Lloyds Banking Group plc
Form 6-K
March 12, 2018

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

12 March 2018

LLOYDS BANKING GROUP plc
(Translation of registrant's name into English)

5th Floor
25 Gresham Street
London
EC2V 7HN
United Kingdom

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports
under cover Form 20-F or Form 40-F.

Form 20-F..X..   Form 40-F

Indicate by check mark whether the registrant by furnishing the information
contained in this Form is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes   No ..X..

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule
12g3-2(b): 82- ________

Index to Exhibits

Item

No. 1 Regulatory News Service Announcement, dated 12 March 2018 re: Transaction in Own Shares

12 March 2018

TRANSACTIONS IN OWN SECURITIES

Lloyds Banking Group plc (the "Company") announces today that it has purchased the following number of its ordinary shares, from UBS AG, London Branch (the "Broker").

Ordinary Shares

Date of purchases:	12 March 2018
Number of ordinary shares purchased:	6,000,000
Highest price paid per share (pence):	67.7700
Lowest price paid per share (pence):	67.3700
Volume weighted	67.5258

average
price
paid
per
share
(pence):

Such purchases form part of the Company's existing share buy-back programme and were effected pursuant to the instructions issued to the Broker by the Company on 07 March 2018, as announced on 08 March 2018.

The Company intends to cancel these Shares.

In accordance with Article 5(1)(b) of Regulation (EU) No 596/2014 (the Market Abuse Regulation), a full breakdown of the individual trades made by the Broker on behalf of the Company as part of the buy-back programme is set out in the Schedule to this announcement.

- END -

For further information:

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SCHEDULE

TRANSACTION DETAILS

Aggregated information

Date of purchase:	12 March 2018

Trading venue	Volume weighted average price (pence)	Aggregated volume
London Stock Exchange	67.5258	6,000,000
BATS Europe	0.0000	0
Chi-X Europe	0.0000	0
Turquoise	0.0000	0

Transaction details

Issuer name:	Lloyds Banking Group plc
ISIN:	GB0008706128
Intermediary name:	UBS Limited
Intermediary code:	UBSWGB24
Time zone:	UTC
Currency:	GBX

Number of shares purchased	Transaction price(pence per share)	Time of transaction	Trading venue	MatchId
8,726	67.5300	08:04:50	LSE	721121
10,118	67.5200	08:04:51	LSE	721182
2,356	67.5200	08:04:51	LSE	721180
6,370	67.5200	08:04:51	LSE	721161
11,070	67.5100	08:04:54	LSE	721260
6,986	67.5000	08:04:57	LSE	721332
3,920	67.5000	08:04:57	LSE	721330
8,261	67.4900	08:05:15	LSE	722074
9,261	67.4400	08:06:01	LSE	723937
10,413	67.5100	08:08:06	LSE	729310
12,091	67.5900	08:11:07	LSE	737145

9,872	67.5800	08:11:19	LSE	737468
2,000	67.5800	08:11:19	LSE	737466
8,351	67.5600	08:11:44	LSE	738464
1,589	67.5600	08:11:44	LSE	738462
5,373	67.6200	08:13:35	LSE	742155
6,014	67.6200	08:13:35	LSE	742153
8,749	67.6100	08:13:43	LSE	742483
8,691	67.5800	08:14:19	LSE	743830
6,257	67.6100	08:15:54	LSE	746764
4,647	67.6100	08:15:54	LSE	746762
9,163	67.5900	08:16:56	LSE	748865
11,069	67.6100	08:16:56	LSE	748816
9,862	67.5800	08:17:00	LSE	748968
6,017	67.5600	08:18:28	LSE	752075
2,782	67.5600	08:18:28	LSE	752073
5,278	67.5500	08:19:10	LSE	753330
4,451	67.5500	08:19:10	LSE	753328
8,380	67.5200	08:20:36	LSE	756039
1,188	67.5100	08:22:00	LSE	758631
9,070	67.5100	08:22:00	LSE	758629
7,913	67.4800	08:22:58	LSE	760209
8,925	67.4600	08:24:12	LSE	762727
2,322	67.4800	08:24:12	LSE	762725
9,947	67.4400	08:25:51	LSE	765485
12,767	67.4500	08:26:42	LSE	767240
9,620	67.4300	08:27:35	LSE	768820
8,548	67.4200	08:28:11	LSE	769620
10,700	67.4300	08:28:11	LSE	769601
2,658	67.4500	08:30:06	LSE	772922
7,824	67.4500	08:30:06	LSE	772920
9,656	67.4400	08:30:15	LSE	773247
8,787	67.4400	08:30:52	LSE	774480
9,752	67.4400	08:30:52	LSE	774428
9,737	67.4200	08:31:21	LSE	775688
933	67.4000	08:31:50	LSE	776719
7,974	67.4000	08:31:50	LSE	776717
674	67.3900	08:31:52	LSE	776856
9,674	67.3800	08:32:04	LSE	777311
9,561	67.4200	08:33:37	LSE	780438
13,563	67.4800	08:35:38	LSE	784551
10,071	67.4700	08:35:43	LSE	784718
8,742	67.4600	08:35:49	LSE	784913
9,410	67.4400	08:37:03	LSE	787155
1,706	67.5900	08:43:52	LSE	798879
15,137	67.5900	08:43:52	LSE	798881
5,519	67.5700	08:44:25	LSE	799851
9,585	67.5700	08:44:25	LSE	799849
15,832	67.5800	08:44:25	LSE	799847
9,827	67.5700	08:45:20	LSE	801419
7,647	67.5700	08:45:20	LSE	801417
17,636	67.5600	08:45:22	LSE	801592

10,243	67.5400	08:45:40	LSE	802166
9,778	67.5400	08:45:44	LSE	802329
10,599	67.5400	08:45:44	LSE	802308
5,179	67.5400	08:45:44	LSE	802306
8,575	67.5400	08:45:44	LSE	802304
3,161	67.5000	08:46:12	LSE	803519
5,636	67.5000	08:46:28	LSE	804003
10,132	67.5000	08:47:00	LSE	804624
1,188	67.5000	08:47:21	LSE	805351
8,341	67.5000	08:47:21	LSE	805349
5,284	67.5400	08:50:09	LSE	810676
3,914	67.5400	08:50:09	LSE	810674
10,130	67.5200	08:50:14	LSE	810783
8,855	67.5200	08:51:00	LSE	812061
8,459	67.5300	08:52:38	LSE	814996
8,464	67.5300	08:53:43	LSE	816763
420	67.5400	08:56:05	LSE	820856
6,354	67.5400	08:56:06	LSE	820901
3,555	67.5400	08:56:06	LSE	820899
9,642	67.5300	08:56:30	LSE	821512
9,199	67.5100	08:57:06	LSE	822321
8,717	67.4700	08:58:00	LSE	824232
13,565	67.4900	09:03:31	LSE	834586
14,825	67.4800	09:03:44	LSE	834929
6,369	67.4900	09:05:00	LSE	837754
10,160	67.4900	09:05:34	LSE	838844
7,830	67.4900	09:05:34	LSE	838842
151	67.4900	09:05:34	LSE	838840
1,554	67.4900	09:07:52	LSE	842292
10,457	67.4900	09:07:52	LSE	842294
10,569	67.4800	09:09:50	LSE	845533
3,366	67.4700	09:09:51	LSE	845564
6,554	67.4700	09:09:51	LSE	845562
10,046	67.4600	09:10:00	LSE	845862
8,986	67.4600	09:12:02	LSE	849827
8,731	67.4600	09:14:23	LSE	853575
11,472	67.4600	09:15:27	LSE	855135
10,702	67.4500	09:16:23	LSE	856638
9,592	67.4600	09:19:22	LSE	861409
6,274	67.5300	09:23:14	LSE	867964
4,688	67.5300	09:23:14	LSE	867962
3,869	67.5300	09:23:14	LSE	867960
398	67.5200	09:24:05	LSE	869188
10,859	67.5200	09:24:05	LSE	869186
10,015	67.5100	09:24:16	LSE	869473
3,904	67.4900	09:24:28	LSE	869888
5,561	67.4900	09:24:28	LSE	869886
8,307	67.4700	09:25:35	LSE	871578
12,207	67.4900	09:26:22	LSE	872819
10,242	67.4900	09:28:11	LSE	876130
13,054	67.4900	09:30:08	LSE	879386

