Construction Equipment Financing and Leasing

XXXX,20XX

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Executive Summary

The global construction industry spans across industries such as manufacturing, oil and gas, forestry and public works. The industry witnessed X% decline in unit sales volume in 20XX driven by slowing world economic growth and weak commodity prices. The industry is expected to demonstrate the recovery path with X% growth in 20XX and a CAGR of X% from 20XX to 20XX.

Unit sales in China, one of the key markets in Asia, are expected to stabilize following a significant decline over the last X years. Construction equipment industry in emerging markets of Asia Pacific, Africa and part of South America are expected to continue prospering driven by government and private investment in infrastructure projects.

Equipment financing is a key component of a company's ability to acquire assets as well as conduct and grow its businesses – for both small and large companies alike. Equipment financing from external sources, provides a wide range of benefits such as increased ability to manage cash flows, appropriate cash flow allocation to other aspects of the business, risk management among others. Typically, equipment financing takes the form of commercial loans and leasing.

- A **commercial loan** refers to an arrangement where a lender finances the acquisition of equipment by a borrower- usually up to X% of the equipment cost. The loan is satisfied once the borrower repays the principal plus interest. At the end of the term, the borrower owns the equipment outright.
- A **lease** is an arrangement where one party, who owns equipment (the lessor) transfers possession and use of that equipment to another party (the lessee). In exchange for the use of the equipment, the lessee pays rent to the lessor over the term of the lease. Typically, X% of the equipment acquisition cost is financed.

According to a survey conducted by XXXX from 20XX-20XX, majority of the respondents preferred lease financing to other types of financing in 20XX-20XX, with a shift seen towards rental equipment.

The leasing industry globally is at different stages of maturity, with advanced economies having the most mature markets while the industry in developing economies of Asia and Africa still in its nascent stage. Globally the industry recorded a modest growth in 20XX of X% in new business volume to X billion, after recovering from global economic crisis. North America and Europe hold the largest market, with over X% of the total market share. Africa's leasing industry forms only X% of the share globally.

Infrastructure development is an important factor for sustainable growth in the African continent. Given the current inadequate infrastructure, an estimated X% billion of investment annually is required, only half of which is financed. New emerging trends such as government initiatives and intervention for infrastructure financing; market reforms such as deregulation of public sectors; new institutions such as New Development Bank by BRICS to finance infrastructure developments; new infrastructure plans; and increased focus on urbanization pave the way for growth in the construction industry in this region. These initiatives and trends, in turn, bode well for the construction equipment industry in the region. The increased demand for construction equipment and the resultant demand for financing options will drive the development and growth of equipment financing and leasing industry in the region.

Construction Equipment Industry Overview

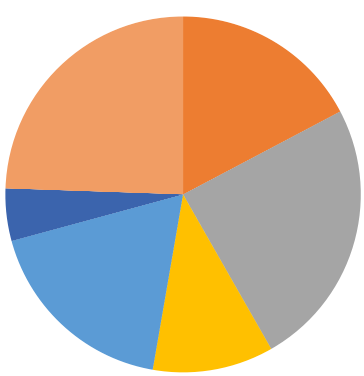
Construction equipment, also known as heavy equipment, is specially designed machinery for performing construction operations, used for various functions such as drilling, hauling, excavating, paving and grading. The global construction equipment market covers different industries including manufacturing, oil and gas, forestry, military and public works. Increasing industrial activities, swift residential & commercial development combined with increased investment by government in the infrastructure sector, is expected to result in steady growth of the global construction equipment market.

Demand within the global construction equipment manufacturing industry varies across regions, as certain countries and regions significantly outperform others, driven by a host of factors. Global unit sales have grown at a CAGR of X% over 20XX-20XX, with a weak performance – decline by X% in 20XX; and is expected to grow at a CAGR of X% over 20XX-20XX [1]. According to the XXXX construction equipment unit sales forecast by Off-Highway Research (OHR), global sales are estimated to be $X billion in 20xx – an increase of X% over $X billion in 20XX.

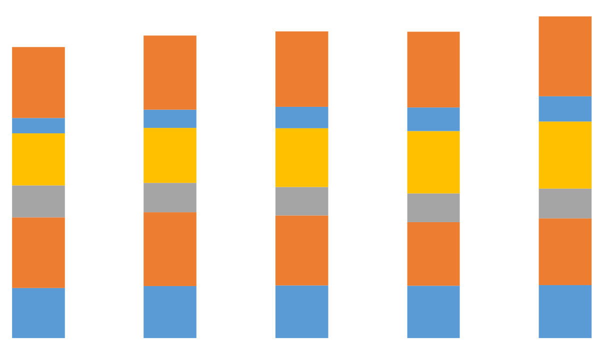
Of the key regional sales markets, Europe is showing steady signs of growth, with the UK, in particular, enjoying strong sales numbers. However, in the US, with exports down, the demand is being increasingly driven by rising domestic plant demand. In contrast to the US, China, the nation with the world's biggest market for construction equipment, has seen a dip in domestic sales, with many firms now looking to increase their percentage of exports.

The Asia-Pacific region, is projected to be the key region for aggregate demand led by huge government led investment in new transport and other vital infrastructure. Such demand for aggregates tends to go hand in hand with demand for construction equipment. Along with Asia-Pacific, markets such as Africa and parts of South America, especially Brazil, are projected to continue to prosper as governments and private investors continue to invest big money on new public infrastructure projects.

