Element Fleet Management Corp.

Management Discussion and Analysis

June 30, 2023

element

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Element Fleet Management Corp. (the "Company", "we" or "Element") as at and for the three- and six-month periods ended June 30, 2023 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three- and six-month periods ended June 30, 2023 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022 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 percentages or ratios. References to "Q2 2023", "this quarter", or "the quarter" are to the quarter ended June 30, 2023 and references to "Q1 2023" and "Q2 2022" are to the quarters ended March 31, 2023 and June 30, 2022, 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 AUGUST 8, 2023. 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: 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; ANY ONGOING IMPACT OF THE COVID-19 PANDEMIC ON INDUSTRY AND MARKET CONDITIONS; 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.

FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS WITH RESPECT TO: 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; ANY ONGOING IMPACT THAT THE COVID-19 PANDEMIC MAY HAVE ON ELEMENT'S FINANCIAL CONDITION, OPERATING RESULTS AND CASH FLOWS; 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, 2022. READERS ARE CAUTIONED THAT SUCH RISK FACTORS ARE NOT EXHAUSTIVE. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MD&A ARE EXPRESSLY QUALIFIED BY THIS CAUTIONARY STATEMENT. OTHER THAN AS SPECIFICALLY REQUIRED BY APPLICABLE CANADIAN LAW, ELEMENT UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE ON WHICH SUCH STATEMENT IS MADE, OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR RESULTS, OR OTHERWISE.

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Company Overview

Element Fleet Management Corp. is the largest publicly traded pure-play automotive fleet manager in the world. We provide business-to-business services and financing to corporations, governments and not-for-profits that operate sizable fleets of mission-critical vehicles. Our purpose is to ensure those vehicles and their drivers are safer, smarter and more productive.

Element has approximately 1.5 million client vehicles under management. We specialize in large and often complex fleets and are the market leader everywhere we operate: the U.S., Canada, Mexico, and Australia and New Zealand (ANZ). We benefit from a blue-chip client base and advantages of scale, expertise, and financial strength.

Fleet vehicles are essential to our clients' ability to generate and sustain revenue and/or fulfill obligations to stakeholders. The vehicles also have significant associated costs. Element's value proposition is lowering clients' total cost of fleet operations and reducing related administrative burden.

We deliver this value through services that span a vehicle's lifecycle, from acquisition and financing to maintenance, repair and remarketing. We make the complexity of fleet management simple for our clients. This proposition is becoming increasingly compelling as operators evaluate the addition of electric vehicles to their fleets.

Element's commercial teams are focused and incented on delivering profitable organic revenue growth by (1) exceeding the industry average 98% annual client retention rate, (2) growing "share of wallet" by selling more services and financing to our existing clients (and increasing clients' utilization of our services), (3) earning market share from other fleet managers, (4) converting self-managed fleets into Element clients and (5) winning government and "mega" fleet[1] opportunities.

We believe these 5 revenue growth levers, combined with our commitment to consistently deliver a superior client experience, constitutes the roadmap to successful achievement of our strategic priorities:

- Aggressively pursue organic growth in all our geographies and demonstrate Element's positive operating leverage by growing annual operating income at a higher rate than annual net revenue;
- Advance a capital-lighter business model by growing services revenue and strategically syndicating fleet assets, which enhances return on equity; and
- Given expected double-digit annual free cash flow per share growth, predictably return excess equity to investors by way of growing common dividends and share buybacks.

[1] A "mega" fleet is 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 Q2 2023 Results

Earnings per share	After-tax adjusted operating income per share[2]	Free cash flow per share[3]
$ 0.29	$ 0.33	$ 0.46

Net revenue growth vs. Q2 2022	Pre-tax income margin[3]	Adjusted operating margin[2]
12.1 %	49.4 %	55.1 %

Average vehicles under management	Return on common equity[2]	Pre-tax return on common equity[3]
1,501,533	12.3 %	19.2 %

Income Summary

(in $000's for stated values, except per share amounts)		**For the three-month period ended June 30, 2023**
Servicing income, net	**$**	**169,807**
Net financing revenue		**141,898**
Syndication revenue, net		**11,361**
Net revenue		**323,066**
Adjusted operating expenses		***144,923***
Total operating expenses		**154,694**
Total other expenses		**8,671**
Pre-tax income		**159,701**
Earnings per share [basic]		**0.29**
Adjusted operating income before taxes		***178,143***
After-tax adjusted operating income per share [basic]	***$***	***0.33***

[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.

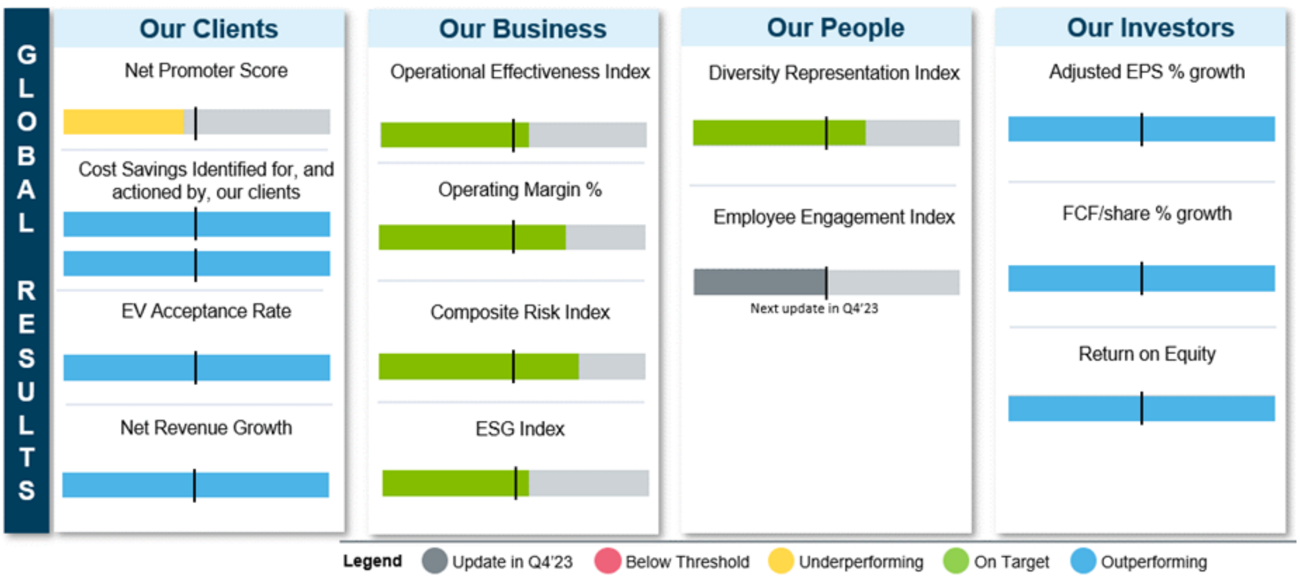
Achievements and Initiatives in the Period

Global Balanced Scorecard

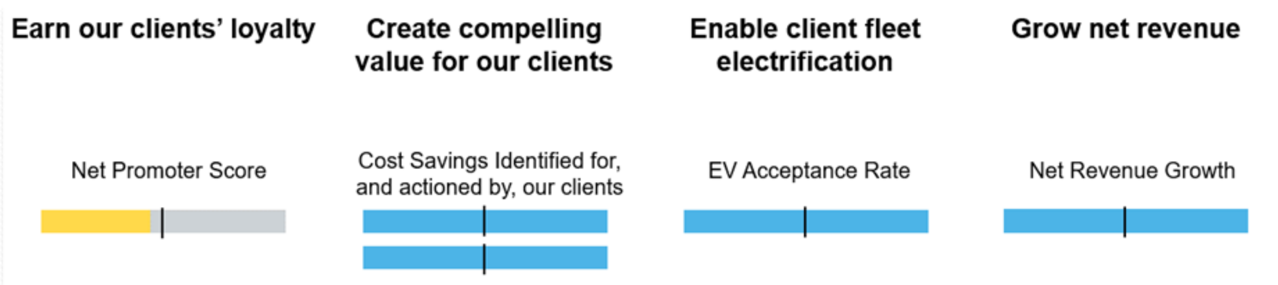
Element uses a balanced scorecard strategy and performance management system, which forges tight alignment and focus throughout the Company, resulting in the rapid advancement of our strategic objectives.

The balanced scorecard frames Element in four dimensions, each representing one of the Company's main pillars: our clients, business, employees, and investors.

For the second quarter in a row, Element achieved or outperformed 12 of our 13 global balanced scorecard ("Global BSC") targets. Our narrow underperformance in Q2 against our Net Promoter Score ("NPS") target is discussed immediately below (under "Earning our clients' loyalty").



Our Clients



<u>Earning our clients' loyalty</u>

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

In the second quarter of 2023, we sustained our record-high global NPS of 40, reflecting continued positive client feedback. This said, our global NPS was below target for the quarter because, as communicated last quarter, we recalibrated and increased our NPS targets for 2023 in response to our continued outstanding momentum. We are proactively taking steps to ensure that we achieve our global NPS target by year-end.

<u>Creating compelling value for our clients</u>

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

In Q2 2023 alone, our SCS team identified and shared over $592 million of fleet-operating-cost saving opportunities with our clients, of which approximately $167 million in value were "actioned" by clients.

SCS also continues to invest a substantial amount of time advising our clients on the EV landscape and providing guidance on approaches to transitioning from internal combustion engine (ICE) -powered vehicles to EVs. Year-to-date, our SCS team has run 600 client EV analyses.

<u>Enabling client fleet electrification</u>

Client interest in and demand for EVs remained strong through the second quarter and we continue to outperform our target for client EV acceptance.

With the release of our most recent annual ESG report (further discussed below under "<u>Fostering positive environmental and social outcomes and maintaining good governance</u>"), Element has committed to:

- Install charging infrastructure at all of our offices (globally) by the end of this year;
- Electrify our internal fleet in Australia and New Zealand by mid-2024, and North America by the end of 2025; and
- Transition 350,000 client ICE vehicles to EVs by 2030.

