Element Fleet Management Corp.

Management Discussion and Analysis

December 31, 2021

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Element Fleet Management Corp. (the "Company", "we" or "Element") as at and for the year ended December 31, 2021 and should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2021 filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise specified and all numbers are in thousands, unless otherwise specified or for per share amounts or ratios. References to "Q4 2021", "this quarter", or "the quarter" are to the quarter ended December 31, 2021 and references to "Q3 2021" and "Q4 2020" are to the quarters ended September 30, 2021 and December 31, 2020, respectively. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.elementfleet.com.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO MARCH 1, 2022. CERTAIN STATEMENTS IN THIS MD&A, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF APPLICABLE SECURITIES LAWS AND MAY CONTAIN FORWARD-LOOKING INFORMATION. SUCH STATEMENTS ARE BASED UPON ELEMENT'S AND ITS MANAGEMENT'S CURRENT INTERNAL EXPECTATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THESE STATEMENTS MAY INCLUDE, WITHOUT LIMITATION, STATEMENTS REGARDING THE OPERATIONS, BUSINESS, FINANCIAL CONDITION, EXPECTED FINANCIAL RESULTS, PERFORMANCE, PROSPECTS, OPPORTUNITIES, PRIORITIES, TARGETS, GOALS, ONGOING OBJECTIVES, STRATEGIES AND OUTLOOK OF ELEMENT. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS THAT ARE PREDICTIVE IN NATURE, AND DEPEND UPON OR REFER TO FUTURE EVENTS OR CONDITIONS. IN SOME CASES, WORDS SUCH AS "PLAN", "EXPECT", "INTEND", "BELIEVE", "ANTICIPATE", "ESTIMATE", "TARGET", "PROJECT", "FORECAST", "MAY", "IMPROVE", "WILL", "POTENTIAL", "PROPOSED" AND OTHER SIMILAR WORDS, OR STATEMENTS THAT CERTAIN EVENTS OR CONDITIONS "MAY" OR "WILL" OCCUR ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS AND FORWARD-LOOKING INFORMATION. FORWARD-LOOKING STATEMENTS (INCLUDING THOSE REGARDING FINANCIAL OUTLOOK) ARE PROVIDED FOR THE PURPOSES OF ASSISTING THE READER IN UNDERSTANDING ELEMENT AND ITS BUSINESS, OPERATIONS, RISKS, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS AS AT AND FOR THE PERIODS ENDED ON CERTAIN DATES AND TO PRESENT INFORMATION ABOUT MANAGEMENT'S CURRENT EXPECTATIONS AND PLANS RELATING TO THE FUTURE AND THE READER IS CAUTIONED THAT SUCH STATEMENTS MAY NOT BE APPROPRIATE FOR OTHER PURPOSES. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS OR EVENTS TO DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS OR INFORMATION. UNDUE RELIANCE SHOULD NOT BE PLACED ON THESE FORWARD-LOOKING STATEMENTS, AS THERE CAN BE NO ASSURANCE THAT THE PLANS, INTENTIONS OR EXPECTATIONS UPON WHICH THEY ARE BASED WILL OCCUR. BY ITS NATURE, FORWARD-LOOKING INFORMATION INVOLVES NUMEROUS ASSUMPTIONS, KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES, BOTH GENERAL AND SPECIFIC, THAT CONTRIBUTE TO THE POSSIBILITY THAT THE EXPECTATIONS, PREDICTIONS, FORECASTS, PROJECTIONS, CONCLUSIONS OR OTHER FORWARD-LOOKING STATEMENTS WILL NOT OCCUR OR PROVE ACCURATE, THAT ASSUMPTIONS MAY NOT BE CORRECT AND THAT OBJECTIVES, STRATEGIC GOALS AND PRIORITIES WILL NOT BE ACHIEVED. SUCH FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A SPEAK ONLY AS OF THE DATE OF THIS MD&A. THE FORWARD-LOOKING INFORMATION AND STATEMENTS CONTAINED IN THIS MD&A REFLECT SEVERAL MATERIAL FACTORS, EXPECTATIONS AND ASSUMPTIONS OF ELEMENT INCLUDING, WITHOUT LIMITATION: THE IMPACT OF THE COVID-19 PANDEMIC ON INDUSTRY AND MARKET CONDITIONS; THAT ELEMENT WILL CONDUCT ITS OPERATIONS IN A MANNER CONSISTENT WITH ITS EXPECTATIONS AND, WHERE APPLICABLE, CONSISTENT WITH PAST PRACTICE; ACCEPTABLE NEGOTIATIONS WITH THIRD PARTIES; THE CONTINUANCE OF EXISTING (AND IN CERTAIN CIRCUMSTANCES, THE IMPLEMENTATION OF PROPOSED) TAX AND REGULATORY REGIMES; CERTAIN COST ASSUMPTIONS; THE CONTINUED AVAILABILITY OF ADEQUATE DEBT AND/OR EQUITY FINANCING AND CASH FLOW TO FUND ITS CAPITAL AND OPERATING REQUIREMENTS AS NEEDED; THE EXTENT OF ITS ASSETS AND LIABILITIES; THE COMPANY'S NET FINANCING REVENUE YIELD ON AVERAGE NET EARNING ASSETS; GROWTH IN LEASE RECEIVABLES AND SERVICE INCOME; EXPECTATIONS REGARDING SYNDICATION; RATE OF COST INFLATION; APPLICABLE FOREIGN EXCHANGE RATES AND APPLICABLE INCOME TAX RATES; THE COMPANY'S FUNDING MIX; THE IMPACT OF VEHICLE MANUFACTURERS' ABILITY TO DELIVER VEHICLES; AND THE RESET RATES FOR THE COMPANY'S OUTSTANDING PREFERRED SHARES. ELEMENT BELIEVES THE MATERIAL FACTORS, EXPECTATIONS AND ASSUMPTIONS REFLECTED IN THE FORWARD-LOOKING INFORMATION AND STATEMENTS ARE REASONABLE BUT NO ASSURANCE CAN BE GIVEN THAT THESE FACTORS, EXPECTATIONS AND ASSUMPTIONS WILL PROVE TO BE CORRECT.

THE COVID-19 PANDEMIC HAS CAST ADDITIONAL UNCERTAINTY ON ELEMENT'S INTERNAL EXPECTATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THERE CAN BE NO ASSURANCE THAT THEY WILL CONTINUE TO BE VALID. GIVEN THE CONTINUED UNCERTAINTY WITH RESPECT TO THE IMPACT AND DURATION OF THE COVID-19 PANDEMIC, IT IS PREMATURE TO MAKE FURTHER ASSUMPTIONS ABOUT THESE MATTERS. THE

DURATION, EXTENT AND SEVERITY OF THE IMPACT THE COVID-19 PANDEMIC, INCLUDING MEASURES TO PREVENT ITS SPREAD, WILL HAVE ON ELEMENT'S BUSINESS REMAINS UNCERTAIN AND DIFFICULT TO PREDICT AT THIS TIME.

FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS WITH RESPECT TO: THE IMPACT THAT THE COVID-19 PANDEMIC MAY HAVE ON ELEMENT'S FINANCIAL CONDITION, OPERATING RESULTS AND CASH FLOWS; THE IMPACT THAT MANUFACTURERS' PRODUCTION DELAYS WILL HAVE ON ELEMENT'S BUSINESS; ELEMENT'S REVENUES, EXPENSES, RUN-RATE AND OPERATIONS, FUTURE CASH FLOWS, FINANCIAL CONDITION, OPERATING PERFORMANCE, FINANCIAL RATIOS, PROJECTED ASSET BASE AND CAPITAL STRUCTURE; ELEMENT'S ABILITY TO RENEW OR REFINANCE CREDIT AND SECURITIZATION FACILITIES; ELEMENT'S STRATEGY TO IMPROVE AND OPTIMIZE THE CLIENT EXPERIENCE AND CLIENT ACQUISITION AND RETENTION; ELEMENT'S EXPECTATIONS REGARDING SYNDICATION; ELEMENT'S ANTICIPATED CASH NEEDS, CAPITAL REQUIREMENTS AND ITS NEEDS FOR ADDITIONAL FINANCING; ELEMENT'S FUTURE GROWTH PLANS; ELEMENT'S EXPECTATIONS REGARDING ITS ORIGINATION VOLUMES; ELEMENT'S ANTICIPATED DELINQUENCY RATES AND CREDIT LOSSES; ELEMENT'S ABILITY TO ATTRACT AND RETAIN PERSONNEL; ELEMENT'S PRESENT INTENTION TO PAY REGULAR DIVIDENDS ON ITS COMMON SHARES AND PREFERRED SHARES; ELEMENT'S TECHNOLOGY AND DATA, AND EXPECTED USES AND BENEFITS; ELEMENT'S COMPETITIVE POSITION AND ITS EXPECTATIONS REGARDING COMPETITION; ANTICIPATED TRENDS AND CHALLENGES IN ELEMENT'S BUSINESS AND THE MARKETS IN WHICH IT OPERATES; THE EVOLUTION OF ELEMENT'S BUSINESS AND THE FLEET MANAGEMENT INDUSTRY; ELEMENT'S GROWTH PROSPECTS AND THE OBJECTIVES, VISION AND STRATEGIES OF ELEMENT; ELEMENT'S OPERATIONS AND ABILITY TO DRIVE OPERATIONAL EFFICIENCIES; ELEMENT'S EXPECTATIONS REGARDING ITS ASSETS; ELEMENT'S BUSINESS STRATEGY; ELEMENT'S EXPECTATION REGARDING THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION AND CAPITAL ALLOCATION; ELEMENT'S STRATEGIC ASSESSMENT OF CURRENT AND FUTURE ASSETS; ELEMENT'S BUSINESS OUTLOOK AND OTHER EXPECTATIONS REGARDING FINANCING OR OPERATING PERFORMANCE METRICS; THE EVOLUTION OF OPERATIONS AND THE DEVELOPMENT OF PERFORMANCE INDICATORS, AND OTHER FINANCIAL PERFORMANCE METRICS; THE FUTURE FINANCIAL REPORTING OF ELEMENT; ELEMENT'S FUTURE ASSETS AND THE DEMAND FOR ELEMENT'S SERVICES; ELEMENT'S BORROWING BASE; THE EXTENT, NATURE AND IMPACT OF ANY VALUE DRIVER TO CREATE, AND THE ABILITY TO GENERATE, PRE-TAX RUN-RATE OPERATING INCOME; ELEMENT'S ABILITY TO INCREASE TOTAL SHAREHOLDER RETURN; ELEMENT'S DIVIDEND POLICY AND THE PAYMENT OF FUTURE DIVIDENDS; ELEMENT'S PROPOSED SHARE PURCHASES, INCLUDING THE NUMBER OF COMMON SHARES TO BE REPURCHASED, THE TIMING THEREOF AND TSX ACCEPTANCE OF ANY RENEWAL OF THE NORMAL COURSE ISSUER BID; AND ELEMENT'S ABILITY TO PRE-FUND REDEMPTION OF ITS OUTSTANDING CONVERTIBLE DEBENTURES UPON THEIR MATURITY. THE READER IS CAUTIONED TO CONSIDER THESE AND OTHER FACTORS, UNCERTAINTIES AND POTENTIAL EVENTS CAREFULLY AND NOT TO PUT UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS. INFORMATION CONTAINED IN FORWARD-LOOKING STATEMENTS IS BASED UPON CERTAIN MATERIAL ASSUMPTIONS THAT WERE APPLIED IN DRAWING A CONCLUSION OR MAKING A FORECAST OR PROJECTION, INCLUDING MANAGEMENT'S PERCEPTIONS OF HISTORICAL TRENDS, CURRENT CONDITIONS AND EXPECTED FUTURE DEVELOPMENTS, AS WELL AS OTHER CONSIDERATIONS THAT ARE BELIEVED TO BE APPROPRIATE IN THE CIRCUMSTANCES. ALTHOUGH ELEMENT BELIEVES THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, THERE CAN BE NO ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO BE CORRECT. ELEMENT CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER ELEMENT NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE FORWARD-LOOKING STATEMENTS AND INFORMATION.

SOME OF THE RISKS AND OTHER FACTORS, SOME OF WHICH ARE BEYOND ELEMENT'S CONTROL, WHICH COULD CAUSE RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN THE FORWARD-LOOKING STATEMENTS AND INFORMATION CONTAINED IN THIS MD&A, INCLUDE, BUT ARE NOT LIMITED TO, THOSE SET FORTH UNDER THE HEADING "RISK MANAGEMENT" HEREIN AND UNDER THE HEADING "RISK FACTORS" IN ELEMENT'S ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2021. READERS ARE CAUTIONED THAT SUCH RISK FACTORS ARE NOT EXHAUSTIVE. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MD&A ARE EXPRESSLY QUALIFIED BY THIS CAUTIONARY STATEMENT. OTHER THAN AS SPECIFICALLY REQUIRED BY APPLICABLE CANADIAN LAW, ELEMENT UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE ON WHICH SUCH STATEMENT IS MADE, OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR RESULTS, OR OTHERWISE.

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Company & Business Overview

Element Fleet Management Corp. is the largest pure-play automotive fleet manager in the world. Our business is exclusively focused on business-to-business services for corporates, governments and not-for-profits that operate large vehicle fleets. We are the market leader in the geographies in which we operate: the U.S., Canada, Mexico, and Australia and New Zealand (ANZ). Element has approximately $14.3 billion in assets under management[1] and over 1 million vehicles under management.

The fleet management industry took shape over 70 years ago and has consistently demonstrated stability and resilience throughout the business cycle. The industry is characterized by high barriers to entry, rational competition and long-term client relationships.

Element specializes in large and often complex vehicle fleets. We benefit from a blue-chip client base, significant advantages of scale and expertise, and the financial strength to support the achievement of our own and our clients' business objectives. Element's purpose is to ensure that our clients' vehicles and their drivers are safer, smarter and more productive.

Fleet vehicles are essential to our clients' ability to generate and sustain revenue or, in the case of governments and not-for-profits, fulfill their obligations to stakeholders. Regardless, fleet vehicles have significant associated costs. Element's value proposition is the material reduction of our clients' total cost of fleet operations ("TCO"), and the elimination of related administrative burden. In plain English, "we make the complex simple for our clients" – a value proposition we believe to be particularly compelling in the context of fleets integrating EVs. We recently announced *Arc by Element* - our comprehensive, integrated end-to-end EV offering - which we detail further herein.

We deliver Element's value to our clients through service solutions that span the fleet lifecycle, from vehicle acquisition and financing to maintenance, repair and remarketing.

In 2018, we completed an exhaustive assessment of Element's business that resulted in a strategic plan to solidify the Company's core operating platform and client relationships, strengthen and deleverage its balance sheet and divest of all non-core assets. We knew that the successful execution of this three-prong strategy would position Element for solid, sustainable organic growth in 2021 and beyond.

In 2020, we completed the transformation of Element, having effected hundreds of changes to the organization resulting in a more consistent, superior client experience; greater operational efficiency and scalability; a materially strengthened financial position and maturing capital structure; diversified funding sources, including approximately $2.4 billion of committed, undrawn liquidity at December 31, 2021; and meaningfully improved profitability.

The rapid and successful transformation program allowed our Commercial teams to focus on the aggressive pursuit of profitable, organic revenue growth, beginning in mid-2020 in the U.S. and Canada, and earlier in Mexico, Australia and New Zealand. Element's global growth strategy leverages our market leadership to (i) improve on the industry average 98% client retention rate, (ii) increase client profitability and service penetration ("share of wallet"), (iii) win new clients from other fleet managers by improving our salesforce effectiveness and (iv) convert self-managed fleets into Element clients. We are also pursuing opportunities to add more "mega fleets"[2] to our client roster.

Transforming Element has given our people the skills and confidence to deal with large, complicated and deeply nuanced business problems and opportunities. These capabilities were on full display in our swift and successful adaptation to operating through the COVID-19 pandemic. Despite the practical and economic consequences of the pandemic, we completed Element's transformation in 2020 and are focused on our strategic growth priorities:

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

- Aggressively pursue organic growth in all our geographies and demonstrate the scalability of Element's transformed operating platform by growing annual operating income in excess of the annual net revenue growth rate;
- Advance a capital-light*er* business model by growing services revenue and strategically syndicating fleet assets, which enhances return on equity; and
- Given expected high single- to low double-digit annual free cash flow per share growth rates in normal market conditions, predictably return excess equity to shareholders by way of growing common dividends and share buybacks.

Financial Highlights

Select Full-Year 2021 Results

Earnings per share	After-tax adjusted operating income per share[3]	Free cash flow per share[4]
$0.76	$0.84	$ 1.05
Net revenue growth as reported	**Return on common equity[3]**	**Pre-tax return on common equity[4]**
1.1 %	10.4%	15.4%
Net revenue growth in constant currency	**Pre-tax income margin[4]**	**Adjusted operating margin[3]**
5.8 %	47.0 %	52.6 %

Income Summary

(in $000's for stated values, except per share amounts)		**For the year ended December 31, 2021**
Servicing income, net	**$**	**472,465**
Net financing revenue		**436,945**
Syndication revenue, net		**64,412**
Net revenue		**973,822**
Adjusted operating expenses[3]		***461,822***
Total operating expenses		**489,522**
Total other expenses		**26,624**
Pre-tax income		**457,676**
Earnings per share [basic]		**0.76**
Adjusted operating income before taxes[3]		***512,000***
After-tax adjusted operating income per share[3] [basic]	***$***	***0.84***

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

Select Q4 2021 Results

Earnings per share	After-tax adjusted operating income per share	Free cash flow per share
$0.21	$0.21	$0.29

Income Summary

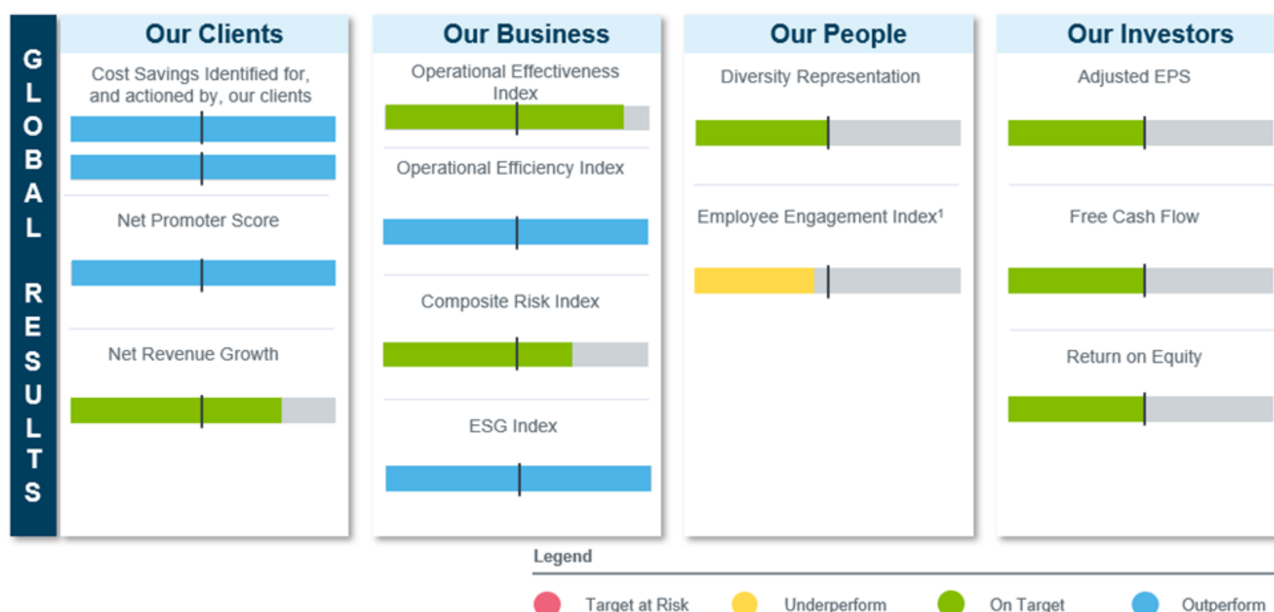
(in $000's for stated values, except per share amounts)		**For the three-month period ended December 31, 2021**
Servicing income, net	**$**	**123,716**
Net financing revenue		**107,245**
Syndication revenue, net		**14,521**
Net revenue		**245,482**
Adjusted operating expenses		***122,921***
Total operating expenses		**130,122**
Total other expenses		**6,396**
Pre-tax income		**108,964**
Earnings per share [basic]		**0.21**
Adjusted operating income before taxes		***122,561***
After-tax adjusted operating income per share [basic]	***$***	***0.21***

Balanced Scorecard

Element uses a balanced scorecard strategy and performance management system, which forges tighter alignment and provides greater focus throughout the Company, resulting in the rapid advancement of our strategic objectives. The balanced scorecard frames the business in four dimensions: Element's clients, business, people and investors.

Our 2021 Global Balanced Scorecard ("Global BSC") is largely consistent with 2020 as the facts and assumptions that underpin our strategy continue to hold true. (Coupled with the results we have achieved to date, this validates the continuation of our strategic direction and priorities.) We raised our Global BSC targets in 2021, ensuring appropriate stretch over 2020 results.

Element delivered strong performance in 2021 as measured by our Global BSC. We achieved or outperformed our targets on 9 of the 13 Global BSC metrics and reached 98% of each of our constant currency Adjusted EPS, Free Cash Flow and Return on Equity targets. These 3 metrics are coloured green (as opposed to yellow) on our Global BSC dashboard below given 98%-of-target achievement.



Despite the lingering impacts of the pandemic and the unforeseen OEM production shortages, we continue to execute a successful pivot from transformation to growth as demonstrated across all four dimensions of the Global BSC for 2021.

Our Clients rewarded our commitment to delivering a consistent, superior service experience with Element's best ever Global Net Promoter Score of 35. Our ability to proactively advise and support clients in managing OEM production delays has resulted in year-end outperformance on both Cost Savings Identified for and Actioned by our Clients. We proved the market opportunity for organic growth across all three regions through net revenue growth of 5.8% year-over-year in constant currency, driven by outstanding sales momentum from 91% year-over-year growth in revenue unit additions.

Our Business outperformed on Operational Efficiency and exceeded our target for Operational Effectiveness, benefiting from our consistent service delivery and scalable operating platform. Element's Continuous Improvement mindset resulted in $49 million of run-rate profit improvements actioned, proactively mitigating the impact of the unexpected challenges to our business in 2021.

Our People continue to be engaged, achieving top quartile engagement scores globally, albeit falling short of our stretch target. We introduced diversity representation to our balanced scorecard in 2021, ending the year on target, driven by our outperformance in diverse hiring.

Our Investors saw Element reach 98% of our constant currency targets for Adjusted EPS, Free Cash Flow, and Return on Equity despite OEM production delays. Efforts and outcomes on financial performance are addressed throughout this document.

Achievements and Initiatives in the Period

Our Clients

Achievements

Profitable revenue growth

Our commercial teams are advancing Element's growth strategy and generating strong results in all three geographies. Nearly 600,000 revenue units were contracted-for globally in 2021; 91% more than in 2020 and 60% more than in 2019.

Over 78% of 2021 global revenue units were contracted-for in the U.S. and Canada, and over 68% of U.S. and Canadian revenue units were share of wallet ("SOW") wins. SOW wins are strategically important because most such revenue units – especially in the U.S. and Canada – reflect increased service penetration. Service penetration bolsters client retention, and services revenue

- represents profitable growth atop our scalable platform,
- advances our capital-lighter business model (given the low capital-intensive nature of providing services versus financing) and
- is a predominantly-cash revenue stream, contributing to Element's free cash flow per share.

Our U.S. and Canadian commercial teams were also notably successful at growing market share in 2021, with revenue units added by stealing share from other FMCs increasing by 462% year-over-year and 193% from 2019. We attribute this success to Element's consistent, superior client experience forged through our transformation program and the recognition and embrace of same by the market.

Mexico was our most successful geography at converting self-managed fleets into Element clients in 2021 as measured by percentage growth in revenue units added over both 2020 (72% growth) and 2019 (29% growth) totals. Mexico also delivered laudable SOW win growth in 2021, almost doubling 2020 and 2019 levels of success.

