



Q3 2023 Investor Presentation

Element Fleet Management (TSX: EFN)



Forward-looking statements and disclaimer

This presentation contains certain forward-looking statements and forward-looking information regarding Element Fleet Management Corp. (“Element”) and its business which are based upon Element’s current expectations, estimates, projections, assumptions and beliefs. In some cases, words such as “plan”, “expect”, “intend”, “believe”, “anticipate”, “estimate”, “may”, “will”, “potential”, “target”, “proposed” and other similar words, or statements that certain events or conditions “may” or “will” occur are intended to identify forward-looking statements and forward-looking information. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements or information.

Forward-looking statements and information in this presentation may include, but are not limited to, statements with respect to, among other things, Element’s expectations in respect of its supply chain and the timing and volume of vehicle production; Element’s future financial reporting; future cash flows, financial condition, financial performance, operating performance, financial ratios, projected asset base, capital structure and capital expenditures; Element’s after-tax adjusted operating income per share and free cash flow per share; Element’s expectations regarding revenue growth; Element’s EV strategy and capabilities; global EV adoption rates; Element’s anticipated dividend policy and plans for future dividends; Element’s ability to deliver returns and benefits from its initiatives; client acquisition, retention and experience; relationships with suppliers; anticipated cash needs, capital requirements, need for and cost of additional financing and ability to access such financing; future assets; demand for services; Element’s competitive position; anticipated trends and challenges in Element’s business and the markets in which it operates; Element’s ability to generate pre-tax run-rate operating income; expectations regarding syndication; Element’s ability to increase total shareholder return; Element’s ability to pre-fund redemption of its outstanding convertible debentures upon their maturity, if required; Element’s plans and ability to redeem its preferred shares; Element’s plans with respect to share purchases, including the number of common shares to be repurchased, the timing thereof and TSX acceptance of the normal course issuer bid and any renewal thereof; any ongoing impact of the COVID-19 pandemic; and expectations regarding credit ratings.

By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements and information in this presentation speak only as of the date on the front of this presentation. The forward-looking information and statements contained in this presentation reflect several material factors, expectations and assumptions of Element including, without limitation: that Element will conduct its operations in a manner consistent with its expectations and, where applicable, consistent with past practice; acceptable negotiations with third parties; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax and regulatory regimes; certain cost assumptions; the continued availability of adequate debt and/or equity financing and cash flow to fund its capital and operating requirements as needed; Element’s net interest margin; expectations regarding syndication; growth in lease receivables and service income; assumed rate of cost inflation; assumed applicable foreign exchange rates and applicable income tax rates; Element’s funding mix; the extent of its assets and liabilities; and the impact of vehicle manufacturers’ ability to deliver vehicles;. Element believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking events and circumstances discussed in this presentation 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 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 and Element cannot guarantee future results, levels of activity, performance or achievements. Accordingly, readers should not place undue reliance on any forward-looking statements or information. A discussion of the material risks applicable to Element can be found in Element’s most recent Management Discussion and Analysis document as well as the most recent such document in respect of a full calendar year, and Element’s Annual Information Form, each of which have been or will be filed on SEDAR and can be accessed at www.sedarplus.ca. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element disclaims any intention and assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

An investment in the securities of Element involves significant risks. A discussion of some of the material risks affecting Element and its business appears under the heading “Risk Factors” in Element’s Annual Information Form dated on March 6, 2023, and under the headings “Risk Management” and “Critical Accounting Policies and Estimates” in Element’s Management Discussion and Analysis for the three-month period ended March 31, 2023, all of which have or will have been filed on SEDAR and can be accessed at Element’s profile on www.sedarplus.ca. Prospective investors should carefully consider the risks associated with an investment in the securities of Element before deciding to purchase any such securities.

Unless the context otherwise requires, references to “\$” are to millions of Canadian dollars, except per share amounts, which are single Canadian dollars.

Non-IFRS Measures

In this presentation, management presents measures that do not have a standardized meaning under IFRS and may not be comparable to similarly-named or any other non-GAAP measures presented by other organizations. Descriptions of the non-GAAP measures presented in this document can be found in Element’s Management Discussion & Analysis that accompanies the financial statements for the most recent quarter or year, which have been filed on SEDAR (www.sedarplus.ca).

