



# Q3 2023 | **Supplementary Information**

as at September 30, 2023

This supplementary information should be read in conjunction with the Company's Management Discussion & Analysis for the three-and nine-months ended September 30, 2023.

## FORWARD-LOOKING STATEMENTS DISCLAIMER

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The following pages provide information management believes is relevant to an assessment and understanding of the financial condition, results and operations of Element Fleet Management Corp. (the “Company” or “Element”) and should be read in conjunction with the Company’s Q3 Management Discussion & Analysis and unaudited interim condensed financial statements and accompanying notes for the three- and nine-month periods ended September 30, 2023. All monetary figures are in millions of Canadian dollars unless otherwise noted or for per share amounts. Additional information regarding the Company is available on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca) and on the Company’s website at [www.elementfleet.com](http://www.elementfleet.com).

### CAUTIONARY STATEMENT

**THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO NOVEMBER 6, 2023. CERTAIN STATEMENTS CONTAINED IN THIS REPORT CONSTITUTE “FORWARD-LOOKING STATEMENTS”. IN SOME CASES THE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY WORDS OR PHRASES SUCH AS “MAY”, “CAN”, “WILL”, “EXPECT”, “GUIDANCE”, “PLAN”, “ANTICIPATE”, “TARGET”, “INTEND”, “POTENTIAL”, “ESTIMATE”, “BELIEVE” OR THE NEGATIVE OF THESE TERMS, OR OTHER SIMILAR EXPRESSIONS INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, INCLUDING, AMONG OTHERS, STATEMENTS REGARDING ELEMENT’S FUTURE FINANCIAL PERFORMANCE, GROWTH PROSPECTS AND OBJECTIVES, EXPECTATIONS REGARDING SYNDICATION, ABILITY TO DRIVE OPERATIONAL EFFICIENCIES, ASSETS, BUSINESS STRATEGY, COMPETITIVE POSITIONING, ABILITY TO CREATE VALUE FOR SHAREHOLDERS, THE EVOLUTION OF ELEMENT’S BUSINESS, THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION, STRATEGIC ASSESSMENT, BUSINESS OUTLOOK, ELEMENT’S DIVIDEND POLICY AND THE PAYMENT OF FUTURE DIVIDENDS, ELEMENT’S PLANS 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 THE NORMAL COURSE ISSUER BID AND ANY RENEWAL THEREOF AND OTHER EXPECTATIONS REGARDING FINANCIAL OR OPERATING PERFORMANCE AND METRICS. SUCH STATEMENTS REFLECT THE COMPANY’S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO INHERENT RISKS, UNCERTAINTIES AND NUMEROUS ASSUMPTIONS, INCLUDING, WITHOUT LIMITATION, GENERAL ECONOMIC CONDITIONS, OPERATIONAL CAPABILITIES, TECHNOLOGICAL DEVELOPMENT, SUPPLY CHAIN, RELIANCE ON DEBT FINANCING, COMPETITION, INTEREST RATES, REGULATION, FAILURE OF KEY SYSTEMS, FUTURE CAPITAL NEEDS, THE IMPACT OF THE COVID-19 PANDEMIC, AND SUCH OTHER RISKS OR FACTORS DESCRIBED FROM TIME TO TIME IN REPORTS OF ELEMENT, INCLUDING HEREIN AND IN ELEMENT’S MD&A AND ANNUAL INFORMATION FORM, WHICH HAVE BEEN FILED ON SEDAR AND MAY BE ACCESSED AT [WWW.SEDARPLUS.CA](http://WWW.SEDARPLUS.CA).**

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

In this document, the Company presents certain non-GAAP or supplemental financial measures (including orders, originations, order backlog, vehicles under management, constant currency net revenue, constant currency adjusted operating income, pre-tax return on common equity, syndication volume and free cash flow per share) that do not have a standardized meaning prescribed by GAAP under IFRS and may therefore not be comparable to similarly-named measures presented by other issuers. Descriptions of the non-GAAP measures presented in this document can be found in Element’s Management Discussion & Analysis that accompanies the financial statements for the most recent quarter or year, which have been filed on SEDAR ([www.sedarplus.ca](http://www.sedarplus.ca)).

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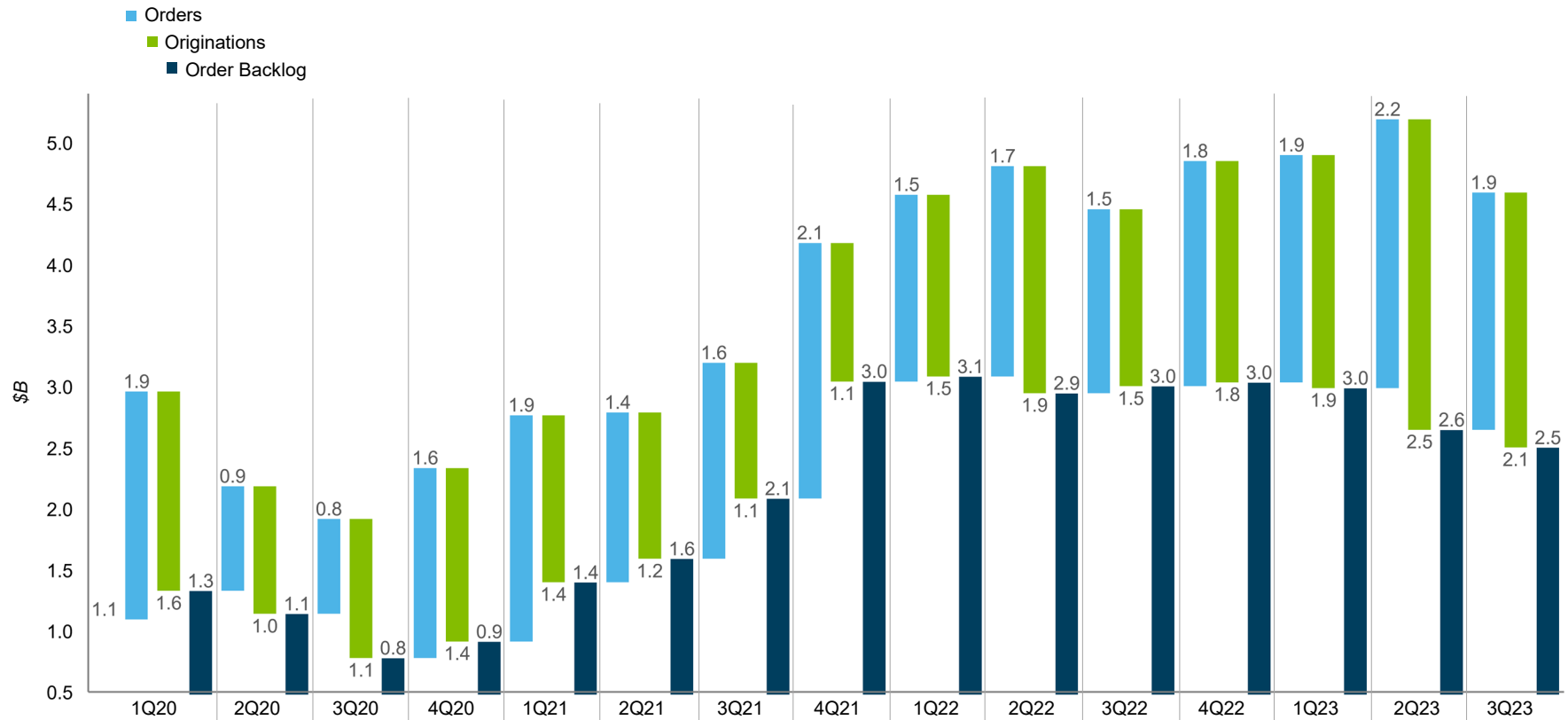
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## 1.1 Orders, Originations, and Order Backlog

Originations in the quarter (excluding Armada) were \$2.1 billion, which represents a 43.7% increase over Q3 2022. Order backlog at the end of Q3 2023 was \$2.5 billion.