In the U.S. and Canada, we continue to plan, launch and support client pilots with the full suite of *Arc by Element* services, including EV feasibility and driver selection, implementation of charging solutions, and operational and reimbursement support.

In Q2, we saw several U.S. and Canadian clients expand their EV pilot programs. In one instance, EVs are now a standard option in the client's vehicle offering to its drivers, representing a future steady state in which EVs are a normalized part of the client's fleet.

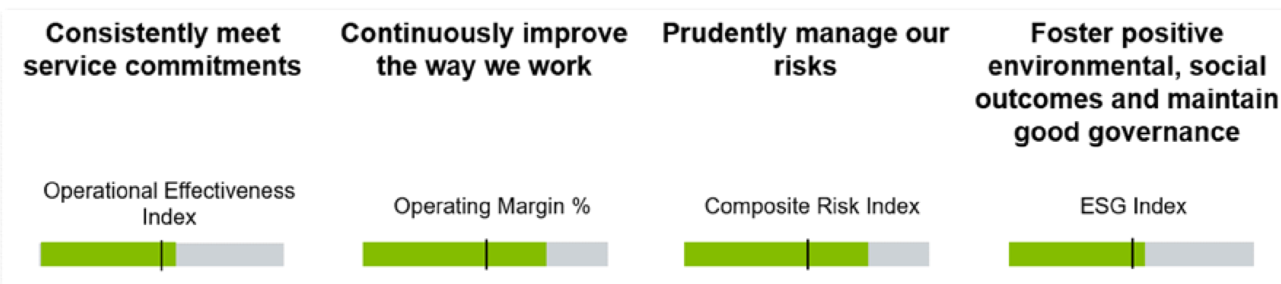
In Australia, Custom Fleet delivered 28 electric trucks and vans to two of Australia’s largest supermarkets. The vehicles are upfitted with electric refrigeration units and will be used for home grocery deliveries. In New Zealand, the rollout of charging infrastructure continues to accelerate, with the ongoing deployment of 177 workplace chargers for a government client, of which 48 have already been installed.

In Mexico, last-mile delivery companies with depot-charging infrastructure continue to lead fleet electrification. Many other industries remain hesitant to begin the transition to EVs due to the lack of available public charging infrastructure.

As a result, we have begun to explore how to develop an offering to support both public and "DC" fast-charging options for these clients. Discussions have included the country's second-largest gas station network, a large vehicle service provider with established infrastructure and willingness to provide charging solutions, and an OEM offering 2 megawatt charging stations for distribution fleets.

Initial client feedback has been positive. As part of this initiative, at the end of the quarter, we were able to present the first specialized charging station for heavy duty vehicles in Mexico. This further cements Element as a pioneer and expert in the EV market in Mexico.

Our Business



Consistently meeting service commitments

Element's accident management and driver safety products have a meaningful impact on our clients’ overall fleet operations. Those clients who fully embrace these Element products have enjoyed double-digit reductions in accidents. So far this year, our clients have avoided close to 6,000 accidents, saved 40 lives, and reduced accident-related costs by $232 million USD.

The feedback on our newest safety products, DriverCare Connect and DriverCare CoPilot, has been overwhelmingly positive. We are making great progress towards a telematics-agnostic version of DriverCare Connect, which could benefit a wider pool of Element clients.

We are in the process of expanding our subscription-based safety product offerings into the Mexico market, working to deploy variations of our DriverCare Risk Manager product and DriverCare Connect.

Our accident management omni-channel communications initiative is driving efficiency for clients, drivers, and suppliers during vehicle repairs by (i) reducing the amount of time it takes to complete associated processes and (ii) improving driver compliance with vehicle repairs.

Our accident management team -- comprised of industry experts -- ensures repairs meet quality standards and our clients' requirements. In 2022, we helped clients achieve an average savings of over $320 per claim, and this trend continues in 2023.

Lastly, we have made significant process improvements to our insurance subrogation service. We increased recovery demands by over 50% and recovery by over 35% in the first half of 2023 as compared to the first half of 2022, recovering more than $51 million of clients' out-of-pocket expenses.

Continuously improving the way we work

The Continuous Improvement Group at Element is dedicated to driving innovation, optimizing processes and harnessing the power of automation.

We exceeded our second quarter Global BSC operating margin target as a result of our commitment to three key priorities, all of which drive our ability to offer services at scale:

- Maintaining a team of dedicated recourses;
- Innovating using advanced Robotic Process Automation (RPA), Artificial Intelligence (AI) and Machine Learning (ML) tools; and
- Developing and upskilling our workforce.

We have implemented advanced robotic process automation (RPA) tools to handle repetitive tasks such as data entry, document processing and transaction reconciliations. This has not only accelerated processing times but also allowed our employees to focus on higher value activities such as client service and strategic decision making. Our total library of automations now contains over 171 solutions, accounting for over 1.3 million transactions processed and 56,000 hours saved for our employees year-to-date.

We recognize that automation transforms not only processes but also the roles and responsibilities of our team members. As we automate routine tasks, we are investing in re-skilling and up-skilling programs to equip our workforce to thrive in an automated environment. We maintained a team of 12 experienced black belts in the quarter by leveraging our 24-month rotational assignment program to train employees on Lean Six Sigma methodologies while working on high-priority projects. In addition, we continue to offer our four-month Yellow Belt certification program, which has already trained over 126 employees globally.

Prudently managing our risks

Our Enterprise Risk Council (the “Council”), a cross-functional group led by our Chief Financial Officer, meets on a regular basis to discuss the updated risks faced by our organization. Risk owners within Element update the Council on their risks, mitigating actions in place (or that need to be enhanced), and potential emerging trends. The Council, including the organization’s senior leaders, have the opportunity to ask questions and request updates in subsequent meetings. In addition to current and emerging risks, the Council discusses key compliance risks relative to Element’s business and industry.

Element continues to maintain its Enterprise Composite Risk Index (ECRI), which evaluates risks impacting revenue, credit & collections, operations, treasury, information technology and people. The ECRI corresponds to Risk Appetite Statements (RAS) with applicable metrics and thresholds.

The ECRI was on target for Q2 2023 as reported on our Global BSC.

Fostering positive environmental and social outcomes and maintaining good governance

In Q2 2023, Element released our 2023 ESG report titled “Progress that Matters”, which is available on our website. This third annual publication distinguishes Element in the fleet management industry for the comprehensive approach we are taking to tracking and reporting our impact.

Highlights from the 2023 ESG report include:

- The advancements we have made on reducing carbon emissions through fleet electrification;
- Transparency with our own greenhouse gas emissions;
- Enhancing supplier diversity; and
- Leading by example on corporate governance practices.

Also in Q2, the Element ESG team completed the United Nations Sustainable Development Goals Ambition Accelerator Program, which aims to challenge and support companies participating in the UN Global Compact to set ambitious corporate targets and accelerate integration of related goals into core business management.

Element also published a Modern Slavery Statement in Q2 2023 and is committed to upholding human rights and addressing any risks or instances related to modern slavery within our operations and supply chain.

Supplier Diversity

We have a long and well-established track record of fostering supplier diversity, dating back nearly three decades at Element’s predecessor companies. Our ongoing supplier diversity initiatives are a point of pride at Element, in full alignment and partnership with our clients. Our Supplier Diversity Program Overview is available on our website, along with our commitment to supplier diversity. Our program aims to provide opportunities for all diverse suppliers that satisfy our business, procurement and contractual requirements; and support our clients in achieving their supplier diversity goals while inherently improving performance KPI’s.

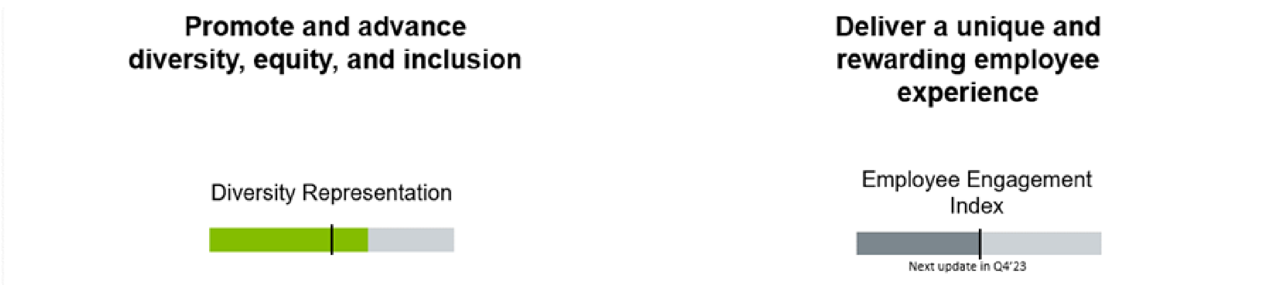
We track diversity spend and offer clients customized tracking solutions to ensure their diversity commitments applicable to their fleet operations are understood, organized and can be accurately reported and traced. Moreover, our SCS team applies a “client diversity spend requirements” perspective to 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 (NMSDC), Disability:IN Minnesota, and the Women’s Business Enterprise National Council (WBENC) in the U.S., as well as the Canadian Council for Aboriginal Business (CCAB) and the Canadian Aboriginal and Minority Supplier Council (CAMSC) -- which we partner with to further a diverse supply chain.

Notably in Q2 2023, we updated and enhanced our procurement policies and Vendor code of conduct to ensure diverse businesses have maximum opportunity to participate in our activities. Element also participated in the CAMSC Procurement Fair, the Institute for Supply Management (ISM) World Annual Conference and signed the ISM Diversity Pledge, further solidifying our commitment and connection to diverse suppliers and continuing to champion and build our network.

Our diversity spend is currently on track to meet our forecast target of $2 billion with ongoing efforts to grow our diverse supply chain spend.

Our People



Our people celebrated the start of a new chapter for Element this quarter: in May, we proudly appointed our President, Laura Dottori-Attanasio, as Element's CEO. We welcomed Laura as she visited our locations globally, including local town halls, events with our Business Resource Groups (BRGs), and numerous opportunities for Laura to meet our employees in person.

