



News Release

Amounts in \$CAD unless otherwise noted

Element Reports Second Quarter Results, Continued Progress on Transformation, and a Stronger Balance Sheet

- *Q2 adjusted operating income from core Fleet Management business increased 27% from Q2 2018 to \$126.7 million; equivalent to \$0.21 on a per share basis*
- *Transformation work remains ahead of plan, with a cumulative \$85 million of run-rate profit improvements actioned as of June 30, 2019 and delivering \$27.4 million of operating income improvement year-to-date*
- *Core assets under management growth of 4.0% from Q2 2018, driven by continuing wins in all geographies*
- *Broadened approach to syndication is accelerating deleveraging, evolving the capital structure and managing client concentration as intended, with tangible leverage reduced to 6.92x at June 30, 2019*

TORONTO, ON, July 31, 2019 - Element Fleet Management Corp. (TSX: EFN) ("Element" or the "Company"), a leading global provider of fleet management services, today announced financial results for the second quarter ended June 30, 2019 and continued progress on the Company's client-centric strategy to create long-term value for all stakeholders.

Element's market-leading fleet platform generated adjusted operating income of \$126.7 million or \$0.21 per share from its core business in Q2 2019, an increase of \$26.5 million over Q2 2018.

On a consolidated basis, the Company reported net income of \$64.1 million or \$0.12 per share for Q2 2019, compared to net income of \$79.1 million or \$0.18 per share in Q2 2018, with \$20.6 million of additional one-time restructuring and transformation costs and \$24.2 million in additional income tax expense offsetting \$23.4 million in operating profit improvements.

Core assets under management have grown 4.0% since Q2 2018 and rose \$200 million on a constant currency basis from Q1 2019, while tangible leverage declined to 6.92x at June 30, 2019.

"Less than a year into our transformation, we have fundamentally improved every aspect of Element's business," said Jay Forbes, President and Chief Executive Officer of Element. "Our dedicated focus on consistently delivering a superior experience to our clients has delivered meaningful and immediate value to them and while we still have more work to do, the team at Element is energized and excited for the remainder of 2019 – and beyond – to build on the momentum we have created to date."

"The second quarter marked yet another period of excellent progress toward the key objectives of our strategy to create long-term, sustainable value: we advanced the transformation of our business by actioning and delivering more profitability improvement, and we accelerated the deleveraging and de-risking of our balance sheet."

Element remains ahead of schedule on achieving the transformation objectives defined in its strategic plan. As of June 30, 2019, the Company has actioned a cumulative \$85 million of run-rate profit improvements, and is comfortably on target to action \$100 million of profit improvement initiatives by the end of the year.

Initiatives actioned to date will improve Element's adjusted operating income by approximately \$65 million in 2019. Of that amount, \$16 million was delivered in Q2.

As introduced last quarter, Element's programmatic approach to syndication continues to strengthen the Company's investment-grade balance sheet. On June 30, 2019, Element completed the redemption of \$345 million of maturing

convertible debentures. As of June 30, 2019, Element's tangible leverage ratio stood at 6.92x, down from 7.38x on March 31, 2019.

Financial Highlights

(in \$000's for stated values, except per share amounts)	Three-month periods ended		
	June 30, 2019	March 31, 2019	June 30, 2018
	\$	\$	\$
Consolidated Results			
Net income for the period	64,061	80,473	79,096
Earnings per share [basic]	0.12	0.16	0.18
Net revenue	249,570	242,227	219,440
Adjusted operating expenses ¹	123,594	120,273	116,876
After-tax adjusted operating income attributable to common shareholders ¹	90,247	89,448	73,035
After-tax adjusted operating income per share [basic] ¹	0.21	0.21	0.19
Core Fleet Management Operations			
Net revenue	248,433	237,702	215,793
Adjusted operating expenses ¹	121,747	115,709	115,653
After-tax adjusted operating income attributable to common shareholders ¹	90,819	89,480	71,047
After-tax adjusted operating income per share [basic] ¹	0.21	0.21	0.19
Net interest and rental revenue margin or NIM ¹	3.24%	3.16%	2.73%
Total average net earning assets	\$ 12,643,224	\$ 12,988,903	\$ 12,645,556

1. See non-IFRS measures, and the Company's Management Discussion & Analysis ("MD&A") for the three and six-month periods ended June 30, 2019 for more information.

