

Equipment Financing

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Wells Fargo Equipment Finance



**Flexographic Pre-Press
Platemakers Association**

- I. Wells Fargo Overview**
- II. Macro-Economic Trends**
- III. Lender Considerations**
 - I. Business**
 - II. Management**
 - III. Financial**
 - IV. Collateral**
- IV. Lender views of the Flexographic Pre-Press Platemaking Industry**
- V. Questions**

**WELLS
FARGO**

One in three households in America does business with Wells Fargo.

Together we'll go far



Wells Fargo is one of the most valuable companies in the world

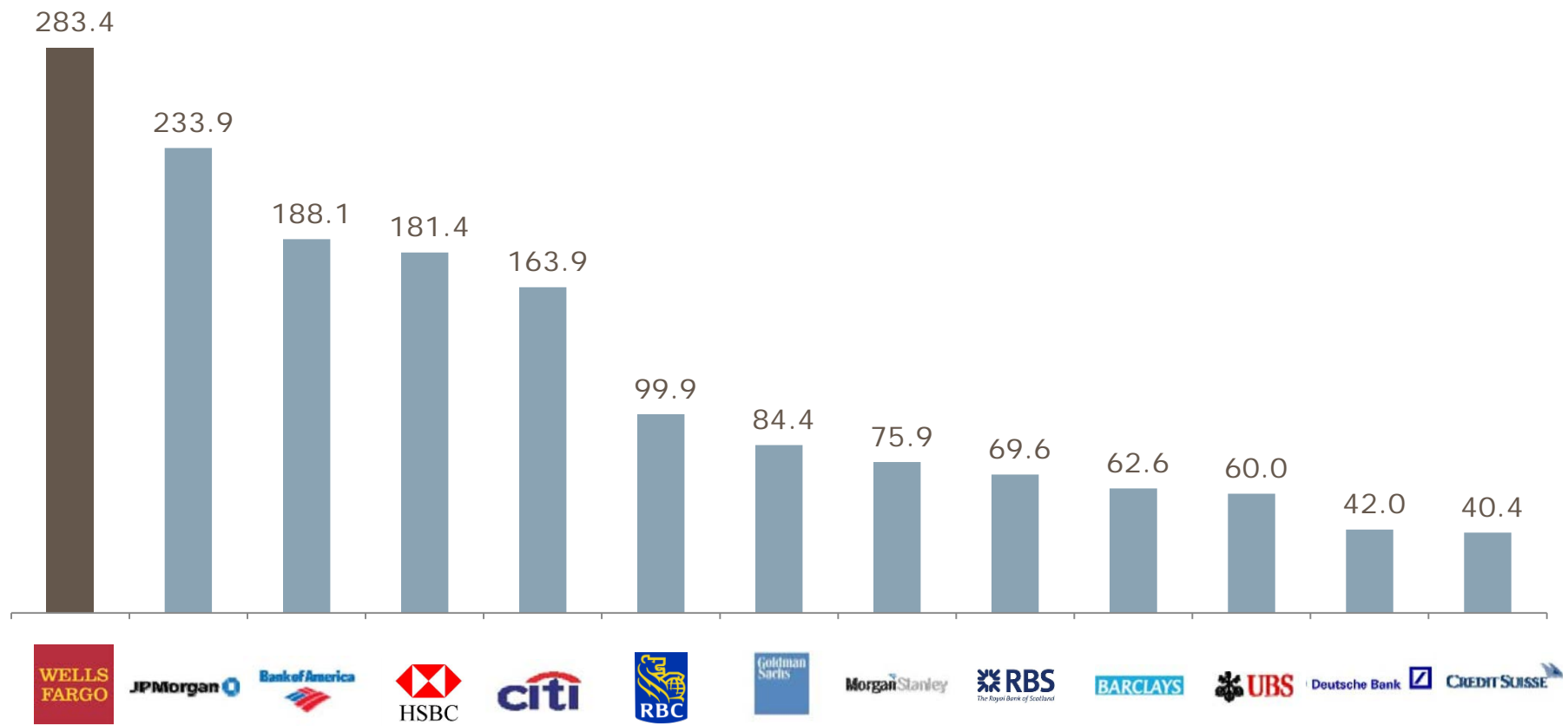
*By market value as of Dec. 31, 2014
(in billions)*

Apple	\$ 647
ExxonMobil	391
Microsoft	383
Berkshire Hathaway	371
Google	358
PetroChina (China)	305
Johnson & Johnson	293
Wells Fargo	283
Walmart	277
ICBC (China)	271

*U.S. companies except where stated
Source: Bloomberg*

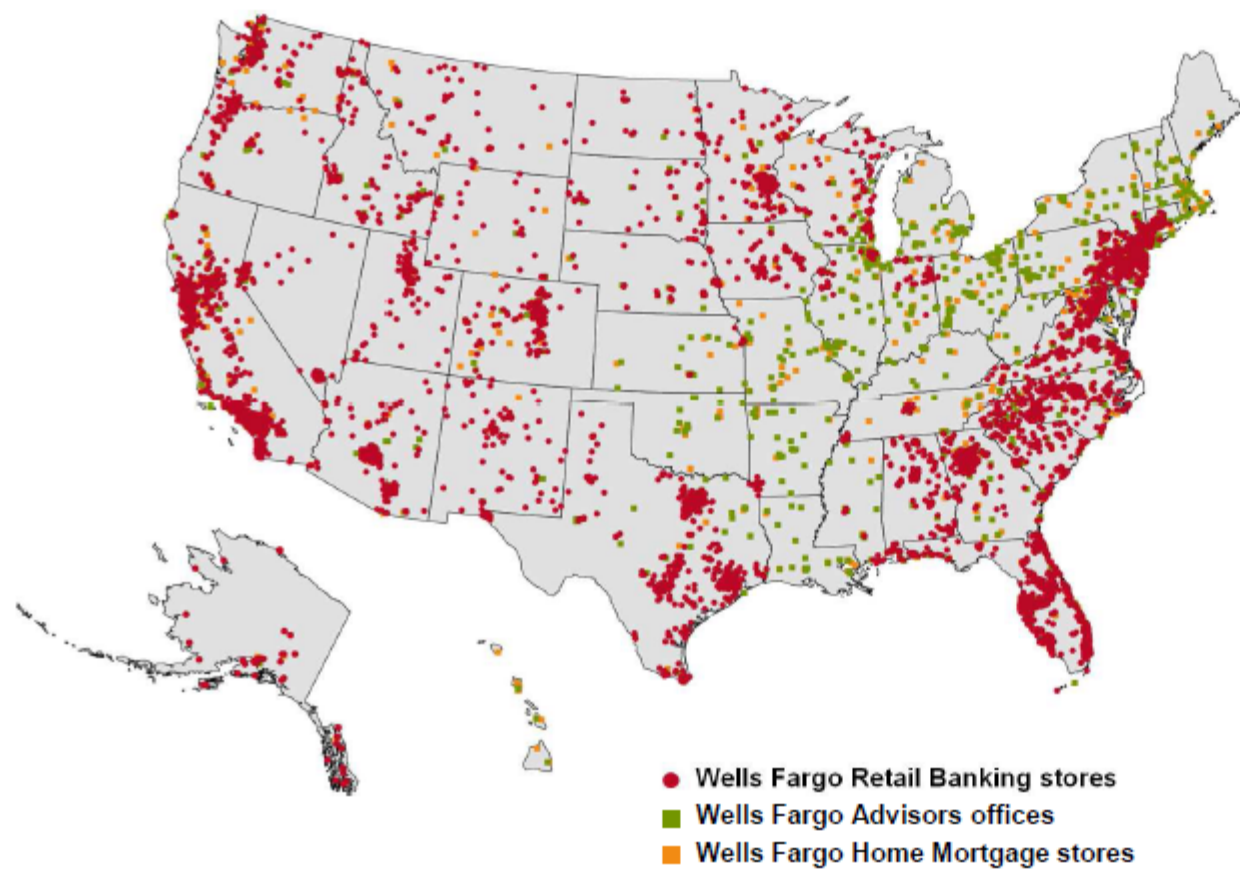
Wells Fargo Stability

One of only a handful of strong, stable and well-capitalized banks in the world today



Numbers in billions
Market capitalization as of 12/31/14
Source: Capital IQ

Wells Fargo serves consumers and businesses in more communities than any other U.S. Bank



70+ MM customers	
9,096 stores	
Store Distribution	
Retail banking	6,185
Wells Fargo Advisors	1,366
Wholesale	784
Mortgage	761
Sales Force	
Platform bankers ⁽¹⁾	32,091
Financial advisors ⁽²⁾	15,354
Home Mortgage consultants	11,406
Other Distribution Channels	
ATMs	12,273
Online banking customers ⁽³⁾	22.5 MM
Mobile customers ⁽³⁾	10.1 MM

As of March 31, 2013.
(1) Active, full-time equivalent.
(2) Series 7 brokers.
(3) Regional banking online and mobile customers, based on 90-day active accounts.

