Q1 2020 | Supplementary Information

as at March 31, 2020

This supplementary information should be read in conjunction with the Company's Management Discussion & Analysis dated March 31, 2020.

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 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, 2020, 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, 2020. 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 11, 2020. 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 THE COMPANY'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO INHERENT RISKS, UNCERTAINTIES AND NUMEROUS ASSUMPTIONS, INCLUDING, WITHOUT LIMITATION, THE IMPACT OF THE COVID-19 PANDEMIC, 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 MD&A AND ANNUAL INFORMATION FORM, WHICH HAVE BEEN FILED ON SEDAR AND MAY BE ACCESSED AT WWW.SEDAR.COM. THE COVID-19 PANDEMIC HAS CAST ADDITIONAL UNCERTAINTY ON ELEMENT’S INTERNAL EXPECATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THE DURATION, EXTENT AND SEVERITY OF THE IMPACT THE COVID-19 PANDEMIC, INCLUDING MESAURES TO PREVENT ITS SPREAD, WILL HAVE ON ELEMENT’S BUSINESS IS HIGHLY UNCERTAIN AND DIFFICULT TO PREDICT AT THIS TIME.

BY THEIR NATURE, FORWARD-LOOKING STATEMENTS INVOLVE NUMEROUS ASSUMPTIONS, KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES, BOTH GENERAL AND SPECIFIC, WHICH CONTRIBUTE TO THE POSSIBILITY THAT PREDICTIONS, FORECASTS, PROJECTIONS AND OTHER FORMS OF FORWARD LOOKING INFORMATION MAY NOT OCCUR OR BE ACHIEVED. MANY FACTORS COULD CAUSE ELEMENT'S ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS AND READERS ARE CAUTIONED THAT THE LIST OF FACTORS IN THE FOREGOING PARAGRAPH IS NOT EXHAUSTIVE. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD ASSUMPTIONS UNDERLYING THE FORWARD-LOOKING STATEMENTS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED HEREIN AS INTENDED, PLANNED, ANTICIPATED, BELIEVED, ESTIMATED OR EXPECTED. ACCORDINGLY, READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS OR INTERPRET OR REGARD FORWARD-LOOKING STATEMENTS AS GUARANTEES OF FUTURE OUTCOMES, AS NO FORWARD-LOOKING STATEMENT MAY BE GUARANTEED. EXCEPT AS MAY BE REQUIRED BY APPLICABLE CANADIAN SECURITIES LAWS, THE COMPANY DOES NOT INTEND, AND DISCLAIM ANY OBLIGATION TO UPDATE OR REWRITE ANY FORWARD-LOOKING STATEMENTS WHETHER ORAL OR WRITTEN AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

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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 of the resulting profitability improvement.
"Operating income"	Operating income before tax.
"Delivered"	A profitability improvement is "delivered" as each dollar of cost savings or revenue increase is reflected in Element's operating income.
"Run-rate"	The maximum potential annual value that a profitability improvement initiative can deliver.

TRANSFORMATION PROGRAM

1.0 Transformation progress in Q1 2020

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, 2020, we have actioned $146 million of transformation initiatives, including an incremental $15 million since December 31, 2019. Some examples are:

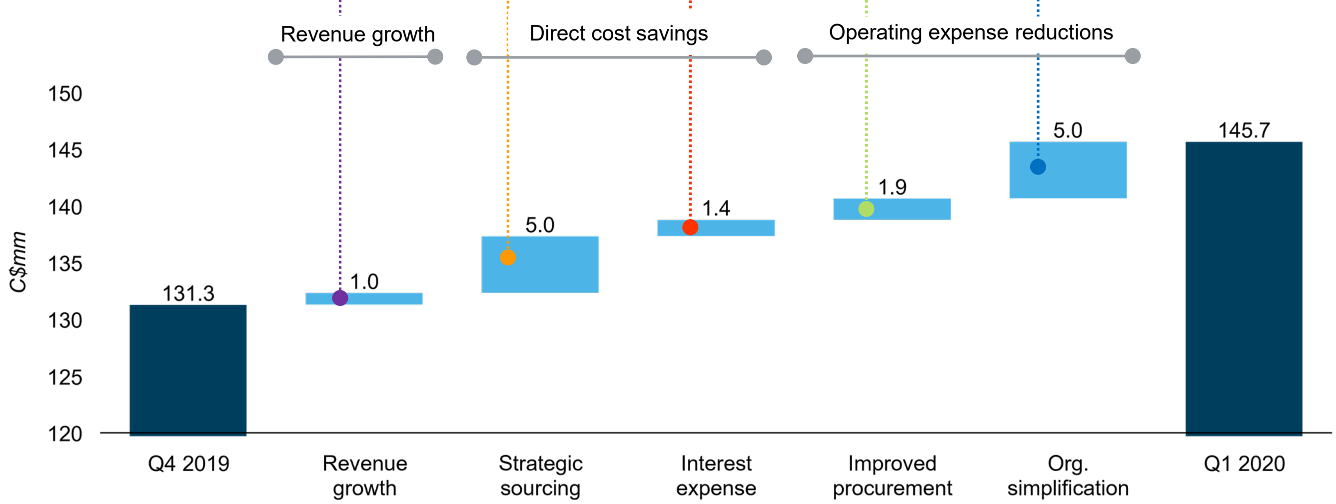
In Q1, we actioned $1 million of revenue growth initiatives. In 2020, our revenue assurance team remains focused on working through its robust list of transformation initiatives, particularly initiatives enabled by IT.

Through our work with our strategic suppliers to improve contractual terms and the overall client experience, we actioned an incremental $5 million of direct cost savings this quarter across our North American business. We remain focused on (1) identifying inefficient client expenditures, and (2) providing solutions that can improve client experience and increase utilization of strategic relationships.

