News Release

Amounts in $CAD unless otherwise noted

Element Reports Resilient Third Quarter Results, Increases Common Dividend, Renews NCIB and Provides Outlook on 2022 and 2023

- *Element's third quarter net revenue increased 0.4% -- and 4.4% in constant currency -- over Q3 2020*
- *Free cash flow per share for Q3 grew 9.0% year-over-year and 14.7% year-over-year in constant currency*
- *Adjusted operating income was $125.6 million for the quarter, equivalent to $0.21 per share*
- *Q3 services revenue grew 5.2% from last year -- and 9.4% in constant currency -- controlling for the one-time services revenue benefit in Q3 2020*
- *Capital-light services and syndication revenues made up 55.3% of Q3 net revenue, and enhanced adjusted pre-tax return on common equity by 40 basis points quarter-over-quarter to 15.7%*
- *Element today announced a 19% common dividend increase, from $0.26 to $0.31 annually per share, and TSX approval of the renewal of the Company's normal course issuer bid to continue repurchasing common shares*
- *The Company's global Order backlog grew 33% from Q2 to $2.0 billion, representing an estimated $30 million to $50 million of deferred revenue, operating income and cash flow*

TORONTO, ON, November 10, 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 three and nine months ended September 30, 2021 showcasing the Company's resilient business model, as well as a 19% common dividend increase, renewal of its normal course issuer bid ("NCIB"), and the Company's outlook on 2022 and 2023.

Element's market-leading platform generated adjusted operating income ("AOI") of $125.6 million in Q3, equivalent to $0.21 per share, flat to Q3 2020 and up $0.01 per share from last quarter in constant currency. Element reported net income of $84.9 million or $0.18 per share for the quarter, a $0.04 per share increase year-over-year and $0.01 per share increase quarter-over-quarter.

Net revenue rose 0.4% on a nominal basis and 4.4% in constant currency over Q3 last year, while year-to-date net revenue is up 1.7% and 7.0% on the same bases respectively. Q3 free cash flow of $0.27 per share is a $0.02 per share increase from Q3 2020, and a $0.04 per share or 14.7% increase in constant currency.

Element's expanding year-to-date and last-twelve-month operating margins evidence the scalability of the Company's platform, as does 5.4% year-to-date AOI growth versus prior year, which is 11.3% growth in constant currency. Advancing Element's capital-lighter business model through syndication and growing services revenue has enhanced pre-tax return on equity to 15.7% as of the end of the quarter.

"Our business has never performed better, nor have we been better positioned in the market," said Jay Forbes, President and Chief Executive Officer of Element. "We significantly advanced our growth objectives in the third quarter, and we continue to steadily increase our free cash flow per share, which we view as the most important measure of Element's performance."

"Client demand for new vehicles remains robust, with global orders 34% above 2020 levels year-to-date in constant currency," Mr. Forbes continued. "However, OEM production delays from the global microchip shortage persist. The consequence has been a $0.5 billion net increase to our record order backlog since June 30. When OEM production capacity normalizes – which we expect to occur by mid-2023 – we anticipate enjoying a multi-quarter surge in net revenue, operating income and free cash flow as our excess order backlog is drawn down as quickly as production allows."

"Looking ahead to 2022 against the backdrop of these OEM production delays, we see our great business having a good year, continuing to showcase Element's resilience," Mr. Forbes continued, outlining the Company's expectations for 2022:

- Generating low single-digit net revenue growth, as strong services revenue growth offsets the impacts of continued OEM production delays;
- Holding operating margins at 2021 levels, absorbing inflation increases through inflationary revenue benefits and operating productivity gains;
- Growing adjusted earnings per share by 6-11% and free cash flow per share by 8-13% through a combination of modest AOI growth and fewer shares outstanding; and
- Advancing Element's capital-lighter business model by syndicating when it makes sense and growing services revenue, resulting in expected further enhancement of pre-tax returns on common equity towards the 16-17% range.

"We intend to return significant amounts of free cash flow to our shareholders in 2022 by way of a 19% increase in our common dividend and a renewed NCIB, as well as our intended redemption of Element's Series I preferred share class when the opportunity presents itself in June," Mr. Forbes added.

"Finally, in 2023," Mr. Forbes concluded, "we expect our great company to have a great year. We expect our excess Order backlog to begin to be Originated. We expect inflationary tailwinds to have their first full-year impact on our net revenue. And we expect to deliver outstanding financial and operational results for our shareholders."

Element's outlook on 2023 is further explored in Mr. Forbes' letter to shareholders beginning on page 11 of this news release; in the "Economic Conditions and Outlook" section of the Company's MD&A; and in the Company's Supplementary Information document for the quarter, available on Element's website.

Profitable revenue growth in 2021

Element is on track to meet its 4-6% annual net revenue growth target in constant currency for 2021. The Company grew net revenue $47.9 million or 7.0% in the first three quarters of this year compared to the same period last year on a constant currency basis, driven by net financing revenue growth of $41.5 million or 14.4%, services revenue growth of $4.5 million and syndication revenue growth of $1.9 million period-over-period. Element's scalable operating platform allowed the Company to expand operating margins on the same YTD period-over-period basis in constant currency from 51.4% at Q3 2020 to 53.5% at Q3 2021. The result is a magnified AOI growth rate of 11.3% on the same basis. Even absorbing the adverse impacts of a strengthening Canadian dollar year-to-date in 2021 versus the same period last year, Element grew net revenue by 1.7% and AOI by 5.4%.