Macro-Economic Trends

Provided by: Anika R. Khan, Wells Fargo Senior Economist

Together we'll go far



What's relevant to your business?

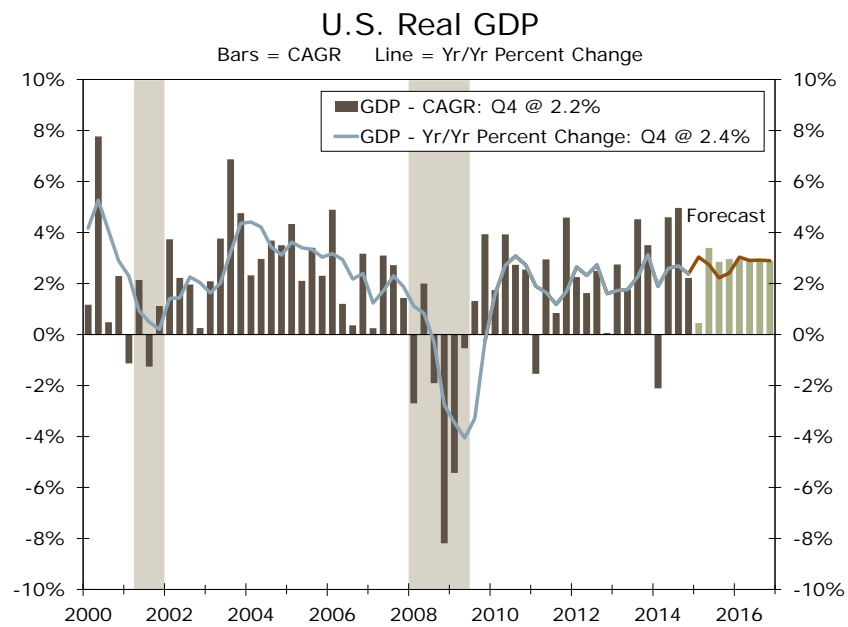
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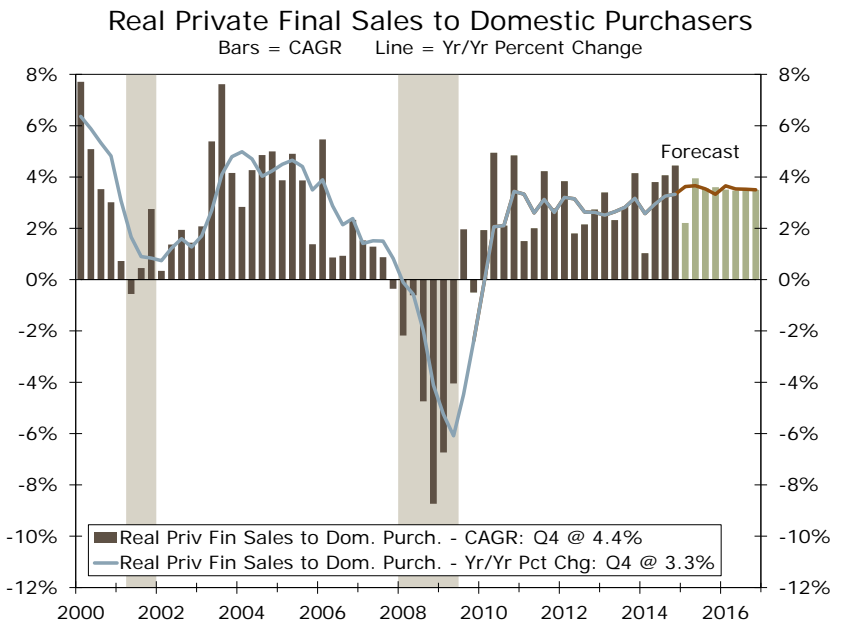
“In economic news, the dollar was down today against the Euro, Franc, Shekel, round salt wheel, Rai stone, multicolored trading beads and chocolate coins.”

We are now more than five years into the recovery and economic growth should reach its trend over the next two years. Despite a recent slowdown in activity due to one-off factors, the composition of growth will remain broad based

Real GDP Forecast



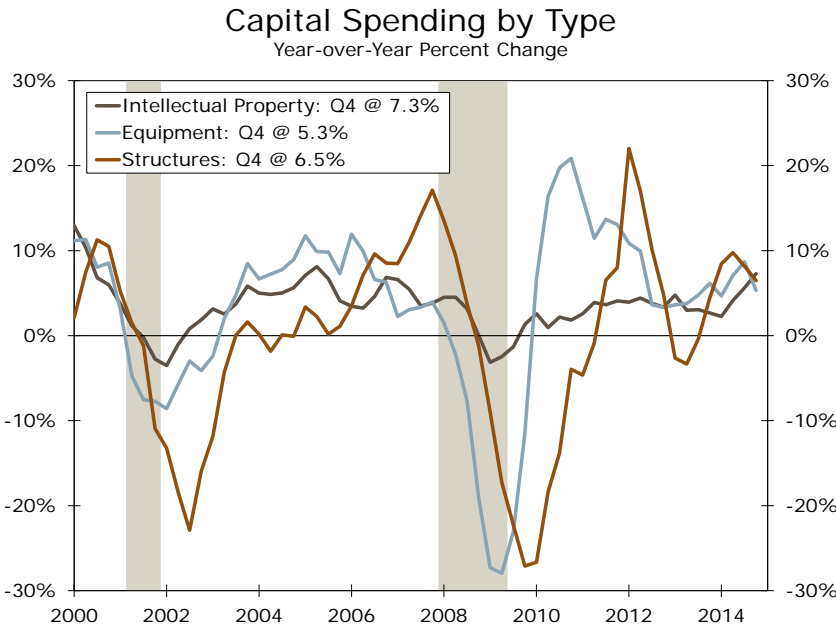
Real Private Final Sales



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

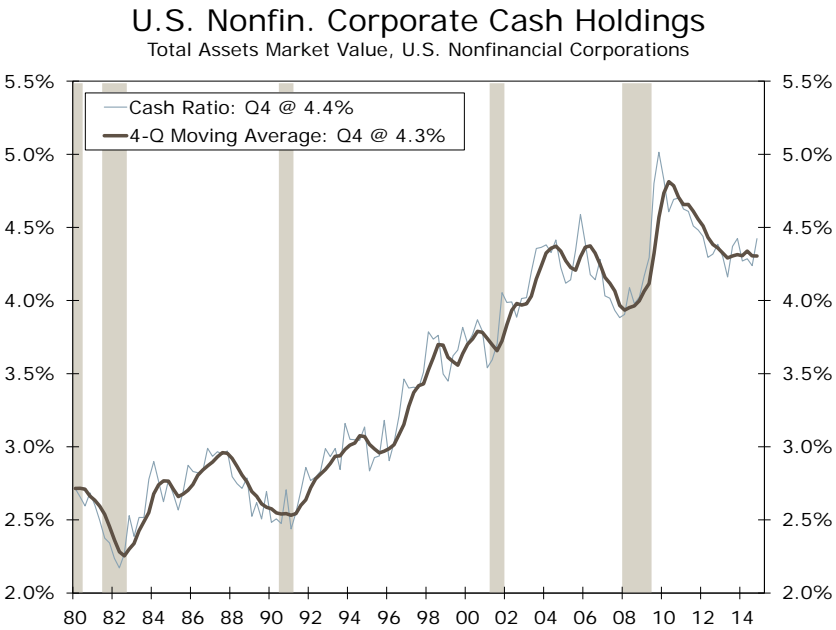
Businesses still have a considerable amount of cash on the sidelines. We expect some of this money to be redirected into capital spending, but there are downside risks due to the recent drop in oil prices