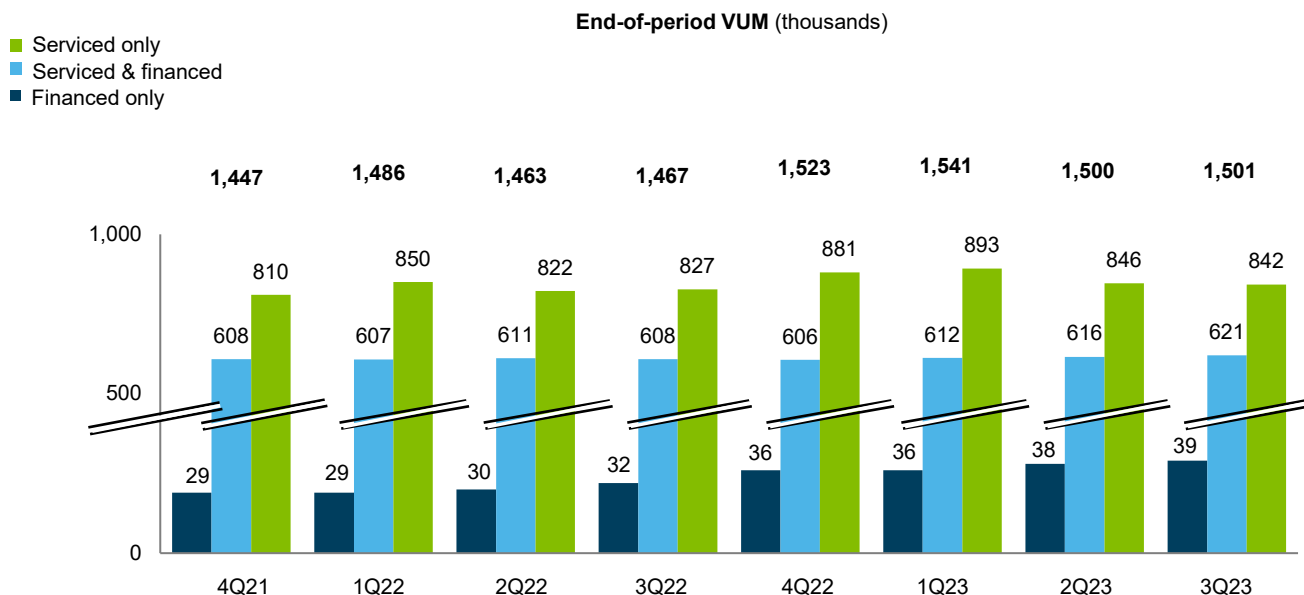
Order backlog was a useful indicator of client demand during the global new vehicle supply shortage. Given the trend towards normalized OEM production volumes in the geographies we serve, we will be sunsetting the disclosure of our global Order Backlog; it will not be included in our Q1 2024 result disclosures (in May 2024). Originations – and, in circumstances where their disclosure is warranted, Order volumes – will continue to be part of our quarterly disclosures. Originations are the best measure of ongoing Element client demand for new vehicles.

Quarterly orders, originations, and order backlog – each excluding Armada – in constant currency:



## 1.2.1 Vehicles Under Management (VUM)

Every "VUM" is one unique vehicle (a) receiving or subscribed to one or more Element services, and/or (b) financed by Element, whether or not subsequently syndicated. The lion's share of the decline in VUM in 2Q23 and 3Q23 was due to our ending the provision of white-label services to competitors and contributed immaterially to our financial results (as disclosed last quarter). Figures in the chart directly below have been revised to represent end-of-period VUM counts in thousands of vehicles, as opposed to the average-for-the-period VUM counts shown last quarter.



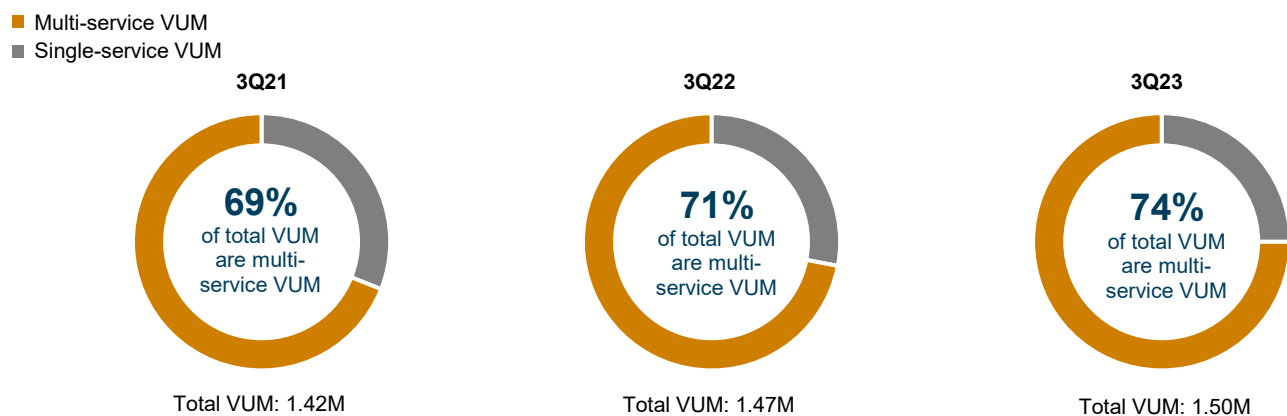
### Average VUM <sup>1</sup>

Serviced only	791	829	846	825	852	888	852	843
Serviced & financed	610	608	609	611	608	608	614	619
Financed only	29	30	29	30	34	36	37	38
<b>Total VUM</b>	<b>1,430</b>	<b>1,466</b>	<b>1,484</b>	<b>1,466</b>	<b>1,494</b>	<b>1,533</b>	<b>1,502</b>	<b>1,499</b>
eVUM <sup>2</sup>	24	24	26	25	26	29	33	37

1. Average-for-the-period VUM are calculated as (a) the sum of the VUM counts on (i) the last day of the prior period and (ii) the last day of each month during the period; (b) divided by (the number of months in the period, plus 1); and then (c) rounded to the nearest thousand vehicles.

