No Depreciation – No Overhead – Cashflow Flexibility – Latest Equipment – Machinery Flexibility

WHY RENT?

YOU COULD SAVE $9,000 OR MORE!

PER YEAR, PER MACHINE.

Case Study Over a 5-year Period. Typical financial agreement length and useful working life of machinery

The machine is used twice a year for 2 weeks total. (Verti-Drain 2519 Fairway Aerator.)

Summary:

- **Purchasing** the equipment requires higher upfront capital and ongoing cost over the 5 years compared to renting.
- **The non-reducing balance finance purchase is the most expensive option** due to the higher interest repayments (Most common in Golf clubs)
- **Renting** is significantly cheaper over the same period, making it more cost-effective. **The Equipment can be used up to 6 times per year** before it becomes more cost effect to buy vs Rent.

Price Breakdown:

- **Up-front Equipment Purchase Cost**: $48,000
- **Finance Agreement 7% Interest Over 5 Years (non-Reducing Balance)**: $64,800
- **Useful Life of Purchased Equipment**: 5 years
- **Maintenance Costs for Purchased Equipment**: $1,000 per year (Tine wear, broken parts etc.)
- **Resale Value After 5 Years**: 30% of purchase price = $14,400
- **Rental Cost**: $2,000 per week
- **Rental Frequency**: 2 weeks per year = $4,000 annually
- **Discount Rate (Cost of Capital)**: 5% annually

The Net Present Cost (NPC) over 5 years for each option is as follows:

1. **Up-front Purchase Option**: $48,000
2. **Finance Agreement 7% Interest Over 5 Years (non-Reducing Balance)**: $64,800
3. **Rental Option**: $4000 per year, $20,000 over 5 years

When should you Buy?

- If you need the machine for **6.5 or more weeks per year**, it becomes more cost-effective to go with the finance agreement option (non-reducing balance) Over a 5-year period.
- If you are buying the machine out-right Renting is more economical for **5 weeks or fewer per year**.

Key Insights

1. **Upfront Costs**:
    - Purchasing involves a significant initial investment of $48,000.
    - Renting requires no upfront costs, providing more cash flow flexibility.
    - Financial Agreements usually require a 10% downpayment on the initial balance of $48,000 plus the other 11 monthly repayments on year 1. The first year of rental is cheaper than the initial downpayment and subsequent 11 payments. This provides significantly more cash flow flexibility on year 1.
2. **Ongoing Costs**:
    - Maintenance costs for purchased equipment add up to **$1,000 annually conservatively**, while renting does not incur these additional expenses.
3. **Cost Advantage**:
    - Renting is more cost-effective if usage remains limited to less than 5-7weeks annually depending on out-right purchase or lease agreement.
    - Even when factoring in the resale value of $14,400, the total cost of ownership for purchasing remains higher.

Year	Finance Agreement Cost Annual	Rental Cost Annual	Annual Savings Rental	Cumulative Finance Costs	Cumulative Rental Costs	Cumulative Savings
1	$12,960	$4,000	$8,960	$12,960	$4,000	$8,960
2	$12,960	$4,000	$8,960	$25,920	$8,000	$17,920
3	$12,960	$4,000	$8,960	$38,880	$12,000	$26,880
4	$12,960	$4,000	$8,960	$51,840	$16,000	$33,840
5	$12,960	$4,000	$8,960	$64,800	$20,000	$44,800

$44,800 SAVED OVER 5 YEARS.

VertiDrain 2519 – Fairway Aerator