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Leasing 2, Inc.
September 20, 2017



Leasing Toward Additional Orders

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Topics For Today

- ▶ Housekeeping
- ▶ How are they paying for your truck?
- ▶ Leasing toward additional orders
- ▶ Q & A



Housekeeping

- ▶ Call it “financing” or “financing and leasing”

100% Prepays

- ▶ Rare in other sectors, increasingly common in the fire truck world
 - ▶ Earnings on deposits low, Prepay more and more familiar
 - ▶ There is a lot of 100% prepay quotes out there
 - ▶ Pierce uses prepays more than anyone
- ▶ Customers View -
 - ▶ Though apples and oranges, they don't tend to distinguish the two
 - ▶ Customers treat a quote with 100% prepay vs. "on delivery" as apples and apples
- ▶ Cash vs. Financing
 - ▶ Use it every time with financing. The financing facilitates the prepay
 - ▶ Cash requires their funds, so develop a strategy for presenting it on cash sales
- ▶ Performance Bond - required with financing

Housekeeping

- ▶ Call it “financing” or “financing and leasing”
- ▶ 100% Prepays
- ▶ 0% Financing
 - ▶ Discounted invoice by the amount of the interest
 - ▶ Works best on short terms and low interest rates

Housekeeping

- ▶ Call it “financing” or “financing and leasing”
- ▶ 100% Prepays
- ▶ 0% Financing
- ▶ Delaying first payment for two years
 - ▶ Not available without credit support or an interest payment at year 1
 - ▶ Fund on delivery (Doesn't work on stock trucks.) Interest rate adjustment
 - ▶ Accrues interest for two years, so comes with a cost

Housekeeping

- ▶ Call it “financing” or “financing and leasing”
- ▶ 100% Prepays
- ▶ 0% Financing
- ▶ Delaying first payment for two years
- ▶ Turn-In Leases
 - ▶ Not common - less than 5% of our activity
 - ▶ Need specs to get turn-in value
 - ▶ Benefits
 - ▶ Customer - Lower annual payment, maintain a young fleet, not economic
 - ▶ Dealer - Potential for earlier repeat sale

Housekeeping

- ▶ Call it financing or financing and leasing
- ▶ 100% Prepays
- ▶ 0% Financing
- ▶ Delaying first payment two years
- ▶ Turn-In Leases
- ▶ Estimator
 - ▶ Sutphen Logo www.firetruckleasing.com/sutphen
 - ▶ Leasing 2 www.firetruckleasing.com/estimate
 - ▶ Planning and budgeting.

How are they paying for your truck?

- ▶ Determine early
 - ▶ Cash or Grant
 - ▶ Financing - bond, local bank, state program, internal borrowing, Leasing 2
 - ▶ Darryl Rhyne, Signal 1



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 - ▶ Darryl Rhyne, Signal 1
- ▶ **Capital vs. operating budgets**
 - ▶ Capital Budgets - balance sheet
 - ▶ Limits
 - ▶ Competition
 - ▶ Fire trucks last too long
 - ▶ Operating Budgets - income statement
 - ▶ Annual lease payment



How are they paying for your truck?

- ▶ Determine early
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 - ▶ Financing - bond, local bank, state program, internal borrowing, Leasing 2
 - ▶ Darryl Rhyne, Signal 1
- ▶ Capital vs. operating budgets
 - ▶ Capital Budgets
 - ▶ Limits
 - ▶ Competition
 - ▶ Fire trucks last too long
 - ▶ Operating Budgets
 - ▶ Maintenance and repairs
- ▶ Assuming the cash sale
 - ▶ Hard to reverse a finish line “No” to a cash sale
 - ▶ Financing options (from the beginning) increase your closing numbers



Incremental (Additional) Orders

- ▶ Needs vs. Wants - Financing works great for needs

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- ▶ Not ordering until next year or longer

Incremental (Additional) Orders

- ▶ Needs vs. Wants – Financing works great for needs
- ▶ Not ordering until next year
- ▶ **Need a 750,000 truck but only have 600,000 saved**

Incremental (Additional) Orders

- ▶ Needs vs. Wants – Financing works great for needs
- ▶ Not ordering until next year
- ▶ Need a 750,000 truck but only have 600,000
- ▶ **We need 3 trucks, but have funds for 1 truck**

Incremental (Additional) Orders

- ▶ Needs vs. Wants - Financing works great for needs
- ▶ Not ordering until next year
- ▶ Need a 750,000 truck but only have 600,000
- ▶ We need 4 trucks, but have funds for 1 truck
- ▶ **Waiting for an existing truck loan to be paid off to order -**
 - ▶ **Harold Campbell, Passmans EVT Services**

Incremental (Additional) Orders

- ▶ Needs vs. Wants - Financing works great for needs
- ▶ Not ordering until next year
- ▶ Need a 750,000 truck but only have 600,000
- ▶ We need 4 trucks, but have funds for 1 truck
- ▶ Waiting for an existing truck loan to be paid off to order
- ▶ **We are saving to pay cash - Understand the cost of waiting**
 - ▶ Inflation cost vs. interest cost
 - ▶ Inflation applies to full truck cost
 - ▶ Interest applies to decreasing loan balance
 - ▶ Maintenance expenses increasing each year on truck to be replaced
 - ▶ Value decreasing on trucks to be replaced
 - ▶ Interest rates historically low, likely to be higher

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- ▶ We are saving to pay cash
- ▶ **Longer terms to fit budget**

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- ▶ Longer terms to make affordable
- ▶ **Turn-in leases and balloons**
 - ▶ **Phil Vander Molen – Schenectady, NY**

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- ▶ Turn In Leases
- ▶ Other examples?

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- ▶ We are saving to pay cash
- ▶ Longer terms to make affordable
- ▶ Turn In Leases
- ▶ Other examples?
- ▶ **SUMMARY - FUNDING CHALLENGES DERAILED ORDERS. LOTS OF NEEDS OUT THERE. KEEP THESE TOOLS IN YOUR SALES "TOOL BOX"**



Questions

