



HESTIA[®]

Pitney Bowes' Failings During the Roth-Lautenbach Era

Prepared By Hestia Capital Management

January 2023

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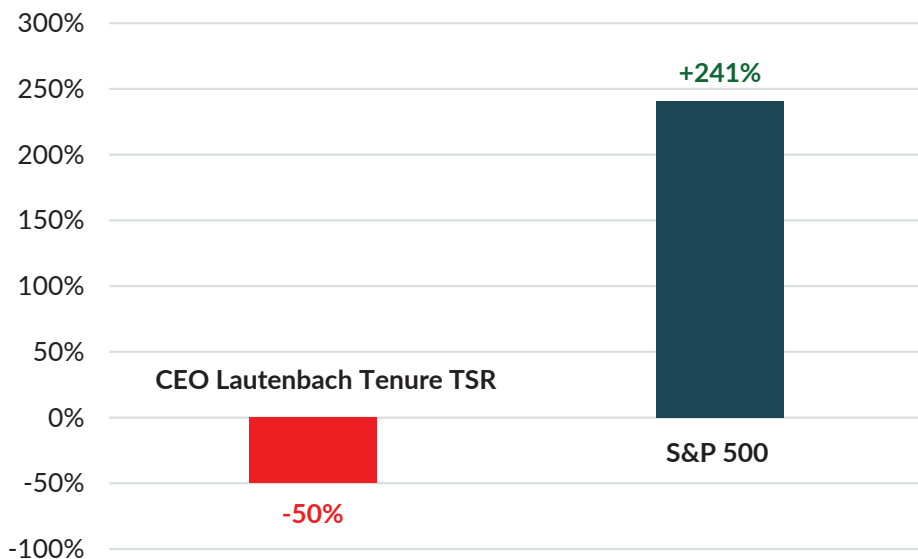
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Value Destruction Under Leadership

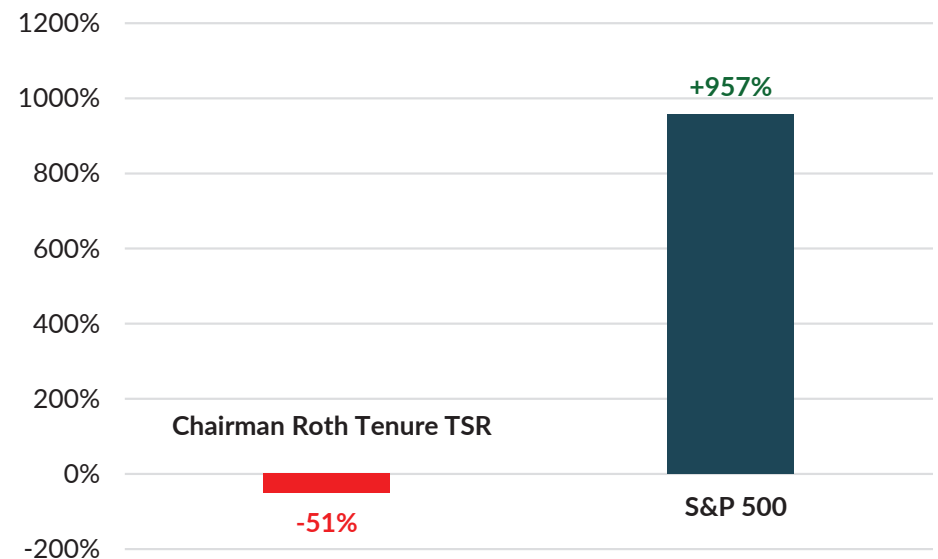
Chairman Michael Roth and Chief Executive Officer Marc Lautenbach have presided over negative total stockholder returns (“TSR”) while the S&P 500 has delivered outsized returns.

**CEO Lautenbach 10-Year Tenure TSR
vs. S&P 500**



\$100 invested in Pitney Bowes over Marc's tenure is worth **\$50** today.
If you invested \$100 in the S&P over the same period, it would be worth **\$341**.

**Chairman Roth 26-Year Tenure TSR
vs. S&P 500**



\$100 invested in Pitney Bowes over Michael's tenure is worth **\$49** today.
If you invested \$100 in the S&P over the same period, it would be worth **\$1,057**.

