

SALE & LEASEBACK

Helping you make the transition to contract hire





Introduction

Increasing numbers of businesses that have traditionally outright purchased their company vehicles are discovering the benefits of Sale & Leaseback.

The popularity of outright purchasing as a funding option is decreasing (Datamonitor) and companies are finding Sale & Leaseback the perfect means of transition to the more flexible and cost effective funding method of contract hire. Businesses are also benefiting from the capital released from the 'sale' which can be re-invested in core business activities.

Sale & Leaseback has been designed as the ultimate solution for companies reviewing their funding options. The process is as straightforward as it sounds – Lex calculates the value of each vehicle in a company's fleet and then buys them from the company at their market price. Lex then leases the vehicles back to the company on contract hire, or replaces them with new vehicles if preferred. Even the most cash-rich companies are finding that the benefits of leasing with Lex outweigh the reasons for outright purchase.

This guide outlines the three factors businesses should consider when reviewing funding methods. It also explores the wide range of benefits of Sale & Leaseback and the steps involved in taking the process forward.



FUNDING OPTIONS

The three main areas to consider if you outright purchase currently are cost, risk and service.

Cost

Outright purchasing generally requires a significant level of initial investment, diverting funds from core business activities. Leasing, as a funding option, offers the following cost advantages:

Frees up working capital

Contract hire allows companies to use the capital that was tied up in their fleet to invest in core business activities.

Provides fixed cost fleet budgeting

Opting for contract hire inclusive of maintenance means costs are fixed for the duration of the contract term. It allows companies to calculate the cost of running a fleet without worrying about falling used car prices or changing economic conditions.

Increased revenue efficiencies

Rental allowances connected with contract hire provide accelerated tax benefits. Lex also reclaims the VAT on the vehicle purchase and passes the saving on to customers in the form of lower monthly rentals.

Cost efficiencies and economies

Lex uses its economies of scale to buy vehicles at the best prices and has over 2,500 suppliers in place to provide unrivalled levels of service during the acquisition, maintenance and disposal processes.

Results in VAT efficiencies for companies who reclaim VAT

Keeps assets off the balance sheet



Risk – financial and employee

Eliminating risk of depreciation and resale

Conditions within the used vehicle market are subject to constant change. Forecasting future residual values and maintenance requirements is a highly complex area. Leasing removes the risk around depreciation and eliminates resale worries.

Duty of care

Increasing awareness of duty of care responsibilities, heightened by recent corporate manslaughter legislation, has prompted many fleet operators to manage health and safety risks through Lex.

At its most basic level the provision of contract hire with maintenance will provide some assurance that vehicles are safe and road legal. This service can be supplemented with a range of added value services such as risk assessment, driver licence checking and driver training.

Flexibility for changing market conditions

Most businesses operate in a dynamic market environment. Leasing vehicles provides the flexibility to react swiftly to new opportunities and challenges.





Service delivery

The benefits of outsourcing fleet management and administration are proven and have been embraced by most companies with vehicle fleets. Both the expertise and technology within Lex's operation mean that activities can be conducted faster, more reliably and at lower cost. Lex is proud to have lead service innovation in the fleet industry for over fifty years, and has frequently won Fleet News and Fleet Excellence awards by providing the following benefits:

Peace of mind

Lex employs over 1,200 people across its four offices, most of whom are dedicated to removing the administrative burden on behalf of customers.

Strategic, operational and driver solutions

Many organisations require professional fleet advice in areas such as tax, HR, finance and the environment. Lex leads the field in this area and its focused team of experts are on-hand to solve complex fleet problems as part of the service.

Keeping drivers happy

Lex takes away the time consuming task of driver communication and manages everything from vehicle orders and replacing tax discs to repairing damaged vehicles.

Management information

Lex provides detailed management reports online for customers to keep track of expenditure and finances.

The full service

Daily rental, accident management and fuel cards can all be included within the contract hire agreement.

The four steps to Sale & Leaseback

1. Contact Lex on 0845 604 0804 or email businessfleet@lex.co.uk
2. The Lex team will then carry out a FREE assessment of your fleet, at a time convenient for you
3. A fleet valuation will be agreed between both parties and a detailed proposal for contract hire will be presented
4. The cash is transferred to your company and your existing fleet immediately enjoys the benefits of contract hire



CASE STUDY

AAH

Pharmaceutical and healthcare distributor AAH runs a commercial fleet of 800 vans. Historically it had outright purchased these vehicles, but in 2006 it asked Lex to review this strategy, both from an operational and financial perspective.

Lex recommended Sale & Leaseback as the way forward for AAH to improve its method of funding.

Commercial vehicles form the backbone of the AAH operation and the major reason for moving to leasing was to benefit from the cost efficiencies associated with contract hire. AAH sold its owned fleet to Lex, which resulted in a major cash injection for the business. AAH has now fully embraced leasing for both its car and commercial fleets and is reaping the many benefits of this strategy.



The benefits of switching to contract hire

The benefits of contract hire (leasing your fleet from a professional fleet management provider) over outright purchase are compelling and include:

- › Significant reduction of capital risk: Lex removes the burden for the customer in terms of capital risk as Lex purchases the vehicles (new vehicles generally depreciate at a rate of 40% or more in the first 3 years).
- › Significant reductions of operational costs: The typical expenditure required to maintain a fleet, from the initial capital payment, purchasing the vehicles, through to maintenance and servicing, can be significantly less for contract hire compared to outright purchase.
- › Significant purchasing power: Lex's purchasing power means that we can not only purchase the vehicles more competitively, but we can also maintain them more cost effectively through our preferred dealer network.
- › Significant reductions in administration: Lex customers can benefit from the reduced time spent requesting and administering quotations for vehicles, through to buying selling and disposal, and overall operational management.
- › Finally, contract hire makes it easier to manage your cash flow because you will be able to budget more effectively for all your key fleet management charges.

FAQs

How long does the Sale & Leaseback process take?

The entire process from valuing the fleet to receiving a cheque from Lex usually takes only three to four weeks.

Which companies can benefit from Sale & Leaseback?

Any company that outright purchases their vehicles whatever the fleet size. Companies that have part of their fleet on outright purchase and the rest with another leasing company can also take advantage of Lex Sale & Leaseback.

Does it include commercial vehicles?

Vans are a core area of Lex expertise and can be included in a Sale & Leaseback agreement or handled in their own right. Lex can also provide excellent advice on van choice as well as market-leading deals.

For more information on any aspect of our service you can:

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