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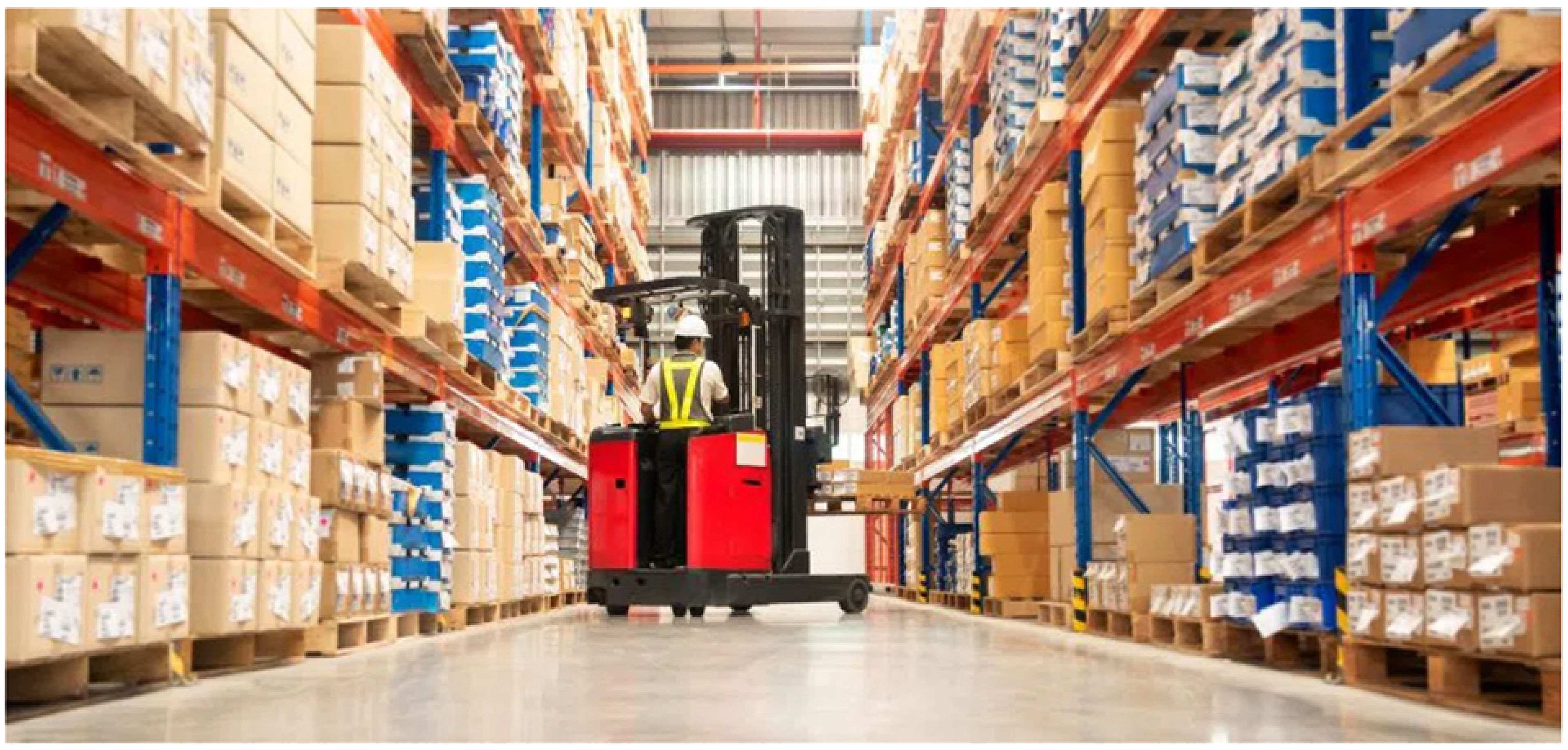
FINANCE

Author: Mike Hockett
Date: September 19, 2023

Equipment Leasing vs. Purchasing: What Distributors Should Know

As distributors look to modernize their facility equipment, financing is always the biggest question. This Q&A sheds light on what distributors should keep in mind as they consider buying vs. leasing.



