HYSTER CAPITAL

A Division of NMHG Financial Services, Inc.

Performance Learning Web cast

HYSTER CAPITAL

Offering A Payment-Based Solution

- Offering a payment-based solution to your customer can improve your ability to close deals and to increase dealer profitability.

- With the majority of deals being financed, we need to be prepared to offer finance products to our customers and to quote payment versus invoice pricing.

HYSTER CAPITAL

Today’s Web-cast

- Hosted by Bob Sattler, VP Dealer Development & Hyster Capital
- Co-hosted by Billy Cowart, Field Manager
  - Benefits of Hyster Capital
  - How you can influence the Customer Decision Process
  - Leasing versus financing
  - Asking the right questions
  - Overcoming objections
  - Q & A

Hyster Capital Overview

Hyster Capital offers a wide variety of lease and financing alternatives that can be customized to meet a customers requirements:

- Accommodations for seasonal payments, skip payments, quarterly payments or balloon payments.
- Usage based billing solutions, such as telemetry devices and maintenance billing services.
- Aggressive residual values to help reduce your cost of operation.
- Low cost of capital, passing the savings to our customer, through our partnership with GE Capital

As the remarketing agent for off-lease equipment, we take a very customer focused approach at end of term, as our ultimate goal is remain your lift truck supplier and financing source.

Benefits of Hyster Capital

Benefits for the Customer:

- Competitive rates & residuals
- Favorable end of term treatment
- Customized solutions
- Industry commitment as captive resource
- Tax benefits shared with customer

Benefits for the Dealer:

- Competitive rates (subsidized) & residuals
- Reduced DSO
- Off lease equipment sales opportunity
- Integrated quotation system
- Merchandising training & field support
- Captive finance entity for Hyster Company
- Overage & Doc fees

HYSTER CAPITAL

Selling Money / Selling Solutions

"Since sources claim more than 75% of equipment is financed, we must enhance our financial offering to ensure success of the dealer network."

- ✓ Educate dealers regarding Hyster Capital financing alternatives
- ✓ Provide internal and field resources to assist in sales effort

"To be successful in this highly competitive marketplace, the dealer must provide wing-to-wing solutions."

- ✓ Knowledgeable in equipment and financing alternatives
- ✓ Involve your Hyster Capital Regional Manager early in process
- ✓ Be prepared to quote a payment, making price less of an issue
- ✓ Control the transaction from origination to remarketing

HYSTER CAPITAL

Selling Money / Selling Solutions

"To combat the commoditization of the industry, preparing the correct finance proposal may equal in importance, the equipment differentiation."

- ✓ Utilize Financial Considerations Survey
- ✓ Finance product consistent with customer needs
- ✓ Listen for clues and ask the right questions

"Our highest performing Sales Manager never discusses the invoice price of the equipment. His equipment proposal is built around the payment."

- ✓ Reinforce this is a usage-based product
- ✓ Sell equipment benefits and lowest cost of operation

HYSTER CAPITAL

Customer Decision Process

- **Investment**
  - ROI (Risk/Reward)
  - Decision making process
  - Cost Savings
  - Environmental Impact
  - Flexible Payments

- **Lessor**
  - Financial Stability
  - Remarketing flexibility
  - Experience
  - Documentation
  - Relationship

- **Equipment**
  - Price
  - Service
  - Maintenance
  - Flexibility
  - Warranty
  - Availability

- **Financing**
  - Cash
  - Loan Agreement
  - Tax Lease
  - Rate
  - Payment
  - Salvage Value

Loan versus Lease Attributes

Loan Attributes	Issue	Lease Attribute
User Stated	Ownership	Lessor Not Stated
Stated in Agreement	Interest Rate	Usage fee, no rate
Paid in Full	Residual	Renew, Return, Purchase
Based on Down Payment & Term	Payment Amount	Usage Period & Cash Flow
Not always included	Maintenance	Required by Lessor
Borrower	Tax Benefits	Lessor
Credit Quality	Down Payment	Not Required
Paid by Borrower	Property Tax	Lessee Reimbursement
Paid up Front	Sales Tax	Component of Payment

Ask the Right Questions

- How will the equipment be acquired?
- Number of facilities?
- Fleet size?
- Average age of fleet?
- Who performs maintenance?’
- Union facilities?
- Regular periodic maintenance being performed?
- Is equipment usage being monitored?
- Severity of application?
- Describe the capital equipment decision making process?
- Is company in expansion mode or rationalizing operations?
- Does company monitor cost of operation?
- Hours of usage per year?
- Company’s financial statements available?

Many sales people are finding they are selling to multiple “customers” in the organization – identify decision maker!

HYSTER CAPITAL

FINANCIAL CONSIDERATIONS SURVEY

CUSTOMER NAME____

ADDRESS____

____

SPECIFICATION CONTACT__________________________ phone________________

ORDERING CONTACT _____________________________ phone________________

FINANCIAL CONTACT ____________________________ phone________________

- ☐ Replacement of owned equipment?
  - ☐ Trade-ins?
- ☐ Replacement of leased equipment?

