

Holman

A person in a dark suit and red tie is seated at a wooden desk. They are holding a silver pen in their right hand. In front of them is a laptop displaying a pie chart and a line graph. Several documents with charts are also on the desk. The background is slightly blurred, focusing attention on the person and their work environment.

Driving What's Right

Holman Finance
Lease. **The
transparent
funding model**

REDUCE FLEET COSTS

INNOVATION IN VEHICLE FUNDING

For over 40 years, businesses have relied on an almost unchanged business model: closed-end leasing. Leasing companies offer similar models at comparable rates, and the introduction of online car configurators and reporting solutions have become differentiators. Today, the focus is on topics such as new forms of mobility, sustainability and digitisation. As the areas of focus change, now is the time to review your funding model and discover the benefits an open-end finance lease offers over traditional funding models.

COMPLETE TRANSPARENCY

For tenders in closed-end leasing, the focus is usually on identifying the lowest lease rate, but this often does not consider any hidden end-of-contract costs. All budget-planning goes out of the window when you return the vehicle at the end of the contract, and you suddenly owe unexpected charges. In Holman's open-end finance lease model, all costs for the entire lifecycle of the vehicle are shared at the beginning of the contract – from procurement and in-life services to remarketing.

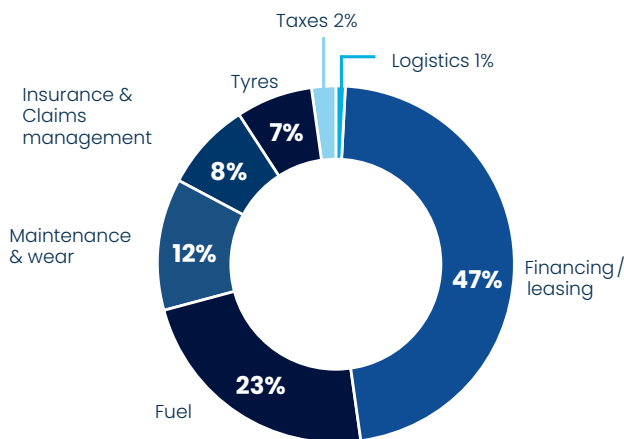
COST COMPARISON WITH PLANNING SECURITY

In times of digitisation and new accounting regulations such as IFRS 16, now is the time to take advantage of profitable opportunities. Companies can finally make long-term plans for their total cost of ownership with accuracy. Holman calls this the "True Cost of Ownership", and we offer you all the systems, services and expertise to ensure that your fleet meets your operational requirements while remaining flexible.

CLOSED BECOMES OPEN AND CHEAPER

Decision-makers should take a careful look at closed-end leases - what is presented as an individual contract design often neglects essential factors such as cost-effectiveness and service life. Holman's open-end finance lease solution removes hidden margins and instead offers you a cost-effective solution that saves you up to 20 per cent.

TCO OVERVIEW



**20 %
SAVINGS POTENTIAL**

WHEN USING
HOLMAN FLEXLEASE (13%) + UNBUNDLED
SERVICES (7%)