Core Fleet Management Operations

The following summarizes results from the Company's core Fleet Management operations:

(in \$000's for stated values, except per share amounts)	Three-month periods ended		
	June 30, 2019	March 31, 2019	June 30, 2018
	\$	\$	\$
Net revenue			
Net interest income and rental revenue	216,663	216,643	201,840
Interest expense	114,209	114,112	100,423
Net financing revenue	102,454	102,531	101,417
Servicing income, net	124,236	117,959	112,179
Syndication revenue, net	21,743	17,212	2,197
Net revenue	248,433	237,702	215,793
Adjusted operating expenses			
Salaries, wages and benefits	82,797	78,221	81,338
General and administrative expenses	29,148	27,748	28,343
Depreciation and amortization	9,802	9,740	5,972
Adjusted operating expenses	121,747	115,709	115,653
Adjusted operating income	126,686	121,993	100,140
Provision for taxes applicable to adjusted operating income	24,703	21,349	18,025
After-tax adjusted operating income	101,983	100,644	82,115
Less: Cumulative preferred share dividends	11,164	11,164	11,068
After-tax adjusted operating income attributable to common shareholders	90,819	89,480	71,047
Weighted average number of shares outstanding [basic]	434,687	433,607	380,458
After-tax adjusted operating income per share [basic]	0.21	0.21	0.19

After-tax adjusted operating income for Q2 2019 was \$102.0 million, an increase of \$1.3 million over Q1 2019 and \$19.9 million over Q2 2018 resulting in an after-tax adjusted operating income per share of \$0.21, flat to Q1 2019 and an increase of \$0.02 over Q2 2018 including the dilution impact of the October 2018 equity issuance.

Net revenue was \$248.4 million for Q2 2019, an increase of \$10.7 million and \$32.6 million over Q1 2019 and Q2 2018, respectively. For both comparative periods, net financing revenue changes were mainly driven by lower net earning assets of approximately \$400 million due to higher syndication, partially offset by higher interest rates, with additional benefits compared to Q2 2018 from the weakening Canadian dollar.

Net servicing income for Q2 2019 was \$124.2 million, representing an increase of \$6.3 million over Q1 2019, mainly driven by higher maintenance and fuel commissions. Growth was also seen against Q2 2018 of \$12.1 million with maintenance and fuel driving the positive change.

Syndication revenue, net, of \$21.7 million in Q2 2019 was an increase of \$4.5 million and \$19.5 million over Q1 2019 and Q2 2018, respectively, resulting from higher volumes syndicated as we continue to manage client concentration risk and lower our leverage. Syndication volume was \$752 million for Q2 2019, an increase of \$264 million from Q1 2019 and \$622 million from Q2 2018.

Total average net earning assets as at Q2 2019 were \$12,643.2 million compared to \$12,988.9 million as at Q1 2019 and \$12,645.6 million as at Q2 2018. Total earning assets at period end decreased \$415.4 million from Q1 2019 reflecting \$752 million in syndications during the current quarter.

Adjusted operating expenses of \$121.7 million increased \$6.0 million from \$115.7 million in Q1 2019 and increased \$6.1 million from \$115.7 million in Q2 2018.

- Salaries, wages and benefits increased \$4.6 million from Q1 2019 and increased \$1.5 million from Q2 2018. The increase from Q1 2019 was primarily the result of higher pay-for-performance compensation accruals, merit increases and a weakening Canadian dollar.
- General and administrative expenses of \$29.1 million increased \$1.4 million and increased \$0.8 million when compared to Q1 2019 and Q2 2018, respectively, due to an increase in non-transformation related consulting expenses and a weakening Canadian dollar when compared to Q2 2018 partially offset by lower rent expense of approximately \$2.6 million as a result of the implementation of IFRS 16.
- Depreciation and amortization increased \$0.1 million and \$3.8 million when compared to Q1 2019 and Q2 2018, respectively, due largely to the \$3.3 million of amortization on leased assets as a result of the implementation of IFRS 16 in addition to depreciation and amortization associated with IT projects that were completed in the first half of 2018.