Business Fixed Investment



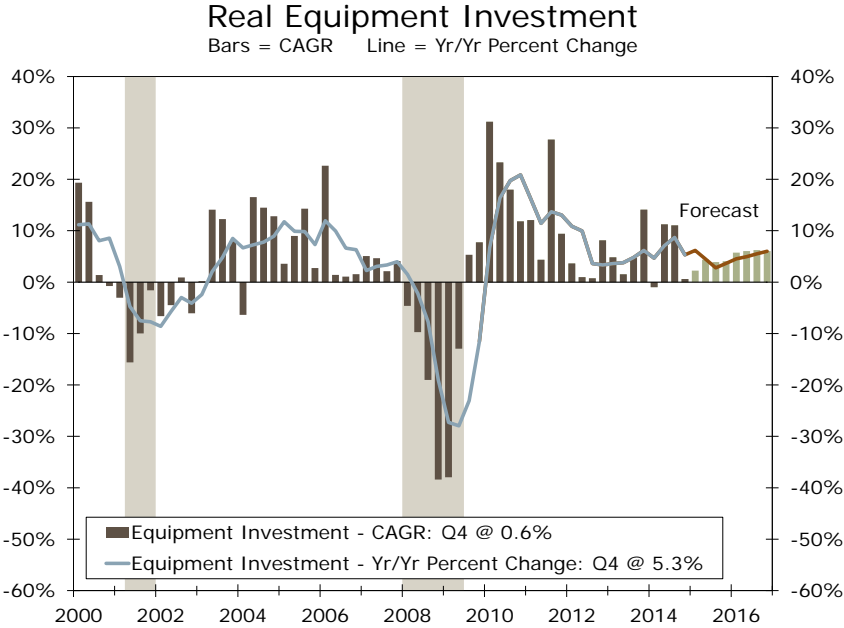
Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Cash on Sidelines

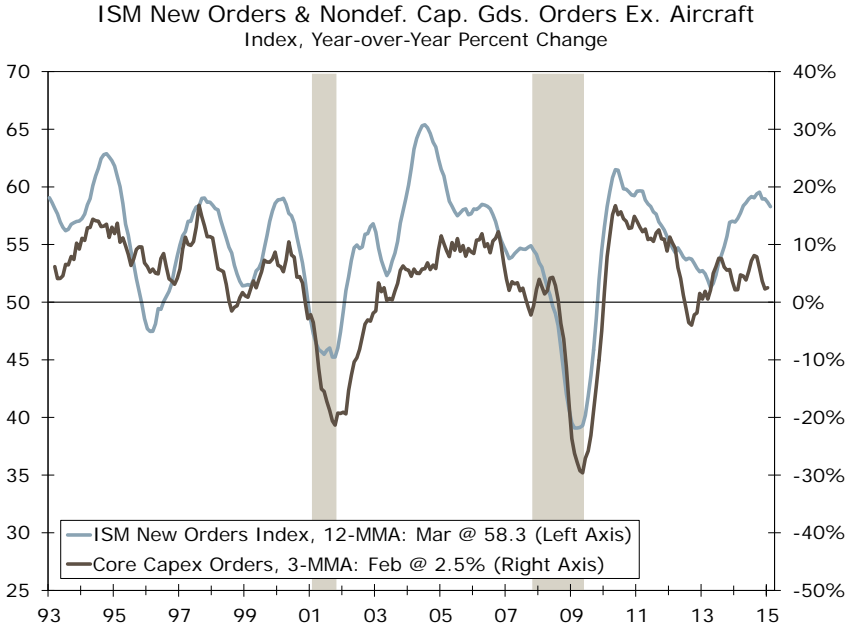


Equipment outlays led the economy out of recession in 2010-2011 but have been unimpressive since