The strong growth of net financing revenue – 14.4% YTD at Q3 2021 in constant currency versus same period last year, despite a material decrease in average net earning assets over the same period – is driven by lower costs of funding, gains on the sale of the Company's vehicles in ANZ and Mexico, and the reduction of Element's balance sheet allowance for credit losses year-to-date given the quality and performance of the Company's asset portfolio as well as improving economic circumstances.

Element's services revenue grew $12.8 million or 3.8% in constant currency year-to-date at Q3 versus same period last year when excluding the Q3 one-time services revenue ($8.3 million in constant currency) from last year's YTD results. This growth was driven by services revenue growth in ANZ and Mexico in addition to increased maintenance and long-term rental services provided to U.S. and Canadian clients.

Earning new business from existing clients – which the Company calls "share of wallet" (SOW) growth – is an important strategic pursuit for Element. The majority of SOW wins are in respect of additional services, deepening and expanding the number of client service subscriptions, which (i) improves client retention, (ii) grows profitable revenue atop the Company's scalable operating platform and (iii) advances Element's capital-lighter business model given the low capital-intensive nature of providing services (versus financing).

An overweighting on this aspect of the Company's revenue growth strategy is evident in third quarter results. Globally, Element contracted for 20% more SOW revenue units in Q3 2021 than in Q3 2020 and 31% more than in Q3 2019. The Company's commercial team in Mexico created a targeted marketing campaign for each service product offering in that market and grew LTM SOW revenue units by 109%.

The following table provides further 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.

	3Q21	3Q21 Δ	3Q20	3Q21 Δ	3Q19	3Q21 LTM	3Q21 Δ	3Q20 LTM	3Q21 Δ	3Q19 LTM
	Revenue units	%	Revenue units	%	Revenue units	Revenue units	%	Revenue units	%	Revenue units
Share of wallet										
Australia and New Zealand	7,268	(45%)	13,206	(1%)	7,369	28,077	(7%)	30,037	1%	27,672
Mexico	5,216	13%	4,631	(31%)	7,600	22,639	109%	10,808	31%	17,337
U.S. and Canada	56,269	43%	39,396	50%	37,512	254,832	83%	139,417	51%	168,847
Subtotal	**68,753**	**20%**	**57,233**	**31%**	**52,481**	**305,548**	**70%**	**180,262**	**43%**	**213,856**
Market share										
Australia and New Zealand	2,491	nmf	264	(55%)	5,589	11,551	(8%)	12,613	(46%)	21,564
Mexico	3,734	(10%)	4,138	27%	2,948	12,746	(27%)	17,461	(12%)	14,482
U.S. and Canada	28,504	157%	11,100	143%	11,743	93,381	342%	21,135	123%	41,892
Subtotal	**34,729**	**124%**	**15,502**	**71%**	**20,280**	**117,678**	**130%**	**51,209**	**51%**	**77,938**
Self-managed										
Australia and New Zealand	593	nmf	17,813	(2%)	605	15,078	(18%)	18,327	301%	3,756
Mexico	9,192	77%	5,182	396%	1,855	14,237	67%	8,532	26%	11,287
U.S. and Canada	6,805	22%	5,597	(67%)	20,474	20,984	17%	17,978	(57%)	48,336
Subtotal	**16,590**	**(42%)**	**28,592**	**(28%)**	**22,934**	**50,299**	**12%**	**44,837**	**(21%)**	**63,379**
Totals										
Australia and New Zealand	10,352	(67%)[1]	31,283	(24%)	13,563	54,706	(10%)[1]	60,977	3%	52,992
Mexico	18,142	30%	13,951	46%	12,403	49,622	35%	36,801	15%	43,106
U.S. and Canada	91,578	63%	56,093	31%	69,729	369,197	107%	178,530	43%	259,075
Global	**120,072**	**18%**	**101,327**	**25%**	**95,695**	**473,525**	**71%**	**276,308**	**33%**	**355,173**

1. Two major states in ANZ were in lock-down for most of Q3 2021.

A capital-lighter business model

Element advanced its capital-lighter business model in the quarter by syndicating $521 million of fleet assets as planned, meeting demand from the Company's growing base of frequent buyers and generating $13.9 million of revenue. The Company regularly transacts with new investors in fleet assets, having grown its buyer pool to 30 institutions with the addition of 5 new investors year-to-date.

As of the end of Q3, Element had transacted on $2.1 billion of fleet assets year-to-date; essentially flat to YTD volume at Q3 2020. The Company is on pace to achieve its syndication volume and revenue targets for 2021, which were modified in H1 to account for OEM production delays. The resulting limits on Originations defer the availability of certain fleet assets to Element that are attractive 'product" for the Company's syndication activities.

After syndicating 22 client names for the first time in Q2 this year, Element syndicated an additional 24 client names – each for the first time – in Q3. This included the Company's second-ever portfolio transaction, for which multiple clients' assets were pooled and syndicated en bloc to a single buyer. This portfolio approach had the effect of enhancing syndication revenue yield for Element.

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.

The other thrust of Element's capital-lighter business model is growing services revenue, which has a relatively low funding requirement – the net working capital position of procured services – compared with net financing revenue.

Q3 services and syndication revenues together comprised 55.3% of net revenue for the quarter and enhanced pre-tax return on common equity by 40 basis points quarter-over-quarter to 15.7%.

Cash return to shareholders

Element generated $0.27 of free cash flow per share in the quarter; a $0.02 per share improvement from Q3 2020 and $0.04 per share improvement on a constant currency basis. Per share growth is aided by the Company's repurchases of its common shares for cancellation pursuant to its NCIB.

