



Q1 2019 | **Supplementary Information**

as at March 31, 2019

This supplementary information should be read in conjunction with the corporation's Management Discussion & Analysis dated March 31, 2019.

In this document, the Company uses terms and ratios (including "before-tax adjusted operating income", "earning assets" and "tangible leverage ratio") that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations. A full description of these measures can be found in Element's Management Discussion & Analysis that accompanies the financial statements for the most recent quarter or year, which have been filed on SEDAR (www.sedar.com). Element believes that certain non-IFRS measures can be useful to investors because they provide a means by which investors can evaluate Element's underlying key drivers and operating performance, exclusive of certain adjustments and activities that investors may consider to be unrelated to the underlying economic performance of the business.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The following pages provide information ("Supplementary Information") management believes is relevant to an assessment and understanding of the financial condition, results and operations of Element Fleet Management Corp. (the "Company" or "Element") as at and for the three-month period ended March 31, 2019, and should be read in conjunction with the Company's Q1 Management Discussion & Analysis and interim condensed consolidated financial statements and accompanying notes for the three-months ended March 31, 2019. All monetary figures are in millions of Canadian dollars unless otherwise noted or for per share amounts. Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.elementfleet.com.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO MAY 7, 2019. CERTAIN STATEMENTS CONTAINED IN THIS REPORT CONSTITUTE "FORWARD LOOKING STATEMENTS". IN SOME CASES THE FORWARD LOOKING STATEMENTS CAN BE IDENTIFIED BY WORDS OR PHRASES SUCH AS "MAY", "CAN", "WILL", "EXPECT", "GUIDANCE", "PLAN", "ANTICIPATE", "TARGET", "INTEND", "POTENTIAL", "ESTIMATE", "BELIEVE" OR THE NEGATIVE OF THESE TERMS, OR OTHER SIMILAR EXPRESSIONS INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, INCLUDING, AMONG OTHERS, STATEMENTS REGARDING ELEMENT'S TRANSFORMATION PLAN, GROWTH PROSPECTS AND OBJECTIVES, ABILITY TO DRIVE OPERATIONAL EFFICIENCIES, ASSETS, BUSINESS STRATEGY, COMPETITIVE POSITIONING, ABILITY TO CREATE VALUE FOR SHAREHOLDERS, THE EVOLUTION OF ELEMENT'S BUSINESS, THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION, BUSINESS INTEGRATION, STRATEGIC ASSESSMENT, BUSINESS OUTLOOK AND OTHER EXPECTATIONS REGARDING FINANCIAL OR OPERATING PERFORMANCE AND METRICS. SUCH STATEMENTS REFLECT OUR CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO INHERENT RISKS, UNCERTAINTIES AND NUMEROUS ASSUMPTIONS, INCLUDING, WITHOUT LIMITATION, GENERAL ECONOMIC CONDITIONS, OPERATIONAL CAPABILITIES, TECHNOLOGICAL DEVELOPMENT, RELIANCE ON DEBT FINANCING, DEPENDENCE ON BORROWERS, INABILITY TO SUSTAIN RECEIVABLES, COMPETITION, INTEREST RATES, REGULATION, INSURANCE, FAILURE OF KEY SYSTEMS, DEBT SERVICE, FUTURE CAPITAL NEEDS AND SUCH OTHER RISKS OR FACTORS DESCRIBED FROM TIME TO TIME IN REPORTS OF ELEMENT, INCLUDING HEREIN AND IN ELEMENT'S CURRENT ANNUAL MD&A AND ANNUAL INFORMATION FORM, WHICH HAVE BEEN FILED ON SEDAR AND MAY BE ACCESSED AT WWW.SEDAR.COM.

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All monetary figures are in millions of Canadian dollars unless otherwise noted or for per share amounts.

Transformation Program

Definitions

- "Actioned" A profitability improvement initiative has been "actioned" when Element has taken all steps required for the initiative to deliver value. The value of an "actioned" initiative is the run-rate value of the resulting profitability improvement to be delivered.
- "Op Inc" Operating income before tax.
- "Delivered" Profitability improvement is "delivered" as each dollar of cost savings or revenue increase is reflected in Element's Op Inc.
- "Run-rate" The maximum potential annual value that a profitability improvement initiative can deliver.

TRANSFORMATION PROGRAM

1.0 Transformation progress in Q1 2019

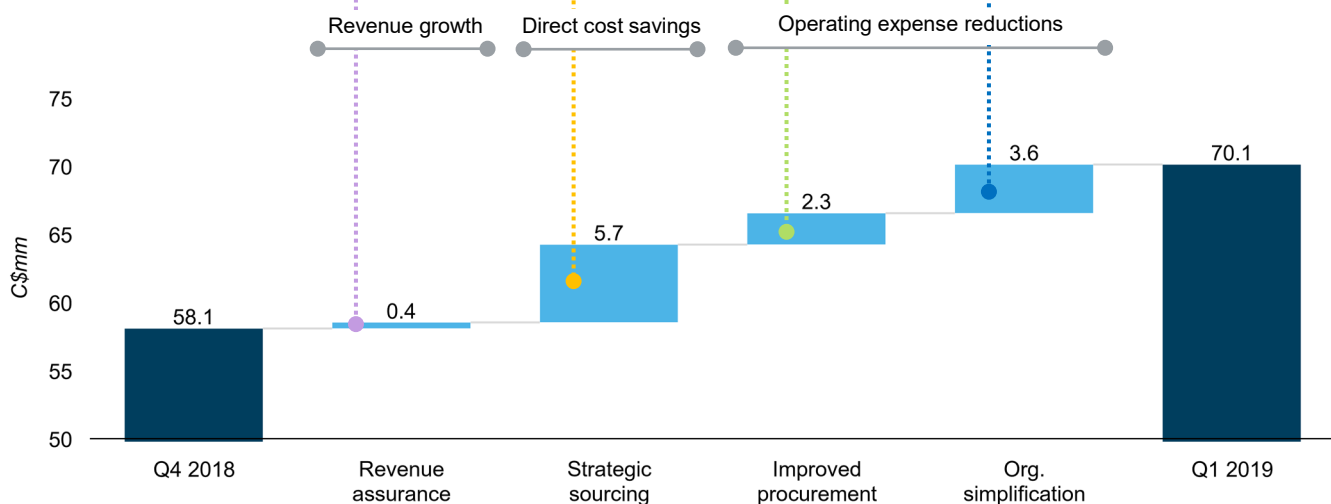
Following the completion of our comprehensive strategic assessment in Q3 2018, we announced a 27-month client-focused transformation program on October 1, 2018. As of March 31, 2019, we have actioned \$70 million of transformation initiatives; an incremental \$12 million since December 31, 2018. Some examples are:

We continue to use our scale-based buying power to negotiate better terms and conditions with a broad array of our suppliers, saving our clients money and improving their experience. In this quarter, our efforts resulted in an incremental \$6 million of actioned direct cost savings.

