Q2 2020 | Supplementary Information

as at June 30, 2020

This supplementary information should be read in conjunction with the Company's Management Discussion & Analysis dated June 30, 2020.

In this document, the Company uses terms such as "before-tax adjusted operating income", "earning assets", "tangible leverage ratio" and other terms that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations. Definitions of these terms 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- and six-month periods ended June 30, 2020, and should be read in conjunction with the Company's Q2 Management Discussion & Analysis and interim condensed consolidated financial statements and accompanying notes for the three- and six-months ended June 30, 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 JULY 28, 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.

A. TRANSFORMATION PROGRAM

1.1 Transformation progress in Q2 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 June 30, 2020, we have actioned $166 million of transformation initiatives, including an incremental $20 million since March 31, 2020. Some examples are:

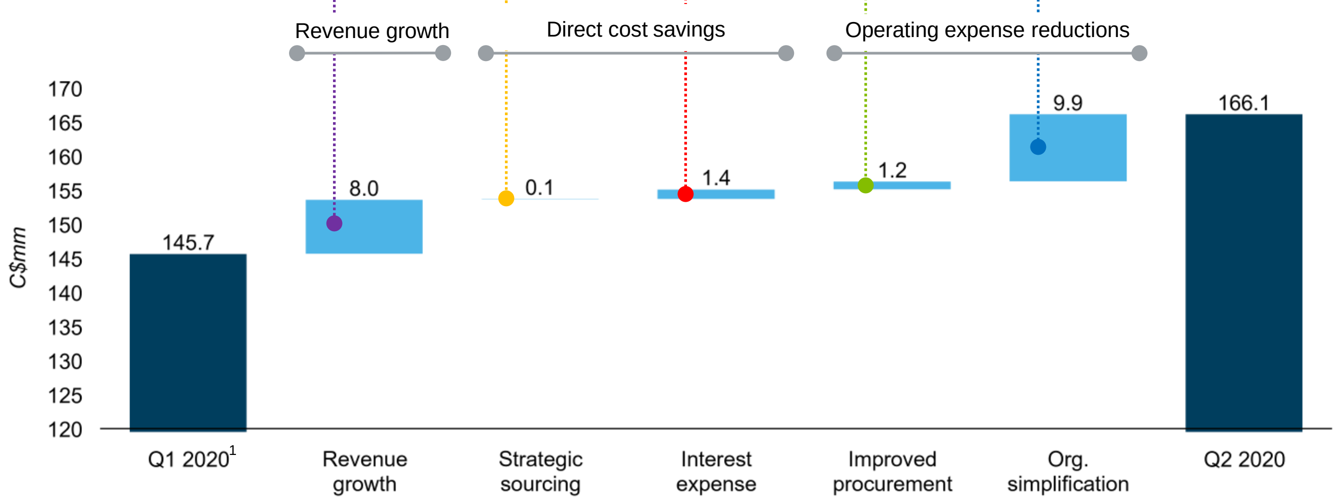
In Q2, we actioned $8.0 million of revenue growth initiatives. In 2020, our revenue assurance team remains focused on working through its robust list of transformation initiatives, particularly initiatives enabled by IT.

By working with our strategic suppliers to improve contractual terms and the overall client experience, we actioned an incremental $0.1 million of direct cost savings this quarter across our North American business.

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 Q2 and expect to action similar quarterly amounts across the next 2 quarters until the end of our transformation in Q4 2020.

As we continue to right-size the business, our indirect procurement teams continue to consolidate and renegotiate contracts with vendors and contractors, which resulted in $1.2 million of actioned operating income improvements this quarter.

We actioned $9.9 million of productivity improvements in the quarter, enabled by automation of work, our 'right person, right place' mandate, and our work location strategy.



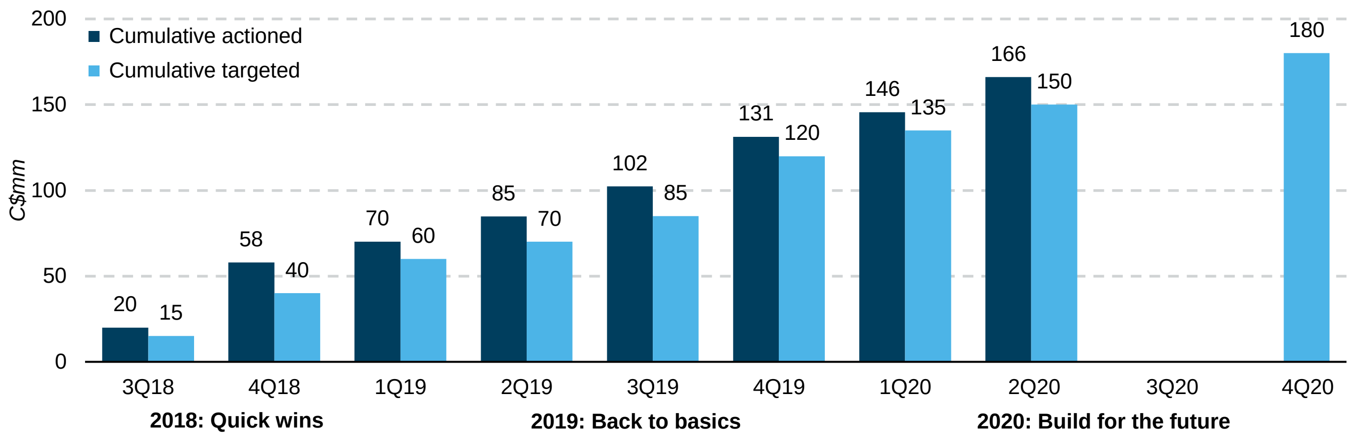
We continue to outperform the transformation targets we have set to date, overachieving for our clients, our business, our people and our investors. The significant progress we have made to date on our transformation initiatives gives us confidence that we will finish strong in the second half of 2020 as we "Build for the Future".

1. Numbers in this Section 1.1 chart may not perfectly add-up due to rounding.

A. TRANSFORMATION PROGRAM

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

We continue to exceed our transformation targets, having actioned $166 million of operating income improvements as of Q2 2020. We have used the lull in the business arising from COVID-19 to accelerate certain transformation initiatives, allowing us to bring forward profitability improvement benefits that we weren't planning to action until the second half of this year.



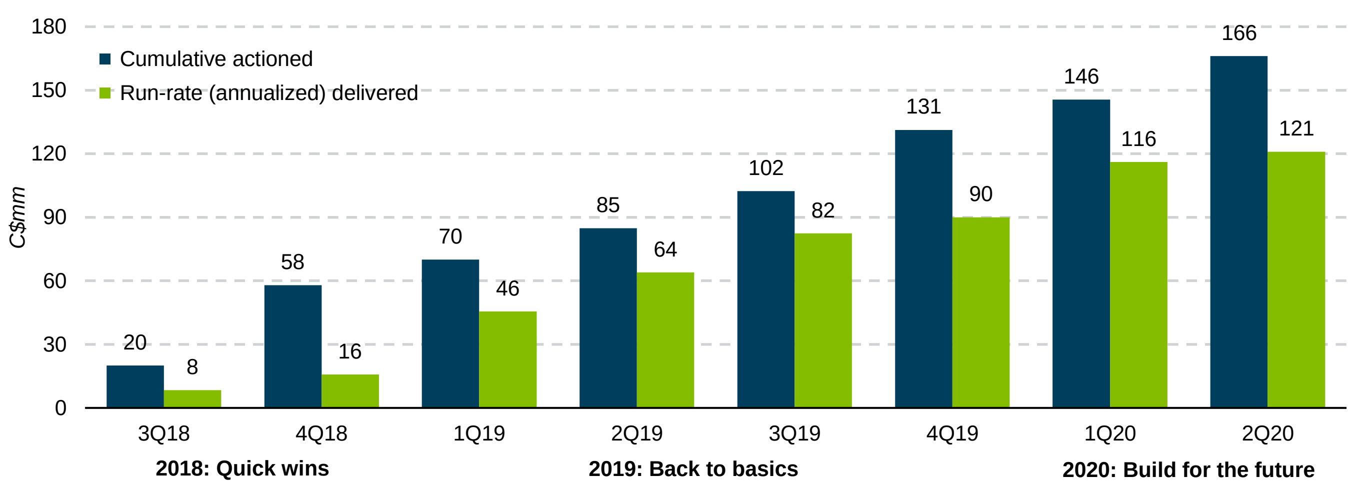
1.3 Delivery and anticipated delivery of $166 million of operating income improvements actioned to date

