

Q3 2022 Results

# Investor Presentation



# Forward-looking statements and disclaimer

This presentation contains certain forward-looking statements and forward-looking information regarding Element Fleet Management Corp. ("Element") and its business which are based upon Element's current expectations, estimates, projections, assumptions and beliefs. In some cases, words such as "plan", "expect", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "target", "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. 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.

Forward-looking statements and information in this presentation may include, but are not limited to, statements with respect to, among other things, the impact that the COVID-19 pandemic may have on Element's financial condition, operating results and cash flows; the impact that manufacturers' production delays will have on Element's business; the objectives, vision and strategies of Element; the future financial reporting of Element; future cash flows, financial condition, financial performance, operating performance, financial ratios, projected asset base, capital structure and capital expenditures; Element's after-tax adjusted operating income per share and free cash flow per share; Element's expectations regarding revenue growth; Element's EV strategy and capabilities; global EV adoption rates; Element's anticipated dividend policy and plans for future dividends; Element's ability to deliver returns and benefits from its initiatives; client acquisition, retention and experience; relationships with suppliers; anticipated cash needs, capital requirements, need for and cost of additional financing and ability to access such financing; future assets; demand for services; Element's competitive position; anticipated trends and challenges in Element's business and the markets in which it operates; Element's ability to generate pre-tax run-rate operating income; expectations regarding syndication; Element's ability to increase total shareholder return; Element's ability to pre-fund redemption of its outstanding convertible debentures upon their maturity; Element's ability to redeem its preferred shares; Element's dividend policy and the payment of future dividends; Element's proposed share purchases, including the number of common shares to be repurchased, the timing thereof and TSX acceptance of the normal course issuer bid and any renewal thereof; and expectations regarding credit ratings.

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 predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements and information in this presentation speak only as of the date on the front of this presentation. The forward-looking information and statements contained in this presentation 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 general continuance of current or, where applicable, assumed industry conditions; 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; Element's net interest margin; expectations regarding syndication; growth in lease receivables and service income; assumed rate of cost inflation; assumed applicable foreign exchange rates and applicable income tax rates; Element's funding mix; terms of new instruments issued to refinance Element's 2024 convertible debentures; the reset rates for Element's outstanding preferred shares; the extent of its assets and liabilities; and the impact of vehicle manufacturers' ability to deliver vehicles. Element believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking events and circumstances discussed in this presentation may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting Element, including risks regarding the fleet management and finance industries, economic factors, risks related to the addition of new clients, risks related to the payment of dividends, risks relating to business integration and many other factors beyond the control of Element. The COVID-19 pandemic has cast additional uncertainty on Element's expectations, estimates, projections, assumptions and beliefs. The duration, extent and severity of the impact the COVID-19 pandemic, including measures to prevent its spread, will have on Element's business remains uncertain and difficult to predict at this time. No forward-looking statement can be guaranteed and Element cannot guarantee future results, levels of activity, performance or achievements. Accordingly, readers should not place undue reliance on any forward-looking statements or information. A discussion of the material risks applicable to Element can be found in Element's most recent Management Discussion and Analysis document as well as the most recent such document in respect of a full calendar year, and Element's Annual Information Form, each of which have been or will be filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com). Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element disclaims any intention and assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

An investment in the securities of Element involves significant risks. A discussion of some of the material risks affecting Element and its business appears under the heading "Risk Factors" in Element's Annual Information Form dated on March 1, 2022, and under the headings "Risk Management" and "Critical Accounting Policies and Estimates" in Element's Management Discussion and Analysis for the three- and nine-month periods ended September 30, 2022, all of which have or will have been filed on SEDAR and can be accessed at Element's profile on [www.sedar.com](http://www.sedar.com). Prospective investors should carefully consider the risks associated with an investment in the securities of Element before deciding to purchase any such securities.

Unless the context otherwise requires, references to "\$" are to Canadian dollars.

