Q3 2021 | Supplementary Information

as at September 30, 2021

This supplementary information should be read in conjunction with the Company's Management Discussion & Analysis dated September 30, 2021.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

The following pages provide information management believes is relevant to an assessment and understanding of the financial condition, results and operations of Element Fleet Management Corp. (the “Company” or “Element”) as at and for the three-, nine- and twelve-month periods ended September 30, 2021, and should be read in conjunction with the Company’s Management Discussion & Analysis and interim condensed consolidated financial statements and accompanying notes for the three- and nine-month periods ended September 30, 2021. All monetary figures are in millions of Canadian dollars unless otherwise noted or for per share amounts. Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company’s website at www.elementfleet.com.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO NOVEMBER 10, 2021. CERTAIN STATEMENTS CONTAINED IN THIS REPORT CONSTITUTE “FORWARD-LOOKING STATEMENTS”. IN SOME CASES THE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY WORDS OR PHRASES SUCH AS “MAY”, "CAN", “WILL”, “EXPECT”, "GUIDANCE", “PLAN”, “ANTICIPATE”, "TARGET", “INTEND”, “POTENTIAL”, “ESTIMATE”, “BELIEVE” OR THE NEGATIVE OF THESE TERMS, OR OTHER SIMILAR EXPRESSIONS INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, INCLUDING, AMONG OTHERS, STATEMENTS REGARDING ELEMENT’S TRANSFORMATION PLAN, GROWTH PROSPECTS AND OBJECTIVES, EXPECTATIONS REGARDING SYNDICATION, ABILITY TO DRIVE OPERATIONAL EFFICIENCIES, ASSETS, BUSINESS STRATEGY, COMPETITIVE POSITIONING, ABILITY TO CREATE VALUE FOR SHAREHOLDERS, THE EVOLUTION OF ELEMENT’S BUSINESS, THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION, BUSINESS INTEGRATION, STRATEGIC ASSESSMENT, BUSINESS OUTLOOK, ELEMENT’S DIVIDEND POLICY AND THE PAYMENT OF FUTURE DIVIDENDS, ELEMENT’S PROPOSED SHARE PURCHASES, INCLUDING THE NUMBER OF COMMON SHARES TO BE REPURCHASED, THE TIMING THEREOF AND TSX ACCEPTANCE OF THE NORMAL COURSE ISSUER BID AND ANY RENEWAL THEREOF AND OTHER EXPECTATIONS REGARDING FINANCIAL OR OPERATING PERFORMANCE AND METRICS. SUCH STATEMENTS REFLECT THE COMPANY'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO INHERENT RISKS, UNCERTAINTIES AND NUMEROUS ASSUMPTIONS, INCLUDING, WITHOUT LIMITATION, THE IMPACT OF THE COVID-19 PANDEMIC, GENERAL ECONOMIC CONDITIONS, OPERATIONAL CAPABILITIES, TECHNOLOGICAL DEVELOPMENT, RELIANCE ON DEBT FINANCING, DEPENDENCE ON BORROWERS, INABILITY TO SUSTAIN RECEIVABLES, COMPETITION, INTEREST RATES, REGULATION, INSURANCE, FAILURE OF KEY SYSTEMS, DEBT SERVICE, FUTURE CAPITAL NEEDS AND SUCH OTHER RISKS OR FACTORS DESCRIBED FROM TIME TO TIME IN REPORTS OF ELEMENT, INCLUDING HEREIN AND IN ELEMENT’S MD&A AND ANNUAL INFORMATION FORM, WHICH HAVE BEEN FILED ON SEDAR AND MAY BE ACCESSED AT WWW.SEDAR.COM. THE COVID-19 PANDEMIC HAS CAST ADDITIONAL UNCERTAINTY ON ELEMENT’S INTERNAL EXPECATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THE DURATION, EXTENT AND SEVERITY OF THE IMPACT THE COVID-19 PANDEMIC, INCLUDING MESAURES TO PREVENT ITS SPREAD, WILL HAVE ON ELEMENT’S BUSINESS IS HIGHLY UNCERTAIN AND DIFFICULT TO PREDICT AT THIS TIME.

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

TABLE OF CONTENTS

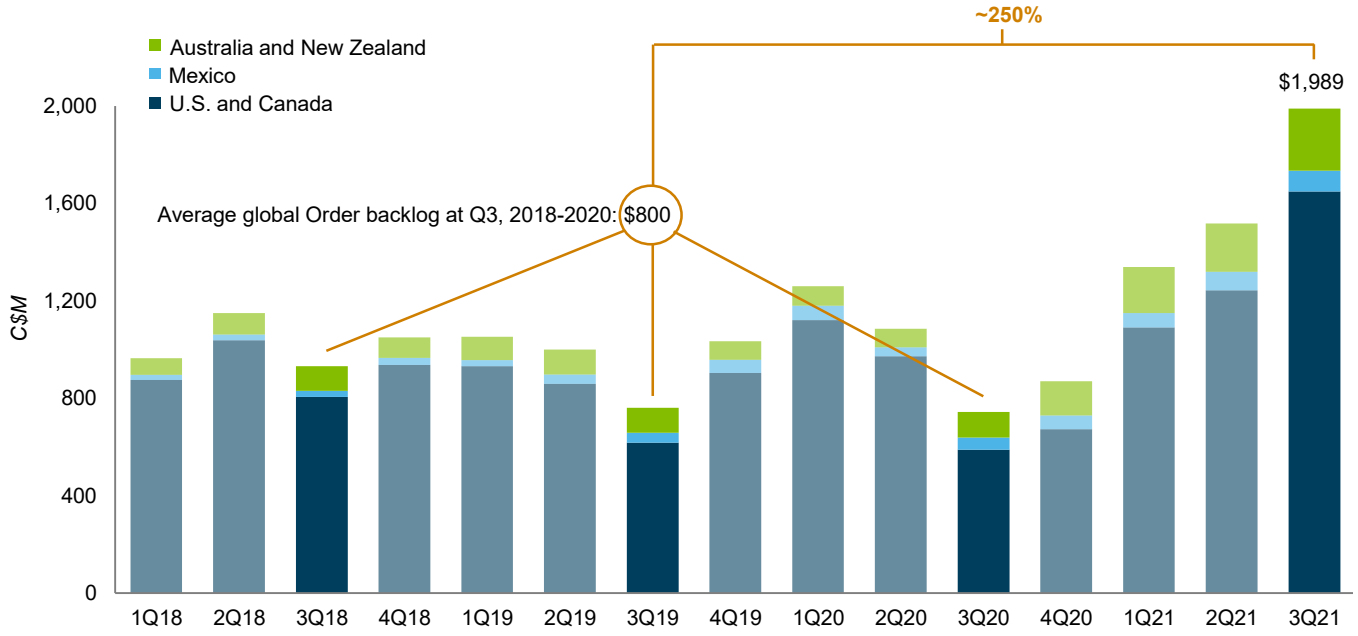
OEM Production Delay Impacts

OEM PRODUCTION DELAY IMPACTS

1.1 Global Order backlog (excluding Armada, in Constant Currency (CC))

Robust client demand for new vehicles, coupled with unprecedented OEM production delays, has driven our global Order backlog to a record $2 billion, which is 2.5x the average global Order backlog at Q3 based on the last 3 years. In part, this success is a result of the traction our Commercial teams are achieving – in the U.S. and Canada in particular.

Orders are OEM commitments to produce vehicles for Element and client commitments to lease or purchase those vehicles from Element, meaning Orders represent guaranteed revenue, operating income and cash flow following vehicle production. Upon vehicle production, Element compensates the OEM, thereby Originating that vehicle for our client who placed the Order.



1.2 Remarketing revenue (CC) and number of vehicles remarketed (U.S./Canada)

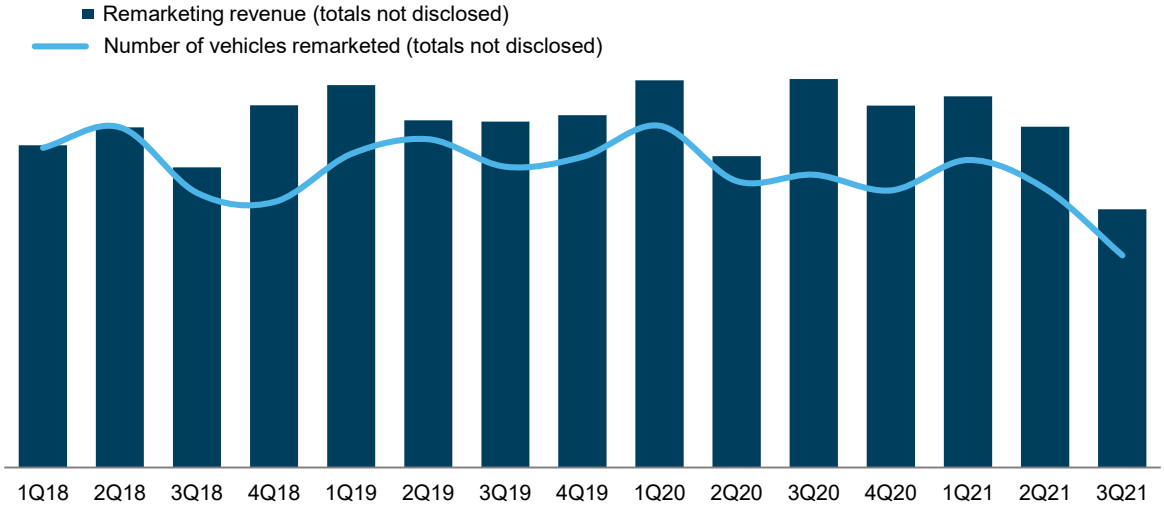
Remarketing is one of our larger services revenue drivers, and has been heavily impacted by OEM production delays. With constraints on the number of new vehicles available to our clients, existing vehicles are remaining in operation – rather than being remarketed after being replaced with a new vehicle.

Remarketing revenue impacted by OEM production delays is simply deferred; not lost. When higher volumes of new vehicles become readily available to our clients again, Element will have higher volumes of old vehicles to remarket on our clients' behalf.

Over the last three years, we have been able to increase the amount of services revenue Element earns from providing our remarketing service, as measured on a per vehicle basis. We have done so by earning the business of other (*ie.* third-party) automotive financing businesses, who retain Element to remarket vehicles that come into their possession at the end of lease or financing arrangements.

When OEM production delays are resolved and higher volumes of old vehicles require remarketing – whether on behalf of Element clients or third-party businesses – our deferred remarketing revenue will be realized. Measured on a per-vehicle basis, that remarketing revenue is growing.

For greater certainty: Element's remarketing services revenue, which we generate exclusively in the U.S. and Canada, consists of fees for providing the service of remarketing used vehicles. As a result, remarketing service revenue varies with the volume of vehicles remarketed. The price at which such vehicles are sold in the secondary market has no bearing on this services revenue stream.

