Element Fleet Management Corp.

Management Discussion and Analysis

September 30, 2021

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, 2021 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, 2021 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2020 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 2021", "this quarter", or "the quarter" are to the quarter ended September 30, 2021 and references to "Q2 2021" and "Q3 2020" are to the quarters ended June 30, 2021 and September 30, 2020, 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 NOVEMBER 10, 2021. 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 THE 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 FINANCING REVENUE YIELD ON AVERAGE NET EARNING ASSETS; GROWTH IN LEASE RECEIVABLES AND SERVICE INCOME; EXPECTATIONS REGARDING SYNDICATION; RATE OF COST INFLATION; APPLICABLE FOREIGN EXCHANGE RATES AND APPLICABLE INCOME TAX RATES; THE COMPANY'S FUNDING MIX; THE IMPACT OF VEHICLE MANUFACTURERS' ABILITY TO DELIVER VEHICLES; AND THE RESET RATES FOR THE COMPANY'S OUTSTANDING PREFERRED SHARES. 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 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; 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 ANY RENEWAL OF THE NORMAL COURSE ISSUER BID; 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, 2020. 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.

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Company Overview

Element Fleet Management Corp. is the largest pure-play automotive fleet manager in the world. Our business is exclusively focused on business-to-business services for corporates, governments and not-for-profits that operate large vehicle fleets. We are the market leader in the geographies in which we operate: the U.S., Canada, Mexico, and Australia and New Zealand (ANZ). Element has approximately $14.4 billion in assets under management and over 1 million vehicles under management.

The fleet management industry took shape over 70 years ago and has consistently demonstrated stability and resilience throughout the business cycle. The industry is characterized by high barriers to entry, rational competition and long-term 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 own 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 not-for-profits, 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 ("TCO"), and the elimination of related administrative burden. In basic terms, "we make the complex simple for our clients." We deliver this value through service solutions that span the fleet lifecycle, from vehicle 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 for solid, sustainable organic growth in 2021 and beyond.

In 2020, we completed the transformation of Element, having effected hundreds of changes to the organization resulting in a more consistent, superior client experience; greater operational efficiency and scalability; a materially strengthened financial position and maturing capital structure; diversified funding sources, including approximately $3.4 billion of committed, undrawn liquidity; and meaningfully improved profitability.

The rapid and successful transformation program allowed our Commercial teams to focus on the aggressive pursuit of profitable, organic revenue growth, beginning in mid-2020 in the U.S. and Canada, and earlier in Mexico, Australia and New Zealand. Element's global growth strategy leverages our market leadership to (i) improve on the industry average 98% client retention rate at Element, (ii) increase client profitability and service penetration ("share of wallet"), (iii) win new clients from other fleet managers by improving our salesforce effectiveness and (iv) convert self-managed fleets into Element clients. We are also pursuing additional, Armada[1]-like "mega fleet" opportunities.

Transforming Element has given our people the skills and confidence to deal with large, complicated and deeply nuanced business problems and opportunities. These capabilities were 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 completed Element's transformation in 2020 and are focused 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 growing annual operating income in excess of the annual net revenue growth rate;
- Advance a capital-light*er* business model by growing services revenue and strategically syndicating fleet assets, which enhances return on equity; and
- Given expected high single- to low double-digit annual free cash flow per share growth rates in normal market conditions, predictably return excess equity to shareholders by way of growing common dividends and share buybacks.

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

Select Q3 2021 Results

Net revenue	Earnings / share	After-tax adjusted operating income / share	Free cash flow / share
$ 244 M	$ 0.18	$ 0.21	$ 0.27

Last 12 months' pre-tax income margin	Last 12 months' adjusted operating margin	Return on common equity[2]	Pre-tax return on common equity[3]
44.6 %	53.5 %	9.9 %	15.7 %

Income Summary

(in $000's for stated values, except per share amounts)		**For the three-month period ended September 30, 2021**
Servicing income, net	**$**	**121,075**
Net financing revenue		**109,328**
Syndication revenue, net		**13,937**
Net revenue		**244,340**
Adjusted operating expenses		***118,714***
Total operating expenses		**124,703**
Total other expenses		**6,086**
Net income before taxes		**113,551**
Earnings per share [basic]		**0.18**
Adjusted operating income before taxes		***125,626***
After-tax adjusted operating income per share [basic]	***$***	***0.21***

[2] Return on common equity is an IFRS measure calculated as the sum of (net income, minus preferred share dividends) for each of the current and three preceding quarters; divided by ((the average total equity for the current quarter and same quarter prior year), minus current quarter preferred share capital).

[3] Abbreviated "pROcE" for pre-tax return on common equity, the formula is: The sum of (before-tax adjusted operating income, minus preferred share dividends) for each of the current and three preceding quarters; divided by ((the average total equity for the current quarter and same quarter prior year), minus current quarter preferred share capital).

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.

Our 2021 Global Balanced Scorecard ("Global BSC") is largely consistent with 2020 as the facts and assumptions that underpin our strategy continue to hold true, and – when coupled with the results we have achieved to date – validate the continuation of our strategic direction and priorities.

Included for 2021 are three new strategic objectives and measures, which support our overall ambitions. We raised the bar significantly for Element's performance in 2021 as measured by our balanced scorecard, with many metric targets even well above 2020 results.

Element's Q3 2021 Global BSC results were as follows:

While OEM production delays remain a headwind, the business has never performed better, or been better positioned**.** Our results confirm we have the right strategy, are on track to deliver against our objectives and are proactively managing our risks.

Our Clients acknowledged and rewarded our commitment to a consistent, superior client experience with an all-time high Global Net Promoter Score of 26 (buoyed by strong increases in US/CA and our Strategic Relationships business ("SRB")). Our ability to assist clients in navigating the OEM production delays and extend the overall useful life of their assets has resulted in outperformance on both Cost Savings Identified and Actioned year-to-date ("YTD").

YTD Net Revenue Growth at 7% YoY in constant currency is being driven by increases in all three of net financing, syndication and services revenue. Projected year-end Net Revenue growth rate of 4-5% on a constant currency basis is in line with 4-6% targets notwithstanding prolonged OEM delays impacting all regions and functions through the end of 2021.

Our Business continues to benefit from our scalable operating platform and continuous improvement actions. Aggressive stretch targets are being achieved in both Operational Effectiveness and Efficiency. Further, Element's global commitment to Continuous Improvement is validated through $44M of run-rate profit improvements actioned, exceeding the year-end target.

Our People remain engaged and focused on advancing diversity and inclusion with our D&I Index performing on target. Diverse hiring in Q3 outperformed ambitions, with BIPOC- and women-focused hiring efforts achieving levels of success well beyond target each month.

Our Investors benefit from our capital-lighter business model and best-in-class syndication despite external pressures. Efforts and outcomes on financial performance are addressed throughout this document.

Achievements and Initiatives in the Period

Our Clients

Achievements

Profitable revenue growth

Our commercial teams are advancing Element's multi-faceted growth strategy and generating strong results in all three geographies.

We signed contracts for over 120,000 new revenue units globally in Q3, an 18% improvement over Q3 2020 and a 25% improvement on Q3 2019. Our U.S./Canadian Commercial team significantly contributed to this performance – accounting for over 75% of Q3 revenue units – by deepening our share of wallet ("SOW") with existing clients and by winning new clients from other FMCs.

SOW wins are an important strategic pursuit for Element. Given many of the SOW wins are in respect of additional Services, deepening the breadth and number of service subscriptions

- creates higher client retention;
- grows profitable revenue atop our scalable platform; and
- advances our capital-lighter business model (given the low capital-intensive nature of services versus financing).

An overweighting on this aspect of our revenue growth strategy is evident in our third quarter results.

- Globally, we contracted for 20% more SOW revenue units in Q3 2021 than in Q3 2020 and 31% more than in Q3 2019.
- Our Commercial team in Mexico created a targeted marketing campaign for each of our product offerings in that market and grew last 12 months SOW revenue unit wins by 109%.

Element has been especially successful at stealing market share in the U.S. and Canada in 2021, having contracted for 157% more revenue units in Q3 2021 than Q3 2020 and 342% more revenue units year-to-date than in 2020. We believe this success is attributable to the consistent, superior client experience we have been able to forge through our transformation program and the clear embrace of same by the market.

Mexico was the most successful geography on the self-managed plank of our growth strategy in Q3, contracting for almost 9,200 revenue units, which is 77% more than in Q3 2020 and 396% more than in Q3 2019 in Mexico.

Globally, year-to-date Q3, Element Commercial has secured 473,525 revenue units under contract, a 71% improvement over 2020 YTD results and 33% over 2019. 78% of this global revenue unit growth has been secured by the U.S./Canadian Commercial team, including 83% of SOW revenue units, 79% of market share revenue units and 42% of self-managed revenue units.

Further details are broken out in our Supplementary Information document (available on Element's website), including illustrative timelines showing (a) our commercial process from prospecting to closing a deal with a new client, as well as (b) the processes of implementing new client services and ordering new vehicles.

Earning our clients' loyalty

We consider Net Promoter Scores ("NPS") to be invaluable indicators of the consistency and effectiveness with which we deliver Element's superior client experience.

We achieved significant NPS improvements in all our geographies for the third quarter versus same quarter last year. Q3 NPS in the U.S. and Canada improved by 8 points or 50% year-over-year, our SRB NPS improved 33% and ANZ improved 20% on the same bases. Mexico maintains the highest NPS at Element and remained well within best-in-class range for Q3 despite a modest -4 point delta to Q3 2020.

Globally, our NPS reached an all-time high of 26 as it approaches the "Outperform" level as a metric on our Global BSC. Global NPS is calculated as a weighted average of the current and prior three quarters' NPS from each of our operating geographies.

Creating compelling value for our clients

Our global Strategic Consulting Services ("SCS") team has identified $1.3 billion of cost-saving opportunities for our clients year-to-date. Approximately $362 million of value in these opportunities has been "actioned" by our clients. We expect the proportion of identified opportunities "actioned" to further increase through year-end with a particular emphasis on the U.S. and Canada where client vehicle usage has largely returned to pre-pandemic levels.

SCS continues to improve its ability to create compelling value for our clients by making select strategic investments in tools and analytics. In the third quarter, SCS:

- Worked with our clients to manage complications related to the OEM production delays by assessing alternatives and helping clients evaluate vehicle replacement and timing;
- Partnered with clients to evaluate and build EV transition roadmaps – from vehicle selection to infrastructure needs – as a growing number of clients contemplate the complexity of electrifying their fleets and turn to Element to simplify initiating the journey;
- Continued to add functionality to our TCO Analysis tool to accommodate our clients' growing interest in EVs, including the ability to analyze TCO differences between an EV and an equivalent ICE vehicle;
- Conducted webinars to educate clients on Data Science and how we use it to enhance the client experience, with specific examples such as accurate resale value predictions and optimal vehicle replacement windows based on cost-effective timing. One such webinar on Maximizing Fleet Performance can be viewed by clicking here;
- Developed a tool that not only compares prices between insurance policies for clients, but also highlights the additional benefits of proof-of-insurance support from Element;
- Added renewed fuel analysis capabilities to pinpoint cost improvements and the capacity to analyze using different identifiers such as users, VIN numbers or fuel card numbers; and
- Added functionality to the tool we use for program reviews with our clients, including:
    - A preventative maintenance compliance guide that includes maintenance suggestions based on both (i) months passed and (ii) distance traveled, in anticipation of vehicles running longer than normal life cycles as a result of the OEM production delays; and
    - A value calculator that helps identify clients' vehicles that are not utilizing our value-added services -- enabling us, in turn, to help clients get the full benefit of enrollment.