When Element announced the establishment of its NCIB on October 27, 2020, the Company noted the program represented the first year of what management envisioned to be a regular, ongoing return of capital strategy. Today, Element announced that the Toronto Stock Exchange ("TSX") has approved Element's notice of intention to renew its NCIB. Further details of this announcement, the renewed NCIB and the prior NCIB can be found beginning on page 15 of this news release.

Element is also announcing a 19% increase to its common dividend, from $0.26 to $0.31 annually per share, effective immediately and therefore to be reflected in the Q4 2021 common dividend authorized and declared today to be paid in respect of Q4 2021 on January 14, 2022. With this increase, Element's common dividend represents approximately 30% of the Company's last twelve months' free cash flow per share, which is the mid-point of the 25% to 35% payout range the Company plans to maintain going forward.

Element has returned $567.6 million in cash to shareholders year-to-date as of October 31, 2021 by repurchasing 33,075,133 common shares for cancellation pursuant to the Company's NCIB and paying $111.2 million in dividends to common shareholders.

Adjusted Operating Results - as reported

(in $000's for stated values, except per share amounts)	**Three-month periods ended**			**Nine-month periods ended**	
	September 30, 2021	June 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
	$	$	$	**$**	$
Net revenue					
Servicing income, net	**121,075**	113,185	124,734	**348,749**	365,096
Net financing revenue	**109,328**	109,352	103,272	**329,700**	299,232
Syndication revenue, net	**13,937**	12,865	15,246	**49,891**	51,666
Net revenue	**244,340**	235,402	243,252	**728,340**	715,994
Adjusted operating expenses[1]					
Salaries, wages and benefits	**78,493**	72,654	74,910	**224,772**	225,239
General and administrative expenses	**24,355**	25,826	28,789	**77,327**	89,170
Depreciation and amortization	**15,866**	10,410	10,568	**36,802**	32,134
Adjusted operating expenses[1]	**118,714**	108,890	114,267	**338,901**	346,543
Adjusted operating income[1]	**125,626**	126,512	128,985	**389,439**	369,451
Provision for taxes applicable to adjusted operating income	**31,419**	32,577	21,927	**96,124**	63,635
Cumulative preferred share dividends	**8,103**	8,103	10,875	**24,309**	32,687
After-tax adjusted operating income attributable to common shareholders[1]	**86,104**	85,832	96,183	**269,006**	273,129
Weighted average number of shares outstanding [basic]	**416,353**	428,646	438,854	**427,753**	438,006
After-tax adjusted operating income per share[1] [basic]	**0.21**	0.20	0.22	**0.63**	0.62
Net income	**84,941**	80,872	70,778	**261,342**	208,730
Earnings per share [basic]	**0.18**	0.17	0.14	**0.55**	0.40

Adjusted Operating Results - in constant currency

(in $000's for stated values, except per share amounts)	**Three-month periods ended**			**Nine-month periods ended**	
	September 30, 2021	June 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
	$	$	$	**$**	$
Net revenue					
Servicing income, net	**121,075**	115,100	118,954	**348,749**	344,271
Net financing revenue	**109,328**	110,667	100,587	**329,700**	288,195
Syndication revenue, net	**13,937**	13,184	14,419	**49,891**	47,953
Net revenue	**244,340**	238,951	233,960	**728,340**	680,419
Salaries, wages and benefits	**78,493**	73,714	72,236	**224,772**	214,701
General and administrative expenses	**24,355**	26,201	27,731	**77,327**	85,020
Depreciation and amortization	**15,866**	10,551	10,166	**36,802**	30,778
Adjusted operating expenses[1]	**118,714**	110,466	110,133	**338,901**	330,499
Adjusted operating income[1]	**125,626**	128,485	123,827	**389,439**	349,920
Provision for taxes applicable to adjusted operating income	**31,419**	33,085	21,051	**96,124**	60,456
Cumulative preferred share dividends	**8,103**	8,103	10,875	**24,309**	32,687
After-tax adjusted operating income attributable to common shareholders[1]	**86,104**	87,297	91,901	**269,006**	256,777
Weighted average number of shares outstanding [basic]	**416,353**	428,646	438,854	**427,753**	438,006
After-tax adjusted operating income per share[1] [basic]	**0.21**	0.20	0.21	**0.63**	0.59

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

Commentary on Adjusted Operating Results

Element's adjusted operating income ("AOI") for the quarter was $125.6 million (equivalent to $0.21 on a per share basis), a $3.4 million or 2.6% FX-driven decline from Q3 2020 and an $0.9 million or 0.7% FX-softened decline from Q2 2021. On a constant currency basis, Q3 2021 AOI was $1.8 million or 1.5% higher than Q3 2020, and $2.9 million or 2.2% lower than prior quarter.

In constant currency, the year-over-year increase in Q3 AOI stemmed from higher net financing revenue and services revenue, each as discussed below, offset by higher adjusted operating expenses, which were driven by a one-time increase in compensation expense, and an increase in depreciation and amortization. These are discussed in further detail under "Adjusted operating expenses" below.

The modest quarter-over-quarter AOI decline on both nominal and constant currency bases was driven by the same adjusted operating expense growth noted above and further detailed below, and in spite of strong quarter-over-quarter net revenue growth on both nominal and constant currency bases, led by services revenue - again, detailed below.

Notably, notwithstanding lower quarter-over-quarter AOI, Q3 2021 adjusted EPS grew $0.01 on nominal and constant currency bases as a result of robust common share repurchase activity pursuant to our strategic priority to predictably return capital to Element shareholders.