Our commercial teams in Australia and New Zealand were also notably successful in 2021, especially against the backdrop of multiple broad and lengthy lock-downs in each country throughout the year and particularly in the second half. ANZ nonetheless grew SOW revenue units 68% from 2020 and 90% from 2019 levels, and overall 2021 revenue units of 77,226 represent 6% year-over-year growth and 43% over 2019.

Further details are broken out in our Supplementary Information document (available on Element's website), including illustrative timelines showing (a) our commercial process from prospecting to closing a deal with a new client, as well as (b) the processes of implementing new client services and ordering new vehicles.

Earning our clients' loyalty

We consider Net Promoter Scores ("NPS") to be invaluable indicators of the consistency and effectiveness with which we deliver Element's superior client experience, and our continued focus on these attributes yielded strong NPS results throughout 2021.

Global NPS climbed 12 points over the course of the year, finishing at an all-time high of 35 for 2021 as a whole. Our Q4 Global NPS alone was another all-time high of 42 for the quarter.

Full-year progress was clear and consistent across the organization: 19- and 24-point gains in the U.S./ Canada and SRBU; a 6 point increase in ANZ; and Mexico maintaining its elite position with a >50 NPS.

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

Creating compelling value for our clients

Our global Strategic Consulting Services ("SCS") team identified almost $1.6 billion of cost-saving opportunities for our clients in 2021. Approximately $478 million of value in these opportunities was "actioned" by our clients within the year. As expected, the proportion of identified opportunities "actioned" increased through year-end, with a particular emphasis on the U.S. and Canada driven by pandemic-related forces pushing clients to optimize lease terms and vehicle cycling.

SCS continues to improve its ability to create compelling value for our clients by making select strategic investments in tools and analytics. In the fourth quarter, SCS:

- Updated our Optimal Replacement Model by incorporating data science capabilities to assess estimated maintenance costs, fuel degradation and downtime. This model helps clients identify the right time to replace a vehicle based on a variety of usage factors and will help quantify the impact of driving longer than optimal. Data science allows Element to increase the accuracy and precision of our client cost estimates in this context; and
- Launched our global business review in conjunction with our strategic alliance partner, Arval. This will allow clients to see OEM volumes in real-time at a global level as well as provide global-footprint clients with cross-border consolidated spend and carbon emission figures.

Full-year 2021 highlights include that SCS:

- Worked with our clients to manage complications related to the OEM production delays by assessing alternatives and helping clients evaluate vehicle replacement and timing;
- Partnered with clients to evaluate and build EV transition roadmaps – from vehicle selection to infrastructure needs – as a growing number of clients contemplate the complexity of electrifying their fleets and turn to Element to simplify initiating the journey;
- Continued to add functionality to our TCO Analysis tool to accommodate our clients' growing interest in EVs, including the ability to analyze TCO differences between an EV and an equivalent ICE vehicle;
- Developed a tool that not only compares prices between insurance policies for clients, but also highlights the additional benefits of proof-of-insurance support from Element;
- Added renewed fuel analysis capabilities to pinpoint cost improvements and the capacity to analyze using different identifiers such as users, VIN numbers or fuel card numbers; and
- Added functionality to the tool we use for program reviews with our clients, including:
    - A preventative maintenance compliance guide that includes maintenance suggestions based on both (i) months passed and (ii) distance traveled, in anticipation of vehicles running longer than normal life cycles as a result of the OEM production delays; and
    - a value calculator that helps identify clients' vehicles that are not utilizing our value-added services – enabling us, in turn, to help clients get the full benefit of enrollment.

In Mexico, SCS has worked closely with our clients to overcome the impacts of the OEM production delays by analyzing the market for vehicles that would be suitable alternatives to models impacted by the delays, and – in parallel – assisting clients with EV transition planning.

One of the biggest contributors to rising fleet costs in North America has been fuel. By electrifying fleets, clients are looking to reduce their TCO while also reducing emissions. We have worked on a total of 17 EV engagements in Mexico in 2021 -- an increase of 200% year-over-year. Through these engagements we have assisted with vehicle selection, life cycle cost analysis including infrastructure costs, and identified carbon emission savings opportunities to help our clients meet their ESG goals.

In Q4 we rolled out the following fleet dashboard initiatives in Mexico to assist with client savings and improve the client experience:

- The executive fleet dashboard and productivity tracker; and
- The renewed business review dashboard, which provides functionalities such as real-time TCO, benchmarking and a deep dive on maintenance costs.

SCS in ANZ continues to work closely with government agencies and private businesses to assist them with EV transition planning, ICE vehicle replacement and fleet carbon reduction. We perform detailed analyses on EV suitability, fit for purpose, trip analysis (based on telematics data), vehicle selection, optimal term, and lease vs. ownership.

Specifically, in the fourth quarter we identified $1.2 million Australian dollars of annual savings regarding an EV transition plan for a New Zealand government department. This included transitioning 305 vehicles to plug in hybrid electric vehicles (“PHEVs”) and 460 vehicles to battery electric vehicles ("BEVs"), which will reduce their fleet carbon emission by 74% by 2024.

Full-year 2021 highlights in ANZ include:

- Delivered over $121 million Australian dollars in savings to clients – overachieving on our target – and of that, our clients “actioned” $26 million in Australian dollars;
- Created a new format and methodology for Government EV transitions in New Zealand – which has attracted new opportunities focused on savings and fleet transitioning;
- Completed a full fleet utilization analysis for a major New Zealand bank, assisting the organization transition to EVs;
- Developed an EV transition campaign roadmap, which will allow us to proactively target clients suitable for EV transition. This will minimize consulting time spent and maximize value for clients who may not have considered transitioning to EVs, with the objective to increase take-up of our EV+ product offering;
- Undertook a full fleet analysis including benchmarking for a large New Zealand Government body; and
- Successfully completed two sale-and-lease-back rounds for all the legacy vehicles from the previous fleet manager of a major Australian supermarket chain, representing over $13 million Australian dollars of volume. This was achieved by leveraging our value proposition, supported by great client service.

Initiatives

Supplier diversity

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

Notably in the second half of 2021, Element received the 2021 Johnson Controls leadership award in Diversity Recognition for the second consecutive year, as well as the R.J. Reynolds leadership award for supplier diversity, recognizing our continuous efforts to conduct business with diverse suppliers.

In 2021, despite OEM production delays suppressing originations (which drive a meaningful amount of diversity spend in the market for vehicle upfitting services), we spent $1.5 billion U.S. dollars ("USD") with more than 4,700 diverse suppliers across the U.S. That included approximately $200 million USD with identified "small businesses" and $700 million USD with "women-owned businesses" (none of which overlap with our "small businesses" spend).

We track diversity spend and offer clients customized tracking solutions to ensure their diversity commitments applicable to their fleet operations are understood, organized and can be accurately reported. Moreover, our SCS team applies a "client diversity spend requirements" lens to all our proactive advisory work, offering actionable insights to clients that will improve their own practices in this area. This was bolstered in the first half of 2021 by Element’s assembly of an internal cross-functional supplier diversity council.

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

- NMDSC and CAMSC are the leading organizations connecting corporations to minority vendors in the U.S. and Canada, giving Element and our clients access to a broad network of diverse suppliers.
- NMDSC and CAMSC conduct independent data audits of our supplier networks annually to validate certification, providing Element and our clients reliable insight into the make-up of our supplier base and where opportunities exist to improve minority spend.
- Disability:IN is the leading certifier of disabled persons-owned business enterprises, including service-disabled and disabled veterans-owned businesses. Disability:IN helps us connect those businesses to Element’s supply chain.
- WBENC is the largest third-party certifier of businesses owned, controlled, and operated by women in the United Sates and a leading advocate for women-owned businesses in corporate and government supply chains. As a corporate member of WBENC, Element is able to connect with more certified women-owned, -controlled, and -operated businesses.

Xcelerate Ordering

We are now approaching 300 Element clients successfully onboarded to our state-of-the-art North American Vehicle Ordering ("NAVO") platform. The platform provides a consistent, superior experience for clients and suppliers and delivers approximately $2 million of annual operating cost savings for Element through the reduction of manual processing requirements and automation of order transmission.

Despite OEM production delay challenges, clients are actively placing orders through the NAVO platform and the volume has continued to ramp up aggressively in the early months of 2022 (with orders being received through our traditional channels as well). Ninety percent of NAVO orders were placed directly by our clients without the need for Element assistance. Interactive help and support tools within the platform continue to provide meaningful guidance throughout the ordering process. Feedback received to date confirms the NAVO

platform is more user-friendly and easier to navigate for clients than predecessor systems, with a better flow of information.

Digital platforms such as NAVO are replacing disparate applications, automating and streamlining our business processes to create a more consistent client experience, and bolstering the scalability of our operating platform.

Enhancing our Telematics and Safety Products

In the second half of 2021, Element launched a telematics product called QConnect, a connectivity solution that extracts data directly from OEM-connected vehicles and distills this data into digestible snapshots of a client’s vehicle performance to improve driver and vehicle productivity.

Element also launched a safety product called DriverCare CoPilot that is available to fleets using a simple app downloaded to a driver's smartphone, with driving trend data available to managers via a web portal. Drivers are scored on certain behaviors including phone distractions, speeding, harsh acceleration and hard braking.

Several of our enterprise clients are piloting or enrolling in these product offerings. The client feedback has been strong in so far as the products meet their needs to address a simpler way to connect to a vehicle and address distracted driving concerns. Both products have significantly reduced the time to roll-out connectivity to a driver or vehicle from >60 days to 3 weeks creating faster delivery of value for our clients.

Our Business

Achievements

Electric vehicle ("EV") offerings

We continue to see growing client interest and demand in the electrification of fleets as we enter 2022. Element has never been better positioned to support our clients and lead our industry through the gradual electrification of automotive fleets.

We believe our basic value proposition - “making the complex simple for our clients” - is particularly compelling in the context of fleets integrating EVs. We have differentiated Element in the market by investing in a dedicated EV Strategy and Solutions team spanning our global footprint, who work with colleagues across commercial and operational functions to ensure that EV knowledge and perspective are pervasive and being embedded into the DNA of our organization.

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

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

With the benefit of Custom Fleet’s perspective, in the first half of 2021 our North American EV Strategy and Solutions team completed a comprehensive situational assessment of Element’s capability to offer an end-to-end EV fleet management product on this continent. The situational assessment identified potential future readiness gaps that would inform the maturation of our existing capabilities. It also served as a prioritization plan for the EV Strategy and Solutions team to work with relevant senior leaders and their teams across the business to develop what is now *Arc by Element*.

In the second half of 2021, we continued to build-out the product and pre-launch initiatives, which included the expansion of core Element offerings (*eg*. maintenance, collision, titling & registration, tolls & violations, etc.) to accommodate EVs seamlessly and efficiently at scale while maintaining (or enhancing) the caliber of our ICE vehicle service capabilities. *Arc by Element* also includes new services related to road mapping and planning, charging infrastructure, pilot and rollout support, incentive identification and capture, and turnkey solutions for home and public charging of EVs. We are actively working with dozens of clients in pilot and pre-pilot discussions to build a plan to leverage these new services and pressure test this new end-to-end offering.

Mexico

Element partnered with the vehicle manufacturer Build Your Dreams Motors Mexico (“BYD”) to help a multinational beverage company build customized EVs in Q4. 20 of those EVs were delivered in Q4 and an additional 20 are being delivered in Q1 2022. We expect more than 100 EVs to be delivered for this project in the first half of 2022.

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

In 2020, we developed and launched Element's inaugural formal ESG strategy, aligned to our Global BSC and informed by leading ESG reporting frameworks.

In developing our strategy in 2021, we engaged leading external resources to help us understand the ESG landscape, and we talked to investors to gain a deeper understanding of their priorities. We also engaged with our clients and learned which ESG solutions are most important to them. Our efforts lead to significant achievements in 2021, including:

- an increase in our EcoVadis score in Q4 2021 from the bronze to silver range, placing Element among the top 25% of companies assessed by EcoVadis; and
- finishing #1 out of Canada's largest public companies in The Globe & Mail "Board Games". The national newspaper's 20th annual corporate governance rankings assess the quality of governance practices related to board composition, compensation, shareholder rights and disclosure.

We worked with our executive team and the internal ‘owners’ of each of the four pillars of our ESG strategy to understand what work is already underway, what we want to accomplish and how we can best measure success. The result is a focused and actionable ESG strategy that we believe is the right one for Element and all our stakeholders, and that we can build on for years to come.

The strategy is based on four key pillars:

- Sustainability: Our core objective is to reduce carbon emissions, focusing on expanding our EV offerings and offering consulting services to help our clients optimize the efficiency of their fleets.
- Diversity & Inclusion ("D&I"): We are committed to doing more – to being an organization wherein mutual respect and mutual trust are absolute and where each of us is respected and has an equal opportunity to thrive.
- Satisfaction & Safety: We have set meaningful targets for Satisfaction & Safety for our clients and employees. Our goals include fostering higher enrollment in safety programs, reducing accidents by clients, maintaining a best-in-class global employee engagement score and further increasing our Global NPS. (Please see "Earning our clients' loyalty" above for a discussion of our outperformance against target on our 2021 Global NPS.)
- Governance: We will continue to evolve our board composition and our ESG reporting to maintain the high standing we have become known for.

In Q1 2021, we produced Element’s Inaugural ESG report, which is available on our website.

In Q2 2021, we increased gender diversity on Element's Board to 40% and saw strong shareholder support for all matters at our Annual General Meeting in May, including over 95% approval of "say-on-pay".

In Q3 2021, we:

- Published our inaugural D&I policy (available on our website);
- Shared our D&I priorities, objectives and actions (available on our website); and
- Presented at the NAFA Fleet Management Association expo on the topic of "Practicing Inclusive Leadership".

In Q4 2021, we:

- Continued to roll out our *Element People Leader Experience in partnership with Mind Gym* training program throughout the organization, which will be offered to all incoming and new people leaders on an on-going basis;
- Gained momentum with workforce representation – we are proud that women comprise 50% of our global workforce and Black, Indigenous and People of Colour make up 19% of our workforce in the U.S./Canada; and
- Completed the transition of the entire fleet of staff vehicles at Custom Fleet in New Zealand to BEVs.

All these initiatives are advancing Element's ESG agenda and, in many cases, will help us track our ESG performance to build a robust baseline on which we can aim to improve in subsequent years. Now that 2021 is complete, we have a solid benchmark that will help inform and evolve our ESG strategy for 2022 and beyond.

Prudently managing our risks

With the launch of the 2021 Global BSC, we introduced Element's first Enterprise Composite Risk Index ("ECRI"). The ECRI is creating a more risk-aware organization, leading to more informed, better decision-making.

Beginning in 2020, we undertook a comprehensive examination of enterprise risks with a view to replacing the existing enterprise risk management process. In line with best practices and through over 50 workshops, interviews and executive alignment sessions facilitated by a leading global professional services firm with distinct risk management expertise, Element has:

- defined and refined the risk universe and key risks;
- developed detailed Risk Appetite Statements ("RAS") for our key risk types;
- developed RAS metrics with thresholds; and
- refined and developed our risk index methodology: the ECRI.

At year-end, the ECRI was above target as reported on our Global BSC.

While the ECRI is functioning as planned, it is still relatively new and we remain in learning mode. Since mid-2021, we have been working to determine how to measure the ECRI below the global level (eg. Mexico, ANZ) and the ECRI has been refined for 2022. These further refinements are being finalized as we continue to deepen our understanding of our risk universe and the interconnectivity of risks. The ECRI is also allowing us to build stronger risk awareness within the organization, helping us move from a siloed and binary view of risk to a more transversal / interconnected set of perspectives.

Continuous improvement

Our Transformation program established a new strand of organizational DNA in the ongoing, active pursuit of ways to deliver an ever-more consistent and superior service experience to our clients, while lowering costs to serve through Continuous Improvement. Our unwavering focus on Continuous Improvement in 2021 has resulted in myriad improvements to our products, services, and processes through training and incremental, positive change across our business.

In 2021, the Continuous Improvement Group continued to make progress against three key priorities:

- Maintaining a team of dedicated resources to drive Continuous Improvement at Element;
- Implementing a scoring model to evaluate where and how Continuous Improvement team members are deployed on projects across the U.S./Canadian business; and
- Developing automation solutions.

Our Yellow Belt certification program continues to develop Lean Six Sigma skills in the organization, with our 5th Cohort having wrapped up at the end of 2021. Throughout 2021, we graduated 64 individuals and are continuing the program into 2022. The program encourages and trains employees to identify innovative cost- and time-saving opportunities for clients as well as improve the overall client experience.

In Q4, we developed and implemented 9 automation solutions by leveraging Robotic Process Automation "bots" and other light-touch tools. Our total library of automations now contains 116 solutions accounting for over 1.9 million transactions processed and 46,000 hours saved for our employees through the end of 2021. These automation solutions decrease cycle times, provide increased accuracy leading to a superior employee and client experience, and make our business more scalable.

Initiatives

Process automation in ANZ

In Q3 of this year, Custom Fleet implemented robotics into their roadside assistance process. What was previously a completely manual process for approximately 380 monthly roadside assistance transactions is now automated, achieving a six times reduction in handling time and virtually eliminating errors.

Also of note, Custom Fleet rolled out the final stages of their Quote to Order automation process in Q4. This end-to-end project automated the process for quoting, ordering and activating new vehicle transactions, improving accuracy through digitization. The main productivity benefits have been a 90% reduction in time to order, a significant reduction in time between client quote acceptance and time to dealer acceptance, and initial data around activation has shown a 30% reduction in processing times.

IT enhancements

In 2021, we successfully consolidated two in-house U.S. data centers, migrating to a world-class hosting provider's facility. As part of the same project, we successfully implemented a new, cloud-based data center Disaster Recovery solution, upgrading our capabilities multi-fold in the case of a full data center disaster. These initiatives are examples of both continuous improvement at Element and prudently managing our business's risks.

EV service and supply network growth

In addition to launching *Arc by Element* - our comprehensive, integrated end-to-end EV offering (as discussed above) - Element had a number of successful EV service and supply network growth initiatives in 2021, all of which are now encompassed in, and strengthen, *Arc by Element*.

In the second half of 2021, Element announced our partnership with Qmerit, a leader in green energy transformation with the largest network of EV charger installers in North America. Through its Charging@Home solution, Qmerit will provide Element clients with seamless end-to-end installations and support of EV chargers at individual and multi-family residences.

Element also expanded its supplier network in Q3 2021 by partnering with Wex and ChargePoint to provide Element clients with access to ChargePoint's growing nationwide charging network. This strategic relationship provides a consolidated billing system for charging and fueling across client fleets, integrated with Element's advanced analytics and dashboard reporting platform.

In Q4, Element announced a new electric vehicle charging agreement with Enel X, the advanced energy services arm of the Enel Group. This collaboration will provide Element clients access to Enel X's residential and commercial smart charging solutions to support electrified fleets across North America. Our collaboration with Enel X is the latest example of Element's continued investment to support our clients and lead our industry through the gradual electrification of automotive fleets.

Notably, Custom Fleet in New Zealand has been appointed to a national Government panel to provide consultancy services for agencies looking to transition their fleet to electric vehicles. This 2021 win provides an opportunity for the New Zealand business to generate ongoing revenue from their SCS team while building on our existing capability in the government fleet sector.

Finally, in Q4, Element announced an alliance with BYD, Electric Mobility Trucks, After Sales Electric Mobility and Enel Green Power Mexico to promote the electric mobility of fleets in Mexico with a special focus on utility fleets, sales and distribution, secondary and last mile segments. The alliance will help provide efficient, safe and intelligent fleets to Element clients as the EV landscape in Mexico progresses.

Our People

The resilience and dedication of our people was once again a pillar of strength for our business in 2021. Despite challenges from the evolving pandemic, we remain a strong, engaged Element team with an overall employee engagement score of 81%, at industry benchmark and ahead of our pre-pandemic results.

Achievements

Our unique and rewarding employee experience

This past year marked the start of something new – the future of work at Element. With the ongoing challenges of the pandemic came the opportunity to focus our attention on promoting flexibility and deliver targeted learning to over 2,500 employees globally.

In Q4, we introduced our *Flexibility within a Framework* norms, offering a structure our people can rely on including focus and collaboration days and limiting emails and meetings to core business hours. As we begin returning to the office and a collaborative hybrid working model, these norms are designed to help employees do great work and hold space for what matters most. In Q3, in direct response to feedback from our people, we launched a comprehensive approach to learning that can be tailored to every individual at Element with leadership and all-employee offerings. Together, we continue to create an organization where our people feel safe, productive, and their careers can thrive.

Diversity and inclusion

We are proud of the progress we made on Diversity & Inclusion in 2021, towards building the Element we envision – one with greater awareness, deeper understanding, and ultimately more action to drive real progress.

To ensure we advance our D&I strategy and embed it into all we do, we held ourselves accountable by adding D&I metrics to our Global BSC -- and performed well in 2021, surpassing our hiring targets for women by 4% and BIPOC by 12%.

In Q2, we launched a successful self-identification campaign for North America and ended the year with a 79% participation rate, giving us a strong baseline to understand the make-up of our team and measure progress more accurately.

With a vibrant community of ten BRGs[5], we surpassed our participation goal of 1,000 event attendees and we achieved our corporate donation goal, contributing meaningfully to our communities. While we are proud of the growing diversity of our talent, we know there is more work to do. We remain committed to attracting, developing, and retaining a diverse workforce at all levels and across our global footprint.

Awards and recognition

We were honoured with several awards in 2021 – recognitions for our commitment to our people and to our business that we're proud to highlight. As mentioned above, in December 2021 we ranked #1 with a score of 98% in The Globe & Mail's annual "Board Games" – a rating of Canada's corporate boards using a rigorous set of governance criteria designed to go far beyond the minimum mandatory rules imposed by regulators. In a testament to our Continuous Improvement mindset, we jumped 10 points from last year and ranked alongside some of Canada's best-known brands.

For employee wellness, we were honoured in Q3 with the Cigna Well-Being award, which recognizes organizations that demonstrate a strong commitment to improving the health and well-being of its employees.

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

We were also proud to be short-listed for a Governance Professionals of Canada's Excellence in Governance Award, recognizing excellence in our governance and approach to executive compensation and disclosure.

Element Mexico received noteworthy recognition from Great Place to Work ("GPTW") for the 2nd consecutive year. GPTW is the global authority on high-trust and high-performance workplace cultures. Element Mexico ranked in the Top 3 in our industry for both the Best Places to Work and the Best Places to Work in Times of Challenge rankings.

Connecting pay to performance

The foundation of our pay-for-performance culture is our balanced scorecard, focusing everyone on what matters most to advance our strategic objectives, such as profitable revenue growth and delivering a consistent, superior client experience. Despite the unexpected lingering impacts of the pandemic and OEM production shortages, we made significant progress executing our pivot from transformation to profitable growth in 2021 and our resulting Global BSC performance is a source of great pride and confidence. Our investments in our business, our people and our clients have now translated into performance – and we are rewarding our people with an above-target short term incentive payment. In 2021, we also continued our journey to address pay gaps for our employees with our goal to ensure "equal pay for equal work" relative to internal and external comparisons.

Element's Board of Directors will continue to use the Global BSC results to determine the annual short term incentive compensation of each named executive officer with a minimum determinative weighting of 50% on Element's financial performance. In addition, executives receive a meaningful portion of their compensation in the form of Performance Share Units tied to Element's share price and Total Shareholder Return relative to the TSX S&P Composite Index, driving alignment with the creation of long-term value for our shareholders. Element believes that this compensation plan will continue to forge a tight alignment between performance against strategic objectives and executive pay outcomes. Full details of the impact on incentive compensation are available in Element's Management Information Circular dated April 2, 2021 which has been filed on SEDAR at www.sedar.com.

Initiatives

Preparing a phased return to office

Throughout the pandemic, ensuring the health and safety of our people has been our top priority. As we approach the two-year milestone of working together, apart, we're ready and well-positioned to welcome our people back to the office beginning this month of March 2022.