Non-Core Assets

Element's strategic plan announced October 1, 2018 puts the Company's focus squarely on its core fleet clients and is creating a stronger and more efficient business. As previously communicated, Element sold its non-core interest in ECAF I Holdings Ltd. for \$97.5 in Q2 2019. As at June 30, 2019, non-core assets represented approximately 2% of Element's total assets.

Dividends Declared

The Company's Board of Directors has authorized and declared a quarterly dividend of \$0.045 per outstanding common share of Element for the third quarter of 2019. The dividend will be paid on October 15, 2019 to shareholders of record as at the close of business on September 30, 2019.

Element's Board of Directors also declared the following dividends on Element's preferred shares:

Series	TSX Ticker	Amount	Record Date	Payment Date
Series A	EFN.PR.A	\$0.4333125	September 13, 2019	September 30, 2019
Series C	EFN.PR.C	\$0.406250	September 13, 2019	September 30, 2019
Series E	EFN.PR.E	\$0.400000	September 13, 2019	September 30, 2019
Series G	EFN.PR.G	\$0.406250	September 13, 2019	September 30, 2019
Series I	EFN.PR.I	\$0.359375	September 13, 2019	September 30, 2019

The Company's common and preferred share dividends are designated to be eligible dividends for purposes of section 89(1) of the Income Tax Act (Canada).

Dividend Reinvestment Plan

Element adopted a dividend reinvestment plan (the "Plan") to be administered by Computershare Trust Company of Canada (the "Plan Agent"), which became effective beginning with the fourth quarter dividend of 2018. A complete copy of the Plan is available on Element's website at <https://www.elementfleet.com> or on the Plan Agent's website at www.investorcentre.com/service. Shareholders should carefully read the complete text of the Plan before making any decisions regarding their participation in the Plan.

To be eligible to participate in the Plan, shareholders must be resident in Canada. Shareholders resident outside of Canada (including shareholders who are non-residents of Canada or partnerships other than "Canadian partnerships" (all within the meaning of the Income Tax Act (Canada)) or that are U.S. persons (within the meaning of Regulation S under the Securities Act of 1933 of the United States)) are not eligible to participate in the Plan.

CEO LETTER TO SHAREHOLDERS

My fellow shareholders,

I spend roughly one of every five days with clients or working on client-related matters. And I need to, given the number of service issues created through the 2017 integration and the ensuing erosion of the client experience (and subsequent increase in client attrition). A recent meeting with one of our largest clients served to remind me that while we have made great strides in improving the client experience and quickly returning to historic norms for client retention, the subpar experiences of the recent past are still at the forefront of certain clients' minds. While we retained this client through a rigorous RFP process - and, indeed, we haven't lost a single major client in the first half of 2019 - this interaction served to reinforce my belief in both the correctness of our client-centric strategy and the urgent need to advance the transformation of the Company to achieve the same.

I share this observation because it exemplifies the progress that is happening all across Element. In almost every aspect of our organization today - whether it be the satisfaction of our clients; the improvement in our business created through our transformation; the expertise and confidence of our people; or the returns for our investors - I am gratified by a palpable sense of forward momentum.

Our second-quarter achievements underscore this progress. We posted quarter-over-quarter and year-over-year increases in net revenue and adjusted operating income; we are ahead of our ambitious client retention targets halfway through 2019; our balance sheet is being rapidly deleveraged as planned; and, for the third quarter in a row, the profitability improvements actioned and delivered by our transformation program are exceeding our expectations.