Services revenue, net

Q3 *2020* services revenue benefitted from a one-time income acceleration of $8.8 million as a result of Armada purchasing certain vehicles from Element. Controlling for this one-time impact, Q3 2021 services revenue grew $5.2 million or 4.5% year-over-year and $10.4 million or 9.4% over the same period on a constant currency basis.

This growth was driven by revenue from accident services, long-term vehicle rentals and telematics in the U.S. and Canada, where services revenue grew 9.4% year-over-year in constant currency (and controlling for last year's one-time impact). U.S./Canadian growth was achieved in spite of significant OEM production delays indirectly suppressing services revenue contributors, remarketing being the prime example. Importantly, this remarketing service revenue is not lost but rather deferred until OEM production capacity normalizes. We discuss OEM production matters in detail under "Orders, Originations and Order Backlog" below.

Outside the U.S. and Canada, year-over-year Q3 services revenue grew 21.5% in Mexico and 7.2% in ANZ on constant currency bases -- results of our increased focus in all geographies on this proven resilient revenue stream. Our commercial teams are capitalizing on SOW opportunities with existing clients and selling services to new clients (a) won from other FMCs and (b) outsourcing self-managed fleets for the first time.

Quarter-over-quarter, services revenue grew $7.9 million or 7.0% with a modest assist from FX; quarter-over-quarter services revenue grew $6.0 million or 5.2% in constant currency. Growth in the U.S. and Canada of 10.9% on a nominal basis (*ie*. before FX tailwind) was driven by acquisition fees, accident services, telematics, titling and registration, and tolls & violations service revenue gains, and achieved in spite of remarketing volume and attendant revenue decline quarter-over-quarter. Again, this remarketing service revenue is deferred, not lost.

Services revenue in Mexico grew 13.7% quarter-over-quarter in constant currency while ANZ services revenue decreased 15.8% on the same basis – predominantly a consequence of the one-time provision release that benefitted Custom Fleet's services revenue in Q2 2021, as well as (but to a lesser extent) shelter-in-place edicts across various parts of Australia and New Zealand in Q3, which reduced overall client consumption of usage-based services for the quarter.

Year-to-date, Q3 services revenue has contracted $7.5 million or 2.1% from YTD 2020, but grown $12.8 million or 3.8% on a constant currency basis -- in both cases, excluding the Q3 one-time services revenue ($8.8 million; $8.3 million in constant currency) from last year's YTD results.

Strong services revenue growth across the business is a reflection of a combination of (a) a strengthened and reinvigorated Commercial effort, (b) a deliberate focus on services as an important source of revenue growth, and (c) the return of client vehicle activity levels toward pre-pandemic norms. Although we saw pre-pandemic activity levels at the end of July this year, weekly volumes have oscillated since. As noted above, much of ANZ was back in "lockdown" for material portions of Q3, but North American clients' consumption of services (and volumes of fuel - a solid indicator) has also been variable through Q3 and October.

We are confident that there remains further upside to services revenue growth as client vehicle activity levels sustainably return to and exceed pre-pandemic norms. Moreover, remarketing revenue remains depressed by OEM production delays, which will eventually be resolved - thereby releasing this significant pent-up contributor to services revenue.

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

Orders, Originations and Order Backlog

Orders

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

U.S. and Canadian vehicle order volumes year-to-date at October 31, 2021 are 48.7% above 2020 year-to-date order volumes at October 31 (in constant currency), and are largely consistent with 2017 and 2018 vehicle order volumes on the same basis. (2019 order volume in the U.S. was significantly enlarged by Armada as we adopted them as a new client to rapidly build out their fleet requirements.) October 2021 was the single largest month of U.S. and Canadian vehicle orders in Element's history (excluding historical Armada orders).

Custom Fleet (ANZ) has seen vehicle orders grow 35.1% YTD vs. YTD 2020, while Element Mexico's YTD 2021 orders have grown 52.3% year-over-year.

Originations

Automotive OEM production delays driven by the global microchip shortage have constrained origination volumes throughout 2021 – particularly in the U.S., Canada and ANZ.

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)	**September 30, 2021**		June 30, 2021		September 30, 2020	
	$	**%**	$	%	$	%
United States and Canada	**996,511**	**75.82**	888,254	74.14	1,032,225	80.69
Mexico	**181,610**	**13.82**	167,145	13.95	113,173	8.85
Australia and New Zealand	**136,113**	**10.36**	142,703	11.91	133,865	10.46
Total	**1,314,234**	**100.00**	1,198,102	100.00	1,279,263	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)	**September 30, 2021**		June 30, 2021		September 30, 2020	
	$	**%**	$	%	$	%
United States and Canada	**996,511**	**75.82**	906,772	74.39	984,979	79.82
Mexico	**181,610**	**13.82**	171,385	14.06	118,195	9.58
Australia and New Zealand	**136,113**	**10.36**	140,593	11.54	130,862	10.60
Total	**1,314,234**	**100.00**	1,218,750	100.00	1,234,036	100.00

We originated just over $1.3 billion of assets in Q3, which is a 9.7% improvement over prior quarter as reported and a 7.8% improvement on a constant currency basis. Originations in the quarter were also greater than in Q3 last year by 2.7% as reported and 6.5% in constant currency.

U.S. and Canadian originations grew a modest 1.2% year-over-year in constant currency and 9.9% over prior quarter on the same basis. We did originate vehicles for Armada in the U.S. in Q3, although these are not originations that turn into leases and generate net financing or syndication revenue for Element. We continue to earn increasing services revenue in respect of Armada's growing fleet.