Our goal remains to consistently deliver a superior experience to Element's clients. In this quarter, we completed the operating model and organizational changes we began in 2018. Additionally, we are standing-up a more consistent shared services model across our business. This will benefit our clients by making our entire organization more efficient and effective, day-in and day-out, improving our ability to focus on consistent delivery of the superior client experience Element is known for.

Many of our improved procurement initiatives involve insourcing, which requires building internal capability in order to reduce external vendor spend. Bringing knowledge and expertise in-house benefits our clients in the resulting increased consistency of our delivery of a superior client experience. Our increased capabilities are readily available to deploy in our clients' best interests, and our ability to do so grows over time. We actioned an incremental \$2 million of improved procurement initiatives in the quarter.

As detailed in this section of this document last quarter, we continue to improve the accuracy and timeliness with which we bill our clients. In this quarter, our Revenue Assurance project team actioned additional initiatives, including the expansion of a service offering to all new clients in the US: managed tax filings. Clients who pay a heavy vehicle use tax can have Element manage their payments for a modest fee. Element had been offering this service to certain clients historically but we have now invested in and developed the capability to offer this service to all new clients. The initiative has been received with enthusiasm from our clients. This and other client-centric initiatives enabled us to action an incremental \$0.4 million of revenue growth in Q1 2019.

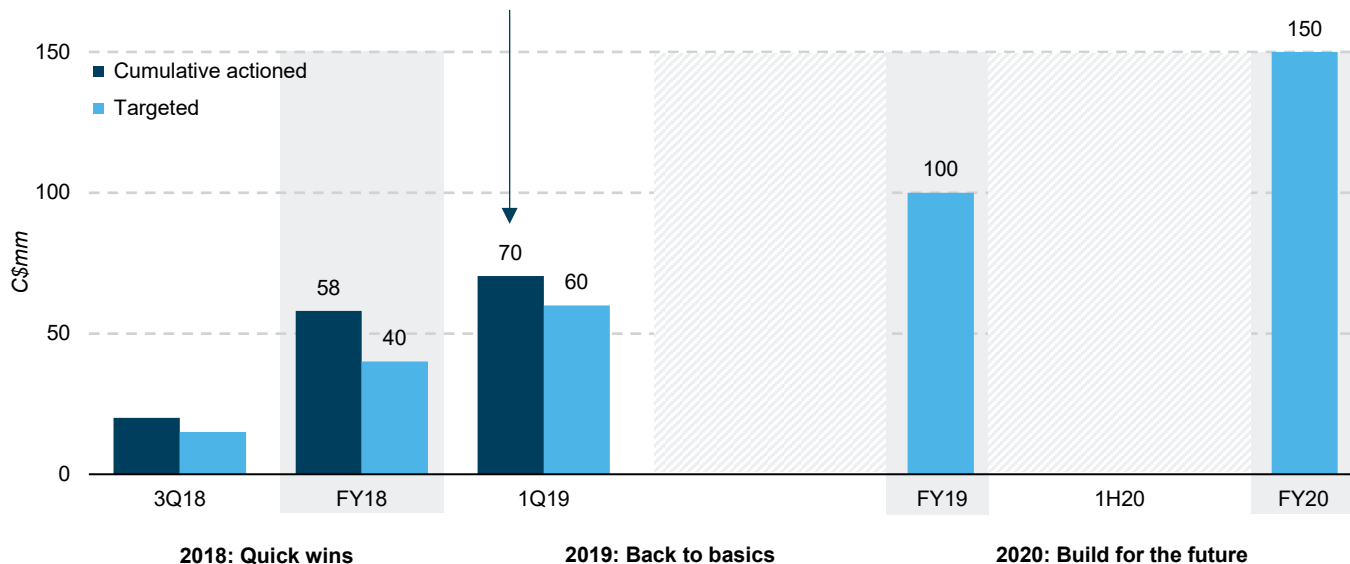


The significant progress we made on our transformation initiatives in 2018 has built strong momentum for 2019; we are going "back to basics" this year, focusing our business on delivering a consistent client experience and creating value for our shareholders.

TRANSFORMATION PROGRAM

1.1 Cumulative actioned and targeted (to-be-actioned) Op Inc improvements

We remain ahead of target in 1Q19, having actioned \$70 million of Op Inc improvements to date.