Equipment Outlays

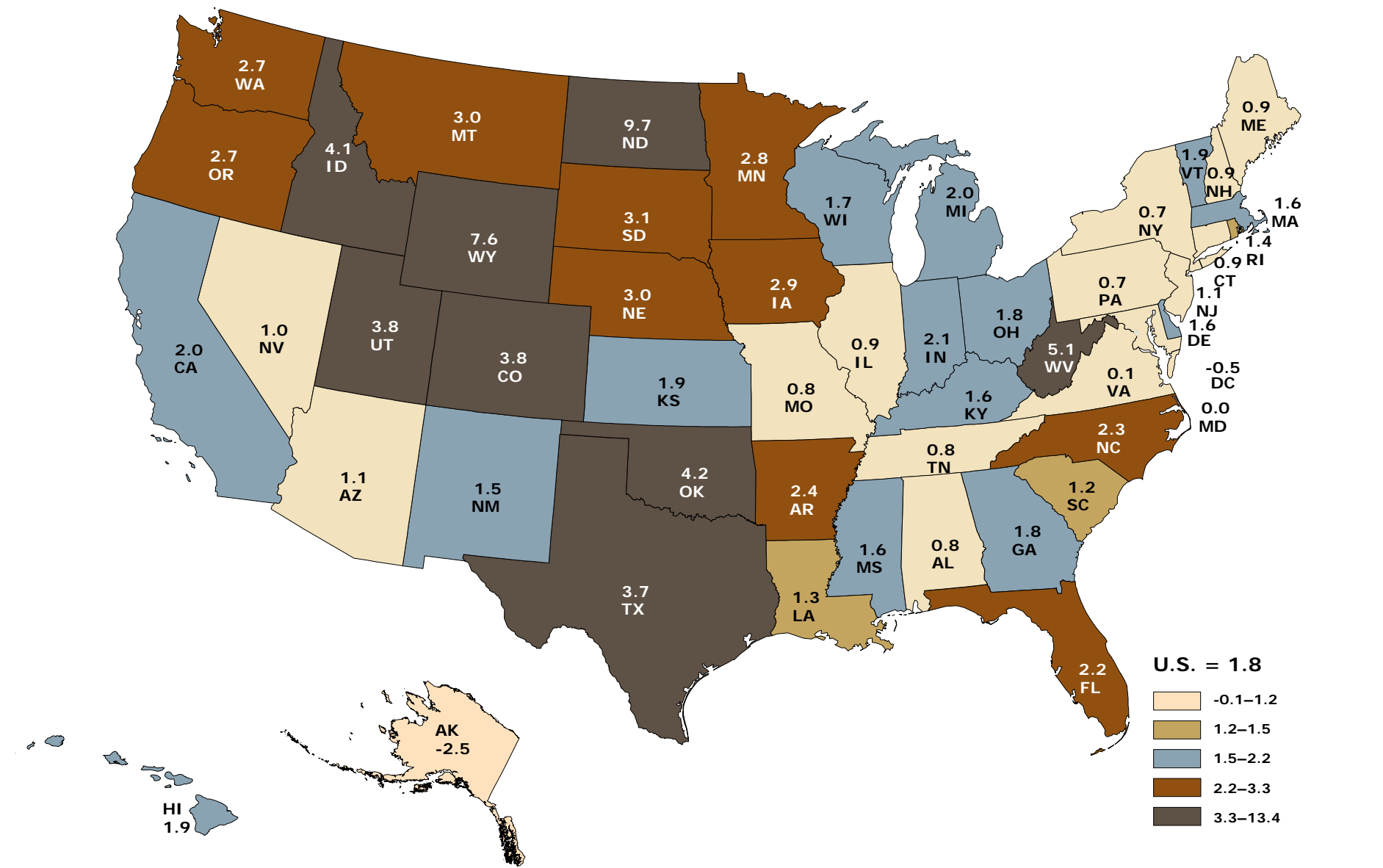


Orders

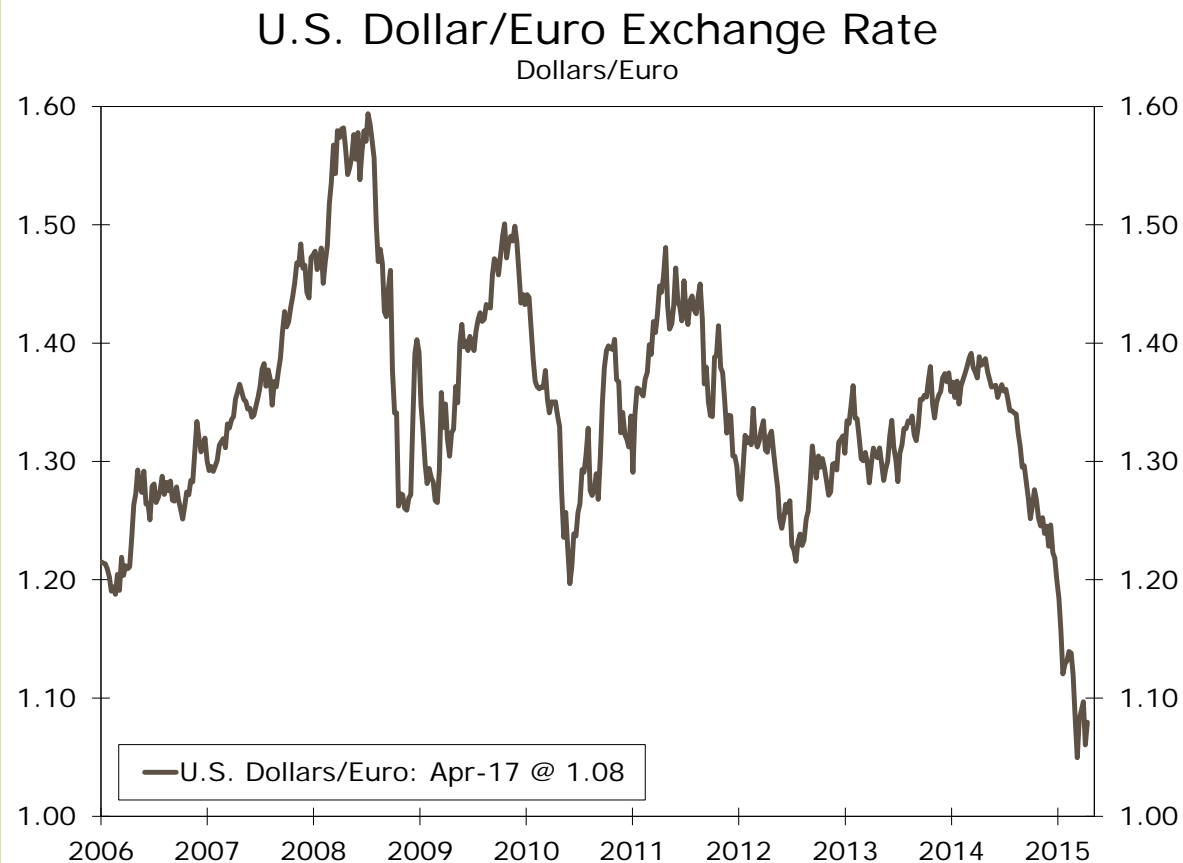


Source: U.S. Department of Commerce, Institute for Supply Management and Wells Fargo Securities, LLC

Percent change in real GDP by state 2012-2013



We expect the dollar to strengthen against the euro on stronger US growth and higher interest rates



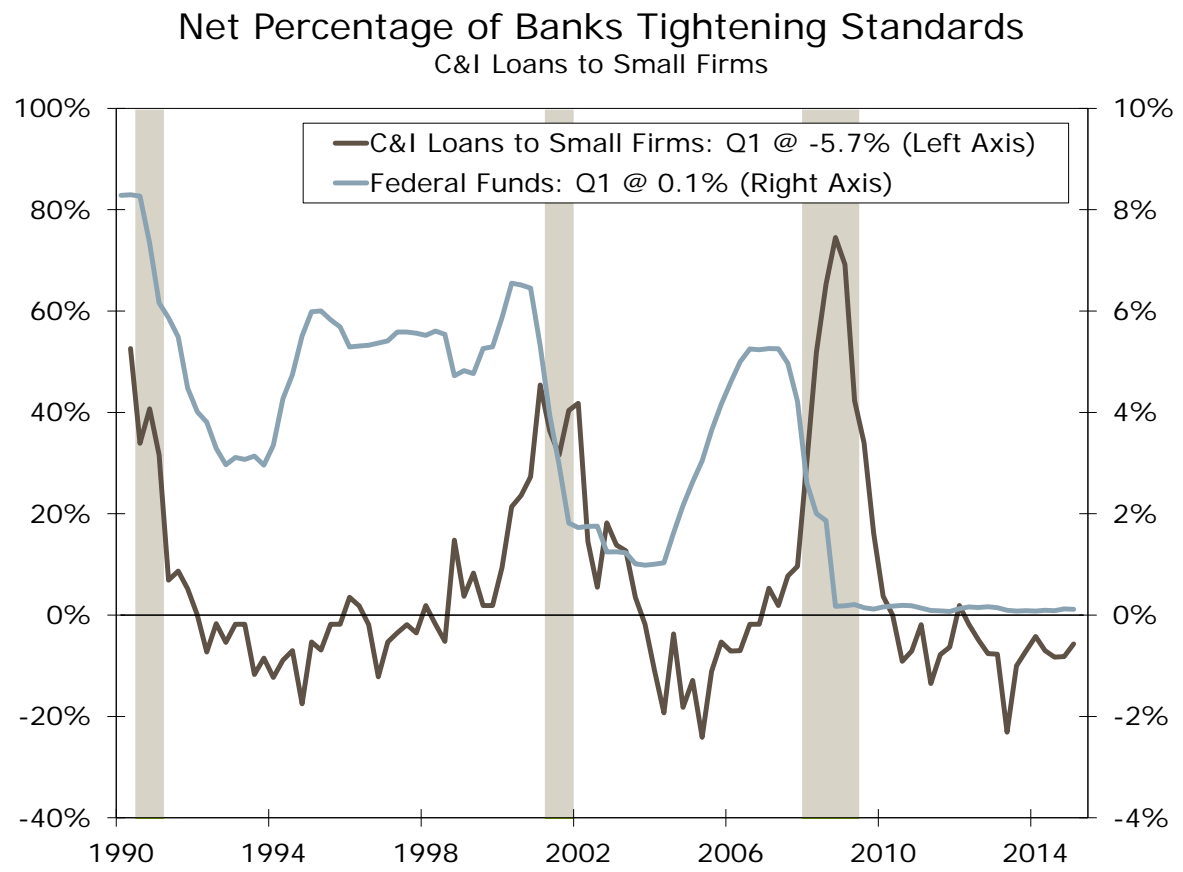
Source: IHS Global Insight and Wells Fargo Securities, LLC

Our macro-econometric model shows that a modest appreciation of the U.S. dollar should have a minimal effect on the U.S. economy

Macro-Model: Effects of a 10% Appreciation in the Dollar Index		
Variables	Direction	Outcome
Real GDP	↓	-0.16%
Real PCE	↓	-0.19%
PCE Deflator	↓	-0.23%
Real Trade Balance		Wider \$25B per Quarter
Exports	↓ ↔	Drop first 4 Quarters, then Stabilize
Imports	↑	Continuously Increase