We anticipate our actioned initiatives as of Q2 2020 will deliver approximately $119 million of operating income enhancement (~$0.23 EPS) in 2020. Our delivery forecast below is adjusted based on the COVID-19 economy and potential resulting impact to our business volumes – which largely drive the scale of operating income enhancement delivered by our transformation. This impact was evident in Q2 2020 direct cost savings.

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	4.3	5	4	17
Direct cost savings	0.5	0.6	1.1	1.4	3.0	4.8	4.6	14.1	8.2	7.7	6	5	27
Opex reductions	0.2	1.9	2.1	6.4	8.5	10.9	14.2	39.8	16.6	18.3	19	20	74
Op income improvement[1]	**2.1**	**4.0**	**6.1**	**11.4**	**16.0**	**20.6**	**22.5**	**70.5**	**29.0**	**30.3**	**30**	**29**	**119**

1. Numbers in this Section 1.3 table may not perfectly add-up due to rounding.

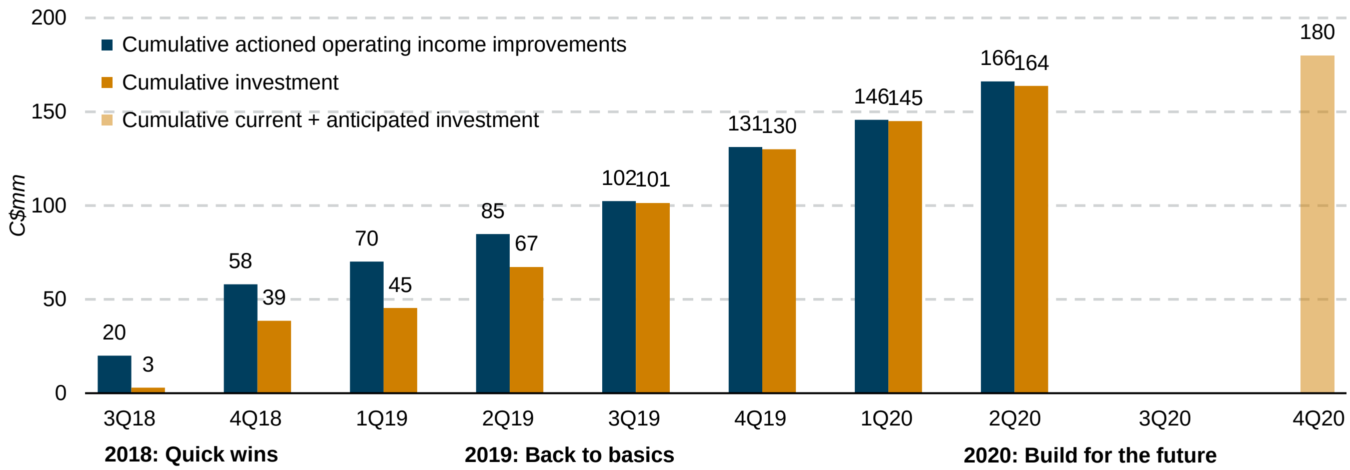
1.4 Cumulative actioned, and run-rate of delivered, operating income improvements



A. TRANSFORMATION PROGRAM

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

As of Q2 2020, we have made $164 million of one-time investments in our transformation program, leaving $16 million available to us to action the remaining initiatives. We continue to plan to invest the full $180 million in our transformation program. These investments will not continue in 2021.

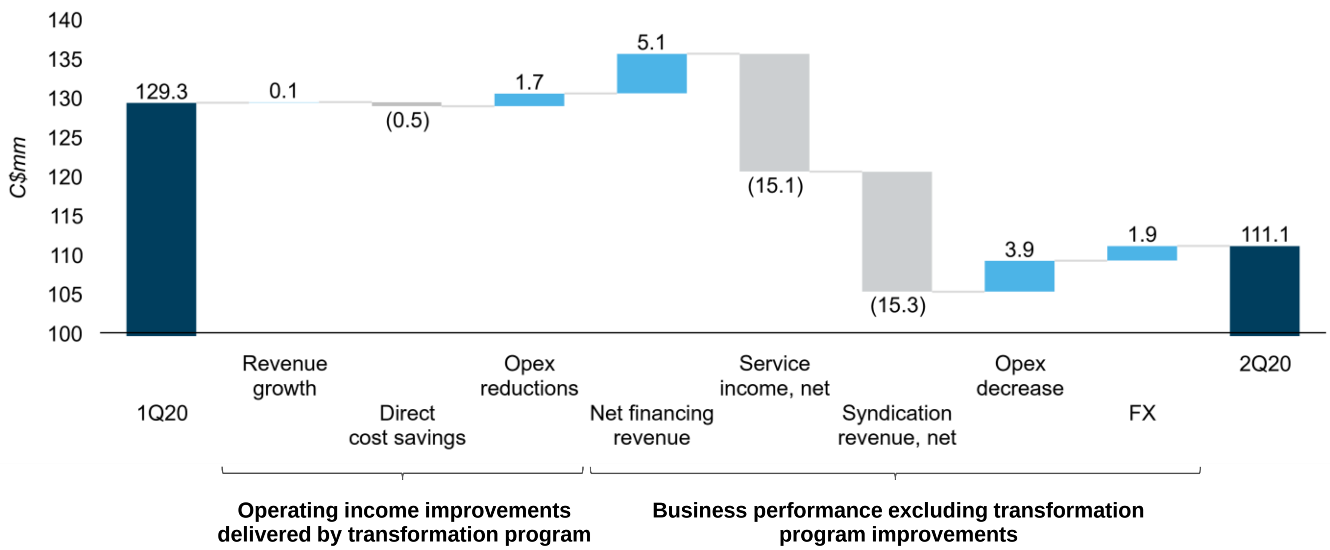


Operating Results

B. OPERATING RESULTS

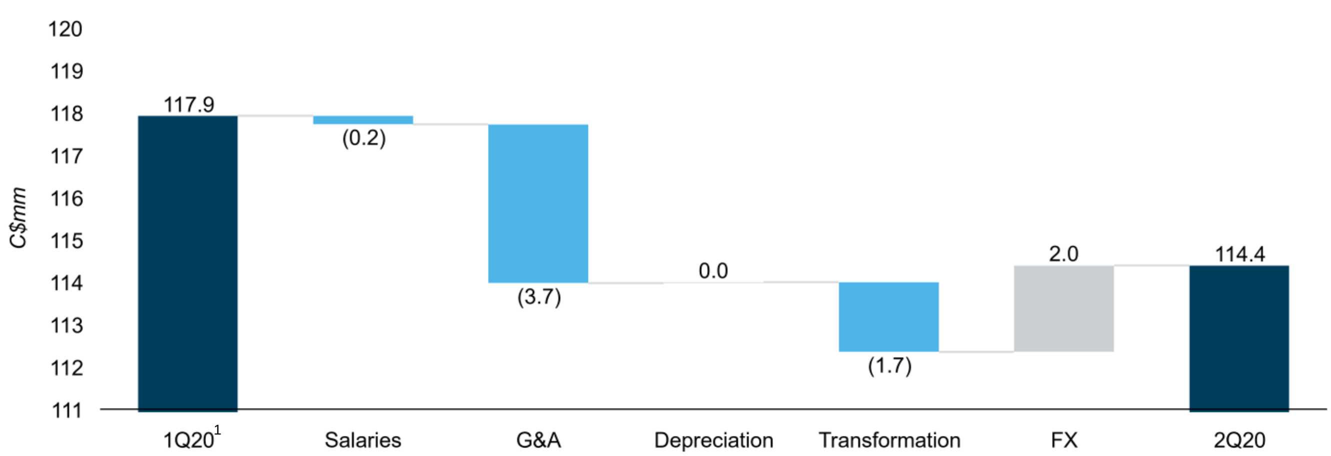
2.1 1Q20 → 2Q20 Adjusted operating income

