Element Fleet Management Corp.

Management Discussion and Analysis

March 31, 2022

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-month period ended March 31, 2022 and should be read in conjunction with the Company's unaudited interim condensed financial statements as at and for the three-month period ended March 31, 2022 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2021 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 "Q1 2022", "this quarter", or "the quarter" are to the quarter ended March 31, 2022 and references to "Q4 2021" and "Q1 2021" are to the quarters ended December 31, 2021 and March 31, 2021, 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 MAY 9, 2022. 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, AND 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 CONTINUED UNCERTAINTY WITH RESPECT TO THE IMPACT AND DURATION 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 REMAINS 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; THE IMPACT THAT MANUFACTURERS' PRODUCTION DELAYS WILL HAVE ON ELEMENT'S BUSINESS; 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, 2021. 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 & Business 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. Element has over 1.5 million vehicles under management and is the market leader everywhere that we operate: the U.S., Canada, Mexico, and Australia and New Zealand (ANZ).

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 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. We deliver this value to clients through service solutions that span the fleet lifecycle, from vehicle acquisition and financing to maintenance, repair and remarketing. In plain English, "we make the complex simple for our clients" – a proposition that is becoming more compelling as operators seek to evaluate the addition of electric vehicles ("EVs") to their fleets. We recently announced our comprehensive, integrated end-to-end EV offering: *Arc by Element,* detailed further herein.

From September 2018 through December 2020, we successfully executed a three-pronged strategy to transform Element and position the business for sustainable growth. We solidified the Company's core operating platform and client relationships, strengthened and deleveraged the balance sheet and divested of all non-core assets.

We completed the transformation 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 $2.1 billion of committed, undrawn liquidity at March 31, 2022); and meaningfully improved profitability.

Beginning in 2018 in Mexico and 2020 in the U.S., Canada and ANZ, our successful transformation efforts empowered Element's commercial teams to focus on the aggressive pursuit of profitable, organic revenue growth. Our global growth strategy leverages the Company's market leadership to (i) exceed the industry average 98% client retention rate, (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 opportunities to add more "mega fleets"[1] to our client roster.

The last four years have given our people the skills and confidence to recognize and capitalize on myriad opportunities while managing complicated, deeply nuanced business issues. These capabilities were on full display as our organization deftly adapted to operating through the COVID-19 pandemic while maintaining sharp focus on our strategic growth priorities:

- 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 the expected high single- to low double-digit annual free cash flow per share growth rate, predictably return excess equity to investors by way of growing common dividends and share buybacks.

[1] A very large client or prospect with complex needs, being provided or requiring a high number of services that (a) generate significant annual net revenue and (b) necessitate the development of custom service delivery capabilities beyond Element's standard operations.

Financial Highlights

Select Q1 2022 Results

Earnings per share	After-tax adjusted operating income per share[2]	Free cash flow per share[3]
$ 0.21	$ 0.24	$ 0.29

Net revenue growth as reported	Return on common equity[2]	Pre-tax return on common equity[3]
4.9 %	10.5 %	15.8 %

Net revenue growth in constant currency	Pre-tax income margin[3]	Adjusted operating margin[2]
6.2 %	48.1 %	54.8 %

Income Summary

(in $000's for stated values, except per share amounts)		**For the three-month period ended March 31, 2022**
Servicing income, net	**$**	**131,842**
Net financing revenue		**115,181**
Syndication revenue, net		**13,777**
Net revenue		**260,800**
Adjusted operating expenses		***117,944***
Total operating expenses		**125,040**
Total other expenses		**10,351**
Pre-tax income		**125,409**
Earnings per share [basic]		**0.21**
Adjusted operating income before taxes		***142,856***
After-tax adjusted operating income per share [basic]	***$***	***0.24***

[2] Please refer to the Descriptions of Non-GAAP Measures section for a description of this non-GAAP measure.
[3] Please refer to the Glossary of Terms section for a description of this non-GAAP measure.

Achievements and Initiatives in the Period

Global 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.

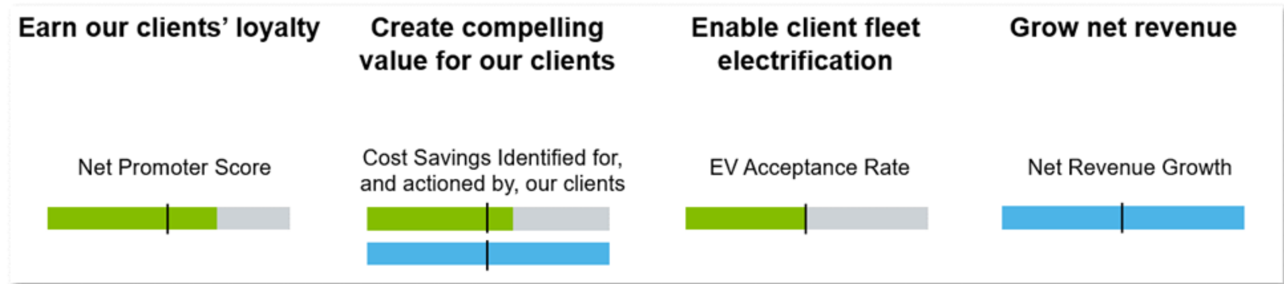
Our 2022 Global Balanced Scorecard ("Global BSC") is largely consistent with 2021 as the facts and assumptions that underpin our strategy continue to hold true, and – when coupled with the results we have achieved to date – validate the continuation of our strategic direction and priorities.

Included for 2022 is one new strategic objective and three new metrics, which support our direction and overall ambitions:

- New strategic objective: Enable client fleet electrification
    - Accompanying new metric: EV acceptance rate
- New metrics:
    - Operating margin (replacing Operational efficiency index)
    - Free cash flow per share (replacing Free cash flow)

Element's Q1 2022 Global BSC results were as follows:

Our Clients



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. Our continued focus on consistency and effectiveness yielded strong NPS results through Q1 2022.

Our Global NPS is an average of the current and prior three quarters' NPS from each of our operating geographies, weighted to account for differences in business size.

Global NPS for the last twelve months ("LTM") ended March 31, 2022 reached an all-time high of 38, which is a 17-point increase over March 31, 2021 and represents continued strong momentum following a Global NPS of 35 for LTM ended December 31, 2021.

Our Global NPS for Q1 2022 alone was another all-time single-quarter high of 47.

NPS improvements were clear and consistent across the organization, led by 23- and 29-point gains in the U.S.+Canada and our Strategic Relationships Business Unit ("SRBU") respectively; a 5-point increase in ANZ; and Mexico maintaining an elite NPS of over 50.

Creating compelling value for our clients

Our global Strategic Consulting Services ("SCS") team provides significant value to clients by proactively identifying challenges and opportunities specific to each client's fleet vehicles and sharing responsive solutions and strategies directly with the client.

In the first quarter, the vast majority of our clients continued to value consultation and guidance through the OEM production delays. SCS focused on actionable items such as diversifying client orders by OEM to obtain more new vehicles (in total) than would be achievable through a single OEM; and redistributing lower mileage assets within client fleets to extend their usable lifetime and best manage costs. These sorts of recommendations took priority for our clients beginning in approximately the second half of last year, and SCS demonstrated Element's agility by pivoting to the issues immediately to add value in a quickly evolving landscape.

In these unprecedented times, our clients are also moving towards more sustainable fleet practices, many with aggressive corporate sustainability goals in place. The SCS team spent a significant amount of the quarter continuing to educate clients about the electric vehicle ("EV") landscape, performing feasibility analyses to initiate early rollout / pilot planning, and providing guidance on overall approaches to transitioning from internal combustion engine-powered (ICE) vehicles to EVs.

SCS launched an exciting tool in the quarter to support efforts on the EV front and create further value for our clients. This tool helps clients identify optimal ICE vehicles to begin transitioning to EVs based on several objective criteria that are critical to the success of an EV in the field. The tool takes into account factors such as vehicle type, proximity to infrastructure, EV acceptance, miles traveled daily compared with expected

vehicle range, and geography. This tool also includes budget projections and helps clients map out a course toward their sustainability goals.

Enabling client fleet electrification

We continue to see growing client interest in and demand for EVs. Element has never been better positioned to support our clients and lead our industry through the gradual electrification of automotive fleets.

Arc by Element – our comprehensive, integrated end-to-end EV offering – brings our full-service EV offering to market under a single banner, ensuring consistency for our global clients and reinforcing the program's seamless nature across our geographies.

Arc by Element builds on the success of our colleagues at Custom Fleet in New Zealand, who innovated and brought to market an end-to-end EV fleet management product called EV+ years ago; a best-in-class offering by global standards that remains the only one of its kind in ANZ today. The rebranding of EV+ to the *Arc by Element* name is now underway.

Last year, we built out the *Arc by Element* product and pre-launch initiatives, which included the expansion of core Element offerings (*eg*. maintenance, collision, titling & registration, tolls & violations, etc.) to accommodate EVs at scale (while maintaining or enhancing the caliber of our ICE vehicle service capabilities). *Arc by Element* also encompasses new services related to road mapping and planning, charging infrastructure, 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 planning discussions and early rollout / pilot engagements to build a plan to leverage these new services and pressure test this new end-to-end offering. This number continues to increase and we are outperforming our 2022 targets YTD for EV pilots / early rollouts.

Our numerous service-and-supply network growth partnerships exemplify Element’s commitment to support our clients and lead our industry through the gradual electrification of automotive fleets. Our partnerships allow us to better execute on a number of EV initiatives such as: the installation and support of EV chargers at individual and multi-family homes; a consolidated billing system for charging and fueling across client fleets; and smart charging solutions to support electrified fleets across North America.

In New Zealand, where it all started, our business continues to increase capability in the government fleet sector. Custom Fleet was appointed to a national Government panel last year to provide consultancy services for agencies looking to transition their fleet to electric vehicles. In Q1 2022, Custom Fleet was formally retained for phase II of the panel. This positions us to provide further end-to-end transitions for customers and prospects from New Zealand government agencies.

