TENNANT

# Tennant Financing and Leasing Guide

## Helping you select the right finance products and partners for your customers, through an optimized process

### START BY KNOWING YOUR AUDIENCE:

A **DECISION MAKER:** Plant Manager/Site Supervisor – user of the equipment

B **INFLUENCER:** Procurement/Finance Professional – purchaser of the equipment

C **STRATEGIC PLANNER:** Business Unit Leader/CFO – responsible for balance sheet or profit & loss statement

*Your message will vary based on the person you are talking to!*

# Finance Process

## PUTTING YOU IN CONTROL OF THE SALE

The flowcharts below provide a high-level overview of three variations on the Finance Solutions Process. When offering finance solutions to customers, **use the Proactive Process whenever possible.** It will help you take control of the process, streamline your selling efforts and lead to greater sales!

## PROACVTIVE PROCESS (STRATEGIC AND CONTROLLED)

RECOMMENDED

**Factors Enabling the Purchase Decision**

Identify Target Accounts and Work with Tennant Preferred Finance Vendor to Pre-Qualify → Validate Customer Finance Needs with Decision Makers and Work with Tennant Preferred Finance Vendor to Make Finance Recommendations → Prepare and Deliver Equipment Quote with Pre-Qualified Finance Options → Complete the Purchase Decision → Complete the Documentation and Sales Transaction

## CHECKLIST: USING TENNANT FINANCE IN THE SALES PROCESS

### BEFORE

- ✓ Know your audience
- ✓ Conduct proper fact-finding with customer
- ✓ Select most suitable finance partner
- ✓ Work with finance partner to pre-qualify customer
- ✓ Prepare quote with finance options

### DURING

- ✓ Deliver quote with finance options already included – never talk total price!
- ✓ Lead with and **sell on payment amount**
- ✓ Negotiate with finance terms and payment amount
- ✓ Leverage expertise of finance partner to help close the deal

### AFTER

- ✓ Coordinate the credit application process
- ✓ Deliver equipment and finance documentation
- ✓ Facilitate signing of finance documents
- ✓ Return documentation to finance partner
- ✓ Maintain account relationship
- ✓ Follow up on lead generation at end of finance term

## AVOID THESE INFERIOR FINANCE SOLUTION PROCESSES:

## PASSIVE PROCESS (RESPONSIVE AND CUSTOMER-DRIVEN)

**Additional Factors Delaying Purchase Decision**

Prepare and Deliver Equipment Quote without Finance Options → Offer Finance as an Alternative When Asked → Complete Application and Submit for Credit Review → Collect Additional Information When Necessary and Obtain Credit Approval → Complete the Purchase Decision → Complete the Documentation and Sales Transaction

## REACTIVE PROCESS (DESPERATE AND UNCONTROLLED)

**Additional Factors Delaying Purchase Decision**

Prepare and Deliver Equipment Quote without Finance Options → Offer Finance as an Alternative to Salvage the Deal → Complete Application and Submit for Credit Review → Collect Additional Information in Attempt to Gain Approval ⟲ Request Special Finance Structuring to Obtain Approval → Complete the Purchase Decision → Complete the Documentation and Sales Transaction

# TENNANT Finance and Leasing Products

## SELECTING THE RIGHT PRODUCT FOR YOUR CUSTOMER

**IDENTIFY** your customer's primary interest when making equipment finance decisions

**CHOOSE** the factors that align with your customer's equipment finance needs

**RECOMMEND** the finance solution that best matches your customer's primary interest and needs when making equipment acquisition decisions

### FINANCING DEFINITION:

An agreement in which one party acquires an asset via a secured loan from a financing institution, and maintains essential ownership and control over the asset.

### LEASING DEFINITION:

A rental agreement in which one party (the lessor) maintains ownership of an asset and the other party (the lessee) uses it for a defined period in
its business activities.