Non-GAAP Measures

In this presentation, management presents measures that do not have a standardized meaning under IFRS and may not be comparable to similarly-named or any other non-GAAP measures presented by other organizations. Descriptions of the non-GAAP measures presented in this document can be found in Element's Management Discussion & Analysis that accompanies the financial statements for the most recent quarter or year, which have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

## Overview

# The largest pure-play automotive fleet manager in the world, Element (TSX: EFN) is a global B2B and B2G services company

**\$1.33**

Free Cash Flow  
per Share<sup>1</sup>

**54.9%**

Operating  
Margin<sup>1</sup>

**17.8%**

Return on  
Equity<sup>2</sup>

- Market leader in North America and Australia / New Zealand
- Resilient recurring revenues from a growing base of loyal, blue-chip clients across 700+ industries and 5 countries
- Industry-leading scalable operating platform with minimal capex requirements
- Ample free cash flow being returned to shareholders by way of ongoing share buybacks and growing common dividends
- Transparent, accountable, proven management team with track record of creating value for shareholders
- Attractive industry dynamics including high barriers to entry

## Overview

# Our resilient, growing business consistently delivers strong free cash flow and financial performance throughout economic cycles

<b>1</b>	<b>Essential business services provider</b>	<ul style="list-style-type: none"><li>• Fleet vehicles are essential for our clients to sustain revenues and/or meet stakeholder needs, ensuring continuity of demand for, and utilization of, our services</li></ul>
<b>2</b>	<b>Compelling value proposition</b>	<ul style="list-style-type: none"><li>• We leverage our scale – purchasing power &amp; data – to reduce the total cost of fleet operations for our clients, who outsource management of their vehicles to Element, thereby eliminating in-house administrative burden</li></ul>
<b>3</b>	<b>Organic revenue growth runway</b>	<ul style="list-style-type: none"><li>• 55-65% of our addressable market is unserved, meaning prospective clients currently self-manage their fleets and have never experienced the cost-saving and productivity-enhancing benefits of outsourced fleet management</li></ul>
<b>4</b>	<b>High client retention</b>	<ul style="list-style-type: none"><li>• Outsourced business services are virtually never repatriated. The nature of our relationships with our clients translate into high switching costs and thus, very low client turnover: we are approaching 99% annual client revenue retention globally</li></ul>
<b>5</b>	<b>Widely distributed client base</b>	<ul style="list-style-type: none"><li>• Our company serves thousands of clients in over 700 industries, with operations across five sizable geographies – mitigating risks of exposure to sectoral and regional business cycles</li></ul>
<b>6</b>	<b>Scalable operating platform</b>	<ul style="list-style-type: none"><li>• Our transformed, industry-leading service platform underpins &gt;50% operating margins that magnify net revenue growth into superior operating income growth</li></ul>
<b>7</b>	<b>Capital-lighter business model</b>	<ul style="list-style-type: none"><li>• Our capital-lighter business model leverages services revenue growth and fleet asset syndication to enhance returns on equity</li></ul>
<b>8</b>	<b>Excess free cash flow</b>	<ul style="list-style-type: none"><li>• The tax attributes of automotive assets drastically reduce our cash tax burden. Combined with minimal capex required to sustain our operations, Element's free cash flow per share consistently exceeds our reported earnings per share</li></ul>

## Guidance

# Strong performance in 2022 is expected to continue and improve in 2023

The continued advancement of our three strategic growth priorities coupled with favourable tailwinds (including the waning impact of the pandemic, the gradual increase in OEM deliveries, and inflation) are fueling strong performance in 2022, which is expected to continue and improve in 2023.

Augmenting our strong, sustainable organic growth this year are net revenues (totaling ~\$25 million) that we do not expect to generate in future years. There was ~\$17 of such revenue in the third quarter, \$8 million in the second quarter, none in the first quarter, and we do not expect any in the fourth quarter. Our 2022 “organic” results exclude this \$25 million.