Projected Global Market Demand Break-up (20XX) (1)



Global Unit Sales of Construction Equipment by Region (20XX-20XX) (1)



China Europe North America India Japan Rest of World

[1] XXXX Research,20XX

Emerging Markets

Asia

India

India's construction equipment market is expected to grow at a CAGR of X% from 20XX-20XX to XX units sold in 20XX, from current levels of about X units [2]. The Planning Commission, during the Xth Five-Year Plan (20XX-20XX), estimates infrastructure spending to increase to X% of GDP, up from X% during the previous plan. Investments in infrastructure is expected to double to $X trillion [3]. These will result in increased demand from traditional end-user industries, including construction and mining. Such an increased use of construction equipment in previously traditional applications to speed up projects will give rise to new demand in applications such as digging and soil loading, especially in time-sensitive projects. Moreover, demand for construction equipment is also expected to grow in new segments such as agriculture, which have not historically been construction equipment users because of a lack of access but are slowly adopting the equipment. Urbanization will also drive the demand for construction to meet residential, commercial, and infrastructure development needs. New players entering the market have made competition stiffer, thereby making construction equipment more affordable. Finally, more financing of construction equipment and the increased use of rentals will create wider use by encouraging users that don't necessarily want to own equipment. The rental market is especially expected to pick up in tier 2 and tier 3 towns, where growth will be driven by small contractors doing construction work.

China

With declining domestic demand, sales of construction equipment are estimated to decline by X% in 20XX with to X units. This is driven by overcapacity and slowdown in expansion plans due to slow economic growth. Demand is expected to grow by X% over 20XX-20XX[2].

Rest of Asia

The Indonesian construction industry with an annual growth of X% from 20XX- 20XX, is estimated to grow further by a CAGR of X% over 20XX-20XX [4]. The government's focus on infrastructure and industrial construction, and the rollout of the multiyear Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI) will be the key drivers of this growth. The plan will lead to spending of up to $X billion during 20XX-20XX [4].

According to the Construction Industry Development Board Malaysia (CIDB Malaysia), the country's construction industry, driven by government and private sector investments in low cost housing and infrastructure schemes, particularly the Economic Transformation Programme (ETP), witnessed rapid growth during 20XX-20XX. During 20XX-20XX, Malaysia secured X projects worth $X billion, with $X billion further estimated to be secured in 20XX[4]. According to CIDB Malaysia, private sector participation in projects is estimated to rise from X% in 20XX to X% in 20XX, resulting in growth of Malaysian construction industry, and increased construction equipment demand, over 20XX-20XX [4].

[2] XXXX Research, 20XX

[3] XXXX

[4] XXXX, 20XX

Thailand is investing heavily in developing rail infrastructure, and has launched several mass transit routes. To become the regional hub of the earmarked ASEAN Economic Council (AEC), the government is said to be focusing more on industrial construction, while the Industrial Estate Authority of Thailand (IEAT) is planning to develop several industrial parks in the country, to promote continued trade and investment.

Vietnam's economic stability and government investment in industrial and residential construction will result in X% CAGR over 20XX-20XX [(5)]. Expansion in the tourism and retail sectors, coupled with investments in infrastructure projects will further support construction industry growth.

Africa

Infrastructure, regional integration and the development of institutions (e.g. property rights), are the three important factors for the sustainable economic growth of the African continent.

Africa is estimated to require $X billion investment in infrastructure per annum [(6)], of which only half is currently financed. The African governments rely on donor aid and external borrowings to bridge this gap. Private equity is playing an increasing role in the continent's infrastructure landscape.

Emerging trends in Africa's infrastructure landscape –

- Government intervention: African governments have become more interventionist in infrastructure financing, with an objective of accelerating public service delivery. Proceeds of Eurobonds issued by African sovereign (Kenya, Uganda) have been invested in the infrastructure.
- Market reforms: The deregulation of several large public utility sectors has widened the scope for investment in delivering previously monopolized private goods.
- New Development Bank: Launch of New Development Bank (NDB) by the BRICS to support infrastructure investment and promote sustainable economic development.
- Infrastructure players have gone global: Infrastructure development has become a multinational affair and is attracting investments globally.
- Infrastructure specific plans: More countries are introducing infrastructure specific plans with varying focus points.
- Resource scarcity drives investment: The management of scarce resources, such as water, is receiving a lot of attention and investment in respective aspects is gaining interest.
- Cities sharpen focus on urban mobility: Increased mobility in urban areas leads to focus on transport and urban planning.

Nigeria

Despite being the continent's biggest hydrocarbon producer, and with the largest natural gas reserves, Nigeria's net electricity generation per capita is amongst the lowest in the world, with around half of the population deprived of electricity access. The country has limited infrastructure in place in to take advantage of its massive energy resource.

[5] XXXX,20XX
[6] XXXX,20XX

To resolve this, the country plans to attract $X billion worth of investment into developing its gas infrastructure, creating about X jobs in the process [(7)]. The Nigerian National Petroleum Corporation has estimated $X billion worth of investments into gas-to-power, gas-based industrialization and gas export activities over the coming X years [(7)].

South Africa

South Africa is not only Africa's most developed economy but also the continent's X largest stock of infrastructure after Nigeria and Algeria. It accounted for two-thirds of the continent's real growth in infrastructure stock during 20XX-20XX.

The country's well-developed construction sector recorded the fastest growth in real activity since 20XX in comparison to its other economic sectors. FDI stock in the construction sector averaged $X million over 20XX-20XX and witnessed participation from international companies such as XXXX [(7)].

The government spent $X billion on infrastructure over the past X years [(7)]. Its national infrastructure plan is aimed at remedying the lingering legacy of skewed development spending under the pre-democracy government. In South Africa, majority of the spending is done by the government and the work is undertaken by private construction companies.