Positive free cash flow from our transformation program is used to pay down debt, resulting in interest expense savings. We have actioned another $1.4 million of such interest expense savings in Q1 and expect to action similar quarterly amounts across the next 3 quarters until the end of our transformation in Q4 2020.

As we continue to right-size the business, our indirect procurement continues to consolidate and renegotiate contracts with software vendors, which resulted in $1.9 million of actioned operating income improvements this quarter.

In this quarter, we actioned $5 million of productivity improvements in our organization enabled by automation of work, our 'right person, right place' mandate, and work location strategy.

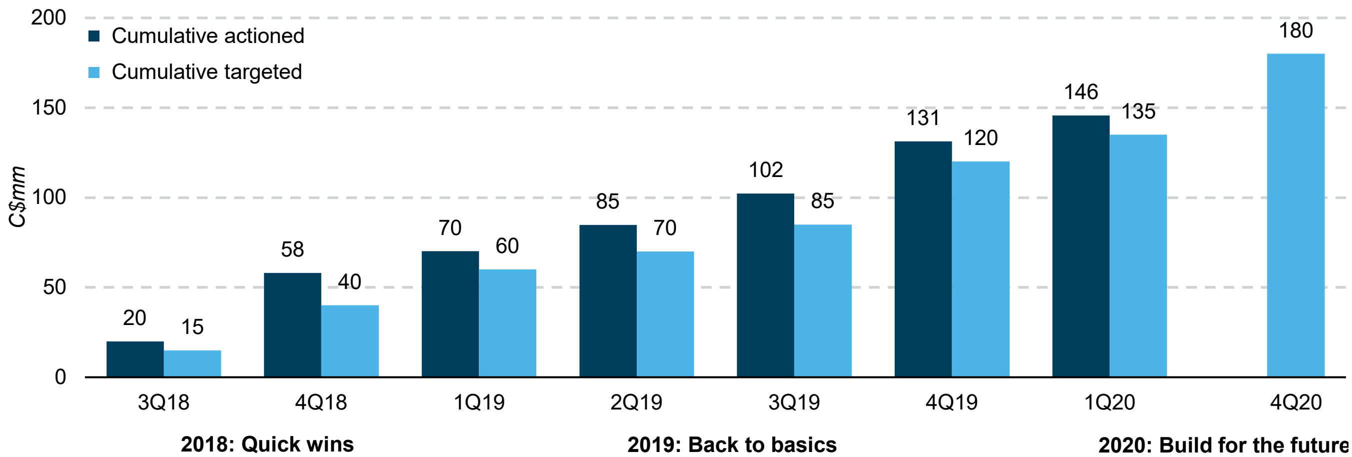


We outperformed the ambitious transformation and other targets we set to date, overachieving for our clients, our business, our people, and our investors. The significant progress we have made on our transformation initiatives begets strong momentum that is expected to continue for the remainder of our transformation program. We have pivoted to the "Build for the Future" phase of our transformation.

TRANSFORMATION PROGRAM

1.1 Cumulative: actioned and targeted (to-be-actioned) operating income improvements

We continue to exceed our transformation target, having actioned $146 million of operating income improvements as of Q1 2020. We remain on track to action $180 million of operating income improvements by the end of 2020.



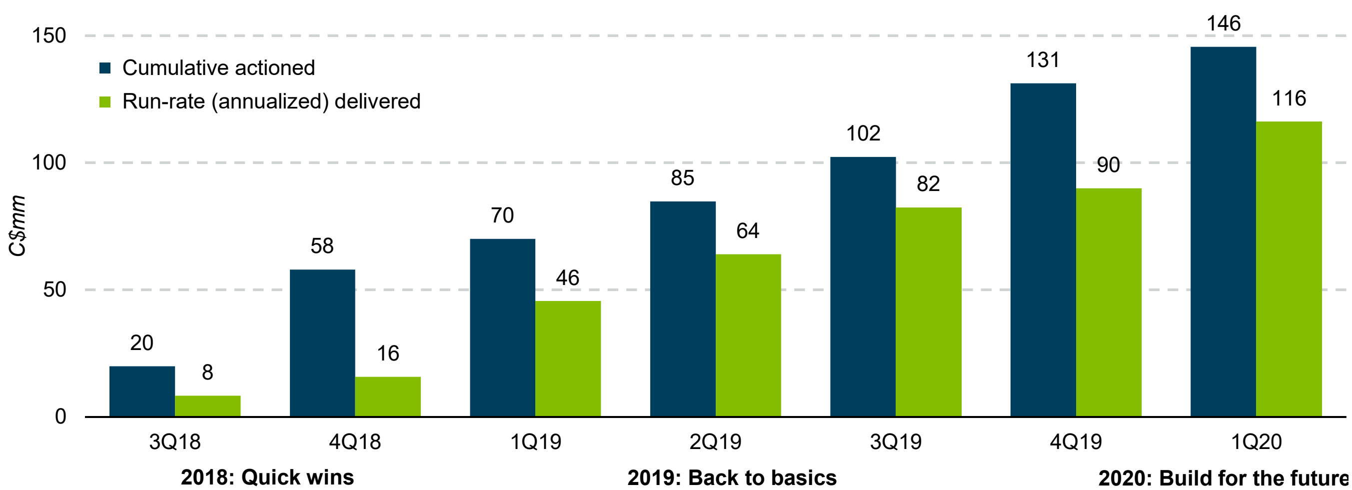
1.2 Delivery and anticipated delivery of $146 million of operating income improvements actioned to date[1]

We believe our actioned initiatives as of Q1 2020 will deliver approximately $104 million of operating income enhancement (~$0.20 EPS) in 2020. Our delivery forecast below is adjusted for anticipated impact from the uncertainties of the economic recovery from COVID-19 and the potential resulting impact to business volumes – which largely drive the scale of operating income enhancement delivered by transformation.