During this time, we also thanked Jay Forbes for his tremendous contributions to Element and recognized his lasting legacy as a champion for our consistent, superior client experience and creating value for our investors.

Connecting, listening, and learning

In April, our Maryland team embraced the opportunity to come together in-person to visit our new Owings Mills location. Laura Dottori-Attanasio was joined by Jim Halliday and Jacqui McGillivray for a pre-construction tour that served as both an opportunity to view our new space first-hand and answer questions as we prepare for the move in Q4 2023.

Our people renewed their commitment to our safe, ethical, and inclusive practices at Element in the second quarter, completing our annual Element Foundations learning program. The comprehensive course included our code of conduct, workplace health and safety, ESG and DE&I, safe IT practices, and an acknowledgement of our core policies. We also launched our annual CX 101 Certification to encourage and support our people with building the skills and capabilities to deliver our trademark consistent, superior client experience.

Connecting pay to performance

Our Global BSC is the foundation for how we prioritize and resource work across our organization and enable our people to focus on delivering for our clients. We reward our people for their performance against our BSC objectives with an annual short-term incentive plan (STIP) which is tracking on-target for 2023. As part of total compensation, we also recognize senior leaders with a long-term incentive plan (LTIP) connected to our share price. Due to strong performance, our accrual for LTIP (share-based compensation) increased in Q2 year-over-year. Overall spend on salaries, wages and benefits also increased year-over-year.

Fostering inclusion and supporting our communities

We continue to build awareness, education, and take action to foster a more inclusive workplace. We are proud that women comprise 51% of our global workforce and Black, Indigenous and People of Color (BIPOC) make up 22% of our workforce in the U.S. and Canada. For more information, refer to our 2023 ESG report. Our Global BSC Diversity, Equity and Inclusion (DE&I) index is on target, including metrics for both women and BIPOC promotions, and retention of women.

As part of our activities for National Volunteer Month, our CARE BRG organized events to pack goods for local area non-profits in our U.S. offices. Our teams in Canada volunteered at a local food bank, sorting 7,000 lbs. of food, translating to 8,000 meals. Through our partnership with Reading Partners, our Hopkins and Sparks employees volunteered at local book fair and tutoring events, supporting three local area schools, 340 students, and providing 660 books. Our Veterans BRG continued to support The Baltimore Station through monthly meal service events, and we continue to support communities impacted by disaster, donating to the Canadian Red Cross in support of those impacted by the Canadian wildfires.

Our ANZ team raised $2,350 AUD by hosting Australia's biggest morning tea to support cancer research — which was a record-breaking amount for our Cancer Council. Teams also volunteered making and serving food for the unhoused, and with Guide Dogs Australia, totaling 162 volunteer hours in the quarter.

Championing Diversity, Equity and Inclusion

Our Business Resource Groups[4] celebrated and honored Pride, Juneteenth, Autism Acceptance Month, Asian Pacific American Heritage Month/Asian Heritage Month, and PTSD Awareness Day with in-person and virtual events, and messaging to support awareness.

In ANZ, our teams held additional recognition events for National Sorry Day and National Reconciliation Week, Samoan Language Week, and Trans Visibility Day. The ANZ team also launched "Green Light", an emerging leadership program for women, as well as a Reconciliation Action Plan Cultural Training Strategy and held Torres Strait Islander Cultural Awareness Training.

Our Investors

Profitable organic net revenue growth

Our second quarter net revenue grew 12.1% year-over-year as reported and 8.4% over "organic" Q2 2022 net revenue in constant currency. Quarter-over-quarter, Q2 2023 net revenue grew 6.3%. Q2 AOI grew 7.3% year-over-year as reported, 4.5% over "organic" Q2 2022 AOI in constant currency, and 7.6% quarter-over-quarter. Pre-tax income margin expanded 400 basis points quarter-over-quarter to 49.4% and operating margin expanded 70 basis points quarter-over-quarter to 55.1% for Q2.

Our Q2 EPS were $0.29 and adjusted EPS were $0.33, the latter up 5 cents per share or 17.6% year-over-year "organically" (3 cents or 10.0% in constant currency) and 2 cents or 6.5% quarter-over-quarter.

[4] Business Resource Groups (BRGs) are employee-led groups that foster an inclusive culture by bringing together Element 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.

A capital-lighter business model

Growing services revenue is one of two pillars of our capital-lighter business model. (Services revenue has much lower funding needs than net financing revenue: only the net working capital required to procure fuel, parts and services for clients.)

Second quarter services revenue grew 13.2% or $19.8 million million year-over-year as reported (8.0% or $12.6 million in constant currency) and 8.7% or $13.6 million quarter-over-quarter (9.5% or $14.7 million in constant currency) to a record $169.8 million. As previously disclosed, we benefitted from $5.5 million of non-recurring services revenue in Q2 2022. On an "organic" basis (*ie*. excluding non-recurring items), services revenue grew 12.0% or $18.1 million in constant currency year-over-year.

The second pillar of our capital-lighter business model is syndication -- the sale of fleet lease receivables to financial buyers on terms that are more beneficial for Element than holding those assets on balance sheet.

We syndicated $688.6 million of assets in Q2, generating $11.4 million of syndication revenue (a 1.6% “yield” on assets syndicated). The syndication market demand for Element's assets remains robust, affording the Company ready access to this off-balance-sheet source of cost effective funding; however, near-term interest rate volatility compressed Q2 2023 yields relative to prior periods.

The advance of our capital-lighter business model continues to enhance ROE: year-over-year at June 30, return on common equity improved 100 basis points to 12.3% and pre-tax return on common equity improved 240 basis points to a record 19.2%.

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

We generated a record $0.46 of FCF per share in the second quarter; 24.3% or 9 cents per share growth year-over-year as reported and 16.0% or 6 cents before FX. Quarter-over-quarter, FCF per share grew 24.3% or 9 cents.

This record quarterly FCF was driven by the significant increase in originations and their associated cash flows, as well as lower cash taxes and other timing-dependent cash items. As such, we believe the second quarter will be the "high water mark" for quarterly FCF per share in 2023. Nonetheless, we affirm our $1.58 - $1.63 FCF per share guidance range for full-year 2023.

Per share growth is aided by our return of capital to common shareholders through buybacks pursuant to the Company’s NCIBs. We have returned $55 million cash to common shareholders through buybacks of 3.1 million common shares year-to-date.

As previously communicated, we plan to maintain an annual common dividend representing between 25% and 35% of the Company's last twelve months' free cash flow per share, which the we expect to grow as guided. We also continue to plan to redeem our outstanding preferred share series – at the time (and in lieu) of rate reset – thereby further optimizing our balance sheet and maturing our capital structure. The next redemption opportunity is on December 31, 2023 for Element's outstanding Series A preferred shares.

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 13%, 5%, 13% and 63%, respectively, of our last 12 months' net revenue was generated. We 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.

The following "Quarterly Results of Operations" section contains a table summarizing 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 for prior quarters' results by applying the current quarter monthly average rates to the prior quarters' months (*eg*. the April, May, and June 2023 monthly averages are applied to the January, February, and March 2023 results, respectively). The current spot rate is used for all balance sheet constant currency calculations. The table immediately below illustrates the FX impact on the reported consolidated financial results for prior periods that are discussed on the following pages:

	For the three-month period ended					**For the six-month period ended**		
(in $000's for stated values)	**June 30, 2023**	Change from Q1 2023	March 31, 2023	Change from Q2 2022	June 30, 2022	**June 30, 2023**	Change from 2022	June 30, 2022
	$	%	$	%	$	**$**	%	$
Servicing income, net, constant currency	**169,807**	9.5 %	155,069	8.0 %	157,177	**326,006**	9.8 %	296,836
Fx impact	**—**		1,130		(7,140)	**—**		(14,957)
Servicing income, net, as reported	**169,807**	8.7 %	156,199	13.2 %	150,037	**326,006**	15.7 %	281,879
Net financing revenue, constant currency	**141,898**	6.2 %	133,580	6.4 %	133,338	**274,778**	6.5 %	258,048
Fx impact	**—**		(700)		(10,086)	**—**		(19,615)
Net financing revenue, as reported	**141,898**	6.8 %	132,880	15.1 %	123,252	**274,778**	15.2 %	238,433
Syndication revenue, constant currency	**11,361**	(22.4)%	14,638	(26.7)%	15,501	**26,241**	(13.3)%	30,283
Fx impact	**—**		242		(657)	**—**		(1,662)
Syndication revenue, as reported	**11,361**	(23.6)%	14,880	(23.5)%	14,844	**26,241**	(8.3)%	28,621
Net revenue, constant currency	**323,066**	6.5 %	303,287	5.6 %	306,016	**627,025**	7.2 %	585,167
Fx impact	**—**		672		(17,883)	**—**		(36,234)
Net revenue, as reported	**323,066**	6.3 %	303,959	12.1 %	288,133	**627,025**	14.2 %	548,933
Salaries, wages and benefits, constant currency	**91,444**	7.1 %	85,354	12.3 %	81,450	**177,055**	9.2 %	162,085
Fx impact	**—**		257		(3,664)	**—**		(8,087)
Salaries, wages and benefits, as reported	**91,444**	6.8 %	85,611	17.6 %	77,786	**177,055**	15.0 %	153,998
General and administrative expenses, constant currency	**36,775**	1.1 %	36,392	22.5 %	30,013	**73,333**	23.5 %	59,387
Fx impact	**—**		166		(1,069)	**—**		(2,646)
General and administrative expenses, as reported	**36,775**	0.6 %	36,558	27.1 %	28,944	**73,333**	29.2 %	56,741
Depreciation and amortization, constant currency	**16,704**	3.0 %	16,217	3.6 %	16,127	**33,001**	7.0 %	30,838
Fx impact	**—**		80		(671)	**—**		(1,447)
Depreciation and amortization, as reported	**16,704**	2.5 %	16,297	8.1 %	15,456	**33,001**	12.3 %	29,391
Adjusted operating expenses, constant currency	**144,923**	5.0 %	137,963	13.6 %	127,590	**283,389**	12.3 %	252,310
Fx impact	**—**		503		(5,404)	**—**		(12,180)
Adjusted operating expenses, as reported	**144,923**	4.7 %	138,466	18.6 %	122,186	**283,389**	18.0 %	240,130
Adjusted operating income, constant currency	**178,143**	7.8 %	165,324	(0.2)%	178,426	**343,636**	3.2 %	332,857
Fx impact	**—**		169		(12,479)	**—**		(24,054)
Adjusted operating income, as reported	**178,143**	7.6 %	165,493	7.3 %	165,947	**343,636**	11.3 %	308,803
Provision for taxes applicable to adjusted operating income, constant currency	**43,642**	3.5 %	42,157	(2.2)%	44,623	**82,533**	0.5 %	82,158
Fx impact	**—**		(3,266)		(2,306)	**—**		(2,694)
Provision for taxes applicable to adjusted operating income, as reported	**43,642**	12.2 %	38,891	3.1 %	42,317	**82,533**	3.9 %	79,464
After-tax adjusted operating income, constant currency	**134,501**	9.2 %	123,167	0.5 %	133,803	**261,103**	4.1 %	250,699
Fx impact	**—**		3,435		(10,173)	**—**		(21,360)
After-tax adjusted operating income, as reported	**134,501**	6.2 %	126,602	8.8 %	123,630	**261,103**	13.9 %	229,339

