



Equipment Finance Quarterly Update: 2021 Fourth Quarter



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Welcome to the quarterly update for the Equipment Finance industry. Colonnade is a leading financial advisor to the Equipment Finance industry, having advised on several M&A transactions in recent years. This Quarter Report analyzes data from the fourth quarter of 2021 and highlights recent transactions.

The Equipment Finance industry covers a variety of businesses that provide lease financing solutions collateralized by equipment. Our quarterly update focuses on commercial equipment finance within the U.S.

We maintain relationships with the major industry players and provide this commentary to our readers to track relevant industry news based primarily on those public banks that report segment results for their equipment finance divisions.

Our quarterly update covers:

- 1 Market trends
- 2 Financial results from selected public companies
- 3 Recent transactions
- 4 Outlook

1 MARKET TRENDS

According to the Equipment Leasing and Finance Association (“ELFA”), the equipment finance industry is \$900 billion in size. The EFLA reports, on a monthly basis, economic activity from 25 companies within the industry. Colonnade tracks this data and reports on certain highlights within our quarterly reports.

ELFA - MLFI - 25 / Survey of Equipment Finance Activity (SEFA)

	December 2021	% Change Q / Q	% Change Y / Y
New business volume	\$11.8 billion	28.3%	(2.5%)
Net charge offs	0.25%	(28.6%)	(57.6%)
Credit approvals	78.60%	3.0%	4.5%

New business volume for equipment financings saw a year-over-year decrease.








New business volume is down. New business volume decreased by 2.5% year-over-year due to supply chain challenges in the market. However, in line with annual seasonality, new business volume experienced an increase of 28.3% during the fourth quarter as businesses across multiple sectors continued to expand in conjunction with low-interest rates and strong balance sheets.

Charge-offs are down. Among the portfolios analyzed, overall charge-offs were 34 basis points lower at the end of the fourth quarter than one year prior, caused by high payment rates and strong economic conditions.

Credit approvals are up. Throughout 2021, credit approvals fluctuated but remained on an upward trend overall. Compared to 4Q20, one year prior, the sector saw a 340 basis point increase in approvals as organizations continue to report healthy portfolios.

2 FINANCIAL RESULTS FROM SELECTED PUBLIC COMPANIES

Of the largest equipment financing companies, only a select few public companies report their outstanding leases independent of their commercial financing divisions. We track quarterly data for these companies to highlight market trends.

Company	Outstandings (\$mm)	Q / Q change	Y / Y change
 PNC	\$6,130	(2.0%)	(4.4%)
 BankUnited	\$357.6	(5.8%)	(24.8%)
 customers bank	\$265.2	8.9%	24.8%
 Meta Financial Group	\$245.3	(7.8%)	(13.5%)
 WINTRUST	\$242.1	(0.8%)	(0.1%)
 PACIFIC WESTERN BANK	\$204.7	5.7%	5.0%
 Peoples BANK	\$122.5	9.9%	N/A
Aggregate Reported		(1.7%)	(3.3%)

Commentary

This group reported a 1.7% quarterly decrease in outstandings on an aggregate basis with a year-over-year 3.3% decrease. Strong economic demand for equipment finance solutions continued to drive growth in outstandings across the industry, as reflected by quarterly growth in the second half of 2021 for many organizations. However, declines among the two largest reporting players drove our composite index down.

- Chuck Sulerzyski, President and Chief Executive Officer of Peoples Bancorp, “The addition of Vantage to the Peoples suite of product offerings will allow us to build upon our recent success with our North Star Leasing acquisition, while also becoming a top 100 U.S. leasing business based on combined assets.”
- Mark Wagner, President and CEO of PacWest Bancorp, “Our strategy of prioritizing a strong balance sheet, followed by profitability and growth, in that order, served us well in 2021 and we are well-positioned as we begin 2022.”
- Kent Phillips, President and CEO of Wintrust Commercial Finance, “While there are headwinds—supply chain disruptions, increasing labor and material costs, and now the potential for rising borrowing costs to offset inflationary pressures—businesses in many capital-intensive industries remain poised to capitalize on pent-up demand as soon as equipment is available.”



3 RECENT TRANSACTIONS

M&A Deals

M&A activity continued at a robust pace in late 2021 and into the first part of 2022. Banks are actively seeking equipment leasing & finance platforms.

Month	Target	Buyer
Feb-22	Vantage Financial	Peoples Bancorp Inc.
Jan-22	Diversified Capital Credit	TimePayment
Jan-22	Rifco Inc.	Chesswood Group Limited
Jan-22	ACG Equipment Finance	American Bank
Jan-22	Encina Equipment Finance	Franklin BSP Lending and Franklin BSP Capital
Jan-22	Eastern Crane and Hoist	American Equipment Holdings (Rotunda Capital Partners)
Dec-21	Summit Funding Group	First Financial
Dec-21	Keystone Equipment Finance	Commercial Credit
Dec-21	Summit Funding Group	First Financial Bancorp
Dec-21	Balboa Capital	Ameris Bancorp
Nov-21	1st Constitution Bancorp	Lakeland Bancorp

New commercial finance groups, recent financings, and other news

CIBC in January announced it's starting its own equipment finance group.

LEAF Commercial Capital, an equipment leasing and finance company and subsidiary of People's United Bank, announced that its VAR Technology Finance and Vend Lease brands will become part of the LEAF brand.

In connection with its proposed merger with HPS Investment Partners, Marlin Business Services satisfied the condition that its wholly-owned subsidiary, Marlin Business Bank, surrender its banking licenses and authority and terminate its FDIC-insured deposits.

North Mill Equipment Finance closed its fifth commercial equipment-backed securitization, NMEF Funding 2022-A. The \$371.07 million transaction represents North Mill's largest ABS issuance to date, surpassing its \$236.588 million ABS issuance in March 2021.

Channel completed its first securitization, a \$105 million issuance of asset-backed notes collateralized by small business loans and advances across a range of industries.



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OUTLOOK

Equipment Finance continued to be a strong asset class for banks and independent financing institutions throughout the fourth quarter of 2021. As a result of the Federal Reserve's planned interest rate hikes and the current volatility in the equity markets, the sector's upcoming 2022 performance remains unclear. Global supply chain pressures continue to be a headwind for the Equipment Finance sector into 2022.

Conclusion

In recent years, Colonnade has been the sell-side or buy-side M&A Advisor in several equipment finance transactions. These complex transactions require an investment banking team with deep industry knowledge, insider level mastery, competitive positioning, and buyer relationships. If you own an equipment finance company or are a potential buyer, please contact us, and we can help you think through your next steps.

Colonnade is a leading advisor to the financial services industry

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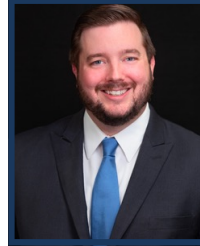
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This advertisement was prepared March 2022. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: Data and Market Trends: SEC filings, investor presentations, ELFA, Monitor Daily, Yahoo Finance, and PYMNTS.com

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