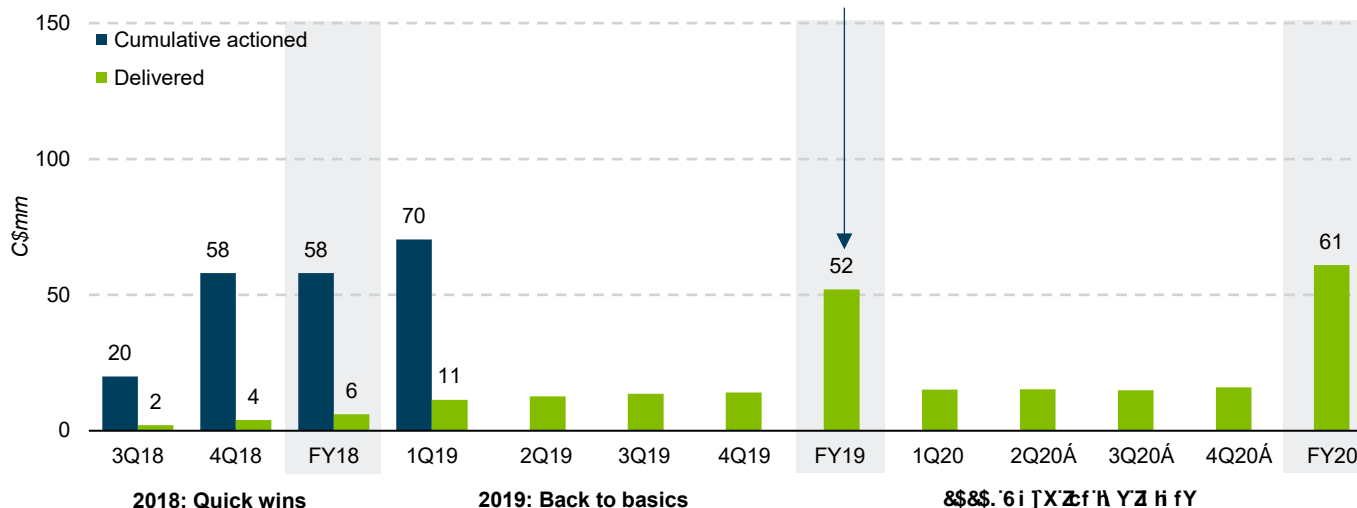


1.2 Delivery and anticipated delivery of \$70 million of Op Inc improvements actioned to date

C\$mm	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20
Revenue growth	1.4	1.5	2.9	3.6	3	3	3	13	3	3	3	3	12
Direct cost savings	0.5	0.6	1.1	1.4	2	2	2	7	2	2	2	3	9
Opex reductions	0.2	1.9	2.1	6.4	8	9	9	32	10	10	10	10	40
Op Inc improvement	2.1	4.0	6.1	11.4	13	14	14	52	15	15	15	16	61

1.3 Cumulative actioned Op Inc improvements vs. delivered Op Inc improvements

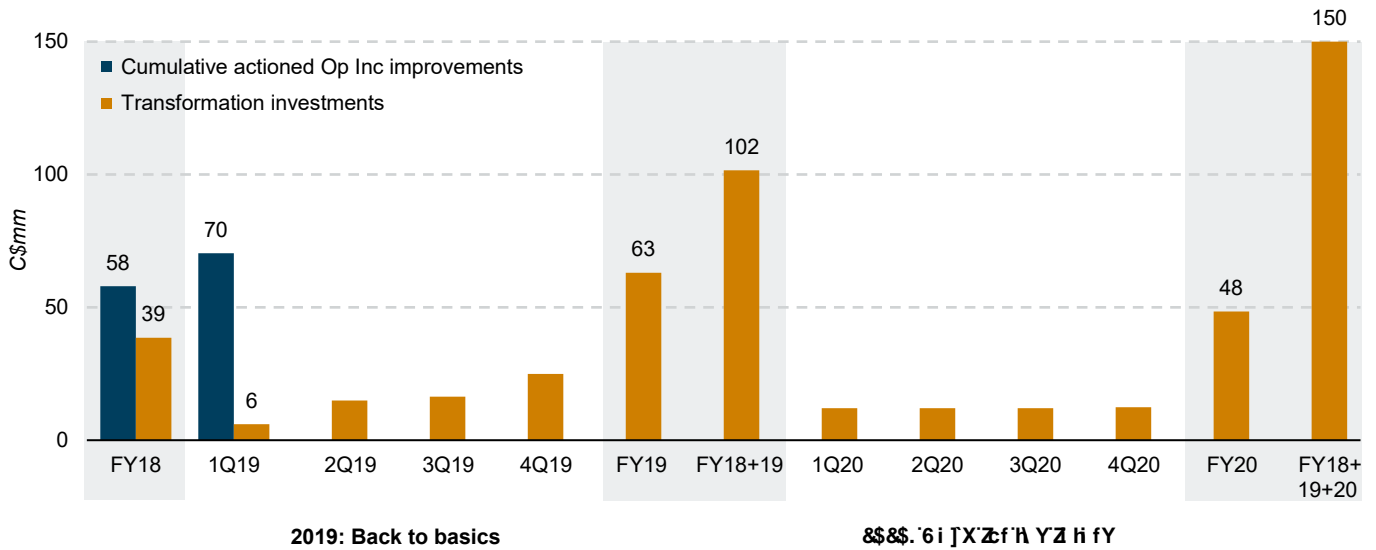
Our actioned initiatives to date will deliver \$52 million of Op Inc improvements (~\$0.10 EPS) in 2019.



TRANSFORMATION PROGRAM

1.4 Anticipated timing of one-time investments in our transformation program

We plan to invest approximately \$150 million to fund our transformation program before the end of 2020. To date, we have made \$45 million such one-time investments.