In Mexico, SCS has worked closely with our clients to overcome the impacts of the OEM production delays by analyzing the market for vehicles that would be suitable alternatives to models impacted by the delays, and – in parallel – assisting clients with EV transition planning.

We have also worked with Mexican clients to help them overcome their own business challenges that have arisen because of the COVID-19 pandemic. For example, we helped the largest e-commerce marketplace in Latin America pivot and react to their exponential growth in sales due to the pandemic. We helped them grow their last mile fleet and provided them with a complete leasing solution, which was accompanied by a wide range of services for their light-truck fleet.

SCS in ANZ continues to work closely with government agencies and private businesses to assist them with EV transition planning, ICE vehicle replacement and fleet carbon reduction. We perform detailed analyses on

EV suitability, fit-for-purpose, trip analysis (based on telematics data), vehicle selection, optimal term, and lease vs. ownership. Specifically, in the third quarter we:

- Completed a full fleet utilization analysis for a major New Zealand bank, assisting the organization transition to EVs;
- Developed an EV transition campaign roadmap, which will allow us to proactively target clients suitable for EV transition. This will minimize consulting time spent and maximize value for clients who may not have considered transitioning to EVs, with the objective to increase take-up of our EV+ product offering;
- Undertook a full fleet analysis including benchmarking for a large New Zealand Government agency, and populated a user-friendly application with the data, which allowed the client to interact with the results through easily digestible dashboards; and
- Successfully completed two sale-and-lease-back rounds for all the legacy vehicles from the previous fleet manager of a major Australian supermarket chain, representing over $13 million Australian dollars of volume. This was achieved by leveraging our value proposition, supported by great client service.

Initiatives

Supplier diversity

We have a long and well-established track record of fostering supplier diversity, dating back to the 1990s at Element's predecessor companies. Our ongoing supplier diversity initiatives are something Element is very proud of and our clients tell us are increasingly important.

Notably in the third quarter, Element received the 2021 Johnson Controls' leadership award in Diversity Recognition for the second consecutive year, recognizing our continuous efforts to conduct business with diverse suppliers. In 2020, we achieved $1.8 billion U.S. dollars ("USD") of diversity spend with more than 4,700 diverse suppliers across the U.S. That included $45 million USD with identified "small businesses" and $930 million USD with "women-owned businesses" (none of which overlap with our "small businesses" spend). We expect to repeat or exceed these levels of diversity spend for the full-year 2021.

We track diversity spend and offer clients customized tracking solutions to ensure their diversity commitments applicable to their fleet operations are understood, organized and can be accurately reported. Moreover, our SCS team applies a "client diversity spend requirements" lens to all our proactive advisory work, offering actionable insights to clients that will improve their own practices in this area. This was bolstered last quarter by Element's assembly of an internal cross-functional supplier diversity council.

Element is a member of the National Minority Supplier Development Council (NMDSC) in the U.S., the Canadian Aboriginal and Minority Supplier Council (CAMSC), Disability:IN Minnesota and the Women's Business Enterprise National Council (WBENC) in the U.S.

- NMDSC and CAMSC are the leading organizations connecting corporations to minority vendors in the U.S. and Canada giving Element and our clients access to a broad network of diverse suppliers.
- NMDSC and CAMSC conduct independent data audits of our supplier networks annually to validate certification, providing Element and our clients reliable insight into the make-up of our supplier base and where opportunities exist to improve minority spend.
- Disability:IN is the leading certifier of disabled persons-owned business enterprises, including service-disabled and disabled veterans-owned businesses. Disability:IN helps us connect those businesses to Element's supply chain.
- WBENC is the largest third-party certifier of businesses owned, controlled, and operated by women in the United Sates and a leading advocate for women-owned businesses in corporate and government supply chains. As a corporate member of WBENC, Element will be able to connect with more certified women-owned, -controlled, and -operated businesses.

Xcelerate Ordering

In the third quarter, we added 20 more Element clients to our state-of-the-art North American Vehicle Ordering ("NAVO") platform. The platform provides a consistent, superior experience for clients and suppliers and delivers approximately $2 million of annual operating cost savings for Element through the reduction of manual processing requirements and automation of order transmission.

Despite OEM production delay challenges, we are receiving hundreds of orders through the NAVO platform. Ninety percent of these orders are placed directly by our clients without the need for supplemental Element assistance. Interactive help and support tools within the platform continue to provide meaningful guidance throughout the ordering process. Feedback received to date confirms the NAVO platform is more user-friendly and easier to navigate for clients than predecessor systems, with a better flow of information.

Digital platforms such as NAVO are replacing disparate applications, automating and streamlining our business processes to create a more consistent client experience, and bolstering the scalability of our operating platform.

Enhancing our Telematics and Safety Products

Element recently launched a telematics product called QConnect, a connectivity solution that extracts data directly from OEM connected vehicles and distills this data into digestible snapshots of a client's vehicle's performance to improve driver and vehicle productivity.

Element also launched a safety product called DriverCare CoPilot that is available to fleets using a simple app downloaded to a driver's smartphone, with driving trend data available to managers via a web portal. Drivers are scored on certain behaviors including phone distractions, speeding, harsh acceleration and hard braking.

Our Business

Achievements

Electric vehicle ("EV") offerings

Element is well positioned to support our clients and lead our industry through the gradual electrification of automotive fleets. We believe our basic value proposition – "making the complex simple for our clients" – is particularly compelling in the context of fleets integrating EVs. We have differentiated Element in the market by investing in a dedicated EV Strategy and Sustainability team spanning our global footprint, who work with colleagues across commercial and operational functions to ensure that EV knowledge and perspective are pervasive and being embedded into the DNA of our organization.

In North America, we have all the necessary capabilities to seamlessly add EVs to our clients' fleets and manage same today. However, several years ago, our colleagues at Custom Fleet in New Zealand innovated and brought to market an end-to-end EV fleet management product called EV+, a best-in-class offering by global standards that remains the only one of its kind in ANZ.

With the benefit of Custom Fleet's perspective from their experience with EV+, in the first half of 2021 our North American EV Strategy and Sustainability team completed a comprehensive situational assessment of Element's capability to offer an end-to-end EV fleet management product on this continent. The situational assessment identified potential future readiness gaps that will inform the maturation of our existing capabilities. It has also served as a prioritization plan for the EV Strategy and Sustainability team to work with relevant senior leaders and their teams across the business to develop a market-leading end-to-end EV fleet management offering for North America.

In the third quarter we continued to build-out the product, which includes the expansion of core Element offerings (*eg*. maintenance, collision, titling & registration, tolls & violations, etc.) to seamlessly and efficiently accommodate EVs at scale while maintaining (or enhancing) the caliber of our ICE vehicle service capabilities. Our North American offering also includes new services related to road mapping and planning, charging infrastructure guidance, pilot and rollout support, incentive identification and capture, and turnkey solutions for home and public charging of EVs.

We are actively working with dozens of clients in pre-pilot discussions to build a plan to leverage these new services and pressure test Element's end-to-end EV offering.

Fostering positive environmental and social outcomes and maintaining good governance ("ESG")

In 2020, we developed and launched Element's inaugural formal ESG strategy, aligned to our Global BSC and informed by leading ESG reporting frameworks.

In developing our strategy, we engaged leading external resources to help us understand the ESG landscape, and we talked to investors to gain a deeper understanding of their priorities. We also engaged with our clients and learned which ESG solutions are most important to them.

We worked with our executive team and the internal 'owners' of each of the four pillars of our ESG strategy to understand what work is already underway, what we want to accomplish and how we can best measure success. The result is a focused and actionable ESG strategy that we believe is the right one for Element and all our stakeholders, and that we can build on for years to come.

The strategy is based on four key pillars:

- Sustainability: Our core objective is to reduce carbon emissions, focusing on expanding our EV offerings and offering consulting services to help our clients optimize the efficiency of their fleets.

- Diversity & Inclusion ("D&I"): We are committed to doing more – to being an organization wherein mutual respect and mutual trust are absolute and where each of us is respected and has an equal opportunity to thrive.

- Satisfaction & Safety: We have set meaningful targets for Satisfaction & Safety for our clients and employees. Our goals include fostering higher enrollment in safety programs, reducing accidents by clients, maintaining a best-in-class Global Employee Engagement Score and increasing our Global NPS for 2021. Please see "Earning our clients' loyalty" above for a discussion of our outperformance against target on our 2021 Global NPS.

- Governance: We will continue to evolve our board composition and our ESG reporting to maintain the high standing we have become known for.

In Q1 2021, we produced Element's Inaugural ESG report, which is available on our website.

In Q2 2021, we increased gender diversity on Element's Board to 40% and saw strong shareholder support for all matters at our Annual General Meeting in May, including over 95% approval of "say-on-pay".

In Q3 2021, we:

- Launched the "Count me in!" campaign to deepen our understanding of Element's employee diversity. Thanks to the active participation of our people, we moved from 37% of our workforce self-identifying to 79%. This allows us to better understand our own dimensions of diversity and informs our future D&I initiatives and programs, ensuring we recruit, develop, and engage a diverse employee population;

- Published our inaugural D&I policy (available on our website);

- Shared our D&I priorities, objectives and actions (available on our website);

- Ensured that each of our executive team members is directly aligned and engaged with our Business Resource Groups ("BRG"s);

- Held a virtual BRG summit with executive team members and BRG leaders; and

- Presented at the NAFA Fleet Management Association expo on the topic of "Practicing Inclusive Leadership".

All these initiatives are advancing Element's ESG agenda and, in many cases, will help us track our ESG performance to build a robust baseline on which we can aim to improve in subsequent years. By the end of this year, we will have a benchmark that will help inform and evolve our ESG strategy for 2022 and beyond.

Prudently managing our risks

With the launch of the 2021 Global BSC, we introduced Element's first Enterprise Composite Risk Index ("ECRI"). The ECRI is creating a more risk-aware organization, leading to more informed, better decision-making.

Beginning in 2020, we undertook a comprehensive examination of enterprise risks with a view to replacing the existing enterprise risk management process. In line with best practices and through over 50 workshops, interviews and executive alignment sessions facilitated by a leading global professional services firm with distinct risk management expertise, Element has:

- defined and refined the risk universe and key risks;
- developed detailed Risk Appetite Statements ("RAS") for our key risk types;
- developed RAS metrics with thresholds; and
- refined and developed our risk index methodology: the ECRI.

Year-to-date, the ECRI is on target as reported on our Global BSC (above).

While the ECRI is functioning as planned, it is still relatively new and we remain in learning mode. Beginning in Q2, we have been working to determine how to measure the ECRI below the global level (eg. Mexico, ANZ) and are now refining the ECRI for 2022. These further refinements are taking shape as we continue to deepen our understanding of our risk universe and the interconnectivity of risks. The ECRI is also allowing us to build stronger risk awareness within the organization, helping us move from a siloed and binary view of risk to a more transversal / interconnected set of perspectives.

Continuous improvement

Our Transformation program established a new strand of organizational DNA in the ongoing, active pursuit of ways to deliver an ever-more consistent and superior service experience to our clients, while lowering costs to serve through Continuous Improvement.

To this end, we stood up a Continuous Improvement Group at Element in Q2 of last year and began to make related skills and mindset training programs available to all employees. One example of such programs is our newly deployed *Learn@Element powered with Degreed* platform, which encourages employees to identify and rate their skills to chart learning progress towards new opportunities and select from a wide variety of learning content that aligns with their role.

In the first half of this year and into Q3, the Continuous Improvement Group continued to make progress against three key priorities:

- Maintaining a team of dedicated resources to drive Continuous Improvement at Element;
- Implementing a scoring model to evaluate where and how Continuous Improvement team members are deployed on projects across the U.S./Canadian business; and
- Developing automation solutions.

