



# News Release

## Element Fleet Management Provides Q2 2017 Results on Newly Segmented Basis and Announces Intention to Launch Normal Course Issuer Bids for Preferred Shares and Debentures

**TORONTO, Ontario, August 10, 2017** - Element Fleet Management Corp. (TSX:EFN) (“Element” or the “Company”), one of the world’s largest publicly traded fleet management companies and a leading fleet-focused business services provider, today announced financial results for continuing operations for the three-month and six-month periods ending June 30, 2017.

As announced on July 24, 2017, the Company adopted new segmentation of core fleet management assets and non-core assets. See the disclosure in the Company’s Management Discussion & Analysis (“MD&A”) for the three-month and six-month periods ending June 30, 2017 for additional information. The table below sets out summary financial metrics for fleet management assets as well as non-core assets.

In millions, except per share amounts and where otherwise noted	Core Fleet Management	Non-Core Assets	Total
Net earning assets	\$12,391.0	\$1,261.8	\$13,652.8
Net revenue	\$224.5	\$23.0	\$247.5
Adjusted operating expenses	\$121.5	\$1.6	\$123.1
Share of loss from 19th Capital <sup>(1)</sup>	-	\$10.9	\$10.9
Provision in 19 <sup>th</sup> Capital	-	\$30.0	\$30.0

After-tax adjusted operating income (to common shareholders)	\$71.1	\$18.4	\$89.5
Adjusted basic EPS	\$0.18	\$0.05	\$0.23

Note (1): Share of loss from 19<sup>th</sup> Capital Group LLC, including \$8.2 million of operating losses.

“We continue to execute on our goal of being the world leader in delivering technology-enabled services to fleet customers,” said Bradley Nullmeyer, Element’s Chief Executive Officer. “Segmenting our business between our growing fleet management operations and non-core assets will provide investors with greater clarity as we pursue this objective, and help us to manage the non-core assets in a way that maximizes value and the return of capital to our shareholders.”

Element also announced today that it intends to file with the Toronto Stock Exchange (the “TSX”) a notice of intention to commence normal course issuer bids for each series of its

issued and outstanding preferred shares and debentures. The proposed normal course issuer bids would provide the Company with a flexible way of rebalancing its capital structure while returning value to security holders that choose to participate.

#### **Key Q2 2017 core fleet management financial data:**

- Core fleet management net revenue was \$224.5 million, up 0.9% from \$222.5 million in Q2 2016 and up 5.9% from \$212.0 million in Q1 2017.
- Core fleet management service and other revenue was \$143.4 million, up 5.9% from \$135.4 million in Q2 2016 and up 11.6% from \$128.4 million in Q1 2017.
- Core fleet management net interest and rental revenue was \$81.0 million, down 6.9% from \$87.1 million in Q2 2016 and down 3.0% from \$83.6 million in Q1 2017.
- Core fleet management after-tax adjusted operating income (as defined in the MD&A for the quarter) was \$71.1 million or \$0.18 per share (basic) attributable to common shareholders, compared with \$77.1 million or \$0.20 per share in Q2 2016 and \$68.6 million or \$0.18 per share in Q1 2017.
- Core fleet management originations were \$1.91 billion, up 15.2% from \$1.66 billion in Q2 2016 and up 38.4% from \$1.38 billion in Q1 2017.
- Core fleet management total average earning assets were \$12.4 billion, down 0.5% from \$12.5 billion in Q2 2016 and relatively unchanged from Q1 2017.

#### **Key H1 2017 core fleet management financial data:**

- Core fleet management net revenue was \$436.5 million, down 2.9% from \$449.7 million in H1 2016.
- Core fleet management service and other revenue was \$271.8 million, up 0.8% from \$269.6 million in H1 2016.
- Core fleet management net interest and rental revenue was \$164.6 million, down 8.6% from \$180.0 million in H1 2016.
- Core fleet management after-tax adjusted operating income was \$139.7 million or \$0.36 per share (basic) attributable to common shareholders, compared with \$150.9 million or \$0.39 per share in H1 2016.
- Core fleet management originations were \$3.29 billion, relatively unchanged from in H1 2016.
- Core fleet management total average earning assets were \$12.47 billion, down 2.9% from \$12.84 billion in H1 2016.