According to the XXXX Index, the growth in the real value of construction works increased by an annual rate of X% in the third quarter of 20XX, very low from the average of X% in 20XX. Despite the fall in the growth rate, the business confidence in the construction industry increased marginally in the fourth quarter of 20XX. XXXX confidence is further boosted by the expectation of better construction work and profitability in first quarter of 20XX[(8)].

Kenya

Kenya's standard-gauge railway that is currently under construction, has the potential to raise the country's economic growth by X% per annum, by boosting its national and international trade. In October 20XX, Kenya sold dedicated infrastructure bonds worth $X million [(7)].

With an aim to provide infrastructure support in the East African Community (EAC), World Bank has stated to loan the East African Community (EAC) $X billion to improve inland waterways and ports in Kenya and Tanzania [(7)]. The EAC in a recent 20XX-20XX bloc paper, stated that it needs at least $X billion over the next decade to develop roads, ports, railways, transmission lines and oil and gas infrastructure.

Ghana

With the Ghanaian economy growing at an average of X% p.a over the last X years and the private consumption expenditure expanding at X% p.a [(7)], the growing middle class in the country has attracted several retail brands to its retail centres and is seeing a westernization of shopping trends. However, the increase in shopping malls and the formalisation of retail markets has failed to keep pace with shoppers demands and retail space is in short supply. A total of X m^2 in space will be under development over the next X years [(7)].

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[7] XXXX,20XX
[8] XXXX

Other countries in the region with potential for infrastructure and construction industry development

Country	Key Infrastructure Developments Highlights
Angola	• Angola has the Xth largest stock of infrastructure in the continent and has the Xth largest number of construction-related jobs at foreign-affiliated companies after South Africa (9). • Its construction sector expanded by double-digit figures over the last X years, despite facing financing difficulties. • The government is planning to spend almost $X billion on the non-oil economy over 20XX-20XX (9) and expects to see increased private contribution.
Ethiopia	• The nominal value of its infrastructure increased three-fold over 20XX-20XX and is currently the Xth largest in the continent. • The country's Growth and Transformation Plan 20XX-20XX focuses on raising agricultural output and productivity, promoting industrialization and investing heavily in infrastructure.
Mozambique	• Mozambican authorities are accumulating debt at an increasing pace to finance infrastructure projects. • The country is forecasted to witness up to $X billion in net FDI over 20XX-20XX, of which X% will go towards the development of the gas industry (8). • The country's overall infrastructure stock has doubled in value since X as international gas companies upgraded and expanded the country's infrastructure footprint.
Namibia	• Namibia's industrial sector has been historically dominated by mining and manufacturing, and the construction industry in the recent years, with construction sector is expected to remain one of its main drivers of economic growth over the medium term.
Tanzania	• Cement imports by Tanzania increased from X tonnes during 20XX to X tonnes in 20XX, implying a CAGR of X% (9). Its domestic cement production also increased almost two-fold during the period to X million tonnes. • Its cement output is estimated to double to X million tonnes over a few years' time, as X new factories are expected to commence production (9).
Uganda	• The Ugandan industrial sector is dominated by construction which in turn is, primarily driven by large infrastructure investments by the government. • Current infrastructure projects include work related to oil production as well as a standard gauge railway to facilitate access to the sea.
Zambia	• The country's strong performance of the construction sector has been driven by large-scale mining investments and developments, the domestic production of cement, and strong infrastructure spending by the government. • Infrastructure related projects account for X% of World Bank's investments in the country and the average project life is X years (9).

[9] XXXX,20XX

Equipment Financing Overview

Equipment leasing and financing is a key component of asset acquisition for both large and small businesses to conduct their business operations and grow.

Leasing is an important alternative to traditional means of financing, especially for smaller businesses that lack the credit history or the required collateral to access traditional forms of financing. It is one of the most important ways for businesses to invest in capital while managing their balance sheets and cash flow positions.

Advantages of Equipment Finance

Financing equipment, rather than owning, presents a wide range of benefits and can be an optimal alternative for even small businesses. Some of the main advantages include:

- **No down payment:** The asset can be financed with no down payment.
- **Cash Preservation:** Businesses can retain their cash or working capital and use it for other areas, such as expansion, improvements, marketing or research and development.
- **Risk Management:** Leasing mitigates the uncertainty of investing in a capital asset a business needs until it achieves a desired return, increases efficiency, saves costs and meets other business objectives.
- **Cash Flow Control:** Financing equipment helps maintain cash flows and provides greater certainty in budgeting by setting rent payments to match annual or seasonal cash flows.
- **Equipment Obsolescence Management:** Businesses can acquire more and better equipment through technology upgrades and/or replacement programs.
- **Bundled Costs:** Certain finance structures allow customers to finance the entire cost of the equipment (installation, maintenance, training, etc.) into one, easy-to-manage payment.

Types of Financing

Equipment financing can take many forms, though the traditional methods are via leasing and commercial loans.

A. Commercial Loans

A commercial loan refers to an arrangement where a lender finances the acquisition of equipment by a borrower. Lenders usually finance up to X% of the equipment cost. The loan is satisfied once the borrower repays the principal plus interest. At the end of the term, the borrower owns the equipment outright.

