

Cash flow needs driving demand for Equipment Finance

(24 July 2012 – Australia) The latest asset finance market analysis from industry consultants East & Partners has found that Cash Flow Needs is the dominant, business factor driving demand for Equipment Finance with 62.2 percent of all customers nominating it as their key reason for such financing solutions.

These new insights place Removing Assets from Balance Sheet as the second biggest factor driving demand followed by General Capital Management Needs and Age of Existing Equipment Financed Assets (27.9 percent, 23.3 percent and 18.8 percent respectively). Prior to this latest round of research, Age of Existing Equipment was considered a more pressing driver of demand than General Capital Management with 28.8 percent in 2010 and 22.1 percent in 2011, compared to 15.8 percent and 18.9 percent over the same time period for General Capital Needs.

Across all market segments, with the exception of the Institutional end, pricing is the key product attribute used in Asset Financing purchase decisions, the key product attribute for the top of town is Residual Risk, with Pricing ranked second. Flexibility and Ownership are given second and third billing for the Micro segment. Residual Risk and Flexibility represent the top three for the Corporate segment and Flexibility is number three in level of importance for Institutionals.

Key Product Attributes in Asset Financing – Total Business Market

	Average Rating Reported	
	1 – 2 – 3 – 4 – 5 (important)	1 – 2 – 3 – 4 – 5 (unimportant)
	Sep 2011 (N: 1263)	June 2012 (N: 1293)
Pricing	1.31	1.29
Flexibility	1.60	1.60
Ownership	1.72	1.72
Residual risk	1.97	1.77
Accounting treatment	1.90	1.93
GST treatment	1.90	2.06
Tax treatment	2.11	2.14
Unsure / no view (percent of Total)	—	—

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David Brown, East & Partners' Head of Client Development commented, "With the majority of growth within the SME and lower corporate segments remaining flat, businesses are still looking to deleverage and avoid risk in relation to asset and equipment acquisitions. Risk adverse businesses are not replacing equipment as frequently as they were pre GFC, with asset lifetimes nearly doubling across most asset classes from IT Equipment to Yellow Goods. The notable exception to this has been motor vehicles".

"Pricing is now more aggressive than ever as the banks compete in this growth market", Mr Brown added.

About East & Partner's Australian Asset and Equipment Finance Markets report

A yearly demand research service covering the entire Australian business market with enterprises having an annual turnover of A\$1 Million upward.

The Asset and Equipment Finance Markets report monitors market share, share of wallet, supplier share of mind, importance ratings, customer satisfaction with service performance, switching intentions and growth expectations and is based on direct interviews with a structured national sample of over 1,250 commercial customers of lease and asset financing nationally.

Note: Business customer Segments

- › Institutional – A\$530+ million
- › Corporate – A\$20-530 million
- › SME – A\$5-20 million
- › Micro – A\$1-5 million

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