In Q2 2021, we launched Return to Office Pilots in select locations, later expanding across our footprint and wrapping up in December 2021. Learnings from our pilots have informed our approach to our broad return – one that is not only safe, but enables a hybrid working model that's purposeful, collaborative, and flexible.

Our Investors

Profitable revenue growth

Element achieved 5.8% annual net revenue growth in constant currency in 2021 – at the high end of our 4-6% target range – by generating $53.8 million of new net revenue. Due to the adverse impacts of a strengthening Canadian dollar on our annual results, 2021 net revenue grew 1.1% or $10.7 million as reported, to $973.8 million.

Net revenue growth was driven by 2021 net financing revenue growth of 7.7% or $31.3 million as reported and 11.6% or $45.5 million in constant currency, to $436.9 million. Services revenue declined 1.9% or $9.4

million year-over-year as reported but grew 3.3% or $14.9 million in constant currency to $472.5 million. Excluding the Q3 2020 one-time services revenue benefit of $8.8 million as reported ($8.5 million in constant currency) from full-year 2020 results, 2021 services revenue was essentially flat (down 0.1%) year-over-year as reported and grew 5.2% or $23.5 million in constant currency.

Element grew income before taxes 37.4% or $124.6 million in 2021, to $457.7 million; and grew AOI 2.1% or $10.5 million year-over-year as reported and 7.2% or $34.3 million in constant currency, to $512.0 million — highlighting the scalability of our market-leading operating platform.

Element's 2021 pre-tax income margin expanded 124 basis points year-over-year to 47.0% and adjusted operating margin expanded 51 basis points year-over-year as reported and 66 basis points in constant currency, to 52.6%.

A capital-lighter business model

Syndication - the non-recourse sale of Element fleet assets to a third party - and services revenue growth are the two main thrusts of our capital-lighter business model. Both revenue streams made significant contributions to Element's 2021 performance.

Our sale of fleet assets to financial buyers with a lower cost of capital advances several aspects of Element's profitable growth strategy:

- Syndication generates a highly profitable, recurring revenue stream for Element. In 2021, Syndication contributed $64.4 million in revenue (6.6% of net revenue), the vast preponderance of which falls to AOI;
- Syndication also accelerates revenue recognition (without compromising economics), improving the velocity of cash flow; and
- Syndication facilitates a capital-lighter business model. Selling these assets alleviates the need for Element to take on additional leverage - and set aside additional equity - to fund the assets on our balance sheet. This has allowed us to significantly lower Element's tangible leverage ratio[6] and – at the same time – return $644 million cash to shareholders in 2021.

We advanced our capital-lighter business model in Q4 by transacting on $504 million of fleet assets with our robust pool of syndication investors, generating $14.5 million of revenue. We syndicated $2.7 billion of fleet assets in 2021, achieving our volume and revenue targets as modified in H1 to account for OEM production delays.

Individual syndication transactions are predominantly in respect of fleet assets leased by a single Element client. Over the course of 2021, we added 68 client names to our syndication program, meaning certain fleet assets leased to each such client were syndicated for the first time in 2021. We also completed 3 portfolio transactions in 2021; multiple clients' assets were pooled and syndicated en bloc to a single buyer. This portfolio approach has had a positive impact on syndication revenue yield and efficiencies.

The second pillar of Element's capital-lighter strategy is growing services revenue, which has a relatively low funding requirement – the net working capital position of procured services such as fuel and maintenance – compared to net financing revenue.

As noted above, our 2021 services revenue declined 1.9% or $9.4 million year-over-year as reported but grew 3.3% or $14.9 million in constant currency to $472.5 million. Our clients' vehicle activity is only now back at or approximating pre-pandemic levels, having recovered more gradually than anticipated in 2021. We expect healthy services revenue growth over the course of 2022.

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

Q4 services revenue of $123.7 million was a 6.0% or $7.0 million increase from Q4 2020 services revenue as reported and a 9.2% or $10.5 million increase in constant currency. Q4 2021 services revenue grew 2.2% or $2.6 million from Q3 2021 services revenue as reported and virtually the same amount in constant currency.

Healthy services revenue growth is attributable in part to our commercial team's success improving service penetration and utilization ("share of wallet") among existing clients in 2021 and, in part, to the gradual increase in client vehicle activity over the course of 2021 – now at or approximating pre-pandemic levels across our global footprint.

Our return on equity improved 440 basis points year-over-year to 10.4% and pre-tax return on common equity improved 140 basis points year-over-year to 15.4% for 2021.

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

Element generated $1.05 of free cash flow per share for 2021 – an 8 cent per share or 7.9% improvement over 2020 results in constant currency.

Element generated $0.29 of free cash flow per share in Q4 – a 5 cent or 23.9% improvement over Q4 2020 in constant currency. Free cash flow per share improved 2 cents or 10.0% in Q4 2021 versus Q3 2021 in constant currency.

Per share growth is aided by our repurchasing of Element common shares for cancellation pursuant to our normal course issuer bid ("NCIB"). As previously disclosed, the Toronto Stock Exchange ("TSX") approved Element's November 10, 2021 notice of intention to renew our NCIB.

Also as previously disclosed, we announced on November 10, 2021 a 19% increase to Element's common dividend, from $0.26 to $0.31 annually per share, which was reflected in the Q4 2021 common dividend authorized and declared on November 10, 2021 and paid on January 14, 2022. With this increase, Element's annual common dividend represents approximately 30% of our last twelve months' free cash flow per share, which is the mid-point of the 25% to 35% payout range we plan to maintain going forward.

We returned $644 million in cash to common shareholders in 2021 by repurchasing 39,002,033 common shares for cancellation pursuant to the NCIB and paying $111 million in common dividends.

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%, 6%, 10% and 64% of our full-year 2021 net revenue was generated, respectively. Element has established local currency funding structures in each of Australia, New Zealand, Mexico and the United States, thereby mitigating the impacts of fluctuation in those foreign currencies. We also institute certain designated hedges that further mitigate the effects of FX exposure. Notwithstanding, our assets, liabilities, and foreign operating results do fluctuate as a result of fluctuations in these currencies against the reporting currency, being the Canadian dollar. We do not hedge pure currency translation risk.

In the following "Results of Operations" sections, we include tables containing summaries of the Company's results on a constant currency basis. We provide certain further details in our Supplementary Information document (available on the Company's website) regarding results for the relevant periods before the impact of changes in FX (*ie.* in constant currency). The Company calculates constant currency by applying the current period average FX rates to prior results (*eg*. the Q4 2021 average FX rates are used to calculate Q3 2021 and Q4 2020 results and the average Q1 2021, Q2 2021, Q3 2021, and Q4 2021 FX rates are used to calculate the annual results). The current spot rate is used for all balance sheet constant currency calculations. The table immediately below illustrates the constant currency FX impact on the reported consolidated financial results for prior periods that are discussed on the following pages:

	For the three-months ended					For the year-ended		
(in $000's for stated values)	**December 31, 2021**	Change from Q3 2021	September 30, 2021	Change from Q4 2020	December 31, 2020	**December 31, 2021**	Change from 2020	December 31, 2020
	$	%	$	%	$	**$**	%	$
Servicing income, net, constant currency	**123,716**	2.2 %	121,008	9.2 %	113,265	**472,465**	3.3 %	457,527
Fx impact	**—**		67		3,493	**—**		24,327
Servicing income, net, as reported	**123,716**	2.2 %	121,075	6.0 %	116,758	**472,465**	(1.9)%	481,854
Net financing revenue, constant currency	**107,245**	(1.1)%	108,386	4.0 %	103,106	**436,945**	11.6 %	391,449
Fx impact	**—**		942		3,349	**—**		14,238
Net financing revenue, as reported	**107,245**	(1.9)%	109,328	0.7 %	106,455	**436,945**	7.7 %	405,687
Syndication revenue, constant currency	**14,521**	4.1 %	13,952	(37.2)%	23,112	**64,412**	(9.3)%	71,026
Fx impact	**—**		(15)		774	**—**		4,526
Syndication revenue, as reported	**14,521**	4.2 %	13,937	(39.2)%	23,886	**64,412**	(14.7)%	75,552
Net revenue, constant currency	**245,482**	0.9 %	243,346	2.5 %	239,483	**973,822**	5.8 %	920,002
Fx impact	**—**		994		7,616	**—**		43,091
Net revenue, as reported	**245,482**	0.5 %	244,340	(0.7)%	247,099	**973,822**	1.1 %	963,093
Salaries, wages and benefits, constant currency	**82,112**	4.9 %	78,275	9.0 %	75,323	**306,884**	5.8 %	290,082
Fx impact	**—**		218		2,195	**—**		12,675
Salaries, wages and benefits, as reported	**82,112**	4.6 %	78,493	5.9 %	77,518	**306,884**	1.4 %	302,757
General and administrative expenses, constant currency	**27,074**	11.0 %	24,396	2.3 %	26,463	**104,401**	(6.3)%	111,447
Fx impact	**—**		(41)		703	**—**		4,889
General and administrative expenses, as reported	**27,074**	11.2 %	24,355	(0.3)%	27,166	**104,401**	(10.3)%	116,336
Depreciation and amortization, constant currency	**13,735**	(13.1)%	15,797	36.8 %	10,040	**50,537**	23.8 %	40,819
Fx impact	**—**		69		317	**—**		1,672
Depreciation and amortization, as reported	**13,735**	(13.4)%	15,866	32.6 %	10,357	**50,537**	18.9 %	42,491
Adjusted operating expenses, constant currency	**122,921**	3.8 %	118,468	9.9 %	111,826	**461,822**	4.4 %	442,348
Fx impact	**—**		246		3,215	**—**		19,236
Adjusted operating expenses, as reported	**122,921**	3.5 %	118,714	6.8 %	115,041	**461,822**	0.1 %	461,584
Adjusted operating income, constant currency	**122,561**	(1.9)%	124,878	(4.0)%	127,657	**512,000**	7.2 %	477,653
Fx impact	**—**		748		4,401	**—**		23,856
Adjusted operating income, as reported	**122,561**	(2.4)%	125,626	(7.2)%	132,058	**512,000**	2.1 %	501,509
Provision for taxes applicable to adjusted operating income, constant currency	**28,189**	(9.7)%	31,231	21.7 %	23,170	**124,313**	49.0 %	83,446
Fx impact	**—**		188		799	**—**		4,158
Provision for taxes applicable to adjusted operating income, as reported	**28,189**	(10.3)%	31,419	17.6 %	23,969	**124,313**	41.9 %	87,604
After-tax adjusted operating income, constant currency	**94,372**	0.8 %	93,647	(9.7)%	104,487	**387,687**	(1.7)%	394,207
Fx impact	**—**		560		3,602	**—**		19,698
After-tax adjusted operating income, as reported	**94,372**	0.2 %	94,207	(12.7)%	108,089	**387,687**	(6.3)%	413,905

Annual Results of Operations

(in $000's for stated values, except per share amounts)	For the year ended December 31, 2021 $	 December 31, 2020 $
Net revenue		
Net interest income and rental revenue	**629,814**	741,898
Interest expense	**192,869**	336,211
Net financing revenue	**436,945**	405,687
Servicing income, net	**472,465**	481,854
Syndication revenue, net	**64,412**	75,552
Net revenue	**973,822**	963,093
Operating expenses		
Salaries, wages and benefits	**306,884**	302,757
General and administration expenses	**104,401**	116,336
Depreciation and amortization	**50,537**	42,491
Amortization of convertible debenture discount	**3,580**	6,259
Share-based compensation	**24,120**	35,033
Operating expenses	**489,522**	502,876
Disposition of 19th Capital		
Gain/(Loss) on settlement of debt	**—**	38,580
Gain/(Loss) on sale of assets	**—**	(52,442)
Net gain/(loss) on disposition	**—**	(13,862)
Other expenses		
Amortization of intangible assets from acquisition	**35,313**	38,291
Restructuring and transformation costs	**—**	77,508
Loss/(Gain) on investments	**(8,689)**	(2,497)
Other expenses	**26,624**	113,302
Income before taxes	**457,676**	333,053
Provision for income taxes	**101,670**	45,961
Net income for the year	**356,006**	287,092
Weighted average number of shares outstanding [basic]	**423,070**	438,571
Earnings per share [basic]	**0.76**	0.56
Dividends declared, per share	**0.272500**	0.200000
Preferred Shares, Series A	**1.733252**	1.733252
Preferred Shares, Series C	**1.552520**	1.552520
Preferred Shares, Series E	**1.475752**	1.475752
Preferred Shares, Series G	**—**	1.218750
Preferred Shares, Series I	**1.437500**	1.437500

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

Operating expenses

Operating expenses for the year ended December 31, 2021 were $489.5 million, down 2.7% or $13.4 million year-over-year.

Pre-tax income margin

Pre-tax income margin for the year ended December 31, 2021 was 47.0%, a 124 basis point increase year-over-year.

Net income

Net income for the year ended December 31, 2021 was $356.0 million, a $68.9 million increase from 2020. The year-over-year improvement was predominantly driven by the $77.5 million of 2020 restructuring and transformation investments being absent from 2021 results given that our Transformation program concluded at the end of 2020. Other noteworthy year-over-year line item variances -- that are *not* addressed in the commentary further below -- that impacted the year-over-year net income variance are:

- $2.7 million lower amortization of convertible debenture discount for full-year 2021, as we repaid our 2015 convertible debentures in full upon maturity in Q2 2020 (*ie*. halfway through 2020);
- $10.9 million lower share-based compensation in 2021, as this expense in 2020 reflected a catch up from previous years' stock performance and additional performance stock unit amortization (which did not recur in 2021); and
- $55.7 million higher provision for income taxes in 2021. The effective income tax rate was 22.2% for the year ended December 31, 2021 versus 13.8% for the year ended December 31, 2020, reflecting year-over-year variances in income before tax and other tax-related adjustments.

Net income for 2021 amounted to $0.76 on a per share basis, which is $0.20 per share higher than earnings per share for 2020.

Adjusted Operating Results as reported

	For the year ended	
(in $000's for stated values, except per share amounts)	**December 31, 2021**	December 31, 2020
	$	$
Servicing income, net	**472,465**	481,854
Net financing revenue	**436,945**	405,687
Syndication revenue, net	**64,412**	75,552
Net revenue	**973,822**	963,093
Salaries, wages and benefits	**306,884**	302,757
General and administrative expenses	**104,401**	116,336
Depreciation and amortization	**50,537**	42,491
Adjusted operating expenses	**461,822**	461,584
Adjusted operating income	**512,000**	501,509
Provision for taxes applicable to adjusted operating income	**124,313**	87,604
Cumulative preferred share dividends	**32,412**	40,820
After-tax adjusted operating income attributable to common shareholders[7]	**355,275**	373,085
Weighted average number of shares outstanding [basic]	**423,070**	438,571
After-tax adjusted operating income per share [basic]	**0.84**	0.85

Adjusted Operating Results in constant currency[8]

	For the year ended	
(in $000's for stated values, except per share amounts)	**December 31, 2021**	December 31, 2020
	$	$
Servicing income, net	**472,465**	457,527
Net financing revenue	**436,945**	391,449
Syndication revenue, net	**64,412**	71,026
Net revenue	**973,822**	920,002
Salaries, wages and benefits	**306,884**	290,082
General and administrative expenses	**104,401**	111,447
Depreciation and amortization	**50,537**	40,819
Adjusted operating expenses	**461,822**	442,348
Adjusted operating income	**512,000**	477,654
Provision for taxes applicable to adjusted operating income	**124,313**	83,446
Cumulative preferred share dividends	**32,412**	40,820
After-tax adjusted operating income attributable to common shareholders	**355,275**	353,388
Weighted average number of shares outstanding [basic]	**423,070**	438,571
After-tax adjusted operating income per share [basic]	**0.84**	0.81

Net revenue

Net revenue as reported grew 1.1% or $10.7 million year-over-year to $973.8 million and 5.8% or $53.8 million in constant currency for 2021.

Net revenue growth was driven by 2021 net financing revenue growth of 7.7% or $31.3 million as reported and 11.6% or $45.5 million in constant currency.

Services revenue declined 1.9% or $9.4 million year-over-year as reported but grew 3.3% or $14.9 million in constant currency on the same comparative basis, thereby contributing to our 5.8% net revenue growth in constant currency year-over-year.

[7] Please refer to the Descriptions of Non-GAAP Measures section for a description of this non-GAAP measure.
[8] 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.

2021 net revenue growth was modestly subdued by an $11.1 million decline in syndication revenue year-over-year as reported – a $6.6 million decline in constant currency on the same year-over-year basis.

Orders, Originations and Order Backlog

Orders

Originations are necessarily preceded by vehicle orders, which are legally binding commitments by our clients to lease or purchase vehicles from Element upon production by the relevant OEM.

We received $5.9 billion vehicle orders globally in 2021 - the single largest year of orders in Element's history (i) on a constant currency basis and (ii) excluding Armada from both 2021 and prior years' order volumes. Including Armada in 2021 and prior years' order volumes, on a constant currency basis, 2021 was the second largest year of orders in Element's history, and only $150 million of orders shy of 2019 (the largest year). 2021 orders were 30% higher than 2020 in constant currency, excluding Armada; and 48% higher in constant currency including Armada in both 2021 and 2020 totals.

Originations

Automotive OEM production delays driven by the global microchip shortage constrained origination volumes throughout 2021 – particularly in the U.S. and Canada – and, as previously disclosed, we believe these OEM delays are likely to continue to impact origination volumes in 2022, albeit to a lesser extent.

We originated $5.0 billion of assets globally in 2021, which is a $1.0 billion or 16.8% step down year-over-year as reported and $0.7 billion or 12.7% step down in constant currency – entirely driven by U.S. and Canadian origination volume declines (themselves driven exclusively by OEM production delays, notwithstanding robust client demand for new vehicles throughout 2021), with each of Mexico and ANZ originations volume *growth* modestly softening the full-year-over-full-year global step down.

The table below sets out the geographic distribution of Element's originations for 2021 and 2020:

(in $000's for stated values)	**December 31, 2021**		December 31, 2020	
	$	**%**	$	%
United States and Canada	**3,711,557**	**74.33 %**	4,910,672	81.79 %
Mexico	**749,203**	**15.00 %**	604,972	10.08 %
Australia and New Zealand	**532,828**	**10.67 %**	488,203	8.13 %
Total	**4,993,588**	**100.00 %**	6,003,847	100.00 %

The table below sets out the geographic distribution of Element's originations for 2021 and 2020 on a constant currency basis:

(in $000's for stated values)	**December 31, 2021**		December 31, 2020	
	$	**%**	$	%
United States and Canada	**3,711,557**	**74.33 %**	4,628,178	80.95 %
Mexico	**749,203**	**15.00 %**	593,549	10.38 %
Australia and New Zealand	**532,828**	**10.67 %**	495,878	8.67 %
Total	**4,993,588**	**100.00 %**	5,717,605	100.00 %

U.S. and Canadian originations declined $1.2 billion or 24.4% in 2021 over 2020 as reported and $0.9 billion or 19.8% in constant currency.

Originations in Mexico grew $144.2 million or 23.8% year-over-year for 2021 as reported and $155.7 million or 26.2% in constant currency. Mexico was the market least impacted by OEM production delays in 2021.

Originations in ANZ grew $44.6 million or 9.1% in 2021 over 2020 as reported -- and $37.0 million or 7.5% in constant currency – in spite of significant OEM production headwinds and the impacts of multiple pandemic-driven lockdowns on the region throughout 2021.

Order Backlog

Robust client demand for vehicles opposite various degrees of OEM production delay has resulted in record[9] vehicle order backlogs in each of our operating geographies.

Our global order backlog on December 31, 2021 stood at $2.9 billion; an $0.9 billion increase (in constant currency) over the September 30, 2021 backlog of $2.0 billion.

The $2.9 billion order backlog represents approximately $1.9 billion of orders in excess of our average year-end order backlog (on a constant currency basis). These $1.9 billion in excess orders represent approximately

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

We continue to believe that OEM production delays are likely to improve modestly over the course of 2022 – which was recently echoed publicly by several large OEMs themselves – enabling our originations to do the same. We expect OEMs to recover full production capacity by the end of H1 2023, allowing them to start drawing down our excess order backlog shortly thereafter and thereby allowing Element to earn the above $40 to $65 million in deferred net revenue, adjusted operating income and free cash flow -- in addition to any incremental deferred net revenue, adjusted operating income and free cash flow represented by excess order backlog at June 30, 2023 above and beyond $1.9 billion.

Net financing revenue

Net financing revenue of $436.9 million in 2021 represents a 7.7% or $31.3 million increase year-over-year as reported. On a constant currency basis, net financing revenue was up 11.6% or $45.5 million year-over-year.

This strong performance was driven by:

- lower costs of funding, with our efforts to optimize our debt structure continuing to reduce pure interest expense and credit facility fees;
- gains on the sale of used vehicles ("GOS") in ANZ - and, to a lesser extent, Mexico - where we continue to benefit from the supply-constrained secondary markets; and
- the reduction of our balance sheet allowance for credit losses. Improved economic circumstances in 2021 and the outstanding quality and performance of our asset portfolio allowed us to reverse almost half of the provision taken at the onset of the COVID-19 pandemic in 2020.

All the foregoing represents resilient net financing revenue performance, given that average net earning assets[10] declined 18.6% as reported and 12.9% in constant currency over the course of 2021 (as a result of (i) syndication activity and (ii) postponed and delayed originations).

[9] Excluding historical Armada orders in the U.S.
[10] Please refer to the Descriptions of Non-GAAP Measures section for a description of this non-GAAP measure.

Net financing revenue yield on average net earning assets

	For the year ended	
(in $000's for stated values)	**December 31, 2021**	December 31, 2020
Average net earning assets	**$ 9,178,109**	$ 11,274,225
Net interest income and rental revenue[9]	**6.86 %**	6.58 %
Interest expense	**2.10 %**	2.98 %
Net financing revenue yield on average net earning assets[9]	**4.76 %**	3.60 %
Average debt outstanding	**$ 8,315,566**	$ 12,048,215
Average cost of debt (Interest expense / average debt)	**2.32 %**	2.79 %
Average 1-Month LIBOR rates	**0.10 %**	0.52 %

Servicing income, net

Despite the lingering effects of the pandemic, services revenue was resilient throughout 2021. Areas such as remarketing were muted due to the ongoing OEM production delays; however, affected remarketing services revenue is not lost but rather deferred into future periods when new vehicle production levels normalize.

Notwithstanding headwinds to remarketing revenue and other services revenue catalyzed by originations, we earned $472.5 million of services revenue in 2021, down only 1.9% or $9.4 million from 2020 as reported and up 3.3% or $14.9 million in constant currency.

As previously disclosed, 2020 services revenue benefitted from one-time Armada revenue of $8.8 million in the third quarter of last year. Excluding this from full-year 2020 results, year-over-year services revenue was essentially flat (down 0.1%) in 2021 as reported and grew 5.2% or $23.5 million in constant currency year-over-year.

Assets under management

Assets under management ("AUM") at year-end totaled $14.3 billion – down $1.3 billion or 8.4% year-over-year. As set out in our Supplementary Information document (available on our website), the year-over-year decrease reflects the impacts of lower origination volumes in 2021, plus amortization, dispositions and FX. On a constant currency basis, AUM declined $1.1 billion or 7.3% year-over-year.

Syndication revenue, net

We syndicated $2.7 billion of assets in 2021 – roughly in line with 2020 syndication volume as reported and flat year-over-year in local currency (U.S. dollars). We generated $64.4 million of revenue in 2021, which is an $11.1 million decline year-over-year as reported and $6.6 million decline in constant currency. The lower revenue yield on assets syndicated this year is attributable to a significantly lower volume of Armada assets syndicated in 2021, which have historically earned a higher yield.