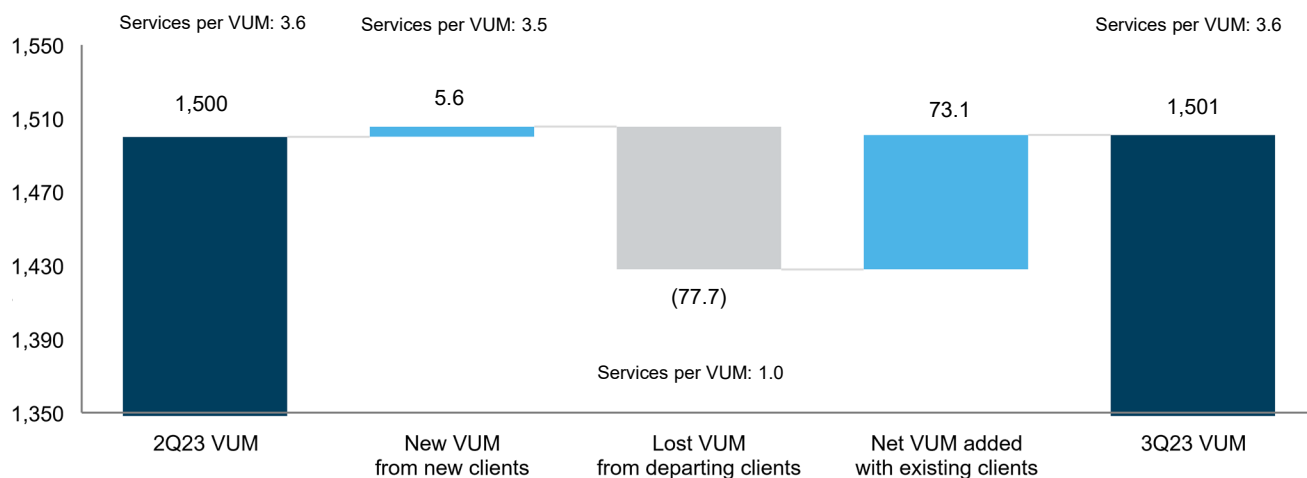
2. Electric vehicles under management (eVUM) are average-for-the-period and consists of battery electric, plug-in hybrid, and hybrid electric vehicles under management.

Share-of-Wallet (SoW) growth – selling incremental services to existing clients – is one of the five drivers of Element's profitable organic net revenue growth strategy. As illustrated below, we are both (a) making progress on SoW growth and (b) still in a position to reap benefit from further SoW growth. We have increased the percentage of multi-service VUM over the past two years from 69% to 74%. Furthermore, even within our portfolio of multi-service VUM, most vehicles are subscribed to less than half of the services we provide, leaving ample room for further penetration.



### 1.2.2 2Q23 -> 3Q23 End-of-period VUM waterfall

Quarter-over-quarter, we are onboarding new clients' vehicles with higher service attachment rates – and, therefore, more compelling future services revenue profiles – than the vehicles we are offboarding. The vast majority of the decline in VUM this quarter is attributable to the continuation of our ending the provision of white-label services to competitors, which we began last quarter and is nearing completion. These vehicles were only enrolled in one service and contributed immaterially to our financial results.