Source: TSR data was obtained via Bloomberg and includes dividends reinvested. TSR data runs through the close of trading on November 18, 2022, which is the last day of trading prior to Hestia filing its Schedule 13D with the SEC.

Abysmal Total Stockholder Returns



Over all relevant time horizons, including the Board of Directors' (the "Board") respective tenures (which average 10+ years), the Company has delivered disastrous returns while market indices have significantly outperformed.

Pitney Bowes TSR

	1-Year	3-Year	5-Year	10-Year
Pitney Bowes	-49%	-13%	-52%	-47%
S&P 500	-14%	33%	68%	254%
S&P 600	-14%	30%	44%	219%
Russell 2000	-21%	21%	32%	172%

CEO and Director TSR

Name	Tenure Start	TSR During Tenure	S&P TSR
Anne Busquet*	11/9/2007	-78%	270%
Bob Dutkowsky	7/9/2018	-52%	54%
Mary Steele Guilfoile	7/9/2018	-52%	54%
Doug Hutcheson*	7/9/2012	-57%	258%
Marc Lautenbach*	12/3/2012	-50%	241%
Michael Roth*	12/11/1995	-51%	957%
Linda Sanford	9/21/2015	-75%	130%
David Shedlarz*	9/1/2001	-77%	429%
Sheila Stamps	9/1/2020	-31%	16%

*Denotes a director that is considered "stale" given they have served on the Board for over 10 years.

Source: TSR data was obtained via Bloomberg and includes dividends reinvested. TSR data runs through the close of trading on November 18, 2022, which is the last day of trading prior to Hestia filing its Schedule 13D with the SEC.

A Failed, Cash-Burning Strategy

Under Messrs. Roth and Lautenbach, post-2014 strategic decisions and investments have resulted in the burning of \$300+ million in capital – meanwhile, the Company’s stock price is down more than 85%.

Leadership’s Decision	Strategic Misstep	Poor Capital Allocation
Failed to aggressively pursue shipping label acquisitions	✓	✓
\$875 million spent on Borderfree and Newgistics acquisitions	✓	✓
Pivoted from disciplined, profitable growth at Newgistics to undisciplined, unprofitable sales-focused growth	✓	✓
Unwillingness to repurchase stock at all-time low or debt at significant discounts		✓
Underinvested in Presort acquisitions	✓	✓
Emphasis on organic growth over maximizing EBIT at Presort	✓	
Failure to unlock \$200 million in restricted cash at the bank for 10+ years*	✓	✓

*Typically earning less than 25bps annually.

Source: Bloomberg, Company filings.

Poor and Unreliable Forecasting

Under Messrs. Roth and Lautenbach, Pitney Bowes has shown a sustained inability to set reliable guidance and hit targets (instances denoted in red below).

