PITNEY BOWES INC /DE/
Form 8-K
January 31, 2002

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

FORM 8 - K
CURRENT REPORT

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

Date of Report (Date of earliest event reported): January 29, 2002

PITNEY BOWES INC.

Commission File Number: 1-3579

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

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

Item 5 - Other Events.

The registrant's press release dated January 29, 2002, regarding its financial results for the period ended December 31, 2001, including consolidated statements of income for the three and twelve months ended December 31, 2001 and 2000, and consolidated balance sheets at December 31, 2001, September 30, 2001 and December 31, 2000, are attached.

Item 7 - Financial Statements and Exhibits.

c. Exhibits.

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

Exhibit	Description
(1)	Pitney Bowes Inc. press release dated January 29, 2002.

Signatures

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

PITNEY BOWES INC.

January 31, 2002

/s/ B. Nolop

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

/s/ A. F. Henock

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

(1)

FOR IMMEDIATE RELEASE

PITNEY BOWES REPORTS RESULTS IN LINE WITH GUIDANCE

- Excluding Special Items:
  - Diluted Earnings per Share of 57 cents for the Quarter and $2.25 for the Full Year
  - Approximately $617 million in Free Cash Flow for the Year
- 2.2 Million Shares Repurchased During the Quarter
- Annualized Dividend Rate on Common Stock increased to $1.18 per Share
- $300 Million Share Repurchase Authorization

Stamford, Conn., January 29, 2002 - Pitney Bowes Inc. (NYSE:PBI) today reported fourth quarter and full year 2001 performance in line with previous guidance. For the fourth quarter, revenue increased 11 percent to $1,091 million from $978 million in 2000. Excluding special items, income from continuing operations was $140.0 million and diluted earnings per share from continuing operations were 57 cents.

For the full year, revenue increased six percent to $4.1 billion from $3.9 billion in 2000. Excluding special items, income from continuing operations was $556.3 million and diluted earnings per share from continuing operations were $2.25.

As previously announced, special items in the fourth quarter of 2001 included: a non-cash pre-tax charge of $10 million associated with the company's plan to transition to the next generation of digital, networked mailing technology and a pre-tax charge of $28 million related to incremental restructuring plan initiatives to complete the company's restructuring program. There was also a pre-tax charge of approximately $24 million associated with the settlement of a lawsuit related to lease upgrade pricing in the early to mid-1990's. The settlement is subject to court approval. The $24 million charge relates to the following settlement costs: award certificates to be provided to members of the class for purchase of office products through the Pitney Bowes supply line and the cost of fees and expenses.

(2)

Excluding cash flows associated with special items, free cash flow from continuing operations for the year was approximately $617 million. Including cash flows associated with special items and discontinued operations, free cash flow for the year was approximately $780 million. During the quarter, the company repurchased approximately 2.2 million shares, bringing the total 2001 share repurchase to 7.8 million shares for approximately $300 million which completes the current board authorization for share repurchase.

Demonstrating its confidence in continued strong cash flow generation, the Board of Directors of the company has approved two actions to further enhance shareholder value:

- First, the dividend on common stock was increased to an annualized rate of $1.18 per share. The first quarter cash dividend at the new rate of 29.5 cents per share is payable on March 12, 2002.
- Second, the board authorized the repurchase of up to $300 million of the company's common stock. It is expected that these shares will be repurchased in the open market over the next 12 to 24 months.

Pitney Bowes Chairman and CEO Michael J. Critelli, commented, "During the fourth quarter, we successfully completed the spin-off of Imagistics International Inc. to shareholders and also completed the acquisition of Secap SA, a leading provider of digital mailing and paper handling systems in France. Both of these transactions enhance our strategy of delivering shareholder value by providing leading edge global, integrated mail and document management solutions to organizations of all sizes.

"The current global economic conditions provide us with both challenges and opportunities. During the quarter, we continued to experience the pressures of a slowing economy in the U.S. and around the world, as many of our customers delayed purchase or upgrade decisions. We have also seen some of our customers consolidate and downsize their operations, resulting in reduced demand for some of our higher value mailing products and outsourcing services.

(3)

"We are focused on working closely with our customers during these challenging times to provide them with the mail and document management solutions they need to succeed in this difficult environment. We will be launching additional digital networked mailing systems throughout 2002 which will enable companies to access new mailing services at a lower cost, which in turn will allow businesses to operate more efficiently."

The Global Mailing Segment includes worldwide revenues and related expenses from the sale, rental and financing of mail finishing, mail creation and shipping equipment, related supplies and services, postal payment solutions and software. In the fourth quarter, Global Mailing revenue increased five percent and operating profit increased six percent. Excluding revenues from the recent acquisitions of Bell & Howell's international operations and Secap SA, Global Mailing revenues were down slightly for the quarter.

