



21st Century Financing

The Ultimate Guide to Strategic Use of a Sale-Leaseback

A sale-leaseback is a financing strategy that allows a company to unlock capital tied up in equipment, machinery, vehicles, or other business assets without disrupting operations. In a sale-leaseback transaction, the company sells eligible assets to a financing partner and simultaneously leases them back under a long-term agreement. The business continues to use the equipment exactly as before, while converting a portion of its equipment equity into immediate working capital. This approach can provide significant liquidity without issuing new equity, diluting ownership, or exhausting existing bank credit facilities.

For CFOs and business owners, a sale-leaseback is often a strategic tool rather than a last-resort financing solution. Companies frequently use sale-leaseback proceeds to fund growth initiatives, acquire competitors, invest in automation, expand production capacity, strengthen working capital, or reduce higher-cost debt. Because the financing is supported by existing revenue-generating assets, a sale-leaseback can improve financial flexibility while allowing management to remain focused on operating the business. When structured properly, it transforms equipment from a balance sheet asset into a source of capital that can help drive future growth and profitability.



Many companies are asset-rich and cash-poor.

Over the years, businesses have invested millions of dollars in equipment, machinery, vehicles, technology, and production infrastructure. While these assets drive revenue, they often represent trapped capital sitting idle on the balance sheet.

A sale-leaseback converts that dormant equity into immediate liquidity without disrupting operations.

The company sells equipment to a financing partner and simultaneously leases the assets back under a long-term agreement. Operations continue uninterrupted while capital is redeployed into growth initiatives.

Why This Matters - In today's market, CFOs face competing demands:

- Preserving working capital
- Fund expansion
- Invest in automation
- Acquiring competitors
- Reduce expensive debt
- Improve shareholder returns

A sale-leaseback can often accomplish all these objectives without issuing equity or consuming existing bank capacity.

CFO Insight - Equipment sitting on your balance sheet may represent one of the largest untapped sources of growth capital available to your organization.



Common Uses - While many executives initially view a sale-leaseback as a financing transaction, sophisticated CFOs often use it as a strategic capital management tool. By unlocking equity tied up in equipment, machinery, vehicles, and other mission-critical assets, companies can redirect capital toward initiatives that generate higher returns than simply owning equipment outright.

Growth Capital - Growth opportunities often require significant investment long before they produce meaningful returns. Whether expanding manufacturing capacity, opening new locations, increasing inventory, investing in automation, or entering new markets, growth initiatives can place substantial demands on working capital.

Acquisitions - Many companies encounter acquisition opportunities that must be acted upon quickly. Traditional financing sources may require lengthy approval processes or impose restrictive covenants that limit flexibility. A sale-leaseback can generate acquisition capital by unlocking equity from existing business assets. This capital can often be deployed faster than traditional equity raises and without diluting ownership.

Working Capital - Strong working capital is critical to maintaining operational stability. Companies experiencing rapid growth often find themselves profitable on paper yet challenged by cash-flow demands tied to payroll, inventory, receivables, and project execution. A sale-leaseback can significantly improve liquidity by converting illiquid equipment equity into cash, strengthening the balance sheet, and providing operational flexibility.

Debt Reduction - Many companies carry debt that was incurred during previous growth cycles, acquisitions, or economic disruptions. In some cases, interest rates on existing obligations may be significantly higher than current market alternatives. A sale-leaseback can be used to retire higher-cost debt, improve debt service coverage ratios, and simplify the company's capital structure.

Shareholder Distributions - Privately held companies frequently reach a point where ownership groups seek to realize value from years of investment and growth. A sale-leaseback can provide liquidity to shareholders without requiring the sale of the business or dilution of ownership.

Rather than selling equity, the company can monetize assets already on its balance sheet and use a portion of the proceeds for shareholder distributions, estate planning, ownership transitions, or recapitalizations.

Private Equity Perspective: Private equity sponsors have long recognized the value of sale-leasebacks as a powerful capital-optimization strategy. Because a sale-leaseback leverages existing assets rather than ownership interests, they are generally considered a form of **non-dilutive capital**, meaning sponsors can access liquidity without giving up additional equity.