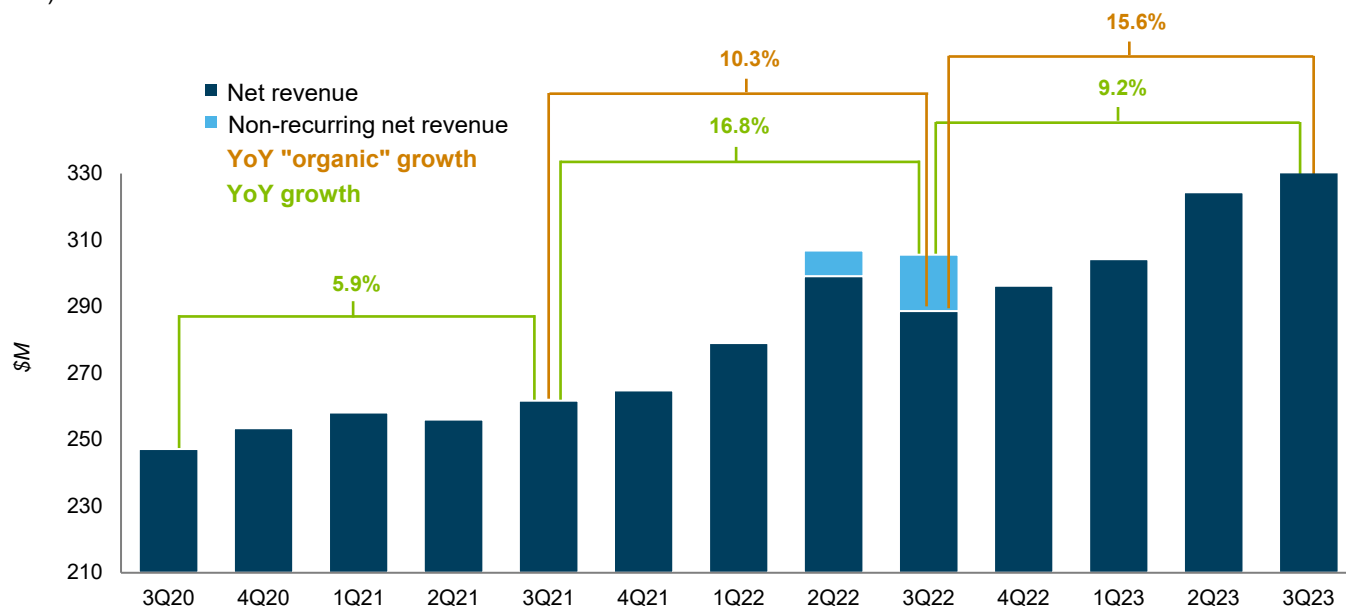


# Profitable organic net revenue growth

## PROFITABLE ORGANIC NET REVENUE GROWTH

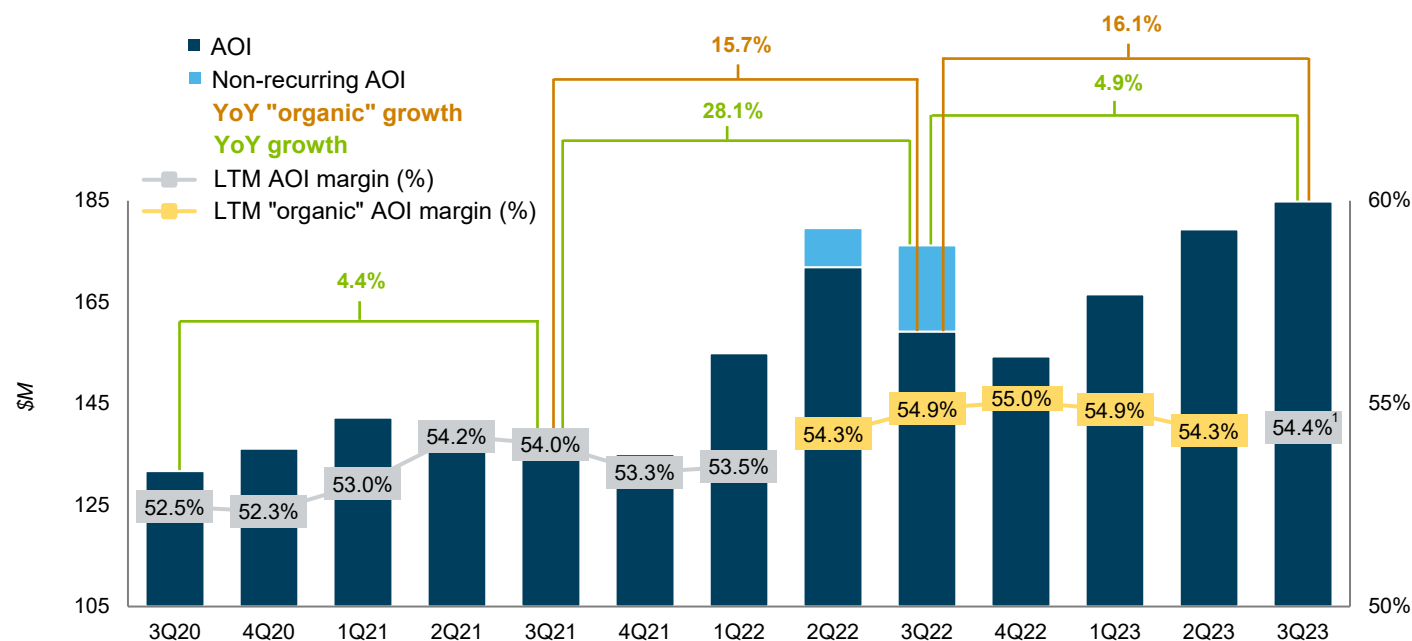
### 2.1 Net revenue growth in constant currency

Q3 2023 net revenue grew 9.2% from Q3 2022 on a constant currency basis but 15.6% "organically" excluding non-recurring net revenue from last year's comparator. Q3 2022 included \$17 million of non-recurring net revenue (as disclosed at the time).



### 2.2 Adjusted operating income growth and adjusted operating margin expansion, all in constant currency

Q3 2023 adjusted operating income (AOI) grew 4.9% year-over-year or 16.1% "organically" – in both cases, on a constant currency basis. Adjusted operating margin for the last 12 months (LTM AOI margin) contracted by 50 basis points year-over-year (YoY), primarily driven by non-recurring setup costs in Q3 2023 which are investments in strategic initiatives.



1. Excluding the impact of non-recurring setup costs in Q3 2023, LTM AOI margin would have been 54.7%.



# **A capital-lighter business model**

# A CAPITAL-LIGHTER BUSINESS MODEL

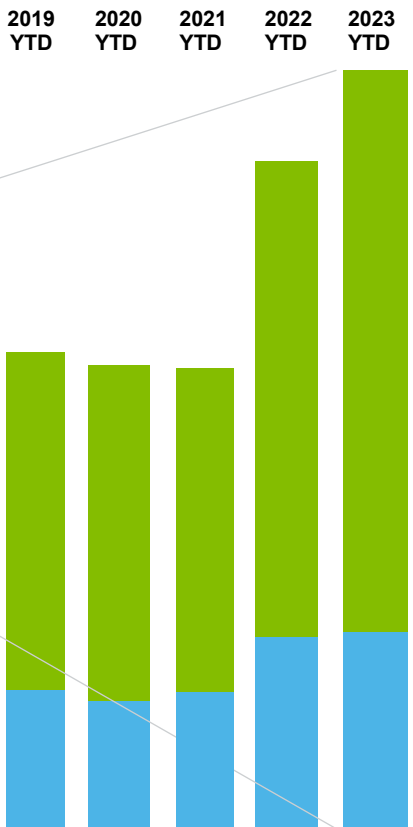
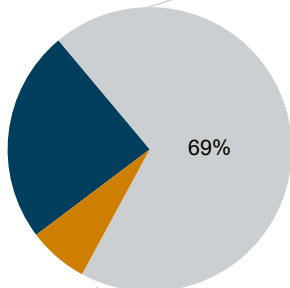
## 3.1 Services revenue by geography, nature and product

Growing services revenue is one of two planks of our capital-lighter business model. Services revenue has much lower funding needs than net financing revenue – only the net working capital required to procure fuel, parts and services for clients – making services revenue highly accretive to return on equity.

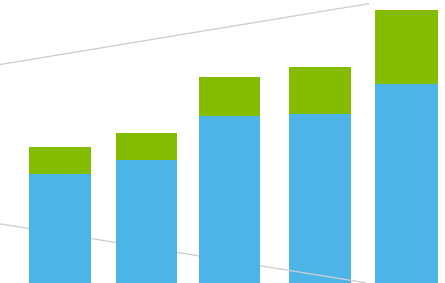
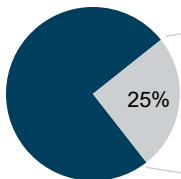
We earn varying degrees of services revenue in different geographies, and the nature of that services revenue (usage-based versus recurring) varies by both geography and product across our business. Globally, we have ample opportunity to generate more and a higher proportion of services revenue, which is aligned with our advancement of a capital-lighter business model.

- Services revenue
- Net financing revenue
- Syndication revenue

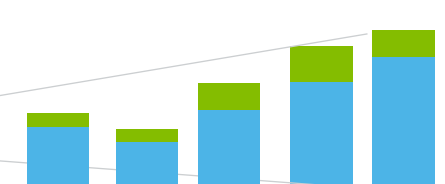
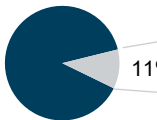
### U.S. and Canada