Adjusted operating income in Q2 was $111.1 million, down $18.2 million quarter-over-quarter. Excluding the impacts of transformation and FX, COVID-19 was the prime determinant of the decline in Q2 business performance: Net financing revenue increased by $5.1 million as the absence of any change to the allowance for credit losses in Q2 was partially offset by (i) the expected delay in gain on sale revenue from ANZ and (ii) lower net earning assets arising from (a) postponed orders and delayed originations and (b) syndication volumes (partially offset by higher net interest margin); Servicing income declined $15.1 million as fleet utilization decreased due to shelter-in-place edicts; Syndication revenue decreased $15.3 million on similar quarter-over-quarter volumes, reflecting pricing pressures in that market, especially for Armada assets; and Opex decreased $3.9 million mainly as a result of lower discretionary business expenses as most of our workforce worked remotely.



2.2 1Q20 → 2Q20 Opex

Adjusted operating expenses decreased $3.5 million quarter-over-quarter. G&A reduction of $3.7 million coupled with $1.7 million of organizational simplification by transformation and a $0.2 million quarter-over-quarter decrease in compensation costs were partially offset by $2.0 million of unfavourable FX.

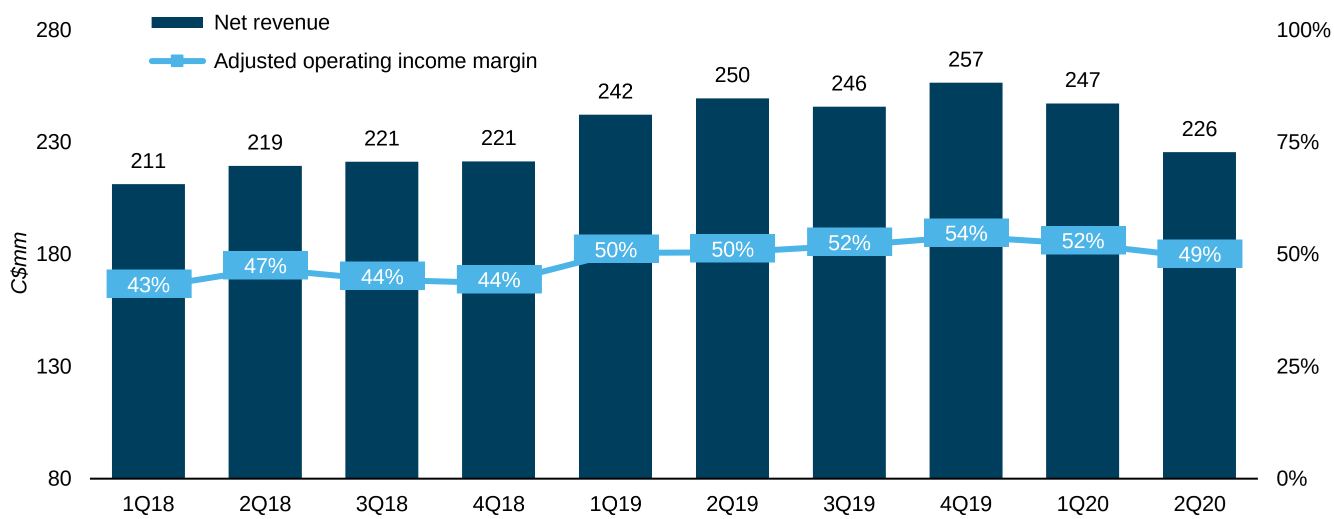


1. Numbers in this Section 2.2 chart may not perfectly add-up due to rounding.

B. OPERATING RESULTS

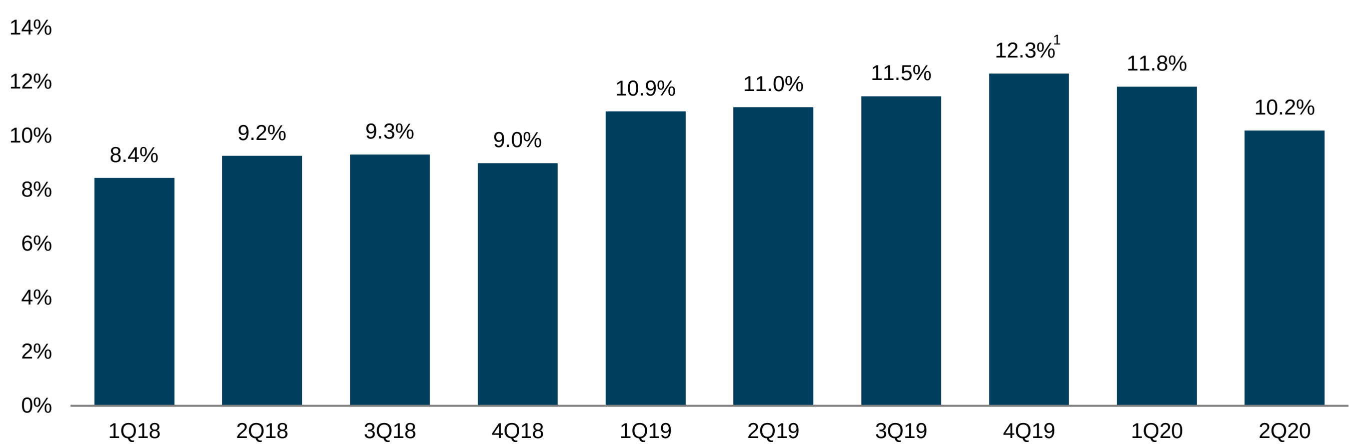
2.3 Operating leverage

Operating margin fell ~120 bps year-over-year from 50% in Q2 2019 to 49% in Q2 2020, largely driven by lower year-over-year AOI due to a decline in services consumption, deferred gain on sale revenue and reduced syndication revenue.



2.4 Return on equity

ROE for Q2 2020 was ~80 basis points lower than Q2 2019.



1. 4Q19 return on equity was 12.6%; 12.3% excludes the 19th Capital charge in that quarter.

Definition

"Return on equity" 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.

