Element Fleet Management Corp.

Management Discussion and Analysis

September 30, 2020

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Element Fleet Management Corp. (the "Company", "we" or "Element") as at and for the three- and nine-month periods ended September 30, 2020 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three- and nine-month periods ended September 30, 2020 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2019 filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise specified and all numbers are in thousands, unless otherwise specified or for per share amounts or ratios. References to "Q3 2020", "this quarter", or "the quarter" are to the fiscal quarter ended September 30, 2020 and references to "Q2 2020" and "Q3 2019" are to the fiscal quarters ended June 30, 2020 and September 30, 2019, respectively. Additional information relating to 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 OCTOBER 27, 2020. CERTAIN STATEMENTS IN THIS MD&A, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF APPLICABLE SECURITIES LAWS AND MAY CONTAIN FORWARD-LOOKING INFORMATION. SUCH STATEMENTS ARE BASED UPON ELEMENT'S AND ITS MANAGEMENT'S CURRENT INTERNAL EXPECTATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THESE STATEMENTS MAY INCLUDE, WITHOUT LIMITATION, STATEMENTS REGARDING THE OPERATIONS, BUSINESS, FINANCIAL CONDITION, EXPECTED FINANCIAL RESULTS, PERFORMANCE, PROSPECTS, OPPORTUNITIES, PRIORITIES, TARGETS, GOALS, ONGOING OBJECTIVES, STRATEGIES AND OUTLOOK OF ELEMENT. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS THAT ARE PREDICTIVE IN NATURE, DEPEND UPON OR REFER TO FUTURE EVENTS OR CONDITIONS. IN SOME CASES, WORDS SUCH AS "PLAN", "EXPECT", "INTEND", "BELIEVE", "ANTICIPATE", "ESTIMATE", "TARGET", "PROJECT", "FORECAST", "MAY", "IMPROVE", "WILL", "POTENTIAL", "PROPOSED" AND OTHER SIMILAR WORDS, OR STATEMENTS THAT CERTAIN EVENTS OR CONDITIONS "MAY" OR "WILL" OCCUR ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS AND FORWARD-LOOKING INFORMATION. FORWARD-LOOKING STATEMENTS (INCLUDING THOSE REGARDING FINANCIAL OUTLOOK) ARE PROVIDED FOR THE PURPOSES OF ASSISTING THE READER IN UNDERSTANDING ELEMENT AND ITS BUSINESS, OPERATIONS, RISKS, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS AS AT AND FOR THE PERIODS ENDED ON CERTAIN DATES AND TO PRESENT INFORMATION ABOUT MANAGEMENT'S CURRENT EXPECTATIONS AND PLANS RELATING TO THE FUTURE AND THE READER IS CAUTIONED THAT SUCH STATEMENTS MAY NOT BE APPROPRIATE FOR OTHER PURPOSES. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS OR EVENTS TO DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS OR INFORMATION. UNDUE RELIANCE SHOULD NOT BE PLACED ON THESE FORWARD-LOOKING STATEMENTS, AS THERE CAN BE NO ASSURANCE THAT THE PLANS, INTENTIONS OR EXPECTATIONS UPON WHICH THEY ARE BASED WILL OCCUR. BY ITS NATURE, FORWARD-LOOKING INFORMATION INVOLVES NUMEROUS ASSUMPTIONS, KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES, BOTH GENERAL AND SPECIFIC, THAT CONTRIBUTE TO THE POSSIBILITY THAT THE EXPECTATIONS, PREDICTIONS, FORECASTS, PROJECTIONS, CONCLUSIONS OR OTHER FORWARD-LOOKING STATEMENTS WILL NOT OCCUR OR PROVE ACCURATE, THAT ASSUMPTIONS MAY NOT BE CORRECT AND THAT OBJECTIVES, STRATEGIC GOALS AND PRIORITIES WILL NOT BE ACHIEVED. SUCH FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A SPEAK ONLY AS OF THE DATE OF THIS MD&A. THE FORWARD-LOOKING INFORMATION AND STATEMENTS CONTAINED IN THIS MD&A REFLECT SEVERAL MATERIAL FACTORS, EXPECTATIONS AND ASSUMPTIONS OF ELEMENT INCLUDING, WITHOUT LIMITATION: THE IMPACT OF COVID-19 PANDEMIC ON INDUSTRY AND MARKET CONDITIONS; THAT ELEMENT WILL CONDUCT ITS OPERATIONS IN A MANNER CONSISTENT WITH ITS EXPECTATIONS AND, WHERE APPLICABLE, CONSISTENT WITH PAST PRACTICE; ACCEPTABLE NEGOTIATIONS WITH THIRD PARTIES; THE CONTINUANCE OF EXISTING (AND IN CERTAIN CIRCUMSTANCES, THE IMPLEMENTATION OF PROPOSED) TAX AND REGULATORY REGIMES; CERTAIN COST ASSUMPTIONS; THE CONTINUED AVAILABILITY OF ADEQUATE DEBT AND/OR EQUITY FINANCING AND CASH FLOW TO FUND ITS CAPITAL AND OPERATING REQUIREMENTS AS NEEDED; THE EXTENT OF ITS ASSETS AND LIABILITIES; THE COMPANY'S NET INTEREST MARGIN; GROWTH IN LEASE RECEIVABLES AND SERVICE INCOME; RATE OF COST INFLATION; APPLICABLE FOREIGN EXCHANGE RATES AND APPLICABLE INCOME TAX RATES; THE COMPANY'S FUNDING MIX; THE RESET RATES FOR THE COMPANY'S

OUTSTANDING PREFERRED SHARES; AND IN THE CASE OF THE FORWARD LOOKING STATEMENTS REGARDING FINANCIAL OUTLOOK, THAT THE COMPANY WILL ACHIEVE THE EXPECTED BENEFITS, COSTS AND TIMING OF ELEMENT'S TRANSFORMATION. ELEMENT BELIEVES THE MATERIAL FACTORS, EXPECTATIONS AND ASSUMPTIONS REFLECTED IN THE FORWARD-LOOKING INFORMATION AND STATEMENTS ARE REASONABLE BUT NO ASSURANCE CAN BE GIVEN THAT THESE FACTORS, EXPECTATIONS AND ASSUMPTIONS WILL PROVE TO BE CORRECT.

THE COVID-19 PANDEMIC HAS CAST ADDITIONAL UNCERTAINTY ON ELEMENT'S INTERNAL EXPECTATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THERE CAN BE NO ASSURANCE THAT THEY WILL CONTINUE TO BE VALID. GIVEN THE RAPID PACE OF CHANGE WITH RESPECT TO THE IMPACT OF THE COVID-19 PANDEMIC, IT IS PREMATURE TO MAKE FURTHER ASSUMPTIONS ABOUT THESE MATTERS. THE DURATION, EXTENT AND SEVERITY OF THE IMPACT THE COVID-19 PANDEMIC, INCLUDING MEASURES TO PREVENT ITS SPREAD, WILL HAVE ON ELEMENT'S BUSINESS IS HIGHLY UNCERTAIN AND DIFFICULT TO PREDICT AT THIS TIME.

FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS WITH RESPECT TO: THE IMPACT THAT THE COVID-19 PANDEMIC MAY HAVE ON ELEMENT'S FINANCIAL CONDITION, OPERATING RESULTS AND CASH FLOWS; ELEMENT'S REVENUES, EXPENSES, RUN-RATE AND OPERATIONS, FUTURE CASH FLOWS, FINANCIAL CONDITION, OPERATING PERFORMANCE, FINANCIAL RATIOS, PROJECTED ASSET BASE AND CAPITAL STRUCTURE; ELEMENT'S ABILITY TO RENEW OR REFINANCE CREDIT AND SECURITIZATION FACILITIES; ELEMENT'S TRANSFORMATION PLAN AND THE ANTICIPATED IMPACT AND BENEFITS THEREFROM (INCLUDING ANTICIPATED IMPACT ON CREDIT RATINGS); ELEMENT'S STRATEGY TO IMPROVE AND OPTIMIZE THE CLIENT EXPERIENCE AND CLIENT ACQUISITION AND RETENTION; ELEMENT'S EXPECTATIONS REGARDING SYNDICATION; ELEMENT'S ANTICIPATED CASH NEEDS, CAPITAL REQUIREMENTS AND ITS NEEDS FOR ADDITIONAL FINANCING; THE POTENTIAL IMPACT UNDER EXISTING CREDIT AND SECURITIZATION FACILITIES OF THE TRANSFORMATION PLAN IN WHOLE OR IN PART; ELEMENT'S FUTURE GROWTH PLANS; ELEMENT'S EXPECTATIONS REGARDING ITS ORIGINATION VOLUMES; ELEMENT'S ANTICIPATED DELINQUENCY RATES AND CREDIT LOSSES; ELEMENT'S ABILITY TO ATTRACT AND RETAIN PERSONNEL; ELEMENT'S PRESENT INTENTION TO PAY REGULAR DIVIDENDS ON ITS COMMON SHARES AND PREFERRED SHARES; ELEMENT'S TECHNOLOGY AND DATA, AND EXPECTED USES AND BENEFITS; ELEMENT'S COMPETITIVE POSITION AND ITS EXPECTATIONS REGARDING COMPETITION; ANTICIPATED TRENDS AND CHALLENGES IN ELEMENT'S BUSINESS AND THE MARKETS IN WHICH IT OPERATES; THE EVOLUTION OF ELEMENT'S BUSINESS AND THE FLEET MANAGEMENT INDUSTRY; ELEMENT'S GROWTH PROSPECTS AND THE OBJECTIVES, VISION AND STRATEGIES OF ELEMENT; ELEMENT'S OPERATIONS AND ABILITY TO DRIVE OPERATIONAL EFFICIENCIES; ELEMENT'S EXPECTATIONS REGARDING ITS ASSETS; ELEMENT'S BUSINESS STRATEGY; ELEMENT'S EXPECTATION REGARDING THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION AND CAPITAL ALLOCATION; ELEMENT'S STRATEGIC ASSESSMENT OF CURRENT AND FUTURE ASSETS; ELEMENT'S BUSINESS OUTLOOK AND OTHER EXPECTATIONS REGARDING FINANCING OR OPERATING PERFORMANCE METRICS; THE EVOLUTION OF OPERATIONS AND THE DEVELOPMENT OF PERFORMANCE INDICATORS, AND OTHER FINANCIAL PERFORMANCE METRICS; THE FUTURE FINANCIAL REPORTING OF ELEMENT; ELEMENT'S FUTURE ASSETS AND THE DEMAND FOR ELEMENT'S SERVICES; ELEMENT'S BORROWING BASE; THE EXTENT, NATURE AND IMPACT OF ANY VALUE DRIVER TO CREATE, AND THE ABILITY TO GENERATE, PRE-TAX RUN-RATE OPERATING INCOME; ELEMENT'S ABILITY TO INCREASE TOTAL SHAREHOLDER RETURN; ELEMENT'S DIVIDEND POLICY AND THE PAYMENT OF FUTURE DIVIDENDS; ELEMENT'S PROPOSED SHARE PURCHASES, INCLUDING THE NUMBER OF COMMON SHARES TO BE REPURCHASED, THE TIMING THEREOF AND TSX ACCEPTANCE OF THE NORMAL COURSE ISSUER BID AND ANY RENEWAL THEREOF; AND ELEMENT'S ABILITY TO PRE-FUND REDEMPTION OF ITS OUTSTANDING CONVERTIBLE DEBENTURES UPON THEIR MATURITY. THE READER IS CAUTIONED TO CONSIDER THESE AND OTHER FACTORS, UNCERTAINTIES AND POTENTIAL EVENTS CAREFULLY AND NOT TO PUT UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS. INFORMATION CONTAINED IN FORWARD-LOOKING STATEMENTS IS BASED UPON CERTAIN MATERIAL ASSUMPTIONS THAT WERE APPLIED IN DRAWING A CONCLUSION OR MAKING A FORECAST OR PROJECTION, INCLUDING MANAGEMENT'S PERCEPTIONS OF HISTORICAL TRENDS, CURRENT CONDITIONS AND EXPECTED FUTURE DEVELOPMENTS, AS WELL AS OTHER CONSIDERATIONS THAT ARE BELIEVED TO BE APPROPRIATE IN THE CIRCUMSTANCES. ALTHOUGH ELEMENT BELIEVES THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, THERE CAN BE NO ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO BE CORRECT. ELEMENT CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER ELEMENT NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE FORWARD-LOOKING STATEMENTS AND INFORMATION.

SOME OF THE RISKS AND OTHER FACTORS, SOME OF WHICH ARE BEYOND ELEMENT'S CONTROL, WHICH COULD CAUSE RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN THE FORWARD-LOOKING STATEMENTS AND INFORMATION CONTAINED IN THIS MD&A, INCLUDE, BUT ARE NOT LIMITED TO, THOSE SET FORTH UNDER THE HEADING "RISK MANAGEMENT" HEREIN AND UNDER THE HEADING "RISK FACTORS" IN ELEMENT'S ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2019. READERS ARE CAUTIONED THAT SUCH RISK FACTORS ARE NOT EXHAUSTIVE. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MD&A ARE EXPRESSLY QUALIFIED BY THIS CAUTIONARY STATEMENT. OTHER THAN AS SPECIFICALLY REQUIRED BY APPLICABLE CANADIAN LAW, ELEMENT UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE ON WHICH SUCH STATEMENT IS MADE, OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR RESULTS, OR OTHERWISE.

