

Flexible finance for the factory



A MANUFACTURING TECHNOLOGY FINANCE EXAMPLE

How can OEMs and vendors of manufacturing technology use finance to enhance their sales and margins?

Manufacturers all want to invest in the latest digitalised technology and equipment to improve productivity, control costs and enhance competitiveness. Yet no-one wants to tie up precious funds that need to be available for agile, tactical activities and opportunities. Siemens Financial Services (SFS) bridges the gap between investment and liquidity, helping OEMs convince their clients to acquire the latest technology and get ahead of the game.

The new business opportunity

A leading vendor of production machines had several prospective manufacturing clients expecting major new orders. These new orders would require extra production equipment, and the vendor / OEM was keen to secure the deals as the supplier. Several strong competitor OEMs were in the frame, so the vendor needed an edge to get these deals over the line. The prospective clients had already said they were keen to explore financing options that were separate from their own bank, in order to keep their existing lines of credit open.

New and retrofit

Across these prospective clients, there was an additional challenge – with cost-saving and sustainability goals high on the agenda, several of the orders mixed retrofit projects with brand new machine orders. This was because the manufacturing companies in question had a strong understanding of where new machines offered best value, and where existing equipment could be upgraded to modern, digitalised capabilities in a cost-effective way. For the OEM, this had proved to be a stumbling block in the past with generalist financiers who found it difficult to assess retrofit financing and therefore offered unattractive terms.





Speed to market

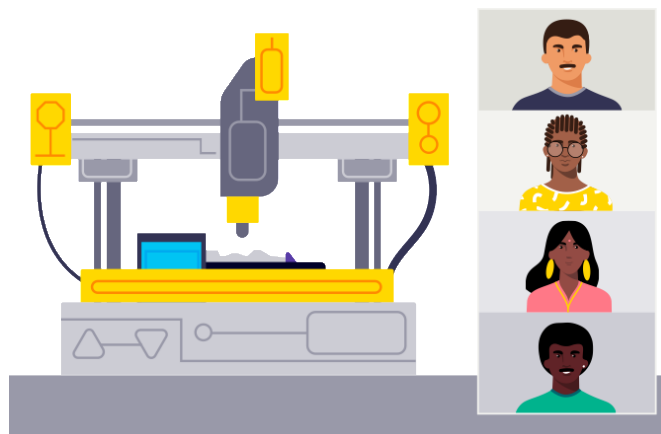
Despite these complexities, speed was of the essence. There was limited time for the prospective manufacturing clients to make up their minds, decide which supplier to choose, and start installations in order to cope with the anticipated new orders. Whoever could offer the best combination of technology and finance would get the deals.

Specialised knowledge

Having had opening conversations in the past with Siemens Financial Services (SFS) about financing both new and retrofit commissions, the company's finance director got back in touch. Using its' sector specialist knowledge of how industrial equipment performs in the field, and having a deep understanding of the value over time of such machines – whether new or retrofit – SFS was able to offer customer sales financing to the OEM with flexibility, tailoring and terms, that were very attractive to the manufacturing prospects.

Finance over time

In fact, in each case, SFS supported the OEM to offer not just financing for the initial machine order, but also a revolving credit facility for future purchases. That meant each manufacturer client could draw funding as needed for future requirements, rather than seeking fresh approval (with all the bureaucracy of new applications) for each new machine. Not only was SFS able to embrace all the immediate requirements demanded by the OEM's prospective clients, it also offered the attraction of secure funding in future, cementing the OEM-client relationship over time.



Multiple suppliers

As the deals were going through, it emerged that additional equipment was needed for post-production wrapping and packaging. Each manufacturer also wanted to finance those equipment acquisitions as well. The OEM took the initiative to put each client together with SFS, who were able to offer a comprehensive financing 'umbrella' that covered both sets of technology requirements, wrapped up in each case into a single financing structure. One, simple, point of contact for finance and technology combined.