Assets That Qualify – This list represents only a small fraction of the equipment types traditionally accepted by a direct equipment lender like Commercial Funding Partners.

Not every asset qualifies. The strongest candidates are mission-critical assets with measurable value and a strong secondary market.

Manufacturing

- CNC Machines
- Robotics
- Packaging Equipment
- Injection Molding

Transportation

- Trucks
- Aircraft
- Trailers
- Rail Assets

Medical

- MRI Systems
- Diagnostic Equipment
- CT Scanners
- Surgical Equipment

Energy

- Generators
- Battery Storage
- Turbines
- Power Infrastructure

Construction

- Excavators
- Dozers
- Cranes
- Loaders

Typical Transaction Size - Commercial Funding Partners structures transactions from: **\$250,000 to \$200,000,000+**



Step 1: Asset Valuation - Every successful sale-leaseback begins with a thorough evaluation of the assets being considered for financing. The financing partner analyzes the type, age, condition, marketability, and remaining useful life of the equipment to determine its fair market value and financing potential. Mission-critical assets that play a key role in the company's operations typically generate the strongest financing structures. The goal of the valuation or official appraisal process is to establish how much capital can be unlocked while ensuring the assets continue to support the business's long-term operating objectives.

Step 2: Credit Underwriting - While asset value is important, Commercial Funding Partners primarily underwrites based on the operating company's strength. The underwriting process focuses on cash flow, financial performance, and the overall health of the business to determine its ability to support lease payments over the proposed term. CFP evaluates historical and projected financial statements, profitability trends, debt obligations, management experience, and industry outlook. This balanced approach allows CFP to structure transactions that align with both the assets' value and the borrower's financial capacity.

CFP's Primary Underwriting Considerations:

- Cash Flow
- Financial Statements
- Business Performance
- Industry Position
- Management Strength

Step 3: Master Lease - Once the transaction is approved, a master lease is executed, outlining the sale of the equipment assets to the financing partner. The agreement defines the assets being transferred, establishes the purchase price, and details the terms of the transaction. Although ownership of the equipment transfers as part of the sale-leaseback structure, the company retains uninterrupted use of the assets under the subsequent lease agreement. The process is designed to be seamless and operationally transparent.

Step 4: Lease Execution - Simultaneously with the asset purchase, the company enters into a lease agreement that allows it to continue using the equipment without disruption. Lease terms are customized based on the company's financial objectives, equipment life cycle, and operational needs. Employees, customers, and vendors typically experience no change in day-to-day operations. From an operational standpoint, the equipment remains exactly where it is and continues to generate revenue, while the business benefits from the newly unlocked capital.

Step 5: Funding - Following completion of the purchase and lease documentation, funding is released to the company. Proceeds can be deployed immediately for growth initiatives, acquisitions, working capital, debt reduction, shareholder distributions, or other strategic objectives. At this stage, the company has successfully converted a portion of its equipment equity into usable capital while maintaining full operational control of the assets. The result is enhanced liquidity, increased financial flexibility, and the ability to pursue opportunities that were previously constrained by capital availability.

Typical Timeline - 30–60 days.



Financial Statement Impact - A properly structured sale-leaseback can significantly improve liquidity while allowing a company to continue operating the assets that drive its business. By converting equipment equity into cash, organizations gain immediate access to capital that can be redeployed toward growth initiatives, acquisitions, working capital, debt reduction, or other strategic objectives. Rather than allowing millions of dollars to remain tied up in owned equipment, a sale-leaseback transforms those assets into a source of financial flexibility without disrupting day-to-day operations.

For many CFOs, the primary benefit is enhanced liquidity. Increased cash reserves can strengthen the balance sheet, improve operational flexibility, and provide a buffer against economic uncertainty. Companies often use sale-leaseback proceeds to support expansion projects, fund new product launches, invest in automation, or pursue strategic acquisitions while preserving existing bank lines and maintaining access to traditional lending sources.