  Lessor_________________________
- ☐ Equipment disposal by____________
- ☐ Additional equipment due to:
  - ☐ Facility expansion?
  - ☐ New products?
  - ☐ New customers?
  - ☐ Adding people?
- ☐ Does the new equipment have to be budgeted?
- ☐ Is more equipment needed than in the budget?
- ☐ Can the customer rent equipment without affecting the capital budget?

When acquiring capital equipment, does the customer usually:

- ☐ Pay cash?
- ☐ Borrow against line of credit to pay cash?
- ☐ Finance through a lending institution?
- ☐ Lease?
- ☐ Normal lessor?___________________

Equipment maintained by_____________

Financial considerations:

- ☐ Take depreciation and ownership tax benefits
- ☐ Treat monthly payments as an expense
- ☐ Minimize Alternative Minimum Tax
- ☐ Fixed costs to aid budgeting
- ☐ Reduced interest costs
- ☐ Conserve working capital
- ☐ Conserve line of credit
- ☐ Free working capital for operating needs
- ☐ Minimize initial investment
- ☐ Fixed monthly payments
  - ☐ To aid in budgeting
  - ☐ As a hedge against inflation
  - ☐ To conserve working capital
- ☐ 100% financing
- ☐ Lowest possible monthly payments
- ☐ Low monthly payments
- ☐ Optimize equipment productivity
- ☐ Minimize equipment obsolescence
- ☐ Reduce administrative costs
- ☐ Eliminate used equipment disposal concerns
- ☐ Eliminate maintenance/repair administration/overhead/"hidden costs"
- ☐ Seasonal operating considerations:

____

Dealer Benefits from Lease

- Increased sales
- Increased margins (Subsidy Programs)
- Product differentiation
- Transaction & Customer control
- Reduce DSO
- Decrease interest cost of rental fleet
- Increase cash velocity
- Used equipment opportunities (proceed sharing)
- Tax benefits (Passed to customer)
- Ancillary fees (Origination, Document)

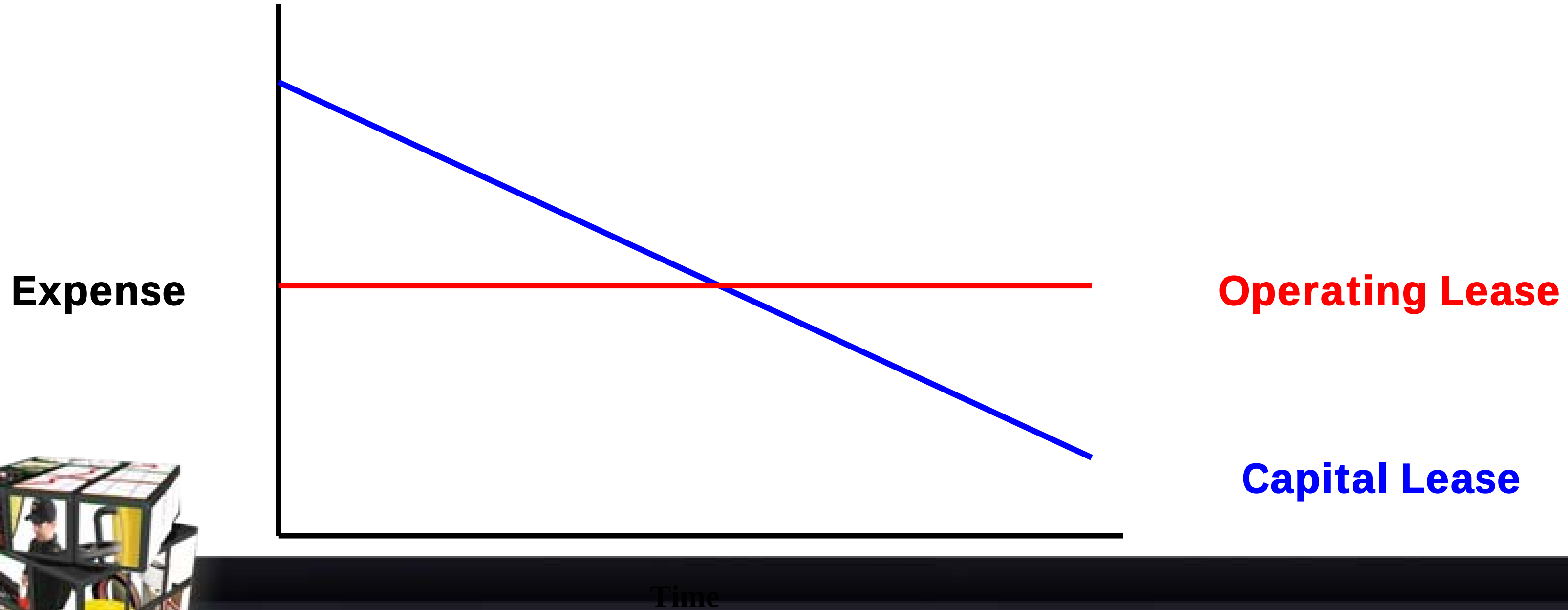
HYSTER CAPITAL

Financial Justification for Leasing

- **Cash Flow**
  - Fixed rate and payment
  - Working capital improvement
- **Return on Assets**
  - Incentive compensation for enhanced return
- **Return on Equity**
  - Key consideration if Debt/Equity >0.5
- **Budget Restrictions**
- **Long Term Capital Growth**
- **Cost of Capital versus Cost of Lease** (Residual)
- **Tax Consequences**
- **Financial Covenants**
- **Performance measurements enhanced**