Full-year 2022 expected reported results	Full-year 2022 expected “organic” results
• \$1,080-1,100 million net revenue = 10-12% year-over-year growth	• \$1,055-1,075 million net revenue = 7.5-9.5% year-over-year growth
• 54-55% operating margin	• 53-54% operating margin
• \$580-600 million adj. operating income = 13-17% year-over-year growth	• \$555-575 million adj. operating income = 8-12% year-over-year growth
• \$1.03-1.07 adjusted EPS <sup>1</sup> = 22-27% year-over-year growth	• \$0.98-1.03 adjusted EPS <sup>1</sup> = 17-22% year-over-year growth
• <b>\$1.27-1.32 FCF per share<sup>1</sup> = 21-26% year-over-year growth</b>	• <b>\$1.20-1.25 FCF per share<sup>1</sup> = 15-20% year-over-year growth</b>

### Full-year 2023 results guidance<sup>2,3</sup>

- \$1,140-1,170 million net revenue = 6-9% year-over-year growth
- 54-55% operating margin
- \$615-645 million adj. operating income = 7-12% year-over-year growth
- \$1.12-1.17 Adjusted EPS<sup>1</sup> = 9-14% year-over-year growth
- **\$1.45-1.50 FCF per share<sup>1</sup> = 16-20% year-over-year growth**
- \$7.5-8.0 billion originations = 25-35% year-over-year growth
- \$4.0-4.5 billion syndication volume = 35-50% year-over-year growth



1. Adjusted EPS and FCF per share guidance is based on a 390-400 million weighted average common share count for full-year 2022, and 385-395 for full-year 2023.

2. Based on a CAD:USD exchange rate of 1.29:1.

3. 2023 year-over-year growth rates are implied based on our expectation of full-year 2022 “organic” performance at or near the top-end of our 2022 expected “organic” results ranges.

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# Q3 2022 Results

# EFN delivered a second consecutive quarter of record results (1 of 2 slides)

1. Third quarter net revenue grew 19.0% from Q3 last year to a record \$290.8 million
2. Our scalable operating platform magnified Q3 year-over-year net revenue growth into superior year-over-year pre-tax income and AOI growth, expanding pre-tax income margin to 49.0% and operating margin by 547 bps to 56.9%
3. The 12% reduction in our common share count resulting from our NCIB – which we will renew this month – amplified Q3 performance on a per share basis to \$0.25 EPS, \$0.30 adjusted EPS and \$0.38 FCF per share, or growth of 39%, 43% and 41%, respectively, over Q3 last year
4. We advanced our capital-lighter business model in Q3, growing Services revenue 23.8% and Syndication revenue 14.8% year-over-year, which together enhanced our ROE and pre-tax ROE to 11.7% and 17.8%, respectively