Our Yellow Belt certification program continues to develop Lean Six Sigma skills in the organization, with our 5^{th} Cohort currently underway. We have graduated 49 individuals to date and expect to graduate an additional 41 this year.

In Q3, we developed and implemented 10 automation solutions by leveraging Robotic Process Automation "bots" and other light-touch tools. Our total library of automations now contains 107 solutions accounting for over 1.4 million transactions processed and 35,000 hours saved for our employees through the end of Q3.

These automation solutions decrease cycle times, provide increased accuracy leading to a superior employee and client experience, and make our business more scalable.

Initiatives

Process Automation in ANZ

In the third quarter, Custom Fleet implemented robotics into their roadside assistance process. What was previously a completely manual process for approximately 380 monthly roadside assistance transactions is now automated, achieving a six times reduction in handling time and virtually eliminating errors.

IT enhancements

We have successfully consolidated two in-house U.S. data centers year-to-date, migrating to a world-class hosting provider's facility. As part of the same project, we successfully implemented a new, cloud-based data center Disaster Recovery solution, upgrading our capabilities multi-fold in the case of a full data center disaster. These initiatives are examples of both continuous improvement at Element and prudently managing our business's risks.

EV service and supply network growth

In the third quarter, Element announced its partnership with Qmerit, a leader in green energy transformation with the largest network of EV charger installers in North America. Through its Charging@Home solution, Qmerit will provide Element clients with seamless end-to-end installations and support of EV chargers at individual and multi-family residences.

Element also expanded its supplier network in Q3 by partnering with Wex and ChargePoint to provide Element clients with access to ChargePoint's growing nationwide charging network. This strategic relationship provides a consolidated billing system for charging and fueling across client fleets, integrated with Element's advanced analytics and dashboard reporting platform.

In the third quarter, Custom Fleet in New Zealand was appointed to a national Government panel to provide consultancy services for agencies looking to transition their fleet to electric vehicles. This win provides an opportunity for the New Zealand business to generate ongoing revenue from their SCS team while building on our existing capability in the government fleet sector.

Subsequent to quarter-end, Element announced an alliance with Build Your Dreams Motors Mexico ("BYD"), Electric Mobility Trucks, After Sales Electric Mobility and Enel Green Power Mexico to promote the electric mobility of fleets in Mexico with a special focus on utility fleets, sales and distribution, secondary and last mile segments. The alliance will help provide efficient, safe and intelligent fleets to Element clients as the EV landscape in Mexico progresses. This month, Element will deliver BYD trucks to two distribution centers of a multinational drink and brewing company.

Our People

Achievements

Our people continue to drive our momentum in the third quarter as we emerge from the pandemic at different speeds across our global footprint, but with the same view to shaping the future of work at Element and a gradual return to office that's purposeful, flexible and enables collaboration.

New learning platforms for our leaders and employees

At Element, we are committed to enabling a unique and rewarding employee experience that encourages curiosity and the discovery of new experiences, insights and capabilities for our people. We know that investing in the growth of our people will help drive our growth as a company.

In direct response to feedback from our people, we have proudly developed a comprehensive approach to learning that can be tailored to every individual at Element. At a leadership level, the year-long *Element People Leader Experience in partnership with Mind Gym* ("Leadership Experience") enables our leaders to gain feedback from their peers and customize their learning experience. As referenced above, *Learn@Element powered with Degreed* for all employees is a best-in-class learning platform that connects learning, talent development, and internal mobility opportunities in one place. And, as the world of work continues to shift, our Leadership Experience is designed to build and strengthen our collective muscle for leading our people in a hybrid environment.

Our people's personal and professional growth fuels Element's growth and our investment in development is a differentiator that helps us attract and retain the best talent.

Diversity and inclusion

October was Global Diversity Awareness Month and an opportunity for us to look back on a year of D&I growth for our company. In the summer of 2020, we put 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. We moved quickly to advance our D&I strategy and embed it into everything we do and held ourselves accountable by adding D&I metrics to our Global BSC.

Our Global Diversity Awareness Month celebrations this year included an interactive session with Sheri McGrath, Head of Diversity & Inclusion at Element, on becoming an inclusive leader, as well as invitations to join a number of events hosted by our Business Resource Groups. These events brought employees together from across Element to learn about how our volunteers are helping an organization that mobilizes LatinX communities to end gender-based violence, hear our EVP and Chief Commercial Officer, David Madrigal, discuss cultural diversity at Element, and join our Black Employee BRG in an important open discussion.

Awards and recognition

The well-being of our people remains a focus for Element, and we were recently honoured with the Cigna Well-Being Award, which recognizes organizations that demonstrate a strong commitment to improving the health and well-being of its employees. Cigna is a leader in improving employee health, and we are honored to be recognized along with other organizations who share our commitment to workplace wellness.

Initiatives

Employee experience and the return to the office

Our gradual re-opening is progressing with the safety of our people as our top priority. We've continued to invite small groups of volunteers to return to three of our North American locations as part of our Return to Office Pilots, adding three more locations in early Q4. Learnings from these experiences will further inform how we proceed in the coming months to ensure the way we return to the office is not only safe, but also consistent with the employee experience we want to enable for our people. In Mexico, the return to office pilot program started in Q3.

In September, we gathered data from our senior leaders on roles across the organization, and we determined that approximately 70% of positions can be performed in a hybrid arrangement (combination of in-office and remote), with remaining roles either completely in-office or remote. This aligns with feedback from our people who value the flexibility they've gained over the past 18 months of working together, but apart. Our people leaders are now determining the best cadence of in-person and remote days for their teams to get the most out of in-office time that's more collaborative than ever.

In August we communicated to employees that we will be requiring people to be vaccinated who work in an Element office, travel on Element-related business, and visit clients and suppliers. In preparation for our broader return in February 2022, we will be asking employees to complete a vaccination attestation survey and will continue enabling an open and transparent dialogue to address questions. While we respect that the decision to be vaccinated is a personal choice, we have a duty of care to provide a safe workplace for all our people and requiring vaccination is the most effective way to protect the health of our employees, and by extension the communities in which we live and work.

Our Investors

Achievements

Cash return to shareholders

Element generated $0.27 of free cash flow per share in the quarter; a $0.02 per share improvement from Q3 2020 and $0.04 per share improvement on a constant currency basis.

Per share growth was aided by our Normal Course Issuer Bid ("NCIB") activity.

When we announced the establishment of our NCIB on October 27, 2020, we noted that the program represented the first year of what we envisioned to be a regular, ongoing return of capital strategy.

The Toronto Stock Exchange ("TSX") has approved our notice of intention to renew the NCIB, empowering us to continue returning cash to shareholders by way of buybacks well into 2022.

We also announced a 19% increase to Element's common dividend, from $0.26 to $0.31 annually per share, effective immediately and therefore to be reflected in the Q4 2021 common dividend to be paid in respect of Q4 2021 on January 14, 2022.

With this increase, our common dividend represents approximately 30% of the Company's last twelve months' free cash flow per share, which is the mid-point of the 25% to 35% payout range we plan to maintain going forward.

We have returned $567.6 million in cash to shareholders year-to-date as of October 31, 2021, by repurchasing 33,075,133 common shares ("Common Shares") for cancellation pursuant to the NCIB and paying $111.2 million in dividends to common shareholders.

Profitable revenue growth

Element is on track to meet our 4-6% annual net revenue growth target in constant currency for 2021. We grew net revenue $47.9 million or 7.0% in the first three quarters of this year compared to the same period last year on a constant currency basis. Moreover, our transformed, scalable operating platform allowed us to expand operating margins on the same YTD period-over-period basis in constant currency, from 51.4% at Q3 2020 to 53.5% at Q3 2021. The result is a magnified AOI growth rate of 11.3% on the same basis. Even absorbing the adverse impacts of a strengthening Canadian dollar year-to-date in 2021 versus the same period last year, we grew net revenue by 1.7% and AOI by 5.4%.

A capital-lighter business model

We advanced Element's capital-lighter business model in the quarter by syndicating $521 million of fleet assets as planned, meeting demand from our growing base of frequent buyers and generating $13.9 million of syndication revenue in the process.

Our syndication team regularly transacts with new investors in fleet assets, having grown our buyer pool to 30 institutions with the addition of 5 new investors year-to-date.

As of the end of Q3, Element had transacted on $2.1 billion of fleet assets year-to-date; essentially flat to YTD volume at Q3 2020. We are on pace to achieve our syndication volume and revenue targets for 2021, which were modified in H1 to account for OEM production delays. (The resulting limits on Originations defer the availability of certain fleet assets to our syndication team, with which they could otherwise transact.)

After syndicating 22 client names for the first time in Q2 this year, we syndicated an additional 24 client names – each for the first time – in Q3. This included our syndication team's second-ever portfolio transaction, for which multiple clients' assets were pooled and syndicated en bloc to a single buyer – which had the effect of enhancing syndication revenue yield.

The other thrust of Element's capital-lighter business model is growing services revenue, which has a relatively low funding requirement – the net working capital position of procured services – compared with net financing revenue. We discuss the importance of, and emphasis on, services revenue under "Our Clients – Profitable revenue growth" above, as well as below under "Quarterly Results of Operations – Services revenue, net".

Q3 services and syndication revenues together comprised 55.3% of net revenue for the quarter and enhanced pre-tax return on common equity by 40 basis points quarter-over-quarter to 15.7%.

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, 2021, 13%, 6%, 10% and 64% of our year-to-date net revenue has been generated, respectively. Element has established local currency funding structures in Australia, New Zealand, Canada and the United States, thereby mitigating the impacts of fluctuation in certain foreign currencies. The Company also institutes certain designated hedges that further mitigate the effects of FX exposure. Notwithstanding, 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. We do not hedge pure currency translation risk.

In the following "Quarterly Results of Operations" section, we include a table containing a summary of the Company's results on a constant currency basis. We provide certain further details in our Supplementary Information document (available on the Company's website) regarding results for the quarter before the impact of changes in FX (*ie.* on a constant currency basis).

Quarterly 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, 2021	June 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
	$	$	$	**$**	$
Net revenue					
Net interest income and rental revenue	**155,933**	156,877	176,573	**478,024**	566,224
Interest expense	**46,605**	47,525	73,301	**148,324**	266,992
Net financing revenue	**109,328**	109,352	103,272	**329,700**	299,232
Servicing income, net	**121,075**	113,185	124,734	**348,749**	365,096
Syndication revenue, net	**13,937**	12,865	15,246	**49,891**	51,666
Net revenue	**244,340**	235,402	243,252	**728,340**	715,994
Operating expenses					
Salaries, wages and benefits	**78,493**	72,654	74,910	**224,772**	225,239
General and administrative expenses	**24,355**	25,826	28,789	**77,327**	89,170
Depreciation and amortization	**15,866**	10,410	10,568	**36,802**	32,134
Amortization of convertible debenture discount	**903**	887	843	**2,662**	5,401
Share-based compensation	**5,086**	7,511	5,591	**17,837**	15,455
Operating expenses	**124,703**	117,288	120,701	**359,400**	367,399
Disposition of 19th Capital					
Gain on settlement of debt	**—**	—	—	**—**	38,580
Loss on sale of assets	**—**	—	—	**—**	(52,442)
Net loss on disposition	**—**	—	—	**—**	(13,862)
Other expenses					
Amortization of intangible assets from acquisition	**8,862**	8,674	9,338	**26,442**	29,221
Restructuring and transformation costs	**—**	—	24,213	**—**	57,871
(Gain) loss on investments	**(2,776)**	(637)	710	**(6,214)**	764
Other expenses	**6,086**	8,037	34,261	**20,228**	87,856
Net income before taxes	**113,551**	110,077	88,290	**348,712**	246,877
Income tax expense	**28,610**	29,205	17,512	**87,370**	38,147
Net income for the period	**84,941**	80,872	70,778	**261,342**	208,730
Weighted average number of shares outstanding [basic]	**416,353**	428,646	438,854	**427,753**	438,006
Earnings per share [basic]	**0.18**	0.17	0.14	**0.55**	0.40
Dividends declared, per share					
Common share	**0.065000**	0.065000	0.045000	**0.195000**	0.135000
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**	1.164390
Preferred Shares, Series E	**0.368938**	0.368938	0.368938	**1.106814**	1.106814
Preferred Shares, Series G	**—**	—	0.406250	**—**	1.218750
Preferred Shares, Series I	**0.359375**	0.359375	0.359375	**1.078125**	1.078125

We present Management's focused subset of adjusted operating results in the next two tables – on nominal (or "as reported") and constant currency bases – followed by commentary on our IFRS net revenue drivers: services revenue, net financing revenue and syndication revenue, as well as their constant currency (non-GAAP) equivalents.

