News Release

*Amounts in $CAD unless otherwise noted*

# Element Reports Solid Second Quarter and First Half Results Reflecting Focus on Growth Priorities

- *Q2 net revenue grew 4.4% year-over-year; 12.8% before the impact of changes in FX*
- *Element's scalable operating platform magnified net revenue growth into significantly higher year-over-year adjusted operating income growth of 13.8% (23.4% before FX) to $126.5 million, equivalent to $0.20 adjusted EPS*
- *Syndication advanced the Company's capital-lighter business model with $611 million of assets sold in Q2, helping enhance pre-tax return on common equity by 100 basis points quarter-over-quarter to 15.3%*
- *ROE-accretive service revenue grew 7.9% year-over-year and 1.4% quarter-over-quarter before the impact of changes in FX, led by the U.S. and Canada where client vehicle usage is approaching pre-pandemic levels*
- *Q2 free cash flow of $0.26 per share is a $0.01 increase over Q2 2020 and $0.03 increase over prior quarter; $0.04 increases in both cases before FX*
- *Element returned $217.7 million of cash to common shareholders in the quarter by way of dividends and the repurchase of 13,515,159 common shares for cancellation pursuant to its normal course issuer bid (NCIB)*

**TORONTO, ON, July 27, 2021** - Element Fleet Management Corp. (TSX: EFN) ("Element" or the "Company"), the largest pure-play automotive fleet manager in the world, today announced financial and operating results for the second quarter and first half ended June 30, 2021 that reflect the Company's continuing focus on its strategic priorities of (i) driving profitable net revenue growth, (ii) advancing a capital lighter-business model that enhances return on equity, and thereby (iii) generating significant free cash flow to return to shareholders.

Element's market-leading fleet management business generated adjusted operating income (AOI) of $126.5 million, equivalent to $0.20 per share for the quarter. AOI increased $15.4 million or 13.8% from Q2 of last year, driven by healthy net financing revenue and modest syndication revenue growth coupled with $5.5 million or 4.8% lower adjusted operating expenses. Element reported net income of $80.9 million or $0.17 per share for the quarter, a $0.06 per share increase year-over-year and $0.03 per share decrease quarter-over-quarter. Q2 free cash flow of $0.26 per share is $0.01 higher than in Q2 2020 and $0.03 higher than prior quarter; $0.04 increases in both cases before the impact of changes in FX.

"We are managing our business with steady focus on our three strategic growth priorities and delivering a consistent, superior service experience to our clients," said Jay Forbes, President and Chief Executive Officer of Element. "In doing so, we are seeing progress on every front. We grew second quarter and first half net revenues in excess of our target 4-6% on a constant currency basis, and our scalable operating platform magnified that revenue growth into a double-digit increase in adjusted operating income. Growth in service revenue and syndication advanced our capital-lighter business model, further improving return on equity for the quarter. And we continued to generate strong cash flow, which we view as the most important measure of Element's performance, allowing us to return $217.7 million of cash to common shareholders in the quarter by way of dividends and share buybacks."

"Client demand for new vehicles was up 56% in the first half of this year from the first half of last year as measured by U.S. and Canadian order volumes in constant currency, with ANZ and Mexico client order volumes up 46% and 42% respectively on the same basis," Mr. Forbes continued. "With OEM production delays from microchip shortages constraining origination volumes across our platform, the substantial increase in orders has resulted in the largest order backlogs on record in each of our geographies. As OEM production capacity normalizes, which we believe will occur over the coming quarters, all of those originations-in-waiting – and the healthy flow of orders we continue to receive – will hit Element's balance sheet, income statement and free cash flow, further improving our results."

"What's more, our commercial teams continue to add new clients and to deepen share-of-wallet with existing clients, building our revenue unit count," Mr. Forbes added. "While the headwinds from OEM production delays and a strengthening Canadian dollar will be temporary in nature and short-lived in duration, our commercial engine, scalable operating platform and investment grade balance sheet have all been built for long-term value creation for our clients and investors. Accordingly, with committed origination volumes waiting in the wings, commercial wins adding up and increasing economic activity across our global footprint, I cannot help but think that the best is yet to come for our organization and all its stakeholders."