## Q3 2022 Results

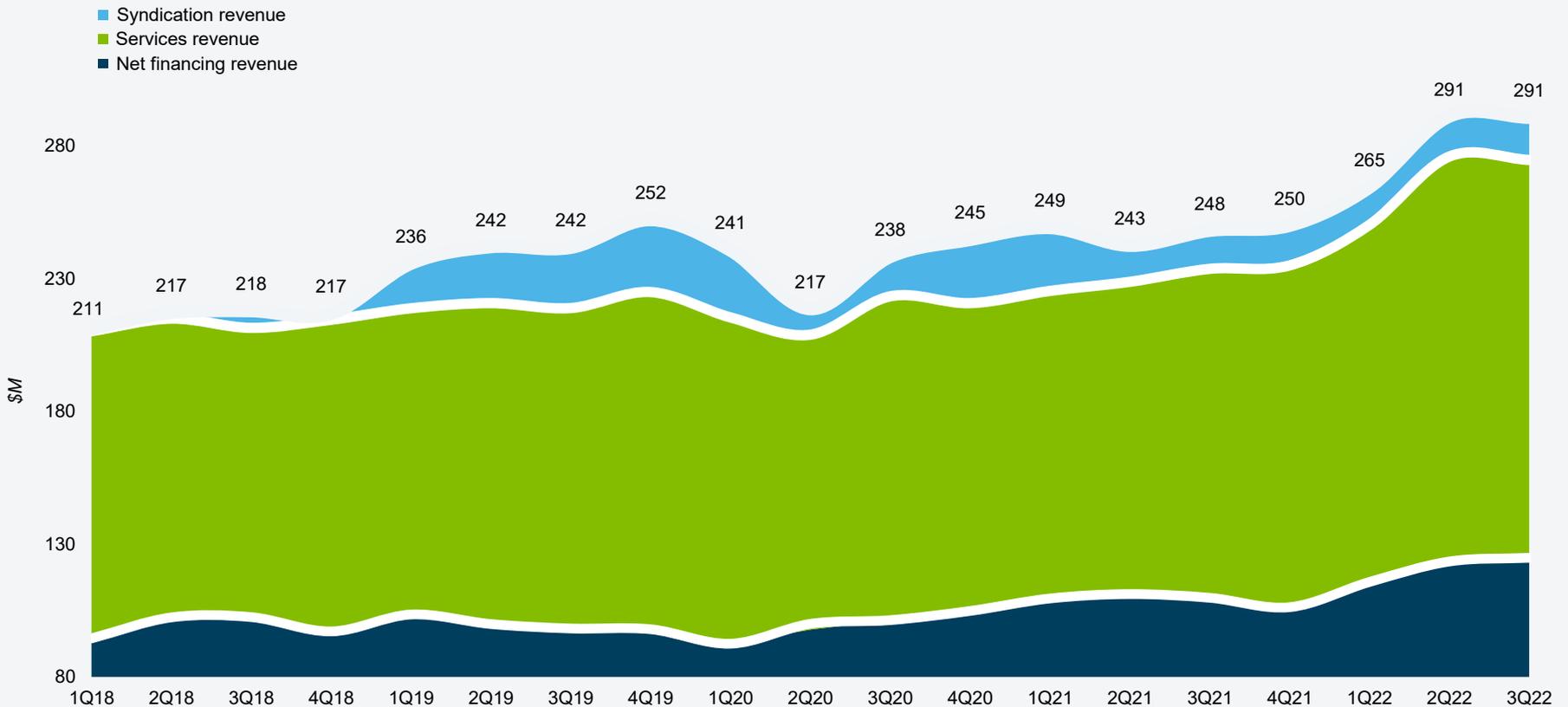
# EFN delivered a second consecutive quarter of record results (2 of 2 slides)

	For the three-month periods ended		
<i>(\$000's except operating margin, share count and per share amounts)</i>	Sep 30, 2022	Jun 30, 2022	Sep 30, 2021
Services revenue, net	<b>149,931</b>	150,037	121,075
Net financing revenue	<b>124,859</b>	123,252	109,328
Syndication revenue, net	<b>15,998</b>	14,844	13,937
<b>Net revenue</b>	<b>290,788</b>	288,133	244,340
Salaries, wages and benefits	<b>80,708</b>	77,786	78,493
General and administrative expenses	<b>29,654</b>	28,944	24,355
Depreciation and amortization	<b>15,020</b>	15,456	15,866
Adjusted operating expenses	<b>125,382</b>	122,186	118,714
Adjusted operating income ("AOI")	<b>165,406</b>	165,947	125,626
<b>Operating margin</b>	<b>56.9%</b>	57.6%	51.4%
Provision for taxes applicable to AOI	<b>42,179</b>	42,317	31,419
Preferred share dividends	<b>5,923</b>	8,103	8,103
After-tax AOI attributable to common shareholders	<b>117,304</b>	115,527	86,104
Weighted average number of shares outstanding [basic]	<b>395,117</b>	398,242	416,353
<b>Adjusted EPS (aka. After-tax AOI per share) [basic]</b>	<b>0.30</b>	0.29	0.21