#### **Operations update**

Element opened the Xcelerate platform to all of its customers in early 2017, allowing them to harness a wide range of fleet and third-party data and apply it to make fleets safer, smarter and more productive. The Company continued to add powerful analytics tools to the core platform and enhance its overall scope. For example, most recently, Element's customers were provided the ability to integrate data provided by OnStar directly into the Xcelerate platform, making Element the largest fleet management company with such capabilities.

“We continue to leverage the large scale of our customer base and our deep expertise in fleet management,” said Daniel Jauernig, Element's President and Chief Operating Officer. “These advantages allow us to develop leading-edge technology that benefits our existing

customers and helps us to win even more business with increased penetration of our comprehensive suite of fleet management solutions.”

### Non-core assets

Non-core assets represented approximately 8% of Element’s assets and included those assets listed in the table below.

Category	Description	Total Assets
19 <sup>th</sup> Capital Group LLC	Senior term loans (A&B) and revolver equipment loan	\$824.5
19 <sup>th</sup> Capital Group LLC	Equity ownership (49.99%)	\$81.4
ECAF I Holding Ltd	32.5% interest in ECAF Holdings Ltd., an indirect owner of ECAF I Ltd., an issuer of rated pooled-aircraft ABS	\$131.5
Rail Notes	100% of the 2016 - Class B notes of Element Rail Leasing LLP	\$30.2
New Zealand Equipment Finance Portfolio	Portfolio of various vehicles and equipment	\$48.6
Heavy Duty Truck Portfolio	Portfolio of Class 8 tractors and trailers in the U.S.	\$227.1
<b>Total</b>		<b>\$1,343.3</b>

Overall, net revenue for Non-Core operations was \$23.0 million in Q2 2017, a decline of 13.9% from \$26.8 million in Q2 2016. For H1 2017, net revenue was \$49.5 million, a decrease of 28.7% compared to \$69.5 million in H1 2016.

Service and other revenue within this segment was primarily related to fees delivered in connection with a range of services provided to non-fleet customers. By nature of the various commercial arrangements, such fees are not recurring in nature and will fluctuate over time.

Net interest and rental revenue declined in both Q2 2017 and H1 2017 from a year earlier primarily due to the run-off nature of the equipment finance portfolio in New Zealand, which was acquired as part of the GE Fleet transaction, as well as due to the structure of the 19<sup>th</sup> Capital Group LLC joint venture.

### Update on the non-core 19th Capital Group LLC joint venture

In Q2 2017, Element recorded a loss of \$10.9 million before tax from its interest in the non-core 19th Capital Group LLC joint venture. This operating loss comprised of \$8.2 million in operating losses and the remaining \$2.7 million was related to losses on sale of equipment during the quarter. For H1 2017, the operating loss before tax was \$21.1 million.

In addition, the Company recorded a \$30 million reserve against certain assets of the joint venture, which also serves to reduce the carrying value of its equity stake in the joint venture, to allow for increased flexibility for the joint venture to execute on a refreshed strategic plan. This includes increasing the focus on the movement of units to small corporate fleets, expediting the sale or trade-in of certain units, and optimizing the size and composition of the fleet to improve overall efficiency. The Company anticipates that these actions will serve to right-size the operating fleet, increase utilization rates, and improve Element’s cash flows through the operation of newer and more efficient vehicles.

## **Normal course issuer bids for preferred shares and debentures**

If the TSX accepts Element's notice of intention to commence normal course issuer bids for each series of its issued and outstanding preferred shares and debentures, the Company would be permitted to repurchase for cancellation, at its discretion during the 12 months following such acceptance, up to 10% of the "public float" (calculated in accordance with the rules of the TSX) of each series of its issued and outstanding preferred shares and debentures.

All purchases under such normal course issuer bids will be made on the open market or as otherwise permitted subject to the terms and limitations to be applicable to each bid. The actual number of securities, if any, that may be repurchased under each bid, and the timing of any such repurchases, will be determined by Element, subject to the limitations imposed by the TSX. There cannot be any assurance as to how many securities, if any, will ultimately be acquired by Element under each bid.