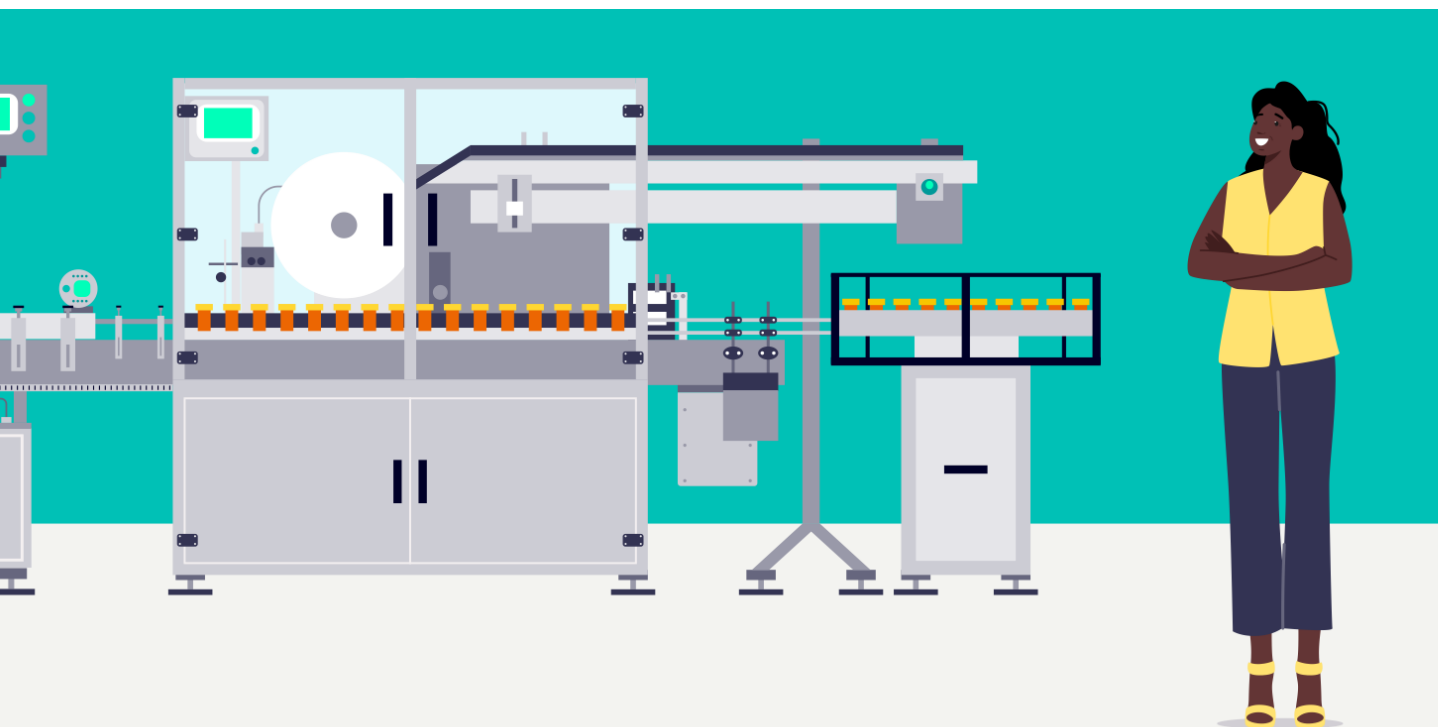


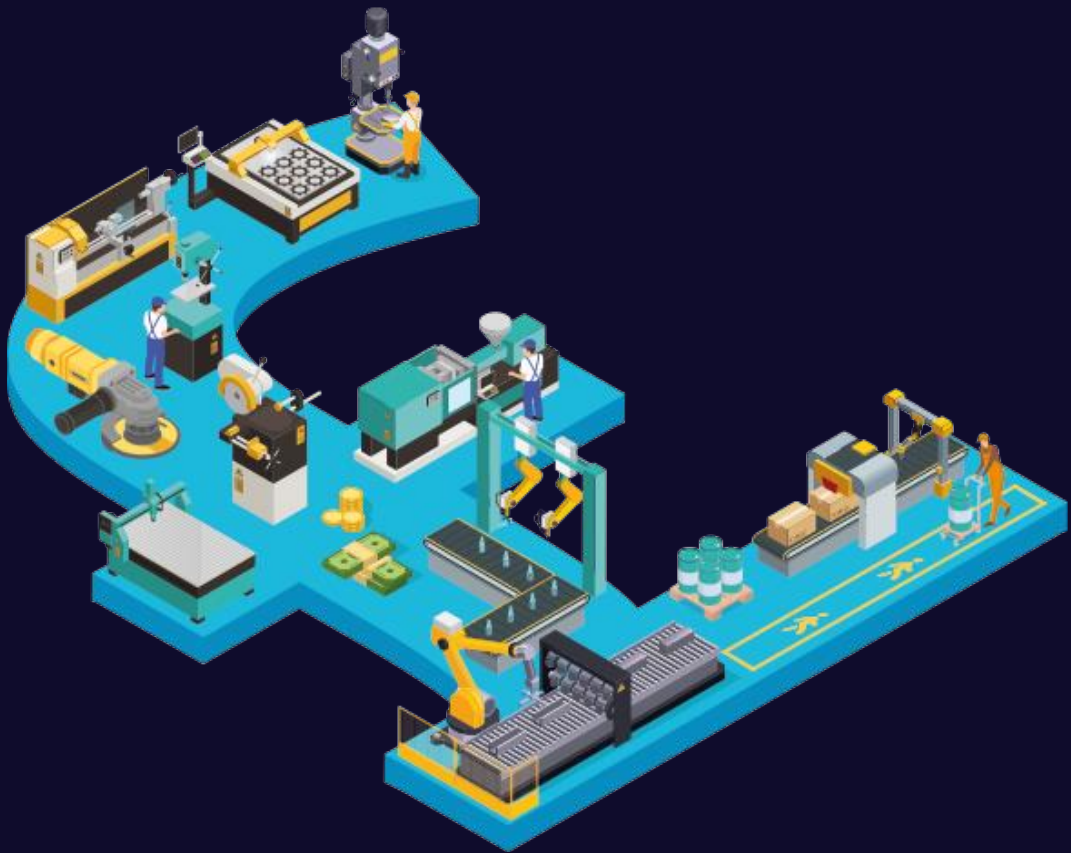
Part of the team

As far as the OEM was concerned, this was now a partnership with SFS that could be applied across the board for their sales, renewals and upgrades. In fact, for very large prospects, SFS can act as a part of the OEM's sales team, able to talk expert-to-expert with a CFO. And for OEM and end-client alike, flexible financing has opened the possibility of more sophisticated equipment acquisitions by making them affordable.

Commitment to the market

Finally, the OEM is reassured in their new relationship with SFS because of the financier's track record. Historically we have seen a large number of finance providers entering markets when the economy is booming, only to rapidly retreat when market conditions become tougher. In contrast, SFS has shown constant commitment to its key markets over many decades, using its specialist expertise to support its vendor partners through thick and thin.





This example draws on a real-world arrangement that is typical of the service that Siemens Financial Services (SFS) regularly offers in the manufacturing sector. If you'd like to know how the team can tailor a solution to meet your investment needs or strategic goals, get in touch.

Learn more about Manufacturing Finance and Leasing:

www.siemens.co.uk/manufacturing-finance

Talk to the team



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