foreign currency translation and Market Exists.
- Within DCS, Global Ecommerce revenue increased 18%, but was partially offset by a 10% decrease in Software Solutions revenue. In total, DCS revenue increased 4% on a reported basis and 6% excluding the impacts of foreign currency translation.

Net Income

Net income and diluted earnings per share from continuing operations for 2016 were $93 million and $0.49, respectively, compared to $408 million and $2.03, respectively, for 2015. The decrease in net income was primarily due to the $111 million gain on the sale of Imagitas in 2015, and a $171 million goodwill impairment charge related to our Software Solutions reporting unit, lower revenue and gross margin, and higher restructuring and asset impairment charges, partially offset by lower selling, general and administrative expenses in 2016.

Cash Flows

Cash and cash equivalents at December 31, 2016 increased $124 million compared to December 31, 2015. Sources and uses of cash include:

Sources:

- Generated cash from operations of $491 million;
- Increased net long-term borrowings by $524 million;
- Cash from investment activities of $75 million; and
- Received $18 million for the sale of assets;

Uses:

- Redeemed preferred stock of subsidiary for $300 million;
- Spent $197 million to repurchase our common stock;
- Spent $161 million on capital expenditures;
- Paid dividends of $141 million to our common stockholders and $19 million to noncontrolling interests;
- Repaid $90 million of commercial paper borrowings; and
- Acquired Enroute and Maponics for an aggregate $38 million.

Outlook

We anticipate that the introduction of new products and digital capabilities, the implementation of the new enterprise business platform, and incremental marketing will continue to provide long term benefits. We expect to see on-going cost-savings through the benefits of our restructuring actions and our new enterprise business platform. This will be offset, in part, by the normalization of variable compensation compared to 2016.

Within SMB Solutions, we anticipate that the introduction of new solutions and digital capabilities, particularly those included in the Pitney Bowes Commerce Cloud, will help further stabilize revenue over the long-term. In addition we plan to introduce technology upgrades to our meters later in 2017. We do not anticipate further significant disruption in sales productivity from the implementation of our enterprise platform, and expect to continue realizing the benefits from this platform. Internationally, we anticipate further stabilizing financial results from cost savings initiatives and rationalization of our geographic footprint.

Within Enterprise Business Solutions, we anticipate revenue and profitability growth in Presort Services due to network expansion and the January 2017 USPS rate change, which creates a greater incentive for high volume mailers to leverage our solutions. We expect that Production Mail revenue growth will continue to be challenged by consolidation and outsourcing pressures on services revenue.

Within DCS, we continue to build our partner channel in Software Solutions by adding new regional systems integrators and location intelligence partners. We continue to invest in expanding the indirect channel and training partner sales and technical resources. Although it takes time for a partner program to add significantly to our revenue, we do anticipate additional revenue from our partner channel in 2017. We continue to focus on improving direct sales effectiveness to grow the license revenue pipeline and have made changes to the sales organization structure to expedite this improvement. We anticipate continued growth in our ecommerce business with our existing marketplace sites (sites where multiple sellers sell) and individual retail clients, new client acquisition and expanded service offerings. A strong U.S. dollar could continue to affect demand for U.S. goods sold to customers in other countries, but such an impact could continue to be mitigated by the effects of a weakened British Pound on sales of U.K. goods to customers in other countries. We continue to expand and globalize our cross-border ecommerce offerings, including the successful launch of our cross-border platform for Australian retail clients, which diversifies the business and helps to mitigate foreign currency risk.

RESULTS OF OPERATIONS

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

	Revenue			% change			
	Years Ended December 31,			Actual		Constant Currency	
	2016	2015	2014	2016	2015	2016	2015
Equipment sales	$675	$695	$770	(3)%	(10)%	(2)%	(5)%
Supplies	263	288	300	(9)%	(4)%	(7)%	2 %
Software	349	386	430	(10)%	(10)%	(7)%	(5)%
Rentals	413	442	485	(7)%	(9)%	(6)%	(6)%
Financing	366	410	433	(11)%	(5)%	(10)%	(2)%
Support services	513	555	625	(8)%	(11)%	(7)%	(7)%
Business services	828	802	779	3 %	3 %	4 %	3 %
Total revenue	$3,407	$3,578	$3,822	(5)%	(6)%	(4)%	(3)%

	Cost of Revenue					
	Years Ended December 31,					
	2016		2015		2014	
	$	% of revenue	$	% of revenue	$	% of revenue
Cost of equipment sales	$332	49.1 %	$331	47.6 %	$366	47.5 %
Cost of supplies	81	31.0 %	89	30.8 %	94	31.2 %
Cost of software	106	30.4 %	114	29.4 %	124	28.8 %
Cost of rentals	76	18.4 %	84	19.1 %	97	20.1 %
Financing interest expense	55	15.1 %	72	17.5 %	78	18.1 %
Cost of support services	296	57.7 %	323	58.2 %	377	60.3 %
Cost of business services	569	68.7 %	546	68.1 %	545	70.0 %
Total cost of revenue	$1,515	44.5 %	$1,559	43.6 %	$1,681	44.0 %

The discussion below refers to revenue growth on a constant currency basis to exclude the impact of changes in foreign currency exchange rates since the prior period under comparison. Constant currency measures are intended to help investors better understand the underlying revenue performance of the business excluding the impacts of shifts in currency exchange rates over the period. Constant currency is calculated by converting our current quarter reported revenue using the prior year's exchange rate for the comparable quarter.

Equipment sales

Equipment sales decreased 3% in 2016 compared to 2015. On a constant currency basis, equipment sales decreased 2% primarily due to:

- 3% from lower mailing equipment sales in North America, due in part to sales disruption during the second quarter from the platform cut-over; and
- 1% from Market Exits; partially offset by
- 2% from higher sales in our production mail business, primarily due to higher installations of sorter, inserter and print equipment.

Cost of equipment sales as a percentage of equipment sales revenue increased to 49.1% compared to 47.5% in 2015 primarily due to product mix.