**A capital-lighter business model**

Syndication is a resilient source of high quality earnings for Element. Syndication accelerates revenue recognition and the velocity of cash flow, expands operating margins and enhances returns on equity. It also lowers financing risk by reducing tangible leverage. Element advanced its capital-lighter business model in the quarter by syndicating $611 million of fleet assets, meeting demand from the Company's growing base of frequent buyers and generating $12.9 million of revenue. As previously indicated, the Company had syndicated a portion of planned Q2 volume in Q1 2021 in response to robust market conditions. Element has now achieved its syndication volume and revenue targets for the first half of 2021, which are largely on par with both measures from the first half of 2020.

The other thrust of Element's capital-lighter business model is service revenue, which has a relatively low funding requirement – the net working capital position of procured services – compared with net financing revenue. Q2 service revenue grew 7.9% year-over-year and 1.4% quarter-over-quarter before the impact of changes in FX, led by the U.S. and Canada where client vehicle usage is approaching pre-pandemic levels.

Element's commercial teams continue to win and onboard service-only clients. The Company is also increasing service product penetration with existing clients, and has identified ample opportunity for additional penetration in all geographies. See Element's Supplementary Information document – available on the Company website – for more information.

Q2 service revenue growth coupled with syndication activities enhanced the pre-tax return on common equity by 100 basis points quarter-over-quarter to 15.3%.

**Profitable revenue growth**

Element is on track to meet its 4-6% annual net revenue growth target in constant currency for 2021. The Company grew net revenue $37.6 million or 8.4% in the first half of this year compared to the same period last year (before the impact of changes in FX), driven by net financing revenue growth of $32.9 million or 17.6% and aided by $2.3 million and $2.4 million period-over-period servicing income and syndication revenue increases, respectively. Element's scalable operating platform allowed the Company to maintain virtually flat adjusted operating expenses on the same period-over-period basis. The result is adjusted operating income having grown $0.1 million more than net revenue on the same comparative basis, and 16.7% H1-over-H1. Even absorbing the adverse impacts of a strengthening Canadian dollar, Element grew H1 net revenue by 2.4% over H1 2020 and AOI by 9.7% on the same basis. The Company expects operating margins to moderate slightly in the second half of this year.

Element's first half net revenue growth was largely powered by the Company's continuing success reducing interest expenses and the costs of funding imbedded therein. Interest expenses fell 47.5% H1-over-H1, while constrained originations, asset syndication and amortization reduced gross interest and rental income by only 16.5%.

Servicing income experienced modest growth in the first half over the same period last year in constant currency. Importantly, the leading indicators of client vehicle usage – fuel consumption and accident rates – point to driving activity levels approaching pre-pandemic levels across Element's footprint, with the expectation that those will continue to rise gradually but steadily in H2 2021. The U.S. and Canada led service revenue growth in H1 and is by far the largest contributing geography to this line item, through both recurring (*ie*. subscription) and usage-based revenue streams. The Company maintains a positive outlook on servicing income growth globally through the balance of this year.

Element is advancing its commercial growth strategy in all of the Company's operating regions year-to-date as described in detail in President and CEO Jay Forbes' quarterly letter to shareholders today – available within this news release (below) and on the Company's website. The following table provides a quantitative perspective on Element's growing levels of commercial success, which are best contextualized in the Company's Supplementary Information document (available on the Company's website) where this table also appears.