## Q3 2022 Results

# Our results are improving at an accelerated pace

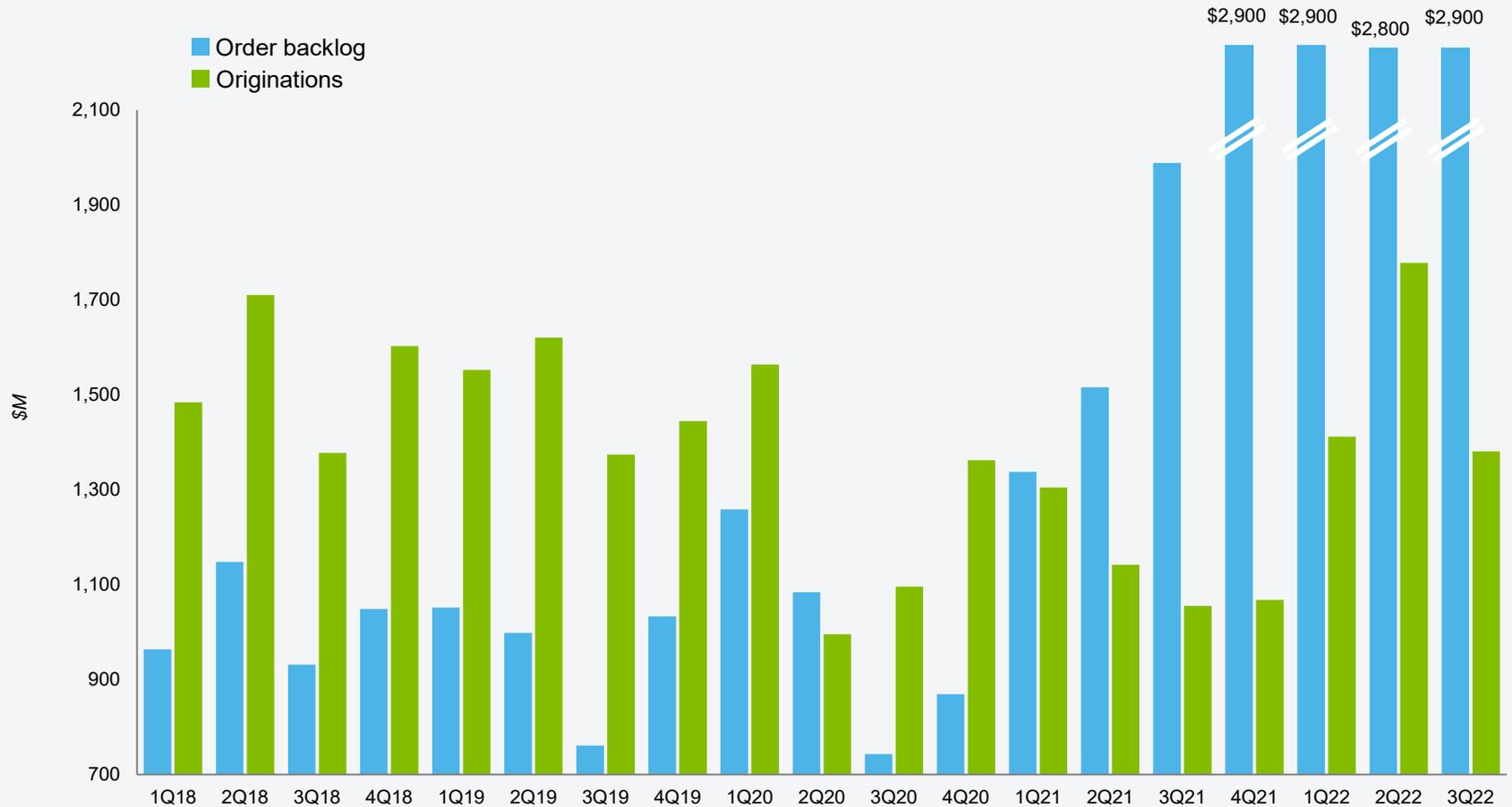
Quarterly net revenue since Q1 2018, by revenue stream, in constant currency



## Q3 2022 Results

# Our third quarter Order backlog demonstrates that client demand for new vehicles remains robust

Order backlog and Originations, excluding Armada, in constant currency



## Q3 2022 Results

# Growth in vehicles under management is an important measure of our current business performance, and future growth potential

## Vehicles Under management (VUM)



## Revenue, AOI and FCF per vehicle under management

	3Q21	4Q21	1Q22	"organic" 2Q22	"organic" 3Q22	YoY $\Delta$
Global VUM	1,411,000	1,430,000	1,466,000	1,484,000	<b>1,466,000</b>	3.9%
Net revenue (\$ million)	244.3	245.5	260.8	280.1	273.8	
<b>Net revenue per vehicle</b>	\$173	\$172	\$178	\$189	<b>\$187</b>	7.8%
Adjusted operating income (\$ million)	125.6	122.6	142.9	157.9	148.4	
<b>Adjusted operating income per vehicle</b>	\$89	\$86	\$97	\$106	<b>\$101</b>	13.8%
Free cash flow (\$ million)	111.3	119.5	115.3	139.7	143.8	
<b>Free cash flow per vehicle</b>	\$79	\$84	\$79	\$94	<b>\$98</b>	24.4%