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	4.5	4.9	3.7	16.6	4.2	3	3	5	15
Direct cost savings	0.5	0.6	1.1	1.4	3.0	4.8	4.6	14.1	8.2	3	4	4	19
Opex reductions	0.2	1.9	2.1	6.4	8.5	10.9	14.2	39.8	16.6	17	18	18	69
Op income improvement	**2.1**	**4.0**	**6.1**	**11.4**	**16.0**	**20.6**	**22.5**	**70.5**	**29.0**	**24**	**25**	**27**	**104**

1. Numbers in schedule 1.2 may not add due to rounding.

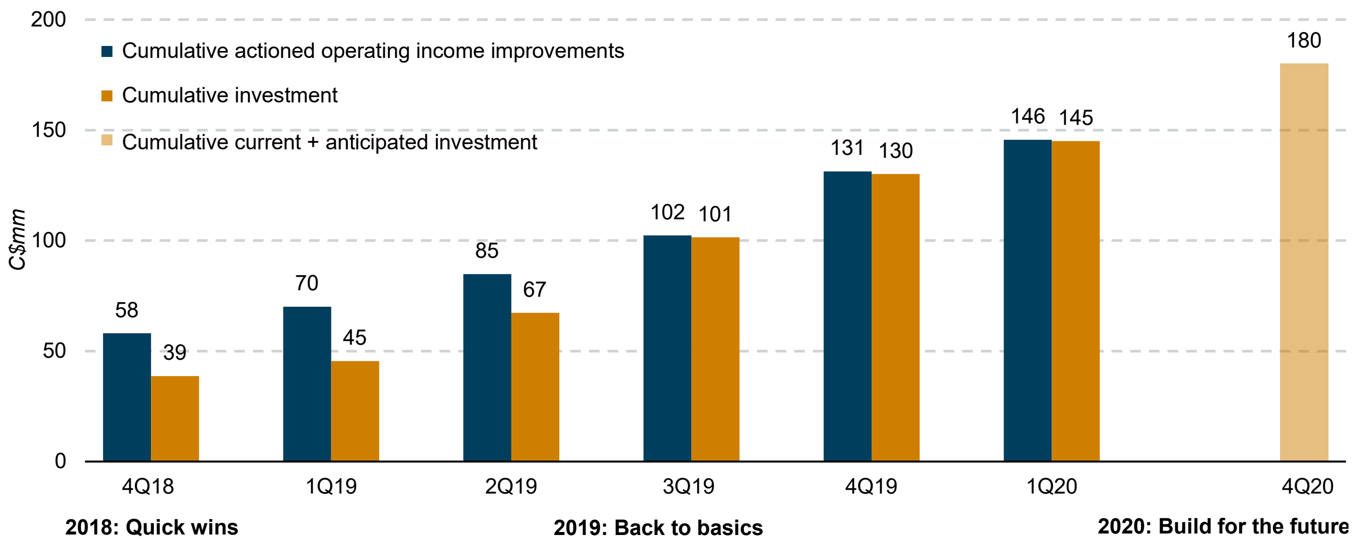
1.3 Cumulative actioned, and run-rate of delivered, operating income improvements



TRANSFORMATION PROGRAM

1.4 Cumulative actioned operating income improvements, and investment (and anticipated investment) in our transformation program

As of Q1 2020, we have made $145 million one-time investments in our transformation program, leaving $35 million available to us to action the remaining improvements in 2020. We continue to plan to invest the full $180 million in our transformation program.