10,914	67.4800	09:30:15	LSE	879574
15,066	67.5200	09:33:51	LSE	885298
12,749	67.5700	09:36:14	LSE	889336
9,771	67.5600	09:36:52	LSE	890448
69	67.5600	09:36:52	LSE	890446
2,576	67.5600	09:36:52	LSE	890444
14,563	67.5700	09:36:52	LSE	890442
11,164	67.5500	09:37:38	LSE	892150
496	67.5300	09:37:49	LSE	892583
12,956	67.5700	09:41:08	LSE	899010
13,150	67.5800	09:42:38	LSE	901688
333	67.5700	09:43:27	LSE	902925
11,206	67.5700	09:43:27	LSE	902927
4,591	67.5600	09:43:53	LSE	903757
5,300	67.5600	09:43:53	LSE	903755
9,195	67.5600	09:45:54	LSE	907573
8,935	67.5500	09:45:55	LSE	907615
9,237	67.5400	09:46:53	LSE	909546
950	67.5400	09:46:53	LSE	909544
10,236	67.5400	09:49:13	LSE	913812
8,458	67.5500	09:50:43	LSE	916970
9,910	67.5300	09:50:44	LSE	917019
8,622	67.5400	09:52:08	LSE	920211
8,243	67.5300	09:53:00	LSE	921733
9,643	67.5300	09:54:46	LSE	924863
211	67.5500	09:57:45	LSE	930946
7,000	67.5500	09:57:45	LSE	930944
2,672	67.5500	09:57:45	LSE	930942
10,075	67.5500	09:57:45	LSE	930939
9,300	67.5200	09:59:16	LSE	934309
9,166	67.5300	10:03:05	LSE	938887
11,089	67.5400	10:03:05	LSE	938885
2,673	67.5300	10:07:23	LSE	943639
5,300	67.5300	10:07:23	LSE	943637
1,771	67.5300	10:07:23	LSE	943641
8,748	67.5300	10:07:23	LSE	943627
4,809	67.5300	10:07:23	LSE	943625
6,248	67.5100	10:07:57	LSE	944628
2,938	67.5100	10:07:57	LSE	944626
1,725	67.4900	10:09:44	LSE	946557
3,800	67.4900	10:09:46	LSE	946608
3,974	67.4900	10:10:00	LSE	946790
8,648	67.4800	10:13:18	LSE	950217
11,002	67.4900	10:15:04	LSE	951952
8,534	67.4800	10:15:05	LSE	951963
9,434	67.4700	10:15:10	LSE	952016
12,901	67.4900	10:20:03	LSE	957076
4,105	67.4900	10:21:54	LSE	958857
9,374	67.4900	10:21:54	LSE	958855
9,651	67.4700	10:25:00	LSE	962095
5,129	67.4900	10:27:41	LSE	965413

8,999	67.4900	10:27:41	LSE	965411
13,398	67.4900	10:31:27	LSE	969572
13,316	67.4900	10:33:27	LSE	971736
2,876	67.4900	10:33:27	LSE	971734
12,386	67.4800	10:34:36	LSE	972948
11,527	67.4700	10:37:42	LSE	976378
7,855	67.4800	10:41:43	LSE	980867
5,960	67.4800	10:41:43	LSE	980865
14,663	67.4800	10:42:41	LSE	981897
12,877	67.4700	10:43:31	LSE	982918
11,704	67.4600	10:43:32	LSE	982937
9,601	67.4600	10:44:02	LSE	983577
9,610	67.4600	10:44:26	LSE	984103
13,419	67.4800	10:51:03	LSE	991023
11,427	67.4700	10:53:10	LSE	993239
10,823	67.4800	10:53:10	LSE	993237
11,439	67.4600	10:53:21	LSE	993440
771	67.4800	10:57:35	LSE	997758
9,005	67.4800	10:57:35	LSE	997756
8,299	67.4700	10:59:53	LSE	1000482
1,106	67.4700	10:59:53	LSE	1000484
11,083	67.4800	11:00:56	LSE	1001653
12,455	67.5100	11:02:34	LSE	1003052
8,537	67.5000	11:02:51	LSE	1003438
9,775	67.4900	11:03:42	LSE	1004399
8,687	67.4800	11:06:01	LSE	1006405
8,474	67.4900	11:06:01	LSE	1006401
9,258	67.4900	11:08:59	LSE	1010106
10,131	67.4900	11:11:22	LSE	1012600
8,599	67.4700	11:12:08	LSE	1013419
9,068	67.4800	11:12:08	LSE	1013395
11,690	67.4800	11:16:21	LSE	1017668
12,239	67.4900	11:19:58	LSE	1021710
11,799	67.4800	11:20:03	LSE	1021858
9,852	67.4800	11:20:31	LSE	1022296
1,998	67.4800	11:20:31	LSE	1022294
9,536	67.4600	11:22:20	LSE	1024530
10,010	67.4600	11:23:11	LSE	1025557
9,949	67.4500	11:23:18	LSE	1025795
5,506	67.4400	11:25:40	LSE	1028228
2,896	67.4400	11:26:18	LSE	1028923
8,989	67.4400	11:26:18	LSE	1028925
3,213	67.4900	11:30:14	LSE	1032537
11,546	67.4900	11:30:14	LSE	1032535
12,823	67.4800	11:32:25	LSE	1034679
15,470	67.4800	11:35:12	LSE	1037613
12,952	67.4800	11:36:26	LSE	1038862
4,506	67.4700	11:37:17	LSE	1039532
5,420	67.4700	11:37:17	LSE	1039530
3,000	67.4700	11:37:17	LSE	1039528
14,984	67.4800	11:40:12	LSE	1042190

13,283	67.4900	11:42:26	LSE	1044268							
1,064	67.4900	11:42:26	LSE	1044266							
3,905	67.4900	11:43:23	LSE	1045333							
	—			—		19,553	60,550	80,103			
Support services	—			—		50,744	22,278	—	45,440	118,462	—
Business services	246,590			134,458		3,803	1,688	—	—	386,539	—
	$	246,590		$	134,458	$127,950	$63,514	$81,616	$96,257	$750,385	$232,79
Revenue from sales and services (ASC 606)	$	246,590		$	134,458	$127,950	$63,514	$81,616	$96,257	$750,385	$—
Revenue from leasing transactions and financing	—			—		197,480	34,383	—	934	—	232,797
Total revenue	$	246,590		$	134,458	$325,430	$97,897	$81,616	$97,191	$750,385	$232,79
Timing of revenue recognition (ASC 606)											
Products/services transferred at a point in time	$	—		$	—	$56,096	$34,405	$26,057	$50,817	$167,375	
Products/services transferred over time	246,590			134,458		71,854	29,109	55,559	45,440	583,010	
Total revenue	$	246,590		$	134,458	$127,950	$63,514	$81,616	$96,257	$750,385	

Our performance obligations are as follows:

Equipment sales and supplies: Our performance obligations generally include the sale of mailing equipment, excluding sales-type leases, and supplies. We recognize revenue upon delivery for self-install equipment and supplies and upon acceptance or installation for other equipment. We provide a warranty that our equipment is free of defects and meets stated specifications. The warranty is not considered a separate performance obligation.

Software: Our performance obligations include the sale of software licenses, maintenance, data products and professional services. Revenue for licenses is generally recognized upon delivery or over time for those licenses that require critical updates over the term of the contract.

Rentals: Our performance obligations include the fees associated with postage refills for meters.

Financing: Our performance obligations for financing revenue include services under our equipment replacement program. The fees received for this program are recognized ratably over the contract term.

Support services: Our performance obligations include providing maintenance and professional services for our equipment. Maintenance contract revenue is recognized ratably over the contract period and revenue for professional services is recognized when services are complete.

Business services: Our performance obligations include mail processing services and ecommerce solutions. Revenue is recognized as the services are provided as these services represent a series of distinct services that are similar and the revenue is recognized as the services are provided.

Revenue from leasing transactions and financing include revenue from sales-type leases, finance income and late fees that are not accounted for under ASC 606.

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PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

Contract Assets and Advance Billings from Contracts with Customers

	March 31, 2018	January 1, 2018 (1)	Total increase (decrease)
Contracts assets, current portion	$4,565	$5,075	$ (510)
Contracts assets, noncurrent portion	$1,752	$648	$ 1,104
Advance billings, current portion	$236,599	$238,707	$ (2,108)
Advance billings, noncurrent portion	$14,887	$17,874	$ (2,987)

(1) Balances adjusted for the cumulative effect of accounting change

Contract assets, current and non current, are recorded in Other current assets and prepayments and Other assets, respectively. Advance billings, current and noncurrent, are recorded in Advance billings and Other noncurrent liabilities, respectively.

Contract Assets

We record contract assets when performance obligations are satisfied in advance of invoicing the customer when the right to consideration is conditional on the satisfaction of another performance obligation within a contract.

Advance Billings from Contracts with Customers

Advance billings are recorded when cash payments are due in advance of our performance. Items in advance billings primarily relate to support services on equipment and software licenses, subscription services and certain software data products. Revenue is recognized ratably over the contract term.

The net decrease in advance billings at March 31, 2018 is primarily driven by revenues recognized during the period, which includes $107 million of advance billings at the beginning of the period, partially offset by advance billings in the quarter.