Equipment sales decreased 10% in 2015 compared to 2014. On a constant currency basis, equipment sales decreased 5% primarily due to:

- 3% from international mailing equipment sales primarily due to difficult economic circumstances and productivity disruptions caused by the implementation of our go-to-market strategy in Europe;
- 1% from lower sales of production mail equipment worldwide; and

- 1% from lower sales in North America due to the continuing trend of clients to extend existing leases rather than purchase new equipment.

Cost of equipment sales as a percentage of equipment sales revenue of 47.6% was comparable from 2015 to 2014.

Supplies

Supplies sales decreased 9% in 2016 compared to 2015. On a constant currency basis, supplies revenue decreased 7% primarily due to:

- 4% from lower North America mailing supplies sales;
- 1% from lower international mailing supplies, primarily in the U.K. and France;
- 1% from lower sales in our production mail business; and
- 1% from Market Exits.

Cost of supplies as a percentage of supplies revenue increased slightly to 31.0% in 2016 compared to 30.8% in 2015 primarily due to lower revenue and sales productivity issues.

Supplies sales decreased 4% in 2015 compared to 2014, On a constant currency basis, supplies revenue increased 2% primarily due to:

- 1% from our worldwide mailing businesses primarily due to productivity improvements and pricing actions; and
- 1% from higher sales of supplies for production printers.

Cost of supplies as a percentage of supplies revenue improved to 30.8% in 2015 compared to 31.2% in 2014 primarily due to a greater mix of higher margin core supplies.

Software

Software revenue decreased 10% in 2016 compared to 2015. On a constant currency basis, software revenue decreased 7% primarily due to a worldwide decline in licensing revenue. License revenue from our Customer Engagement and our Location Intelligence software offerings declined but were partly offset by growth in the Customer Information Management software license revenue. Cost of software as a percentage of software revenue increased to 30.4% in 2016 compared to 29.4% in 2015 primarily due to the decline in high-margin licensing revenue.

Software revenue decreased 10% in 2015 compared to 2014. On a constant currency basis, software revenue decreased 5% in primarily due to:

- 4% from more significant licensing deals in 2014 compared to 2015; and
- 1% from declines in maintenance, data and services revenue.

Cost of software as a percentage of software revenue increased to 29.4% in 2015 compared to 28.8% in 2014 primarily due to declines in high-margin licensing revenue.

Rentals

Rentals revenue decreased 7% in 2016 compared to 2015 and 9% in 2015 compared to 2014. On a constant currency basis, rentals revenue decreased 6% in both periods. These decreases are primarily due to a reduction in the number of installed meters worldwide and the continuing shift by certain customers to less-featured, lower cost machines.
Cost of rentals as a percentage of rentals revenue improved from 20.1% in 2014 to 19.1% in 2015 and to 18.4% in 2016 primarily due to lower depreciation.

Financing

Financing revenue decreased 11% in 2016 compared to 2015. On a constant currency basis, financing revenue decreased 10% primarily due to lower mailing equipment sales in prior periods, a declining lease portfolio and lower financing fees as a result of proactive waivers to allow clients to adjust to new billing formats and timing of invoices being sent as a result of the platform cutover.

Financing revenue decreased 5% in 2015 compared to 2014. On a constant currency basis, financing revenue decreased 2% as a result of lower equipment sales in prior periods and a declining lease portfolio.

We allocate a portion of our total cost of borrowing to financing interest expense. In computing financing interest expense, we assume an 8:1 debt to equity leverage ratio (10:1 in 2015 and 2014) and apply our overall effective interest rate to the average outstanding finance receivables. Finance interest expense decreased 23% in 2016 compared to 2015 primarily due to a decline in our overall effective interest rate and lower average outstanding finance receivables. Finance interest expense decreased 9% in 2015 compared to 2014 primarily due to lower average outstanding finance receivables. Financing interest expense as a percentage of financing revenue was 15.1% in 2016, 17.5% in 2015 and 18.1% in 2014.

Support Services
Support services revenue decreased 8% in 2016 compared to 2015. On a constant currency basis, revenue decreased 7% primarily due to:

- 2% from lower maintenance revenue on production mail equipment as some in-house mailers moved their mail processing to third-party service bureaus who service some of their own equipment;
- 2% from the worldwide decline in the number of mailing machines in service and shift to less-featured, lower cost machines; and
- 2% from Market Exits.

Cost of support services as a percentage of support services revenue improved to 57.7% in 2016 compared to 58.2% in 2015 primarily due to expense reductions and productivity initiatives.

Support services revenue decreased 11% in 2015 compared to 2014. On a constant currency basis, revenue decreased 7%, primarily due to:

- 5% from lower maintenance contracts on production mail equipment as some in-house mailers moved their mail processing to third-party service bureaus who service some of their own equipment; and
- 2% from Market Exits.

Cost of support services as a percentage of support services revenue improved to 58.2% in 2015 compared to 60.3% in 2014 primarily due to expense reductions and productivity initiatives.

Business Services
Business services revenue increased 3% in 2016 compared to 2015. On a constant currency basis, revenue increased 4%; however, excluding the revenue in 2015 from our Imagitas business, which was sold in May 2015, business services revenue increased 11% in 2016 compared to 2015 primarily due to:

- 10% from growth in our Ecommerce business from the expansion of our U.S. and U.K. cross-border marketplace business and retail network, including a full year of operations of Borderfree (acquired June 2015); and
- 1% from higher shipping solutions services.

Cost of business services as a percentage of business services revenue increased to 68.7% in 2016 and compared to 68.1% in 2015, primarily due to higher mail processing costs in the presort business.

Business services revenue increased 3% in 2015 compared to 2014. On a constant currency basis, revenue increased 3%. Business Services revenue for 2015 was impacted by the sale of Imagitas in May 2015 and the acquisition of Borderfree in June 2015. Excluding the impacts of these transactions, business services revenue increased 5% primarily due to:

- 4% from additional volumes of packages shipped from our U.K. outbound cross-border service facility; and
- 2% from higher volumes of mail processed in Presort Services.

Cost of business services as a percentage of business services revenue improved to 68.1% in 2015 and compared to 70% in 2014, primarily due to operational efficiencies in Presort Services and higher revenue.