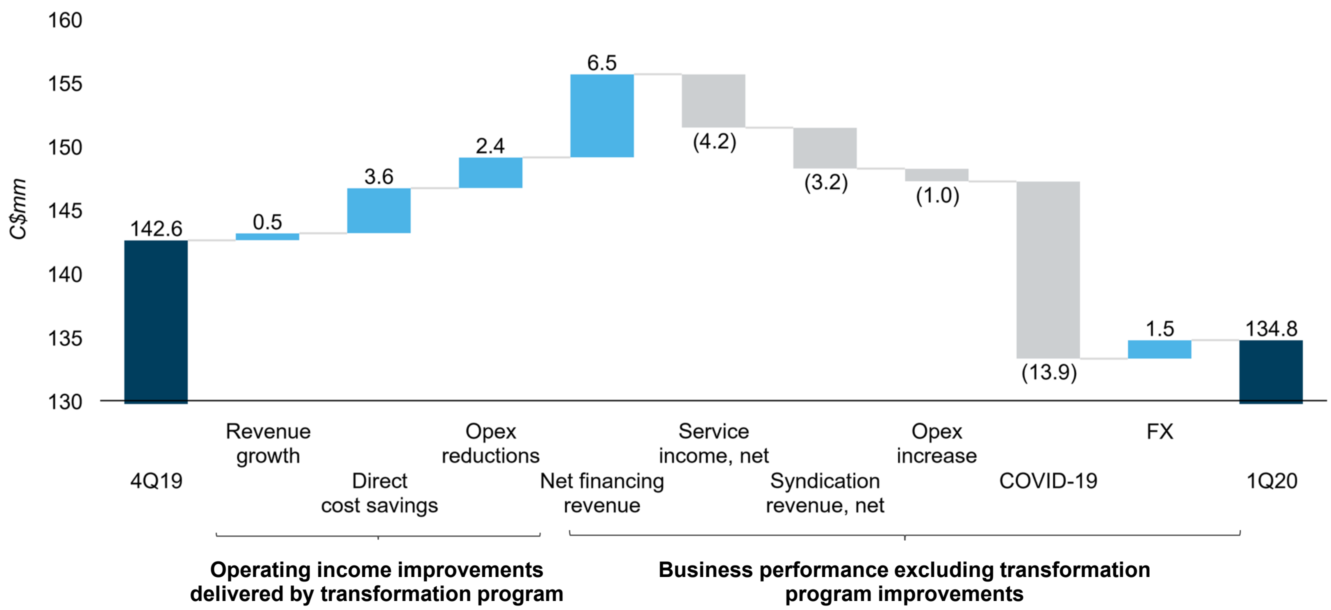


Operating Results

OPERATING RESULTS

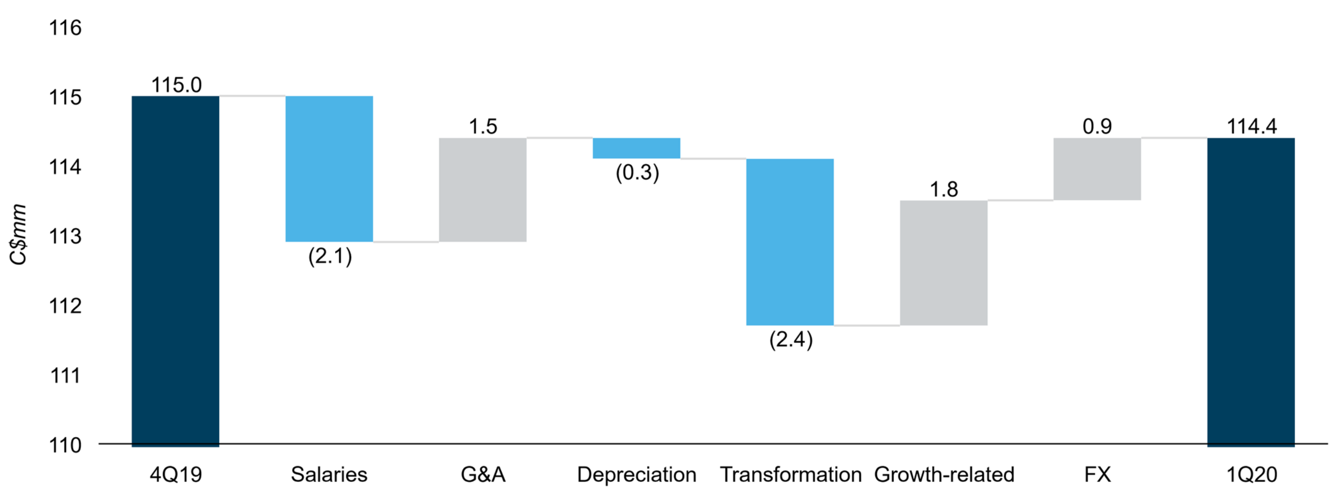
2.0 4Q19 → 1Q20 Core adjusted operating income

Core adjusted operating income in Q1 amounted to $134.8 million, down $7.8 million quarter-over-quarter. While COVID-19 put some downward pressure on service income in the quarter, the bulk of the $13.9 million negative impact was an $11.7 million increase to our provision for credit losses ("PCL") this quarter due to the economic downturn arising from COVID-19. Our transformation program delivered $6.5 million of incremental benefit this quarter, while our net financing revenue improved $6.5 million quarter-over-quarter independent of transformation (and before the incremental PCL). Transformation and financing revenue gains were offset by a seasonally-driven slowdown in service income and a decline in syndication volume over prior quarter.



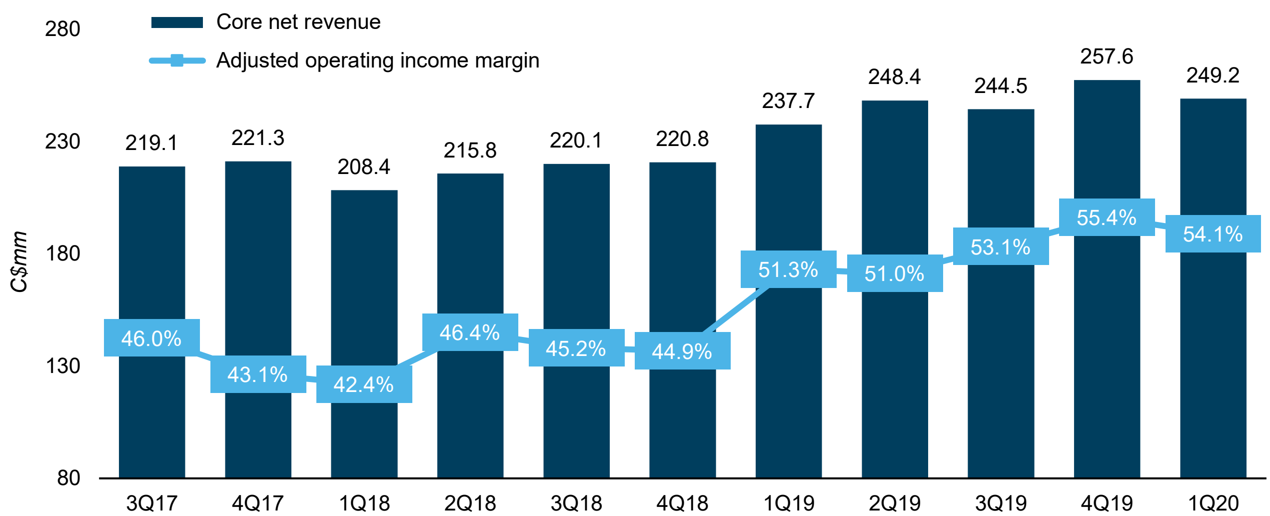
2.1 4Q19 → 1Q20 Core opex

Core opex were effectively flat quarter-over-quarter. Opex savings of $2.4 million from our transformation program coupled with $2.1 million savings from salaries and $0.3 million decrease in depreciation, were largely offset by a $1.8 million quarter-over-quarter increase in growth-related opex, $1.5 million increase in G&A and unfavorable FX impact of $0.9 million due to the strengthening of the U.S. dollar against the Canadian dollar.