Table of Contents

Company Overview

Element Fleet Management Corp. is the largest pure-play automotive fleet manager in the world. Our business is exclusively focused on providing services and solutions for corporate, commercial, government and public service vehicle fleets, and we are the market leader in the geographies in which we operate: the U.S., Canada, Mexico, and Australia and New Zealand. Element has approximately $16.1 billion in assets and over 1 million vehicles under management with over 5,500 clients.

The fleet management industry took shape nearly 70 years ago and has consistently demonstrated stability and resilience across the business cycle. The industry is characterized by high barriers to entry, rational competition and long-term, "sticky" client relationships.

Element specializes in large and often complex vehicle fleets. We benefit from a blue-chip client base, significant advantages of scale and expertise, and the financial strength to support the achievement of our and our clients' business objectives. Element's purpose is to ensure that our clients' vehicles and their drivers are safer, smarter and more productive.

Fleet vehicles are essential to our clients' ability to generate and sustain revenue or, in the case of governments and public service clients, fulfill their obligations to stakeholders. Regardless, fleet vehicles have significant associated costs. Element's value proposition is the material reduction of our clients' total cost of fleet operations, and the elimination of related administrative burden. We deliver this value through services and solutions that span the fleet vehicle lifecycle, from acquisition and financing to maintenance, repair and remarketing.

In 2018, we completed an end-to-end assessment of Element's business that resulted in a strategic plan to solidify the Company's core operating platform and client relationships, strengthen and deleverage its balance sheet and divest of all non-core assets. We knew that the successful execution of this three-prong strategy would position Element well to pivot to organic growth in 2021 and beyond.

- We will complete the transformation of Element by the end of 2020, having effected hundreds of changes to the organization resulting in a more consistent, superior client experience; greater operational efficiency and stability; a greatly strengthened financial position and maturing capital structure; diversified funding sources, including approximately $6 billion of committed, undrawn liquidity; and meaningfully improved profitability.

- The rapid and successful completion of the transformation has allowed us to begin pivoting Element's Commercial teams to focus on the aggressive pursuit of organic growth approximately 6 months ahead of schedule. Consequently, in this second half of 2020 we began executing our growth strategy in earnest, concentrating on (i) holding market share by achieving best-in-class client retention, (ii) improving salesforce effectiveness, (iii) better managing client profitability, (iv) converting self-managed fleets in targeted market segments into Element clients using our compelling value proposition and (v) leveraging our market leadership in Mexico and Australia / New Zealand. We are also pursuing additional, Armada[1]-like "mega fleet" opportunities.

Transforming Element over the last 25 months has given our people the skills and confidence to deal with large, complicated and deeply nuanced business problems. These capabilities have been on full display in our swift and successful adaptation to operating through the COVID-19 pandemic. Despite the practical and economic consequences of the pandemic, we continue to stay the strategic course as we complete our transformation in 2020 and begin to focus on our strategic priorities for 2021 and beyond:

- Aggressively pursue organic growth in all our geographies and demonstrate the scalability of Element's transformed operating platform by magnifying 4-6% annual organic revenue growth into high single-digit to low double-digit annual operating income growth;

- Advance a capital-light*er* business model that enhances return on equity; and

[1] "Armada" is the term Element uses to reference one client in particular that the Company does not name due to the client's desire for confidentiality.

- Achieve high single-digit to low double-digit annual free cash flow growth and predictably return excess equity to common shareholders by way of dividends and share buybacks. With the release of Element's results for this quarter, we announced
    - a 44% increase to the common dividend, from $0.18 to $0.26 annually per share, effective immediately and therefore to be reflected in the Q4 2020 common dividend authorized and declared today to be paid in respect of Q4 2020 on January 15, 2021;
        - With this increase, Element's common dividend represents approximately 30% of the Company's last twelve months' adjusted earnings per share, which is the mid-point of the 25% to 35% payout range the Company plans to maintain going forward; and
    - the establishment of a normal course issuer bid to repurchase EFN common shares over the next 12 months – the first year of what is envisioned to be a regular, ongoing program by the Company – subject to TSX approval and the terms and limitations applicable to such bid.

Regarding COVID-19

The COVID-19 pandemic continues to disrupt ways of life and economies around the world, including in Element's operating geographies – the U.S., Canada, Mexico, Australia and New Zealand – albeit to varying extents.

We have now accumulated 33 weeks of data, learnings and insight on how Element's clients are being impacted by the pandemic and resulting economy; and, in turn, how our own business is being impacted.

We include relevant COVID-19-related information throughout this document and in our Supplementary Information document available on the Company's website to help the reader evaluate Element's performance in the period.

As we expected and have communicated, Element is not going unscathed by the circumstances created by COVID-19.

However, our blue-chip client base – diversified across geographies and industries – and resilient business model underpinned another solid quarter of financial and operating performance in Q3.

Financial Highlights

Select Q3 2020 Results

Net revenue	Servicing income, net / Net revenue	After-tax adjusted operating income / share	Free cash flow / share
$ 243 M	51 %	$ 0.22	$ 0.25

Profitability improvements actioned to date	Assets under management	Tangible leverage ratio	Pre-tax return on common equity[2]
$ 189 M	$ 16.1 B	6.66 x	13.9 %

Income Summary

(in $000's for stated values, except per share amounts)		**For the three-month period ended September 30, 2020**
Net financing revenue	**$**	**103,272**
Servicing income, net		**124,734**
Syndication revenue, net		**15,246**
Net revenue		**243,252**
Adjusted operating expenses		**114,267**
Adjusted operating income		**128,985**
After-tax adjusted operating income per share [basic]	**$**	**0.22**

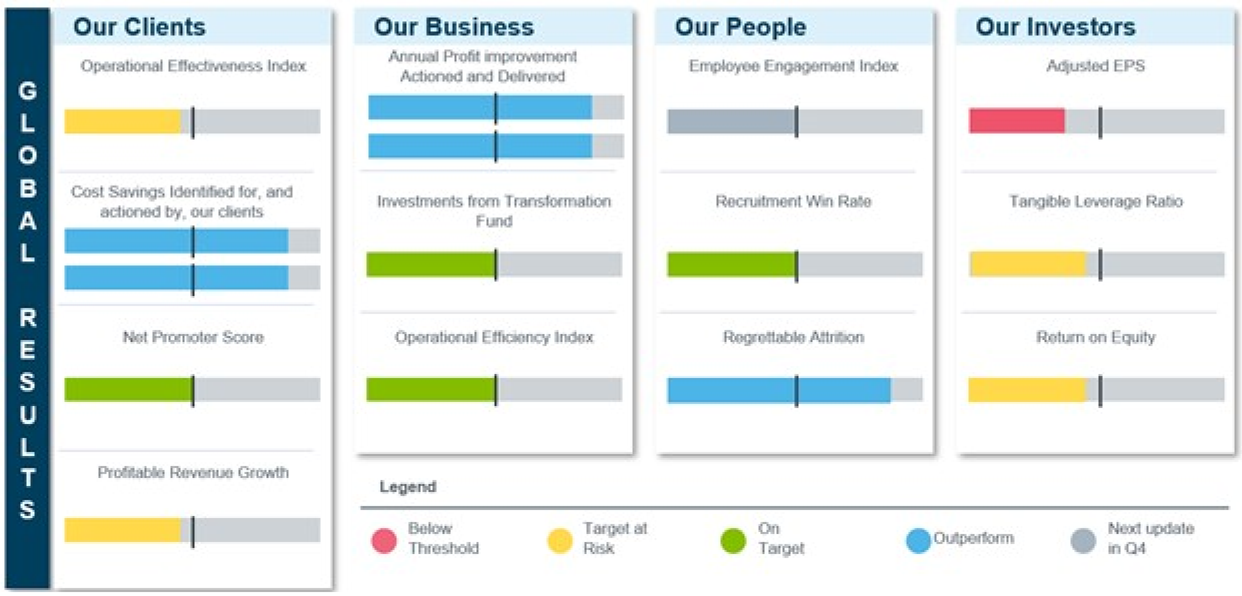
[2] This quarter, we are introducing an evolved formula for calculating Element's return on equity, with the goal of better representing true trending business performance by reducing the impact of individual quarterly results. Abbreviated "PRoCE" for Pre-tax return on common equity, the new formula is: The sum of (before-tax adjusted operating income, minus preferred share dividends) for the current and three preceding quarters; divided by (the average of (total equity for the current quarter and same quarter prior year), minus current quarter preferred share capital). Return on equity for Q3 2020, calculated using the formula we used until this quarter, is 11.7%. PRoCE for the trailing 10 quarters can be found in our Supplementary Information document available on the Company's website.

Balanced Scorecard

Element uses a balanced scorecard strategy and performance management system, which forges tighter alignment and provides greater focus throughout the Company, resulting in the rapid advancement of our strategic objectives. The balanced scorecard frames the business in four dimensions: Element's clients, business, people and investors.

Element's global balanced scorecard distills our strategy on to a single page. Its broad dissemination throughout the organization allows all our employees to see our progress through clearly defined metrics. We raised the bar for Element’s performance as measured by our balanced scorecard in 2020, with many metric targets well above 2019 results.

Element's global balanced scorecard YTD results at September 30, 2020 were as follows:



Despite the challenging circumstances created by the pandemic, Element has achieved results at or above target on most metrics. Our relentless focus on delivering a consistent, superior service experience to our clients is manifesting itself in improved quarter-over-quarter performance across all four dimensions of our balanced scorecard:

Our Clients continue to rely on our expertise to further identify and action productivity improvements, making our value proposition even more compelling through the economic distress wrought by COVID-19. Year-to-date at quarter-end we had identified over $1.3 billion of productivity improvement opportunities for our clients, a quarter of which our clients have already actioned. All of this is reflected in the increase to our global Net Promoter Score, reinforcing the loyalty of our clients.

Our Business has witnessed steady recovery across most of our operational areas, with transaction volumes approaching or back at pre-COVID levels. We have surpassed our year-end $180 million transformation target one quarter ahead of schedule as Q2 afforded us the operational resource capacity to accelerate our program. Element will continue to leverage this momentum to drive further profit improvement initiatives up to the conclusion of our transformation program on December 31 this year.

Our People continue to deliver a consistent, superior service experience for our clients and are our greatest competitive differentiator. This quarter we focused efforts to connect our people and provide a variety of wellness programming. Element continues to outperform on attracting and retaining the top talent that makes us so valuable to our clients.

Our Investor efforts and outcomes are addressed throughout this document.

Achievements and Initiatives in the Period

Our Investors

Achievements

Return of capital

Given

- the clear path to fulfillment of our 2018 strategic ambitions,
- the scalability of Element's transformed operating platform,
- the strength of our burgeoning syndication program,
- enhanced clarity in the Company's relationship with Armada,
- the growth opportunities across our global footprint and
- our outlook for strong prospective earnings and cash flow growth,

Element has arrived at a point where the highest potential for additional value creation lies in the return of capital – in excess of that required to maintain our target sub-6.0 tangible leverage ratio – to common shareholders by way of dividends and share buybacks.

On October 27, 2020 Element announced:

- a 44% increase to the Company's common dividend, from $0.18 to $0.26 annually per share, effective immediately and therefore to be reflected in the Q4 2020 common dividend authorized and declared October 27, 2020 to be paid in respect of Q4 2020 on January 15, 2021;
    - With this increase, Element's common dividend represents approximately 30% of the Company's last twelve months' adjusted earnings per share, which is the mid-point of the 25% to 35% payout range we plan to maintain going forward; and
- the establishment of a normal course issuer bid to repurchase EFN common shares over the next 12 months – the first year of what is envisioned to be a regular, ongoing program by the Company – subject to TSX approval and the terms and limitations applicable to such bid.

Collections and credit back to pre-COVID-19 levels

Element's collections and credit performance in the quarter saw us returning related balances to pre-COVID-19-levels and, in some cases, improving on those levels. This is a testament to the blue-chip nature of our client base as well as the caliber of our internal teams in these functions.

Our aggregate reported delinquencies at quarter-end decreased by $24.8 million or 70% quarter-over-quarter - from $35.3 million to $10.5 million - which is in line with pre-COVID-19 levels.

Our impaired receivables balance stood at $34 million at quarter-end, which is a $78 million or 69% decrease from Q2 2020 and an improvement on pre-COVID-19 levels.

We provide further details and discussion under "Delinquencies and impaired receivables" below, and in section 10.0 of our Supplementary Information document.

Improved syndication revenue

We continue to enjoy robust demand for our products in the syndication market. Moreover, as expected, syndication investor hurdle rates decreased over the course of Q3, enabling us to increase our quarter-over-quarter syndication revenue by 48% to $15.2 million - on $600 million of assets, which is 21% less than the volume syndicated last quarter.

These significant improvements - in (i) absolute syndication revenue and (ii) syndication revenue as a percentage of assets syndicated - are not only attributable to healthier markets but also the mix of assets syndicated this quarter and the absence of headwind from the one-time costs incurred last quarter.

We will maintain a significant presence in the syndication market and grow demand for our assets in support of a capital-light*er* business model that enhances return on equity. To that end, we continued to transact with new investors in Q3, selling $89 million of assets to four new buyers, which brings our year-to-date total syndication volume with new investors to $232 million.

Balance sheet de-leveraging

Growing profitability, free cash flow and syndication all contribute to de-leveraging Element's balance sheet. We achieved 5.92x tangible leverage at September 29, 2020 - a decrease of 0.88 from the end of Q2 2020. Achieving this all-important sub-6.0 tangible leverage ratio milestone created the capacity to redeem the Series G preferred shares on September 30, 2020 which, in turn, raised tangible leverage to 6.66x at quarter-end.

We remain on-plan to end 2020 at a sub-6.0 tangible leverage ratio.

Our Clients

Achievements

Deeper client relationships

We continue to provide our clients full support as they address the challenges and opportunities COVID-19 presents to their businesses. These interactions are welcome and valuable occasions to deepen our relationships with our clients.