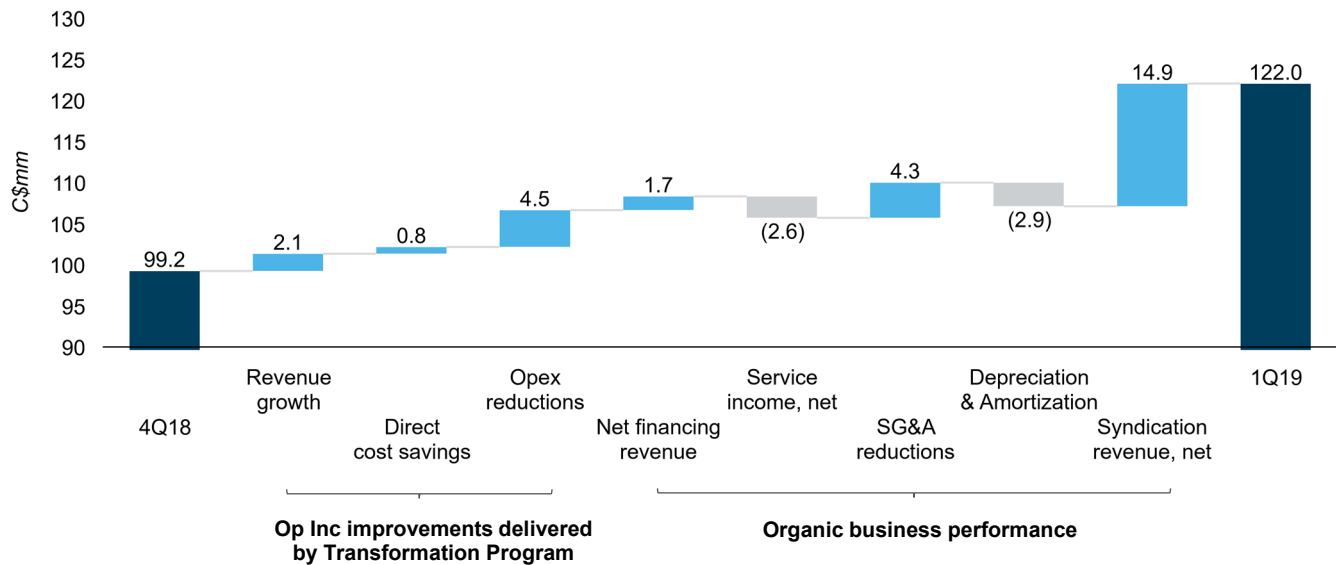


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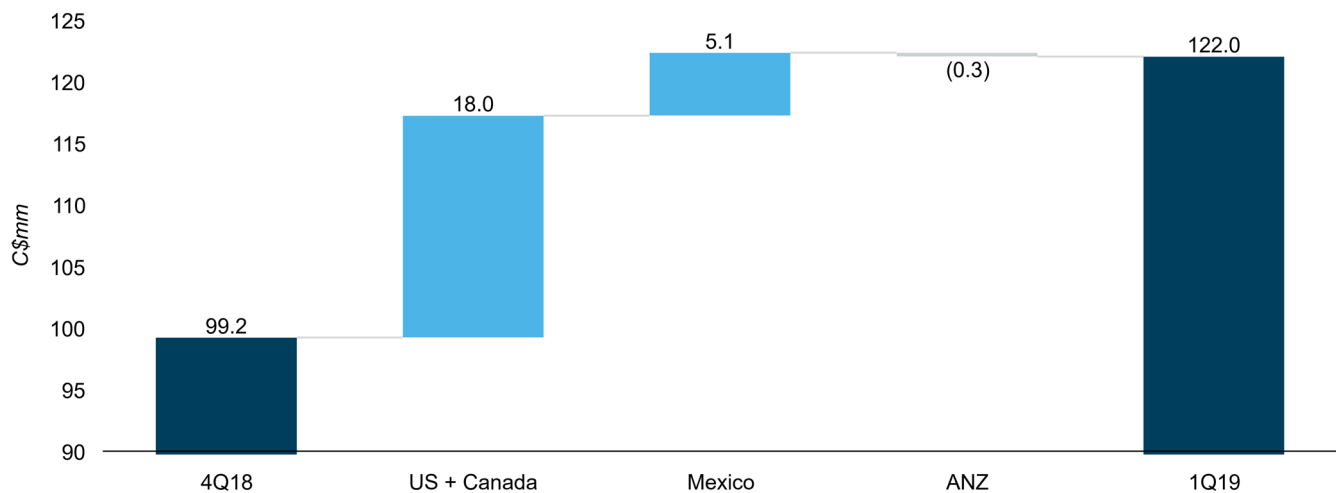
FINANCIAL INFORMATION

2.0 4Q18 → 1Q19 Core adjusted operating income growth

Core adjusted operating income increased by \$23 million, driven by organic growth, transformation and syndication.



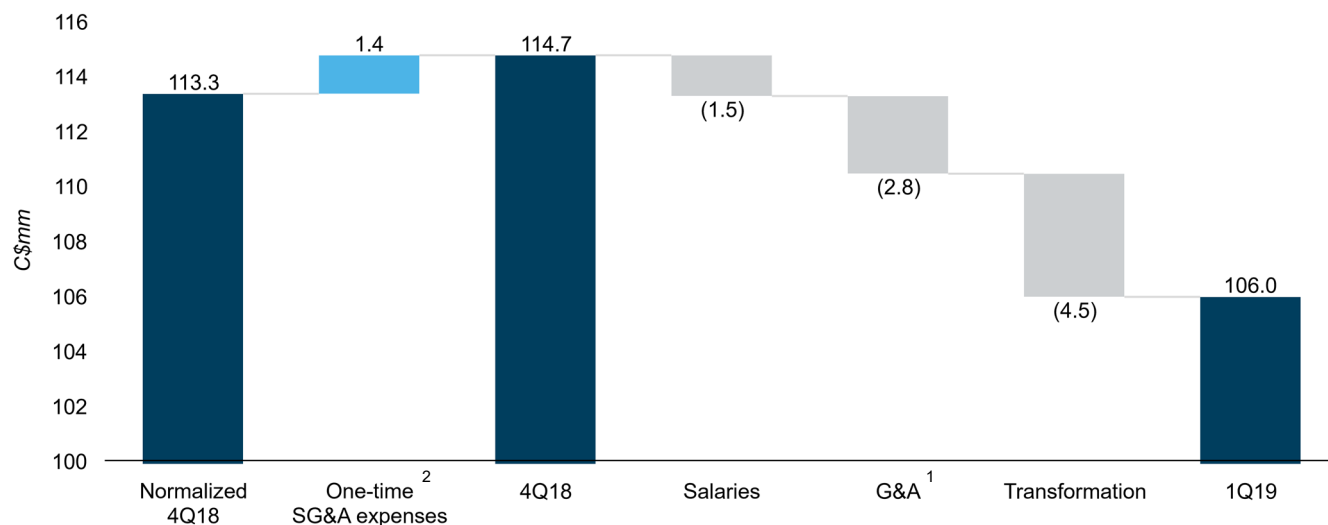
2.1 4Q18 → 1Q19 Core adjusted operating income growth contribution by geography



FINANCIAL INFORMATION

2.2 4Q18 → 1Q19 Core SG&A reduction

Quarter-over-quarter decrease in core SG&A was led by an incremental \$4.5 million of transformation savings in operating expenses, and magnified slightly by \$1.4 million of one-time SG&A expenses in Q4 2018.



1. G&A decreased quarter-over-quarter as a result of the implementation of IFRS 16, which required the reclassification of lease principal and interest expenses (previously accounted for in G&A) to depreciation and amortization.