Source: U.S. Department of Commerce , U.S. Treasury and Wells Fargo Securities, LLC

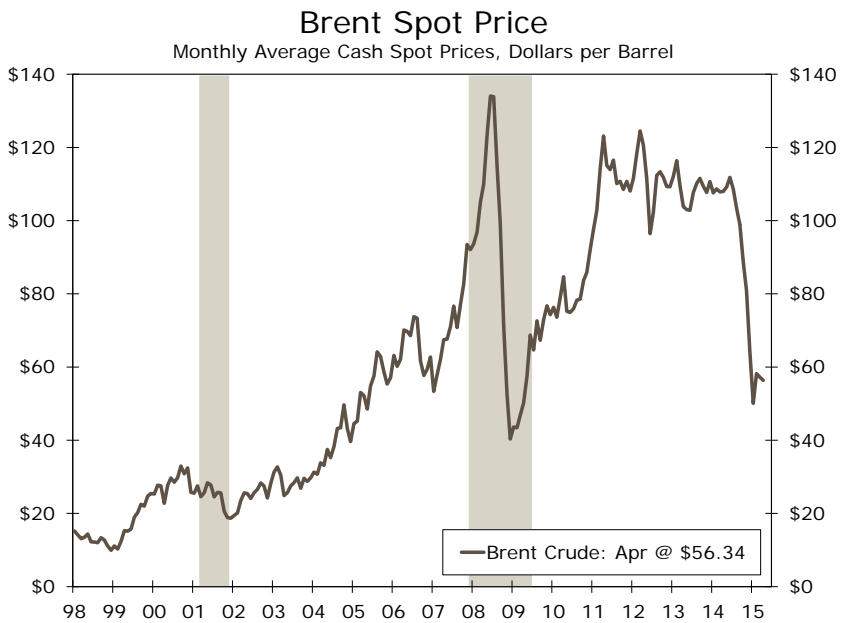
Financial conditions continue to look accommodative, with bank senior loan officers reporting continued easing in commercial real estate lending standards



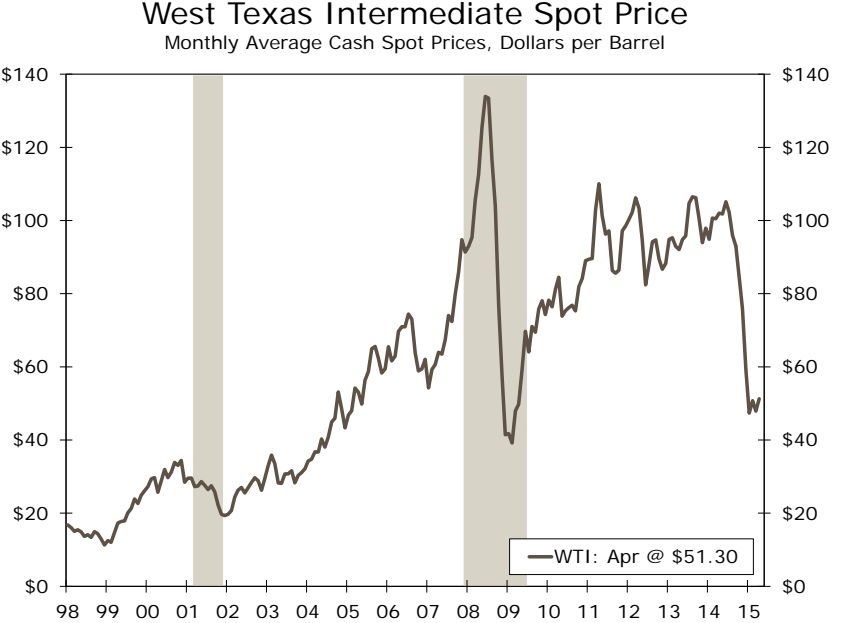
Source: Federal Reserve and Wells Fargo Securities, LLC

As global oil prices steadily decrease, discretionary consumer spending should pick up as consumers take advantage of lower gasoline prices. However, any boost in consumption may be offset by negative effects on capital spending

Brent Oil Prices

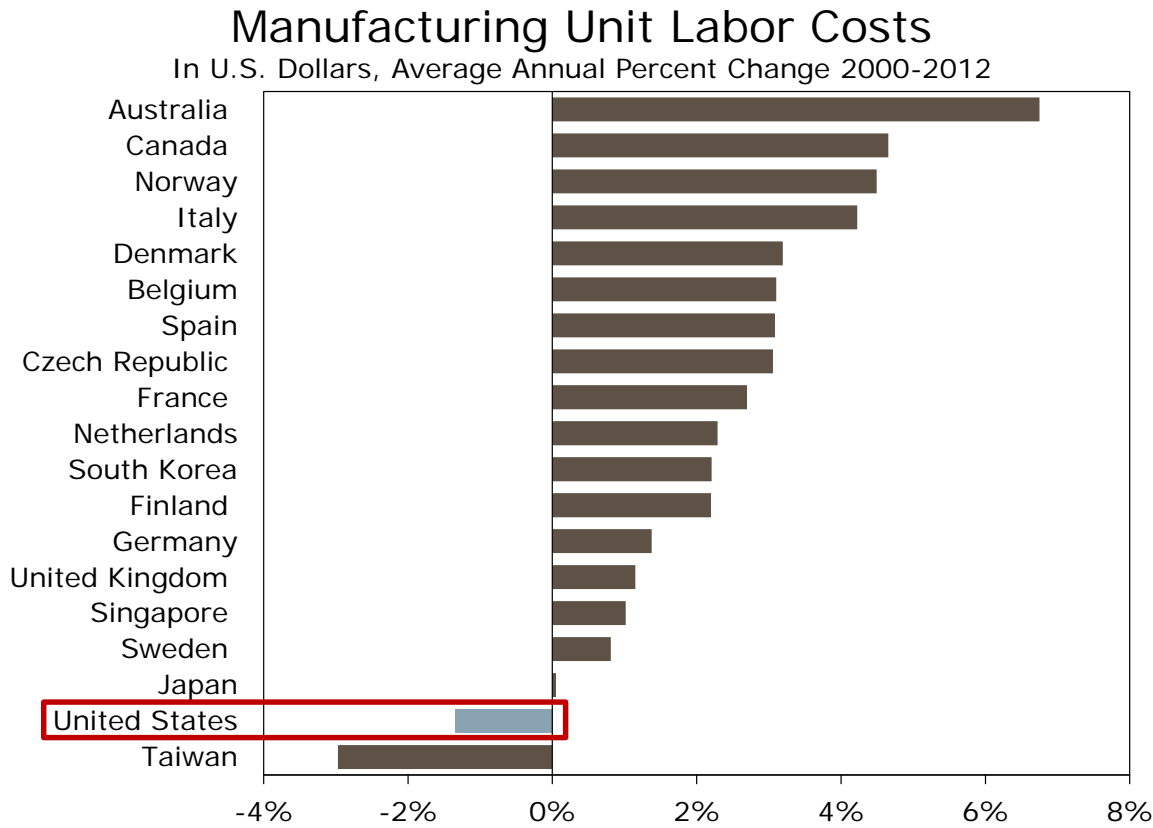


WTI Oil Prices



Source: U.S. Energy Information Administration, U.S. Department of Commerce and Wells Fargo Securities, LLC