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Strategic initiatives

STRATEGIC INITIATIVES

Strategic initiatives will benefit our clients and our investors

1. Centralizing accountability for U.S. and Canadian leasing
 - Enhance our consistent, superior client leasing experience
 - Centralize accountability to drive performance
 - Material financial upside from best-in-class approach
 - Located in Dublin, Ireland, a global leasing centre of excellence
 2. Establishing a strategic sourcing presence in Asia
 - Expand and improve our clients' access to new vehicles
 - Enhance our global procurement capabilities
 - Broaden and deepen relationships with Asian OEMs
 - Financial benefits of strategic sourcing at scale
 - Asia is the global leader in EVs and hybrid vehicles
- \$40–60M net revenue, \$30–50M AOI by '28; cash flow positive¹ in '25
 - \$25–30M non-recurring setup costs in '23–'24; ~2.5-year payback period





STRATEGIC INITIATIVES

Leasing in Dublin, Ireland

- Seasoned Element executive, Chris Gittens, to lead the function
 - Chris previously led Element's Canadian business, the Strategic Relationships / 'mega' fleet business from 2019-2022.
- Centralized accountability for U.S. and Canadian leasing; Commercial, Finance and Legal expertise; ~70 headcount
- Net revenue and AOI benefits run-rate by 2028
 - Enhanced product offerings
 - Evolved operating model
 - Improved pricing discipline
 - Innovative culture and best-in-class approach
 - Expected to be cash flow positive beginning in 2025¹
- \$25-30M non-recurring costs in '23-'24; ~2.5-yr payback period
 - Recruiting
 - Setup / IT
 - Relocation
 - Severance
 - Professional fees

1. Excluding non-recurring setup costs.

STRATEGIC INITIATIVES

Strategic sourcing in Asia

- President of our ANZ businesses, Chris Tulloch, leading this initiative
 - Develop new and strengthen existing relationships with Asian OEMs to expand and improve our clients' access to new vehicles
 - Enhance our global procurement capabilities: visibility and consistency of vehicle supply driving increased effectiveness
- Net revenue (~\$4M) and AOI (~\$2.5M) benefits reach run-rate by 2027
 - Broaden and deepen relationships with Asian OEMs
 - Financial benefits of focus on strategic sourcing at scale
 - Cash flow positive in 2025
- Explore expansion into new products and/or markets
 - Asia is the global leader in EV and hybrid vehicles
 - Element/Arval global alliance not yet fully penetrated in the region
- Modest non-recurring setup costs
 - Recruiting
 - Setup / IT
 - Professional fees



Q3 2023 Results

1. Q3 2023 net revenue grew 14.8%, pre-tax income grew 17.5% and adjusted operating income grew 11.7% over Q3 2022 results as reported
2. Q3 2023 EPS were \$0.32 and adjusted EPS were \$0.35, representing 7 and 5 cents improvement, respectively, over Q3 2022 results as reported
3. Q3 2023 free cash flow per share was \$0.42 or 4 cents more than Q3 2022 as reported
4. We increased our common dividend by 20% from \$0.40 to \$0.48 per share annually
5. Announced two key strategic initiatives i) centralizing accountability for our U.S. and Canadian leasing activities, and ii) establishing a strategic sourcing and relationship management presence in Asia, each in 2024
6. We are guiding to net revenue of \$1.365-1.390 billion, positive operating leverage, and high single- to low double-digit adjusted EPS and free cash flow per share growth for full-year 2024

Element delivered another strong quarter. Business fundamentals continue to be solid and we are delivering for clients and shareholders.