| | 2Q20 | | 2Q21 | | 1H20 | | 1H21 | |
|---|---|---|---|---|---|---|---|---|
| | Deals closed | Revenue units | Deals closed | Revenue units | Deals closed | Revenue units | Deals closed | Revenue units |
| **Share of wallet** | | | | | | | | |
| Australia and New Zealand | 40 | 880 | 24 | 809 | 41 | 1,239 | 26 | 3,001 |
| Mexico | 12 | 3,054 | 27 | 8,827 | 30 | 5,661 | 37 | 12,296 |
| U.S. and Canada | 64 | 42,368 | 86 | 72,260 | 123 | 66,693 | 171 | 130,596 |
| **Subtotal** | **116** | **46,302** | **137** | **81,896** | **194** | **73,593** | **234** | **145,893** |
| **Market share** | | | | | | | | |
| Australia and New Zealand | 3 | 679 | 13 | 95 | 6 | 1,427 | 16 | 1,610 |
| Mexico | 11 | 2,692 | 17 | 3,000 | 30 | 7,705 | 36 | 6,810 |
| U.S. and Canada | 2 | 1,548 | 6 | 20,235 | 7 | 7,762 | 12 | 61,010 |
| **Subtotal** | **16** | **4,919** | **36** | **23,330** | **43** | **16,894** | **64** | **69,430** |
| **Self-managed** | | | | | | | | |
| Australia and New Zealand | – | – | 4 | 582 | 2 | 4,048 | 10 | 8,332 |
| Mexico | 6 | 918 | 4 | 2,066 | 15 | 2,294 | 16 | 4,840 |
| U.S. and Canada | 1 | 6,275 | 6 | 4,339 | 5 | 10,325 | 15 | 8,302 |
| **Subtotal** | **7** | **7,193** | **14** | **6,987** | **22** | **16,667** | **41** | **21,474** |
| **Totals** | | | | | | | | |
| Australia and New Zealand | 43 | 1,559 | 41 | 1,486 | 49 | 6,714 | 52 | 12,943 |
| Mexico | 29 | 6,664 | 48 | 13,893 | 75 | 15,660 | 89 | 23,946 |
| U.S. and Canada | 67 | 50,191 | 98 | 96,834 | 135 | 84,780 | 198 | 199,908 |
| **Global** | **139** | **58,414** | **187** | **112,213** | **259** | **107,154** | **339** | **236,797** |

**Cash return to shareholders**

Element generated $0.26 of free cash flow per share in the quarter; a $0.03 improvement over prior quarter, $0.01 over prior year, and $0.04 improvement in both cases on a constant currency basis, aided by the Company's repurchases of its common shares for cancellation pursuant to its NCIB.

Quarter-over-quarter free cash flow growth of 16.3% before FX was primarily a function of Q1 2021 one-time cash tax costs not being repeated in the quarter. Free cash flow grew 13.8% before FX on a year-over-year basis for Q2, driven by 23.4% AOI growth on the same basis.

Element returned $189.4 million in cash to shareholders by repurchasing 13,515,159 common shares for cancellation in the quarter pursuant to the Company's NCIB. The NCIB allows Element to buy back up to 21,807,449[1] more of its common shares before November 9, 2021 – the end of the first year of what the Company envisions to be a regular, ongoing return of capital strategy through share buybacks and growing common dividends.

Element has returned $360.8 million of cash to common shareholders to-date in the form of dividends and share buybacks since launching its NCIB in November 2020.

[1] As of June 30, 2021

## Financial Highlights and Adjusted Operating Results

The following summarizes results from the Company's operations:

| | Three-month periods ended | | | Six-month periods ended | |
|---|---|---|---|---|---|
| (in $000's for stated values, except per share amounts) | **June 30, 2021** | March 31, 2021 | June 30, 2020 | **June 30, 2021** | June 30, 2020 |
| | **$** | $ | $ | **$** | $ |
| **Net revenue** | | | | | |
| Net interest income and rental revenue | **156,877** | 165,214 | 189,334 | **322,091** | 389,651 |
| Interest expense | **47,525** | 54,194 | 88,679 | **101,719** | 193,691 |
| Net financing revenue | **109,352** | 111,020 | 100,655 | **220,372** | 195,960 |
| Servicing income, net | **113,185** | 114,489 | 114,515 | **227,674** | 240,362 |
| Syndication revenue, net | **12,865** | 23,089 | 10,333 | **35,954** | 36,420 |
| **Net revenue** | **235,402** | 248,598 | 225,503 | **484,000** | 472,742 |
| Salaries, wages and benefits | **72,654** | 73,625 | 74,859 | **146,279** | 150,329 |
| General and administrative expenses | **25,826** | 27,146 | 28,590 | **52,972** | 60,381 |
| Depreciation and amortization | **10,410** | 10,526 | 10,910 | **20,936** | 21,566 |
| **Adjusted operating expenses[1]** | **108,890** | 111,297 | 114,359 | **220,187** | 232,276 |
| **Adjusted operating income[1]** | **126,512** | 137,301 | 111,144 | **263,813** | 240,466 |
| Provision for taxes applicable to adjusted operating income | **32,577** | 32,128 | 17,783 | **64,705** | 41,708 |
| Cumulative preferred share dividends | **8,103** | 8,103 | 10,906 | **16,206** | 21,812 |
| **After-tax adjusted operating income attributable to common shareholders[1]** | **85,832** | 97,070 | 82,455 | **182,902** | 176,946 |
| Before-tax adjusted operating income per share [basic] | **0.28** | 0.29 | 0.23 | **0.57** | 0.50 |
| After-tax adjusted operating income per share[1] [basic] | **0.20** | 0.22 | 0.19 | **0.42** | 0.40 |
| Net income | **80,872** | 95,529 | 58,594 | **176,401** | 137,952 |
| Weighted average number of shares outstanding [basic] | **428,646** | 438,503 | 437,852 | **433,547** | 437,577 |
| Earnings per share [basic] | **0.17** | 0.20 | 0.11 | **0.37** | 0.27 |
| Originations | **1,198,102** | 1,286,506 | 1,306,804 | **2,484,608** | 3,337,792 |
| Assets under management[1] | **14,516,361** | 15,045,231 | 17,049,689 | **14,516,361** | 17,049,689 |

1. See non-IFRS measures, and the Company's Management Discussion & Analysis (MD&A) for the three- and six-month periods ended June 30, 2021 for more information.

## Commentary on Adjusted Operating Results

Element's adjusted operating income ("AOI") for the quarter was $126.5 million (equivalent to $0.20 on a per share basis), which is a $15.4 million or 13.8% increase over Q2 2020 and a $10.8 million or 7.9% decline from Q1 2021.

The year-over-year increase in AOI stemmed from higher net financing and syndication revenues and lower adjusted operating expenses. Reported year-over-year AOI growth was constrained by significant FX headwinds. The quarter-over-quarter AOI decline was impacted by lower syndication revenue and FX headwinds, which offset servicing income and net financing revenue growth before FX.

H1 2021 AOI of $263.8 million was $23.3 million or 9.7% higher than H1 2020 AOI, driven by materially higher net financing revenues (savings on interest expense more than offset the decrease in earning assets and accompanying decrease in net interest income), partially offset by FX headwinds.

Originations

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

| (in $000's for stated values) | **June 30, 2021** | | March 31, 2021 | | June 30, 2020 | |
|---|---|---|---|---|---|---|
| | **$** | **%** | $ | % | $ | % |
| United States and Canada | **888,254** | **74.14** | 1,000,042 | 77.73 | 1,055,608 | 80.77 |
| Mexico | **167,145** | **13.95** | 172,893 | 13.44 | 141,602 | 10.84 |
| Australia and New Zealand | **142,703** | **11.91** | 113,571 | 8.83 | 109,594 | 8.39 |
| Total | **1,198,102** | **100.00** | 1,286,506 | 100.00 | 1,306,804 | 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 $000's for stated values) | **June 30, 2021** | | March 31, 2021 | | June 30, 2020 | |
|---|---|---|---|---|---|---|
| | **$** | **%** | $ | % | $ | % |
| United States and Canada | **888,254** | **74.14** | 975,381 | 77.71 | 946,421 | 78.46 |
| Mexico | **167,145** | **13.95** | 170,087 | 13.55 | 146,269 | 12.13 |
| Australia and New Zealand | **142,703** | **11.91** | 109,735 | 8.74 | 113,456 | 9.41 |
| Total | **1,198,102** | **100.00** | 1,255,203 | 100.00 | 1,206,146 | 100.00 |

Element originated $1.2 billion of assets in the quarter – relatively flat to prior quarter and same quarter prior year before the adverse impacts of FX.