B. OPERATING RESULTS

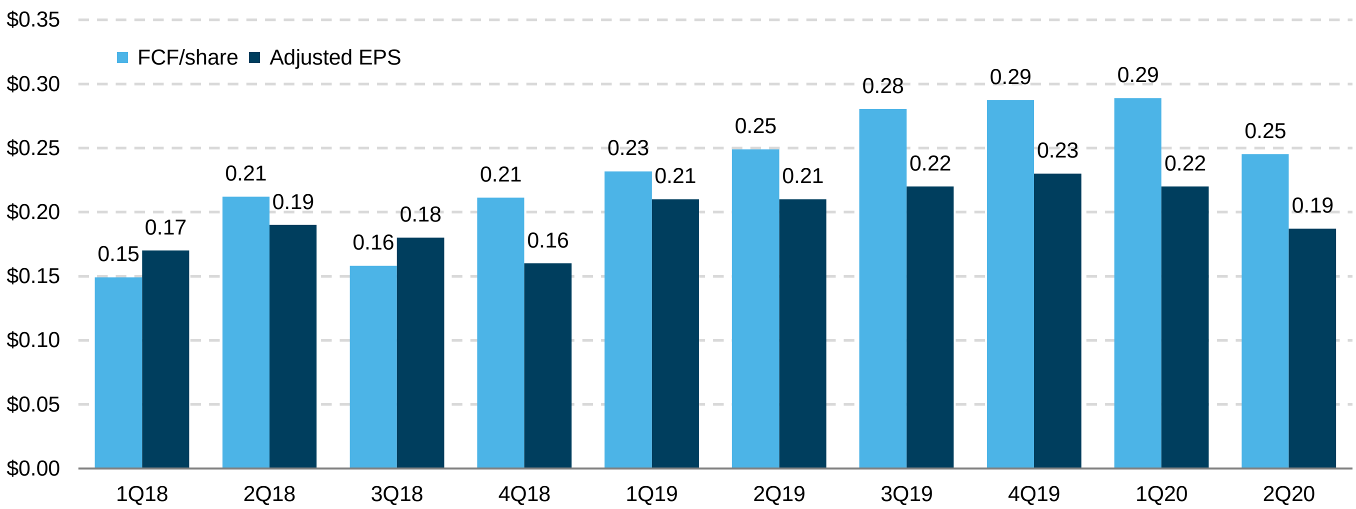
3.1 Free cash flow

C$mm (except free cash flow per common share)	FY17	FY18	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20
Before-tax adjusted operating income	**466.6**	**387.1**	**122.0**	**126.0**	**127.6**	**138.4**	**514.0**	**129.3**	**111.1**
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	18.8
Cash from operations	**432.4**	**412.5**	**135.4**	**138.2**	**161.5**	**152.6**	**587.7**	**157.7**	**130.0**
Subtract required cash expenses:									
Sustaining capital investments	60.6	39.7	13.8	10.2	10.6	6.9	41.4	10.5	7.3
Preferred share dividends	41.3	44.3	11.2	11.2	11.1	11.0	44.4	10.9	10.9
Cash taxes paid	40.8	41.2	9.9	8.6	17.9	9.4	45.8	10.0	4.4[1]
Free cash flow	**289.7**	**287.3**	**100.5**	**108.2**	**122.0**	**125.3**	**456.1**	**126.3**	**107.3**
As a % of before-tax adjusted operating income	*62%*	*74%*	*82%*	*86%*	*96%*	*91%*	*89%*	*98%*	*97%*
Weighted average number of common shares outstanding *(mm)*	385.4	391.7	433.6	434.7	435.1	435.8	434.8	437.3	437.8
Free cash flow per common share	**0.75**	**0.73**	**0.23**	**0.25**	**0.28**	**0.29**	**1.05**	**0.29**	**0.25**

1. Cash taxes decreased in Q2 primarily due to various Canadian and U.S. deferrals pertaining to COVID-19. The deferrals end in Q3 and as such we expect Q3 to include both normal Q3 payments and the deferred payments.

3.2 Free cash flow and adjusted operating income per common share

Free cash flow per share increased 19% ($0.04) from Q2 2018 to Q2 2020 on flat adjusted EPS.



Balance Sheet and Assets Under Management

C. BALANCE SHEET AND ASSETS UNDER MANAGEMENT

Note: References to "assets under management", "originations", "interim funded assets" and "earning assets" throughout this section C exclude 19th Capital historical volumes.

4.1 Assets under management by geography

Organic growth led to an increase in assets under management in Mexico, while assets under management in the US and Canada decreased slightly due to postponed orders and delayed originations, and Australia and New Zealand remained flat.

Local currencies, billions	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
US and Canada (USD)	9.7	9.8	9.7	9.9	9.9	10.1	10.5	10.9	11.0	10.7
Mexico (MXN)	6.2	6.9	7.4	9.4	9.9	10.8	11.9	14.0	14.9	15.9
Australia and New Zealand (AUD)	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7

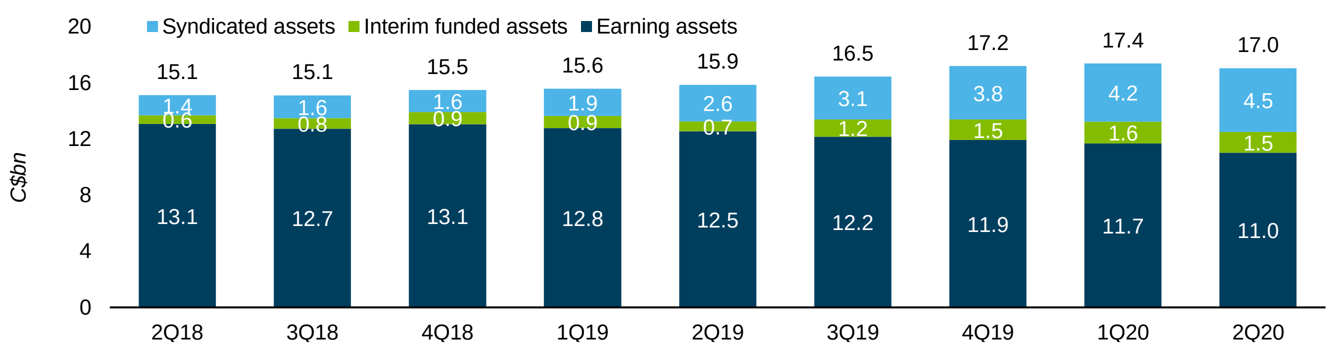
4.2 Originations

Originations are typically lowest in the first quarter of every year. As expected, Q2 2020 originations were markedly lower due to (i) clients postponing new vehicle orders in the face of OEM shutdowns and economic uncertainty associated with COVID-19 and (ii) OEM and dealer closures delaying fulfillment of previously accepted client vehicle orders.

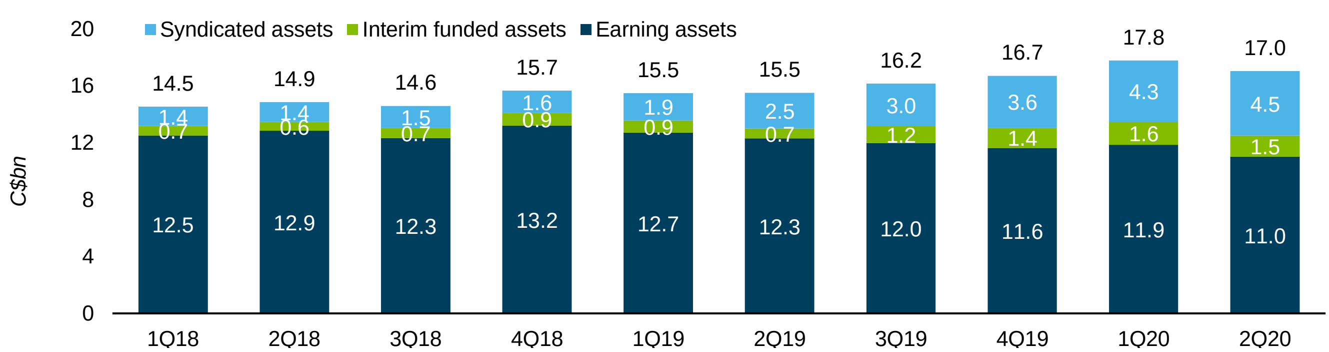
In CAD, billions	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Originations	1.5	1.7	1.5	1.8	1.7	1.8	2.1	2.2	2.0	1.3
As a % of originations that year	23%	26%	23%	28%	22%	23%	27%	28%	-	-

4.3 Assets under management (constant currency)

On a constant currency basis, assets under management have grown $1.1 billion since Q2 2019, but declined by $0.4 billion quarter-over-quarter due to postponed client vehicle orders and delayed originations.



