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Why the Best Equipment Finance Teams Are Never Really “For Sale”

The strongest equipment finance teams are rarely on the market. Bob and Liz Rinaldi examine the strategic choices between acquisitions, de novo platforms and management-team lift-outs—and why culture, execution risk and long-term fit ultimately determine success.

By Bob Rinaldi and Liz Rinaldi

Start With the Destination

When an institution wants to enter or expand in equipment finance, executives often begin by asking whether they should acquire a company, build a de novo operation or pursue a management-team lift-out.

In our experience, that is backwards.

The first question is not, “How should we grow?” It is, “What problem are we trying to solve?”

Are you trying to buy immediate earnings? Enter a new market? Add a specialty vertical? Diversify the balance sheet away from commercial real estate? Acquire leadership? Build long-term enterprise value?

Before we start looking for a company or a team, we first determine what the business should look like three to five years from now. How large should the portfolio be? What credit quality, yield and charge-off profile should it have? How quickly must it become profitable? Most importantly; Will it be large enough to move the needle for the institution?

Once the destination is clear, the right path usually becomes much easier to identify. That path may be an acquisition. It may be de novo. It may be a lift-out. None is inherently superior. The objective should determine the strategy, not the other way around.

The Best Teams Are Usually Not Looking

The strongest equipment finance teams are almost never openly “for sale.” They are not posting resumes as a group. They are not circulating offering memoranda. They are usually busy running



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successful businesses.

They may be producing strong results but feel constrained by capital, credit appetite, technology, compensation, bureaucracy or a lack of strategic support. They may believe they have outgrown their current environment. They may see an opportunity to build something more valuable, but they are not necessarily ready to leave tomorrow.

That is why the best lift-out opportunities generally begin as relationships, not transactions.

It may take months or years of conversations before a team is prepared to seriously consider a move. During that time, someone has to understand the team’s capabilities, motivations, business model, culture and long-term objectives. Just as important, someone has to understand which institutions might actually fit.

Proprietary opportunities do not exist because someone got lucky. They exist because somebody spent years building enough trust that management teams are willing to have confidential conversations they will not have with everyone else.

A Lift-Out Is Not Recruiting

One of the biggest misconceptions in the industry is that a lift-out is simply a larger recruiting assignment. It is not.

Recruiting is generally about finding qualified individuals to fill defined positions. A lift-out is about acquiring leadership, intellectual capital, operating experience and the ability to build or scale an entire business.

Here is the question we often ask: Are you hiring five resumes, or are you acquiring twenty years of people learning how to win together?

A strong team already knows how to make decisions together. Sales understands the credit philosophy. Credit understands the target market. Operations understands how transactions must be structured and documented. Leadership understands how the entire platform fits together. That accumulated trust, chemistry and institutional knowledge is the real asset.

Customer relationships and referral sources matter, but executives should be careful not to overvalue them. Customers move. Vendor programs evolve. Referral sources change. The more durable value is that the team knows how to create those relationships again.

Think about it this way: You are not simply hiring the racecar driver. You are bringing in the driver, the crew chief and the pit team that already know how to win races together. They may still need a new car and a new track, but they are not starting from zero.

Three Legitimate Strategies

An acquisition can provide an immediate portfolio, earnings, infrastructure and market presence. It can also bring a purchase premium, legacy credit issues, outdated technology, integration challenges and cultural problems.

A de novo strategy provides maximum control. The institution can design the business around its own credit culture, operating model and strategic priorities. The trade-off is time. Building one position at a time can take years, and every new hire must learn how to work with the others.

A lift-out sits somewhere between the two. It can accelerate market entry without requiring the institution to acquire an entire company. It can provide experienced leadership and a functioning team without the legacy portfolio and infrastructure that may accompany an acquisition. But a lift-out is not instant. The institution still needs technology, operational support, credit processes, compensation plans and time to build a portfolio large enough to generate meaningful earnings.