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ORANGE COUNTY BUSINESS JOURNAL

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THE LIST FASTEST-GROWING MIDSIZE PRIVATE COMPANIES

RANKED BY TWO-YEAR REVENUE GROWTH

First Financial Equipment Leasing ranked at #20, with two-year revenue growth of 74.3%.

>> Link to OCBJ article <<

Hello, world

Monitor | 40 Under 40 NextGen Issue: May/June 2023

Featuring Audrey Kent

Click here to view or download article.

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monitor

AUDREY KENT

VICE PRESIDENT, HEAD OF CREDIT

FIRST FINANCIAL EQUIPMENT LEASING

In 2020, First Financial Equipment Leasing hired Audrey Kent to help ramp up the company's underwriting efforts as it transitioned away from syndications to holding transactions with credit risk. Today, as head of credit, Kent oversees the credit department's underwriting and pricing activities, helping foster different group collaborators to support growth. Before joining First Financial, Kent held numerous roles in credit and capital markets at a slew of banks, including a vice presidential role within the principal investments arm of Wells Fargo.

Kent believes technology is essential for leadership development because it enables anyone to access a wide range of online courses, virtual learning platforms and remote collaboration tools. "There is so much content available to anyone that has the time and interest — from learning a new skill, language or hobby, to increasing one's network, or even using data analytics to improve email writing or finding out the most efficient way to run meetings," Kent says. "I am blown away by the tools and resources that technology has made available at our fingertips."

Just as important to leadership development is achieving the proper work-life balance, according to Kent. Kent says that while finding that sweet spot between professional responsibilities and personal life is possible, it requires viewing both as a continuous process requiring ongoing effort and adjustment. The key, according to Kent, is to routinely set (and reset) priorities, establish clear boundaries and communicate them across stakeholders — from colleagues to family members — and to not be afraid to ask for help when it's needed. Finally, Kent says it's been vital to her success to work for an employer that fosters a supportive work culture focused on engagement and flexible policies that make achieving work-life balance possible.

FIRST FINANCIAL
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Hello, world

American Cranes and Transport (AC&T)

By Hannah Sundermeyer

> LINK TO ARTICLE ON AC&T WEBSITE <

Three experts discuss market indicators — interest rates, inflation and the possibility of a recession.

Heavy equipment and construction markets are in a unique position. The United States is facing the possibility of a looming recession, while on the flip side, the country is seeing a boom in infrastructure projects following the enactment of President Biden's Bipartisan Infrastructure Law. With money to spend in the new and used equipment realm, the industry is faced with economic risks and rewards, on both sides of the coin.

ACT reached out to three finance experts to learn more about their thoughts and perspectives on the current market, interest rates, inflation and much more. Panelists for our forum include **Jeff Whitcomb**, construction industry lead, First Financial Equipment Leasing; **Tonya Fry**, an owner and vice president, Harry Fry & Associates; and **Jay Buechler**, senior account manager of construction finance, DLL.

According to the consultant firm Off-Highway Research, North America was the best performing of the major construction equipment markets last year. How do you characterize the market for new and used cranes?

WHITCOMB: We don't see it slowing in 2023 or 2024. While it may be that personal consumption drags down GDP, we see both private domestic investment as well as government domestic investment continued strength, and for that reason, we see continued strength in the new and used crane market.

FRY: I would currently characterize the market as cautious. I am continuing to hear from my customers that they have more work than they can service. We are constantly barraged with news of a possible recession, continued record high inflation and interest rate hikes, plus international issues. When this is combined with lack of supply of equipment and delivery delays, of course customers are going to be cautious.

