

# Equipment Finance Quarterly Update: 2024 Third Quarter



Mergers & Acquisitions  
Capital Raising  
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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 report analyzes data from the third quarter of 2024 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 major industry operators and owners 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 groups.

## OUR QUARTERLY UPDATE COVERS:

- 1 Market Trends
- 2 Financial Results From Select 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 \$1 trillion in size. ELFA reports monthly on the economic activity of 25 companies within the industry. Colonnade tracks this data and reports on certain highlights within our quarterly reports. The metrics below are quarterly figures based on ELFA’s monthly survey:

## ELFA: SURVEY OF EQUIPMENT FINANCE ACTIVITY HIGHLIGHTS

	Q3 2024	Q/Q CHANGE	Y/Y CHANGE
NEW BUSINESS VOLUME	\$30.1 Billion	(3.6%)	1.3%
NET CHARGE-OFFS <sup>1</sup>	5.32%	0.3%	1.2%
CREDIT APPROVALS <sup>2</sup>	75.9%	1.2%	1.6%

### NEW BUSINESS VOLUME FALLS

New business volume is up 1.3% year-over-year and down 3.6% from the last quarter. Q3 is traditionally a slower quarter for equipment finance originations.

### CHARGE-OFF GROWTH INCREASES

Charge-offs<sup>1</sup> increased in Q3 compared to Q2 by 30 basis points quarter-over-quarter and by 120 basis points year-over-year. Since reaching a post-COVID high in Q1 of 2024, charge-offs have fluctuated around 5.2%, slightly elevated from pre-COVID levels.

### CREDIT APPROVALS ARE UP

Credit approvals<sup>2</sup> increased by 120 basis points quarter-over-quarter and by 160 basis points year-over-year but remained within the expected range.

<sup>1</sup>Annualized sum of ELFA-reported monthly charge off percentages

<sup>2</sup>Weighted average based on new business volumes



## COMMENTARY

Excluding PNC and KeyBank, the group of public companies reported a 2.2% quarter-over-quarter increase in outstandings, and growth of 4.9% year-over-year. Overall, bank lenders originated 45.9% of loans in Q3 2024, increasing their market share by 0.3% compared to Q2<sup>1</sup>. The majority of the increase came in September 2024, as bank lenders increased their originations by 10.9%. Bank lenders pulled back from the equipment finance industry during the regional banking crisis of 2023, not increasing their originations over the last two years as captives and independent lenders grew by 16.8%. The recent increase in bank lending is a promising sign that bank origination will continue to grow as bank contagion, from the regional banking crisis, has eased.



“The Fed’s decision to begin lowering interest rates will support demand for equipment, even if some businesses wait for rates to fall further before investing. That wait-and-see approach showed up in our August MLFI as new business volumes declined. However, ELFA members expect acquisitions to pick up once we’re past the election and interest rates fall a bit further. That sentiment was also reflected in our Foundation’s recent Monthly Confidence Index, which showed that equipment finance executives are very optimistic about their organizations’ prospects over the next four months. Finally, credit conditions remain healthy, which will allow lessors and financiers to service new demand when it shows up later this year.”

*-Leigh Lytle, President and CEO,  
ELFA*



“It appears there is still a slight slowdown in the equipment finance industry, which was heavily weighted in the decrease in origination activity at banks, which led to a dip in new business volume. However, it's reassuring to hear that portfolio quality is remaining stable, with improvements in receivables and a reduction in losses. What was not baked into these numbers was the Fed rate drop this month. This will help stimulate fourth quarter growth, for both independent lessors and banks. The anticipation of further rate reductions may indeed boost demand, encouraging businesses to invest in capital expenditures. It's definitely a pivotal time for both independent lessors and banks as we navigate these changes, but I think we are going to start trending in the right direction.”

*-Marci Slagle, President and CLFP  
BankFinancial*

## 3 RECENT TRANSACTIONS

### M&A DEALS

Non-bank lenders continued to drive M&A activity in the Equipment Finance industry in Q3, closing two acquisitions. Banks have remained on the sideline as they continue to reposition themselves post-2023. Few have come to market as rates remain well above where they were when significant portions of back books were funded, which continue to suppress earnings in the near-term. However, as rate cuts continue, we expect that trend to reverse and create a boon of M&A activity in the sector.