Quarterly Results of Operations

(in $000's for stated values, except per share amounts)	For the three-month period ended			For the six-month period ended	
	June 30, 2023	March 31, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
	$	$	$	**$**	$
Net revenue					
Net interest income and rental revenue	**279,571**	249,756	179,128	**529,327**	339,776
Interest expense	**137,673**	116,876	55,876	**254,549**	101,343
Net financing revenue	**141,898**	132,880	123,252	**274,778**	238,433
Servicing income, net	**169,807**	156,199	150,037	**326,006**	281,879
Syndication revenue, net	**11,361**	14,880	14,844	**26,241**	28,621
Net revenue	**323,066**	303,959	288,133	**627,025**	548,933
Operating expenses					
Salaries, wages and benefits	**91,444**	85,611	77,786	**177,055**	153,998
General and administrative expenses	**36,775**	36,558	28,944	**73,333**	56,741
Depreciation and amortization	**16,704**	16,297	15,456	**33,001**	29,391
Amortization of convertible debenture discount	**1,016**	999	950	**2,015**	1,883
Share-based compensation	**8,755**	16,399	5,211	**25,154**	11,374
Operating expenses	**154,694**	155,864	128,347	**310,558**	253,387
Other expenses					
Amortization of intangible assets from acquisition	**9,378**	9,433	8,958	**18,811**	17,867
Loss on investments	**(707)**	737	1,322	**30**	2,764
Other expenses	**8,671**	10,170	10,280	**18,841**	20,631
Income before taxes	**159,701**	137,925	149,506	**297,626**	274,915
Provision for income taxes	**39,670**	31,441	38,386	**71,111**	70,191
Net income for the period	**120,031**	106,484	111,120	**226,515**	204,724
Weighted average number of shares outstanding [basic]	**390,385**	392,220	398,242	**391,298**	399,899
Earnings per share [basic]	**0.29**	0.26	0.26	**0.55**	0.47
Dividends declared, per share					
Common share	**0.100000**	0.100000	0.077500	**0.200000**	0.155000
Preferred Shares, Series A	**0.433313**	0.433313	0.433313	**0.866626**	0.866626
Preferred Shares, Series C	**0.388130**	0.388130	0.388130	**0.776260**	0.776260
Preferred Shares, Series E	**0.368938**	0.368938	0.368938	**0.737876**	0.737876
Preferred Shares, Series I	**—**	—	0.359375	**—**	0.718750

We offer the following commentary on operating expenses, pre-tax income margin, net income and earnings per share for the period, which are results quantified by IFRS measures. These results' counterpart non-GAAP measures are presented and we offer commentary thereon further below.

Operating expenses

Operating expenses for the quarter were $154.7 million, down 0.8% or $1.2 million from Q1 2023 ("quarter-over-quarter") and up 20.5% or $26.3 million from Q2 2022 ("year-over-year"). The year-over-year increase is due to (a) salaries, wages and benefit cost increases, (b) general and administrative expense growth, and (c) increased share-based compensation driven by share price performance. Growth in (a) salaries, wages and benefit costs and (b) G&A are both predominantly a function of our planned investments in our business -- our Commercial capabilities and activity in particular -- as previously communicated.

Pre-tax income margin

Pre-tax income margin for the quarter was 49.4%, expanding by 400 basis points quarter-over-quarter and compressing by 250 basis points year-over-year. The year-over-year compression is driven by the increase in operating expenses on the same year-over-year basis for the reasons noted immediately above, and notwithstanding the strong year-over-year net revenue growth discussed further below -- some of which net revenue growth is a direct benefit of the aforementioned planned investments in our business.

Net income

Element earned net income of $120.0 million for the quarter, an increase of $13.5 million or 12.7% quarter-over-quarter and $8.9 million or 8.0% year-over-year. Q2 2023 net income per share was $0.29; 3 cents per share higher than both Q1 2023 and Q2 2022.

Adjusted Operating Results as reported

	For the three-month period ended			For the six-month period ended	
(in $000's for stated values, except per share amounts)	**June 30, 2023**	March 31, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
	$	$	$	**$**	$
Servicing income, net	**169,807**	156,199	150,037	**326,006**	281,879
Net financing revenue	**141,898**	132,880	123,252	**274,778**	238,433
Syndication revenue, net	**11,361**	14,880	14,844	**26,241**	28,621
Net revenue	**323,066**	303,959	288,133	**627,025**	548,933
Salaries, wages and benefits	**91,444**	85,611	77,786	**177,055**	153,998
General and administrative expenses	**36,775**	36,558	28,944	**73,333**	56,741
Depreciation and amortization	**16,704**	16,297	15,456	**33,001**	29,391
Adjusted operating expenses	**144,923**	138,466	122,186	**283,389**	240,130
Adjusted operating income	**178,143**	165,493	165,947	**343,636**	308,803
Provision for taxes applicable to adjusted operating income	**43,642**	38,891	42,317	**82,533**	79,464
Cumulative preferred share dividends	**5,946**	5,946	8,103	**11,893**	16,206
After-tax adjusted operating income attributable to common shareholders	**128,555**	120,656	115,527	**249,210**	213,133
Weighted average number of shares outstanding [basic]	**390,385**	392,220	398,242	**391,298**	399,899
After-tax adjusted operating income per share [basic]	**0.33**	0.31	0.29	**0.64**	0.53

Adjusted Operating Results in constant currency[5]

	For the three-month periods ended			For the six-month period ended	
(in $000's for stated values)	**June 30, 2023**	March 31, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
	$	$	$	**$**	$
Servicing income, net	**169,807**	155,069	157,177	**326,006**	296,836
Net financing revenue	**141,898**	133,580	133,338	**274,778**	258,048
Syndication revenue, net	**11,361**	14,638	15,501	**26,241**	30,283
Net revenue	**323,066**	303,287	306,016	**627,025**	585,167
Salaries, wages and benefits	**91,444**	85,354	81,450	**177,055**	162,085
General and administrative expenses	**36,775**	36,392	30,013	**73,333**	59,387
Depreciation and amortization	**16,704**	16,217	16,127	**33,001**	30,838
Adjusted operating expenses	**144,923**	137,963	127,590	**283,389**	252,310
Adjusted operating income	**178,143**	165,324	178,426	**343,636**	332,857
Provision for taxes applicable to adjusted operating income	**43,642**	42,157	44,623	**82,533**	82,158
Cumulative preferred share dividends	**5,946**	5,946	8,103	**11,893**	16,206
After-tax adjusted operating income attributable to common shareholders	**128,555**	117,221	125,700	**249,210**	234,493
Weighted average number of shares outstanding [basic]	**390,385**	392,220	398,242	**391,298**	399,899
After-tax adjusted operating income per share [basic]	**0.33**	0.30	0.32	**0.64**	0.59

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

[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.

Net revenue

Q2 net revenue grew $34.9 million or 12.1% year-over-year and $19.1 million or 6.3% quarter-over-quarter as reported. Controlling for (a) the non-recurring net revenue generated in Q2 of last year (as communicated at that time) and (b) the strengthening of the U.S. dollar against the Canadian dollar year-over-year, Q2 net revenue grew $25.0 million or 8.4% year-over-year "organically" on a constant currency basis.

Both year-over-year and quarter-over-quarter net revenue growth was driven primarily by services revenue growth and secondarily by net financing revenue growth. The reasons for year-over-year and quarter-over-quarter services revenue and net financing revenue growth (respectively) are noted below -- see "Servicing income, net" and "Net financing revenue" on the following pages.

Orders and Originations

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. Our clients (excluding Armada) placed $2.1 billion of orders with OEMs in Q2 2023. This volume evidences the strength in both (i) clients' demand for, and (ii) importantly, the supply of vehicles: the OEMs' ability to accept these orders is in keeping with our positive outlook on OEM production capacity through the second half of 2023 and continuing in 2024.

Originations

Second quarter global originations of $2.5 billion were another quarterly record, $625.2 million or 32.7% higher year-over-year, and $628.7 million or 32.9% higher quarter-over-quarter due to OEM production capacity and thus vehicle availability improvements in all our operating geographies, coupled with our clients' continued strong demand for new vehicles.