2024 guidance

Full-year 2024 results guidance¹

- \$1.365 –1.390 billion net revenue
- 55.0–55.5% adjusted operating margin
- \$750–770 million adjusted operating income
- \$1.41–1.46 adjusted EPS
- \$1.75–1.80 free cash flow per share



Retaining our clients



Growing share of wallet



Earning market share



Converting self-managed fleets into
Element clients



Winning government & 'mega' fleets

Five revenue growth drivers

Q3 2023 RESULTS

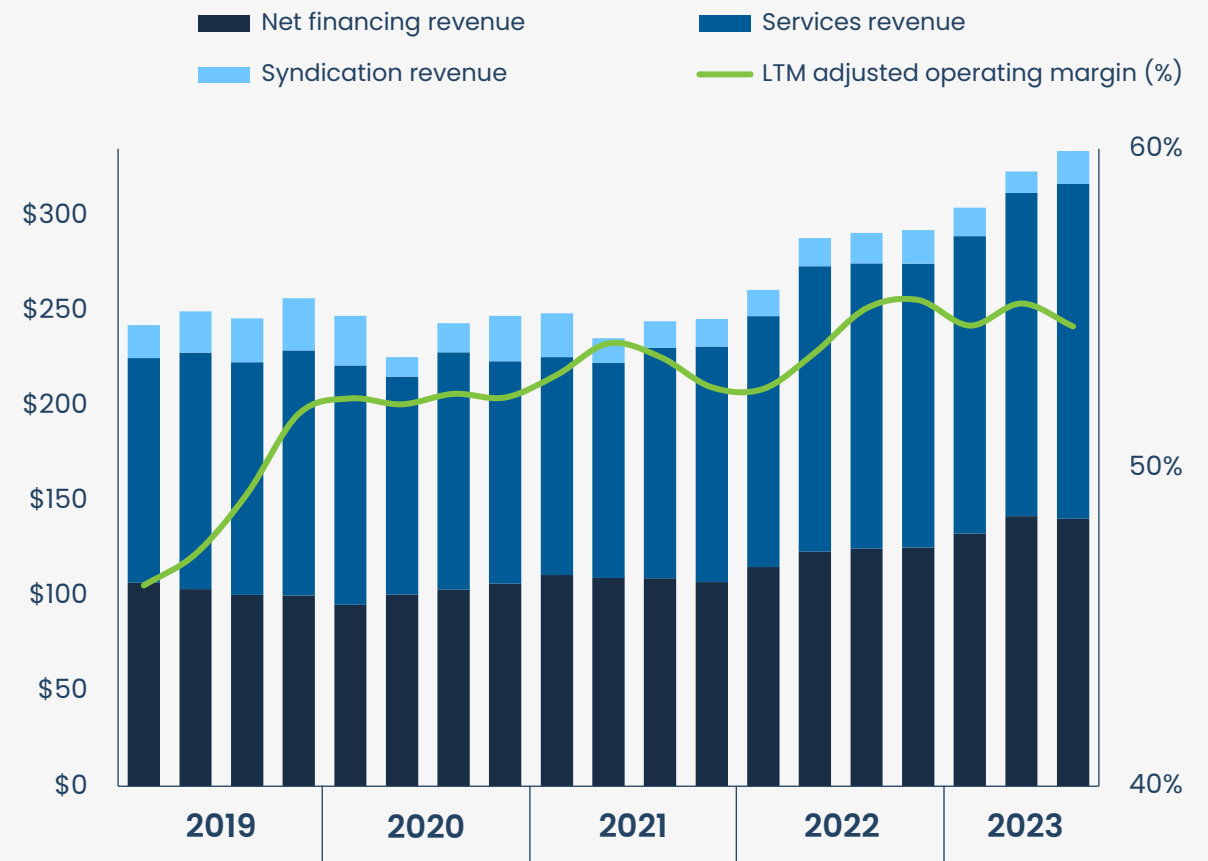
Profitable net revenue growth, fueled by...

- Our focused and ambitious growth agenda.
- Our OEM relationships and service-supplier networks are competitive advantages – and we continue to expand and improve on them in preparation for fleet electrification.
- Ongoing investments in our people, processes and strategic initiatives improve the client experience. These are modest cash costs with significant ROI.
- Digitization and automation.

We are growing net revenue and reliably expanding adjusted operating margin.



