Element Fleet Management Corp.

Management Discussion and Analysis

September 30, 2023

element

The following management discussion and analysis ("MD&A") dated November 6, 2023, provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Element Fleet Management Corp. (the "Company", "we" or "Element") as at and for the three- and nine-month periods ended September 30, 2023 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three- and nine-month periods ended September 30, 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 "Q3 2023", "this quarter", or "the quarter" are to the quarter ended September 30, 2023 and references to "Q2 2023" and "Q3 2022" are to the quarters ended June 30, 2023 and September 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.

This MD&A refers to certain non-GAAP and supplemental financial measures, which we believe are useful in assessing our financial performance. Readers are cautioned that these measures do not have any standard meaning prescribed by GAAP under International Financial Reporting Standards ("IFRS") and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information related to non-GAAP measures and a reconciliation to their nearest IFRS measures, please read "IFRS to Non-GAAP Reconciliations" section at the end of this MD&A. Our Board of Directors has authorized this MD&A.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO NOVEMBER 6, 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; AND ANY ONGOING IMPACT OF THE COVID-19 PANDEMIC ON INDUSTRY AND MARKET CONDITIONS. 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: 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 EXPECTATIONS IN RESPECT OF ITS SUPPLY CHAIN AND THE TIMING AND VOLUME OF VEHICLE PRODUCTION; 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 EXPECTATIONS AND ABILITY TO REDEEM ITS PREFERRED SHARES; 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, IF REQUIRED. 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 market leaders 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 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 value proposition is increasingly compelling as operators begin adding electric vehicles ("EVs") to their fleets.

Our commercial teams use five primary revenue levers to deliver profitable organic revenue growth. These include:

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 management companies;
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:

- 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

- Predictably return excess capital to investors by way of growing common dividends, redeeming legacy high-cost preferred shares, 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 Q3 2023 Results

Earnings per share	After-tax adjusted operating income per share[2]	Free cash flow per share[3]
$ 0.32	$ 0.35	$ 0.42
Net revenue growth vs. Q3 2022	**Pre-tax income margin[3]**	**Adjusted operating margin[2]**
14.8 %	50.1 %	55.4 %
Period-end vehicles under management[4]	**Return on common equity[2]**	**Pre-tax return on common equity[3]**
1,500,930	12.7 %	19.2 %

Income Summary

(in $000's for stated values, except per share amounts)		**For the three-month period ended September 30, 2023**
Servicing income, net	**$**	**175,889**
Net financing revenue		**140,557**
Syndication revenue, net		**17,326**
Net revenue		**333,772**
Adjusted operating expenses[2]		***148,936***
Total operating expenses		**157,304**
Total other expenses		**9,122**
Pre-tax income		**167,346**
Earnings per share [basic]		**0.32**
Adjusted operating income before taxes		***184,836***
After-tax adjusted operating income per share [basic]	***$***	***0.35***

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.
4 Please refer to the Descriptions of Non-GAAP Measures section for a description of this supplemental financial measure.

Achievements and Initiatives in the Period

Strategic initiatives

Element is committed to profitable organic net revenue growth and remaining the market-leader everywhere we operate. To achieve these goals, Element plans to optimize our business by centralizing accountability for our U.S. and Canadian leasing operations and by establishing a strategic sourcing presence in Asia. By 2028, we expect these initiatives to generate between $40 million and $60 million of run-rate net revenue and $30 and $50 million of run-rate adjusted operating income ("AOI").

Centralizing accountability for U.S. and Canadian leasing

Centralizing accountability for U.S. and Canadian leasing involves consolidating leasing functions under a single Element executive, at a new office in Dublin, Ireland. This initiative will bring together multiple lease related functions that are currently spread across our U.S. and Canadian operations. This move will elevate Element clients' leasing experience, drive innovation, optimize operations, improve pricing discipline, and ultimately increase profitable net revenue growth. By consolidating leasing activities, we can optimize processes, reduce costs, and maximize the value of our leasing portfolio. Several years ago, Element centralized accountability for each of our individual U.S. service products. This focus has enabled Element to deliver double-digit annual services revenue growth since 2021. We are replicating this centralized accountability model and applying it to one of our core product offerings - U.S. and Canadian leasing.

Establishing a strategic sourcing and relationship management presence in Asia

To improve our global procurement capabilities, Element will establish a strategic sourcing and relationship management presence in Asia by opening a small office in Singapore in early 2024. This initiative aligns with Element's and our clients' commitments to sustainability and decarbonization given Asia's global leadership position in the development and production of both battery-electric and hybrid vehicles.

Digital capabilities

We are prioritizing investments in digitization and automation as a critical enabler of our future growth and operating efficiencies. To accelerate these efforts, we added a new Chief Digital Officer and Chief Information Officer. They bring extensive expertise in B2B and B2C solutions to our strong core of Digital and IT talent across the business. Together, with their teams they will leverage Element's unmatched data set and analytic capabilities to innovate for our clients and make our business more efficient.

Capital structure

On November 6, 2023, we announced a 20% increase to our annual common dividend from $0.40 to $0.48 per share underscoring the Board's confidence in the sustainability of Element's cash flow generation, financial resilience, and favourable outlook.

In furtherance of our efforts to optimize our balance sheet and mature our capital structure, we will redeem all of our 4,600,000 issued and outstanding 6.93% Cumulative 5-Year Rate Reset Preferred Shares Series A on December 31, 2023, for aggregate gross proceeds of $115 million.

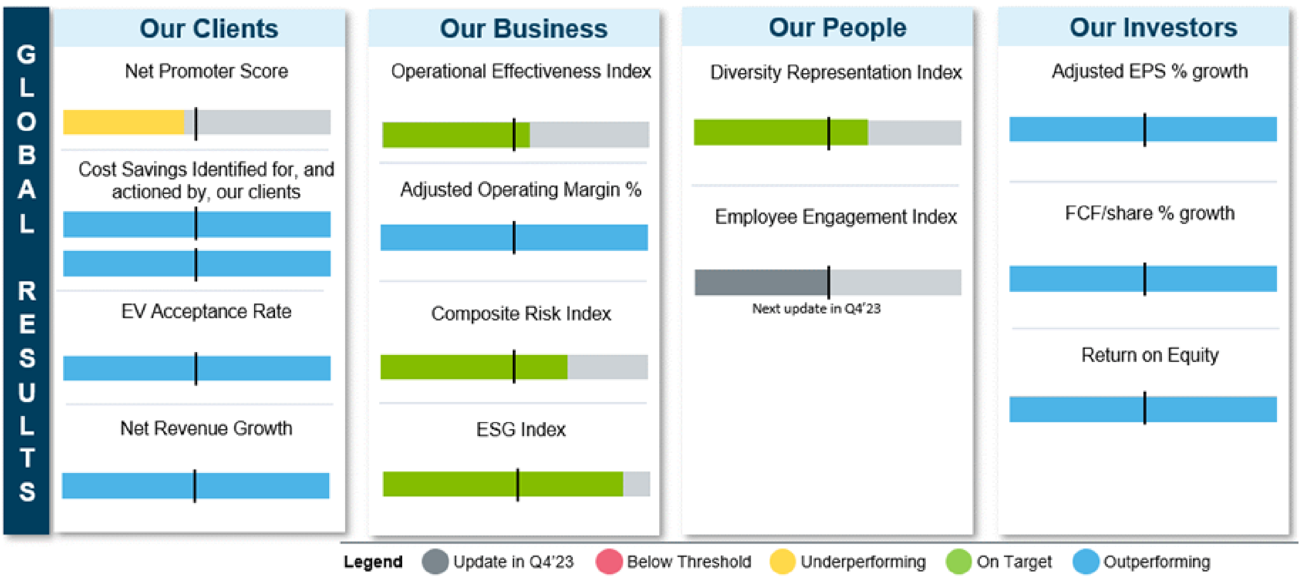
We also anticipate using a portion of our free cash flow to redeem all our outstanding 6.21% Cumulative 5-Year Rate Reset Preferred Shares Series C (due June 2024) and 5.903% Cumulative 5-Year Rate Reset Preferred Shares Series E (due September 2024) for approximate aggregate gross proceeds of $128 million and $133 million, respectively.

We also have approximately $168 million in 4.25% convertible debentures as of September 30, 2023, that are convertible into an aggregate of approximately 14.6 million common shares in June 2024.

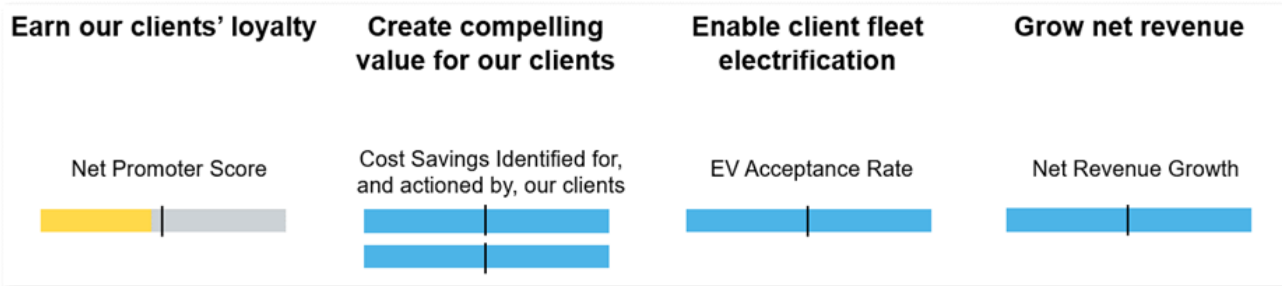
Global Balanced Scorecard

We use 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.