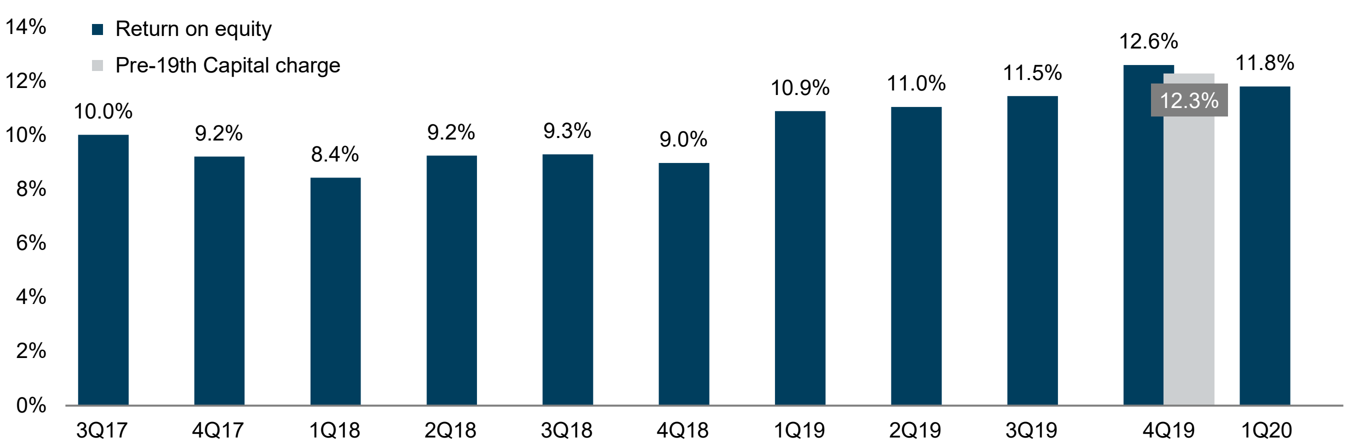
2.2 Core operating leverage

Operating margin increased by ~280 bps year-over-year, from 51.3% in Q1 2019 to 54.1% in Q1 2020, driven by organic business growth and AOI improvement from our transformation program.



3.0 Return on equity

ROE has improved ~90 basis points since Q1 2019.



Definition

"Return on equity" Consolidated after-tax adjusted operating income for the quarter attributable to common shareholders, multiplied by four (i.e. annualized), divided by average common equity of the current and immediately preceding quarter.