Selling, general and administrative (SG&A)
SG&A expense decreased 6% in 2016 compared to 2015 primarily due to lower salaries and benefits expense from our prior restructuring actions, lower annual variable compensation costs of $36 million, benefits from the new enterprise business platform of $28 million, loan forgiveness income of $10 million (see Note 11 to the Consolidated Financial Statements), a favorable sales tax adjustment of $5 million and other productivity and cost-saving initiatives. SG&A expense in 2015 also included a one-time compensation charge of $10 million related to the acquisition of Borderfree.

SG&A expense decreased 7% in 2015 compared to 2014 despite expenses of $13 million associated with implementation of our enterprise business platform, a one-time compensation charge of $10 million for the accelerated vesting and settlement of Borderfree stock-based compensation awards, additional amortization expense of $9 million related to the acquisition of Borderfree and costs of $5 million related to the exit of certain geographic markets during the fourth quarter of 2015. The overall decrease in SG&A expense is primarily due to our focus on operational excellence and the benefits of productivity and cost-cutting initiatives. Foreign currency translation also reduced SG&A expenses by 4% in 2015.

Restructuring charges and asset impairments, net
Restructuring charges and asset impairments were $63 million in 2016. During the year, we recorded restructuring charges of $48 million related primarily to current year restructuring actions and pension settlement charges due to prior restructuring actions. Asset impairment charges consisted primarily of a loss of $5 million from the sale of a facility and an impairment charge of $4 million related to another facility.

Restructuring charges and asset impairments of $26 million in 2015 consists of restructuring charges of $21 million and a loss of $5 million on the sale of the corporate headquarters building. See Note 10 to the Consolidated Financial Statements for further details.

Goodwill impairment
In 2016, we recorded a non-cash goodwill impairment charge of $171 million associated with our Software Solutions reporting unit. See Critical Accounting Estimates section below for further details.

Other (income) expense, net
Other income, net for 2015 includes the gain on the sale of Imagitas of $111 million, transaction costs of $10 million incurred in connection with the acquisitions of Borderfree and RTC and a charge of $7 million associated with the settlement of a legal matter.
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.
Income taxes
See Note 13 to the Consolidated Financial Statements.

Discontinued operations
Loss from discontinued operations in 2016 was due to an additional expense related to our Management Services business sold in 2013. Income from discontinued operations in 2015 was due to a favorable tax adjustment related to our Document Imaging Solutions business sold in 2014.

Preferred stock dividends of subsidiaries attributable to noncontrolling interests
See Note 14 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, software and supplies for small and medium businesses to efficiently create physical and digital mail and evidence postage for the sending of mail, flats and parcels in the U.S. and Canada.
International Mailing: Includes the revenue and related expenses from the sale, rental, financing and servicing of mailing equipment, software and supplies for small and medium businesses to efficiently create physical and digital mail and evidence postage for the sending of mail, flats and parcels in areas outside the U.S. and Canada.

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:
Software Solutions: Includes the worldwide revenue and related expenses from the licensing of non-equipment-based mailing, customer information engagement, location intelligence and customer engagement solutions and related support services.
Global Ecommerce: Includes the worldwide revenue and related expenses from cross-border ecommerce and shipping solutions.

We determine segment EBIT by deducting the related costs and expenses attributable to the segment from segment revenue. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges and other items, 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 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. See Note 2 to the Consolidated Financial Statements for a reconciliation of segment EBIT to net income.
Revenue and EBIT by business segment are presented in the tables below.

	Revenue			% change			
	Years Ended December 31,			Actual		Constant Currency	
	2016	2015	2014	2016	2015	2016	2015
North America Mailing	$1,343	$1,435	$1,492	(6)%	(4)%	(6)%	(3)%
International Mailing	407	445	572	(9)%	(22)%	(5)%	(10)%
Small & Medium Business Solutions	1,750	1,880	2,064	(7)%	(9)%	(6)%	(5)%
Production Mail	405	421	462	(4)%	(9)%	(3)%	(4)%
Presort Services	476	474	457	— %	4 %	— %	4 %
Enterprise Business Solutions	881	895	919	(2)%	(3)%	(1)%	— %
Software Solutions	348	386	429	(10)%	(10)%	(7)%	(5)%
Global Ecommerce	429	362	282	18 %	29 %	20 %	30 %
Digital Commerce Solutions	777	748	711	4 %	5 %	6 %	9 %
Other	—	55	128	(100)%	(57)%	(100)%	(57)%
Total	$3,407	$3,578	$3,822	(5)%	(6)%	(4)%	(3)%

	EBIT Years Ended December 31,			% change	
	2016	2015	2014	2016	2015
North America Mailing	$575	$647	$642	(11)%	1 %
International Mailing	47	51	89	(9)%	(42)%
Small & Medium Business Solutions	622	698	731	(11)%	(5)%
Production Mail	54	48	48	12 %	1 %
Presort Services	95	105	98	(9)%	7 %
Enterprise Business Solutions	149	153	146	(2)%	5 %
Software Solutions	30	49	51	(38)%	(5)%
Global Ecommerce	19	19	17	— %	16 %
Digital Commerce Solutions	49	68	68	(27)%	— %
Other	—	10	19	(100)%	(45)%
Total	$820	$929	$964	(12)%	(4)%

Small & Medium Business Solutions

North America Mailing

North America Mailing revenue decreased 6% in 2016 compared to 2015 primarily due to:

- 2% from lower financing revenue primarily from declining equipment sales in prior periods and lower fees resulting from proactive waivers to allow clients to adjust to new billing formats and delayed timing of invoices resulting from the platform cutover;
- 1% from lower sales of supplies due to lower demand and sales productivity issues from the platform cutover;
- 1% from lower rentals revenue and 1% from lower support services revenue, primarily reflecting continuing decline in installed meters and shift to less-featured lower-cost machines; and
- 1% from lower equipment sales which were impacted by sales productivity issues from the platform cutover.

EBIT decreased 11% primarily due to the decline in higher margin recurring revenue streams and higher costs due in part to the sales productivity issues from the platform cutover.