For example, our strategic consulting services team has been busy identifying fleet cost savings opportunities based on clients' specific business circumstances (as impacted by COVID-19). In some cases, we are identifying opportunities for clients to better manage their balance sheet as well. In turn, clients are eager to act on our recommendations to reduce their total cost of fleet operations – especially in the current economic environment. As reported on our global balanced scorecard, Element identified over $1.3 billion in cost savings opportunities for clients in the first three quarters of 2020, with clients having acted on approximately one quarter of those opportunities already.

The operational effectiveness index on our global balanced scorecard measures the extent to which Element is delivering the consistent, superior client experience we strive for. Metrics in the index that measure operational effectiveness independent of third party contributions are consistently scoring above target. Given that there are also metrics in the index that measure "wing-to-wing" processes impacting the client experience, and given the various negative effects of COVID-19 on our supplier networks that deliver portions of the wing-to-wing experience, the index score remains slightly below target year-to-date.

We also receive simple scores from clients after every interaction we have with them. These scores are independent of our balanced scorecard and continue to indicate that our service delivery is strong and client satisfaction is high. Our global Net Promoter Score, which is a weighted average of trailing-four-quarter Net Promoter Scores in each of our geographies, grew from 20 to 22 in the quarter.

In short, our people are working exceptionally hard to deepen our client relationships by managing all the circumstances within Element's control while proactively monitoring and communicating with clients regarding circumstances that are out of our hands.

New and growing client relationships

We won new business - including executing a substantial sale leaseback transaction in Australia - and grew our service relationships with existing clients in the third quarter.

U.S. & Canada

- Element retained and renewed our services and lease agreements with the 5^{th} largest energy company in North America, whose 1,800 units we manage in the U.S. and Canada. Our investment-grade client is not only a leader on sustainable practices and environmental performance, but also has a place on the global stage as one of the largest independent energy businesses in the world. Element was able to retain this client due to our long-term existing partnership, our proven ability to execute, and continued proactive account management - specifically, our strategic consulting services team's ability to identify initiatives for the client to drive cost efficiencies and productivity improvements.

- Our client – a Fortune 500 global electrical, communications, and utility distribution and supply chains company – has extended their North American contract with Element for three additional years. The extension included our winning an incremental 600 units' worth of business previously managed by a competitor. Potential upside to the approximately 2,000 units across the U.S. and Canada is an additional ~1,000 units currently on reimbursement. Element won the extension due to our strong partnership with the client – in particular our account management team, service execution and strategic consulting services.

Mexico

- In addition to three significant new client wins representing approximately 2,000 units in total, Element materially enlarged our service relationship with an existing financial institution client in Mexico by winning the client's RFP to provide maintenance services to over 1,000 units we already lease to the organization.

Australia & New Zealand

- Custom Fleet[3] have been awarded sole supply of The Salvation Army's Australian fleet. As part of this new partnership, we were also able to execute a sale and leaseback with the organization - one of Australia's largest not-for-profit operations. Custom Fleet were successful in winning this opportunity because of our people, our technological capability and our innovative approach to providing additional value and benefit to the client - all through a challenging period by virtue of COVID-19 that made digital communication the only option for the entire negotiation.

- One of Australia's major telecommunications companies has entrusted Custom Fleet with being the sole provider of accident management services to their 7,800 unit fleet. Expertise in technology, coupled with a client-centric approach to solution design were instrumental in successfully winning this business.

Initiatives

Growing with Armada

Early last year, Element began working with Armada to quickly build - from scratch - what will soon be one of the largest commercial fleets in North America.

To facilitate this rapid expansion, we developed and resourced a myriad of operational and financial capabilities to address Armada's unique needs.

Having achieved a quick and successful launch of the client's initial ambition, and with the better part of two years of experience working together, we have aligned on changes to our operating relationship that will see Armada own (self-finance) vehicles they will order from Element going forward, while we focus solely on the provision of a growing set of fleet solutions for Armada.

[3] Element does business as Custom Fleet in Australia and New Zealand.

This evolution of the Armada relationship aligns with our strategic designs on a capital-lighter Element business model that enhances return on equity. Armada's election to self-finance obviates the necessity of our USD $1 billion dedicated credit facility for Armada, which required up to approximately USD $150 million of balance sheet equity to preserve our tangible leverage ratio.

The only material impacts of this evolution in our relationship with Armada in 2020 will be

- the substantial reduction of debt (and the corresponding reduction in equity required) as we wind down the dedicated credit facility, which will materially reduce tangible leverage, and
- accelerated income of approximately $8.8 million, which is recorded in this quarter's servicing income.

In 2021 and beyond, we expect this evolution to have the following impacts:

- The elimination of as much as USD $1 billion of interim financing requirements;
- An expansion in the number of units under management (and the opportunity to expand the breadth of service offerings for this growing fleet); and
- The loss of syndication revenue on the sale of Armada assets to third parties, which will be partially offset by the planned increase in syndication of other clients' assets.

We will focus on the design and delivery of sophisticated fleet services and solutions for Armada's already-sizable and still-growing fleet, which is currently the single largest consumer of Element's services. We expect this to remain the case as Armada's fleet and its consumption of Element services continue to grow for years to come.

Our Business

Achievements

<u>Surpassed transformation end-goal</u>

The momentum created by our Q2 acceleration of transformation efforts propelled us in Q3 to surpass our $180 million transformation end-goal for actioned profit improvement initiatives – three months ahead of schedule.

We actioned a cumulative $189 million of annual run-rate, pre-tax operating income improvements at September 30, 2020, which we expect to enhance Element's operating income by approximately $130 million in 2020.

Transformation initiatives delivered $35 million of profit improvement in Q3 and we made $24 million of one-time investments in our business this quarter as part of transformation. These one-time investments will cease with the conclusion of the transformation program at year-end.

While many of the transformation activities planned for Q4 2020 were pulled forward to Q3, we will continue actioning profit improvement initiatives until the formal conclusion of the transformation program on December 31, 2020.

The anticipated success of our growth strategy should help actioned transformation initiatives deliver even more operating income enhancement in future years than currently scoped given that the annual run-rate valuation of these initiatives is based on existing business volumes.

Initiatives

Continuous improvement

In addition to delivering the above-noted benefits, our transformation program has established a new strand of organizational DNA in the ongoing, active pursuit of ways to deliver an ever-more consistent and superior service experience for our clients.

We are committed to maintaining the client-centricity, critical rigor and momentum created by our transformation beyond the formal completion of the program.

To this end, Element's "Center of Operational Excellence" has already achieved a number of quick wins for our organization:

- We graduated the first cohort of 25 senior employees from all areas of the Company that were trained in lean six sigma, earning a yellow belt certification. Each graduate is now executing process improvement projects in their area of the business – not only to improve efficiencies but also to help promote the value of continuous improvement.

- We developed and implemented a first wave of 30 RPA (Robotic Process Automation) "bots". These bots have already processed approximately one million transactions to date, saving employees over 25,000 hours and improving the client experience with reduced cycle times and a 0% error rate.

Our People

Achievements

Staying well

As the pandemic stretches into the late half of 2020, Element has remained steadfast in our commitment to keep our people safe and healthy. Our duty of care remains firmly in place as we continue to support our colleagues who are becoming increasingly habituated to new working norms. Thanks to our Resumption Committee, Element has implemented new wellness programs and continued regular communications in response to COVID-19 to ensure our people are informed. With public health directives as our guide, we have also established rigorous protocols that can be quickly enacted in the event of confirmed COVID-19 exposures in our offices.

Despite the threats associated with the pandemic, our people have continued to display incredible resilience by making the most of opportunities presented by our new ways of working. The majority of Element's people will continue to work remotely for the foreseeable future with no planned return to the office before 2021.

Better systems

Our commitment to deliver a consistent and superior employee experience to our people has been enabled through increased automation of our processes and easy-to-use tools. We began this summer with the launch of a new Intranet that provides our workforce with a simple, intuitive way to access the latest information about Element. Called "the Element Engine", this internal channel includes a portal that creates direct access for our people to their personal details related to pay, performance, benefits, recognition, and careers.

A critical component of our people portal has been the launch of another new people management tool to help streamline and automate many of our manual processes. In addition to giving our employees the tools to quickly and efficiently manage their employment experience, our new people portal has enabled managers to gain access to critical information about their teams in one place, empowering them to support and recruit talent seamlessly.

Diversity and inclusion

Element's Diversity and Inclusion journey started in the spring by putting a public stake in the ground with a commitment to our people, our clients, our partners and our investors to lead by example in the fleet industry as an inclusive and diverse company.

Our work began in earnest this summer. A company-wide education program was rolled out including the facilitation of 70+ interactive workshops helping our people uncover and understand the importance of conscious inclusion. We also completed a comprehensive diagnostic of Element's maturity as a diverse and inclusive organization. The results of this inquiry revealed that while our people are committed to diversity and inclusion, our systems and processes must catch up to our intentions. We must also acknowledge that some of our colleagues feel the pain of racism more acutely than others – and this insight must be foundational to any future plans.

The education and inquiry that took place this summer has not only broadened our collective perspective; it has allowed us to chart our course for the next steps in building a diverse and inclusive Element.

One of our first concrete actions for the next phase of our journey has been to appoint a dedicated leader to drive our D&I strategy. Earlier this month, Sheri McGrath joined Element as Head, Diversity and Inclusion. Sheri is a proven leader in D&I: highly curious, bringing with her deep knowledge and experience and a drive to collaborate to build a diverse and inclusive Element for our people, our partners and our clients.

We look forward to the next steps in building a diverse and inclusive Element. The work ahead will require the full participation of our people. Our efforts will be tracked. And, results will be measured by the rigors of our Balanced Scorecard to ensure pace and transparency on this critical dimension of our business – and our future.

Initiatives

Real estate

Applying the tenacity and innovation demonstrated through transformation, Element has seized the opportunity to embrace remote work as a permanent extension of our future workplace. The result has been a reduction in our bricks and mortar footprint through the closure of our smaller physical office spaces in Canada, the U.S., Australia and New Zealand. Our people enjoy the benefits of working from home with no interruption to client experience. For our business, this provides a productivity benefit while we continue to grow.

Change in Reporting Presentation - Elimination of "Non Core"

Following the sale of 19th Capital on May 1, 2020, Element's operations are exclusively focused on providing services and financing solutions for commercial vehicle fleets, and "Non Core" segment reporting is no longer necessary.

Commencing in Q2 2020, Element's results of operations and financial position were and continue to be presented as a single business and comparative periods will reflect the same.

We will continue to break out certain information by geographic location with no change.

Selected Financial Information and Ratios

	As at and for the three-month periods ended			As at and for the nine-month periods ended	
(in $000's for stated values, except per share amounts)	**September 30, 2020**	June 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
	$	$	$	**$**	$
Net revenue	**243,252**	225,503	245,796	**715,994**	737,593
Net income	**70,778**	58,594	70,145	**208,730**	214,679
Total assets	**15,711,869**	16,883,105	17,864,062	**15,711,869**	17,864,062
Total debt	**10,888,398**	11,910,711	12,869,051	**10,888,398**	12,869,051
After tax adjusted operating income(1)	**107,058**	93,361	105,311	**305,816**	307,334
Earnings per share					
Basic	**0.14**	0.11	0.14	**0.40**	0.42
Diluted	**0.14**	0.11	0.13	**0.40**	0.41
After tax adjusted operating income per share(1)					
Basic	**0.22**	0.19	0.22	**0.62**	0.63
Pro forma Diluted	**0.22**	0.19	0.21	**0.61**	0.61
Dividends declared, per share					
Common share	**0.045000**	0.045000	0.045000	**0.135000**	0.134350
Preferred Shares, Series A	**0.433313**	0.433313	0.433313	**1.299939**	1.299939
Preferred Shares, Series C	**0.388130**	0.388130	0.388130	**1.164390**	1.200630
Preferred Shares, Series E	**0.368938**	0.368938	0.400000	**1.106814**	1.200000
Preferred Shares, Series G	**0.406250**	0.406250	0.406250	**1.218750**	1.218750
Preferred Shares, Series I	**0.359375**	0.359375	0.359375	**1.078125**	1.078125

(1) For additional information, see "Description of Non-IFRS Measures" section.

Results of Operations

(in $000's for stated values, except per share amounts)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2020	June 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
	$	$	$	**$**	$
Net revenue					
Net interest income and rental revenue	**176,573**	189,334	222,136	**566,224**	690,434
Interest expense	**73,301**	88,679	121,605	**266,992**	379,471
Net financing revenue	**103,272**	100,655	100,531	**299,232**	310,963
Servicing income, net	**124,734**	114,515	122,181	**365,096**	364,591
Syndication revenue, net	**15,246**	10,333	23,084	**51,666**	62,039
Net revenue	**243,252**	225,503	245,796	**715,994**	737,593
Operating expenses					
Salaries, wages and benefits	**74,910**	74,859	79,904	**225,239**	244,551
General and administrative expenses	**28,789**	28,590	27,765	**89,170**	86,155
Depreciation and amortization	**10,568**	10,910	10,477	**32,134**	31,307
Adjusted operating expenses	**114,267**	114,359	118,146	**346,543**	362,013
Amortization of convertible debenture discount	**843**	2,003	2,504	**5,401**	10,651
Share-based compensation	**5,591**	4,427	4,360	**15,455**	14,940
Total operating expenses	**120,701**	120,789	125,010	**367,399**	387,604
Disposition of 19th Capital					
Gain on settlement of debt	**—**	38,580	—	**38,580**	—
Loss on sale of assets	**—**	(52,442)	—	**(52,442)**	—
Net loss on disposition	**—**	(13,862)	—	**(13,862)**	—
Other expenses					
Amortization of intangible assets from acquisition	**9,338**	9,660	8,948	**29,221**	27,236
Restructuring and transformation costs	**24,213**	18,663	34,055	**57,871**	62,742
(Gain) loss on investments	**710**	(3)	240	**764**	1,332
Total other expenses	**34,261**	28,320	43,243	**87,856**	91,310
Net income before taxes	**88,290**	62,532	77,543	**246,877**	258,679
Income tax expense	**17,512**	3,938	7,398	**38,147**	44,000
Net income for the period	**70,778**	58,594	70,145	**208,730**	214,679
Earnings per share [basic]	**0.14**	0.11	0.14	**0.40**	0.42
Weighted average number of shares outstanding [basic]	**438,842**	437,849	435,140	**437,997**	434,487

Element earned net income for the quarter of $70.8 million; a 21% or $12.2 million improvement over Q2 2020 and slightly better than Q3 2019.