Here immediately below, we offer commentary on period-over-period IFRS net income results.

Element earned net income of $84.9 million for the quarter, a 20.0% or $14.2 million improvement over Q3 2020 and 5.0% or $4.1 million more than Q2 2021.

The year-over-year net income improvement for the quarter was driven by:

- net financing revenue growth of $6.1 million - $8.7 million on a constant currency basis - resulting from interest expense and related savings, offset by a $1.3 million decrease in syndication revenue - $0.5 million in constant currency - and a $3.7 million reduction in services revenue, which grew

$2.1 million in constant currency and materially more when controlling for one-time services revenue earned in Q3 2020 as discussed in detail under "Services revenue, net" below; and

- the absence of $24.2 million in transformation investments made in Q3 2020,
- partially offset by $4.4 million higher adjusted operating expenses - $8.6 million in constant currency - as discussed in detail under "Adjusted operating expenses" below.

The quarter-over-quarter net income improvement is largely attributable to:

- services revenue growth of $7.9 million - $6.0 million on a constant currency basis;
- syndication revenue growth of $1.1 million - $0.8 million in constant currency;
- $2.4 million less share-based compensation in the quarter; and
- a $2.1 million greater gain on investments,
- partially offset by $9.8 million higher adjusted operating expenses - $8.2 million in constant currency - again, as discussed in detail under "Adjusted operating expenses" below.

Net income for the nine-month period ended September 30, 2021 was $261.3 million; a 25.2% or $52.6 million improvement over net income earned for the nine-month period ended September 30, 2020 — notwithstanding a 129.0% increase in provision for income taxes.

Adjusted Operating Income, Expenses, and Earnings per Share - as reported

	For the three-month periods ended			For the nine-month periods ended	
(in $000's for stated values, except per share amounts)	**September 30, 2021**	June 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
	$	$	$	**$**	$
Servicing income, net	**121,075**	113,185	124,734	**348,749**	365,096
Net financing revenue	**109,328**	109,352	103,272	**329,700**	299,232
Syndication revenue, net	**13,937**	12,865	15,246	**49,891**	51,666
Net revenue	**244,340**	235,402	243,252	**728,340**	715,994
Salaries, wages and benefits	**78,493**	72,654	74,910	**224,772**	225,239
General and administrative expenses	**24,355**	25,826	28,789	**77,327**	89,170
Depreciation and amortization	**15,866**	10,410	10,568	**36,802**	32,134
Adjusted operating expenses (1)	**118,714**	108,890	114,267	**338,901**	346,543
Adjusted operating income (1)	**125,626**	126,512	128,985	**389,439**	369,451
Provision for taxes applicable to adjusted operating income	**31,419**	32,577	21,927	**96,124**	63,635
Cumulative preferred share dividends	**8,103**	8,103	10,875	**24,309**	32,687
After-tax adjusted operating income attributable to common shareholders (1)	**86,104**	85,832	96,183	**269,006**	273,129
Weighted average number of shares outstanding [basic]	**416,353**	428,646	438,854	**427,753**	438,006
After-tax adjusted operating income per share (1) [basic]	**0.21**	0.20	0.22	**0.63**	0.62

(1) For additional information, see "Glossary of Terms" section.

Adjusted Operating Income, Expenses, and Earnings per Share - in constant currency

	For the three-month periods ended			For the nine-month periods ended	
(in $000's for stated values)	**September 30, 2021**	June 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
	$	$	$	**$**	$
Servicing income, net	**121,075**	115,100	118,954	**348,749**	344,271
Net financing revenue	**109,328**	110,667	100,587	**329,700**	288,195
Syndication revenue, net	**13,937**	13,184	14,419	**49,891**	47,953
Net revenue	**244,340**	238,951	233,960	**728,340**	680,419
Salaries, wages and benefits	**78,493**	73,714	72,236	**224,772**	214,701
General and administrative expenses	**24,355**	26,201	27,731	**77,327**	85,020
Depreciation and amortization	**15,866**	10,551	10,166	**36,802**	30,778
Adjusted operating expenses	**118,714**	110,466	110,133	**338,901**	330,499
Adjusted operating income	**125,626**	128,485	123,827	**389,439**	349,920
Provision for taxes applicable to adjusted operating income	**31,419**	33,085	21,051	**96,124**	60,456
Cumulative preferred share dividends	**8,103**	8,103	10,875	**24,309**	32,687
After-tax adjusted operating income attributable to common shareholders (1)	**86,104**	87,297	91,901	**269,006**	256,777
Weighted average number of shares outstanding [basic]	**416,353**	428,646	438,854	**427,753**	438,006
After-tax adjusted operating income per share (1) [basic]	**0.21**	0.20	0.21	**0.63**	0.59

Element's adjusted operating income ("AOI") for the quarter was $125.6 million (equivalent to $0.21 on a per share basis), a $3.4 million or 2.6% FX-driven decline from Q3 2020 and an $0.9 million or 0.7% FX-softened decline from Q2 2021. On a constant currency basis, Q3 2021 AOI was $1.8 million or 1.5% higher than Q3 2020, and $2.9 million or 2.2% lower than prior quarter.

In constant currency, the year-over-year increase in Q3 AOI stemmed from higher net financing revenue and services revenue, each as discussed below, offset by higher adjusted operating expenses, which were driven by a one-time increase in compensation expense, and an increase in depreciation and amortization. These are discussed in further detail under "Adjusted operating expenses" below.

The modest quarter-over-quarter AOI decline on both nominal and constant currency bases was driven by the same adjusted operating expense growth noted above and further detailed below, and in spite of strong quarter-over-quarter net revenue growth on both nominal and constant currency bases, led by services revenue - again, detailed below.

Notably, notwithstanding lower quarter-over-quarter AOI, Q3 2021 adjusted EPS grew $0.01 on nominal and constant currency bases as a result of robust common share repurchase activity pursuant to our strategic priority to predictably return capital to Element shareholders.

Services revenue, net

Q3 *2020* services revenue benefitted from a one-time income acceleration of $8.8 million as a result of Armada purchasing certain vehicles from Element. Controlling for this one-time impact, Q3 2021 services revenue grew $5.2 million or 4.5% year-over-year and $10.4 million or 9.4% over the same period on a constant currency basis.

This growth was driven by revenue from accident services, long-term vehicle rentals and telematics in the U.S. and Canada, where services revenue grew 9.4% year-over-year in constant currency (and controlling for last year's one-time impact). U.S./Canadian growth was achieved in spite of significant OEM production delays indirectly suppressing services revenue contributors, remarketing being the prime example. Importantly, this remarketing service revenue is not lost but rather deferred until OEM production capacity normalizes. We discuss OEM production matters in detail under "Orders, Originations and Order Backlog" below.

Outside the U.S. and Canada, year-over-year Q3 services revenue grew 21.5% in Mexico and 7.2% in ANZ on constant currency bases -- results of our increased focus in all geographies on this proven resilient revenue stream. Our commercial teams are capitalizing on SOW opportunities with existing clients and selling services to new clients (a) won from other FMCs and (b) outsourcing self-managed fleets for the first time.

Quarter-over-quarter, services revenue grew $7.9 million or 7.0% with a modest assist from FX; quarter-over-quarter services revenue grew $6.0 million or 5.2% in constant currency. Growth in the U.S. and Canada of 10.9% on a nominal basis (*ie*. before FX tailwind) was driven by acquisition fees, accident services, telematics, titling and registration, and tolls & violations service revenue gains, and achieved in spite of remarketing volume and attendant revenue decline quarter-over-quarter. Again, this remarketing service revenue is deferred, not lost.

Services revenue in Mexico grew 13.7% quarter-over-quarter in constant currency while ANZ services revenue decreased 15.8% on the same basis – predominantly a consequence of the one-time provision release that benefitted Custom Fleet's services revenue in Q2 2021, as well as (but to a lesser extent) shelter-in-place edicts across various parts of Australia and New Zealand in Q3, which reduced overall client consumption of usage-based services for the quarter.

Year-to-date, Q3 services revenue has contracted $7.5 million or 2.1% from YTD 2020, but grown $12.8 million or 3.8% on a constant currency basis -- in both cases, excluding the Q3 one-time services revenue ($8.8 million; $8.3 million in constant currency) from last year's YTD results.

Strong services revenue growth across the business is a reflection of a combination of (a) a strengthened and reinvigorated Commercial effort, (b) a deliberate focus on services as an important source of revenue growth, and (c) the return of client vehicle activity levels toward pre-pandemic norms. Although we saw pre-pandemic activity levels at the end of July this year, weekly volumes have oscillated since. As noted above, much of ANZ was back in "lockdown" for material portions of Q3, but North American clients' consumption of services (and volumes of fuel - a solid indicator) has also been variable through Q3 and October.

We are confident that there remains further upside to services revenue growth as client vehicle activity levels sustainably return to and exceed pre-pandemic norms. Moreover, remarketing revenue remains depressed by OEM production delays, which will eventually be resolved - thereby releasing this significant pent-up contributor to services revenue.

We believe Element is capable of high single-digit annual services revenue growth in 2022 and irrespective of the timing of OEM production normalization.

Orders, Originations and Order Backlog

Orders

Originations are necessarily preceded by vehicle orders, which are legally binding commitments by our clients to lease or purchase vehicles from Element upon vehicle production by the relevant OEM.

U.S. and Canadian vehicle order volumes year-to-date at October 31, 2021 are 48.7% above 2020 year-to-date order volumes at October 31 (in constant currency), and are largely consistent with 2017 and 2018 vehicle order volumes on the same basis. (2019 order volume in the U.S. was significantly enlarged by Armada as we adopted them as a new client to rapidly build out their fleet requirements.) October 2021 was the single largest month of U.S. and Canadian vehicle orders in Element's history (excluding historical Armada orders).

Custom Fleet (ANZ) has seen vehicle orders grow 35.1% YTD vs. YTD 2020, while Element Mexico's YTD 2021 orders have grown 52.3% year-over-year.

Originations

Automotive OEM production delays driven by the global microchip shortage have constrained origination volumes throughout 2021 – particularly in the U.S., Canada and ANZ.

The table below sets out the geographic distribution of Element's originations for the following three-month periods ended.