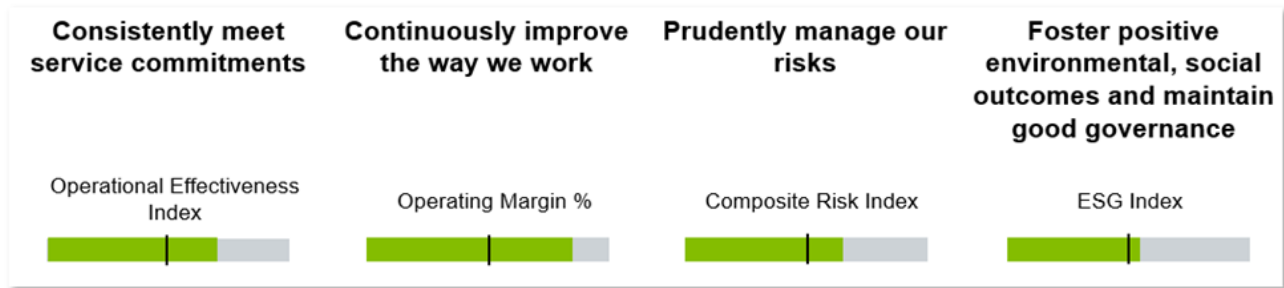
Enhancing our Telematics and Safety Products

We are focused on building a fully integrated, connected fleet experience that helps clients address everyday needs with ease, drive cost savings, and keep drivers safe and productive. In Q1, Element released new connected fleet solutions including DriverCare Connect and Fuel EKG.

DriverCare Connect provides a complete view of risk through integration of telematics data into our DriverCare Risk Manager Safety product - which combines driver safety behavior and event data with collision and motor vehicle record history to inform online remedial driver training.

As fuel prices rise, so do the chances of fuel theft and fuel card misuse. Our new Fuel EKG product is the first artificial intelligence-powered fuel monitoring solution. Fuel EKG generates rich insights and storytelling visuals that enable clients to have proactive conversations with drivers and their managers about concerns. We are also helping clients reduce driver idling during this time of rising fuel prices. By leveraging telematics data, we can establish the cost of wasteful idling and help clients make data-driven decisions to reduce fuel consumption.

Our Business



Consistently meeting service commitments

Over the course of the last 24+ months of global pandemic conditions and, more recently, OEM production delays, our clients have gained a new level of appreciation for Element's consistent, superior service experience. Our investment in technology and our continuous improvement mindset have enabled us to deliver this client experience, and those same attributes are reflected in our Global BSC Operational Effectiveness Index score.

Our significantly enhanced maintenance platform, which we began developing in 2019 (the “Maintenance Platform”), is one example of how we consistently meet service commitments. The Maintenance Platform was developed specifically for Element's North American managed fleet maintenance offering, and streamlines transactional workflow thereby increasing our scalability. The Maintenance Platform contains a workflow management system with a fully customizable rules engine, which speeds up the authorization of repairs, maximizing vehicle uptime and ensuring client policy adherence.

As of March 31 2022, we had successfully onboarded 70,000 suppliers to the Maintenance Platform, enabling those suppliers to submit repair invoices to us directly, electronically (as opposed to calling Element and having us input the data manually). These suppliers now represent 83% of our repair transactions.

Given the importance of vehicle uptime to our clients, we work with them extensively on preventative maintenance practices. We implemented key preventative maintenance driver alert enhancements in Q1 to increase driver compliance by recommending suppliers based primarily on location and service fit, and expanded our services alerts to include brake and tire inspections.

Continuously improving the way we work

This quarter we gave renewed purpose to our Continuous Improvement Group with an expanded scope and an increased focus on automation. This strategy allows us to leverage the strengths across all regions globally to understand and drive our commitment to a continuous improvement culture at Element.

In Q1, 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 6th Cohort having launched in the quarter. We expect to graduate 60 to 80 individuals from the program in 2022. The program encourages and trains employees to identify innovative cost- and time-saving opportunities for clients as well as improve the overall client experience.

In Q1, we developed and implemented 9 additional new automation solutions by leveraging Robotic Process Automation “bots” and other light-touch tools. Our total library of automations now contains 125 solutions accounting for over 440,000 transactions processed and 12,000 hours saved for our employees in Q1 2022 alone. These automation solutions decrease cycle times, provide increased accuracy leading to a superior employee and client experience, and make our business more scalable.

Prudently managing our risks

In 2021, we introduced Element’s first Enterprise Composite Risk Index (“ECRI”) based on our key risk universe, translated into Risk Appetite Statements (“RAS”) with applicable metrics and thresholds.

The ECRI has contributed to a deeper understanding of our risk universe and of the interconnectivity of risks, helping us to build a stronger awareness within the organization. Our focus for 2022 is to refresh our risk universe based on the current environment, add required RAS and review our existing metrics and thresholds based on our learnings of the past year. We have also expanded the ECRI below the global level.

The ECRI was above target as reported on our Global BSC this quarter.

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

Since 2020, when we began developing and subsequently launched our formal ESG strategy, we have worked with our executive team and the internal ‘owners’ of each of the four pillars of the 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 greenhouse gas emissions, focusing on expanding our EV offerings and offering consulting services to help our clients optimize the efficiency of their fleets.
- Diversity, Equity & Inclusion ("DE&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 further increasing our Global NPS. (Please see "Earning our clients' loyalty" above for a discussion of our outperformance against target on our Global NPS.)
- Governance: We will continue to evolve our board composition and our ESG reporting to maintain the high standing we have become known and recognized for.

Building off our successes in 2021 (when we placed in the 85th percentile of companies assessed by EcoVadis), in Q1 2022, we:

- Released our second annual ESG report, which is available on our website;
- Updated our Corporate Social Responsibility policy, which is available on our website. We center our community engagement and corporate giving efforts on programs that increase equity in education and encourage environmental innovation to create vibrant and sustainable communities;
- Element Mexico received the Socially Responsible Company certification for the second consecutive year. The certification recognizes a company’s working culture, ethics, community involvement, and care and preservation of the environment; and

- Custom Fleet in Australia and New Zealand began identifying greenhouse gas emissions inventory and data sources to enable the calculation of historical emissions for 2018, 2019, 2020 and 2021.

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. As referenced above, last month, we published our second annual ESG report. The report details progress on our ESG strategy, goals and commitments first outlined in our inaugural report while mapping out our goals for 2022 and beyond.

Supplier Diversity

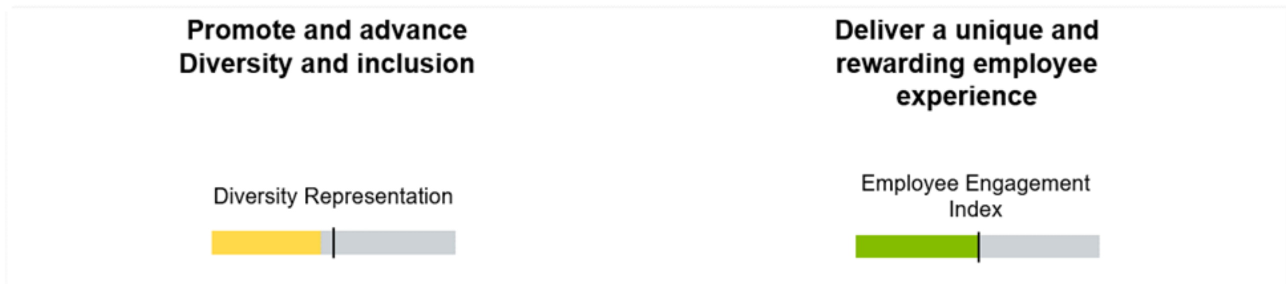
We have a long and well-established track record of fostering supplier diversity, dating back to the 1990s at Element's predecessor companies. Our ongoing supplier diversity initiatives are something Element is very proud of and are increasingly important to our clients.

Notably in Q1, we were the first fleet management company to offer a diverse supplier locator filter as part of our client tool set (Xcelerate). This feature allows clients that prioritize supplier diversity to direct their drivers to diverse-owned maintenance providers.

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 practices in this area.

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

Our People



We kicked off the year as a strong and engaged Element team by rallying our people around growth and aligning our entire workforce around the strategy set out in our 2022 Global BSC. Beginning in March, we also initiated our broad return to office, opening Element's doors across our footprint and welcoming our teams to a collaborative hybrid working environment.

Our lone Global BSC underperformance in the quarter was on Diversity Representation -- an Index-based metric that was negatively impacted by higher voluntary attrition in the quarter, which masked outperformance on diverse new hires and our promotions in Q1. We have a plan being readied to put us back on track to meet target on this metric by year end.

Diversity, Equity and Inclusion ("DE&I")

Our Diversity, Equity & Inclusion strategy has continued to evolve with an important update to include Equity in our nomenclature. This notable change better represents our work to broaden diversity and deepen inclusion for all our stakeholders while also creating the platform to strengthen our current policies and

practices to ensure our people thrive in their careers at Element. As DE&I continues to underpin more of our culture, Element's Business Resource Groups[4] continue their efforts to bring our people together, recognizing International Women's Day with our "Break the bias" client panel, and initiating conversations about Black health and wellness in recognition of Black History Month.

Connecting pay to performance

Our Global BSC is the foundation for how we prioritize and resource work across our organization and enables our people to focus on what matters most to drive Company performance, growth, and the delivery of a consistent, superior client experience. Our 2022 Global BSC launched at the start of the year and has been cascaded throughout the organization via a new interactive format, helping to make clear the value we are generating for our shareholders and, in turn, reinforcing same to our people through pay for performance. Business objectives and measures added to the Global BSC this year include electric vehicle acceptance rate, operating margin (%), and free cash flow per share. These metrics will enable stronger focus on our goals for client fleet electrification, operational efficiency and scalability, and return of capital to shareholders. We also evolved our Diversity Representation metric to include internal promotions of women and Black, Indigenous and people of colour (BIPOC) employees.