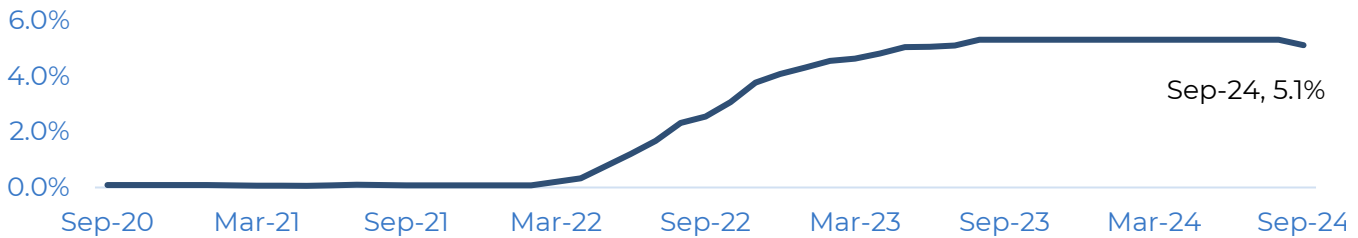
	TARGET	BUYER
August 2024	AXIS EQUIPMENT FINANCE	ARMADA CREDIT GROUP
August 2024	VAULT CREDIT SOLUTIONS	HB LEASECO HOLDINGS
May 2024	LEASEQ	CENTRA FUNDING (CV HOLDINGS)
April 2024	OAKMONT CAPITAL SERVICES	JA MITSUI LEASING
June 2023	STRIDE CAPITAL CORP. (Calgary-based)	SERVUS CREDIT UNION
December 2022	NORFUND CAPITAL (Toronto-based)	FIRST FINANCIAL EQUIPMENT LEASING
October 2022	VISION FINANCIAL GROUP <sup>b</sup>	CIVISTA BANCSHARES*
August 2022	KLC FINANCIAL <sup>b</sup>	GULF COAST BANK & TRUST*
June 2022	LIBERTY COMMERCIAL FINANCE	WINGSPIRE CAPITAL HOLDINGS
June 2022	NEXSEER CAPITAL	NEXSEER CAPITAL (Management Buyout)
May 2022	WHEATEN FINANCIAL	TIMEPAYMENT
April 2022	RABERN RENTALS	MANITEX INTERNATIONAL
March 2022	CLOVERDALE EQUIPMENT COMPANY	HERC RENTALS
March 2022	VANTAGE FINANCIAL	PEOPLES BANCORP INC.*

<sup>b</sup>Colonnade buy-side engagement that did not transact

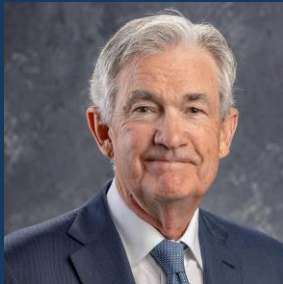
\*Bank acquisitions

## 4 FEDERAL FUNDS RATE

In Q3 2024 the Federal Reserve reduced the Federal Funds Rate by 50 basis points for the first time since the aggressive interest rate hikes of 2022 and early 2023. Federal Reserve Chair Jerome Powell indicated that additional rate cuts may be on the horizon, citing growing optimism that inflation will remain anchored near the 2% target and enacting a 25 basis point cut in Q4 of 2024



Source: St. Louis FRED



**Jerome Powell**  
Federal Reserve Chairman

September 2024 Press Conference

“Today, the Federal Open Market Committee decided to reduce the degree of policy restraint by lowering our policy interest rate by ½ percentage point. This decision reflects our growing confidence that with an appropriate recalibration of our policy stance, strength in the labor market can be maintained in a context of moderate growth and inflation moving sustainably down to 2 percent. We also decided to continue to reduce our securities holdings. I will have more to say about monetary policy after briefly reviewing economic developments. Recent indicators suggest that economic activity has continued to expand at a solid pace. GDP rose at an annual rate of 2.2 percent in the first half of the year, and available data point to a roughly similar pace of growth this quarter.