### Australia and New Zealand



### Mexico



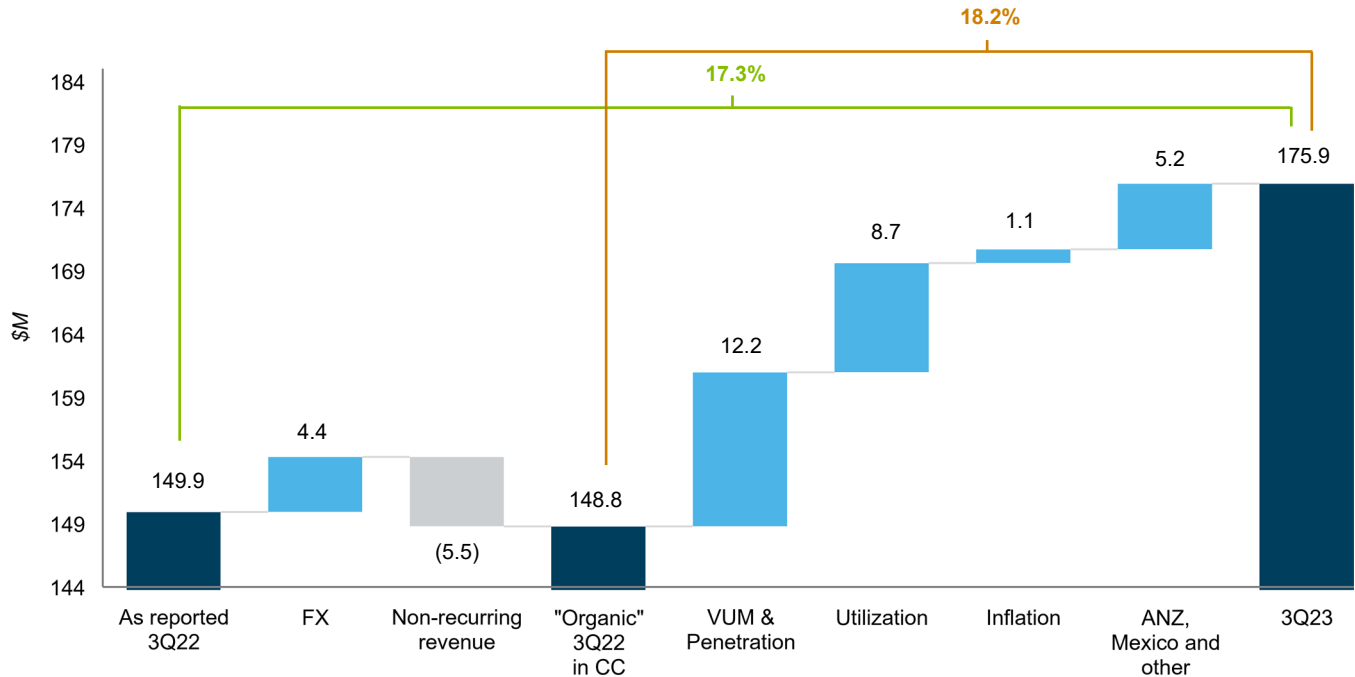
Services revenue by geography, nature and product

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

## A CAPITAL-LIGHTER BUSINESS MODEL

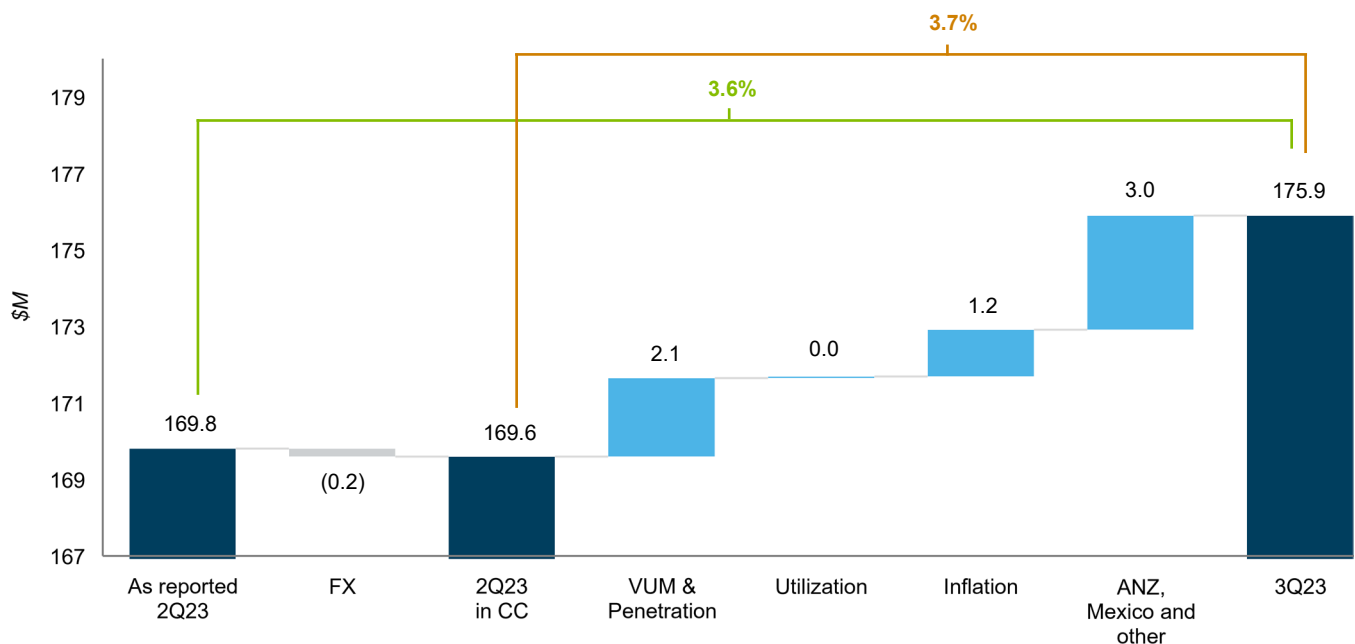
### 3.2.1 3Q22 -> 3Q23 services revenue waterfall

Q3 2023 services revenue grew \$26.0 million or 17.3% from Q3 2022 and \$27.1 million or 18.2% "organically" and on a constant currency basis.



### 3.2.2 2Q23 -> 3Q23 services revenue waterfall

Q3 2023 services revenue grew \$6.1 million or 3.6% from Q2 2023 and \$6.3 million or 3.7% in constant currency.