We either achieved or outperformed on all but one of our global balanced scorecard ("Global BSC") metrics in the quarter. Our narrow underperformance in Q3 against our Net Promoter Score ("NPS") target is discussed immediately below (under "Earning our clients' loyalty").



Our Clients



Earning our clients' loyalty

We consider Net Promoter Scores to be valuable indicators of our ability to deliver a consistent superior client experience effectively.

In the third quarter of 2023, we hit a new record-high global NPS of 41, reflecting continued positive client feedback. This said, our global NPS was marginally below target for the quarter as a result of the fact that, as communicated in prior quarters, we recalibrated and increased our NPS targets for 2023 in response to our continued outstanding momentum. We are continuing to take steps to achieve our global NPS target by year-end.

Creating compelling value for our clients

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

In Q3 2023 alone, our SCS team identified and shared with clients over $411 million of fleet-operating-cost savings opportunities, of which approximately $153 million in value were "actioned" by clients.

Our SCS team 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.

Enabling client fleet electrification

We outperformed our target for client acceptance of EVs in the third quarter as client interest in and demand for EVs remains strong.

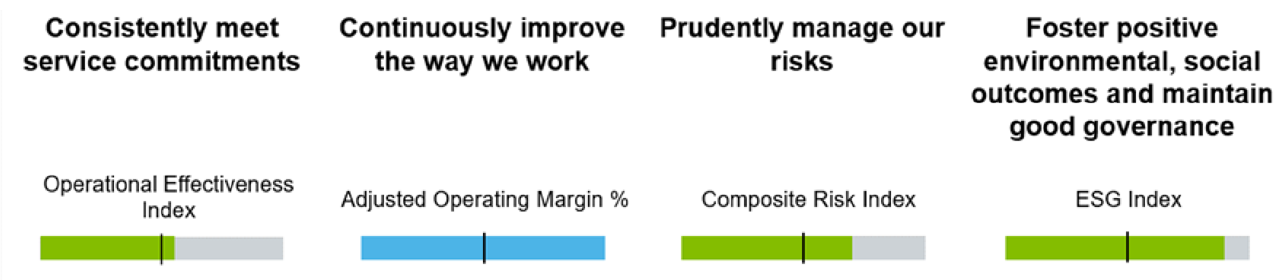
For clients in the U.S. and Canada, we continue to plan, launch and support the implementation of EVs into our clients' existing fleets with the full suite of *Arc by Element* services, including EV feasibility and driver selection analyses, implementation of charging solutions, and operational and reimbursement support.

Our EV pilot programs were again expanded in Q3 by several U.S. and Canadian clients. For example, we are assisting a client develop a comprehensive decarbonization roadmap to support greenhouse gas (GHG) reduction targets in 2025, 2030 and beyond through fleet electrification and telematics-driven idle reduction.

We are supporting Canada's largest grocery chain move into operational EV deployments in some segments of their fleets after a successful pilot with sales and executive drivers. We are also scaling to higher volumes of EVs in single deployments than ever before, with hundreds of EVs and at-home chargers being deployed this fall for one client.

With depot-charging infrastructure, last mile delivery companies continue to lead fleet electrification in Mexico. One of our top clients received the first batch of their expected 710 total EV delivery vans for 2023 — which, once delivered, will result in their total last mile delivery EV van fleet totaling more than 1,200 electric vans. This will make our client the second largest EV fleet in Mexico.

Our Business



<u>Consistently meeting service commitments</u>

Our Vehicle Acquisition and Readiness team continues to work towards improving our levels of service while managing significant increased volume.

This team administers both initial title and registration as well as vehicle registration renewals for a large segment of our clients. As a result of our automation initiatives, we are beginning to process Department of Motor Vehicles (DMV) transactions online through a secure digital connection. This will allow us to reduce manual processing times and directly issue plate and registration renewal inventory for the transactions we complete with our online DMV.

<u>Continuously improving the way we work</u>

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

We exceeded our third quarter Global BSC adjusted 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.

In order to handle repetitive and routine tasks such as data entry, document processing and transaction reconciliations, we implemented advanced robotic process automation (RPA) tools. As a result, processing times have accelerated, and our employees can now focus on higher value activities such as client service and strategic decision making. We now have over 182 automation solutions, accounting for over 2.1 million transactions processed and 93,000 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.

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 we face. 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 our business and industry.

We continue to maintain our 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 with applicable metrics and thresholds.

The ECRI was on target for Q3 2023 as reported on our Global BSC.

Fostering positive environmental and social outcomes and maintaining good governance

We continue to build on the momentum of our 2023 ESG report titled "Progress that Matters", which is available on our website.

Notably in Q3, we were recognized for our supply chain efforts in receiving the 2023 Sustainable Supply Chain Alliance (SSCA) Sustainable Supply Chain Case Study Award, which recognizes companies who are making an impact and working to embed sustainability through the supply chain.

In support of our ongoing commitment to environmental sustainability, Element Mexico held their annual reforestation event at the end of the quarter. Our team volunteered over 250 hours and planted a total of 1,150 trees. Our volunteers included both our employees and their families with over 90 participants from across our Mexico locations. In keeping with our commitment to advance decarbonization as we assist our clients through the process of fleet electrification, Element Mexico also launched its first Element EV Day in the quarter. Over 50 participants, including vendors, clients, and prospects, representing 10 different industries and a potential fleet of more than 50,000 vehicles. The event featured discussions around electric mobility and test-driving opportunities for over 20 electric vehicle models.

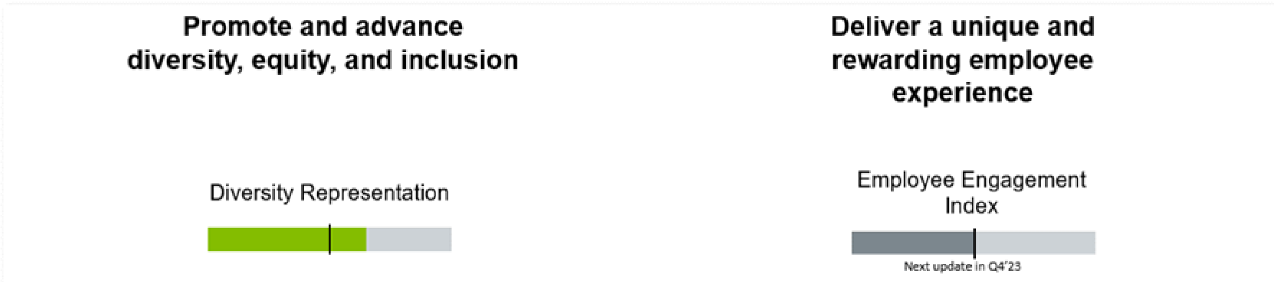
Supplier diversity

We have a long- and well- established track record of fostering supplier diversity. Our ongoing initiatives are a point of pride at Element, in full alignment and partnership with our clients. Our Supplier Diversity Program is designed to create opportunities for diverse suppliers who meet our business, procurement and contractual criteria; as well as support our clients in achieving their supplier diversity goals.

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, providing clients with actionable insights that will help them improve their diversity spend practices.

We are members 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.

Our People



We continue to take steps to nurture our culture and drive growth for a sustainably thriving Element. Thanks to the tremendous work of our people, and their consistent dedication to our clients, we're positioned to finish the year strong.

Building connection and nurturing our culture

We have a strong culture at Element – a competitive differentiator that is truly driven by our people and key to accelerating our performance. In the third quarter, we took steps to further enrich and strengthen our culture and foster deeper connections among our people. First, in September, we renewed our commitment to a Collaborative Hybrid approach, reinforcing the expectation that our people work in-person at our offices at least two days a week for the balance of the year and moving to three days per week in the new year. Our return to working consistently in-person allows our people to tap into each other's expertise and experience, and ensures visibility and development for emerging talent.

In addition to bringing our people back into our offices consistently, our employees in our Sparks, Maryland office are also preparing for the closure of that office and the opening of our new office in Owings Mills, Maryland, which will see over 350 members of our team move there. With our new location expected to open early in the first quarter of 2024, our people will have access to a modern, flexible workspace designed to enable collaboration.

We are supporting our people with consistent, transparent, two-way communication across all levels, however given the nature of these changes we do expect our team will take time to adjust. As our people navigate these changes, we continue to support them through regular leadership touchpoints, open Q&A events, and individual conversations.

Fostering inclusion and supporting our communities

We continue to build awareness, education, and take action to foster a more inclusive workplace. 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.

With focused giving and support for education, the environment, and emergency response, we are committed to giving back to the community. Through the American and Canadian Red Cross, Element provided financial support to those affected by the Hawaii wildfires, the earthquakes in Morocco and Afghanistan, and the flooding in Libya. We increased our commitment to supporting childhood literacy with Chapter One this year, including four schools across Canada. Additionally, we launched our annual UNCF scholarship, doubling our support from last year offering eight available scholarships to college students for the 2023-2024 academic year. We raised $10,000 USD for the Lift Garage, a charity that provides vehicle repairs to low-income Minnesotans, and our people volunteered their time with Habitat for Humanity in Baltimore, MD, with the help of employee volunteer and fundraising efforts.

Championing Diversity, Equity and Inclusion

Our Business Resource Groups[5] (BRG) honoured Hispanic Heritage Month with an interactive discussion featuring leaders throughout the business. Our Women's BRG hosted a panel discussion with clients and employees on creating diverse and inclusive workplaces. Our Veteran's BRG continues to serve meals each month at Baltimore Station. We also recognized the importance of honouring National Day for Truth and Reconciliation, closing our Canadian offices and sharing information and resources to support education and awareness.