Net revenue streams, and adjusted operating margin

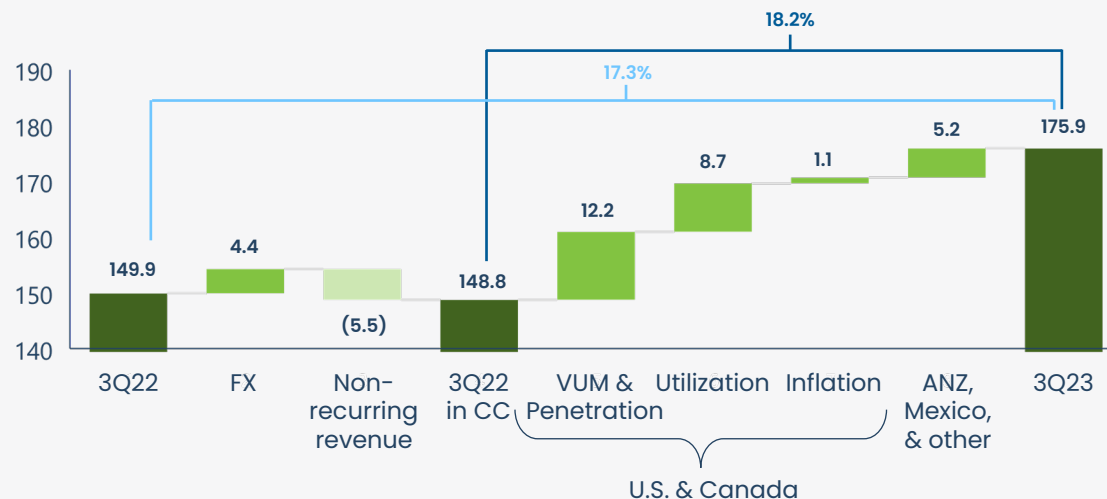


Q3 2023 RESULTS

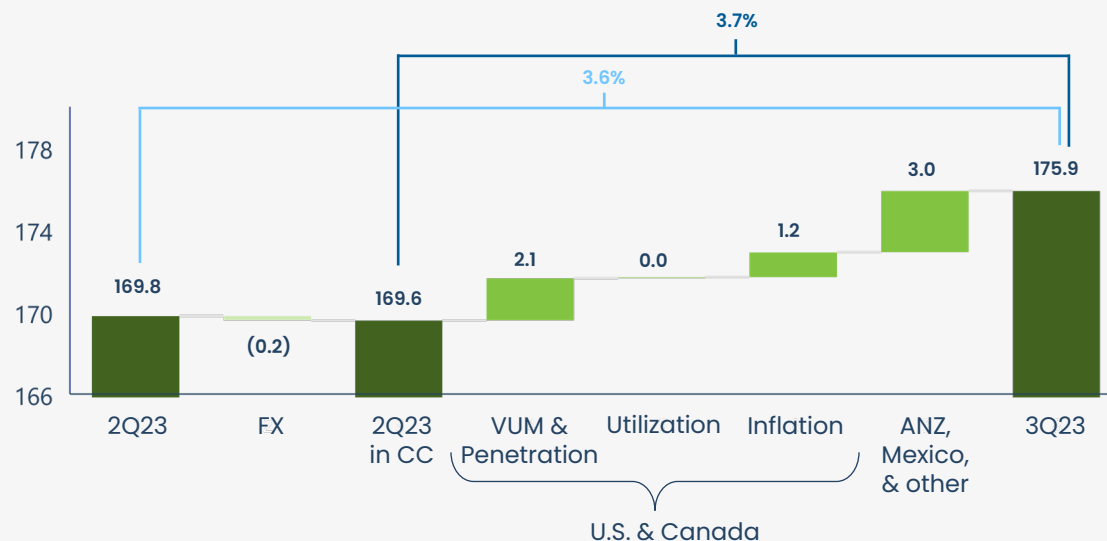
Share of wallet expansion...