A safe, productive return to office

Our broad return to office began across North America in March with our colleagues in Australia and New Zealand already having returned to work in person. Ensuring the health of our people continues to be our top priority with extensive safety measures in place informed by our successful return to office pilots. Together, we're working towards a 'collaborative hybrid' model where we balance time between the office and home, and where we can be intentional about connecting and collaborating with colleagues in-office and remotely. After two years of successfully working together, apart, we're excited to embark on this new chapter.

Our unique and rewarding employee experience

Our culture continued to thrive in the first quarter with a number of initiatives to celebrate our people and the significant wins achieved in 2021, during which we grew our business; welcomed new clients; and deepened relationships with existing ones, resulting in record-setting NPS. On Employee Appreciation Day, we invited our people to recognize their colleagues and ignite a strong and collaborative 2022. This event, conducted online, resulted in a remarkable 4,189 recognitions between employees and their teams. We also continued our investment in learning, launching Client Experience (CX) Academy, a new series of courses to help our people elevate the client experience in every interaction including the option to share course completion with custom badges on LinkedIn. Also, we launched the "opportunities marketplace" on our learning platform, helping our people explore mentoring opportunities throughout the organization. And, as we continue to navigate the pandemic, we continue to support our people's mental health with new Employee Assistance Program offerings providing access to licensed counselors and advisory services.

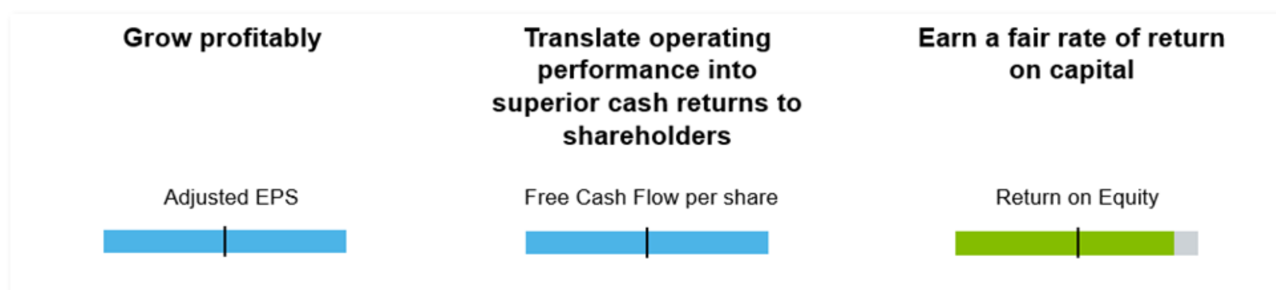
Executive committee changes

Effective March 31, 2022 our Chief Technology Officer, Vineet Gupta, made the decision to retire after a successful career that culminated with the last three years at Element. During Vineet's time with us, he played a critical role in Transformation, which was followed by outstanding leadership at the start of the pandemic overseeing our company's complete shift to working at home in only a few weeks.

Vineet's transition has been seamless with Chris Gittens replacing him in an expanded Chief Digital Officer role. Chris' deep knowledge of the business will be an invaluable complement to the strong and capable Information Technology team we have in place. With these changes, our SRBU will be united with Operations under the leadership of Jim Halliday, Chief Operating Officer.

[4] Formerly known as Element "employee networks", Business Resource Groups (BRGs) are employee-led groups that foster an inclusive culture by bringing together employees who have similar backgrounds, experiences, and/or interests and their allies. BRG participation is voluntary and open to employees in all global regions who are interested in and support the objectives of the BRG, regardless of their background.

Our Investors



Revised 2022 guidance

We anticipate growing full-year 2022 net revenue 4-6% over full-year 2021. Our scalable operating platform should magnify that net revenue growth into 4.5-7.5% AOI growth (full-year-over-full-year), implying 52.5-53.5% operating margin.

In normal market conditions, we would expect 4-6% annual net revenue growth atop Element's scalable operating platform to result in stronger operating margin expansion. However, in 2022 (like 2021) we are incurring quarterly operating costs to generate revenue that is deferred to future quarters. As previously communicated, OEM production delays have resulted in corresponding delays to originations, thereby deferring substantial net revenue, AOI and FCF realization.

Notwithstanding, we anticipate 9-14% year-over-year adjusted EPS growth to $0.92-0.96 per common share for 2022. We similarly expect FCF per share to grow 10-15% to $1.16-1.21 per common share. Both adjusted EPS and FCF per share growth are underpinned by ongoing common share buybacks under our NCIB, the upshot of which is a projected weighted average outstanding common share count range of 390 to 400 million for full-year 2022.

These and further details of our revised guidance can be found in this quarter's Supplementary Information document, available on our website.

Profitable revenue growth atop a scalable operating platform

First quarter net revenue grew 4.9% year-over-year and 6.2% quarter-over-quarter to $261 million, led by services revenue growth of 15.2% year-over-year and 6.6% quarter-over-quarter and net financing revenue growth of 3.7% year-over-year and 7.4% quarter-over-quarter.

This net revenue growth was demonstrably profitable as pre-tax income and AOI growth each outpaced net revenue growth quarter-over-quarter at 15.1% and 16.6%, respectively, expanding pre-tax income margin 370 basis points to 48.1% and operating margin 485 basis points to 54.8% for the first quarter.

Our Q1 EPS was $0.21 and adjusted (*ie*. operating) EPS was $0.24, the latter up 2 cents per share or 9.1% year-over-year and 3 cents or 14.3% quarter-over-quarter.

Growing free cash flow per share and the return of capital to shareholders

Element generated $0.29 of FCF per share in the first quarter; 26.1% or 6 cents per share growth year-over-year and flat quarter-over-quarter.

Per share growth is aided by our return of capital to common shareholders through buybacks pursuant to our NCIB. Combined with the dividend payout, Element returned $105.9 million cash to common shareholders in the first quarter.

A capital-lighter business model

Our sale of fleet assets to third parties - financial buyers with a lower cost of capital than Element - is one of two thrusts of our capital-lighter business model, and advances several aspects of our profitable growth strategy:

- Syndication generates a highly profitable, recurring revenue stream;
- Syndication accelerates revenue recognition (while improving economics) and increases the velocity of cash flow; and
- Syndication alleviates the need we would otherwise have as a growing business to (i) increase our on-balance-sheet funding of assets and therefore (ii) set aside equity to manage the resulting pressure on leverage that would otherwise create. Instead, syndication has allowed us to grow the business while significantly lowering tangible leverage and, at the same time, returning $105.9 million cash to common shareholders thus far (at March 31) in 2022.

We syndicated $661 million of assets in the first quarter, generating $13.8 million of syndication revenue or a 2.09% "yield" on assets syndicated.

The second thrust of our capital-lighter business model is services revenue growth, because services revenue has a much lower funding requirement – only the net working capital required for procurement – than net financing revenue.

First quarter services revenue grew 15.2% or $17.4 million year-over-year and 6.6% or $8.1 million quarter-over-quarter, for three broad reasons:

A. The speed at which our implementation teams are converting share of wallet commercial wins into new active services being provided to existing clients (penetration);

B. Our clients' increasing use of services (utilization) due to increased vehicle activity levels in general, and - as a result of the ongoing, unprecedented OEM production delays - the advanced average age of our clients' vehicles in particular; and

C. Fuel, parts and labour cost inflation across our networks of supplier-partners.

Advancing our capital-lighter business model enhances ROE: year-over-year at March 31, return on common equity had improved 250 basis points to 10.5% and pre-tax return on common equity had improved 150 basis points to 15.8%.

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 14%, 6%, 10% and 63%, respectively, of our last 12 months' net revenue was generated. Element has established local currency funding structures in each of Australia, New Zealand, and the United States. We endeavour to mitigate the impacts of foreign currency value fluctuations in all the countries that we do business. We also institute 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 "Results of Operations" sections, we include tables containing summaries 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 relevant periods before the impact of changes in FX (*ie.* in constant currency). The Company calculates constant currency by applying the current period average FX rates to prior results (*eg*. the Q1 2022 average FX rates are used to calculate Q4 2021 and Q1 2021 results "in constant currency"). The current spot rate is used for all balance sheet constant currency calculations. The table immediately below illustrates the constant currency FX impact on the reported consolidated financial results for prior periods that are discussed on the following pages:

	For the three-months ended				
(in $000's for stated values)	**March 31, 2022**	Change from Q4 2021	December 31, 2021	Change from Q1 2021	March 31, 2021
	$	%	$	%	$
Servicing income, net, constant currency	**131,842**	6.0 %	124,423	16.1 %	113,594
Fx impact	**—**		(707)		895
Servicing income, net, as reported	**131,842**	6.6 %	123,716	15.2 %	114,489
Net financing revenue, constant currency	**115,181**	7.1 %	107,534	5.9 %	108,784
Fx impact	**—**		(289)		2,236
Net financing revenue, as reported	**115,181**	7.4 %	107,245	3.7 %	111,020
Syndication revenue, constant currency	**13,777**	(5.6)%	14,593	(40.4)%	23,098
Fx impact	**—**		(72)		(9)
Syndication revenue, as reported	**13,777**	(5.1)%	14,521	(40.3)%	23,089
Net revenue, constant currency	**260,800**	5.8 %	246,550	6.2 %	245,476
Fx impact	**—**		(1,068)		3,122
Net revenue, as reported	**260,800**	6.2 %	245,482	4.9 %	248,598
Salaries, wages and benefits, constant currency	**76,212**	(7.5)%	82,421	4.5 %	72,948
Fx impact	**—**		(309)		677
Salaries, wages and benefits, as reported	**76,212**	(7.2)%	82,112	3.5 %	73,625
General and administrative expenses, constant currency	**27,797**	2.3 %	27,171	3.1 %	26,973
Fx impact	**—**		(97)		173
General and administrative expenses, as reported	**27,797**	2.7 %	27,074	2.4 %	27,146
Depreciation and amortization, constant currency	**13,935**	1.0 %	13,794	34.1 %	10,390
Fx impact	**—**		(59)		136
Depreciation and amortization, as reported	**13,935**	1.5 %	13,735	32.4 %	10,526
Adjusted operating expenses, constant currency	**117,944**	(4.4)%	123,386	6.9 %	110,311
Fx impact	**—**		(465)		986
Adjusted operating expenses, as reported	**117,944**	(4.0)%	122,921	6.0 %	111,297
Adjusted operating income, constant currency	**142,856**	16.0 %	123,164	5.7 %	135,165
Fx impact	**—**		(603)		2,136
Adjusted operating income, as reported	**142,856**	16.6 %	122,561	4.0 %	137,301
Provision for taxes applicable to adjusted operating income, constant currency	**37,147**	31.1 %	28,327	17.4 %	31,628
Fx impact	**—**		(138)		500
Provision for taxes applicable to adjusted operating income, as reported	**37,147**	31.8 %	28,189	15.6 %	32,128
After-tax adjusted operating income, constant currency	**105,709**	11.5 %	94,837	2.1 %	103,537
Fx impact	**—**		(465)		1,636
After-tax adjusted operating income, as reported	**105,709**	12.0 %	94,372	0.5 %	105,173