Balance Sheet Transformation - Prior to sale-leaseback, significant capital may be concentrated on fixed assets that generate revenue but cannot easily be used to fund new opportunities. Following the transaction, a portion of the equipment's value is converted into cash, creating greater financial agility while allowing the business to continue using the assets under a lease.

Before Sale-Leaseback

After Sale-Leaseback

Assets		Assets	
Cash	\$3,000,000	Cash	\$23,000,000
Equipment	\$22,000,000	ROU Assets*	ASC 842
Other Assets	\$15,000,000	Other Assets	\$15,000,000
Total Assets	\$40,000,000	Enhanced Liquidity	\$20,000,000 Increase

**Accounting treatment will vary based on transaction structure and applicable accounting standards.*

Potential Financial Benefits - A well-executed sale-leaseback can help organizations:

- Increase cash reserves
- Improve liquidity ratios
- Strengthen working capital
- Preserve bank credit availability
- Support acquisitions and expansion
- Reduce reliance on expensive debt

- Improve financial flexibility
- Align capital structure with growth objectives

CFO Perspective - Sophisticated financial leaders increasingly view sale-leasebacks as a capital optimization strategy rather than a financing necessity. The goal is not simply to raise cash but to redeploy capital from lower-return balance-sheet assets into higher-return business opportunities. When structured appropriately, a sale-leaseback can improve liquidity, support growth, and enhance shareholder value without requiring equity dilution or operational disruption.



Private Equity Applications - Private equity firms have long recognized the strategic value of sale-leasebacks as a tool to optimize capital structures and accelerate value creation. Unlike equity raises, which dilute ownership, or traditional debt facilities, which often consume borrowing capacity, sale-leasebacks convert existing equipment equity into deployable capital while allowing portfolio companies to continue operating their assets without interruption. As a result, many sponsors view sale-leasebacks as a powerful source of non-dilutive growth capital that can enhance returns while preserving financial flexibility.

In today's competitive acquisition environment, sponsors are under increasing pressure to deploy capital efficiently and improve portfolio company performance. A sale-leaseback can provide immediate liquidity that may be used to fund acquisitions, support expansion initiatives, improve working capital, reduce leverage, or execute recapitalization strategies. Because the capital is generated from assets already owned by the business, sponsors can unlock values that may otherwise remain trapped on the balance sheet.

Common Private Equity Uses

Fund Acquisitions - One of the most common uses of sale-leaseback financing is funding add-on acquisitions. Rather than utilizing senior credit facilities or injecting additional equity, sponsors can monetize existing equipment assets and redeploy the proceeds into strategic acquisitions. This allows portfolio companies to grow through consolidation while preserving borrowing capacity for future opportunities.

Recapitalize Portfolio Companies - Sponsors frequently use sale-leasebacks as part of a recapitalization strategy. By unlocking capital from owned equipment, portfolio companies can improve liquidity, strengthen their balance sheets, and create additional financial flexibility. In some cases, proceeds may be distributed to investors while still preserving operational control of the underlying assets.

Improve Internal Rate of Return (IRR) - Private equity returns are heavily influenced by efficient capital deployment. Sale-leasebacks allow sponsors to reduce the amount of equity tied up in hard assets and redeploy that capital into higher-return opportunities. The result can be improved capital efficiency, accelerated growth, and enhanced investor returns over the life of the investment.

Preserve Acquisition Facilities - Senior lenders often impose limitations on acquisition facilities and revolving lines of credit. By generating liquidity through a sale-leaseback, sponsors can preserve these facilities for future transactions, unexpected opportunities, or working capital needs. This flexibility can become particularly valuable during periods of economic uncertainty or rapid growth.



Mistake #1: Waiting Too Long

Many companies don't explore sale-leaseback potential until liquidity becomes a pressing concern. Unfortunately, financing options are typically strongest when a company is performing well and has multiple capital alternatives available. By proactively evaluating sale-leaseback opportunities, businesses can secure capital on more favorable terms and position themselves for future growth, rather than reacting to financial pressure.