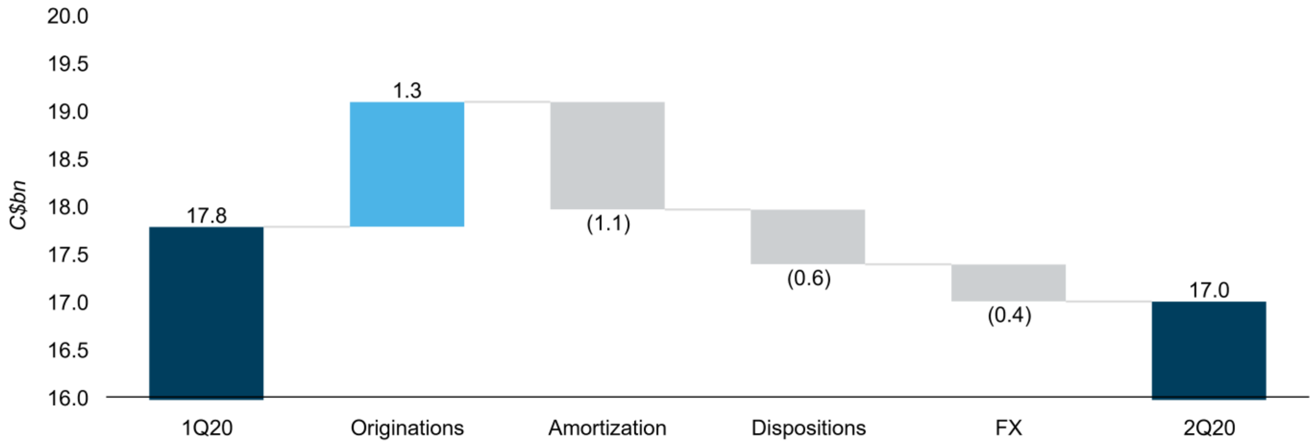
4.4 Assets under management



C. BALANCE SHEET AND ASSETS UNDER MANAGEMENT

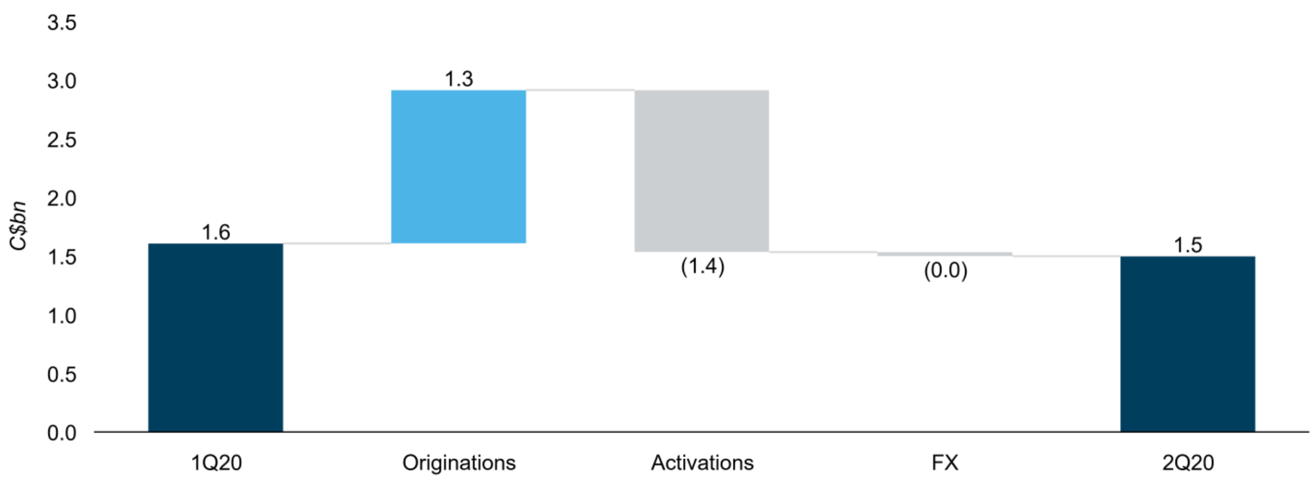
4.5 1Q20 → 2Q20 Assets under management

Originations of $1.3 billion were offset by $1.1 billion of amortization, dispositions of $0.6 billion and FX of $0.4 billion (predominantly due to the strengthening of the Canadian dollar against the U.S. dollar) resulting in a net decrease in assets under management of $0.8 billion quarter-over-quarter.



4.6 1Q20 → 2Q20 Interim funded assets

Interim funded assets declined by $0.1 billion quarter-over-quarter as originations of $1.3 billion were offset by $1.4 billion of activations.



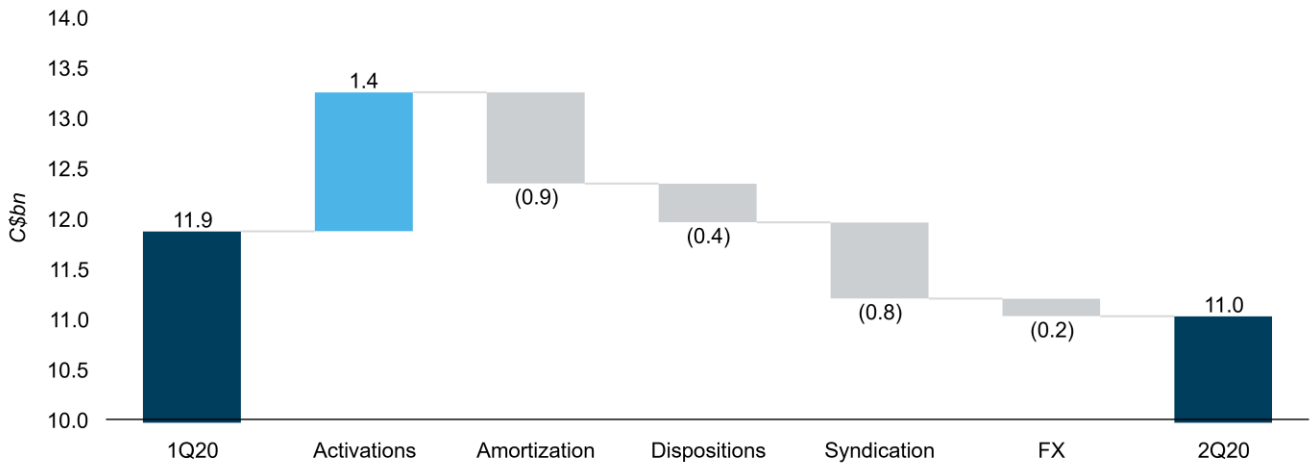
Definitions

"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.

