News Release

Amounts in $CAD unless otherwise noted

Element Reports Solid Third Quarter Results, Surpasses $180 Million Transformation End-Goal, Increases Common Dividend by 44% and Announces Establishment of NCIB

- *Q3 adjusted operating income increased 16% quarter-over-quarter to $129 million, equivalent to $0.22 on a per share basis – a $0.03 quarter-over-quarter increase – and $0.25 of free cash flow per share*
- *Transformation program surpassed end-goal of $180 million in annual run-rate pre-tax profit improvement initiatives, reaching cumulative $189 million actioned and delivering $94 million of operating income enhancement year-to-date*
- *Accounts receivable (including delinquent account balances) have returned to pre-COVID-19 levels and impaired receivable balances have improved beyond pre-COVID-19 levels*
- *As previously disclosed, Element redeemed its Series G preferred shares in full at quarter-end, further maturing its capital structure by eliminating its most expensive preferred share series*
- *Subsequent to quarter-end, Element finalized its capital return strategy, announcing*
    - *a 44% common dividend increase, from $0.18 to $0.26 annually per share; and*
    - *the establishment of a normal course issuer bid to repurchase EFN common shares*

TORONTO, ON, October 27, 2020 - Element Fleet Management Corp. (TSX: EFN) ("Element" or the "Company"), the largest pure-play automotive fleet manager in the world, today announced financial results for the third quarter ended September 30, 2020; the achievement of the $180 million end-goal of its transformation program; and its plan to return excess equity capital to its shareholders.

Element's market-leading platform generated adjusted operating income of $129 million or $0.22 per share in Q3 – a 16% increase in AOI and $0.03 increase per share quarter-over-quarter – reflecting improvements in all three of servicing income, syndication revenue and net financing revenue quarter-over-quarter, and flat adjusted operating expenses on the same basis. Transformation delivered $35 million of operating income improvement in the quarter. The Company reported Q3 net income of $70.8 million or $0.14 per share.

"Our relentless focus on delivering a consistent, superior service experience to our world-class clients – in spite of COVID-19 – allowed Element to improve quarter-over-quarter performance on almost every measure," said Jay Forbes, President and Chief Executive Officer of Element. "This focus was well-evidenced by the acceleration of our transformation program, where we surpassed our $180 million year-end goal for actioned profit improvement initiatives three months ahead of plan. It was also evident in the strengthening of our balance sheet, where we first-reached our target sub-6.0 tangible leverage ratio in the quarter, creating the capacity to redeem $172.5 million in higher-cost preferred share financing on September 30."

"With our transformation and balance sheet ambitions essentially realized – and year-to-date results reflecting the continued resilience of our business – we have begun our pivot to profitable revenue growth, leveraging both a scalable operating platform and a capital-lighter business model to generate superior returns and cash flow," Mr. Forbes added. "The ensuing prospects for earnings and cash flow growth provide us with the necessary confidence to commit to a common dividend increase of 44% effective immediately and common share repurchases over the next 12 months by way of normal course issuer bid, which we have established and is only subject to TSX approval at this time."

Transformed Operating Platform

Element surpassed its year-end $180 million transformation target in Q3, having actioned a cumulative $189 million in annual run-rate pre-tax profit improvements at September 30, 2020. Actioned initiatives in the third quarter included revenue assurance measures, direct cost savings through lower interest expense, improved procurement from contract renegotiations and operating expense savings from organizational simplification. The Company's overachievement was enabled by $24 million of incremental one-time investments in the third quarter. Transformation delivered $35 million of net revenue enhancement and operating expense savings to Q3's bottom line.

While many of the transformation activities planned for Q4 were pulled forward to Q3, Element will continue actioning profit improvement initiatives until the formal conclusion of its transformation program on December 31, 2020. At that time, one-time investments in support of transformation will also cease. The Company has made $188 million such investments in total since Q3 2018.

Strengthened Financial Position

Growing profitability, free cash flow and syndication all contribute to de-leveraging Element's balance sheet. The Company achieved 5.92x tangible leverage at September 29, 2020 – a decrease of 0.88 from the end of Q2 2020. Achieving this all-important milestone created the capacity to redeem the Series G preferred shares on September 30, which raised tangible leverage to 6.66x at quarter-end. The Company remains on-plan to end 2020 at a sub-6.0 tangible leverage ratio.