Originations are necessarily preceded by vehicle orders, which are legally binding commitments by the Company's clients to lease or purchase vehicles from Element upon production by the OEM and upfitting as necessary.

OEM production delays driven by the microchip shortage have lengthened the supply cycle time from order placement to lease origination in both the U.S. and Canada, suppressing H1 2021 origination volumes (in the U.S. in particular). Historical average order-to-origination cycle times are approximately 60 days in the U.S. and 90 days in Canada. As of July 15, 2021, the average was over 125 days in each country and rising.

H1 2021 U.S. and Canadian vehicle order volumes increased 56% from H1 2020 order volumes on a constant currency basis, and are largely consistent with H1 2017 and H1 2018 vehicle order volumes on the same basis. H1 2019 order volume in the U.S. was significantly enlarged by Armada as Element adopted them as a new client to rapidly build out their fleet requirements. Further, Element believes there is additional near-term client demand for vehicles in the U.S. and Canada that is not reflected in H1 2021 order volumes, as some clients have remained cautious in the first half of this year due to lingering uncertainty regarding the pandemic and economic recovery therefrom.

Custom Fleet (ANZ) saw vehicle orders grow 46% H1-over-H1 in returning to pre-pandemic levels for the first half of this year while Element Mexico's H1 2021 orders grew 42% year-over-year.

This healthy client demand for vehicles coupled with OEM production delays (resulting in longer order-to-origination cycle times) has resulted in record vehicle order backlogs in each of Element's operating geographies (excluding historical Armada orders in the U.S.).

Based on the latest OEM production plans (which continue to be fluid), the Company expects a return to normal production volumes later in this half, which would allow order backlogs to be fulfilled, resulting in increased levels of originations (compared to historical run rates excluding Armada) in early 2022.

In addition to the OEM production delays' impact on origination volumes in the quarter, the strengthening of the Canadian dollar softened reported results. The year-over-year originations comparison in the U.S. is also impacted by the timing of Armada origination volumes, with an immaterial number of Armada vehicles having reached origination in Q2 2021, which should translate into higher originations for this client through the remainder of 2021.

## Servicing income, net

Servicing income declined by $1.3 million or 1.2% in Q2 on both year-over-year and quarter-over-quarter bases as reported. That said, servicing income of $113.2 million represents a 7.9% increase year-over-year and 1.4% increase quarter-over-quarter before the adverse impact of the strengthening Canadian dollar.

On a year-over-year basis, service revenue growth in constant currency was led by maintenance volume uptick in the U.S. and Canada, while quarter-over-quarter growth was driven by accident services revenue. Element also saw organic growth of service penetration in ANZ and Mexico in the quarter, where the Company continues to increase its share of wallet with existing clients in addition to new client wins.

Element believes its service revenue stream has now turned a corner and anticipates continued growth in the second half of this year on a constant currency basis as vehicle usage increases and the pandemic continues to subside.

## Net financing revenue

Net financing revenue for the quarter increased 8.6% or $8.7 million year-over-year, despite a 21.2% reduction in average net earning assets on the same comparative basis. Controlling for FX globally, Q2 net financing revenue grew 15.6% or $14.7 million year-over-year. This continued strong performance was driven by:

- lower costs of funding as the Company continues to optimize its debt structure;
- strong gain on sale performance in ANZ (and, to a lesser extent, Mexico) as the Company continues to benefit from the supply-constrained used vehicle market; and
- growth in net earning assets in Mexico as the Company continues to onboard new clients and expand existing relationships.