(in $000's for stated values)	**September 30, 2021**		June 30, 2021		September 30, 2020	
	$	**%**	$	%	$	%
United States and Canada	**996,511**	**75.82**	888,254	74.14	1,032,225	80.69
Mexico	**181,610**	**13.82**	167,145	13.95	113,173	8.85
Australia and New Zealand	**136,113**	**10.36**	142,703	11.91	133,865	10.46
Total	**1,314,234**	**100.00**	1,198,102	100.00	1,279,263	100.00

The table below sets out the geographic distribution of Element's originations for the following three-month periods ended, on a constant currency basis:

(in $000's for stated values)	**September 30, 2021**		June 30, 2021		September 30, 2020	
	$	**%**	$	%	$	%
United States and Canada	**996,511**	**75.82**	906,772	74.39	984,979	79.82
Mexico	**181,610**	**13.82**	171,385	14.06	118,195	9.58
Australia and New Zealand	**136,113**	**10.36**	140,593	11.54	130,862	10.60
Total	**1,314,234**	**100.00**	1,218,750	100.00	1,234,036	100.00

We originated just over $1.3 billion of assets in Q3, which is a 9.7% improvement over prior quarter as reported and a 7.8% improvement on a constant currency basis. Originations in the quarter were also greater than in Q3 last year by 2.7% as reported and 6.5% in constant currency.

U.S. and Canadian originations grew a modest 1.2% year-over-year in constant currency and 9.9% over prior quarter on the same basis. We did originate vehicles for Armada in the U.S. in Q3, although these are not originations that turn into leases and generate net financing or syndication revenue for Element. We continue to earn increasing services revenue in respect of Armada's growing fleet.

Originations in Mexico in Q3 grew 53.7% year-over-year and 6.0% over prior quarter, in both cases on a constant currency basis. Mexico continues to be the market least impacted by OEM production delays to date.

Originations in ANZ for the quarter grew 4.0% in constant currency over Q3 of last year but declined 3.2% in constant currency sequentially as a result of the pandemic-driven lockdowns in the region as previously noted.

Order Backlog

Robust client demand for vehicles opposite OEM production delays has resulted in record vehicle order backlogs in each of our operating geographies (excluding historical Armada orders in the U.S.).

Our global order backlog on September 30th stood at $2.0 billion, a $0.5 billion increase (in constant currency) over the June 30, 2021 backlog of $1.5 billion; and a 186% or $1.3 billion increase (in constant currency) over the September 30, 2020 backlog.

We estimate the current $2.0 billion order backlog represents approximately $1.2 billion of orders in excess of our average Q3 order backlog. These $1.2 billion orders represent approximately

- $35 to $40 million in deferred net revenue,
- $30 to $35 million in deferred adjusted operating income, and
- $45 to $50 million in deferred free cash flow.

From our current vantage point, we believe OEM production delays are likely to improve modestly over the course of 2022, enabling our originations to do the same. We expect OEMs to recover full production capacity by the end of H1 2023, allowing them to start drawing down our order backlog shortly thereafter.

When that time comes, we expect Element will enjoy a multi-quarter surge in revenue and consequent outsized increases in operating income (given our scalable platform) and cash flow (considering the highly profitable and cash-accretive nature of originations for our business). We provide more information on this subject in our Supplementary Information document for the quarter, available on the Company's website.

Net financing revenue

Net financing revenue for the quarter grew $6.1 million or 5.9% year-over-year — despite an 18.1% decrease in average net earning assets over the same period driven by syndication and OEM production delays limiting origination volumes. On a constant currency basis, Q3 2021 net financing revenue grew $8.7 million or 8.7% year-over-year despite average net earning assets shrinking 15.5% on the same basis.

This strong performance was driven by:

- lower costs of funding, with our efforts to optimize our debt structure continuing to reduce pure interest expense and credit facility fees;
- gains on the sale of used vehicles ("GOS") in ANZ - and, to a lesser extent, Mexico - where we continue to benefit from the supply-constrained secondary market; and
- the reduction of our balance sheet allowance for credit losses. Improving economic circumstances and the outstanding quality and performance of our asset portfolio resulted in the inclusion of a provision for credit loss reversal in Q3 2021 net financing revenue.

Quarter-over-quarter, net financing revenue was essentially flat as reported, and down $1.3 million or 1.2% on a constant currency basis. The primary headwind quarter-over-quarter was the pandemic-driven conditions in ANZ previously noted, which had a modest negative impact on GOS in the quarter versus prior quarter due to lower volume. We continue to materially outperform historical norms for GOS per transaction in that market.

For the nine-month period ended September 30, 2021, net financing revenue is $30.5 million or 10.2% higher than it was for the same nine-month period last year. On a constant currency basis, the delta is $41.5 million or 14.4%. This double-digit growth is attributable to the same drivers of Q3 2021 performance year-over-year identified above.

As noted last quarter, net financing revenue is likely to further decline, albeit modestly, in this second half of 2021. This is despite continued execution on incremental interest expense saving opportunities. GOS in ANZ has historically been lowest in the fourth quarter of every year (excluding last year, when secondary vehicle markets rebounded in H2 from H1 lockdowns), and Q4 GOS decline this year may be exacerbated by lockdowns that continued into the early part of the quarter in ANZ. In the U.S. and Canada, OEM production delays continue to constrain originations, which, in turn, impacts net financing revenue.

Net financing revenue yield on average net earning assets

	For the three-month periods ended			For the nine-month periods ended	
(in $000's for stated values)	**September 30, 2021**	June 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Average net earning assets	**$ 8,928,182**	$ 9,161,155	$ 10,895,388	**$ 9,412,812**	$ 11,477,320
Net interest income and rental revenue	**6.99 %**	6.85 %	6.48 %	**6.77 %**	6.58 %
Interest expense	**2.09 %**	2.08 %	2.69 %	**2.10 %**	3.10 %
Net financing revenue yield on average net earning assets	**4.90 %**	4.77 %	3.79 %	**4.67 %**	3.48 %
Average debt outstanding	**$ 7,937,478**	$ 8,193,170	$ 11,715,194	**$ 8,636,010**	$ 12,588,633
Average cost of debt (Interest expense / average debt)	**2.35 %**	2.32 %	2.50 %	**2.29 %**	2.83 %
Average 1-Month LIBOR rates	**0.08 %**	0.10 %	0.16 %	**0.13 %**	0.64 %

Average net earning assets decreased 18.1% or $2.0 billion year-over-year and 2.5% or $233.0 million quarter-over-quarter - in both cases, largely as a result of (a) below average origination volumes due to OEM production delays and (b) syndication.

At the same time, net financing revenue yield on average net earning assets has improved 111 basis points year-over-year and 13 basis points quarter-over-quarter, reflecting:

- The resilience of net financing revenue for the reasons noted above; and
- The evolving geographic mix of assets on our balance sheet.

We do not expect net financing revenue yield to change materially in Q4.

Syndication revenue, net

Demand for our syndicated assets continues to be robust and we continue to mature this revenue stream. We regularly transact with new investors in our assets, having grown our regular buyer pool to 30 institutions with the addition of 5 new investors year-to-date - with whom we have done approximately $80 million of transactions this year. Year-to-date at the end of Q3, we had transacted on $2.1 billion of fleet assets; essentially flat year-over-year. This syndication activity contributes meaningfully to both a reduction in our tangible leverage and a return of excess capital to shareholders by way of $416.4 million in share buybacks year-to-date.

After syndicating 22 client names for the first time in Q2 this year, we syndicated an additional 24 client names - each for the first time - in Q3. This included our second-ever portfolio transaction, for which multiple clients' assets were pooled and syndicated en bloc to a single buyer. This portfolio approach had the effect of enhancing syndication revenue yield.

We syndicated $521 million of assets in the quarter as planned - $79 million less than in Q3 2020 and $89 million less than prior quarter - generating $13.9 million of syndication revenue representing a 2.67% yield on assets syndicated.

Compared to Q3 2020, syndication revenue for the quarter was $0.5 million or 3.3% lower on a constant currency basis - $1.3 million or 8.6% lower as reported - but 7 basis points higher in yield in constant currency, and 8 basis points higher as reported.

Syndication revenue grew $0.8 million or 5.7% in constant currency quarter-over-quarter - $1.1 million or 8.3% growth as reported - and yield improved 56 basis points in constant currency.

Notwithstanding the increase in syndication revenue yield for the quarter compared to last quarter and Q1 2021, those H1 syndication revenue yields continue to be closer to the recurring quarterly yields we are forecasting at this time. Yields vary based on the mix (client credit rating, remaining lease durations, lease pricing terms, etc.) of assets syndicated in the period, in addition to benchmark U.S. treasury swap rates.

Adjusted operating expenses and margins

Adjusted operating expenses of $118.7 million for the quarter were 3.9% or $4.4 million higher than last year ($8.6 million in constant currency) and 9.0% or $9.8 million higher than last quarter ($8.2 million in constant currency).

Last quarter we indicated that adjusted operating expenses would be higher in the second half of this year. The increase in Q3 is attributable to:

- a one-time adjustment booked to Q3 salaries and related expenses to adjust the short-term incentive accrual for the outstanding performance of the business;
- higher IT and related general and administrative expenses in the quarter as we continue to enhance our technological capabilities; and
- several work-in-process projects - many of which began as Transformation initiatives - becoming "operational" in the quarter by accounting standards, resulting in
    - the beginning of the depreciation and amortization of same and
    - the accelerated full depreciation and amortization of assets that have become redundant as a result.

We forecast slightly lower adjusted operating expenses in the fourth quarter.

Year-to-date adjusted operating expenses are $7.6 million or 2.2% less than they were year-to-date at Q3 last year; however, in constant currency on the same comparative basis, adjusted operating expenses increased $8.4 million or 2.5%, which is mostly attributable to the Q3 increase in depreciation and amortization.

Operating margin for the quarter was 51.4%, 160 basis points less than Q3 2020 and 230 basis points less than Q2 2021. We signaled this expected contraction as part of last quarter's disclosures. On a constant currency basis, the same deltas were 150 and 240 basis points respectively. The primary driver of these contractions was Q3 2021 adjusted operating expenses, the growth of which is discussed above.

Year-to-date operating margin is 53.5% - a 190 basis point improvement from 2020 year-to-date at Q3 and a 200 basis point improvement on a constant currency basis.