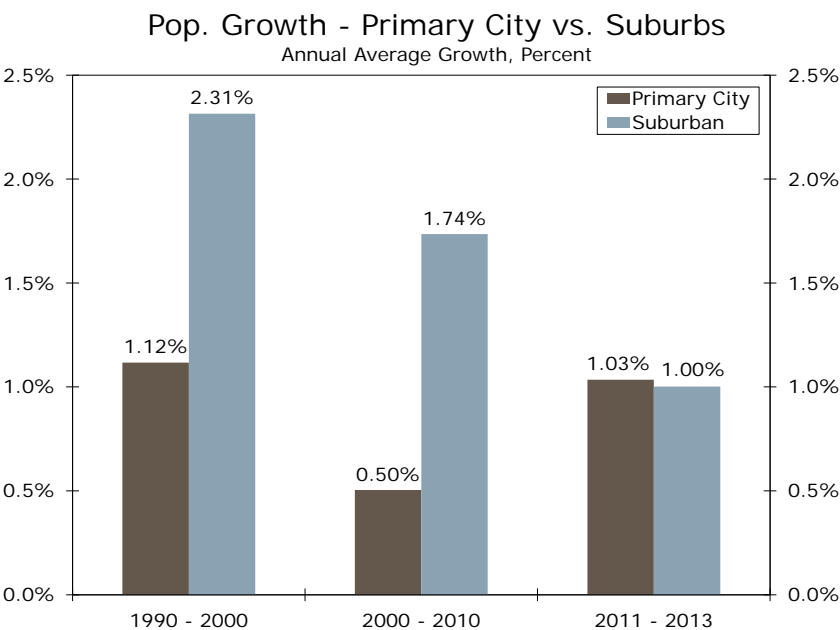
Manufacturers in the United States have been able to lower their unit labor costs at a time when many other advanced economies costs are rising



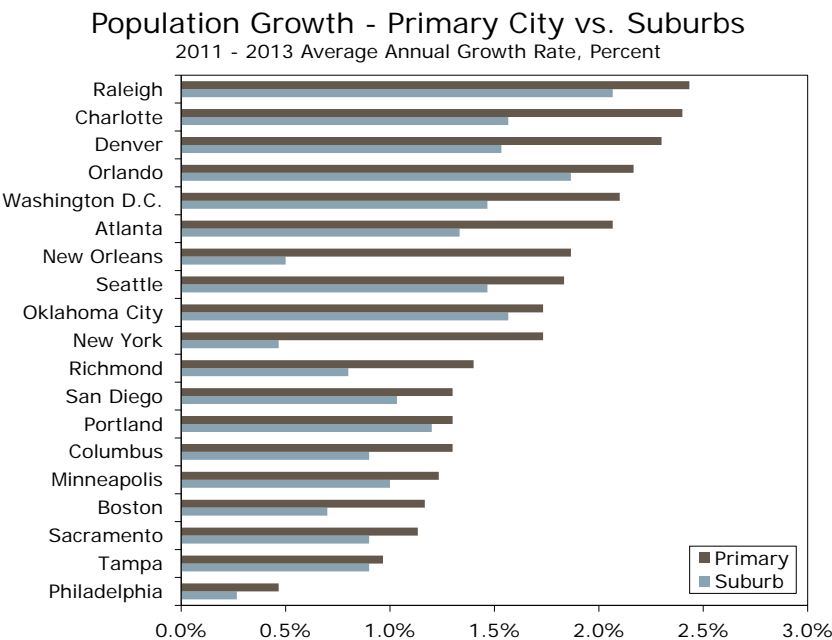
Source: U.S. Department of Labor, ILO and Wells Fargo Securities, LLC

The rate of population growth in some of America’s largest cities is outpacing suburban growth for the first time in decades

Primary City vs. Suburban



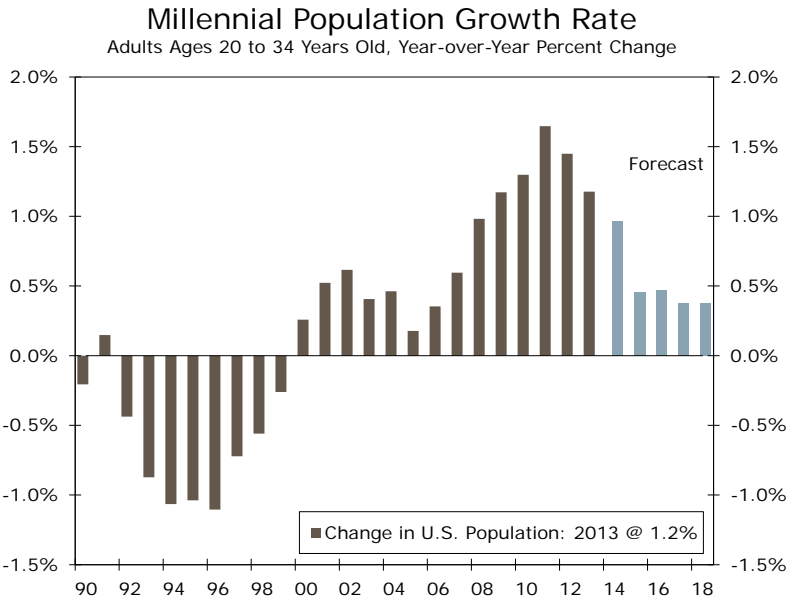
Population Growth by Metro



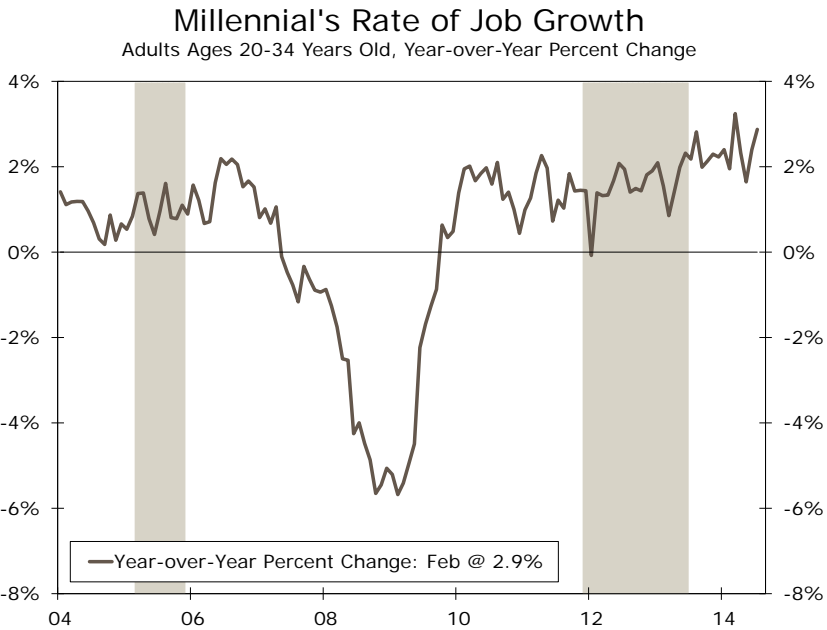
Source: U.S. Department of Commerce , Brookings Institution and Wells Fargo Securities, LLC

Millennials are a driving force behind consumer changes. As Millennial job growth continues to increase, we expect this cohort to make a larger impact in the consumer goods industry

Population Growth



Employment Growth



Source: U.S. Department of Commerce, U.S. Department of Labor, Moody's Analytics and Wells Fargo Securities, LLC

Wells Fargo U.S. Economic Forecast

	Actual				Forecast				Actual			Forecast	
	2014				2015				2012	2013	2014	2015	2016
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
Real Gross Domestic Product ¹	-2.1	4.6	5.0	2.2	0.5	3.4	2.9	3.0	2.3	2.2	2.4	2.6	2.9
Personal Consumption	1.2	2.5	3.2	4.4	2.6	3.5	3.0	3.0	1.8	2.4	2.5	3.3	2.9
Inflation Indicators ²													
PCE Deflator	1.1	1.6	1.5	1.1	0.3	0.1	0.3	0.9	1.8	1.2	1.3	0.4	2.0
Consumer Price Index	1.4	2.1	1.8	1.2	-0.1	-0.2	0.1	0.9	2.1	1.5	1.6	0.2	2.3
Industrial Production ¹	3.9	5.7	4.1	4.4	-0.2	3.3	3.5	3.1	3.8	2.9	4.2	2.9	3.5
Corporate Profits Before Taxes ²	-4.8	0.1	1.4	-0.2	4.8	5.0	4.9	4.7	11.4	4.2	-0.8	4.8	4.2
Trade Weighted Dollar Index ³	76.9	75.9	81.3	85.1	91.1	92.8	94.0	95.3	73.5	75.9	78.5	93.3	98.3
Unemployment Rate	6.6	6.2	6.1	5.7	5.6	5.4	5.3	5.2	8.1	7.4	6.2	5.4	5.0
Housing Starts ⁴	0.93	0.99	1.03	1.06	1.02	1.13	1.21	1.24	0.78	0.92	1.00	1.13	1.22
Quarter-End Interest Rates ⁵													
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75	0.25	0.25	0.25	0.44	1.56
Conventional Mortgage Rate	4.34	4.16	4.16	3.86	3.71	3.95	4.15	4.23	3.66	3.98	4.17	4.01	4.51
10 Year Note	2.73	2.53	2.52	2.17	1.94	2.19	2.35	2.41	1.80	2.35	2.54	2.22	2.66