Adjusted operating expenses

Adjusted operating expenses of $461.8 million in 2021 were 0.1% or $0.2 million higher year-over-year as reported. In constant currency, adjusted operating expenses were 4.4% or $19.5 million higher year-over-year, driven by:

- higher salaries, wages and benefit expenses – by 1.4% or $4.1 million as reported and 5.8% or $16.8 million in constant currency -- due to merit increases to salaries and higher short-term incentive accruals in 2021 than 2020; as well as

- higher depreciation and amortization expense – by 18.9% or $8.0 million as reported and 23.8% or $9.7 million in constant currency – reflecting several work-in-process projects (many of which began as Transformation initiatives) becoming "operational" in the year by accounting standards, resulting in the beginning of the depreciation and amortization of same and the accelerated depreciation and amortization of assets that become redundant as a result.

These increases were partially offset by general and administrative expenses in 2021 – lower by 10.2% or $11.9 million as reported and 6.3% or $7.0 million in constant currency – reflecting tighter cost controls, fewer professional fees incurred, and less travel than in 2020.

Adjusted operating income and margin

Adjusted operating income ("AOI") for 2021 was $512.0 million: 2.1% or $10.5 million higher than 2020 as reported, and amounting to $0.84 for 2021 on a per share basis, which is 1 cent per share less than last year.

Excluding the impact of FX, AOI improved by 7.2% or $34.3 million year-over-year; and adjusted EPS increased 3.7% or 3 cents per share.

Operating margin for 2021 was 52.6%, a 51 basis point improvement as reported and 66 basis points on a constant currency basis over 2020 operating margin.

Quarterly Results of Operations

(in $000's for stated values, except per share amounts)	For the three-month periods ended December 31, 2021	September 30, 2021	December 31, 2020
	$	$	$
Net revenue			
Net interest income and rental revenue	**151,790**	155,933	175,674
Interest expense	**44,545**	46,605	69,219
Net financing revenue	**107,245**	109,328	106,455
Servicing income, net	**123,716**	121,075	116,758
Syndication revenue, net	**14,521**	13,937	23,886
Net revenue	**245,482**	244,340	247,099
Operating expenses			
Salaries, wages and benefits	**82,112**	78,493	77,518
General and administrative expenses	**27,074**	24,355	27,166
Depreciation and amortization	**13,735**	15,866	10,357
Amortization of convertible debenture discount	**918**	903	858
Share-based compensation	**6,283**	5,086	19,578
Operating expenses	**130,122**	124,703	135,477
Other expenses			
Amortization of intangible assets from acquisition	**8,871**	8,862	9,070
Restructuring and transformation costs	**—**	—	19,637
Loss/(Gain) on investments	**(2,475)**	(2,776)	(3,261)
Other expenses	**6,396**	6,086	25,446
Income before taxes	**108,964**	113,551	86,176
Provision for income taxes	**14,300**	28,610	7,814
Net income for the period	**94,664**	84,941	78,362
Weighted average number of shares outstanding [basic]	**409,175**	416,353	440,253
Earnings per share [basic]	**0.21**	0.18	0.16
Dividends declared, per share			
Common share	**0.077500**	0.065000	0.065000
Preferred Shares, Series A	**0.433313**	0.433313	0.433313
Preferred Shares, Series C	**0.388130**	0.388130	0.388130
Preferred Shares, Series E	**0.368938**	0.368938	0.368938
Preferred Shares, Series I	**0.359375**	0.359375	0.359375

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

Operating expenses

Operating expenses for the quarter were $130.1 million, up 4.3% or $5.4 million quarter-over-quarter but down 4.0% or $5.4 million year-over-year.

Pre-tax income margin

Pre-tax income margin for the quarter was 44.4%, contracting 210 basis points quarter-over-quarter but having expanded 950 basis points on a year-over-year basis.

Net income

Element earned net income of $94.7 million for the quarter, a $16.3 million improvement over Q4 2020 and $9.7 million improvement over Q3 2021. Immediately below are noteworthy line item variances that (a)

contribute to these Q4 2021 period-over-period net income variances *and* (b) are *not* addressed in the commentary further below.

The Q4 2021 net income improvement over Q4 2020 was positively influenced by:

- $13.3 million less share-based compensation, as LTIP expenses were higher in Q4 2020 due to stock price and performance factors that required accrual in 2020; and
- the absence of $19.6 million in transformation investments made in Q4 2020,

partially offset by a $6.5 million higher provision for income taxes.

The Q4 2021 net income improvement over Q3 2021 was positively influenced by a $14.3 million lower provision for income taxes, partially offset by $1.2 million more share-based compensation.

Q4 2021 net income amounted to $0.21 on a per share basis, which is 3 cents per share higher than Q3 2021 EPS and 5 cents per share higher than Q4 2020 EPS.

Adjusted Operating Results as reported

(in $000's for stated values, except per share amounts)	For the three-month periods ended **December 31, 2021**	 September 30, 2021	 December 31, 2020
	$	$	$
Servicing income, net	**123,716**	121,075	116,758
Net financing revenue	**107,245**	109,328	106,455
Syndication revenue, net	**14,521**	13,937	23,886
Net revenue	**245,482**	244,340	247,099
Salaries, wages and benefits	**82,112**	78,493	77,518
General and administrative expenses	**27,074**	24,355	27,166
Depreciation and amortization	**13,735**	15,866	10,357
Adjusted operating expenses	**122,921**	118,714	115,041
Adjusted operating income	**122,561**	125,626	132,058
Provision for taxes applicable to adjusted operating income	**28,189**	31,419	23,969
Cumulative preferred share dividends	**8,103**	8,103	8,103
After-tax adjusted operating income attributable to common shareholders	**86,269**	86,104	99,986
Weighted average number of shares outstanding [basic]	**409,175**	416,353	440,253
After-tax adjusted operating income per share [basic]	**0.21**	0.21	0.23

Adjusted Operating Results in constant currency[11]

(in $000's for stated values)	For the three-month periods ended **December 31, 2021**	 September 30, 2021	 December 31, 2020
	$	$	$
Servicing income, net	**123,716**	121,008	113,265
Net financing revenue	**107,245**	108,386	103,106
Syndication revenue, net	**14,521**	13,952	23,112
Net revenue	**245,482**	243,346	239,483
Salaries, wages and benefits	**82,112**	78,275	75,323
General and administrative expenses	**27,074**	24,396	26,463
Depreciation and amortization	**13,735**	15,797	10,040
Adjusted operating expenses	**122,921**	118,468	111,826
Adjusted operating income	**122,561**	124,878	127,657
Provision for taxes applicable to adjusted operating income	**28,189**	31,231	23,170
Cumulative preferred share dividends	**8,103**	8,103	8,103
After-tax adjusted operating income attributable to common shareholders	**86,269**	85,544	96,384
Weighted average number of shares outstanding [basic]	**409,175**	416,353	440,253
After-tax adjusted operating income per share [basic]	**0.21**	0.21	0.22

Net revenue

Q4 net revenue as reported grew 0.5% or $1.1 million quarter-over-quarter and decreased 0.7% or $1.6 million year-over-year, to $245.5 million. In constant currency, net revenue grew 0.9% or $2.1 million quarter-over-quarter and 2.5% or $6.0 million year-over-year.

Services revenue drove Q4 2021 net revenue growth in constant currency and softened the modest year-over-year decrease in net revenue from Q4 2020. Services revenue grew 2.2% or $2.6 million quarter-over-quarter and 6.0% or $7.0 million year-over-year as reported. In constant currency, services revenue grew 2.2% or $2.7 million quarter-over-quarter and 9.2% or $10.5 million year-over-year.

Q4 2021 net financing revenue was a modest headwind to net revenue quarter-over-quarter and modest tailwind year-over-year. Net financing revenue declined 1.9% or $2.1 million in Q4 2021 versus Q3 2021 as

[11] 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.

reported and 1.1% or $1.1 million in constant currency. Q4 2021 net financing revenue grew 0.7% or $0.8 million year-over-year as reported and 4.0% or $4.1 million in constant currency on the same comparative basis.

Q4 2021 syndication revenue for its part was a modest tailwind to net revenue quarter-over-quarter but a substantial headwind year-over-year. Syndication revenue for the quarter increased 4.2% or $0.6 million quarter-over-quarter but decreased 39.2% or $9.4 million year-over-year -- albeit as expected. In constant currency, syndication revenue for the quarter was up 4.1% or $0.6 million quarter-over-quarter but down 37.2% or $8.6 million year-over-year -- again, the variance to Q4 2020 being as expected.

Orders, Originations and Order Backlog

Orders

Originations are necessarily preceded by vehicle orders, which are legally binding commitments by our clients to lease or purchase vehicles from Element upon production by the relevant OEM.

Q4 was the single largest quarter of global vehicle orders in Element's history on a constant currency basis - regardless of whether Armada is included or excluded for comparative purposes.

Q4 was the single largest quarter of vehicle orders in the history of each of ANZ, Mexico, and the U.S./ Canada, respectively, measured on a constant currency basis (and, in the case of the U.S./Canada, excluding Armada). Q4 order volumes were 18.6%, 20.4% and 16.2% higher in ANZ, Mexico, and the U.S./Canada, respectively, than each geography's second largest quarter of vehicle orders on record. In ANZ, that quarter was Q3 2021 and, in Mexico, Q4 2020.

Originations

Automotive OEM production delays driven by the global microchip shortage constrained origination volumes throughout 2021 -- including Q4 and particularly in the U.S. and Canada – and, as previously disclosed, we believe these delays are likely to continue to impact origination volumes in 2022, albeit to a lesser extent than in 2021.

The table below sets out the geographic distribution of Element's originations for the following three-month periods ended.

(in $000's for stated values)	**December 31, 2021**		September 30, 2021		December 31, 2020	
	$	**%**	$	%	$	%
United States and Canada	**826,750**	**69.20**	996,511	75.82	1,080,625	77.92
Mexico	**227,555**	**19.05**	181,610	13.82	166,021	11.97
Australia and New Zealand	**140,441**	**11.75**	136,113	10.36	140,146	10.11
Total	**1,194,746**	**100.00**	1,314,234	100.00	1,386,792	100.00

The table below sets out the geographic distribution of Element's originations for the following three-month periods ended, on a constant currency basis:

(in $000's for stated values)	**December 31, 2021**		September 30, 2021		December 31, 2020	
	$	**%**	$	%	$	%
United States and Canada	**826,750**	**69.20**	997,542	76.27	1,050,181	78.07
Mexico	**227,555**	**19.05**	175,416	13.41	159,469	11.85
Australia and New Zealand	**140,441**	**11.75**	135,023	10.32	135,670	10.08
Total	**1,194,746**	**100.00**	1,307,981	100.00	1,345,320	100.00

We originated $1.2 billion of assets globally in Q4 2021 -- $0.1 billion fewer than in Q3 2021 and $0.2 billion fewer than Q4 2020 both as reported and in constant currency.

This decline was anticipated and, as expected, driven by the lowest quarter of U.S. and Canadian originations in 2021, offset by a 2021 quarterly volume high in Mexico and strong Q4 2021 originations in ANZ.

Having said that we anticipated a low quarter of U.S. and Canadian originations in Q4 2021, the volume we ultimately achieved was, in fact, higher than expected — we believe due to OEM efforts to maximize vehicle production volumes before the end of calendar 2021. U.S. and Canadian origination headwinds are exclusively a product of OEM production delays (themselves driven by the global microchip shortage). We received more U.S. and Canadian vehicle orders in Q4 2021 than any prior quarter on record in constant currency (and excluding Armada), continuing the robust client demand we have seen throughout 2021 — which has created Element's largest global order backlog on record as of December 31, 2021.

We did originate vehicles for Armada in the U.S. in Q4, although these are not originations that turn into leases and generate net financing or syndication revenue for Element. We continue to earn increasing services revenue in respect of Armada's growing fleet.

Q4 originations in Mexico grew 37.1% from Q4 2020 and 25.3% from prior quarter as reported. Mexico continues to be the market least impacted by OEM production delays.

Originations in ANZ for Q4 were virtually flat year-over-year as reported and grew 3.2% from Q3 2021 as reported. This healthy volume of originations was achieved despite the aforementioned pandemic-driven lockdowns in ANZ during the quarter.

Order Backlog

Robust client demand for vehicles opposite various degrees of OEM production delay has resulted in record[12] vehicle order backlogs in each of our operating geographies.

Our global order backlog on December 31, 2021 stood at $2.9 billion; a $0.9 billion increase (in constant currency) over the September 30, 2021 backlog of $2.0 billion.

The $2.9 billion order backlog represents approximately $1.9 billion of orders in excess of our average year-end order backlog (on a constant currency basis). These $1.9 billion in excess orders represent approximately

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

We continue to believe that OEM production delays are likely to improve modestly over the course of 2022 – which was recently echoed publicly by several large OEMs themselves – enabling our originations to do the same. We expect OEMs to recover full production capacity by the end of H1 2023, allowing them to start drawing down our excess order backlog shortly thereafter and thereby allowing Element to earn the above $40 to $65 million in deferred net revenue, adjusted operating income and free cash flow -- in addition to any incremental deferred net revenue, adjusted operating income and free cash flow represented by excess order backlog at June 30, 2023 above and beyond $1.9 billion.

Net financing revenue

As disclosed last quarter, we expected Q4 2021 net financing revenue to have declined from both Q4 2020 and Q3 2021 levels. However, Q4 2021 net financing revenue proved to be higher than in Q4 2020, and its decline from Q3 2021 was less than we anticipated. This is due to organic performance exceeding

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

expectations in all three geographies, driven by stronger-than-expected used vehicle prices and therefore GOS in ANZ and Mexico, and - as previously noted - higher than expected originations in the U.S. and Canada.

Q4 net financing revenue grew 0.7% or $0.8 million versus Q4 2020 as reported – despite the 20.5% decrease in average net earning assets on the same comparative basis, which was driven by (a) syndication and (b) OEM production delays limiting origination volumes. In constant currency, Q4 net financing revenue grew 4.0% or $4.1 million versus Q4 2020.

Q4 net financing revenue was lower than Q3 2021 by 1.9% or $2.1 million as reported and 1.1% or $1.1 million in constant currency.

Net financing revenue yield on average net earning assets

	For the three-month periods ended		
(in $000's for stated values)	**December 31, 2021**	September 30, 2021	December 31, 2020
Average net earning assets	**$ 8,474,002**	$ 8,928,182	$ 10,664,938
Net interest income and rental revenue	**7.16 %**	6.99 %	6.59 %
Interest expense	**2.10 %**	2.09 %	2.60 %
Net financing revenue yield on average net earning assets	**5.06 %**	4.90 %	3.99 %
Average debt outstanding	**$ 7,354,234**	$ 7,937,478	$ 10,426,959
Average cost of debt (Interest expense / average debt)	**2.42 %**	2.35 %	2.66 %
Average 1-Month LIBOR rates	**0.09 %**	0.08 %	0.15 %

Q4 2021 average net earning assets decreased 20.5% or $2.2 billion year-over-year and 5.1% or $0.5 billion quarter-over-quarter as reported – in both cases, largely as a result of (a) below average origination volumes due to OEM production delays and (b) syndication.

Net financing revenue yield on average net earning assets improved 107 basis points in Q4 versus Q4 2020, reflecting the resilience of the revenue stream as noted above and the evolving geographic mix of assets on our balance sheet. Sequentially, net financing revenue yield was up 16 basis points quarter-over-quarter, driven by the strengths of net financing revenue on the same comparative basis as noted above.

Servicing income, net

Q4 2021 services revenue grew 6.0% or $7.0 million from Q4 2020 as reported and 9.2% or $10.5 million in constant currency.

This growth was driven by revenue from accident services and long-term vehicle rentals in the U.S. and Canada, along with increased utilization of our services by Armada compared to last year. U.S./Canadian growth was achieved in spite of significant OEM production delays indirectly suppressing services revenue contributors, remarketing being the prime example. Importantly, this remarketing service revenue is not lost but rather deferred until OEM production capacity normalizes.

Q4 2021 services revenue grew 2.2% or $2.6 million as reported and 2.2% or $2.7 million in constant currency from Q3 2021 levels. This growth was predominantly driven by maintenance revenues and, to a lesser extent, a modest improvement in remarketing revenue.

Continued strong services revenue growth across the business reflects a combination of (i) a strengthened and reinvigorated Commercial effort, (ii) a deliberate focus on services as an important source of revenue growth, and (iii) the return of client vehicle activity to or approximating pre-pandemic levels. As previously noted, remarketing revenue remains depressed by OEM production delays, which will eventually be resolved - thereby releasing this significant pent-up contributor to services revenue.

We believe Element is capable of high single-digit annual services revenue growth in 2022 and irrespective of the timing of OEM production normalization.

Syndication revenue, net

We syndicated $504 million of assets in the quarter as planned - $115 million less than in Q4 2020 and $17 million less than in Q3 2021 - generating $14.5 million of syndication revenue. Compared to Q4 2020, syndication revenue for the quarter was $9.4 million lower as reported and $8.6 million lower in constant currency, driven by lower Q4 2021 volume (as planned) and the inclusion of some higher-yielding Armada assets in Q4 2020 syndication volume. Syndication revenue grew $0.6 million in Q4 2021 versus Q3 2021 both as reported and in constant currency despite syndicating modestly fewer assets this quarter. Q4 2021 yield on syndicated assets was a healthy 2.88%.

Adjusted operating expenses

Adjusted operating expenses of $122.9 million for the quarter were 6.8% or $7.9 million higher than Q4 last year as reported ($11.1 million higher in constant currency) and 3.5% or $4.2 million higher than Q3 2021 as reported ($4.5 million higher in constant currency).

Compared to Q4 2020, adjusted operating expenses were higher this quarter due to higher salaries, wages and benefits and higher depreciation and amortization. Higher salaries, wages and benefits were driven by merit increases in 2021 and higher short-term incentive accrual reflecting strong business performance, including on Balanced Scorecard metrics such as NPS and operational efficiency. Higher depreciation and amortization was driven by work-in-process projects – many of which began as Transformation initiatives – becoming “operational” this year.

Compared to Q3 2021, higher adjusted operating expenses were driven by:

- salaries, wages and benefits for the reasons noted above; and
- higher G&A as a result of IT and related general and administrative expenses in the quarter, as we continue to enhance our technological capabilities,

partially offset by lower depreciation and amortization quarter-over-quarter. As previously disclosed, Q3 2021 had a one-time depreciation and amortization catch-up of accelerated depreciation on redundant assets.

Adjusted operating income and margins

Element’s AOI for the quarter was $122.6 million (equivalent to $0.21 on a per share basis), a 7.2% or $9.5 million decline from Q4 2020 and a 2.4% or $3.1 million decrease from Q3 2021. On a constant currency basis, Q4 2021 AOI was 4.0% or $5.1 million lower than Q4 2020 and 1.9% or $2.3 million lower quarter-over-quarter.

The year-over-year decline in Q4 AOI stemmed from lower syndication revenues and higher adjusted operating expenses, each as previously discussed herein. The quarter-over-quarter decrease was driven by lower net financing revenue and higher adjusted operating expenses - again, each as previously discussed herein.

Operating margin for the quarter was 49.9%, 351 basis points lower than Q4 2020 operating margin and 148 basis points lower than Q3 2021 operating margin (in both cases, on a constant currency basis). The primary driver of these operating margin contractions was Q4 2021 adjusted operating expenses, the growth of which is discussed above.

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 December 31, 2021. 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)	**Q4 2021**	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net revenue	**245,482**	244,340	235,402	248,598	247,099	243,252	225,503	247,239
Adjusted operating income	**122,561**	125,626	126,512	137,301	132,058	128,985	111,144	129,322
After-tax adjusted operating income	**94,372**	94,207	93,935	105,173	108,089	107,058	93,361	105,397
Net income	**94,664**	84,941	80,872	95,529	78,362	70,778	58,594	79,358
Earnings per share, basic	**0.21**	0.18	0.17	0.20	0.16	0.14	0.11	0.16
Earnings per share, diluted	**0.21**	0.18	0.17	0.20	0.16	0.14	0.11	0.16
Adjusted operating income per share, basic	**0.28**	0.28	0.28	0.29	0.28	0.27	0.23	0.27
After-tax adjusted operating income per share, basic	**0.21**	0.21	0.20	0.22	0.23	0.22	0.19	0.22
After-tax pro forma diluted adjusted operating income per share	**0.21**	0.20	0.20	0.22	0.22	0.22	0.19	0.21
Total assets	**12,973,412**	13,105,478	13,483,620	14,033,707	14,991,388	15,711,869	16,883,105	18,220,355
Net earning assets	**8,203,159**	8,687,716	8,890,566	9,426,863	10,465,983	10,750,218	11,025,581	11,999,636
Total debt	**8,198,035**	8,493,546	8,686,606	9,259,492	10,018,603	10,888,398	11,910,711	13,115,461
Loan and lease originations	**1,194,746**	1,314,234	1,198,102	1,286,506	1,386,792	1,279,263	1,306,804	2,030,988
Allowance for credit losses	**10,246**	8,613	11,397	13,676	17,718	18,829	20,000	20,000
As a % of total finance receivables before allowance	**0.14**	0.11	0.14	0.16	0.18	0.19	0.18	0.16
Senior revolving credit facilities	**1,106,629**	1,007,628	1,006,473	1,250,957	1,551,939	1,354,470	1,774,086	1,869,919
Borrowings	**6,932,334**	7,328,076	7,523,502	7,853,095	8,312,397	9,380,815	9,984,649	10,529,564
Convertible debentures	**159,072**	157,842	156,631	155,440	154,267	153,113	151,976	715,978

Selected Annual Financial Information

The tables below set out key financial metrics that show operating results together with related per share figures.

	As at and for the years ended		
(in $000's for stated values, except per share amounts)	**December 31, 2021**	December 31, 2020	December 31, 2019
	$	$	$
Net revenue	**973,822**	963,093	994,102
Net income	**356,006**	287,092	97,701
Total assets	**12,973,412**	14,991,388	17,429,603
Total debt	**8,198,035**	10,018,603	12,604,652
After tax adjusted operating income	**387,687**	413,905	420,131
Earnings (loss) per share			
Basic	**0.76**	0.56	0.12
Diluted	**0.75**	0.56	0.12
After tax adjusted operating income per share			
Basic	**0.84**	0.85	0.86
Pro forma Diluted	**0.82**	0.84	0.83
Dividends declared, per share			
Common share	**0.272500**	0.200000	0.180000
Preferred Shares, Series A	**1.733252**	1.733252	1.733250
Preferred Shares, Series C	**1.552520**	1.552520	1.588760
Preferred Shares, Series E	**1.475752**	1.475752	1.568938
Preferred Shares, Series G	**—**	1.218750	1.625000
Preferred Shares, Series I	**1.437500**	1.437500	1.437500

Financial Position

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

(in $000's for stated values)	**December 31, 2021**	September 30, 2021	December 31, 2020
	$	$	$
ASSETS			
Cash	**45,271**	103,771	8,789
Restricted funds	**400,930**	344,120	388,978
Finance receivables	**7,436,275**	7,680,976	9,561,622
Equipment under operating leases	**2,297,182**	2,224,870	2,157,227
Accounts receivable and other current assets	**204,873**	173,119	226,952
Derivative financial instruments	**26,302**	21,196	53,629
Property, equipment and leasehold improvements	**93,872**	97,623	112,352
Intangible assets	**830,013**	822,457	814,378
Deferred tax assets	**417,708**	415,351	444,120
Goodwill	**1,220,986**	1,221,995	1,223,341
	12,973,412	13,105,478	14,991,388
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**1,206,550**	1,003,874	1,062,610
Derivative financial instruments	**28,575**	30,590	68,282
Borrowings	**8,038,963**	8,335,704	9,864,336
Convertible debentures	**159,072**	157,842	154,267
Deferred tax liabilities	**89,303**	77,238	57,776
	9,522,463	9,605,248	11,207,271
Shareholders' equity	**3,450,949**	3,500,230	3,784,117
	12,973,412	13,105,478	14,991,388

Total assets and liabilities decreased by $132.1 million and $82.8 million, respectively, from Q3 2021. Approximately 56% of Element's assets are U.S. dollar-denominated, as a result of which movements in the value of the U.S. compared to the Canadian dollar have an impact on our balance sheet. We also have assets denominated in Mexican pesos and Australian and New Zealand dollars, although these are smaller tranches of our portfolio. In Q4 2021, the quarter-over-quarter and year-over-year decrease in total assets and liabilities was primarily driven by a decrease in earning assets caused by (a) below average origination volumes as a result of OEM production delays, particularly in the U.S. and Canada and (b) syndication. The U.S. dollar and Mexican peso also strengthened against the Canadian dollar quarter-over-quarter and year-over-year. 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 $2.1 billion lower at December 31, 2021 than at December 31, 2020, driven by the cumulative impact of below average origination volumes during the year (as a result of OEM production delays), and syndication. Total finance receivables at December 31, 2021 decreased by $0.2 billion quarter-over-quarter for the same reasons as the year-over-year decrease.