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, 2021. 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 2021**	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net revenue	**244,340**	235,402	248,598	247,099	243,252	225,503	247,239	256,509
Adjusted operating income [1]	**125,626**	126,512	137,301	132,058	128,985	111,144	129,322	138,386
After-tax adjusted operating income [1]	**94,207**	93,935	105,173	108,089	107,058	93,361	105,397	112,797
Net income (loss)	**84,941**	80,872	95,529	78,362	70,778	58,594	79,358	(116,978)
Earnings (loss) per share, basic	**0.18**	0.17	0.20	0.16	0.14	0.11	0.16	(0.29)
Earnings (loss) per share, diluted	**0.18**	0.17	0.20	0.16	0.14	0.11	0.16	(0.29)
Adjusted operating income per share, basic [1]	**0.28**	0.28	0.29	0.28	0.27	0.23	0.27	0.29
After-tax adjusted operating income per share, basic[1]	**0.21**	0.20	0.22	0.23	0.22	0.19	0.22	0.23
After-tax pro forma diluted adjusted operating income per share [1]	**0.20**	0.20	0.22	0.22	0.22	0.19	0.21	0.22
Total assets	**13,105,478**	13,483,620	14,033,707	14,991,388	15,711,869	16,883,105	18,220,355	17,429,603
Net earning assets	**8,687,716**	8,890,566	9,426,863	10,465,983	10,750,218	11,025,581	11,999,636	11,783,853
Total debt	**8,493,546**	8,686,606	9,259,492	10,018,603	10,888,398	11,910,711	13,115,461	12,604,652
Loan and lease originations	**1,314,234**	1,198,102	1,286,506	1,386,792	1,279,263	1,306,804	2,030,988	2,225,909
Allowance for credit losses	**8,613**	11,397	13,676	17,718	18,829	20,000	20,000	8,432
As a % of total finance receivables before allowance	**0.11**	0.14	0.16	0.18	0.19	0.18	0.16	0.07
Senior revolving credit facilities	**1,007,628**	1,006,473	1,250,957	1,551,939	1,354,470	1,774,086	1,869,919	1,703,507
Borrowings	**7,328,076**	7,523,502	7,853,095	8,312,397	9,380,815	9,984,649	10,529,564	10,189,354
Convertible debentures	**157,842**	156,631	155,440	154,267	153,113	151,976	715,978	711,791

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

Financial Position

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

(in $000's for stated values)	**September 30, 2021**	June 30, 2021	December 31, 2020
	$	$	$
ASSETS			
Cash	**103,771**	21,550	8,789
Restricted funds	**344,120**	371,240	388,978
Finance receivables	**7,680,976**	8,167,862	9,561,622
Equipment under operating leases	**2,224,870**	2,153,502	2,157,227
Accounts receivable and other current assets	**173,119**	210,894	226,952
Derivative financial instruments	**21,196**	31,250	53,629
Property, equipment and leasehold improvements	**97,623**	99,591	112,352
Intangible assets	**822,457**	807,875	814,378
Deferred tax assets	**415,351**	425,464	444,120
Goodwill	**1,221,995**	1,194,392	1,223,341
	13,105,478	13,483,620	14,991,388
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**1,003,874**	1,138,017	1,062,610
Derivative financial instruments	**30,590**	38,891	68,282
Borrowings	**8,335,704**	8,529,975	9,864,336
Convertible debentures	**157,842**	156,631	154,267
Deferred tax liabilities	**77,238**	73,634	57,776
	9,605,248	9,937,148	11,207,271
Shareholders' equity	**3,500,230**	3,546,472	3,784,117
	13,105,478	13,483,620	14,991,388

Total assets and liabilities decreased by $378,142 and $331,900, respectively, over Q2 2021. Approximately 59% 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 2021, the quarter-over-quarter decrease in total assets and liabilities was primarily driven by a decrease in earning assets caused by (a) below average origination volumes as a result of OEM production delays and (b) syndication. The Canadian dollar also weakened against the U.S. dollar and Mexican peso quarter-over-quarter. 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 were $1.9 billion lower at September 30, 2021 than at December 31, 2020, driven by the cumulative impact of syndication and below average origination volumes during the first nine months of 2021 as a result of OEM production delays.

(in $000's for stated values, except ratios)	**September 30, 2021**	June 30, 2021	December 31, 2020
	$	$	$
Net investment in finance receivables	**6,462,846**	6,737,064	8,308,756
Impaired receivables - at net realizable value	**2,327**	3,244	25,463
	6,465,173	6,740,308	8,334,219
Unamortized origination costs and subsidies	**(45,687)**	(59,924)	(78,396)
Net finance receivables	**6,419,486**	6,680,384	8,255,823
Prepaid lease payments and Security deposits	**(43,165)**	(39,898)	(85,025)
Interim funding	**480,716**	518,662	625,778
Fleet management service receivables	**538,391**	453,796	505,506
Other	**294,161**	566,315	277,258
	7,689,589	8,179,259	9,579,340
Allowance for credit losses	**8,613**	11,397	17,718
Total finance receivables	**7,680,976**	8,167,862	9,561,622

Allowance for credit losses and charge-offs, net of recoveries

Credit losses and provisions as at and for the nine- and six-month periods ended September 30, 2021 and June 30, 2021, respectively, and the year-ended December 31, 2020 are as follows.

(in $000's for stated values, except ratios)	**Nine months ended September 30, 2021**	Six months ended June 30, 2021	Twelve months ended December 31, 2020
	$	$	$
Allowance for credit losses, beginning of period	**17,718**	17,718	8,432
Provision for credit losses	**(6,945)**	(5,012)	11,652
Charge-offs, net of recoveries	**(1,861)**	(872)	(1,629)
Impact of foreign exchange rates	**(299)**	(437)	(737)
Allowance for credit losses, end of period	**8,613**	11,397	17,718
Ratios			
Charge-offs, net of recoveries, as a % of total finance receivables	**0.03 %**	0.01 %	0.02 %
Allowance for credit losses, as a % of total finance receivables before allowance	**0.11 %**	0.14 %	0.18 %

Element's policy is to assess the probability of default and loss given default for all its clients, both at lease inception and throughout the term of the lease. Element makes these assessments by performing risk reviews of specific clients on a periodic basis, reviewing client's financial condition and ability to service the debt as well as monitoring the value of the underlying security.

We reviewed inputs to our expected credit loss model throughout the quarter. There were positive changes to the portfolio and improvement in the amounts likely to be recovered in the event of default. We also consider forward-looking macroeconomic information in light of COVID-19, such as overall default rates and the impact that potential upward or downward trends in GDP would have on our lease and loan portfolio. Based on our review, we have reduced our allowance for credit losses to $8.6 million at September 30, 2021; a $9.1 million decrease from December 31, 2020 and approximately normalized to pre-pandemic levels.

Impaired receivables

Total impaired receivables were $2.3 million at September 30, 2021, which is a $0.9 million or 28% decrease from June 30, 2021 and less than 10% of the balance one year earlier. The current impaired receivables balance is the lowest it has been in over five years. No material client newly entered bankruptcy in Q3 2021.

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, 2021**		June 30, 2021		December 31, 2020	
	$	**%**	$	%	$	%
United States and Canada	**5,819,322**	**67.3**	6,079,212	68.8	7,681,953	73.8
Australia and New Zealand	**1,555,484**	**18.0**	1,546,384	17.5	1,632,065	15.7
Mexico	**1,269,550**	**14.7**	1,208,290	13.7	1,099,032	10.5
Total	**8,644,356**	**100.0**	8,833,886	100.0	10,413,050	100.0
Allocated as:						
Net finance receivables	**6,419,486**	**74.3**	6,680,384	75.6	8,255,823	79.3
Equipment under operating leases, net	**2,224,870**	**25.7**	2,153,502	24.4	2,157,227	20.7
Total	**8,644,356**	**100.0**	8,833,886	100.0	10,413,050	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, 2021**		June 30, 2021		December 31, 2020	
	$	**%**	$	%	$	%
United States and Canada	**11,596,813**	**80.2**	11,713,653	80.7	12,814,311	81.9
Australia and New Zealand	**1,555,311**	**10.8**	1,545,626	10.6	1,625,718	10.4
Mexico	**1,296,559**	**9.0**	1,257,082	8.7	1,212,464	7.7
Assets under management	**14,448,683**	**100.0**	14,516,361	100.0	15,652,493	100.0

Liquidity

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

Cash Flow

<u>Daily cash flow / liquidity</u>

The global cash management office, instituted in Q1 2020, assesses and proactively manages Element's liquidity position by ensuring we have robust controls over every source and use of cash flow. The global cash management office also conducts comprehensive series of stress-tests to identify early indications, risks and sensitivities in maintaining that cash flow and forward funding capacity, all of which confirmed the stability and sustainability of same.

Learnings from the global cash management office’s work have informed several strategic right-sizings of our funding facilities beginning in Q4 2020. In aggregate, we reduced the scale of our committed, undrawn liquidity by approximately $2.9 billion in 2020, which has and will continue to drive meaningful funding cost savings without compromising our ability to serve our clients.

Notwithstanding our dependable operating cash flows and $3.4 billion of committed, undrawn capital at September 30, 2021, we continue our efforts to sustainably enhance our dynamic liquidity management capabilities, including data analysis capacity and forecasting.

<u>Free cash flow</u>

We present Management's view of Element’s free cash flow in our Supplementary Information document available on the Company's website.

<u>Statement of cash flows</u>

Cash provided by operating activities for the nine-month period ended September 30, 2021 - as presented in our unaudited interim condensed consolidated financial statements - was $2,060.1 million, a decrease of $94.2 million from the $2,154.3 million provided by operating activities for the nine-month period ended September 30, 2020. The decrease was primarily the result of lower investments in finance leases resulting from below average origination volumes due to OEM production delays, offset by a decrease in repayments of finance receivables as finance receivables continue to be syndicated in conjunction with our leverage strategy. The decrease was also driven by a strengthening Canadian dollar during the nine-month period ended September 30, 2021 compared to a weakening Canadian dollar during the nine-month period ended September 30, 2020.

Cash used in investing activities for the nine-month period ended September 30, 2021 was $61.1 million compared to cash provided by investing activities of $15.8 million for the nine-month period ended September 30, 2020. The primary drivers of the change year-over-year are the sale of 19th Capital in Q2 2020 and increases in IT and related investments in 2021 compared to the prior year.

Cash used in financing activities for the nine-month period ended September 30, 2021 was $1,901.8 million, compared to $2,121.7 million used in financing activities for the nine-month period ended September 30, 2020. The year-over-year decrease is primarily due to (i) prior year repayment of the 2015 convertible debentures (ii) prior year redemption of preferred shares (iii) the issuance of the U.S. $500 million, 1.60% senior unsecured investment-grade notes due April 6, 2024, offset by (iv) the repurchase of Common Shares in the current year, (v) an increase in the repayment of borrowings, and (vi) an increase in dividends paid compared to prior year. The decrease was also driven by a strengthening Canadian dollar during the nine-month period ended September 30, 2021 compared to a weakening Canadian dollar during the nine-month period ended September 30, 2020.

Credit and debt facilities

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

We had $3.4 billion of contractually committed, undrawn liquidity across our revolving unsecured ($2.0 billion) and vehicle management asset-backed ($1.3 billion) facilities at September 30, 2021. Commitments under these facilities are provided by syndicates of leading Canadian, U.S. and international banks.

These sources of financing were as follows:

As at	**September 30, 2021**			
(in $000's for stated values)	$	%	$	$
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	**2,987,245**	***66.3***	**1,979,617**	**1,007,628**
Senior notes	**1,144,051**	**—**	**—**	**1,144,051**
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	**2,827,550**	**—**	**—**	**2,827,550**
Variable funding notes	**4,676,314**	***28.6***	**1,336,601**	**3,339,713**
Other	**38,560**	**—**	**—**	**38,560**
Total vehicle management asset-backed debt	**7,542,424**	***17.7***	**1,336,601**	**6,205,823**
Total cash			**103,771**	
Total capital available for continuing operations			**3,419,989**	

As at	June 30, 2021			
(in $000's for stated values)	$	%	$	$
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	2,603,370	*61.3*	1,596,897	1,006,473
Senior notes	1,115,730	—	—	1,115,730
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	3,430,246	—	—	3,430,246
Variable funding notes	5,458,572	*45.8*	2,499,988	2,958,584
Other	40,764	—	—	40,764
Total vehicle management asset-backed debt	8,929,582	*28.0*	2,499,988	6,429,594
Total cash			21,550	
Total capital available for continuing operations			4,118,435	

As at	December 31, 2020			
(in $000's for stated values)	$	%	$	$
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	2,672,670	*41.9*	1,120,731	1,551,939
Senior notes	509,080	—	—	509,080
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	4,005,371	—	—	4,005,371
Variable funding notes	5,678,982	*33.6*	1,910,587	3,768,395
Other	44,841	—	—	44,841
Total vehicle management asset-backed debt	9,729,194	*19.6*	1,910,587	7,818,607
Total cash			8,789	
Total capital available for continuing operations			3,040,107	

On March 23, 2021, Element issued US $750 million of term notes, at an initial weighted average interest rate of 0.51%, under our Chesapeake Funding II LLC vehicle management asset-backed debt facility. The proceeds received at the time of closing were used to pay down variable funding notes outstanding.