2. One-time SG&A expenses in Q4 2018 included unusually high incentive compensation, benefits and holiday pay.

FINANCIAL INFORMATION

3.0 Core end-of-period earning assets

<i>Local currencies, billions</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Enterprise + Mid-market in US and Canada (USD)	8.0	8.2	8.3	8.2	8.2	8.3	8.0	8.1	7.9
Mexico (MXN)	4.1	4.4	5.0	6.0	5.9	6.7	7.2	8.0	8.9
Australia and New Zealand (AUD)	1.4	1.5	1.5	1.5	1.6	1.6	1.6	1.7	1.7

3.1 Core earning asset distribution across industries

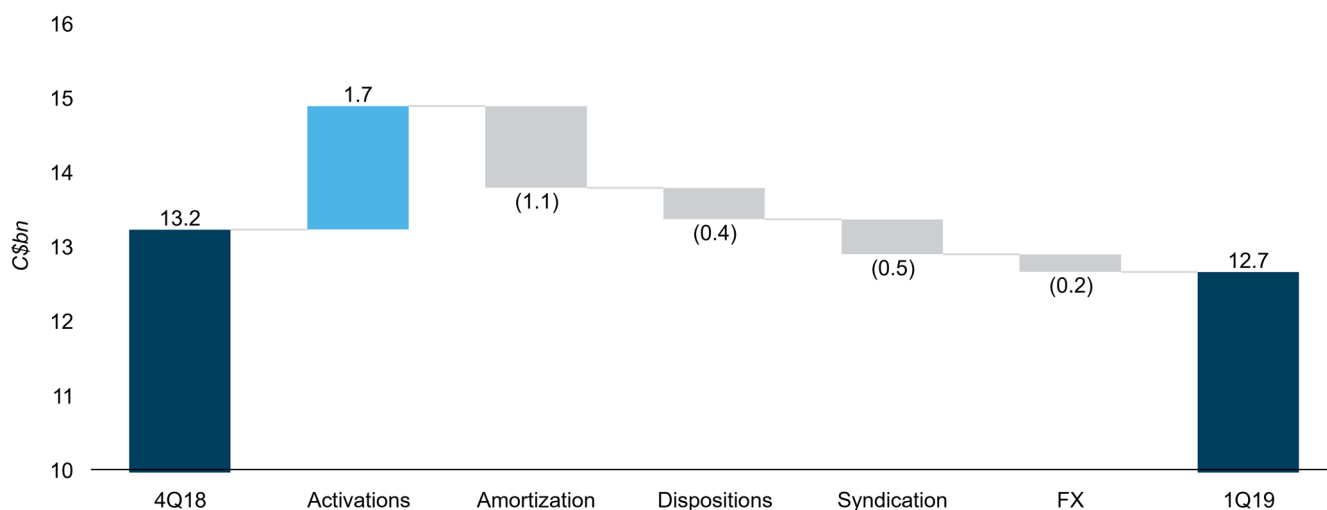
Element's core earning assets are used in hundreds of industries, with no single classification accounting for more than 5.1% of total core earning asset value ("EA"). Approximately 50% of Element's core earning assets by value are distributed across 30 industries (immediately below), while the remaining 50% are spread across an additional 728 industries.

Industry	% of EA	Industry	% of EA
Electrical Work	5.1%	Concrete Block and Brick	1.2%
Electric Services	4.5%	Oil & Gas Field Services, NEC	1.2%
Pharmaceutical Preparations	3.5%	Auto Controls For Regulating Residential & Com.	1.1%
Passenger Car Rental	3.1%	Electronic Connectors	1.1%
Motor Vehicles & Passenger Car Bodies	2.6%	Retail-Eating Places	1.0%
Oil & Gas Field Exploration Services	2.4%	Crude Petroleum & Natural Gas	1.0%
Telephone Communications	1.7%	Retail-Auto & Home Supply Stores	1.0%
Services-Engineering Services	1.6%	Services-Medical Laboratories	1.0%
Services-Detective, Guard & Armored Car Services	1.6%	Retail-Grocery Stores	1.0%
Cable & Other Pay Television Services	1.4%	Water, Sewer, Pipeline, Comm & Power Line	0.9%
Pesticides and Agricultural Chemicals	1.4%	Wholesale-Electrical Apparatus & Equipment	0.9%
Electric & Other Services Combined	1.4%	Wholesale-Drugs, Proprietaries & Druggists	0.9%
Industrial Instruments For Measurement	1.4%	Paints, Varnishes, Lacquers, Enamels & Allied	0.9%
Fire, Marine & Casualty Insurance	1.3%	Natural Gas Distribution	0.9%
Retail-Lumber & Other Building Materials Dealers	1.3%	Services-Business Services, NEC	0.9%

FINANCIAL INFORMATION

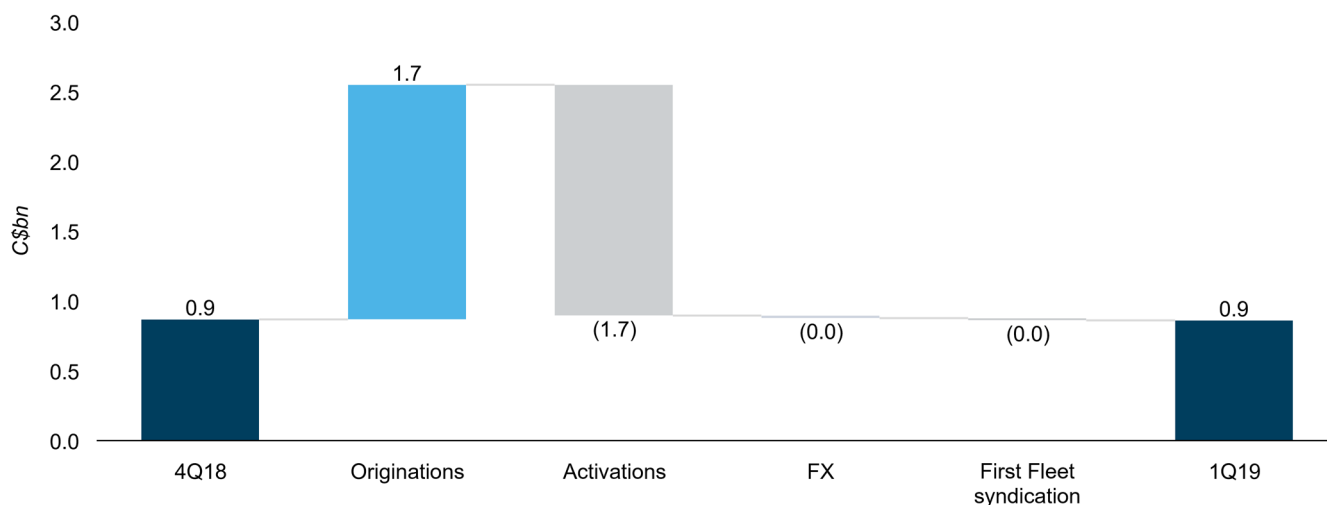
3.2 4Q18 → 1Q19 Core end-of-period earning assets

Core earning assets grew \$200 million in Q1, offset by \$500 million of earning asset syndication and ~\$200 million of FX headwinds.