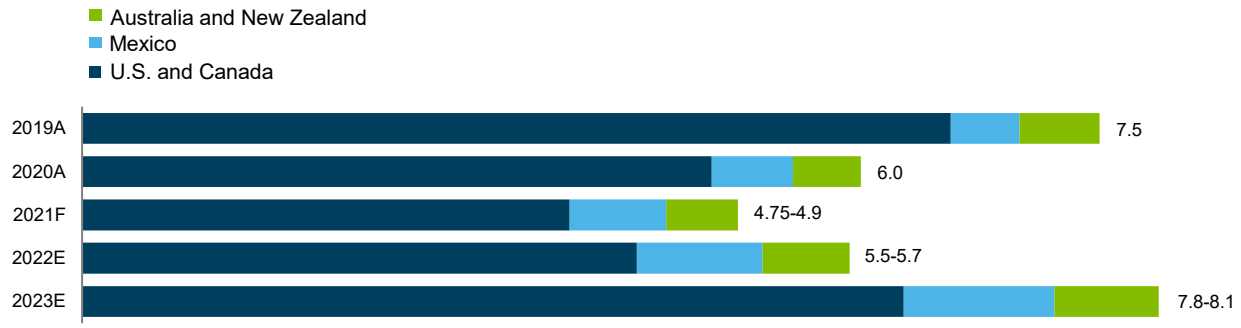


2022 / 2023 Outlook

2.1.1 2021 Forecast to 2023 Expected origination ranges (C$ billions in CC)

Based on our understanding of the latest OEM production plans, we believe new vehicle shortages (and the global microchip shortage that underpins same) will take longer to resolve than originally expected.

We believe 2022 will be a better year for Originations than 2021 – even though OEM production will run at less than full capacity for the entire year – and thus, we will continue to retain and grow a significant Order backlog into 2023.



While our clients' demand for vehicles has returned to and even surpassed pre-pandemic levels, the OEMs' inability to fill these orders has resulted in a massive backlog, and created a significant deferral of revenue, operating income and cash flow.

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 in the second half of 2023.

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 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.

We anticipate the $2.0 billion Order backlog at September 30, 2021 will grow to an all-time high of between $2.5 billion and $2.8 billion by year-end, which is approximately $1.5-1.8 billion of Orders in excess of our historical average backlog at December 31. We estimate that this ~$1.5-1.8 billion excess Order backlog originated over the course of 12 months would deliver the following value within that period:

- $45 to $55 million of net revenue,
- $40 to $50 million of adjusted operating income, and
- $55 to $65 million of free cash flow.

Based on these estimates, we offer the following perspectives on Element's revenue, operating income and cash flow results in 2022 and 2023. These are our ranges of expectation for key financial and operating metrics – net revenue, adjusted operating income, adjusted EPS, free cash flow and free cash flow per share – and the components of the "walks" below are offered to assist the reader in understanding how we have arrived at these ranges of expectation. We will be reporting these key metrics on a quarterly basis, but will not be updating the components of these walks every quarter going forward unless there is a material change to our knowledge or assumptions.

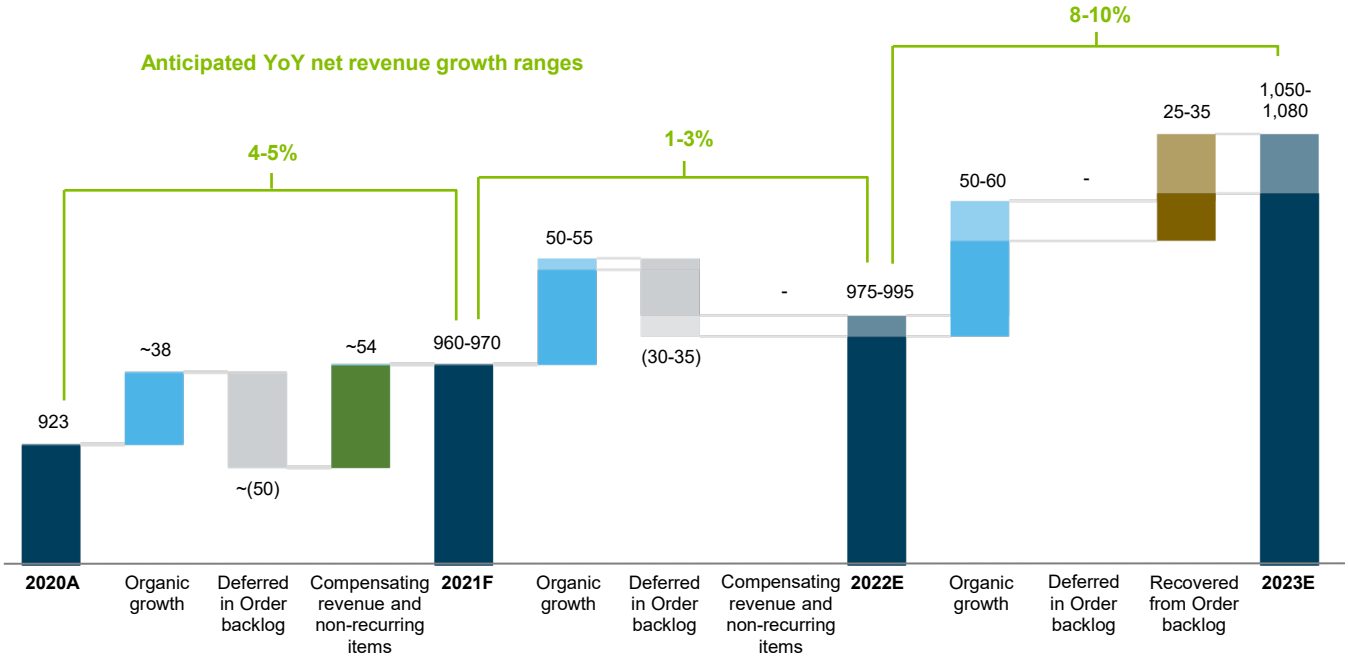
2.1.2 2021 Forecast to 2023 Expected net revenue growth ranges (C$ millions in CC)

In 2021, approximately ~$38 million of global organic net revenue growth has been deferred and is 'pent-up' in our record Order backlog, alongside approximately ~$12 million of additional net revenue. We have been able to offset this and expect to achieve 4-5% CC net revenue growth through compensating and certain non-recurring revenue including:

- The reduction in our allowance for credit losses given the outstanding quality and performance of our asset portfolio;
- The elimination of fees and costs as we recalibrated the size of our credit facilities to better meet the needs of our clients and the business as we advance our capital-lighter model; and
- Increased gains on sale (GoS) in ANZ and Mexico due to favourable used-vehicle pricing in those markets.

We expect demand in 2022 to be sufficient to produce 5-6% net revenue growth; however, OEM production shortages will likely see approximately $30-35 million of this revenue deferred as order backlog, reducing the effective growth rate to between 1 and 3%.

In 2023, we expect origination, combined with services and syndications, to be sufficient to grow our revenue by 5-6% organically. We also expect to recover an incremental $25-35 million of net revenue from our Order backlog, resulting in full-year net revenue growth of 8-10% – with significant additional deferred net revenue to be recovered from remaining excess Order backlog in 2024.



2.1.3 2021 Forecast to 2023 Expected operating income growth ranges (C$ millions in CC)

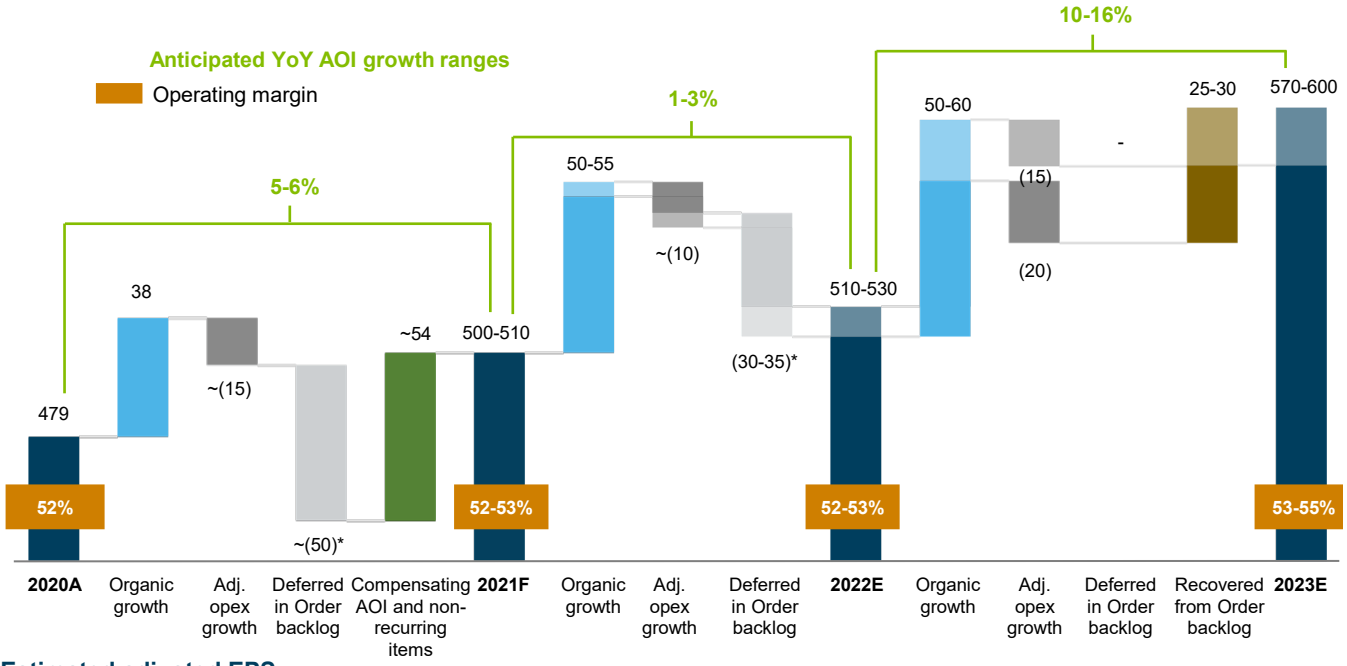
Element's scalable operating platform magnifies net revenue growth into higher rates of adjusted operating income growth, evident in 2021 through 2023 below (and disguised in 2022 by rounding).

In 2022, we expect $30-35 million of our anticipated $50-55 million in global organic net revenue growth to be deferred by virtue of OEM production shortages, and the remaining approximately ~$20 million to be offset by approximately ~$10 million of adjusted operating expense growth, resulting in year-over-year AOI growth of 1-3%. We expect to hold operating margins relatively flat in 2022 by maintaining tight opex controls; only depreciation and amortization is expected to grow materially as our Transformation investments in infrastructure and technology come online.

In 2023, we anticipate achieving 10-16% year-over-year growth in AOI as we:

- Generate annual organic revenue growth of $50-60 million;
- Recover $25-35 million in deferred revenue from the fulfillment of Order backlog; and
- Manage a modest increase in adjusted operating expenses (driven by incremental growth of depreciation and amortization expense) enabling year-over-year expansion in operating margin to 53-55%.

* Please note that 2021 and 2022 deferred AOI is quantified below as equal to deferred net revenue on the previous page. This is a reflection of the fact that attendant adjusted operating expenses are not incurred until deferred AOI is recovered.