- VUM counts are average-for-the-period, calculated as (a) the sum of the VUM counts on (i) the last day of the prior period and (ii) the last day of each month during the period; (b) divided by (the number of months in the period, plus 1); and then (c) rounded to the nearest thousand vehicles.
- Electric vehicles under management (eVUM) consists of battery electric, plug-in hybrid, and hybrid electric vehicles under management, rounded to the nearest hundred vehicles. eVUM totals here have not been subtracted from the "Serviced only", "Serviced & financed", and "Financed only" VUM totals above.

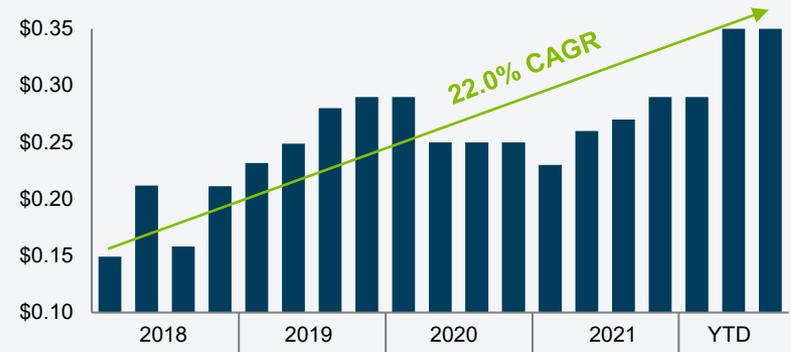
## Q3 2022 Results

Trailing 19 quarters' performance is a testament to EFN's resilient business model and, since 2020, focus on organic growth priorities

