



Equipment Finance Quarterly Update: 2022 Second 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 second 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 Federal Funds Rate
- 5 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)

	June 2022	% Change Q / Q	% Change Y / Y
New business volume	\$10.3 billion	(2.8%)	(1.0%)
Net charge offs	0.15%	50.0%	(31.8%)
Credit approvals	78.10%	(0.3%)	1.8%








New business volume is down. New business volume decreased by 1% year-over-year as inflationary conditions continue to create headwinds for the industry. However, new business volume was up 10% in June compared to May 2022.

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

Credit approvals are up. Throughout the second quarter of 2022, credit approvals remained consistent. Compared to 2Q2021, one year prior, the sector saw a 140 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	\$6,240	0.4%	(2.1%)
 BankUnited	\$333.1	(2.4%)	(21.0%)
 Peoples BANK	\$314.5	17.8%	228.8%
 customers bank	\$285.1	6.6%	22.2%
 WINTRUST	\$223.8	(7.0%)	2.2%
 pathward	\$218.8	(7.1%)	(22.7%)
 PACIFIC WESTERN BANK	\$193.8	(4.2%)	6.1%
Aggregate Reported	\$7,811.5	0.5%	(0.0%)

Commentary

This group reported a 0.5% quarterly increase in outstandings on an aggregate basis with a year-over-year change near zero.

- Ralph Petta, President and CEO of ELFA said: "Respondents to the June report indicate another strong month in originations and credit quality. Inflation continues to provide a headwind in an otherwise benign economy... Providers of equipment finance have risen to the occasion, enabling businesses, both large and small, to acquire the productive assets they need to grow their businesses to meet their customers' needs."
- Chuck Sulerzyski, President and CEO of Peoples Bank said: "We recently acquired Vantage and expect to grow our leases at a higher rate relative to the size of our overall loan portfolio. We hope to gain additional referrals between lines of business on our recent insurance acquisition giving those clients a more diversified product suite."



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
June-22	Liberty Commercial Finance	Wingspire Capital Holdings
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

New commercial finance groups and other news

MidCap Business Credit launched MidCap Equipment Finance, aiming to help MidCap become a one-stop financier in the middle market. The Group is led by Saurin Shah, co-founder of Nations Equipment Finance (now SLR Equipment Finance).

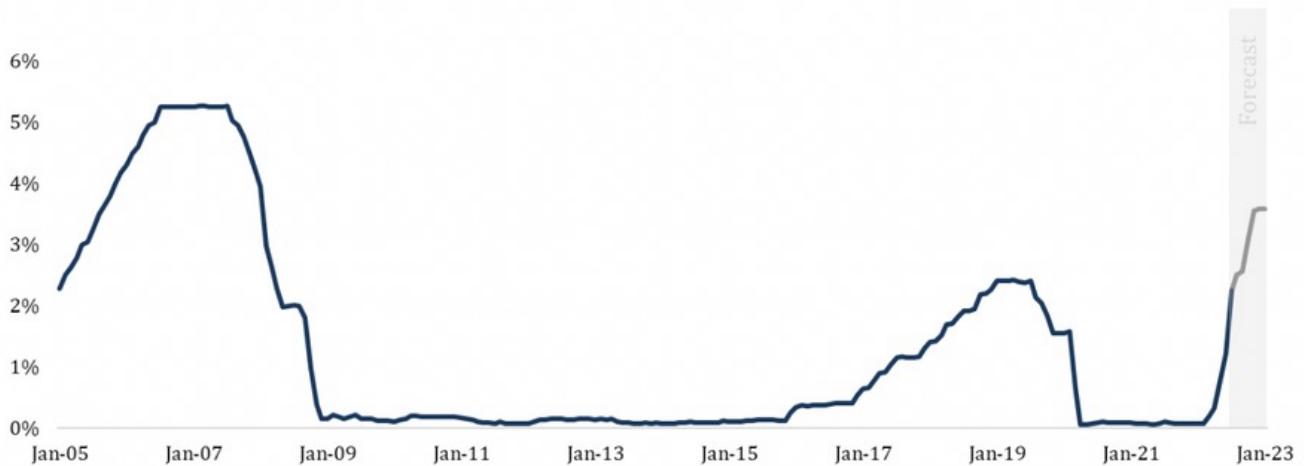
Meta Financial Group officially changed its name to Pathward Financial, Inc, and its bank subsidiary, MetaBank, N.A., changed its name to Pathward, N.A. Name changes are expected to be fully implemented by the end of 2022.