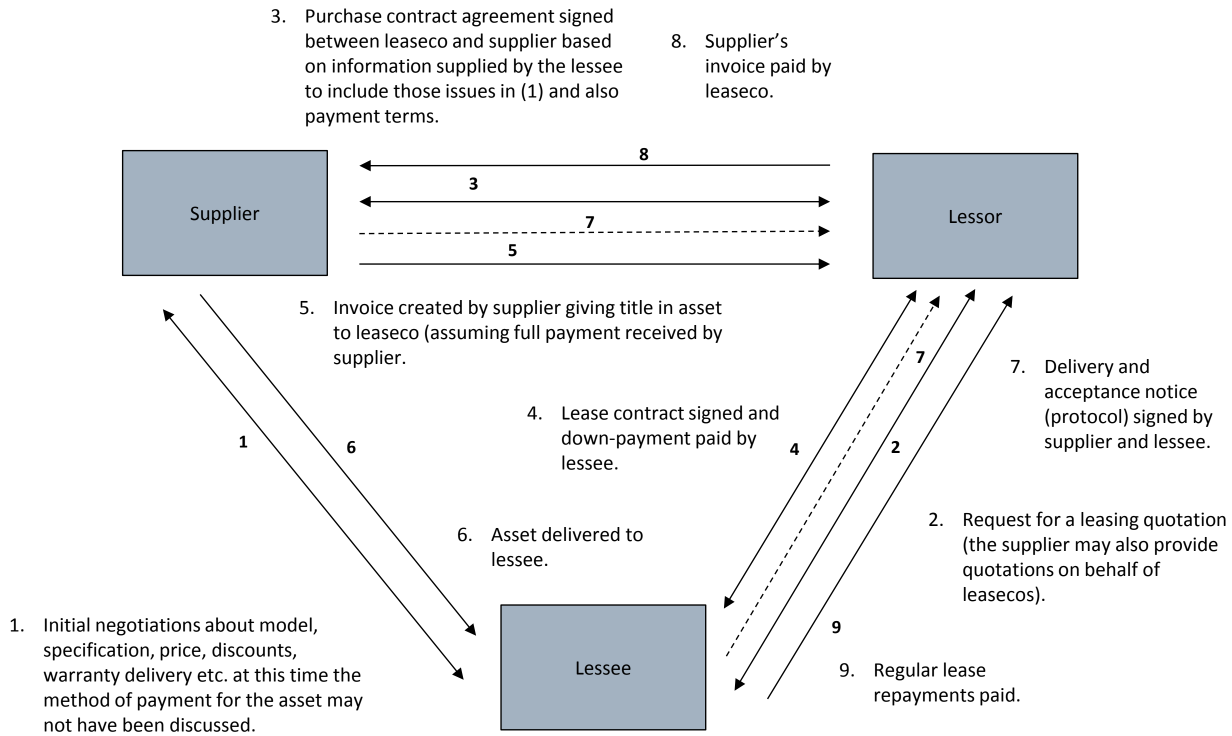
Advantages

The main advantages of commercial loans are listed below:

- Less expensive
- Transfer of ownership of the equipment from the beginning
- Tax savings through depreciating of the equipment
- Flexibility over ownership of the equipment – equipment can be sold if not needed, at any point of time without any penalty (cancellation fee in case of leasing)

B. Leasing

Leasing, the most popular form of equipment finance, offers flexible choices that can work with diverse objectives of most businesses. A lease is an arrangement where one party who owns equipment (the lessor) transfers possession and use of that equipment to another party (the lessee). In exchange for the use of the equipment, the lessee pays rent to the lessor over the term of the lease. Typically, X% of the equipment acquisition cost is financed.



Lease Structure

Leasing is a very flexible form of financing and allows both types of leases to be tailored to the specific needs of the lessee's business. For example, the lease payment amount and due dates can be structured to accommodate a business's cash flow and cash collection cycle. Payments can be higher when cash flow is plentiful and lower or skipped in certain months during the off-season. Such flexibility allows lease payments to match the productivity of the leased equipment and is particularly advantageous to the agricultural sector.

Types of Leasing

The two main types of leases are operating lease and finance lease.

Operating Lease

An operating lease is a contract that allows the lessor, as owner, to retain legal ownership of an asset but allows the lessee to enjoy the economic use of the asset for a predetermined period before returning the asset to the lessor. Clients who choose to use operating leases typically need equipment that rapidly depreciates or becomes obsolete. The lessor retains ownership of the equipment during the lease and recovers its capital costs through multiple rentals and the equipment's final sale.

Finance Lease

A finance lease is a contract that allows the lessor, as owner, to retain legal ownership of an asset while transferring substantially all the risks and rewards of economic ownership to the lessee. A finance lease may also be termed a full payout lease, as the leasing payments made during the term of the lease will repay all of the original cost of the asset plus the interest charged by the lessor. Clients who choose to use a finance lease are usually planning to acquire the equipment at the end of the lease agreement (or at least considering it). With an agreement to purchase the equipment at the end of the lease, the lessee assumes the risk of equipment's obsolescence, maintenance, and insurance.

Some few other kinds of hybrid financial lease are as follows:

Sale and Lease-Back

Sale and Lease-Back is a creative extension of financial Lease where the seller of the asset is the user-lessee. User sells his asset to the leasing company, which in turn lease the asset back for a fixed lease payment.

Hire-Purchase

In a hire-purchase transaction, the hirer (user) has, at the end of the fixed term of the hire, the option to buy the asset at a token value. This is called, in some countries, a conditional sale or deferred purchase. The term creates some confusion, as the word "hire" is more generally associated with operating than with leasing. A hire-purchase is actually similar to a secured loan, with the underlying asset being the security for the loan.