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

(in $000's for stated values)	**June 30, 2023**		March 31, 2023		June 30, 2022	
	$	**%**	$	%	$	%
United States and Canada	**2,046,286**	**80.62**	1,459,388	76.43	1,550,121	81.03
Mexico	**342,751**	**13.50**	314,152	16.45	238,459	12.46
Australia and New Zealand	**149,175**	**5.88**	135,985	7.12	124,452	6.51
Total	**2,538,212**	**100.00**	1,909,525	100.00	1,913,032	100.00

The table below sets out the geographic distribution of originations for three-month periods indicated, on a constant currency basis:

(in $000's for stated values)	**June 30, 2023**		March 31, 2023		June 30, 2022	
	$	**%**	$	%	$	%
United States and Canada	**2,046,286**	**80.62**	1,450,787	75.87	1,620,412	79.92
Mexico	**342,751**	**13.50**	329,398	17.22	284,146	14.02
Australia and New Zealand	**149,175**	**5.88**	132,155	6.91	122,821	6.06
Total	**2,538,212**	**100.00**	1,912,340	100.00	2,027,379	100.00

Year-over-year originations growth was driven primarily by U.S. and Canadian volume, up $496.2 million or 32.0% as reported and $425.9 million or 26.3% in constant currency. Mexico originations grew $104.3 million or 43.7% year-over-year as reported and $58.6 million or 20.6% in constant currency. ANZ originations grew $24.7 million or 19.9% on the same year-over-year basis.

Quarter-over-quarter originations growth was similarly driven primarily by U.S. and Canadian volume, which grew $586.9 million or 40.2% quarter-over-quarter. Mexico originations grew $28.6 million or 9.1% quarter-over-quarter as reported ($13.4 million or 4.1% in constant currency) and ANZ originations grew $13.2 million or 9.7% as reported ($17.0 million or 12.9% in constant currency) on the same quarter-over-quarter basis.

Servicing income, net

Second quarter services revenue grew $19.8 million or 13.2% year-over-year as reported, and $12.6 million or 8.0% year-over-year in constant currency. Services revenue growth in constant currency was stronger "organically": we generated $5.5 million of non-recurring services revenue in Q2 2022 (as communicated at that time). Excluding these non-recurring items, on an "organic" basis (and in constant currency), services revenue grew $18.1 million or 12.0% year-over-year.

Quarter-over-quarter, services revenue grew $13.6 million or 8.7% driven by the same factors underpinning year-over-year growth:

A. Materially higher originations (in Q2 2023 than Q2 2022 or Q1 2023) driving associated services utilization (such as vehicle titling and registration, telematics setup, and the remarketing of older vehicles being replaced);

B. The onboarding of new Element clients' vehicles (and existing clients' incremental vehicles) enrolled in our services;

C. The successful sale of incremental services to existing clients ("share of wallet" growth);

D. Increased client use (utilization) of vehicle maintenance, accident recovery and other services, driven by:

   - Expansion of our service-supplier network, ensuring ready access to "in-network" service options; and

   - Improvements inciting "in-network" product and service purchases by our clients' drivers;

E. Parts and labour cost inflation across our service-supplier network; and

F. Positive contributions from ANZ and Armada services revenue sources.

Net financing revenue

Q2 net financing revenue grew $18.6 million or 15.1% year-over-year ($8.6 million or 6.4% in constant currency) and $9.0 million or 6.8% quarter-over-quarter. Year-over-year growth was primarily driven by strengthening gains on sale (GOS) in Mexico and the growth of our average net earning assets (NEA) given origination volume improvements (as discussed above). Quarter-over-quarter growth was driven primarily by increased originations -- especially in the U.S and Canada -- partially offset by moderating GOS in ANZ.

Net financing revenue yield on average net earning assets

	For the three-month period ended			For the six-month period ended	
(in $000's for stated values)	**June 30 2023**	March 31, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
Average net earning assets	**$ 9,133,747**	$ 8,704,954	$ 8,110,310	**$ 8,919,350**	$ 8,090,878
Net interest income and rental revenue	**12.24 %**	11.48 %	8.84 %	**11.87 %**	8.40 %
Interest expense	**6.03 %**	5.37 %	2.76 %	**5.71 %**	2.51 %
Net financing revenue yield on average net earning assets	**6.21 %**	6.11 %	6.08 %	**6.16 %**	5.89 %
Average debt outstanding	**$ 9,769,160**	$ 9,012,768	$ 7,951,617	**$ 9,390,964**	$ 8,067,485
Average cost of debt (Interest expense / average debt)	**5.64 %**	5.19 %	2.81 %	**5.42 %**	2.51 %
Average 1-Month LIBOR rates	**3.42 %**	4.62 %	1.00 %	**4.86 %**	0.62 %

Syndication revenue, net

We syndicated $688.6 million of assets in the second quarter -- $102.5 million less volume than Q2 last year, and virtually the same volume as last quarter -- and generated $11.4 million of revenue, or a 1.65% "yield" on assets syndicated.

Broad market uncertainty regarding interest rate movements can put pressure on Element's syndication yields. Given the market uncertainty in the first half of this year, we were highly selective about the assets we brought to the syndication market in both Q1 and Q2 -- notwithstanding continued robust demand for our product. Excluding the $2.5 million of non-recurring syndication revenue generated in Q2 2022 (as communicated at that time), Q2 2023 syndication revenue decreased by less than $2.0 million year-over-year ($1.6 million on a constant currency basis), while yield compressed by 22 basis points. Quarter-over-quarter, syndication revenue decreased by $3.5 million and yield compressed by 51 basis points.

We continue to expect to syndicate between $3.0 and $4.0 billion of volume for 2023, with our current outlook being towards the middle of this range.

Adjusted operating expenses

Q2 2023 adjusted operating expenses of $144.9 million were $22.7 million or 18.6% higher than Q2 2022 as reported -- or $17.3 million or 13.6% higher in constant currency -- driven by (a) salaries, wages and benefit cost increases and (b) general and administrative expense growth. In both cases, this expense growth is predominantly a function of our planned investments in our business -- our Commercial capabilities and activity in particular -- as previously communicated. The purpose of these investments is to ensure the long-term sustainability of our target 6% to 8% annual organic net revenue growth outlook.

Quarter-over-quarter, adjusted operating expenses increased by $6.5 million or 4.7%, primarily due to Q2 2023 being the first full quarter of annual "merit"-based compensation increases in 2023.

As previously communicated, we expect 2023 adjusted operating expenses to be at the high end of the range implied by our full-year 2023 results guidance.

Adjusted operating income ("AOI") and margins

Element generated $178.1 million of AOI in the quarter, which represents $12.2 million or 7.3% year-over-year growth as reported, and $7.7 million or 4.5% growth (i) in constant currency and (ii) excluding the $8.0 million of non-recurring AOI generated and previously communicated in Q2 2022. Q2 2023 AOI is equivalent to $0.33 on a per share basis.

Year-over-year AOI growth was driven by net revenue -- led by services revenue growth, with net financing revenue growth in support -- despite increased adjusted operating expenses, all as discussed above.

Quarter-over-quarter, AOI increased $12.7 million or 7.6% in Q2, similarly driven by services and net financing revenue growth and despite adjusted operating expense growth, all discussed above.

Operating margin for the quarter was 55.1%, which constitutes 210 basis points of year-over-year compression (i) in constant currency (ii) on an "organic" basis, but 60 basis points of expansion quarter-over-quarter.

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 June 30, 2023. 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)	**Q2 2023**	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Net revenue	**323,066**	303,959	292,328	290,788	288,133	260,800	245,482	244,340
Adjusted operating income	**178,143**	165,493	150,307	165,406	165,947	142,856	122,561	125,626
After-tax adjusted operating income	**134,501**	126,602	112,700	123,227	123,630	105,709	94,372	94,207
Net income	**120,031**	106,484	101,216	103,703	111,120	93,604	94,664	84,941
Earnings per share, basic	**0.29**	0.26	0.24	0.25	0.26	0.21	0.21	0.18
Earnings per share, diluted	**0.29**	0.25	0.24	0.24	0.25	0.21	0.21	0.18
Adjusted operating income per share, basic	**0.44**	0.41	0.37	0.40	0.40	0.34	0.28	0.28
After-tax adjusted operating income per share, basic	**0.33**	0.31	0.27	0.30	0.29	0.24	0.21	0.21
After-tax pro forma diluted adjusted operating income per share	**0.32**	0.30	0.26	0.29	0.28	0.24	0.21	0.20
Total assets	**15,857,059**	15,065,605	14,332,218	13,703,080	13,166,556	12,817,647	12,973,412	13,105,478
Net earning assets	**9,365,615**	8,840,573	8,394,257	8,287,013	7,983,040	7,947,152	8,203,159	8,687,716
Total debt	**10,152,119**	9,489,097	8,917,619	8,465,137	8,342,529	8,069,321	8,198,035	8,493,546
Loan and lease originations	**2,538,212**	1,909,525	1,841,874	1,445,838	1,913,032	1,432,360	1,194,746	1,314,234
Allowance for credit losses	**10,095**	10,205	10,369	10,143	9,760	10,256	10,246	8,613
As a % of total finance receivables before allowance	**0.11**	0.12	0.13	0.13	0.13	0.14	0.14	0.11
Senior revolving credit facilities	**1,708,328**	2,654,291	1,893,323	1,425,361	1,321,024	1,464,384	1,106,629	1,007,628
Borrowings	**8,351,952**	6,731,561	6,914,536	6,918,113	6,859,914	6,457,020	6,932,334	7,328,076
Convertible debentures	**166,609**	165,257	163,933	162,725	161,591	160,321	159,072	157,842

Financial Position

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

(in $000's for stated values)	**June 30, 2023**	March 31, 2023	June 30, 2022
	$	$	$
ASSETS			
Cash	**74,503**	145,121	70,581
Restricted funds	**429,378**	382,024	455,561
Finance receivables	**9,278,405**	8,611,256	7,384,175
Equipment under operating leases	**3,159,966**	3,012,215	2,431,788
Accounts receivable and other current assets	**227,655**	221,156	186,598
Derivative financial instruments	**123,694**	98,777	99,481
Property, equipment and leasehold improvements	**126,743**	92,035	85,157
Intangible assets	**840,781**	858,209	833,078
Deferred tax assets	**325,863**	349,818	383,708
Goodwill	**1,270,071**	1,294,994	1,236,429
	15,857,059	15,065,605	13,166,556
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**1,502,675**	1,453,550	1,223,626
Derivative financial instruments	**59,567**	66,455	69,282
Borrowings	**10,060,280**	9,385,852	8,180,938
Convertible debentures	**166,609**	165,257	161,591
Deferred tax liabilities	**147,701**	136,611	115,641
	11,936,832	11,207,725	9,751,078
Shareholders' equity	**3,920,227**	3,857,880	3,415,478
	15,857,059	15,065,605	13,166,556

Total assets and liabilities increased by $791.5 million and $729.1 million, respectively, from March 31, 2023; and $2,690.5 million and $2,185.8 million, respectively, from June 30, 2022.