However, I find that many customers are trying not to pay attention to the news, but instead considering what is happening in their geographic market. If they have demand for work or are awarded jobs, they are willing to make the crane purchase as they don't want to lose the work/jobs. As far as new and used cranes go, if customers are in need of equipment, they will purchase what they can get their hands on. As a result, we have definitely seen prices of equipment significantly increase. I do feel if you are in a market to sell, and have quality, used equipment, you are in a good position.

BUECHLER: Despite the potential for a recession in late 2023, the market remains robust in North America for both new and used cranes, as significant project work continues to require cranes to complete these projects. The supply chain disruptions of the last several years has led to a restricted supply of new cranes, with many new crane models not being available until well into 2024. This has led to a very competitive and aggressive market for used cranes, resulting in increased used crane pricing.

Economists are predicting a recession in 2023. How Do you anticipate this will impact the sales of new and used cranes?

WHITCOMB: We do not think that the recession will have much of an impact on crane sales, both new and used. We think that it will be a consumer recession, and that the commercial activity that has been planned for all this infrastructure work will be in full swing, and that is going to drive strong demand for 2023 to 2025.

FRY: I feel like economists have been predicting a recession since 2021. In addition, the economists have had contradicting opinions on a recession for the past year. As noted above, I think people are trying to pay attention to what is going on in their market area rather than listen to the news. There is still a demand for quality equipment, and I think it is the lack of inventory that is slowing sales.

BUECHLER: Given the short supply of new cranes and equipment and long lead times on some models, we anticipate that new crane sales, as well as used crane sales, will remain brisk and aggressively priced.

To try to control inflation, the Fed has continually raised interest rates over the past year. How have higher interest rates impacted crane financing?

WHITCOMB: Well, 5 percent may be the target Fed funds rate, but we see actual real interest rates much higher. This was somewhat offset by lending at the regional bank level where deposits sometimes hold down interest rates. With the recent banking crisis, we've seen a massive pullback by small and regional banks, as depositors have fled those banks. Unfortunately for the retail marketplace, it seems that the big will get bigger and the small will continue to fight to survive.

FRY: When the Fed initially began raising rates, I think it was sticker shock for many. For almost a decade, we had prime rates at historic lows. Customers were used to rates in the threes and sometimes twos.

When I began my career in crane financing in 2004, interest rates were in the 7 to 8 percent range, and this was the normal range. When my parents started the company in the 1990s, rates were 10.5 to 12 percent. We often say that a business that started within the past ten years doesn't know anything other than extremely low rates. It seems that these businesses were more affected/surprised by the cost of financing than the older, established companies. It has taken a bit for customers to understand, but due to the lack of supply, if they needed the equipment, they accepted what the interest rate would be. By Q4 2022, the sticker shock had worn off and most understood that these rates were here to stay. I think it helped our company had a strong fourth quarter in 2022 because customers didn't want to risk rates going up, so they would make the purchase. We understand higher rates are a real money cost to a business but not acquiring equipment because the rates are high impacts the business even more by lost revenues. The decision to acquire equipment is always difficult but is typically made for future long-term benefits.

BUECHLER: Increased interest rates are combining with rising new and used crane prices to drive up financing payments for entities seeking to finance their crane acquisitions. This is causing crane customers to look long and hard at the economics between where their financing payments are going and what crane rental rates they are able to extract from the market. If the economics no longer makes sense, we would not be surprised to see some crane rental companies back away from new equipment purchases.

On the flip side, new infrastructure projects are coming online with federal and local monies being pumped into the market. Does this mean new cranes and related equipment will be needed?

WHITCOMB: Absolutely, yes.

FRY: Equipment will definitely be needed, but as is the common theme, the lack of supply is having quite an impact on this. Companies may pay a premium on available equipment as they would not want to risk losing a job.

BUECHLER: New infrastructure projects will definitely continue to require crane utilization. The crane rental companies that will be best positioned for gaining work on these projects will be those that currently have a large installed base of cranes available to work on these projects, such that they are not reliant on the availability of new equipment to service their project work.

What are the biggest challenges/issues in financing equipment in today's market?