North American Mailing revenue decreased 4% in 2015 compared to 2014. On a constant currency basis, revenue decreased 3% primarily due to:

- 2% from declines in rentals revenue and support services revenue due to the continuing decline in installed meters and shift by clients to lower cost, less featured machines; and
- 1% from a decline in equipment sales primarily due to the decline in the first half of the year caused by declining mail volumes and the continuing trend of clients to extend existing leases rather than purchasing new equipment.

Despite the decline in revenue, EBIT increased 1% primarily due to benefits of productivity improvements and cost reduction initiatives and favorable product mix.

International Mailing

International Mailing revenue declined 9% in 2016 compared to 2015. On a constant currency basis, revenue decreased 5% primarily due to:

- 2% from Market Exits; and
- 1% decline in each of rental, supplies and support services revenue streams resulting from the continued decline in installed meters.

EBIT deceased 9% in 2016 compared to 2015, primarily due to the decline in revenue, partially offset by lower costs from cost savings and productivity initiatives. Foreign currency translation had a 4% adverse impact on EBIT.

International Mailing revenue declined 22% in 2015 compared to 2014. On a constant currency basis, revenue decreased 10% primarily due to:

- 7% from difficult economic circumstances in many of our international markets and productivity disruptions caused by the implementation of our go-to-market strategy in certain European markets, particularly in France; and
- 3% from Market Exits.

EBIT decreased 42% in 2015 as compared to 2014, primarily due to the decline in revenue and reduced margins due to productivity disruptions and incremental costs of transitioning the sales organization in France. Foreign currency translation had a 10% adverse impact on EBIT.

Enterprise Business Solutions
Production Mail
Production Mail revenue decreased 4% in 2016 compared to 2015. On a constant currency basis, revenue decreased 3% primarily due to:

- 3% from Market Exits; and
- 3% from lower support services revenue as result of some in-house mailers shifting their mail processing to third-party outsourcers; partially offset by
- 4% from higher equipment sales due to higher installations of sorter, inserter and print equipment.

Despite the decline in revenue, EBIT increased 12% in 2016 compared to 2015 primarily due to service delivery cost management initiatives and lower sales and marketing costs.

Production Mail revenue decreased 9% in 2015 compared to 2014. On a constant currency basis, revenue decreased 4% primarily due to:

- 3% decline in support services revenue of as some in-house mailers moved their mail processing to third-party service bureaus who service some of their own equipment; and
- 1% decline in equipment sales as lower sales in Europe and Asia-Pacific were mostly offset by higher sales in the United States.

Despite the decline in revenue, EBIT increased 1% in 2015 compared to 2014 primarily due to a higher margin product mix and ongoing cost reduction initiatives.

Presort Services
Presort Services revenue was flat in 2016 compared to 2015, on both a reported and constant currency basis, as volume growth was offset by lower revenue per piece of mail from a USPS rate change. EBIT decreased 9% in 2016 compared to 2015 primarily due to lower margins and increased labor costs.
Presort Services revenue increased 4% in 2015 compared to 2014 primarily due to higher volumes of mail processed. EBIT increased 7% in 2015 compared to 2014 primarily due to the increase in revenue and lower transportation costs.

Digital Commerce Solutions
Software
Software revenue decreased 10% in 2016 compared to 2015. On a constant currency basis, revenue decreased 7% primarily due to a worldwide decline in licensing revenue. License revenue from our Customer Engagement and our Location Intelligence software offerings declined but were partly offset by growth in the Customer Information Management software license revenue. EBIT decreased 38% primarily due to the lower high-margin licensing revenue.

Software revenue decreased 10% in 2015 compared to 2014. On a constant currency basis, revenue decreased 5% 2015 primarily due to:

- 4% from more significant licensing deals in 2014 as compared to 2015; and
- 1% from declines in maintenance, data and services revenue.

EBIT decreased 5% primarily as a result of lower high-margin licensing revenue.

Global Ecommerce

Global Ecommerce revenue increased 18% in 2016 compared to 2015. On a constant currency basis, revenue increased 20% primarily due to:

- 23% due to the expansion of our U.S. and U.K. cross-border business and retail network, including the acquisition of Borderfree; partially offset by
- 2% decrease related to a one-time recognition of deferred cross-border delivery fees; and
- 1% from a decline in domestic shipping solutions revenue.

EBIT was flat in 2016 compared to 2015 as higher revenue was offset by $7 million of additional amortization expense from acquisitions, $6 million of deferred cross border delivery fees recognized in 2015 and additional investments in the business. Foreign currency translation had a 6% adverse impact on EBIT.

Global Ecommerce revenue increased 29% in 2015 compared to 2014. On a constant currency basis, revenue increased 30%, primarily due to the acquisition of Borderfree and higher volumes of packages shipped from our U.K. outbound cross-border service facility, which began in the fourth quarter of 2014.

EBIT increased 16% in 2015 compared to 2014 as the incremental revenue and margin from Borderfree and the recognition of $6 million of deferred cross-border delivery fees were partially offset by higher costs from the Borderfree acquisition, including $9 million of additional amortization expense.

Other

Other includes our Marketing Services business which was sold in May 2015.

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, share repurchases and acquisitions. Cash and cash equivalents and short-term investments were $803 million at December 31, 2016 and $768 million at December 31, 2015. 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 $475 million and $460 million at December 31, 2016 and December 31, 2015, respectively. 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:

	Years Ended December 31,			Change	
	2016	2015	2014	2016	2015
Net cash provided by operating activities	$490	$515	$658	$(25)	$(143)
Net cash used in investing activities	(115)	(303)	(154)	188	(149)
Net cash used in financing activities	(224)	(571)	(312)	347	(259)
Effect of exchange rate changes on cash and cash equivalents	(27)	(44)	(29)	17	(15)
Change in cash and cash equivalents	$124	$(403)	$163	$527	$(566)

Cash flows from operations decreased $25 million in 2016 compared to 2015, primarily due to:

- Lower income;
- A special pension plan contribution of $37 million to the U.K. pension plan; and
-

Payments associated with the launch of the enterprise business platform and new advertising campaign; partially offset by

- Lower employee related costs, income tax and interest payments.

