

RENTING BENEFITS
ON INFORMATION TECHNOLOGIES

GRENKE[®]

*Nº 1 on IT's Renting
in partnership with*



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INTRODUCTION

According to the Association of Leasing of Equipment – LEASEEUROPE, movable assets leasing generated, in Europe, a new business volume over EUR 232b, with a growth exceeding 13%. Much of this volume was generated by Northern Europe countries, France and Benelux countries.

Why do European developed countries companies choose to lease their equipment instead of buying? Northern Europe companies have realized that the true value of their equipment comes from its use and not from their possession.

This is especially true for fast depreciation assets, such as information technologies equipment and software (software, computers and peripheral).

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TAX ADVANTAGES

Renting payments are 100% deductible as operating expenditures and they are not submitted to stamp tax on interests and on line of credit opening. VAT is normally deductible, but when it's non-deductible, it has a lower impact on cash, since its payment is distributed by the contract timeline, included in each rent.

RENTING REDUCES COSTS

Once renting companies are planning to resell the equipment at the end of the renting contract, when they make an offer to the client, it's not considered the total cost of the equipment purchase. Consequently, the actual value of the rents sum is almost always lower than the equipment purchase cost. Companies that use renting instead of buying, usually perform additional savings.

IT ALLOWS TO MAINTAIN INTACT THE LIQUIDITY AND THE CREDIT LINES

There's an old thumb rule that says to buy appreciable resources and to rent depreciable resources.

Instead of tying capital in fast depreciation assets, such as computers, printers, servers, etc..., you can pay the asset and, at the same time, can gain the benefits of their use. By paying renting expenditures monthly, companies keep their capital and their credit lines available for the activities that produce profit.

Another financial benefit is the fact that renting keeps the company's debt out of the balance sheet, improving the company's financial ratios.

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100% FINANCING WITHOUT INITIAL ENTRY

Most of the traditional financing methods require a considerable input value. In cash purchases can reach values up to 50%. In renting, the manager can get the equipment without making any kind of input.

AVOIDS REDUCING THE INVENTORY COST AT THE END OF THE EQUIPMENT LIFE CYCLE

What follows is a very common scenario. An IT asset is being depreciated on five years while its life cycle is only three. In the mark of three years, the mismatch creates an accounting internal conflict.

In this situation, the company will be forced to continue using the old equipment by placing it in a warehouse to continue its depreciation, or accepting an accounting loss. With renting, this situation does not arise, because this allows the company to make correspondence between the accounting treatment and the equipment life cycle.

REGULAR PAYMENT EASY TO PLAN

The renting monthly payments remain constant from month to month. SME's managers prefer this stability and predictability. So, acquiring new equipment only causes a small gradual increase on monthly expenditure. Otherwise, the company would have to unnecessarily pay a high amount of money.

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EQUIPMENT LIFE CYCLE MANAGEMENT

While the hardware is getting cheaper, other IT costs associated with its use will concurrently increase. The hardware purchase cost represents only 20-25% of the equipment usage's total costs. Typically, companies that buy their IT equipment only focus their attention on cost, losing the notion of the equipment life cycle's total cost. However, it makes more sense to consider the entire life cycle from the beginning and making decisions accordingly. Renting can provide considerable cost savings and it can bring other benefits along the way.

Examples from this are the maintenance services and the assistance related to printers renting.

AUTOMATIC RENEWAL

Researches conducted by Gartner and by the Robert Frances Group demonstrate that replacing a desktop after three years is more efficient at a cost level than keeping it for a longer period. This is because the hardware cost savings are offset by increased maintenance cost, technical support and downtime due to equipment failures.

Renting contracts with upgrade option can lead an automatic renewal plan of the IT facilities.

ASSETS MANAGEMENT

Company assets control is difficult but important. Most of the renting companies offer some assets control tools, removing some weight from the manager's shoulders. Asset management as a free service provides saving costs and considerable control.

CONCLUSION

Investment is an obligation for companies that wish to remain competitive and on the technology vanguard. Fast development, particularly in the IT area, makes this an issue key. Increasingly, companies avoid unnecessary financial efforts, which affect their liquidity. Renting allows lower payments with simple conditions and with fewer taxes. Payments made can be fully deducted for tax purposes. The liquidity and the financial independence of the company are maintained, its own capital remains intact and the bank credit lines are preserved.

The renting usage as a financial tool allows the manager to make investments to a substantially higher level, thus ensuring a competitive advantage for your company. The payments' planning is easier with constant payments for a fixed period.

Many renting companies include on their contracts an upgrade option. This allows SME to exchange some of its equipment for newer and modern products, during the contract period. The monthly payments remain the same. The company image is maintained.

GRENKE RENTING

Grenke Renting is a leading finance expert on the IT area, independent of banks, and it's not tied to any manufacturer.

It is present on over 45 locations in 17 European countries. Its business partners are more than 12,000 resellers.

COMPETITIVE ADVANTAGES

One of the major Grenke Renting's differentiation factors is the ability to make a renting's binding offer in less than 20 minutes. For this purpose, it provides to its partners free software – GFSWEB, where they can submit online requests for renting 24 hours per day.

It finances equipment purchases from only 500 Euros + VAT on.

MORE COMPETITIVE INTEREST RATES

The rating agency Standard & Poor's gave an A-2 classification for short-term debt and BBB+ for long-term debt. This puts Grenke Renting on the same circle of well-known companies such as Daimler Chrysler, Deutsche Telekom and Bertelsmann.

The S&P's rating gives direct access to capital market without the need of corresponding collateral guarantees, with lower interest rates. These benefits are directly transferred to customers under the form of lower interest rates.