The question is not which strategy costs the least. The question is which one gets the institution to its destination with the highest probability of success.

Execution Risk Is the Risk Nobody Models

Every growth strategy looks good in a PowerPoint presentation. Execution is where value is created or destroyed.

We have watched institutions spend eighteen months trying to assemble a business one person at a time while another institution brought in an experienced team and began originating quality assets before the first institution had finished interviewing candidates. We also remember an institution that spent months evaluating acquisitions because everyone assumed buying a company was the obvious answer. Then its executives met a management team that had spent years building a successful platform together.

Within ninety minutes, the conversation changed completely. They were no longer focused on buying a portfolio. They were looking at the ability to build one.

That does not mean the lift-out was automatically the right answer. It meant the institution had discovered another way to reach its objective with a different combination of cost, time and execution risk.

That is why a lift-out should be evaluated with the same discipline as an acquisition. How much production can the team realistically generate? What markets will it serve? What are the expected yields, margins and credit losses? How many people will be required? What infrastructure will be needed? When will the platform reach break-even?

Those questions should be answered in a three-to-five-year financial model, not during a celebratory dinner after everyone has already decided they like one another.

Culture Is Not a Soft Issue

The financial model may work beautifully, and the opportunity may still fail because the cultures do not fit. A highly entrepreneurial management team may struggle inside an institution where every decision requires multiple committees and weeks of approval. A bank accustomed to tightly controlled processes may become uncomfortable with a team that expects broad autonomy. Neither side is necessarily wrong. They may simply be wrong for each other. Compensation can be negotiated. Technology can be purchased. Processes can be changed. Culture is much harder to fix after the fact.

Both sides need to understand how decisions will be made, how performance will be measured, how disagreements will be resolved and how much independence the team will actually have. If those expectations are not aligned in advance, the odds of long-term success decline quickly.

Sometimes a Lift-Out Is the Wrong Answer

Let's be clear: A lift-out is not always the right strategy. Sometimes the economics do not work. Sometimes an acquisition provides a better return. Sometimes the institution already has the leadership needed to build organically. Sometimes the team's expectations are unrealistic. Sometimes the culture is wrong.

And sometimes an institution says it wants an entrepreneurial team but really wants employees who will follow the existing playbook without challenging it.

That usually does not end well. The mistake is falling in love with a strategy before defining the objective.

It Is a Place to Start

One thing we have learned over the years is that most successful equipment finance businesses evolve.

A bank might begin with a capital

markets team that can generate larger, high-quality assets relatively quickly. Later it may add a footprint strategy. Once the platform is stable and the institution understands the business, it may acquire a specialty lessor or broker and add another source of volume.

Growth is rarely one decision. It is a series of good decisions. The first move does not have to solve everything. It simply has to be the right place to start.

Why This Will Matter More

The competition for experienced equipment finance talent is only going to increase. Many executives who built today's successful platforms are approaching retirement. At the same time, younger professionals view careers, culture, flexibility and opportunity differently than prior generations.

Technology and artificial intelligence will improve efficiency. Automation will streamline documentation and workflow. Data will improve pricing and portfolio management. But technology will not replace leadership, judgment, culture or the ability to build a business. Those capabilities remain scarce.

We have spent more than four decades watching organizations enter and expand in equipment finance. Some bought companies. Some built from scratch. Some executed successful management-team lift-outs.

None succeeded simply because it chose the "right" strategy. The successful ones understood what they were trying to accomplish, selected the approach that best fits those objectives and then executed with discipline.

Capital matters. Technology matters. Strategy matters. But experienced leadership still matters most. That is why the best equipment finance teams are never really "for sale."

They are built over years through trust, experience, shared success and, sometimes, shared failure. Their ambitions must be understood. Their opportunity must be matched with an institution that has the right strategy, culture, capital and expectations.

And when the right opportunity finally comes along, they are not looking for a buyer. They are looking for a place where they can build something even better. 

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