Cash flows from operations decreased $143 million in 2015 compared to 2014, primarily due:

- Timing of payments of accounts payable and accrued liabilities including, higher employee-related payments, and higher inventory purchases, primarily for parts and supplies in the U.S. and U.K.;
- Lower collections of accounts receivable due to timing and amounts received in the prior year for transition services in connection with the sale of our Management Services business; partially offset by
- Lower interest and tax payments.

Cash flows used by investing activities improved by $188 million in 2016 compared to 2015, primarily due to:

- Lower acquisitions spending of $356 million;
- Higher cash from investment activities of $142 million;
- An increase in reserve deposits of $22 million; and
- Lower capital expenditures of $6 million; partially offset by
- Proceeds of $292 million from the sale of Imagitas in 2015; and
- Lower proceeds from asset sales of $34 million.

Cash flows used by investing activities were $149 million higher in 2015 compared to 2014. primarily due to:

- Aggregate payments of $394 million for acquisitions; and
- Higher cash used in investment activities of $10 million; partially offset by
- Higher proceeds from the sale of businesses and other assets of $239 million; and
- Lower capital expenditures of $17 million.

Cash flows used in financing activities improved $347 million in 2016 compared to 2015, primarily due to:

- Higher cash flows from debt activity of $709 million as we had a net issuance of debt of $434 million in 2016 compared to a net reduction of debt of $275 million in 2015; partially offset by
- Redemption of noncontrolling interests for $300 million; and
- Higher share repurchases of $65 million.

Cash flows used in financing activities increased $259 million in 2015 compared to 2014, primarily due to:

- Higher net payments to reduce debt of $184 million;
- Higher stock repurchases of $82 million.

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. The credit facility expires in January 2020, and as of December 31, 2016, we have not drawn upon the credit facility.

In 2016, commercial paper borrowings averaged $206 million at a weighted-average interest rate of 1.03% and the maximum amount of commercial paper outstanding at any point in time was $410 million. At December 31, 2016, there were no outstanding commercial paper borrowings. At December 31, 2015, there was $90 million of outstanding commercial paper borrowings with an effective interest rate of 1.1%.

2016 Activity

In January 2016, we borrowed $300 million under a term loan agreement and applied the proceeds to the repayment of the $371 million, 4.75% notes due January 2016. The new term loans bear interest at the applicable Eurodollar Rate plus 1.5% (1.25% at time of issuance) and mature in December 2020. In September 2016, we entered into an interest rate swap with a notional amount of $300 million to mitigate the interest rate risk associated with these variable-rate term loans. Under the terms of the swap agreement, we pay fixed-rate interest of 0.8826% and receive variable-rate interest based on one-month LIBOR. The variable rate resets monthly.

In March 2016, we satisfied certain employment obligations stipulated in the State of Connecticut Department of Economic and Community Development loan (issued in 2014), and under the terms of the loan, $10 million was forgiven. We recorded loan forgiveness income in selling, general and administrative expenses.

In September 2016, we issued $600 million of 3.375% fixed-rate notes due in October 2021. Interest is payable semi-annually and is subject to adjustment from time to time if either Moody's or S&P (or a substitute ratings agency) downgrades (or downgrades and subsequently upgrades) the credit rating assigned to the notes. The notes mature in October 2021, but may be redeemed, at our option, in whole or in part, at any time or from time to time at par plus accrued and unpaid interest. The proceeds were used to repay approximately $300 million of outstanding commercial paper and redeem noncontrolling interests for $300 million (see Note 14 to the Consolidated Financial Statements).

2015 Activity
We redeemed the $110 million 5.25% notes due November 2022 at par plus accrued but unpaid interest, repaid the $275 million 5% notes and repaid $130 million of outstanding term loans. We borrowed $150 million under a new term loan that bears interest at the applicable Eurodollar Rate plus .90%. The Eurodollar Rate on the date of funding was 0.59%. The term loan matures in June 2017.

2014 Activity
We issued $500 million of 4.625% fixed rate 10-year notes. 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 consisted 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. In 2015, we satisfied the conditions under the jobs-training grant.

Debt Maturities
We have $2 billion of debt maturing within the next five years, including $614 million scheduled to mature in 2017. 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 changes in capital market conditions and impact our ability to refinance existing maturities.

Dividends and Share Repurchases
We paid dividends to our common stockholders of $141 million ($0.75 per share), $150 million ($0.75 per share) and $152 million ($0.75 per share) in 2016, 2015 and 2014, 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.

We purchased $197 million, $150 million and $50 million of our common shares during 2016, 2015 and 2014, respectively. We have remaining Board authorization to repurchase up to $21 million of our common shares.

Contractual Obligations

The following table summarizes our known contractual obligations at December 31, 2016 and the effect that such obligations are expected to have on our liquidity and cash flow in future periods:

	Payments due in				
	Total	2017	2018-19	2020-21	After 2021
Debt maturities	$3,381	$614	$ 901	$ 900	$966
Interest payments on debt (1)	1,155	148	194	150	663
Noncancelable operating lease obligations	189	46	71	33	39
Purchase obligations (2)	145	145	—	—	—
Pension plan contributions (3)	22	22	—	—	—
Retiree medical payments (4)	150	18	34	32	66
Total	$5,042	$993	$ 1,200	$ 1,115	$1,734

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 13 to the Consolidated Financial Statements for further details.

(1) Assumes all debt is held to maturity. Certain notes are redeemable, either at our option or the bondholders, 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 2017; however, we will assess our funding alternatives as the year progresses.

(4) Our retiree health benefit plans are nonfunded 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, 2016, 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 15 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 noncancelable 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 the 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.

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 2016 was 4.55% for the U.S. Plan and 3.75% for the U.K. Plan. For 2017, the discount rate used in the determination of net periodic pension expense for the U.S. Plan and the U.K. Plan will be 4.2% and 2.55%, 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 $47 million and $25 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. The expected rate of return on plan assets used in the determination of net periodic pension expense for 2016 was 7.0% for the U.S. Plan and 6.5% for the U.K. Plan. For 2017, the expected rate of return on plan assets used in the determination of net periodic pension expense for the U.S. Plan will be 6.75%% and the U.K. Plan will be 6.25%. A 0.25% change in the expected rate of return on plan assets would impact annual pension expense for the U.S. Plan by $4 million and the U.K. Plan by $1 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. Effective December 31, 2014, plan benefits for participants in a majority of our U.S. and foreign pension plans were frozen.