Future Performance Obligations

The transaction prices allocated to future performance obligations will be recognized as follows:

	Total	Remainder of 2018	2019	2020-2023
North America Mailing(1)	$269,197	$ 91,823	$90,473	$ 86,901
International Mailing(1)	121,695	38,663	33,801	49,231
Production Mail(2)	8,321	4,194	3,557	570
Software Solutions(3)	87,868	40,592	30,440	16,836
Total	$487,081	$ 175,272	$158,271	$ 153,538

(1) Revenue streams bundled with our leasing contracts, primarily maintenance and other services
(2) Noncancellable maintenance contracts for production mail equipment for contract terms greater than 12 months
(3) Multiple-year software maintenance contracts, certain software and data licenses and data updates

The table above does not include revenue related to performance obligations for contracts with terms less than 12 months and expected consideration for those performance obligations where revenue is recognized based on the amount billable to the customer.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

3. Segment Information
In January 2018, we revised our business reporting groups to reflect how we manage these groups and clients served in each market. The Commerce Services group was formed and includes our Global Ecommerce and Presort Services segments. The principal products and services of each of our reportable segments are as follows:
Commerce Services:
Global Ecommerce: Includes the worldwide revenue and related expenses from cross-border ecommerce transactions and domestic retail and ecommerce shipping solutions, including fulfillment and returns.
Presort Services: Includes revenue and related expenses from sortation services which allow clients to qualify large mail volumes for postal worksharing discounts.
Small & Medium Business Solutions:
North America Mailing: Includes the revenue and related expenses from mailing and office solutions, financing services and supplies for small and medium businesses to efficiently create physical and digital mail, evidence postage and help simplify and save on the sending, tracking and receiving of letters, parcels and flats in the U.S. and Canada.
International Mailing: Includes the revenue and related expenses from mailing and office solutions, financing services and supplies for small and medium businesses to efficiently create physical and digital mail, evidence postage and help simplify and save on the sending, tracking and receiving of letters, parcels and flats in areas outside the U.S. and Canada.
Software Solutions:
Includes the worldwide revenue and related expenses from the licensing of customer engagement, customer information, and location intelligence software and data solutions and related support services.
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.
We determine segment earnings before interest and taxes (EBIT) by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges and other items, which are not allocated to a particular business segment. Management uses segment EBIT to measure profitability and performance at the segment level and believes that it provides a useful measure of 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. The following tables provide information about our reportable segments.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; table amounts in thousands unless otherwise noted, except per share amounts)

Revenue and EBIT by business segment is presented below:

	Revenue	
	Three Months Ended March 31,	
	2018	2017
Global Ecommerce	$246,590	$88,152
Presort Services	134,458	132,677
Commerce Services	381,048	220,829
North America Mailing	325,430	355,578
International Mailing	97,897	93,058
Small & Medium Business Solutions	423,327	448,636
Software Solutions	81,616	78,220
Production Mail	97,191	88,955
Total revenue	$983,182	$836,640

	EBIT	
	Three Months Ended March 31,	
	2018	2017
Global Ecommerce	$(7,711)	$(4,270)
Presort Services	27,026	30,717
Commerce Services	19,315	26,447
North America Mailing	119,471	141,008
International Mailing	15,892	13,269
Small & Medium Business Solutions	135,363	154,277
Software Solutions	4,849	2,749
Production Mail	9,619	8,964
Total segment EBIT	169,146	192,437
Reconciling items:		
Interest, net	(43,078)	(38,650)
Unallocated corporate expenses	(49,361)	(55,156)
Restructuring charges, net	(1,021)	(2,082)
Transaction costs	(2,594)	—
Income before income taxes	73,092	96,549
Provision for income taxes	19,579	31,416
Net income	$53,513	$65,133

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4. Earnings per Share

	Three Months Ended March 31,	
	2018	2017
Numerator:		
Net income (numerator for diluted EPS)	$53,513	$65,133
Less: Preference stock dividend	8	9
Income attributable to common stockholders (numerator for basic EPS)	$53,505	$65,124
Denominator:		
Weighted-average shares used in basic EPS	186,863	185,982
Effect of dilutive shares	1,312	893
Weighted-average shares used in diluted EPS	188,175	186,875
Basic earnings per share	$0.29	$0.35
Diluted earnings per share	$0.28	$0.35
Anti-dilutive shares not used in calculating diluted weighted-average shares	11,636	11,176

5. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the last-in, first-out (LIFO) basis for most U.S. inventories and the first-in, first-out (FIFO) basis for most non-U.S. inventories. Inventories at March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018	December 31, 2017
Raw materials	$29,150	$ 30,166
Work in process	7,127	4,981
Supplies and service parts	46,049	45,366
Finished products	26,497	21,765
Inventory at FIFO cost	108,823	102,278
Excess of FIFO cost over LIFO cost	(12,599)	(12,599)
Total inventory, net	$96,224	$ 89,679

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6. Finance Assets
Finance Receivables
Finance receivables are comprised of sales-type lease receivables and unsecured revolving loan receivables. Sales-type lease receivables are generally due in monthly, quarterly or semi-annual installments over periods ranging from three to five years. Loan receivables arise primarily from financing services offered to our customers for postage and supplies. Loan receivables are generally due each month; however, customers may rollover outstanding balances. Interest is recognized on loan receivables using the effective interest method and related annual fees are initially deferred and recognized ratably over the annual period covered. Customer acquisition costs are expensed as incurred.
Finance receivables at March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018			December 31, 2017		
	North America	International	Total	North America	International	Total
Sales-type lease receivables						
Gross finance receivables	$1,012,917	$290,618	$1,303,535	$1,023,549	$292,059	$1,315,608
Unguaranteed residual values	68,719	14,242	82,961	74,093	14,202	88,295
Unearned income	(218,628)	(62,527)	(281,155)	(216,720)	(62,325)	(279,045)
Allowance for credit losses	(8,763)	(3,083)	(11,846)	(7,721)	(2,794)	(10,515)
Net investment in sales-type lease receivables	854,245	239,250	1,093,495	873,201	241,142	1,114,343
Loan receivables						
Loan receivables	314,664	33,564	348,228	339,373	34,492	373,865
Allowance for credit losses	(6,950)	(984)	(7,934)	(7,098)	(1,020)	(8,118)
Net investment in loan receivables	307,714	32,580	340,294	332,275	33,472	365,747
Net investment in finance receivables	$1,161,959	$271,830	$1,433,789	$1,205,476	$274,614	$1,480,090

Allowance for Credit Losses
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. We continually evaluate the adequacy of the allowance for credit losses and make adjustments as necessary. The assumptions used in determining an estimate of credit losses are inherently subjective and actual results may differ significantly from estimated reserves.

We establish credit approval limits based on the credit quality of the client and the type of equipment financed. Our policy is to discontinue revenue recognition for lease receivables that are more than 120 days past due and for loan receivables that are more than 90 days past due. We resume revenue recognition when the client's payments reduce the account aging to less than 60 days past due. Finance receivables deemed uncollectible are written off against the allowance after all collection efforts have been exhausted and management deems the account to be uncollectible. We believe that our finance receivable credit risk is low because of the geographic and industry diversification of our clients and small account balances for most of our clients.

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Activity in the allowance for credit losses for the three months ended March 31, 2018 and 2017 was as follows:

	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Balance at January 1, 2018	$7,721	$ 2,794	$7,098	$ 1,020	$18,633
Amounts charged to expense	2,217	399	1,925	141	4,682
Write-offs and other	(1,175)	(110)	(2,073)	(177)	(3,535)
Balance at March 31, 2018	$8,763	$ 3,083	$6,950	$ 984	$19,780

	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Balance at January 1, 2017	$8,247	$ 2,647	$8,517	$ 1,089	$20,500
Amounts charged to expense	1,758	178	639	144	2,719
Write-offs and other	(1,189)	(256)	(1,787)	(157)	(3,389)
Balance at March 31, 2017	$8,816	$ 2,569	$7,369	$ 1,076	$19,830

Aging of Receivables
The aging of gross finance receivables at March 31, 2018 and December 31, 2017 was as follows:

	March 31, 2018				
	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
1 - 90 days	$960,922	$ 284,696	$305,623	$ 33,292	$1,584,533
> 90 days	51,995	5,922	9,041	272	67,230
Total	$1,012,917	$ 290,618	$314,664	$ 33,564	$1,651,763
Past due amounts > 90 days					
Still accruing interest	$8,757	$ 1,774	$—	$ —	$10,531
Not accruing interest	43,238	4,148	9,041	272	56,699
Total	$51,995	$ 5,922	$9,041	$ 272	$67,230

	December 31, 2017				
	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
1 - 90 days	$971,002	$ 286,170	$330,503	$ 34,239	$1,621,914
> 90 days	52,547	5,889	8,870	253	67,559
Total	$1,023,549	$ 292,059	$339,373	$ 34,492	$1,689,473
Past due amounts > 90 days					
Still accruing interest	$10,807	$ 1,738	$—	$ —	$12,545
Not accruing interest	41,740	4,151	8,870	253	55,014
Total	$52,547	$ 5,889	$8,870	$ 253	$67,559

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Credit Quality
The extension of credit and management of credit lines to new and existing clients uses a combination of an automated credit score, where available, and a detailed manual review of the client's financial condition and, when applicable, payment history. Once credit is granted, the payment performance of the client is managed through automated collections processes and is supplemented with direct follow up should an account become delinquent. We have robust automated collections and extensive portfolio management processes. The portfolio management processes ensure that our global strategy is executed, collection resources are allocated appropriately and enhanced tools and processes are implemented as needed.
We use a third party to score the majority of the North America portfolio on a quarterly basis using a commercial credit score. We do not use a third party to score our International portfolio because the cost to do so is prohibitive, given that it is a localized process and there is no single credit score model that covers all countries.
The table below shows the North America portfolio at March 31, 2018 and December 31, 2017 by relative risk class based on the relative scores of the accounts within each class. The relative scores are determined based on a number of factors, including the company type, ownership structure, payment history and financial information. A fourth class is shown for accounts that are not scored. Absence of a score is not indicative of the credit quality of the account. The degree of risk (low, medium, high), as defined by the third party, refers to the relative risk that an account in the next 12 month period may become delinquent.

- Low risk accounts are companies with very good credit scores and are considered to approximate the top 30% of all commercial borrowers.
- Medium risk accounts are companies with average to good credit scores and are considered to approximate the middle 40% of all commercial borrowers.
- High risk accounts are companies with poor credit scores, are delinquent or are at risk of becoming delinquent and are considered to approximate the bottom 30% of all commercial borrowers.