Quarterly Results of Operations

(in $000's for stated values, except per share amounts)	For the three-month periods ended March 31, 2022 $	December 31, 2021 $	March 31, 2021 $
Net revenue			
Net interest income and rental revenue	**160,648**	151,790	165,214
Interest expense	**45,467**	44,545	54,194
Net financing revenue	**115,181**	107,245	111,020
Servicing income, net	**131,842**	123,716	114,489
Syndication revenue, net	**13,777**	14,521	23,089
Net revenue	**260,800**	245,482	248,598
Operating expenses			
Salaries, wages and benefits	**76,212**	82,112	73,625
General and administrative expenses	**27,797**	27,074	27,146
Depreciation and amortization	**13,935**	13,735	10,526
Amortization of convertible debenture discount	**933**	918	872
Share-based compensation	**6,163**	6,283	5,240
Operating expenses	**125,040**	130,122	117,409
Other expenses			
Amortization of intangible assets from acquisition	**8,909**	8,871	8,906
Loss/(Gain) on investments	**1,442**	(2,475)	(2,801)
Other expenses	**10,351**	6,396	6,105
Income before taxes	**125,409**	108,964	125,084
Provision for income taxes	**31,805**	14,300	29,555
Net income for the period	**93,604**	94,664	95,529
Weighted average number of shares outstanding [basic]	**401,575**	409,175	438,503
Earnings per share [basic]	**0.21**	0.21	0.20
Dividends declared, per share			
Common share	**0.077500**	0.077500	0.065000
Preferred Shares, Series A	**0.433313**	0.433313	0.433313
Preferred Shares, Series C	**0.388130**	0.388130	0.388130
Preferred Shares, Series E	**0.368938**	0.368938	0.368938
Preferred Shares, Series I	**0.359375**	0.359375	0.359375

Immediately below, we present and offer commentary on certain results quantified by IFRS measures (such as operating expenses) whose counterpart non-GAAP measures (such as adjusted operating expenses) are presented and commented-on further below.

Operating expenses

Operating expenses for the quarter were $125.0 million, down 3.9% or $5.1 million from Q4 2021 ("quarter-over-quarter") and up 6.5% or $7.6 million over Q1 2021 ("year-over-year").

Pre-tax income margin

Pre-tax income margin for the quarter was 48.1%, expanding 370 basis points quarter-over-quarter and contracting 220 basis points year-over-year.

Net income

Element earned net income of $93.6 million for the quarter, a modest decline of 1.1% or $1.1 million from Q4 2021 and 2.0% or $1.9 million from Q1 2021.

Q1 2022 net income per share was $0.21; flat to prior quarter and $0.01 per share higher than Q1 2021.

Adjusted Operating Results as reported

(in $000's for stated values, except per share amounts)	For the three-month periods ended March 31, 2022 $	December 31, 2021 $	March 31, 2021 $
Servicing income, net	**131,842**	123,716	114,489
Net financing revenue	**115,181**	107,245	111,020
Syndication revenue, net	**13,777**	14,521	23,089
Net revenue	**260,800**	245,482	248,598
Salaries, wages and benefits	**76,212**	82,112	73,625
General and administrative expenses	**27,797**	27,074	27,146
Depreciation and amortization	**13,935**	13,735	10,526
Adjusted operating expenses	**117,944**	122,921	111,297
Adjusted operating income	**142,856**	122,561	137,301
Provision for taxes applicable to adjusted operating income	**37,147**	28,189	32,128
Cumulative preferred share dividends	**8,103**	8,103	8,103
After-tax adjusted operating income attributable to common shareholders	**97,606**	86,269	97,070
Weighted average number of shares outstanding [basic]	**401,575**	409,175	438,503
After-tax adjusted operating income per share [basic]	**0.24**	0.21	0.22

Adjusted Operating Results in constant currency[5]

(in $000's for stated values)	For the three-month periods ended March 31, 2022 $	December 31, 2021 $	March 31, 2021 $
Servicing income, net	**131,842**	124,423	113,594
Net financing revenue	**115,181**	107,534	108,784
Syndication revenue, net	**13,777**	14,593	23,098
Net revenue	**260,800**	246,550	245,476
Salaries, wages and benefits	**76,212**	82,421	72,948
General and administrative expenses	**27,797**	27,171	26,973
Depreciation and amortization	**13,935**	13,794	10,390
Adjusted operating expenses	**117,944**	123,386	110,311
Adjusted operating income	**142,856**	123,164	135,165
Provision for taxes applicable to adjusted operating income	**37,147**	28,327	31,628
Cumulative preferred share dividends	**8,103**	8,103	8,103
After-tax adjusted operating income attributable to common shareholders	**97,606**	86,734	95,434
Weighted average number of shares outstanding [basic]	**401,575**	409,175	438,503
After-tax adjusted operating income per share [basic]	**0.24**	0.21	0.22

Please note: In the following commentary, we restrict citation of constant currency results to the few instances where FX had a noteworthy impact on comparative results.

Net revenue

Q1 net revenue grew 4.9% or $12.2 million year-over-year and 6.2% or $15.3 million quarter-over-quarter.

Services revenue and net financing revenue drove this growth.

For the reasons noted below (see "Servicing income, net"), Q1 services revenue grew 15.2% or $17.4 million year-over-year and 6.6% or $8.1 million quarter-over-quarter.

[5] Please refer to the Effect of Foreign Currency Exchange Rate Changes section for reconciliations of certain non-GAAP "constant currency" measures to their counterpart IFRS measures as reported.

Similarly, for the reasons noted below (see "Net financing revenue"), Q1 net financing revenue grew 3.7% or $4.2 million year-over-year (as reported; 5.9% or $6.4 million in constant currency) and 7.4% or $7.9 million quarter-over-quarter (as reported; 7.1% or $7.6 million in constant currency).

Syndication revenue for the quarter was an expected headwind to net revenue growth year-over-year as discussed below (see "Syndication revenue"). Syndication revenue for the quarter was $0.7 million lower quarter-over-quarter.

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 production by the relevant OEM.

After the single largest quarter of vehicle orders in Element history (in Q4 2021), Q1 2022 order volumes (i) remained higher than historical Q1 order volume norms and (ii) contributed $1.4 billion (gross) to our global order backlog. As noted and further discussed below, Q1 global originations were $1.4 billion, resulting in our global order backlog remaining at $2.9 billion.

Originations

Automotive OEM production delays driven by the global microchip shortage constrained origination volumes throughout 2021 and, as previously disclosed, we believe these delays are likely to continue to impact origination volumes this year (*ie*. 2022), albeit to a lesser extent than in 2021.

Global originations were at the high end of our range of expectations for Q1, growing 11.3% or $145.9 million year-over-year and 19.9% or $237.6 million quarter-over-quarter to $1.4 billion globally -- the highest single quarter since Q1 2020, *ie*. before the COVID-19 pandemic.

The table below sets out the geographic distribution of these originations for the relevant three-month periods ended.

(in $000's for stated values)	**March 31, 2022**		December 31, 2021		March 31, 2021	
	$	**%**	$	%	$	%
United States and Canada	**1,084,488**	**75.71**	826,750	69.20	1,000,042	77.73
Mexico	**230,443**	**16.09**	227,555	19.05	172,893	13.44
Australia and New Zealand	**117,429**	**8.20**	140,441	11.75	113,571	8.83
Total	**1,432,360**	**100.00**	1,194,746	100.00	1,286,506	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)	**March 31, 2022**		December 31, 2021		March 31, 2021	
	$	**%**	$	%	$	%
United States and Canada	**1,084,488**	**75.71**	830,197	69.13	1,000,389	78.26
Mexico	**230,443**	**16.09**	231,275	19.26	171,316	13.40
Australia and New Zealand	**117,429**	**8.20**	139,423	11.61	106,569	8.34
Total	**1,432,360**	**100.00**	1,200,895	100.00	1,278,274	100.00

Global originations growth was driven by U.S. and Canadian volume, which was up 8.4% or $84.4 million year-over-year and 31.2% or $257.7 million quarter-over-quarter -- to $1.1 billion, including vehicles for Armada in the U.S.[6]

[6] Armada originations do not turn into leases and thus do not generate net financing or syndication revenue for Element. However, we continue to earn increasing services revenue in respect of Armada's growing fleet.

We expect U.S. and Canadian origination volumes to remain at or grow from these levels over the next three quarters, depending on the speed at which various large OEMs recover domestic production capacity as well as the timing of facility changeover from model year 2022 to model year 2023 manufacturing setup.

Q1 originations grew 33.3% or $57.6 million year-over-year in Mexico, to $230.4 million; 1.3% or $2.9 million more than Q4 2021. We expect quarterly originations in Mexico to moderate somewhat over the next three quarters as the same supply chain issues affecting the U.S./Canada and ANZ have begun to impact Mexican OEM facilities for the first time.