See Note 12 to the Consolidated Financial Statements for further information about our pension plans.

Residual value of leased assets

We provide financing for our equipment sales primarily through sales-type leases. Equipment residual values are determined at inception of the lease using estimates of 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 equipment fair value at end of lease term 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 client 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 $10 million.

Allowances for doubtful accounts and credit losses

Finance receivables are comprised of sales-type lease receivables and unsecured revolving loan receivables. We provide an allowance for probable credit losses based on historical loss experience, the nature and volume of our portfolios, adverse situations that may affect a client's ability to pay, prevailing economic conditions and our ability to manage the collateral. At December 31, 2016 gross finance receivables aged greater than 90 days have grown since the implementation of our enterprise business platform in the second quarter of 2016. We believe the majority of the increased delinquency in our sales-type lease portfolio is administrative in nature and the result of a change in our billing format and process under our new enterprise business platform. The billing format under our new platform is different and clients are in the process of transitioning to the new format and thus have not made payments timely. These accounts are considered delinquent under our policies, but we continue to expect full payment. While the aging as disclosed in Note 5 of the Consolidated Financial Statements represents full remaining contract value only a small portion (approximately 25%) had actually been billed and recognized in income as of December 31, 2016.

As of December 31, 2016, we had North American sales-type lease receivables aged greater than 90 days with a full contract value of $63 million. As of February 15, 2017, we have received payments with a contract value of $31 million related to these receivables.

The quality of the portfolio has not changed. Our unsecured revolving loan portfolio delinquency has remained fairly constant when compared to the loan portfolio delinquency in our legacy platform and there have been no significant changes in customers within the portfolio itself. Also, we use a third party to credit score our lease and loan portfolios. The credit quality of our portfolio as determined by this third party has shown no signs of deterioration suggesting that the increase in delinquency is not as a result of our customer's ability to pay, but instead is a result of changes made to invoice format and presentation. Accordingly, we believe that the allowance for credit losses is adequate.

The allowance for doubtful accounts as a percentage of trade receivables was 3.1% at December 31, 2016 and 2.1% at December 31, 2015. Holding all other assumptions constant, a 0.25% change in the allowance rate at December 31, 2016 would have changed the 2016 provision by $1 million.

Total allowance for credit losses as a percentage of finance receivables was 1.3% at both December 31, 2016 and December 31, 2015. Holding all other assumptions constant, a 0.25% change in the allowance rate at December 31, 2016 would have changed the 2016 provision by $4 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 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 the 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 that 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 historical operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies. If new information becomes available that would alter our estimate of 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 and eventual disposition of the assets is compared to the carrying value. We derive the cash flow estimates from our long-term business plans and historical experience. If the sum of the undiscounted cash flows is less than the asset's carrying value, an impairment charge is recorded for an amount by which the carrying value exceeds its fair value. The fair value of the impaired asset is determined using probability weighted expected 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 Step 1, the fair value of each reporting unit is determined and compared to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit is less than its carrying value, then Step 2 of the goodwill impairment test is performed to measure the amount of impairment, if any. In Step 2, 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, 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 also 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.

During the third quarter, based on the operating results of our Software Solutions reporting unit, we performed Step 1 of the goodwill impairment test to assess the adequacy of the carrying value of goodwill. At that time, we determined that the estimated fair value of the reporting unit exceeded its carrying value by 15% and the measurement of a goodwill impairment charge was not necessary. The assumptions used to estimate fair value were based on projections of revenue and earnings growth, including a strong sales pipeline, operating cash flows, discount rate and market multiples. Additionally, we launched several initiatives during 2016 that we expected would drive revenue and earnings growth in the future, including the development of a new partner channel, the reorganization of the sales organization to improve sales efficiency and the pipeline of deals, the improvement of processes for acquiring new clients and the implementation of a more disciplined marketing strategy for new products.

During the fourth quarter, however; our Software Solutions reporting unit experienced weaker than expected performance. Based on this and including the soft operating results of 2016, we performed a goodwill impairment test that indicated the fair value of the Software Solutions reporting unit was less than its carrying value. We engaged a third party to perform Steps 1 and 2 of the goodwill impairment test and determined that the implied fair value of goodwill was less than the recorded goodwill and as a result recorded a non-cash, pre-tax goodwill impairment charge of $171 million to write down the carrying value of goodwill to its estimated fair value.
Actual results may differ from those used in our valuations and this non-recurring fair value measurement is a “Level 3” measurement under the fair value hierarchy. At December 31, 2016, the fair value of our Software unit now exceeds the recorded carrying value by over $125 million.

During the fourth quarter, we also conducted our annual impairment review of all our reporting units. Based on the results of this review, we concluded that the estimated fair value of each of our reporting units, other than Software Solutions, were substantially in excess of their respective carrying values.

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 to be made regarding the expected stock price volatility, risk-free interest rate, expected 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 dividend yield are based on historical experience.

We believe that the valuation techniques and the underlying assumptions are appropriate in estimating the fair value of our stock-based awards. If factors change causing our assumptions to change, 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
Our restructuring actions 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 13 to the Consolidated Financial Statements for regulatory matters regarding our tax returns.

Foreign Currency Exchange
During 2016, we derived 24% 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 and Canadian dollar (see Note 8 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, 2016, 2015 and 2014, the translation of foreign currencies to U.S. dollar decreased revenues by 1.0%, 4.0% and 0.4%, respectively.

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 currency exchange rate changes on transactions that are denominated in foreign currencies. Accordingly, we enter into various contracts, which change in value as foreign currency exchange rates change, to protect the value of external and intercompany transactions. The principal currencies actively hedged are the British Pound and Euro.

At December 31, 2016, 96% of our debt was fixed rate obligations at a weighted average interest rate of 4.6%. Our variable rate debt had a weighted average interest rate at December 31, 2016 of 1.80%. A one-percentage point change in the effective interest rate of our variable rate debt would not have had a material impact on our 2016 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 are intended to 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 2016 and 2015, 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" in 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

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), that are designed to reasonably assure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and to reasonably assure that such information is accumulated and communicated to management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure.