	March 31, 2018	December 31, 2017
Sales-type lease receivables		
Low	$817,697	$ 819,776
Medium	138,411	148,000
High	21,858	21,728
Not Scored	34,951	34,045
Total	$1,012,917	$ 1,023,549
Loan receivables		
Low	$239,104	$ 262,646
Medium	56,560	56,744
High	6,067	6,791
Not Scored	12,933	13,192
Total	$314,664	$ 339,373

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7. Acquisitions, Intangible Assets and Goodwill
Acquisitions
In October 2017, we acquired Newgistics for $471 million, net of cash acquired. The results of Newgistics are included in our consolidated operating results from the date of acquisition. Our consolidated revenue for the three months ended March 31, 2018 includes $131 million from Newgistics. On a supplemental pro forma basis, had we acquired Newgistics on January 1, 2017, our revenues would have been $119 million higher for the three months ended March 31, 2017. The impact on our earnings would not have been material.
Intangible Assets
Intangible assets at March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$528,997	$ (303,449)	$225,548	$526,149	$ (292,500)	$233,649
Software & technology	174,208	(147,595)	26,613	173,141	(144,742)	28,399
Trademarks & other	42,838	(33,681)	9,157	42,505	(32,367)	10,138
Total intangible assets	$746,043	$ (484,725)	$261,318	$741,795	$ (469,609)	$272,186

Amortization expense was $11 million and $8 million for the three months ended March 31, 2018 and 2017, respectively.
Future amortization expense as of March 31, 2018 was as follows:

Remaining for year ending December 31, 2018	$37,598
Year ending December 31, 2019	38,330
Year ending December 31, 2020	33,744
Year ending December 31, 2021	30,119
Year ending December 31, 2022	29,038
Thereafter	92,489
Total	$261,318

Actual amortization expense may differ from the amounts above due to, among other things, fluctuations in foreign currency exchange rates, impairments, acquisitions and accelerated amortization.
Goodwill
Changes in the carrying value of goodwill, by reporting segment, for the three months ended March 31, 2018 are shown in the table below.

	December 31, 2017	Acquisitions	Other[1]	March 31, 2018
Global Ecommerce	$ 602,461	$ —	$(653)	$601,808
Presort Services	204,781	2,684	—	207,465
Commerce Services	807,242	2,684	(653)	809,273
North America Mailing	368,905	—	(205)	368,700
International Mailing	158,203	—	7,127	165,330
Small & Medium Business Solutions	527,108	—	6,922	534,030
Software Solutions	510,605	—	2,924	513,529
Production Mail	107,489	—	1,663	109,152
Total goodwill	$ 1,952,444	$ 2,684	$10,856	$1,965,984

[1] Primarily represents foreign currency translation adjustments.

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8. Fair Value Measurements and Derivative Instruments

We measure certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. An entity is required to classify certain assets and liabilities measured at fair value based on the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity, may be derived from internally developed methodologies based on management's best estimate of fair value and that are significant to the fair value of the asset or liability.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect its placement within the fair value hierarchy. The following tables show, by level within the fair value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis at March 31, 2018 and December 31, 2017.

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds / commercial paper	$84,345	$312,373	$ —	$396,718
Equity securities	—	23,734	—	23,734
Commingled fixed income securities	1,552	21,125	—	22,677
Government and related securities	127,475	16,439	—	143,914
Corporate debt securities	—	72,289	—	72,289
Mortgage-backed / asset-backed securities	—	161,069	—	161,069
Derivatives				
Interest rate swap	—	1,595	—	1,595
Foreign exchange contracts	—	529	—	529
Total assets	$213,372	$609,153	$ —	$822,525
Liabilities:				
Derivatives				
Foreign exchange contracts	$—	$(1,639)	$ —	$(1,639)
Total liabilities	$—	$(1,639)	$ —	$(1,639)

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	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds / commercial paper	$143,349	$542,568	$ —	$685,917
Equity securities	—	40,717	—	40,717
Commingled fixed income securities	1,569	4,516	—	6,085
Government and related securities	116,041	18,587	—	134,628
Corporate debt securities	—	75,109	—	75,109
Mortgage-backed / asset-backed securities	—	158,202	—	158,202
Derivatives				
Interest rate swap	—	1,776	—	1,776
Foreign exchange contracts	—	122	—	122
Total assets	$260,959	$841,597	$ —	$1,102,556
Liabilities:				
Derivatives				
Foreign exchange contracts	$—	$(335)	$ —	$(335)
Total liabilities	$—	$(335)	$ —	$(335)

Investment Securities

The valuation of investment securities is based on the market approach using inputs that are observable, or can be corroborated by observable data, in an active marketplace. The following information relates to our classification into the fair value hierarchy:

- Money Market Funds / Commercial Paper: Money market funds typically invest in government securities, certificates of deposit, commercial paper and other highly liquid, low risk securities. Money market funds are principally used for overnight deposits and are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange. Direct investments in commercial paper are not listed on an exchange in an active market and are classified as Level 2.
- Equity Securities: Comprised of mutual funds investing in U.S. and foreign stocks. These mutual funds are classified as Level 2.
- Commingled Fixed Income Securities: Comprised of mutual funds that invest in a variety of fixed income securities including securities of the U.S. government and its agencies, corporate debt, mortgage-backed securities and asset-backed securities. Fair value is based on the value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding, as reported by the fund manager. These mutual funds are classified as Level 2.
- Government and Related Securities: Debt securities are classified as Level 1 where active, high volume trades for identical securities exist. Valuation adjustments are not applied to these securities. Debt securities valued using quoted market prices for similar securities or benchmarking model derived prices to quoted market prices and trade data for identical or comparable securities are classified as Level 2.
- Corporate Debt Securities: Corporate debt securities are valued using recently executed transactions, market price quotations where observable, or bond spreads. The spread data used are for the same maturity as the security. These securities are classified as Level 2.
- Mortgage-Backed Securities / Asset-Backed Securities: These securities are valued based on external pricing indices. When external index pricing is not observable, these securities are valued based on external price/spread data. These securities are classified as Level 2.

Investment securities include investments held by The Pitney Bowes Bank (the Bank), whose primary business is to provide financing solutions to clients that rent postage meters and purchase supplies. The Bank's assets and liabilities consist primarily of cash, finance receivables, short and long-term investments and deposit accounts.

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Available-For-Sale Securities
Certain investment securities are classified as available-for-sale and recorded at fair value in the Condensed Consolidated Balance Sheets as cash and cash equivalents, short-term investments and other assets depending on the type of investment and maturity. Unrealized holding gains and losses are recorded, net of tax, in AOCI.
Available-for-sale securities at March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Government and related securities	$142,719	$ 1,393	$ (1,996)	$142,116
Corporate debt securities	72,790	555	(1,056)	72,289
Commingled fixed income securities	1,791	—	(67)	1,724
Mortgage-backed / asset-backed securities	163,174	879	(2,984)	161,069
Total	$380,474	$ 2,827	$ (6,103)	$377,198
	December 31, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Government and related securities	$131,872	$ 1,984	$ (1,090)	$132,766
Corporate debt securities	73,612	1,724	(227)	75,109
Commingled fixed income securities	1,796	—	(40)	1,756
Mortgage-backed / asset-backed securities	158,496	1,348	(1,642)	158,202
Total	$365,776	$ 5,056	$ (2,999)	$367,833

At March 31, 2018, investment securities that were in a loss position for 12 or more continuous months had aggregate unrealized holding losses of $4 million and an estimated fair value of $140 million, and investment securities that were in a loss position for less than 12 continuous months had aggregate unrealized holding losses of $2 million and an estimated fair value of $147 million.

At December 31, 2017, investment securities that were in a loss position for 12 or more continuous months had aggregate unrealized holding losses of $2 million and an estimated fair value of $116 million, and investment securities that were in a loss position for less than 12 continuous months had aggregate unrealized holding losses of $1 million and an estimated fair value of $91 million.

We have not recognized an other-than-temporary impairment on any of the investment securities in an unrealized loss position because we have the ability and intent to hold these securities until recovery of the unrealized losses and we expect to receive the contractual principal and interest on these investment securities at maturity.

Scheduled maturities of available-for-sale securities at March 31, 2018 were as follows:

	Amortized cost	Estimated fair value
Within 1 year	$51,133	$50,855
After 1 year through 5 years	115,266	114,330
After 5 years through 10 years	66,418	65,540
After 10 years	147,657	146,473
Total	$380,474	$377,198

The expected payments on mortgage-backed and asset-backed securities may not coincide with their contractual maturities as borrowers have the right to prepay obligations with or without prepayment penalties.

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We have not experienced any significant write-offs in our investment portfolio. The majority of our mortgage-backed securities are either guaranteed or supported by the U.S. Government. We have no investments in inactive markets that would warrant a possible change in our pricing methods or classification within the fair value hierarchy.

Derivative Instruments

In the normal course of business, we are exposed to the impact of changes in foreign currency exchange rates and interest rates. We limit these risks by following established risk management policies and procedures, including the use of derivatives. We use derivative instruments to limit the effects of exchange rate fluctuations on financial results and manage the related cost of debt. We do not use derivatives for trading or speculative purposes. We record derivative instruments at fair value and the accounting for changes in the fair value depends on the intended use of the derivative, the resulting designation and the effectiveness of the instrument in offsetting the risk exposure it is designed to hedge.