As part of the Australian Workplace Equality (AWEI) LGBT Inclusion Awards, our team received Bronze Level Certification. Additionally, with the opening of our new office in Sydney, we hosted an Indigenous Elder honouring Aboriginal and Torres Strait Islander ceremonies to help welcome our team to the new space. We launched a gender affirmation policy and gender affirmation guidelines, delivered 'Green Light', Custom Fleet's emerging leadership program for women, and launched our 'Keep in Touch' program, supporting connection with our people on parental leave. Together, we recognized a number of important events in the quarter, including Matariki – Māori New Year, NAIDOC Week (delivering second level Aboriginal and Torres Strait Islander Cultural Awareness training), Māori Language Week (offering traditional weaving and Hangi events held in our Auckland office), Wear it Purple Day, and Bisexual Visibility Day.

Our Investors

Profitable organic revenue growth

Element grew third quarter net revenue 14.8% over Q3 2022 ("year-over-year") to $333.8 million. As previously disclosed, Element benefitted from $17 million of non-recurring net revenue in Q3 2022. Controlling for this benefit -- *ie*. compared to "organic" Q3 2022 net revenue -- and in constant currency, Element grew third quarter net revenue 15.6% year-over-year. AOI grew 11.7% year-over-year, and 16.1% "organically" and in constant currency, to $184.8 million.

Third quarter EPS were $0.32, up 7 cents year-over-year and 3 cents quarter-over-quarter. Q3 adjusted EPS were $0.35, up 9 cents over "organic" Q3 2022 (up 6 cents in constant currency) and 2 cents quarter-over-quarter on a constant currency basis. Element generated $0.42 of free cash flow ("FCF") per share in the quarter – 4 cents more year-over-year driven primarily by higher originations and strong commercial performance.

A capital-lighter business model

Our third quarter services revenue grew 17.3% or $26.0 million year-over-year as reported (14.0% or $21.6 million in constant currency) and 3.6% or $6.1 million quarter-over-quarter (3.7% or $6.3 million in constant

[5] 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.

currency) to $175.9 million. On an "organic" basis, year-over-year services revenue grew 21.8% or $31.5 million (18.2% or $27.1 million in constant currency).

We syndicated over $1.0 billion of assets in Q3, generating $17.3 million of syndication revenue. The syndication market demand for our assets remains robust, affording us ready access to this off-balance-sheet source of cost-effective funding.

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

We generated $0.42 of FCF per share in Q3 2023; 10.5% or 4 cents per share growth year-over-year and 2.4% or 1 cent growth in constant currency. Strong quarterly FCF was driven primarily by strong originations and services revenue.

In addition, we announced a 20% increase to our common dividend, from $0.40 to $0.48 per share annually, underscoring the Board's confidence in the sustainability of Element's cash flow generation, financial resilience and favourable outlook. This increase is effective immediately and therefore will be reflected in the Q4 2023 common dividend authorized and declared today, to be paid in respect of Q4 2023 on January 15, 2024.

Element's common dividend represents 31% of the Company's last twelve months' (at September 30, 2023) FCF per share, within our 25% to 35% target payout range. We expect our common dividend to continue to grow annually, consistent with FCF per share growth.

We have returned $187.8 million of cash to common shareholders through dividends and buybacks of common shares year-to-date.

Capital structure and share repurchase authorization

To further optimize our balance sheet and mature our capital structure, we announced today our intention to redeem all of the 6.93% Cumulative 5-Year Rate Reset Preferred Shares Series A (the "Series A Shares") on December 31, 2023 for an aggregate total amount of approximately $115 million.

We also currently anticipates using a portion of our free cash flow to redeem all our outstanding 6.21% Cumulative 5-Year Rate Reset Preferred Shares Series C (due June 2024) and 5.903% Cumulative 5-Year Rate Reset Preferred Shares Series E (due September 2024) for approximate aggregate total amounts of $128 million and $133 million, respectively. Redeeming all of our high-cost legacy preferred shares will eliminate approximately $5.9 million in cash dividends per quarter, once all redemptions are complete.

We also have approximately $168 million in 4.25% convertible debentures as of September 30, 2023, that are convertible into an aggregate of approximately 14.6 million common shares in June 2024.

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%, 15% and 62%, 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.

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 our website) regarding results for the relevant periods before the impact of changes in FX (*ie.* in constant currency). We calculate constant currency for prior quarters' results by applying the current quarter monthly average rates to the prior quarters' months (*eg.* the July, August, and September 2023 monthly averages are applied to the April, May, and June 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 nine-month period ended		
(in $000's for stated values)	**September 30, 2023**	Change from Q2 2023	June 30, 2023	Change from Q3 2022	September 30, 2022	**September 30, 2023**	Change from 2022	September 30, 2022
	$	%	$	%	$	**$**	%	$
Servicing income, net, constant currency	**175,889**	3.7 %	169,601	14.0 %	154,282	**501,895**	11.3 %	451,118
Fx impact	**—**		206		(4,351)	**—**		(19,308)
Servicing income, net, as reported	**175,889**	3.6 %	169,807	17.3 %	149,931	**501,895**	16.2 %	431,810
Net financing revenue, constant currency	**140,557**	(1.9)%	143,312	4.2 %	134,885	**415,335**	5.7 %	392,933
Fx impact	**—**		(1,414)		(10,026)	**—**		(29,641)
Net financing revenue, as reported	**140,557**	(0.9)%	141,898	12.6 %	124,859	**415,335**	14.3 %	363,292
Syndication revenue, constant currency	**17,326**	51.4 %	11,447	5.1 %	16,491	**43,567**	(6.9)%	46,774
Fx impact	**—**		(86)		(493)	**—**		(2,155)
Syndication revenue, as reported	**17,326**	52.5 %	11,361	8.3 %	15,998	**43,567**	(2.4)%	44,619
Net revenue, constant currency	**333,772**	2.9 %	324,360	9.2 %	305,658	**960,797**	7.9 %	890,825
Fx impact	**—**		(1,294)		(14,870)	**—**		(51,104)
Net revenue, as reported	**333,772**	3.3 %	323,066	14.8 %	290,788	**960,797**	14.4 %	839,721
Salaries, wages and benefits, constant currency	**92,193**	0.7 %	91,542	10.5 %	83,457	**269,248**	9.7 %	245,542
Fx impact	**—**		(98)		(2,749)	**—**		(10,836)
Salaries, wages and benefits, as reported	**92,193**	0.8 %	91,444	14.2 %	80,708	**269,248**	14.7 %	234,706
General and administrative expenses, constant currency	**38,911**	5.9 %	36,745	27.4 %	30,538	**112,244**	24.8 %	89,925
Fx impact	**—**		30		(884)	**—**		(3,530)
General and administrative expenses, as reported	**38,911**	5.8 %	36,775	31.2 %	29,654	**112,244**	29.9 %	86,395
Depreciation and amortization, constant currency	**17,832**	7.0 %	16,669	15.6 %	15,430	**50,833**	9.9 %	46,268
Fx impact	**—**		35		(410)	**—**		(1,857)
Depreciation and amortization, as reported	**17,832**	6.8 %	16,704	18.7 %	15,020	**50,833**	14.5 %	44,411
Adjusted operating expenses, constant currency	**148,936**	2.7 %	144,956	15.1 %	129,425	**432,325**	13.3 %	381,735
Fx impact	**—**		(33)		(4,043)	**—**		(16,223)
Adjusted operating expenses, as reported	**148,936**	2.8 %	144,923	18.8 %	125,382	**432,325**	18.3 %	365,512
Adjusted operating income, constant currency	**184,836**	3.0 %	179,404	4.9 %	176,233	**528,472**	3.8 %	509,090
Fx impact	**—**		(1,261)		(10,827)	**—**		(34,881)
Adjusted operating income, as reported	**184,836**	3.8 %	178,143	11.7 %	165,406	**528,472**	11.4 %	474,209
Provision for taxes applicable to adjusted operating income, constant currency	**44,360**	0.9 %	43,955	0.6 %	44,077	**126,893**	(2.8)%	130,582
Fx impact	**—**		(313)		(1,898)	**—**		(8,939)
Provision for taxes applicable to adjusted operating income, as reported	**44,360**	1.6 %	43,642	5.2 %	42,179	**126,893**	4.3 %	121,643
After-tax adjusted operating income, constant currency	**140,476**	3.7 %	135,449	6.3 %	132,156	**401,579**	6.1 %	378,508
Fx impact	**—**		(948)		(8,929)	**—**		(25,942)
After-tax adjusted operating income, as reported	**140,476**	4.4 %	134,501	14.0 %	123,227	**401,579**	13.9 %	352,566