LIFT THE LID

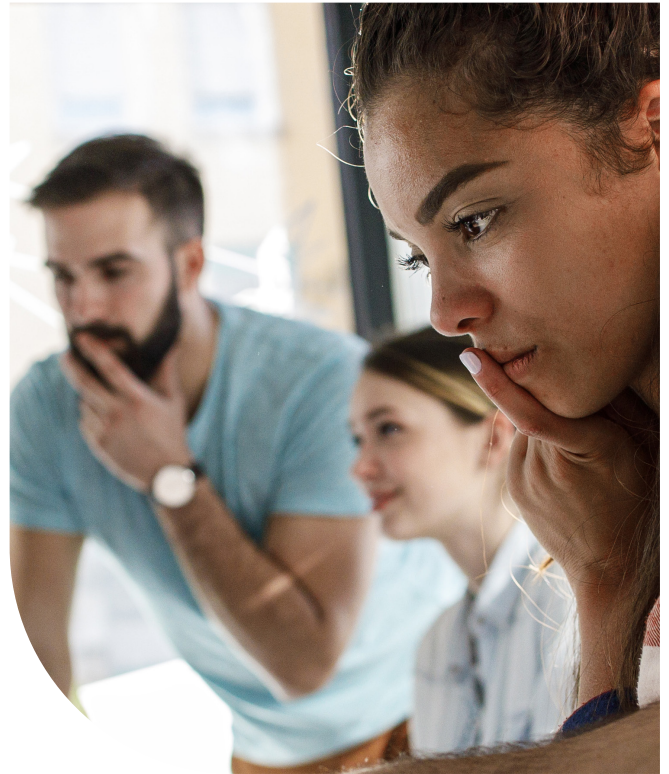
ON THE TRUE COST OF YOUR FUNDING MODEL.

OUR SERVICE

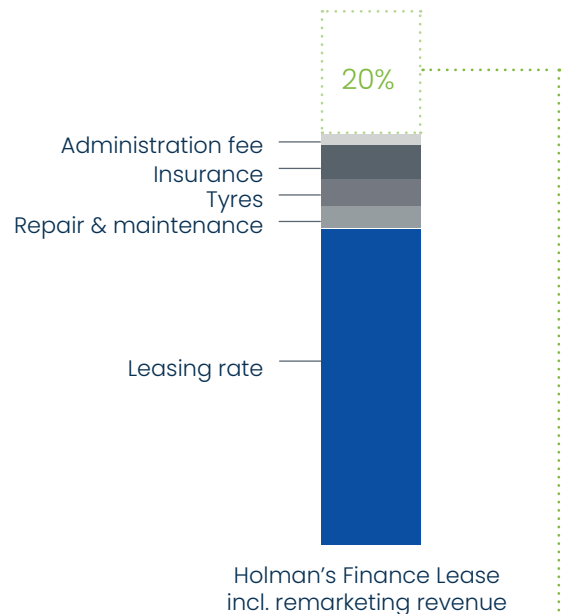
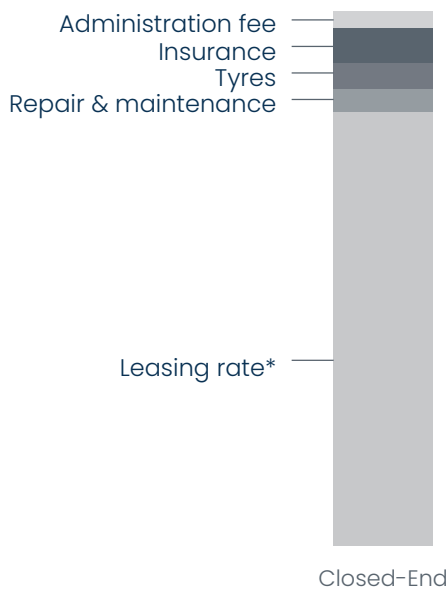
We deliver our services through a competitive, transparent pricing model that offers clarity of how costs are being incurred. Our approach avoids any ambiguity or the possibility of unforeseen charges, with every single line of cost is visible through Holman Insights. We provide a complete audit trail of your fleet spend, which empowers you to identify hidden cost drivers and margins.

HIDDEN COSTS

All our figures are straight on the table, meaning there are no hidden costs. Only a focus on driving your costs down.