Quarter-over-quarter improvement was a function of:

- strong operating performance;
    - increases in servicing income ($10.2 million), syndication revenue ($4.9 million), net financing revenue ($2.6 million), and virtually flat operating expenses; and
- the absence of 19th Capital (a $13.9 million loss in Q2 2020);
- offset by an increase in the provision for income taxes ($13.6 million) and one-time investments in our transformation ($5.6 million).

In support of Element's transformation program, we made $24.2 million of one-time investments in our business in the three-month period ended September 30, 2020.

Year-over-year, we delivered slightly better net income results in Q3 despite COVID-19, with lower restructuring and transformation costs offset by an increase in the provision for income taxes.

Net income earned in the nine-month period ended September 30, 2020 was $208.7 million; $5.9 million less than the $214.7 million of net income earned in the nine-month period ended September 30, 2019. We achieved a $20.2 million decrease in operating expenses versus prior period, largely offset by lower revenues (and an approximately $12 million provision for credit losses in Q1 2020) resulting in relatively flat operating income period-over-period. The 19th Capital work-out, partially offset by fewer one-time investments in transformation and a lower provision for income taxes in 2020 are the remaining noteworthy differences.

Element calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. IAS 34 requires this annual tax rate to be reviewed each quarter and applied to the profits earned to date.

The effective income tax rate was 19.8% and 15.4% for the three- and nine-month periods ended September 30, 2020, respectively (three- and nine-month periods ended September 30, 2019 - 9.4% and 17.0%, respectively). The year-to-date effective tax rate is slightly lower than prior years reflecting year-over-year variances in pre-tax net income and other tax-related adjustments.

Adjusted Operating Results

	For the three-month periods ended			For the nine-month periods ended	
(in $000's for stated values, except per share amounts)	**September 30, 2020**	June 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
	$	$	$	**$**	$
Net financing revenue	**103,272**	100,655	100,531	**299,232**	310,963
Servicing income, net	**124,734**	114,515	122,181	**365,096**	364,591
Syndication revenue, net	**15,246**	10,333	23,084	**51,666**	62,039
Net revenue	**243,252**	225,503	245,796	**715,994**	737,593
Salaries, wages and benefits	**74,910**	74,859	79,904	**225,239**	244,551
General and administrative expenses	**28,789**	28,590	27,765	**89,170**	86,155
Depreciation and amortization	**10,568**	10,910	10,477	**32,134**	31,307
Adjusted operating expenses (1)	**114,267**	114,359	118,146	**346,543**	362,013
Adjusted operating income (1)	**128,985**	111,144	127,650	**369,451**	375,580
Provision for taxes applicable to adjusted operating income	**21,927**	17,783	22,339	**63,635**	68,246
Cumulative preferred share dividends	**10,875**	10,906	11,071	**32,687**	33,399
After-tax adjusted operating income attributable to common shareholders (1)	**96,183**	82,455	94,240	**273,129**	273,935
Weighted average number of shares outstanding [basic]	**438,842**	437,849	435,140	**437,997**	434,487
After-tax adjusted operating income per share (1) [basic]	**0.22**	0.19	0.22	**0.62**	0.63
Originations	**1,279,263**	1,306,804	2,106,603	**4,617,054**	5,625,961
End-of-period assets under management (1)	**16,148,812**	17,049,689	16,169,794	**16,148,812**	16,169,794

(1) For additional information, see "Description of Non-IFRS Measures" section.

Element's adjusted operating income ("AOI") for the quarter was $129.0 million (equivalent to $0.22 on a per share basis), which is a 16% or $18 million increase (equivalent to $0.03 per share) over Q2 2020 results and a 1.0% or $1.3 million increase over Q3 2019 results.

All three of net financing revenue, servicing income and syndication revenue drove the quarter-over-quarter AOI improvement, with adjusted operating expenses essentially flat to prior period.

The year-over-year AOI improvement stemmed from increased servicing income and reduced adjusted operating expenses – the latter driven by transformation savings on salaries, wages and benefits. We address all of these results in more detail below.

The common thread in both period-over-period AOI improvements is the resilience of our servicing income and net financing revenue streams: servicing resilient despite a reduction in clients' vehicle usage due to COVID-19; and net financing revenue resilient despite reduced net earning assets due to syndication. Transformation is also a significant contributor to AOI through all of net financing revenue, servicing income, syndication revenue and, importantly, adjusted operating expense reduction. Transformation delivered $35 million of operating profit enhancement in Q3 2020.

Originations

We originated approximately $1.3 billion of assets in the quarter – essentially flat quarter-over-quarter when taking into account the FX impact of the Canadian dollar strengthening against the U.S. dollar.

Excluding Armada volumes and controlling for FX, U.S. and Canadian originations increased by approximately 15% quarter-over-quarter. This growth is in part driven by unfilled orders and pent up demand from Q2 - when OEM production facilities experienced closures.

ANZ origination volumes increased 22.1% quarter-over-quarter as Custom Fleet continues its swift recovery from the impacts of COVID-19 and, earlier this year, wildfires in the region.

In Mexico, originations declined 20% quarter-over-quarter as COVID-19 arrived in that geography several months later than elsewhere in North America, and businesses were impacted in the third quarter. However, we expect the quick recovery of our Mexico business and, indeed, are already seeing positive signs subsequent to quarter-end that reaffirm the momentum we are enjoying in that market. Mexico's year-over-year originations declined 13.2% on a constant currency basis and 23.5% on an FX-adjusted basis.

The table below sets out the geographic distribution of Element's originations for the following three-month periods ended. For clarity: The United States and Canada in this table includes Armada originations.

(in $000's for stated values)	**September 30, 2020**		June 30, 2020		September 30, 2019	
	$	**%**	$	%	$	%
United States and Canada	**1,032,225**	**80.68**	1,055,608	80.77	1,804,225	85.65
Mexico	**113,173**	**8.85**	141,602	10.84	147,961	7.02
Australia and New Zealand	**133,865**	**10.46**	109,594	8.39	154,417	7.33
Total	**1,279,263**	99.99	1,306,804	100.00	2,106,603	100.00

Importantly, there has been virtually no increase quarter-over-quarter in the number of instances of de-fleeting year-to-date. "De-fleeting" is when a client decides to materially reduce the size of their fleet more or less permanently. The cases of de-fleeting we have on record in 2020 remain restricted to specific industries going through down cycles independent of COVID-19 – oil and gas being the prime example – and otherwise a few individual clients paring back on unit counts in response to the economic consequences of COVID-19 on their specific business.

Assets under management

Our assets under management ("AUM") at quarter-end totaled $16.1 billion - essentially flat year-over-year and down 5.3% or $900.9 million quarter-over-quarter. As set out in our Supplementary Information document available on our website, the quarter-over-quarter decrease reflects the impacts of essentially flat originations quarter-over-quarter, amortization, dispositions and FX. On a constant currency basis, AUM declined approximately 4.1% or approximately $700 million quarter-over-quarter.

Servicing income, net

Servicing income improved 8.9% or $10.2 million over Q2 2020 and 2.1% or $2.6 million over Q3 2019.

As discussed above under “Growing with Armada”, $8.8 million of servicing income in the quarter was accelerated income resulting from Armada's purchase of certain vehicles owned by Element; vehicles that would otherwise have been syndicated. Income we would have recognized upon syndication of the vehicles was similarly recognized in one lump-sum this quarter upon the vehicles' outright sale to Armada. Given the transaction was not syndication, the accelerated income was recorded as servicing income.

Excluding this accelerated income, servicing income nevertheless increased $1.4 million quarter-over-quarter against a ~4% headwind from the strengthening of the Canadian dollar against the U.S. dollar.

Contributions to servicing income were marginally higher from maintenance, fuel, tolls & violations and remarketing this quarter (versus prior quarter) while accident and related revenue and telematics contributors decreased slightly on the same basis. Overall, we continue to generate stable recurring revenues across the entirety of our portfolio of client services and solutions. Approximately one-third of our servicing income is subscription-based and therefore less variable, with the balance being driven by clients' vehicle usage.

Section 8.2 of our Supplementary Information document (available on our website) provides further datapoints on servicing income contributors in the period.

Net financing revenue

Net financing revenue increased $2.7 million year-over-year, which represents particularly strong performance because (i) net earning assets decreased by 13% over the same period and (ii) Q3 2019 net financing revenue benefited from $9.2 million of contribution from 19th Capital. Excluding that $9.2 million from Q3 2019 net financing revenue, we achieved a 13.1% or $11.9 million increase year-over-year.

Net financing revenue increased $2.6 million quarter-over-quarter, despite syndication resulting in a 6.3% decline in net earning assets over the same period due largely to:

- Improved interest expense management;
    - Interest expense decreased $15.4 million quarter-over-quarter, more than offsetting the $12.8 million decrease in net interest income and rental revenue on the same basis (as we syndicate the leases that earn net interest income and rental revenue); and
- Improved gain on sale revenue, driven by both increased volume and further pricing improvements.
    - We continue to experience a strong secondary market for vehicles across our geographies.
    - We provide additional datapoints in section 8.3 of our Supplementary Information document.

It is important to note that as we increase the volume of non-Armada assets being syndicated going forward (as discussed above under "Growing with Armada" and "Improved syndication revenue") net financing revenue may decrease on an absolute basis, subject to future origination volumes.

Average net earning assets, and net interest and rental revenue margin

	For the three-month periods ended			For the nine-month periods ended	
(in $000's for stated values)	**September 30, 2020**	June 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Total average net earning assets	**$ 10,895,388**	$ 11,626,619	$ 12,662,992	**$ 11,477,320**	$ 13,046,268
Net interest income and rental revenue	**6.48 %**	6.51 %	7.02 %	**6.58 %**	7.06 %
Interest expense	**2.69 %**	3.05 %	3.84 %	**3.10 %**	3.88 %
Net interest and rental revenue margin	**3.79 %**	3.46 %	3.18 %	**3.48 %**	3.18 %
Average debt outstanding	**$ 11,715,194**	$ 12,944,547	$ 12,950,680	**$ 12,588,633**	$ 13,224,226
Average cost of debt (Interest expense / average debt)	**2.50 %**	2.73 %	3.76 %	**2.83 %**	3.83 %
Average 1-Month LIBOR rates	**0.16 %**	0.35 %	2.47 %	**0.64 %**	2.37 %

Average net earning assets decreased 6.3% or $731 million quarter-over-quarter and 14.0% or $1.8 billion year-over-year as a result of syndication activity and, in the case of the year-over-year decline, the comparative decline in origination volumes this quarter. Earning asset changes are broken down in our Supplementary Information document.

Net interest and rental revenue margin - calculated by dividing net financing revenue by average net earning assets for the period and annualizing the quotient - improved 61 basis points year-over-year and 33 basis points quarter-over-quarter.

Syndication revenue, net

We syndicated $600 million of assets (including $89 million to new investors) in Q3, resulting in $15.2 million of syndication revenue and material contribution to our balance sheet de-leveraging in the quarter.

Syndication revenue grew 48% or $4.9 million quarter-over-quarter in Q3, declining 34.0% or $7.8 million year-over-year. It's important to note that the quarter-over-quarter improvement in syndication revenue was achieved despite a 21% decrease in the volume of assets syndicated, which evidences an improved syndication revenue 'yield' on syndicated assets. Syndication revenue and 'yield' benefited quarter-over-quarter from the absence of one-time costs that negatively impacted Q2 2020 results, an improved mix of assets syndicated, and - as we expected - investor hurdle rates decreasing over the course of the quarter.

We continue to enjoy robust demand for our products in the syndication market and increase that demand by attracting new investors to the table. We transacted with four new investors in Q3 on the aforementioned $89 million of assets, bringing our total syndication volume with new investors in 2020 to $232 million.

Adjusted operating expenses

Adjusted operating expenses were $3.9 million lower in Q3 this year than last year - driven primarily by transformation savings on salaries and related costs - and effectively flat quarter-over-quarter, reflecting continued reductions in local currency expenditures, offset by a strengthening Canadian dollar. We have exercised diligent cost controls in the COVID-19 environment and continued with planned transformation initiatives, which include opex reduction measures, while the stability, resilience and natural defensiveness of our business model has preserved healthy operating margins.

Summary of Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended September 30, 2020. This information has been prepared on the same basis as the Company's audited consolidated financial statements, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements of the Company and the related notes to those statements.