WHITCOMB: 2024 will be the biggest year of federal disbursements on record for capital investment. For this reason, we see continued strength and continued demand for crane and lift equipment.

FRY: I think the biggest challenge in financing right now is that credit is beginning to tighten a bit. Lenders are still lending and buying deals. However, we are finding that they are asking more questions. They want more details on why the equipment is needed and projections for additional work in 2023 and beyond. Lenders are definitely still buying deals. With the constant threat of a recession, they are digging a little deeper into deals, and the credit box is just a bit tighter. I would say that customers just need to be patient when asked for additional info.

BUECHLER: The biggest challenge we see currently in the crane financing market, with increased crane prices and increased interest rates already mentioned, is trying to provide a financial solution that results in a payment that makes economic sense for the customer given the rental rates they are able to charge in the market.

Panelists for our forum include (from left to right) Jeff Whitcomb, construction industry lead, First Financial Equipment Leasing; Tonya Fry, an owner and vice president, Harry Fry & Associates; and Jay Buechler, senior account manager of construction finance, DLL.

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FFEL’s Expansion into Construction Primed to Fuel Growth for JA Mitsui Leasing Group’s North American Initiatives

ORANGE, CA – Monday, May 22, 2023 – First Financial Equipment Leasing (FFEL), a leading equipment leasing solutions provider, announced today that Brian Hutchison joined the company as Senior Vice President to spearhead expansion into the construction and industrial equipment segment. Hutchison has extensive experience building and leading vendor finance programs with partners both in the US and internationally. At FFEL, he will focus on developing dealer and vendor-focused solutions for the company’s entry into the segment.

Through this expansion, FFEL is well-positioned to accelerate the organic growth of its core business and push forward new initiatives with the support of its parent company, JA Mitsui Leasing, Ltd. (JAML). JAML has extensive credentials for supporting the construction industry in Japan and is well-positioned to bring that expertise to the North American market.

Led by Hutchison, a newly formed construction-specific team will focus on significant opportunities within the company to enhance leasing options for vendors, dealers, and customers. “While we have historically provided direct leasing solutions, our construction team will add dealer and vendor-focused solutions to our model,” said Brian Dundon, SVP, Head of Corporate Development, FFEL. “Given his customer-centric leadership style and strong track record of success with manufacturers and dealers, Hutchison will be instrumental in identifying new revenue opportunities and enhancing leasing options to various customer groups.”
Hutchison has over 25 years in equipment finance, with roles in wholesale operations, underwriting, and sales. Before joining FFEL, Hutchison spent 19 years in commercial leadership roles with DLL Financial Services, including joint venture managing director and global account manager for a vendor program partner.

“I am excited to join FFEL at a time of significant growth and expansion to lead our construction team,” said Brian Hutchison, Senior Vice President – Construction, FFEL. “The company has earned a stellar reputation within the leasing industry for its unparalleled customer service and innovative financing programs, and I look forward to taking the construction group to new heights.”

About First Financial Equipment Leasing – JA Mitsui Leasing Group

First Financial Equipment Leasing specializes in the acquisition of Construction & Industrial Equipment, Healthcare, IT Solutions and Services, Material Handling & Automation, and Renewable Energy & Solar. For over 20 years, First Financial Equipment Leasing has provided financing solutions designed to conserve capital and offer affordable access to often expensive yet increasingly critical, advanced technologies and equipment.

Headquartered in Southern California, First Financial Equipment Leasing is a member of JA Mitsui Leasing, Ltd. (JAML), a joint venture of Mitsui & Co. (2022 revenue $96B) and Norinchukin Bank (2022 assets totaling $1.05 Trillion)

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Contact us today to learn how we can help you acquire new computers, printers, software, security, and connectivity equipment to serve your students better and keep your institution ahead of the curve.

