

Technology that revolutionizes the way Companies Manage their Surplus Equipment



Roger Gallo
CEO & President
EquipNet Inc.

CEOCFO: Mr. Gallo, what is the idea behind EquipNet?

Mr. Gallo: EquipNet's vision is to revolutionize the way companies manage their surplus equipment.

CEOCFO: What is wrong with how surplus equipment is currently being managed?

Mr. Gallo: Today most companies are relatively reactive and don't think strategically about how to extract the most value out of their surplus, excess, and/or idle equipment. Thus, if companies were to develop programs that are thoughtful, that are tracking, and work the asset through the entire lifecycle to the most value that can be had, they'd be able to add a significant amount to their bottom line without selling more of their end product and vastly improve operational efficiencies.

CEOCFO: How are you able to help companies do this?

Mr. Gallo: We're one of the very few companies that have both a geographic footprint as well as a breadth of services to manage the entire end of life cycle of a piece of equipment. We have technology that allows companies to track and redeploy their assets within their internal network. We have a marketplace, which allows for negotiated transactions to take place and we have proprietary and innovative auction platforms to conduct live webcasts and online auctions. We even manage scrap and recycling of assets when there's no resale value. All of this sits under an account management umbrella that deflects the burden of a day-to-day asset management program from the client to EquipNet.

CEOCFO: How do companies know where to find you?

Mr. Gallo: Fifteen years ago, the solution that EquipNet brings to bear didn't exist. Today, the very top companies in their respective industries are working on a multiyear contract with EquipNet. We deal with companies like General Electric, Johnson & Johnson, Colgate Palmolive and many others. The fact that these industry leaders are adopting best practices in asset management certainly sends a loud signal to the marketplace for their competitors, big and small, to try to understand what some of the forward-thinking companies are doing and why they're doing it.

CEOCFO: Would you give us an example of an interaction to illustrate how it works day-to-day? What companies are able to do through EquipNet?

Mr. Gallo: If you take a larger company that would have 10 to 200 plants across the globe, it's difficult for each location to understand what assets are available for redeployment from one facility to another. Often companies put something on a spreadsheet, or they pass things around via email. This is at best inefficient and incredibly ineffective. Under this approach, it's very difficult to identify assets for which there'd be a use that would save the company buying equipment for which they already own.

In order for a company to truly realize the benefits of asset management, they need a robust system, very similar to the way we would sell an item to an external customer. If one plant wants a piece of equipment that another plant has, they have to have reliable information. They need to know what the equipment has been used for, understand the specifications, review maintenance records, and see multiple photos of the asset.

Ironically, manufacturers that use equipment generally don't understand its resale value. Without understanding its resale value, you can't determine which items should even be redeployed. Many factors come into play such as, age of the

technology, removal costs, transportation costs, utility compliance, etc. EquipNet provides not only the valuation services, as well as the electronic workflow, but also the logistical support for moving the items from one facility to another.

EquipNet also provides consultation and execution on when to sell assets outside of the organization. When there's not a need for that piece of equipment internally, depending on its value, we would either move those items into our negotiated sales channel in order to create a private transaction for which moneys would be exchanged for that equipment or we might move it into one of our auctions. In that case, the item would attract multiple bidders at the time to able to get reasonable prices for those items, providing clearance for those items for those customers.

CEOCFO: Do you take into consideration the quality of the used equipment?

Mr. Gallo: With the used equipment marketplace, most of the equipment is sold in an "as is" condition. Therefore, there is a fair amount of risk associated with buying pre-owned equipment. Fortunately, the majority of assets that we sell come from the aforementioned programs that we have set up with some of the largest, most reputable manufacturers in the world, who have strict machinery maintenance standards and documentation. Furthermore, EquipNet encourages all buyers to inspect the equipment before making an offer or participating in an auction. This allows the buyer to gain a level of comfort that those companies take care of their equipment, they do maintenance on the equipment, and they can know that the equipment has been working up to a certain point. While there is always a risk in the transaction, most of the equipment that we sell, unlike a traditional equipment dealer, is sold from our client's location. So one can see the equipment and where it was being used, in what facility and by whom.

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CEOCFO: Are there industries that are starting to pay attention that did not until recently? What are the trends you are see?

Mr. Gallo: We see industries paying a great deal more attention to asset management. In today's economy, companies are constantly looking to be more efficient and streamline. The idea of a green company and being able to reuse and recycle equipment properly has also become a much hotter subject. The companies that we deal with, especially the multinationals, probably are equally as interested in the rates of return that they can get for the equipment. However, they are equally as concerned with the liabilities associated with that equipment and how to mitigate those liabilities, both from an environmental standpoint, but also in making sure that the equipment is sold in a compliant manner for whatever rules and regulations would be governing it.

CEOCFO: Are companies surprised that this cannot be handled by their own people?

Mr. Gallo: If you think about it, companies are in the business of making and selling a product, and they know those marketplaces very well. With the used equipment marketplace, just because you have used something, does not mean that you know the value of it. For example, your grandmother willed a house to you, and in the house there's an attic full of stuff that all dates back from the beginning of the 20th century. Would you know the value simply because you now own the house? Would you know whether it is all junk or if there would be good demand for much of it, or a specific item in there that is of great value? You would not know the value unless you're in the market to know those values. Therefore, a company cannot do this internally, because they don't know the markets for used equipment.

CEOCFO: What is your geographic range? Are there areas where you see room for growth?

Mr. Gallo: Our footprint is constantly growing as our clients adopt asset management throughout their global locations. We are expanding on all continents. We see the growth in the Asian markets, the Latin American markets and the European markets. We see companies branching further and further out geographically and we see the demand for equipment to be very cross-regional, which is where the interesting opportunities present themselves. Equipment that has become obsolete technology in Europe, could still have a very strong demand in Latin America or developing eastern European countries. To understand the value of equipment, you also have to understand who is interested in the equipment geographically and what areas are buying what types of equipment.

CEOCFO: What surprised you along the way?

Mr. Gallo: What surprises me the most is that, even though there are compelling economic advantages, many companies are still disposing of these valuable assets and exposing themselves to liabilities. In fact, by not having an asset management program, you might even invite unethical behaviors within the company because if a facility sells something

to their brother in-law, and nobody knows the value of it, do you know that transaction was done in earnest. Therefore, unless there's an independent third party process in place, you would never understand whether things are being done properly and in the best interest of the company. Despite all of those as highly compelling reasons to adopt programs, such as what EquipNet offers, I am constantly surprised by the number of companies that cannot organize themselves to put efforts on a program such as this. Some of this is because it's not sexy. The surplus equipment is yesterday and the new equipment is today. With many companies, they seem to like the idea of new toys. Therefore, the excess and surplus is of a secondary interest and it is not critical in making their product. It's an interesting way to monetize a lazy asset, which is easy to make money from, but it has nothing with the business.

CEOCFO: *Put it all together for our readers. Why pay attention to EquipNet?*

Mr. Gallo: The world is looking for companies to be socially and environmentally responsible, and the pressure on the bottom line is ever increasing. Those companies that are typically leaders in the industry are adopting these programs and showing fantastic results and I believe that over time others will follow.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

EQUIPNET

The logo for EquipNet features the word "EQUIPNET" in a bold, black, sans-serif font. Below the text is a solid blue horizontal bar that spans the width of the word.

EquipNet Inc.

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