

# Sale and rentback puts cash into your business

**T**oday's economic climate has kick-started corporate demand for vehicle sale and rentback with company directors and fleet decision-makers seeking to benefit from a cash injection while eliminating the risks of ownership.

Simultaneously, the operational benefits of running a modern environmentally friendly fleet that is fit-for-purpose and compliant with all duty-of-care demands means that the flexibility of sale and rentback as a funding mechanism should catapult it into the fleet mainstream.

That's the view of Phil Moorhouse, Managing Director of Northgate Vehicle Hire, Britain's largest vehicle hire company, which operates a fleet of 68,500 vehicles from more than 80 rental locations, and has seen corpo-

rate interest in sale and rentback rocket in the past six to nine months.

He said: "The economic situation means that the restrictions on borrowing to companies, including quality profitable businesses, is one that we have never seen before. As a result, companies have to look elsewhere for funding and the sale and rentback of their fleet provides an instant revenue stream for core business investment.

"Meanwhile, with the global and UK economies so uncertain, eliminating both financial and residual vehicle risk from the balance sheet should be a key focus for businesses. There have always been operational benefits, but in the current climate I believe it is the financial benefits that tip the balance even more in favour of sale and rentback."



## Cutting-edge safety and environmental efficiency

Operating vehicles at the cutting edge of environmental-efficiency and safety are two of the additional benefits for companies opting for sale and rentback.

Northgate's vehicles are among the most modern on the road. The cars and light commercials are among the most fuel-efficient available and equipped with the very latest safety features.

While fuel prices have dropped in recent weeks, the cost of petrol and diesel typically accounts for at least 30% of total fleet operating costs, but Managing Direc-

tor Phil Moorhouse said: "Operating a modern fleet can cut fuel consumption by more than 15% per vehicle.

"Companies are focused on reducing their carbon footprint and running a modern vehicle fleet is one of the measures to achieve that aim."

Businesses that turn to sale and rentback also benefit from eliminating vehicle maintenance costs. These are covered within the rental agreement with Northgate. This eliminates the need to budget for either scheduled or unscheduled service, maintenance and repair costs (SMR).

Meanwhile, with occupational road risk management also high up the corporate agenda, customers can be assured that Northgate-supplied vehicles are equipped with the latest hi-tech occupant protecting safety equipment. They are also serviced and maintained in accordance with manufacturer schedules in the rental company's nationwide network of workshops.

Mr Moorhouse said: "Businesses can be certain that not only will Northgate-supplied vehicles be fit-for-purpose, but a complete SMR audit trail means that compliance with at-work driving duty-of-care legislation is assured."



Phil Moorhouse

## 'Taken together, the financial and operational benefits make a switch to NORFLEX a no-brainer'

### Number one alternative

With car and commercial vehicle residual values on the slide, the holding costs faced by outright purchase fleets across their replacement cycle make sale and rentback and the switch to Northgate's fully flexible contract-free NORFLEX rental solution the number one alternative to ownership.

"There is no doubt that companies across all sectors are finding it difficult to renew their funding facilities; while simultaneously wanting to conserve the funding streams they have for their core activity," explained Mr Moorhouse.

"Consequently those companies, when they seek to renew their funding lines, are looking to reduce debt and gain a cash injection for their business.

"Sale and rentback of their fleet will reduce debt, cut gearing and the business will be running a more economical fleet that will save them money."

As well as improving a company's gearing ratio - the ratio of debt to equity - and enhancing the bottom line, it is also more tax-efficient, with the ability to recover VAT; particularly attractive for fleets operating LCVs

where Northgate can maximise its reclaim to create a more competitive offering for customers.

With economic uncertainty forecasted to last well into 2009, sale and rentback and the move to NORFLEX provides absolute flexibility with companies able to increase or reduce the vehicle numbers without penalty.

Businesses that pursue a sale and rentback arrangement with Northgate are contracted to the company for just 10 months - the shortest in the industry - before reverting to a completely flexible solution, making it an ideal strategy for companies that need vehicles without any risks or long-term commitment.

### Rolling replacement cycle

Mr Moorhouse said: "We will value a customer's fleet and agree a replacement profile with them. That could mean replacing a large percentage of the fleet early, or alternatively implementing a rolling replacement cycle."

He concluded: "We can demonstrate that whatever the size of fleet, sale and rentback is cost-effective. Taken together, the financial benefits and the operational benefits make a switch to NORFLEX a no-brainer."