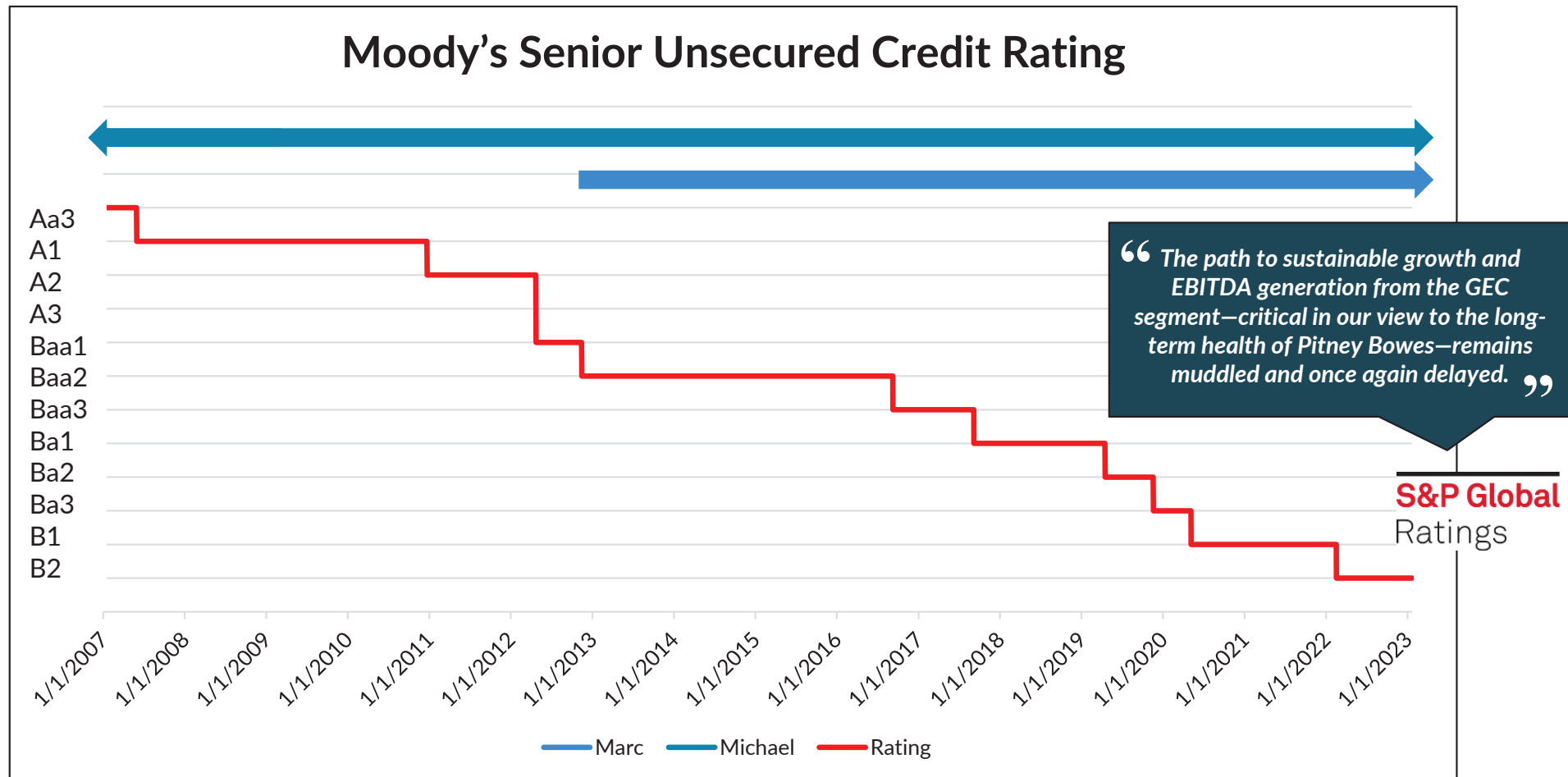
Guidance vs. Actual Results for 2015-2021 (\$ in millions)

Metric	2015	2016	2017	2018	2019	2020	2021
Revenue Guide		3,542	2,922	3,035	3,244	3,173	3,590
Revenue Actual	3,578	2,981	2,784	3,212	3,205	3,554	3,674
Adj Rev Actual	--	--	--	--	--	--	--
FCF Guide		425	400	350	225	140	
FCF Actual	356	337	336	207	131	197	117
Adj FCF Actual		430	384	318	169	279	154
EPS Guide		1.80	1.70	1.40	1.05	0.60	0.30
Adj EPS Actual		1.68	1.41	1.16	0.68	0.30	0.32
GAAP EPS Actual	2.03	0.49	1.30	1.28	1.10	(1.05)	(0.01)

The only instance of the Company meeting and/or beating guidance was in 2021, when Pitney Bowes set what we deem to be a “softball” target of \$0.30 EPS (just one-sixth of the guidance from 2016).