On April 6, 2021, Element completed its issuance of U.S. $500 million, 1.60% senior unsecured investment-grade notes due April 6, 2024. The proceeds received at the time of closing will be used for working capital and general corporate purposes.

These issuances align with our strategic priorities to continue to strengthen Element's investment-grade balance sheet and diversify our access to cost-efficient capital.

Subsequent to quarter-end, Element (i) further right-sized certain of our senior credit facilities with a reduction of U.S. $500 million, (ii) successfully extended our maturity dates and (iii) enhanced financing terms on same. These actions will reduce our cost of funds (or "interest expense" as reported) over time, thereby further optimizing our net financing revenue and advancing our strategic growth priorities.

We believe the $3.4 billion of liquidity available to the Company as at September 30, 2021 coupled with our durable operating cash flow is sufficient to fund Element's business throughout 2021, as well as to pay dividends at current rates 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, 2021**	June 30, 2021	December 31, 2020
(in $000's)	**$**	$	$
Cash	**103,771**	21,550	8,789
Unsecured debt			
Senior credit facilities	**1,007,628**	1,006,473	1,551,939
4.250% Convertible Debentures due 2024	**157,842**	156,631	154,267
3.850% Senior Notes due 2025	**508,467**	495,880	509,080
1.600% Senior Notes due 2024	**635,584**	619,850	—
Vehicle Management Asset-Backed Debt			
Revolving term notes in amortization	**2,827,550**	3,430,246	4,005,371
Variable funding notes	**3,339,713**	2,958,584	3,768,395
Other	**38,560**	40,764	44,841
Deferred financing costs	**(26,599)**	(28,987)	(29,911)
Hedge accounting fair value adjustments	**4,801**	7,165	14,621
Total debt	**8,493,546**	8,686,606	10,018,603
Shareholders' equity			
Common share capital	**3,004,670**	3,065,842	3,180,379
Preferred share capital	**511,869**	511,869	511,869
Other	**(16,309)**	(31,239)	91,869
Total Shareholders' Equity	**3,500,230**	3,546,472	3,784,117
Total Capitalization	**11,993,776**	12,233,078	13,802,720

Growing profitability, free cash flow and syndication all contribute to the de-leveraging of Element's balance sheet, which created the capacity to execute the $172.5 million redemption of Series G preferred shares in full on September 30, 2020. With this 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.

On March 23, 2021, Element issued US $750 million of term notes, at an initial weighted average interest rate of 0.51%, under our Chesapeake Funding II LLC vehicle management asset-backed debt facility. The proceeds received at the time of closing were used to pay down variable funding notes outstanding.

On April 6, 2021, Element completed its issuance of U.S. $500 million, 1.60% senior unsecured investment-grade notes due April 6, 2024. The proceeds received at the time of closing were used for working capital and general corporate purposes.

Normal Course Issuer Bid

On November 4, 2020, the TSX approved the Company's notice of intention to commence a NCIB for its issued and outstanding Common Shares. The NCIB allowed the Company to repurchase on the open market (or as otherwise permitted), at our discretion during the period commenced November 10, 2020 and ending on the earlier of November 9, 2021 and the completion of purchases under the NCIB, up to 43,929,594 Common Shares, subject to the terms and conditions of TSX rules and applicable securities laws. Under the NCIB for the three- and nine-month periods ended September 30, 2021, the Company repurchased for cancellation 8,725,688 and 30,085,733 Common Shares, respectively, for approximately $122.5 million and $416.4 million, respectively, including commission, at a volume weighted average price of $14.03 and $13.84 per Common Share, respectively. Under the NCIB for the period from commencement up to and including October 31, 2021, the Company repurchased for cancellation an aggregate of 33,837,233 Common Shares for approximately $466.4 million, including commission, at a volume weighted average price of $13.79 per Common Share. The Company applies trade date accounting in determining the date on which the share repurchase is reflected in our consolidated financial statements. Trade date accounting is the date on which management commits the Company to purchase the Common Shares. Under the NCIB, the Company has repurchased Common Shares over the TSX and over alternative trading systems in Canada.

Subsequent to quarter-end, on November 10, 2021, the TSX approved Element's notice of intention to renew its NCIB. The NCIB allows the Company to repurchase on the open market (or as otherwise permitted), at our discretion during the period commencing on November 15, 2021 and ending on the earlier of November 14, 2022 and the completion of purchases under the NCIB, up to 40,968,811 Common Shares, subject to the normal terms and limitations of such bids, which include the number of Common Shares purchased in any 12 month period being limited to 10% of the Common Shares outstanding at the commencement of such period. Shareholders may obtain a copy of the NCIB notice, without charge, by contacting Element.

Leverage

We view both financial and tangible leverage as indicators of the strength of Element's financial position. At September 30, 2021, our financial leverage ratio was 2.43:1 and tangible leverage ratio was 5.83:1.

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

As at		**September 30, 2021**	December 31, 2020
(in $000's, except ratios)		**$**	$
Borrowings		**8,335,704**	9,864,336
Convertible debentures		**157,842**	154,267
Total debt	**(a)**	**8,493,546**	10,018,603
Total shareholders' equity	**(b)**	**3,500,230**	3,784,117
		11,993,776	13,802,720
Goodwill and intangible assets	**(c)**	**2,044,452**	2,037,719
Financial leverage	**(a)/(b)**	**2.43**	2.65
Tangible leverage	**(a)/[(b)-(c)]**	**5.83**	5.74

The Company was in compliance with all financial and reporting covenants with all of its lenders at September 30, 2021.

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, 2021

Rating agency	Issuer rating	Outlook
DBRS, Inc.	BBB (high)	Stable
Fitch Ratings	BBB+	Stable
Kroll Bond Rating Agency	A-	Stable
S&P Global Ratings	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.

In September 2021, Fitch Ratings affirmed its stable outlook and BBB+ investment-grade rating of Element, and in October 2021 credit rating agencies DBRS, Inc., Kroll Bond Rating Agency and Standard & Poor's affirmed their stable outlook and investment-grade ratings for Element: BBB (high), A- and BBB, respectively.

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 those described in the "Risk Management" section of the Company's 2020 Annual MD&A other than supply chain risk, which we have discussed throughout this document.

While our universe of known risks has remained largely unchanged, our ability to identify and assess risks has improved significantly through Transformation. Further, the organization's ability to effectively manage these risks has grown through increased awareness and monitoring, as evidenced by our strong ECRI performance.

Based on our progress in managing risk, we have matured our views on two areas of risk:

- Tangible leverage - In 2019, optimized tangible leverage of 5.5x-6.0x reflected higher spreads for debt funding and cost of equity premiums associated with elevated operating risks. Today, with a meaningfully strengthened operating platform and de-risked balance sheet, optimized tangible leverage has shifted marginally higher as a result of reduced debt funding spreads and cost of equity premiums. Accordingly, we will be managing FX-normalized tangible leverage of 6.0x-6.75x, with a target of 6.5x, ensuring we are well within rating agency thresholds for negative ratings pressure.

- Foreign exchange – Historically, the Company has match-funded the assets of the business whereby our debt funding was aligned with our assets in terms of currency, duration and interest rate. Element Mexico was our lone exception in that our business in the country was funded in U.S. dollars. While this exception was readily justifiable when Mexico constituted approximately 4% of our Average Net Earning Assets in 2018, its successful growth strategy (coupled with our syndication of U.S. assets) has resulted in Element Mexico now constituting approximately 15% of our assets. Given the success we have had in that market (and the knowledge that sustained double-digit revenue growth could be the norm for the mid- to long-term) we intend to gradually shift Mexico's funding profile to a matched position over the next few years, reducing our exposure to the risk of a sustained depreciation in the Peso. For 2022, this shift to Peso-denominated funding is expected to result in $16-17 million in increased interest expenses, lowering net financing revenue by a similar amount - all else equal.

Economic Conditions and Outlook

Economic Conditions

An inflationary environment is additive to Element's revenue growth. Net financing revenue benefits from rising vehicle prices as does syndication revenue when we choose to transact on those leases. Services revenue also benefits from inflation as the cost of maintaining, repairing and fueling vehicles result in higher fee bases. Lastly, rising fleet costs drive greater demand for our services as clients – and prospective clients – seek to control their total cost of fleet ownership and operations.

A rising interest rate environment is benign for Element's business model. We match-fund our leases on interest type (fixed vs. floating) and duration. We originate leases at deliberate interest margins which are preserved for the life of the asset on our balance sheet. A declining interest rate environment is equally benign for our business.

Pandemic-Related Conditions

While we believe service consumption will largely return to pre-pandemic levels by year-end, we also believe the OEM production shortages (and the global microchip shortage that underpins same) will take longer to resolve than originally expected and will result in another year wherein a portion of our growing revenues, operating income and cash flow is deferred.

- Based on our understanding of the latest OEM production plans, we expect 2022 to be a better year for Originations than 2021 even though OEM production is expected to run at less than full capacity throughout 2022.

- With expectations of OEM production capacity back to 100% by the end of the first half of 2023, we can reasonably expect vehicle manufacturers to start clearing our excess Order backlog in the U.S. and Canada shortly thereafter.

- Our OEM partners in Mexico have weathered the microchip shortage relatively well by global standards and thus we expect our Mexican business to maintain an above average Order backlog through 2022 with potential for modest growth, and then begin to clear same in the second half of 2023.

- Custom Fleet has built a record Order backlog of greater disproportion to historical norms than we are experiencing in the U.S. and Canada. New vehicle inventories remain low in ANZ (with more vehicles being sold into the higher-margin retail channel), constraining supply and driving up used vehicle resale values in the region, from which we benefit in the form of gains on sale.

The global COVID-19 pandemic demonstrated that automotive fleet vehicles 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 continue to have significant associated costs. We believe that both of these facts will hold true 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 – remains and will continue to remain highly relevant. In fact, we believe some of the economic consequences of the COVID-19 pandemic make Element's value proposition to new and existing clients even more compelling.

Our clients enjoy:

- the ability to materially reduce their total cost of fleet operations over time. Element has one of the deepest datasets in the automotive industry, based on which we have identified over $1.3 billion in fleet-cost-saving strategies and opportunities for our clients year-to-date in 2021; and

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

Finally, with respect to EVs, we believe the complexity and risk of gradually transitioning mission-critical automotive fleets from ICE-powered vehicles to EVs will increase demand for outsourced fleet management services and expertise, and this belief is already bearing itself out. As the fleet solutions market leader everywhere we operate, Element is strategically well-positioned to support our clients and lead our industry through the gradual electrification of automotive fleets over the next decade.

Outlook

Having completed Element's Transformation program last year, and initiated an organization-wide pivot towards our current focus on growth, we find Element well positioned to execute on our strategic priorities:

i. Aggressively pursue organic growth in all our geographies and demonstrate the scalability of Element's transformed operating platform by growing annual operating income in excess of the annual net revenue growth rate.

    - In normal market conditions, we believe Element can readily grow net revenue 4-6% a year, with the Company's highly scalable operating platform magnifying that into high single- to low double-digit rates of operating income growth.

    - In 2022, given continuing OEM production shortages, we anticipate
        - net revenue growth to be temporarily muted to approximately 1-3% as revenues continue to be deferred, and
        - a fairly consistent operating margin to that of 2021 (52-53%).

    - In 2023, we expect the OEMs to return to full production capacity by mid-year and begin to draw down our excess order backlog, resulting in
        - full year net revenue growth of approximately 8-10%, and
        - adjusted operating income growth of 10-16%.

ii. Advance a capital-lighter business model by growing services revenue and strategically syndicating fleet assets, which enhances return on equity.