Quarterly Results of Operations

(in $000's for stated values, except per share amounts)	For the three-month period ended September 30, 2023	June 30, 2023	September 30, 2022	For the nine-month period ended September 30, 2023	September 30, 2022
	$	$	$	**$**	$
Net revenue					
Net interest income and rental revenue	**300,524**	279,571	203,099	**829,851**	542,875
Interest expense	**159,967**	137,673	78,240	**414,516**	179,583
Net financing revenue	**140,557**	141,898	124,859	**415,335**	363,292
Servicing income, net	**175,889**	169,807	149,931	**501,895**	431,810
Syndication revenue, net	**17,326**	11,361	15,998	**43,567**	44,619
Net revenue	**333,772**	323,066	290,788	**960,797**	839,721
Operating expenses					
Salaries, wages and benefits	**92,193**	91,444	80,708	**269,248**	234,706
General and administrative expenses	**38,911**	36,775	29,654	**112,244**	86,395
Depreciation and amortization	**17,832**	16,704	15,020	**50,833**	44,411
Amortization of convertible debenture discount	**1,033**	1,016	966	**3,048**	2,849
Share-based compensation	**7,335**	8,755	12,885	**32,489**	24,259
Operating expenses	**157,304**	154,694	139,233	**467,862**	392,620
Other expenses					
Amortization of intangible assets from acquisition	**9,369**	9,378	9,144	**28,180**	27,011
Loss on investments	**(247)**	(707)	—	**(217)**	2,764
Other expenses	**9,122**	8,671	9,144	**27,963**	29,775
Income before taxes	**167,346**	159,701	142,411	**464,972**	417,326
Provision for income taxes	**38,553**	39,670	38,708	**109,664**	108,899
Net income for the period	**128,793**	120,031	103,703	**355,308**	308,427
Weighted average number of shares outstanding [basic]	**389,511**	390,385	395,117	**390,696**	398,287
Earnings per share [basic]	**0.32**	0.29	0.25	**0.86**	0.72
Dividends declared, per share					
Common share	**0.100000**	0.100000	0.077500	**0.300000**	0.232500
Preferred Shares, Series A	**0.433313**	0.433313	0.433313	**1.299939**	1.299939
Preferred Shares, Series C	**0.388130**	0.388130	0.388130	**1.164390**	1.164390
Preferred Shares, Series E	**0.368938**	0.368938	0.368938	**1.106814**	1.106814
Preferred Shares, Series I	**—**	—	—	**—**	0.718750

We offer the following commentary on net revenue, operating expenses, pre-tax income margin, net income, and earnings per share for the three and nine months ended September 30, 2023, which are results quantified by IFRS measures. Further below, we present and offer commentary on the results of these same periods but as quantified by non-GAAP measures.

Net revenue

Q3 2023 net revenue grew $10.7 million or 3.3% from Q2 2023 ("quarter-over-quarter") and $43.0 million or 14.8% from Q3 2022 ("year-over-year") as reported. Year-over-year net revenue growth was led by higher services revenue, increased net financing revenue and positive foreign currency translation effects arising from the strengthening of the U.S. dollar against the Canadian dollar. For further information on foreign exchange impacts, please see the "Effect of Foreign Currency Exchange Rate Changes" section of this MD&A and further analysis on a constant currency basis below. Q3 2022 benefitted from $17.0 million of non-recurring revenue (as previously disclosed).

Quarter-over-quarter net revenue growth was driven by higher services revenue and increased syndication revenue. This growth was partly offset by lower net financing revenues driven by higher interest expense and lower gains on sales (GOS).

Net revenue for the first nine months in 2023 ("year-to-date") increased $121.1 million or 14.4% as reported and by $70.0 million or 7.9% on a constant currency basis compared to the same period last year — for the same reasons cited in the Q3 year-over-year growth commentary above. The first nine months of 2022 benefitted from $25.0 million of non-recurring revenue (as previously disclosed).

Operating expenses

Q3 2023 operating expenses were $157.3 million, up modestly by 1.7% or $2.6 million quarter-over-quarter largely due to the $3.9 million of non-recurring setup costs incurred this quarter related to new strategic initiatives (as described in the "Achievements and Initiatives in the Period" section of this MD&A and elsewhere in this quarter's disclosure materials). The non-recurring setup costs in Q3 were predominantly professional fees related to the evaluation and setup of the initiatives and are recorded in general and administrative expense.

Q3 2023 operating expenses were up 13.0% or $18.1 million year-over-year. This increase is largely due to an increase in salaries, wages and benefits and higher general and administrative expenses, which are both predominantly a function of our planned investments in our business -- our Commercial capabilities and activity and the non-recurring setup costs discussed immediately above. Rising translation costs for U.S. dollar-denominated expenses (due to the U.S. dollar's appreciation compared to the Canadian dollar), and higher depreciation and amortization also contributed to the quarter-over-quarter increase.

On a year-to-date basis, operating expenses increased by $75.2 million or 19.2% as reported and by $58.7 million or 14.3% in constant currency compared to the same period last year for the same reasons cited in the Q3 year-over-year commentary above.

Pre-tax income margin

Pre-tax income margin of 50.1% represents 70 basis points of expansion quarter-over-quarter and 110 basis points of expansion year-over-year. This expansion is driven by strong net revenue growth outpacing growth in operating expenses over the same period, both as discussed below.

On a year-to-date basis, pre-tax income margin was 48.4%, compared with 49.7% in the same period last year. The decrease in margin reflects investments made in commercial activities.

Net income

Q3 2023 net income of $128.8 million grew $8.8 million or 7.3% quarter-over-quarter and $25.1 million or 24.2% year-over-year. Q3 2023 net income per share was $0.32; 3 cents per share higher than Q2 2023 and 7 cents per share higher than Q3 2022.

On a year-to-date basis, net income of $355.3 million grew $46.9 million or 15.2% as reported compared to the same period last year.

Adjusted Operating Results

(in $000's for stated values, except per share amounts)	For the three-month period ended			For the nine-month period ended	
	September 30, 2023	June 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	$	**$**	$
Servicing income, net	**175,889**	169,807	149,931	**501,895**	431,810
Net financing revenue	**140,557**	141,898	124,859	**415,335**	363,292
Syndication revenue, net	**17,326**	11,361	15,998	**43,567**	44,619
Net revenue	**333,772**	323,066	290,788	**960,797**	839,721
Salaries, wages and benefits	**92,193**	91,444	80,708	**269,248**	234,706
General and administrative expenses	**38,911**	36,775	29,654	**112,244**	86,395
Depreciation and amortization	**17,832**	16,704	15,020	**50,833**	44,411
Adjusted operating expenses	**148,936**	144,923	125,382	**432,325**	365,512
Adjusted operating income	**184,836**	178,143	165,406	**528,472**	474,209
Provision for taxes applicable to adjusted operating income	**44,360**	43,642	42,179	**126,893**	121,643
Cumulative preferred share dividends	**5,946**	5,946	5,923	**17,839**	22,129
After-tax adjusted operating income attributable to common shareholders	**134,530**	128,555	117,304	**383,740**	330,437
Weighted average number of shares outstanding [basic]	**389,511**	390,385	395,117	**390,696**	398,287
After-tax adjusted operating income per share [basic]	**0.35**	0.33	0.30	**0.98**	0.83

Adjusted Operating Results in constant currency[6]

We also analyze results on a constant currency basis, which is a non-GAAP measure. Under constant currency, prior period amounts are recalculated using current period average foreign currency rates. The following table presents our operating results on a constant currency basis. We believe that constant currency is useful for readers to understand performance independent of changes in the value of foreign currencies.

(in $000's for stated values)	For the three-month period ended			For the nine-month period ended	
	September 30, 2023	June 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	$	**$**	$
Servicing income, net	**175,889**	169,601	154,282	**501,895**	451,118
Net financing revenue	**140,557**	143,312	134,885	**415,335**	392,933
Syndication revenue, net	**17,326**	11,447	16,491	**43,567**	46,774
Net revenue	**333,772**	324,360	305,658	**960,797**	890,825
Salaries, wages and benefits	**92,193**	91,542	83,457	**269,248**	245,542
General and administrative expenses	**38,911**	36,745	30,538	**112,244**	89,925
Depreciation and amortization	**17,832**	16,669	15,430	**50,833**	46,268
Adjusted operating expenses	**148,936**	144,956	129,425	**432,325**	381,735
Adjusted operating income	**184,836**	179,404	176,233	**528,472**	509,090
Provision for taxes applicable to adjusted operating income	**44,360**	43,955	44,077	**126,893**	130,582
Cumulative preferred share dividends	**5,946**	5,946	5,923	**17,839**	22,129
After-tax adjusted operating income attributable to common shareholders	**134,530**	129,503	126,233	**383,740**	356,379
Weighted average number of shares outstanding [basic]	**389,511**	390,385	395,117	**390,696**	398,287
After-tax adjusted operating income per share [basic]	**0.35**	0.33	0.31	**0.98**	0.89

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.

[6] 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.

Orders and Originations

Orders

Originations are necessarily preceded by vehicle orders, which are legally binding at the time an OEM accepts the order. Our clients (excluding Armada) placed $1.9 billion of orders through Element in Q3 2023, an increase of 28.8% year-over-year. This volume evidences the strength in both clients' demand for, and (importantly), the supply of new vehicles.

Originations

Q3 2023 global originations of $2.7 billion represent another quarterly record and were $1.3 billion or 88.1% higher year-over-year, and $182.1 million or 7.2% higher quarter-over-quarter.

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

(in $000's for stated values)	**September 30, 2023**		June 30, 2023		September 30, 2022	
	$	**%**	$	%	$	%
United States and Canada	**2,207,120**	**81.14**	2,046,286	80.62	1,085,311	75.06
Mexico	**333,883**	**12.27**	342,751	13.50	224,111	15.50
Australia and New Zealand	**179,315**	**6.59**	149,175	5.88	136,416	9.44
Total	**2,720,318**	**100.00**	2,538,212	100.00	1,445,838	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)	**September 30, 2023**		June 30, 2023		September 30, 2022	
	$	**%**	$	%	$	%
United States and Canada	**2,207,120**	**81.14**	2,044,430	80.32	1,111,706	73.17
Mexico	**333,883**	**12.27**	355,137	13.95	273,284	17.99
Australia and New Zealand	**179,315**	**6.59**	145,878	5.73	134,300	8.84
Total	**2,720,318**	**100.00**	2,545,445	100.00	1,519,290	100.00

Servicing income, net

Q3 2023 services revenue grew $6.1 million or 3.6% quarter-over-quarter as reported. Q3 services revenue grew $26.0 million or 17.3% year-over-year as reported, and $21.6 million or 14.0% in constant currency. (As previously disclosed, Q3 2022 benefitted from $5.5 million in non-recurring services revenue.)