I even take some comfort in the fact that one of the reasons for the jump in our Q2 expenses - not typically the kind of increase I'm looking for, to be sure - is our successful delivery on our strategic objectives as set out and metricized by our Balanced Scorecard ("BSC"). For 2019, we established a pay-for-performance program that tightly aligns payouts under the employee bonus program with the attainment of Element's key performance goals as measured by the BSC. With strong BSC performance year-to-date, we increased incentive compensation accrual this quarter. Assuming this performance continues through year end, I look forward to rewarding our employees for their hard work creating quantifiable value for our stakeholders.

The tremendous progress evident this past quarter is the result of everything we've been doing for over 12 months to lay out a strategic plan, transform our organization and execute. The net impact is a tightly aligned organization. All parts of Element are beginning to move together toward a brighter future. What a difference a year makes.

It's a remarkable change. What momentum there was at Element in early 2018 was, too often, heading in the wrong direction. Expectations of us, and our performance, were in decline. Client loyalty was faltering. The share price was weak. We have turned that momentum around 180 degrees by delivering on our commitment to transform Element to be more client-centric and – in doing so – action \$150 million of run-rate, pre-tax profitability improvements to the core fleet business by the end of 2020. A third of the way into our transformation, time-wise, we are more than halfway to the \$150 million, having actioned \$85 million as of the end of the second quarter.

Moreover, we continue to see signs of growth in the business, with more client wins in all geographies. Notably, our Mexico operations turned in yet another solid increase in assets under management as our team there is making powerful use of our ability to offer clients an international platform, competitive economics and unmatched service.

Our balance sheet is much stronger and substantially de-risked. We recently concluded the redemption of \$345 million of convertible debentures, our enhanced syndication program is well underway, and we continue to seek ways to improve our balance sheet and lower our cost of capital.

Our people are becoming more aligned than ever with our plan, driven by the implementation of our BSC performance management system, implemented earlier this year. The BSC distills our strategy onto a single page. Its broad dissemination throughout the organization allows all of our employees to see our progress through clearly defined metrics, and course correct where required.

We are already beginning to see this proven management system forge tighter alignment and greater focus throughout the company, resulting in the rapid advancement of our strategic objectives.

What our balanced scorecard tells us to date is:

- Operational effectiveness (how we measure the quality and consistency of the client experience) is at 110% of target performance;
- Client retention, too, remains ahead of target;
- Our operational efficiency index is at 106% of target performance; and
- Our recruitment win rate is strong, as is the retention of our talent, signaling that Element is rightly being recognized as an 'employer of choice'.

Our challenge is not just to carry this momentum into the second half of 2019, but to build on it. We have a number of initiatives that we know will continue to create value for all stakeholders.

As we look to the remainder of 2019, our transformation of the core business continues to be about going 'back to basics' to ensure we drive the improvements that support our pledge to ourselves and our clients that we will deliver a better experience, consistently.

We will seek an additional investment-grade rating, enabling us to offer unsecured bonds and lower our cost of funds. This will make us even more competitive economically when we are writing leases or investing in new services that stretch our lead on the industry.

We will power ahead with our initiatives to action the full \$100 million of profitability improvements targeted on exiting 2019. We will further cement the pay-for-performance culture, with clear accountabilities to our strategic objectives.

And we will hone our value proposition and go-to-market strategy and analyze future growth opportunities.

When the time comes to begin to pivot to growth in 2020, we will do so from the strongest possible position. We will have a high-performance organization that is running smoothly, with excellent processes, a lower-risk, lower-cost capital structure, and engaged employees pursuing a clear strategy outlined in the BSC.

We'll have more to say on that growth phase in coming quarters. For now, I would stress that we are not yet a full year into the transformation. Our focus is – as it must be – on ensuring this transformation and the full \$150 million of profitability improvement is actioned, delivered and sustainable. This is paramount.

It's too early to declare victory. But today, more than 12 months after joining Element, I can tell you that we continue to be on the right path forward. In other words, what a difference another year will make.

We are proving that the optimism that we felt last year, even as we faced some daunting challenges, was warranted.

We are all about promises made, promises kept.