A Battered Credit Rating

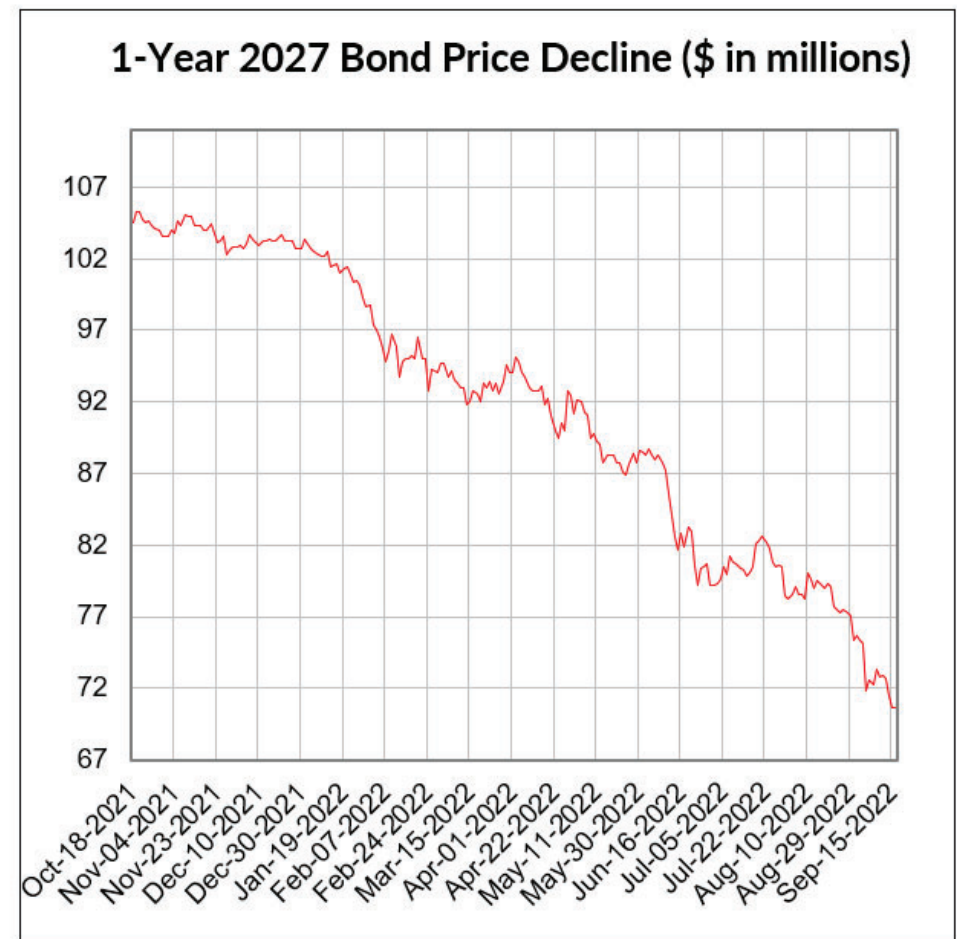
Largely due to poorly executed acquisitions and sustained losses within Global Ecommerce, Pitney Bowes' credit ratings have steadily deteriorated under Messrs. Roth and Lautenbach.



Source: S&P Downgrade Report, 2022

Impugned Credibility in the Market

At a Deutsche Bank event late last year, Pitney Bowes said Global Ecommerce should be Free Cash Flow positive in 2023 and hit EBIT margins of 6%-8% in 2026 – however, the market appeared to shrug off the news and the Company's securities still hovered near 1-year lows (as shown below).



Source: Hestia; Bloomberg.

Extremely Poor Governance


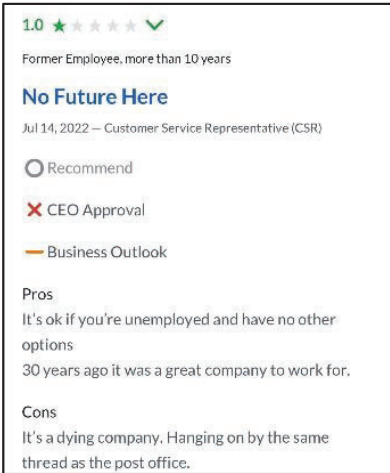

We believe an insular, clubby boardroom has resulted in a number of governance missteps that need to be addressed by a reconstituted Board – and urge the Company to avoid any defensive director “refreshments” or entrenchment maneuvers ahead of the 2023 Annual Meeting.