Originations in ANZ grew 3.4% or $3.9 million year-over-year as reported and 10.2% or $10.9 million in constant currency, while quarter-over-quarter volume was down 16.4% or $23.0 million. Custom Fleet experienced a combination of seasonal and unique headwinds in Q1 that constrained origination volumes. January is typically a slow month in ANZ due to local summer holidays, while extreme weather events in two of the region's largest states adversely affected originations in February and into March 2022. We expect Q2 2022 origination volumes in ANZ to return to, if not exceed, recent quarterly levels (excluding Q1 2022 and Q1 2021).

Order Backlog

Robust client demand for vehicles opposite various degrees of OEM production delay has preserved record[7] vehicle order backlogs in each of our operating geographies.

As noted above (under "*Orders*") our global order backlog on March 31, 2022 remained at $2.9 billion, which is flat to December 31, 2021 because our clients placed $1.4 billion of orders in Q1 and our OEM partners originated $1.4 billion of volume for Element.

The $2.9 billion order backlog represents approximately $1.7 billion of orders in excess of our historical average March 31 order backlog (on a constant currency basis). These $1.7 billion in excess orders represent approximately

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

Strong Q1 originations and volume in the month of April 2022 gives us confidence in our $5.5-5.7 billion full-year 2022 originations guidance, which has not changed.

We continue to expect OEMs to recover full production capacity by mid-year 2023. Beginning in H2 2023, we expect originations to start outpacing new orders, thereby beginning to reduce our excess order backlog. Over the course of the full reduction of our global order backlog to historically normal levels, we will generate approximately $40 to $65 million in deferred net revenue, adjusted operating income and free cash flow (as noted above), in addition to incremental deferred net revenue, adjusted operating income and free cash flow embedded in any excess order backlog value above the current $1.7 billion.

Net financing revenue

Q1 net financing revenue grew 3.7% or $4.2 million year-over-year as reported and 5.9% or $6.4 million in constant currency, overcoming a $3.7 million (as reported) headwind from the combination of a reversal in our provisions for credit losses ("PCL") in Q1 of last year ($3.52 million) and an otherwise immaterial PCL this quarter ($0.14 million). Controlling for both PCLs, net financing revenue grew 7.3% or $7.8 million year-over-year (as reported).

[7] Excluding historical Armada orders in the U.S.

The year-over-year growth of net financing revenue was in spite of 20.5% or $2.1 billion lower average net earnings assets. The decline in average net earning assets year-over-year was virtually exclusive to the U.S. and Canada, driven by (i) OEM production delays constraining origination volumes for the last four quarters and (ii) syndication activity.

Q1 net financing revenue grew 7.4% or $7.9 million quarter-over-quarter. PCL was a tailwind in this case: we took an $0.1 million provision in Q1 this year compared to $1.4 million in Q4 2021. Controlling for this, net financing revenue grew 6.1% or $6.7 million quarter-over-quarter. Average net earning assets decreased 4.8% or $403 million on the same comparative basis -- due to amortization, dispositions and syndication, only partially offset by activations in the quarter.

Net financing revenue yield on average net earning assets

	For the three-month periods ended		
(in $000's for stated values)	**March 31, 2022**	December 31, 2021	March 31, 2021
Average net earning assets	**$ 8,071,446**	$ 8,474,002	$ 10,148,697
Net interest income and rental revenue	**7.96 %**	7.16 %	6.52 %
Interest expense	**2.25 %**	2.10 %	2.14 %
Net financing revenue yield on average net earning assets	**5.71 %**	5.06 %	4.38 %
Average debt outstanding	**$ 8,183,306**	$ 8,177,898	$ 9,743,589
Average cost of debt (Interest expense / average debt)	**2.22 %**	2.18 %	2.22 %
Average 1-Month LIBOR rates	**0.23 %**	0.09 %	0.12 %

Net financing revenue yield on average net earning assets improved 133 basis points year-over-year and 65 basis points quarter-over-quarter for Q1 2022, driven by the decrease in average net earning assets and increase in net financing revenue for the reasons discussed above.

Servicing income, net

Q1 2022 services revenue grew 15.2% or $17.4 million year-over-year and 6.6% or $8.1 million quarter-over-quarter for the following reasons, which also underpin our evolved expectation that services revenue is capable of growing in excess of high single-digits on a percentage basis for 2022 over 2021.

A. The speed at which our implementation teams have proven capable of converting Share of Wallet ("SoW") commercial wins into new active services being provided to existing clients (penetration).

    - In 2021, our commercial teams contracted for 395,721 "revenue units" with existing clients; 188,361 or 91% more than in 2020. Revenue unit wins in the U.S. and Canada accounted for 83% of the year-over-year growth.
    - We categorize this growth as SoW: providing (i) more services and/or (ii) financing (where it had not been provided before) to existing clients.
    - The vast majority of SoW wins are in respect of incremental services as opposed to financing. Consequently, we knew the substantial growth of SoW revenue unit wins throughout 2021 - especially in the U.S. and Canada - would propel services revenue growth in 2022.
    - Having never before enjoyed 2021 levels of commercial success on SoW, we underestimated the speed at which our implementation teams would be capable of converting high volume SoW revenue units into active services being provided to our clients - thereby generating services revenue.

- Examples of SoW expansion driving services revenue growth in Q1 (both year-over-year and quarter-over-quarter) include increased (i) maintenance activity, (ii) accident services provided, and

(iii) tolls & violations processed. Increased services revenue contributions from ANZ and Mexico in Q1 were also growth-drivers.

B. Increased client use of vehicle maintenance and other services. ("**Utilization**.")

  - As a result of unprecedented OEM production delays in 2021, our clients' fleet vehicles have never before been as old (on average) as they currently are.
  - As fleets age, regular and proactive maintenance becomes increasingly important to help avoid vehicle downtime. (Given the essential nature of fleet vehicles to our clients' businesses, vehicle downtime is far more costly than maintenance spend.)
  - Older vehicles also tend to require more expensive maintenance procedures, such as drivetrain repair or replacement.

- Until recently, we had underappreciated the extent to which the circumstances described immediately above would fuel services revenue growth in 2022.
- Examples of Q1 services revenue growth drivers materially impacted by vehicle aging include (i) increased numbers of maintenance transactions and heightened average transaction values, and (ii) increased client use of long-term vehicle rentals in the U.S. and Canada, as clients fill holes in their fleets (left by vehicles written-off due to accidents or other severe damage, and stolen vehicles) that cannot be readily replaced with a new vehicle from the relevant OEM due to production delays.
- Client vehicle activity levels grew modestly quarter-over-quarter and materially year-over-year for Q1 due to pandemic restrictions waning across our operating geographies, as well as salesforces specifically approaching pre-pandemic levels of vehicle use. Higher vehicle activity in general drove increased accident services, tolls & violations, and fuel services revenue in Q1.
- We have also experienced increased subscriptions for, and utilization of, a broadening array of Element services by Armada.

C. Fuel, parts and labour cost inflation across our networks of supplier-partners.

Syndication revenue, net

We syndicated $661 million of assets in the quarter; $355 million less than in Q1 2021 and $156.4 million more than last quarter.

As previously disclosed and discussed, we accelerated the syndication of fleet assets in Q1 2021 -- advancing volume planned for Q2 2021 at the time -- to take advantage of robust marketplace demand in the period. This strategic decision last year is the reason for the year-over-year variance in Q1 2022 syndication volume and revenue.

We generated $13.8 million of syndication revenue in the quarter, which is 2.09% of the assets syndicated (*aka*. syndication revenue "yield"). Syndication revenue for the quarter was $0.7 million lower than Q4 2021 despite increased volume -- amounting to 79 basis points of yield compression -- predominantly reflecting the difference in the value of the tax attributes of our assets to syndication buyers in the fourth versus the first quarter of any calendar year.

Syndication continues to be an economically beneficial, reliably recurring source of high margin revenue for Element. Syndication increases our velocity of cash flow while facilitating a capital-lighter business model, tangible leverage management, and our ability to predictably return excess equity to common shareholders.

Adjusted operating expenses

Adjusted operating expenses of $117.9 million for the quarter were a 4.0% or $5.0 million improvement (*ie*. reduction) from Q4 2021 adjusted opex -- a $5.4 million improvement quarter-over-quarter in constant currency -- driven by lower salaries, wages and benefits, partially offset by very modest G&A growth. Salaries, wages and benefit expenses will step-up modestly in Q2 as 2022 merit- and pay equity-driven compensation increases impact the whole quarter, having come into effect on March 1, 2022.

Year-over-year, Q1 adjusted opex was 6.0% or $6.6 million higher ($7.6 million in constant currency) based on 3.5% salaries, wages and benefits growth (merit- and pay equity-driven increases to compensation in 2021), 2.6% year-over-year G&A growth, and 32.4% D&A growth as previously signalled and discussed.

Adjusted operating income ("AOI") and margins

Element generated $142.9 million of AOI for the quarter, which is 4.0% or $5.6 million year-over-year growth, 16.6% or $20.3 million quarter-over-quarter growth, and equivalent to $0.24 on a per share basis.

Both year-over-year and quarter-over-quarter AOI growth was driven by net revenue growth -- led by services and net financing revenue growth, partially offset by syndication revenue declines -- and adjusted operating expense containment, all as previously discussed herein.

Operating margin for the quarter was 54.8%, which is 45 basis points less than Q1 last year and can be attributed exclusively to the increase of D&A over the last four quarters as various IT and other Transformation initiatives have become "operational". If Q1 2022 D&A were only 3.5% higher year-over-year -- 3.5% being the year-over-year growth of Q1 salaries, wages and benefits plus G&A -- Q1 2022 operating margin would be 55.9%, which would constitute a 67 bps expansion year-over-year.

Q1 2022 operating margin of 54.8% constitutes 485 bps of expansion quarter-over-quarter, reinforcing the profitability of net revenue growth atop Element's transformed, scalable operating platform.