The increases in total assets and liabilities were primarily increases in finance receivables, equipment under operating leases, and borrowings.

Approximately 52% 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 U.S. dollar weakened compared to the CAD quarter-over-quarter but strengthened significantly against the CAD compared to June 30, 2022.

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 both quarter-over-quarter and year-over-year, while the Australian and New Zealand dollars weakened immaterially versus the CAD.

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 $667.1 million and $1,209.0 million higher at June 30, 2023 than at March 31, 2023 and December 31, 2022, respectively, driven primarily by originations.

(in $000's for stated values, except ratios)	June 30, 2023	March 31, 2023	December 31, 2022
	$	$	$
Net investment in finance receivables	**6,205,649**	5,828,358	5,587,416
Impaired receivables - at net realizable value	**50,803**	7,745	6,605
	6,256,452	5,836,103	5,594,021
Unamortized origination costs and subsidies	**(68,427)**	(49,826)	(38,294)
Net finance receivables	**6,188,025**	5,786,277	5,555,727
Prepaid lease payments and Security deposits	**(59,084)**	(55,862)	(54,960)
Interim funding	**1,745,110**	1,410,812	1,184,862
Fleet management service receivables	**755,667**	800,266	802,809
Other	**584,012**	617,956	537,144
Continuing involvement asset	**74,770**	62,012	54,173
	9,288,500	8,621,461	8,079,755
Allowance for credit losses	**10,095**	10,205	10,369
Total finance receivables	**9,278,405**	8,611,256	8,069,386

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

Credit losses and provisions as at and for the six-month period ended June 30, 2023, three-month period ended March 31, 2023 and the year-ended December 31, 2022 are as follows.

	Six-month period ended	three-month period ended	Twelve-months period ended
	June 30, 2023	March 31, 2023	December 31, 2022
(in $000's for stated values, except ratios)	$	$	$
Allowance for credit losses, beginning of period	**10,369**	10,369	10,246
Provision for credit losses	**160**	(106)	(25)
Charge-offs, net of recoveries	**(416)**	(151)	(431)
Impact of foreign exchange rates	**(18)**	93	579
Allowance for credit losses, end of period	**10,095**	10,205	10,369
Charge-offs, net of recoveries, as a % of total finance receivables	**0.01 %**	— %	0.01%
Allowance for credit losses, as a % of total finance receivables before allowance	**0.11 %**	0.12 %	0.13%

Element's policy is to assess (a) the probability of default and (b) 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 a potential slowing economy) such as overall default rates and the impact that potential upward or downward trends in GDP would have on our lease and loan portfolio. Inflation, interest rate and recessionary concerns remain at the forefront of our minds, while COVID-19 concerns wane. Consideration of these potential impacts on one hand, opposite the favourable evolution of our portfolio and the resilience of our client base on the other hand, resulted in a modest $0.2 million release from our allowance for credit losses in the quarter.

Our allowance for credit losses has decreased $0.3 million since December 31, 2022.

Impaired receivables

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.

Impaired receivables increased to $50.8 million as at June 30, 2023 following the pre-packaged Chapter 11 filing by one Element client. This client's re-organization plan was confirmed early in this third quarter of 2023, and our lease and service agreements were affirmed, with the client continuing to make payments during bankruptcy.

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)	**June 30, 2023**		March 31, 2023		December 31, 2022	
	$	**%**	$	%	$	%
United States and Canada	**5,224,593**	**55.9**	4,865,038	55.3	4,710,263	56.3
Australia and New Zealand	**1,552,139**	**16.6**	1,584,930	18.0	1,597,736	19.1
Mexico	**2,571,259**	**27.5**	2,348,524	26.7	2,054,569	24.6
Total	**9,347,991**	**100.0**	8,798,492	100.0	8,362,568	100.0
Allocated as:						
Net finance receivables	**6,188,025**	**66.2**	5,786,277	65.8	5,555,727	66.4
Equipment under operating leases, net	**3,159,966**	**33.8**	3,012,215	34.2	2,806,841	33.6
Total	**9,347,991**	**100.0**	8,798,492	100.0	8,362,568	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)	**June 30, 2023**		March 31, 2023		December 31, 2022	
	$	**%**	$	%	$	%
United States and Canada	**12,967,466**	**75.2**	12,563,075	75.5	12,102,497	75.7
Australia and New Zealand	**1,551,292**	**9.0**	1,584,091	9.5	1,593,563	10.0
Mexico	**2,722,047**	**15.8**	2,486,805	15.0	2,277,157	14.3
Assets under management	**17,240,805**	**100.0**	16,633,971	100.0	15,973,217	100.0

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 2022 and the first half of 2023, the results of those tests have confirmed the stability and sustainability of our cash flow and forward funding capacity have confirmed the stability and sustainability of our cash flow and forward funding capacity.

Notwithstanding our dependable operating cash flows and $3.2 billion of committed, undrawn capital at June 30, 2023, we continue our efforts to sustainably enhance our dynamic liquidity management capabilities, including data analysis capacity and forecasting.

Statement of cash flows - as presented in the unaudited interim condensed consolidated financial statements

Cash used in operating activities for the six-month period ended June 30, 2023 - as presented in our unaudited interim condensed consolidated financial statements - was $1,157.8 million, a decrease of $1,485.2 million from the $327.4 million provided by operating activities for the six-month period ended June 30, 2022. The decrease year-over-year was primarily the result of higher investments in finance leases resulting from increased origination volumes compared to prior year.

Cash used in investing activities for the six-month period ended June 30, 2023 was $43.3 million compared to cash used in investing activities of $31.2 million for the six-month period ended June 30, 2022. The primary driver of the change is an increase in the purchase of property, plant, and equipment, offset by cash payments to, versus cash receipts from, Investments and a decrease in proceeds on disposal of property, plant and equipment compared to the prior year.

Cash provided by financing activities for the six-month period ended June 30, 2023 was $1,125.2 million, compared to $257.9 million used in financing activities for the six-month period ended June 30, 2022. The increase is primarily due to the issuance of the US Senior note and increased borrowings on our facilities to finance the increase in investments in finance receivables. Further increase due to redemption of preferred shares in prior year.

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 table below illustrates the reconciliation of "free cash flow" (from our Supplementary Information document) to "Cash Flow from Operations":

	For the three-month period ended			For the six-month period ended	
(in $000's for stated values)	**June 30, 2023**	March 31, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
	$	$	$	**$**	$
Free Cash Flow	**181,355**	147,025	147,720	**328,380**	263,003
Amortization of equipment under operating leases	**157,857**	142,981	124,735	**300,838**	247,285
Investment in finance receivables	**(2,617,756)**	(1,809,362)	(1,736,275)	**(4,427,118)**	(2,996,701)
Repayments of finance receivables	**1,154,744**	704,172	782,460	**1,858,916**	1,649,936
Investment in equipment under operating leases	**(380,139)**	(344,763)	(252,152)	**(724,902)**	(539,663)
Disposals of equipment under operating leases	**85,553**	82,763	59,799	**168,316**	131,904
Proceeds from syndication financings	**700,252**	704,993	802,204	**1,405,245**	1,474,020
Sustaining capital investments	**19,189**	16,095	14,524	**35,284**	28,666
Preferred share dividends	**5,946**	5,946	8,103	**11,892**	16,206
Other	**(10,645)**	(104,040)	126,494	**(114,685)**	52,718
Cash Flow from Operations	**(703,644)**	(454,190)	77,612	**(1,157,834)**	327,374

Credit and debt facilities

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

We had $3.2 billion of contractually committed, undrawn liquidity across our revolving unsecured ($1.8 billion) and vehicle management asset-backed ($1.4 billion) facilities at June 30, 2023. 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	**June 30, 2023**			
(in $000's for stated values)	**$**	**%**	**$**	**$**
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	**3,480,593**	***50.9***	**1,772,265**	**1,708,328**
Senior notes	**2,187,801**	**—**	**—**	**2,187,801**
Term facilities	**339,224**	**—**	**—**	**339,224**
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	**1,724,301**	**—**	**—**	**1,724,301**
Variable funding notes	**5,404,031**	***25.5***	**1,380,069**	**4,023,962**
Other	**58,080**	**—**	**—**	**58,080**
Total vehicle management asset-backed debt	**7,186,412**	***19.2***	**1,380,069**	**5,806,343**
Total cash			**74,503**	
Total capital available for continuing operations			**3,226,837**	

As at	March 31, 2023			
(in $000's for stated values)	$	%	$	$
	Facility size	Undrawn amount		Drawn amount
Senior unsecured revolving credit facilities	3,318,182	*20.0*	663,891	2,654,291
Senior notes	1,218,924	—	—	1,218,924
Term facilities	387,013	*0.24*	94,805	292,208
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	925,534	—	—	925,534
Variable funding notes	5,413,373	*22.2*	1,199,473	4,213,900
Other	71,017	—	—	71,017
Total vehicle management asset-backed debt	6,409,924	*18.7*	1,199,473	5,210,451
Total cash			145,121	
Total capital available for continuing operations			2,103,290	

As at	December 31, 2022			
(in $000's for stated values)	$	%	$	$
	Facility size	Undrawn amount		Drawn amount
Senior unsecured revolving credit facilities	2,505,788	*24.4*	612,465	1,893,323
Senior notes	1,219,032	—	—	1,219,032
Term facilities	387,034	—	—	387,034
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	1,115,459	—	—	1,115,459
Variable funding notes	5,582,429	*26.2*	1,462,068	4,120,361
Other	83,639	—	—	83,639
Total vehicle management asset-backed debt	6,781,527	*21.6*	1,462,068	5,319,459
Total cash			68,876	
Total capital available for continuing operations			2,143,409	

On June 26, 2023, Element completed its issuance of U.S. $750.0 million, 6.271% senior unsecured investment grade notes due June 2026. The proceeds received at the time of closing were used for working capital and general corporate purposes.

