

THE RIGHT TOOL

How to Use Financing in NDT as a Strategy to Maximize Growth!



ASNT...CREATING A SAFER WORLD!®

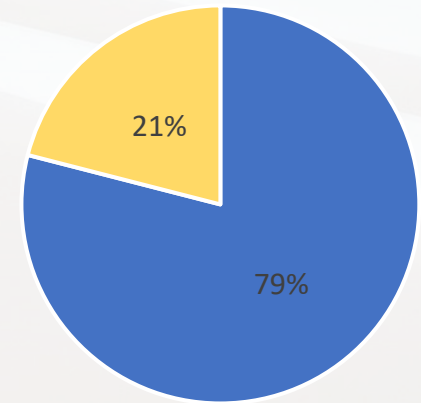


Leasing & Finance



Equipment Finance Facts

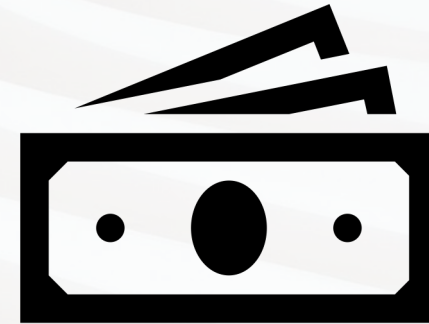
- Nearly 79% of U.S. companies use some form of equipment finance
- In 2019, an estimated \$900 billion of equipment was financed through loans, leases and lines of credit
- Monthly Leasing and Finance Index (MLFI) – April 2020
 - New Business Volume - \$8.2 billion
 - Credit Approvals – 71.7%



■ Companies that use financing ■ Others

Benefits of Paying Cash

- Simplicity
- Zero Interest Expense
- No Monthly Payment
- Immediate Ownership



Benefits of Equipment Finance

- Preserve Cash
- Preserve Lines of Credit
- Pay for equipment as it generates revenue
- Establish Commercial Credit
- Flexibility



Preserve Valuable Cash

Financial experts generally recommend a cash reserve of 3 – 6 months of expenses

- Demonstrate Stability
 - Financial Statements
 - Liquidity Ratios
- Opportunity Cost
 - Investment
 - Growth Opportunities
- Emergency
 - Unexpected expenses
 - Decrease in revenue
- Operational Efficiency
 - Pay bills easily
 - Pay employees easily

Flexibility

Financing provides options that can be customized to the unique needs of business owners

❑ Capital Lease

- Works like a loan
- For Accounting Purposes
 - You own the asset
 - On balance sheet
 - Claim depreciation
 - Claim interest expense

❑ Operating Lease

- Works like a rental
- For Accounting Purposes
 - You do not own the asset
 - Off balance sheet
 - Payments are considered operational expenses

Credit Evaluation

The credit approval criteria used by most lenders



The Three C's

Character

Capacity

Collateral

Character

This is an evaluation of your personal and business credit history

- ❑ Credit Scores
 - Personal
 - Equifax
 - Experian
 - TransUnion
 - Business
 - Paynet
 - Dunn & Bradstreet
- ❑ Comparable Credit
 - Have you demonstrated an ability to repay similar obligations?
- ❑ Value of Your Business
 - Does the amount of your credit request coincide with the valuation of your business?

Capacity

This is an evaluation of your ability to repay the lender



☐ Financial Statements

- Profit & Loss
- Balance Sheet
- Tax Returns
- Debt Schedule

☐ Liquidity Ratios

☐ Debt Service Ratios

Collateral

This is an evaluation of the equipment you are acquiring

- ☐ Value of Equipment
 - New or Used
 - Lifespan
- ☐ Does this equipment make sense for your business?
- ☐ Operational Costs
- ☐ Maintenance

Using Finance to Enhance NDT Equipment Sales

Common Missed Opportunities Within the Buying Cycle

- If you are presenting a finance solution along with your equipment quote, and your competition is not, you have a clear advantage.
- Finance options help you demonstrate how your solution pays for itself (use of equipment generates cash flow to cover the monthly payment.)
- Customers like one-stop shopping
- Finance options shorten the sales cycle



Understanding the Collateral

If your organization does not offer financing internally, find a third-party finance company that you feel comfortable referring your customers to, who can help you close the sale.



- The Lender needs to understand NDT and the value of your equipment
- The Lender needs to have Industry Knowledge
- NDT equipment is highly specialized, finance options need to be as well
- This is true for a \$65,000 portable ECT inspection unit as well as a \$1,000,000 CT System

Identify the Decision Makers

Equipment Decision Makers and Money Decision Makers

- Ask some of the following questions:
 - Who, in addition to you, is making the buying decision?
 - Who, in addition to you, is deciding on the equipment?
 - Who, in addition to you, is deciding on how you will pay for our equipment and services?"
- Oftentimes there are multiple decision makers ("DMs").
 - Those who choose the equipment and those who pay for the equipment.
- The Money DMs ultimately control when a purchase is made.
 - It is important to confirm with the Equipment DMs that they are in-synch with the Money DMs.



Bring Money Into the Sales Presentation Early

Serious Buyers Welcome This Conversation

- Ask the following question very early in the process; even before you've submitted a formal quote:
“If you end up liking our proposed solution, what is the plan for your organization to pay for it?”
- If the prospect gives any answer besides, “We will pay cash/check,” introduce the concept of financing.
- Every Company has different cash flow, tax and accounting needs
- Remember that you are not only uncovering and discovering the prospect's needs, wants and pain, etc.;
you are also (a) separating the shoppers from the buyers and
(b) leading those buyers to the close.



COVID-19 & Economic Uncertainty

During uncertain economic times, lenders become more conservative by making the lending process more cumbersome and guidelines more stringent.

Always be prepared for the unexpected.



Additional Questions Being Asked:

- Do you have a COVID-19 action plan?
- What are the impacts of COVID-19 on your business?
- Please explain your need for equipment at this time?
- How is your supply chain being impacted?
- What impact does a “stay at home” order have on your business?
- Please provide cash flow projections for 3/6/12 months.

Frequently Asked Questions

What is the rate?

Across the industry, “rate reflects risk.”

- If you or your business have struggled to pay creditors in the past or have a limited credit file for lenders to evaluate, the rate will reflect the perceived risk.
- If your business cannot prove consistent, adequate cash flow to cover the monthly obligation of the contract, the rate will reflect the risk.
- If the equipment you are considering is used or its value is difficult to quantify, the rate will reflect the risk.

Is a down payment required?

There are no down payment requirements with a lease. A loan usually requires a down payment.

How long does it take?

Every lender has different processes in place to evaluate a credit request. Depending upon the size of the ask, your relationship with the lender, and the amount of due diligence required, this is difficult to estimate.

It is common for smaller requests to be processed much more quickly than large, complex request.

Will this show up on my personal credit report?

If you do not want business debt to show up on your personal credit report, you should first choose the appropriate business structure. Choosing a structure that separates business and personal financed offers some benefits (LLC, S Corp, C Corp).

Additionally, if you are providing a Personal Guarantee, the lender is most likely going to pull your personal credit report. This will create an inquiry on your report.



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QUESTIONS?



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