Foreign Exchange Contracts

We enter into foreign exchange contracts to mitigate the currency risk associated with the anticipated purchase of inventory between affiliates and from third parties. These contracts are designated as cash flow hedges. The effective portion of the gain or loss on cash flow hedges is included in AOCI in the period that the change in fair value occurs and is reclassified to earnings in the period that the hedged item is recorded in earnings. At both March 31, 2018 and December 31, 2017, we had outstanding contracts associated with these anticipated transactions with notional amounts of $10 million.

The valuation of foreign exchange derivatives is based on the market approach using observable market inputs, such as foreign currency spot and forward rates and yield curves. We have not seen a material change in the creditworthiness of those banks acting as derivative counterparties.

Interest Rate Swap

We have an interest rate swap with a notional amount of $300 million to mitigate the interest rate risk associated with $300 million of variable-rate term loans. The swap is designated as a cash flow hedge. The effective portion of the gain or loss on the cash flow hedge is included in AOCI in the period that the change in fair value occurs and is reclassified to earnings in the period that the hedged item is recorded in earnings. Under the terms of the swap agreement, we pay fixed-rate interest of 0.8826% and receive variable-rate interest based on 1-month LIBOR. The variable interest rate resets monthly.

The valuation of our interest rate swap is based on the income approach using a model with inputs that are observable or that can be derived from or corroborated by observable market data.

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The fair value of derivative instruments at March 31, 2018 and December 31, 2017 was as follows:

Designation of Derivatives	Balance Sheet Location	March 31, 2018	December 31, 2017
Derivatives designated as hedging instruments			
Foreign exchange contracts	Other current assets and prepayments	$ 103	$ 57
	Accounts payable and accrued liabilities	(69)	(144)
Interest rate swap	Other assets	1,595	1,776
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Other current assets and prepayments	426	65
	Accounts payable and accrued liabilities	(1,570)	(191)
	Total derivative assets	$ 2,124	$ 1,898
	Total derivative liabilities	(1,639)	(335)
	Total net derivative asset (liabilities)	$ 485	$ 1,563

The majority of the amounts included in AOCI at March 31, 2018 will be recognized in earnings within the next 12 months. No amount of ineffectiveness was recorded in earnings for these designated cash flow hedges.
The following represents the results of cash flow hedging relationships for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,				
	Derivative Gain (Loss) Recognized in AOCI (Effective Portion)		Location of Gain (Loss) (Effective Portion)	Gain (Loss) Reclassified from AOCI to Earnings (Effective Portion)	
Derivative Instrument	2018	2017		2018	2017
Foreign exchange contracts	$35	$50	Revenue	$(3)	$(28)
			Cost of sales	(84)	111
Interest rate swap	(181)	468	Interest Expense	—	—
	$(146)	$518		$(87)	$83

We also enter into foreign exchange contracts to minimize the impact of exchange rate fluctuations on short-term intercompany loans and related interest that are denominated in a foreign currency. The revaluation of the intercompany loans and interest and the mark-to-market adjustment on the derivatives are both recorded in earnings. All outstanding contracts at March 31, 2018 mature within 12 months.

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The following represents the results of our non-designated derivative instruments for the three months ended March 31, 2018 and 2017:

		Three Months Ended March 31, Derivative Gain (Loss) Recognized in Earnings	
Derivatives Instrument	Location of Derivative Gain (Loss)	2018	2017
Foreign exchange contracts	Selling, general and administrative expense	$(4,713)	$(1,849)

Credit-Risk-Related Contingent Features
Certain derivative instruments contain credit-risk-related contingent features that would require us to post collateral based on a combination of our long-term senior unsecured debt ratings and the net fair value of our derivatives. At March 31, 2018, we did not post any collateral and the maximum amount of collateral that we would be required to post had the credit-risk-related contingent features been triggered was not significant.

Fair Value of Financial Instruments
Our financial instruments include cash and cash equivalents, investment securities, accounts receivable, loan receivables, derivative instruments, accounts payable and debt. The carrying value for cash and cash equivalents, accounts receivable, loans receivable, and accounts payable approximate fair value because of the short maturity of these instruments.
The carrying value and estimated fair value of our debt at March 31, 2018 and December 31, 2017 were as follows:

	March 31, 2018	December 31, 2017
Carrying value	$3,576,142	$ 3,830,335
Fair value	$3,481,467	$ 3,718,986

9. Restructuring Charges
Activity in our restructuring reserves for the three months ended March 31, 2018 and 2017 was as follows:

	Severance and benefits costs	Other exit costs	Total
Balance at January 1, 2018	$42,151	$1,569	$43,720
Expenses, net	952	69	1,021
Cash payments	(15,125)	(577)	(15,702)
Balance at March 31, 2018	$27,978	$1,061	$29,039
Balance at January 1, 2017	$28,376	$281	$28,657
Expenses, net	1,419	67	1,486
Cash payments	(12,294)	(122)	(12,416)
Balance at March 31, 2017	$17,501	$226	$17,727

The majority of the remaining restructuring reserves are expected to be paid over the next 12 to 24 months; however, due to certain international labor laws and long-term lease agreements, some payments will extend beyond 24 months. We expect to fund these payments from cash flows from operations.

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10. Debt

Total debt at March 31, 2018 and December 31, 2017 consisted of the following:

	Interest rate	March 31, 2018	December 31, 2017
Notes due March 2018	5.6%	$—	$ 250,000
Notes due March 2019	6.25%	300,000	300,000
Notes due September 2020	3.625%	300,000	300,000
Notes due October 2021	3.625%	600,000	600,000
Notes due May 2022	4.125%	400,000	400,000
Notes due April 2023	4.7%	400,000	400,000
Notes due March 2024	4.625%	500,000	500,000
Notes due January 2037	5.25%	35,841	35,841
Notes due March 2043	6.7%	425,000	425,000
Term loans	Variable	645,000	650,000
Other debt		5,432	5,476
Principal amount		3,611,273	3,866,317
Less: unamortized costs, net		35,131	35,982
Total debt		3,576,142	3,830,335
Less: current portion long-term debt		327,429	271,057
Long-term debt		$3,248,713	$ 3,559,278

During the first quarter of 2018, we repaid the $250 million of 5.6% Notes that matured in March 2018 and $5 million of principal related to our term loans.

On May 4, 2018, Standard & Poor's lowered our corporate credit rating to BB+ from BBB-. Interest rates on certain notes and term loans are subject to adjustment based on changes in our credit ratings. As a result, the coupon rate on $1.7 billion principal amount of our notes will increase by 0.25% effective at the next interest payment date for each security. The rate on our $650 million term loans will also increase 0.25%, effective immediately.

Additionally, the fees on our $1 billion credit facility are also subject to adjustment based on our credit ratings. As a result of the lower rating, the undrawn fee on the credit facility will increase 0.05% and the fee on any drawn amounts will increase 0.20%. As of March 31, 2018, we have not drawn upon the credit facility.

11. Pensions and Other Benefit Programs

The components of net periodic benefit cost (income) were as follows:

	Defined Benefit Pension Plans				Nonpension Postretirement Benefit Plans	
	United States Three Months Ended March 31,		Foreign Three Months Ended March 31,		Three Months Ended March 31,	
	2018	2017	2018	2017	2018	2017
Service cost	$37	$ 30	$589	$542	$407	$419
Interest cost	15,616	17,244	4,696	4,544	1,603	1,771
Expected return on plan assets	(25,424)	(24,548)	(9,185)	(7,780)	—	—
Amortization of transition credit	—	—	(2)	(2)	—	—
Amortization of prior service (credit) cost	(15)	(15)	(18)	(18)	88	74
Amortization of net actuarial loss	8,076	7,268	1,912	2,034	934	884

Net periodic benefit cost (income)	$(1,710)	$ (21)	$(2,008)	$(680)	$3,032	$3,148

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Through March 31, 2018 and 2017, contributions to our U.S. pension plans were $1 million and $2 million, respectively. Contributions to our foreign plans were $9 million in both 2018 and 2017. Nonpension postretirement benefit plan contributions were $5 million through both March 31, 2018 and March 31, 2017.

12. Income Taxes

The effective tax rate for the three months ended March 31, 2018 and 2017 was 26.8% and 32.5%, respectively. The 2018 effective tax rate is lower primarily due to the lower U.S. tax rate, and related provisions of the Act. The effective tax rate for the three months ended March 31, 2018 and 2017 includes a $2 million and $4 million charge, respectively, from the write-off of deferred tax assets associated with the expiration of out-of-the-money vested stock options and the vesting of restricted stock and a $3 million and $4 million benefit, respectively, from the resolution of certain tax examinations.

The provisional amounts recorded under Staff Accounting Bulletin No. 118 in 2017 to reflect the estimated impact of the Act have not been adjusted in the first quarter of 2018.

As is the case with other large corporations, our tax returns are examined by tax authorities in the U.S. and other global taxing jurisdictions in which we have operations. As a result, it is reasonably possible that the amount of our unrecognized tax benefits will decrease in the next 12 months, and we expect this change could be up to 25% of our unrecognized tax benefits.