## **Dividends declared**

The Company's Board of Directors has authorized and declared a quarterly dividend of \$0.075 per outstanding common share of Element for the third quarter of 2017. The dividend will be paid on October 16, 2017 to shareholders of record as at the close of business on September 29, 2017. These dividends are designated to be eligible dividends for purposes of section 89(1) of the Income Tax Act (Canada).

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

- A quarterly dividend of \$0.41250 per outstanding Cumulative 5-Year Rate Reset Preferred Share, Series A (TSX: EFN.PR.A) payable on September 29, 2017 to shareholders of record as at the close of business on September 15, 2017. The dividend payment is for the quarterly period up to but excluding September 30, 2017.
- A quarterly dividend of \$0.40625 per outstanding Cumulative 5-Year Rate Reset Preferred Share, Series C (TSX: EFN.PR.C) payable on September 29, 2017 to shareholders of record as at the close of business on September 15, 2017. The dividend payment is for the quarterly period up to but excluding September 30, 2017.
- A quarterly dividend of \$0.40000 per outstanding Cumulative 5-Year Rate Reset Preferred Share, Series E (TSX: EFN.PR.E) payable on September 29, 2017 to shareholders of record as at the close of business on September 15, 2017. The dividend payment is for the quarterly period up to but excluding September 30, 2017.
- A quarterly dividend of \$0.40625 per outstanding Cumulative 5-Year Rate Reset Preferred Share, Series G (TSX: EFN.PR.G) payable on September 29, 2017 to shareholders of record as at the close of business on September 15, 2017. The dividend payment is for the quarterly period up to but excluding September 30, 2017.
- A quarterly dividend of \$0.58288 per outstanding Cumulative 5-Year Minimum Rate Reset Preferred Share, Series I (TSX: EFN.PR.I) payable on October 2, 2017 to shareholders of record as at the close of business on September 15, 2017. The dividend payment is for the period from and including the date of issue up to but excluding September 30, 2017.

These dividends are designated to be eligible dividends for purposes of section 89(1) of the Income Tax Act (Canada).

### **Conference call**

A conference call to discuss the results with analysts will be held on Thursday, August 10, 2017 at 9:00 a.m. Eastern Time. The conference call may be accessed by dialing the following numbers:

- North America Toll-Free: 1-800-806-5484
- Local: 416-340-2217
- International dial-in numbers:  
<https://www.conf solutions.ca/ILT?oss=7P1R8008065484>
- Passcode 1351565#

A series of presentation slides will be referenced by management during the conference call. These slides will be available on the Company's website in advance of the call and may be accessed at <https://www.elementfleet.com/about-us/investor-relations/presentations>.

The call will be recorded and may be accessed until September 30, 2017 by dialing 1-800-408-3053 or 905-694-9451 and entering the pass code 1773671#.

### **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 Press Release, management used a number of terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations. A full description of these measures can be found in the Management Discussion & Analysis that accompanies the financial statements for the quarter ended June 30, 2017.

Element's unaudited interim condensed financial statements and related management discussion and analysis as at and for the three-month period ended June 30, 2017 have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **About Element Fleet Management Corp.**

Element Fleet Management (TSX: EFN) is a leading global fleet management company, providing world-class management services and financing for commercial vehicle and equipment fleets. Element's suite of fleet management services span the total fleet lifecycle, from acquisition and financing to program management and remarketing – helping customers optimize performance and improve productivity. For more information, visit [www.elementfleet.com](http://www.elementfleet.com).

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*This 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 business growth and its ability to win new business, technological development, partnerships and strategy, the payment of dividends, repurchase of securities, capital allocation, the use of the Xcelerate platform to make fleets safer, smarter and more productive, expected annual results for core fleet management and non-core segments (including for various stated financial metrics), the strategies for Element's non-core assets, the refreshed strategic plan of the 19<sup>th</sup> Capital Group LLC joint venture, and expectations regarding financial performance. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting Element, including risks regarding the fleet management and finance industries, economic factors, risks related to the completion of the purchase of new portfolios or technologies or the addition of new clients, risks related to the payment of dividends, risks relating to business integration and many other factors beyond the control of Element. No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. A discussion of the material risks and assumptions associated with this outlook can be found in Element's current MD&A, and Annual Information Form, all of which have been filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com). Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*