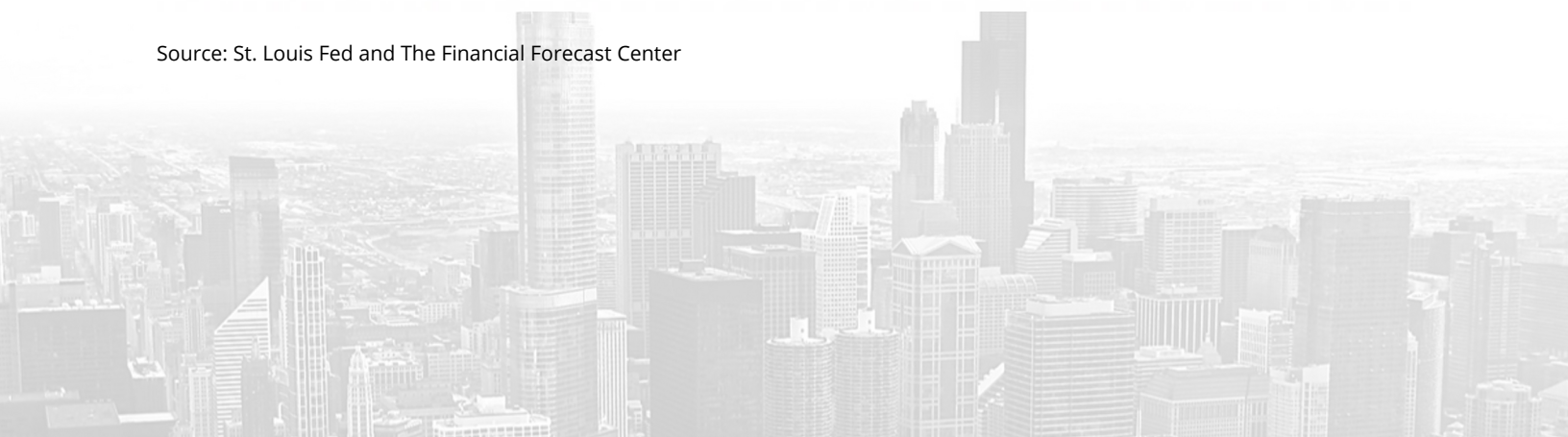
4 Federal Funds Rate

In 2022, the Fed has raised the Federal Funds Rate by 225 basis points through four rate hikes. In both June and July of 2022, the Federal Funds Rate increased by 75 basis points each, marking the two largest hikes since 1994. To combat rising inflation, U.S. central bankers project a Federal Funds rate of over 3.50% by January 2023, implying several more rate increases throughout 2022.

The Equipment Leasing and Finance Association examined the impacts of rising interest rates, inflation, and future changes on the Equipment Finance Industry in July. The research predicts that the industry will experience short-term benefits at the early onset of rate hikes caused by widening spreads. However, over the long term, the organization and the industry experts anticipate potential downturns in key markets for equipment may be realized.