Estimated adjusted EPS

	2021F	2022E	2023E
Provision for taxes applicable to AOI**	128-130	138-143	154-162
Preferred dividends***	~32	~28	~24
After-tax AOI attributable to common shareholders	340-348	344-359	392-414
Weighted average outstanding common shares (millions)	420-425	395-405	390-400
Adjusted EPS (dollars)	$0.80-0.82	$0.87-0.90	$1.00-1.05
YoY growth	*(1)-1%*	*6-11%*	*13-19%*

** Provisions for taxes are based on ETR assumptions of 25.5% for 2021 and 27% for each of 2022 and 2023.

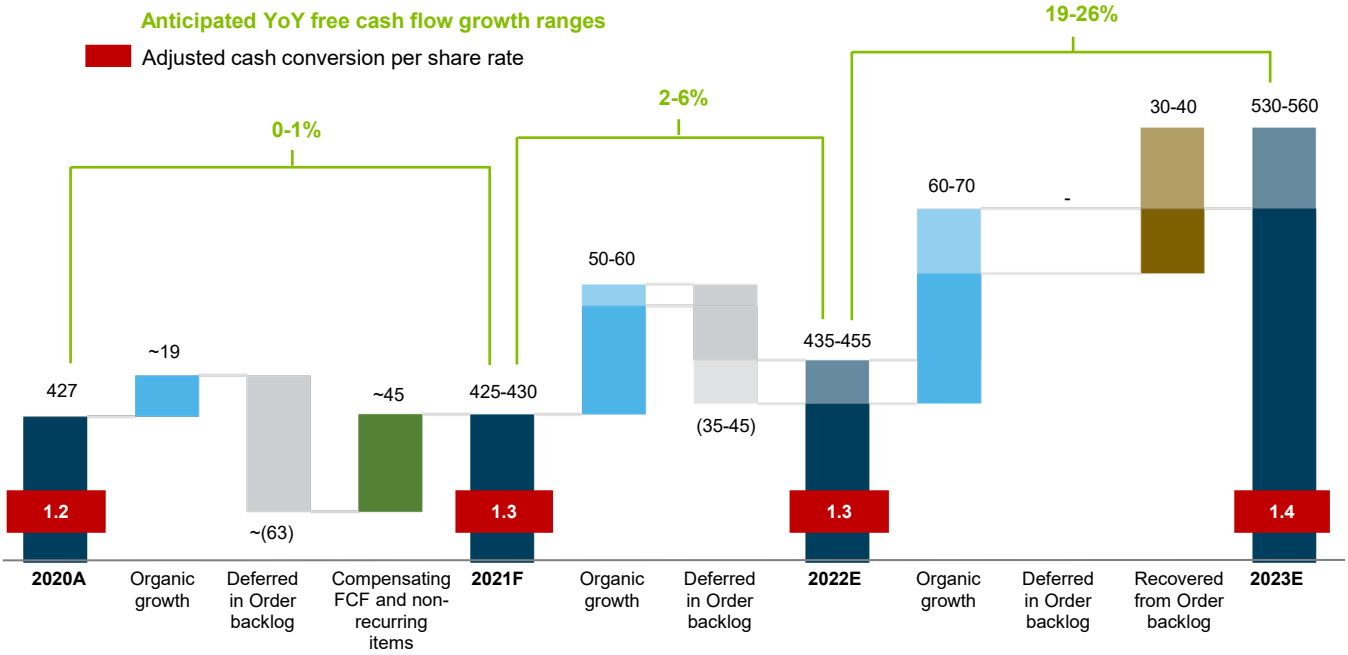
*** Assumes redemption of preferred shares in lieu of rate reset.

2.1.4 2021 Forecast to 2023 Expected free cash flow growth ranges (C$ millions in CC)

Free cash flow was hit hard by OEM production delays in 2021; we estimate ~$63 million will have been deferred by the end of this year.

We expect modest improvement in free cash flow in 2022, when we anticipate strong organic growth (of 12-14% or $50-60 million) will be significantly offset by $35-45 million in deferrals by virtue of OEM production shortages.

In 2023, we anticipate (a) even stronger organic free cash flow growth (of approximately 13-16% or $60-70 million) driven by (i) higher Originations as our business grows and (ii) the benefit of higher AOI, to combine with (b) the initial (and only partial) recovery of approximately $30-40 million of previously-deferred free cash flow from our Order backlog, resulting in 19-26% year-over-year growth – with significant additional deferred free cash flow to be recovered from remaining excess Order backlog in 2024.



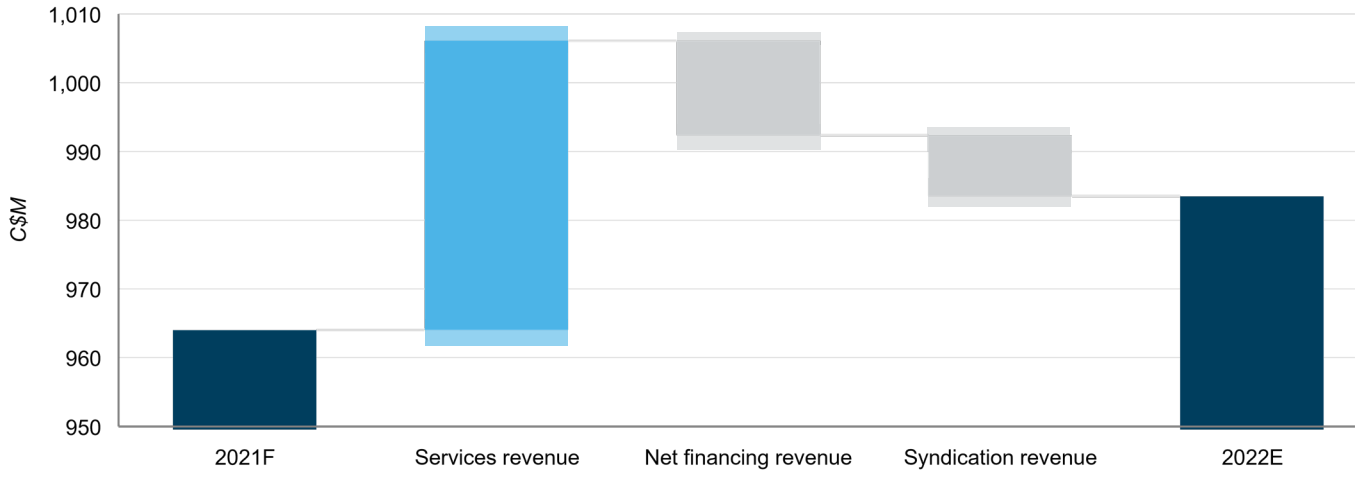
2.1.5 2021 Forecast to 2023 Expected free cash flow per share growth ranges (C$ in CC)

	2021F	2022E	2023E
Weighted average outstanding common shares (millions)	420-425	395-405	390-400
Free cash flow per share (dollars)	$1.00-1.02	$1.09-1.14	$1.35-1.42
Anticipated YoY FCFPS growth	**3-4%**	**8-13%**	**20-27%**

The successful execution of our three strategic growth priorities is expected to generate 8-13% free cash flow per share growth in 2022 and 20-27% free cash flow per share growth in 2023

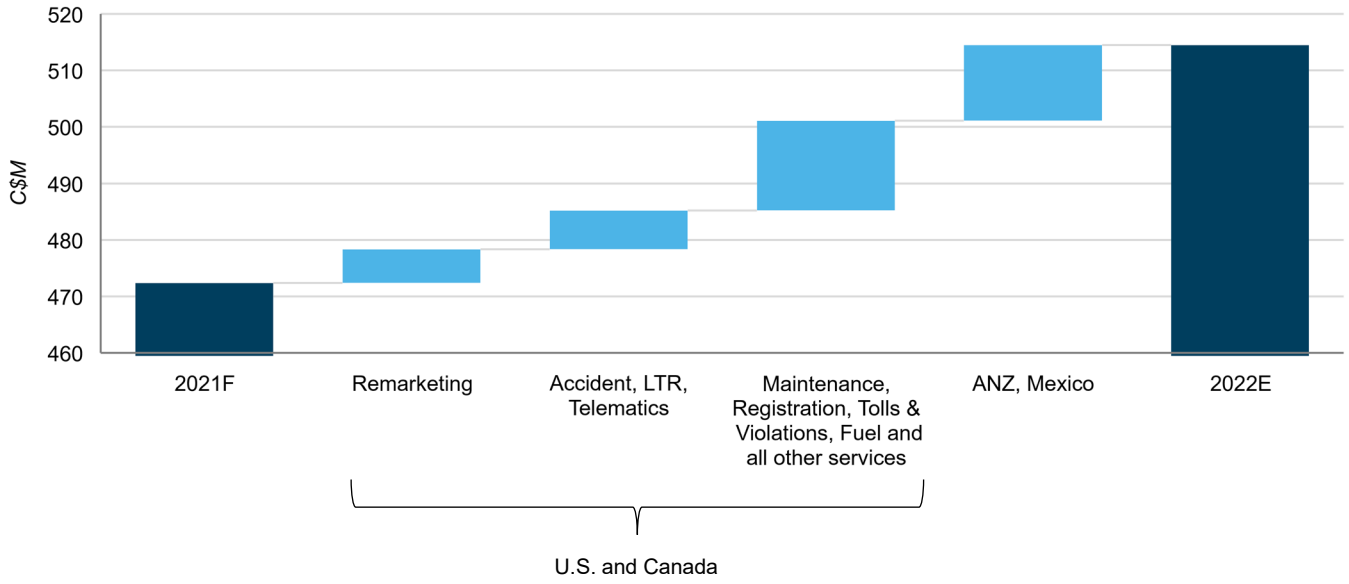
2.2.1 2021 Forecast to 2022 Expected net revenue growth

We expect high single-digit Services revenue growth to drive overall 1-3% net revenue growth in 2022, while net financing and syndication revenue moderate year-over-year.



2.2.2 2021 Forecast to 2022 Expected services revenue growth

We expect Services revenue to experience high single-digit percentage growth year-on-year over the course of 2022, with noteworthy contributions from the beginnings of a recovery in Remarketing revenue and Share-of-Wallet growth in Accident, Long-Term Rental and Telematics Services revenue. We expect Services revenue to experience a full year of more normalized consumption in the U.S. and Canada as clients return to pre-pandemic vehicle activity levels, and significant growth in each of ANZ and Mexico. Notwithstanding the beginnings of a recovery in Remarketing revenue, we anticipate the growth of Origination-driven Services revenues will remain very modest in 2022.