3.3 4Q18 → 1Q19 Core interim funded assets

Interim funded assets largely remained unchanged from Q4 2018 as approximately \$1.7 billion of originations offset approximately \$1.7 billion of activations.



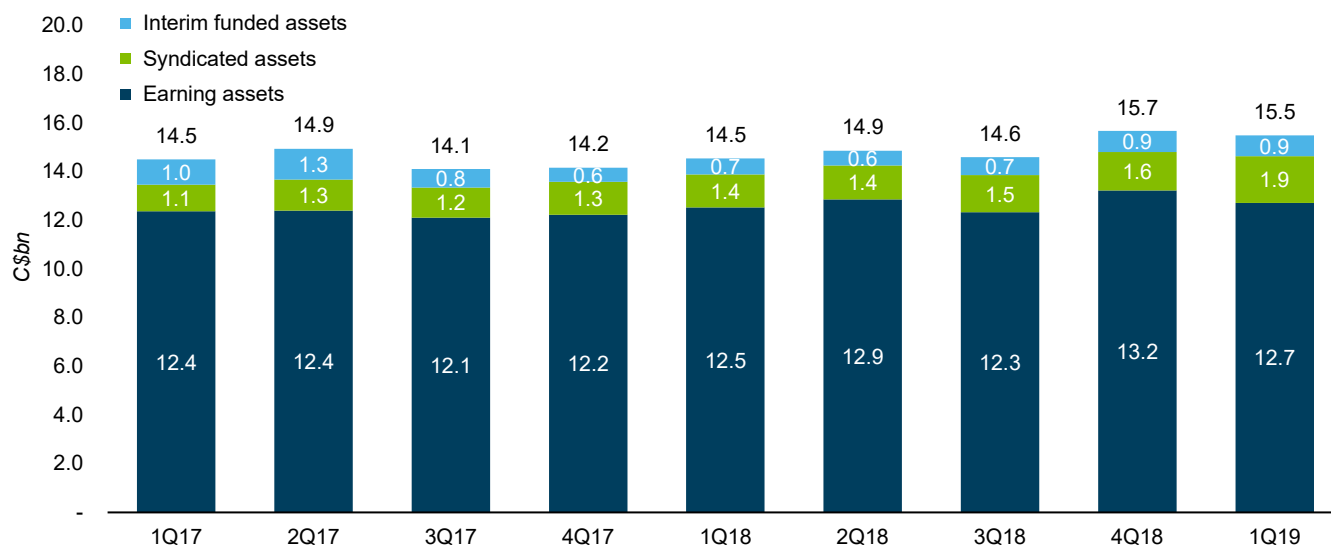
Definition

"Interim funded assets" The timing between payments commencing upon the client ordering of the vehicle, any client-required upfit and final delivery to the client.

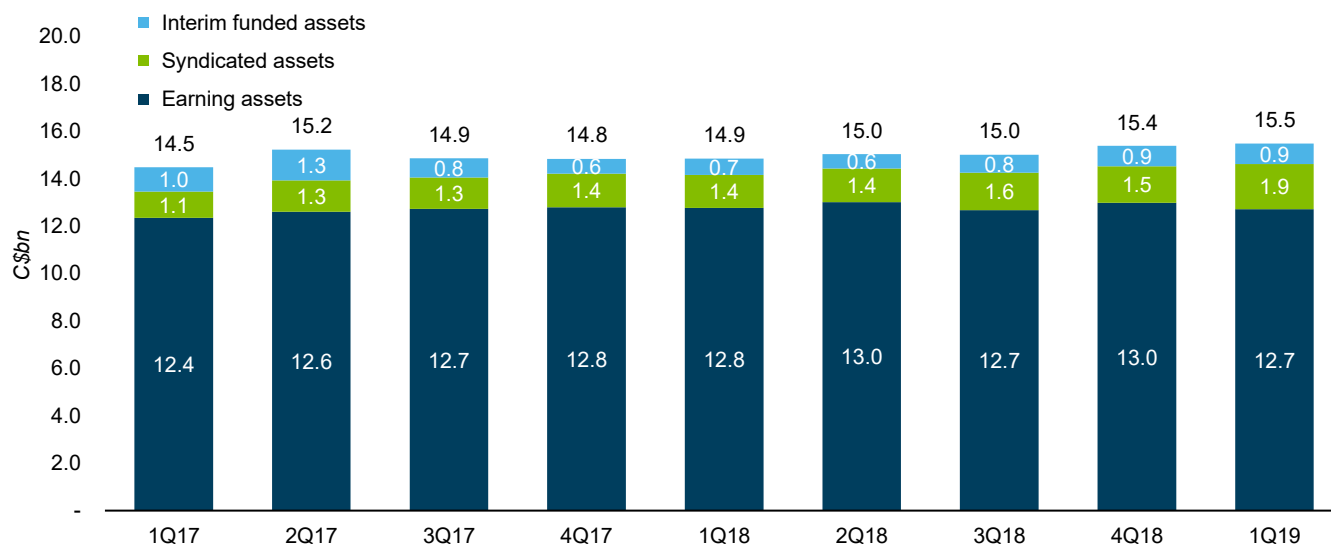
FINANCIAL INFORMATION

3.4 Core fleet assets under management

Core fleet assets under management decreased approximately \$200 million quarter-over-quarter due primarily to changes in the value of the Canadian versus US dollar. On a constant currency basis, core fleet assets under management increased approximately \$100 million quarter-over-quarter; see section 3.6 below.