Excluding the impact of the Company's non-recourse warehouse credit facility (which exclusively funds pre-syndication assets for Armada[1]), Element's tangible leverage at September 30, 2020 would have been 6.34x.

As previously disclosed, Element redeemed its Series G preferred shares in full at quarter-end, taking advantage of the opportunity to further mature its capital structure by eliminating its most expensive series of preferred shares. The redemption was enabled by successful execution of the Company's strategic plan over the last two years, which has materially enhanced free cash flow. With this redemption, Element has eliminated or replaced over $1 billion of high-cost hybrid instruments from its capital structure in the last 18 months, simplifying and strengthening its investment-grade balance sheet.

Following redemption of the Series G preferred shares, Element had contractually committed, undrawn liquidity of $5.8 billion at September 30, 2020.

Element has enjoyed robust demand for its product in the syndication market throughout 2020. The Company syndicated $600 million of assets in Q3 – $158 million or 21% less volume than Q2 2020 – but generated 48% more revenue at $15.2 million. The quarter-over-quarter increase reflects the gradual lowering of syndication investors' hurdle rates as the Company expected, the mix of assets syndicated this quarter, and the absence of headwind from the one-time costs incurred in the prior quarter.

Element continues to both grow its presence in the syndication market and increase demand for its assets. The Company transacted with four new investors in Q3 on volume of $89 million, bringing its total syndication volume with new investors in 2020 to $232 million.

Pivoting to Growth

Since the fall of 2018, Element has been narrowly focused on the three pillars of its strategic plan: transforming the Company's client experience and operating platform; strengthening its financial position; and exiting non-core assets. With success assured on all three fronts, Element began executing its enhanced growth strategy in the third quarter this year – approximately 6 months ahead of schedule.

Element had used the first half of 2020 to accelerate its preparations to execute, making organizational changes that have better positioned the Company to capture the many opportunities across its markets. Element had identified those opportunities in the process of comprehensively sizing and mapping the North American and Australia / New Zealand markets for fleet management services in 2019. Having developed a strategy based on that work, Element believes it can sustainably, organically grow annual net revenue by 4-6% in normal market conditions.

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[1] "Armada" is the term Element uses to reference one client in particular that the Company does not name due to the client's desire for confidentiality.

While COVID-19 has limited certain traditional sales practices, Element believes the economic impact of the pandemic has also made the Company's value proposition even more compelling. Element clients enjoy (i) the benefits of the Company's economies of scale and insight, allowing them to significantly reduce fleet operating costs; (ii) ready access to cost-efficient vehicle financing solutions including, in certain cases, the option of a sizeable cash infusion through a sale-and-leaseback transaction; and (iii) end-to-end, industry-leading fleet solutions without the expense of in-house SMEs or the accompanying administrative burden.

Q3 provided more tangible examples of the attractiveness of Element's value proposition to new and existing clients:

U.S. & Canada

- Element retained and renewed its services and lease agreements with the 5th largest energy company in North America, whose 1,800 units Element manages in the U.S. and Canada. Element's investment-grade client is not only a leader on sustainable practices and environmental performance, but also has a place on the global stage as one of the largest independent energy businesses in the world. Element was able to retain this client due to its long-term existing partnership, its proven ability to execute, and continued proactive account management - specifically, its strategic consulting services team's ability to identify initiatives for the client to drive cost efficiencies and productivity improvements.
- Element's client – a Fortune 500 global electrical, communications, and utility distribution and supply chains company – has extended their North American contract with the Company for three additional years. The extension included Element winning an incremental 600 units' worth of business previously managed by a competitor. Potential upside to the approximately 2,000 units across the U.S. and Canada is an additional ~1,000 units currently on reimbursement. Element won the extension due to its strong partnership with the client – in particular its account management team, service execution and strategic consulting services.

Mexico

- In addition to three significant new client wins representing approximately 2,000 units in total, Element materially enlarged its service relationship with an existing financial institution client in Mexico by winning the client's RFP to provide maintenance services to over 1,000 units that Element already leases to the organization.