2.2.3 2021 Forecast to 2022 Expected net financing revenue walk

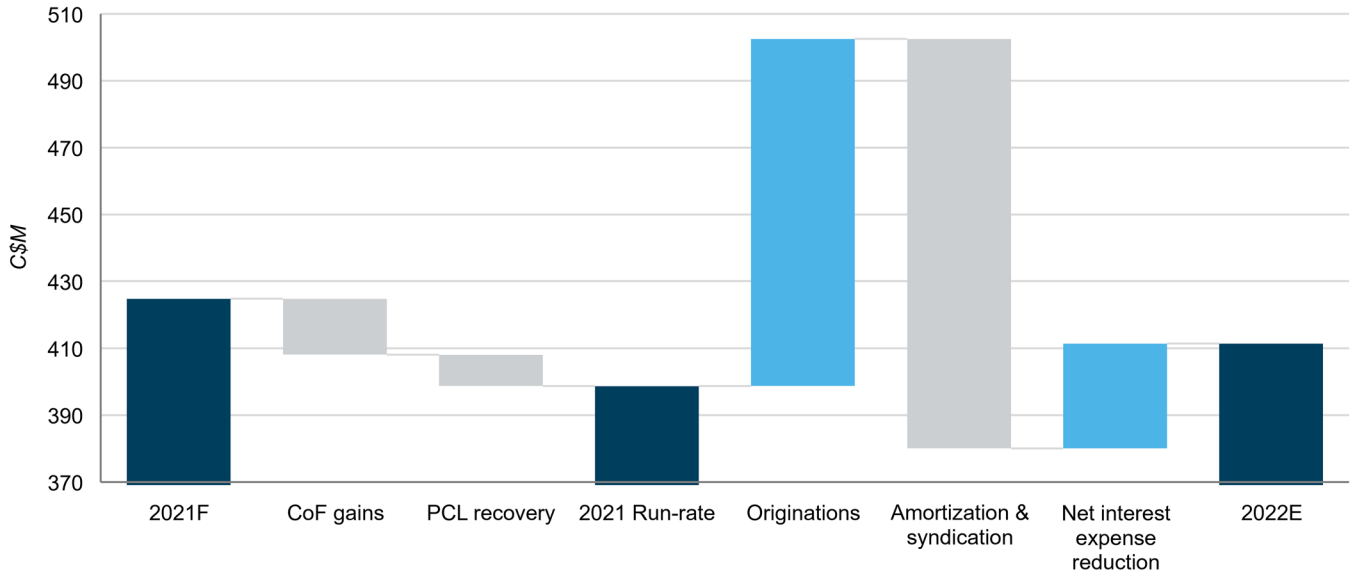
2021 net financing revenue benefited from the elimination of fees and costs that form part of our "interest expense" reporting line. These cost of fund (CoF) gains arose from recalibrating the size of our credit facilities to better meet the needs of our clients as we advance our capital-lighter business model. Although we will continue to mature and optimize our diversified sources of cost-efficient capital – and, in the process, further reduce our cost of funds over time – the CoF gains realized in 2021 were "non-recurring" insofar as the relevant credit facilities have now been recalibrated. Thus, we subtract these CoF gains from our full-year 2021 net financing revenue forecast for purposes of the walk below.

Similarly, the reduction of our allowance for credit losses over the course of 2021 given the outstanding quality and performance of our asset portfolio benefitted net financing revenue on a non-recurring basis.

From 2021 "run-rate" net financing revenue, we anticipate 2022 Originations to notionally contribute approximately 25% net financing revenue growth next year. Amortization and syndication (split relatively equally) are expected to decrease our net earning assets by approximately $1.3 billion by the end of 2022, offsetting the notional contribution of Originations to net financing revenue.

Syndication revenue will more than offset the decrease in net financing revenue from our syndication activity. Note that our syndication of certain operating leases in 2022 will be accounted-for as "gain on sale" and thereby increase net financing revenue. (These operating leases are originated with the intention of syndicating same and therefore, the resulting "gain on sale" net financing revenue is captured below within Originations.)

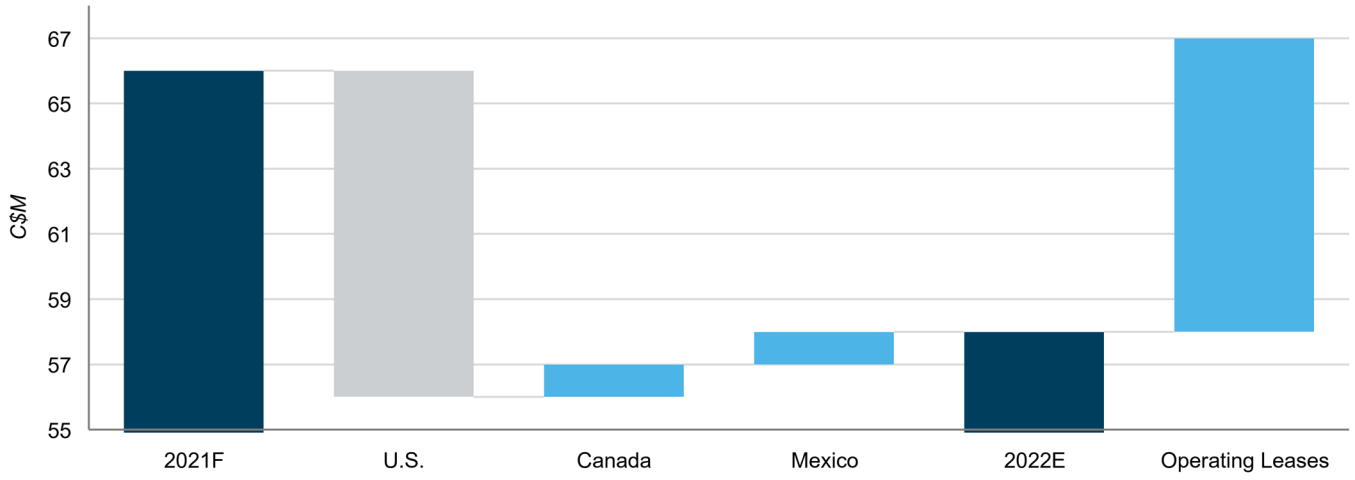
Finally, we anticipate further improving our CoF in 2022, resulting in a total net financing revenue improvement of approximately $10 million in 2022 from 2021 run-rate level.



2.2.4 2021 Forecast to 2022 Expected syndication revenue walk

We expect syndication revenue to moderate somewhat in 2022 as OEM production shortages continue to delay vehicle deliveries and, in turn, originations and lease activations – which create fleet assets for syndication. This anticipated 2022 headwind in the U.S. will be offset by revenue from the syndication of U.S. operating leases; however, these transactions are accounted-for as "gain on sale" and thereby increase net financing as opposed to syndication revenue.

As previously disclosed, we intend to expand our syndication capabilities into Canada and Mexico and expect both geographies to contribute modestly to syndication revenue in 2022. More importantly, these are further steps being taken to advance our capital-lighter business model, which enhances pre-tax return on equity and accelerates the velocity of cash flow allowing for reinvestment in our business and return of capital to shareholders.



Strategic Priorities

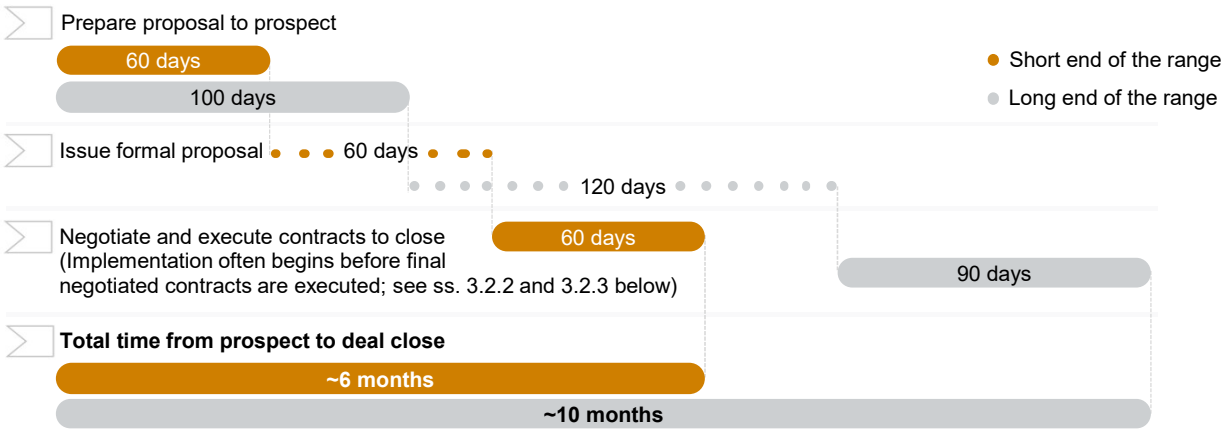
3.1 Revenue units contracted in the period

Our aggressive pursuit of organic growth is guided by our global strategy, three planks of which are (i) increasing client profitability and service penetration (share of wallet), (ii) winning new clients from other FMCs (stealing market share) and (iii) converting self-managed fleets into Element clients. Our commercial teams have been successful on all three fronts throughout 2021in each of our operating geographies. Every "Revenue unit" represents either a lease or a single service to be provided to a specific vehicle. **It's important to note** that we often provide financing and more than one service to a single vehicle. Therefore, **a single vehicle can support multiple "revenue units".** Revenue units will vary in their timing and degree of contribution to net revenue, operating income, cash flow and return on equity. (The figures in this table exclude Armada.)