Source: St. Louis Fed and The Financial Forecast Center

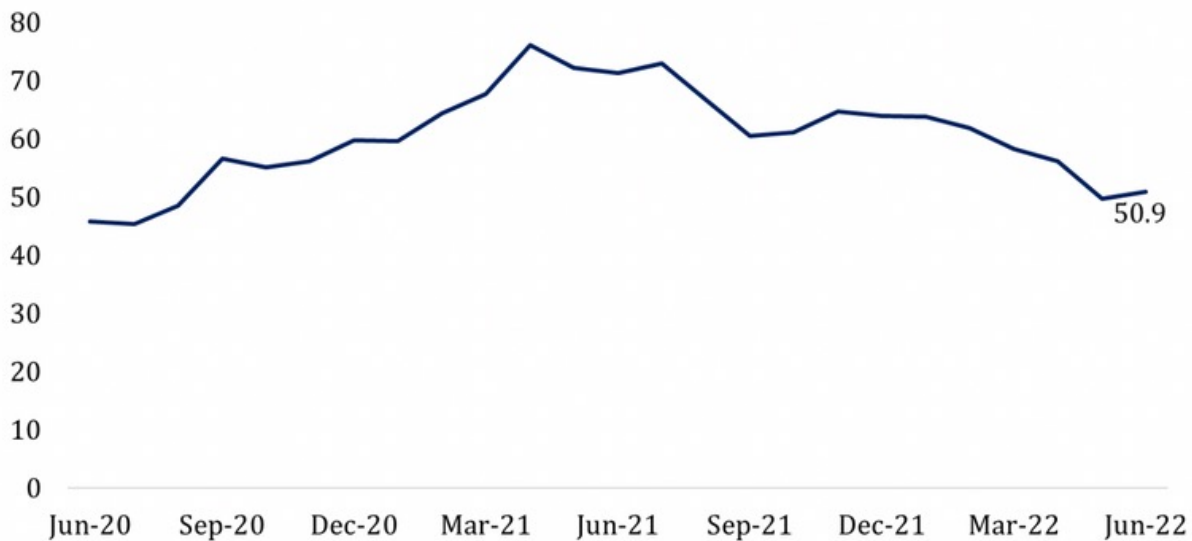


5 OUTLOOK

New business volume in the second quarter experienced very marginal impacts, down only one percent year-over-year, despite rising interest rates and continued economic volatility. However, leaders across banks and independent financing institutions have optimistic outlooks for the remainder of 2022 with goals to expand portfolios. Inflationary pressure and supply chain challenges continue as industry headwinds into the third quarter.

The Equipment Leasing & Finance Foundation measures confidence among industry leaders every month. Following a continued decline in 2022, sector confidence among industry leaders experienced a slight increase month-over-month from 49.6 to 50.9 as of June. The group is anticipating growth acceleration throughout the second half of 2022.

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



Source: ELFA

Conclusion

In recent years, Colonnade has been the sell-side or buy-side M&A Advisor in several important 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

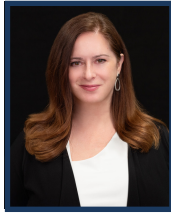
Transaction Type	Client	Transaction Description	Buyer
BUYSIDE	Peoples Bank	acquired	NORTH STAR LEASING COMPANY
SELLSIDE / CAPITAL RAISE	TFC TECHNOLOGY FINANCE CORP.	was sold to	KINGSBRIDGE HOLDINGS
SELLSIDE / CAPITAL RAISE	NORTH STAR LEASING COMPANY	was sold to	COPLEY EQUITY PARTNERS
SELLSIDE	US PREMIUM FINANCE	was sold to	Ameris Bancorp.
SELLSIDE	NATIONAL PARTNERS	was sold to	WebBank
SELLSIDE	MEPCO	a subsidiary of	INDEPENDENT BANK
SELLSIDE	SEABURY CAPITAL GROUP	was sold to	SEABURY CAPITAL GROUP
SELLSIDE	PREMIUM ASSIGNMENT CORPORATION	a subsidiary of	SUNTRUST
SELLSIDE	IMPERIAL PFS	was sold to	IMPERIAL PFS
SELLSIDE	AFS IBEX	was sold to	MetaBank

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



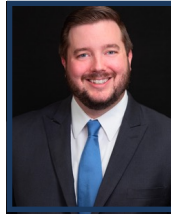
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This advertisement was prepared August 2022. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: Data and Market Trends: SEC filings, investor presentations, ELFA, Equipment Leasing & Financing Foundation, Monitor Daily, St. Louis Fed, The Financial Forecast Center, Yahoo Finance, and PYMNTS.com

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