- Increased penetration – providing more financing and/or services to more of our existing clients' vehicles – deepens our value proposition (by further lowering Total Cost of fleet Operations ('TCO') and reducing fleet-related administrative burden) and increases retention.
- Increasing utilization is a key driver of share of wallet growth, as 2/3rds of services revenue is vehicle usage-based; the remaining 1/3rd is recurring subscription fee-based. We offer clients insights to improve service utilization, which benefits clients' TCO as our services are more cost-effective than alternatives.
- Inflationary increases in the cost of vehicles – and the parts and services to maintain and operate them – automatically flow through as increases in Services, Financing and/or Syndication revenues.

3Q22 -> 3Q23 services revenue



2Q23 -> 3Q23 services revenue



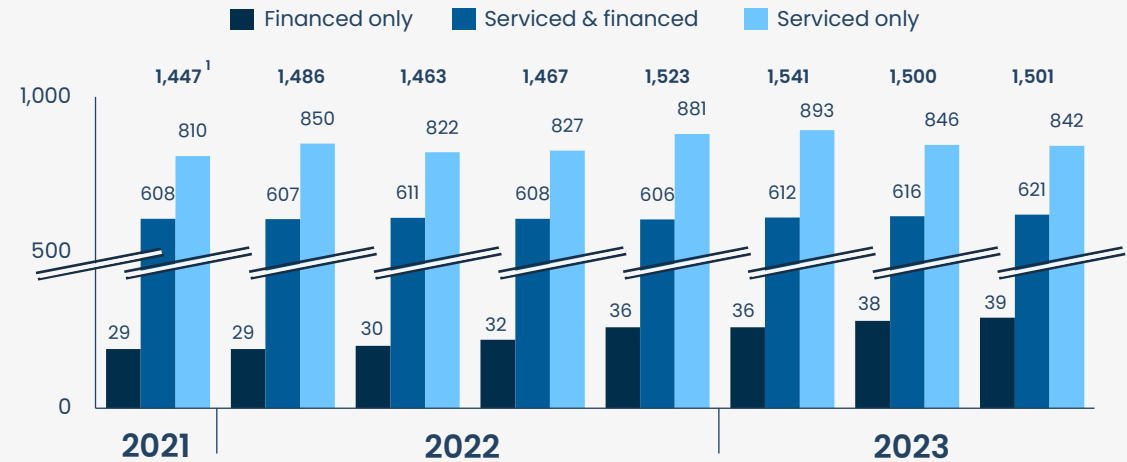
Q3 2023 RESULTS

...and vehicles under mgmt growth Global VUM (in thousands)

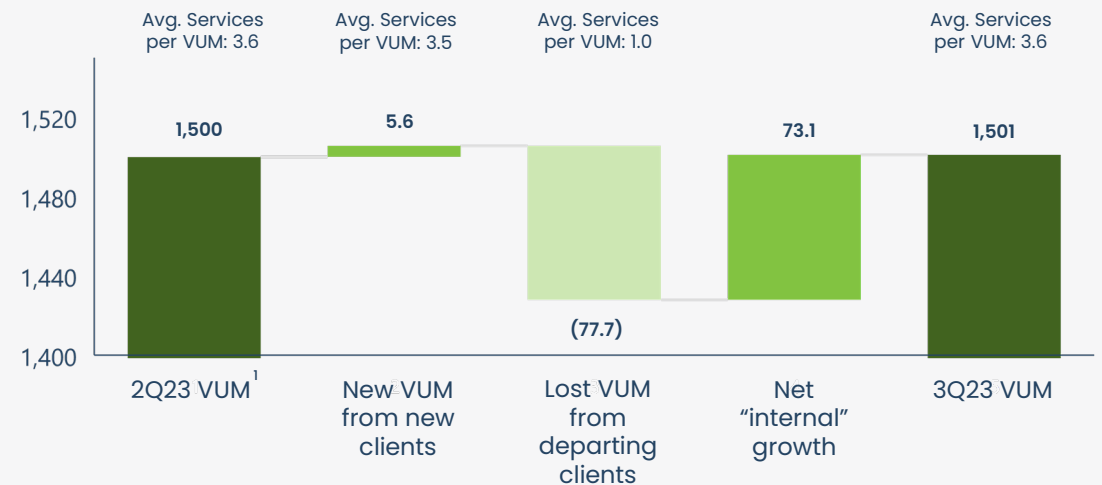
Element drives growth in vehicles under management ('VUM') through:

- Industry-high client retention;
- 'Internal' growth: earning incremental business from clients whose fleet needs are increasing; and
- New clients: earning market share, converting self-managed fleets, and winning government and 'mega' fleets.