(in $000's for stated values, except ratios)	**December 31, 2021**	September 30, 2021	December 31, 2020
	$	$	$
Net investment in finance receivables	**5,905,977**	6,462.846	8,308,756
Impaired receivables - at net realizable value	**2,765**	2,327	25,463
	5,908,742	6,465,173	8,334,219
Unamortized origination costs and subsidies	**(40,729)**	(45,687)	(78,396)
Net finance receivables	**5,868,013**	6,419,486	8,255,823
Prepaid lease payments and Security deposits	**(60,979)**	(43,165)	(85,025)
Interim funding	**650,155**	480,716	625,778
Fleet management service receivables	**609,450**	538,391	505,506
Other	**379,882**	294,161	277,258
	7,446,521	7,689,589	9,579,340
Allowance for credit losses	**10,246**	8,613	17,718
Total finance receivables	**7,436,275**	7,680,976	9,561,622

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

Credit losses and provisions as at and for the years ended December 31, 2021 and December 31, 2020, respectively, and the nine month period ended September 30, 2021 are as follows.

	Year ended	Nine months ended	Year ended
	December 31, 2021	September 30, 2021	December 31, 2020
(in $000's for stated values, except ratios)	**$**	$	$
Allowance for credit losses, beginning of period	**17,718**	17,718	8,432
Provision for credit losses	**(5,535)**	(6,945)	11,652
Charge-offs, net of recoveries	**(1,639)**	(1,861)	(1,629)
Impact of foreign exchange rates	**(298)**	(299)	(737)
Allowance for credit losses, end of period	**10,246**	8,613	17,718
Charge-offs, net of recoveries, as a % of total finance receivables	**0.03 %**	0.03 %	0.02 %
Allowance for credit losses, as a % of total finance receivables before allowance	**0.14 %**	0.11 %	0.18 %

Element's policy is to assess the probability of default and loss given default for all its clients, both at lease inception and throughout the term of the lease. Element makes these assessments by performing risk reviews of specific clients on a periodic basis, reviewing the client's financial condition and ability to service the debt, as well as monitoring the value of the underlying security.

We reviewed inputs to our expected credit loss model throughout the quarter. We also consider forward-looking macroeconomic information in light of COVID-19, such as overall default rates and the impact that potential upward or downward trends in GDP would have on our lease and loan portfolio. While on one hand, there were positive changes to the portfolio and improvement in the amounts likely to be recovered in the event of default, on the other hand, increased funding extended to certain industries subject to COVID-19 model overlays resulted in a modest $1.4 million provision for credit losses in the quarter. The increased funding was extended to long-time clients demonstrating a strong rebound in their businesses as the pandemic normalizes and we expect the model overlays to lighten as the Omicron wave plays out.

Based on the foregoing, our allowance for credit losses grew $1.6 million from September 30, 2021 to $10.2 million at December 31, 2021; a $7.5 million decrease from December 31, 2020.

Impaired receivables

Total impaired receivables were $2.8 million at December 31, 2021, which is an $0.4 million increase from September 30, 2021 but still only approximately 11% of the impaired receivables balance at year-end 2020. No material client entered bankruptcy in Q4 2021.

Classifying receivables as impaired

Accounts over 120 days past due are automatically considered impaired, fully provisioned net of any anticipated recoveries and recorded at their net realizable value.

Accounts that are contractually delinquent less than 120 days may nonetheless be assessed as impaired. Individual impairment is assessed by examining contractual delinquency and the client's financial condition, such as the identification of an approaching bankruptcy or the client being in the process of legal or collateral repossession proceedings with a debtor. Impairments of this nature are provisioned by applying probability-weighted assumptions consistent with industry standards and our experience with respect to the probability of an identified account resulting in a client default.

We believe the impaired receivables figure in the table above appropriately reflects the net realizable value of the finance receivables before any allowance for credit losses.

Portfolio Distribution by Geography

The table below sets forth the geographical distribution of the Company's portfolio of net finance receivables and equipment under operating leases, as at:

(in $000's for stated values)	**December 31, 2021**		September 30, 2021		December 31, 2020	
	$	**%**	$	%	$	%
United States and Canada	**5,212,719**	**63.8**	5,819,322	67.3	7,681,953	73.8
Australia and New Zealand	**1,570,941**	**19.2**	1,555,484	18.0	1,632,065	15.7
Mexico	**1,381,535**	**17.0**	1,269,550	14.7	1,099,032	10.5
Total	**8,165,195**	**100.0**	8,644,356	100.0	10,413,050	100.0
Allocated as:						
Net finance receivables	**5,868,013**	**71.9**	6,419,486	74.3	8,255,823	79.3
Equipment under operating leases, net	**2,297,182**	**28.1**	2,224,870	25.7	2,157,227	20.7
Total	**8,165,195**	**100.0**	8,644,356	100.0	10,413,050	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)	**December 31, 2021**		September 30, 2021		December 31, 2020	
	$	**%**	$	%	$	%
United States and Canada	**11,205,186**	**78.1**	11,596,813	80.2	12,814,311	81.9
Australia and New Zealand	**1,570,657**	**11.0**	1,555,311	10.8	1,625,718	10.4
Mexico	**1,563,178**	**10.9**	1,296,559	9.0	1,212,464	7.7
Assets under management	**14,339,021**	**100.0**	14,448,683	100.0	15,652,493	100.0

The geographical distribution of earning assets and assets under management shown in the tables above reflect in part the disproportionate impact of OEM production delays on our business in the U.S. and Canada. (The fact that we only syndicated U.S. assets in 2021 also impacted the earning assets table.) When OEM production volumes normalize, the U.S. and Canada should enjoy a similarly disproportionate improvement in assets under management – which may also benefit earnings assets, depending on syndication volumes – and related contributions to our global results.

Liquidity

Element's primary sources of liquidity are daily operating cash flows from services, financing/leasing and syndication, and committed credit and debt facilities. Our primary uses of cash are the funding of service receivables, finance receivables and operating leases, and working capital.

Cash Flow

Daily cash flow / liquidity

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

Learnings from the global cash management office’s work have informed several strategic right-sizings of our funding facilities, beginning in Q4 2020. In aggregate, we have reduced the scale of our committed, undrawn liquidity by approximately $3.4 billion since the end of Q3 2020, which has and will continue to drive meaningful funding cost savings without compromising our ability to serve clients.

Notwithstanding our dependable operating cash flows and $2.4 billion of committed, undrawn capital at December 31, 2021, we continue our efforts to sustainably enhance our dynamic liquidity management capabilities, including data analysis capacity and forecasting.

Free cash flow

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

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

	For the three-month periods ended			**For the year ended**	
(in $000’s for stated values)	**December 31, 2021**	September 30, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
	$	$	$	**$**	$
Free Cash Flow	**119,464**	111,308	107,917	**442,170**	449,241
Amortization of equipment under operating leases	**118,481**	110,230	109,365	**450,256**	428,464
Investment in finance receivables	**(986,182)**	(752,348)	(1,164,996)	**(3,886,753)**	(5,094,574)
Repayments of finance receivables	**780,279**	893,649	857,521	**3,551,135**	4,561,492
Investment in equipment under operating leases	**(262,412)**	(275,843)	(212,208)	**(974,532)**	(859,386)
Disposals of equipment under operating leases	**70,480**	78,579	83,842	**285,453**	303,016
Proceeds from syndication financings	**516,628**	534,576	612,331	**2,715,474**	2,849,241
Sustaining capital investments	**14,508**	13,184	14,432	**48,979**	41,696
Preferred share dividends	**8,103**	8,103	8,134	**32,412**	40,821
Other	**72,657**	(148,341)	214,219	**(152,492)**	64,796
Cash Flow from Operations	**452,006**	573,097	630,557	**2,512,102**	2,784,807

Statement of cash flows

Cash provided by operating activities for the year ended December 31, 2021 - as presented in our consolidated financial statements - was $2,512.1 million, a decrease of $272.7 million from the $2,784.8 million provided by operating activities for the year ended December 31, 2020. The decrease was primarily the result of timing of payments offset by lower investments in finance leases resulting from below average origination volumes due to OEM production delays.

Cash used in investing activities for the year ended December 31, 2021 was $85.9 million compared to cash used in investing activities of $9.6 million for the year ended December 31, 2020. The primary drivers of the change year-over-year are the sale of 19th Capital in Q2 2020 and the sale of equity investments in Q4 2020, offset by a decrease in the purchase of property, equipment and leasehold improvements in 2021 compared to the prior year.

Cash used in financing activities for the year ended December 31, 2021 was $2,390.2 million, compared to $2,834.0 million used in financing activities for the year ended December 31, 2020. The year-over-year decrease is primarily due to (i) prior year repayment of the 2015 convertible debentures, (ii) prior year redemption of preferred shares, (iii) a decrease in the repayment of borrowings and (iv) the issuance of the U.S. $500 million, 1.60% senior unsecured investment-grade notes due April 6, 2024, offset by the repurchase of common shares in 2021.

Credit and debt facilities

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

We had $2.4 billion of contractually committed, undrawn liquidity across our revolving unsecured ($1.2 billion) and vehicle management asset-backed ($1.1 billion) facilities at December 31, 2021. Commitments under these facilities are provided by syndicates of leading Canadian, U.S. and international banks.

These sources of financing were as follows:

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

As at	September 30, 2021			
(in $000's for stated values)	$	%	$	$
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	2,987,245	*66.3*	1,979,617	1,007,628
Senior notes	1,144,051	—	—	1,144,051
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	2,827,550	—	—	2,827,550
Variable funding notes	4,676,314	*28.6*	1,336,601	3,339,713
Other	38,560	—	—	38,560
Total vehicle management asset-backed debt	7,542,424	*17.7*	1,336,601	6,205,823
Total cash			103,771	
Total capital available for continuing operations			3,419,989	

As at	December 31, 2020			
(in $000's for stated values)	$	%	$	$
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	2,672,670	*41.9*	1,120,731	1,551,939
Senior notes	509,080	—	—	509,080
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	4,005,371	—	—	4,005,371
Variable funding notes	5,678,982	*33.6*	1,910,587	3,768,395
Other	44,841	—	—	44,841
Total vehicle management asset-backed debt	9,729,194	*19.6*	1,910,587	7,818,607
Total cash			8,789	
Total capital available for continuing operations			3,040,107	

On March 23, 2021, Element issued U.S. $750 million of term notes, at an initial weighted average interest rate of 0.51%, under our Chesapeake Funding II LLC vehicle management asset-backed debt facility. The proceeds received at the time of closing were used to pay down variable funding notes outstanding.

On April 6, 2021, Element completed its issuance of U.S. $500 million, 1.60% senior unsecured investment-grade notes due April 6, 2024. The proceeds received at the time of closing were used for working capital and general corporate purposes.

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

In Q4 2021, Element (i) further right-sized certain of our senior credit facilities with a reduction of U.S. $500 million, (ii) successfully extended our maturity dates and (iii) enhanced financing terms on same. These

actions will reduce our cost of funds (or "interest expense" as reported) over time, thereby further optimizing our net financing revenue and advancing our strategic growth priorities.

We believe the $2.4 billion of liquidity available to the Company as at December 31, 2021 coupled with our durable operating cash flow is sufficient to fund Element's business throughout 2022, as well as to pay dividends at current rates to all preferred and common shareholders.

Capital Resources

Capitalization

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

The Company’s capitalization is calculated as follows:

As at	**December 31, 2021**	September 30, 2021	December 31, 2020
(in $000’s)	**$**	$	$
Cash	**45,271**	103,771	8,789
Unsecured debt			
Senior credit facilities	**1,106,629**	1,007,628	1,551,939
4.250% Convertible Debentures due 2024	**159,072**	157,842	154,267
3.850% Senior Notes due 2025	**508,007**	508,467	509,080
1.600% Senior Notes due 2024	**635,008**	635,584	—
Vehicle Management Asset-Backed Debt			
Revolving term notes in amortization	**2,154,974**	2,827,550	4,005,371
Variable funding notes	**3,605,799**	3,339,713	3,768,395
Other	**61,693**	38,560	44,841
Deferred financing costs	**(27,023)**	(26,599)	(29,911)
Hedge accounting fair value adjustments	**(6,124)**	4,801	14,621
Total debt	**8,198,035**	8,493,546	10,018,603
Shareholders' equity			
Common share capital	**2,951,596**	3,004,670	3,180,379
Preferred share capital	**511,869**	511,869	511,869
Other	**(12,516)**	(16,309)	91,869
Total Shareholders’ Equity	**3,450,949**	3,500,230	3,784,117
Total Capitalization	**11,648,984**	11,993,776	13,802,720

Growing profitability, free cash flow and syndication all contribute to the de-leveraging of Element’s balance sheet. With our redemption of $172.5 million of Series G preferred shares in full on September 30, 2020, we had cumulatively eliminated or replaced over $1 billion of high-cost hybrid instruments from Element’s capital structure since April 2019, simplifying and strengthening the Company’s investment-grade balance sheet.

On March 23, 2021, Element issued U.S. $750 million of term notes, at an initial weighted average interest rate of 0.51%, under our Chesapeake Funding II LLC vehicle management asset-backed debt facility. The proceeds received at the time of closing were used to pay down variable funding notes outstanding.

On April 6, 2021, Element completed its issuance of U.S. $500 million, 1.60% senior unsecured investment-grade notes due April 6, 2024. The proceeds received at the time of closing were used for working capital and general corporate purposes.

Normal Course Issuer Bids

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

On November 10, 2021, the TSX approved Element's notice of intention to renew its normal course issuer bid (the "2021 NCIB"). The 2021 NCIB allows the Company to repurchase on the open market (or as otherwise permitted), at its discretion during the period commencing on November 15, 2021 and ending on the earlier of November 14, 2022 and the completion of purchases under the 2021 NCIB, up to 40,968,811 common shares, subject to the normal terms and limitations of such bids, which include the number of common shares purchased in any 12 month period being limited to 10% of the common shares outstanding at the commencement of such period. As of December 31, 2021, under the 2021 NCIB, 5,343,300 common shares had been repurchased for cancellation for an aggregate amount of approximately $68.6 million at a volume weighted average price of $12.85 per common share.

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

Leverage

We view both financial and tangible leverage as indicators of the strength of Element's financial position. At December 31, 2021, our financial leverage ratio was 2.38:1 and tangible leverage ratio was 5.86:1.

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

As at		**December 31, 2021**	December 31, 2020
(in $000's, except ratios)		**$**	$
Borrowings		**8,038,963**	9,864,336
Convertible debentures		**159,072**	154,267
Total debt	**(a)**	**8,198,035**	10,018,603
Total shareholders' equity	**(b)**	**3,450,949**	3,784,117
		11,648,984	13,802,720
Goodwill and intangible assets	**(c)**	**2,050,999**	2,037,719
Financial leverage	**(a)/(b)**	**2.38**	2.65
Tangible leverage	**(a)/[(b)-(c)]**	**5.86**	5.74

The Company was in compliance with all financial and reporting covenants with all of its lenders at December 31, 2021.

Credit ratings

Our ability to access financing on a cost-efficient basis is largely dependent on maintaining strong investment-grade credit ratings. Credit ratings and outlooks assigned by rating agencies reflect their views and methodologies. The credit ratings are subject to change based on several factors, including but not limited to our financial strength, competitive position, liquidity and other factors not entirely within our control.

Credit Ratings[(1)] as at December 31, 2021

Rating agency	Issuer rating	Outlook
DBRS, Inc.	BBB (high)	Stable
Fitch Ratings	BBB+	Stable
Kroll Bond Rating Agency	A-	Stable
S&P Global Ratings	BBB	Stable

(1) Credit ratings are not recommendations to purchase, sell or hold a financial obligation in as much as they do not comment on market price or suitability for a particular investor. Ratings are determined by the rating agencies based on criteria established from time to time by them and are subject to revision or withdrawal at any time by the rating organization.

In September 2021, Fitch Ratings affirmed its stable outlook and BBB+ investment-grade rating of Element, and in October 2021 credit rating agencies DBRS, Inc., Kroll Bond Rating Agency and Standard & Poor's affirmed their stable outlook and investment-grade ratings for Element: BBB (high), A- and BBB, respectively.

Risk Management

The Company has risk management processes in place to monitor, evaluate and manage the principal risks it assumes in conducting its business activities. These risks include credit, liquidity, foreign exchange, interest rate, and various sources of operational risk.

Further, the organization's ability to effectively manage these risks has grown through increased awareness and monitoring, as evidenced by our strong ECRI performance.

In the normal course of business, the Company engages in operating and financing activities that generate risks in the following primary areas:

Element may Fail to Execute on its Growth Strategy

While Element believes it can achieve annual revenue growth of 4-6% in normal market conditions, the Company may be unable to achieve such expected growth for a variety of reasons.

Element's growth strategy relies on growing its client base and expanding its market share. However, the fleet management industry is competitive and characterized by competitive factors that vary based upon service offering and geographic region. Element competes with a wide variety of competitors that include independent lease finance companies, captive finance companies owned by manufacturers and distributors, banks, third party brokers and other large and mid-sized fleet management companies. Increased competition in the Company's markets could result in intensified pricing pressure, reduced profit margins, increased sales and marketing expenses and a failure to increase, or a loss of, market share. Element may not be able to maintain or improve its competitive position against current or future competitors. Future disintermediation by vehicle manufacturers could increase competitive pressures. In addition, future mergers or consolidations among competitors, or acquisitions of Element's competitors by large companies may present competitive challenges to Element's business and resulting combined entities could be at a competitive advantage. Further, competitors may reduce the fees for their services, which could increase pricing pressure within the Company's markets which could have a material adverse effect on Element's ability to achieve its growth objectives.

Element's growth strategy also includes tapping into currently underserved markets, such as self-managed fleets. While the Company believes that there are significant opportunities in these markets and that Element could deliver significant value to these clients, there is no assurance that the Company will be successful in expanding its reach in these market segments.

Another component of Element's growth strategy is minimizing client attrition. While Element believes that it will be able to continue to deliver a consistent, superior client experience that will help to minimize future client attrition, client attrition results from a variety of different factors, including financial difficulties experienced by the client, the integration of different client systems and platforms, the acquisition or ceasing of operations of the client, competition and other socio-economic factors. Any factors that adversely affect the ability of Element's services to compete with those available from competitors, such as availability of competitors' services and offering more advanced service architecture, superior functionality or performance or lower prices, or factors that reduce demand for Element's services, such as intensifying price competition, could lead to increased rates of client attrition.

If Element is unable to expand its market share, successfully tap into underserved markets and/or retain its clients, Element may be unable to achieve its growth objectives and its business, financial condition and/or results of operations may be adversely impacted.

Element's Operating Model may be Unable to Support its Growth Strategy

Element believes that its operations are sufficiently scalable to support its growth strategy. However, if Element achieves or exceeds its growth objectives, it is possible that Element's platform will not be able to scale in order to meet the additional requirements of such growth. Element may face challenges in (i)

implementing new or updated information and financial systems and procedures; and (ii) training, managing and appropriately sizing its work force and other components of its business on a timely and cost-effective basis. There can be no assurance that Element will be able to manage its expanding operations effectively or that it will be able to continue to support its planned growth. In the event that Element's operations are not sufficiently scalable, Element's business, financial condition and/or results of operations may be adversely impacted.

Element Derives a Significant Portion of its Revenue from Program Fees and Charges Paid by its Clients. Any Decrease in Element's Receipt of Such Fees and Charges, or Limitations on Element's Service Fees and Charges, Could Materially and Adversely Affect Element's Business, Financial Condition and/or Results of Operations

Element's service programs include a variety of service fees and charges associated with transactions, cards, reports, optional services and late payments. Element derives a significant amount of its consolidated revenues from these service fees and charges. If the users of Element's cards or other services decrease their transaction activity, or the extent to which they use optional services, Element's revenue could be materially adversely affected. In addition, several market factors can affect the amount of Element's service fees and charges, including the market for similar charges for competitive card services and the availability of alternative payment methods. Furthermore, regulators may scrutinize the electronic payments industry's pricing, charges and other practices related to Element's business. Any legislative or regulatory restrictions on Element's ability to price its services could materially and adversely affect Element's revenue. Any decrease in Element's revenue derived from these service fees and charges could materially and adversely affect Element's business, financial condition and/or results of operations.

Concentration of Leases and Loans within the Fleet Leasing Industry or within a Particular Region May Negatively Impact Element's Business, Financial Condition and/or Results of Operations

Element specializes in vehicle fleet management. As a result, Element has a significant concentration of risk exposure related to this industry segment. If this industry segment experiences adverse economic or business conditions, Element's delinquencies, default rate and charge-offs may increase, which may negatively impact its business, financial condition and/or results of operations. Furthermore, Element may have significant exposures to unique regions and industries, such as Alberta and its oil sands industry, which, if negatively impacted by macroeconomic trends, could negatively impact Element's business, financial condition and/or results of operations.

Lack of Funding May Limit Element's Ability to Originate Leases and Loans

Element is dependent upon its ability to secure funding for its loans and leases to clients and to fund its existing obligations. While Element currently has sufficient funding, there can be no assurance that additional financing will be obtained on terms acceptable to Element or at all. In the past, Element has obtained the cash required for its operations through cash flows from its operating activities, the issuance of equity interests to institutional, accredited and other investors, by borrowing money through Senior Credit Facilities or other funding facilities, issuance of senior unsecured notes, and the syndication and securitization of certain of its leases and loans. Element may not be able to continue to access these or other sources of funds.

Concentration of Debt Financing Sources May Increase Element's Funding Risks

Element has obtained funding from a number of financial institutions. Element's reliance on such financial institutions for a significant amount of its funding exposes Element to funding risks. If these financial institutions decided to terminate, or not extend these borrowing arrangements, Element's business, financial condition and/or results of operations could be materially adversely affected.

Ability to Reduce Concentration Risk Through Syndication

One way that Element seeks to manage its exposures to large clients is by transferring leases and loans to third party investors, including through bulk transfers, securitization, syndication and similar risk transference arrangements. There can be no assurance that Element will continue to be able to reduce client credit

concentration risks in this way if Element is unable to enter into such risk transference arrangements with third party investors on favorable terms, or at all. Element’s reliance on syndication through risk transference arrangements may increase as Element funds the asset growth of its largest clients. There can be no assurance that Element will be able to expand its existing network of syndication market investors or increase the capacities of its existing syndication arrangements in order to manage this concentration risk. An inability to manage such risk could lead Element to curtail new originations with its largest clients in certain circumstances, which could have an adverse impact on Element’s ability to maximize its new origination opportunities with such clients.

A Decline in Element’s Origination Volume or Quality May Negatively Impact Element’s Ability to Syndicate

If Element experiences a decrease in originations or if the credit quality of its originations declines, Element may be unable to meet the requirements of syndication investors. In such a scenario, Element’s syndication volume may decline which could negatively impact Element's business, financial condition and/or results of operations.

Tangible leverage

In 2019, optimized tangible leverage of 5.5x-6.0x reflected higher spreads for debt funding and cost of equity premiums associated with elevated operating risks. Today, with a meaningfully strengthened operating platform and de-risked balance sheet, optimized tangible leverage has shifted marginally higher as a result of reduced debt funding spreads and cost of equity premiums. Accordingly, Element will be managing to FX-normalized tangible leverage of 6.0x-6.75x, with a target of 6.5x, ensuring the Company remains well within rating agency thresholds for negative ratings pressure.