C. BALANCE SHEET AND ASSETS UNDER MANAGEMENT

4.7 1Q20 → 2Q20 End-of-period earning assets

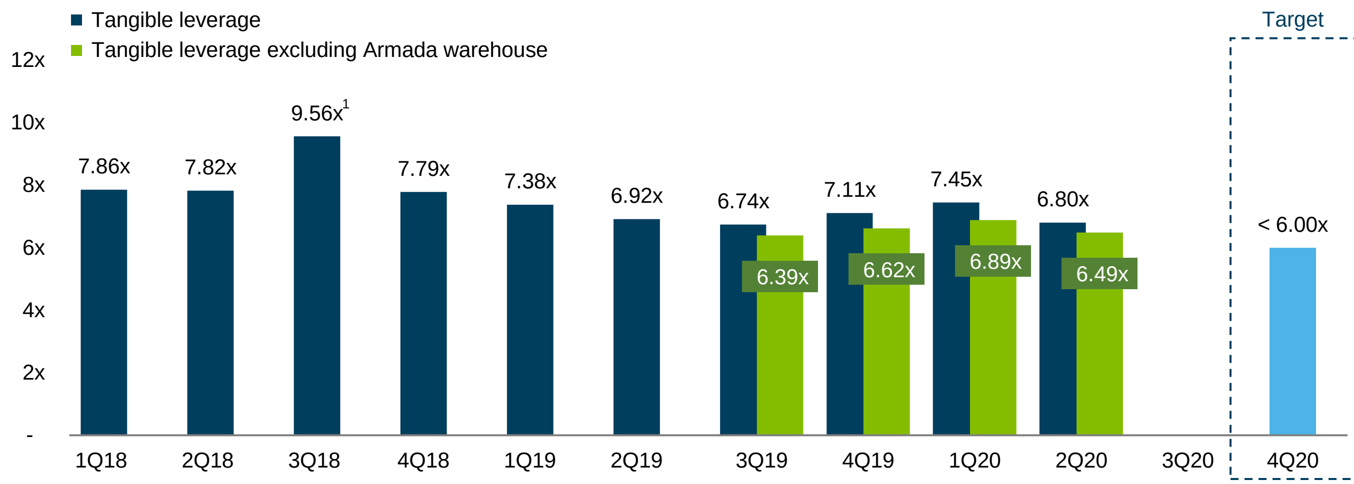
Activations of $1.4 billion were offset by amortization of $0.9 billion, dispositions of $0.4 billion, syndication of $0.8 billion and FX of $0.2 billion.



C. BALANCE SHEET AND ASSETS UNDER MANAGEMENT

5.0 Tangible leverage ratio

Our tangible leverage ratio decreased to 6.80 at quarter-end, predominantly driven by net earning asset syndication. 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 6.49 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.

C. BALANCE SHEET AND ASSETS UNDER MANAGEMENT

6.0 Value of tax assets

The value of tax assets at the end of Q2 2020 was $411.7 million, equating to $0.94 per common share.

C$mm (except tax asset value per common share)	YE17	YE18	YE19	1Q20	2Q20[1]
Value of tax assets	147.3	365.7	392.7	417.1	411.7
Weighted average number of common shares o/s (*mm*)	385.4	391.7	434.8	437.3	437.8
Tax asset value per common share	**0.38**	**0.93**	**0.90**	**0.95**	**0.94**

1. Our tax professionals evolved our accounting methodology for tax assets this quarter. As a consequence of this progress, values of tax losses at statutory tax rate, depreciation tax shield and other tax assets will be determined and reported here at year-end.

COVID-19-related Items of Interest

D. COVID-19-RELATED ITEMS OF INTEREST

How has the economic slowdown impacted your liquidity?

7.0 Working capital release

One of Element's innate defensive characteristics is the fact that, in an economic slowdown that reduces client activity, we generate liquidity from the declining working capital balances we fund in support of client activity. The working capital we extend to our clients relates to service billings, passthrough charges (products and services for which we have paid for but not yet been reimbursed by clients for) and to a lesser extent, syndicated assets. Working capital outlay decreased approximately $173 million quarter-over-quarter.

C$mm	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Receivables related to syndicated assets	14	15	19	24	27	38	42	45	46
Outstanding service billings	267	288	350	296	331	296	308	252	155
Receivables for passthrough charges	361	364	279	279	301	310	282	288	210
Working capital outlay	**642**	**667**	**648**	**599**	**659**	**644**	**633**	**585**	**412**

How has the economic slowdown impacted your servicing income?

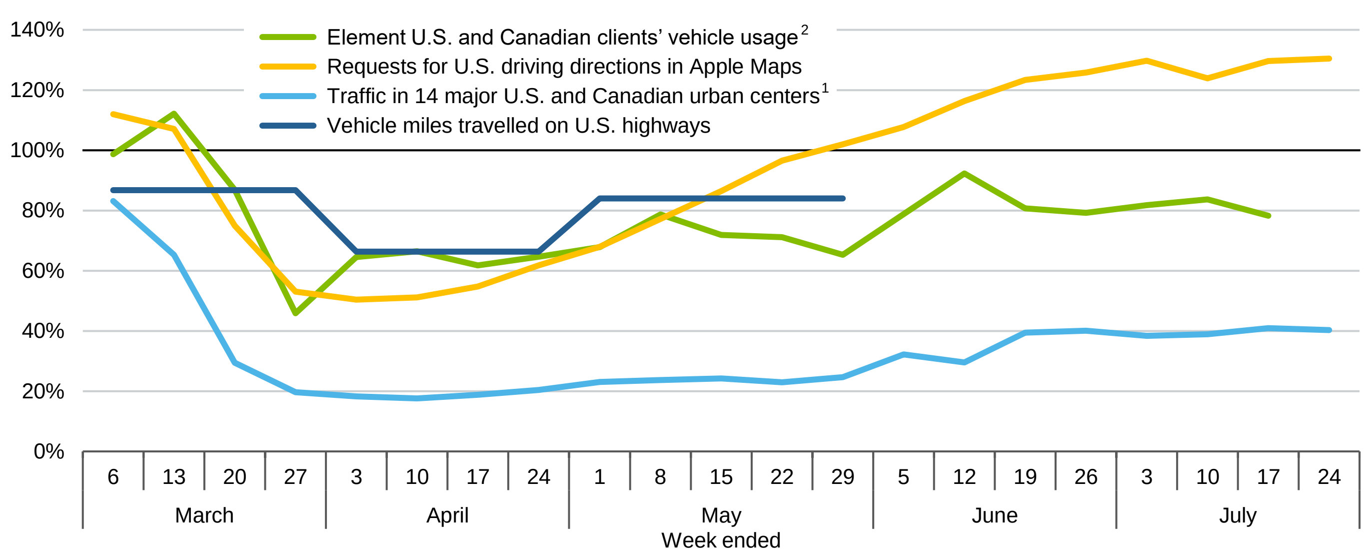
8.1 Client vehicle usage

Beginning in the second week of March, Element's U.S. and Canadian clients' vehicle usage declined by approximately 55% as measured by weekly fuel consumption against a baseline of average weekly fuel consumption in January 2020. By comparison:

• Measured against a January 2020 baseline, requests for driving directions in Apple Maps imply that vehicle usage in the U.S. fell by approximately 50% in March and gradually recovered to January levels in the last week of May.

• Based on over 600 million drivers globally who use TomTom tech in their navigation devices, in-dash systems and smartphones, equity research professionals at RBC Capital Markets collected, analyzed and published[1] data comparing multi-city 2020 traffic levels to their respective daily averages from 2019. This data suggests that vehicle usage in 14 major U.S. and Canadian urban centers fell by approximately 80% in March and has yet to recover significantly through July.

• Data from the U.S. Department of Transportation Federal Highway Administration indicates that total vehicle miles travelled monthly on U.S. highways was down 13% in March (from a January 2020 baseline), 34% in April and 16% in May.