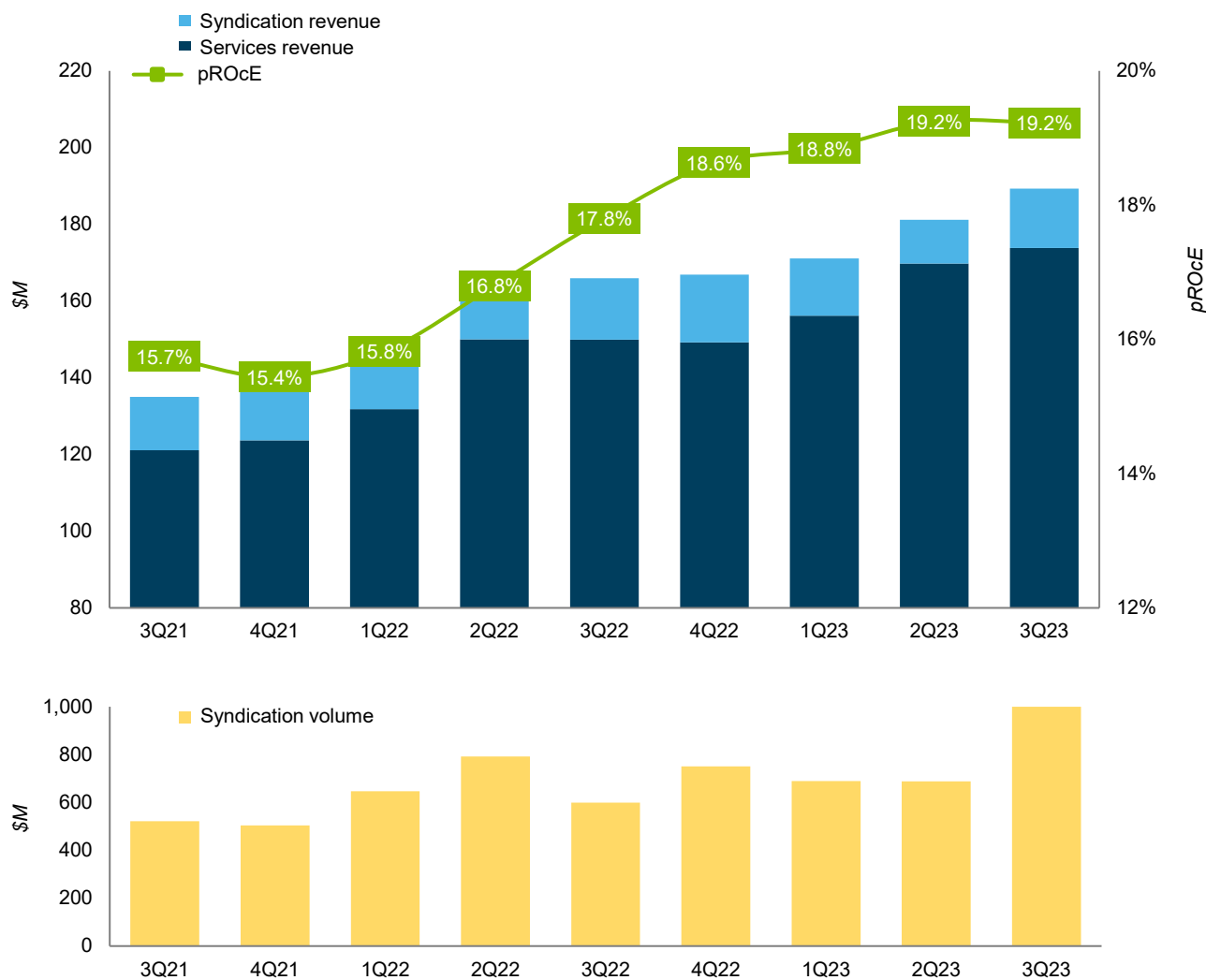


## A CAPITAL-LIGHTER BUSINESS MODEL

### 3.3 Capital-lighter services revenue, syndication revenue, and pre-tax return on common equity

The second pillar of our capital-lighter business model is syndication: the sale of fleet lease receivables, on a non-recourse basis, to financial buyers with a lower cost of capital than Element's, on terms that are economically superior for Element versus holding those assets on balance sheet. The syndication market demand for Element's assets remains robust, affording the Company ready access to this off-balance-sheet source of cost-effective funding.

The growth of services revenue and our syndication program advance our capital-lighter business model, which continues to enhance ROE: year-over-year at September 30, pre-tax return on common equity improved 140 basis points to 19.2%.



#### Definition

**pROcE** The sum of (before-tax adjusted operating income, minus preferred share dividends) for each of the current and three preceding quarters; divided by (average total equity for the current quarter and same-quarter prior year, minus current quarter preferred share capital).

# **Growing free cash flow per share and returning capital to shareholders**

## GROWING FREE CASH FLOW PER SHARE AND RETURNING CAPITAL TO SHAREHOLDERS

### 4.1 Free cash flow per share

Q3 2023 free cash flow per share of \$0.42 represents 6 cents' growth or a 16.7% increase over "organic" Q3 2022 free cash flow per share (3 cents or 7.7% growth on a constant currency basis).

\$ millions (except free cash flow per common share)	Source	3Q21	4Q21	1Q22	"organic"		4Q22	1Q23	2Q23	3Q23
					2Q22	3Q22				
<b>Adjusted operating income (AOI)</b>	a.	<b>125.6</b>	<b>122.6</b>	<b>142.9</b>	<b>157.9</b>	<b>148.4</b>	<b>150.3</b>	<b>165.5</b>	<b>178.1</b>	<b>184.8</b>
<b>Adjust for non-cash items in AOI:</b>										
Depreciation and amortization	b.	15.9	13.7	13.9	15.5	15.0	15.4	16.3	16.7	17.8
Amortization of deferred lease costs	c.	6.2	6.8	7.1	7.6	7.1	9.7	7.9	8.3	9.0
Amortization of deferred financing costs	c.	5.7	5.1	3.9	3.7	3.7	3.6	3.7	4.4	5.2
Amortization of deferred convertible debenture costs	d.	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Provision for credit losses	c.	(1.9)	1.4	0.1	(0.6)	0.2	0.2	(0.1)	0.3	(0.5)
X. Amortization of deferred revenue										
<b>Adjust for cash items not included in AOI:</b>										
Y. Cash revenue received in the period, recognition of which is deferred										
Z. Lease costs incurred in the period, recognition of which is deferred										
X. + Y. + Z. =		(7.7)	(2.7)	(13.3)	(9.5)	(4.3)	(23.7)	(4.2)	9.1	(1.4)
<b>Cash from operations</b>		<b>144.0</b>	<b>147.2</b>	<b>154.9</b>	<b>175.0</b>	<b>170.6</b>	<b>155.8</b>	<b>189.4</b>	<b>217.2</b>	<b>215.3</b>
<b>Subtract required cash expenses:</b>										
Sustaining capital investments	c. <sup>1</sup>	(13.2)	(14.5)	(14.1)	(14.5)	(8.6)	(14.8)	(16.1)	(19.2)	(22.6)
Preferred share dividends	e.	(8.1)	(8.1)	(8.1)	(8.1)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)
Cash taxes	c.	(11.4)	(5.1)	(17.4)	(12.7)	(12.2)	(15.7)	(20.3)	(10.7)	(23.1)
<b>Free cash flow</b>		<b>111.3</b>	<b>119.5</b>	<b>115.3</b>	<b>139.7</b>	<b>143.8</b>	<b>119.4</b>	<b>147.0</b>	<b>181.4</b>	<b>163.6</b>
<i>Weighted avg. # of c.s. outstanding (million)</i>	e.	<i>416.4</i>	<i>409.2</i>	<i>401.6</i>	<i>398.2</i>	<i>395.1</i>	<i>392.8</i>	<i>392.2</i>	<i>390.4</i>	<i>389.5</i>
<b>Per common share outstanding</b>		<b>0.27</b>	<b>0.29</b>	<b>0.29</b>	<b>0.35</b>	<b>0.36</b>	<b>0.30</b>	<b>0.37</b>	<b>0.46</b>	<b>0.42</b>
<b>Per common share outstanding, in constant currency</b>		<b>0.28</b>	<b>0.31</b>	<b>0.33</b>	<b>0.37</b>	<b>0.39</b>	<b>0.31</b>	<b>0.39</b>	<b>0.47</b>	<b>0.42</b>