Summary of Quarterly Information

The following table sets out selected financial information as reported for each of the eight most recent quarters, the latest of which ended March 31, 2022. 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)	**Q1 2022**	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Net revenue	**260,800**	245,482	244,340	235,402	248,598	247,099	243,252	225,503
Adjusted operating income	**142,856**	122,561	125,626	126,512	137,301	132,058	128,985	111,144
After-tax adjusted operating income	**105,709**	94,372	94,207	93,935	105,173	108,089	107,058	93,361
Net income	**93,604**	94,664	84,941	80,872	95,529	78,362	70,778	58,594
Earnings per share, basic	**0.21**	0.21	0.18	0.17	0.20	0.16	0.14	0.11
Earnings per share, diluted	**0.21**	0.21	0.18	0.17	0.20	0.16	0.14	0.11
Adjusted operating income per share, basic	**0.34**	0.28	0.28	0.28	0.29	0.28	0.27	0.23
After-tax adjusted operating income per share, basic	**0.24**	0.21	0.21	0.20	0.22	0.23	0.22	0.19
After-tax pro forma diluted adjusted operating income per share	**0.24**	0.21	0.20	0.20	0.22	0.22	0.22	0.19
Total assets	**12,817,647**	12,973,412	13,105,478	13,483,620	14,033,707	14,991,388	15,711,869	16,883,105
Net earning assets	**7,947,152**	8,203,159	8,687,716	8,890,566	9,426,863	10,465,983	10,750,218	11,025,581
Total debt	**8,069,321**	8,198,035	8,493,546	8,686,606	9,259,492	10,018,603	10,888,398	11,910,711
Loan and lease originations	**1,432,360**	1,194,746	1,314,234	1,198,102	1,286,506	1,386,792	1,279,263	1,306,804
Allowance for credit losses	**10,256**	10,246	8,613	11,397	13,676	17,718	18,829	20,000
As a % of total finance receivables before allowance	**0.14**	0.14	0.11	0.14	0.16	0.18	0.19	0.18
Senior revolving credit facilities	**1,464,384**	1,106,629	1,007,628	1,006,473	1,250,957	1,551,939	1,354,470	1,774,086
Borrowings	**6,457,020**	6,932,334	7,328,076	7,523,502	7,853,095	8,312,397	9,380,815	9,984,649
Convertible debentures	**160,321**	159,072	157,842	156,631	155,440	154,267	153,113	151,976

Financial Position

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

(in $000's for stated values)	**March 31, 2022**	December 31, 2021	March 31, 2021
	$	$	$
ASSETS			
Cash	**33,206**	45,271	40,537
Restricted funds	**479,845**	400,930	475,982
Finance receivables	**7,112,513**	7,436,275	8,560,958
Equipment under operating leases	**2,423,569**	2,297,182	2,129,823
Accounts receivable and other current assets	**195,170**	204,873	220,874
Derivative financial instruments	**66,703**	26,302	41,951
Property, equipment and leasehold improvements	**87,143**	93,872	105,985
Intangible assets	**820,319**	830,013	812,392
Deferred tax assets	**395,129**	417,708	433,633
Goodwill	**1,204,050**	1,220,986	1,211,572
	12,817,647	12,973,412	14,033,707
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**1,104,910**	1,206,550	972,148
Derivative financial instruments	**56,067**	28,575	50,376
Borrowings	**7,921,404**	8,038,963	9,104,052
Convertible debentures	**160,321**	159,072	155,440
Deferred tax liabilities	**105,070**	89,303	61,706
	9,347,772	9,522,463	10,343,722
Shareholders' equity	**3,469,875**	3,450,949	3,689,985
	12,817,647	12,973,412	14,033,707

Total assets and liabilities decreased by $155.8 million and $174.7 million, respectively, from December 31, 2021. Year-over-year, the decreases in total assets and liabilities for Q1 2022 were primarily decreases in earning assets and borrowings driven by syndication activity throughout 2021.

Approximately 55% of Element's assets are U.S. dollar-denominated. As a result, changes in the value of our reporting currency, the Canadian dollar ("CAD"), relative to the U.S. dollar, have an impact on our balance sheet. The CAD strengthened modestly against the U.S. dollar quarter-over-quarter (and was relatively flat year-over-year).

We also have assets and liabilities denominated in Mexican pesos and Australian and New Zealand dollars, although these are smaller tranches of our portfolio. As a result, material changes in the value of the CAD relative to the Mexican peso, Australian dollar, or New Zealand dollar can have an impact on our balance sheet. The peso strengthened against the CAD quarter-over-quarter as measured on a period-end-to-period-end basis.

The net impact of currency variations predominantly 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 $0.3 billion lower at March 31, 2022 than at December 31, 2021, driven by syndication activity offset by origination volumes in the quarter.

(in $000's for stated values, except ratios)	**March 31, 2022**	December 31, 2021
	$	$
Net investment in finance receivables	**5,523,583**	5,905,977
Impaired receivables - at net realizable value	**3,251**	2,765
	5,526,834	5,908,742
Unamortized origination costs and subsidies	**(44,204)**	(40,729)
Net finance receivables	**5,482,630**	5,868,013
Prepaid lease payments and Security deposits	**(39,790)**	(60,979)
Interim funding	**668,207**	650,155
Fleet management service receivables	**636,435**	609,450
Other	**362,883**	379,882
Continuing involvement asset	**12,404**	—
	7,122,769	7,446,521
Allowance for credit losses	**10,256**	10,246
Total finance receivables	**7,112,513**	7,436,275

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

Credit losses and provisions as at and for the three-month period ended March 31, 2022 and the year-ended December 31, 2021 are as follows.

(in $000's for stated values, except ratios)	**March 31, 2022**	December 31, 2021
	$	$
Allowance for credit losses, beginning of period	**10,246**	17,718
Provision for credit losses	**138**	(5,535)
Charge-offs, net of recoveries	**(84)**	(1,639)
Impact of foreign exchange rates	**(44)**	(298)
Allowance for credit losses, end of period	**10,256**	10,246
Charge-offs, net of recoveries, as a % of total finance receivables	**— %**	0.03 %
Allowance for credit losses, as a % of total finance receivables before allowance	**0.14 %**	0.14 %

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 the 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. We also consider forward-looking macroeconomic information in light of COVID-19 and the inflationary environment, such as overall default rates and the impact that potential upward or downward trends in GDP would have on our lease and loan portfolio. As COVID-19 concerns wane, new inflation concerns are coming to the forefront. Considering

these potential impacts opposite the resilience of our client base resulted in a modest $138 provision for credit losses in the quarter.

Based on the foregoing, our allowance for credit losses is virtually flat to December 31, 2021.

Impaired receivables

Total impaired receivables were $3.3 million at March 31, 2022, which is an $0.5 million increase from December 31, 2021 but still near the lowest level in the last five years. No material client entered bankruptcy in Q1 2022.

Classifying receivables as impaired

Accounts over 120 days past due are considered impaired and are 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)	**March 31, 2022**		December 31, 2021	
	$	**%**	$	%
United States and Canada	**4,792,659**	**60.6**	5,212,719	63.8
Australia and New Zealand	**1,588,530**	**20.1**	1,570,941	19.2
Mexico	**1,525,010**	**19.3**	1,381,535	17.0
Total	**7,906,199**	**100.0**	8,165,195	100.0
Allocated as:				
Net finance receivables	**5,482,630**	**69.3**	5,868,013	71.9
Equipment under operating leases, net	**2,423,569**	**30.7**	2,297,182	28.1
Total	**7,906,199**	**100.0**	8,165,195	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)	**March 31, 2022**		December 31, 2021	
	$	**%**	$	%
United States and Canada	**11,199,321**	**78.0**	11,205,186	78.1
Australia and New Zealand	**1,588,134**	**11.0**	1,570,657	11.0
Mexico	**1,586,789**	**11.0**	1,563,178	10.9
Assets under management	**14,374,244**	**100.0**	14,339,021	100.0

The geographical distribution of earning assets and assets under management shown in the tables above reflect in part the disproportionate impact of OEM production delays on our business in the U.S. and Canada over the last four quarters. When OEM production volumes normalize, the U.S. and Canada should enjoy a similarly disproportionate improvement in assets under management (which may also benefit earning assets, depending on syndication volumes) and related contributions to our global results.

Liquidity

Element's primary sources of liquidity are daily operating cash flows from services, 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

Daily cash flow / liquidity

Our global cash management office assesses and proactively manages Element's liquidity position by ensuring we have controls over all sources and uses of cash flow. The cash management office also conducts ongoing comprehensive stress-tests to identify early indications of any risks to our cash flow and forward funding capacity. Throughout 2021 and to date, the results of those tests have confirmed the stability and sustainability of our cash flow and forward funding capacity.

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 have reduced the scale of our committed, undrawn liquidity by approximately $3.7 billion since the end of Q3 2020, which has and will continue to drive meaningful funding cost savings without compromising our ability to serve clients.

Notwithstanding our dependable operating cash flows and $2.1 billion of committed, undrawn capital at March 31, 2022, we continue our efforts to sustainably enhance our dynamic liquidity management capabilities, including data analysis capacity and forecasting.

Free cash flow

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

The below table illustrates the reconciliation of free cash flow to cash flow from operations:

	For the three-month periods ended		
(in $000's for stated values)	**March 31, 2022**	December 31, 2021	March 31, 2021
	$	$	$
Free Cash Flow	**115,283**	119,464	99,283
Amortization of equipment under operating leases	**122,550**	118,481	111,892
Investment in finance receivables	**(1,260,426)**	(986,182)	(1,161,518)
Repayments of finance receivables	**867,476**	780,279	1,006,130
Investment in equipment under operating leases	**(287,511)**	(262,412)	(216,021)
Disposals of equipment under operating leases	**72,105**	70,480	64,714
Proceeds from syndication financings	**671,816**	516,628	1,037,963
Sustaining capital investments	**14,142**	14,508	10,329
Preferred share dividends	**8,103**	8,103	8,103
Other	**(73,776)**	72,657	(40,697)
Cash Flow from Operations	**249,762**	452,006	920,178

Statement of cash flows

Cash provided by operating activities for the three-month period ended March 31, 2022 - as presented in our unaudited interim condensed consolidated financial statements - was $249.8 million, a decrease of $670.4 million from the $920.2 million provided by operating activities for the three-month period ended March 31, 2021. The decrease was primarily the result of timing of payments offset by lower investments in finance leases resulting from below average origination volumes due to OEM production delays as well as a decrease in syndications during the period.