In the mailing business in the U.S., customer orders and upgrades continued to be impacted by the slow economic environment, especially for shipping and systems related products.

Within the Global Mailing segment, international mailing's double-digit revenue growth was fueled by the recent acquisitions in Europe and Asia, including Secap SA and Bell & Howell's international operations, and solid demand for mailing products in much of Europe. However, revenue growth was moderated by weaker performance in the UK and Canada, as both countries were similarly affected by slowing economic activity and a lull in those countries' meter migration programs.

The Enterprise Solutions Segment includes Pitney Bowes Management Services and Document Messaging Technologies. Revenues from Pitney Bowes Management Services include facilities management contracts for advanced mailing, reprographic, document management and other added-value services to enterprises. Revenues from Document Messaging Technologies include sales, service and financing of high speed, software-enabled production mail systems, sorting equipment, incoming mail systems, electronic statement, billing and payment solutions, and mailing software. The Enterprise Solutions segment reported revenue growth of 35 percent and a decline in operating profit of 12 percent.

Pitney Bowes Management Services recorded a 52 percent increase in revenues, during the quarter compared to the prior year. Excluding the revenues from the recent acquisition of Danka Services International (DSI), Pitney Bowes Management Services revenues grew ten percent. While Pitney Bowes Management Services continues to record profitable growth, shrinking business operations of some of its customers and increasing medical costs for its employees had an adverse impact on operating profit during the quarter.

Document Messaging Technologies revenues declined one percent during the quarter while operating profit decreased significantly. Document Messaging Technologies performance continues to be impacted by a worldwide slow down in capital spending, which has caused many of its customers to delay purchases of higher-margin, customized inserting systems. Service revenues in the business continued to grow steadily, but are lower margin revenues than product sales. At the same time, the company is investing for the future growth of the business.

Total Messaging Solutions, the combined results of the Global Mailing and Enterprise Solutions segments, reported 12 percent revenue growth while operating profit increased four percent. Excluding the revenues from recent acquisitions (DSI, Secap SA and the European and Asian operations of Bell & Howell), Total Messaging Solutions revenues increased one percent.

The Capital Services Segment includes primarily asset- and fee-based income generated by financing or arranging transactions of critical large-ticket customer assets. Included in the segment this quarter are revenues and operating profit associated with the strategic financing of equipment for posts around the world. Previously, these revenues and operating profit were included in the Global Mailing segment. Revenues for the quarter declined seven percent and operating profit declined 12 percent, consistent with the company's ongoing objective to shift to fee-based transactions.

(5)

Given the assumption that difficult economic conditions will persist in 2002, the company expects revenue growth in the range of nine percent to 11 percent for the first quarter 2002 and seven percent to nine percent for the full year. After applying the new accounting standards for goodwill amortization, diluted earnings per share from continuing operations are expected to be in the range of 52 to 54 cents for the first quarter 2002 and $2.37 to $2.40 for the full year.

Commenting on the year, Mr. Critelli stated, "2001 was an exceptional and important year for Pitney Bowes. We have repositioned our business for greater growth; realigned our organizational structure to leverage strengths and address market opportunities; and completed the spin-off of Imagistics International Inc. and seven strategic transactions that will better position us for long-term growth and enhanced shareholder value. While 2002 may be a challenging year economically, we believe we are well positioned to profitably grow our business this year and into the future."

Fourth quarter 2001 consolidated revenue included $589.9 million from sales, up 22 percent from $483.2 million in the fourth quarter of 2000; $362.1 million from rentals and financing, down two percent from $371.0 million; and $138.8 million from support services, up 12 percent from $124.3 million. Income from continuing operations for the period was $100.4 million, or 41 cents per diluted share. Excluding special items in the fourth quarter 2001, income from continuing operations was $140.0 million, or 57 cents per diluted share compared to fourth quarter 2000 income from continuing operations of $137.7 million, or 55 cents per diluted share. Fourth quarter 2001 net income was $90.2 million, or 37 cents per diluted share compared to $148.3 million, or 59 cents per diluted share in 2000. Fourth quarter 2001 consolidated net income included a loss of $10.3 million from discontinued operations, or four cents per diluted share, while fourth quarter 2000 net income included $10.6 million of income from discontinued operations, or four cents per diluted share.