Global Financial Markets and General Economic Conditions May Adversely Affect Element's Business, Financial Condition, and/or Results of Operations

Events in the financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to Element or to its industry may materially adversely affect Element over the course of time. For example, general volatility in the equity markets could hurt Element's ability to raise capital and significantly impact Element's access to funding and liquidity (including access to securitization and syndication markets for Element's originated finance assets). Element may also be negatively impacted by volatility in the equity markets as a result of a number of catastrophic events that are beyond Element's control, including infectious diseases, pandemics or similar health threats, such as the ongoing COVID-19 pandemic or fear of the foregoing.

Moreover, a reduction in credit, combined with reduced economic activity, may materially adversely affect businesses and industries that collectively constitute a significant portion of Element's client base and may make it more difficult for Element to maintain new business origination and the credit quality of new business at the levels currently forecast. As a result, these clients may need to reduce their purchases and reliance on Element's services or Element may experience greater difficulty in receiving payment for its services. Delinquencies, non-accruals and credit losses generally increase during economic slowdowns or recessions. Therefore, to the extent that economic and business conditions are unfavourable, Element's non-performing assets may become elevated and the value of Element's portfolio is likely to decrease.

Adverse economic conditions also may decrease the estimated value of the collateral securing some of Element's loans and leases. Further or prolonged economic slowdowns or recessions, including those caused by catastrophic events as the COVID-19 pandemic, could lead to financial losses in Element's portfolio and a decrease in Element's net finance income, net income and book value. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on Element's business, financial condition and/or results of operations.

Element has no control over changes in inflation and interest rates, foreign currency exchange rates and controls or other economic factors affecting its businesses or the possibility of political unrest, legal and

regulatory changes in jurisdictions in which Element operates. These factors could negatively affect Element's future results of operations in those markets.

Dependence on Strategic Relationships

Element has strategic relationships in place with a number of organizations including Arval, original equipment manufacturers (OEM's), major oil companies, and fuel, tire, and maintenance service providers. While Element regularly monitors these relationships, there can be no guarantee that Element will be able to maintain them in the future. These relationships are important for Element's long-term business operations, and its results of operations could be lower in the event that certain of these relationships cease to exist. The termination of certain of these relationships could impact Element's competitive advantage, and its operating results could be adversely affected.

Disruption in the Operations of Suppliers Could Disrupt Our Business

Our business relies upon the continued ability of vehicle manufacturers to deliver vehicles to Element. Our ability to provide leasing and fleet management services to our clients is dependent upon vehicle manufacturers delivering sufficient quantities of vehicles on time to meet our clients' needs. In certain cases, vehicle production is dependent on raw materials and parts that are ultimately derived from a single source and may be at an increased risk for supply disruptions for vehicle manufacturers. Such disruptions could affect Element's business. If we experience supply disruptions, we may not be able to develop alternate sourcing. Any disruption of our suppliers' production schedule caused by an unexpected shortage of systems, components, raw materials or parts for vehicles could lead to Element being unable to lease vehicles and provide services at desired levels, which could have a material adverse effect on Element's business, financial condition and/or results of operations.

COVID-19 Pandemic

Element's business has been and will continue to be negatively impacted by the COVID-19 pandemic, which has created, and continues to create, significant societal and economic disruptions. The COVID-19 pandemic has had, and will continue to have, a broad impact across industries and the economy, including by affecting consumer confidence, global financial markets (with global equity markets having experienced significant volatility and weakness), regional and international travel, supply chain distribution of various products for many industries, oil prices, government and private sector operations, the price of consumer goods, countrywide lockdowns in various regions of the world, and numerous other impacts on daily life and commerce. Additionally, the COVID-19 pandemic has led, and may continue to lead, governments around the world to enact measures to combat the spread of the COVID-19 virus, including, but not limited to, the implementation of travel bans, border closings, mandated closure of non-essential services, self-imposed quarantine periods and social and physical distancing policies, which have contributed to the material disruption to businesses globally resulting in a sudden economic slowdown.

The ever-changing and rapidly-evolving effects of the COVID-19 pandemic - the duration, extent and severity of which are currently unknown - on investors, businesses, the economy, society and the financial markets could, among other things, add volatility to the global stock markets, change interest rate environments, and increase lease delinquencies and defaults. Therefore, the COVID-19 pandemic and measures to prevent its spread may negatively impact Element as well as Element's clients, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting local, national or international economies and employment levels, triggering potentially significant inflationary pricing or a recession, affecting Element's clients' and customers' ability to make payments on leases; (ii) adversely affecting the business operations of Element, including access to its funding and financing sources (including securitization and syndication markets); (iii) Element experiencing business interruptions as a result of the strain on existing resources, including information technology systems resulting from senior management and other employees working remotely, an inability to receive required technology or other hardware due to supply chain interruption or lacking necessary staffing needed for daily operations or the completion of extraordinary projects; (iv) disrupting public and private infrastructure, including communications and financial services, which could disrupt Element's or its clients' normal business operations; (v) adversely impacting net financing revenues and liquidity caused by delays in lease payments,

changes in levels of lease originations, delays or deferrals in the replacement of vehicles, impact on remarketing of vehicles, client creditworthiness and delinquencies; and (vi) adversely impacting service revenues caused by declines in fleet vehicle mileage and lower fuel, maintenance and other service consumption. Any of these events in isolation or in combination, could have a material negative impact on Element's financial condition, operating results and cash flows.

Environmental Laws and Element's ESG Policies Could Materially Adversely Affect the Company

Various governments and regulatory authorities in the U.S., Canada and internationally have considered, and will likely continue to consider, numerous measures related to climate change and greenhouse gas emissions. Should rules establishing limitations on greenhouse gas emissions or rules imposing fees on entities deemed to be responsible for greenhouse gas emissions become effective, demand for Element's services could be affected, our vehicle and/or other costs could increase, and our business could be adversely affected. Additionally, any ESG policies that Element institutes may fail to meet the expectations of investors, clients, employees or other stakeholders which could negatively impact Element's business, financial condition, operations and/or the market price of Element's securities.

Inability to Attract and Retain Employees May Limit Element's Ability to Grow its Business

If Element is not able to attract and retain top employees, its ability to compete may be harmed. Element's success is also highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified management, technical, sales and marketing personnel. In order to grow Element's business, it must attract and retain qualified personnel, especially origination and credit personnel with relationships with referral sources and an understanding of the equipment financing businesses and the industries in which Element's borrowers operate. In addition, in Element's effort to attract and retain critical personnel, Element may experience increased compensation costs that are not offset by either improved productivity or higher prices for Element's services.

Many of the financial institutions that Element competes with for experienced personnel may be able to offer more attractive terms of employment. If any of Element's key origination personnel leave, Element's new equipment finance origination volume from their business contacts may decline or cease. In addition, Element invests significant time and expense in training its employees, which increases their value to competitors who may seek to recruit them and increases the costs of replacing them. These factors may have a material adverse effect on Element's ability to grow its business.

Loss of Key Personnel May Significantly Harm Element's Business

Element's executive and other senior officers, including those referred to under "*Directors and Officers*", play a significant role in its success. The conduct of Element's business, the execution of Element's growth strategy and Element's future performance and development depend, to a significant extent, on the abilities, experience and efforts of its management team. The Company's ability to retain its management team or attract suitable replacements, should key members of the management team leave, is dependent on the competitive nature of the employment market. The loss of services from key members of the management team or a limitation in their availability could adversely impact the Company's prospects, financial condition and cash flow.

Further, Element does not maintain "key person" life insurance policies on any of its employees. The unexpected loss of services of or one or more executive or senior officer could also adversely affect Element. Element provides a competitive compensation package, which includes profit sharing and medical benefits as it continuously seeks to align the interest of employees and shareholders.

Funding Facilities May Limit Element's Operational Flexibility

Element's funding arrangements, including its various securitization facilities and the Senior Credit Facilities, contain financial and non-financial covenants, such as requirements that Element comply with one or more of interest coverage, consolidated debt to tangible shareholders equity ratio, loan loss ratios and change of control provisions. Complying with such covenants may at times necessitate that Element forego other

favorable business opportunities, such as acquisitions. Moreover, Element’s failure to comply with any of these covenants would likely constitute a default under such facilities and could give rise to an acceleration of some, if not all, of Element’s then outstanding indebtedness, which would have a material adverse effect on Element’s business, financial condition and/or results of operations.

As of December 31, 2021, Element had $8.0 billion in secured and unsecured borrowings and $173 million face value aggregate principal amount of Debentures outstanding, and Element expects this amount may grow as it increases originations. From time to time, Element may owe amounts under the Senior Credit Facilities and may otherwise increase its debt to fund the growth of Element's business. While Element match funds its borrowings under its secured funding facilities, if the matched income earning assets securing the leases or loans underperform, Element may to some extent have to utilize cash flow or capital resources to fund its debt service payments. If Element's cash flow and capital resources are insufficient to service amounts owed under its secured funding facilities, the Senior Credit Facility or any future indebtedness, as applicable, Element may be forced to reduce or delay capital expenditures, dispose of assets, issue equity or incur additional debt to obtain necessary funds, or restructure its debt, any or all of which could have a material adverse effect on Element's business, financial condition and/or results of operations. In addition, Element cannot guarantee that it would be able to take any of these actions on terms acceptable to Element, or at all, that these actions would enable Element to continue to satisfy its capital requirements or that these actions would be permitted under the terms of Element's various debt agreements.

Data Privacy and Information Technology Security Breaches May Negatively Impact Element

Element collects and processes confidential information in the course of providing its services. Any inability on Element's part to protect the security of its platforms or the privacy of confidential information could have a material adverse effect on Element's profitability by exposing Element to additional liability, increasing Element's expenses relating to resolution of these breaches, and deterring users from using Element's services.

Element has administrative, technical, and physical security measures in place to protect the privacy of this confidential information as well as policies and procedures to contractually require third parties to whom Element transfers data to implement and maintain appropriate security measures. However, Element cannot ensure that its current security measures will effectively counter security risks, prevent future slowdowns or disruptions, protect against cyber-attacks or address the security and privacy concerns of existing and potential users. If Element's security measures or those of the previously mentioned third parties are inadequate or are breached as a result of cyber-attacks, computer viruses, unauthorized access, employee error, malfeasance, system error, trickery, natural disasters, terrorism, war and telecommunication and electrical failures or otherwise, and, as a result, someone obtains unauthorized access to sensitive information, including personally identifiable information or protected health information, on Element's systems or its partners’ systems, Element's reputation and business could be damaged. The deletion or modification of records could cause interruptions in Element's services and operations. Any system failures, slowdowns or disruptions will likely result in unanticipated disruptions in service to Element's users, decreased levels of user satisfaction and significant negative effects on Element's reputation. If the sensitive information is lost or improperly disclosed or threatened to be disclosed, Element could incur significant liability and be subject to regulatory scrutiny and penalties, including costs associated with remediation. Additionally, if Element's own confidential business information were improperly disclosed, Element's business could be materially and adversely affected. To address these matters, Element continues to evolve security safeguards.

Element's business depends on the efficient and uninterrupted operation of computer and communications systems and networks, hardware and software systems and other information technology. If systems were to fail or Element was unable to successfully expand the capacity of these systems or was unable to integrate new technologies into its existing systems, its operations and financial results could suffer.

Element relies on third-party encryption and authentication technology to provide secure transmission of confidential information over the Internet. Advances in technological capabilities, new discoveries in the field of cryptography, or other events or developments, could result in a compromise or breach of the technology Element uses to protect sensitive data. In addition, because techniques used to obtain unauthorized access or to sabotage systems change frequently and may not be recognized until launched against a target,

Element may be unable to anticipate these techniques or to implement adequate preventative measures. If any such compromise of Element's security, or the security of Element's clients, were to occur, it could result in misappropriation of confidential information, proprietary information or interruptions in operations, and have an adverse impact on Element's reputation or the reputation of Element's clients. If Element is unable to detect and prevent unauthorized use of sensitive or confidential data, its business, financial condition and/or results of operations could be materially and adversely affected.

Potential Acquisitions and Investments

Element may seek to acquire or invest in businesses that expand or complement its current business. Such acquisitions or investments may involve significant commitments of financial or other resources of Element. There can be no assurance that any such acquisitions or investments will generate additional earnings or other returns for Element, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Element’s administrative and operational resources and its ability to manage growth.

Risk Relating to Transformation

Although Element’s transformation is complete and has provided benefits to the Company, including operating income improvements and improvements in Element’s earnings profile, certain risks remain: certain benefits actioned through the transformation may not fully materialize or Element may not be able to fully sustain such benefits indefinitely. If such benefits do not materialize or are not able to be sustained, there could be a material adverse effect on Element’s business, financial condition and/or results of operations.

Decreased Demand for Vehicle-Related Products and Services Could Harm Element's Business, Financial Condition and/or Results of Operations

Demand for vehicle-related products and services may be reduced by factors that are beyond Element's control, such as the implementation of fuel efficiency standards and the development by manufacturers and adoption by Element's clients of vehicles with greater fuel efficiency or alternative fuel sources. To the extent that Element's clients require less fuel, that decline in purchase volume could reduce Element's revenues, limiting Element's profitability and preventing Element from taking on other initiatives.

Technological Change may Challenge Element Business Prospects or Require Significant Investment

Element's business depends on the efficient and uninterrupted operation of information technology infrastructure. If systems were to fail or Element was unable to successfully expand the capacity of these systems or was unable to integrate new technologies into its existing infrastructure, including the planned implementation of new enterprise resource planning (ERP) and ordering systems, its operations and financial results could suffer. Any changes to technologies associated with Element's business or analytics systems and platforms, or to technologies used by Element's competitors, clients, suppliers or other third parties, may make it more difficult for Element to maintain or increase revenues and earnings and could adversely impact Element's business and prospects.

The services Element delivers are designed to process large complex, data sets and provide reports and other information on that data on a timely basis. Any failure to deliver an effective, secure service or any performance issue that arises with a new service could result in significant processing or reporting errors or other losses. Element may rely on third parties to develop or co-develop solutions, or to incorporate Element's solutions into broader platforms. Element may not be able to enter into such relationships on attractive terms, or at all, and these relationships may not be successful.

Element expects that new services and technologies applicable to the fleet management business in which it operates will continue to emerge and evolve. These new services and technologies may be superior to, impair, or render obsolete the services Element currently offers, or the technologies Element currently uses to provide them. Further, if Element offers new services in the future, there is no guarantee that it will be successful in integrating the new services into its operations, which could materially and adversely affect Element's operating results and financial condition. Various investors, competitors or other third parties have invested or may invest significant amounts of capital in technologies that may impact the operation of the fleet

management business and the services offered by Element. Element may be required to make significant investments in technology, in acquisitions, or in its business structure to continue to adapt to technological change. While Element has invested resources in technologies that benefit its clients and believes that its technological platform is one of its competitive advantages, there can be no guarantee that Element will continue to be able to adapt to technological change, and Element may have to invest additional capital to adapt in the future. Further, Element may enter into new lines of business in the future. There is no guarantee that Element will be successful in integrating these new lines of business into its operations, which could materially and adversely affect Element's operating results and financial condition.

Liquidity risk

Liquidity risk is the risk that the Company will not generate sufficient cash or cash equivalents in a timely and cost-effective manner to satisfy its financial obligations as they come due. One of management's primary goals is to manage liquidity risk by continuously monitoring actual and projected cash flows to ensure that the Company will have sufficient liquidity to meet its liabilities when due as well as sustain and grow the Company's assets and operations, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Growth in our lease portfolio will require ongoing availability of secured and unsecured financing and funding lines sufficient to accommodate projected growth objectives. The Company has taken steps to ensure appropriate funding will be in place as required.

The Company believes that its capacity to expand its existing secured and unsecured borrowing facilities and its access to bank term funding will be sufficient to fund its normal operating and capital expenditures as the Company grows.

As at December 31, 2021, the Company had available liquidity of $2,361.6 million compared to $3,040.1 million at December 31, 2020.

Credit Risks

Element's net investment in finance assets for its own account and to be held for future term funding exposes Element to credit risk. Credit risk is the risk that Element will incur an unexpected loss because its clients and counterparties fail to discharge their contractual obligations. Credit risk arises principally through Element's finance receivables that are a result of transactions within the equipment finance industry and, as such, contain an element of credit risk in the event that obligors are unable to meet the terms of their agreements. Element is exposed to credit risk as it arises from events and circumstances outside of Element's control relating to adverse economic conditions, business failure or fraud. The types of fraud to which Element is exposed generally fall into one of three primary categories: (i) vendor/dealer fraud; (ii) client fraud; and (iii) employee fraud. Excessive credit losses could adversely affect Element's ability to generate and fund new financings.

In order to manage credit risk, Element operates using a clearly identified set of policies and procedures throughout its business processes. This includes a detailed analysis of the value of collateral security, the applicant's financial condition and the ability to service the debt or lease obligations at inception and throughout the term of the lease or loan. Element also manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties on direct financing leases and loans.

Credit Ratings and Ratings Outlooks may Change

The credit rating agencies which rate the Company could re-evaluate their current credit ratings or outlook. There can be no assurance that the credit ratings assigned to Element will be confirmed or remain in effect for any given period of time and ratings may be upgraded, downgraded, or placed under review by an applicable credit ratings agency at any time.

In September 2021, credit rating agency Fitch Ratings affirmed its stable outlook and BBB+ investment-grade rating. In October 2021, credit rating agencies S&P Global Ratings, DBRS, Inc. and Kroll Bond Rating Agency affirmed their stable outlooks and investment-grade ratings for Element: BBB, BBB (high) and A-, respectively.

Negative changes in Element’s credit ratings or ratings outlook may increase the cost of borrowing. In addition to higher interest rates, rating downgrades could adversely impact the Company’s access to capital, cost of capital and financial flexibility, as well as the value of Element’s securities.

Element's Provision for Credit Losses May Prove Inadequate

Element's business depends on the creditworthiness of its clients and their ability to fulfill their obligations to Element. Element maintains a provision for credit losses that reflects management’s judgment of losses inherent in the portfolio. Element periodically reviews its provision for adequacy considering economic conditions and trends, collateral values, and credit quality indicators, including past charge-off experience and levels of past due loans, past due loan migration trends, and non-performing assets.

Element has and will continue to provide for credit losses based on industry specific historical losses considering the categories, segmentation and distribution of the assets being financed and its client base. However, Element's provision for credit losses may prove inadequate and Element cannot assure that it will be adequate over time to cover credit losses in Element's portfolio because of adverse changes in the economy or events adversely affecting specific clients, industries or markets. Element's credit reserves may not keep pace with changes in the creditworthiness of Element's clients or in collateral values. If the credit quality of Element's client base declines, if the risk profile of a market, industry, or group of clients changes significantly, or if the markets for equipment or other collateral deteriorates significantly, any or all of which would adversely affect the adequacy of Element's reserves for credit losses, it could have a material adverse effect on Element's business, financial condition and/or results of operations.

The Collateral Securing a Loan or a Lease May Not Be Sufficient

While most of Element loans and leases are secured by a lien on specified collateral of the client, there is no assurance that Element has obtained or properly perfected its liens, or that the value of the collateral securing any particular loan will protect Element from suffering a partial or complete loss if the loan or lease becomes non-performing and Element moves to foreclose on the collateral. In such event, Element could suffer loan or lease losses which could have a material adverse effect on its business, financial condition and/or results of operations.

When underwriting collateral, Element makes an estimate of the value of the collateral under a distressed disposition. The estimated realization value of equipment during the life of the lease is an important element in the leasing business. A decrease in the market value of leased equipment at a rate greater than the rate Element projected, whether due to rapid technological or economic obsolescence, unusual wear and tear on the equipment, excessive use of the equipment, recession or other adverse economic conditions, or other factors, would adversely affect the current realization values of such equipment.

Further, certain equipment realization values are dependent on the manufacturers’ or vendors’ warranties, reputation, and other factors, including market liquidity. The degree of realization risk varies by transaction type.

Interest Rate Risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In order to mitigate interest rate risk, the Company structures its borrowing arrangements to maintain a fixed interest rate spread between the interest paid on both the term funding facilities and the revolving facilities and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis. In some instances, the Company enters into interest rate swaps in order to align the interest rate variability and to limit interest rate risk exposure.

The Company does experience short-term interest rate risk on finance receivables during the period between fixing the contractual rate under the finance contracts with its clients and the locking of the interest rate under its funding facilities. During this time, an upward movement in respective benchmark rates can negatively impact the spread on the transaction. In order to mitigate this risk, the Company carefully monitors its borrowing costs to ensure its rates reflect appropriate spreads to insulate against sudden unexpected interest rate movements. In order to further mitigate risk, the Company undertakes regular securitizations under its funding arrangements to ensure its finance contracts are appropriately match-funded by its funding arrangements, which reduces the warehouse period and the likelihood that a significant movement in underlying benchmark rates will negatively impact the spreads on such transactions. The Company also maintains adequate balance sheet liquidity to allow it flexibility in developing a strategy of holding versus securitizing such finance assets.

As at December 31, 2021, the percentage of the total lease portfolio and the loan portfolio that had fixed interest rates was 41.1% and 100.0%, respectively.

After considering the fixed interest rate spread on the funding programs and the high exposure to fixed rate finance receivables described above, the Company's interest rate risk is generally limited to cash and restricted cash.

Element's Results May Fluctuate

Element's quarterly and annual operating results may fluctuate in the future. These fluctuations could cause Element's stock price to decline. In some future quarters or years, Element's financial or operating results may not meet the expectations of securities analysts and investors which could result in a decline in the price of the Common Shares. Investors should not rely on Element's results of operations in any prior reporting period to be indicative of its performance in future reporting periods. Many other different factors could cause Element's results of operations to fluctuate quarterly and annually, including:

- the success of Element's origination activities;
- market acceptance of Element's services, including Xcelerate™ and Connected Data™;
- the increasing penetration of services to its Fleet Management Business clients;
- credit losses and default rates;
- Element's ability to enter into financing and syndication arrangements;
- decreases in demand for fleet leasing and fleet management solutions and related service programs;
- competition;
- costs of compliance with regulatory requirements;
- the timing and effect of any future acquisitions;
- personnel changes;
- changes in accounting rules;
- changes in prevailing interest rates and foreign exchange rates;
- general changes to the Canadian, U.S., Mexican, Australian, New Zealand and global economies; and
- political conditions or events.

Element bases its current and future operating expense levels and its investment plans on estimates of future net finance income, origination activity and rate of growth. Any shortfalls in Element's net finance income and management, origination activity or in its expected growth rates could result in decreases in its share price.

Element May Be Unable to Protect, or May be Required to Incur Significant Cost and Attention to Protect, its Intellectual Property Rights and Confidential Information and May Be Required to Defend against Intellectual Property Infringement Claims of Third Parties

To protect its proprietary technology, which includes Xcelerate™ and Connected Data™, Element relies on copyright, trade secret, patent and other intellectual property law and confidentiality agreements with employees and third parties, all of which offer only limited protection. Despite such precautions, it may be possible for third parties to obtain and use - without Element's consent - confidential information or infringe on its intellectual property rights, and Element's ability to police such misappropriation or infringement is

uncertain. In addition, confidentiality agreements with employees, vendors, clients and other third parties may not effectively prevent disclosure or use of proprietary technology or confidential information and may not provide an adequate remedy in the event of such unauthorized use or disclosure. Protecting against the unauthorized use of Element's intellectual property and confidential information is expensive, difficult and not always possible.

Third parties could in the future claim that the technologies and processes underlying Element's services infringe their intellectual property. Element may, in the future, receive notices alleging that we have misappropriated or infringed a third party's intellectual property rights. Any claims of infringement or misappropriation by a third party, even those without merit, could cause us to incur substantial defense costs and could distract management from Element's business, and there can be no assurance that we it be able to prevail against such claims.

Element Faces Tax Risks in Multiple Jurisdictions

Element is a Canadian corporation, which together with its subsidiaries operates in multiple jurisdictions. As a result, it is subject to the tax laws and regulations of Canadian federal, provincial and local governments and of the governments of foreign jurisdictions in which Element operates, as well as to any income tax treaties between Canada and any such jurisdictions, and to the risk that those tax laws, regulations and treaties may change in the future. Any such changes could adversely affect the taxes payable or recoverable, including withholding taxes, and the effective tax rate in the jurisdictions in which Element operates.