Australia & New Zealand

- Custom Fleet[2] have been awarded sole supply of The Salvation Army's Australian fleet. As part of this new partnership, the Company was also able to execute a sale and leaseback with the organization - one of Australia's largest not-for-profit operations. Custom Fleet was successful in winning this opportunity because of its people, its technological capability and its innovative approach to providing additional value and benefit to the client - all through a challenging period by virtue of COVID-19 that made digital communication the only option for the entire negotiation.
- One of Australia's major telecommunications companies has entrusted Custom Fleet with being the sole provider of accident management services to their 7,800 unit fleet. Expertise in technology, coupled with a client-centric approach to solution design were instrumental in successfully winning this business.

Growing with Armada

Early last year, Element began working with Armada to quickly build – from scratch – what will soon be one of the largest commercial fleets in North America. To facilitate this rapid expansion, the Company developed and resourced a myriad of operational and financial capabilities to address Armada's unique needs. Having achieved a quick and successful launch of the client's initial ambition, and with the better part of two years of experience working together, the two companies have aligned on changes to their operating relationship, which will see Armada own (self-finance) vehicles it will order from Element going forward, while Element focuses solely on the provision of a growing set of fleet solutions for Armada.

This evolution of the Armada relationship aligns with Element's strategic designs on a capital-lighter business model that enhances return on equity. Armada's election to self-finance obviates the necessity of Element's USD $1 billion

[2] Element does business as Custom Fleet in Australia and New Zealand.

dedicated credit facility for Armada, which required up to approximately USD $150 million of balance sheet equity to preserve the Company's tangible leverage ratio.

The only material impacts of this evolution in Element's relationship with Armada in 2020 will be

- the substantial reduction in debt (and the corresponding reduction in equity required) as the Company winds down the dedicated credit facility, which will materially reduce Element's tangible leverage, and
- accelerated income of approximately $8.8 million, which is recorded in this quarter's servicing income.

In 2021 and beyond, Element expects this evolution to have the following impacts:

- The elimination of as much as USD $1 billion of interim financing requirements;
- An expansion in the number of units under management (and the opportunity to expand the breadth of service offerings for this growing fleet); and
- The loss of syndication revenue on the sale of Armada assets to third parties, which will be partially offset by the planned increase in syndication of other clients' assets.

Element will focus on the design and delivery of sophisticated fleet services and solutions for Armada's already-sizable and still-growing fleet, which is currently the single largest consumer of Element's services. The Company expects this to remain the case as Armada's fleet and its consumption of Element services continue to grow for years to come.

Return of Capital

Given

- the clear path to fulfillment of Element's 2018 strategic ambitions,
- the scalability of the Company's transformed operating platform,
- the strength of its burgeoning syndication program,
- enhanced clarity in the Company's relationship with Armada,
- the growth opportunities across Element's global footprint and
- the Company's outlook for strong prospective earnings and cash flow growth,

Element has arrived at a point where the highest potential for additional value creation lies in the return of capital – in excess of that required to maintain Element's target sub-6.0 tangible leverage ratio – to common shareholders by way of dividends and share buybacks. The Company is announcing:

- a 44% increase to its common dividend, from $0.18 to $0.26 annually per share, effective immediately and therefore to be reflected in the Q4 2020 common dividend authorized and declared today to be paid in respect of Q4 2020 on January 15, 2021;
    - With this increase, Element's common dividend represents approximately 30% of the Company's last twelve months' adjusted earnings per share, which is the mid-point of the 25% to 35% payout range the Company plans to maintain going forward; and
- the establishment of a normal course issuer bid to repurchase EFN common shares over the next 12 months – the first year of what is envisioned to be a regular, ongoing program by the Company – subject to TSX approval and the terms and limitations applicable to such bid.

Element's return of capital plan dovetails with the Company's strategic priorities to:

a. Aggressively pursue organic growth in all of the Company's geographies and demonstrate the scalability of Element's transformed operating platform by magnifying 4-6% annual organic revenue growth into high single-digit to low double-digit annual operating income growth;
b. Advance a capital-light*er* business model that enhances return on equity; and
c. Achieve high single-digit to low double-digit annual free cash flow growth and predictably return excess equity to common shareholders by way of dividends and share buybacks.