Forecast as of: April 8, 2015

¹ Compound Annual Growth Rate Quarter-over-Quarter

² Year-over-Year Percentage Change

³ Federal Reserve Major Currency Index, 1973=100 - Quarter End

⁴ Millions of Units

⁵ Annual Numbers Represent Averages

- Economic forecasting is an art, not a science
- Uncertainties will always be present
 - International finance- Greece's debt problem
 - Geo-political issues- the impact of the fall of oil prices on Russia
- That said:
 - Leading macro-economic indicators are positive
 - Wells Fargo's Equipment Finance business has never been stronger
- Outlook:
 - Next 12 to 18 months should be more of what we have experienced recently
 - Expect the unexpected after that

Wells Fargo Equipment Finance

- Commercial lending and leasing options for all of your equipment financing needs



**Top 10 (bank-affiliated)
Based on Net Assets**

(\$ in millions)

<u>Rank</u>	<u>Company</u>	<u>2013</u>
1	Banc of America Leasing	\$40,517
2	Wells Fargo Equipment Finance ¹	27,805
3	CIT Group	21,564
4	PNC Equipment Finance	11,639
5	US Bank Equipment Finance	9,475
6	Chase Equipment Finance	9,444
7	Key Equipment Finance	8,866
8	Fifth Third Equipment Finance	6,356
9	SunTrust Equipment Finance	6,113
10	RBS Citizens Asset Finance	6,069

Source: 2014 Monitor 100 Survey

Industries and Equipment

We finance equipment including, but not limited to, the following categories:

Aircraft	Machine tools	Medical	Process Equipment	Technology
Corporate/Business	Lathes	Diagnostic imaging	Chemical	Services
Regional	Grinding	HIS/PACS	Refining	Hardware
Helicopters	Turning	Laboratory	Pharmaceuticals	Software
Construction	Milling	ICU/CCU	Specialty manufacturing	Managed services
Commercial construction	Forming	Plastics	Rail	Transportation
Energy	Flexible manufacturing cells	Injection molding	General service rail cars	Power equipment
Exploration and production	Woodworking	Blow molding	Intermodal cars	Trailers
Oilfield services	Marine	Thermoforming	Tank cars	Buses / Motorcoaches
Mid-stream	Barges	Extrusion	Locomotives	Straight trucks
Food processing	Tankers	Support equipment	Rail service equipment	Specialty vehicles
Meat	Bulk carriers	Printing	Track	Utilities
Dairy	Tow/push boats	Prepress	Semiconductor	Power
Bottling/Canning	Transportation vessels	Press	Front end	
Baking	Supply vessels	Bindery/finishing	Back end	
Frozen foods	Tugs	Flexographic	Surface mount technologies	
Rendering				

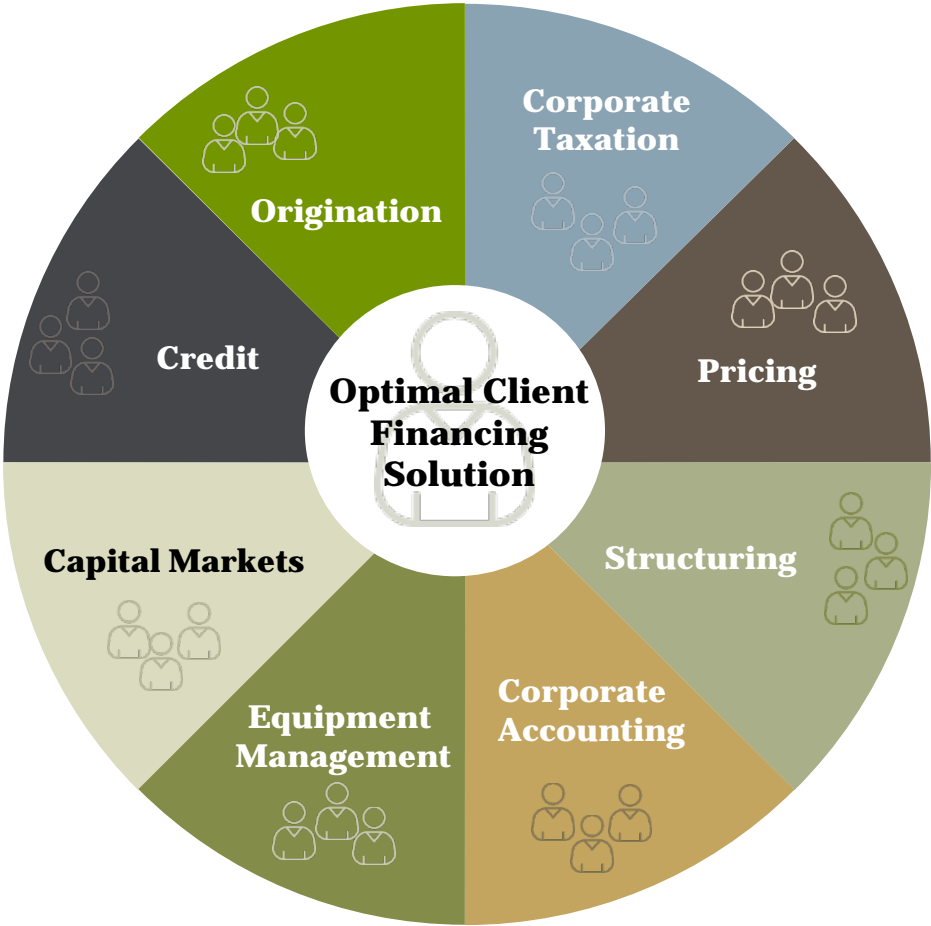
Benefits of Wells Fargo Equipment Finance

Solutions to position you for
growth and success

- Flexible financing terms
- Potential to finance up to 100% of equipment cost
- Ability to finance new and/or used equipment
- One stop shopping - expertise with all transaction sizes for both loan and lease structures
- Lines of credit available
- Fixed or floating rates for 3 to 7 years
- Timely documentation and funding
- Refinancing available
- Quick and simple application only program for transactions \$250,000 or less for bank customers

Customized Team Approach

Our teams of specialists work together to provide you with dedicated, personal attention and to create unique financing structures specific to your organizational goals.