## FINANCE PRODUCT SELECTION MATRIX

| YOUR CUSTOMER'S PRIMARY INTEREST IS: | IF THEY WANT TO: | THEIR SOLUTION SHOULD INCLUDE:* | |
|---|---|---|---|
| | | FINANCE: $1 PURCHASE OPTION | LEASE: FAIR MARKET VALUE (FMV) |
| CASH FLOW | Preserve Cash for Other Investments | | ✓ |
| | Possibly Make Off-Balance-Sheet Transaction(s) | | ✓ |
| | Access the Latest Innovation (via Rotation) | | ✓ |
| | Include Fair Market Value Purchase Option at End of Term | | ✓ |
| | Have Lowest Possible Monthly Payment | | ✓ |
| | Have No Obligation to Purchase Equipment at End of Term | | ✓ |
| | Have Lowest Overall Cost of Equipment Use During Lease Term | | ✓ |
| OWNERSHIP | Have Extended Warranty Available at End of Term | ✓ | |
| | Have Equipment Trade-in Option at End of Term | ✓ | |
| | Have Predictable End of Term Cost to Purchase Equipment | ✓ | |
| | Enjoy Benefits of Equipment Ownership During and After Term | ✓ | |
| | Take Advantage of Depreciation of Equipment During Term | ✓ | |
| | Have $1 Purchase Option at End of Term | ✓ | |
| | Have Lowest Possible Purchase Option at End of Term | ✓ | |

✓ Standard feature of this finance product offering

* Features such as deferred payments and step payments can be added to the offering if the customer's goals include lowering payments at the beginning/end of the term, or structuring payments to match income streams.

# TENNANT Finance Partners

## CHOOSING THE RIGHT PARTNER FOR YOUR CUSTOMER

### FACTORS TO CONSIDER:

**REGION:**
U.S. or Canada?*

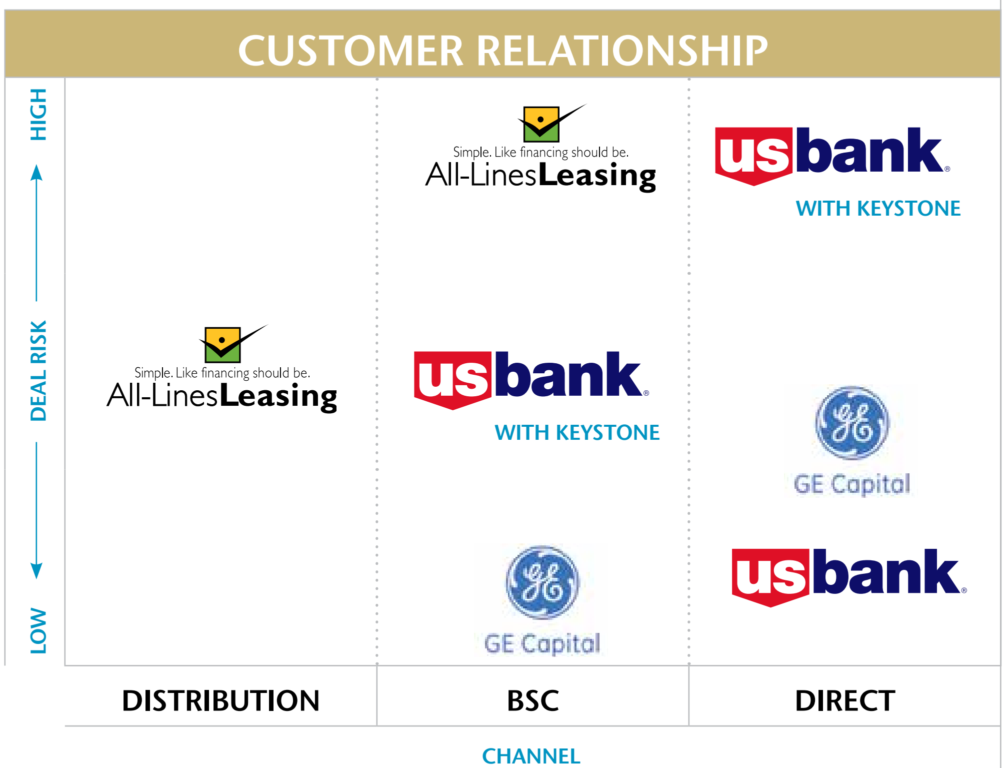
**CHANNEL:**
Is customer part of a direct or indirect channel?