During Q2 2023, the Company

- issued U.S. $750.0 million of vehicle management asset-backed term notes to a wide selection of institutional investors. The offering was greeted by strong investor demand, allowing the Company to increase the offering size from U.S. $500.0 million while improving pricing;
- renewed its term facilities for an additional year; and
- extended one of our variable funding note facilities to May 2024, and increased its available capacity by $60.3 million.

During Q1 2023, the Company extended the senior unsecured revolving credit facilities and increased the available capacities. One facility was extended to November 2025 and the available capacity was increased by $677.2 million in Q1, and then by an additional $182 million in Q2. Another facility was extended to April 2024 and the available capacity was increased by $135.4 million.

During Q4 2022, the Company extended one of our variable funding note facilities to March 2024, at which time the available capacity was increased by $677.2 million.

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

Capital Resources

Capitalization

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

The Company's capitalization is calculated as follows:

As at	**June 30, 2023**	March 31, 2023	December 31, 2022
(in $000's)	**$**	$	$
Cash	**74,503**	145,121	68,876
Unsecured debt			
Senior credit facilities	**1,708,328**	2,654,291	1,893,323
4.250% Convertible Debentures due 2024	**166,609**	165,257	163,933
3.850% Senior Notes due 2025	**530,376**	541,744	541,792
1.600% Senior Notes due 2024	**662,970**	677,180	677,240
6.271% Senior Notes due 2026	**994,455**	—	—
Term facilities	**339,224**	292,208	387,034
Vehicle Management Asset-Backed Debt			
Revolving term notes in amortization	**1,724,301**	925,534	1,115,459
Variable funding notes	**4,023,962**	4,213,900	4,120,361
Other	**58,080**	71,017	83,639
Deferred financing costs	**(25,669)**	(17,715)	(19,227)
Continuing involvement liability	**74,770**	62,012	54,173
Hedge accounting fair value adjustments	**(30,517)**	(34,319)	(45,935)
Total debt	**10,226,889**	9,551,109	8,971,792
Shareholders' equity			
Common share capital	**2,849,085**	2,862,708	2,868,078
Preferred share capital	**365,113**	365,113	365,113
Other	**706,029**	630,059	447,782
Total Shareholders' Equity	**3,920,227**	3,857,880	3,680,973
Total Capitalization	**14,147,116**	13,408,989	12,652,765

Growing profitability, free cash flow and syndication all contribute to the de-leveraging of Element's balance sheet. With our redemption of $150.0 million of Series I preferred shares in full on June 30, 2022, we have cumulatively eliminated or replaced well 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.

Normal Course Issuer Bids

On November 11, 2022, the TSX approved Element's notice of intention to renew its normal course issuer bid ("NCIB"). The NCIB allows Element to repurchase on the open market (or as otherwise permitted), at its discretion during the period from November 15, 2022 to November 14, 2023, up to 39,228,719 common shares, subject to rules of the TSX and applicable law. As of June 30, 2023 and since the NCIB renewal, 3,082,273 common shares were repurchased for cancellation for an aggregate amount of approximately $55.9 million at a volume weighted average price of $18.14 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 June 30, 2023, our financial leverage ratio was 2.59:1 and tangible leverage ratio was 5.61:1.

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

As at		**June 30, 2023**	December 31, 2022
(in $000's, except ratios)		**$**	$
Borrowings		**10,060,280**	8,807,859
Convertible debentures		**166,609**	163,933
Less: Continuing involvement liability		**(74,770)**	(54,173)
Total debt	**(a)**	**10,152,119**	8,917,619
Total shareholders' equity	**(b)**	**3,920,227**	3,680,973
		14,072,346	12,598,592
Goodwill and intangible assets	**(c)**	**2,110,852**	2,159,699
Financial leverage	**(a)/(b)**	**2.59**	2.46
Tangible leverage	**(a)/[(b)-(c)]**	**5.61**	5.86

The Company was in compliance with all financial and reporting covenants with all of its lenders at June 30, 2023.

Credit ratings

Our ability to access financing on a cost-effective 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 June 30, 2023

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 2022, DBRS, Inc. and Fitch Ratings affirmed their stable outlooks and investment-grade rating of BBB (high) and BBB+, respectively. Additionally, in Q4 2022, Kroll Bond Rating Agency affirmed its stable outlook and investment-grade rating of A-, and Standard & Poor's affirmed its stable outlook and investment-grade rating of BBB.

Risk Management

The Company has risk management processes in place to monitor, evaluate and manage the principal risks it assumes in conducting its business. These risks include credit, liquidity, foreign exchange, credit spread, 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 2022 Annual MD&A.

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

With a strengthened operating platform and a sound balance sheet, we manage tangible leverage of 6.25x-6.75x (calculated using our assumptions as to normalized FX rates) to remain within rating agency thresholds.

Outlook and Economic Conditions

Outlook

Full-year 2023 results guidance (unchanged)

$ millions, except per share	2022 results, excluding non-recurring items[6]	2023 results guidance[6]	Year-over-year growth rates implied by 2023 guidance
Net revenue	$1,164	$1,240-1,260	6.5% - 8.5%
Operating margin	54.8%	54-55%	-
Adjusted operating income	$638	$675-700	7% - 10%
Adjusted earnings per share	$1.13	$1.26-1.31	12% - 16%
Free cash flow per share	$1.39	$1.58-1.63	13% - 17%
Originations	$6,938	$8,000-8,500	15% - 23%
Syndication volume	$2,906	$3,000-4,000	3% - 38%

Profitable organic net revenue growth

As previously communicated, we believe Element can deliver 6% to 8% annual organic net revenue growth in normal market conditions: revenue growth rates are expected be in excess of operating expense growth, creating growth in operating income.

A capital-lighter business model

In addition to capital-light services revenue growth being a key long-term driver of our 6% to 8% annual organic net revenue growth outlook, we continue to view syndication as a cornerstone of our capital-lighter business model. We expect growing originations this (and next) year to provide a ready supply of lease assets to sell to a broadening geographic base of syndication investors (already in the U.S. and Canada, and targeting Mexico). Accordingly, we expect syndication volume to grow again in 2024.

This combination of capital-light services and syndication revenues will continue to enhance Element's return on equity profile.

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

Strong growth in operating income combined with our capital-lighter business model has produced robust growth in free cash flow per share, which we expect to continue and plan to allocate as follows:

- Eliminate the last of the high-cost legacy financing instruments (preferred share series);
- Grow the common dividend (consistent with the growth in free cash flow per share);
- Repurchase common shares under NCIBs; and
- Reinvest in our business.

[6] Based on a CAD:USD exchange rate of 1.35:1, a CAD:MXP exchange rate of 0.07:1, and a CAD:AUD exchange rate of 0.92:1

Electric vehicles

We believe the complexity and risk of gradually transitioning mission-critical automotive fleets from ICE-powered to electric vehicles will increase demand for outsourced fleet management services and expertise. Importantly, this belief is bearing itself out in our Commercial engagements with new and existing clients alike.

Arc by Element is our Company's comprehensive, integrated end-to-end EV offering. Building on our success in all the markets we serve, we are proud to provide 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.

Economic Conditions

Inflation

Inflation is additive to Element's business model:

- Net financing revenue benefits from rising vehicle prices, as does syndication revenue when we choose to transact on those leases. Services revenue benefits from the rising costs of maintaining and repairing vehicles.
- Rising vehicle operating costs drive greater demand for our services, because clients (and prospective clients) want to control and optimize the total cost to own and operate their fleets.

While inflation may have a broader negative macroeconomic impact that adversely affects our clients (and prospective clients), we are not currently seeing indications of this in our client base or commercial efforts at this time.

Recession

We view the impacts of the COVID-19 pandemic on our business in 2020 as a reasonable proxy for the potential impacts of a severe economic downturn on our business today.

In 2020, despite intermittent “shelter in place” edicts through the last 9 months of the year, Element generated resilient net revenue, operating income and cash flow while successfully advancing our strategic priorities at that time (which were (i) the organization’s Transformation program and (ii) the beginnings of our pivot to the current successful focus on organic revenue growth).

The ~1.5 million vehicles we manage for our blue-chip client base are mission-critical assets. This results in the continuity of (a) services consumption and (b) demand for replacement vehicles.

Our “credit first, collateral second” underwriting philosophy protects investors from any material escalation of credit losses. We focus on maintaining a high-credit-quality client base, which is also diversified: no single industry accounts for more than 5% of our vehicles under management today.

Our cross-collateralized leases are typically one of the first contracts affirmed in a bankruptcy scenario (given the mission-critical nature of the leased vehicles to our clients' ability to generate revenue). Cross-collateralization is but one dimension of our proactive collateral gap management practices, which have proven effective in the exceedingly rare cases of client liquidations.

Moreover, we believe Element’s value proposition – lowering our clients’ total cost of fleet operations and reducing related administrative burden – becomes more attractive and relevant to clients and prospective clients in a recessionary environment (where pressure to manage operating costs and realize efficiencies increases).

Rising interest rates

Element's business model is largely agnostic to interest rate movements. We match-fund our leases on interest rate type (fixed vs. floating) and carefully monitor borrowing costs to ensure new leases are written to reflect appropriate credit spreads. We actively manage our funding facilities to optimize lease interest margins, which -- upon lease activation -- are preserved for the life of the asset on our balance sheet. Following activation, our only exposure is modest: to credit spread risk for the duration of the lease.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are made with reference to the unaudited interim condensed consolidated financial statements and the accompanying notes for the three- and six-month periods ended June 30, 2023. A summary of the Company's significant accounting policies is presented in note 2 to the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2022. The unaudited interim condensed consolidated financial statements and the accompanying notes for the three- and six-month periods ended June 30, 2023 have been prepared in conformity with accounting polices disclosed in the consolidated financial statements and the accompanying notes for the year ended December 31, 2022.