Financial Highlights and Adjusted Operating Results

The following summarizes results from the Company's operations:

	Three-month periods ended		
(in $000's for stated values, except per share amounts)	**September 30, 2020**	June 30, 2020	September 30, 2019
	$	$	$
Net financing revenue	**103,272**	100,655	100,531
Servicing income, net	**124,734**	114,515	122,181
Syndication revenue, net	**15,246**	10,333	23,084
Net revenue	**243,252**	225,503	245,796
Salaries, wages and benefits	**74,910**	74,859	79,904
General and administrative expenses	**28,789**	28,590	27,765
Depreciation and amortization	**10,568**	10,910	10,477
Adjusted operating expenses[1]	**114,267**	114,359	118,146
Adjusted operating income[1]	**128,985**	111,144	127,650
Provision for taxes applicable to adjusted operating income	**21,927**	17,783	22,339
Cumulative preferred share dividends	**10,906**	10,906	11,071
After-tax adjusted operating income attributable to common shareholders[1]	**96,183**	82,455	94,240
Weighted average number of shares outstanding [basic]	**438,842**	437,849	435,140
After-tax adjusted operating income per share[1] [basic]	**0.22**	0.19	0.22
Net income	**70,778**	58,594	70,145
Weighted average number of shares outstanding [basic]	**438,842**	437,849	435,134
Earnings per share [basic]	**0.14**	0.11	0.14
Originations	**1,279,263**	1,306,804	2,106,603
End-of-period assets under management[1]	**16,148,812**	17,049,689	16,169,794

1. See non-IFRS measures, and the Company's Management Discussion & Analysis ("MD&A") for the three- and nine-month periods ended September 30, 2020 for more information.

Results Commentary

Element's adjusted operating income ("AOI") for the quarter was $129.0 million (equivalent to $0.22 on a per share basis), which is a 16% or $18 million increase (equivalent to $0.03 per share) over Q2 2020 results and a 1.0% or $1.3 million increase over Q3 2019 results.

All three of net financing revenue, servicing income and syndication revenue drove the quarter-over-quarter AOI improvement, with adjusted operating expenses essentially flat to prior period.

The year-over-year AOI improvement stemmed from increased servicing income and reduced adjusted operating expenses – the latter driven by transformation savings on salaries, wages and benefits. All of these results are addressed in more detail below.

The common thread in both period-over-period AOI improvements is the resilience of Element's servicing income and net financing revenue streams: servicing resilient despite a reduction in clients' vehicle usage due to COVID-19; and net financing revenue resilient despite reduced net earning assets due to syndication. Transformation is also a significant contributor to AOI through all of net financing revenue, servicing income, syndication revenue and, importantly, adjusted operating expense reduction. Transformation delivered $35 million of operating profit enhancement in Q3 2020.

<u>Originations</u>

Element originated approximately $1.3 billion of assets in the quarter – essentially flat quarter-over-quarter when taking into account the FX impact of the Canadian dollar strengthening against the U.S. dollar.

Excluding Armada volumes and controlling for FX, U.S. and Canadian originations increased by approximately 15% quarter-over-quarter. This growth is in part driven by unfilled orders and pent up demand from Q2 - when OEM production facilities experienced closures.

ANZ origination volumes increased 22.1% quarter-over-quarter as Custom Fleet continues its swift recovery from the impacts of COVID-19 and, earlier this year, wildfires in the region.

In Mexico, originations declined 20% quarter-over-quarter as COVID-19 arrived in that geography several months later than elsewhere in North America, and businesses were impacted in the third quarter. However, the Company expects the quick recovery of Element's Mexico business and, indeed, is already seeing positive signs subsequent to quarter-end that reaffirm the momentum Element is enjoying in that market. Mexico's year-over-year originations declined 13.2% on a constant currency basis and 23.5% on an FX-adjusted basis.

Importantly, there has been virtually no increase quarter-over-quarter in the number of instances of de-fleeting year-to-date. "De-fleeting" is when a client decides to materially reduce the size of their fleet more or less permanently. The cases of de-fleeting Element has on record in 2020 remain restricted to specific industries going through down cycles independent of COVID-19 – oil and gas being the prime example – and otherwise a few individual clients paring back on unit counts in response to the economic consequences of COVID-19 on their specific business.