The factors underpinning third quarter year-over-year services revenue growth are:

A. Originations, which help drive associated services utilization (such as vehicle titling, registration, and remarketing);

B. New and existing clients enrolling in our services; and

C. Increased utilization of services such as maintenance and accident management.

On a year-to-date basis, services revenue of $501.9 million increased by $70.1 million or 16.2% compared to the same period last year as reported, and $50.8 million or 11.3% on a constant currency basis — largely for the same reasons that drove third quarter year-over-year growth. The first nine months ended September 30, 2022 benefitted from $11.0 million in non-recurring services revenue (as previously disclosed).

Net financing revenue

Q3 2023 net financing revenue grew $15.7 million or 12.6% year-over-year ($5.7 million or 4.2% in constant currency) and decreased $1.3 million or 0.9% quarter-over-quarter. Year-over-year growth was primarily driven by (i) increased GOS and (ii) average net earning assets (NEA) growth (given origination volume increases as discussed above under "Orders and Originations"). The quarter-over-quarter decline in net financing revenue was primarily driven by higher debt financing costs (as a result of higher interest rates) and secondarily by lower gains on sales (GOS).

On a year-to-date basis, net financing revenue of $415.3 million increased by $52.0 million or 14.3% compared to the same period last year as reported and by $22.4 million or 5.7% in constant currency — driven by the same factors cited in the third quarter year-over-year growth discussion above.

Q3 2022 and the first nine months ended September 30, 2022 benefitted from $9 million in non-recurring net financing revenue.

Net financing revenue yield on average net earning assets

	For the three-month period ended			For the nine-month period ended	
(in $000's for stated values)	**September 30 2023**	June 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Average net earning assets	**$ 9,797,130**	$ 9,133,747	$ 8,069,879	**$ 9,211,944**	$ 8,083,879
Net interest income and rental revenue	**12.27 %**	12.24 %	10.07 %	**12.01 %**	8.95 %
Interest expense	**6.53 %**	6.03 %	3.88 %	**6.00 %**	2.96 %
Net financing revenue yield on average net earning assets	**5.74 %**	6.21 %	6.19 %	**6.01 %**	5.99 %
Average debt outstanding	**$ 10,376,677**	$ 9,769,160	$ 8,196,262	**$ 9,719,535**	$ 8,165,416
Average cost of debt (Interest expense / average debt)	**6.17 %**	5.64 %	3.82 %	**5.69 %**	2.93 %
Average 1-Month LIBOR rates	**5.41 %**	3.42 %	1.00 %	**5.04 %**	0.62 %

Syndication revenue, net

We syndicated $1.0 billion of assets this quarter - $421.1 million or 70.3% more volume than Q3 last year, and $331.7 million or 48.2% more volume than Q2 this year -- and generated $17.3 million of revenue.

Q3 2023 syndication revenue increased by $1.3 million year-over-year as reported ($0.8 million on a constant currency basis). Quarter-over-quarter, syndication revenue increased by $6.0 million as reported. Both year-over-year and quarter-over-quarter increases in syndication revenue were driven by higher syndication volume.

On a year-to-date basis, syndication revenue of $43.6 million was $1.1 million or 2.4% lower compared to the same period last year as reported and $3.2 million or 6.9% lower in constant currency.

Q3 2022 and the first nine months ended September 30, 2022 benefitted from $2.5 million and $5.0 million respectively in non-recurring syndication revenue.

Adjusted operating expenses

Q3 2023 adjusted operating expenses of $148.9 million were $23.6 million or 18.8% higher year-over-year as reported and $19.5 million or 15.1% higher in constant currency. This increase was driven by (i) higher salaries, wages and benefits (resulting from increased headcount and annual merit increases) and (ii) higher general and administrative expenses. 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. Rising translation costs for U.S. dollar denominated expenses (as a result of the U.S. dollar's appreciation relative to the Canadian dollar) contributed to the year-over-year increase as reported. Q3 2023 (and the first nine months of 2023) adjusted operating expenses included $3.9 million of non-recurring setup costs for new strategic initiatives as described in the "Achievements and Initiatives in the Period" section of this MD&A.

Quarter-over-quarter, adjusted operating expenses increased by $4.0 million or 2.8% as reported, due to a combination of a moderate increase in salaries, wages and benefits largely as a result of headcount growth and higher depreciation resulting from the modernization of our current technology systems.

On a year-to-date basis, adjusted operating expenses of $432.3 million increased by $66.8 million or 18.3% compared to the same period last year as reported and by $50.6 million or 13.3% in constant currency — largely as a result of the same reasons cited in the third quarter year-over-year expansion discussion above.

Adjusted operating income ("AOI")

AOI was $184.8 million this quarter, an increase of $19.4 million or 11.7% year-over-year as reported, and $8.6 million or 4.9% growth on a constant currency basis. Year-over-year AOI growth was driven by positive operating leverage as net revenue growth on a constant currency basis outpaced adjusted operating expense growth on the same constant currency basis.

Quarter-over-quarter, AOI increased by $6.7 million or 3.8% as reported, similarly driven by positive operating leverage.

On a year-to-date basis, AOI of $528.5 million increased by $54.3 million or 11.4% year-over-year as reported.

Adjusted operating margins

Q3 2023 adjusted operating margin was 55.4%, representing margin expansion of 20 basis points year-over-year versus "organic" Q3 2022 adjusted operating margin in constant currency, and 10 basis points of margin expansion quarter-over-quarter in constant currency.

For the first nine months ended September 30, 2023, adjusted operating margin was 55.0%.

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 September 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)	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Net revenue	**333,772**	323,066	303,959	292,328	290,788	288,133	260,800	245,482
Adjusted operating income	**184,836**	178,143	165,493	150,307	165,406	165,947	142,856	122,561
After-tax adjusted operating income	**140,476**	134,501	126,602	112,700	123,227	123,630	105,709	94,372
Net income	**128,793**	120,031	106,484	101,216	103,703	111,120	93,604	94,664
Earnings per share, basic	**0.32**	0.29	0.26	0.24	0.25	0.26	0.21	0.21
Earnings per share, diluted	**0.31**	0.29	0.25	0.24	0.24	0.25	0.21	0.21
Adjusted operating income per share, basic	**0.46**	0.44	0.41	0.37	0.40	0.40	0.34	0.28
After-tax adjusted operating income per share, basic	**0.35**	0.33	0.31	0.27	0.30	0.29	0.24	0.21
After-tax pro forma diluted adjusted operating income per share	**0.34**	0.32	0.30	0.26	0.29	0.28	0.24	0.21
Total assets	**16,338,484**	15,857,059	15,065,605	14,332,218	13,703,080	13,166,556	12,817,647	12,973,412
Net earning assets	**9,893,401**	9,365,615	8,840,573	8,394,257	8,287,013	7,983,040	7,947,152	8,203,159
Total debt	**10,447,166**	10,152,119	9,489,097	8,917,619	8,465,137	8,342,529	8,069,321	8,198,035
Loan and lease originations	**2,720,318**	2,538,212	1,909,525	1,841,874	1,445,838	1,913,032	1,432,360	1,194,746
Allowance for credit losses	**9,380**	10,095	10,205	10,369	10,143	9,760	10,256	10,246
As a % of total finance receivables before allowance	**0.10**	0.11	0.12	0.13	0.13	0.13	0.14	0.14
Senior revolving credit facilities	**1,246,341**	1,708,328	2,654,291	1,893,323	1,425,361	1,321,024	1,464,384	1,106,629
Borrowings	**9,127,138**	8,351,952	6,731,561	6,914,536	6,918,113	6,859,914	6,457,020	6,932,334
Convertible debentures[7]	**167,983**	166,609	165,257	163,933	162,725	161,591	160,321	159,072

[7] The convertible debentures will mature on June 30, 2024.

Financial Position

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

(in $000's for stated values)	**September 30, 2023**	June 30, 2023	December 31, 2022
	$	$	$
ASSETS			
Cash	**99,809**	74,503	68,876
Restricted funds	**452,060**	429,378	433,327
Finance receivables	**9,561,738**	9,278,405	8,069,386
Equipment under operating leases	**3,290,669**	3,159,966	2,806,841
Accounts receivable and other current assets	**243,526**	227,655	215,817
Derivative financial instruments	**111,866**	123,694	131,943
Property, equipment and leasehold improvements	**137,178**	126,743	80,899
Intangible assets	**852,918**	840,781	864,611
Deferred tax assets	**297,424**	325,863	365,430
Goodwill	**1,291,296**	1,270,071	1,295,088
	16,338,484	15,857,059	14,332,218
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**1,637,965**	1,502,675	1,465,198
Derivative financial instruments	**49,581**	59,567	81,730
Borrowings	**10,373,479**	10,060,280	8,807,859
Convertible debentures	**167,983**	166,609	163,933
Deferred tax liabilities	**150,046**	147,701	132,525
	12,379,054	11,936,832	10,651,245
Shareholders' equity	**3,959,430**	3,920,227	3,680,973
	16,338,484	15,857,059	14,332,218

Total assets and liabilities increased by $481.4 million and $442.2 million, respectively, from June 30, 2023; and $2,006.3 million and $1,727.8 million, respectively, from December 31, 2022.