Any system of controls and procedures, no matter how well designed and operated, can provide only reasonable (and not absolute) assurance of achieving the desired control objectives. Management, under the direction of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as required by Rule 13a-15 or Rule 15d-15 under the Exchange Act. Notwithstanding this caution, the CEO and CFO have reasonable assurance that the disclosure controls and procedures were effective as of December 31, 2016.

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. Management assessed the effectiveness of the internal control over financial reporting as of December 31, 2016. 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, 2016, the internal control over financial reporting was effective based on the criteria issued by COSO in Internal Control - Integrated Framework (2013).

We implemented a new enterprise business platform in the U.S. in 2016, after having implemented in Canada during the fourth quarter of 2015. The implementation involved changes to our financial systems and other systems and accordingly, necessitated changes to our internal controls. Management has reviewed the controls affected by the implementation of the enterprise business platform and has made appropriate changes to internal controls as part of the implementation.

The effectiveness of our internal control over financial reporting as of December 31, 2016 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, 2016, 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 2017 Annual Meeting of Stockholders.

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

Audit Committee - Audit Committee Financial Expert
The information regarding the Audit Committee, its members and the Audit Committee financial experts is incorporated by reference to our Proxy Statement to be filed in connection with the 2017 Annual Meeting of Stockholders.

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 2017 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, 2016 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	11,112,119	$24.81	18,361,915
Equity compensation plans not approved by security holders	—	—	—
Total	11,112,119	$24.81	18,361,915

Other than information regarding securities authorized for issuance under equity compensation plans, the information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2017 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2017 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to our Proxy Statement to be filed in connection with the 2017 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial statements - see "Index to Consolidated Financial Statements and Supplemental Data" on page 37 of this Form 10-K.
2. Financial statement schedules - see "Index to Consolidated Financial Statements and Supplemental Data" on page 37 of this Form 10-K.
3. Index to Exhibits

Reg. S-K exhibits	Description	Status or incorporation by reference
3(a)	Restated Certificate of Incorporation of Pitney Bowes Inc.	Incorporated by reference to Exhibit 3(c) to Form 8-K filed with the Commission on May 12, 2011 (Commission file number 1-3579)
3(b)	Pitney Bowes Inc. Amended and Restated By-laws (effective May 10, 2013)	Incorporated by reference to Exhibit 3(d) to Form 8-K filed with the Commission on May 13, 2013 (Commission file number 1-3579)
4(a)	Form of Indenture between the Company and SunTrust Bank, as Trustee	Incorporated by reference to Exhibit 4.4 to Registration Statement on Form S-3 (No. 333-72304) filed with the Commission on October 26, 2001
4(b)	Supplemental Indenture No. 1 dated April 18, 2003 between the Company and SunTrust Bank, as Trustee	Incorporated by reference to Exhibit 4.1 to Form 8-K filed with the Commission on August 18, 2004
4(c)	Form of Indenture between the Company and Citibank, N.A., as Trustee, dated as of February 14, 2005	Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-3ASR (No. 333-151753) filed with the Commission on June 18, 2008
4(d)	First Supplemental Indenture, by and among Pitney Bowes Inc., The Bank of New York, and Citibank, N.A., to the Indenture, dated as of February 14, 2005, by and between the Company and Citibank	Incorporated by reference to Exhibit 4.1 to Form 8-K filed with the Commission on October 24, 2007 (Commission file number 1-3579)
10(a) *	Retirement Plan for Directors of Pitney Bowes Inc.	Incorporated by reference to Exhibit 10(a) to Form 10-K filed with the Commission on March 30, 1993 (Commission file number 1-3579)
10(b.3) *	Pitney Bowes Inc. Directors' Stock Plan (Amended and Restated effective May 12, 2014)	Incorporated by reference to Exhibit 10(b.3) to Form 10-K filed with the Commission on February 22, 2016 (Commission file number 1-3579)
10(c) *	Pitney Bowes Stock Plan (as amended and restated as of January 1, 2002)	Incorporated by reference to Annex 1 to the Definitive Proxy Statement for the 2002 Annual Meeting of Stockholders filed with the Commission on March 26, 2002 (Commission file number 1-3579)
10(d) *	Pitney Bowes Inc. 2007 Stock Plan (as amended November 7, 2009)	Incorporated by reference to Exhibit (v) to Form 10-K filed with the Commission on February 26, 2010 (Commission file number 1-3579)
10(e) *	Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated October 1, 2007) (as amended November 7, 2009)	Incorporated by reference to Exhibit (iv) to Form 10-K filed with the Commission on February 26, 2010 (Commission file number 1-3579)
10(f) *	Pitney Bowes Severance Plan (as amended and restated as of January 1, 2008)	Incorporated by reference to Exhibit 10(e) to Form 10-K filed with the Commission on February 29, 2008 (Commission file number 1-3579)

10(g) *	Pitney Bowes Senior Executive Severance Policy (as amended and restated as of January 1, 2008)	Incorporated by reference to Exhibit 10(f) to Form 10-K filed with the Commission on February 29, 2008 (Commission file number 1-3579)
Reg. S-K exhibits	Description	Status or incorporation by reference
10(h) *	Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors, as amended and restated effective January 1, 2009	Incorporated by reference to Exhibit 10(g) to Form 10-K filed with the Commission on February 26, 2009 (Commission file number 1-3579)
10(i) *	Pitney Bowes Inc. Deferred Incentive Savings Plan as amended and restated effective January 1, 2009	Incorporated by reference to Exhibit 10(h) to Form 10-K filed with the Commission on February 26, 2009 (Commission file number 1-3579)