Improve Earnings & Return on Assets

Depreciation and interest expense are higher during the early years of capital lease than the rent expense of the operating lease, resulting in lower earnings. As net income remains constant and assets are removed from balance sheet, Return on Assets (ROA) improves as does cash flow.



HYSTER CAPITAL

Payment-Based Approaches

How can you use financial merchandising to improve closure rates and increase margins?

Financial Merchandising

HYSTER CAPITAL

Hyster Capital offers many financial products:

- Loan & Security Agreement
- Lease with Stated Purchase Option
- Lease with $1 Purchase Option Contract
- True Lease with or without Fair Market Value Purchase Option
- Revolving Credit Facilities

HYSTER CAPITAL

Keys to Financial Merchandising

- ✓Understand the benefits of products available
- ✓Basic knowledge of appropriate application of products
- ✓Understand benefits of captive financing relationship
- ✓Participate in Hyster Capital training
- ✓Involve Regional and Account Managers early in process
- ✓Practice (Roll Play exercises)
- ✓Understand the customer’s needs fully
- ✓Utilize the Financial Considerations Survey
- ✓Emphasize Lease Quote in Investment Proposal

Overcoming Objections

Desire to own equipment	Technical Obsolescence/Depreciable
Depreciation benefits	Passed back to customer in lease
Income taxes	Deductibility of lease payments
Excess usage	Ability to amend lease during term
Interruptions at end of term	Open end lease can be extended
Resale opportunity	Stated Purchase Option lease available
More expensive to lease	Improves ROA & cash flow
Easier to rotate equipment	Leased equipment can be rotated
Lower cost of acquisition	Financed value remains the same
Leasing is too complicated	Lease is simply a usage based product
Have existing bank line of credit	Higher residual...better cash flow
Upgrade options	Product upgrades easy with lease

HYSTER CAPITAL

Financial Merchandising Example 1

ABC Company is interested in a $5,000,000 fleet replacement. Their Bank will lend the money as follows:

- Down Payment of $1,000,000
- Loan Amount of $4,000,000
- Interest Rate of 8%
- Loan Term of 48 Months
- Loan Payment of $97,652

ABC is also considering building a new plant with a return on investment of 15% expected. The Hyster Dealer has proposed an FMV lease as follows:

- Lease term of 48 months with Advance Payments
- Yield of 8.5%
- Residual of 18%
- Lease Payment of $106,677

Financial Merchandising Example 1

ABC Co has objected to the FMV proposal because monthly payment is approximately $9,000 higher than the loan payment:

	Down Payment	Monthly Payment	Net Savings
Bank Loan	$1,000,000	$97,652	
FMV Lease	$106,677	($106,677)	
Benefit to ABC	$893,323	($9,025)	
FV of Savings	$1,621,698	($482,009)	**$1,139,689**

FV savings of $1,139,689 represents money you would have in 48-months had cash savings been invested in new project at 15%.

HYSTER CAPITAL

Financial Merchandising Example 2

ABC Company is interested in a $500,000 fleet replacement. They are unsure of the operating profit impact of a operating lease versus capital lease:

- Equipment Cost of $500,000
- Lease Present Value of 89% (payment stream must be < 90%)
- Interest Rate of 8.45% on capital lease
- FMV Lease Factor of .01715 (implicit rate not disclosed)
- Term of 60 months
- FMV lease open ended (extension possible with purchase option)
- Standard Matrix Residual of 28-34% at 60 months

Financial Merchandising Example 2

Operating Lease Expense	
Year	Lease Expense
1	$102,900
2	$102,900
3	$102,900
4	$102,900
5	$102,900
Total	$514,500

Capital Lease Expense	
Year	Lease Expense
1	$122,100
2	$122,100
3	$122,100
4	$122,100
5	$122,100
Total	$610,500

Expense savings of $96,000 over term. Present Value calculation of streams required to make most accurate lease/loan determination.

Key Take-Aways

- Utilize the Financial Considerations Survey with your customers during the site survey
- Involve Hyster Capital resources early in process
- Invest time to improve your knowledge and understanding of Hyster Capital products
- Financial merchandising to be integrated into sales process. Leasing creates stickiness and strengthens incumbency

Q & A

Bob Sattler & Billy Cowart welcome your questions and comments