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

Approximately 53% 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 strengthened compared to the CAD quarter-over-quarter but weakened against the CAD compared to September 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 is relatively flat against CAD quarter-over-quarter but strengthened against the CAD 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 $283.3 million and $1,492.4 million higher at September 30, 2023 than at June 30, 2023 and December 31, 2022, respectively, driven primarily by originations.

(in $000's for stated values, except ratios)	**September 30, 2023**	June 30, 2023	December 31, 2022
	$	$	$
Net investment in finance receivables	**6,602,732**	6,205,649	5,587,416
Impaired receivables - at net realizable value	**4,619**	50,803	6,605
	6,607,351	6,256,452	5,594,021
Unamortized origination costs and subsidies	**(72,131)**	(68,427)	(38,294)
Net finance receivables	**6,535,220**	6,188,025	5,555,727
Prepaid lease payments and Security deposits	**(73,565)**	(59,084)	(54,960)
Interim funding	**1,574,184**	1,745,110	1,184,862
Fleet management service receivables	**821,168**	755,667	802,809
Other	**619,815**	584,012	537,144
Continuing involvement asset	**94,296**	74,770	54,173
	9,571,118	9,288,500	8,079,755
Allowance for credit losses	**9,380**	10,095	10,369
Total finance receivables	**9,561,738**	9,278,405	8,069,386

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

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

	Nine-month period ended	Three-month period ended	Twelve-months period ended
	September 30, 2023	June 30, 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
(Recovery of) / Provision for credit losses	**(325)**	160	(25)
Charge-offs, net of recoveries	**(742)**	(416)	(431)
Impact of foreign exchange rates	**78**	(18)	579
Allowance for credit losses, end of period	**9,380**	10,095	10,369
Charge-offs, net of recoveries, as a % of total finance receivables	**0.01 %**	0.01 %	0.01%
Allowance for credit losses, as a % of total finance receivables before allowance	**0.10 %**	0.11 %	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. 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 $0.3 million release from our allowance for credit losses in the quarter.

Our allowance for credit losses has decreased $1.0 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 decreased to $4.6 million as at September 30, 2023 following the emergence from bankruptcy of one of our clients (who had filed Chapter 11 in the second quarter). 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)	**September 30, 2023**		June 30, 2023		December 31, 2022	
	$	**%**	$	%	$	%
United States and Canada	**5,583,790**	**56.8**	5,224,593	55.9	4,710,263	56.3
Australia and New Zealand	**1,603,148**	**16.3**	1,552,139	16.6	1,597,736	19.1
Mexico	**2,638,951**	**26.9**	2,571,259	27.5	2,054,569	24.6
Total	**9,825,889**	**100.0**	9,347,991	100.0	8,362,568	100.0
Allocated as:						
Net finance receivables	**6,535,220**	**66.5**	6,188,025	66.2	5,555,727	66.4
Equipment under operating leases, net	**3,290,669**	**33.5**	3,159,966	33.8	2,806,841	33.6
Total	**9,825,889**	**100.0**	9,347,991	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)	**September 30, 2023**		June 30, 2023		December 31, 2022	
	$	**%**	$	%	$	%
United States and Canada	**13,336,524**	**75.1**	12,967,466	75.2	12,102,497	75.7
Australia and New Zealand	**1,601,917**	**9.0**	1,551,292	9.0	1,593,563	10.0
Mexico	**2,829,332**	**15.9**	2,722,047	15.8	2,277,157	14.3
Assets under management	**17,767,773**	**100.0**	17,240,805	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

We assess and proactively manage our liquidity position by ensuring we have controls over all sources and uses of cash flow. We also conduct 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.

Notwithstanding our dependable operating cash flows and $3.9 billion of committed, undrawn capital at September 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 nine-month period ended September 30, 2023 was $1,190.7 million, a change of $1,772.1 million from the $581.4 million provided by operating activities for the nine-month period ended September 30, 2022. The year-over-year change 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 nine-month period ended September 30, 2023 was $70.8 million compared to $46.1 million for the nine-month period ended September 30, 2022. The change is driven by an increase in the purchase of property, plant, and equipment related to leasehold improvements, computer equipment, and vehicles of $14.1 million and an increase of $7.7 million in purchases of computer software compared to the prior year.

Cash provided by financing activities for the nine-month period ended September 30, 2023 was $1,259.9 million, compared to $403.8 million used in financing activities for the nine-month period ended September 30, 2022. The increase is primarily due to the issuance of the U.S. Senior note and increased borrowings on our facilities to finance the increase in investments in finance receivables, and redemption of preferred shares in the prior year.

Free cash flow

We present our 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 nine-month period ended	
(in $000's for stated values)	**September 30, 2023**	June 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	$	**$**	$
Free Cash Flow	**163,754**	181,355	151,801	**492,134**	414,804
Amortization of equipment under operating leases	**171,266**	157,857	123,771	**472,104**	371,056
Investment in finance receivables	**(2,112,369)**	(2,617,756)	(1,217,200)	**(6,539,487)**	(4,213,901)
Repayments of finance receivables	**916,535**	1,154,744	650,620	**2,775,451**	2,300,556
Investment in equipment under operating leases	**(434,377)**	(380,139)	(278,407)	**(1,159,279)**	(818,070)
Disposals of equipment under operating leases	**94,772**	85,553	87,953	**263,088**	219,857
Proceeds from syndication financings	**1,039,246**	700,252	613,460	**2,444,491**	2,087,480
Sustaining capital investments	**22,598**	19,189	8,644	**57,882**	37,310
Preferred share dividends	**5,946**	5,946	5,923	**17,838**	22,129
Other	**99,807**	(10,645)	107,472	**(14,878)**	160,190
Cash Flow from Operations	**(32,822)**	(703,644)	254,037	**(1,190,656)**	581,411

Credit and debt facilities

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

We had $3.9 billion of committed, undrawn liquidity available across our revolving unsecured ($2.3 billion) and vehicle management asset-backed ($1.5 billion) facilities at September 30, 2023, which is 22% higher quarter-over-quarter. Commitments under these facilities are provided by syndicates of leading Canadian, U.S. and international banks.

At the end of Q3 2023, Element issued U.S. $750.0 million of vehicle management asset-backed term notes. The proceeds received at the time of closing were used to pay down variable funding notes outstanding.

As at	**September 30, 2023**			
(in $000's for stated values)	**$**	**%**	**$**	**$**
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	**3,544,118**	***64.8***	**2,297,777**	**1,246,341**
Senior notes	**2,227,731**	**—**	**—**	**2,227,731**
Term facilities	**341,765**	**—**	**—**	**341,765**
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	**2,506,329**	**—**	**—**	**2,506,329**
Variable funding notes	**5,457,294**	***27.4***	**1,496,350**	**3,960,944**
Other	**46,859**	**—**	**—**	**46,859**
Total vehicle management asset-backed debt	**8,010,482**	***18.7***	**1,496,350**	**6,514,132**
Total cash			**99,809**	
Total capital available for continuing operations			**3,893,936**	

Last quarter (Q2 2023), we:

- completed our 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;
- 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 us to increase the offering size from U.S. $500.0 million while improving pricing;
- renewed our term facilities for an additional year; and
- extended one of our variable funding note facilities to May 2024, and increased our available capacity by $60.3 million.

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	

During Q1 2023, we 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 2023, and then by an additional $182 million in Q2 2023. Another facility was extended to April 2024 and the available capacity was increased by $135.4 million.

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	

Capital Resources

Capitalization

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

The Company's capitalization is calculated as follows:

As at	**September 30, 2023**	June 30, 2023	December 31, 2022
(in $000's)	**$**	$	$
Cash	**99,809**	74,503	68,876
Unsecured debt			
Senior credit facilities	**1,246,341**	1,708,328	1,893,323
4.250% Convertible Debentures due 2024	**167,983**	166,609	163,933
1.600% Senior Notes due 2024	**675,070**	662,970	677,240
3.850% Senior Notes due 2025	**540,056**	530,376	541,792
6.271% Senior Notes due 2026	**1,012,605**	994,455	—
Term facilities	**341,765**	339,224	387,034
Vehicle Management Asset-Backed Debt			
Revolving term notes in amortization	**2,506,329**	1,724,301	1,115,459
Variable funding notes	**3,960,944**	4,023,962	4,120,361
Other	**46,859**	58,080	83,639
Deferred financing costs	**(26,394)**	(25,669)	(19,227)
Continuing involvement liability	**94,296**	74,770	54,173
Hedge accounting fair value adjustments	**(24,392)**	(30,517)	(45,935)
Total debt	**10,541,462**	10,226,889	8,971,792
Shareholders' equity			
Common share capital	**2,846,624**	2,849,085	2,868,078
Preferred share capital	**365,113**	365,113	365,113
Other	**747,693**	706,029	447,782
Total Shareholders' Equity	**3,959,430**	3,920,227	3,680,973
Total Capitalization	**14,500,892**	14,147,116	12,652,765

Growing profitability, free cash flow and syndication all contribute to the de-leveraging of our balance sheet.

Normal Course Issuer Bids

Pursuant to the Company's current normal course issuer bid, under which the Company has approval from the TSX to purchase up to 39,228,719 common shares during the period from November 15, 2022 to November 14, 2023, 3,830,549 common shares were repurchased as of September 30, 2023, for an aggregate amount of approximately $70.9 million at a volume weighted average price of $18.52 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.

