

The CFO's Guide to Equipment Financing



How Financial Leaders Use Equipment Finance to Preserve Cash, Accelerate Growth, and Improve Return on Capital

Presented by Commercial Funding Partners

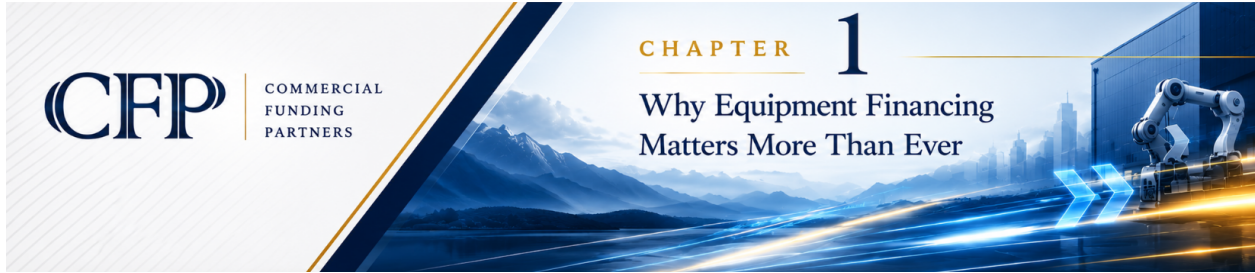
Introduction

For many organizations, equipment acquisitions are among the largest capital expenditures on the balance sheet. Whether funding manufacturing automation, transportation fleets, energy infrastructure, healthcare equipment, data center assets, or specialized industrial machinery, the financing decision can have a lasting impact on liquidity, borrowing capacity, and shareholder value.

Unfortunately, many companies still approach equipment purchases as a simple buy-versus-lease decision. Modern CFOs recognize equipment financing as a strategic capital management tool.

The objective is not merely the acquisition of equipment. The objective is to optimize cash flow, preserve liquidity, maximize return on invested capital, and maintain flexibility for future growth initiatives.

This guide explores how sophisticated financial leaders evaluate equipment financing and structure capital expenditures to support long-term enterprise value. We hope it's a valuable tool for you as you expand and grow your business enterprise.



Why Equipment Financing Matters More Than Ever

Today's business environment presents several challenges:

- Rising equipment costs
- Longer lead times
- Higher interest rates
- Increased automation investments
- Onshoring and reshoring initiatives
- Pressure to preserve liquidity

Many organizations face a difficult choice: **Deploy millions in cash toward equipment purchases or reserve that capital for growth opportunities.**

The most successful companies understand that cash is often their most valuable asset. Every dollar invested in equipment is a dollar unavailable for:

- Acquisitions
- Working capital
- Hiring
- Inventory expansion
- Product development
- Marketing initiatives
- Geographic expansion

**Equipment financing allows organizations to maintain liquidity and still acquire mission-critical assets.*



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CHAPTER 2

The Hidden Cost of Paying Cash

The Hidden Cost of Paying Cash

Many executives assume paying cash is the least expensive option. However, the true cost is often opportunity cost.

Example: A manufacturer purchases a \$5 million production line using cash.

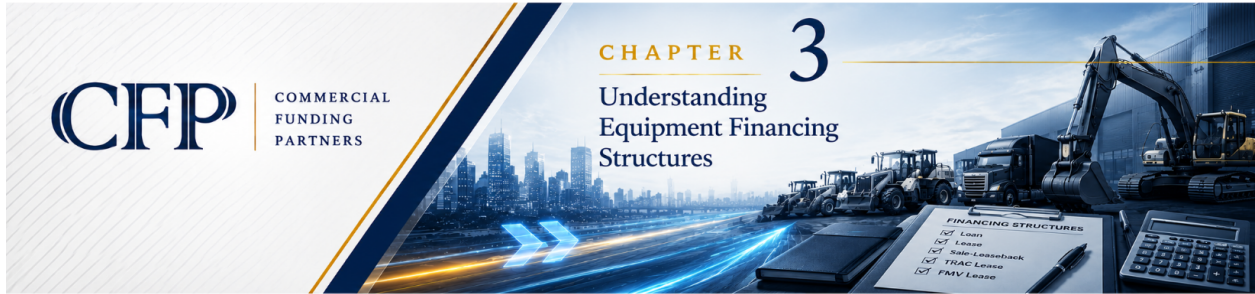
The company now has:

- \$5 million less liquidity
- Reduced borrowing capacity
- Less flexibility for expansion
- Increased exposure to economic disruptions

Alternatively, A financing structure may allow the company to preserve that \$5 million while generating returns elsewhere in the business. If that same capital can produce returns greater than the financing cost, financing becomes a value-creating decision rather than an expense.

Questions Every CFO Should Ask

- What is our weighted average cost of capital?
 - What return can we generate on retained cash?
 - How much liquidity should we maintain?
 - What strategic opportunities could emerge during the financing term?
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Understanding Equipment Financing Structures - Not all financing solutions are created equal.

Capital Lease

Best suited for:

- Long-term ownership objectives
- Tax depreciation benefits
- Lower monthly payments

Advantages:

- Ownership-oriented
- Flexible structures
- Fixed payments

Operating Lease

Best suited for:

- Technology assets
- Equipment with rapid obsolescence
- Equipment refresh cycles

Advantages:

- Offloads residual value concerns
- Lower monthly costs
- Upgrade flexibility

Equipment Loan

Best suited for:

- Traditional ownership strategies
- Strong balance sheet borrowers

Advantages:

- Straightforward structure
- Full ownership
- Predictable amortization

Sale-Leaseback

Best suited for:

- Unlocking trapped capital
- Refinancing recently purchased assets

Advantages:

- Improves liquidity
 - Generate growth capital
 - Preserves existing banking relationships
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What Lenders Really Look At

Many borrowers mistakenly believe that equipment financing is based solely on equipment value. While some asset-only lenders focus primarily on collateral, traditional equipment finance providers evaluate the entire business.

Asset-Only Lenders Focus On:

- Auction values
- Equipment resale markets
- Liquidation potential
- Collateral recovery

Commercial Funding Partners Focuses On:

- Cash flow
- Historical performance
- Debt service coverage
- Financial statements
- Management experience
- Industry outlook

Key Metrics Evaluated By Most Lenders

EBITDA - Measures operating profitability before financing and accounting decisions.

Debt Service Coverage Ratio (DSCR) - Measures ability to meet debt obligations.

Leverage Ratios - Evaluates debt relative to earnings.

Liquidity Ratios - Assesses available cash and working capital.

Management Experience - A strong management team can significantly improve financing outcomes.



Financing Large Projects

Complex projects often include more than equipment.

Examples include:

- Installation costs
- Freight
- Engineering
- Design expenses
- Software
- Integration costs
- Training
- Milestone payments

Many traditional banks struggle with these structures.

Specialized equipment finance lenders can often accommodate:

- Progress payments
 - Construction draws
 - Delayed funding schedules
 - Interest-only periods
 - Seasonal payment structures
 - Step-up payment schedules
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Common Mistakes CFOs Make

Mistake #1

- Financing Too Late
- Engaging lenders after equipment contracts are signed can reduce flexibility.

Mistake #2

- Focusing Exclusively on Rate
- The lowest rate does not always produce the lowest cost of capital.
- Structure often matters more than pricing.

Mistake #3

- Ignoring Cash Preservation
- Liquidity often creates more enterprise value than marginal interest savings.

Mistake #4

- Using Operating Lines for Long-Term Assets
- Long-term assets should generally be financed with long-term capital.