Comparison of Finance and Operating Lease

Feature	Finance Lease	Operating Lease
Legal ownership	Lessor	Lessor
Right to economic usage	Lessee	Lessee
Responsibility for insuring asset	Lessee (although lessor may organize this and then recharge lessee)	Lessor (some transactions may stipulate the lessee)
Responsibility for maintenance of asset	Lessee	Either the lessee or the lessor, with the responsibility agreed on when the lease contract is signed
Transfer of ownership at end of lease	Normally, legal ownership of the asset will be transferred to the lessee at a nominal charge; however, the parties may agree that the lessee return the	Lessee has no rights of ownership at the end of the lease

	asset to the lessor with no financial benefit being received by the lessee	
Choice of asset supplier	Lessee	Lessee (unless the asset is already owned by the lessor)
Balance sheet treatment	Leased equipment is normally treated as an asset of the lessee, which will claim all fiscal depreciation allowances as though it were the legal owner; a lessor has a receivable on its balance sheet equal to the future capital repayments owed by the lessee	Leased equipment is normally treated as an asset of the lessor, which will claim all fiscal depreciation allowances as the legal owner; operating leases are normally treated as "off-balance sheet" items for lessees
Profit and loss account treatment	Lessee depreciates asset and records the interest element of each lease repayment as an expense; lessor will enter the interest element received from the lessee as income	Lessee enters the total leasing repayment as an expense; lessor enters the total leasing repayment as income

Repossession of Equipment under Lease

Repossession is an important element of leasing, enabling credit providers to secure their asset efficiently and realize funds from asset disposal. To encourage the development of an efficient repossession system, many countries have adopted the following:

- In the event of a default by the lessee, legislation should allow to voluntarily return the leased asset to the lessor without penalty, other than its obligations under the lease, which will include its obligation to repay all outstanding capital plus accrued interest, overdue interest, and any agreed fees.
- Where the lessor attempts to repossess the asset, and the lessee disputes this in court, the lessee should be able to challenge the repossession order. However, this lawsuit will not prevent the execution of the repossession order being executed and enforced and lessor should be free to sell the leased asset regardless of the action of the lessee.
- To make repossession efficient, a non-judicial process should be available either through a court order or a notary writ. Non-judicial mechanisms can be used in those cases where the lessee admits the default but does not return the asset voluntarily.
- The lessee will be entitled to claim damages if it can be proved he has fulfilled his obligations and the lessor has repossesses an asset.

Insurance of Leased Assets

Insurance plays an important role, as it provides coverage to protect the asset under lease. Hence, all leased assets must be insured.

Generally speaking, the development of leasing business generates the development of the insurance market for two main reasons:

- The insurance company is considered as one of the important funding sources or solutions for the leasing company; and
- **The fully comprehensive and all-risks insurance of the asset that is subject of the lease is key to developing the leasing market in developing countries.**

Leasing companies have their assets covered under insurance in two ways: either the lessor or the lessee has to get tied to an insurance company and insurance must start at the delivery of the asset, irrespective of payment of equipment invoice.

Most insurance policies are valid only for XX months and the leasing company must insure the asset for another XX months once the insurance period expires.

The insurance policy must clearly state that the leasing company has an interest in the leased asset. The whole insurance premium has to be paid by the lessee and in the event of a damage, the leasing company must receive all payments.

In majority of the emerging economies, small and medium enterprises cannot afford annual all-risks insurance due to its expensive nature. As a result, some leasing companies established a monthly insurance agreement where the premium is integrated in the monthly lease installment.

Advantages of Leasing

Leasing offers the lessee as well as the lessor a number of advantages:

- **Availability:** In most developing countries leasing may be the only form of medium- to long-term financing available for purchase of equipment.
- **Simpler security arrangements:** Lease has less stringent requirements for historical financial performance of the lessee and hence can be accesses by SMEs and heavy industries easily.
- **Lower up-front down-payment:** The security deposit required up-front is less for lease financing compared to bank loans which enables the lessee to manage their cash flows. In some cases, the down payment may be less than the typical X%.
- **Quick and simple process:** The costs of assigning additional collateral, documentation and processing times for lease financing is less compared to bank loans.
- **Tax incentives:** Lessees can offset their full lease payments against income before tax, compared to the depreciation allowance or the interest charges on bank loans. In some cases, lessors may reduce the cost of financing for lessee by going into different arrangements for depreciation charged under their respective books.

Risks Associated with Leasing

The risks associated with lease financing are as follows:

- **Credit Risk:** Credit risk for lease financing should be treated in the same way as normal financing.
- **Interest Rate Risk:** Prepayment or early termination of leases creates uncertainty for the lessor.
- **Liquidity Risk:** Liquidity of the asset leased and the disposition of the asset, if early termination of the lease takes place, can be another uncertainty.

- **Operational Risk:** This risk can be due to lapses in lease administration and failure to fulfill lease contract obligations. Lease pool services can replace delinquent leases with performing leases.
- **Price Risk:** There can be changes in market price of the equipment when it has to be disposed which creates another uncertainty.
- **Reputation Risk:** A lease can also be complex structured transaction, structuring cash flows, distributing tax benefits, and allocating risk among the lessee, the lessor, and the debt investors. If the lessor does not do due diligence, they might be exposed to legal (compliance) risk.

Leasing versus Loans

Criteria	Leasing	Loans
Payment Terms	Leases involve the payment of rent with greater flexibility	Borrower repays advance of funds plus interest over a specific period of time
Ownership	Lessee may have a right to purchase the equipment at the end of the lease term, but the lessor generally holds legal title to the equipment.	Borrower holds legal title to the equipment. Lender has no expectation of return of the equipment
Down Payment	A lease usually finances XXX% of the cost of the equipment	A loan usually requires up to XX% or more down payment
Payments	Payments can be made monthly or quarterly. Seasonal and skip payments might also be available	Payments can be made monthly or quarterly. Seasonal and skip payments might also be available
Interest Rates	Leases are structured with fixed lease payments.	Loans can be booked with variable or fixed rates.