Originations in Mexico in Q3 grew 53.7% year-over-year and 6.0% over prior quarter, in both cases on a constant currency basis. Mexico continues to be the market least impacted by OEM production delays to date.

Originations in ANZ for the quarter grew 4.0% in constant currency over Q3 of last year but declined 3.2% in constant currency sequentially as a result of the pandemic-driven lockdowns in the region as previously noted.

Order Backlog

Robust client demand for vehicles opposite OEM production delays has resulted in record vehicle order backlogs in each of our operating geographies (excluding historical Armada orders in the U.S.).

Our global order backlog on September 30th stood at $2.0 billion, a $0.5 billion increase (in constant currency) over the June 30, 2021 backlog of $1.5 billion; and a 186% or $1.3 billion increase (in constant currency) over the September 30, 2020 backlog.

We estimate the current $2.0 billion order backlog represents approximately $1.2 billion of orders in excess of our average Q3 order backlog. These $1.2 billion orders represent approximately

- $35 to $40 million in deferred net revenue,
- $30 to $35 million in deferred adjusted operating income, and
- $45 to $50 million in deferred free cash flow.

From our current vantage point, we believe OEM production delays are likely to improve modestly over the course of 2022, enabling our originations to do the same. We expect OEMs to recover full production capacity by the end of H1 2023, allowing them to start drawing down our order backlog shortly thereafter.

When that time comes, we expect Element will enjoy a multi-quarter surge in revenue and consequent outsized increases in operating income (given our scalable platform) and cash flow (considering the highly profitable and cash-accretive nature of originations for our business). We provide more information on this subject in our Supplementary Information document for the quarter, available on the Company’s website.

Net financing revenue

Net financing revenue for the quarter grew $6.1 million or 5.9% year-over-year — despite an 18.1% decrease in average net earning assets over the same period driven by syndication and OEM production delays limiting origination volumes. On a constant currency basis, Q3 2021 net financing revenue grew $8.7 million or 8.7% year-over-year despite average net earning assets shrinking 15.5% on the same basis.

This strong performance was driven by:

- lower costs of funding, with our efforts to optimize our debt structure continuing to reduce pure interest expense and credit facility fees;
- gains on the sale of used vehicles ("GOS") in ANZ - and, to a lesser extent, Mexico - where we continue to benefit from the supply-constrained secondary market; and
- the reduction of our balance sheet allowance for credit losses. Improving economic circumstances and the outstanding quality and performance of our asset portfolio resulted in the inclusion of a provision for credit loss reversal in Q3 2021 net financing revenue.

Quarter-over-quarter, net financing revenue was essentially flat as reported, and down $1.3 million or 1.2% on a constant currency basis. The primary headwind quarter-over-quarter was the pandemic-driven conditions in ANZ previously noted, which had a modest negative impact on GOS in the quarter versus prior quarter due to lower volume. We continue to materially outperform historical norms for GOS per transaction in that market.

For the nine-month period ended September 30, 2021, net financing revenue is $30.5 million or 10.2% higher than it was for the same nine-month period last year. On a constant currency basis, the delta is $41.5 million or

14.4%. This double-digit growth is attributable to the same drivers of Q3 2021 performance year-over-year identified above.

As noted last quarter, net financing revenue is likely to further decline, albeit modestly, in this second half of 2021. This is despite continued execution on incremental interest expense saving opportunities. GOS in ANZ has historically been lowest in the fourth quarter of every year (excluding last year, when secondary vehicle markets rebounded in H2 from H1 lockdowns), and Q4 GOS decline this year may be exacerbated by lockdowns that continued into the early part of the quarter in ANZ. In the U.S. and Canada, OEM production delays continue to constrain originations, which, in turn, impacts net financing revenue.

Net financing revenue yield on average net earning assets

	For the three-month periods ended			For the nine-month periods ended	
(in $000's for stated values)	**September 30, 2021**	June 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Average net earning assets	**$ 8,928,182**	$ 9,161,155	$ 10,895,388	**$ 9,412,812**	$ 11,477,320
Net interest income and rental revenue	**6.99 %**	6.85 %	6.48 %	**6.77 %**	6.58 %
Interest expense	**2.09 %**	2.08 %	2.69 %	**2.10 %**	3.10 %
Net financing revenue yield on average net earning assets	**4.90 %**	4.77 %	3.79 %	**4.67 %**	3.48 %
Average debt outstanding	**$ 7,937,478**	$ 8,193,170	$ 11,715,194	**$ 8,636,010**	$ 12,588,633
Average cost of debt (Interest expense / average debt)	**2.35 %**	2.32 %	2.50 %	**2.29 %**	2.83 %
Average 1-Month LIBOR rates	**0.08 %**	0.10 %	0.16 %	**0.13 %**	0.64 %

Average net earning assets decreased 18.1% or $2.0 billion year-over-year and 2.5% or $233.0 million quarter-over-quarter - in both cases, largely as a result of (a) below average origination volumes due to OEM production delays and (b) syndication.

At the same time, net financing revenue yield on average net earning assets has improved 111 basis points year-over-year and 13 basis points quarter-over-quarter, reflecting:

- The resilience of net financing revenue for the reasons noted above; and
- The evolving geographic mix of assets on our balance sheet.

We do not expect net financing revenue yield to change materially in Q4.

Syndication revenue, net

Demand for our syndicated assets continues to be robust and we continue to mature this revenue stream. We regularly transact with new investors in our assets, having grown our regular buyer pool to 30 institutions with the addition of 5 new investors year-to-date - with whom we have done approximately $80 million of transactions this year. Year-to-date at the end of Q3, we had transacted on $2.1 billion of fleet assets; essentially flat year-over-year. This syndication activity contributes meaningfully to both a reduction in our tangible leverage and a return of excess capital to shareholders by way of $416.4 million in share buybacks year-to-date.