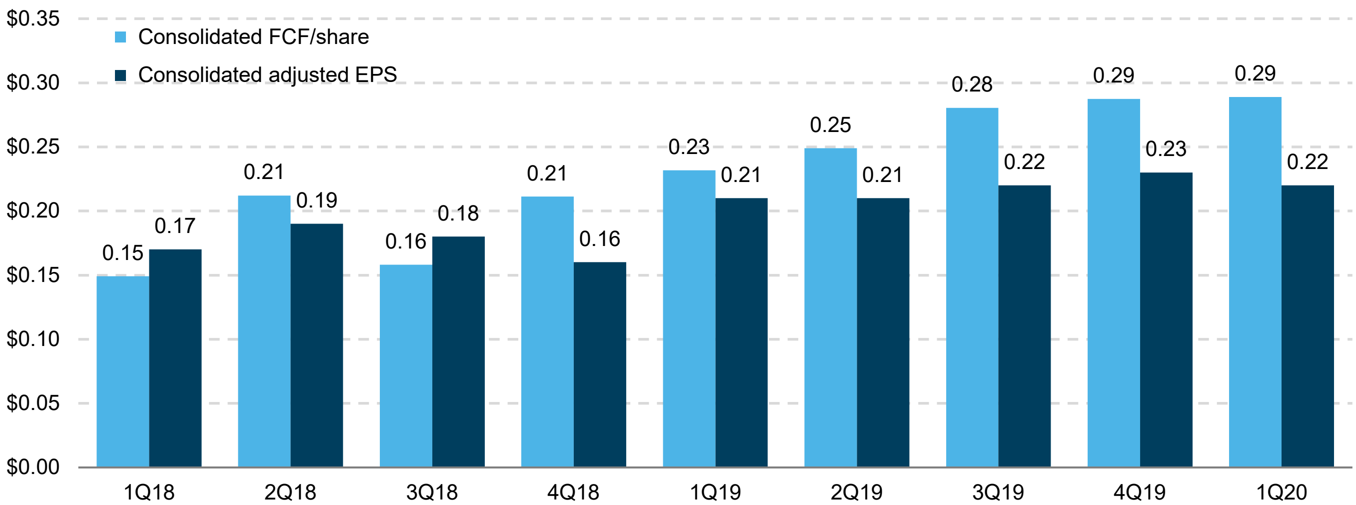
OPERATING RESULTS

4.0 Consolidated free cash flow

C$mm (except free cash flow per common share)	FY17	FY18	1Q19	2Q19	3Q19	4Q19	FY19	1Q20
Before-tax adjusted operating income	**466.6**	**387.1**	**122.0**	**126.0**	**127.6**	**138.4**	**514.0**	**129.3**
Add/(subtract) cash revenue/(expenses) and non-cash expenses/(revenue)	(34.2)	25.4	13.4	12.2	33.9	14.2	73.7	28.4
Cash from operations	**432.4**	**412.5**	**135.4**	**138.2**	**161.5**	**152.6**	**587.7**	**157.7**
Subtract required cash expenses:								
Sustaining capital investments	60.6	39.7	13.8	10.2	10.6	6.9	41.4	10.5
Preferred share dividends	41.3	44.3	11.2	11.2	11.1	11.0	44.4	10.9
Cash taxes paid	40.8	41.2	9.9	8.6	17.9	9.4	45.8	10.0
Free cash flow	**289.7**	**287.3**	**100.5**	**108.2**	**122.0**	**125.3**	**456.1**	**126.3**
As a % of before-tax adjusted operating income	*62%*	*74%*	*82%*	*86%*	*96%*	*91%*	*89%*	*98%*
Weighted average number of common shares outstanding *(mm)*	385.4	391.7	433.6	434.7	435.1	435.8	434.8	437.3
Free cash flow per common share	**0.75**	**0.73**	**0.23**	**0.25**	**0.28**	**0.29**	**1.05**	**0.29**

4.1 Consolidated free cash flow and adjusted operating income per common share

Consolidated free cash flow per share increased $0.14 from Q1 2018 to Q1 2020, while adjusted EPS increased $0.05 over the same period.



Balance Sheet and Assets Under Management

BALANCE SHEET AND ASSETS UNDER MANAGEMENT

5.0 Core end-of-period fleet assets under management by geography

Organic growth in US + Canada and Mexico led to an increase in fleet assets under management in those geographies, while ANZ remained flat.

Local currencies, billions	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
US and Canada (USD)	9.7	9.7	9.8	9.7	9.9	9.9	10.1	10.5	10.9	11.0
Mexico (MXN)	6.2	6.2	6.9	7.4	9.4	9.9	10.8	11.9	14.0	14.9
Australia and New Zealand (AUD)	1.5	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7

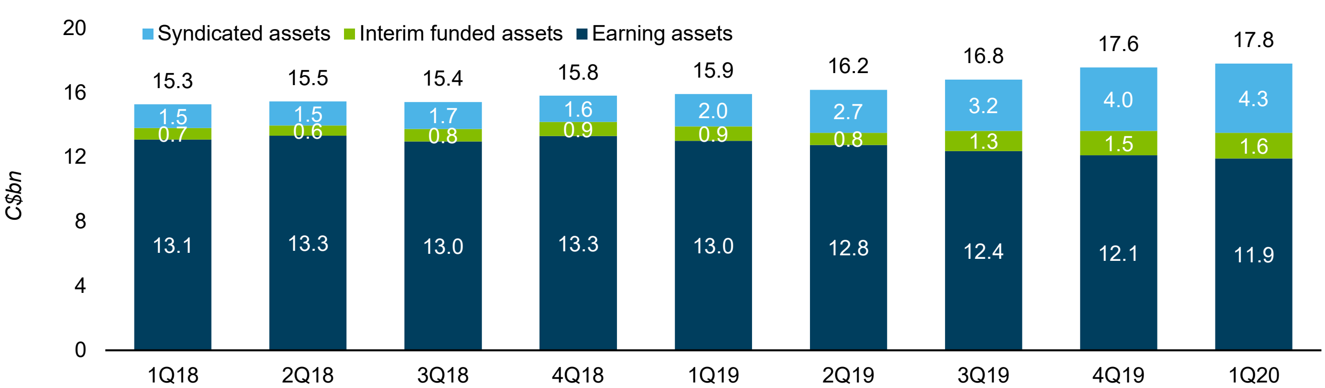
5.1 Core originations

Core originations are typically lowest in the first quarter of every year.

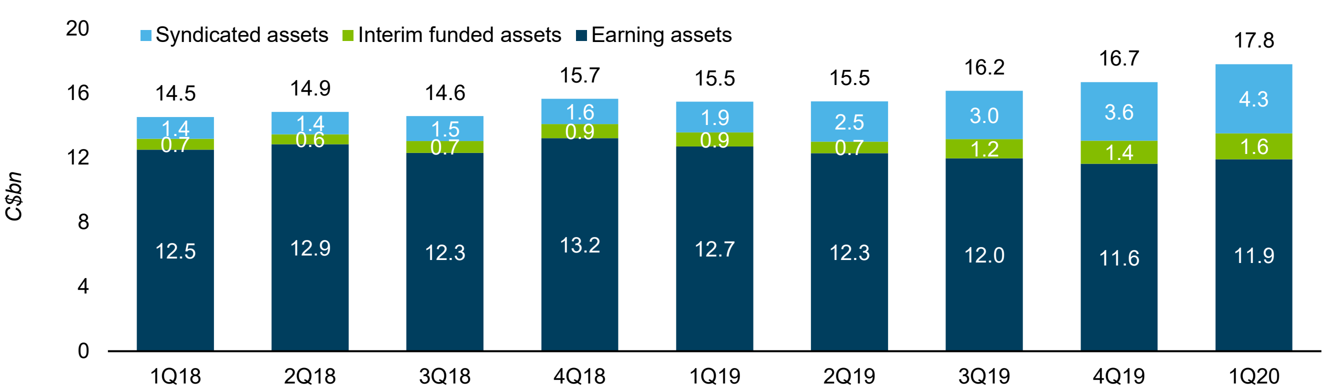
In CAD, billions	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Originations	1.5	1.7	1.5	1.8	1.7	1.8	2.1	2.2	2.0
As a % of originations that year	23%	26%	23%	28%	22%	23%	27%	28%	-

5.2 Core fleet assets under management (constant currency)

On a constant currency basis, core fleet assets under management increased to $17.8 billion in Q1 2020, driven by net growth in syndicated assets of $0.3 billion and interim funded assets of $0.1 billion over the quarter.