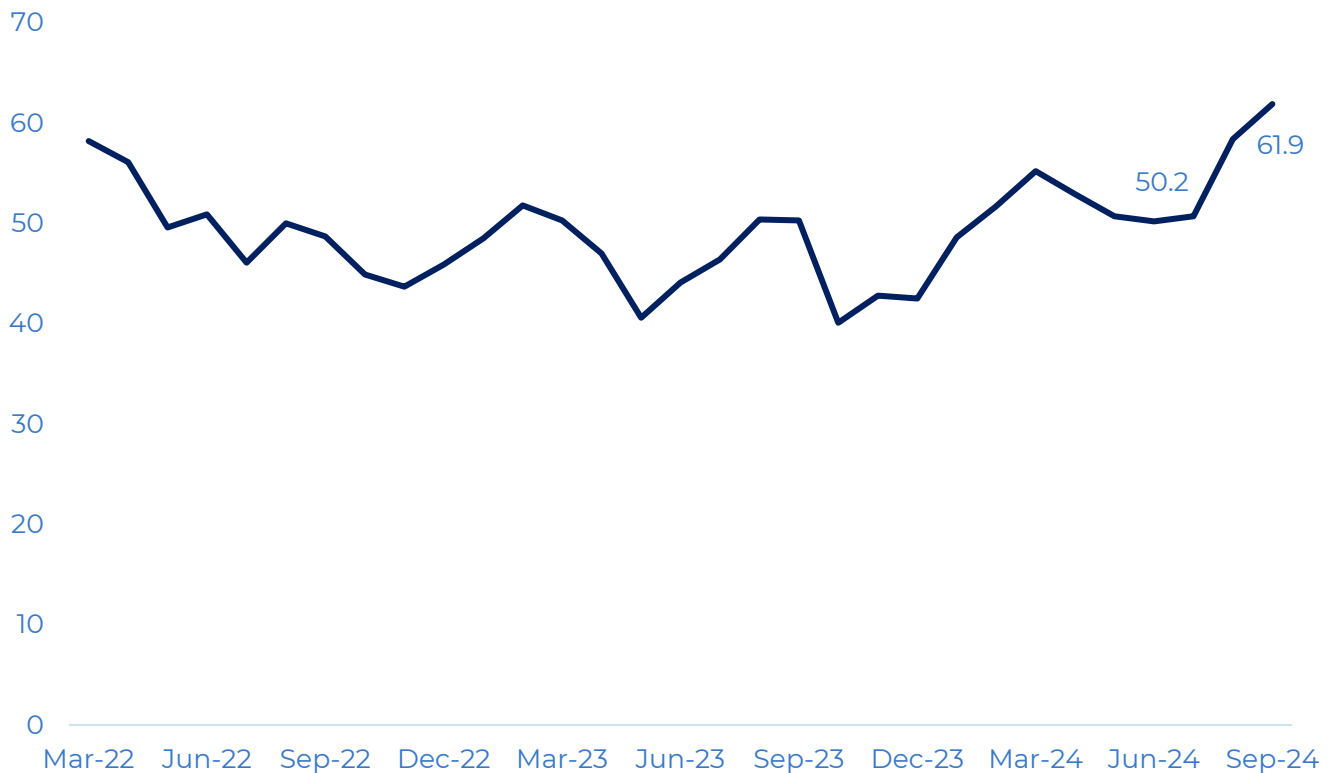
As portfolios continue to reset to current interest rates, the reduction in the Federal Funds Rate will help ease the remaining spread compression experienced across the equipment finance sector. Since equipment finance loans typically have a four-year terms, lenders experienced significant spread compression as the cost of borrowing rose due to the increases in the Federal Funds Rate while interest income on outstanding loans remained constant.

## 5 OUTLOOK

Following a difficult year and a half as rising interest rates compressed portfolio yields, the equipment finance industry accelerated its upswing in Q3 2024 due to the Fed’s recent rate cut. For the second straight quarter, multiple M&A transactions were completed by non-bank financiers, who are looking for additional growth now that portfolios have largely reset to higher interest rates. After the rate cut, bank lenders also significantly increased their market share, growing by 10.9% in September. The industry’s positive outlook was reflected in the ELFA Monthly Confidence Index, a survey of key industry executives, which reached its highest point in nearly three years in Q3 2024.

The ELFA Monthly Confidence Index, a survey of key industry executives, marked its highest point in nearly three years in Q3 2024, driven by the promise of additional rate cuts, an increase in bank originations, and renewed M&A activity.

### ELFA MONTHLY CONFIDENCE INDEX





# CONCLUSION

In recent years, Colonnade has served as the sell-side or buy-side M&A Advisor in a multitude of important equipment finance transactions. These complex transactions require an investment banking team with a wealth of industry knowledge, insider-level mastery, a deep understanding of competitive positioning, and a robust network of buyer relationships. If you own an equipment finance company or are a potential buyer, please contact us, we are happy to be a resource to you as you think through your next steps.

## COLONNADE IS A LEADING ADVISOR TO THE FINANCIAL SERVICES INDUSTRY

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This advertisement was prepared December 2024. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: SEC filings, Company Earnings Calls, Equipment Leasing and Finance Foundation, ELFA, St. Louis FRED, Federal Reserve, Business Insider

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