Governance Lapse	Yes/No	Evidence
Excessive Director Tenure	✓	The Company’s average director tenure is currently 10+ years.
Boardroom Interlocks	✓	Several directors have interlocks, including three with ties to the Interpublic Group of Companies (which Mr. Roth led for years).
Inattentiveness to Investors	✓	The Company’s disclosed “Investor Outreach” efforts fail to prioritize stockholder feedback on strategy, capital allocation or performance, in our view.
Misaligned CEO Compensation	✓	For the trailing three years cited in the 2022 Proxy Statement, Mr. Lautenbach made \$17.8 million– as stockholder value declined dramatically.
Exorbitant Golden Parachute	✓	According to the 2022 Proxy Statement, the Board has given Mr. Lautenbach a nearly \$25 million parachute upon a change in control.
Poor Supervision of Management	✓	Days after Pitney Bowes reported weak results and its stock dropped nearly 20% in February 2022, Mr. Lautenbach was golfing during the work week in California.

Source: Company filings, including the Company’s 2022 Proxy Statement (the “2022 Proxy Statement”), and public records

Evidence of Lost Focus

We believe Mr. Lautenbach and management have been allowed to lose focus and avoid accountability for their ineffectiveness.

Misguided “Moonshot” Bets	Poor Employee Morale	Weekday Golfing
<p>Pitney Bowes announced last year it would invest \$23 million in a speculative robotics venture. Overlooking the fact that corporations have a terrible track record in VC, management should not be spending stockholder capital on speculative investments when the Company is facing credit downgrades, high cash burn in Global Ecommerce and chronic stock price underperformance.</p>  <p>Source: Parcel and Postal Technology International.</p>	<p>Glassdoor’s current and former employee sentiment from Pitney Bowes’ U.S. employee base reveals the following:</p> <ol style="list-style-type: none">1. <u>Only 57%</u> of employees have a positive business outlook2. <u>Only 67%</u> of employees approve of Mr. Lautenbach3. <u>Only 66%</u> of employees would recommend Pitney Bowes as an employer  <p>Source: Glassdoor data as of January 19, 2022.</p>	<p>Mr. Lautenbach has been an avid weekday golfer during his 10-year tenure as CEO. As just one recent example, on Tuesday February 1, 2022, Pitney Bowes announced 2021 full-year results that triggered <u>a 22% decline in the Company’s stock price</u> over three days. Nevertheless, Mr. Lautenbach was on the course in California as this was taking place. The Company’s stock price has not yet recovered.</p>  <p>Mr. Lautenbach, GlenArbor 2021 Senior Champion</p> <p>Source: Golf.com and GlenArborClib.com.</p>

Unaddressed Stockholder Unrest

During the second half of 2022, several stockholders made Pitney Bowes aware – privately and publicly – that change was needed atop the Company.



~1.5% holder

According to a recent article in Reuters, “[i]n September BWM AG wrote a letter to the board highlighting poor execution in the ecommerce segment, excessive debt, overly high corporate costs and the chief executive officer's multi-million dollar pay.”



~7.2% holder

Following months of attempted private collaboration, Hestia disclosed it “intends to nominate a majority slate of director candidates that includes a highly-qualified proposed interim Chief Executive Officer supported by a talented group of operators and strategists. This degree of change is clearly needed to help set a new value-creation strategy after 10+ years of strategic missteps, poor execution and the significant destruction of stockholder and enterprise value under the current Board.”







~1% holder

Late last year, Domo Capital’s founder said “[t]he poor management of global ecommerce is on Marc Lautenbach and the poor allocation of capital is on Michael Roth as the chairman of the board.”

To the best of our knowledge, Pitney Bowes has not substantively addressed any stockholder concern through public or private communication – suggesting a fundamental disregard for major investors, in our view.




Our Solution: The Hestia Slate

We purposefully assembled a seven-member slate with capital allocation acumen, corporate governance expertise, relevant sector backgrounds, transaction experience and ownership perspectives.