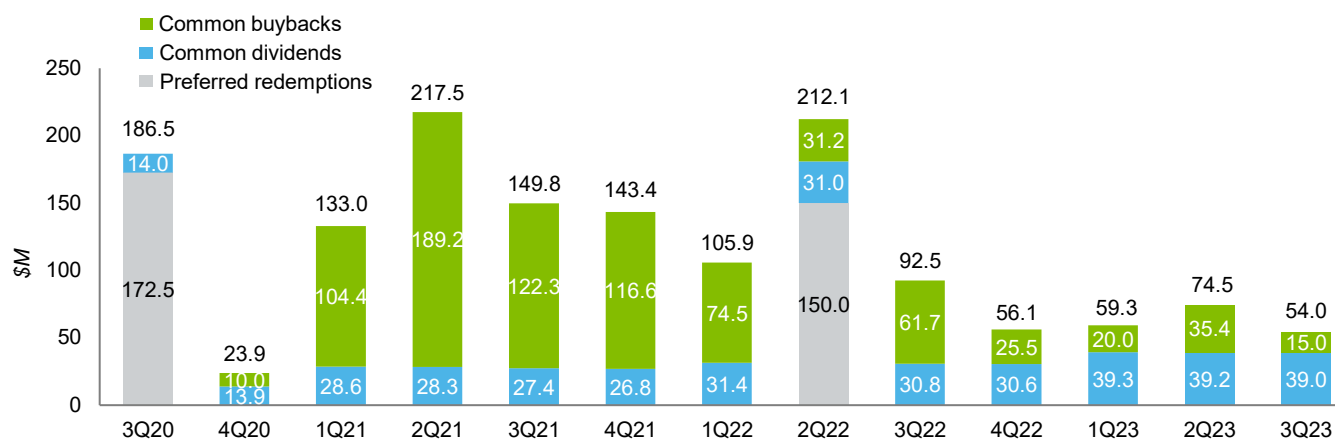
Sources: a. MD&A; b. Financial Statements - Statement of Operations; c. Financial Statements - Statement of Cash Flows; d. Financial Statements - Convertible debentures note; e. This Supplementary Information document; f. Financial Statements - Earnings per share note

1. Sustaining capital investments are a portion of Element's total capital investments, which are disclosed quarterly in our Financial Statements - Statement of Cash Flows section, line items "Purchase of property, equipment and leasehold improvements" and "Purchase of intangible assets, including computer software".

## GROWING FREE CASH FLOW PER SHARE AND RETURNING CAPITAL TO SHAREHOLDERS

### 4.2 Return of capital

We return capital to our shareholders through growing common dividends (see section 4.3 below), common share buybacks (section 3.4 below) and preferred share series redemptions. We allocate capital to these return 'levers' based on required investments in our business, tangible leverage ratio management, and free cash flow per share performance. Our target tangible leverage ratio range is 6.25x-6.75x, measured using normalized foreign exchange rates. We announced on November 6, 2023 our intention to redeem our issued and outstanding Series A preferred shares on December 31, 2023 (\$115 million), and have further upcoming planned preferred share series redemptions in June 2024 (\$128 million) and September 2024 (\$133 million).



### 4.3 Common dividends

On November 6, 2023, we announced a 20% increase to Element's common dividend, from \$0.40 to \$0.48 annually per share. With this increase, our annual common dividend represents 30.7% of the Company's last twelve months' (LTM) free cash flow (FCF) per share, which is within the 25% to 35% target payout range we plan to maintain going forward.

	Units	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Common dividend per share	CAD	0.0775	0.0775	0.10	0.10	0.10	0.10	0.12
Annualized common dividend per share as a % of LTM FCF per share		25.4%	23.2%	29.7%	27.9%	26.2%	25.6%	30.7%

### 4.4 NCIB activity

Since launching our inaugural NCIB in November 2020, Element has returned \$805.7 million to common shareholders through buybacks up to September 30, 2023, repurchasing over 13% of the common shares that were issued and outstanding as of November 2020. Though we will continue to be opportunistic in our purchases, the pace of NCIB activity is expected to remain constrained through the remainder of 2023 and 2024 as capital is allocated to the redemption of high cost preferred shares.

\$ millions (except per share amounts)	Inaugural NCIB <sup>1</sup>	Second NCIB <sup>2</sup>	Current NCIB <sup>3</sup>			
			Dec. 2022	1Q23	2Q23	3Q23
Shares repurchased	34.4	19.2	0.03	1.1	2.0	0.7
Weighted avg. repurchased share price	13.77	13.57	18.25	18.26	18.06	20.07
Cost of repurchases	473.9	260.9	0.5	20.0	35.4	15.0
<b>Cumulative shares repurchased since Nov. 2020...</b>	<b>34.4</b>	<b>53.6</b>	<b>53.7</b>	<b>54.8</b>	<b>56.7</b>	<b>57.5</b>
...as a % of shares issued and outstanding as of Nov. 2020	7.8%	12.2%	12.2%	12.4%	12.9%	13.1%
Shares issued in the period on exercise of options	4.1	1.7	0.1	0.2	0.1	0.3
Shares issued in the period on exercise of convertible debentures	-	0.01	0.01	-	-	-
Shares issued and outstanding at period end	410.0	392.4	392.5	391.6	389.7	389.2

1. Element's inaugural NCIB ran from November 10, 2020 to November 9, 2021.

2. Element's second NCIB ran from November 15, 2021 to November 14, 2022.

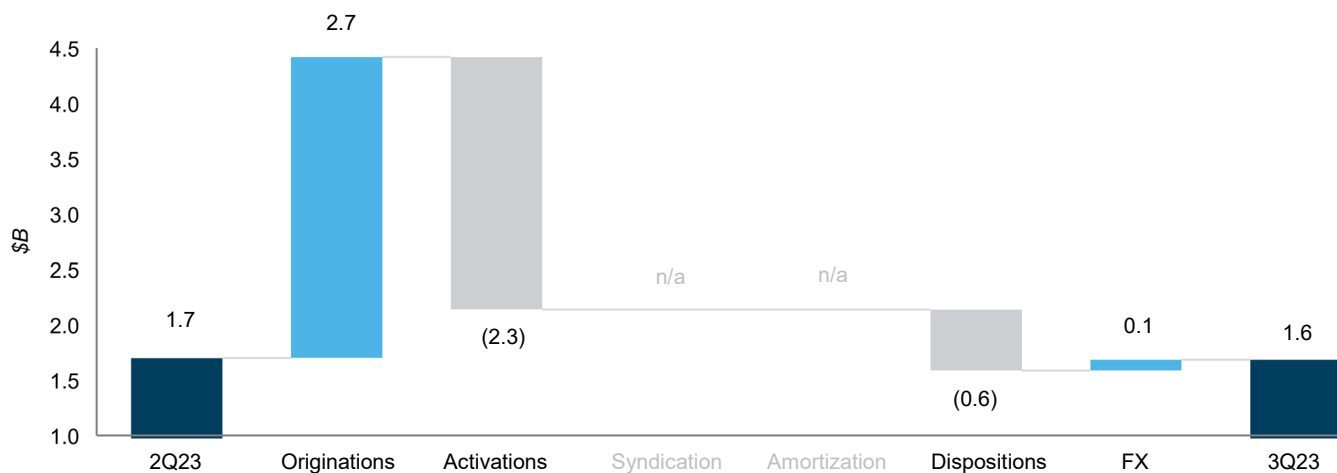
3. Element's current NCIB will run from November 15, 2022 to November 14, 2023.