The IRS examinations of our consolidated U.S. income tax returns for tax years prior to 2013 are closed to audit; however, various post-2006 U.S. state and local tax returns are still subject to examination. In Canada, the examination of our tax filings prior to 2012 are closed to audit, except for the pending application of legal principles to specific issues arising in earlier years. Other significant jurisdictions include France, which is closed to audit through the end of 2014, Germany, which is closed to audit through the end of 2012 and the UK, which, except for an item under appeal, is closed to audit through the end of 2015. We have other less significant tax filings currently subject to examination.

13. Commitments and Contingencies

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, customers or others. In management's opinion, the potential liability, if any, that may result from these actions, either individually or collectively, is not reasonably expected to have a material effect on our financial position, results of operations or cash flows. However, as litigation is inherently unpredictable, there can be no assurances in this regard.

14. Stockholders’ Equity (Deficit)

Changes in stockholders’ equity (deficit) for the three months ended March 31, 2018 and 2017 were as follows:

	Preferred stock	Preference stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at December 31, 2017	$ 1	$ 441	$323,338	$138,367	$5,229,584	$ (792,173)	$(4,710,997)	$188,561
Cumulative effect of accounting changes	—	—	—	—	(12,207)	—	—	(12,207)
Net income	—	—	—	—	53,513	—	—	53,513

Other comprehensive income	—	—	—	—	—	20,178	—	20,178
Dividends paid	—	—	—	—	(35,016)	—	—	(35,016)
Issuance of common stock	—	—	—	(21,607)	—	—	18,198	(3,409)
Conversion to common stock	—	(19)	—	(386)	—	—	405	—
Stock-based compensation expense	—	—	—	3,273	—	—	—	3,273
Balance at March 31, 2018	$ 1	$ 422	$323,338	$119,647	$5,235,874	$ (771,995)	$(4,692,394)	$214,893

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	Preferred stock	Preference stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total deficit
Balance at December 31, 2016	$ 1	$ 483	$323,338	$148,125	$5,107,734	$ (940,133)	$(4,743,208)	$(103,660)
Net income	—	—	—	—	65,133	—	—	65,133
Other comprehensive loss	—	—	—	—	—	26,302	—	26,302
Dividends paid	—	—	—	—	(34,567)	—	—	(34,567)
Issuance of common stock	—	—	—	(27,098)	—	—	21,914	(5,184)
Conversion to common stock	—	(5)	—	(101)	—	—	106	—
Stock-based compensation expense	—	—	—	5,638	—	—	—	5,638
Balance at March 31, 2017	$ 1	$ 478	$323,338	$126,564	$5,138,300	$ (913,831)	$(4,721,188)	$(46,338)

15. Accumulated Other Comprehensive Income

Reclassifications out of AOCI for the three months ended March 31, 2018 and 2017 were as follows:

	Amount Reclassified from AOCI [(a)] Three Months Ended March 31, 2018	2017
Gains (losses) on cash flow hedges		
Revenue	$(3)	$28
Cost of sales	(84)	(111)
Interest expense, net	(507)	(507)
Total before tax	(594)	(590)
Benefit for income tax	(151)	(230)
Net of tax	$(443)	$(360)
Gains (losses) on available for sale securities		
Interest expense, net	$(24)	$(109)
Benefit provision for income tax	(6)	(40)
Net of tax	$(18)	$(69)
Pension and Postretirement Benefit Plans [(b)]		
Transition credit	$2	$2
Prior service costs	(55)	(41)
Actuarial losses	(10,922)	(10,186)
Total before tax	(10,975)	(10,225)

Benefit from income tax	(2,803)	(3,517)
Net of tax	$(8,172)	$(6,708)

[a] Amounts in parentheses indicate reductions to income and increases to other comprehensive income (loss).
[b] Reclassified from accumulated other comprehensive loss into selling, general and administrative expenses. These amounts are included
in the computation of net periodic costs (see Note 11 for additional details).

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Changes in AOCI for the three months ended March 31, 2018 and 2017 were as follows:

	Cash flow hedges	Available for sale securities	Pension and postretirement benefit plans	Foreign currency adjustments	Total
Balance at January 1, 2018	$(406)	$1,597	$(748,800)	$(44,564)	$(792,173)
Other comprehensive income (loss) before reclassifications (a)	43	(4,010)	—	15,512	11,545
Reclassifications into earnings (a), (b)	443	18	8,172	—	8,633
Net other comprehensive income	486	(3,992)	8,172	15,512	20,178
Balance at March 31, 2018	$80	$(2,395)	$(740,628)	$(29,052)	$(771,995)

	Cash flow hedges	Available for sale securities	Pension and postretirement benefit plans	Foreign currency adjustments	Total
Balance at January 1, 2017	$(1,485)	$ 120	$(787,813)	$(150,955)	$(940,133)
Other comprehensive (loss) income before reclassifications (a)	216	516	(1,482)	19,915	19,165
Reclassifications into earnings (a), (b)	360	69	6,708	—	7,137
Net other comprehensive income	576	585	5,226	19,915	26,302
Balance at March 31, 2017	$(909)	$ 705	$(782,587)	$(131,040)	$(913,831)

(a) Amounts are net of tax. Amounts in parentheses indicate debits to AOCI.
(b) See table above for additional details of these reclassifications.

16. Subsequent Event

On April 27, 2018, we entered into an agreement to sell our Document Messaging Technologies production mail business and supporting software (collectively, the Business) for $361 million, subject to certain adjustments. We anticipate proceeds from the sale of approximately $270 million, net of estimated closing costs, transaction fees and taxes. We expect to use the majority of the net proceeds from the sale to pay down debt. The transaction is likely to be completed late in the second quarter or early in the third quarter of 2018 subject to customary closing conditions.

Beginning in the second quarter of 2018, we will report the results of the Business as a discontinued operation in our condensed consolidated financial statements. Prior periods will be recast to conform to this presentation.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) 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 the introduction of new products and services by competitors
- our success in developing new products and services, including digital-based products and services, obtaining regulatory approval if required
- the market's acceptance of new products and services
- the continued availability and security of key information technology systems and the cost to comply with information security requirements and privacy laws
- a breach of security, including a cyberattack or other comparable event
- macroeconomic factors, including global and regional business conditions that adversely impact customer demand, foreign currency exchange rates, interest rates, labor conditions and fuel prices
- third-party suppliers' ability to provide products and services required by our clients
- our success at managing the relationships with our outsource providers, including the costs of outsourcing functions and operations not central to our business
- changes in postal or banking regulations, including changes in, or loss of, our contractual relationships with the U.S. Postal Service or posts in our other major markets
- integrating newly acquired businesses, including operations and product and service offerings
- the loss of some of our larger clients in the Global Ecommerce segment
- intellectual property infringement claims
- our success at managing customer credit risk
- capital market disruptions or credit rating downgrades that adversely impact our ability to access capital markets at reasonable costs
- our ability to fully utilize the enterprise business platform in North America and successfully deploy it in major international markets without significant disruption to existing operations
- 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, including the impact of the Tax Cuts and Jobs Act of 2017
- 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

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Overview

In the first quarter of 2018, total revenue increased 18% and our gross margin declined to 46.8% from 56.8% as compared to the prior year. We continued to see a shift in our overall portfolio to higher growth, digital and shipping solutions. The margins from these higher growth areas are lower than in our traditional markets, which are experiencing secular declines.

Following on our acquisition of Newgistics, we view our ongoing strategy in three primary categories. First, we are investing in offerings that reduce the complexity of shipping for our clients. Second, we are continuing our focus on operational excellence initiatives to reduce the costs in the business. And third, we are focusing on re-using technologies and our expertise in one line of our business to improve the capabilities and results of other aspects of our business.

Financial Results Summary - Three Months Ended March 31:

	2018	2017	Change
Revenue	$983,182	$836,640	18 %
Net income	$53,513	$65,133	(18)%
Diluted earnings per share	$0.28	$0.35	(20)%
Net cash provided by operations	$82,672	$154,006	(46)%

Revenue

Revenue increased 18% as reported and 15% on a constant currency basis.

- The increase reflects growth in business services revenue and software revenue, partially offset by declines in equipment sales, financing, rentals, supplies and support services revenues.
- Commerce Services grew 73% as reported and 71% on a constant currency basis primarily due to growth in Global Ecommerce. Revenue for Global Ecommerce more than doubled over prior year and excluding revenue from Newgistics, grew 29% due to higher shipping and marketplace revenue. Presort Services revenue grew 1% due to higher mail processing volumes.
- Small and Medium Business Solutions (SMB) revenue declined 6% as reported and 8% on a constant currency basis. North America Mailing revenue declined 8% primarily due to a decline in equipment sales and streams revenues (supplies, rental, financing and support services). International Mailing revenue increased 5% as reported, but declined 6% on a constant currency basis due to lower equipment sales, supplies and support services revenue.
- Software Solutions revenue increased 4% as reported and 1% on a constant currency basis as a result of the adoption of the new revenue recognition accounting standard (ASC 606). See Note 2 to the Condensed Consolidated Financial Statements for further information.
- Production Mail revenue increased 9% as reported and 6% on a constant currency basis primarily due to higher equipment sales.

Net Income

Net income declined 18% driven largely by lower margins driven by a change in overall product mix, continued investments in Global Ecommerce and higher amortization expense from the acquisition of Newgistics, partially offset by a decline in our effective tax rate.