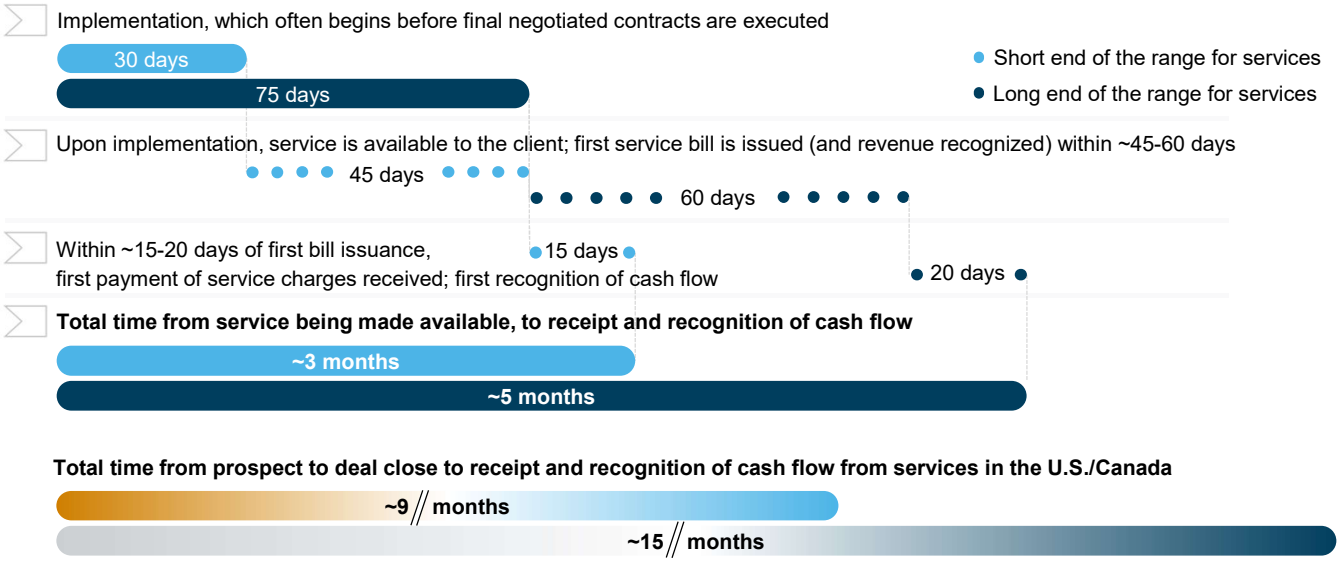
	3Q21	3Q21 Δ	3Q20	3Q21 Δ	3Q19	3Q21 LTM	3Q21 Δ	3Q20 LTM	3Q21 Δ	3Q19 LTM
	Revenue units	%	Revenue units	%	Revenue units	Revenue units	%	Revenue units	%	Revenue units
Share of wallet										
Australia and New Zealand	7,268	(45%)	13,206	(1%)	7,369	28,077	(7%)	30,037	1%	27,672
Mexico	5,216	13%	4,631	(31%)	7,600	22,639	109%	10,808	31%	17,337
U.S. and Canada	56,269	43%	39,396	50%	37,512	254,832	83%	139,417	51%	168,847
Subtotal	**68,753**	**20%**	**57,233**	**31%**	**52,481**	**305,548**	**70%**	**180,262**	**43%**	**213,856**
Market share										
Australia and New Zealand	2,491	nmf	264	(55%)	5,589	11,551	(8%)	12,613	(46%)	21,564
Mexico	3,734	(10%)	4,138	27%	2,948	12,746	(27%)	17,461	(12%)	14,482
U.S. and Canada	28,504	157%	11,100	143%	11,743	93,381	342%	21,135	123%	41,892
Subtotal	**34,729**	**124%**	**15,502**	**71%**	**20,280**	**117,678**	**130%**	**51,209**	**51%**	**77,938**
Self-managed										
Australia and New Zealand	593	nmf	17,813	(2%)	605	15,078	(18%)	18,327	301%	3,756
Mexico	9,192	77%	5,182	396%	1,855	14,237	67%	8,532	26%	11,287
U.S. and Canada	6,805	22%	5,597	(67%)	20,474	20,984	17%	17,978	(57%)	48,336
Subtotal	**16,590**	**(42%)**	**28,592**	**(28%)**	**22,934**	**50,299**	**12%**	**44,837**	**(21%)**	**63,379**
Totals										
Australia and New Zealand	10,352	(67%)[1]	31,283	(24%)	13,563	54,706	(10%)[1]	60,977	3%	52,992
Mexico	18,142	30%	13,951	46%	12,403	49,622	35%	36,801	15%	43,106
U.S. and Canada	91,578	63%	56,093	31%	69,729	369,197	107%	178,530	43%	259,075
Global	**120,072**	**18%**	**101,327**	**25%**	**95,695**	**473,525**	**71%**	**276,308**	**33%**	**355,173**

1. Two major states of Australia and New Zealand were in lock-down for most of Q3 2021.

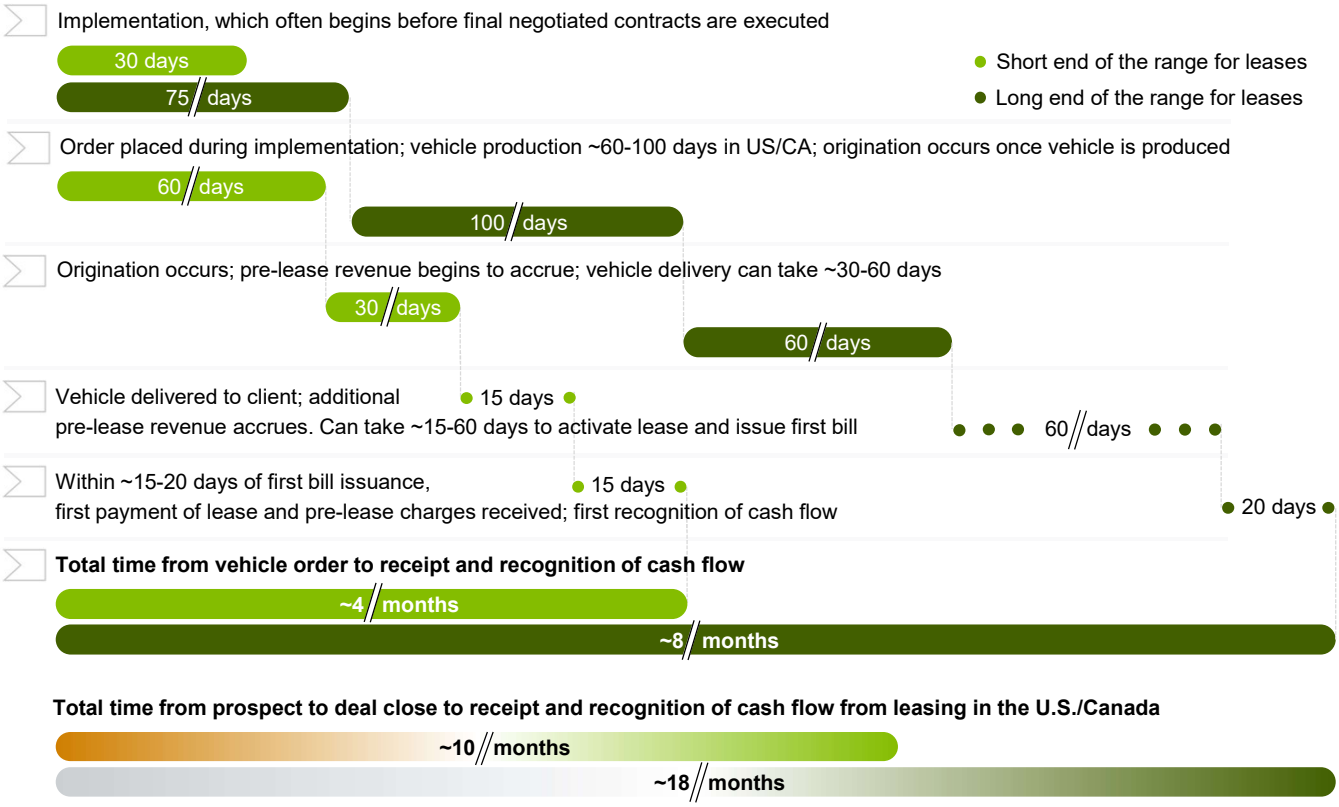
3.2.1 Illustrative U.S./Canadian sales timeline from prospect to deal close



3.2.2 Illustrative U.S./Canadian service implementation, billing and payment timeline

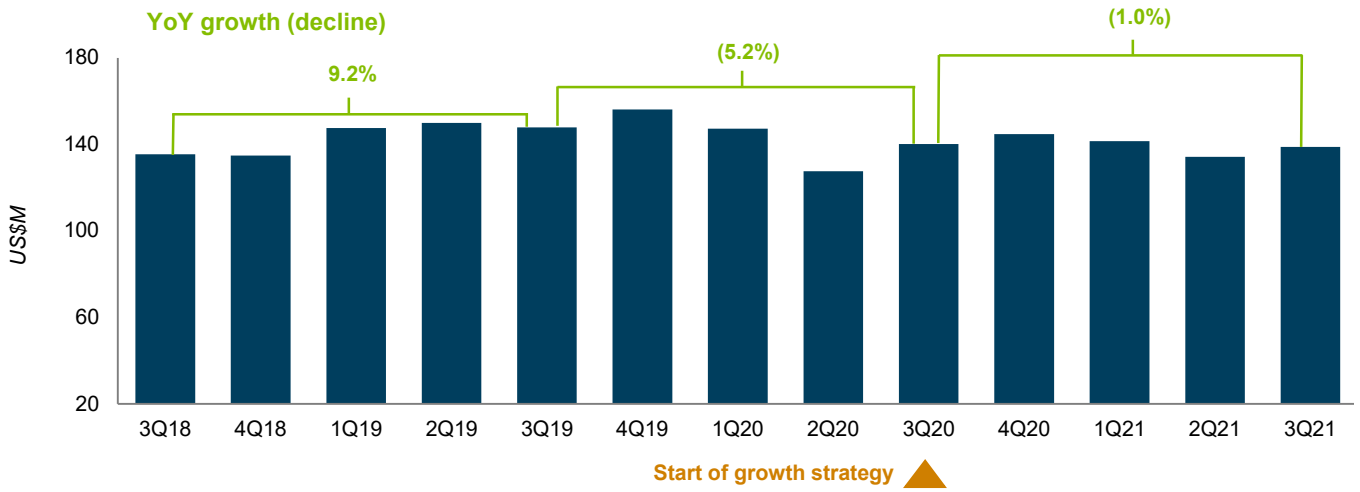


3.2.3 Illustrative U.S./Canadian lease timeline from order to origination, billing and payment



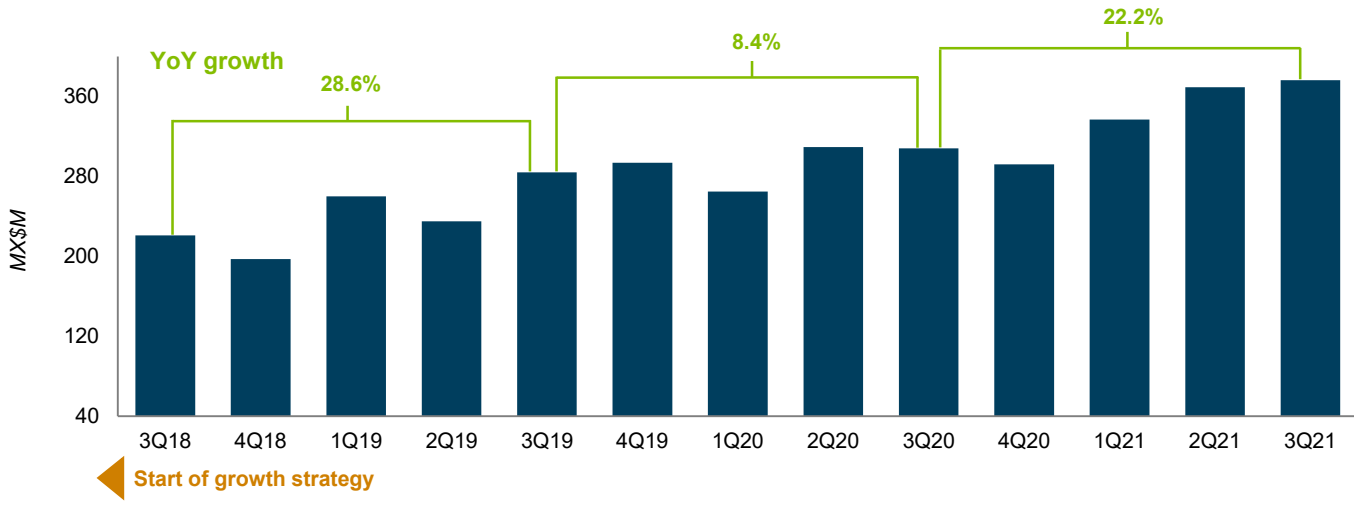
STRATEGIC PRIORITIES – Grow net revenue 4-6% annually (in constant currency)