Financing Entities

In most markets the different types of companies offering financing facilities are:

- **Banks** that offer leasing as part of their product mix through a specialized leasing unit or through their regular lending units
- **Leasing companies** that are subsidiaries of banks or banking groups; typically, banks have a significant share in the company
- **Leasing companies that are privately owned and have no bank as a majority shareholder**. These companies are often subsidiaries of major equipment manufacturers or dealers, and practice "captive financing", but there are also many totally stand-alone leasing companies globally
- **Microfinance institutions**
- **Equipment renting companies**
- **External commercial lenders**

Comparison of Three Types of Lessors

Feature	Bank offering leasing as a product	Bank-owned leasing company	Nonbank-owned leasing company
Dedicated sales team	No	Yes	Yes
Dedicated back office staff	No	Yes	Yes
Dedicated credit risk department	No	Yes	Yes
Risk policies specifically for leasing	Not usually	Usually	Yes
Fast credit decision making	Not usually	Usually	Usually
Stand-alone information technology platform	Not usually	Usually	Yes
Funding	Self-funded	From bank and other local and international financial institutions (usually with guarantee or comfort from parent)	From local and international financial institutions plus the local or international capital markets
Typical sources of business (in order of individual priority)	Bank's customers	• Vendors of equipment • Bank's customers • Direct non-bank customers	• Vendors of equipment • Direct customers

Key Trends in Equipment Financing

- XXXX conducted a survey of X respondents in the US with respect to heavy equipment financing in two phases from 20XX-20XX and 20XX-20XX.
- Heavy equipment included in the survey were: backhoe loader, bulldozers, compact track loaders, excavators, rough terrain forklifts and skid steer loaders.
- The survey found that leasing was the top preference of equipment financing with X% of respondents opting for it in 20XX-20XX.
- At the same time, rental financing jumped by X from 20XX-XX to 20XX-XX, with equipment like forklifts, wheel loaders and compact track loaders having significant increase of X, X and X respectively in 20XX-20XX compared to 20XX-20XX. Key reason for preference of rental for such equipments is the short term nature of the job for which the equipments are used, absence of maintenance charges and the ability to test the equipment.

Leasing Industry

The global leasing landscape in emerging markets is very diverse today, with nascent leasing industries in Africa and Asia, and maturing leasing markets in the most advanced economies.

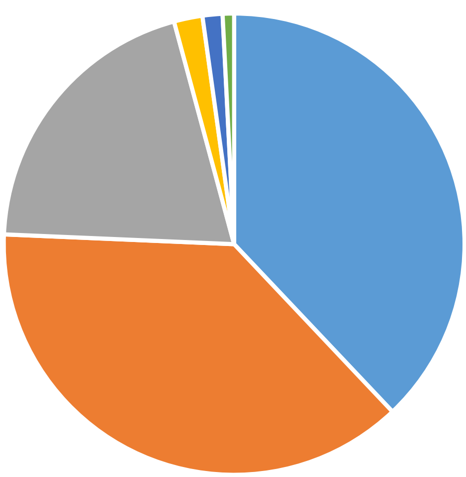
The global leasing industry presents a positive outlook, having shown robust recovery from the global economic crisis. In 20XX, the top XX countries reported growth of X% in new business volume to $X billion, with Europe and South America reporting positive growth [(10)].

In 20XX, the global industry experienced considerably slower growth than in 20XX and 20 XX (over X% in 20XX and almost X% in 20XX), which was in part due to the earlier years enjoying essential capital reinvestment following the recession [(11)]. The global construction equipment rental market is expected to grow at a CAGR of more than X% for the period of 20XX-20XX [(11)].

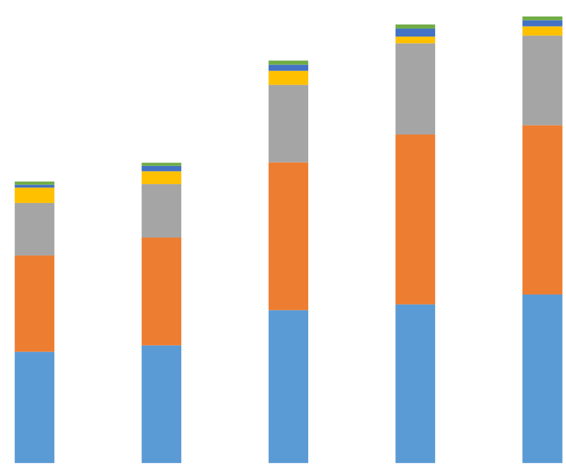
As of 20XX, the North American region remained the largest market, with new business volume of $X billion, representing a X% share of the world trade in equipment financed through leasing and hire purchase. Despite the Eurozone being in recession, Europe's overall performance was strong and the region grew its leasing business by X% and, encouragingly, the Southern European markets stabilized [(11)].

In the past, China's leasing sector growth, which was rapid, came to an abrupt in H2 20XX, following changes in the treatment of VAT for sale-and-leaseback transactions. After growing by X% in both 20XX and 20XX, the sector contracted by almost X% in 20XX[(10)].

% of world market volume 20XX [(10)]



Leasing volume by region ($ billion) (20XX-20XX) [(10)]



[10] XXXX
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New business volume in the Asian region contracted by X% to $X billion, resulting in a fall in world share from X% to X% during 20XX. Notwithstanding its weakening new business volume, China maintained its position as the second largest market in the world for asset finance through leasing and hire purchase, with new business volume of $X billion [(12)].

The Japanese leasing industry recovered with a modest growth in 20XX and a stronger growth of X% in 20XX. Korea, Asia's third largest leasing market, ranked X[th] in the world, despite witnessing a further contraction in new business [(12)].