10(j) *	Pitney Bowes Inc. 1998 U.K. S.A.Y.E. Stock Option Plan	Incorporated by reference to Annex II to the Definitive Proxy Statement for the 2006 Annual Meeting of Stockholders filed with the Commission on March 23, 2006 (Commission file number 1-3579)
10(k) *	Form of Long Term Incentive Award Agreement	Incorporated by reference to Exhibit 10(k) to Form 10-K filed with the Commission on February 21, 2014 (Commission file number 1-3579)
10(l)*	Stock purchase agreement dated May 11, 2015 between Pitney Bowes Inc. and Red Ventures HoldCo, LP.	Incorporated by reference to Exhibit 2.1 to Form 8-K filed May 11, 2015 (Commission file number 1-3579)
10(m)*	Agreement and plan of mergers dated May 5, 2015, by and among Pitney Bowes Inc., BrickBreaker Acquisition Corp and Borderfree Inc.	Incorporated by reference to Exhibit 2.1 to Form 8-K filed May 7, 2015 (Commission file number 1-3579)
10(o)*	Pitney Bowes Director Equity Deferral plan dated November 8, 2013 (effective May 12, 2014)	Incorporated by reference to Exhibit 10(o) to Form 10-K filed with the Commission on February 22, 2016 (Commission file number 1-3579)
10(p)*	Pitney Bowes Executive Equity Deferral Plan dated November 7, 2014	Incorporated by reference to Exhibit 10(p) to Form 10-K filed with the Commission on February 22, 2016 (Commission file number 1-3579)
10(q)*	Pitney Bowes Inc. 2013 Stock Plan	Incorporated by reference to Annex A to the Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders filed with the Commission on March 25, 2013 (Commission file number 1-3579)
12	Computation of ratio of earnings to fixed charges	Exhibit 12
21	Subsidiaries of the registrant	Exhibit 21
23	Consent of experts and counsel	Exhibit 23
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.	Exhibit 31.1
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.	Exhibit 31.2
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350	Exhibit 32.1
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	Exhibit 32.2
101.INS	XBRL Report Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Definition Linkbase Document	
101.LAB	XBRL Taxonomy Label Linkbase Document	
101.PRE	XBRL Taxonomy Presentation Linkbase Document	

* The Exhibits identified above with an asterisk (*) are management contracts or compensatory plans or arrangements.

The Company has outstanding certain other long-term indebtedness. Such long-term indebtedness does not exceed 10% of the total assets of the Company; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The Company agrees to furnish copies of such instruments to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 22, 2017 PITNEY BOWES INC.
Registrant

By: /s/ Marc B. Lautenbach __
Marc B. Lautenbach
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Marc B. Lautenbach Marc B. Lautenbach	President and Chief Executive Officer - Director	February 22, 2017
/s/ Stanley J. Sutula III Stanley J. Sutula III	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 22, 2017
/s/ Steven J. Green Steven J. Green	Vice President-Finance and Chief Accounting Officer (Principal Accounting Officer)	February 22, 2017
/s/ Michael I. Roth Michael I. Roth	Non-Executive Chairman - Director	February 22, 2017
/s/ Linda G. Alvarado Linda G. Alvarado	Director	February 22, 2017
/s/ Anne M. Busquet Anne M. Busquet	Director	February 22, 2017
/s/ Roger Fradin Roger Fradin	Director	February 22, 2017
/s/ Anne Sutherland Fuchs Anne Sutherland Fuchs	Director	February 22, 2017
/s/ S. Douglas Hutcheson S. Douglas Hutcheson	Director	February 22, 2017
/s/ Eduardo R. Menascé Eduardo R. Menascé	Director	February 22, 2017
/s/ Linda S. Sanford Linda S. Sanford	Director	February 22, 2017
/s/ David L. Shedlarz David L. Shedlarz	Director	February 22, 2017
/s/ David B. Snow, Jr. David B. Snow, Jr.	Director	February 22, 2017

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Report of Independent Registered Public Accounting Firm

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of stockholders’ deficit (equity) and of cash flows present fairly, in all material respects, the financial position of Pitney Bowes Inc. and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for debt issuance costs as of December 31, 2016.

A company’s 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

/s/PricewaterhouseCoopers LLP
Stamford, CT
February 22, 2017

PITNEY BOWES INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Years Ended December 31,		
	2016	2015	2014
Revenue:			
Equipment sales	$675,451	$695,159	$770,371
Supplies	262,682	288,103	300,040
Software	348,661	386,506	429,743
Rentals	412,738	441,663	484,629
Financing	366,547	410,035	432,859
Support services	512,820	554,764	625,135
Business services	827,676	801,830	778,727
Total revenue	3,406,575	3,578,060	3,821,504
Costs and expenses:			
Cost of equipment sales	331,942	331,069	365,724
Cost of supplies	81,420	88,802	93,675
Cost of software	105,841	113,580	123,760
Cost of rentals	76,040	84,188	97,338
Financing interest expense	55,241	71,791	78,562
Cost of support services	295,685	322,960	377,003
Cost of business services	568,509	546,201	544,729
Selling, general and administrative	1,200,327	1,279,961	1,378,400
Research and development	121,306	110,156	109,931
Restructuring charges and asset impairments, net	63,296	25,782	84,560
Goodwill impairment	171,092	—	—
Interest expense, net	88,970	87,583	90,888
Other expense (income), net	536	(94,838)	45,738
Total costs and expenses	3,160,205	2,967,235	3,390,308
Income from continuing operations before income taxes	246,370	610,825	431,196
Provision for income taxes	131,819	189,778	112,815
Income from continuing operations	114,551	421,047	318,381
(Loss) income from discontinued operations, net of tax	(2,701)	5,271	33,749
Net income	111,850	426,318	352,130
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	19,045	18,375	18,375
Net income - Pitney Bowes Inc.	$92,805	$407,943	$333,755
Amounts attributable to common stockholders:			
Net income from continuing operations	$95,506	$402,672	$300,006
(Loss) income from discontinued operations, net of tax	(2,701)	5,271	33,749
Net income - Pitney Bowes Inc.	$92,805	$407,943	$333,755
Basic earnings per share attributable to common stockholders [(1)]:			
Continuing operations	$0.51	$2.01	$1.49
Discontinued operations	(0.01)	0.03	0.17
Net income - Pitney Bowes Inc.	$0.49	$2.04	$1.65
Diluted earnings per share attributable to common stockholders [(1)]:			
Continuing operations	$0.51	$2.00	$1.47
Discontinued operations	(0.01)	0.03	0.17
Net income - Pitney Bowes Inc.	$0.49	$2.03	$1.64

Dividends declared per share of common stock	$0.75	$0.75	$0.75