In furtherance of the Company's return of capital plan, Element intends to renew its normal course issuer bid (the "2023 NCIB") for its common shares. If accepted by the TSX, the Company would be permitted under the 2023 NCIB to purchase for cancellation, through the facilities of the TSX or such other permitted means, up to 10% of the public float (calculated in accordance with TSX rules) of Element's issued and outstanding common shares during the 12 months following such TSX acceptance at prevailing market prices (or as otherwise permitted). The actual number of the Company's common shares, if any, that may be purchased under the 2023 NCIB, and the timing of any such purchases, will be determined by the Company, subject to applicable terms and limitations of the 2023 NCIB (including any automatic share purchase plan adopted in connection therewith). There cannot be any assurance as to how many common shares, if any, will ultimately be purchased pursuant to the 2023 NCIB. If the 2023 NCIB renewal is accepted by the TSX, any subsequent renewals of the 2023 NCIB will be in the discretion of the Company and subject to further TSX approval.

Leverage

We view both financial and tangible leverage as indicators of the strength of our financial position. At September 30, 2023, our financial leverage ratio was 2.64:1 and tangible leverage ratio was 5.76:1.

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

As at		**September 30, 2023**	December 31, 2022
(in $000's, except ratios)		**$**	$
Borrowings		**10,373,479**	8,807,859
Convertible debentures		**167,983**	163,933
Less: Continuing involvement liability		**(94,296)**	(54,173)
Total debt	**(a)**	**10,447,166**	8,917,619
Total shareholders' equity	**(b)**	**3,959,430**	3,680,973
		14,406,596	12,598,592
Goodwill and intangible assets	**(c)**	**2,144,214**	2,159,699
Financial leverage	**(a)/(b)**	**2.64**	2.42
Tangible leverage	**(a)/[(b)-(c)]**	**5.76**	5.86

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

Rating agency	Issuer rating	Outlook
DBRS, Inc.	BBB (high)	Positive
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 Q3 2023, DBRS, Inc. upgraded its outlook to positive and affirmed its investment-grade rating of BBB (high). Additionally, Fitch Ratings affirmed its stable outlook and investment-grade rating of BBB+, and Kroll Bond Rating Agency affirmed its stable outlook investment-grade rating of A-. Standard & Poor will be releasing an updated ratings report in Q4 2023. Their current investment-grade rating is BBB accompanied by a stable outlook.

Risk Management

We have risk management processes in place to monitor, evaluate and manage the principal risks we assume in conducting our business. These risks include credit, liquidity, foreign exchange, credit spread, and various sources of operational risk. Our primary risks have not changed materially from those described in the "Risk Management" section of our 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

<u>Outlook</u>

Full-year 2024 results guidance

	Full-year 2024 result ranges
Net revenue	$1.365 - 1.390 billion
Adjusted operating margin	55.0% - 55.5%
Adjusted operating income	$750 - 770 million
Adjusted EPS	$1.41 - 1.46
Free cash flow per share	$1.75 - 1.80

We expect sustained commercial success and resilient client demand for our services to underpin full-year net revenue of between $1.365 to $1.390 billion in 2024. We are committed to positive operating leverage. We expect the business to generate high single- to low double-digit adjusted EPS and free cash flow per share growth in 2024, which we believe will drive value creation for shareholders.

Our full-year 2024 results guidance ranges exclude non-recurring setup costs to be incurred as we invest in strategic initiatives. For a full description of these leasing and strategic sourcing initiatives, please reference the "Achievements and Initiatives in the Period" section of this MD&A.

Excluding the same non-recurring setup costs related to the strategic initiatives[8], we expect to deliver full-year 2023 results near, at or above the high end of our previously-provided guidance ranges.

Leasing and strategic sourcing initiatives

The consolidation of the U.S. and Canadian leasing related functions under one Element leader will elevate our clients' leasing experience, optimize operations, and improve pricing discipline to maximize the value of this core function.

The opening of a small new office next year in Singapore will enhance our global procurement capabilities by strengthening our existing ties and fostering valuable new sourcing relationships in Asia.

These initiatives will require approximately $25-30 million (total) in non-recurring setup costs, of which we have already incurred $3.9 million. We expect the majority of the remaining $21-26 million (total) to be incurred over the next three quarters. The amounts will include recruitment expenses, set up, relocation, severance, and professional fees. We expect these initiatives to generate between $40 million to $60 million of run-rate net revenue and $30 to $50 million of run-rate AOI by full year 2028.

Profitable net revenue growth

As we have previously communicated, we believe Element can deliver 6% to 8% profitable net revenue growth annually in normal market conditions. We are committed to positive operating leverage in managing the business - *ie*. net revenue growth should exceed operating expense growth. We continue to expect strong new client growth (Commercial success) and existing client demand for our products and services (including Share-of-Wallet growth) to drive net revenue growth.

A capital-lighter business model

In addition to capital-light services revenue growth being a key long-term driver of our 6% to 8% growth outlook, we continue to view syndication as a cornerstone of our capital-lighter business model. Syndication is

[8] $3.9 million of Element's Q3 2023 operating expenses were non-recurring setup costs for new strategic initiatives. We expect the majority of the remaining $21-26 million (total) to be incurred in the next three quarters (*ie.* Q4 2023, Q1 2024 and Q2 2024).

an off-balance-sheet source of cost-effective funding, a leverage-management tool, and an enabler of the return of capital to shareholders. We expect client demand for new vehicles to drive consistent and growing originations, which will provide a ready supply of lease assets to sell to a broadening geographic base of syndication investors.

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

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

A combination of strong operating income growth and a capital-lighter business model has produced robust growth in free cash flow per share, which we plan to continue allocating as follows:

- Prudently invest in our business;
- Grow the common dividend in keeping with our target payout of 25% to 35% of last twelve months' free cash flow per share;
- Eliminate the last of the high-cost legacy financing instruments (preferred share series); and
- Repurchase common shares under NCIBs.

Electric vehicles

Fleet electrification plays a meaningful role in the decarbonization that underpins many corporate pledges toward greenhouse gas emission neutrality by 2050. This prioritization of decarbonization from C-suites and boards of directors is expected to accelerate client demand for electric vehicles. This acceleration goes hand-in-hand with government policies banning the sales of new internal combustion engine (ICE)-powered vehicles from 2030 onwards. EV adoption has been slowed by lack of necessary infrastructure, grid capacity concerns, and higher vehicle pricing.

Our own internal fleet electrification commitments include:

- Installing charging infrastructure at all our offices by the end of this year; and
- Electrifying our internal fleet in Australia and New Zealand by mid-2024, and North America by the end of 2025.

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

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

Economic Conditions

Contemporary economic conditions including the United Auto Workers strike, inflationary pressures, concerns regarding recession, and heightened interest rates pose potential risks as well as opportunities for our business. We closely monitor these macroeconomic factors and adjust existing or implement new strategies where appropriate to mitigate risks and capitalize on opportunities to ensure Element’s long-term success.

Organized labour disruption

On October 30, 2023, the United Auto Workers (UAW) reached tentative agreements with each of General Motors, Ford Motor Company and Stellantis.

As at the date of this MD&A,

- the tentative agreements have not been ratified,
- the labour disruption has had no material impact on our business, and
- the full impact of the UAW strike on production volumes, the auto parts supply chain, future vehicle prices, and our business remains unknown.

We continue to closely monitor the situation and will work to mitigate potential impacts if they arise.

Inflation

Inflation can erode the purchasing power of clients and impact their ability to afford our products or services. Additionally, inflation may increase our operating costs, such as salaries.

We closely monitor inflation trends and take appropriate measures to mitigate any adverse effects on our company's financial performance.

To date, inflation has been additive to our business given much of our increased costs are contractually and/or effectively passed on to our client base by virtue of our business model.

Recession

A recession is characterized by a significant decline in economic activity, which may lead to reduced business spending and investment. During a recession, our company may experience a decrease in demand for our products or services, leading to lower sales and revenue.

We closely monitor economic indicators and client behavior to anticipate and respond to any potential recessionary impacts.

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. During that period of global economic contraction, Element delivered solid operating results.

There are many factors that contribute to our business model's resilience across economic cycles:

- Element manages vehicles that are mostly viewed as mission-critical by our clients given the roles the vehicles play in our clients' ability to generate revenue and meet stakeholder expectations. Consequently, service consumption and replacement vehicle demand are typically less impacted in a downturn.
- Our "credit first, collateral second" underwriting philosophy mitigates credit losses as we focus on maintaining a high credit quality client base, diversified across industries and, geographies.
- Element leases are typically among the first contracts to be affirmed by administrators in a bankruptcy scenario given the aforementioned mission-critical nature of the leased vehicles.
- The nature of our security positions (*eg*. cross-collateralization of leases, and cross-default provisions with respect to our service receivables) as part of our pro-active collateral gap management practices has proven effective at minimizing real economic losses for Element in the rare cases of client bankruptcy. Historically, our real economic losses as a percentage of total finance receivables has been in the low single-digit basis point range.

- Moreover, we believe our value proposition – lowering our clients' total cost of fleet operations and reducing administrative burden – becomes more attractive and relevant to existing and prospective clients during recessionary periods (where pressure to manage operating costs and realize efficiencies increases).

Interest Rates

Changes in interest rates impact our company's borrowing costs and, therefore, can affect our investment decisions and Element's overall financial health. Higher interest rates may increase our cost of capital, making it more expensive to finance our clients' fleets and service activity as well as our own operations, including new projects. Conversely, lower interest rates can stimulate economic activity and potentially increase demand for our products or services. We closely monitor interest rate movements and adjust our financial strategies accordingly.