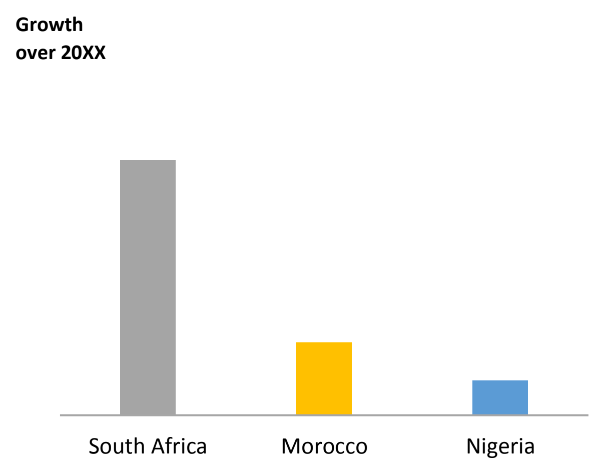
In Taiwan, small and medium enterprises accounted for X% of the total contract amounts in the leasing market [(12)].

Although portfolio volume remained little changed, a growth of X% in new business for the Latin American marketplace was recorded, fueled primarily by a vibrant leasing industry in Argentina.

Africa

Africa accounts for X% of the world market in equipment leasing and four African countries - South Africa, Morocco, Nigeria and Egypt, achieved a position within the top XX leasing threshold. The region declined in volume by X% to $X billion in 20XX. The African leasing industry is still in its infancy. With increased focus on infrastructure developing, increased investments and government intiatives in various countries, the region is poised well for significant growth in the construction industry. This increased demand in the construction equipment industry will lead the development and growth of equipment financing and leasing industry in Africa.

Annual Leasing Volume ($ billion) 20XX [(12)]



[12] XX

Appendix I - Leasing Companies in Emerging Economies

Name	Country	Description	Market Cap. ($million)	Revenue ($million)
X Company Logo	X	X is a financial holding company. The Company offers a diverse range of financial products and services across the corporate, retail, and infrastructure finance sectors, as well as fund products and investment services.	X	X
X Company Logo	X	X grants loans on the security of freehold and leasehold properties. Through its subsidiaries, the Company also operates property development and leases real property.	X	X
X Company Logo	X	X is a non-banking financial institution. The company has three principal lines of business in financing: infrastructure equipment finance, infrastructure projects finance and renewable energy product finance. Infrastructure equipment finance is the largest business division of the Company.	X	X
X Company Logo	X	X provides a range of financial products and services to individual and corporate customers. The Company offers commercial vehicle financing, construction equipment financing and passenger car financing.	X	X
X Company Logo	X	X is a general finance company. The Company specializes in providing a range of financial products, such as mortgage and lease finance for customers to acquire machinery and equipment. Credit Corp, through its subsidiaries, owns and manages a portfolio of prime real estate assets.	X	X

X Company Logo	X	X operates as a fully pledged finance company, offering a range of financial services. The Company's main services are fixed deposits, savings, leasing, factoring, hire purchase, insurance, loans and hiring.	X	X
X Company Logo	X	X provides infrastructure and construction financing services. The Company offers new and used construction equipment loans, top-up loans, and refinancing services for existing equipment. X serves customers and clients throughout India.	X	X

Appendix II- Leasing Companies in Africa

Name	Country	Description	Market Cap. ($million)	Revenue ($million)
X Company Logo	X	X for Leasing X leases all types of assets including commercial vehicles, machinery, IT equipment, real estate, and other tangibles as well as intangible long term assets.	X	X
X Company Logo	X	X offers equipment lease financing. The Company finances vehicles for transportation and tourism, machinery and equipment, computers, and some building leases.	X	X
X Company Logo	X	X, specialised finance company with a mix of prestigious African and European investors. It targets SMEs, multinational and individuals with products such as operational and financial leasing, investment loans and consumer finance.	X	X
X Company Logo	X	X offers leasing and factoring services.	X	X
X Company Logo	X	X provides finance leasing services in X. It also provides funding services for working capital through sale and lease back schemes. In addition, the company offers operating, venture, and leverage lease services. It serves the equipment needs of various small and medium enterprises.	X	X

X Company Logo	X	X provides personal and commercial banking services in X and X. It also provides structured finance/bridge finance, leasing, pension fund management and administration, and investment management services for public sector, among other services.	X	X
X Company Logo	X	X provides long term finance and other banking services in X. It offers investment loans in the form of short, medium, or long term loans; personal loans, such as mortgage loans, advance on salaries, vehicle loans, and equipment loans; and leasing facilities for industrial, commercial, construction, agricultural plant, machinery, and equipment, as well as business vehicles.	X	X
X Company Logo	X	X operates as a commercial bank. The company provides consumer banking services, debt recoveries, loans to small and medium enterprises, financial leasing, business banking, and risk management services.	X	X

Appendix III – Major EPC Players in Emerging Economies

Name	Country	Description	Market Cap. ($million)	Revenue ($million)
X Company Logo	X	X through its subsidiaries, operates in EPC projects (engineering, procurement and construction) mainly for metallurgical facilities, natural resources exploration, equipment fabrication, and property development.	X	X
X Company Logo	X	X is a full-fledged upstream oil and gas company. The Company provides engineering, procurement, construction, installation and commissioning services through its fabrication, hook-up and commissioning, and Offshore Construction and Subsea Services divisions.	X	X
X Company Logo	X	X is an investment holding company. The Company, through its subsidiaries, provides engineering, procurement, construction and commissioning services, and plant maintenance services. X also retails petroleum to oil, gas, and petrochemical industries, as well as markets specialty chemical and equipments.	X	X
X Company Logo	X	X is a design and engineering company in the field of petroleum refineries, petrochemicals, oil and gas processing, offshore structures and platforms, fertilizers, metallurgy and power. X provides services such as design, engineering, procurement, construction management, commissioning assistance and project management.	X	X