Cash Flows

Net cash provided by operations was $83 million compared to $154 million in the prior year. The decline primarily relates to working capital changes. During the first three months of 2018, we used cash to:

- repay $255 million of outstanding debt;
- pay dividends of $35 million to our common stockholders; and
- invest $43 million in capital expenditures.

Outlook

The shift in our overall portfolio to higher growth, digital and shipping solutions is expected to continue and offerings related to shipping services will become a larger contributor to overall revenue. Global Ecommerce revenue, is expected to continue to grow largely from growth in domestic shipping APIs, carrier services offerings and cross-border volume expansion as well as from the acquisition of Newgistics and continued growth of that business. Presort Services revenue is expected to continue to perform around the market ranges.

We plan to continue to leverage Newgistics' existing network and volumes to drive scale across our parcel platform and synergies with our Global Ecommerce and Presort Services segments. We further anticipate cross-selling opportunities across the clients of Newgistics, Presort Services and Global Ecommerce.

Despite the decline in North America Mailing equipment sales in the first quarter, we continue to expect that the new SendPro products will improve trends in equipment sales and stream revenues in North America over the long term. We also plan on introducing new and expanded finance offerings to our clients.

Software Solutions is expected to improve driven by the indirect channel and expected expansion of our customer base. Production Mail revenue is expected to continue to perform around the market ranges.

We expect 2018 revenue to grow and our overall gross profit margins to contract as our portfolio mix shifts to higher revenue growth areas, but lower-margin businesses. Over the last five years, we have developed a simpler and more digital operating model and have reduced our cost structure by approximately $300 million. In the fourth quarter of 2017, we announced our intentions to reduce costs by an additional $200 million over a 24-month period. These cost reductions will come from across the organization, including people and programs.

RESULTS OF OPERATIONS

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

	Three Months Ended March 31,			
	2018	2017	Actual % change	Constant Currency % change
Equipment sales	$155,808	$162,974	(4)%	(8)%
Supplies	65,374	66,818	(2)%	(6)%
Software	81,616	77,867	5 %	2 %
Rentals	95,280	99,870	(5)%	(6)%
Financing	80,103	85,745	(7)%	(8)%
Support services	118,463	118,847	— %	(4)%
Business services	386,538	224,519	72 %	71 %
Total revenue	$983,182	$836,640	18 %	15 %

	Three Months Ended March 31,			
			Percentage of Revenue	
	2018	2017	2018	2017
Cost of equipment sales	$78,751	$69,562	50.5%	42.7%
Cost of supplies	21,147	21,471	32.3%	32.1%
Cost of software	25,353	25,308	31.1%	32.5%
Cost of rentals	24,596	20,662	25.8%	20.7%
Financing interest expense	12,225	12,974	15.3%	15.1%
Cost of support services	75,572	73,354	63.8%	61.7%
Cost of business services	297,399	150,843	76.9%	67.2%
Total cost of revenue	$535,043	$374,174	54.4%	44.7%

The discussion below refers to the change in revenue on a constant currency basis to exclude changes in foreign currency exchange rates on the change in revenue. We believe that the use of a constant currency revenue measure provides a better understanding of underlying revenue performance. Constant currency is calculated by converting our current period reported revenue at the prior year's exchange rates.

Revenue and Cost of Revenues - 2018 compared to 2017

Equipment sales

Equipment sales revenue decreased 4% in the quarter. On a constant currency basis, equipment sales decreased 8%, primarily due to:

- 10% from lower equipment sales in North America Mailing; offset partially by
- 3% from higher equipment sales in Production Mail due to higher inserter and print placements.

Cost of equipment sales as a percentage of equipment sales increased to 50.5% in the quarter, primarily due to a higher mix of lower margin product sales in SMB and Production Mail.

Supplies

Supplies revenue decreased 2% in the quarter. On a constant currency basis, supplies revenue decreased 6% primarily due to:

- 3% from lower supplies revenue in International Mailing; and
- 3% from lower supplies revenue in North America Mailing.

Cost of supplies as a percentage of supplies revenue was 32.3% in the quarter and was relatively flat compared to the prior year.

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Software

Software revenue increased 5% in the quarter. The adoption ASC 606 had an $11 million favorable impact on software revenue. Excluding the impact of ASC 606 and on a constant currency basis, revenue decreased 13% primarily due:

- 3% from lower licensing revenue driven by a lower level of large deals in the quarter;
- 8% from lower data revenue; and
- 2% from lower services revenue.

Cost of software as a percentage of software revenue decreased to 31.1% in the quarter due to the increase in high margin licensing revenue.

Rentals

Rentals revenue declined 5% in the quarter. On a constant currency basis, revenue declined 6% primarily due to a declining meter population. Cost of rentals as a percentage of rentals revenue increased to 25.8% for the quarter primarily due to higher residual losses.

Financing

Financing revenue decreased 7% on a reported basis and 8% on a constant currency basis in the quarter primarily due to a declining portfolio and lower fees.

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 and apply our overall effective interest rate to the average outstanding finance receivables. Financing interest expense as a percentage of financing revenue increased to 15.3% for the quarter primarily due to lower average outstanding finance receivables and lower fees revenue.

Support Services

Support services revenue was flat in the quarter. On a constant currency basis, support services revenue decreased 4% primarily due to a decline in installed mailing equipment worldwide. Cost of support services as a percentage of support services revenue increased to 63.8% in the quarter primarily due to higher costs.

Business Services

Business services revenue increased 72% in the quarter. On a constant currency basis, business services revenue increased 71% primarily due to:

- 58% from the acquisition of Newgistics;
- 12% from growth in Global Ecommerce, excluding Newgistics, due to higher cross-border volumes; and
- 1% from higher volumes of mail processed in Presort Services.

Cost of business services as a percentage of business services revenue increased to 76.9% in the quarter primarily due to continued investment in Global Ecommerce and higher labor and transportation costs in Global Ecommerce and Presort Services.

Selling, general and administrative (SG&A)

SG&A expense increased 2% to $312 million in the quarter primarily due to $18 million of additional expenses from Newgistics and $8 million from the impact of foreign currency, offset partially by $8 million of lower marketing expenses and $10 million from cost reduction initiatives.

Research and development (R&D)

R&D expense increased 3% to $33 million in the quarter primarily due to continued investments in our Global Ecommerce business.

Income taxes

See Note 12 to the Condensed Consolidated Financial Statements.

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Business segment results - 2018 compared to 2017
In January 2018, we revised our business reporting groups to reflect how we manage these groups and clients served in each market. The Commerce Services group was formed and includes our Global Ecommerce and Presort Services segments. The principal products and services of each of our reportable segments are as follows:
Commerce Services:
Global Ecommerce: Includes the worldwide revenue and related expenses from cross-border ecommerce transactions and domestic retail and ecommerce shipping solutions, including fulfillment and returns.

Presort Services: Includes revenue and related expenses from sortation services which allow clients to qualify large mail volumes for postal worksharing discounts.

Small & Medium Business Solutions:
North America Mailing: Includes the revenue and related expenses from mailing and office solutions, financing services and supplies for small and medium businesses to efficiently create physical and digital mail, evidence postage and help simplify and save on the sending, tracking and receiving of letters, parcels and flats in the U.S. and Canada.
International Mailing: Includes the revenue and related expenses from mailing and office solutions, financing services and supplies for small and medium businesses to efficiently create physical and digital mail, evidence postage and help simplify and save on the sending, tracking and receiving of letters, parcels and flats in areas outside the U.S. and Canada.

Software Solutions:
Includes the worldwide revenue and related expenses from the licensing of customer engagement, customer information, and location intelligence software and data solutions and related support services.
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.
Management uses segment earnings before interest and taxes (EBIT) to measure profitability and performance at the segment level and believes that it provides a useful measure of operating performance and underlying trends of the businesses. We determine segment EBIT by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges and other items, which are not allocated to a particular business segment. Segment EBIT may not be indicative of our overall consolidated performance and therefore, should be read in conjunction with our consolidated results of operations. Due to acquisition activity in Commerce Services, we are also providing segment earnings before interest, taxes, depreciation and amortization (EBITDA) as a supplemental non-GAAP measure of profit and operational performance for each segment. See Note 3 to the Condensed Consolidated Financial Statements for reconciliation of segment EBIT to net income.

Segment information for the three months ended March 31, 2018 and 2017 is presented below:

	Revenue			
	Three Months Ended March 31,			
	2018	2017	Actual % change	Constant Currency % change
Global Ecommerce	$246,590	$88,152	>100%	>100%
Presort Services	134,458	132,677	1 %	1 %
Commerce Services	381,048	220,829	73 %	71 %
North America Mailing	325,430	355,578	(8)%	(8)%

International Mailing	97,897	93,058	5 %	(6)%
Small & Medium Business Solutions	423,327	448,636	(6)%	(8)%
Software Solutions	81,616	78,220	4 %	1 %
Production Mail	97,191	88,955	9 %	6 %
Total	$983,182	$836,640	18 %	15 %

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	EBIT Three Months Ended March 31,		
	2018	2017	% change
Global Ecommerce	$(7,711)	$(4,270)	81 %
Presort Services	27,026	30,717	(12)%
Commerce Services	19,315	26,447	(27)%
North America Mailing	119,471	141,008	(15)%
International Mailing	15,892	13,269	20 %
Small & Medium Business Solutions	135,363	154,277	(12)%
Software Solutions	4,849	2,749	76 %
Production Mail	9,619	8,964	7 %
Total Segment EBIT	$169,146	$192,437	(12)%

	EBITDA Three Months Ended March 31,		
	2018	2017	% change
Global Ecommerce	$6,719	$3,052	>100%
Presort Services	33,188	37,915	(12)%
Commerce Services	39,907	40,967	(3)%
North America Mailing	136,320	157,162	(13)%
International Mailing	20,413	17,807	15 %
Small & Medium Business Solutions	156,733	174,969	(10)%
Software Solutions	7,270	9,733	(25)%
Production Mail	10,261	4,837	112 %
Total Segment EBITDA	214,171	230,506	(7)%
Less: Segment depreciation and amortization[1]	(45,025)	(38,069)	18 %
Total Segment EBIT	$169,146	$192,437	(12)%

[1] Excludes corporate depreciation and amortization expense.