Mistake #5

- Failing to Consider Growth
 - Financing should support future expansion rather than merely fund current needs.
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Strategic Applications of Equipment Financing

Leading CFOs often use financing to:

Accelerate Automation - Acquire robotics and automation equipment without exhausting cash reserves.

Support Onshoring - Fund domestic manufacturing expansions while preserving working capital.

Improve Return on Equity - Maintain liquidity for higher return opportunities.

Finance Growth Without Dilution - Avoid unnecessary equity raises.

Preserve Banking Relationships - Supplement existing bank facilities without disrupting core lending relationships.



Questions to Ask Before Signing Any Equipment Contract

1. What is the total project cost?
2. Are there soft costs that should be financed?
3. What structure best supports cash flow?
4. How much liquidity should we preserve?
5. What future growth initiatives require capital?
6. Are milestone payments required?
7. Does the lender understand our industry?
8. Can financing be structured around our business cycle?
9. What happens if delivery is delayed?
10. Is the lender underwriting the business or just the collateral?



\$20 Million Manufacturing Automation Expansion

Challenge - A manufacturer needed to acquire and install a large automation system to support significant growth.

The project included:

- Equipment
- Installation
- Software
- Engineering
- Integration costs

Solution - Commercial Funding Partners structured:

- \$20 million equipment finance facility
- 36-month term
- Flexible funding schedule
- Vendor milestone payments
- Accelerated vendor funding

Result

- Preserved working capital
- Allowed rapid deployment
- Supported increased production capacity
- Improved operational efficiency



CFO Equipment Financing Checklist

Before approving any equipment acquisition:

- Preserve liquidity whenever possible
- Match financing term to asset life
- Evaluate total project costs
- Consider the opportunity cost of cash
- Review growth initiatives requiring capital
- Analyze financing structure—not just rate
- Engage financing partners early
- Ensure the lender understands your industry
- Evaluate impact on banking relationships
- Structure financing around business objectives

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We Finance the Equipment. You Build What's Next.

Flexible financing solutions from \$250K to \$200M+ to help your business grow, compete, and succeed.

About
Commercial Funding Partners
 Capital. Confidence. Growth.

- Fast Turnaround**
Quick approvals to keep your projects moving.
- Flexible Structures**
Financing designed to fit your cash flow and goals.
- Industry Expertise**
Deep knowledge of equipment, industries, and market cycles.
- Confidential & Reliable**
Your business is our priority. Your data is always protected.

About Commercial Funding Partners

Commercial Funding Partners is a traditional equipment finance lender that provides capital solutions ranging from **\$250,000 to \$200 million**.

Unlike asset-only lenders that focus primarily on collateral value, CFP underwrites transactions based on:

- Cash flow
- Financial performance
- Management strength
- Business fundamentals

We help companies acquire the equipment they need while preserving the capital required to grow.

Industries Served

- Manufacturing
- Automation & Robotics
- Energy
- Transportation
- Construction
- Food Processing
- Healthcare
- Agriculture
- Data Centers
- Municipal Infrastructure

Need a Second Opinion on Your Equipment Financing Structure?

Request a complimentary CFO Financing Review

- ✓ Compare financing structures
- ✓ Evaluate cash preservation strategies
- ✓ Review existing lease obligations
- ✓ Analyze growth capital requirements
- ✓ Receive lender feedback before committing to a transaction

Commercial Funding Partners

Financing Growth. Preserving Capital. Building Enterprise Value.



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Thank You for Reading

Strategic Capital. Stronger Results.

We appreciate your time and trust. We're here to help you finance the equipment, expand your capacity, and achieve what's next for your business.



PRESERVE CASH
Keep working capital where it matters most.



DRIVE GROWTH
Invest in equipment that increases capacity and efficiency.



MANAGE RISK
Flexible structures built around your business goals.



EXPERIENCED PARTNER
A dedicated team focused on your long-term success.

READY FOR WHAT'S NEXT?



Let's build a financing solution that works for you.



Schedule a call with our team today.



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