IAITAM ACE

May 7–9, 2024 The M Resort Las Vegas, NV

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Hardware Leasing: What you need to know to have an effective program

Finding your IAITAM Oasis

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Agenda

- What is hardware leasing
- Why do companies lease?
- How does it work?
- How to establish an effective leasing program
- Leasing Contracts – What should you ask for
- Q&A

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What is hardware leasing?

- Hardware Leasing: Financial agreement that allows you to rent IT assets for a monthly rate with no ownership transfer at the end of the term.

- Basic Terminology:
  - **Financed Amount** = total amount of hardware purchases made throughout installation window
  - **Installation Period** = period of time contractually allowed by the leasing company to complete lease replacement cycle.
  - **Lease Rate Factor** = multiplier that determines monthly cost per $1,000 in financed amount
  - **Leasing Schedule** = quarterly document that list all assets procured during quarter

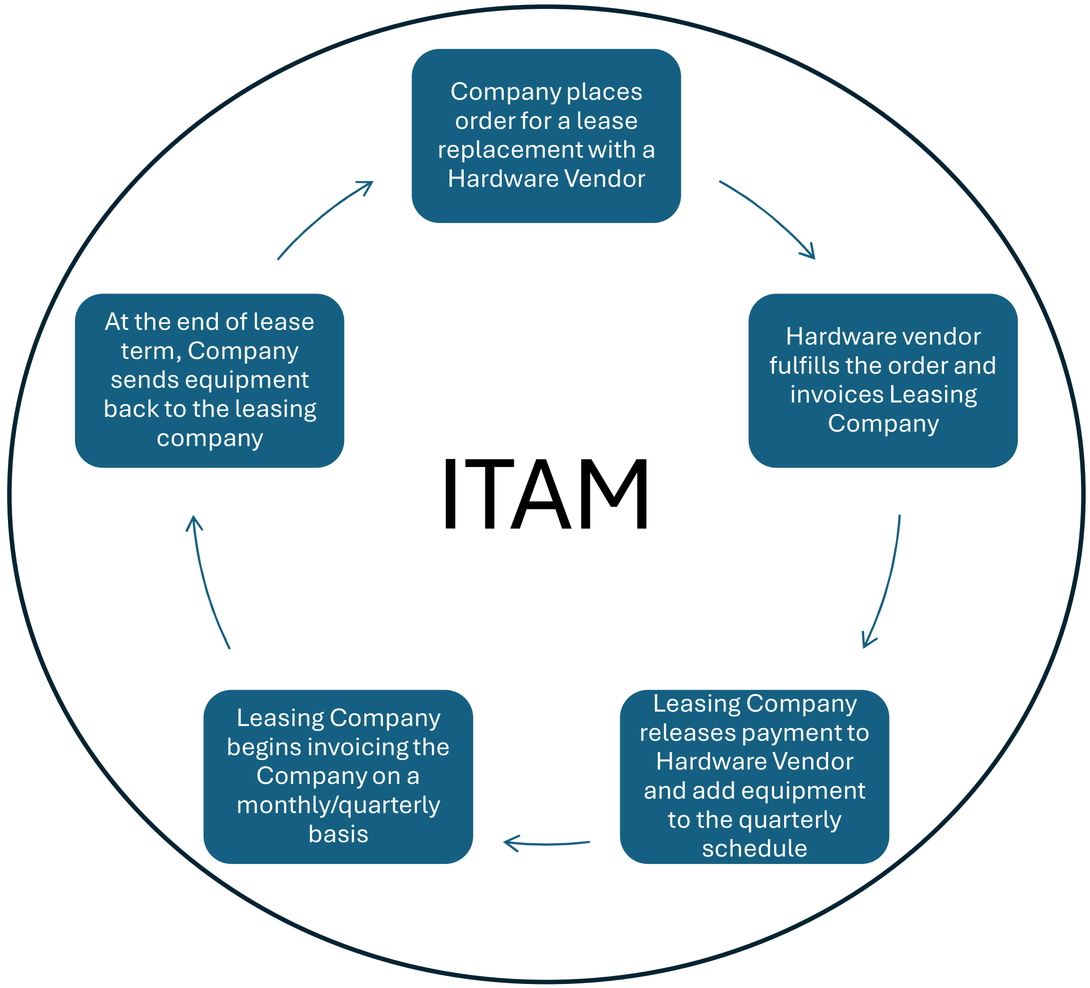
- **Example:**
  - Laptop purchase price = $1,500
  - Lease Rate Factor = 0.030
  - Term: 36 Months
  - $1,500 x 0.030 = $45/month

Companies do not lease to save money

Why do companies lease?

- Technology refresh
  - Less downtime
  - More security, productivity, and end-user satisfaction
- Worry-free asset disposal
- ESG Reporting
  - Circular economy model
  - Corporate responsibility
- Cash flow management
  - Higher interest rates push for different cash flow management strategy
- Secure data eradication
- More consistent P&L run rate

How does it work?



