

5 WAYS TO LEAN INTO CREATIVE FINANCING TO GIVE YOUR BUSINESS A NEW LEASE ON LIFE IN UNCERTAIN TIMES

BY NELSON ABELHA

Life in the construction sector hasn’t been easy lately, given the challenging economy and uncertainties at every turn. Unfortunately, it looks like we’ll all need to continue to keep our seat belts tightly fastened for the foreseeable future. In a recent economic update, Ken Wattret, vice president of global economics at S&P Global Market Intelligence, says: “The path forward will likely remain bumpy, given numerous US-related uncertainties, including the risk of a hard landing, the timing and magnitude of policy rate cuts, and the outcome of elections in November and their policy implications.”

For those in the construction industry, the path to persevere and grow isn’t as clear-cut as in the past. Adaptability is crucial, and this adaptability should also apply to construction equipment financing.

Full Market Value (FMV) leases, which can often be viewed as rigid or conventional, can be customized to meet unique business demands. This ushers in newfound flexibility to help companies adapt and adopt new approaches.

The industry is employing FMV leases in creative ways, empowering companies to navigate significant obstacles and capitalize on new opportunities.

Below are five use cases highlighting the flexibility and potential of FMV leases as creative financing strategies for the construction sector.

1 – CROSSING BORDERS TO SECURE THE RIGHT EQUIPMENT

One area where creative financing approaches can come to the rescue is in the instance of cross-border equipment financing. This may come into play when the equipment needed for your project doesn’t happen to exist in the country you currently operate within. Sometimes, a client may require a piece of equipment built overseas or that exists presently overseas.

Recently, a construction company based in Canada needed to purchase a machine from a dealer in the United Kingdom. The complexities of cross-border transactions can be challenging, especially when it comes to securing the necessary funds. Creative leasing approaches were of benefit here, not only to fund the down payment and ensure the transaction could move forward but also to fully fund the deal before the machine was even shipped to Canada. This approach minimized the financial risk for the company. It streamlined the entire transaction process, making it possible for them to acquire the equipment they needed without delay while enabling them to continuously focus on their day-to-day operations.

2 – MAKING FLEXIBLE PAYMENT STRUCTURES ALIGN WITH CASH FLOW

Cash flow management is critical for construction companies, especially when dealing with large equipment purchases. However, as anyone in the industry knows, cash flow can and often does fluctuate, particularly in the initial months of a contract.

Creative financing approaches can take a debt load off in these scenarios. Look for unique finance structures, such as deferred and skip payments, that align with your revenue streams. By deferring payments or allowing skips in the early months, companies can focus on completing their projects without the added pressure of immediate, substantial payments.

Alternatively, if your business performs seasonal work, such as fewer highway paving projects in the winter months or snow removal in the winter months with less usage in the summer months, payment months can align with months with the highest incoming receivables, making payments much more manageable.

3 – FINANCING SPARE PARTS TO PREVENT DOWNTIME

Unplanned machine downtime can be incredibly costly, so it’s crucial to have spare parts on hand, particularly because replacement parts can be in short supply. Over the past few years, the industry has experienced lengthy lead times for replacement parts.

To help maintain operational efficiency, creative financing approaches can offer needed resources specifically for spare parts purchased along with the machine orders. This proactive approach allows companies to stock essential components to keep their operations running smoothly, by avoiding crucial part shortages and lengthy downtimes.

4 – INTERIM FINANCING FOR FACTORY-ORDERED MACHINES

Long lead times are often required for factory-ordered machines, and manufacturers typically demand a down payment before commencing the build process. For many companies, this presents a significant cash flow challenge, particularly when a machine can take upwards of nine months or longer to build. Creative financing strategies can address this issue by financing the interim payments. This allows organizations to avoid substantial out-of-pocket expenses before the machine is built and operational, providing the financial flexibility needed to begin paying for the equipment once it is put into operation. In this way, companies can achieve a positive return on their equipment investments immediately.

5 – FIRST AMENDMENT LEASES: FLEXIBILITY FOR THE LONG TERM

Creative financing can offer the best of both worlds – a structure that begins with an operating lease, complete with a residual, but with the ability to extend and transition into a full payout term. This innovative approach gives organizations the flexibility to adjust their financing as their needs evolve, giving them more flexibility regarding their assets. Initially, a company can benefit from the lower payments and flexibility of an operating lease. Later, if desired, a company can amend the lease to fully amortize the equipment, retaining it for the long term, giving them more flexibility regarding their assets.

FAIR MARKET VALUE LEASES: THE CREATIVE FINANCING OPTION THAT GIVES YOU OPTIONS

FMV leases can be more than just a standard financing option, they can be incredibly flexible and adaptable; lease terms can be adjusted to address specific needs and an organization’s financial scenario, which is especially crucial when the business outlook and/or cash flow may be unpredictable.

As the use cases above illustrate, they can be a powerful tool to help your business grow, adapt, and thrive. Whether you’re dealing with cross-border transactions, managing cash flow, or planning for future equipment needs, creative financing approaches can help you access needed resources.

As César Pelli, the famous Argentine-American architect who designed some of the world’s tallest buildings and other major urban landmarks, noted, “Construction is a matter of optimism; it’s a matter of facing the future with confidence.” Creative financing gives the construction sector greater capacity and confidence to navigate today’s business and economic challenges.