3.3.1 Net revenue growth quarter-over-same-quarter-prior-year (YoY) in the U.S./Canada – in U.S. dollars



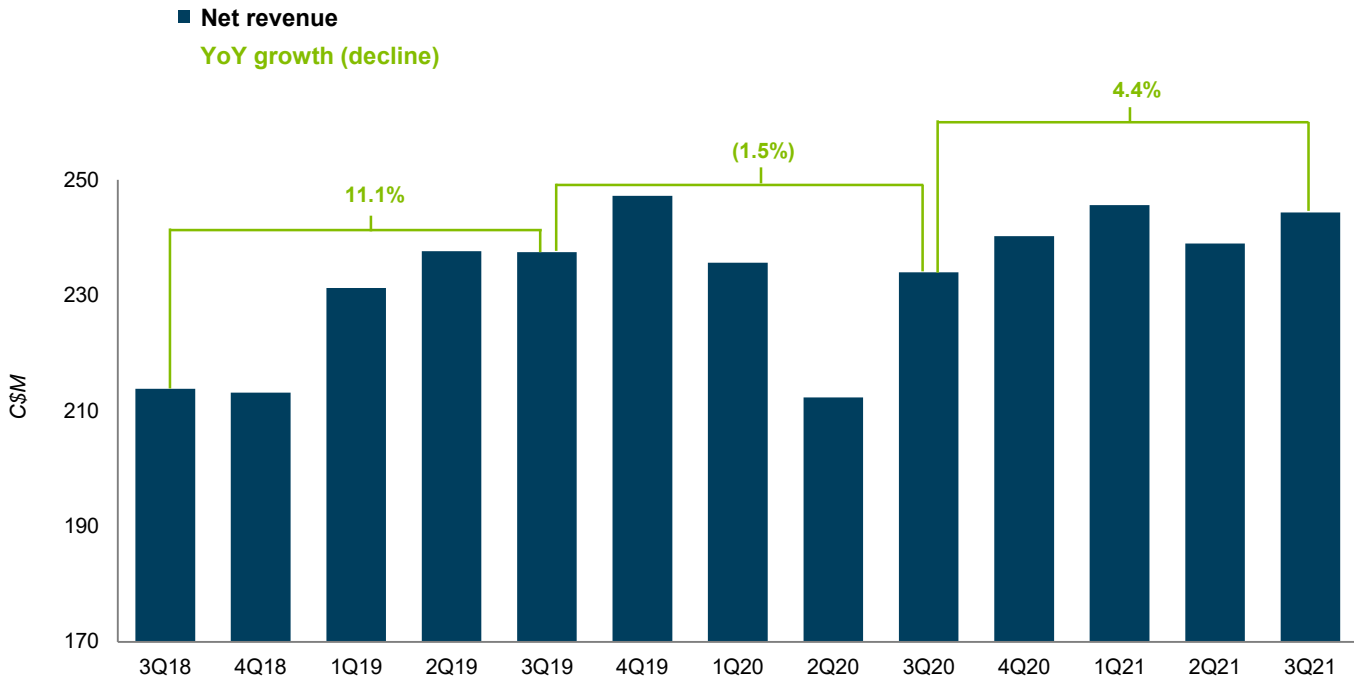
3.3.2 Net revenue growth YoY in Australia and New Zealand – in local currency (Australian dollars)

3.3.3 Net revenue growth YoY in Mexico – in local currency



3.4 Global net revenue growth

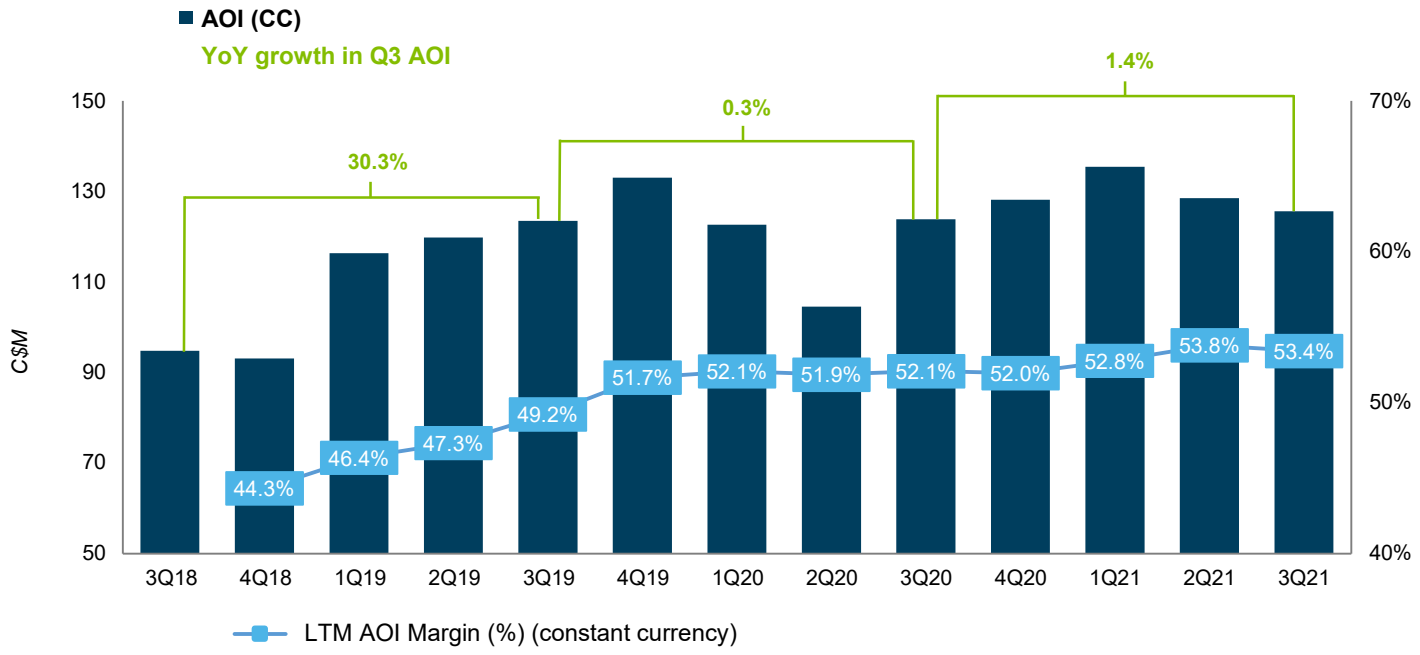
Global net revenue grew 4.4% YoY for Q3 2021 on a constant currency basis.



3.5 Global operating income growth and operating margin expansion

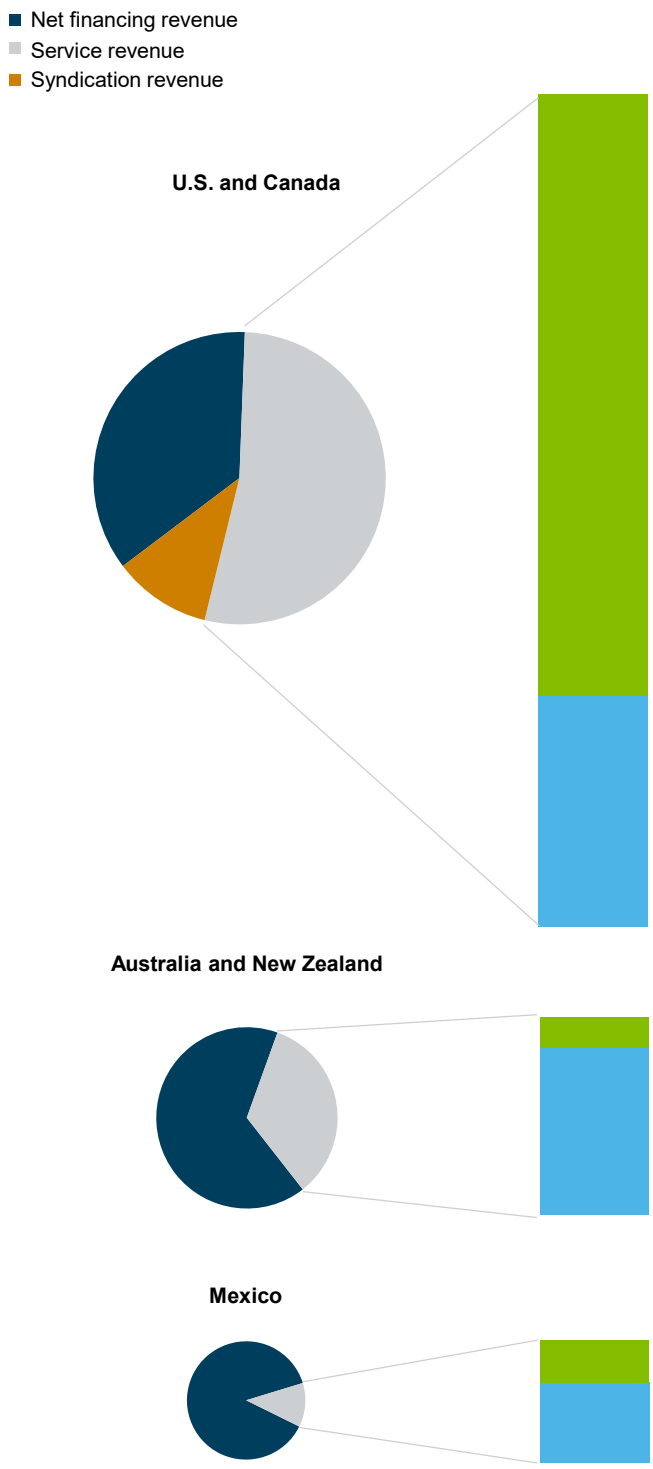
The year-over-year increase in Q3 AOI was driven by higher net financing and services revenue, offset by higher adjusted operating expenses. These AOI-drivers are discussed in greater detail in the "Quarterly Results of Operations" section of our Q3 MD&A.

Operating margin for the last 12 months ("LTM AOI Margin") at Q3 was 53.4%, which is a 130 basis point expansion from our LTM AOI margin at Q3 2020.



4.1 Net revenue streams by geography, and services revenue by geography, nature and product

We earn varying degrees of services revenue in different geographies, and the nature of that services revenue (usage-based versus recurring) varies by geography as well as by product across our business. Globally, we have ample opportunity to generate more and a higher proportion of services revenue, which is aligned with our advancement of a capital-lighter business model. Services revenue requires little capital to generate – typically only the net working capital required to pay our outsourced service providers until we are reimbursed by our clients – making services revenue highly accretive to returns on equity.