The determination of Element's provision for income taxes in Canada and elsewhere, including current and deferred tax assets and liabilities on Element's financial statements, requires estimates, interpretation and significant judgment. Various internal and external factors may have favorable or unfavorable effects on future provisions for income taxes and Element's effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretation of existing accounting pronouncements could have a material impact on Element's effective income tax rate.

A deferred tax asset may only be recognized to the extent that future realization of the asset is probable. Element considers realization of deferred tax assets based on future taxable income forecasts, enacted future income tax rates, timing of reversal of temporary differences, tax loss carry forward limitations in certain jurisdictions and other items. The Company may be required to de-recognize a portion or all of its deferred tax asset if the above assumptions change in the future.

The Canadian government has various tax legislative proposals and consultations that are being considered. This includes, among other things, limitations on interest deductibility, provisions on hybrid arrangements and Global Anti-Base Erosion Rules. These proposals, if implemented, could have a material adverse impact on Element's business, financial condition and results of operations.

Element notes that various policy statements have been issued by the Biden administration which could have a material impact on Element's business, financial condition, and results of operations.

Element could be adversely impacted by various sunsetting provisions within the US taxation code if extensions are not granted in the future.

Element could be impacted by tax treatments for various revenue streams in different tax jurisdictions. If a tax authority has a different interpretation from Element's, it could potentially impose additional taxes, penalties, fines or change the amount and timing of expected tax refunds. This would potentially reduce the amounts of revenue and net income received by Element.

Element, from time to time, has executed or may execute reorganization transactions impacting its tax structure. If a tax authority has a different interpretation from Element's, it could potentially impose additional taxes, penalties or fines on Element.

The Decision to Pay Dividends on Common Shares and the Amount of Such Dividends are Subject to the Discretion of Element's Board Based on Numerous Factors and May Vary from Time to Time

Although Element currently pays quarterly cash dividends on its Common Shares, these cash dividends may be reduced or suspended. The amount of cash available to Element to pay dividends, if any, can vary significantly from period to period for a number of reasons, including, among other things: Element's operational and financial performance; fluctuations in market prices; the amount of cash required or retained for debt service or repayment; amounts required to fund capital expenditures and working capital requirements; access to capital markets; foreign currency exchange rates and interest rates; and the other risk factors set forth in the Annual Information Form.

The decision whether or not to pay dividends and the amount of any such dividends are subject to the discretion of the Board, which regularly evaluates proposed dividend payments and the solvency test requirements of the Ontario Business Corporations Act. In addition, the level of dividends per Common Share will be affected by the number of outstanding Common Shares and other securities that may be entitled to receive cash dividends or other payments. Dividends may be increased, reduced or suspended depending on the Corporation's operational success. For example, as announced on October 1, 2018, the Company's quarterly Common Share dividend was reduced from $0.075 to $0.045. More recently, in Q4 2021 Element increased its quarterly Common Share dividend from $0.065 to $0.0775. The market value of Common Shares may deteriorate if Element is unable to meet dividend expectations in the future, and that deterioration may be material.

Foreign Currency Risk

Foreign currency risk is the risk of exposure to foreign currency movements on the Company's lending and/or net investment in foreign subsidiaries, whereby there is a risk the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes, matures or when a foreign subsidiary is divested. The Company mitigates and manages this risk on the Company's lending portfolio by entering into foreign exchange forward contracts to reduce or hedge its exposure to foreign currency risk. The Company currently partially hedges its net investment in foreign subsidiaries. As at December 31, 2021, the Company did not have a significant un-hedged exposure to this type of foreign currency risk that would have an impact to net income.

The Company is also exposed to foreign currency risk related to net income generated from foreign currency denominated assets and operations. This risk represents the impact of fluctuations to the average Canadian and respective foreign currency exchange rate used to translate the Company's foreign currency denominated net income into the Canadian dollar equivalent during each period. The Company may mitigate and manage this type of foreign currency risk by entering into foreign currency forward contracts to reduce or hedge this exposure to foreign currency risk. If future income before taxes is consistent with the results generated in 2021, each $0.01 of depreciation (appreciation) in the value of the Canadian dollar against all of the U.S. dollar, Mexican peso, Australian dollar, and New Zealand dollar simultaneously would be expected to increase (decrease) income before taxes for the year by approximately $23.7 million in the absence of hedging transactions.

Historically, the Company has match-funded the assets of the business whereby its debt funding was aligned with its assets in terms of currency, duration and interest rate. Element Mexico was the lone exception in that the Company's business in that country was funded in U.S. dollars. While this exception was readily justifiable when Mexico constituted approximately 4% of Element's average net earning assets in 2018, its successful growth strategy (coupled with the Company's syndication of U.S. assets) has resulted in Element Mexico now constituting approximately 15% of the Company's assets. Given the success Element has had in that market (and the knowledge that sustained double-digit revenue growth could be the norm for the mid- to long-term) the Company has procured access to Peso-denominated funding and has replaced a portion of the U.S. dollar funding with Peso funding.

Volatility of Common Share Price

Market prices for fleet management and other financing corporations, including those of Element, have at times been volatile and subject to substantial fluctuations. The stock market, from time-to-time, experiences significant price and volume fluctuations unrelated to the operating performance of particular companies. Future announcements concerning Element or its competitors, including those pertaining to financing arrangements, government regulations, developments concerning regulatory actions affecting Element, litigation, additions or departures of key personnel, cash flow, and economic conditions and political factors in the U.S., the European Union, Canada or other regions may have a significant impact on the market price of the Common Shares. In addition, there can be no assurance that the Common Shares will continue to be listed on the TSX.

The market price of the Common Shares could fluctuate significantly for many other reasons, including for reasons unrelated to Element's specific performance, such as reports by industry analysts, investor perceptions, market rumors or speculation, or negative announcements by Element's clients, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. For example, market speculation of negative news relating to Element could trigger a sell-off in the Common Shares. Any sales of substantial numbers of the Common Shares in the public market or the perception that such sales or exercise might occur may cause the market price of the Common Shares to decline. In addition, to the extent that other large companies within Element's industry experience declines in their stock price, the share price of the Common Shares may decline as well. Moreover, when the market price of a company’s shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of Element's management and other resources.

Market Value of Common Shares and Other Securities

Element cannot predict at what price the Common Shares, Preferred Shares, Debentures or other securities issued by Element will trade in the future. The Common Shares, Preferred Shares, Debentures and other securities of Element will not necessarily trade at values determined solely by reference to the underlying value of Element's assets. One of the factors that may influence the market price of such securities is the annual yield on such securities. An increase in market interest rates may lead purchasers of securities of Element's to demand a higher annual yield and this could adversely affect the market price of such securities. In addition, the market price for securities of Element may be affected by announcements of new developments, changes in Elements’ operating results, failure to meet analysts’ expectations, changes in credit ratings, changes in general market conditions, fluctuations in the market for securities and numerous other factors beyond the control of Element.

Element's Business Could be Negatively Impacted as a Result of Shareholder Activism

In recent years, shareholder activists have become involved in numerous public companies. Shareholder activists frequently propose to involve themselves in the governance, strategic direction, and operations of the company. For example, on May 14, 2018 the Corporation entered into Nomination Agreements with some of its significant shareholders. Element may continue to be or may become subject to further shareholder activity and demands in the future. Such demands may disrupt Element's business and divert the attention of Element's management and employees, and any perceived uncertainties as to the Company's future direction resulting from such a situation could result in the loss of potential business opportunities, be exploited by competitors, cause concern to current or potential clients, and make it more difficult to attract and retain qualified personnel and business partners, all of which could adversely affect Element's business. In addition, actions of activist shareholders may cause significant fluctuations in the market price for Common Shares based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of Element's business.

Dilution from Further Equity Financing and Declining Share Price

If Element raises additional financing through the issuance of equity securities (including securities convertible into or exchangeable for equity securities) or completes an acquisition or merger by issuing additional equity

securities, such issuance may substantially dilute the interests of shareholders of Element and reduce the value of their investment. The market price of the Common Shares could decline as a result of issuances of new shares or sales by existing shareholders of common shares in the market or the perception that such sales could occur. Sales by shareholders might also make it more difficult for Element itself to sell equity securities at a time and price that it deems appropriate.

Issue of Preferred Shares by Element

Element's Board has the authority to issue undesignated preferred shares in one or more series and, before issue, to fix the designation of, and the rights and restrictions attached to, the preferred shares of each series, without consent from holders of Common Shares. Preferred shares could be issued with voting, dividend, liquidation, dissolution, winding-up and other rights superior to those of the holders of Common Shares. Element has previously issued five series of preferred shares (the Series A Shares, Series C Shares, Series E Shares, Series G Shares and Series I Shares).

Compliance with Laws and Regulations Affecting Public Companies

Any future changes to the laws and regulations affecting public companies, compliance with existing provisions of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") and the other applicable Canadian securities laws and regulation and related rules and policies, may cause Element to incur increased costs as it evaluates the implications of new rules and implements any new requirements. Delays or a failure to comply with the new laws, rules and regulations could result in enforcement actions, the assessment of other penalties and civil suits.

Any new laws and regulations may make it more expensive for Element to provide indemnities to Element's officers and directors and may make it more difficult to obtain certain types of insurance, including liability insurance for directors and officers. Accordingly, Element may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for Element to attract and retain qualified persons to serve on its Board of Directors or as executive officers. Element may be required to hire additional personnel and utilize additional outside legal, accounting and advisory services, all of which could cause general and administrative costs to increase beyond what Element currently has planned. Element is continuously evaluating and monitoring developments with respect to these laws, rules and regulations and it cannot predict or estimate the amount of the additional costs it may incur or the timing of such costs.

Element is required annually to review and report on the effectiveness of its internal control over financial reporting in accordance with NI 52-109. The results of this review are reported in the section of this MD&A titled "Internal Control over Disclosure and Financial Reporting". Element's Chief Executive Officer and Chief Financial Officer are required to report on the effectiveness of Element's internal control over financial reporting.

Management's review is designed to provide reasonable assurance, not absolute assurance, that all material weaknesses existing within Element's internal controls are identified. Material weaknesses represent deficiencies existing in Element's internal controls that may not prevent or detect a misstatement occurring which could have a material adverse effect on the quarterly or annual financial statements of Element. In addition, management cannot provide assurance that the remedial actions being taken by Element to address any material weaknesses identified will be successful, nor can management provide assurance that no further material weaknesses will be identified within its internal controls over financial reporting in future years.

Further, NI 52-109 requires that Element establish and maintain disclosure controls and procedures. Element's disclosure controls and procedures are designed to reasonably ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is processed on a timely basis to enable appropriate decisions to be made regarding public disclosure. Element believes that any disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are and will be met. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an

unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

If Element fails to maintain effective (i) internal controls over its financial reporting or (ii) disclosure controls and procedures, there is the possibility of errors or omissions occurring or misrepresentations in Element's disclosures which could have a material adverse effect on Element's business, its financial statements and the value of the Common Shares.

Public Company Requirements May Strain Resources

As a public company, Element is subject to the reporting requirements of the Securities Act (Ontario) (the “Act”), as amended, the regulations and rules thereto, including the national and multilateral instruments adopted as rules, decisions, rulings and orders promulgated under the Act and the published policy statements issued by the Ontario Securities Commission and the listing requirements of the TSX. The ever-increasing obligations of operating as a public company will require significant expenditures and will place additional demands on management as Element complies with the reporting requirements of a public company. Element may need to hire additional accounting, financial and legal staff with appropriate public company experience and technical accounting and regulatory knowledge.

In addition, actions that may be taken by any significant shareholders, if any, may divert the time and attention of Element's Board of Directors and management from its business operations. Campaigns by significant investors to effect changes at publicly-traded companies have increased in recent years. If a proxy contest were to be pursued by any of Element's shareholders, it could result in substantial expense to Element and consume significant attention of management and the Board of Directors. In addition, there can be no assurance that any shareholder will not pursue actions to effect changes in the management and strategic direction of Element, including through the solicitation of proxies from Element's shareholders.

Element is Not Subject to the Same Extensive Supervision and Regulation as Certain Other Financial Services Companies

Element competes with financial institutions that are subject to extensive and complex federal, state and provincial regulatory requirements that do not apply to Element. For example, federally regulated financial institutions that are engaged in fleet financing may be subject to amplified supervisory activities (such as those of Canada’s Office of the Superintendent of Financial Institutions), regulatory requirements relating to capital adequacy and market liquidity risk, and more rigorous financial reporting standards. Element operates in an unregulated environment with regard to capital requirements and its risk management policies and procedures may not be fully effective to identify, monitor and manage the risks that may jeopardize Element's ability to continue to satisfy its capital requirements. To the extent that Element must comply with financial reporting standards that are less extensive than those applicable to a competitor, it may be more difficult for an investor to completely and accurately assess Element's financial condition.

Litigation May Negatively Impact Element's Business, Financial Condition and/or Results of Operations

From time to time in the ordinary course of its business, Element may become involved in various legal proceedings, including commercial, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management’s attention and resources and cause Element to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on Element's business, financial condition and/or results of operations.

Element Could be Exposed to Substantial Tax Liabilities if the Tax-Deferred Spinoff Requirements are Not Met

The tax treatment of the spin-off transaction that Element completed in 2016 (the "Separation Transaction") is dependent on, among other things, the Separation Transaction complying with all of the requirements of the public company “butterfly reorganization” rules in section 55 of the *Income Tax Act* (Canada). Although the Separation Transaction is structured with the intent that it comply with these rules, there are certain

requirements of these rules that depend on events occurring after the Separation Transaction is completed or that may not be within the control of Element or that are subject to differing interpretations regarding legal and factual matters (including valuation). If these requirements are not met, Element would recognize a taxable gain in respect of the Separation Transaction. If incurred, tax liabilities could be substantial and could have a material adverse effect on the financial position of Element. No tax ruling has been requested or received from the authorities in Canada in respect of tax consequences of the Separation Transaction. If such requirements are not met due to an act of ECN Capital in breach of its representations and covenants made in connection with the Separation Transaction, then ECN Capital will in certain circumstances be required to indemnify Element. If ECN Capital has to indemnify Element for any substantial obligations, it may not be able to satisfy those obligations, and this may materially adversely affect Element's financial position.

Element Has Indemnification Obligations to ECN Capital as a Result of the Separation Transaction that Could be Significant

If certain of the requirements of the “butterfly reorganization” rules in section 55 of the *Income Tax Act* (Canada), discussed above, are not met due to an act of Element, Element may in certain circumstances be required to indemnify ECN Capital under the Arrangement Agreement. These indemnification obligations could be significant. If Element has to indemnify ECN Capital for any substantial obligations, this may materially adversely affect Element's financial position.

Element May be Treated as a Passive Foreign Investment Company ("PFIC") for U.S. Federal Income Tax Purposes, in Which Case U.S. Holders (as defined below) Would be Subject to a Special, Generally Adverse Tax Regime

Element has not made a determination as to whether Element may be a PFIC for any taxable year.

For purposes of this risk, a "U.S. Holder", is a beneficial owner of Common Shares that are, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust if (A) such trust has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes or (B) a court within the United States can exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

The U.S. federal income tax consequences to U.S. Holders of owning and disposing of Common Shares may be affected if Element were treated as a PFIC.

The PFIC rules, including the rules governing any elections that may potentially be made by a U.S. Holder, are extremely complex. Each U.S. Holder should consult its own tax advisor regarding the potential PFIC status of Element and how the PFIC rules (including elections that may be available thereunder) would affect the U.S. federal income tax consequences of the ownership and disposition of Common Shares.

Catastrophic Events, Natural Disasters, Severe Weather and Disease

Element’s business may be negatively impacted to varying degrees by a number of events which are beyond its control, including cyber-attacks, unauthorized access, energy blackouts, pandemics, terrorist attacks, acts of war, earthquakes, hurricanes, tornadoes, fires, floods, ice storms or other natural or man-made catastrophes.

While Element engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly and their impacts can be difficult to predict. As such, there can be no assurance that in the event of any such catastrophe that Element’s operations and ability to carry on business will not be disrupted. Element may still be required to perform its obligations to third parties, notwithstanding the occurrence of any such events. A catastrophic event, including an outbreak of infectious disease, a pandemic or a similar health threat, such as the ongoing COVID-19 pandemic, or fear of any of the foregoing, could adversely impact Element by causing operating or supply chain delays and disruptions, labor shortages,

expansion project delays, facility shutdowns and other business disruptions, each of which could have a negative impact on Element's ability to conduct its business and could increase its costs. In addition, liquidity and volatility, credit availability and market and financial conditions generally could change at any time as a result. Any of these events in isolation or in combination, could have a material negative impact on Element's financial condition, operating results and cash flows.

Economic Conditions and Outlook

Economic Conditions

We believe an inflationary environment to be additive to Element's revenue growth. Net financing revenue benefits from rising vehicle prices as does syndication revenue when we choose to transact on those leases. Services revenue should also benefit from inflation as the cost of maintaining, repairing and fueling vehicles result in higher fee bases. Lastly, rising fleet costs drive greater demand for our services, as clients – and prospective clients – seek to control their total cost of fleet ownership and operations. We acknowledge that inflation could have a broader negative macroeconomic impact that adversely affects our clients and markets; however, in the near-to-intermediate term, we believe inflation is an overall benefit to Element.

A rising interest rate environment is benign for Element's business model. We match-fund our leases on interest type (fixed vs. floating) and duration. We originate leases at deliberate interest margins which are preserved for the life of the asset on our balance sheet. A declining interest rate environment is equally benign for our business.

Pandemic-Related Conditions

While service consumption levels have largely returned to pre-pandemic levels, we believe the OEM production shortages (and global microchip shortage that underpins same) will continue in 2022 (albeit to a lesser extent than in 2021), resulting in another year wherein a portion of our growing revenues, operating income and cash flow is deferred.

- Based on our understanding of the latest OEM production plans, we expect 2022 to be a better year for originations than 2021 even though OEM production is expected to run at less than full capacity throughout 2022.

- With expectations of OEM production capacity back to 100% by the end of the first half of 2023, we can reasonably expect vehicle manufacturers to start clearing our excess order backlog in the U.S. and Canada shortly thereafter.

- Our OEM partners in Mexico have weathered the microchip shortage relatively well by global standards and thus we expect our Mexican business to maintain an above average order backlog through 2022 - with potential for modest growth - and then begin to clear same in the second half of 2023.

- Custom Fleet has built a record order backlog of even greater disproportion to historical norms than we are experiencing in the U.S. and Canada. New vehicle inventories remain low in ANZ (with more vehicles being sold into the higher-margin retail channel), constraining supply and driving up used vehicle resale values in the region, from which we benefit in the form of gains on sale.

Outlook

The global COVID-19 pandemic demonstrated that automotive fleet vehicles remain essential to our clients' ability to generate and sustain revenue – or, in the case of governments and public service clients, fulfill their obligations to stakeholders – and continue to have significant associated costs. We believe that both of these facts will hold true for the foreseeable future. As a result, we are confident Element's value proposition – materially reducing our clients' total cost of fleet operations and eliminating related administrative burden – remains and will continue to remain highly relevant. In fact, we believe some of the economic consequences of the COVID-19 pandemic make Element's value proposition to new and existing clients even more compelling.

Our clients enjoy:

- the ability to materially reduce their total cost of fleet operations over time. Element has one of the deepest datasets in the automotive industry, based on which we identified almost $1.6 billion in fleet-cost-saving strategies and opportunities for our clients in 2021; and

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

With respect to EVs, we believe the complexity and risk of gradually transitioning mission-critical automotive fleets from ICE-powered vehicles to EVs will increase demand for outsourced fleet management services and expertise, and this belief is already bearing itself out. As the fleet solutions market leader everywhere we operate, Element is strategically well-positioned to support our clients and lead our industry through the gradual electrification of automotive fleets over the next decade.

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

Having completed Element’s Transformation program on December 31, 2020, and initiated an organization-wide pivot towards our current and committed focus on growth, we find Element well positioned to execute on our strategic priorities:

i. Aggressively pursue organic growth in all our geographies and demonstrate the scalability of Element's transformed operating platform by growing annual operating income in excess of the annual net revenue growth rate.

   - In normal market conditions, we believe Element can readily grow net revenue 4-6% a year, with the Company’s highly scalable operating platform magnifying that into high single- to low double-digit rates of operating income growth.

   - In 2022, given continuing OEM production shortages, we anticipate
     - net revenue growth to be temporarily muted to approximately 1-3%[13] as revenues continue to be deferred, and
     - a consistent operating margin to that of 2021 (52-53%).

   - In 2023, we expect the OEMs to return to full production capacity by mid-year and begin to draw down our excess order backlog, resulting in
     - full year net revenue growth of approximately 8-10%, and
     - adjusted operating income growth of 10-16%.

ii. Advance a capital-lighter business model by growing services revenue and strategically syndicating fleet assets, which enhances return on equity.

   - In 2022, we believe modest growth in AOI and ~6% fewer shares outstanding from our NCIB program should result in approximately 6-11% growth in adjusted EPS and 8-13% growth in free cash flow per share.[13] Further, we believe pre-tax return on common equity can grow to between 16% and 17%.

   - In 2023, we expect double-digit growth in adjusted operating income coupled with continued share repurchases to generate 20-27% growth in free cash flow per share and provide an 18-20% pre-tax return on common equity.

[13] 2022 estimated growth rates represent variances to forecast 2021 results disclosed in November 2021.

iii. Given expected high single- to low double-digit annual free cash flow per share growth rates in normal market conditions, predictably return excess equity to shareholders by way of growing common dividends and share buybacks.

- On November 10, 2021, we announced a 19% increase to Element's common dividend, from $0.26 to $0.31 annually per share, effective immediately and therefore reflected in the common dividend paid in respect of Q4 2021 on January 14, 2022.

    - With this increase, our common dividend represents approximately 30% of the Company's last twelve months' free cash flow per share, which is the mid-point of the 25% to 35% payout range we plan to maintain going forward.

- When we first announced the establishment of our NCIB on October 27, 2020, we noted that the program represented the first year of what we envisioned to be a regular, ongoing return of capital strategy.

- On November 10, 2021, the TSX approved our notice of intention to renew our NCIB, allowing us to continue returning cash to shareholders by way of buybacks well into 2022. We also intend to fully redeem Element's Series I preferred share class when the opportunity presents itself in June 2022.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial conditions and results of operations are made with reference to the consolidated financial statements for the year ended December 31, 2021. A summary of the Company's significant accounting policies is presented in note 2 to the audited consolidated financial statements for the year ended December 31, 2021. Some of the Company's accounting policies, as required by International Financial Reporting Standards, require management to make subjective, complex judgments and estimates to matters that are inherently uncertain. The Company believes the policies below are the most critical accounting estimates that affect its operating results, and that would have the most material effect on the financial statements should these policies change or be applied in a different manner.

Finance receivables

The Company determines the classification of a lease at its lease inception date.

The Company primarily provides financing to clients through direct financing leases. Direct financing leases transfer substantially all the benefits and risks of equipment ownership to the lessee. These leases are recorded at (i) the aggregate minimum payments plus residual values accruing to the Company, less (ii) unearned finance income, which includes origination fees. These leases are carried at amortized cost using the effective interest rate method (i.e. interest income is allocated over the expected term of the lease by applying the effective interest rate to the carrying amount of the lease).

In certain circumstances, the Company may provide financing to clients through loans. Loans are recorded and carried at amortized cost using the effective interest rate method (i.e. interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan). Unearned finance income includes loan origination fees. The Company does not retain title to the vehicles that are subject to these loans.

Initial direct costs that relate to the origination of the finance receivables are deferred and recognized as yield adjustments using the effective interest rate method over the term of the related financial asset. These costs are incremental to individual leases or loans and comprise certain specific activities related to processing requests for financing, such as the costs to underwrite the transaction and commission payments.

Direct financing leases and loans are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a direct financing lease or a loan is deemed to be impaired at the earlier of the date it has been individually provided for when timely collection is not assured or when it has been in arrears for 120 days or more. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for credit losses.