Candidates 1-4	Key Qualifications	Rationale for Nominating
 <p>Milena Alberti-Perez</p>	<ul style="list-style-type: none"> • CFO experience • Board and governance experience • Audit, M&A and capital allocation experience 	<p>Ms. Alberti-Perez is an experienced c-level leader, public company director and financial executive. Milena is currently on the board of Digimarc Corp. (NASDAQ: DMRC), where she is Audit Committee Chair. She has served as CFO of three companies, including Getty Images Holdings, Inc. (NYSE: GETY). Her capital allocation, corporate finance and M&A expertise can help Pitney Bowes finally rationalize bloated costs, improve creditworthiness and enhance historically poor forecasting.</p>
 <p>Todd Everett</p>	<ul style="list-style-type: none"> • CEO experience • Mailing, shipping and logistics experience • M&A experience 	<p>Mr. Everett is the former CEO of Newgistics, which he sold to Pitney Bowes. His institutional knowledge and experience leading that business to profitable growth would make him an invaluable addition to the Board, particularly given current leadership's inability to reverse persistent losses within the unit. Since leaving Pitney Bowes, Mr. Everett has served as an advisor and Board member at several eCommerce and logistics companies.</p>
 <p>Carl Grassi</p>	<ul style="list-style-type: none"> • Board and governance experience • Audit and tax expertise • Legal background • M&A acumen 	<p>Mr. Grassi is a veteran public company director and M&A advisor. He is currently Senior Counsel at McDonald Hopkins, LLC. He was recently a director of J. Alexander's Holdings, which sold to SPB Hospitality at a nearly 3x price from when Mr. Grassi joined the Board. His background helping companies enhance governance, evaluate alternatives and navigate turnarounds would be valuable to a refreshed Board working to reinvigorate Pitney Bowes and evaluate all strategic options for Global Ecommerce.</p>
 <p>Katie May</p>	<ul style="list-style-type: none"> • CEO experience • Board and governance experience • Mailing, shipping and logistics experience 	<p>Ms. May was CEO of ecommerce SaaS company ShippingEasy.com prior to selling the business to Stamps.com. She was then a director of Stamps.com and involved in its value-maximizing sale to Thoma Bravo. Her background leading high-growth mailing, shipping and logistics businesses can help a refreshed Board recruit new leaders, set the right KPIs and incentives, and oversee sharper strategic execution that drives enhanced stockholder value.</p>

Our Solution: The Hestia Slate (Cont.)

Our slate also has deep knowledge of the Company's balance sheet, business segments, market opportunities and secular headwinds

Candidates 5-7	Key Qualifications	Rationale for Nominating
 <p>Ken McBride</p>	<ul style="list-style-type: none"> • CEO experience • Board and governance experience • M&A experience • Mailing, shipping and logistics experience 	<p>Mr. McBride is a legend in the shipping industry based on his successful two-decade record as Chief Executive Officer and Chairman of Stamps.com. He grew revenue and profit at a consistent compounded growth rate of approximately 25% per year, and grew enterprise value from less than \$25 million to more than \$6.5 billion. He and his team successfully acquired and integrated six domestic and international companies, and they transformed the company from its origins as a small business mailing solution into a worldwide leader. His strategic vision, operational acumen and transaction experience could help a refreshed Board set a value-enhancing strategy and oversee long-overdue operational improvements across segments.</p>
 <p>Lance Rosenzweig</p>	<ul style="list-style-type: none"> • CEO experience • Board and governance experience • Technology and ecommerce experience 	<p>Mr. Rosenzweig is a proven c-level leader and public company director. He has been the Chief Executive Officer of three public companies, including Support.com, which was one of the best performing stocks in any exchange under his leadership, and Startek (NYSE: SRT), where he grew revenues to \$650 million and dramatically enhanced earnings. His background in strategic planning, operations, technology and ecommerce make him an ideal addition to the Board, especially when considering Pitney Bowes' long-term value destruction and inability to profitably grow its segments.</p>
 <p>Kurt Wolf</p>	<ul style="list-style-type: none"> • Sizable stockholder • Board and governance experience • Strategic planning and capital allocation experience 	<p>Mr. Wolf is the Managing Member and Chief Investment Officer of Hestia Capital, the largest active stockholder of Pitney Bowes. He has founded, or co-founded, three successful start-ups, and has over five years of turnaround and strategy experience as a management consultant. He previously served on two Boards in which Hestia was invested, serving as an Audit and a Comp Committee Chair, as well as on the Strategic Planning and Capital Allocation Committee, which led the successful recapitalization of GameStop. His status as a sizable stockholder would also result in important ownership perspectives finally being considered in the boardroom.</p>



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