How to establish an effective leasing program

Effective Leasing Program Defined:

Example 1:

	P1	P34	P35	P36	P1	P2	P3
Old Asset	$45	$45	$45	$45			
New Asset			Asset procured & deployed		$50	$50	$50
Total:	**$45**	**$45**	**$45**	**$45**	**$50**	**$50**	**$50**

- Old asset not extended – returned in time
- New asset procured and deployed within installation window
- P&L impact limited to outside factors (i.e. inflation/interest rates)

Example 2:

	P1	P34	P35	P36	P1	P2	P3
Old Asset	$45	$45	$45	$45	$45	$45	$45
New Asset			Asset procured & deployed		$50	$50	$50
Total:	**$45**	**$45**	**$45**	**$45**	**$95**	**$95**	**$95**

- Old asset not returned in time - extended
- New asset procured and deployed within installation window
- P&L impact approximately double vs. plan

How to establish an effective leasing program

Effective Leasing Program Defined:

	P1	P34	P35	P36	P1	P2	P3
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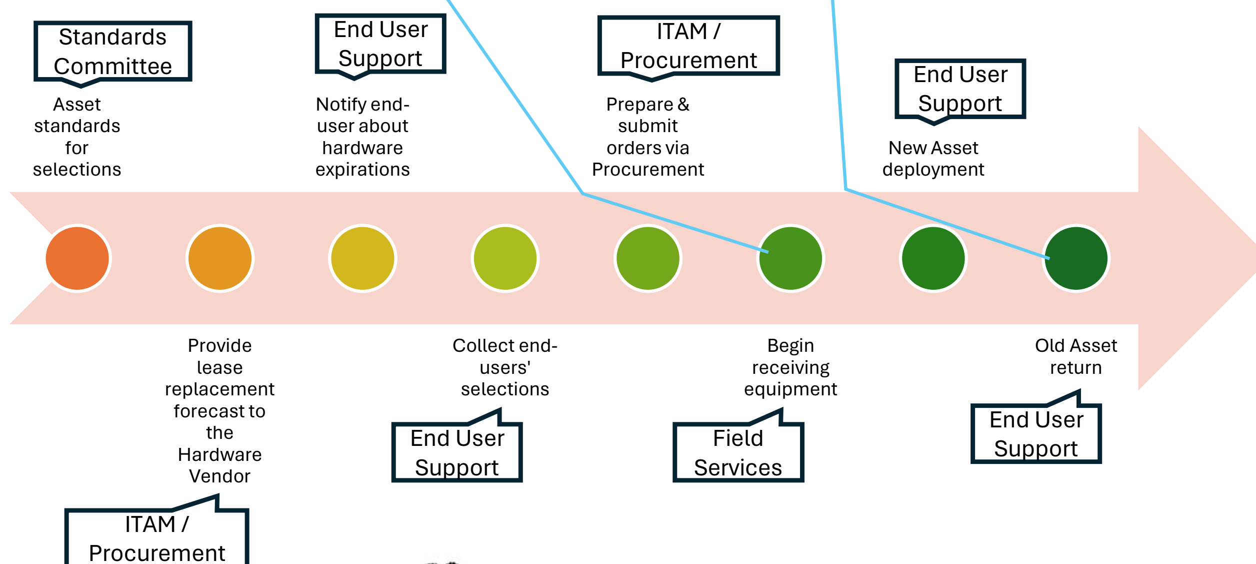
New Asset		Asset procured & deployed			$50	$50	$50
Total:	**$45**	**$45**	**$45**	**$45**	**$50**	**$50**	**$50**



How to establish an effective leasing program

Effective Leasing Program – How do you get there?

ITAM

- Work with Procurement on establishing lease replacement forecast and share it with hardware vendor.
- Through a centralized role, assist Procurement in placing quarterly order.
- Establish reporting around the entire process to track/identify areas that are not working well.
- Provide oversight (not do the work) over the entire process

Procurement

- Through an RFP, identify best suitable hardware vendor based on Company's requirements.
- Generate purchase order(s) for lease replacement.

IT Field Services

- Finalize lease replacement selections in time to place the order
- In a proactive way, coordinate with end-user on scheduling time to do the swap
- Return old assets before contractual deadline.
- Work with ITAM on things like buyouts, damages, or life cycle changes

Hardware Vendor

- Secure and fulfill lease replacement order in time EVERY SINGLE TIME
- Notify well in advance of any events that may interfere with fulfilling lease replacement order
- If additional services are performed (i.e. imaging), perform QC to ensure equipment is operations upon arrival.

Leasing Contracts – What should you ask for

- 90 Day installation window
- No Interim Rent
- Monthly/Quarterly payment structure
- If extending beyond the original lease end date, total payments should not exceed the original buyout cap
- End-of-life Flexibility
- 10+ days of “Grace Period” to return leased assets
- Visual support around damage charges

Topics Covered

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Q&A

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