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 the Company's 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 ceased to apply the amendments on June 30, 2023.

Effective December 31, 2021, the publication of LIBOR settings 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 terminated on June 30, 2023. Effective January 1, 2023, the Company migrated all floating rate leases tied to LIBOR to the Secured Overnight Financing Rate ("SOFR"). All derivatives tied to LIBOR were transitioned to SOFR effective June 30, 2023.

The following table shows the Company's exposure for financial asset and liabilities at June 30, 2023 and December 31, 2022 subject to IBOR reform that have yet to transition to SOFR.

	As at June 30, 2023		
	Non-derivative financial assets - carrying value	**Non-derivative financial liabilities - carrying value**	**Derivative Notional/Principal**
	$	**$**	**$**
USD LIBOR (1 month)	—	—	—
USD LIBOR (3 month)	—	—	—
	—	—	—

	As at December 31, 2022		
	Non-derivative financial assets - carrying value	Non-derivative financial liabilities - carrying value	Derivative Notional/Principal amount(1)
	$	$	$
USD LIBOR (1 month)	1,154,829	—	3,687,647
USD LIBOR (3 month)	542,600	—	—
	1,697,429	—	3,687,647

1. Excludes interest rate contracts and non-derivative instruments which reference rates to multi-rate jurisdictions, including the Australian Bank Bill Swap Rates ("BBSW"), New Zealand Bank Bill Rates ("BBR"), and MXN-TIIE-Banxico ("MXIBTIIE").

On May 16, 2022, Refinitiv Benchmark Services (UK) Ltd. ("RBSL"), the administrator of the Canadian Dollar Offered Rate ("CDOR"), announced that the calculation and publication of all tenors of CDOR will permanently cease following a final publication on June 28, 2024. The Company has determined that its exposure to CDOR is immaterial.

Future Accounting Changes

All applicable accounting standards effective for periods beginning on or after January 1, 2023 have been adopted by the Company. The following new IFRS pronouncement has been issued but is not yet effective and may have a future impact on the Company's consolidated financial statements.

Income Taxes

On May 23, 2023, the International Accounting Standards Board issued narrow scope amendments to International Accounting Standard 12, Income Taxes, (“IAS 12”). The IAS 12 amendments give entities a temporary exception from accounting for the deferred tax impacts resulting from the jurisdictional implementation of Pillar Two model rules published by the Organization for Economic Co-operation and Development. The IAS 12 amendments also require affected entities to make certain disclosures about the exposure to Pillar Two rules. The Company applied the temporary exemption and will continue to monitor the Company’s financial and disclosure requirements related to Pillar Two model rule.

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 provides 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 assurance that any design 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 period ended			As at and for the six-month period ended	
(in $000's for stated values)		**June 30, 2023**	March 31, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
Reported and adjusted income measures						
Net income	A	**120,031**	106,484	111,120	**226,515**	204,724
Adjustments:						
Amortization of debenture discount		**1,016**	999	950	**2,015**	1,883
Share-based compensation		**8,755**	16,399	5,211	**25,154**	11,374
Amortization of intangible assets from acquisitions		**9,378**	9,433	8,958	**18,811**	17,867
Provision for income taxes		**39,670**	31,441	38,386	**71,111**	70,191
Loss on investments		**(707)**	737	1,322	**30**	2,764
Before-tax adjusted operating income	B	**178,143**	165,493	165,947	**343,636**	308,803
Provision for taxes applicable to adjusted operating income	C	**43,642**	38,891	42,317	**82,533**	79,464
After-tax adjusted operating income	D=B-C	**134,501**	126,602	123,630	**261,103**	229,339
Cumulative preferred share dividends during the period	Y	**5,946**	5,946	8,103	**11,893**	16,206
After-tax adjusted operating income attributable to common shareholders	D1= D-Y	**128,555**	120,656	115,527	**249,210**	213,133
Provision for income taxes		**39,670**	31,441	38,386	**71,111**	70,191
Adjustments:						
Pre-tax income		**4,788**	7,154	5,120	**11,943**	14,094
Foreign tax rate differential and other		**(816)**	296	(1,189)	**(521)**	8,549
Provision for taxes applicable to adjusted operating income		**43,642**	38,891	42,317	**82,533**	92,834
Selected statement of financial position amounts						
Total Finance receivables, before allowance for credit losses	E	**9,288,500**	8,621,461	7,393,935	**9,288,500**	7,393,935
Allowance for credit losses	F	**10,095**	10,205	9,760	**10,095**	9,760
Net investment in finance receivable	G	**6,205,649**	5,828,358	5,551,252	**6,205,649**	5,551,252
Equipment under operating leases	H	**3,159,966**	3,012,215	2,431,788	**3,159,966**	2,431,788
Net earning assets	I=G+H	**9,365,615**	8,840,573	7,983,040	**9,365,615**	7,983,040
Average net earning assets	J	**9,133,747**	8,704,954	8,110,310	**8,919,350**	8,090,878
Goodwill and intangible assets	K	**2,110,852**	2,153,203	2,069,507	**2,110,852**	2,069,507
Average goodwill and intangible assets	L	**2,140,825**	2,148,897	2,057,124	**2,144,861**	2,051,091
Borrowings	M	**10,060,280**	9,385,852	8,180,938	**10,060,280**	8,180,938
Unsecured convertible debentures	N	**166,609**	165,257	161,591	**166,609**	161,591
Less: continuing involvement liability	O	**(74,770)**	(62,012)	(20,165)	**(74,770)**	(20,165)
Total debt	P=M+N-O	**10,152,119**	9,489,097	8,322,364	**10,152,119**	8,322,364
Average debt	Q	**9,769,160**	9,012,768	7,951,617	**9,390,964**	8,067,485
Total shareholders' equity	R	**3,920,227**	3,857,880	3,415,478	**3,920,227**	3,415,478
Preferred shares	S	**365,113**	365,113	365,113	**365,113**	365,113
Common shareholders' equity	T=R-S	**3,555,114**	3,492,767	3,050,365	**3,555,114**	3,050,365
Average common shareholders' equity	U	**3,552,720**	3,452,277	3,036,843	**3,502,499**	2,986,216
Average total shareholders' equity	V	**3,917,833**	3,817,390	3,499,793	**3,867,612**	3,473,625

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

		As at and for the three-month period ended			As at and for the six-month period ended	
(in $000's for stated values, except ratios and per share amounts)		**June 30, 2023**	March 31, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	P/R	**2.59**	2.46	2.44	**2.59**	2.44
Tangible leverage ratio	P/(R-K)	**5.61**	5.57	6.18	**5.61**	6.18
Average financial leverage ratio	Q/V	**2.49**	2.36	2.27	**2.43**	2.32
Average tangible leverage ratio	Q/(V-L)	**5.50**	5.40	5.51	**5.45**	5.67
Other key operating ratios						
Allowance for credit losses as a % of total finance receivables before allowance	F/E	**0.11 %**	0.12 %	0.13 %	**0.11 %**	0.13 %
Adjusted operating income on average net earning assets	B/J	**7.80 %**	7.60 %	8.18 %	**3.85 %**	3.82 %
After-tax adjusted operating income on average tangible total equity of Element	D/(V-L)	**30.28 %**	30.35 %	34.28 %	**30.31 %**	32.24 %
Per share information						
Number of shares outstanding	W	**389,703**	391,571	397,412	**389,703**	397,412
Weighted average number of shares outstanding [basic]	X	**390,385**	392,220	398,242	**391,298**	399,899
Pro forma diluted average number of shares outstanding	Y	**405,505**	408,966	414,438	**406,413**	416,089
Cumulative preferred share dividends during the period	Z	**5,946**	5,946	8,103	**11,893**	16,206
Other effects of dilution on an adjusted operating income basis	AA	**$ 1,638**	$ 1,656	$ 1,604	**$ 3,293**	$ 3,194
Net income per share [basic]	(A-Z)/X	**$ 0.29**	$ 0.26	$ 0.26	**$ 0.55**	$ 0.47
Net income per share [diluted]		**$ 0.29**	$ 0.25	$ 0.25	**$ 0.54**	$ 0.46
After-tax adjusted operating income per share [basic]	(D1)/X	**$ 0.33**	$ 0.31	$ 0.29	**$ 0.64**	$ 0.53
After-tax pro forma diluted adjusted operating income per share	(D1+AA)/Y	**$ 0.32**	$ 0.30	$ 0.28	**$ 0.62**	$ 0.52

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 June 30, 2023:

(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	**178,143**		**0.46**
Less:			
Income taxes related to adjusted operating income	**(43,642)**		**(0.11)**
Preferred share dividends	**(5,946)**		**(0.02)**
After-tax adjusted operating income attributable to common shareholders	**128,555**	**390,385,377**	**0.33**
Dilution items:			
Employee stock option plan	**—**	**491,913**	**—**
Convertible debentures (after-tax net interest expense)	**1,638**	**14,627,599**	**(0.01)**
After-tax pro forma diluted adjusted operating income	**130,193**	**405,504,889**	**0.32**

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 June 30, 2023 and December 31, 2022, the results of operations, comprehensive income and cash flows for the three- and six-month periods-ended June 30, 2023 and June 30, 2022.

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 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.

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 August 8, 2023, the Company had 389,623,243 Common Shares issued and outstanding. In addition, 968,856 options were issued and outstanding under the Company's stock option plan as at August 8, 2023. These convertible securities are convertible into, or exercisable for, Common Shares of the Company. 969,723 of these convertible securities were exercisable at June 30, 2023, for what would have been proceeds to the Company upon exercise of $9.1 million. In addition, the Company had convertible debentures outstanding that are convertible into an aggregate of 14,627,599 Common Shares.

As at August 8, 2023, the Company had 4,600,000 Preferred Shares, Series A, 5,126,400 Preferred Shares, Series C and 5,321,900 Preferred Shares, Series E issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on August 8, 2023.