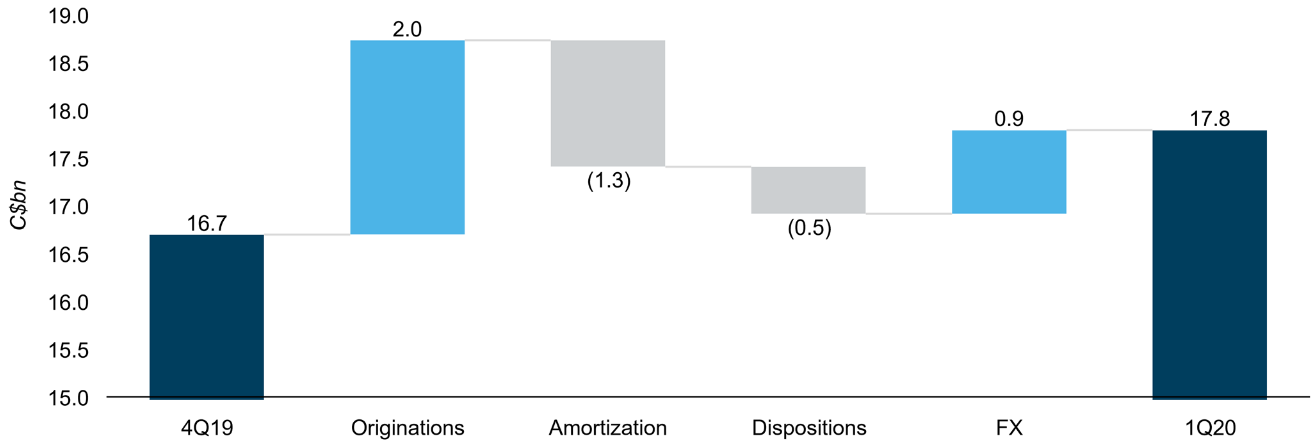


5.3 Core fleet assets under management



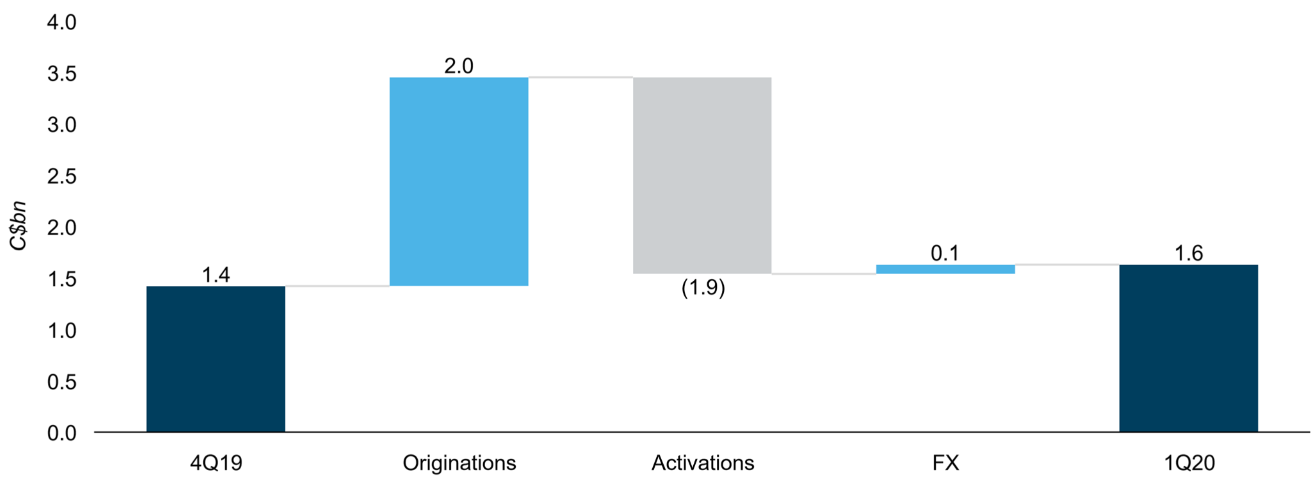
5.4 4Q19 → 1Q20 Core fleet assets under management

Originations of $2.0 billion coupled with $0.9 billion of FX impact - predominantly due to the strengthening of the U.S. dollar against the Canadian dollar - were offset by amortization of approximately $1.3 billion and dispositions of approximately $0.5 billion, resulting in a net increase in core assets under management of $1.1 billion quarter-over-quarter.



5.5 4Q19 → 1Q20 Core interim funded assets

Core interim funded assets grew by $0.2 billion quarter-over-quarter, as originations of $2.0 billion and FX impact of $0.1 billion were offset by $1.9 billion of activations.