(6)

For the full year 2001, revenue was $4.12 billion, up six percent from $3.88 billion in 2000. Income from continuing operations, before special items in both periods, was $556.3 million, or $2.25 per diluted share in 2001, compared to $562.3 million, or $2.17 per diluted share in 2000. Special items for the full year 2001 included a non-cash pre-tax charge of $268 million associated with the company's plan to transition to the next generation of digital, networked mailing technology, and a pre-tax charge of $116 million related to restructuring plan initiatives. There was also a pre-tax charge of approximately $24 million associated with the settlement of a class action lawsuit related to lease upgrade pricing, and a $362 million net pre-tax gain as a result of settling a lawsuit with Hewlett-Packard Company. Special items in 2000 included: an after-tax charge of approximately $11 million related to the consolidation of information technology staff and infrastructure, as well as a $12 million tax benefit related to state tax law changes. Full year net income for 2001 included a $26.0 million loss from discontinued operations, or 10 cents per diluted share compared to $64.1 million of income, or 25 cents per diluted share in 2000. As a result, full year net income for 2001 was $488.3 million, or $ 1.97 per diluted share compared to $622.5 million, or $2.41 per diluted share in 2000.

The board of directors declared a quarterly cash dividend of the company's common stock of 29.5 cents per share, payable March 12, 2002, to stockholders of record February 22, 2002. The board also declared a quarterly cash dividend of 53 cents per share on the company's $2.12 convertible preference stock, payable April 1, 2002, to stockholders of record March 15, 2002, and a quarterly cash dividend of 50 cents per share on the company's 4% convertible cumulative preferred stock, payable May 1, 2002 to stockholders of record April 12, 2002.

Management of Pitney Bowes will discuss the company's financial results in a conference call today; scheduled for 8:30 a.m. EST. Instructions for listening to the conference call over the WEB are available on the Investor Relations page of the company's web site at www.investorrelations.pitneybowes.com.

Pitney Bowes is a $4 billion global provider of integrated mail and document management solutions headquartered in Stamford, Connecticut. For more information about the company, its products, services and solutions, visit www.pitneybowes.com.

(7)

The statements contained in this press release that are not purely historical are forward-looking statements with the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements may be identified by their use of forward-looking terminology such as the words "expects," "projects," "estimates," "anticipates," "intends," and other similar words. Such forward-looking statements include, but are not limited to, statements about our restructuring plan and our future guidance, including our expected revenue in the first quarter and full year 2002, and our expected diluted earnings per share from continuing operations for the first quarter and for the full year 2002. Such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to: severe adverse changes in the economic environment, changes in international or national political or economic conditions, timely development and acceptance of new products or gaining product approval; successful entry into new markets; changes in interest rates; and changes in postal regulations, as more fully outlined in the company's 2000 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In addition, the forward-looking statements are subject to change based on the timing and specific terms of any announced acquisitions. The forward-looking statements contained in this news release are made as of the date hereof and we do not assume any obligation to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

Note: Consolidated statements of income for the three and twelve months ended December 31, 2001 and 2000, and consolidated balance sheets at December 31, 2001, September 30, 2001 and December 31, 2000 are attached.

Pitney Bowes Inc.
Consolidated Statements of Income

(Dollars in thousands, except per share data)

	(Unaudited) Three Months Ended December 31,	
	2001	2000

Revenue from:			
Sales	$ 589,892	$ 483,168	$
Rentals and financing	362,141	371,019	
Support services	138,774	124,297	
Total revenue	1,090,807	978,484	
Costs and expenses:			
Cost of sales	356,225	271,552	
Cost of rentals and financing	84,641	91,064	
Cost of meter transition (*)	10,300	-	
Selling, service and administrative	366,262	333,371	
Research and development	35,084	32,807	
Other income (*)	24,075	-	
Interest, net	43,972	48,261	
Restructuring charges (*)	27,503	-	
Total costs and expenses	948,062	777,055	
Income from continuing operations before income taxes	142,745	201,429	
Provision for income taxes	42,316	63,775	
Income from continuing operations	100,429	137,654	
Discontinued operations	(10,266)	10,632	
Cumulative effect of accounting change (*)	-	-	
Net income	$ 90,163	$ 148,286	$
Basic earnings per share			
Continuing operations	$ 0.41	$ 0.55	$
Discontinued operations	(0.04)	0.04	
Cumulative effect of accounting change	-	-	
Net income	0.37	0.59	
Special items after-tax (*)	0.16	-	
Discontinued operations	0.04	(0.04)	
Income from continuing operations excluding special items	$ 0.58	$ 0.55	$
Diluted earnings per share			
Continuing operations	$ 0.41	$ 0.55	$
Discontinued operations	(0.04)	0.04	
Cumulative effect of accounting change	-	-	
Net income	0.37	0.59	
Special items after-tax (*)	0.16	-	
Discontinued operations	0.04	(0.04)	
Income from continuing operations excluding special items	$ 0.57	$ 0.55	$

Average common and potential common shares outstanding	245,015,133	252,517,006	

Note: Special items are indicated by the asterisks above or are otherwise explained in the press release. Special items for the three and twelve months ended December 31, 2001 resulted in a net after-tax charge of $39,533 and $41,954, respectively.