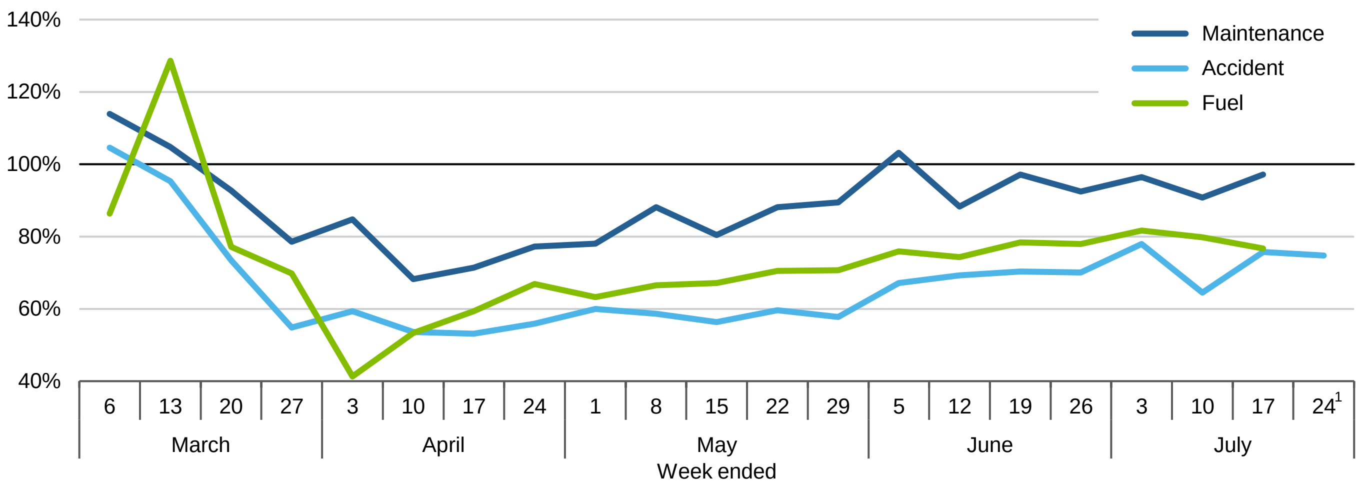


1. "RBC Global Traffic Trends", RBC Capital Markets equity research published July 2, 2020, www.rbcinsightresearch.com and subsequent data.
2. Element fuel data was unavailable for the week ended July 24 as of the date of this publication.

D. COVID-19-RELATED ITEMS OF INTEREST

8.2 Service transaction volumes

Clients' fuel, maintenance and accident transaction volumes continue to grow steadily from the abrupt decline in mid-March. The following chart shows number of transactions in all geographies weekly in 2020 as a percentage of same-week 2019 data.

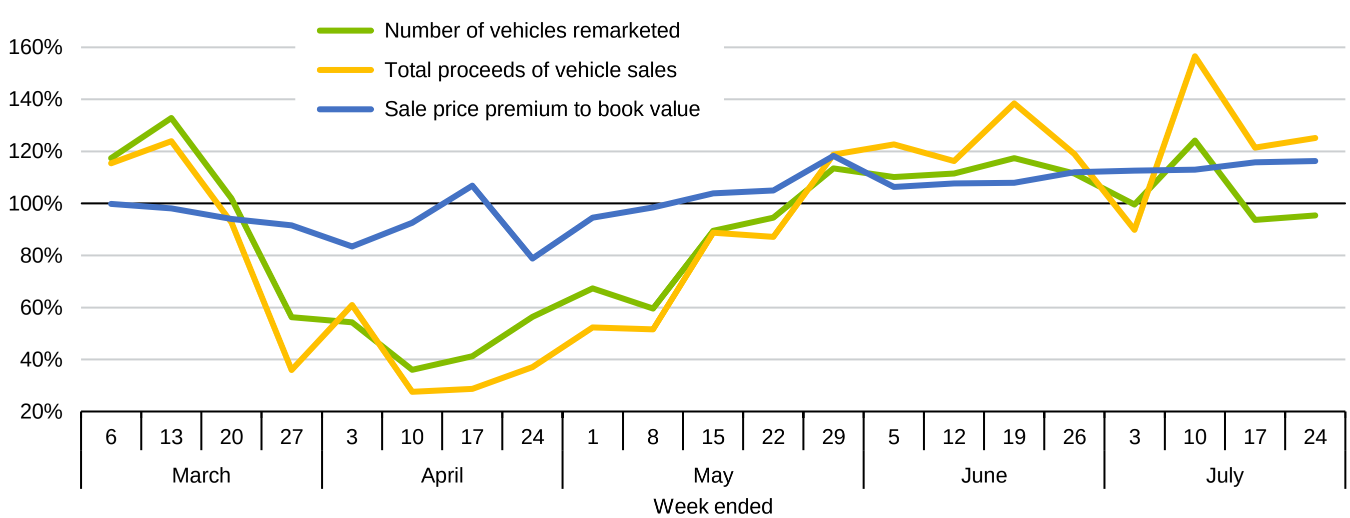


1. Fuel and maintenance data were unavailable for the week ended July 24 as of the date of this publication.

How has the economic slowdown impacted remarketing?

8.3 Remarketing performance

Remarketing volumes and proceeds of vehicle sales have largely recovered after a rapid decline over three weeks in March. The following chart shows Element's weekly 2020 data as a percentage of same-week 2019 data across all geographies.

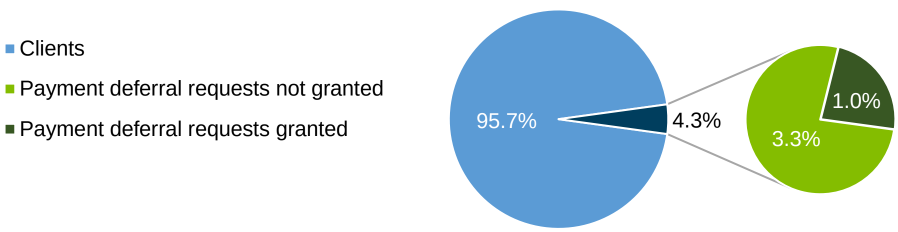


D. COVID-19-RELATED ITEMS OF INTEREST

How has the economic slowdown impacted clients’ ability to stay current and your ability to collect?

9.1 Payment deferrals

Client requests for Element’s accommodation amid COVID-19 have been relatively limited, with just 4.3% of clients requesting a payment deferral. Only 1% of our clients have been granted payment deferrals to any extent, and those are granted exclusively to solid-credit clients with whom we have deepened our relationship by doing so. Deferrals amount to approximately $23 million of finance receivables, or just 20 basis points as a percentage of total finance receivables. The average deferral period was 3.1 months and, as of June 30, 2020, approximately $6.5 million of deferred receivables had been paid, with no departures from payment plans.



9.2 Delinquency schedule

Net finance receivables invoiced by Element but unpaid by clients for more than 30 days result in the categorization of the clients’ entire contract balance as delinquent. In other words, delinquencies are reported in our financial statements as the aggregate net investment in finance receivables (i.e. finance lease receivables and finance loan receivables) attributable to delinquent client accounts rather than the actual amounts in respect of which clients are delinquent. The latter amounts are typically immaterial:

All monetary figures are in C$mm	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Number of delinquent clients	58	58	59	47	40	42	51	32	55
Reported delinquent amount	13.3	14.6	15.7	14.7	9.7	9.7	14.9	47.8	35.3
Actual delinquent net finance receivable amount outstanding	3.0	2.6	4.7	2.8	2.8	2.3	5.7	4.9	2.9
Average actual amount outstanding per delinquent client	0.05	0.04	0.08	0.06	0.07	0.06	0.11	0.15	0.05

D. COVID-19-RELATED ITEMS OF INTEREST

10.0 Impaired receivables

Element client defaults are rare given robust credit decisioning, monitoring and collections practices. Receivables over 120 days past due are automatically impaired and the client is in default. We can also assess receivables to be impaired independent of client delinquency or default where warranted. Clients in default or assessed to be impaired are typically restructuring or, less frequently, in liquidation.