CLOSED-END VS. HOLMAN FINANCE LEASE



**This figure includes, Cost of funds, Mileage & damage fees, contract extension, residual margin, early termination*

20% SAVING POTENTIAL

- **2.1%** - Early contract termination
- **2.3%** - Contract adjustment, excess/less mileage
- **2.7%** - End of contract damage (reduced values)
- **2.2%** - Contract extension
- **3.7%** - Residual value margin
- **7%** - unbundled service savings

HIDDEN COST DRIVERS

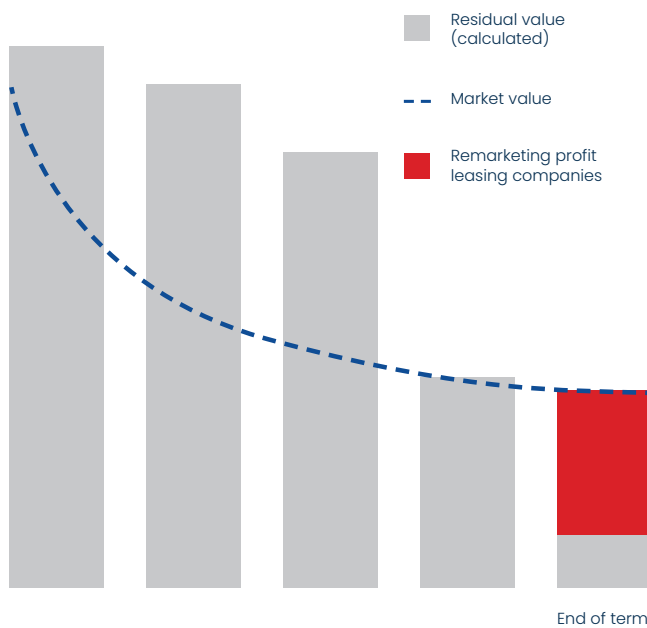
RESIDUAL VALUE MARGIN

Leasing companies across Europe have neglected to take advantage of industry changes – from the newly gained data transparency to the new accounting rules and residual value risk, now is the time to take advantage of an open-end lease.

Lessors are currently hedging against possible remarketing losses with a significantly lower residual value forecast, which does not correspond to the actual remarketing results. With Holman's finance lease, we pass the remarketing results back to the lessee, and the flexibility of our model significantly increases the chances of a positive remarketing result.

Today, the residual value risk is calculable, and ultimately the remarketing determines the total cost of ownership.

HEDGING FOR LESSORS REGARDLESS OF THE CONTRACT PERIOD

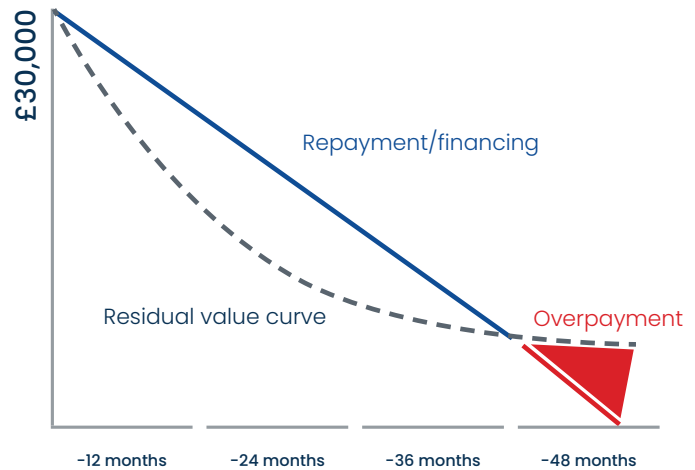


Advantage Holman Finance Lease:
No residual value margin,
3.7% saving

CONTRACT EXTENSION

As the vehicle approaches the end of its lifecycle, a replacement vehicle is ordered. It is rare for the handover to occur on the planned date, so to ensure the lessee continues to have use of a vehicle the lessor typically extends the contract for the transitional period (3.4 months on average) at an excessive leasing rate. As a result of this overpayment, the vehicle is brought far below its market value – with the effect that the leasing company can achieve a higher marketing value. With Holman's Finance Lease, there is no tacit contract extension – the overpayment benefits you 100%.