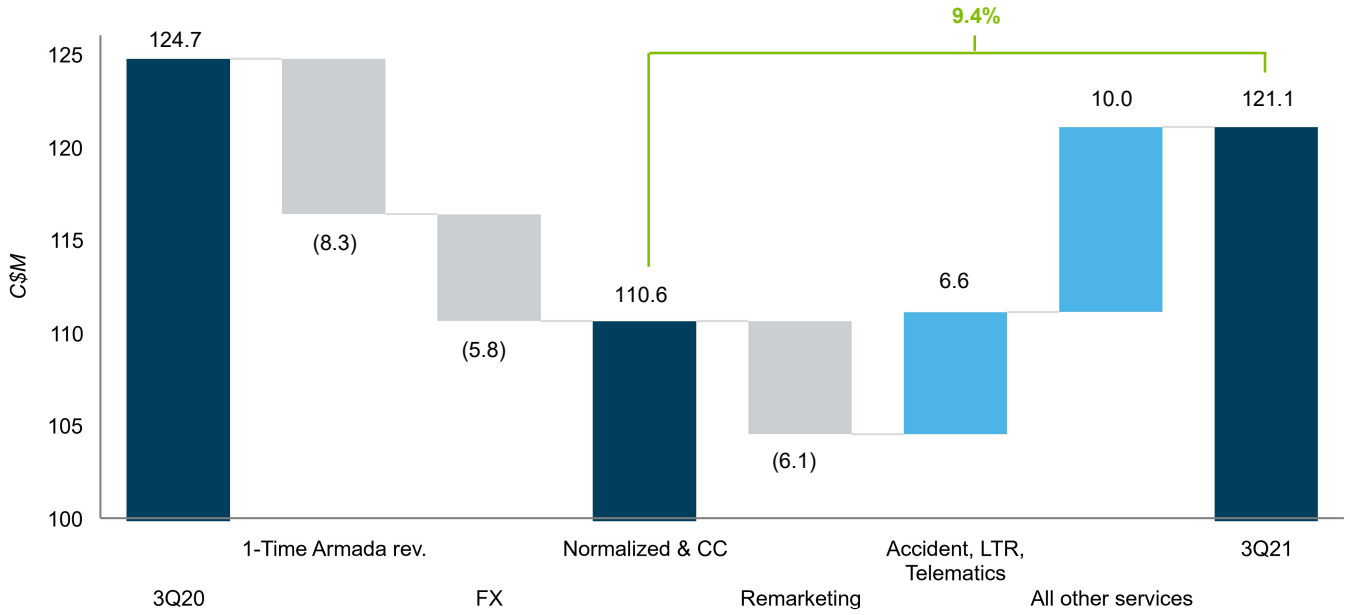


Service revenue by geography, nature and product

Usage-based	Recurring
Note: In most cases, services have both usage-based and recurring components to their revenue. Globally overall, approximately two thirds of our service revenue is usage-based and one third is recurring.	
Accident	Accident
Acquisitions	Driver safety
Fuel	Fuel
Long term rentals	Fleet Partnership Solutions
Maintenance	Maintenance
Taxable benefits	End of contract
Remarketing	
Roadside assistance	
Telematics	Telematics
Titling & registration	Titling & registration
Tolls & violations	
Accident	Accident
Fuel	Fuel
Maintenance	Maintenance
Roadside assistance	Insurance
Telematics	Telematics
Tires	Peace of Mind
Tolls & violations	
Accident	Accident
Fuel	Fuel
Maintenance	Maintenance
Telematics	Telematics
Titling & registration	Titling & registration

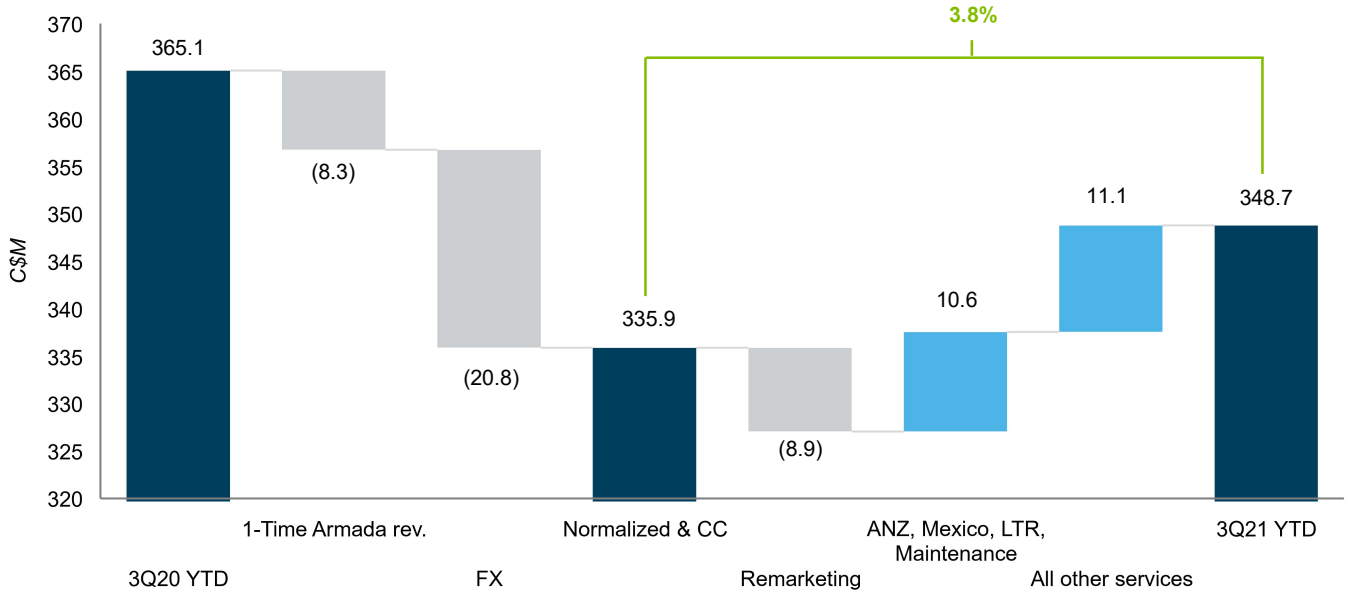
4.2.1 3Q20 -> 3Q21 services revenue walk

Q3 2020 services revenue benefitted from a one-time income acceleration of $8.8 million ($8.3 million at Q3 2021 FX) as a result of Armada purchasing certain vehicles from Element. Controlling for this one-time impact, Q3 2021 services revenue grew $10.5 million or 9.4% year-over-year on a constant currency basis. The service offerings that drove this revenue growth in particular are accident services, long-term vehicle rentals ("LTR") and telematics.



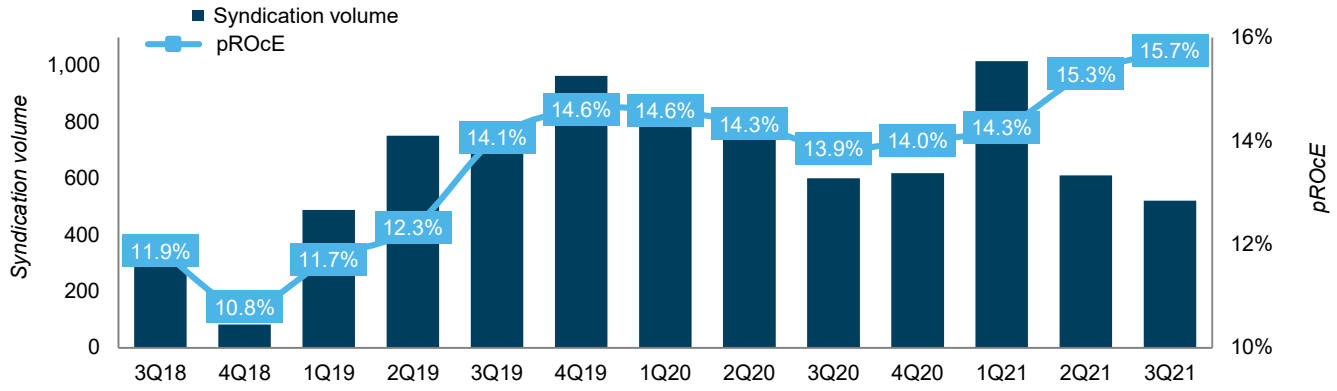
4.2.2 3Q20 YTD -> 3Q21 YTD services revenue walk

Year-to-date, services revenue has grown $12.8 million or 3.8% in constant currency from 2020 YTD – excluding the Q3 2020 one-time income from 2020 YTD results. Services revenue YTD this year has benefitted in particular from the growth of ANZ and Mexico services revenue contributions, as well as growth in the contributions of LTR and Maintenance service revenues.



4.3 Syndication volume and pre-tax return on common equity

We strategically syndicate U.S. leases as part of our evolving capital-lighter business model when the economics of syndication are superior to holding the assets on our balance sheet. We plan to expand our syndication activities to Canadian and Mexican leases in 2022. Syndication enhances returns on equity by increasing the velocity of operating income and strengthening net financing revenue's contribution to same.



Definitions

pROcE — 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).

4.4 Syndication investor growth and new client names syndicated

We continue to welcome new investors in our syndicated assets and expand our offering in terms of client names syndicated. Further discussion of this growth can be found in the "Quarterly Results of Operations" section of our Q3 MD&A.

# of Investors	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
New	2	1	2	1	3	2	4	2	2	2	1
Returning	6	6	8	8	6	6	8	10	9	12	13
Total	8	7	10	9	9	8	12	12	11	14	14
Cumulative[1]	10	11	13	14	17	19	23	25	27	29	30

1. The number of investors in our syndicated assets, cumulative, independent of their participation in a deal in any given quarter.

# of Client names syndicated for the first time											
New	3	5	3	5	2	8	3	4	9	22	24

5.1 Free cash flow

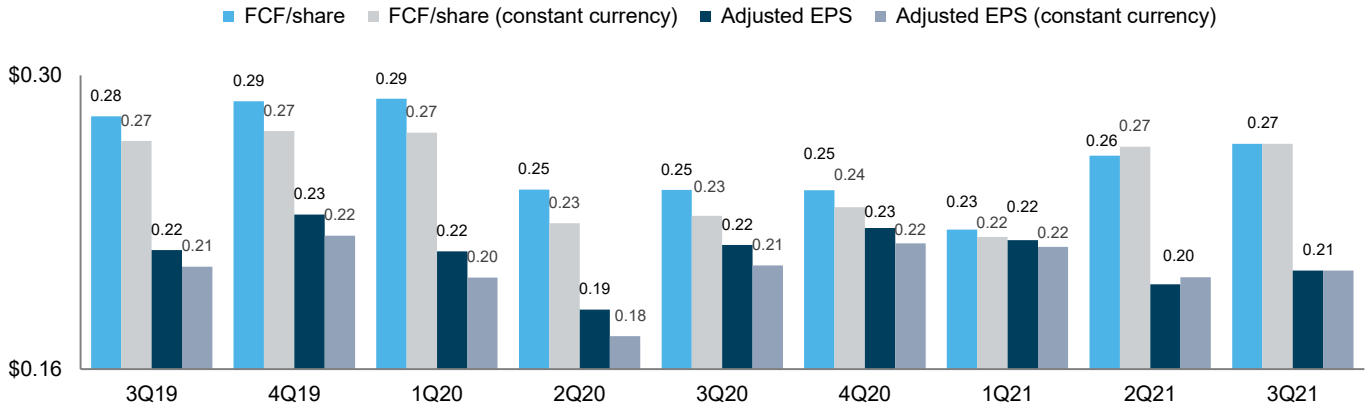
Free cash flow for the quarter was up 3.4% or $3.7 million from Q3 2020 and 8.9% or $9.1 million on a constant currency basis. Quarter-over-quarter, free cash flow fell 0.7% or $0.8 million, and 2.3% or $2.7 million on a constant currency basis. Free cash flow growth on these comparative bases was primarily driven by the same improved net variance in cash and non-cash items in Q3 2021.