Cash used in investing activities for the three-month period ended March 31, 2022 was $15.4 million compared to cash used in investing activities of $20.4 million for the three-month period ended March 31, 2021. The primary driver of the change year-over-year is a decrease in the purchase of property, equipment and leasehold improvements in 2022 compared to the prior year.

Cash used in financing activities for the three-month period ended March 31, 2022 was $274.8 million, compared to $893.0 million used in financing activities for the three-month period ended March 31, 2021. The year-over-year decrease is primarily due to (i) a decrease in the repayment of borrowings, (ii) a decrease in shares repurchased, and (iii) a decrease in the issuance of share capital in conjunction with the exercise of stock options.

Credit and debt facilities

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

We had $2.1 billion of contractually committed, undrawn liquidity across our revolving unsecured ($0.8 billion) and vehicle management asset-backed ($1.2 billion) facilities at March 31, 2022. 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		**March 31, 2022**		
(in $000's for stated values)	**$**	**%**	**$**	**$**
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	**2,313,814**	***36.7***	**849,430**	**1,464,384**
Senior notes	**1,125,639**	—	—	**1,125,639**
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	**1,793,262**	—	—	**1,793,262**
Variable funding notes	**4,656,082**	***25.8***	**1,199,984**	**3,456,098**
Other	**123,540**	—	—	**123,540**
Total vehicle management asset-backed debt	**6,572,884**	***18.3***	**1,199,984**	**5,372,900**
Total cash			**33,206**	
Total capital available for continuing operations			**2,082,620**	

As at	December 31, 2021			
(in $000's for stated values)	$	%	$	$
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	2,349,532	*52.9*	1,242,903	1,106,629
Senior notes	1,143,015	—	—	1,143,015
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	2,154,974	—	—	2,154,974
Variable funding notes	4,679,271	*22.9*	1,073,472	3,605,799
Other	61,693	—	—	61,693
Total vehicle management asset-backed debt	6,895,938	*15.6*	1,073,472	5,822,466
Total cash			45,271	
Total capital available for continuing operations			2,361,646	

On March 23, 2021, Element issued U.S. $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.

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.

In Q4 2021, 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 $2.1 billion of liquidity available to the Company as at March 31, 2022 coupled with our durable operating cash flow is sufficient to fund Element's business throughout 2022, 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 in the table immediately below:

As at *(in $000's)*	**March 31, 2022** **$**	December 31, 2021 $
Cash	**33,206**	45,271
Unsecured debt		
Senior credit facilities	**1,464,384**	1,106,629
4.250% Convertible Debentures due 2024	**160,321**	159,072
3.850% Senior Notes due 2025	**500,284**	508,007
1.600% Senior Notes due 2024	**625,355**	635,008
Vehicle Management Asset-Backed Debt		
Revolving term notes in amortization	**1,793,262**	2,154,974
Variable funding notes	**3,456,098**	3,605,799
Other	**123,540**	61,693
Deferred financing costs	**(23,045)**	(27,023)
Continuing involvement liability	**12,404**	—
Hedge accounting fair value adjustments	**(30,878)**	(6,124)
Total debt	**8,081,725**	8,198,035
Shareholders' equity		
Common share capital	**2,912,972**	2,951,596
Preferred share capital	**511,869**	511,869
Other	**45,034**	(12,516)
Total Shareholders' Equity	**3,469,875**	3,450,949
Total Capitalization	**11,551,600**	11,648,984

Growing profitability, free cash flow and syndication all contribute to the de-leveraging of Element's balance sheet. With our redemption of $172.5 million of Series G preferred shares in full on September 30, 2020, we had 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 U.S. $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 Bids

On November 4, 2020, the TSX approved Element's notice of intention to commence a normal course issuer bid (the "2020 NCIB"). The 2020 NCIB allowed the Company to repurchase on the open market (or as otherwise permitted), at its discretion during the period commencing on November 10, 2020 and ending on the earlier of November 9, 2021 and the completion of purchases under the 2020 NCIB, up to 43,929,594 common shares of Element, subject to the normal terms and limitations of such bids. As of November 10, 2021, under the 2020 NCIB, a cumulative of 34,420,833 common shares had been repurchased for cancellation for an aggregate amount of approximately $474.5 million at a volume weighted average price of $13.78 per common share.

On November 10, 2021, the TSX approved Element's notice of intention to renew its normal course issuer bid (the "2021 NCIB"). The 2021 NCIB allows the Company to repurchase on the open market (or as otherwise permitted), at its 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 2021 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. As of March 31, 2022, under the 2021 NCIB, 11,153,500 common shares had

been repurchased for cancellation for an aggregate amount of approximately $143.1 million at a volume weighted average price of $12.83 per common share.

Element applies trade date accounting in determining the date on which the share repurchase is reflected in the consolidated financial statements. Trade date accounting is the date on which the Company commits itself to purchase the shares.

Leverage

We view both financial and tangible leverage as indicators of the strength of Element's financial position. At March 31, 2022, our financial leverage ratio was 2.33:1 and tangible leverage ratio was 5.58:1.

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

As at		**March 31, 2022**	December 31, 2021
(in $000's, except ratios)		**$**	$
Borrowings		**7,921,404**	8,038,963
Convertible debentures		**160,321**	159,072
Less: Continuing involvement liability		**(12,404)**	—
Total debt	**(a)**	**8,069,321**	**8,198,035**
Total shareholders' equity	**(b)**	**3,469,875**	3,450,949
		11,539,196	11,648,984
Goodwill and intangible assets	**(c)**	**2,024,369**	2,050,999
Financial leverage	**(a)/(b)**	**2.33**	2.38
Tangible leverage	**(a)/[(b)-(c)]**	**5.58**	5.86

The Company was in compliance with all financial and reporting covenants with all of its lenders at March 31, 2022.

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 March 31, 2022

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 2021 Annual MD&A.

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 related to tangible leverage risk. 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.

Economic Conditions and Outlook

Economic Conditions

Inflation

As hypothesized, inflation is proving to be additive to Element's profitable revenue growth. Net financing revenue benefits from rising vehicle prices as does syndication revenue when we choose to transact on those leases. Services revenue benefits from inflation as the cost of maintaining, repairing and fueling vehicles result in higher fee bases.

More importantly, however, is that 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.

While inflation could have a broader negative macroeconomic impact that adversely affects our clients and markets generally, in the near- to intermediate-term inflation is proving overall beneficial to Element.

Rising interest rates

Interest rate movements are inconsequential to Element's business model. We match-fund our leases on interest rate type (fixed vs. floating) and duration, and originate at deliberate interest margins/spreads that 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

We continue to believe OEM production delays (and the global microchip shortage that underpins same) will persist in 2022, albeit to a lesser extent than in 2021.

This will result in another year wherein a portion of our growing revenues, operating income and cash flow is deferred by virtue of growing global vehicle order backlogs.

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.

While our OEM partners in Mexico weathered the microchip shortage better than auto manufacturers serving either of our other operating regions (*ie*. the US/Canada and ANZ) in 2021, we are beginning to see this dynamic change slightly, with modest pressure on Mexico origination volumes in 2022 as a result. That said, we continue to expect our Mexican business to maintain an above average order backlog through 2022 - with potential for growth - and then begin to clear same in the second half of 2023.

Custom Fleet has built a record order backlog in ANZ and vehicle availability challenges persist, with extreme weather events in Q1 2022 in two of the largest states in the region exacerbating circumstances in the near-term. This buoys used vehicle resale values in ANZ from which we benefit in the form of gains on sale.

On the services side of our business, revenue is growing significantly and our clients' consumption levels are largely exceeding pre-pandemic levels for a combination of reasons:

A. The speed at which our implementation teams have proven capable of converting Share of Wallet ("SoW") commercial wins into new active services being provided to existing clients (penetration);

B. Increased client use of vehicle maintenance and other services (utilization), predominantly for the following reasons:

    - As a result of unprecedented OEM production delays in 2021, our clients' fleet vehicles have never before been as old (on average) as they currently are;

    - As fleets age, regular and proactive maintenance becomes increasingly important to help avoid vehicle downtime. (Given the essential nature of fleet vehicles to our clients' businesses, vehicle downtime is far more costly than maintenance spend.)

    - Older vehicles also tend to require more expensive maintenance procedures, such as drivetrain repair or replacement; and

C. Fuel, parts and labour cost inflation across our network of supplier-partners.

Outlook

Please see our revised full-year 2022 results guidance in this quarter's Supplementary Information document, available on our website.

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 that automotive fleets continue to have significant associated costs.

Client value proposition

We believe the essential nature of our clients' fleets and their significant associated costs will continue to be the case 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.

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 identified almost $1.6 billion in fleet-cost-saving strategies and opportunities for our clients in 2021; and

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

Electric vehicles

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.

We recently announced *Arc by Element* – our comprehensive, integrated end-to-end EV offering. Building on our success in all the markets we serve, we are excited to bring this full service EV offering to our clients under a single banner, ensuring consistency for our global clients and developing our offering to be seamless across our geographies.

Strategic priorities

Having completed Element’s Transformation program on December 31, 2020, and initiated an organization-wide pivot towards our current and committed 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 2022, we anticipate net revenue growth of 4-6% and a modestly expanded operating margin (52.5-53.5%) to that of 2021 (52-53%).

