

DATA POINT: Leasing is Preferred to Cash

The Market recognizes the operational advantages of lease finance over Cash

MARKET REALITIES

Some have the notion that leasing is slow, cumbersome, burdensome, and inflexible. But the actual users of lease finance say otherwise—with their investment dollars.

- Leasing became the preferred method of financing IT equipment – over Cash – over the period 2012-2016 (see chart right)
- Customer surveys over the 2006-2014 period give these as top benefits of lease finance¹:

Benefit Cited	Survey Date
Convenience	2006
Rapid response to needs for new PCs	2010
Reduced paperwork	2010
Reduced administrative requirements	2010
Improving operational efficiency	2012
Ease, adaptability, and extensibility	2014

OPPORTUNITY FOR IMPROVEMENT

The operational advantages of Leasing over Cash can be seen in several categories of value.

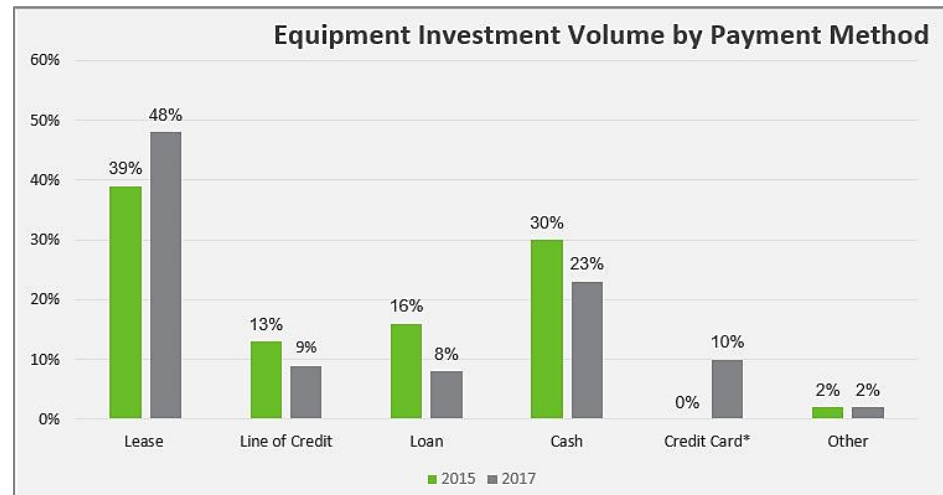
- Leasing is faster than Cash
- Leasing is easier on operations than Cash
- Leasing is less expensive than Cash
- Leasing is more flexible than Cash
- Leasing is more management-friendly than Cash

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If you are not in the majority of companies that use leasing to fund their technology investments, what do they know that your team doesn't?



Source: ELFF 2018 Equipment Leasing & Finance Industry Horizon Report, Keybridge LLC.

OPERATIONAL BENEFITS RECOGNIZED

The rapid shift in preference for leasing over cash highlights the growing realization by finance executives of the operational values of leasing for technology change and IT service provision. Although the financial benefits have long been recognized, only with the increased dependency of businesses upon IT and the need for business process 'speed' have the process advantages of leasing become apparent and important.

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Understanding the “HOW”

LEASING IS BETTER THAN CASH ACROSS MULTIPLE VALUES

Speed	Ease	Cost	Flexibility	Mgt-Friendly
Getting a lease approved and set up can be much faster than CAPEX processes	Easier on A/P processes, by significant reduction in invoices to handle	Lower up-front costs due to residual-value economics ; more for the investment\$	More flexible for early technology changes – leases can roll-over and spread costs out	Leasing terms force accountability, compliance, and business value reviews
Much faster in addressing budget overruns and last-minute needs (as OPEX)	Easier on ITAM processes: high-quality data feeds reduce manual tasks	Less expensive to deal with unexpected and out-of-cycle replacement needs	Able to deal easily with continuous refresh needs, evening out operating costs	Leasing systems facilitate cost-center accounting (and chargeback if desired)
Much faster at processing end-of-life tasks—via bundled ITAD services	Bundled services spread cost out, yet reduces IT load considerably	A below-zero interest rate, when compared to Cash plus Cost-of-Funds	Payment terms can be adjusted to meet organization cash flow timing	An enterprise-grade lessor can guide & help implement better asset mgt practices
Much faster for getting a solution into service: costs less and drains less cash				Porting multi-vendor ITAM data into a CMDB helps ITSM provide better support

LEASING ELIMINATES MORE TASKS/TIME THAN IT ADDS – A NET TIME SAVINGS OCCURS¹

Phase	Plan/Prep	Acquire	Deploy	Operate	Support	Move	Upgrade	Direct	Retire
Time Savings	+/-	+	++/+++ ²	+	None	None	None	+	None/+++ ²

1 – for details, see “Setting the Record Straight: Why Lease Finance is Preferred over Cash”

2 – More time savings if deployment or ITAD services are bundled into lease;