C$ millions (except free cash flow per common share)	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21
Before-tax adjusted operating income	**127.6**	**138.4**	**514.0**	**129.3**	**111.1**	**129.0**	**132.1**	**501.5**	**137.3**	**126.5**	**125.6**
Add: Cash received but revenue recognition deferred											
Subtract: Deferred revenue recognized but previously received											
Subtract: Expenditures made but expense recognition deferred											
Add: Deferred expenses recognized but previously expended											
Non-cash and cash additions / subtractions, net[1]	33.9	14.2	73.7	28.4	18.8	18.5	7.4	73.1	3.2	13.8	18.4
Cash from operations	161.5	152.6	587.7	157.7	130.0	147.6	139.5	574.6	140.5	140.3	144.0
Subtract: Sustaining capital investments	10.6	6.9	41.4	10.5	7.3	9.5	14.4	41.7	10.3	11.0	13.2
Subtract: Preferred share dividends	11.1	11.0	44.4	10.9	10.9	10.9	8.1	40.8	8.1	8.1	8.1
Subtract: Cash taxes	17.9	9.4	45.8	10.0	4.4	19.6	9.0	43.0	22.7	9.1	11.4
Required cash expenses, total	39.5	27.3	131.6	31.4	22.6	40.0	31.5	125.4	41.2	28.2	32.7
Free cash flow	**122.0**	**125.3**	**456.1**	**126.3**	**107.3**	**107.6**	**107.9**	**449.2**	**99.3**	**112.1**	**111.3**
Weighted avg. no. of common shares o/s (million)	*435.1*	*435.8*	*434.8*	*437.3*	*437.8*	*438.8*	*440.2*	*438.6*	*438.5*	*428.6*	*416.4*
Per common share outstanding	**0.28**	**0.29**	**1.05**	**0.29**	**0.25**	**0.25**	**0.25**	**1.02**	**0.23**	**0.26**	**0.27**
Free cash flow (constant currency)	**116.9**	**119.1**	**433.3**	**119.2**	**100.5**	**102.2**	**104.3**	**426.3**	**97.7**	**114.0**	**111.3**
Per common share outstanding (CC)	**0.27**	**0.27**	**1.00**	**0.27**	**0.23**	**0.23**	**0.24**	**0.97**	**0.22**	**0.27**	**0.27**

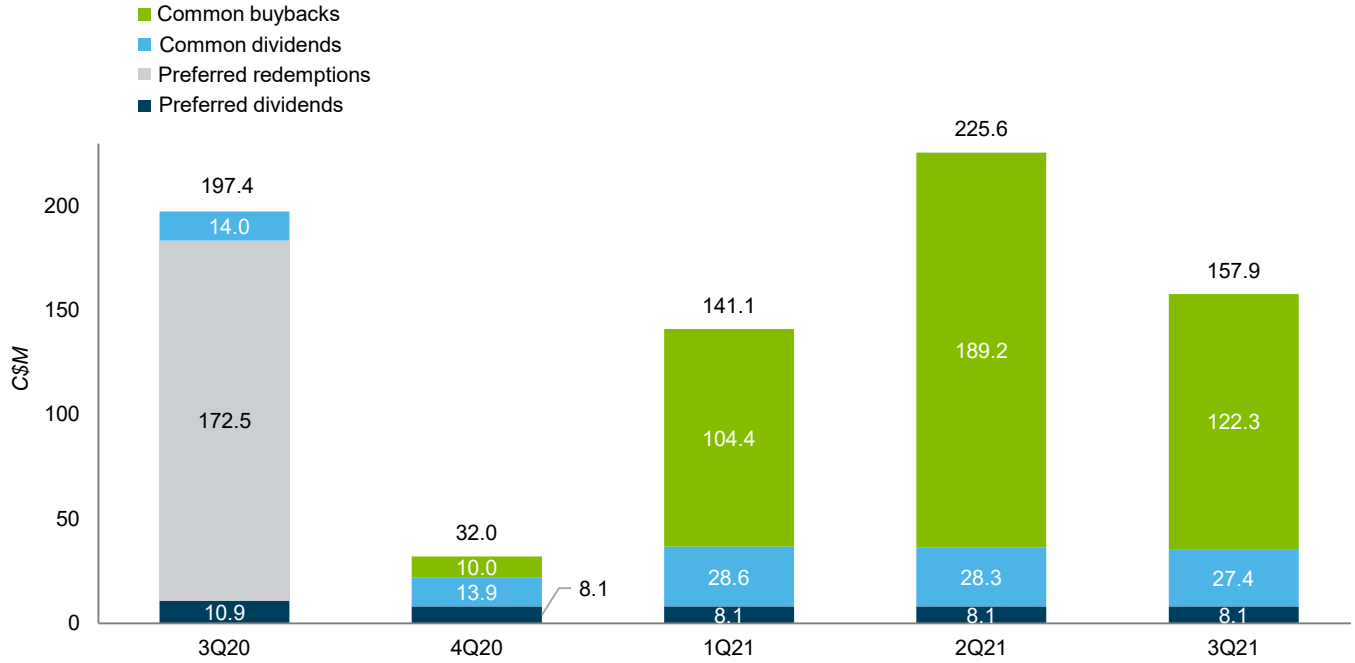
1. Certain cash revenue received and cash expenses paid in any given quarter are deferred and amortized for accounting purposes, resulting in their recognition over the course of subsequent quarters. As a result, non-cash revenue and non-cash expenses are part of any given quarter's accounting results. The line item footnoted above nets the non-cash revenue and expenses included in before-tax AOI against real cash revenue received and expenses paid in the quarter.

5.2 Free cash flow and adjusted operating income per share

Q3 2021 free cash flow per common share increased by $0.02 from Q3 2020 and $0.04 on a constant currency basis, while adjusted EPS declined $0.01 and remained unchanged on a constant currency basis. Q3 2021 free cash flow per common share grew $0.01 quarter-over-quarter and was flat on a constant currency basis, while adjusted EPS increased $0.01 quarter-over-quarter and $0.01 on a constant currency basis. These differences between FCF and adjusted EPS highlight how much lower Element's real (*ie*. cash) tax costs are than the effective tax rate on our reported earnings.



5.3 Return of capital



5.4 NCIB activity

Element has returned $425.9 million to common shareholders by way of buybacks since commencing our normal course issuer bid (NCIB) in late 2020. We have repurchased over 70% of the common shares authorized for repurchase under the NCIB – and approximately 8% of our common shares issued and outstanding.

	Units	Dec 2020	1Q21	2Q21	3Q21	Oct. 2021
Shares repurchased	Millions	0.8	7.8	13.5	8.7	3.0
Weighted avg. share price	CAD	13.12	13.30	14.00	14.02	13.38
Cost of repurchases	CAD, millions	10.0	104.4	189.2	122.3	40.0
Cumulative shares repurchased…	Millions	**0.8**	**8.6**	**22.1**	**30.8**	**33.8**
…as a % of shares authorized for repurchase by NCIB		1.7%	19.6%	50.4%	70.2%	77.0%
…as a % of shares issued and outstanding at commencement of NCIB		0.2%	2.0%	5.0%	7.0%	7.7%
Shares issued in the period on exercise of options	Millions	0.7	1.7	0.8	0.2	0.6
Shares issued and outstanding at period end	Millions	440.3	434.2	421.4	412.9	410.5

5.5 Common dividends

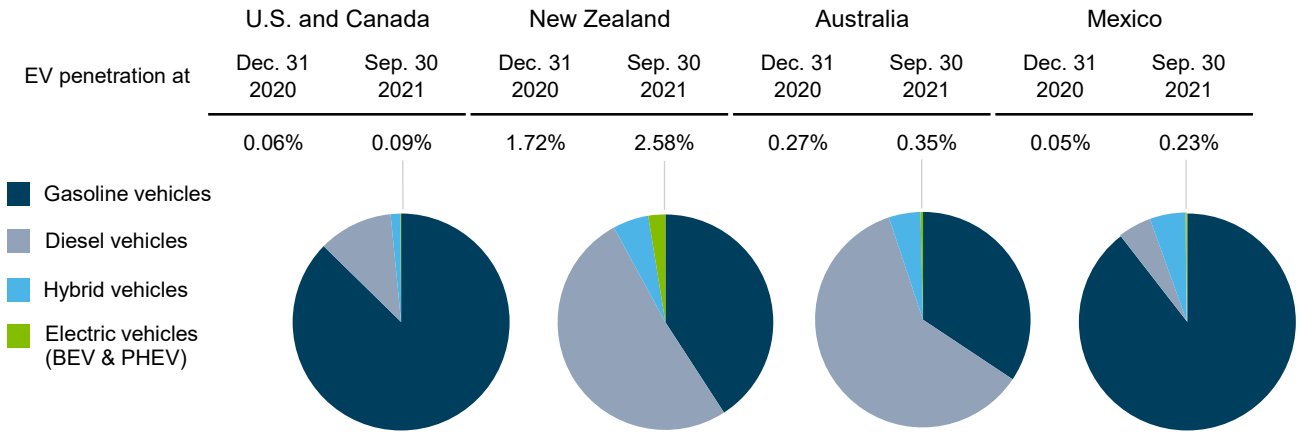
We announced a 19% increase to Element's common dividend, from $0.26 to $0.31 annually per share, effective immediately and therefore to be reflected in the Q4 2021 common dividend to be paid in respect of Q4 2021 on January 14, 2022. With this increase, our common dividend represents approximately 30% 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.

	Units	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Common dividend per share	CAD	0.045	0.065	0.065	0.065	0.065	0.0775
Annual common dividend per share as a % of FCF per share		18.4%	26.5%	28.7%	24.9%	24.3%	[•]
Annual common dividend per share as a % of LTM adjusted EPS		21.0%	30.6%	30.3%	29.9%	30.3%	

Electric Vehicles

6.1 EV penetration of Element clients' fleets

Element is well positioned to support our clients and lead our industry through the gradual electrification of automotive fleets. Although EV and hybrid penetration of our clients' fleets is currently immaterial, we are excited by both the economic and environmental benefits of EVs, and we have all the necessary capabilities to electrify our clients' fleets today.



6.2 Current estimates as to the timing of battery electric vehicles achieving total cost of ownership/operation (TCO) and purchase price (PP) parity with internal combustion engine vehicles

Vehicles	TCO Parity	PP Parity	Variables
Light duty (<10,000 lbs. GVWR) (Passenger and light commercial vehicles)	2023-2025	~2025	Battery capacity, efficiency, cost (production scale) Depreciation Gas prices Electricity prices Purchase incentives/subsidies Use case (range, access to charging infrastructure) Maintenance and repair costs
Medium and heavy duty (>10,000 lbs. GVWR)	Mid-2020's	~2030	