After syndicating 22 client names for the first time in Q2 this year, we syndicated an additional 24 client names - each for the first time - in Q3. This included our second-ever portfolio transaction, for which multiple clients' assets were pooled and syndicated en bloc to a single buyer. This portfolio approach had the effect of enhancing syndication revenue yield.

We syndicated $521 million of assets in the quarter as planned - $79 million less than in Q3 2020 and $89 million less than prior quarter - generating $13.9 million of syndication revenue representing a 2.67% yield on assets syndicated.

Compared to Q3 2020, syndication revenue for the quarter was $0.5 million or 3.3% lower on a constant currency basis - $1.3 million or 8.6% lower as reported - but 7 basis points higher in yield in constant currency, and 8 basis points higher as reported.

Syndication revenue grew $0.8 million or 5.7% in constant currency quarter-over-quarter - $1.1 million or 8.3% growth as reported - and yield improved 56 basis points in constant currency.

Notwithstanding the increase in syndication revenue yield for the quarter compared to last quarter and Q1 2021, those H1 syndication revenue yields continue to be closer to the recurring quarterly yields we are forecasting at this time. Yields vary based on the mix (client credit rating, remaining lease durations, lease pricing terms, etc.) of assets syndicated in the period, in addition to benchmark U.S. treasury swap rates.

Adjusted operating expenses and margins

Adjusted operating expenses of $118.7 million for the quarter were 3.9% or $4.4 million higher than last year ($8.6 million in constant currency) and 9.0% or $9.8 million higher than last quarter ($8.2 million in constant currency).

Last quarter we indicated that adjusted operating expenses would be higher in the second half of this year. The increase in Q3 is attributable to:

- a one-time adjustment booked to Q3 salaries and related expenses to adjust the short-term incentive accrual for the outstanding performance of the business;
- higher IT and related general and administrative expenses in the quarter as we continue to enhance our technological capabilities; and
- several work-in-process projects - many of which began as Transformation initiatives - becoming "operational" in the quarter by accounting standards, resulting in
    - the beginning of the depreciation and amortization of same and
    - the accelerated full depreciation and amortization of assets that have become redundant as a result.

We forecast slightly lower adjusted operating expenses in the fourth quarter.

Year-to-date adjusted operating expenses are $7.6 million or 2.2% less than they were year-to-date at Q3 last year; however, in constant currency on the same comparative basis, adjusted operating expenses increased $8.4 million or 2.5%, which is mostly attributable to the Q3 increase in depreciation and amortization.

Operating margin for the quarter was 51.4%, 160 basis points less than Q3 2020 and 230 basis points less than Q2 2021. We signaled this expected contraction as part of last quarter's disclosures. On a constant currency basis, the same deltas were 150 and 240 basis points respectively. The primary driver of these contractions was Q3 2021 adjusted operating expenses, the growth of which is discussed above.

Year-to-date operating margin is 53.5% - a 190 basis point improvement from 2020 year-to-date at Q3 and a 200 basis point improvement on a constant currency basis.

CEO LETTER TO SHAREHOLDERS

My fellow shareholders,

I've long been an advocate for strategic agility – setting a bold course for stakeholder value creation and executing same, with a balance of focus and open-mindedness in recognition of the well-proven adage that *the best laid plans of mice and men*…

This ability to stay open and responsive to changing business dynamics has served Element well as we navigated the complexities of transformation and the unknowns of the pandemic, and it will serve us equally well as we plot our way through the unexpected challenges arising from an industry-first vehicle supply shortage.

The ability to embrace and action new opportunities together with the ability to identify and mitigate new risks has allowed Element to

- Grow global net promoter score from -9 to 26
- Achieve record high levels of client retention
- Improve employee engagement to 86%
- Expand its operating margin from 44.3% to 53.4%
- Eliminate $4.8 billion[1] in debt, reducing tangible leverage from 9.6x to 5.8x
- Improve pre-tax Return on Equity from 11.9% to 15.7%,

all over the last three years.

<u>The business has never performed better, nor has it been better positioned in the market.</u>

Becoming a Great Company: 2021 Performance

Element's progress in becoming a <u>great</u> company is evident in our forecast results for 2021, where we expect to deliver:

- Organic revenue growth of approximately 4-5% and we expect to exit 2021 with an all-time high order backlog of between $2.5 and $2.8 billion, representing approximately $40 million to $65 million in deferred revenue, operating income and cash flow;
- Operating margin expansion to approximately 53% which, when combined with the organic revenue growth, translates into 5-6% growth in Adjusted Operating Income (AOI);
- Strong free cash flow per share growth of 3-4%, which should result in more than $650 million in cash returned to investors through a higher dividend and share buybacks;
- Virtually flat adjusted EPS as the increase in AOI and decrease in common shares is offset by a step-up of our effective tax rate; and
- A capital-lighter business model, with an improved pre-tax return on equity exceeding 15%.

Importantly, the aforementioned performance is expected to be achieved in a year plagued by pandemic-related challenges, namely a slower-than-expected return to normal service consumption levels, and OEM production shortages. I am proud of the speed at which our people adjusted to these externalities and, as a result, our ability to continue to deliver significant financial performance and value to shareholders. I believe the changes we introduced in response to these pandemic-related challenges have further strengthened our claim to being a great company worthy of your investment.

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[1] All financial figures herein and the cited differences between them are calculated on a constant currency basis, except debt and pre-tax return on equity.