    - In 2022, we believe modest growth in AOI and ~6% fewer shares outstanding from our NCIB program should result in approximately 6-11% growth in adjusted EPS and 8-13% growth in free cash flow per share. Further, we believe pre-tax return on equity can grow to between 16% and 17%.

    - In 2023, we expect double-digit growth in adjusted operating income coupled with continued share repurchases to generate 20-27% growth in free cash flow per share and provide an 18-20% pre-tax return on equity.

iii. Given expected high single- to low double-digit annual free cash flow per share growth rates in normal market conditions, predictably return excess equity to shareholders by way of growing common dividends and share buybacks.

    - On November 10, 2021, we announced a 19% increase to Element's common dividend, from $0.26 to $0.31 annually per share, effective immediately and therefore to be reflected in the common dividend to be paid in respect of Q4 2021 on January 14, 2022.

        - With this increase, our common dividend represents approximately 30% of the Company's last twelve months' free cash flow per share, which is the mid-point of the 25% to 35% payout range we plan to maintain going forward.

    - When we first announced the establishment of our NCIB on October 27, 2020, we noted that the program represented the first year of what we envisioned to be a regular, ongoing return of capital strategy.

    - On November 10, 2021, the Toronto Stock Exchange (TSX) approved our notice of intention to renew our NCIB, allowing us to continue returning cash to shareholders by way of buybacks well into 2022. We also intend to fully redeem Element's Series I preferred share class when the opportunity presents itself in June 2022.

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 nine-month periods ended September 30, 2021. 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, 2020. 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, 2020 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.

Recently Adopted Accounting Standards

Interest Rate Benchmark Reform

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 interbank offered rate ("IBOR") reform ("the IBOR 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 adopted *Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16* ("Phase 2 Amendments") effective January 1, 2021. The Phase 2 Amendments include additional disclosure requirements for financial instruments that have yet to transition to an alternative interest rate at the end of the reporting period.

The Company will cease to apply the Amendments and Phase 2 Amendments as IBOR based cash flows transition to new alternative interest rates or when the hedging relationships to which the relief is applied to are discontinued.

On March 5, 2021, the Financial Conduct Authority, LIBOR's regulator and administrator, announced that publication of the one-week and two-month USD LIBOR rates will cease after December 31, 2021, and the remaining USD LIBOR rates, including the 1-month and 3-month USD LIBOR rates, will cease after June 30, 2023, finalizing the end dates of USD LIBOR rates.

To manage the IBOR transition, the Company has established a cross functional initiative with dedicated work streams to evaluate and address the key areas of impact on the Company’s leases, services, systems, documents, processes, models, funding and liquidity planning, risk management frameworks, and financial reporting with the intention of managing the impact through appropriate mitigating actions. The Company is progressing on its transition plan and incorporating market developments as they arise.

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, 2020. 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 the 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, 2020, 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 the 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.

Fair value hedges

The Company also applies hedge accounting for interest rate swaps used to hedge our exposure to changes in a fixed interest rate instrument’s fair value caused by changes in interest rates. While uncertainty due to the IBOR Reform exists, as a result of adopting the Amendments, the Company applies hedge accounting to IBOR rates which may not be contractually specified when that rate is separately identifiable and reliably measurable at inception of the hedge relationship.

Hedging relationships impacted by interest rate benchmark reform

The following table shows the Company's exposure at September 30, 2021 to IBOR subject to reform that have yet to transition to Secured Overnight Financing Rates. These exposures will remain outstanding until IBOR ceases and will therefore transition in the future:

	Non-derivative financial assets - carrying value	Non-derivative financial liabilities - carrying value	Notional/Principal amount[1]
	$	$	$
USD LIBOR (1 month)	**2,258,337**	**—**	**2,777,563**
USD LIBOR (3 month)	**716,177**	**—**	**—**
	2,974,514	**—**	**2,777,563**

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

Future Accounting Changes

All accounting standards effective for periods beginning on or after January 1, 2021 have been adopted by the Company.

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 ended	
(in $000's for stated values)		**September 30, 2021**	June 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Reported and adjusted income measures						
Net income	A	**84,941**	80,872	70,778	**261,342**	208,730
Adjustments:						
Amortization of debenture discount		**903**	887	843	**2,662**	5,401
Share-based compensation		**5,086**	7,511	5,591	**17,837**	15,455
Amortization of intangible assets from acquisitions		**8,862**	8,674	9,338	**26,442**	29,221
Restructuring and transformation costs		**—**	—	24,213	**—**	57,871
Net loss on disposition of 19th Capital		**—**	—	—	**—**	13,862
Provision of income taxes		**28,610**	29,205	17,512	**87,370**	38,147
(Gain) loss on investments		**(2,776)**	(637)	710	**(6,214)**	764
Before-tax adjusted operating income	B	**125,626**	126,512	128,985	**389,439**	369,451
Provision for taxes applicable to adjusted operating income	C	**31,419**	32,577	21,927	**96,124**	63,635
After-tax adjusted operating income	D=B-C	**94,207**	93,935	107,058	**293,315**	305,816
Cumulative preferred share dividends during the period	Y	**8,103**	8,103	10,875	**24,309**	32,687
After-tax adjusted operating income attributable to common shareholders	D1= D-Y	**86,104**	85,832	96,183	**269,006**	273,129
Selected statement of financial position amounts						
Total Finance receivables, before allowance for credit losses	E	**7,689,589**	8,179,259	10,164,347	**7,689,589**	10,164,347
Allowance for credit losses	F	**8,613**	11,397	18,829	**8,613**	18,829
Net investment in finance receivable	G	**6,462,846**	6,737,064	8,727,347	**6,462,846**	8,727,347
Equipment under operating leases	H	**2,224,870**	2,153,502	2,022,871	**2,224,870**	2,022,871
Net earning assets	I=G+H	**8,687,716**	8,890,566	10,750,218	**8,687,716**	10,750,218
Average net earning assets	J	**8,928,182**	9,161,155	10,895,388	**9,412,812**	11,477,320
Goodwill and intangible assets	K	**2,044,452**	2,002,267	2,100,524	**2,044,452**	2,100,524
Average goodwill and intangible assets	L	**2,030,151**	1,980,298	2,090,040	**2,015,741**	2,119,844
Borrowings	M	**8,335,704**	8,529,975	10,735,285	**8,335,704**	10,735,285
Unsecured convertible debentures	N	**157,842**	156,631	153,113	**157,842**	153,113
Total debt	O=M+N	**8,493,546**	8,686,606	10,888,398	**8,493,546**	10,888,398
Average debt	P	**7,937,478**	8,193,170	11,715,194	**8,636,010**	12,588,633
Total shareholders' equity	Q	**3,500,230**	3,546,472	3,734,557	**3,500,230**	3,734,557
Preferred shares	R	**511,869**	511,869	511,869	**511,869**	511,869
Common shareholders' equity	S=Q-R	**2,988,361**	3,034,603	3,222,688	**2,988,361**	3,222,688
Average common shareholders' equity	T	**3,007,549**	3,063,206	3,221,760	**3,103,473**	3,240,696
Average total shareholders' equity	U	**3,519,417**	3,575,074	3,845,991	**3,615,342**	3,902,381

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

(in $000's for stated values, except ratios and per share amounts)		As at and for the three-month periods ended September 30, 2021	June 30, 2021	September 30, 2020	As at and for the nine-month ended September 30, 2021	September 30, 2020
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	O/Q	**2.43**	2.45	2.92	**2.43**	2.92
Tangible leverage ratio	O/(Q-K)	**5.83**	5.63	6.66	**5.83**	6.66
Average financial leverage ratio	P/U	**2.26**	2.29	3.05	**2.39**	3.23
Average tangible leverage ratio	P/(U-L)	**5.33**	5.14	6.67	**5.40**	7.06
Other key operating ratios						
Allowance for credit losses as a % of total finance receivables before allowance	F/E	**0.11 %**	0.14 %	0.19 %	**0.11 %**	0.19 %
Adjusted operating income on average net earning assets	B/J	**5.63 %**	5.52 %	4.74 %	**4.14 %**	4.29 %
After-tax adjusted operating income on average tangible total equity of Element	D/(U-L)	**25.30 %**	23.56 %	24.39 %	**24.45 %**	22.87 %
Per share information						
Number of shares outstanding	V	**412,880**	421,405	439,225	**412,880**	439,225
Weighted average number of shares outstanding [basic]	W	**416,353**	428,646	438,854	**427,753**	438,006
Pro forma diluted average number of shares outstanding	X	**433,233**	445,664	454,655	**444,564**	453,799
Cumulative preferred share dividends during the period	Y	**8,103**	8,103	10,875	**24,309**	32,687
Other effects of dilution on an adjusted operating income basis	Z	**$ 1,606**	$ 1,587	$ 1,705	**$ 4,829**	$ 5,387
Net income per share [basic]	(A-Y)/W	**$ 0.18**	$ 0.17	$ 0.14	**$ 0.55**	$ 0.40
Net income per share [diluted]		**$ 0.18**	$ 0.17	$ 0.14	**$ 0.54**	$ 0.40
Book value per share	S/V	**$ 7.24**	$ 7.20	$ 7.34	**$ 7.24**	$ 7.34
After-tax adjusted operating income per share [basic]	(D1)/W	**$ 0.21**	$ 0.20	$ 0.22	**$ 0.63**	$ 0.62
After-tax pro forma diluted adjusted operating income per share	(D1+Z)/X	**$ 0.20**	$ 0.20	$ 0.22	**$ 0.62**	$ 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, 2021:

(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	**125,626**		**0.30**
Less:			
Income taxes related to adjusted operating income	**(31,419)**		**(0.08)**
Preferred share dividends	**(8,103)**		**(0.02)**
After-tax adjusted operating income attributable to common shareholders	**86,104**	**416,353,081**	**0.21**
Dilution items:			
Employee stock option plan	**—**	**2,564,280**	**—**
Convertible debentures (after-tax net interest expense)	**1,606**	**14,315,353**	**(0.01)**
After-tax pro forma diluted adjusted operating income	**87,710**	**433,232,714**	**0.20**

Glossary of Terms

Assets under management

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

Average net earning assets is the sum of the average outstanding finance receivables and average equipment under operating leases. 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 funds 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.

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.

Pre-tax income margin

Pre-tax income margin is income before taxes divided by net revenue.

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.

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, 2021 and December 31, 2020, the results of operations, comprehensive income and cash flows for the three- and nine-month periods ended September 30, 2021 and September 30, 2020.

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 on average net earning assets

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

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 margin

Adjusted operating margin is the adjusted operating income before taxes for the period divided by the net revenue for the period.

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 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.

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.

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.

Average common shareholders' equity

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

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 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.

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.

Net earning assets

Net earning assets are the sum of the total net investment in finance receivables and total carrying value of the equipment under operating leases at the end of the period.

Net financing revenue yield on average net earning assets

Net financing revenue yield on average net earning assets is calculated as (net interest and rental revenue) divided by (average net earning assets outstanding throughout the period), multiplied by four (i.e. annualized).

Net interest and rental revenue

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

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).

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.

Return on common equity

Return on common equity is calculated as the sum of net 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.

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 November 10, 2021, the Company had 409,968,032 Common Shares issued and outstanding. In addition, 6,094,872 options were issued and outstanding under the Company's stock option plan as at November 10, 2021. These convertible securities are convertible into, or exercisable for Common Shares of the Company of which 6,656,105 are exercisable at September 30, 2021 for proceeds to the Company upon exercise of $57.1 million. In addition, the Company had convertible debentures outstanding that are convertible into an aggregate of 14,315,353 Common Shares.

As at November 10, 2021, 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 November 10, 2021.