Global Ecommerce

Global Ecommerce revenue increased 180% in the quarter. On a constant currency basis, revenue increased 177% primarily due to:

- 148%, or $131 million, from the additional revenue from Newgistics;
- 18% from higher shipping revenues due to increased volumes; and
- 11% from higher cross-border marketplace volumes, particularly in the U.S.

EBIT was a loss of $8 million compared to a loss of $4 million in the prior quarter. The higher loss was primarily due to $7 million of additional depreciation and amortization expense primarily from the acquisition of Newgistics and investments in market growth opportunities. The acquisition of Newgistics did not have a material impact on EBIT. EBITDA increased $4 million compared to the prior year due to the increase revenue.

Presort Services

Presort Services revenue increased 1% in the quarter primarily due to higher volumes of First Class mail, parcels and flats processed, partially offset by lower Standard Class mail volumes. EBIT decreased 12% in the quarter primarily due to higher labor and transportation costs.

North America Mailing

North America Mailing revenue decreased 8% in the quarter primarily due to:

- 4% from lower equipment sales driven by a lower level of client lease extensions and large deal in the first quarter of 2017, which impacted the year-to-year comparison;

- 2% from declines in rentals and support services revenue due to a decline in installed mailing equipment and lower postage volumes; and
- 2% from lower financing revenue primarily due to a declining lease portfolio and lower fees.

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EBIT decreased 15% in the quarter primarily due to the decline recurring revenue streams and equipment sales mix, partially offset by lower expenses.

International Mailing

International Mailing revenue increased 5% in the quarter, however on a constant currency basis, revenue decreased 6% primarily due to:

- 3% from declines in rentals, financing and support services revenue resulting from a decline in installed mailing equipment and the lease portfolio; and
- 3% from lower equipment sales, primarily in the UK.

EBIT increased 20% in the quarter primarily due to lower expenses.

Software Solutions

Software revenue increased 4% in the quarter. Excluding an $11 million favorable impact from ASC 606, revenue decreased 13% on a constant currency basis primarily due:

- 3% from lower licensing revenue driven by a lower level of large deals in the quarter;
- 8% from lower data revenue; and
- 2% from lower services revenue.

EBIT increased 76% in the quarter primarily due to the increase in revenue. EBIT includes a $9 million favorable impact from ASC 606.

Production Mail

Production Mail revenue increased 9% in the quarter. On a constant currency basis, revenue increased 6% primarily due to higher equipment sales, primarily from inserter and print placements during the quarter. EBIT increased 7% in the quarter primarily due to the increase in revenue, partially offset by a higher mix of lower margin equipment sales.

LIQUIDITY AND CAPITAL RESOURCES

We believe that existing cash and investments, cash generated from operations and borrowing capacity through the capital markets will be sufficient to support our current cash needs, including discretionary uses such as capital investments, dividends, strategic acquisitions and share repurchases. Cash and cash equivalents and short-term investments were $775 million at March 31, 2018 and $1,058 million at December 31, 2017. 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 $285 million at March 31, 2018 and $608 million at December 31, 2017. During the quarter, we repatriated $370 million of cash to the U.S. from our foreign subsidiaries. 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 repatriation of some foreign balances is restricted by local laws.

Cash Flow Summary

Changes in cash and cash equivalents for the three months ended March 31, 2018 and 2017 were as follows:

	2018	2017	Change
Net cash provided by operating activities	$82,672	$154,006	$(71,334)
Net cash used in investing activities	(38,242)	(68,870)	30,628
Net cash used financing activities	(340,317)	(119,503)	(220,814)
Effect of exchange rate changes on cash and cash equivalents	6,741	9,398	(2,657)
Change in cash and cash equivalents	$(289,146)	$(24,969)	$(264,177)

Cash from operations decreased $71 million, primarily due to timing of working capital, specifically within accounts payable and accrued liabilities and accounts receivable.

Cash flows used in investing activities declined $31 million, primarily due to:

- An increase of $26 million from a favorable change in reserve deposits;
- Higher cash inflows from investment activities of $6 million; and
- Lower acquisition spending of $5 million; partially offset by
- Higher capital expenditures of $7 million.

Cash flows used in financing activities increased $221 million, primarily due to:

- Repayment of $255 million of debt in the first quarter of 2018 compared to the repayment of $79 million in the prior year quarter; and
- The settlement of $46 million related to a timing difference between our investing excess cash at the subsidiary level and our funding of an intercompany cash transfer at year end.

Financings and Capitalization

We are a "Well-Known Seasoned Issuer" within the meaning of Rule 405 under the Securities Act, 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 committed credit facility of $1 billion that expires in January 2021. As of March 31, 2018, we have not drawn upon the credit facility.

There were no outstanding commercial paper borrowings at March 31, 2018 and December 31, 2017, and we did not issue any commercial paper during the first quarter of 2018.

During the first quarter of 2018, we repaid the $250 million of 5.6% Notes that matured in March 2018 and $5 million of principal related to our term loans.

On May 4, 2018, Standard & Poor’s lowered our corporate credit rating to BB+ from BBB-. Interest rates on certain notes and term loans are subject to adjustment based on changes in our credit ratings. As a result, the coupon rate on $1.7 billion principal amount of our notes will increase by 0.25% effective at the next interest payment date for each security. The rate on our $650 million term loans will also increase 0.25%, effective immediately.

Additionally, the fees on our $1 billion credit facility are also subject to adjustment based on our credit ratings. As a result of the lower rating, the undrawn fee on the credit facility will increase 0.05% and the fee on any drawn amounts will increase 0.20%. As of March 31, 2018, we have not drawn upon the credit facility.

Dividends and Share Repurchases

During the three months ended March 31, 2018, we paid dividends to our stockholders of $35 million. 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 did not repurchase any of our common shares during the quarter and still have remaining authorization to repurchase up to $21 million of our common shares.

Off-Balance Sheet Arrangements

At March 31, 2018, 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.

Regulatory Matters

There have been no significant changes to the regulatory matters disclosed in our 2017 Annual Report.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

There were no material changes to the disclosures made in our 2017 Annual Report.

Item 4: Controls and Procedures

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

Under the direction of our CEO and CFO, management evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) and internal control over financial reporting. Our CEO and CFO concluded that, as of the end of the period covered by this report, such disclosure controls and procedures were effective to ensure that information we are required to disclose in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. In addition, no changes in internal control over financial reporting occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting. It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals. Notwithstanding this caution, the CEO and CFO have reasonable assurance that the disclosure controls and procedures were effective as of March 31, 2018.

We acquired Newgistics in a purchase business combination in October 2017. We are in the process of reviewing and evaluating the internal controls of Newgistics and are implementing our internal control structure over this acquired business.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

See Note 13 to the Condensed Consolidated Financial Statements.

Item 1A: Risk Factors

There were no material changes to the risk factors identified in our 2017 Annual Report.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds
Repurchases of Equity Securities
We periodically repurchase shares of our common stock in the open market to manage the dilution created by shares issued under employee stock plans and for other purposes. The following table provides information about purchases of our common stock during the three months ended March 31, 2018:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (in thousands)
Beginning balance				$21,022
January 1, 2018 - January 31, 2018	—	—	—	$21,022
February 1, 2018 - February 28, 2018	—	—	—	$21,022
March 1, 2018 - March 31, 2018	—	—	—	$21,022
	—	—	—	

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Item 6: Exhibits

Exhibit Number	Description	Exhibit Number in this Form 10-Q
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, 2012)	3(a)
3(b)	Pitney Bowes Inc. Amended and Restated By-laws effective May 13, 2013 (incorporated by reference to Exhibit 3(d) to Form 8-K filed with the Commission on May 15, 2013)	3(b)
10	Asset Purchase agreement between Pitney Bowes Inc. and Stark Acquisition Corporation dated April 27, 2018 (incorporated by reference to Exhibit 2.1 to Form 8-K filed with Commission on May 1, 2018)	10
12	Computation of ratio of earnings to fixed charges	12
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	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	31.2
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350	32.1
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	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	

* Pursuant to Item 601(b)(2) of Regulation S-K, certain exhibits and schedules have been omitted. The registrant hereby agrees to furnish supplementally a copy of any omitted attachment to the SEC upon request.

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Signatures

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

PITNEY BOWES INC.

Date: May 4, 2018

/s/ Stanley J. Sutula III

Stanley J. Sutula III
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

/s/ Joseph R. Catapano

Joseph R. Catapano
Vice President, Chief Accounting Officer
(Principal Accounting Officer)