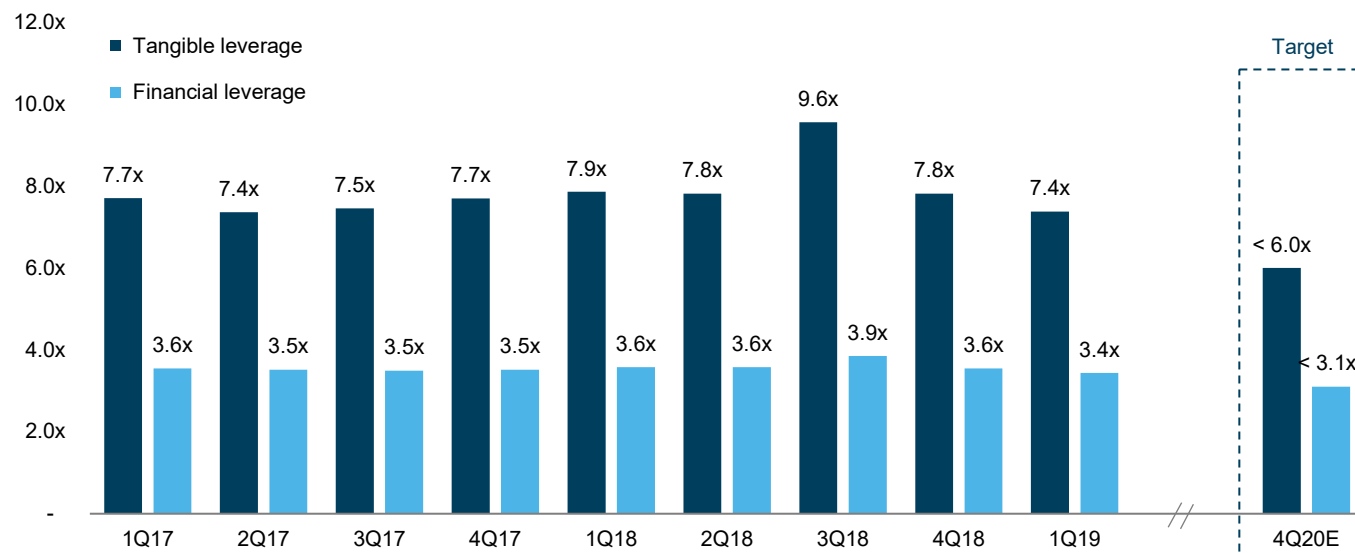
3.5 Core fleet assets under management (constant currency)



FINANCIAL INFORMATION

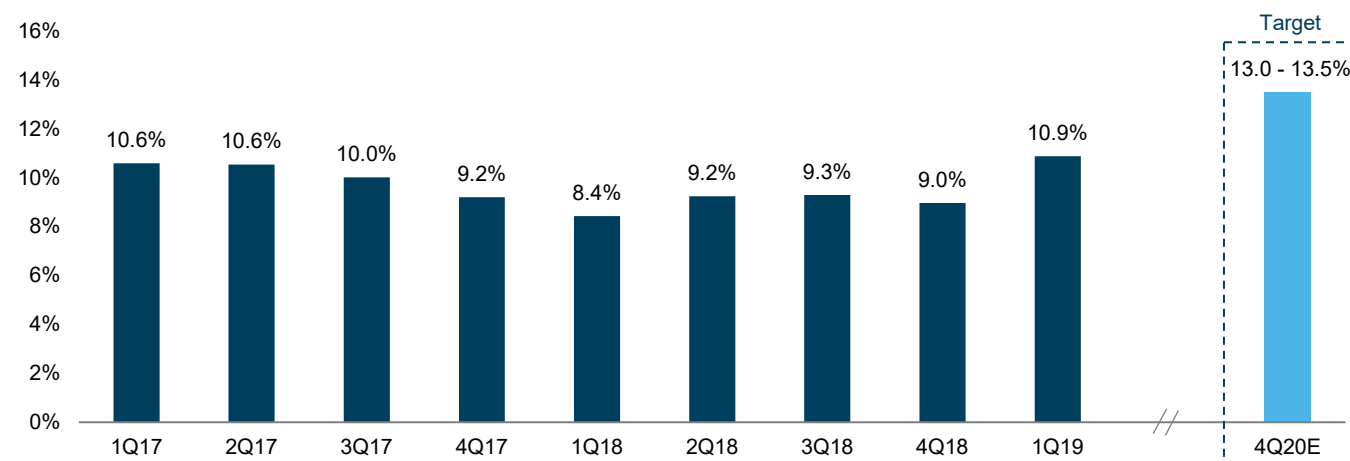
4.0 Consolidated leverage ratios

We continue to take steps to improve our leverage ratios. Our tangible leverage ratio decreased 0.4x from Q4 2018 due primarily to our syndication activity in Q1. We are targeting a tangible leverage ratio below 6.0x and financial leverage ratio below 3.1x exiting 2020.



4.1 Return on equity

We are targeting ROE of 13.0 - 13.5% exiting 2020.