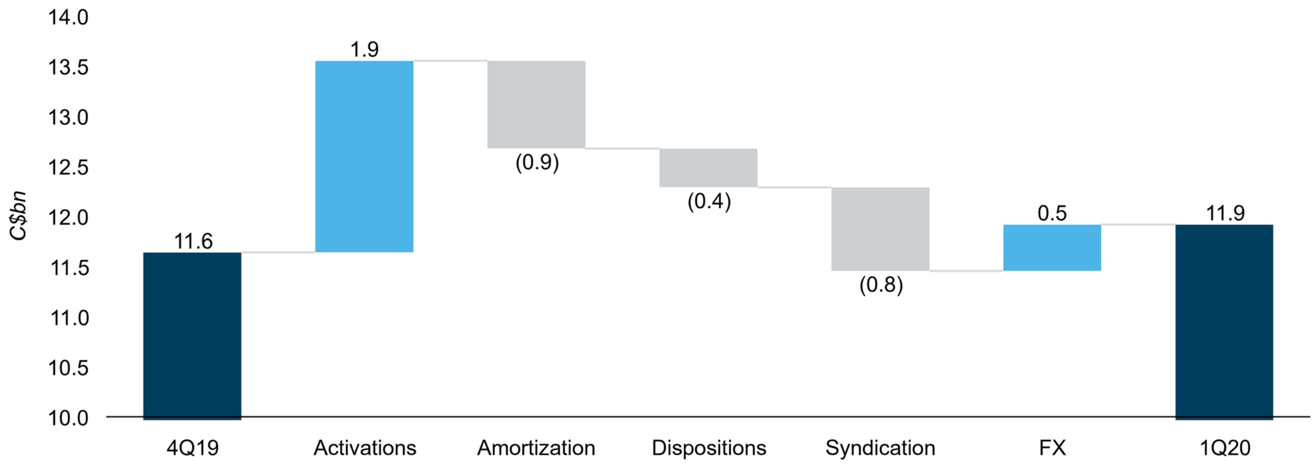


Definitions

"Originations"	An origination occurs when Element pays a manufacturer for a vehicle.
"Activations"	An activation occurs when a vehicle is delivered to a client.
"Interim funded assets"	Interim funded assets are vehicles paid for by Element (“originated”) but not yet delivered to our clients (“activated”). The most common reason for a timing difference between origination and activation is client-required vehicle upfit.

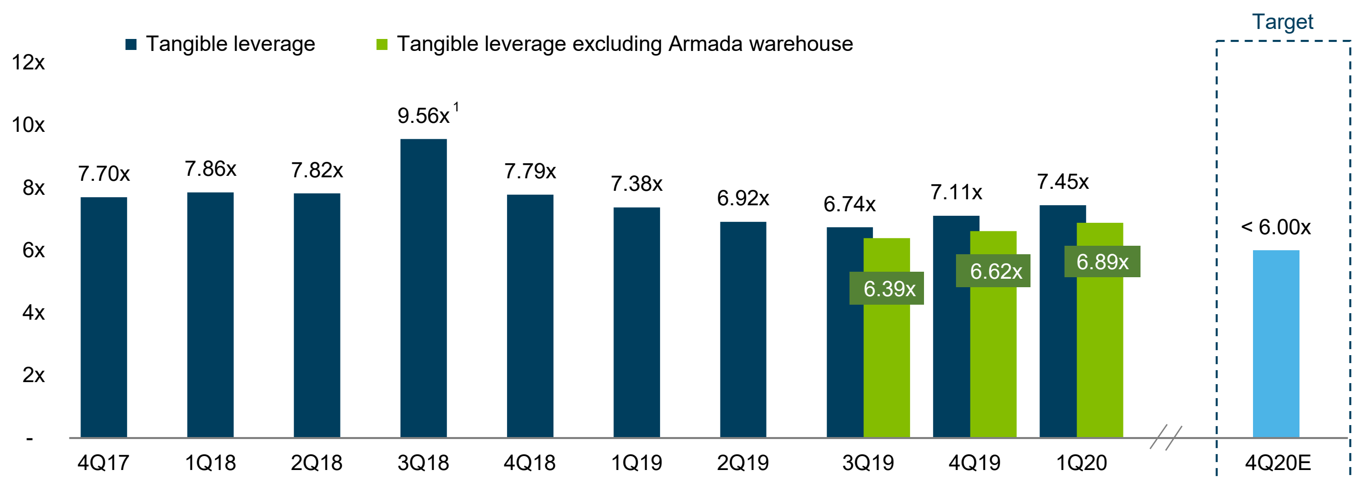
5.6 4Q19 → 1Q20 Core end-of-period earning assets

Activations of $1.9 billion, coupled with FX impact of $0.5 billion, were offset by amortization of $0.9 billion, syndication volumes of $0.8 billion, and dispositions of $0.4 billion. Excluding the impact from FX, core earning assets decreased by approximately $0.2 billion quarter-over-quarter.



6.0 Consolidated tangible leverage ratio

Our tangible leverage ratio increased to 7.45 at quarter-end predominantly due to the strengthening of the U.S. dollar against the Canadian dollar. Adjusted for the impact of Element's non-recourse warehouse credit facility – which exclusively funds pre-syndication assets for Armada – our tangible leverage ratio would be 6.89 at quarter-end. Adjusting for both the non-recourse warehouse credit facility and the FX impact, our tangible leverage ratio would have been 6.35 at quarter-end. We continue targeting a tangible leverage ratio below 6.0.



1. Tangible leverage was reduced to 7.66x with the $345 million equity issuance announced October 1, 2018.

BALANCE SHEET AND ASSETS UNDER MANAGEMENT

7.0 Value of consolidated tax assets

The value of tax assets at the end of Q1 2020 was $417 million, equating to $0.95 per common share.

C$mm (except tax asset value per common share)	YE17	YE18	YE19	1Q20
Gross non-capital tax losses	3,531.1	4,043.3	4,844.2	4,776.9
Value of tax losses at statutory tax rate[1]	955.9	1,043.0	1,237.7	1,239.6
Value of depreciation tax shield	(818.0)	(701.8)	(866.9)	(854.9)
Value of other tax assets	9.4	24.6	21.9	32.4
Value of tax assets	**147.3**	**365.7**	**392.7**	**417.1**
Weighted average number of common shares o/s (*mm*)	385.4	391.7	434.8	437.3
Tax asset value per common share	**0.38**	**0.93**	**0.90**	**0.95**

1. Statutory tax rate of 26.6% in YE 2017 and YE 2018, and 26.0% in YE 2019 and Q1 2020.