Assets under management

Element's assets under management ("AUM") at quarter-end totaled $16.1 billion - essentially flat year-over-year and down 5.3% or $900.9 million quarter-over-quarter. As set out in the Company's Supplementary Information document available on Element's website, the quarter-over-quarter decrease reflects the impacts of essentially flat originations quarter-over-quarter, amortization, dispositions and FX. On a constant currency basis, AUM declined approximately 4.1% or approximately $700 million quarter-over-quarter.

Servicing income, net

Servicing income improved 8.9% or $10.2 million over Q2 2020 and 2.1% or $2.6 million over Q3 2019.

As discussed above under "Growing with Armada", $8.8 million of servicing income in the quarter was accelerated income resulting from Armada's purchase of certain vehicles owned by Element; vehicles that would otherwise have been syndicated. Income that Element would have recognized upon syndication of the vehicles was similarly recognized in one lump-sum this quarter upon the vehicles' outright sale to Armada. Given the transaction was not syndication, the accelerated income was recorded as servicing income.

Excluding this accelerated income, servicing income nevertheless increased $1.4 million quarter-over-quarter against a ~4% headwind from the strengthening of the Canadian dollar against the U.S. dollar.

Contributions to servicing income were marginally higher from maintenance, fuel, tolls & violations and remarketing this quarter (versus prior quarter) while accident and related revenue and telematics contributors decreased slightly on the same basis. Overall, Element continues to generate stable recurring revenues across the entirety of the Company's portfolio of client services and solutions. Approximately one-third of Element's servicing income is subscription-based and therefore less variable, with the balance being driven by clients' vehicle usage.

Section 8.2 of the Company's Supplementary Information document (available on Element's website) provides further datapoints on servicing income contributors in the period.

Net financing revenue

Net financing revenue increased $2.7 million year-over-year, which represents particularly strong performance because (i) net earning assets decreased by 13% over the same period and (ii) Q3 2019 net financing revenue benefited from $9.2 million of contribution from 19th Capital. Excluding that $9.2 million from Q3 2019 net financing revenue, Element achieved a 13.1% or $11.9 million increase year-over-year.

Net financing revenue increased $2.6 million quarter-over-quarter, despite syndication resulting in a 6.3% decline in net earning assets over the same period due largely to:

- Improved interest expense management;
    - Interest expense decreased $15.4 million quarter-over-quarter, more than offsetting the $12.8 million decrease in net interest income and rental revenue on the same basis (as the Company syndicated the leases that earn net interest income and rental revenue); and
- Improved gain on sale revenue, driven by both increased volume and further pricing improvements.
    - Element continues to experience a strong secondary market for vehicles across its geographies.
    - Element provides additional datapoints in section 8.3 of the Company's Supplementary Information document.

It is important to note that as Element increases the volume of non-Armada assets being syndicated going forward (as discussed above under "Growing with Armada") net financing revenue may decrease on an absolute basis, subject to future origination volumes.

Average net earning assets, and net interest and rental revenue margin

Average net earning assets decreased 6.3% or $731 million quarter-over-quarter and 14.0% or $1.8 billion year-over-year as a result of syndication activity and, in the case of the year-over-year decline, the comparative decline in origination volumes this quarter. Earning asset changes are broken down in the Company's Supplementary Information document.

Net interest and rental revenue margin - calculated by dividing net financing revenue by average net earning assets for the period and annualizing the quotient - improved 61 basis points year-over-year and 33 basis points quarter-over-quarter.

Syndication revenue, net

Element syndicated $600 million of assets (including $89 million to new investors) in Q3, resulting in $15.2 million of syndication revenue and material contribution to the Company's balance sheet de-leveraging in the quarter.