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 scaled growth in AOI and fewer shares outstanding as a consequence of our NCIB should result in approximately 9-14% growth in adjusted EPS.

iii. Given the expected 10-15% year-over-year growth of free cash flow per share in 2022 and beyond, our objective is to 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 reflected in the common dividend paid in respect of Q4 2021 on January 14, 2022. With this increase, our common dividend represents approximately 28% of the Company’s last twelve months’ free cash flow per share (at March 31, 2022), which is comfortably within the 25% to 35% payout range we plan to maintain going forward.

    - On November 10, 2021, the 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-month period ended March 31, 2022. 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, 2021. The unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2022 have been prepared in conformity with accounting polices disclosed in the consolidated financial statements for the year ended December 31, 2021, except as discussed below.

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, 2021 MD&A.

Syndication

The Company periodically syndicates certain finance lease receivables, either through transferring ownership of the syndicated lease receivables to the third-party investor or through the transfer of an interest in interest bearing notes to third-party investors with the finance lease receivables as a security against the issued note, as well as all contractual rights to future cash flow, interest rate risk, credit risk and tax benefits, if applicable, related to the syndicated lease receivables. In the event the lessee terminates its lease agreement prior to the lease term, the Company is required to pay the third-party investor the foregone interest it would have earned if there was no early lease termination. For each syndication transaction, the Company evaluates the extent to which the risks and rewards of ownership have been transferred.

When substantially all the risks and rewards of ownership have been transferred, the Company derecognizes the lease receivables. When the Company has neither transferred nor retained substantially all the risk and rewards of ownership, a continuing involvement asset and associated liability are recognized to the extent of the Company’s maximum continuing involvement. Element's continuing involvement is the amount of syndication fees earned that would be required to be returned to third-party investors if all vehicle leases, not meeting full derecognition criteria, are terminated as of the balance sheet date. The Company accounts for the likelihood of such early terminations separately from its continuing involvement.

When a syndication either qualifies for derecognition or is transferred with continuing involvement, the resulting gain from the syndication is recorded in the consolidated statements of operations in Syndication revenue, net, and the Company recognizes its estimated obligation for early lease terminations as a liability.

The Company continues to perform certain administrative tasks related to the lease receivables after assets are syndicated including billing and cash collections and remits such cash collections directly to the third-party investor. As a result, the Company retains the management fee billed to its clients to cover charges for the performance of these tasks in the majority of syndications.

The Company will continue to provide fleet management services (including accident management services, maintenance services, and fuel cards) regardless of whether or not the lease receivable is syndicated.

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.

Effective December 31, 2021, the publication of LIBOR settings has ceased for the 1-week and 2-month US LIBOR setting. The overnight, one-month, three-month, six-month and 12-month US LIBOR settings is expected to be terminated on June 30, 2023. 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.

Effective December 31, 2021, the publication of LIBOR settings has ceased for the 1-week and 2-month US LIBOR setting. The overnight, one-month, three-month, six-month and 12-month US LIBOR settings is expected to be terminated on June 30, 2023. 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.

The following table shows the Company's exposure at March 31, 2022 to IBOR subject to reform that have yet to transition to Secured Overnight Financing Rates. These exposures will remain outstanding as of June 30, 2023 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)	**2,305,495**	**—**	**2,830,465**
USD LIBOR (3 month)	**757,779**	**—**	**—**
	3,063,274	**—**	**2,830,465**

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"), New Zealand Bank Bill Rates ("BBR") and MXN-TIIE-Banxico ("MXIBTIIE").

On December 15, 2021, the Canadian Alternative Reference Rate Working Group (CARR) published a whitepaper on the future of CDOR, which recommended the cessation of CDOR after June 30, 2024. On January 31, 2022, Refinitiv Benchmark Services (UK) Ltd. (RBSL) published a public consultation regarding the potential cessation of Canadian Dollar Offered Rate (CDOR). It is expected that the Canadian market will migrate to using the Canadian Overnight Repo Rate Average (CORRA) as a reference rate in the future.

Future Accounting Changes

All applicable accounting standards effective for periods beginning on or after January 1, 2022 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 on-going 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-GAAP Reconciliations

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

		As at and for the three-month periods ended		
(in $000's for stated values)		**March 31, 2022**	December 31, 2021	March 31, 2021
Reported and adjusted income measures				
Net income	A	**93,604**	94,664	95,529
Adjustments:				
Amortization of debenture discount		**933**	918	872
Share-based compensation		**6,163**	6,283	5,240
Amortization of intangible assets from acquisitions		**8,909**	8,871	8,906
Provision for income taxes		**31,805**	14,300	29,555
Gain on investments		**1,442**	(2,475)	(2,801)
Before-tax adjusted operating income	B	**142,856**	122,561	137,301
Provision for taxes applicable to adjusted operating income	C	**37,147**	28,189	32,128
After-tax adjusted operating income	D=B-C	**105,709**	94,372	105,173
Cumulative preferred share dividends during the period	Y	**8,103**	8,103	8,103
After-tax adjusted operating income attributable to common shareholders	D1= D-Y	**97,606**	86,269	97,070
Provision for income taxes		**31,805**	14,300	29,555
Adjustments:				
Pre-tax income		**4,527**	3,528	3,170
Foreign tax rate differential and other		**815**	10,361	(597)
Provision for taxes applicable to adjusted operating income		**37,147**	28,189	32,128
Selected statement of financial position amounts				
Total Finance receivables, before allowance for credit losses	E	**7,122,769**	7,446,521	8,574,634
Allowance for credit losses	F	**10,256**	10,246	13,676
Net investment in finance receivable	G	**5,523,583**	5,905,977	7,297,040
Equipment under operating leases	H	**2,423,569**	2,297,182	2,129,823
Net earning assets	I=G+H	**7,947,152**	8,203,159	9,426,863
Average net earning assets	J	**8,071,446**	8,474,002	10,148,697
Goodwill and intangible assets	K	**2,024,369**	2,050,999	2,023,964
Average goodwill and intangible assets	L	**2,045,058**	2,036,655	2,036,773
Borrowings	M	**7,921,404**	8,038,963	9,104,052
Unsecured convertible debentures	N	**160,321**	159,072	155,440
Less: continuing involvement liability	O	**(12,404)**	—	—
Total debt	P=M+N-O	**8,069,321**	8,198,035	9,259,492
Average debt	Q	**8,183,306**	8,177,898	9,743,589
Total shareholders' equity	R	**3,469,875**	3,450,949	3,689,985
Preferred shares	S	**511,869**	511,869	511,869
Common shareholders' equity	T=R-S	**2,958,006**	2,939,080	3,178,116
Average common shareholders' equity	U	**2,935,589**	2,938,001	3,239,665
Average total shareholders' equity	V	**3,447,458**	3,449,869	3,751,533

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

(in $000's for stated values, except ratios and per share amounts)		As at and for the three-month periods ended March 31, 2022	December 31, 2021	March 31, 2021
Key annualized operating ratios				
Leverage ratios				
Financial leverage ratio	P/R	**2.33**	2.38	2.51
Tangible leverage ratio	P/ (R-K)	**5.58**	5.86	5.56
Average financial leverage ratio	Q/V	**2.37**	2.37	2.60
Average tangible leverage ratio	Q/(V-L)	**5.84**	5.79	5.68
Other key operating ratios				
Allowance for credit losses as a % of total finance receivables before allowance	F/E	**0.14 %**	0.14 %	0.16 %
Adjusted operating income on average net earning assets	B/J	**7.08 %**	5.79 %	5.41 %
After-tax adjusted operating income on average tangible total equity of Element	D/(V-L)	**30.15 %**	26.71 %	24.53 %
Per share information				
Number of shares outstanding	W	**399,692**	405,077	434,169
Weighted average number of shares outstanding [basic]	X	**401,575**	409,175	438,503
Pro forma diluted average number of shares outstanding	Y	**417,817**	425,504	454,908
Cumulative preferred share dividends during the period	Z	**8,103**	8,103	8,103
Other effects of dilution on an adjusted operating income basis	AA	**$ 1,590**	$ 1,652	$ 1,634
Net income per share [basic]	(A-Z)/X	**$ 0.21**	$ 0.21	$ 0.20
Net income per share [diluted]		**$ 0.21**	$ 0.21	$ 0.20
After-tax adjusted operating income per share [basic]	(D1)/X	**$ 0.24**	$ 0.21	$ 0.22
After-tax pro forma diluted adjusted operating income per share	(D1+AA) /Y	**$ 0.24**	$ 0.21	$ 0.22

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 March 31, 2022:

(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	**142,856**		**0.36**
Less:			
Income taxes related to adjusted operating income	**(37,147)**		**(0.09)**
Preferred share dividends	**(8,103)**		**(0.02)**
After-tax adjusted operating income attributable to common shareholders	**97,606**	**401,574,625**	**0.24**
Dilution items:			
Employee stock option plan	**—**	**1,756,569**	**—**
Convertible debentures (after-tax net interest expense)	**1,590**	**14,485,564**	**—**
After-tax pro forma diluted adjusted operating income	**99,196**	**417,816,758**	**0.24**

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 excluding the continuing involvement liability, 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.

Descriptions of Non-GAAP 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 March 31, 2022 and December 31, 2021, the results of operations, comprehensive income and cash flows for the three-month period-ended March 31, 2022 and March 31, 2021.

Management uses both IFRS and non-GAAP 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, provision for 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, excluding the continuing involvement liability, 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, excluding the continuing involvement liability, 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, excluding the continuing involvement liability, 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, excluding the continuing involvement liability, 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, excluding the continuing involvement liability, 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, excluding the continuing involvement liability, 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 May 9, 2022, the Company had 398,653,198 Common Shares issued and outstanding. In addition, 4,923,017 options were issued and outstanding under the Company's stock option plan as at May 9, 2022. These convertible securities are convertible into, or exercisable for Common Shares of the Company of which 4,923,850 are exercisable at March 31, 2022 for proceeds to the Company upon exercise of $40.9 million. In addition, the Company had convertible debentures outstanding that are convertible into an aggregate of 14,485,564 Common Shares.

As at May 9, 2022, 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 May 9, 2022.