ADDITIONAL COSTS DUE TO OVERPAYMENT



HIDDEN COST DRIVERS CONT.

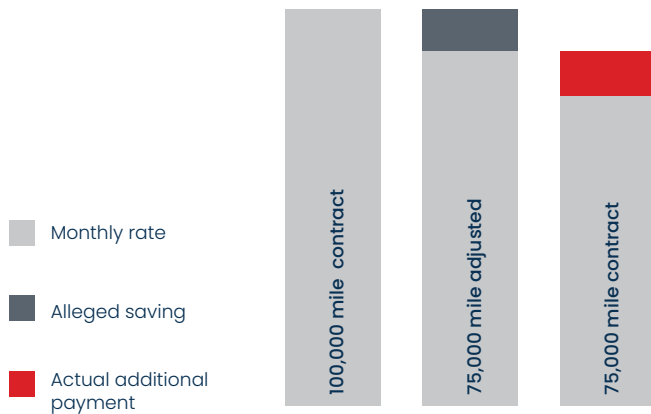
END-OF-CONTRACT DAMAGE

Transparency and clear guidelines are lacking when estimating end-of-contract damage charges. Normal usage typically incurs around £500 - 2,500 for damage, depending on the vehicle class and mileage combination. With Holman's Finance Lease you only pay for damages according to economic impact (ROI), i.e. for damages that significantly impact the remarketing revenue. This saves you 2.7% on the TCO.

INDIVIDUAL CONTRACT ADJUSTMENT

58% of all contracts are rewritten. The example of excess/less mileage provides an ideal illustration of how the business works. A contract adjustment can easily be cheaper than excess mileage charges. The current mileage is used as the basis for the contract adjustment and to determine the additional charge. This also results in a recalculation of the residual value for the contract. As a result, the lessor usually benefits from an improvement in the residual value. One or more contract adjustments can quickly lead to an increase in the leasing rate by an average of 2.3% per year and adjustment. With Holman's Finance Lease, contract adjustments are not necessary.

CONTRACT ADJUSTMENT

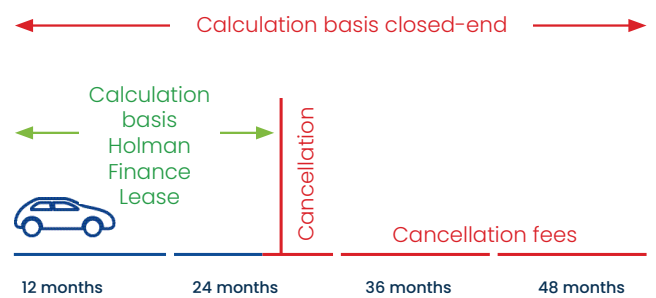


Advantage Holman Finance Lease:
2.3% saving per year



EARLY CONTRACT TERMINATION

Companies must react to economic adjustments. Staff turnover is common, but you cannot terminate closed-end leases without incurring termination costs. On average, 2.5% of fleet contracts are terminated every year, and with an average duration of 42.3 months the losses are significant. With Holman Finance Lease you can terminate the contract at any time without any prepayment penalty.



Advantage Holman Finance Lease:
2.1% saving per year

REVIEW THEM SIDE BY SIDE

OPEN-END LEASE

An open-end lease can be described as a 'Finance Lease'. This type of lease allows you to use an asset for a fixed period (usually in years) for a fixed monthly fee. Once the contract period comes to an end, you have the choice of disposing of the asset yourself, or returning the asset to the lease company to dispose of it. In both scenarios, you receive 100% of the residual profit.

Open-end leases have always been on the balance sheet, and remained so after the IFRS 16 changes in accounting.

Both open-end leases and closed-end leases carry the same VAT treatment in the UK; and as such 50% VAT can be reclaimed on cars and 100% on commercial vehicles.