(in $ 000's for stated values, except per share amounts and ratios)	**Q3 2020**	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net revenue	**243,252**	225,503	247,239	256,509	245,796	249,570	242,227	221,480
Adjusted operating income (1)	**128,985**	111,144	129,322	138,386	127,650	125,976	121,954	96,529
After-tax adjusted operating income (1)	**107,058**	93,361	105,397	112,797	105,311	101,411	100,612	79,154
Net income (loss)	**70,778**	58,594	79,358	(116,978)	70,145	64,061	80,473	41,145
Earnings (loss) per share, basic	**0.14**	0.11	0.16	(0.29)	0.14	0.12	0.16	0.07
Earnings (loss) per share, diluted	**0.14**	0.11	0.16	(0.29)	0.13	0.12	0.16	0.07
Adjusted operating income per share, basic (1)	**0.27**	0.23	0.27	0.29	0.27	0.26	0.26	0.20
After-tax adjusted operating income per share, basic (1)	**0.22**	0.19	0.22	0.23	0.22	0.21	0.21	0.16
After-tax pro forma diluted adjusted operating income per share (1)	**0.22**	0.19	0.21	0.22	0.21	0.22	0.20	0.16
Total earning assets	**10,750,218**	11,025,581	11,999,636	11,783,853	12,388,224	12,714,943	13,141,273	13,662,821
Loan and lease originations	**1,279,263**	1,306,804	2,030,988	2,225,909	2,106,603	1,806,515	1,712,849	1,819,476
Allowance for credit losses	**18,829**	20,000	20,000	8,432	7,810	8,183	10,096	9,332
As a % of total finance receivables before allowance	**0.19**	0.18	0.16	0.07	0.06	0.07	0.08	0.07
Senior revolving credit facilities	**1,354,470**	1,774,086	1,869,919	1,703,507	1,824,014	2,372,370	2,153,786	2,406,195
Borrowings	**9,380,815**	9,984,649	10,529,564	10,189,354	10,329,638	9,828,447	10,567,390	10,864,585
Convertible debentures	**153,113**	151,976	715,978	711,791	715,399	711,305	903,024	897,435

(1) For additional information, see "Description of Non-IFRS Measures" section.

Effect of Foreign Currency Exchange Rate Changes

We are exposed to fluctuations in certain foreign currencies from operations we conduct in Australia, New Zealand, Mexico and, predominantly, the United States where, as at September 30, 2020, 10.3%, 4.4%, 8.9% and 64.0% of the net finance receivables and equipment under operating leases were located, respectively. While Element has certain designated hedges that partially mitigate the effects of FX exposure, our assets, liabilities, and foreign operating results do fluctuate as a result of fluctuations in these currencies against the reporting currency, being the Canadian dollar.

During the third quarter, adjusted operating income was not materially impacted by the change in average exchange rates of the Company's operating currencies against the Canadian dollar compared to adjusted operating income for the quarters ended June 30, 2020 and September 30, 2019.

The following table sets forth a summary of the Company's results from both Fleet Management and Non-Core operations on a **constant currency** basis:

	For the three-month periods ended			For the nine-month periods ended	
(in $000's for stated values)	**September 30, 2020**	June 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
	$	$	$	**$**	$
Interest income, net	**122,100**	136,575	158,377	**402,374**	502,803
Rental revenue and other	**159,381**	151,674	157,601	**479,298**	513,767
Depreciation of equipment under operating leases	**(104,908)**	(101,915)	(106,761)	**(317,501)**	(334,960)
	176,573	186,334	209,217	**564,171**	681,610
Interest expense	**73,301**	87,181	121,843	**266,590**	384,321
Net financing revenue	**103,272**	99,153	87,374	**297,581**	297,289
Fleet service revenue	**135,488**	121,850	134,340	**397,076**	404,953
Direct costs of fixed rate service contract	**(10,754)**	(10,297)	(11,337)	**(31,750)**	(33,427)
Servicing income, net	**124,734**	111,553	123,003	**365,326**	371,526
Syndication revenue, net	**15,246**	9,928	23,276	**52,071**	63,754
Net revenue	**243,252**	220,634	233,653	**714,978**	732,569
Salaries, wages and benefits	**74,910**	73,300	80,273	**224,872**	247,315
General and administrative expenses	**28,789**	27,981	27,951	**89,045**	87,402
Depreciation and amortization	**10,568**	10,729	10,601	**32,179**	31,702
Adjusted operating expenses	**114,267**	112,010	118,825	**346,096**	366,419
Adjusted operating income	**128,985**	108,624	114,828	**368,882**	366,150
After-tax adjusted operating income	**107,058**	91,245	105,319	**305,292**	310,111
Net earning assets	**10,750,218**	10,922,873	12,460,629	**10,750,218**	12,460,629
Average net earning assets	**10,895,388**	11,511,710	12,741,135	**11,372,917**	13,186,014

Financial Position

The following table presents a summary of the comparative financial positions, as at:

(in $000's for stated values)	**September 30, 2020**	June 30, 2020	December 31, 2019
	$	$	$
ASSETS			
Cash	**75,633**	63,665	24,224
Restricted funds	**488,250**	567,630	434,128
Finance receivables	**10,145,518**	11,282,278	11,986,974
Equipment under operating leases	**2,022,871**	1,970,298	2,101,367
Accounts receivable and other current assets	**208,161**	201,221	219,676
Derivative financial instruments	**63,665**	80,663	41,396
Property, equipment and leasehold improvements	**121,978**	129,757	141,626
Intangible assets	**825,089**	829,761	793,279
Deferred tax assets	**485,269**	460,557	440,952
Goodwill	**1,275,435**	1,297,275	1,245,981
	15,711,869	16,883,105	17,429,603
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**911,719**	937,327	924,936
Derivative financial instruments	**88,962**	107,314	39,145
Borrowings	**10,735,285**	11,758,735	11,892,861
Convertible debentures	**153,113**	151,976	711,791
Deferred tax liabilities	**88,233**	48,899	48,225
	11,977,312	13,004,251	13,616,958
Shareholders' equity	**3,734,557**	3,878,854	3,812,645
	15,711,869	16,883,105	17,429,603

Total assets and liabilities decreased by $1,171 million and $1,027 million, respectively, over Q2 2020. 73% of Element's assets are U.S. dollar-denominated, as a result of which movements in the value of the U.S. compared to the Canadian dollar have an impact on our balance sheet. We also have assets denominated in Mexican pesos and Australian and New Zealand dollars, although these are smaller tranches of our portfolio. In Q3 2020, the quarter-over-quarter decrease in total assets and liabilities was driven by a strengthening Canadian dollar against the U.S. dollar as well as a decrease in net earning assets. The net impact of all currency variations flows through to Shareholders' Equity as Other Comprehensive Income.

Portfolio Details

Total finance receivables

The following table breaks down the Company's total finance receivables, which had decreased by $1.84 billion at quarter-end compared to December 31, 2019, driven by the cumulative impact of syndication and below average origination volumes in Q2 and Q3. Total finance receivables decreased by $1.14 billion quarter-over-quarter due to syndication, amortization offsetting below average originations, and the outright sale of certain vehicles to Armada in the quarter.

(in $000's for stated values, except ratios)	**September 30, 2020**	June 30, 2020	December 31, 2019
	$	$	$
Net investment in finance receivables	**8,727,347**	9,055,283	9,682,486
Impaired receivables - at net realizable value	**34,307**	112,038	53,532
	8,761,654	9,167,321	9,736,018
Unamortized origination costs and subsidies	**(101,585)**	(100,459)	(107,257)
Net finance receivables	**8,660,069**	9,066,862	9,628,761
Prepaid lease payments and Security deposits	**(41,643)**	(36,825)	(66,867)
Interim funding	**808,910**	1,496,852	1,421,607
Fleet management service receivables	**399,619**	448,795	691,908
Other	**337,392**	326,594	319,997
	10,164,347	11,302,278	11,995,406
Allowance for credit losses	**18,829**	20,000	8,432
Total finance receivables	**10,145,518**	11,282,278	11,986,974
Ratios			
Allowance for credit losses as a % of total finance receivables before allowance	**0.19 %**	0.18 %	0.07 %

Allowance for credit losses

Credit losses and provisions as at and for the nine- and six-month periods ended September 30, 2020 and June 30, 2020, respectively, and the twelve-month period ended December 31, 2019 are as follows:

(in $000's for stated values, except ratios)	**Nine months ended September 30, 2020**	Six months ended June 30, 2020	Twelve months ended December 31, 2019
	$	$	$
Allowance for credit losses, beginning of period	**8,432**	8,432	9,332
Provision for credit losses	**12,236**	13,112	2,082
Charge-offs, net of recoveries	**(1,483)**	(1,383)	(2,227)
Impact of foreign exchange rates	**(356)**	(161)	(755)
Allowance for credit losses, end of period	**18,829**	20,000	8,432
Allowance for credit losses as a % of total finance receivables before allowance	**0.19 %**	0.18 %	0.07 %

Element's policy is to assess credit risk related to specific client defaults by performing detailed assessments on the value of the underlying security, and the client's financial condition and ability to service the debt, both at loan inception and throughout the term of the loan.

While it is difficult to perform these assessments in the current environment and predict the future impact, our experience and activity over the last two quarters has continued to be encouraging. We reviewed inputs to our expected credit loss model throughout Q3. There were immaterial changes to the probability of client defaults, and positive improvement in the amounts likely to be recovered in the event of default. These datapoints suggested an $18-$20 million allowance for credit losses was more than sufficient. We also considered forward-looking macroeconomic information in light of COVID-19, such as projected changes in GDP and the impact that potential downward trends in GDP would have on our lease and loan portfolio. We evaluated multiple COVID-19 scenarios including various durations of market slow-down and recovery. Given the uncertainty of the pandemic and based on conservative expectations, we have left our balance sheet allowance for credit losses at $18.8 million at September 30, 2020.

Allowance for credit losses specifically in respect of impaired receivables

A portion of Element's allowance for credit losses is maintained specifically in respect of impaired receivables and calculated as the difference between (i) the carrying amounts of the assets on the consolidated statements of financial position and (ii) the present value of the estimated future cash flows on the net finance receivables, discounted at the finance receivables' original effective interest rate. Given the significant reduction in our impaired receivables quarter-over-quarter (as discussed immediately below), this portion of our allowance for credit losses was materially lower at quarter-end.

Delinquencies and impaired receivables

The contractual delinquency and impairment of net finance receivables at each reporting period is as follows:

(in $000's for stated values)	**September 30, 2020**		June 30, 2020		December 31, 2019	
	$	**%**	$	%	$	%
Current	**8,615,256**	**99.48**	8,919,507	98.37	9,667,619	99.29
31 to 60 days	**8,545**	**0.10**	21,120	0.23	8,410	0.09
61 to 90 days	**1,536**	**0.02**	6,324	0.07	3,433	0.04
91 to 120 days	**425**	**—**	7,873	0.09	3,024	0.03
Impaired receivables	**34,307**	**0.40**	112,038	1.24	53,532	0.55
Total	**8,660,069**	**100.00**	9,066,862	100.00	9,628,761	100.00

Element's collections and credit performance in the quarter was strong, returning to pre-COVID-19-levels and, in some cases, improving on those levels. This is a testament to the blue-chip nature of our client base as well as the caliber of our internal teams in these functions.

Collections

Our aggregate reported delinquencies at quarter-end decreased by $24.8 million or 70% quarter-over-quarter - from $35.3 million to $10.5 million - which is in line with pre-COVID-19 levels.

As noted last quarter, the delinquency values reported in the table above are Element's aggregate net investments in finance receivables (i.e. finance lease receivables and finance loan receivables) attributable to delinquent client accounts - and not the actual amounts in respect of which clients were delinquent. The actual net finance receivable amounts in respect of which clients were delinquent at September 30, 2020 totaled $0.9 million, which is an improvement on pre-COVID-19 levels. We provide historical context in section 9.2 of our Supplementary Information document, available on the Company's website.

Credit

Total impaired receivables were $34 million at quarter-end, which is a $78 million or 69% decrease from Q2 2020 and an improvement on pre-COVID-19 levels.

Two clients on our watchlist *entered* bankruptcy in Q3, comprising $6.3 million of total impaired receivables at quarter-end. Three clients *emerged* from bankruptcy *this quarter* - in two cases, without any credit losses suffered by Element.

One of the three clients that *emerged* from bankruptcy *this quarter* had only *entered* bankruptcy *last* quarter - and this client emerged without Element suffering any credit loss. We expect the other two clients that *entered* bankruptcy *last* quarter to emerge from restructuring proceedings before the end of this year - again, without Element having incurred any credit losses on these accounts.

Please refer to section 10.0 of our Supplementary Information document for further insight.

Classifying receivables as impaired

Accounts over 120 days past due are automatically considered impaired, fully provisioned net of any anticipated recoveries and recorded at their net realizable value.

Accounts that are contractually delinquent less than 120 days may nonetheless be assessed as impaired. Individual impairment is assessed by examining contractual delinquency and the client's financial condition, such as the identification of an approaching bankruptcy or the client being in the process of legal or collateral repossession proceedings with a debtor. Impairments of this nature are provisioned by applying probability-weighted assumptions consistent with industry standards and our experience with respect to the probability of an identified account resulting in a client default.

We believe the impaired receivables figure in the table above appropriately reflects the net realizable value of the finance receivables before any allowance for credit losses.