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ORANGE COUNTY BUSINESS JOURNAL

MARCH 27, 2023 DISTINGUISHED LEADERS – HUMAN RESOURCES ORANGE COUNTY BUSINESS JOURNAL B-37

2023 DISTINGUISHED LEADERS – HUMAN RESOURCES

AMY YEAGER

VICE PRESIDENT HUMAN RESOURCES

Since joining First Financial less than two years ago as vice president, human resources, Amy Yeager has been a pivotal contributor to the company's expansion and success. Over the last year alone, she has attracted some of the finance industry's top talent to more than double our headcount and keep pace with our rapid growth. Yeager is a respected member of the leadership team and has over 20 years of experience working in HR, primarily in the financial services industry.

As the department head, Yeager engages in all HR functions for US-based employees, including those working in the office, hybrid, and fully remote. She is responsible for talent recruitment, retention, employee engagement, company culture, learning and development, performance and reviews, employee relations, benefits analysis, payroll management, policies and procedures, and more. In 2022 following the acquisition of a Canadian-based company, Yeager expanded her role to oversee HR activities for Canadian operations.

Yeager has been immensely successful in training and engaging employees by developing new HR programs and employee-centric initiatives. She plans numerous company events and celebrations with her team each month that help connect and engage employees with one another and also with the local community. Through these programs, Yeager fosters a strong company culture that encourages open communication, rewards excellence, and is fair and trustworthy.

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Specialized Industrial Equipment Financing to Meet the Unique Needs of Distributors

Construction equipment can come with a hefty price tag, making it challenging to find the necessary assets without straining finances or disrupting cash flow. First Financial Equipment Leasing offers acquisition plans that allow businesses to preserve cash while obtaining the equipment required to meet evolving business demands.

Over the last two decades, we have developed long-lasting relationships with manufacturers, dealers, and vendors throughout the US, Canada, and Mexico. Our construction industry pros have a detailed knowledge of your industry and the challenges facing your business. Working side by side through the acquisition process, we create solutions that align with current needs and budgets while preparing for future upgrades and seasonal fluctuations.

A well-executed construction equipment acquisition plan from First Financial Equipment Leasing will increase profitability, accommodate growth and reduce the risks associated with maintaining outdated assets. Having the right equipment at the right price allows businesses to push forward onto more significant projects and build a solid foundation for future expansion.

About First Financial Equipment Leasing

- Privately held lender specializing in the acquisition of Construction & Heavy Equipment, Healthcare, IT Solutions and Services, Material Handling & Automation, Renewable Energy & Solar, and Robotics.
- For over 20 years, we have provided financing solutions designed to conserve capital and offer affordable access to often expensive yet increasingly critical, advanced technologies and equipment.
- Part of a global network and the JA Mitsui Leasing family of companies. JA Mitsui is a joint venture of Mitsui & Co. (2022 revenue $96B) and Norinchukin Bank (2022 assets totaling $1.05 Trillion).
- Well-equipped to finance purchases from $100K to over $50MM+.

Jeff Whitcomb, Senior Vice President
Construction Sales Director USA/Canada
346.275.2835
jwhitcomb@ffequipmentleasing.comHello, world

Lease financing can equip your business for success by keeping working capital in your hands.

KEY BENEFITS OF LEASE FINANCING

ACCELERATE PROJECT ROI
Avoid large upfront costs and pay for equipment as you gain the benefit of its use.

CONSERVE WORKING CAPITAL
Leasing stabilizes your cash flow and preserves lines of credit for other operational needs, investments, or unforeseen expenditures.

BUNDLE SOFT COSTS
Wrap all project costs including engineering, software, freight, installation and service into a unitary payment.

INCREASED PURCHASING POWER
Lease payments can be substantially lower than traditional debt payments or direct cash outlay. This gives you the ability to enhance your equipment configuration based on your optimal needs.

CREATE FUTURE OPTIONALITY
Leasing can serve as a hedge against technology obsolescence as it includes an embedded evaluation mechanism to determine whether or not your equipment will continue to meet your future needs. Plan for upgrades accordingly.