X Company Logo	X	X. provides professional engineering services. The Company offers engineering, procurement, and construction services for the electrical power generation, transmission, and distribution industries. X operates throughout India.	X	X
X Company Logo	X	X offers contracting services in Nigeria. The Company provides conceptual ideas, engineering, design, procurement, construction, and long term maintenance services. X also manufactures furniture, and produces granite panels.	X	X
X Company Logo	X	X Limited operates an infrastructure project development company. The Company provides engineering procurement and construction services across various sectors, such as roads, bridges, flyovers, highways, and water infrastructure management.	X	X
X Company Logo	X	X provides construction engineering services. The Company's engineering solutions including design, procurement, construction and commissioning of many multi-disciplinary engineering projects for its customers both in the state and private sector.	X	X
X Company Logo	X	X is an engineering construction company in India providing integrated design, engineering, procurement, construction and project management services for energy industry and infrastructure sector projects. The Company's services include detailed engineering, field services, material procurement and overall project and construction management.	X	X
X Company Logo	X	X provides integrated design, engineering, procurement, construction, and project management services for renewable energy projects, process and metallurgical plants and municipal service sectors. The Company also manufactures wind turbine generators.	X	X
X Company Logo	X	X is the holding company for a group of companies operating primarily in the construction, engineering and mining industries. Operating through subsidiaries, the Group provides a variety of services in industries such as mining, steel processing,	X	X

		construction, property development, and civil engineering.		
X Company Logo	X	X imports, distributes and leases industrial, construction, and mining equipment.	X	X
X Company Logo	X	X is in the business of construction, realty, infrastructure, and mining. The Company's main focus is on engineering, procurement and construction, mining, and real	X	X
X Company Logo	X	X provides technical and engineering support services to clients within the Oil and Gas Industry in Malaysia. The Company specializes in engineering, scheduled/work pack development, procurement, structural/piping fabrication, electrical/instrumentation installation, pre-commissioning and commissioning	X	X
X Company Logo	X	X provides a wide range of construction services. The Company offers construction services that include construction design, engineering, procurement, and construction and project management.	X	X
X Company Logo	X	X, is an electro-mechanical engineering and construction company that serves the power, industrial and infrastructure sectors by taking up contracts covering engineering, procurement and construction (EPC) mainly for balance of plant (BOP) and related auxiliary systems.	X	X
X Company Logo	X	X is a full service construction company. The Company's services include engineering, procurement, and construction services for civil and structural construction and infrastructure sector projects.	X	X
X Company Logo	X	X provides construction engineering services. The Company is involved in detailed engineering, procurement and construction of industrial, commercial, residential and infrastructures.	X	X
X Company Logo	X	X operates as a structural engineering company. It specializes in structural steel fabrication for bridges, warehouses, factories, recreational and commercial buildings, and water and fuel storage tanks.	X	X

Appendix IV - Lease Terms

Lease Term	The term of the lease is usually tied to the useful life of the equipment, though it can be shorter. When a lease is shorter than the useful life of the equipment, it will often amortize only that portion of the equipment's life. Depending on the equipment's residual value, this will sometimes lower the payment (compared with a loan or a lease that is fully amortized).
Payment Amount	Leases can be structured around a specific payment requirement for the lessee. The lease term and possible residual value are the adjustable factors to structure a lease to a targeted payment.
Advance Payments	Advance payments are the number of lease payments (one, two, or more) that are made at the time the lease contract is signed. The advantage of advance payments to a lessee is that the overall monthly payment will be lower; the advantage to the lessor is less risk because more cash is collected up front.
Payment Calculations	Lease payments can be calculated in arrears, meaning the payment is due at the end of the period (e.g., the end of the first month) or in advance (e.g., due at the beginning of the period, though this is not considered a down payment).
Security Deposits	Security deposits provide additional security to the lessor. This can lower lease payments for the lessee, because the lessor can invest the security deposit for additional earning. This enables the lessor to reduce the yield on the lease, which lowers lease payments.
Capital Cost Reduction	A capital cost reduction is when the lessee pays an amount to the vendor who is selling the equipment to the lessor. The advantage is a reduced lease value, which lowers the lessee's lease payment.
Depreciation	Depreciation can be valuable because it is a non-cash expense that reduces profit and, consequently, lowers the amount of profit tax due. The lessee and the lessor will determine in advance who has the greater need to utilize the depreciation. If the lessor utilizes the depreciation, the lessee will expense the full amount of the lease payment; if the lessee wants the depreciation, it will capitalize the equipment on their balance sheet and expense depreciation and the interest portion of the lease payment.
Residual Value	Residual value is the expected future value of a piece of equipment. Residual values can reduce lease payments because the full value of the equipment is not being amortized.
End of Lease Options	End-of-lease purchase options are negotiated in advance of the lease and can be structured in different ways. There are three end-of-lease alternatives that can be negotiated into the lease agreement. i) The equipment can be returned to the lessor, at which time the lessor can: a) Release the equipment to a new lessee b) Sell the equipment to a third party c) Salvage or scrap the equipment ii) The equipment can be released to the lessee at a renegotiated rate. iii) The lessee may purchase the equipment as negotiated at the beginning of the lease. a) A guaranteed purchase by the lessee at a predetermined fixed price. This could be as little as $1.00, or it may be stated as a percentage of the capitalized cost.

	b) A purchase option at a predetermined fixed price. The lessee is not required to purchase the equipment, but can do so at a price determined at the beginning of the lease. c) A purchase option at the equipment's fair market value (an amount determined at the end of the lease term comparing what like equipment in similar condition is selling for). A method to determine fair market value must be included in the lease agreement.

References

1. X
2. X
3. X
4. X
5. X