Net financing revenue declined 1.5% quarter-over-quarter, impacted by FX headwinds arising from a strong Canadian dollar. Excluding global FX impacts, net financing revenue grew $1.3 million quarter-over-quarter. This growth was primarily driven by decreased interest expenses as a result of funding costs and lower cost of debt, which offset the decrease in net interest income.

For the six-month period ended June 30, 2021, net financing revenue increased $24.4 million or 12.5% over H1 2020. Excluding global FX impacts, net financing revenue grew $32.9 million or 17.6% on the same basis. This growth is attributable to the same drivers of Q2 year-over-year net financing revenue growth noted above.

Net financing revenue may moderate in the second half of 2021 to the extent that the tailwinds of strong gain on sale performance in ANZ subside without a commensurate improvement in OEM production volumes facilitating the conversion of Element's record backlog of originations-in-waiting.

## Syndication revenue, net

Element syndicated $611 million of assets in the quarter, $148 million less than in Q2 2020, but generated $12.9 million of syndication revenue – a $2.5 million or 24.5% increase in syndication revenue for the quarter year-over-year. Quarter-over-quarter, syndicated asset volume decreased $405 million and syndication revenue decreased $10.2 million. As the Company indicated last quarter, it elected to syndicate a portion of planned Q2 asset volume in Q1 2021 in response to robust market conditions. For H1 2021, Element achieved its syndication volume and revenue targets – which are largely on par with both measures from H1 2020.

As previously communicated by the Company, it continues to expect syndication volume and revenue yield to vary quarter to quarter based on the mix (client credit rating, remaining lease term, etc.) of assets syndicated in the period. Element believes Q1-Q2 2021 syndication revenue yield represents a relatively normalized level for the balance of this year, all else equal.

## Adjusted operating expenses and margins

Adjusted operating expenses of $108.9 million for the quarter were $5.5 million or 4.8% lower than adjusted operating expenses for Q2 last year and $2.4 million or 2.2% lower than last quarter. These improvements were largely a function of the strengthening Canadian dollar. Before the impact of changes in FX, Q2 2021 adjusted operating expenses were essentially flat quarter-over-quarter and up 2.5% year-over-year.

Element anticipates its quarterly adjusted operating expense profile to be more-so in line with Q1 2021 (than this quarter's result) through the balance of this year.

For the first half of 2021, adjusted operating expenses were $12.1 million lower than H1 2020 as a result of FX; controlling for same, adjusted operating expenses were virtually flat H1-over-H1.

Operating margin for the quarter contracted by 149 basis points from last quarter, which the Company had signaled was likely to occur. The primary driver of the contraction was reduced syndication revenue as expected in Q2 2021 given Q1 syndication volume allocation. Q2 operating margin year-over-year expanded by 440 basis points (460 bps before FX) as the scalability of Element's operating platform is greater today than it was in Q2 of last year by virtue of having completed Transformation and the operating expense savings therefrom continuing to be delivered in 2021. On a half-year-over-half-year basis, operating margin has expanded 360 basis points (and 390 basis points on a constant currency basis) for the same reasons as the Q2 year-over-year improvement.

**Dividends Declared**

The Company's Board of Directors has authorized and declared a quarterly dividend of $0.065 per outstanding common share of Element for the third quarter of 2021. The dividend will be paid on October 15, 2021 to shareholders of record as at the close of business on September 30, 2021.

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 15, 2021 | September 30, 2021 |
| Series C | EFN.PR.C | $0.3881300 | September 15, 2021 | September 30, 2021 |
| Series E | EFN.PR.E | $0.3689380 | September 15, 2021 | September 30, 2021 |
| Series I | EFN.PR.I | $0.3593750 | September 15, 2021 | September 30, 2021 |

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).