The vast majority of the decline in VUM this quarter is attributable to the continuation of our ending the provision of white-label services to competitors, which we began last quarter and is nearing completion. These vehicles were only enrolled in one service and contributed immaterially to our financial results.



2Q23 -> 3Q23 VUM



1. VUM counts are end-of-period, calculated as (a) the VUM counts on the last day of the quarter; and then (b) rounded to the nearest thousand vehicles.

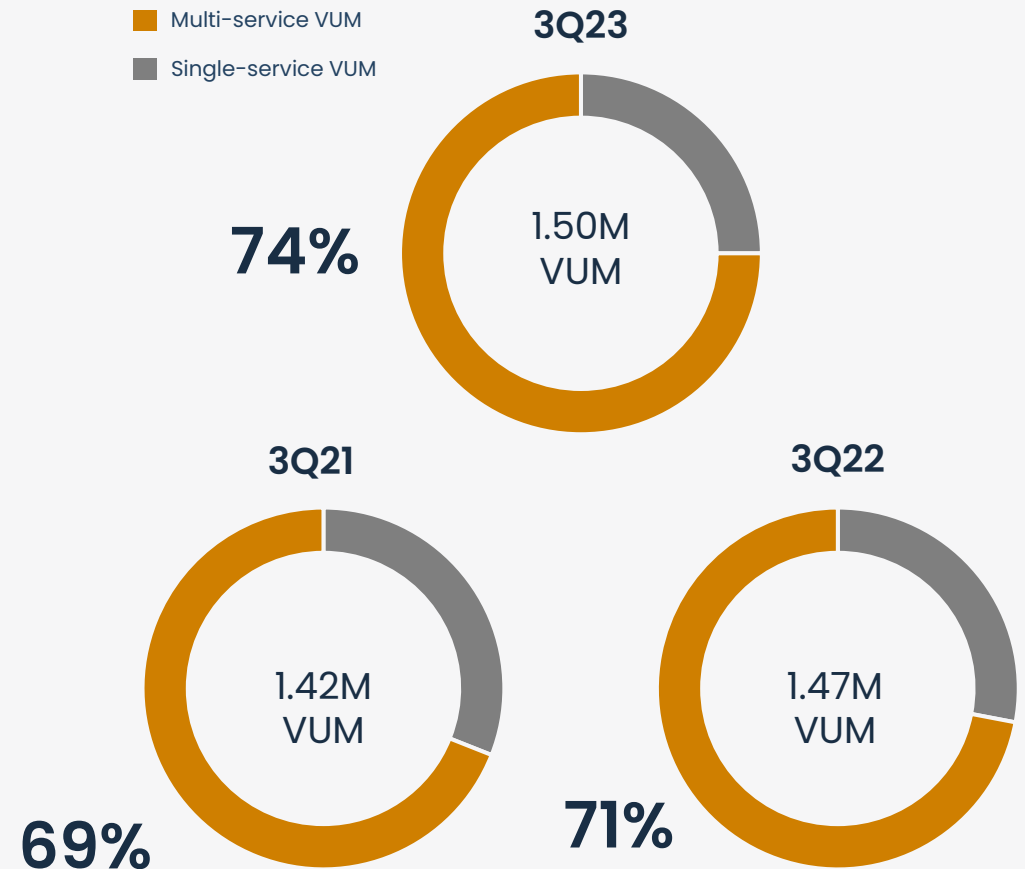
Q3 2023 RESULTS

Multi-service vs. single-service VUM

Across our global VUM, we are:

- Making progress on share-of-wallet growth; and
- Still in a position to reap benefit from further growth.

We have increased the percentage of multi-service VUM over the past two years from 69% to 74% in Q3 2023. Furthermore, even within our portfolio of multi-service VUM, most vehicles are subscribed to less than half of the services we provide, leaving ample room for further penetration.