CLOSED END LEASING

A closed-end lease can also be described as an 'Operating Lease'. This type of lease allows you to rent an asset for a fixed period (usually in years) for a fixed monthly fee. Once the contracted period comes to an end, you return the asset, at which point an assessment is carried out to ensure the terms of the lease have been met (e.g. miles travelled, asset condition etc.).

A closed-end lease does not carry any reward, and as such you do not benefit from any profit on disposal of the asset.

Closed-end leases were accounted for off the balance sheet; however, the introduction of IFRS 16 changed this, and the assets are now on the balance sheet.

OPEN-END LEASING

Unlimited mileage usage

True cost of damage only realised if it affects resale value

Interest rate disclosed on every schedule

Residual value disclosed on every schedule

Ability to run assets infinitely

Customer receives 100% profit on disposal of the asset

No early termination fee

Option to fully amortise the lease to £0

CLOSED-END LEASING

Mileage restrictions and penalties for over-travelling

Damage charges for unfair wear and tear

Interest rate not disclosed

Residual value not disclosed

A period when the asset must be returned

Customer receives 0% of profit on disposal of the asset

Penalties if asset is returned early

No benefit in fully amortising the lease

CONCLUSION

Open-end finance leasing has been the preferred funding model in the USA for decades, with over 95% of all leasing contracts designed this way; and it's clear to see why. With Holman's Finance Lease, you can operate your vehicles according to your actual requirements while achieving huge savings. This open-end funding model moves away from any non-transparent services, as you only pay for what you use. At the end of the vehicle's lifecycle, Holman remarkets the asset for you, and the residual value gain is passed back to you.

FEATURES AND BENEFITS OF HOLMAN FINANCE LEASE

- Flexible full amortisation financing contract
- Leasing contract, similar to classic loan financing
- Flexible term end (without prepayment penalty)
- Lessee is beneficial owner (on balance sheet)
- 100% of the remarketing revenue goes to the lessee
- Total flexibility, contract termination possible from the 1st month
- Fixed interest rate over the entire term
- Use vehicles as required and not according to contract duration
- Product for all vehicle segments
 - forklifts, cars, light commercial vehicles, heavy trucks, special vehicles, etc.
- No costs from contract adjustments
- No prepayment penalty for early termination of the contract
- No mileage limitation (no charge for excess/less mileage)
- No costs for damages and reduced values at the end of the contract.

REDUCE YOUR FLEET COST WITH HOLMAN

As a fleet manager, you need to partner with an innovative service provider that can support their customers not just reactively, but proactively – and this is precisely the success strategy of Holman. Based on big data concepts, we develop vehicle fleet solutions tailored to your business needs to reduce the total cost of ownership through effective management of the entire value chain.

PIONEERING SPIRIT

Holman was founded in the US in 1924 with a single Ford Dealership. Since then it has grown into one of the largest privately-owned companies across multiple industries. Worldwide, 3,000+ experts look after more than 2 million vehicles within it's Fleet and Mobility division alone. In the UK there are 170 employees based at our headquarters in Chippenham, Wiltshire.

TRANSPARENCY

Modern fleet consulting includes the identification of potential savings as well as the development of new inspirational business models. Customers rely on Holman to recommend the most appropriate acquisition methods, whether through funding or outright purchase. You can book vehicle services from Holman in a modular fashion and independently of purchase or financing. We bill everything on an 'actual cost' basis which reduces the total cost of ownership from procurement to remarketing by up to 20% on average. We map and coordinate the lifecycle of a vehicle online through innovative reporting systems.



Holman, previously Holman Fleet UK, has revolutionised funding and fleet management with technology that enables organisations around the world to realise new levels of efficiency and value by leveraging the power of data through the Holman insights portal and other customised solutions. Founded in 1924, Holman, now the largest family-owned company in the industry, has continuously uncovered new ways for fleet managers to translate their fleets' data into decreased costs and improved driver safety. Holman manages more than 2 million vehicles globally with offices in the UK, North America and Europe.