**Normal Course Issuer Bid**

On November 4, 2020, the TSX approved the Company's notice of intention to commence a Normal Course Issuer Bid. The NCIB allows the Company to repurchase on the open market (or as otherwise permitted), at the Company's discretion during the period commenced November 10, 2020 and ending on the earlier of November 9, 2021 and the completion of purchases under the NCIB, up to 43,929,594 common shares of the Company, 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. Under this bid for the three- and six-month periods ended June 30, 2021, the Company repurchased for cancellation 13,515,159 and 21,360,045 common shares, respectively, for approximately $189.4 million and $293.9 million, respectively, including commission, at a volume weighted average price of $14.02 and $13.76 per common share, respectively. The Company applies trade date accounting in determining the date on which the share repurchase is reflected in its consolidated financial statements. Trade date accounting is the date on which management commits the Company to purchase the shares.

**CEO LETTER TO SHAREHOLDERS**

My fellow shareholders,

Early last year, we began the process of revamping our commercial organization in the U.S. and Canada with one goal: deliver the organic, profitable revenue growth that we know to be readily available to Element on a sustainable basis.

We would deliver that growth by (i) improving on the industry average 98% client retention rate at Element, (ii) increasing client profitability and service penetration ("share of wallet"), (iii) winning new clients from other fleet managers by improving our salesforce effectiveness and (iv) converting self-managed fleets into Element clients.

Today, I want to identify the fundamental changes we have made to our commercial organization in the U.S. and Canada, which – in turn – will drive Element's profitable revenue growth, sustainably, for years to come.

Recall that our growth strategy originated in Mexico, where it has been a great success. We took our learnings from Mexico and applied them at Custom Fleet in Australia/New Zealand, whose impressive results I highlighted in this letter last quarter.

Now we are executing the same strategy in the U.S. and Canada, and what we see tells us it is fit-for-purpose here as well.

David Madrigal, who led the successful development and implementation of our growth strategy in Mexico, is leading the effort as Chief Commercial Officer for the U.S. and Canada. The mandate I gave David when I named him to this role in early 2020 is straightforward: take ownership of our growth strategy in our largest market, and –

using his expertise and experience from Mexico – make the changes necessary to ensure our growth agenda takes root and flourishes.

Under David's leadership, the commercial organization has been restructured and reinvigorated.

We began by reorganizing the salesforce into functional teams that reflected the proven strengths of our people. Some are good at finding and cultivating new relationships and others are better at nurturing and growing established relationships. For our commercial team members, this clarifies what they need to focus on. As regular readers of these quarterly letters will know, I am a big believer in the value of clearly-defined focus.

And we know that incentives drive behaviour. We established new compensation plans that demand a growth mindset and reward new profitable deals closed. Our salesforce can earn multiples of their base salary by driving results that benefit our clients, our business and our investors.

We have enhanced our commercial training programs with an emphasis on value-based selling. Element's value propositions – reduced total cost of fleet operations, and eliminated administrative burden – can be distilled into our ability to "make the complex simple" for our clients. Rather than a number of different products, we are selling singular comprehensive solutions for mission-critical fleets.

Another key organizational change was moving our industry-leading strategic consulting team from operations into the commercial group. Our consultants now support new client proposals in addition to identifying savings and productivity improvement opportunities for existing clients, bringing the power of data-driven insights to bear across our growth agenda. This value-added sales approach is the first step in delivering the consistent, superior client experience that is Element's hallmark.

Value-based selling and the integration of strategic consulting into our commercial effort are working well:

- When we approached a well-known energy infrastructure company about moving their business to Element from a competitor, we walked them through our end-to-end value proposition as well as our strategic consulting abilities. The power of our service offering set us apart and we won the business without the client going to RFP. This deal has added 5,000 vehicles to our portfolio, with an additional 1,500 still to come.

- When an existing client in the electrical solutions business was looking to move from multiple fleet managers to one, they were keenly focused on an end-to-end solution. One of their other fleet management providers had fallen down on the job, so we seized the opportunity and led with our ability to do it all – to "make the complex simple" for our client. We won, and now manage all of the client's 1,600 vehicles in North America, with the possibility of growing our relationship into other geographies in the future.

We have also implemented new technology and expanded existing system capabilities for our commercial teams, and are publicizing more of our thought leadership activities. You can see our thought leadership on EVs for yourself by viewing the webinar our experts hosted last week to help clients and prospects accelerate their electrification journey.