**RISK:**
A mix of dollar value and credit history

**CREDIT RATING:**
Customer's rating affects finance partner choice, too

**RELATIONSHIP HISTORY:**
Customer may be best served by maintaining established relationship

* For Canadian customers, you can use National Leasing for all types of finance deals and GE Capital for clients with Grade A credit.




NOTE: Of course, you could still use GE Capital for the Distribution channel, but we believe this breakout offers the best recommendations for balancing channel and risk.

## TENNANT FINANCE PARTNER PROFILES

| GE CAPITAL | US BANK/KEYSTONE | ALL LINES LEASING | NATIONAL LEASING |
|---|---|---|---|
| **Region Served:** US and Canada | **Region Served:** US | **Region Served:** US | **Region Served:** Canada |
| **Channel Served:** Primarily Direct and BSC | **Channel Served:** Direct and BSC | **Channel Served:** Distribution and BSC | **Channel Served:** Direct, BSC and Distribution |
| **Deal Value Range:** $2K and up | **Deal Value Range:** $2K and up | **Deal Value Range:** $1K and up | **Deal Value Range:** $2K and up |
| **Credit Range:** Grade A – Excellent | **Credit Range:** Grade A – B / Excellent – Good | **Credit Range:** Grade A – B / Excellent – Good | **Credit Range:** Grade A – B / Excellent – Good |
| **Risk Tolerance:** Low-Medium | **Risk Tolerance:** Low-High | **Risk Tolerance:** Low-High | **Risk Tolerance:** Low-Medium |
| **Contact:** 800-876-6015 | **Contact:** 800-934-7444 | **Contact:** 800-477-5855 | **Contact:** 888-599-1966 |

# Financing vs. Leasing

## DEFINITIONS AND DIFFERENCES

### FINANCING:

An agreement in which one party acquires an asset via a secured loan from a financing institution, and maintains essential ownership and control over the asset. Customer benefits include:

- Provides flexibility and convenience
- Helps preserve cash and credit for primary business needs – versus buying equipment outright
- Improves budget management
- Increases purchasing power
- Offers potential accounting and tax benefits

### LEASING:

A rental agreement in which one party (the lessor) maintains ownership of an asset and the other party (the lessee) uses it for a defined period in its business activities. Customer benefits include:

- Makes it possible to avoid large financing down payment or having to own equipment outright
- Can be secured with little or no collateral
- Lessor bears risk of equipment obsolescence
- Entire lease payment can be claimed for tax deductions
- Payments are generally lower, fixed and amortized
- Gives customer access to the latest innovation

## SELL THE VALUE

### UNCOVER CUSTOMER NEEDS BY ASKING:

- How do you typically fund the purchase of capital equipment?
- What other capital equipment do you finance for your business?
- Who's the decision maker on how capital equipment purchases are funded?
- Did you know you can actually save money financing or leasing a new Tennant machine?
- Did you know that municipalities can finance capital equipment?
- How can I help you purchase needed equipment using finance or lease options?
- How can I help you meet your monthly payment objectives?

### PACKAGING THE VALUE:

- Demonstrate how Tennant equipment can save your customer money in operational costs, by offsetting the price of acquiring a new machine
- Explain that Tennant finance partners are experts at both capital equipment financing and leasing, and at understanding the industry and your customer's needs
- Show how bundling parts and consumables or service is easy using Tennant finance partners
- Reinforce how Tennant finance provides them with one convenient, total solution that simplifies their operation and saves time

## CLOSE THE DEAL!

### DELIVERING THE QUOTE:

- Suggest a meeting with the finance decision makers
- Show how they can acquire the equipment they need using financing or leasing
- Outline the benefits of financing or leasing
- Focus on **selling the monthly payment**
- Call on your bank partner to help

### OVERCOMING OBJECTIONS:

- **"We don't finance; we purchase our equipment."**
  – Ask about other capital equipment they may finance and relate your product to the ones they already finance.
- **"We want to own the equipment."**
  – With Tennant finance, you can receive the benefits of ownership during or after the finance term.
- **"Municipalities cannot use financing."**
  – Tennant finance agreements contain a non-appropriations clause that enables municipalities to take advantage of the benefits of financing.
- **"We cannot afford new equipment."**
  – Tennant finance makes new equipment more affordable; the savings may even offset the monthly payment!
- **"The monthly payment is too high."**
  – Tennant finance offers a variety of terms, so you can achieve a monthly payment that fits your budget.