As always, the credit goes to our team. I would like to highlight one key team member in particular: Karen Martin. Karen is the long-time treasurer of Element. She has worked tirelessly to build Element, and to effect our transformation – especially our promise to strengthen and deleverage the balance sheet. In fact, she twice postponed her retirement to help us deliver on key initiatives that enabled us to fulfill that pledge.

Karen is postponing that well-deserved retirement no more. She has decided to step down later this year, and to explore board work so that others can benefit from her invaluable experience, knowledge and counsel.

I know I speak for all at Element when I wish Karen the very best in all her future endeavors, and thank her for all she has done here. It is because of people like Karen, all across Element, that we are creating tremendous value for our stakeholders.

We are succeeding by building and nurturing the strongest team in the business. By being client-centric. By understanding what our clients really want from us. By focusing on those things. And by delivering. Day in and day out. We won't let up.

Until next quarter,

Jay Forbes
Chief Executive Officer
Element Fleet Management

Conference Calls and Webcasts

A conference call to discuss these results will be held on Thursday, August 1, 2019 at 8:00 a.m. Eastern Time. The conference call and webcast may be accessed as follows:

- Webcast: <http://services.choruscall.ca/links/elementfleet20190801.html>
- North America Toll-Free: 1-800-319-8560
- International: 1-604-638-5345
- Passcode: 86810#

The webcast will be available on our website for three months. A recording of the conference call may be accessed through September 1, 2019 by dialing 1-800-319-6413 or 1-604-638-9010 and entering the access code 3204.

Non-IFRS Measures

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the accounting policies we adopted in accordance with IFRS.

The Company believes that certain non-IFRS measures can be useful to investors because they provide a means by which investors can evaluate the Company's underlying key drivers and operating performance of the business, exclusive of certain adjustments and activities that investors may consider to be unrelated to the underlying economic performance of the business of a given period. Throughout this News Release, management used a number of 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. A full description of these measures can be found in the Management Discussion & Analysis that accompanies the financial statements for the quarter ended June 30, 2019.

Element's unaudited interim condensed consolidated financial statements and related management discussion and analysis as at and for the three and six-month periods ended June 30, 2019 have been filed on SEDAR (www.sedar.com).

About Element Fleet Management

Element Fleet Management (TSX: EFN) is a leading global fleet management company, providing world-class services and financing for commercial vehicle fleets. The Company enjoys scale and leadership in key markets, a top-tier client base, strong cash flow and ready access to capital, and an investment-grade balance sheet. Element's suite of services spans the total fleet lifecycle – from acquisition and financing to program management and remarketing – helping clients optimize performance and improve productivity. For more information, visit www.elementfleet.com.

Contact:

Michael Barrett
Vice President, Investor Relations
(416) 646-5698
mbarrett@elementcorp.com

This press release includes forward-looking statements regarding Element and its business. Such statements are based on the current expectations and views of future events of Element's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements, including, among others, statements regarding Element's improvements to run-rate profitability; enhancements to clients' service experience and service levels; enhancement of financial performance; improvements to client retention trends; reduction of operating expenses; increases in efficiency; run-off of the 19th Capital portfolio; plans to sell its interests in non-core assets and real estate; terms of the dividend reinvestment plan; transformation of its core business; creation of value for all stakeholders; expectations regarding syndication; growth prospects; level of workforce engagement; improvements to magnitude and quality of earnings; funding of the transformation; executive hiring and retention; process and infrastructure transformation; focus and discipline in investing; balance sheet management and plans to reduce leverage ratios; anticipated benefits of the balanced scorecard initiative; and expectations regarding financial performance. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting Element, including risks regarding the fleet management and finance industries, economic factors, risks related to the completion of the purchase of new portfolios or technologies or the addition of new clients, risks related to the payment of dividends, risks related to business integration and many other factors beyond the control of Element. No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. A discussion of the material risks and assumptions associated with this outlook can be found in Element's annual MD&A, and Annual Information Form for the year ended December 31, 2018, each of which has been filed on SEDAR and can be accessed at www.sedar.com. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.