



Equipment Finance Quarterly Update: 2022 First 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 recently. This Quarter Report analyzes data from the first quarter of 2022 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 ELFA 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)

	March 2022	% Change Q / Q	% Change Y / Y
New business volume	\$10.6 billion	(10.2%)	14.0%
Net charge offs	0.10%	(60.0%)	(76.7%)
Credit approvals	78.30%	(0.4%)	1.7%








New business volume is up. New business volume increased by 14% year-over-year as companies, large and small, are choosing to lease equipment due to increases in short-term borrowing rates. Consistent with seasonality, new business volume experienced a decrease of 10.2% between the 4Q/2021 and 1Q/2022.

Charge-offs are down. Among the portfolios analyzed, overall charge-offs were 33 basis points lower at the end of the first quarter than one year prior, caused by high payment rates and strong credit qualities in portfolios.

Credit approvals are up. Throughout the first quarter of 2022, credit approvals remained consistent. Compared to 1Q/2021, one year prior, the sector saw a 130 basis point increase in approvals as companies reported well-performing 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	\$6,216	1.4%	(2.7%)
 BankUnited	\$341.4	(4.5%)	(25.9%)
 customers bank	\$267.5	0.9%	26.1%
 Peoples BANK	\$267.1	118.0%	N/A
 WINTRUST	\$240.7	(0.6%)	0.7%
 Meta Financial Group	\$235.4	(4.0%)	(23.6%)
 PACIFIC WESTERN BANK	\$202.3	(1.2%)	9.4%
Aggregate Reported		2.7%	(0.3%)

Commentary

This group reported a 2.7% quarterly increase in outstandings on an aggregate basis with a year-over-year 0.3% decrease.

- Peoples Bank benefited from a hearty 118% Q/Q growth due in part to the acquisition of Vantage Capital. William Foudray, CEO of Vantage Financial (acquired by Peoples Bank) said: "We believe that the combination of our intense focus on achieving above-average risk-adjusted returns along with Peoples' balance sheet will enable Vantage to accelerate on its track record of profitable growth."
- Ralph Petta, President and CEO of ELFA said: "New business volume at MLFI 25 companies has grown modestly in 2022, as it typically does in the early months. What is eye-catching, however, is the extremely high credit quality reported by respondents."



3 RECENT TRANSACTIONS

M&A Deals

M&A activity continued at a robust pace in 2022. Banks are actively seeking equipment leasing & finance platforms.

Month	Target	Buyer
May-22	Wheaten Financial	TimePayment
Apr-22	Ravern Rentals	Manitex International
Mar-22	Cloverdale Equipment Company	Herc Rentals
Mar-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)

*Bank acquisitions

It is noteworthy that TimePayment made two acquisitions in the quarter, one of which was a commercial vehicle and titled equipment leasing company (Wheaten Financial). Jay Haverty, TimePayment's President and Chief Executive Officer, said: "Expanding our position in the specialty vehicle and titled equipment segments has been a priority. And Wheaten checks all the boxes. They bring outstanding leadership, a team with deep market knowledge and long-standing industry relationships, both at the dealer level and with the end users/operators they finance. Their track record speaks for itself."

New commercial finance groups, recent financings, and other news

DLL, a global vendor finance company, closed a securitization through \$837 million of asset-backed notes. The primary use of funds will expand the organization's growth strategy of diversifying its funding base.

Varilease Finance, Inc. closed its first securitization by issuing \$150 million of asset-backed notes. A pool of equipment contracts collateralizes the notes.

National Funding made a strategic growth investment into Finova Capital, a business lender in the merchant finance and payments industry. Since 1999, National Funding has provided more than \$4.5 billion in working capital and equipment leasing to more than 80,000 businesses.

MetaBank will be changing its name to Pathward to unite the company under a single brand name. Facebook paid \$60 million to MetaBank to acquire the name. [Read more about the IP sale here.](#)

Black Buffalo 3D Corporation, the manufacturer of NEXCON Printers and 3D construction ink, is launching the world's first group to finance and rent large-scale 3D construction printers.



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OUTLOOK

Despite rising interest rates and economic volatility, the Equipment Finance sector maintained strong performance in the first quarter of 2022 with year-over-year originations growth of 14%. Banks and independent financing institutions continue to expand portfolios through originations and acquisitions. However, inflationary pressures, global conflicts, and supply chain challenges remain headwinds for the remainder of 2022.

The Equipment Leasing & Finance Foundation measures confidence among industry leaders every month. As of March 2022, sector confidence among industry leaders declined. However, the group is anticipating growth acceleration throughout the second half of 2022.

Monthly Confidence Index: Equipment Finance Industry (MCI-EFI)



Source: ELFA

Conclusion

Colonnade has recently 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

<p>BUYSIDE</p> <p>Peoples BANK Working Together. Building Success.®</p> <p><i>acquired</i></p> <p>NORTH STAR LEASING COMPANY</p> <p><i>a portfolio company of</i></p> <p>COPLEY EQUITY PARTNERS</p> 	<p>SELLSIDE / CAPITAL RAISE</p> <p>TFC TECHNOLOGY FINANCE CORP.</p> <p><i>was sold to</i></p> <p>KINGSBRIDGE HOLDINGS</p> <p><i>a portfolio company of</i></p> <p>TZP</p> 	<p>SELLSIDE / CAPITAL RAISE</p> <p>NORTH STAR LEASING COMPANY</p> <p><i>was sold to</i></p> <p>COPLEY EQUITY PARTNERS</p> 	<p>SELLSIDE</p> <p>US PREMIUM FINANCE® A DIVISION OF AMERIS BANK</p> <p><i>was sold to</i></p> <p>Ameris Bancorp.</p> 
<p>SELLSIDE</p> <p>NATIONAL PARTNERS</p> <p><i>was sold to</i></p> <p>WebBank</p> 	<p>SELLSIDE</p> <p>MEPCO</p> <p><i>a subsidiary of</i></p> <p>INDEPENDENT BANK</p> <p><i>was sold to</i></p> <p>SEABURY CAPITAL GROUP</p> 	<p>SELLSIDE</p> <p>PREMIUM ASSIGNMENT CORPORATION</p> <p><i>a subsidiary of</i></p> <p>SUNTRUST</p> <p><i>was sold to</i></p> <p>IMPERIAL PFS</p> 	<p>SELLSIDE</p> <p>AFS IBEX</p> <p><i>was sold to</i></p> <p>MetaBank</p> 

For more information on the equipment finance industry, please contact:



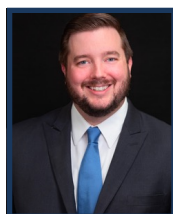
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This advertisement was prepared May 2022. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: Data and Market Trends: SEC filings, investor presentations, ELFA, Equipment Leasing & Financing Foundation, Monitor Daily, Yahoo Finance, and PYMNTS.com

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