

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

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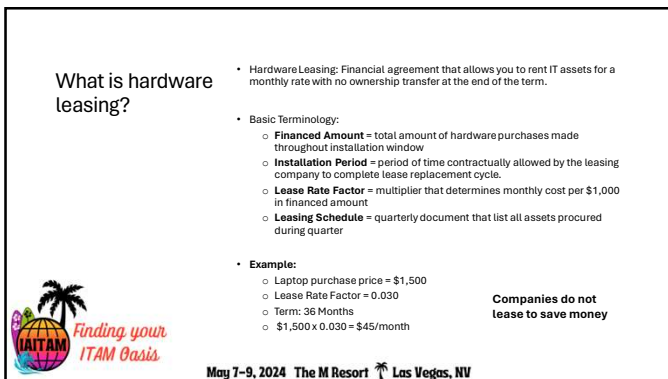
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Agenda

- 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
 - $\$1,500 \times 0.030 = \$45/\text{month}$


Companies do not lease to save money

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Why do companies lease?

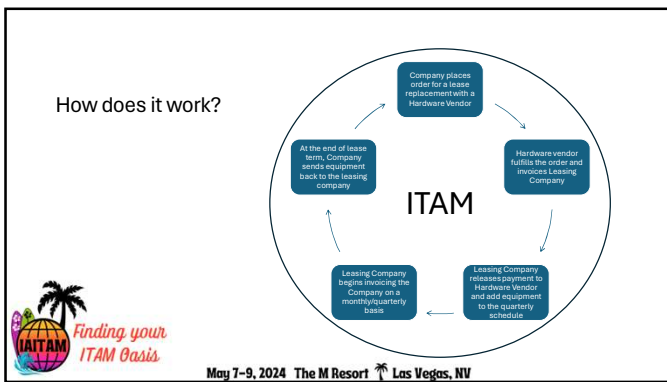
- Technology refresh
 - Less downtime
 - More security, productivity, and end-user satisfaction
- Worry-free asset disposal
- ESG Reporting
 - Circular economy model
 - Corporate responsibility
- Cash flow management
 - Higher interest rates push for different cash flow management strategy
- Secure data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



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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




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Topics Covered

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- Leasing Contracts – What should you ask for




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Q&A



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