Portfolio Distribution by Geography

The table below sets forth the geographical distribution of the Company's portfolio of net finance receivables and equipment under operating leases, as at:

(in $000's for stated values)	**September 30, 2020**		June 30, 2020		December 31, 2019	
	$	**%**	$	%	$	%
United States and Canada	**8,156,488**	**76.4**	8,576,967	77.7	9,326,874	79.5
Australia and New Zealand	**1,571,301**	**14.7**	1,542,374	14.0	1,557,365	13.2
Mexico	**955,151**	**8.9**	917,819	8.3	845,889	7.3
Total	**10,682,940**	**100.0**	11,037,160	100.0	11,730,128	100.0
Allocated as:						
Net finance receivables	**8,660,069**	**81.1**	9,066,862	82.1	9,628,761	82.1
Equipment under operating leases, net	**2,022,871**	**18.9**	1,970,298	17.9	2,101,367	17.9
Total	**10,682,940**	**100.0**	11,037,160	100.0	11,730,128	100.0

The table below sets forth the geographical distribution of the Company's assets under management, as at:

(in $000's for stated values)	**September 30, 2020**		June 30, 2020		December 31, 2019	
	$	**%**	$	%	$	%
United States and Canada	**13,613,860**	**84.3**	14,570,740	85.5	14,203,747	85.0
Australia and New Zealand	**1,563,351**	**9.7**	1,539,793	9.0	1,550,004	9.3
Mexico	**971,601**	**6.0**	939,156	5.5	956,239	5.7
Total	**16,148,812**	**100.0**	17,049,689	100.0	16,709,990	100.0

Liquidity

Element's primary sources of liquidity are daily operating cash flow from financing, leasing, syndication and service activities, and committed credit and debt facilities. Our primary uses of cash are the funding of finance receivables and operating leases, and working capital.

Cash Flow

Daily cash flow / liquidity

As part of our business continuity planning in Q1 2020 - in anticipation of the potential scale and consequences of COVID-19 at the time - we instituted a global cash management office to assess and proactively manage Element's liquidity position by ensuring we have robust controls over every source and use of cash flow. The global cash management office also conducted a comprehensive series of stress-tests to identify early indications, risks and sensitivities in maintaining that cash flow, all of which confirmed the stability and sustainability of same.

Notwithstanding our dependable operating cash flows and approximately $6 billion of committed, undrawn capital at quarter-end, we are working to sustainably enhance our dynamic liquidity management capabilities, including data analysis capacity and forecasting.

Free cash flow

We present our (i.e. management's) view of Element's free cash flow in our Supplementary Information document available on the Company's website.

Statement of cash flows

Cash provided by operating activities for the nine-month period ended September 30, 2020 - as presented in our interim condensed consolidated financial statements - was $2,154.3 million, an increase of $1,459.5 million from the $694.8 million provided by operating activities for the nine-month period ended September 30, 2019. The increase was primarily the result of lower investments in finance leases and equipment under operating leases resulting from postponed orders and delayed originations driven by COVID-19.

Cash provided by investing activities for the nine-month period ended September 30, 2020 was $15.8 million - $73.5 million less than the $89.3 million of cash provided by investing activities in the nine-month period ended September 30, 2019. The primary reasons for the delta are (i) current year-to-date purchases of computer software were greater than in Q3 2019, (ii) Q2 2019 benefited from cash proceeds from the sale of our Eden Prairie, MN office building and our ECAF I Holdings Ltd. investment offset partially by (iii) the sale of 19th Capital in Q2 2020.

Cash used in financing activities for the nine-month period ended September 30, 2020 was $2,121.7 million, compared to $762.4 million used in financing activities for the nine-month period ended September 30, 2019. The year-over-year increase is primarily due to (i) the settlement of 19th Capital related debt, (ii) the retirement of the 2015 convertible debentures, (iii) the redemption of the Series G preferred shares, and (iv) an increase in borrowings by comparison to Q3 2019, offset by (v) the issuance of our senior notes.

Credit and debt facilities

Maintaining ready access to diversified sources of cost-efficient capital is a strategic imperative for Element.

We had $5.8 billion of contractually committed, undrawn liquidity across our revolving unsecured ($2.1 billion) and vehicle management asset-backed ($3.7 billion) facilities at September 30, 2020. Commitments under these facilities are provided by syndicates of leading Canadian and international banks.

These sources of financing were as follows:

As at	**September 30, 2020**			
(in $000's for stated values)	$	%	$	$
	Committed size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	**3,463,460**	***60.9***	**2,108,990**	**1,354,470**
Senior notes	**532,840**	**—**	**—**	**532,840**
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	**4,815,178**	**—**	**—**	**4,815,178**
Variable funding notes	**7,660,871**	***47.7***	**3,654,326**	**4,006,545**
Other	**44,970**	**—**	**—**	**44,970**
Total vehicle management asset-backed debt	**12,521,019**	***29.2***	**3,654,326**	**8,866,693**
Total cash			**75,633**	
Total capital available for continuing operations			**5,838,949**	

As at	June 30, 2020			
(in $000's for stated values)	$	%	$	$
	Committed size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	3,528,200	*49.7*	1,754,114	1,774,086
Senior notes	542,800	—	—	542,800
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	4,564,215	—	—	4,564,215
Variable funding notes	7,738,485	*37.3*	2,889,866	4,848,619
Other	45,473	—	—	45,473
Total vehicle management asset-backed debt	12,348,173	*23.4*	2,889,866	9,458,307
Total cash			63,665	
Total capital available for continuing operations			4,707,645	

As at	December 31, 2019			
(in $000's for stated values)	$	%	$	$
	Committed size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	3,376,100	*49.5*	1,672,593	1,703,507
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	5,697,575	—	—	5,697,575
Variable funding notes	8,236,454	*47.0*	3,872,777	4,363,677
Other	169,485	—	—	169,485
Total vehicle management asset-backed debt	14,103,514	*27.5*	3,872,777	10,230,737
Total cash			24,224	
Total capital available for continuing operations			5,569,594	

We believe the $5.8 billion of liquidity available to the Company at September 30, 2020 coupled with our durable operating cash flow is sufficient to fund Element's business through the balance of 2020 and into 2021 and to pay dividends to all preferred and common shareholders.

Capital Resources

Capitalization

Element's funding activities are well diversified by facility, geography, currency, investor and lender and include both secured and unsecured sources.

The Company's capitalization is calculated as follows:

As at	**September 30, 2020**	June 30, 2020	December 31, 2019
(in $000's)	**$**	$	$
Cash	**75,633**	63,665	24,224
Unsecured debt			
Senior credit facilities	**1,354,470**	1,774,086	1,703,507
4.250% Convertible Debentures due 2020	**—**	—	562,034
4.250% Convertible Debentures due 2024	**153,113**	151,976	149,757
3.850% Senior Notes due 2025	**532,840**	542,800	—
Vehicle Management Asset-Backed Debt			
Revolving term notes in amortization	**4,815,178**	4,564,215	5,697,575
Variable funding notes	**4,006,545**	4,848,619	4,363,677
Other	**44,970**	45,473	169,485
Deferred financing costs	**(37,882)**	(40,232)	(48,804)
Hedge accounting fair value adjustments	**19,164**	23,774	7,421
Total debt	**10,888,398**	11,910,711	12,604,652
Shareholders' equity			
Common share capital	**3,160,935**	3,144,615	3,127,714
Preferred share capital	**511,869**	680,412	680,412
Other	**61,753**	53,827	4,519
Total Shareholders' Equity	**3,734,557**	3,878,854	3,812,645
Total Capitalization	**14,622,955**	15,789,565	16,417,297

As previously disclosed, we redeemed the Series G preferred shares in full at quarter-end, further maturing our capital structure by eliminating our most expensive preferred share series. Growing profitability, free cash flow and syndication all contribute to the de-leveraging of Element's balance sheet, which created the capacity to execute this $172.5 million redemption. With the redemption, we have cumulatively eliminated or replaced over $1 billion of high-cost hybrid instruments from Element's capital structure since April 2019, simplifying and strengthening the Company's investment-grade balance sheet.

We view both financial and tangible leverage as key indicators of the strength of Element's financial position. At September 30, 2020, our financial leverage ratio was 2.92:1 and tangible leverage ratio was 6.66:1. Excluding the impact of the Series G preferred share redemption, Element's tangible leverage ratio at September 30, 2020 would have been 5.92:1.

The Company's financial and tangible leverage is calculated as follows:

As at		September 30, 2020	December 31, 2019
(in $000's, except ratios)		**$**	$
Borrowings		**10,735,285**	11,892,861
Convertible debentures		**153,113**	711,791
Total debt	**(a)**	**10,888,398**	12,604,652
Total shareholders' equity	**(b)**	**3,734,557**	3,812,645
		14,622,955	16,417,297
Goodwill and intangible assets	**(c)**	**2,100,524**	2,039,260
Financial leverage	**(a)/(b)**	**2.92**	3.31
Tangible leverage	**(a)/[(b)-(c)]**	**6.66**	7.11

The Company was in compliance with all financial and reporting covenants with all of its lenders at September 30, 2020.

Credit ratings

Our ability to access financing on a cost-efficient basis is largely dependent on maintaining strong investment-grade credit ratings. Credit ratings and outlooks assigned by rating agencies reflect their views and methodologies. The credit ratings are subject to change based on several factors, including but not limited to our financial strength, competitive position, liquidity and other factors not entirely within our control.

Credit Ratings (1) as at September 30, 2020

Rating agency	Issuer rating	Outlook
DBRS Limited	BBB (high)	Stable
Fitch Ratings	BBB+	Stable
Kroll Bond Rating Agency	A-	Stable
Standard& Poor's	BBB	Stable

(1) Credit ratings are not recommendations to purchase, sell or hold a financial obligation in as much as they do not comment on market price or suitability for a particular investor. Ratings are determined by the rating agencies based on criteria established from time to time by them and are subject to revision or withdrawal at any time by the rating organization.

Standard & Poor's initiated coverage of Element in October 2019 with a BBB investment-grade credit rating, while Fitch Ratings affirmed its BBB+ investment-grade rating of Element and improved its outlook to stable in September 2019. These two U.S. investment-grade ratings paved the way for Element to issue its inaugural investment-grade bond in the U.S. senior unsecured corporate debt market last quarter.

Outlook and Economic Conditions

Context for Our Outlook

In Fall 2018, the current management team completed an end-to-end assessment of Element's business that resulted in a strategic plan to solidify the Company's core operating platform and client relationships, strengthen and de-leverage its balance sheet, divest of all non-core assets and improve cash flow and liquidity. We also planned to have prepared and pivoted the business by the end of 2020, such that Element could focus on organic profitable revenue growth atop a scalable operating platform, and return excess equity capital to shareholders in 2021 and beyond.

We will have completed the transformation of Element by the end of 2020, having effected hundreds of changes to the organization resulting in a more consistent, superior service experience for our clients; greater operational efficiency and stability; an investment-grade balance sheet and maturing capital structure; diversified funding sources, including approximately $6 billion of committed, undrawn liquidity; and meaningfully improved profitability.

The organization's consistent overachievement on our transformation work allowed us to begin pivoting Element to growth ahead of schedule. In 2019 we performed comprehensive studies of Element's addressable markets in North America and Australia / New Zealand. From our findings we developed an organic growth strategy based on which we believe the Company can improve its net revenue by 4-6% annually in normal market conditions.

In this third quarter of 2020, given everything Element has accomplished to date (as set out above under "Return of capital"), we arrived at a point where we determined that the highest potential for additional value creation lies in the return of capital - in excess of that required to maintain our target sub-6.0 tangible leverage ratio - to common shareholders by way of dividends and share buybacks. Element announced the specifics of our current plan to do so, also set out above under "Return of capital".

Outlook and Economic Conditions

While it remains hard to predict when and exactly how the dust will settle from the COVID-19 pandemic, we believe automotive fleet vehicles will (a) remain essential to our clients' ability to generate and sustain revenue - or, in the case of governments and public service clients, fulfill their obligations to stakeholders - and (b) continue to have significant associated costs, in both cases for the foreseeable future.

As a result, we are confident Element's value proposition – materially reducing our clients' total cost of fleet operations, and eliminating related administrative burden – will remain relevant.

In fact, we believe the known and likely economic consequences of the COVID-19 pandemic make Element's value proposition to new and existing clients even more compelling.

Despite the practical and economic consequences of the pandemic, we continue to stay the strategic course as we complete our transformation in 2020 and begin to focus on our strategic priorities for 2021 and beyond:

- Aggressively pursue organic growth in all our geographies and demonstrate the scalability of Element's transformed operating platform by magnifying 4-6% annual organic revenue growth into high single-digit to low double-digit annual operating income growth;
- Advance a capital-light*er* business model that enhances return on equity; and
- Achieve high single-digit to low double-digit annual free cash flow growth and predictably return excess equity to common shareholders by way of dividends and share buybacks.

In this second half of 2020, we have begun executing our organic growth strategy. Our clients enjoy:

- the ability to materially reduce the total cost of fleet operations over time. Element has one of the deepest datasets in the automotive industry, based on which we have already identified over $1.3 billion in fleet-cost-saving strategies and opportunities for our clients in 2020; and

- ready access to cost-efficient capital, diversifying clients' sources of financing.

Transitioning to Element, new clients enjoy the ability to reduce their total cost of fleet operations by approximately 20% compared to the costs of self-managing a fleet, while eliminating the related administrative burden.

- Element is one of the largest buyers of vehicles and other automotive products and services everywhere we operate. We procure on behalf of our 5,500+ clients. We use our scale to negotiate lower prices for our clients.

- Our 2,500+ employees are dedicated to efficiently providing our clients a consistent, superior service experience at every step, allowing clients to focus their time and resources on their businesses' core strengths.

New and existing Element clients that own their fleet vehicles enjoy the option of a sizeable cash infusion from the sale and leaseback of those vehicles to and from Element.

- To the extent current fleet owners, including governments and public service agencies, wish to free-up balance sheet/budgetary capacity, we have the balance sheet capacity to welcome existing fleets onto our platform, and the syndication capabilities to manage any accompanying concentration risk to Element. We also have the liquidity to effect a sale-leaseback transaction with the current fleet owner, and the operating experience to execute a seamless transition of responsibility for their vehicles.