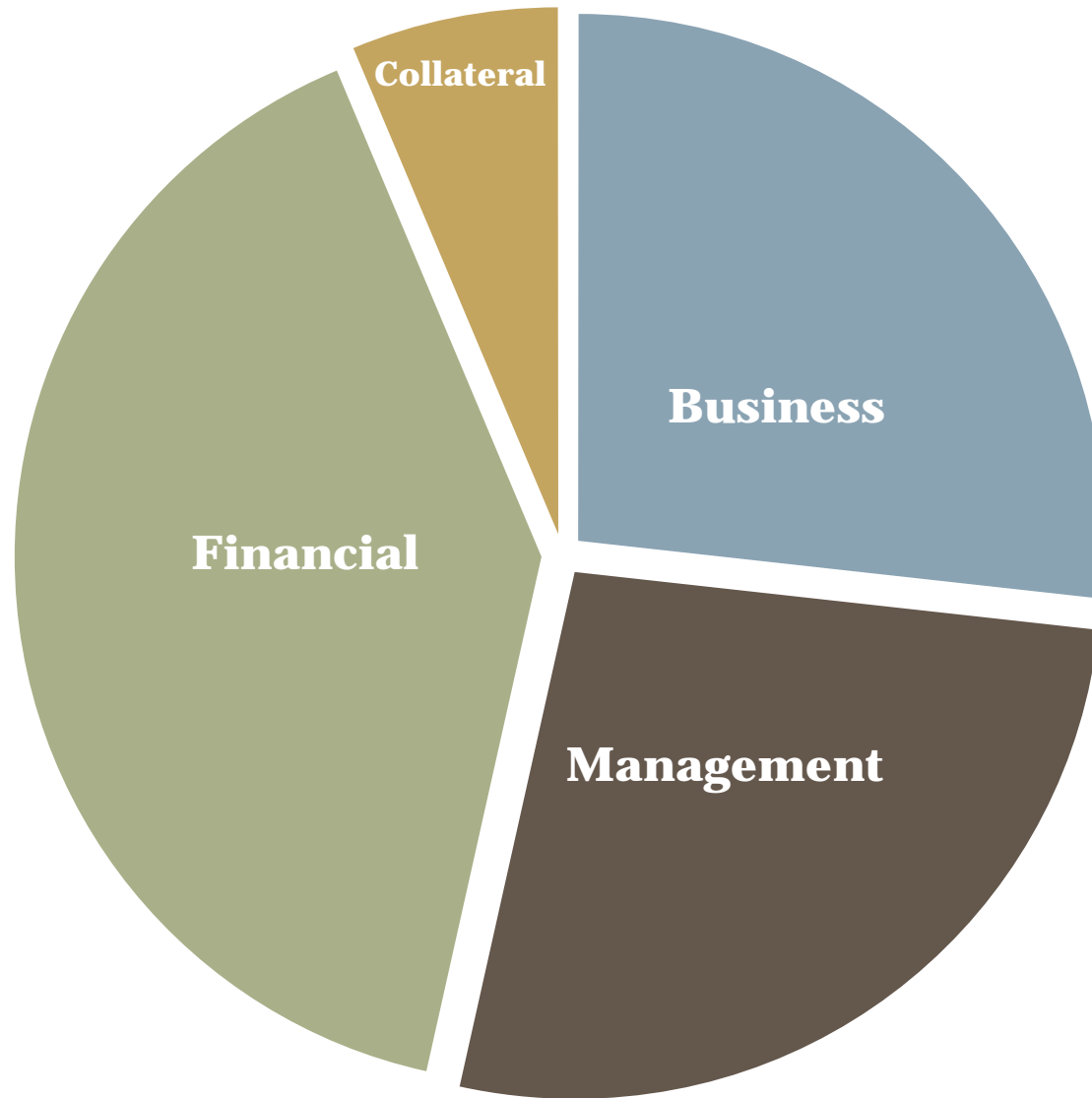


Lender Considerations

What do lenders look for?



Lender Considerations



Lender Considerations: Business

- Years in business
- Competitive advantage(s)
- Where at in the life cycle?
- Competitor ease of entry
- Customer concentrations
- Financial Statement quality
- Three year strategy



- Ownership / Motivation
- Management Depth/ Motivation
- Experience
- Have they been through a downturn?
- Successor Management



Balance Sheet

- Leverage - Debt / Worth
- Liquidity - Working Capital
- Debt Structure
- Intangible Assets
- Comparison Ratios

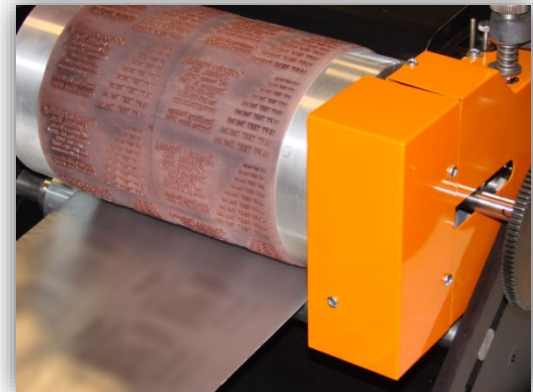


Income Statement

- Profitability
- Margin Trends
- Proformas
- Ratio Comparison



- Lenders with an equipment finance company vs. others
- New Equipment
 - Cost: soft and hard
 - Product life cycle:
new, proven, dated
- Used Equipment
 - Make, model, serial number
 - Location
 - Condition
 - Essential use/stick rate
 - Use of appraisal
- Lender access to collateral



Lender Considerations: Collateral

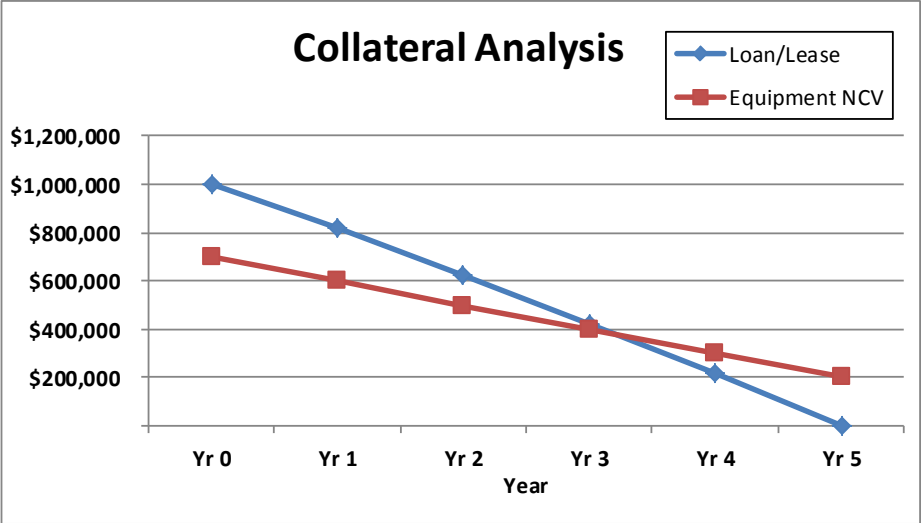
Use of Collateral Curves:

PAYMENT ANALYSIS

Rate	4.00%	Full Cost	\$1,000,000
Term/Amort.	60	Down Pmt	\$0
1=Adv./0=Arr.	0	Amt Fin.	\$1,000,000
Payment	\$18,417	Residual	\$0
		Deposit	\$0

COLLATERAL ANALYSIS

	Balance	NCV %	Value	Equity
Yr 0	\$1,000,000	70.0%	\$700,000	(\$300,000)
Yr 1	\$815,646	60.0%	\$600,000	(\$215,646)
Yr 2	\$623,782	50.0%	\$500,000	(\$123,782)
Yr 3	\$424,100	40.0%	\$400,000	(\$24,100)
Yr 4	\$216,284	30.0%	\$300,000	\$83,716
Yr 5		20.0%	\$200,000	\$200,000



- Advance rates needed?
- Purpose: Replacement vs. Expansion capital expenditures
- Dividend / distribution practice
- Maturities of funded debt
- Shelf financings vs. covenant compliance

- The printing industry is, in general, viewed with caution
 - However Flexo is positioned as well as any within the industry and viewed as a stable business
 - Equipment assets have long useful lives and are essential to the business
- Equipment can be less liquid in the secondary market because of the niche user base
 - Some of equipment cost can potentially be unrecoverable due to installation costs
- Prefer to finance well proven equipment / technology, preferably from a top tier manufacturer
- Typical loan term is 5 - 7 years
 - Greater technological change results in shorter terms

If I were a borrower...

- Have a good debt capital structure and liquidity:
match assets/liabilities, debt maturities, working cap/\$
- If I have good assets, go to a relationship based bank that has an equipment finance company
- If leasing, understand the benefits / consequences of your contract
- Be transparent with your bank
- Build a meaningful relationship with your bank!

Questions?