OEM Production Shortages

While our clients' demand for vehicles has returned to – indeed surpassed – pre-pandemic levels, the OEMs' inability to fill these orders has resulted in a massive backlog, and created a significant deferral of revenue, operating income and cash flow. We emphasize deferred – not lost – because technically, orders placed by clients are legally-binding commitments to Element. Practically, our clients need a vehicle now to either replace an existing vehicle or to meet the growth requirements of their business. For both reasons, the $2.5+ billion order backlog represents guaranteed – but deferred – revenue for Element.

The revenues (and associated operating income and cash flow) deferred run the full continuum:

- Net Financing Revenue is deferred as we await vehicle deliveries and experience delays in new financing revenues, which are highest at the outset of the lease;
- Syndication revenue is deferred as lower Originations reduce the volume of syndication transactions; and
- Services revenue is deferred as we delay the remarketing of vehicles for clients and third-parties (one of our top services revenue generators).

While we expect 2022 to be a better year for Originations than 2021, we believe OEM production will run at less than full capacity for the entire year.

That said, there are some silver linings to these production delays, and they highlight the value - to both Element and our clients - of our unmatched breadth of service solutions. For instance, we are booking Services revenue that we wouldn't otherwise generate without the current constraints on Originations.

- Demand for vehicle maintenance is increasing as aging vehicles need more attention to remain in service. As mileage piles up, big-ticket repairs can no longer be put off. We are proactively advising our clients on upgrading their strategic preventative maintenance programs and helping them manage the costs of keeping their mission-critical vehicles on the road, deepening those client relationships in the process.

- We are also seeing high demand for long-term vehicle rentals, for two reasons. First, some clients are starting to grow their fleets again, and they can't get new leased vehicles to support that growth. Second, fleet vehicles that are no longer fit for purpose for various reasons – such as having been written-off in an accident – cannot be readily replaced with new vehicles. Our access to suitable long-term rental vehicles brings enormous value to clients in these circumstances by ensuring they can meet their day-to-day operating needs uninterrupted and hassle-free.

Our perspective on these types of revenue streams is the same as our perspective on the outsized gains on the sale of used vehicles that we continue to generate in Australia & New Zealand (ANZ) and, to a lesser extent, Mexico: but for OEM production delays, we would not be earning this scale of revenue, operating income and cash flow from these transactions. At the same time, the net financing revenue pent-up in our record order backlog is guaranteed and unaffected.

Most of our Services revenue streams are unimpacted by the OEM production delays – think accident repairs, annual registrations, driver safety training and risk management, emergency roadside assistance, seasonal tire changes, taxable benefits reporting, telematics, tolls and violations processing, etc. As we continue to increase our "share of wallet" and add revenue units through market share gains and self-managed fleet wins, the net revenue contribution of our services will continue to grow.

Overall, our unmatched services offering enables us to drive net revenue, operating income and free cash flow largely independent of Origination volumes. And OEM production delays are a net Services revenue tailwind the longer the circumstances persist. Moreover, we know that when the global microchip shortage abates and OEM production capacity normalizes, we will convert our record order backlog into substantial Origination volumes and earn the related, currently-deferred revenue all the same.

2022 Outlook: A Great Company Having A Good Year

When I think about the year ahead against the backdrop of these OEM production delays, I'm envisioning a great company having a good year as we continue to hone our capabilities and advance our strategic ambitions while patiently awaiting the resumption of normal levels of vehicle deliveries.

While 2022 had all the makings of a great year – a massive order backlog, an outstanding commercial growth pipeline, a solid inflationary tailwind – it won't be quite the year we had anticipated. While we believe service consumption will largely return to sustained pre-pandemic levels by the end of 2021, we believe OEM production shortages (and the semiconductor chip shortages that underpin same) will take longer to resolve than we originally expected and, accordingly, we anticipate another year wherein a portion of our growing revenues, operating income and cash flow will be deferred.

Nonetheless, we expect 2022 will be a good year for Element:

- Organic revenue growth of approximately 1-3% as strong growth in Services revenue and continuing Gains on Sale in ANZ and Mexico compensate for revenues deferred by the delay in Originations;
- Operating margins maintained at 2021 levels as the business absorbs inflation increases through inflationary revenue benefits and operating productivity gains;
- Adjusted earnings per share growth of 6-11% and Free Cash Flow per share growth of 8-13%, resulting from modest AOI growth and ~6% fewer shares outstanding; and
- A capital-lighter business model -- enabled by higher syndication volumes and low capital-intensive Services revenue growth (which, together with Syndication, will constitute an estimated 55-60% of total revenues) -- growing pre-tax return on equity to an estimated 16-17%.

Based on our forecast performance for 2022, and confident in the pent-up profits and cash flow in our order backlog, we have announced a 19% increase in the common share dividend, renewed our normal course issuer bid for another year and signalled our intention to redeem the series I preferred shares.

2023 Outlook: A Great Company Having A Great Year

Looking past the coming year and through to 2023 when we can reasonably expect our excess order backlog in the U.S. and Canada to begin to be cleared, we can readily envision our great company having a great year.

With expectations of OEM production capacity back to 100% by the end of the first half of 2023, and with expectations that current inflationary pressures will have their first full year's worth of positive impact on our results in 2023, we expect Element to deliver outstanding financial results including:

- Organic revenue growth of approximately 8-10% as deferred revenue (realized on the drawdown of excess Order backlog) adds to the strong organic growth in Services and Net Financing Revenues;
- Operating margin expansion of 200-300 bps as our scalable operating platform absorbs the increased revenues with little operating cost increases;
- Adjusted earnings per share growth of 13-19% resulting from strong AOI growth and reduced share count;
- Free Cash Flow per share growth of 20-27% as cash-accretive Originations ramp back up; and
- A capital-lighter business model - enabled by higher syndication volumes and low capital-intensive Services revenue - growing pre-tax return on equity to an estimated 18-20%.