The sum of the earnings per share amounts may not equal the totals above due to rounding.

Pitney Bowes Inc.
Consolidated Balance Sheets

(Dollars in thousands, except per share data)

Assets	12/31/01	(Unaudited) 9/30/01	
Current assets:			
Cash and cash equivalents	$ 231,588	$ 292,312	$
Short-term investments, at cost which approximates market	1,790	8,107	
Accounts receivable, less allowances: 12/01 $32,448 9/01 $30,349 12/00 $26,468	408,414	386,885	
Finance receivables, less allowances: 12/01 $61,451 9/01 $57,825 12/00 $44,129	1,601,189	1,486,910	
Inventories	163,012	164,630	
Other current assets and prepayments	150,615	151,398	
Net assets of discontinued operations	-	230,789	
Total current assets	2,556,608	2,721,031	
Property, plant and equipment, net	534,595	509,850	
Rental equipment and related inventories, net	472,186	469,387	
Property leased under capital leases, net	1,489	1,691	
Long-term finance receivables, less allowances: 12/01 $65,967 9/01 $67,879 12/00 $53,222	1,898,976	1,790,647	
Investment in leveraged leases	1,337,282	1,260,955	
Goodwill, net of amortization: 12/01 $70,697 9/01 $66,451 12/00 $58,658	635,873	566,075	
Other assets	881,462	691,149	
Net assets of discontinued operations	-	219,121	
Total assets	$ 8,318,471	$ 8,229,906	$

Liabilities and stockholders' equity

Current liabilities:			
Accounts payable and accrued liabilities	$ 1,425,809	$ 1,191,435	$
Income taxes payable	250,895	378,926	
Notes payable and current portion of long-term obligations	1,072,057	756,579	
Advance billings	334,281	333,532	
Total current liabilities	3,083,042	2,660,472	
Deferred taxes on income	1,273,593	1,218,881	
Long-term debt	2,419,150	2,436,358	
Other noncurrent liabilities	341,331	338,076	
Total liabilities	7,117,116	6,653,787	
Preferred stockholders' equity in a subsidiary company	310,000	310,000	
Stockholders' equity:			
Cumulative preferred stock, $50 par value, 4% convertible	24	24	
Cumulative preference stock, no par value, $2.12 convertible	1,603	1,609	
Common stock, $1 par value	323,338	323,338	
Capital in excess of par value	6,979	3,471	
Retained earnings	3,658,481	3,950,435	
Accumulated other comprehensive income	(155,380)	(148,132)	
Treasury stock, at cost	(2,943,690)	(2,864,626)	
Total stockholders' equity	891,355	1,266,119	
Total liabilities and stockholders' equity	$ 8,318,471	$ 8,229,906	$

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

(Dollars in thousands)

	2001	2000 (2)	% Change

Fourth Quarter

Revenue

Global Mailing	$ 736,550	$ 702,056	5%
Enterprise Solutions	311,097	230,070	35%
Total Messaging Solutions	1,047,647	932,126	12%
Capital Services	43,160	46,358	(7%)
Total Revenue	$ 1,090,807	$ 978,484	11%
Operating Profit (1)			
Global Mailing	$ 221,881	$ 208,747	6%
Enterprise Solutions	20,891	23,830	(12%)
Total Messaging Solutions	242,772	232,577	4%
Capital Services	15,148	17,215	(12%)
Total Operating Profit	$ 257,920	$ 249,792	3%

Pitney Bowes Inc.
Revenue and Operating Profit
By Business Segment
December 31, 2001

(Dollars in thousands)

	2001	2000 (2)	% Change
Year to Date			
Revenue			
Global Mailing	$2,846,844	$2,830,898	1%
Enterprise Solutions	1,083,450	861,517	26%
Total Messaging Solutions	3,930,294	3,692,415	6%
Capital Services	192,180	188,453	2%

Total Revenue	$4,122,474	$3,880,868	6%
Operating Profit (1)			
Global Mailing	$ 859,821	$ 843,523	2%
Enterprise Solutions	77,447	73,214	6%
Total Messaging Solutions	937,268	916,737	2%
Capital Services	72,396	64,950	11%
Total Operating Profit	$1,009,664	$ 981,687	3%