Also included in finance receivables are secondary receivables, including interim funding (vehicles paid for by the Company but not yet delivered to clients) and fleet management receivables (amounts receivable from lease billings and ancillary fleet service revenues, including fuel cards, accident management services and maintenance). The outstanding receivables are evaluated for recoverability at the end of each reporting period and appropriate reserves are recorded based on the Company's analysis of collectability.

Equipment under operating leases

An operating lease is one that does not transfer substantially all of the risks and rewards of ownership to the lessee.

Operating leases entered into by the Company are reported as "Equipment under operating leases" and are carried at cost less accumulated depreciation and are being depreciated to their estimated residual values using the straight-line method over the lease term or estimated useful life of the asset up to 10 years from the date of manufacture, with an average term of approximately 45 months. The Company retains the residual

value risk on certain equipment under operating leases and finance receivables for which there is an unguaranteed residual value and, as a result, manages this risk through a combination of its credit policies and the determination of residual value at the inception of the lease. The Company maintains a strict credit review process and over time, has transitioned a large portion of its portfolio to investment-grade clients, reducing potential exposure to non-payment. Additionally, the process of setting the residual value at the inception of the lease is a highly structured, data driven methodology that includes multiple data points including model life, deflation forecast, and trade price to calculate the residual value.

Rental revenue on operating leases is recognized on a straight-line basis over the lease term.

Equipment under operating leases is reviewed for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use.

Allowance for credit losses

Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, the fair value of underlying collateral, current economic trends, the expected residual value of leased assets, and past experience.

The Company reviews its individually significant leases and loans at each consolidated balance sheet date to assess the adequacy of the allowance for credit losses and to determine whether an impairment loss should be recorded in the consolidated statement of operations. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the allowance. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance. Leases and loans that have been assessed individually and found not to be impaired and all individually insignificant leases are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether an allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio such as levels of arrears and credit utilization and judgments to the effect of concentrations of risks.

As at December 31, 2021, the allowance for credit losses as a percentage of outstanding finance receivables was 0.14%.

Deferred income tax assets

Deferred income tax assets are recognized for unused income tax loss carry forwards and deductible temporary differences to the extent that it is probable that taxable income will be available against which the losses and temporary differences can be utilized. Judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Share-based compensation

Compensation expense relating to stock options granted by the Company to employees and directors in exchange for service is based on the grant-date fair value of the option. The stock option fair value is determined using the Black-Scholes option valuation model which requires the use of assumptions and is, by its nature, subject to measurement uncertainty.

Useful lives and residual values of equipment under operating leases

The Company's equipment under operating leases are recorded at cost and depreciated over their estimated useful lives to an estimated residual value using the straight-line method. The Company determines the economic useful life based on management's estimate of the period which the asset will generate revenue. The residual values are based on historical experience and economic factors. Management will periodically review the appropriateness of the estimated useful lives and residual values based on changes in economic circumstances and other factors. Changes in these estimates would result in a change in future depreciation expense.

Business combinations

Business combinations require management to exercise judgment in measuring the fair value of the assets acquired, equity instrument issued, and liabilities and contingent liabilities incurred or assumed.
The majority of assets acquired in the Company's business combinations are finance receivables. The Company fair values these based on the characteristics of the portfolio acquired and are similar to the judgment used in the assessment of the allowance for credit losses.

Intangible assets valuation - Client Relationships

The Company's client relationships require management to use judgment in estimating the fair value of this intangible asset acquired in a business combination and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. Management also uses judgment in estimating client attrition rates to determine the appropriate amortization period for the client relationship intangible asset.

Goodwill valuation

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable value of the Company's cash generating unit ("CGU") and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Syndication

The Company periodically syndicates certain finance lease receivables to third-party investors. At the time the finance lease receivables are syndicated, the Company derecognizes the net book value of the asset from the statement of financial position and transfers ownership of the syndicated assets to the third-party investor as well as all contractual rights to future cash flow, credit risk and tax benefits related to the syndicated asset. The Company retains no credit risk after the assets are syndicated. In the event the lessee terminates its lease agreement prior to the lease term, the Company is required to pay the third-party investor the foregone interest it would have earned if there was no early lease termination. The Company evaluates the possibility of early lease termination for each syndication agreement and defers a portion of the syndication gain and recognize it over a determined period of time into the statement of operations in Syndication revenue, net.

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

The Company may also continue to provide services including accident management services, maintenance services, and fuel cards, which remain unchanged regardless of whether or not the asset is syndicated.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, including options to renew if the Company considers it highly likely it will exercise the renewal options. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Fair Value Hedges

The Company designates fair value hedges as part of interest rate risk management strategies that use derivatives to hedge changes in the fair value of financial instruments with fixed interest rates. Changes in fair value attributed to the hedged interest rate risk are accounted for as basis adjustments to the hedged financial instruments and are included in net income. Changes in fair value from the hedging derivatives are also included in net income. Any differences between the two represent hedge ineffectiveness that is included in other income. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated and the basis adjustment applied to the hedged item is amortized over the remaining term of the hedged item. If the hedged item is de-recognized, the unamortized basis adjustment is recognized immediately in the consolidated statement of operations.

Related Party Transactions

The Company's related parties include the following persons and/or entities: (a) associates, or entities which are controlled or significantly influenced by the Company; (b) key management personnel, which are comprised of directors and/or officers of the Company and those persons having authority and responsibility for planning, directing and controlling the activities of the Company; and (c) entities controlled by key management personnel.

Derivatives and Hedging

From time to time, the Company enters into derivative transactions to maintain a fixed interest rate spread between the interest paid on both the term funding facilities and the revolving loan facilities and the interest received on the underlying finance receivables. The Company will enter into interest rate swap transactions whereby the Company will pay a fixed rate of interest and receive a floating rate of interest, primarily to hedge interest rate exposure resulting from its floating rate debt obligations. Similarly, the Company will enter into interest rate cap contracts whereby the Company will receive payments if the floating rate exceeds the cap strike price. The notional amounts of the derivatives are matched to the expected amortization of the related debt. The Company will also enter into interest rate swap transactions whereby the Company will pay a floating rate of interest and receive a fixed rate of interest, primarily to hedge interest rate exposure resulting from its floating rate finance receivables.

The Company has designated these instruments as cash flow hedges when the criteria for hedge accounting has been met and the changes in fair value of the effective portions of the hedging instruments are recognized through other comprehensive income, interest settlements on these interest rate swaps are applied to the related interest expense through the statement of operations.

The Company also designates fair value hedges as part of interest rate risk management strategies that use derivatives to hedge changes in the fair value of financial instruments with fixed interest rates. Changes in fair

value attributed to the hedged interest rate risk are accounted for as basis adjustments to the hedged financial instruments and are included in net income. Changes in fair value from the hedging derivatives are also included in net income. Any differences between the two represent hedge ineffectiveness that is included in other income.

The Company will also enter into foreign exchange forward agreements to hedge its exposures to foreign currency risk on foreign denominated finance receivables and its net investment in foreign subsidiaries. Fair value changes on the foreign exchange forward agreements and settlements on the foreign exchange forward contracts are recognized through other comprehensive income and are transferred to income as foreign exchange gains and losses are recognized on the related hedged finance receivable or on the disposition of the related foreign subsidiary.

The Company also enters into total return swap agreements to partially hedge its exposure to changes to Company's share price on the Company's stock compensation plans that are accounted for as liabilities. The Company has designated both fair value and cash flow hedging relationships depending on the stock compensation plan.

As at December 31, 2021, the Company had net derivative liabilities of $2.3 million on notional balances of $7,140.9 million.

For the year ended December 31, 2021, the fair value changes recorded in net income was nil and a gain in other comprehensive income of $33.3 million for derivatives designated as cash flow hedges.

Recently Adopted Accounting Standards

Interest Rate Benchmark Reform

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

The Company adopted *Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16* ("Phase 2 Amendments") effective January 1, 2021. The Phase 2 Amendments include additional disclosure requirements for financial instruments that have yet to transition to an alternative interest rate at the end of the reporting period.

The Company will cease to apply the Amendments and Phase 2 Amendments as IBOR based cash flows transition to new alternative interest rates or when the hedging relationships to which the relief is applied to are discontinued.

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

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

To manage the IBOR transition, the Company has established a cross functional initiative with dedicated work streams to evaluate and address the key areas of impact on the Company’s leases, services, systems, documents, processes, models, funding and liquidity planning, risk management frameworks, and financial

reporting with the intention of managing the impact through appropriate mitigating actions. The Company is progressing on its transition plan and incorporating market developments as they arise.

Hedge Accounting

The Company's accounting policies relating to hedge accounting are described in note 2 and note 19 of the Company's consolidated financial statements for the year ended December 31, 2021. The Company applies hedge accounting when designated hedging instruments are highly effective in offsetting changes in the fair value or cash flows of the hedged items at inception and on an ongoing basis. Retrospective assessments are performed to demonstrate that the relationship has been effective since designation of the hedge and prospective assessments to evaluate whether the hedge is expected to be effective over the remaining term of the hedge. While uncertainty due to the IBOR Reform exists, the Company's prospective effectiveness testing is based on existing hedged cash flows or hedged risks. Any ineffectiveness arising from retrospective testing is recognized in net income.

In addition to potential sources of ineffectiveness outlined in note 19 of the Company's consolidated financial statements for the year ended December 31, 2021, the Reform may result in ineffectiveness as the transition of hedged items and related hedging instruments from IBORs to new risk-free rates may occur at different times. This may result in different impacts on the valuation or cash flow variability of hedged items and related hedging instruments.

Cash flow hedges

The Company applies hedge accounting for cash flow hedges when the cash flows giving rise to the risk being hedged have a high probability of occurring. While uncertainty due to the IBOR Reform exists, the Company applies the relief provided by the Amendments that the IBOR benchmarks, on which the highly probable hedged cash flows are based, are not altered as a result of the Reform. In addition, associated cash flow hedge reserves are not recycled into net income solely due to changes related to the transition from IBOR to new risk-free rates.

Fair value hedges

The Company also applies hedge accounting for interest rate swaps used to hedge our exposure to changes in a fixed interest rate instrument's fair value caused by changes in interest rates. While uncertainty due to the IBOR Reform exists, as a result of adopting the Amendments, the Company applies hedge accounting to IBOR rates which may not be contractually specified when that rate is separately identifiable and reliably measurable at inception of the hedge relationship.

Hedging relationships impacted by interest rate benchmark reform

The following table shows the Company's exposure at December 31, 2021 to IBOR subject to reform that have yet to transition to Secured Overnight Financing Rates. These exposures will remain outstanding until IBOR ceases and will therefore transition in the future:

	Non-derivative financial assets - carrying value $	Non-derivative financial liabilities - carrying value $	Notional/Principal amount[1] $
USD LIBOR (1 month)	**2,128,654**	—	**2,619,091**
USD LIBOR (3 month)	**669,833**	—	—
	2,798,487	—	**2,619,091**

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

Future Accounting Changes

All applicable accounting standards effective for periods beginning on or after January 1, 2021 have been adopted by the Company.

Internal Control over Disclosure and Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures to ensure that material information is being recorded, processed, summarized, and reported to senior management, including the certifying officers and other members of the Board of Directors, on a timely basis, so that appropriate decisions can be made regarding public disclosure. In addition, the CEO and CFO are responsible for establishing and maintaining internal controls over financial reporting to a standard that provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of Element's internal control over financial reporting and based on this assessment have concluded that Element's internal control over financial reporting is effective as of December 31, 2021.

Limitations on the effectiveness of disclosure controls and internal controls over financial reporting

It should be noted that while the Company's CEO and CFO believe that the Company's internal control system and disclosure controls and procedures provide a reasonable level of assurance that the objectives of the control systems are met, they do not expect that the Company's control systems will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any designs will succeed in achieving its stated goals under all potential conditions.

The Company has an established process in place which includes the on-going testing and reporting of the results to senior management and the Board of Directors on the effectiveness of the disclosure controls and internal controls over financial reporting.

Changes in internal control over financial reporting

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the year ended December 31,2021.

IFRS to Non-GAAP Reconciliations

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

		As at and for the three-month periods ended			As at and for the year ended	
(in $000's for stated values)		**December 31, 2021**	September 30, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Reported and adjusted income measures						
Net income	A	**94,664**	84,941	78,362	**356,006**	287,092
Adjustments:						
Amortization of debenture discount		**918**	903	858	**3,580**	6,259
Share-based compensation		**6,283**	5,086	19,578	**24,120**	35,033
Amortization of intangible assets from acquisitions		**8,871**	8,862	9,070	**35,313**	38,291
Restructuring and transformation costs		**—**	—	19,637	**—**	77,508
Net loss on disposition of 19th Capital		**—**	—	—	**—**	13,862
Provision for income taxes		**14,300**	28,610	7,814	**101,670**	45,961
Gain on investments		**(2,475)**	(2,776)	(3,261)	**(8,689)**	(2,497)
Before-tax adjusted operating income	B	**122,561**	125,626	132,058	**512,000**	501,509
Provision for taxes applicable to adjusted operating income	C	**28,189**	31,419	23,969	**124,313**	87,604
After-tax adjusted operating income	D=B-C	**94,372**	94,207	108,089	**387,687**	413,905
Cumulative preferred share dividends during the period	Y	**8,103**	8,103	8,103	**32,412**	40,820
After-tax adjusted operating income attributable to common shareholders	D1= D-Y	**86,269**	86,104	99,986	**355,275**	373,085
Provision for income taxes		**14,300**	28,610	7,814	**101,670**	45,961
Adjustments:						
Pre-tax income		**3,528**	3,133	8,804	**14,094**	40,618
Foreign tax rate differential and other		**10,361**	(324)	7,351	**8,549**	1,025
Provision for taxes applicable to adjusted operating income		**28,189**	31,419	23,969	**124,313**	87,604
Selected statement of financial position amounts						
Total Finance receivables, before allowance for credit losses	E	**7,446,521**	7,689,589	9,579,340	**7,446,521**	9,579,340
Allowance for credit losses	F	**10,246**	8,613	17,718	**10,246**	17,718
Net investment in finance receivable	G	**5,905,977**	6,462,846	8,308,756	**5,905,977**	8,308,756
Equipment under operating leases	H	**2,297,182**	2,224,870	2,157,227	**2,297,182**	2,157,227
Net earning assets	I=G+H	**8,203,159**	8,687,716	10,465,983	**8,203,159**	10,465,983
Average net earning assets	J	**8,474,002**	8,928,182	10,664,938	**9,178,109**	11,274,225
Goodwill and intangible assets	K	**2,050,999**	2,044,452	2,037,719	**2,050,999**	2,037,719
Average goodwill and intangible assets	L	**2,036,655**	2,030,151	2,067,491	**2,020,969**	2,106,756
Borrowings	M	**8,038,963**	8,335,704	9,864,336	**8,038,963**	9,864,336
Unsecured convertible debentures	N	**159,072**	157,842	154,267	**159,072**	154,267
Total debt	O=M+N	**8,198,035**	8,493,546	10,018,603	**8,198,035**	10,018,603
Average debt	P	**7,354,234**	7,937,478	10,426,959	**8,315,566**	12,048,215
Total shareholders' equity	Q	**3,450,949**	3,500,230	3,784,117	**3,450,949**	3,784,117
Preferred shares	R	**511,869**	511,869	511,869	**511,869**	511,869
Common shareholders' equity	S=Q-R	**2,939,080**	2,988,361	3,272,248	**2,939,080**	3,272,248
Average common shareholders' equity	T	**2,938,001**	3,007,549	3,311,538	**3,062,105**	3,258,407
Average total shareholders' equity	U	**3,449,869**	3,519,417	3,823,407	**3,573,973**	3,882,637

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

(in $000's for stated values, except ratios and per share amounts)		As at and for the three-month periods ended December 31, 2021	September 30, 2021	December 31, 2020	As at and for the year ended December 31, 2021	December 31, 2020
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	O/Q	**2.38**	2.43	2.65	**2.38**	2.65
Tangible leverage ratio	O/ (Q-K)	**5.86**	5.83	5.74	**5.86**	5.74
Average financial leverage ratio	P/U	**2.13**	2.26	2.73	**2.33**	3.10
Average tangible leverage ratio	P/(U-L)	**5.20**	5.33	5.94	**5.35**	6.78
Other key operating ratios						
Allowance for credit losses as a % of total finance receivables before allowance	F/E	**0.14 %**	0.11 %	0.18 %	**0.14 %**	0.18 %
Adjusted operating income on average net earning assets	B/J	**5.79 %**	5.63 %	4.95 %	**5.58 %**	4.45 %
After-tax adjusted operating income on average tangible total equity of Element	D/(U-L)	**26.71 %**	25.30 %	24.62 %	**24.96 %**	23.31 %
Per share information						
Number of shares outstanding	V	**405,077**	412,880	440,275	**405,077**	440,275
Weighted average number of shares outstanding [basic]	W	**409,175**	416,353	440,253	**423,070**	438,571
Pro forma diluted average number of shares outstanding	X	**425,504**	433,233	456,405	**439,488**	453,784
Cumulative preferred share dividends during the period	Y	**8,103**	8,103	8,103	**32,412**	40,820
Other effects of dilution on an adjusted operating income basis	Z	**$ 1,652**	$ 1,606	$ 1,743	**$ 6,479**	$ 7,036
Net income per share [basic]	(A-Y)/W	**$ 0.21**	$ 0.18	$ 0.16	**$ 0.76**	$ 0.56
Net income per share [diluted]		**$ 0.21**	$ 0.18	$ 0.16	**$ 0.75**	$ 0.56
After-tax adjusted operating income per share [basic]	(D1)/W	**$ 0.21**	$ 0.21	$ 0.23	**$ 0.84**	$ 0.85
After-tax pro forma diluted adjusted operating income per share	(D1+Z)/X	**$ 0.21**	$ 0.20	$ 0.22	**$ 0.82**	$ 0.84

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 December 31, 2021:

(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	**122,561**		**0.30**
Less:			
Income taxes related to adjusted operating income	**(28,189)**		**(0.07)**
Preferred share dividends	**(8,103)**		**(0.02)**
After-tax adjusted operating income attributable to common shareholders	**86,269**	**409,174,594**	**0.21**
Dilution items:			
Employee stock option plan	**—**	**2,014,001**	**—**
Convertible debentures (after-tax net interest expense)	**1,652**	**14,315,353**	**—**
After-tax pro forma diluted adjusted operating income	**87,921**	**425,503,948**	**0.21**

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, divided by average total shareholders' equity outstanding during the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and or existing debt covenants.

Average net earning assets

Average net earning assets is the sum of the average outstanding finance receivables and average equipment under operating leases. Average outstanding finance receivables or average finance receivables is the sum of [i] the average finance receivables net investment balance (gross investment less unearned income) outstanding during the period and [ii] the average investment in managed funds during the period. Average equipment under operating leases is the monthly average equipment under operating leases outstanding during the period and is calculated net of accumulated depreciation.

Free cash flow per share

Free cash flow per share is calculated by adjusting before-tax adjusted operating income for certain non-cash and cash revenue and expenses to get total cash from operations. Cash expenses of sustaining capital investments, preferred share dividends and cash taxes paid are subtracted from cash from operations to arrive at free cash flow. Free cash flow is then divided by the weighted average number of outstanding Common Shares for the period noted. Sustaining capital investments are defined by the Company as expenditures management considers necessary to support long-term growth.

Pre-tax income margin

Pre-tax income margin is income before taxes divided by net revenue.

Pre-tax return on common equity

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

Descriptions of Non-GAAP Measures

Our 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 consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at December 31, 2021 and December 31, 2020, the results of operations, comprehensive income and cash flows for the year-ended December 31, 2021 and December 31, 2020.

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, restructuring and transformation costs, impairment on 19th Capital, disposition of 19th Capital, provision or recovery of income taxes, and loss or income on investments.

Adjusted operating margin

Adjusted operating margin is the adjusted operating income before taxes for the period divided by the net revenue for the period.

After-tax adjusted operating income

After-tax adjusted operating income reflects the adjusted operating income after the application of the Company's effective tax rates.

After-tax adjusted operating income attributable to common shareholders

After-tax adjusted operating income attributable to common shareholders is computed as after-tax adjusted operating income less the cumulative preferred share dividends for the period.

After-tax adjusted operating income on average tangible total equity of Element

After-tax adjusted operating income on average tangible equity of Element is the after-tax adjusted operating income for the period, divided by the net of the average total shareholders' equity outstanding throughout the period, less average goodwill and intangible assets.

After-tax pro forma diluted adjusted operating income per share

After-tax pro forma diluted adjusted operating income per share computes the diluted after-tax adjusted operating income per share for the period on the assumption that all outstanding options at the end of the

period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises. Convertible debentures are assumed to be converted at the beginning of the period (or at issuance if issued during the period on a time weighted basis) with the other effects of dilution adjusted operating income basis added to the adjusted operating income, if they are dilutive.

After-tax adjusted operating income per share

After-tax adjusted operating income per share is computed as the after-tax adjusted operating income attributable to common shareholders for the period, divided by the basic weighted average number of Common Shares outstanding during the period.

Allowance for credit losses as a percentage of total finance receivables

Allowance for credit losses as a percentage of total finance receivables is the allowance for credit losses at the end of the period divided by the total finance receivables (gross of the allowance for credit losses) at the end of the period.

Average common shareholders' equity

Average common shareholders’ equity is calculated as the monthly average common shareholders’ equity during the period.

Average cost of borrowing or average cost of debt

Average cost of borrowing or average cost of debt is equal to interest expense divided by the average debt outstanding during the period 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 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 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 and convertible debentures) outstanding at the end of the period, divided by total shareholders’ equity outstanding at the end of the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenants.

Net earning assets

Net earning assets are the sum of the total net investment in finance receivables and total carrying value of the equipment under operating leases at the end of the period.

Net financing revenue yield on average net earning assets

Net financing revenue yield on average net earning assets is calculated as (net interest and rental revenue) divided by (average net earning assets outstanding throughout the period), multiplied by four (i.e. annualized).

Net interest and rental revenue

Net interest and rental revenue is calculated as the sum of (a) net interest income and (b) rental revenue net of depreciation, less (c) interest expense. Net interest and rental revenue refers to net financing income earned from finance receivables and equipment under operating leases, after considering financing costs and provision for credit losses.

Other effects of dilution adjusted operating income basis

Other effects of dilution adjusted operating income basis represents, if dilutive, the add back of the after-tax convertible debt interest and the amortization of deferred financing costs related to the convertible debt, and excludes the add back of the after-tax amortization of the discount of the convertible debt (which is included on an IFRS basis).

Pro forma diluted average number of shares outstanding

Pro forma diluted average number of shares outstanding is the basic weighted average number of shares outstanding, plus the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises.

Return on common equity

Return on common equity is calculated as the sum of net income, minus preferred share dividends, for each of the current and three preceding quarters; divided by average total equity for the current quarter and same quarter prior year, minus current quarter preferred share capital.

Tangible leverage ratio

The tangible leverage ratio has been computed as the sum of borrowings and convertible debentures divided by the net of total shareholders' equity less goodwill and intangible assets at the period end.

Tangible leverage ratio excluding non-recourse warehouse credit facility

The tangible leverage ratio has been computed as the sum of borrowings and convertible debentures less the non-recourse warehouse credit facility divided by the net of total shareholders' equity less goodwill and intangible assets at the period end.

Updated Share Information

The Company is currently authorized to issue (i) an unlimited number of Common Shares without nominal or par value and (ii) an unlimited number of preferred shares, issuable in series.

As at March 1, 2022, the Company had 399,763,835 Common Shares issued and outstanding. In addition, 5,368,944 options were issued and outstanding under the Company's stock option plan as at March 1, 2022. These convertible securities are convertible into, or exercisable for Common Shares of the Company of which 5,524,785 are exercisable at December 31, 2021 for proceeds to the Company upon exercise of $46.7 million. In addition, the Company had convertible debentures outstanding that are convertible into an aggregate of 14,315,353 Common Shares.

As at March 1, 2022, the Company had 4,600,000 Preferred Shares, Series A, 5,126,400 Preferred Shares, Series C, 5,321,900 Preferred Shares, Series E and 6,000,000 Preferred Shares, Series I issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on March 1, 2022.