Finally, if working from home and social distancing become greater societal norms post-COVID-19, we believe competition to serve 'stay at home'-oriented consumers will increase. As a result, we believe COVID-19 could accelerate prospective Element clients' interest in building "mega fleets" (like that of our client Armada) as retailers of all stripes recognize the attractiveness of being able to offer online shoppers proprietary home delivery.

Risk Management

The Company has risk management processes in place to monitor, evaluate and manage the principal risks it assumes in conducting its business activities. These risks include credit, liquidity, foreign exchange, interest rate, and various sources of operational risk. The Company's primary risks have not changed materially from that described in the "Risk Management" section of the Company's 2019 Annual MD&A other than as noted below.

Global Financial Markets and General Economic Conditions May Adversely Affect Element's Business, Financial Condition, and/or Results of Operations

Events in the financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to Element or to its industry may materially adversely affect Element over the course of time. For example, general volatility in the equity markets could hurt Element's ability to raise capital and significantly impact Element's access to funding and liquidity (including access to securitization and syndication markets for Element's originated finance assets). Element may also be negatively impacted by volatility in the equity markets as a result of a number of catastrophic events that are beyond Element's control, including infectious diseases, pandemics or similar health threats, such as the ongoing COVID-19 pandemic or fear of the foregoing.

Moreover, a reduction in credit, combined with reduced economic activity, may materially adversely affect businesses and industries that collectively constitute a significant portion of Element's client base and may make it more difficult for Element to maintain new business origination and the credit quality of new business at the levels currently forecast. As a result, these clients may need to reduce their purchases and reliance on Element's services or Element may experience greater difficulty in receiving payment for its services. Delinquencies, non-accruals and credit losses generally increase during economic slowdowns or recessions. Therefore, to the extent that economic and business conditions are unfavourable, Element's non-performing assets may become elevated and the value of Element's portfolio is likely to decrease.

Adverse economic conditions also may decrease the estimated value of the collateral securing some of Element's loans and leases. Further or prolonged economic slowdowns or recessions, including those caused by catastrophic events as the COVID-19 pandemic, could lead to financial losses in Element's portfolio and a decrease in Element's net finance income, net income and book value. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on Element's business, financial condition and/or results of operations.

Element has no control over changes in inflation and interest rates, foreign currency exchange rates and controls or other economic factors affecting its businesses or the possibility of political unrest, legal and regulatory changes in jurisdictions in which Element operates. These factors could negatively affect Element's future results of operations in those markets.

Catastrophic Events, Natural Disasters, Severe Weather and Disease

Element's business may be negatively impacted to varying degrees by a number of events which are beyond its control, including cyber-attacks, unauthorized access, energy blackouts, pandemics, terrorist attacks, acts of war, earthquakes, hurricanes, tornadoes, fires, floods, ice storms or other natural or manmade catastrophes.

While Element engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly and their impacts can be difficult to predict. As such, there can be no assurance that in the event of any such catastrophe that Element's operations and ability to carry on business will not be disrupted. Element may still be required to perform its obligations to third parties, notwithstanding the occurrence of any such events. A catastrophic event, including an outbreak of infectious disease, a pandemic or a similar health threat, such as the ongoing COVID-19 pandemic, or fear of any of the foregoing, could adversely impact Element by causing operating or supply chain delays and disruptions, labor shortages, expansion project delays, facility shutdowns and other business disruptions, each of which could have a negative impact on Element's ability to conduct its business and could increase its costs. In addition, liquidity and volatility, credit availability and market and financial conditions generally could change at any time as a result. Any of these events in isolation or in combination, could have a material negative impact on Element’s financial condition, operating results and cash flows.

COVID-19 Pandemic

Element’s business has been and will continue to be negatively impacted by the COVID-19 pandemic, which has created, and continues to create, significant societal and economic disruptions. The COVID-19 pandemic has had, and will continue to have, a broad impact across industries and the economy, including by affecting consumer confidence, global financial markets (with global equity markets having experienced significant volatility and weakness), regional and international travel, supply chain distribution of various products for many industries, oil prices, government and private sector operations, the price of consumer goods, countrywide lockdowns in various regions of the world, and numerous other impacts on daily life and commerce. Additionally, the COVID-19 pandemic has led, and may continue to lead, governments around the world to enact measures to combat the spread of the COVID-19 virus, including, but not limited to, the implementation of travel bans, border closings, mandated closure of non-essential services, self-imposed quarantine periods and social and physical distancing policies, which have contributed to the material disruption to businesses globally resulting in a sudden economic slowdown.

The ever-changing and rapidly-evolving effects of the COVID-19 pandemic - the duration, extent and severity of which are currently unknown - on investors, businesses, the economy, society and the financial markets could, among other things, add volatility to the global stock markets, change interest rate environments, and increase lease delinquencies and defaults. Therefore, the COVID-19 pandemic and measures to prevent its spread may negatively impact Element as well as Element’s clients, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting local, national or international economies and employment levels, triggering potentially significant inflationary pricing or a recession, affecting Element’s clients’ and customers’ ability to make payments on leases; (ii) adversely affecting the business operations of Element, including access to its funding and financing sources (including securitization and syndication markets); (iii) Element experiencing business interruptions as a result of the strain on existing resources, including information technology systems resulting from senior management and other employees working remotely, an inability to receive required technology or other hardware due to supply chain interruption or lacking necessary staffing needed for daily operations or the completion of extraordinary projects; (iv) disrupting public and private infrastructure, including communications and financial services, which could disrupt Element’s or its customers’ normal business operations; (v) adversely impacting net financing revenues and liquidity caused by delays in lease payments, changes in levels of lease originations, delays or deferrals in the replacement of vehicles, impact on remarketing of vehicles, client creditworthiness and delinquencies; and (vi) adversely impacting service revenues caused by declines in fleet vehicle mileage and lower fuel, maintenance and other service consumption. Any of these events in isolation or in combination, could have a material negative impact on Element’s financial condition, operating results and cash flows.

Element Faces Tax Risks in Multiple Jurisdictions

Element is a Canadian corporation which operates in multiple jurisdictions. As a result, it is subject to the tax laws and regulations of Canadian federal, provincial and local governments and of the governments of foreign jurisdictions in which Element operates, as well as to any income tax treaties between Canada and any such jurisdictions, and to the risk that those tax laws, regulations and treaties may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, and the effective tax rate in the jurisdictions in which Element operates.

The determination of Element's provision for income taxes in Canada and elsewhere, including current and deferred tax assets and liabilities on Element's financial statements, requires estimates, interpretation and significant judgment. Various internal and external factors may have favorable or unfavorable effects on future provisions for income taxes and Element's effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years’ items, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretation of existing accounting pronouncements can have a material impact on Element's effective income tax rate.

On December 22, 2017, the U.S. government enacted new tax legislation effective January 1, 2018. The legislation includes, among other changes, a reduction in the U.S. federal corporate income tax rate, limitations on interest deductibility, a new tax on base erosion payments, and provisions on hybrid arrangements. Throughout 2019 and 2020 the IRS and the Treasury Department have continued to issue draft and final regulations for components of the new tax legislation. In April 2020, the IRS and Treasury Department published final regulations around hybrid arrangements. Preliminary reading of the regulations indicates that there are no material long term negative impacts on Element’s financial condition. Final guidance, new regulations or updated interpretations may change this expected conclusion.

Element could be impacted by certain tax treatments for various revenue streams in different tax jurisdictions. If a tax authority has a different interpretation from Element's, it could potentially impose additional taxes, penalties, fines or change the amount and timing of expected tax refunds. This would potentially reduce the amounts of revenue and net income received by Element.

Element, from time to time, has executed or may execute reorganization transactions impacting its tax structure. If a tax authority has a different interpretation from Element's, it could potentially impose additional taxes, penalties or fines on Element.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operation are made with reference to the unaudited interim condensed consolidated financial statements for the three- and six-month periods ended September 30, 2020. A summary of the Company's significant accounting policies is presented in note 2 to the audited consolidated financial statements for the year ended December 31, 2019. Some of the Company's accounting policies, as required by IFRS, require management to make subjective, complex judgments and estimates to matters that are inherently uncertain. Accounting policies that require management's judgment and estimates are described in the "Critical Accounting Policies and Estimates" section of the December 31, 2019 MD&A.

Related Party Transactions

The Company's related parties include the following persons and/or entities: (a) associates, or entities which are controlled or significantly influenced by the Company; (b) key management personnel, which are comprised of directors and/or officers of the Company and those persons having authority and responsibility for planning, directing and controlling the activities of the Company; and (c) entities controlled by key management personnel.

The Company has issued notes receivables that are loans to certain employees and directors of the Company granted in order to help finance the purchase of the Company's common shares. Such loans have been issued at market conditions, bear interest at 3% and are evidenced by individual promissory notes secured by the shares purchased under the loan arrangements. On March 3, 2017 the Board of Directors approved a plan to discontinue this program on a prospective basis.

Recently Adopted Accounting Standards

Interest Rate Benchmark Reform

During the first quarter of 2020, the Company adopted amendments ("Amendments") to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures (Amendments)*, applicable from November 1, 2019. These Amendments modify certain hedge accounting requirements to provide relief from the effect of uncertainty caused by interest rate benchmark reform ("the Reform") prior to the transition to alternative interest rates. The adoption of the Amendments had no impact to our unaudited interim condensed consolidated financial statements.

The Company will cease to apply these Amendments as interbank offered rate ("IBOR") based cash flows transition to new risk-free rates or when the hedging relationships to which the relief is applied are discontinued.

Hedge Accounting

The Company's accounting policies relating to hedge accounting are described in note 2 and note 20 of the Company's consolidated financial statements for the year ended December 31, 2019. The Company applies hedge accounting when designated hedging instruments are highly effective in offsetting changes in the fair value or cash flows of the hedged items at inception and on an ongoing basis. Retrospective assessments are performed to demonstrate that the relationship has been effective since designation of the hedge and prospective assessments to evaluate whether the hedge is expected to be effective over the remaining term of the hedge. While uncertainty due to IBOR reform exists, the Company's prospective effectiveness testing is based on existing hedged cash flows or hedged risks. Any ineffectiveness arising from retrospective testing is recognized in net income.

In addition to potential sources of ineffectiveness outlined in note 20 of the Company's consolidated financial statements for the year ended December 31, 2019, the Reform may result in ineffectiveness as the transition of hedged items and related hedging instruments from IBORs to new risk-free rates may occur at different times. This may result in different impacts on the valuation or cash flow variability of hedged items and related hedging instruments.

Cash flow hedges

The Company applies hedge accounting for cash flow hedges when the cash flows giving rise to the risk being hedged have a high probability of occurring. While uncertainty due to IBOR reform exists, the Company applies the relief provided by the Amendments that the IBOR benchmarks, on which the highly probable hedged cash flows are based, are not altered as a result of the Reform. In addition, associated cash flow hedge reserves are not recycled into net income solely due to changes related to the transition from IBOR to new risk-free rates.

Hedging relationships impacted by interest rate benchmark reform

The following table presents the notional amount of the Company's hedging instruments which reference IBOR that will expire after 2021 and will be affected by the Reform. The notional amounts of the Company's hedging instruments also approximates the extent of the risk exposure the Company manage through hedging relationships:

	As at September 30, 2020 Notional/Principal amount(1) $
Interest rate contracts	
USD LIBOR	**4,350,999**
	4,350,999

1. Excludes interest rate contracts and non-derivative instruments which reference rates to multi-rates jurisdictions, including the Canadian Dollar Offered Rate ("CDOR"), Australian Bank Bill Swap Rates ("BBSW"), and New Zealand Bank Bill Rates ("BBR").

Amendments to IAS 1 and IAS 8: *Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Company.

Future Accounting Changes

In August 2020, the IASB published *Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16* ("Phase 2 Amendments"). The Phase 2 Amendments are effective January 1, 2021. The Company is currently evaluating the impact of the Phase 2 Amendments on its financial reporting in relation to the IBOR Reform.

Internal Control over Disclosure and Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures to ensure that material information is being recorded, processed, summarized, and reported to senior management, including the certifying officers and other members of the Board of Directors, on a timely basis, so that appropriate decisions can be made regarding public disclosure. In addition, the CEO and CFO are responsible for establishing and maintaining internal controls over financial reporting to a standard that provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Limitations on the effectiveness of disclosure controls and internal controls over financial reporting

It should be noted that while the Company's CEO and CFO believe that the Company's internal control system and disclosure controls and procedures provide a reasonable level of assurance that the objectives of the control systems are met, they do not expect that the Company's control systems will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any designs will succeed in achieving its stated goals under all potential conditions.

The Company has an established process in place which includes the continuous testing and reporting of the results to senior management and the Board of Directors on the effectiveness of the disclosure controls and internal controls over financial reporting.