Syndication revenue grew 48% or $4.9 million quarter-over-quarter in Q3, declining 34.0% or $7.8 million year-over-year. It's important to note that the quarter-over-quarter improvement in syndication revenue was achieved despite a 21% decrease in the volume of assets syndicated, which evidences an improved syndication revenue 'yield' on syndicated assets. Syndication revenue and 'yield' benefited quarter-over-quarter from the absence of one-time costs that negatively impacted Q2 2020 results, an improved mix of assets syndicated, and - as the Company expected - investor hurdle rates decreasing over the course of the quarter.

Element continues to enjoy robust demand for its products in the syndication market and increase that demand by attracting new investors to the table. The Company transacted with four new investors in Q3 on the aforementioned $89 million of assets, bringing Element's total syndication volume with new investors in 2020 to $232 million.

Adjusted operating expenses

Adjusted operating expenses were $3.9 million lower in Q3 this year than last year - driven primarily by transformation savings on salaries and related costs - and effectively flat quarter-over-quarter, reflecting continued reductions in local currency expenditures, offset by a strengthening Canadian dollar. The Company has exercised diligent cost controls in the COVID-19 environment and continued with planned transformation initiatives, which include opex reduction measures, while the stability, resilience and natural defensiveness of Element's business model has preserved healthy operating margins.

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 fourth quarter of 2020. The dividend will be paid on January 15, 2021 to shareholders of record as at the close of business on December 31, 2020.

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	December 15, 2020	December 31, 2020
Series C	EFN.PR.C	$0.388130	December 15, 2020	December 31, 2020
Series E	EFN.PR.E	$0.368938	December 15, 2020	December 31, 2020
Series I	EFN.PR.I	$0.359375	December 15, 2020	December 31, 2020

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).

Termination of Dividend Reinvestment Plan

Effective immediately, Element is terminating its Dividend Reinvestment Plan (the "DRIP"). No future dividends will be eligible for the DRIP, including the dividend payable on January 15, 2021.

Normal Course Issuer Bid

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

CEO LETTER TO SHAREHOLDERS

My fellow shareholders,

We are approaching an important inflection point for Element, reflecting our evolution as the market leading provider of outsourced fleet management services and solutions.

With the transformation of our business and the strengthening of our financial position near completion, and with 19th Capital sold, we are pivoting to the pursuit of organic growth in all five countries where we operate.

As we pivot and evolve post-transformation, we expect that:

1. Our scalable operating platform will magnify single-digit revenue growth into high single-digit to low double-digit operating income growth;

2. A capital light*er* business model will further amplify these improvements, increasing cash available to shareholders and enhancing return on equity; and

3. We can achieve compelling Total Shareholder Returns as our profits increase and consistent, predictable cash flow is distributed to common shareholders by way of growing dividends and share buybacks.

I'd like to take this opportunity to step you through our thinking as to how these three strategic priorities combine to further our evolution as a growing, vibrant market leader.

Scalable Operating Platform

Two years ago, we set forth a three-pronged strategy to transform our fleet management business, strengthen our financial position and exit from an ill-fated investment in 19^{th} Capital. At its core was our client-centric plan to transform Element's operating platform and, in the process, increase our profitability. We overachieved all our targets in delivering a consistent, superior service experience to our clients, and actioning over $180 million in run rate profitability improvements to our business.

The investments we've made during our transformation have automated manual processes and upgraded our systems capabilities to create not only a best-in-class operating platform, but one that can absorb additional volume at little incremental cost. Given the significant tailwind from transformation – $60M of actioned operating income enhancement that will be delivered over the course of 2021 and beyond – we expect operating expenses to remain flat next year and not return to 2019 levels until 2023.

Our transformation also fostered a cultural shift at Element whereby curiosity and continuous improvement are now part of our organizational DNA. We continue to identify and act upon previously unrecognized opportunities to improve the client experience and/or our productivity.

This scalable operating platform will magnify single-digit revenue growth into high single-digit to low double-digit operating income growth. Even modest single-digit revenue growth will result in a healthy expansion of operating margin. With limited sustaining capex requirements and minimal cash tax obligations, operating income growth translates almost directly into cash available for distribution to common shareholders.

Capital-Light*er* Business Model

The second prong of our 2018 strategic plan centered on strengthening Element's financial position, primarily by reducing leverage and diversifying ready access to cost-efficient sources of funding.