I'm now well into my fourth year with Element and never have I been more confident regarding the future success of this Company. Our Commercial teams are hitting their full stride in all three regions, for the very first time. Operations has never been more efficient nor more effective in their care of our clients. Finance has given us unbridled access to cost-effective capital that allows us to compete with anyone in our markets. And our people - more experienced and capable from overcoming the challenges of the last few years - are engaged and collaborative, quickly disseminating best practices across our global footprint to deliver a superior client experience, consistently, to each of our 5,500 clients. Yours is a great Company.

Until next quarter,

Jay

Conference Call and Webcast

A conference call to discuss these results will be held on Wednesday, November 10, 2021 at 7:00 p.m. Eastern Time. The conference call and webcast may be accessed as follows:

- Webcast: http://services.choruscall.ca/links/elementfleet20211110.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 December 10, 2021 by dialing 1-800-319-6413 or +1-604-638-9010 and entering the access code 7883.

Dividends Declared

The Company's Board of Directors has authorized and declared a quarterly dividend of $0.0775 per outstanding common share of Element for the fourth quarter of 2021. The dividend will be paid on January 14, 2022 to shareholders of record as at the close of business on December 31, 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	December 15, 2021	December 31, 2021
Series C	EFN.PR.C	$0.3881300	December 15, 2021	December 31, 2021
Series E	EFN.PR.E	$0.3689380	December 15, 2021	December 31, 2021
Series I	EFN.PR.I	$0.3593750	December 15, 2021	December 31, 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 Bids

On November 4, 2020, the TSX approved the Company's notice of intention to commence a NCIB for its issued and outstanding common shares ("Common Shares"). The NCIB allowed 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, subject to the terms and conditions of TSX rules and applicable securities laws. Under the NCIB for the three- and nine-month periods ended September 30, 2021, the Company repurchased for cancellation 8,725,688 and 30,085,733 Common Shares, respectively, for approximately $122.5 million and $416.4 million, respectively, including commission, at a volume weighted average price of $14.03 and $13.84 per Common Share, respectively. Under the NCIB for the period from commencement up to and including October 31, 2021, the Company repurchased for cancellation an aggregate of 33,837,233 Common Shares for approximately $466.4 million, including commission, at a volume weighted average price of $13.79 per Common Share. 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 Common Shares. Under the NCIB, the Company has repurchased Common Shares over the TSX and over alternative trading systems in Canada.

At the time of establishing the NCIB in November 2020, Element noted that the program would be the first year of an envisioned regular, ongoing return of capital strategy. Today, the Company announced the TSX has approved Element's notice of intention to renew its NCIB for the Company's issued and outstanding Common Shares.

Under the NCIB approved by the TSX, the Company may purchase on the open market (or otherwise as permitted) up to 40,968,811 Common Shares, representing approximately 10% of the "public float" of the Common Shares, at its discretion during the period commencing on November 15, 2021 and ending on the earlier of November 14, 2022 and the completion of purchases under the NCIB. The actual number of Common Shares which may be purchased pursuant to the NCIB and the timing of such purchases will be determined by management of the Company, subject to applicable law and the rules of the TSX.

Under the rules of the TSX, during the six months ended October 31, 2021, the average daily trading volume of the Common Shares on the TSX was 678,774, and, accordingly, daily purchases on the TSX pursuant to the NCIB will be limited to 169,693 Common Shares, other than purchases made pursuant to the block purchase exception. As of October 31, 2021, the Company had 410,501,730 Common Shares issued and outstanding and a "public float" of 409,688,114 Common Shares.

Purchases made pursuant to the NCIB are expected to be made through the facilities of the TSX, or such other permitted means (including through alternative trading systems in Canada), at prevailing market prices or as otherwise permitted. The NCIB will be funded using existing cash resources and any Common Shares repurchased by the Company under the NCIB will be cancelled. The Company believes that the NCIB is in the best interests of the Company and constitutes a desirable use of its funds.

The Company will enter into an automatic securities purchase plan ("ASPP") with an independent designated broker in order to facilitate repurchases of Common Shares. The ASPP has been approved by the TSX and will be entered into effective as of November 15, 2021, the commencement date of the NCIB.

Under the ASPP, the Company's independent designated broker may purchase Common Shares under the NCIB at times when the Company would ordinarily not be permitted to, due to its regular self-imposed blackout periods. Before the commencement of any particular internal trading black-out period, the Company may, but is not required to, instruct its independent designated broker to make purchases of Common Shares under the NCIB during the ensuing blackout period in accordance with the terms of the NCIB. Such purchases will be determined by the independent designated broker in its sole discretion based on parameters established by the Company prior to commencement of the applicable blackout period in accordance with the terms of the ASPP and applicable TSX rules. Outside of these blackout periods, Common Shares will continue to be purchasable by the Company at its discretion under the NCIB.

The ASPP will terminate on the earliest of the date on which: (a) the purchase limit specified in the ASPP has been reached, (b) the purchase limit under the applicable NCIB has been reached, (c) the Company terminates the ASPP in accordance with its terms, in which case the Company will issue a press release confirming such termination, and (d) the applicable NCIB terminates.

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 September 30, 2021.

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, 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.