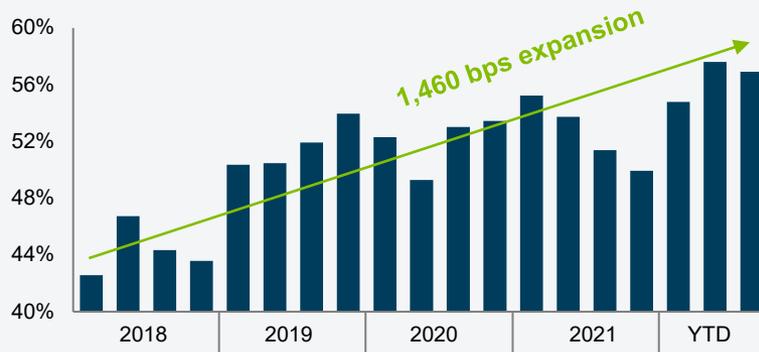
### Net revenue



### Free cash flow per share



### Quarterly operating margin



### Adjusted earnings per share

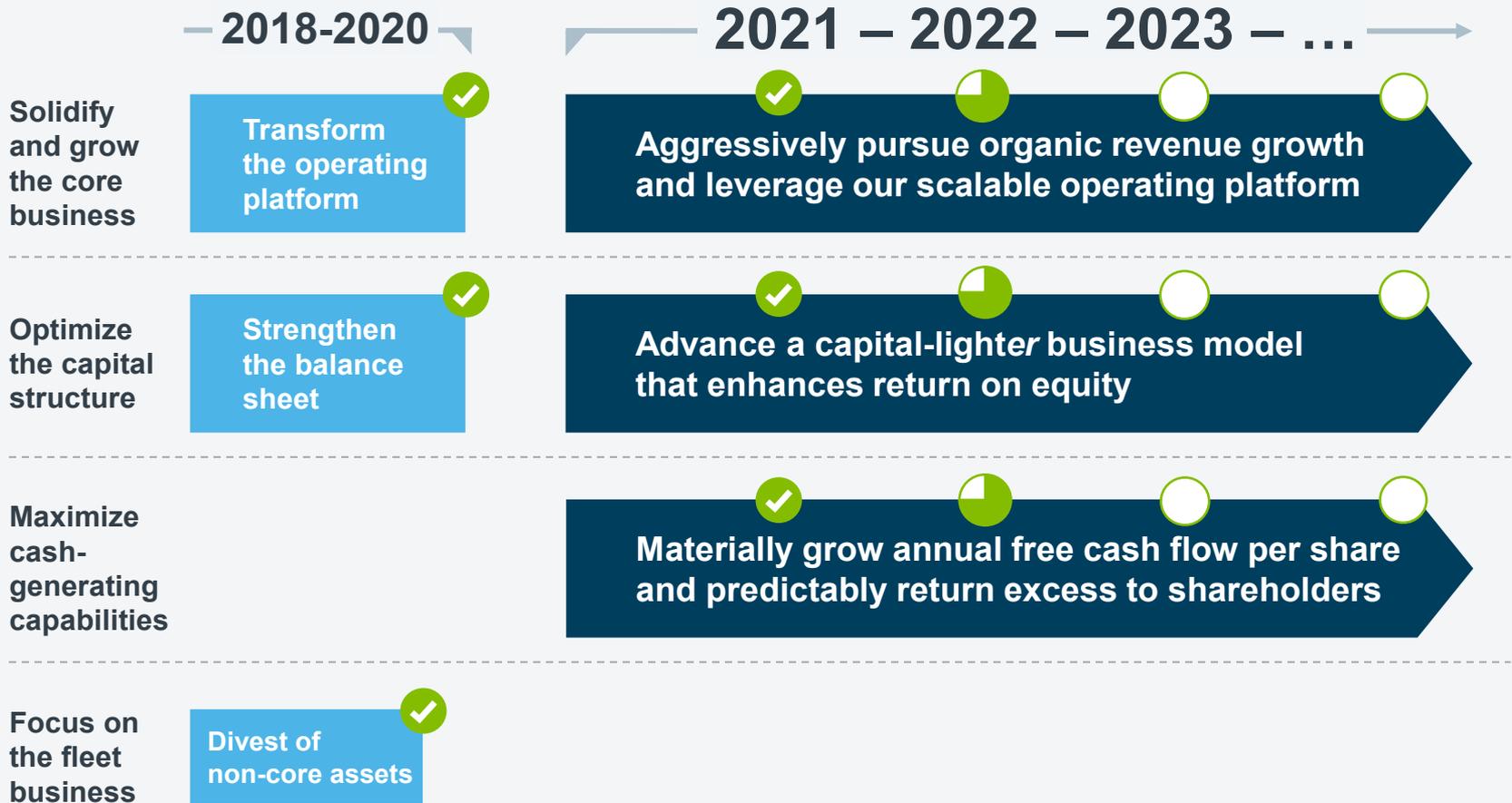


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# Strategic priorities

## Strategic priorities

# We are executing on our three strategic growth priorities



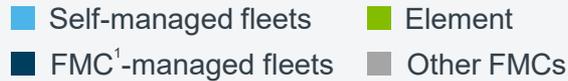
## We are aggressively pursuing profitable organic revenue growth

### Five drivers of organic net revenue growth:

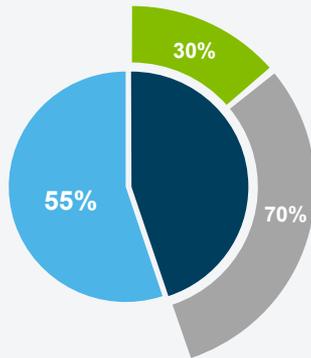
- 1 Retaining existing clients (improving on 98% client retention)
- 2 Growing share of wallet (improving penetration, utilization and pricing)
- 3 Stealing market share from other FMCs
- 4 Converting self-managed fleets into Element clients
- 5 Winning government & 'mega' fleets