This came to encompass a focus on reducing debt, replacing expensive sources of funding with superior instruments such as our inaugural U.S. investment grade unsecured notes, and syndicating assets to third-party buyers.

As we move forward, while both secured and unsecured financing will remain centrepieces of our funding structure, we are advancing a capital lighter strategy that will reduce the amount of equity required to support the assets we fund.

We will become capital lighter through greater use of syndication as a financing solution for our clients. Syndication – the sale of our fleet assets to a third party on a non-recourse basis – allows us to reduce the amount of financing (debt and equity) we carry on our balance sheet while still retaining the client relationship and the opportunity to deliver a full suite of fleet servicing solutions.

Armada is a perfect example of the benefits of being capital lighter. Our relationship with this large, rapidly growing client continues to evolve to our mutual benefit. Armada, having a low cost of capital, will own their vehicles going forward while Element continues to earn service revenues as Armada's trusted fleet-solutions partner and thought leader.

As a result, we no longer need to maintain approximately USD $150 million in equity to support the USD $1 billion interim facility we used to fund Armada assets before they were syndicated.

Being capital lighter not only frees up cash for distribution to shareholders; it also amplifies the impacts of revenue growth and operating leverage by enhancing returns on equity.

Total Shareholder Returns

As we did in 2018, we have once again set aggressive but achievable targets for Element. As our organization strives toward these targets, we expect the combination of earnings growth and our ability to return capital to shareholders to result in top-quartile total shareholder returns.

Our business is set to generate abundant cash for distribution as other calls on cash fall away. For example, we will have no need for cash to de-leverage once we settle in at sub-6x tangible leverage by year end. Similarly, the end of transformation means the end of our $180+ million of one-time investments in transformation. That cash is available for distribution in future years.

Further, we will have the aforementioned benefit of $60 million of operating income enhancement actioned by transformation but not yet delivered.

Importantly, this cash-generation is reliable even in the absence of growth – and has proven resilient through economic headwinds. We must continue to acknowledge the source of recent headwinds: the ongoing COVID-19 pandemic, which may also result in our clients not being ready to grow as quickly as we are.

When they are ready to grow, that will only add to our profitability and cash available for distribution.

Our success in achieving the ambitious goals we set out when we began our journey in 2018, combined with what we have learned along the way about the potential of this platform and our people, give us every reason to be optimistic that we will succeed yet again.

The Best Possible Outcome

We knew from the outset that the fleet management industry is a unique and attractive space and that, as the market leader, Element had a wealth of opportunities. Having strengthened both our operating platform and financial position to be – arguably – the best in this industry, we are now well-positioned to make the most of those opportunities.

The end result is an established market leader with a client-centric mentality and platform; the deepest knowledge base and greatest economies of scale; and the ability to deliver an unmatched suite of services and solutions to our clients.

This evolution of Element as a vibrant, growing market leader is the best possible outcome for any and all stakeholders: delivering value for our clients, providing superior risk-adjusted total returns to our investors, and offering career growth prospects for our Element colleagues.

Until next quarter,

Jay

Conference Call and Webcast

A conference call to discuss these results will be held on Tuesday, October 27, 2020 at 7:00 p.m. Eastern Time. The conference call and webcast may be accessed as follows:

- Webcast: http://services.choruscall.ca/links/elementfleet20201027.html
- North America Toll-Free: 1-800-319-8560
- International: 1-604-638-5345
- Passcode: 86810#

The webcast will be available on the Company's website for three months. A taped recording of the conference call may be accessed through November 27, 2020 by dialing 1-800-319-6413 or +1-604-638-9010 and entering the access code 5072.

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 unaudited interim condensed financial statements for the quarter ended September 30, 2020.

Element's unaudited interim condensed consolidated financial statements and related management discussion and analysis as at and for the three- and nine-month periods ended September 30, 2020 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 that outsource to Element across North America, Australia and New Zealand. The Company 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 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. For more information, visit www.elementfleet.com.

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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; plans to sell its interests in non-core assets; 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; 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; 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 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. Such risks and uncertainties include those regarding the ongoing COVID-19 pandemic, risks regarding the fleet management and finance industries, economic factors, risks related to the payment of dividends, risks related to business integration 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, 2019, 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.