Hello, world

CONSTRUCTION BUSINESS



5 WAYS TO LEAN INTO CREATIVE FINANCING TO GIVE YOUR BUSINESS A NEW LEASE ON LIFE IN UNCERTAIN TIMES

BY NELSON ABELHA

Life in the construction sector hasn’t been easy lately, given the challenging economy and uncertainties at every turn. Unfortunately, it looks like we’ll all need to continue to keep our seat belts tightly fastened for the foreseeable future. In a recent economic update, Ken Wattret, vice president of global economics at S&P Global Market Intelligence, says: “The path forward will likely remain bumpy, given numerous US-related uncertainties, including the risk of a hard landing, the timing and magnitude of policy rate cuts, and the outcome of elections in November and their policy implications.”

For those in the construction industry, the path to persevere and grow isn’t as clear-cut as in the past. Adaptability is crucial, and this adaptability should also apply to construction equipment financing.

Full Market Value (FMV) leases, which can often be viewed as rigid or conventional, can be customized to meet unique business demands. This ushers in newfound flexibility to help companies adapt and adopt new approaches.

The industry is employing FMV leases in creative ways, empowering companies to navigate significant obstacles and capitalize on new opportunities.

Below are five use cases highlighting the flexibility and potential of FMV leases as creative financing strategies for the construction sector.

1 — CROSSING BORDERS TO SECURE THE RIGHT EQUIPMENT

One area where creative financing approaches can come to the rescue is in the instance of cross-border equipment financing. This may come into play when the equipment needed for your project doesn’t happen to exist in the country you currently operate within. Sometimes, a client may require a piece of equipment built overseas or that exists presently overseas.

Recently, a construction company based in Canada needed to purchase a machine from a dealer in the United Kingdom. The complexities of cross-border transactions can be challenging, especially when it comes to securing the necessary funds. Creative leasing approaches were of benefit here, not only to fund the down payment and ensure the transaction could move forward but also to fully fund the deal before the machine was even shipped to Canada. This approach minimized the financial risk for the company. It streamlined the entire transaction process, making it possible for them to acquire the equipment they needed without delay while enabling them to continuously focus on their day-to-day operations.

2 — MAKING FLEXIBLE PAYMENT STRUCTURES ALIGN WITH CASH FLOW

Cash flow management is critical for construction companies, especially when dealing with large equipment purchases. However, as anyone in the industry knows, cash flow can and often does fluctuate, particularly in the initial months of a contract.

Creative financing approaches can take a debt load off in these scenarios. Look for unique finance structures, such as deferred and skip payments, that align with your revenue streams. By deferring payments or allowing skips in the early months, companies can focus on completing their projects without the added pressure of immediate, substantial payments.

Alternatively, if your business performs seasonal work, such as fewer highway paving projects in the winter months or snow removal in the winter months with less usage in the summer months, payment months can align with months with the highest incoming receivables, making payments much more manageable.

3 — FINANCING SPARE PARTS TO PREVENT DOWNTIME

Unplanned machine downtime can be incredibly costly, so it’s crucial to have spare parts on hand, particularly because replacement parts can be in short supply. Over the past few years, the industry has experienced lengthy lead times for replacement parts.

To help maintain operational efficiency, creative financing approaches can offer needed resources specifically for spare parts purchased along with the machine orders. This proactive approach allows companies to stock essential components to keep their operations running smoothly, by avoiding crucial part shortages and lengthy downtimes.

4 — INTERIM FINANCING FOR FACTORY-ORDERED MACHINES

Long lead times are often required for factory-ordered machines, and manufacturers typically demand a down payment before commencing the build process. For many companies, this presents a significant cash flow challenge, particularly when a machine can take upwards of nine months or longer to build. Creative financing strategies can address this issue by financing the interim payments. This allows organizations to avoid substantial out-of-pocket expenses before the machine is built and operational, providing the financial flexibility needed to begin paying for the equipment once it is put into operation. In this way, companies can achieve a positive return on their equipment investments immediately.

5 — FIRST AMENDMENT LEASES: FLEXIBILITY FOR THE LONG TERM

Creative financing can offer the best of both worlds — a structure that begins with an operating lease, complete with a residual, but with the ability to extend and transition into a full payout term. This innovative approach gives organizations the flexibility to adjust their financing as their needs evolve, giving them more flexibility regarding their assets. Initially, a company can benefit from the lower payments and flexibility of an operating lease. Later, if desired, a company can amend the lease to fully amortize the equipment, retaining it for the long term, giving them more flexibility regarding their assets.

FAIR MARKET VALUE LEASES: THE CREATIVE FINANCING OPTION THAT GIVES YOU OPTIONS

FMV leases can be more than just a standard financing option, they can be incredibly flexible and adaptable; lease terms can be adjusted to address specific needs and an organization’s financial scenario, which is especially crucial when the business outlook and/or cash flow may be unpredictable.

As the use cases above illustrate, they can be a powerful tool to help your business grow, adapt, and thrive. Whether you’re dealing with cross-border transactions, managing cash flow, or planning for future equipment needs, creative financing approaches can help you access needed resources.

As César Pelli, the famous Argentine-American architect who designed some of the world’s tallest buildings and other major urban landmarks, noted, “Construction is a matter of optimism; it’s a matter of facing the future with confidence.” Creative financing gives the construction sector greater capacity and confidence to navigate today’s business and economic challenges.



Hello, world