Our leases are usually affirmed during restructuring proceedings and monthly payments resume because our vehicles are essential to the client's ability to sustain cash flow. The client settles any prior delinquencies with us as a condition of exiting restructuring.

We rarely suffer losses (net of recovery) on liquidation because clients have invariably been subject to monitoring and we have enhanced our security ahead of time; and our leases are cross-collateralized by the client's entire fleet (which almost invariably contains equity).

		Impaired receivables balance (C$mm)								
	Pre-default						2Q20			Credit losses
Client	credit rating	1Q19	2Q19	3Q19	4Q19	1Q20	April	May	June	to date
"A"	CCC	49.4	46.0	43.4	39.6	39.5	38.0	36.4	34.9	-
"B"	B+	13.8	5.3	1.7	0.9	0.8	0.7	0.7	0.7	1.4
"C"	BB	-	-	2.0	1.9	1.7	1.6	-	-	0.7
"D"	A	-	-	3.8	3.7	3.6	3.6	3.4	3.4	-
"E"	B	-	-	-	2.7	0.1	0.1	-	-	0.4
"F"	BBB-	-	-	-	1.9	1.7	1.7	1.7	1.7	0.1
"G"	D	-	-	-	-	49.4	40.4	34.5	31.8	-
"H"	CCC+	-	-	-	-	-	8.7	8.3	7.8	-
"I"	CCC-	-	-	-	-	-	33.5	29.1	27.3	-
"J"	CCC+	-	-	-	-	-	4.3	4.0	3.7	-
All others	-	12.3	3.9	4.1	3.0	0.2	0.3	0.5	0.8	-
Total[1]	-	**75.5**	**55.2**	**54.9**	**53.5**	**96.8**	**132.9**	**118.6**	**112.0**	**2.6**

1. Numbers in this Section 10.0 table may not perfectly add-up due to rounding.

D. COVID-19-RELATED ITEMS OF INTEREST

What are your industry exposures like?

11.1 Major industry exposures and accompanying client credit ratings

80% of earning assets by value are in use by clients operating in the following 20 major industry classifications. Clients in the top 20 major industries to which Element is exposed have the following average credit ratings – weighted by the value of clients' earning assets. The remainder of our assets are with clients in an additional 60+ major industry classifications with a combined weighted average credit rating of BBB.

		Weighted average credit rating	
Major industry classification	% EA[1]	Moody's	S&P
Chemicals & Allied Products	9.6%	Baa1	BBB+
Food & Kindred Products	6.2%	Baa2	BBB
Wholesale Trade & Die; Durable Goods	6.1%	Ba1	BB+
Electric, Gas & Sanitary Services	5.9%	Baa1	BBB+
Business Services	5.7%	Ba2	BB
Communications	4.6%	Ba2	BB
Construction-Special Trade Contractors	4.6%	Baa2	BBB
Measuring, Analyzing & Controlling Instruments	3.8%	Baa1	BBB+
Transportation Equipment	3.8%	Baa3	BBB-
Industrial & Commercial Machinery & Computer Equipment	3.5%	Baa3	BBB-
Oil & Gas Extraction	3.3%	Baa3	BBB-
Automotive Repair, Services & Parking	3.2%	B2	B
Electronic & Other Electrical Equipment & Components	3.0%	Baa1	BBB+
Wholesale Trade & Die; Non-Durable Goods	3.0%	Baa3	BBB-
Motor Freight Transportation and Warehousing	2.9%	Baa3	BBB-
Heavy Construction Other Than Building Contractors	2.8%	Ba1	BB+
Stone, Clay, Glass, and Concrete Products	2.4%	Baa3	BBB-
Engineering, Accounting, Research, Management and Related	2.1%	Baa3	BBB-
Health Services	1.7%	Ba1	BB+
Insurance Carriers	1.5%	A2	A

1. Percentage of total earning assets as of June 30, 2020

D. COVID-19-RELATED ITEMS OF INTEREST

11.2 Specific industry exposures and accompanying client credit ratings

46% of earning assets by value are in use by clients operating in the following 20 specific industry groups. Clients in the top 20 specific industry groups to which Element is exposed have the following average credit ratings – weighted by the value of clients' earning assets. The remainder of our assets are with clients in an additional 300+ specific industry groups with a combined weighted average credit rating of BBB-.

		Weighted average credit rating	
Major industry classification	% EA[1]	Moody's	S&P
Drugs	3.6%	Baa1	BBB+
Motor Vehicles and Motor Vehicle Equipment	3.6%	Baa3	BBB-
Telephone Communications	3.2%	Ba2	BB
Trucking and Courier Services, except Air	2.9%	Baa3	BBB-
Miscellaneous Business Services	2.8%	Ba2	BB
Electrical Work	2.7%	Baa1	BBB+
Electric Services	2.6%	Baa1	BBB+
Automotive Rental and Leasing, without Drivers	2.5%	B3	B-
Agricultural Chemicals	2.4%	Baa1	BBB+
Heavy Construction, except Highway and Street	2.2%	Ba1	BB+
Oil and Gas Field Services	2.2%	Baa3	BBB-
Machinery, Equipment, and Supplies	2.2%	Ba1	BB+
Laboratory Apparatus and Instruments	2.2%	A3	A-
Meat Products	1.8%	Baa3	BBB-
Electronic Components and Accessories	1.7%	Baa1	BBB+
Concrete, Gypsum, and Plaster Products	1.6%	Baa3	BBB-
Combination Electric and Gas, and other Utility	1.6%	A3	A-
Beverages	1.5%	Baa1	BBB+
Surgical, Medical, and Dental Instruments and Supplies	1.4%	Baa3	BBB-
Fire, Marine, and Casualty Insurance	1.4%	A2	A

1. Percentage of total earning assets as of June 30, 2020

D. COVID-19-RELATED ITEMS OF INTEREST

11.3 Sub-specific industry exposures and accompanying client credit ratings

37% of earning assets by value are in use by clients operating in the following 20 sub-specific industry groups. Clients in the top 20 sub-specific industry groups to which Element is exposed have the following average credit ratings – weighted by the value of clients' earning assets. The remainder of our assets are with clients in an additional 700+ sub-specific industry groups with a combined weighted average credit rating of BBB-.

		Weighted average credit rating	
Major industry classification	% EA[1]	Moody's	S&P
Pharmaceutical Preparations	3.5%	Baa2	BBB
Motor Vehicles and Passenger Car Bodies	3.3%	Baa3	BBB-
Electrical Work	2.7%	Baa1	BBB+
Electric Services	2.6%	Baa1	BBB+
Pesticides and Agricultural Chemicals, Not Elsewhere Classified	2.4%	Baa1	BBB+
Passenger Car Rental	2.3%	B3	B-
Telephone Communications, except Radiotelephone	1.9%	B2	B
Courier Services, Except by Air	1.6%	Aa3	AA-
Concrete Block & Brick	1.5%	Baa3	BBB-
Detective, Guard and Armored Car Services	1.5%	Ba2	BB
Fire, Marine and Casualty Insurance	1.4%	A2	A
Poultry Slaughtering and Processing	1.4%	Baa3	BBB-
Electronic Connectors	1.4%	Baa2	BBB
Trucking, Except Local	1.3%	Ba1	BB+
Cable and Other Pay Television Services	1.3%	Ba1	BB+
Engineering Services	1.3%	Baa3	BBB-
Electric and Other Services Combined	1.3%	A3	A-
Radiotelephone Communications	1.3%	Baa1	BBB+
Malt Beverages	1.3%	A3	A-
Auto & Home Supply Stores	1.2%	Ba1	BB+

1. Percentage of total earning assets as of June 30, 2020