IFRS to Non-IFRS Reconciliations

The following table provides a reconciliation of IFRS to non-IFRS measures related to the operations of the Company:

		As at and for the three-month periods ended			As at and for the nine-month periods ended	
(in $000's for stated values)		**September 30, 2020**	June 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Reported and adjusted income measures						
Net income	A	**70,778**	58,594	70,145	**208,730**	214,679
Adjustments:						
Amortization of debenture discount		**843**	2,003	2,504	**5,401**	10,651
Share-based compensation		**5,591**	4,427	4,360	**15,455**	14,940
Amortization of intangible assets from acquisitions		**9,338**	9,660	8,948	**29,221**	27,236
Restructuring and transformation costs		**24,213**	18,663	34,055	**57,871**	62,742
Net loss on disposition of 19th Capital		**—**	13,862	—	**13,862**	—
Provision of income taxes		**17,512**	3,938	7,398	**38,147**	44,000
(Gain) loss on investments		**710**	(3)	240	**764**	1,332
Before-tax adjusted operating income	B	**128,985**	111,144	127,650	**369,451**	375,580
Provision for taxes applicable to adjusted operating income	C	**21,927**	17,783	22,339	**63,635**	68,246
After-tax adjusted operating income	D=B-C	**107,058**	93,361	105,311	**305,816**	307,334
Cumulative preferred share dividends during the period	Y	**10,875**	10,906	11,071	**32,687**	33,399
After-tax adjusted operating income attributable to common shareholders	D1= D-Y	**96,183**	82,455	94,240	**273,129**	273,935
Selected statement of financial position amounts						
Total Finance receivables, before allowance for credit losses	E	**10,164,347**	11,302,278	12,227,874	**10,164,347**	12,227,874
Allowance for credit losses	F	**18,829**	20,000	7,810	**18,829**	7,810
Earning assets						
Net investment in finance receivable	G	**8,727,347**	9,055,283	10,135,233	**8,727,347**	10,135,233
Equipment under operating leases	H	**2,022,871**	1,970,298	2,252,991	**2,022,871**	2,252,991
Total earning assets	I=G+H	**10,750,218**	11,025,581	12,388,224	**10,750,218**	12,388,224
Average earning assets, net	J	**10,895,388**	11,626,619	12,662,992	**11,477,320**	13,046,268
Goodwill and intangible assets	K	**2,100,524**	2,127,036	2,078,173	**2,100,524**	2,078,173
Average goodwill and intangible assets	L	**2,090,040**	2,150,659	2,083,235	**2,119,844**	2,094,137
Borrowings	M	**10,735,285**	11,758,735	12,153,652	**10,735,285**	12,153,652
Unsecured convertible debentures	N	**153,113**	151,976	715,399	**153,113**	715,399
Total debt	O=M+N	**10,888,398**	11,910,711	12,869,051	**10,888,398**	12,869,051
Average debt	P	**11,715,194**	12,994,547	12,950,680	**12,588,633**	13,224,226
Total shareholders' equity	Q	**3,734,557**	3,878,854	3,988,430	**3,734,557**	3,988,430
Preferred shares	R	**511,869**	680,412	680,412	**511,869**	680,412
Common shareholders' equity	S=Q-R	**3,222,688**	3,198,442	3,308,018	**3,222,688**	3,308,018
Average common shareholders' equity	T	**3,221,760**	3,245,420	3,296,852	**3,240,696**	3,276,189
Average total shareholders' equity	U	**3,845,991**	3,925,832	3,977,263	**3,902,381**	3,956,601

Non-IFRS and IFRS key annualized operating ratios and per share information of the operations of the Company:

		As at and for the three-month periods ended			As at and for the nine-month periods ended	
(in $000's for stated values, except ratios and per share amounts)		**September 30, 2020**	June 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	O/Q	**2.92**	3.07	3.23	**2.92**	3.23
Tangible leverage ratio	O/ (Q-K)	**6.66**	6.80	6.74	**6.66**	6.74
Average financial leverage ratio	P/U	**3.05**	3.31	3.26	**3.23**	3.34
Average tangible leverage ratio	P/(U-L)	**6.67**	7.32	6.84	**7.06**	7.10
Other key operating ratios						
Allowance for credit losses as a % of total finance receivables before allowance	F/E	**0.19 %**	0.18 %	0.06 %	**0.19 %**	0.06 %
Adjusted operating income on average earning assets	B/J	**4.74 %**	3.82 %	4.03 %	**4.29 %**	3.84 %
After-tax adjusted operating income on average tangible total equity of Element	D/(U-L)	**24.39 %**	21.04 %	22.24 %	**22.87 %**	22.00 %
Per share information						
Number of shares outstanding	V	**439,225**	437,953	435,216	**439,225**	435,216
Weighted average number of shares outstanding [basic]	W	**438,842**	437,849	435,140	**437,997**	434,487
Pro forma diluted average number of shares outstanding	X	**454,655**	453,394	483,584	**453,799**	482,533
Cumulative preferred share dividends during the period	Y	**10,875**	10,906	11,071	**32,687**	33,399
Other effects of dilution on an adjusted operating income basis	Z	**$ 1,705**	$ 1,780	$ 6,999	**$ 5,387**	$ 19,406
Net income per share [basic]	(A-Y)/W	**$ 0.14**	$ 0.11	$ 0.14	**$ 0.40**	$ 0.42
Net income per share [diluted]		**$ 0.14**	$ 0.11	$ 0.13	**$ 0.40**	$ 0.41
Book value per share	S/V	**$ 7.34**	$ 7.30	$ 7.60	**$ 7.34**	$ 7.60
After-tax adjusted operating income per share [basic]	(D1)/W	**$ 0.22**	$ 0.19	$ 0.22	**$ 0.62**	$ 0.63
After-tax pro forma diluted adjusted operating income per share	(D1+Z)/X	**$ 0.22**	$ 0.19	$ 0.21	**$ 0.61**	$ 0.61

The following table provides a reconciliation of the after-tax adjusted operating income per share and the after-tax pro forma diluted adjusted operating income per share of the operations of the Company for the three-month period ended September 30, 2020:

(in $000's for stated values, except per share amounts)	**Amount $**	**Weighted average number of shares outstanding applicable**	**Amount per share $**
Adjusted operating income before taxes	**128,985**		**0.29**
Less:			
Income taxes related to adjusted operating income	**(21,927)**		**(0.05)**
Preferred share dividends	**(10,875)**		**(0.02)**
After-tax adjusted operating income attributable to common shareholders	**96,183**	**438,841,859**	**0.22**
Dilution items:			
Employee stock option plan	**—**	**1,497,772**	**—**
Convertible debentures (after-tax net interest expense)	**1,705**	**14,315,353**	**—**
After-tax pro forma diluted adjusted operating income	**97,888**	**454,654,984**	**0.22**

Description of Non-IFRS Measures

Our unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and the accounting policies we adopted in accordance with IFRS. These unaudited interim condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at September 30, 2020 and December 31, 2019, the results of operations, comprehensive income and cash flows for the three- and nine-month periods ended September 30, 2020 and September 30, 2019.

Management uses both IFRS and Non-IFRS Measures to monitor and assess the operating performance of the Company's operations. Throughout this MD&A, management uses the following terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations:

Adjusted operating expenses

Adjusted operating expenses are equal to salaries, wages and benefits, general and administrative expenses, and depreciation and amortization.

Adjusted operating income or Before-tax adjusted operating income

Adjusted operating income reflects net income or loss for the period adjusted for the amortization of debenture discount, share-based compensation, amortization of intangible assets from acquisitions, restructuring and transformation costs, impairment on 19th Capital, disposition of 19th Capital, provision or recovery of income taxes, and loss or income on investments.

Adjusted operating income on average earning assets

Adjusted operating income on average earning assets is the adjusted operating income for the period divided by the average earning assets outstanding throughout the period, presented on an annualized basis.

After-tax adjusted operating income

After-tax adjusted operating income reflects the adjusted operating income after the application of the Company's effective tax rates.

After-tax adjusted operating income attributable to common shareholders

After-tax adjusted operating income attributable to common shareholders is computed as after-tax adjusted operating income less the cumulative preferred share dividends for the period.

After-tax adjusted operating income per share

After-tax adjusted operating income per share is computed as the after-tax adjusted operating income attributable to common shareholders for the period, divided by the basic weighted average number of common shares outstanding during the period.

After-tax adjusted operating income on average tangible total equity of Element

After-tax adjusted operating income on average tangible equity of Element is the after-tax adjusted operating income for the period, divided by the net of the average total shareholders' equity outstanding throughout the period, less average goodwill and intangible assets.

After-tax pro forma diluted adjusted operating income per share

After-tax pro forma diluted adjusted operating income per share computes the diluted after-tax adjusted operating income per share for the period on the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises. Convertible debentures are assumed to be converted at the beginning of the period (or at issuance if issued during the period on a time weighted basis) with the other effects of dilution adjusted operating income basis added to the adjusted operating income, if they are dilutive.

Allowance for credit losses as a percentage of total finance receivables

Allowance for credit losses as a percentage of total finance receivables is the allowance for credit losses at the end of the period divided by the total finance receivables (gross of the allowance for credit losses) at the end of the period.

Assets under management

Assets under management are the sum of earning assets, interim funding, and the value of assets syndicated by Element net of depreciation.

Average cost of borrowing or average cost of debt

Average cost of borrowing or average cost of debt is equal to interest expense divided by the average debt outstanding during the period and is presented on an annualized basis.

Average debt outstanding

Average debt outstanding is calculated as the sum of monthly average borrowings outstanding under all of the Company's borrowings facilities and the convertible debentures outstanding throughout the period.

Average common shareholders' equity

Average common shareholders' equity is calculated as the monthly average common shareholders' equity during the period.

Average financial leverage or average financial leverage ratio

Average financial leverage or average financial leverage ratio is calculated as average debt outstanding during the period, divided by average total shareholders' equity outstanding during the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and or existing debt covenants.

Average outstanding earning assets or average net earning assets

Average outstanding earning assets or average net earning assets is the sum of the average outstanding finance receivable, average equipment under operating leases and average other earning assets. Average outstanding finance receivables or average finance receivables is the sum of [i] the average finance receivables net investment balance (gross investment less unearned income) outstanding during the period and [ii] the average investment in managed fund during the period. Average equipment under operating leases is the monthly average equipment under operating leases outstanding during the period and is calculated net of accumulated depreciation. Average other earning assets is the monthly average of other earning assets outstanding during the period.

Average goodwill and intangible assets

Average goodwill and intangible assets is the monthly average balances of goodwill and intangible assets during the period.

Average shareholders' equity

Average shareholders’ equity is calculated as the monthly average balance of shareholders' equity during the period.

Average tangible leverage ratio

The average tangible leverage ratio has been computed as the sum of the average borrowings and average convertible debentures, divided by the net of total average shareholders' equity less average goodwill and intangible assets during the period.

Common shareholders' equity

Common shareholders' equity is total shareholders’ equity less principal face value of the preferred shares outstanding.

Earning assets or total earning assets or finance earning assets

Earning assets are the sum of the total net investment in finance receivables, total carrying value of the equipment under operating leases and carrying value of other earning assets.

Finance assets or total finance assets

Finance assets are the sum of the total finance receivables and total carrying value of the equipment under operating leases.

Financial leverage or financial leverage ratio

Financial leverage or financial leverage ratio is calculated as total debt (the sum of borrowings and convertible debentures) outstanding at the end of the period, divided by total shareholders’ equity outstanding at the end of the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenants.

Free cash flow per share

Free cash flow per share is calculated by adjusting before-tax adjusted operating income for certain non-cash and cash revenue and expenses to get total cash from operations. Cash expenses of sustaining capital investments, preferred share dividends and cash taxes paid are subtracted from cash from operations to arrive at free cash flow. Free cash flow is then divided by the weighted average number of outstanding common shares for the period noted. Sustaining capital investments are defined by the Company as expenditures management considers necessary to support long-term growth.

Net interest and rental revenue

Net interest and rental revenue is calculated as the sum of net interest income, rental revenue net of depreciation, less interest expense. Net interest and rental revenue refers to net financing income earned from finance receivables, equipment under operating leases, and other earning assets, after considering financing costs and provision for credit losses.

Net interest and rental revenue margin

Net interest and rental revenue yield to average earning assets is calculated as net interest and rental revenue divided by average earning assets outstanding throughout the period on an annualized basis.

Other earning assets

Other earning assets are other yield generating assets that are not finance receivables or equipment under operating leases.

Other effects of dilution adjusted operating income basis

Other effects of dilution adjusted operating income basis represents, if dilutive, the add back of the after-tax convertible debt interest and the amortization of deferred financing costs related to the convertible debt, and excludes the add back of the after-tax amortization of the discount of the convertible debt (which is included on an IFRS basis).

Pre-tax return on common equity

Pre-tax return on common equity ("PRoCE") is the sum of before-tax adjusted operating income, minus preferred share dividends, for each of the current and three preceding quarters; divided by average total equity for the current quarter and same quarter prior year, minus current quarter preferred share capital.

Pro forma diluted average number of shares outstanding

Pro forma diluted average number of shares outstanding is the basic weighted average number of shares outstanding, plus the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises.

Tangible leverage ratio

The tangible leverage ratio has been computed as the sum of borrowings and convertible debentures divided by the net of total shareholders' equity less goodwill and intangible assets at the period end.

Tangible leverage ratio excluding non-recourse warehouse credit facility

The tangible leverage ratio has been computed as the sum of borrowings and convertible debentures less the non-recourse warehouse credit facility divided by the net of total shareholders' equity less goodwill and intangible assets at the period end.

Updated Share Information

The Company is currently authorized to issue (i) an unlimited number of common shares without nominal or par value and (ii) an unlimited number of preferred shares, issuable in series.

As at October 27, 2020, the Company had 440,139,282 common shares issued and outstanding. In addition, 12,343,794 options were issued and outstanding under the Company's stock option plan as at October 27, 2020. These convertible securities are convertible into, or exercisable for common shares of the Company of which 11,516,908 are exercisable at September 30, 2020 for proceeds to the Company upon exercise of $121.6 million. In addition, the Company had convertible debentures outstanding that are convertible into an aggregate of 14,315,353 common shares.

As at October 27, 2020, the Company had 4,600,000 Preferred Shares, Series A, 5,126,400 Preferred Shares, Series C, 5,321,900 Preferred Shares, Series E and 6,000,000 Preferred Shares, Series I issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on October 27, 2020.