100% FINANCING
By choosing to lease equipment instead of making a cash purchase, 100% of the costs are covered and no down payment is required.

PROJECT EXAMPLE: LEASE VERSUS PURCHASE COMPARISON

Total Project Cost: $2,500,000

Includes $2,000,000 of equipment
such as IT (Computers, Software, Networking Solutions, etc.), Material Handling & Automation, Medical, Construction, etc.

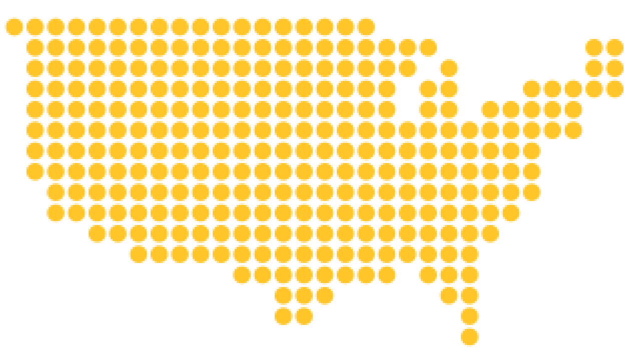
Includes $500,000 of soft costs
Such as Engineering, Software, Services, Freight, and Installation

CAPITAL EXPENDITURE	LEASE OPTION
$2,500,000	Three-year Lease
MONTHLY PAYMENT	
$2,500,000 (Upfront)	$66,635
ANNUAL COST	
$933,000	$800,000
ANNUAL PRODUCTIVITY SAVINGS	
$0	$100,000

PRESENT VALUE (PV)
LEASE SAVINGS vs. PURCHASE = $300,000

80%
OF ALL U.S. BUSINESSES
Lease some or all of their equipment

8 IN 10 BUSINESSES
Finance equipment, instead of paying one lump sum upfront, according to the Equipment Leasing and Finance Association



$1 TRILLION
worth of equipment was financed nationally in 2021

Hello, world

Equip your business for the future by leasing new technology equipment and IT solutions.

Equipment Leasing Solutions Optimized for Small to Medium Businesses Financing $100,000-$500,000

First Financial Equipment Leasing understands the challenges of acquiring critical technology and software solutions at a manageable cost while remaining adaptable as your technology needs grow. When budgets are under unprecedented pressure and facing competing demands for capital, leasing equipment is a sound, fiscally responsible alternative to buying.

During the equipment acquisition process, we will work closely with you to develop tailored leasing structures that match your financial needs with your technical requirements. We will consult with you about equipment lifecycles, market pricing evaluations, and industry best practices and share ideas on maximizing your produc- tivity and financial efficiency. Leveraging all the available options, we can tailor a cost-effective solution that works harder and smarter to promote the profitability and competitiveness of your business.

About First Financial

- Privately held lender specializing in the acquisition of Construction & Heavy Equipment, Healthcare, IT Solutions and Services, Material Handling & Automation, and Renewable Energy & Solar.
- For over 20 years, we have provided financing solutions designed to conserve capital and offer affordable access to often expensive yet increasingly critical, advanced technologies and equipment.
- Part of a global network and the JA Mitsui Leasing family of companies. JA Mitsui is a joint venture of Mitsui & Co. (2022 revenue $96B) and Norinchukin Bank (2022 assets totaling $1.05 Trillion).

Benefits of Lease Financing with First Financial

- Companies appreciate that by leasing their project, they gain the benefit of new technology solutions, with minimal upfront costs.
- Leasing can help drive day one savings due to the cost and productivity efficiencies that far exceed the monthly lease cost.
- Leasing conserves capital and provides 100% financing with no down payment required.
- Option to bundle equipment and services, maintenance, extended warranty, and insurance – all in one convenient payment.
- Eliminates the expensive inconvenience of managing outdated equipment.
- Flexibility at end of term allows purchase of the equipment or upgrade to newer equipment to maximize efficiency.

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