Mistake #2: Underestimating Asset Values

Business owners are often surprised by the amount of capital that can be unlocked from equipment already on their balance sheet. Manufacturing equipment, construction machinery, agricultural assets, transportation fleets, and specialized production systems may have substantially greater financing value than expected. A professional valuation can reveal hidden liquidity that could support growth initiatives, acquisitions, or balance sheet improvements.

Mistake #3: Using the Wrong Financing Partner

Not all financing providers approach sale-leasebacks the same way. Some focus primarily on asset values, while others, like Commercial Funding Partners, evaluate both the assets and the business's underlying strength. Choosing a financing partner with experience in your industry and in your transaction size can significantly impact the structure, flexibility, speed of execution, and overall economics.

Mistake #4: Failing to Match Capital Structure to Business Goals

A sale-leaseback should support a company's broader strategic objectives. Too often, organizations focus solely on raising capital without considering how the transaction aligns with growth plans, acquisition

strategies, working capital needs, or long-term financial goals. The most effective structures are designed around what the business is trying to accomplish, not simply the amount of funding available.

Mistake #5: Viewing Sale-Leasebacks Only as Emergency Financing

One of the biggest misconceptions is that sale-leasebacks are only used by companies facing financial challenges. Many of the most successful organizations use them as a proactive capital management strategy. Private equity firms, manufacturers, construction companies, healthcare organizations, and transportation operators frequently utilize sale-leasebacks to fund expansion, support acquisitions, improve liquidity, and optimize capital allocation. The most sophisticated companies view sale-leasebacks not as a last resort, but as a strategic tool for creating long-term shareholder value.

CFP COMMERCIAL FUNDING PARTNERS

8 — CHAPTER — **Real World Case Studies**

MANUFACTURING EXPANSION

A privately held precision components manufacturer needed capital to meet surging customer demand and expand production capabilities. The company owned a significant amount of CNC machinery and automation equipment with substantial equity on the balance sheet.

THE SOLUTION
CFP structured a sale-leaseback using the company's existing equipment platform, unlocking capital while allowing the company to continue operating assets without disruption.

FUNDING
\$15,000,000

TERM
60 Months

THE RESULT
38% INCREASE IN PRODUCTION CAPACITY

The funding enabled the addition of new production lines, advanced automation, and facility upgrades—driving a 38% increase in production capacity and positioning the company for long-term growth.

TRANSPORTATION FLEET

A growing logistics and freight company faced rising demand and needed additional trucks and trailers to service new customer contracts. The company wanted to preserve its bank lines for working capital while expanding its fleet.

THE SOLUTION
CFP executed a sale-leaseback on the company's existing fleet of trucks and trailers, providing immediate capital while the company continued full use of the equipment.

FUNDING
\$7,000,000

TERM
48 Months

THE RESULT
EXPANDED OPERATING FLEET

The capital was used to acquire additional trucks, expand routes, and increase carrier capacity—resulting in higher revenue, improved efficiency, and stronger market positioning.

MEDICAL EQUIPMENT

A leading outpatient imaging provider needed to expand its services across multiple locations to reduce patient wait times and meet increasing demand. The company required advanced imaging equipment but wanted to maintain financial flexibility.

THE SOLUTION
CFP structured a sale-leaseback using the company's existing imaging equipment, delivering capital quickly and allowing for seamless continued operations.

FUNDING
\$12,000,000

TERM
60 Months

THE RESULT
MULTI-SITE IMAGING EXPANSION

The funding supported the acquisition of next-generation imaging equipment and the expansion of services to new locations—driving revenue growth and improved patient access.

These examples represent actual structures of transactions financed by Commercial Funding Partners.

Is Capital You Need TODAY Hidden in Your Equipment?

Many organizations are sitting on millions of dollars of untapped equipment equity. Commercial Funding Partners helps businesses unlock that capital and deploy it toward growth.

Contact: Commercial Funding Partners

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FOR READING

Strategic Capital. Stronger Results.



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FLEXIBLE SOLUTIONS.
MEASURABLE IMPACT.