# Understanding Financing and Leasing

## KEY TERMS TO UNDERSTAND

**Up-front costs** – Variety of costs - such as application fee, security deposit, advance payment(s), down payment, etc. - that are required to be paid at the beginning of the lease.

**Lease term** – The defined period of time, usually in months, that a lease is in effect.

**Deferred payments** – The rescheduling of interest and/or principal payment(s) at the beginning and/or end of the lease term. Usually done to delay the due date of the first payment in order to align with the revenue stream being generated from the equipment being financed.

**Step payments** – Commonly referred to as a Step-up or Step-down lease. The restructuring of payments, usually to a lower amount, at the beginning and/or end of the lease. Usually done to reduce the cost at the beginning and/or end of the lease to align with the revenue stream being generated from the equipment being financed.

**End of lease** – The time when a lease reaches its scheduled maturity. Usually expressed by a set date.

**Fair market value** – Commonly known as FMV. FMV is used to define the amount needed for a lessee to purchase financed equipment at end of the finance term.

**Purchase option** – The option at the end of finance term to purchase the financed equipment for an amount defined in the terms of the lease. Usually offered as: A) $1 purchase option - customer takes ownership at end of lease for $1. B) 10% purchase option - customer is obligated to purchase equipment at end of lease for 10% of original purchase price. C) Fair Market Value (FMV) - customer has the option to purchase at end of lease for a price to be determined based upon FMV at end of lease.

**Operating lease** – An operating lease is accounted for by the lessee without showing an asset for the equipment or a liability (for the lease payment obligation) on his balance sheet. Periodic payments are accounted for by the lessee as operating expenses of the period.

**Capital lease** – A lease that has the characteristics of a purchase agreement and meets the criteria established by Financial Accounting Standards Board Statement No. 13 (FASB 13).

**Residual** – The value assigned to the equipment at the end of the finance term. Usually a fixed dollar amount or a percentage of the original purchase price.

**Municipal lease** – A special type of lease that enables municipalities (city and state - tax supported entities) to take advantage of the benefits of leasing.

## FREQUENTLY ASKED QUESTIONS

**What is a lease?**
- A lease is a non-cancelable agreement in which the equipment owner (lessor) gives the user (lessee) exclusive use of the equipment for a period of time (term) in exchange for lease payments.

**Why finance vs. buy for cash?**
- When considering the best financing option for your company, the rule of business is to invest in assets that appreciate and finance those that depreciate.
- When you consider financing assets that depreciate such as floor maintenance equipment, you transfer all risk of obsolescence to the finance company, as there is no obligation to own equipment at the end of the term.

**Does financing affect my credit line?**
- If you borrow money from a bank or another source to buy equipment, you immediately reduce your credit line with that source.
- A bank may require a 20-25% down payment and may require additional collateral.

**What are the tax benefits of financing?**
- Financing payments can frequently be treated as deductible operating expenses, which can accelerate your tax write-offs on equipment depreciation. Consult your tax advisor to determine your specific benefits.

**What are my responsibilities during the finance period?**
- Make your scheduled payments.
- Maintain the equipment per the manufacturer recommendations.
- Notify the borrower of any changes affecting the finance terms.
- Exercise your options at finance termination.

**What are my payment options?**
- The payment options can be flexible, to complement business needs.
- Monthly, quarterly, semi-annually, annually, seasonally or step.

**How long is a financing term?**
- The financing terms can be as little as 12 months to as long as 60 months, or any time frame in between.

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