Managing your Acquisitions & Equipment Fleet

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Why should we be concerned about making acquisitions a "STRATEGY"

Main Entry: strat·e·gy

Function: noun

Inflected Form(s): plural strateegies

Etymology: Greek stratēgia generalship, from stratēgos

Date: 1810

- 1 a (1): the science and art of employing the political, economic, psychological, and military forces of a nation or group of nations to afford the maximum support to adopted policies in peace or war (2): the science and art of military command exercised to meet the enemy in combat under advantageous conditions b: a variety of or instance of the use of strategy
- 2 a: a careful plan or method : a clever strategy b: the art of devising or employing plans or strategies toward a goal
- 3: an adaptation or complex of adaptations (as of behavior, metabolism, or structure) that serves or appears to serve an important function in achieving evolutionary success <foraging strategies of insects>

During this class, you will learn how to:

- Understand the options for payment: cash, lease, rental or installment loan
- Build an acquisition plan and how it will help pay for needed equipment.
- Develop the true cost of ownership.

Big Ideas

- When it's time for you to acquire the latest equipment, how do you proceed?
- Should you pay cash? Lease? Rent?
 Get an installment loan?
- The answer is "It depends," and what it depends on is what you're trying to accomplish.
- Are you concerned with cash flow issues?
- Are you concerned with balancesheet management?
- Managing the Fleet

Considerations

- Fiscal Responsibility
 - Interest charges
 - Cash flow issues
 - Time Value of Money
 - Concerns about fees and extra charges
- Equipment
 - Transfer of Risk
 - Disposal, operational costs, safety
 - Total Cost of Ownership
 - Use vs. Ownership
 - Obsolescence
 - Innovation
 - Equipment Purpose

Performance...

CASH FLOW...

Before you lease:

- What's the total cost of leasing?
 - Payments
 - Fees
 - Return Considerations
 - Usage/Hours
 - Condition expectation
 - Service
 - Full
 - Self
- Besides the cost, how does leasing compare to an installment loan?
 - Rate, Term, Residual
 - Ownership
 - End of term options
 - Automatic decision point

Is it important for me to own this equipment?

Before you finance:

- What's the total cost of finance?
 - Interest Rate
 - Fees
- How much do I need for a down payment?
- What are the monthly payments?
 - Interest Rate
 - Term
- Is it important for me to own this equipment?

Before you rent:

- How long do I need the equipment?
 - Short Term
 - Seasonal
- What are the rental payments?
 - Hourly
 - Weekly
 - Monthly
- What kind of service and support can I expect?

Paying cash:

- Is this going to deplete my reserves?
- Could I find a better use for my cash?
- Have I given the other options enough consideration?
- What is driving this decision?

Cash Flow

Major issues to think about as it relates to cash flow are:

Cash on hand

Down payments

Monthly payments

Overall cost

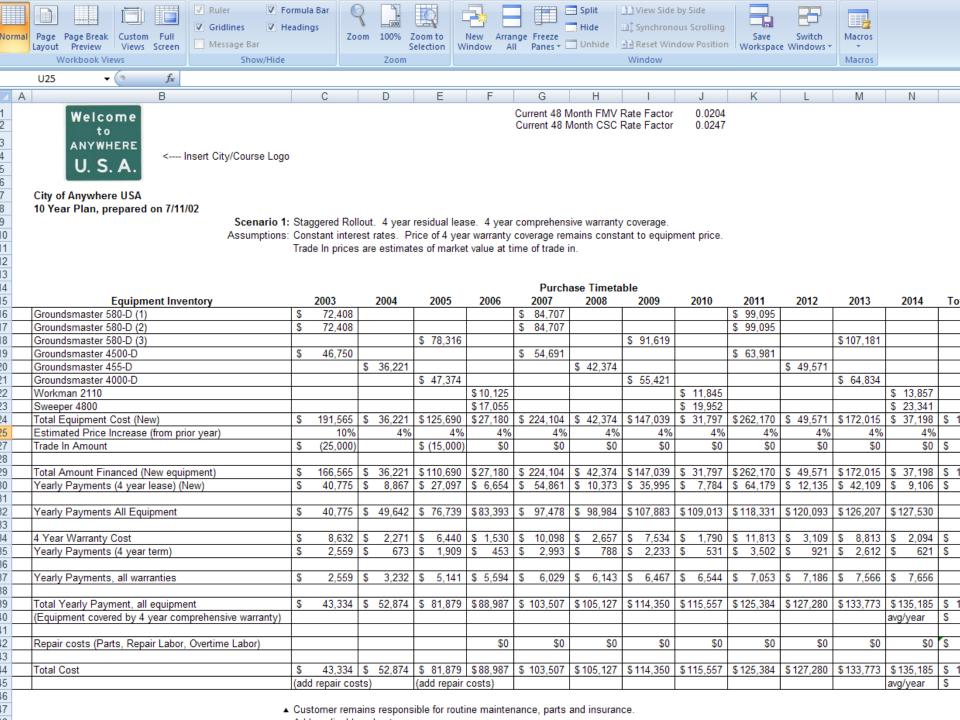
Putting a replacement plan together

Equipment needs

Replacement timing

Financing options

Annual Budget requirements



HAVE A PLAN

- Understand your financial Position and goals
- Use tools available to plan
- Use Electronic fleet management tools to calculate the Total Cost of ownership to plan for replacement

Questions?