Our business model is largely agnostic to base rates interest rate movements as we match fund our leases based on interest rate type (fixed vs floating) and we carefully monitor borrowing costs to ensure new leases reflect appropriate credit spreads. We actively manage our funding facilities to optimize lease interest margins. When leases are activated, the interest margin is preserved for the life of the asset on our balance sheet. Following activation, our exposure is limited 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 nine-month periods ended September 30, 2023. A summary of our 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 nine-month periods ended September 30, 2023 have been prepared in conformity with accounting polices disclosed in the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2022.

Related Party Transactions

Our related parties include the following persons and/or entities: (a) associates, or entities which are controlled or significantly influenced by us; (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

We adopted amendments ("Amendments") to IFRS 9, Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures (Amendments), applicable from November 1, 2019. These Amendments modify certain hedge accounting requirements to provide relief from the effect of uncertainty caused by interbank offered rate ("IBOR") reform ("the IBOR Reform") prior to the transition to alternative interest rates. The adoption of the Amendments had no impact to our unaudited interim condensed consolidated financial statements.

We 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. We 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, we 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 September 30, 2023 and December 31, 2022 subject to IBOR reform that have yet to transition to SOFR.

	As at September 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 us. The following new IFRS pronouncement has been issued but is not yet effective and may have a future impact on our 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. We 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.

For the three-and-nine-month periods ended September 30, 2023 there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control 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 nine-month period ended	
(in $000's for stated values)		**September 30, 2023**	June 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Reported and adjusted income measures						
Net income	A	**128,793**	120,031	103,703	**355,308**	308,427
Adjustments:						
Amortization of debenture discount		**1,033**	1,016	966	**3,048**	2,849
Share-based compensation		**7,335**	8,755	12,885	**32,489**	24,259
Amortization of intangible assets from acquisitions		**9,369**	9,378	9,144	**28,180**	27,011
Provision for income taxes		**38,553**	39,670	38,708	**109,664**	108,899
(Gain)/Loss on investments		**(247)**	(707)	—	**(217)**	2,764
Before-tax adjusted operating income	B	**184,836**	178,143	165,406	**528,472**	474,209
Provision for taxes applicable to adjusted operating income	C	**44,360**	43,642	42,179	**126,893**	121,643
After-tax adjusted operating income	D=B-C	**140,476**	134,501	123,227	**401,579**	352,566
Cumulative preferred share dividends during the period	Y	**5,946**	5,946	5,923	**17,839**	22,129
After-tax adjusted operating income attributable to common shareholders	D1= D-Y	**134,530**	128,555	117,304	**383,740**	330,437
Provision for income taxes		**38,553**	39,670	38,708	**109,664**	108,899
Adjustments:						
Pre-tax income		**4,508**	4,788	6,304	**16,451**	15,953
Foreign tax rate differential and other		**1,299**	(816)	(2,833)	**778**	(3,209)
Provision for taxes applicable to adjusted operating income		**44,360**	43,642	42,179	**126,893**	121,643
Selected statement of financial position amounts						
Total Finance receivables, before allowance for credit losses	E	**9,571,118**	9,288,500	7,706,220	**9,571,118**	7,706,220
Allowance for credit losses	F	**9,380**	10,095	10,143	**9,380**	10,143
Net investment in finance receivable	G	**6,602,732**	6,205,649	5,738,104	**6,602,732**	5,738,104
Equipment under operating leases	H	**3,290,669**	3,159,966	2,548,909	**3,290,669**	2,548,909
Net earning assets	I=G+H	**9,893,401**	9,365,615	8,287,013	**9,893,401**	8,287,013
Average net earning assets	J	**9,797,130**	9,133,747	8,069,879	**9,211,944**	8,083,879
Goodwill and intangible assets	K	**2,144,214**	2,110,852	2,179,821	**2,144,214**	2,179,821
Average goodwill and intangible assets	L	**2,135,408**	2,140,825	2,108,455	**2,141,710**	2,070,212
Borrowings	M	**10,373,479**	10,060,280	8,343,474	**10,373,479**	8,343,474
Unsecured convertible debentures	N	**167,983**	166,609	162,725	**167,983**	162,725
Less: continuing involvement liability	O	**(94,296)**	(74,770)	(41,062)	**(94,296)**	(41,062)
Total debt	P=M+N-O	**10,447,166**	10,152,119	8,465,137	**10,447,166**	8,465,137
Average debt	Q	**10,376,677**	9,769,160	8,196,262	**9,719,535**	8,165,416
Total shareholders' equity	R	**3,959,430**	3,920,227	3,585,869	**3,959,430**	3,585,869
Preferred shares	S	**365,113**	365,113	365,113	**365,113**	365,113
Common shareholders' equity	T=R-S	**3,594,317**	3,555,114	3,220,756	**3,594,317**	3,220,756
Average common shareholders' equity	U	**3,660,505**	3,552,720	3,114,995	**3,660,505**	3,029,142
Average total shareholders' equity	V	**4,025,618**	3,917,833	3,480,108	**4,025,618**	3,475,786

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 nine-month period ended	
(in $000's for stated values, except ratios and per share amounts)		**September 30, 2023**	June 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	P/R	**2.64**	2.59	2.36	**2.64**	2.36
Tangible leverage ratio	P/(R-K)	**5.76**	5.61	6.02	**5.76**	6.02
Average financial leverage ratio	Q/V	**2.58**	2.49	2.36	**2.41**	2.35
Average tangible leverage ratio	Q/(V-L)	**5.49**	5.50	5.98	**5.16**	5.81
Other key operating ratios						
Allowance for credit losses as a % of total finance receivables before allowance	F/E	**0.10 %**	0.11 %	0.13 %	**0.10 %**	0.13 %
Adjusted operating income on average net earning assets	B/J	**7.55 %**	7.80 %	8.20 %	**5.74 %**	5.87 %
After-tax adjusted operating income on average tangible total equity of Element	D/(V-L)	**29.73 %**	30.28 %	35.94 %	**28.42 %**	33.44 %
Per share information						
Number of shares outstanding	W	**389,218**	389,703	393,874	**389,218**	393,874
Weighted average number of shares outstanding [basic]	X	**389,511**	390,385	395,117	**390,696**	398,287
Pro forma diluted average number of shares outstanding	Y	**404,509**	405,505	411,669	**405,677**	414,583
Cumulative preferred share dividends during the period	Z	**5,946**	5,946	5,923	**17,839**	22,129
Other effects of dilution on an adjusted operating income basis	AA	**$ 1,652**	$ 1,638	$ 1,607	**$ 4,945**	$ 4,802
Net income per share [basic]	(A-Z)/X	**$ 0.32**	$ 0.29	$ 0.25	**$ 0.86**	$ 0.72
Net income per share [diluted]		**$ 0.31**	$ 0.29	$ 0.24	**$ 0.84**	$ 0.70
After-tax adjusted operating income per share [basic]	(D1)/X	**$ 0.35**	$ 0.33	$ 0.30	**$ 0.98**	$ 0.83
After-tax pro forma diluted adjusted operating income per share	(D1+AA)/Y	**$ 0.34**	$ 0.32	$ 0.29	**$ 0.96**	$ 0.81

The following table provides a reconciliation of the after-tax adjusted operating income per share and the after-tax pro forma diluted adjusted operating income per share of the operations of the Company for the three-month period ended September 30, 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	**184,836**		**0.47**
Less:			
Income taxes related to adjusted operating income	**(44,360)**		**(0.11)**
Preferred share dividends	**(5,946)**		**(0.02)**
After-tax adjusted operating income attributable to common shareholders	**134,530**	**389,511,424**	**0.35**
Dilution items:			
Employee stock option plan	**—**	**369,725**	**—**
Convertible debentures (after-tax net interest expense)	**1,652**	**14,627,599**	**(0.01)**
After-tax pro forma diluted adjusted operating income	**136,182**	**404,508,749**	**0.34**

The following table reconciles reported expenses to adjusted operating expenses:

	For the three-month period ended			For the nine-month period ended	
(in $000's for stated values, except per share amounts)	**September 30, 2023**	June 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	$	**$**	$
Reported Expenses	**166,426**	163,365	148,377	**495,825**	422,395
Adjustments:					
Amortization of convertible debenture discount	**1,033**	1,016	966	**3,048**	2,849
Share-based compensation	**7,335**	8,755	12,885	**32,489**	24,259
Amortization of intangible assets from acquisition	**9,369**	9,378	9,144	**28,180**	27,011
Loss on investments	**(247)**	(707)	—	**(217)**	2,764
Adjusted operating expenses	**148,936**	**144,923**	**125,382**	**432,325**	**365,512**

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 and Supplemental Financial Measures

Our unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and the accounting policies we adopted in accordance with IFRS. These unaudited interim condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at September 30, 2023 and December 31, 2022, the results of operations, comprehensive income and cash flows for the three- and nine-month periods-ended September 30, 2023 and September 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.

Orders

Orders are legally binding commitments at the time at which the OEM accepts the order. Orders necessarily precede Originations.

Originations

An origination occurs once a vehicle that will be financed through Element is produced.

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).

Period-end vehicles under management (VUM)

Every "VUM" is one unique vehicle (a) receiving or subscribed for one or more Element services, and/or (b) financed by Element, whether or not subsequently syndicated. Period-end VUM refers to total VUM as at the end of the quarter.

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 November 6, 2023, the Company had 389,064,827 Common Shares issued and outstanding. In addition, 663,010 options were issued and outstanding under the Company's stock option plan as at November 6, 2023. These convertible securities are convertible into, or exercisable for, Common Shares of the Company. 663,010 of these convertible securities were exercisable at September 30, 2023, for what would have been proceeds to the Company upon exercise of $6.0 million. In addition, the Company had convertible debentures outstanding that are convertible into an aggregate of 14,627,599 Common Shares.

As at November 6, 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.