We are seeing the fruits of all this labour. We see it in 96% share-of-wallet growth[2]; not only increasing service penetration and utilization, but we see it in the number of conversations we are having with clients about adding incremental vehicles to our mandates. We see it in the record originations backlog we have accumulated during the ongoing OEM production delays. Those originations-in-waiting represent more than 25,000 new vehicles that we anticipate will hit the road for our clients and the P&L for our business and investors in the coming quarters. We see it in the size and quality of our commercial opportunity pipeline (not to be confused with our originations backlog). In short, the roots of growth are spreading and deepening.

The pipeline is worth elaborating on. It is growing in size, but – much more importantly – the quality is improving as we scrutinize every potential addition. Today, over 90% of the North American pipeline has been added in the last 18 months, and it's still evolving. We have also shortened our sales cycle by over 30%, increasing the velocity of new revenue and cash flow from deals won. And our win rate is improving.

[2] As measured by revenue units in deals closed for H1 2021 compared to H1 2020 in the U.S. and Canada. See Element's Supplementary Information document available on the Company's website for more details.

The overhaul of our commercial organization in the U.S. and Canada has been a lot of change in a relatively short amount of time, especially layered atop the pandemic. But our commercial colleagues have risen to the challenge, and our people across Element have risen in support. Commercial teams know and see that all of Element is behind them, giving them the tools to succeed and rewarding them when they do. Our people are excited, motivated and getting after the opportunities awaiting us.

They, like the rest of the organization, are driven to grow.

Until next quarter,

Jay

**Conference Call and Webcast**

A conference call to discuss these results will be held on Tuesday, July 27, 2021 at 7:00 p.m. Eastern Time. The conference call and webcast may be accessed as follows:

- Webcast: http://services.choruscall.ca/links/elementfleet20210727.html
- Telephone: Click here to join the call most efficiently,
  or dial one of the following numbers to speak with an operator:
  - North America Toll-Free: 1-800-319-4610
  - International: 1-604-638-5340

The webcast will be available on the Company's website for three months. A taped recording of the conference call may be accessed through August 27, 2021 by dialing 1-800-319-6413 or +1-604-638-9010 and entering the access code 7257.

**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 Element 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 unaudited interim condensed financial statements for the quarter ended June 30, 2021.

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, 2021 have been filed on SEDAR (www.sedar.com).

**About Element Fleet Management**

Element Fleet Management (TSX: EFN) is the largest pure-play automotive fleet manager in the world, providing the full range of fleet services and solutions to a growing base of loyal, world-class clients – corporates, governments and not-for-profits – across North America, Australia and New Zealand. Element enjoys proven resilient cash flow, a significant proportion of which is returned to shareholders in the form of dividends and share buybacks; a scalable operating platform that magnifies revenue growth into earnings growth; and an evolving capital-lighter business model that enhances return on equity. Element's services address every aspect of clients' fleet requirements, from vehicle acquisition and maintenance to accident recovery and remarketing. Clients benefit from Element's expertise as the largest fleet solutions provider in its markets, offering unmatched economies of scale and insight used to reduce fleet operating costs and improve productivity and performance.
For more information, visit www.elementfleet.com/investors.

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*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; Element's dividend policy and the payment of future dividends; transformation of its core business; creation of value for all stakeholders; expectations regarding syndication; growth prospects and expected revenue growth; level of workforce engagement; improvements to magnitude and quality of earnings; executive hiring and retention; focus and discipline in investing; balance sheet management and plans to reduce leverage ratios; anticipated benefits of the balanced scorecard initiative; Element's proposed share purchases, including the number of common shares to be repurchased, the timing thereof and TSX acceptance of the NCIB and any renewal thereof; and expectations regarding financial performance. 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 Element's 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. Such risks and uncertainties include those regarding the ongoing COVID-19 pandemic, risks regarding the fleet management and finance industries, economic factors and many other factors beyond the control of Element. 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, 2020, each of which has been filed on SEDAR and can be accessed at www.sedar.com. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*