## Strategic priorities

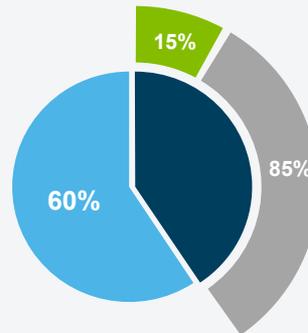
# Self-managed fleets represent a very large opportunity for sustained organic net revenue growth across our footprint



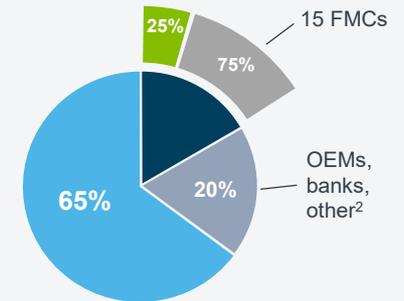
### U.S. & Canada



### Australia & New Zealand



### Mexico



Annual potential net revenue to FMCs



## ESG Scorecard

# Element is committed to sustainability and are leading with the transparency, accountability and integrity we are known for

As part of our commitment to ESG, our ESG Scorecard is incorporated into and linked to Element’s Global Balanced Scorecard – to drive performance in the coming years

	2021/2022 Strategic Objectives	2021/2022 Metrics	2021 Results
<b>Sustainability</b> Reduce carbon footprint and invest in green technology	• Reduce client fleet petroleum consumed	• Cumulative grams of CO <sub>2</sub> saved	• Surpassed our cumulative goal of 127B grams of CO <sub>2</sub> saved (since 2017), with actual results exceeding our year-end target by 3B grams
	• Reduce EFN carbon emissions	• Electrification of internal fleet	• Electrification of our internal fleet outperformed globally over the previous year, despite challenges presented by the pandemic and the associated microchip shortages
	• Enable client fleet electrification	• EV originations	• EV originations continued an upward trend, outperforming at year-end with 6,733 vehicles globally
<b>Diversity and Inclusion</b> Foster D&I in our workforce and in our communities	• Attract and develop a diverse workforce	• Diversity representation	• Our workforce is 50% women and 20% Black, Indigenous and People of Color
	• Promote diversity across our supply chain	• Track pass-through spend/volume driven to minority and women-owned suppliers	• Despite challenges related to the pandemic and vehicle acquisition, we achieved 80% of our goal. In 2021, US\$1.5 billion was spent with more than 4,700 diverse suppliers across the U.S. That included approximately US\$200 million with identified small businesses and US\$700 million with women-owned businesses
	• Give back to our communities	• Total employee volunteered time • Corporate donations	• Corporate donations exceeded our target with \$2.4 million donated
<b>Satisfaction &amp; Safety</b> Prioritize client and employee Safety & Satisfaction	• Improve employee and client satisfaction	• Global Employee Engagement Index • Global NPS Score	• We achieved top quartile employee engagement scores globally, with our overall employee engagement index of 81%. Globally, we outperformed our client satisfaction goals with our NPS increasing from 22 in 2020 to 35 in 2021
	• Improve client and driver safety	• Number of accidents per million kilometers driven	• We surpassed our ambitious target with an average 3.8 preventable accidents per million kilometers driven, improving client and driver safety through our accident management program offering
<b>Governance</b> Increase ESG reporting, education and awareness	• Improve external ESG scores	• EcoVadis and ISS scores	• Our EcoVadis score moved from bronze to silver in 2021. This result places us among the 85th percentile of companies assessed by EcoVadis. Our ISS score also improved in 2021 by over 30%
	• Board composition	• Director independence, diversity and tenure	• We exceeded our target of 30% women on our Board of Directors as 40% of our Board members are women

# A global fleet leader

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Element is the largest pure-play automotive fleet manager in the world, providing B2B / B2G services that lower clients' total cost of fleet operations and make their vehicles and drivers **safer, smarter** and **more productive**.

**Dominant market position in North America and the market leader in Australia / New Zealand**

**Resilient recurring revenues from a growing base of loyal, world-class clients across 700+ industries**

**Ample free cash flow returned to shareholders through common dividends and share buybacks**

**Accountable management with proven ability to create value**

**6-8% annual organic net revenue growth in normal market conditions**