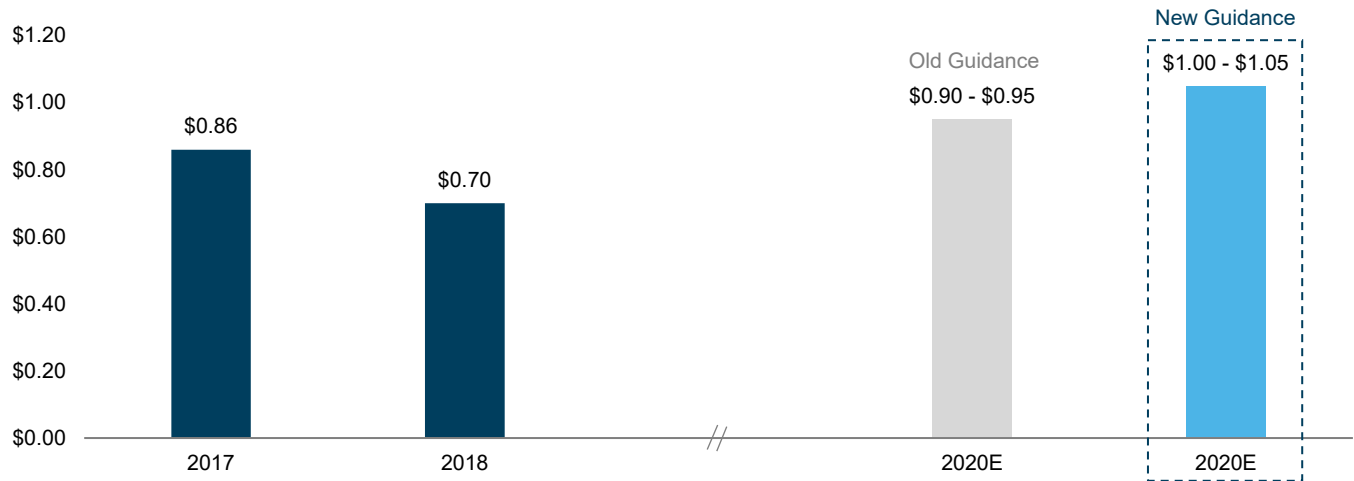
Definition

"Return on equity" Annualized consolidated after-tax adjusted operating income attributable to common shareholders divided by average common equity of the current and immediately preceding periods.

FINANCIAL INFORMATION

4.2 Consolidated after-tax adjusted operating income per share

We have updated our 2020 EPS guidance.



FINANCIAL INFORMATION

5.0 Reclassification of consolidated statement of operations

Effective Q1 2019, Element modified the presentation and classification of the Net revenue section within the interim condensed consolidated statement of operations with the overarching principle of disaggregating revenue into three distinct revenue streams: 1) financing revenue, 2) servicing revenue, and 3) syndication revenue.

The changes in presentation have been applied retrospectively to the 2018 comparative amounts in the interim condensed consolidated statement of operations.

The following table illustrates the reclassification for the periods noted, and adds Q1 2019 for comparison. Further information on this reclassification can be found in note 2 to the company's interim condensed consolidated financial statements dated March 31, 2019.

C\$mm	Fiscal 2018 - As reported					Fiscal 2018 - Reclassified					1Q19
	Q1	Q2	Q3	Q4	FY18	Q1	Q2	Q3	Q4	FY18	
Interest income, net	153.2	169.3	167.8	162.7	652.9	153.4	169.8	168.8	164.1	656.1	167.2
Rental revenue and other	125.9	129.8	134.4	155.3	545.4	140.6	146.5	150.9	170.6	608.6	191.4
Depreciation of equip. under operating leases	(95.3)	(98.3)	(99.7)	(107.5)	(400.8)	(96.9)	(100.4)	(102.0)	(109.1)	(408.3)	(122.5)
	183.7	200.8	202.5	210.4	797.5	197.1	215.9	217.7	225.6	856.4	236.0
Interest expense	(101.5)	(111.6)	(112.7)	(125.9)	(451.8)	(101.5)	(111.6)	(112.7)	(125.9)	(451.8)	(129.1)
Net financing revenue	82.2	89.2	89.8	84.5	345.7	95.6	104.3	105.0	99.7	404.6	106.9
Fleet service revenue	140.2	142.1	142.9	144.8	570.0	125.8	124.8	121.3	127.3	499.2	129.9
Direct costs of fixed rate service contracts	(11.1)	(11.8)	(11.5)	(7.8)	(42.2)	(11.1)	(11.8)	(11.5)	(7.8)	(42.2)	(11.8)
Servicing income, net	129.1	130.3	131.4	137.0	527.8	114.7	113.0	109.9	119.5	457.0	118.1
Syndication revenue, net	0.0	0.0	0.0	0.0	0.0	1.0	2.2	6.4	2.3	11.9	17.2
Net revenue	211.3	219.4	221.3	221.5	873.5	211.3	219.4	221.3	221.5	873.5	242.2

FINANCIAL INFORMATION

6.0 Consolidated free cash flow

<i>C\$m (except free cash flow per common share)</i>	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18	1Q19
Before-tax adjusted operating income	123.2	124.3	116.5	102.6	466.6	90.0	102.6	98.1	96.5	387.1	122.0
Add/(subtract) cash revenue/(expenses) and non-cash expenses/(revenue)	(12.4)	(4.1)	0.6	(18.2)	(34.2)	(3.9)	5.2	9.3	14.8	25.4	13.4
Cash from operations	110.8	120.2	117.1	84.4	432.4	86.1	107.7	107.4	111.3	412.5	135.4
Subtract required cash expenses:											
Sustaining capital investments	19.5	11.5	10.4	19.1	60.6	12.3	9.7	10.7	7.0	39.7	13.8
Preferred share dividends	8.9	10.3	11.1	11.1	41.4	11.1	11.1	11.1	11.1	44.3	11.2
Cash taxes paid	8.1	18.2	2.1	12.4	40.8	5.9	6.3	25.4	3.5	41.2	9.9
Free cash flow	74.3	80.1	93.5	41.8	289.7	56.8	80.6	60.2	89.7	287.3	100.5
<i>As a % of before-tax adjusted operating income</i>	60%	64%	80%	41%	62%	63%	79%	61%	93%	74%	82%
Weighted avg. number of common shares o/s (mm)	380.4	389.0	384.9	380.2	385.4	380.4	380.5	380.6	424.8	391.7	433.6
Free cash flow per common share	0.20	0.21	0.24	0.11	0.75	0.15	0.21	0.16	0.21	0.73	0.23

FINANCIAL INFORMATION

7.0 Value of consolidated tax assets

<i>C\$mm (except tax asset value per common share)</i>	<u>FY17</u>	<u>FY18</u>	<u>1Q19</u>
Gross non-capital tax losses	3,531.1	4,043.3	3,789.9
Value of tax losses using a statutory tax rate of 26.7%	955.9	1,043.0	1,009.6
Value of depreciation tax shield	(818.0)	(701.8)	(732.6)
Value of other tax assets	9.4	24.6	73.8
Value of tax assets	147.3	365.7	350.8
Weighted average number of common shares o/s (<i>mm</i>)	385.4	391.7	433.6
Tax asset value per common share	0.38	0.93	0.81