# Assets under management

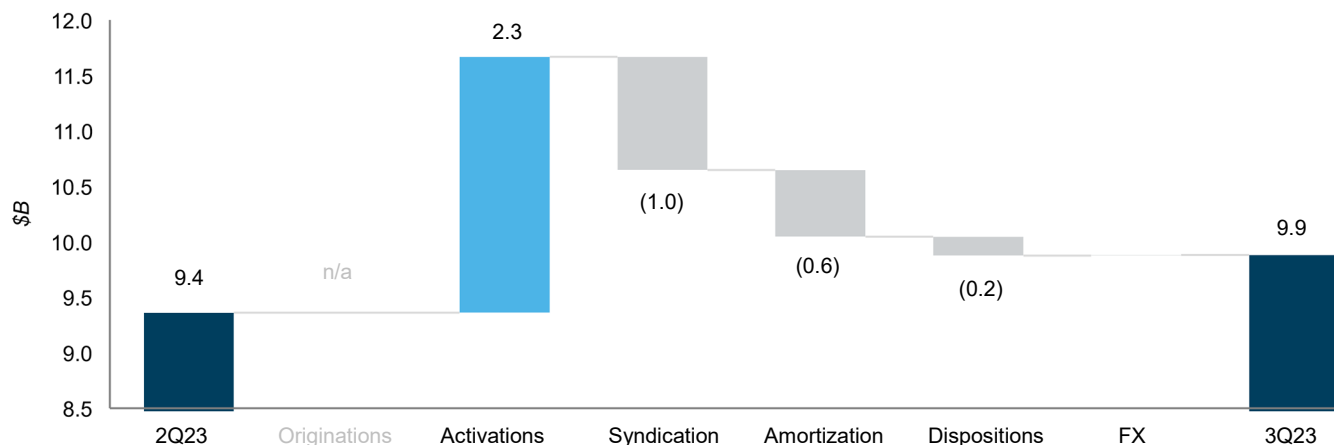


## ASSETS UNDER MANAGEMENT

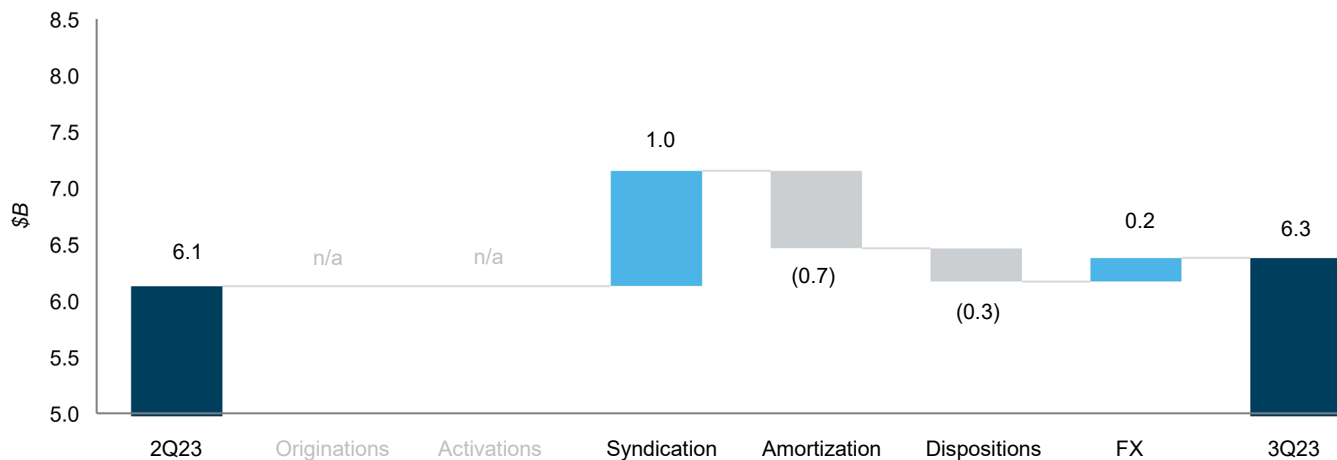
### 5.1.1 2Q23 -> 3Q23 End-of-period interim funded assets



### 5.1.2 2Q23 -> 3Q23 End-of-period net earning assets

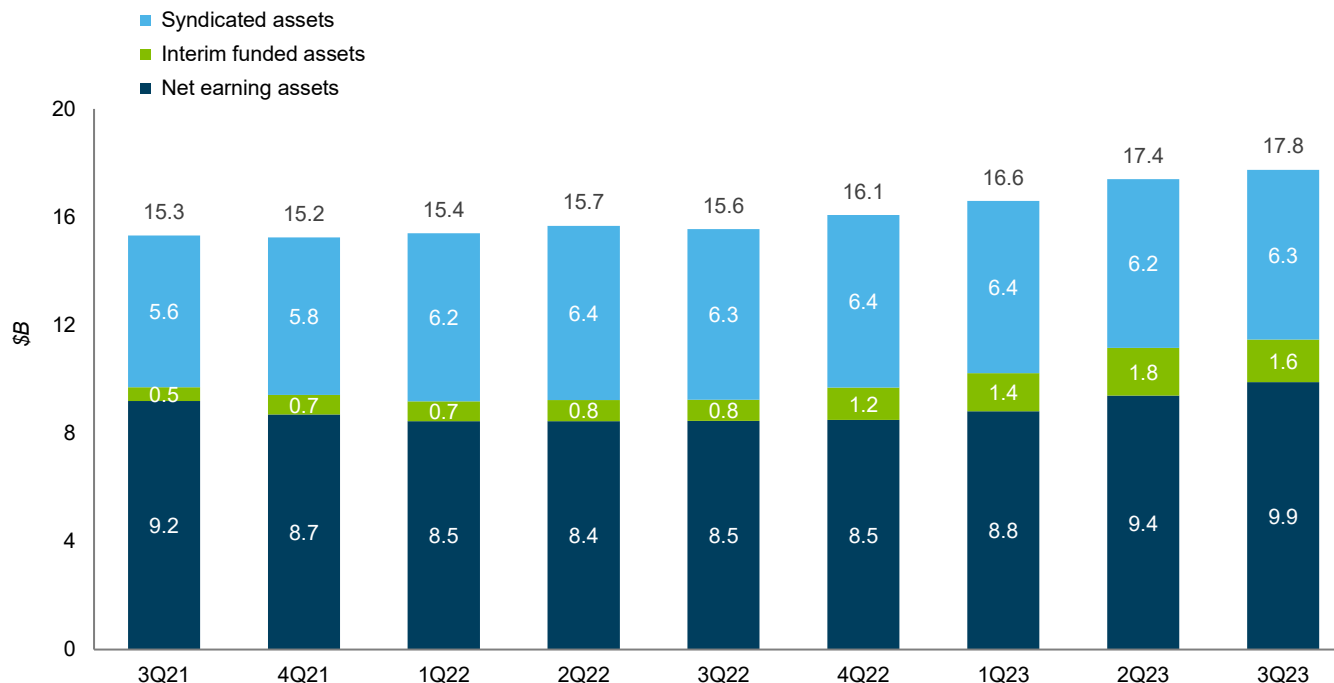


### 5.1.3 2Q23 -> 3Q23 End-of-period syndicated assets



## ASSETS UNDER MANAGEMENT

### 5.2.1 End-of-period assets under management on a constant currency basis



### 5.2.2 End-of-period net earning assets by geography on a constant currency basis