Q3 2023 RESULTS

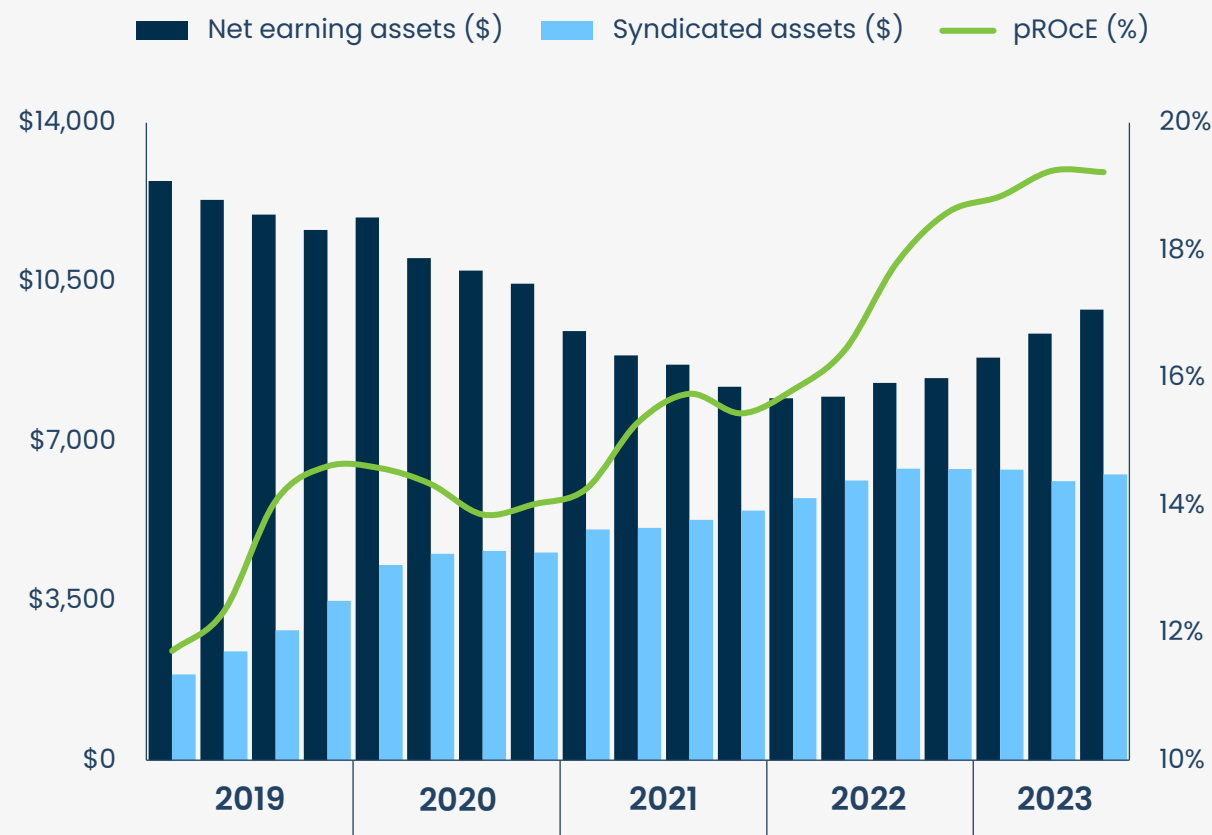
A capital-lighter business model

- The second pillar of our capital-lighter business model is syndication – the sale of fleet lease receivables to financial buyers on terms that are more beneficial for Element than holding those assets on balance sheet.
- We expect growing originations to provide a ready supply of lease assets to sell to a broadening base of syndication investors. The syndication market demand for Element's assets remains robust, affording us ready access to this off-balance-sheet source of cost-effective funding.

This combination of capital-light services and syndication revenues will continue to enhance Element's return on equity profile.



Syndicated assets and pre-tax return on common equity (pROcE) have grown since 2019



Q3 2023 RESULTS

Growing FCF per share and return of capital

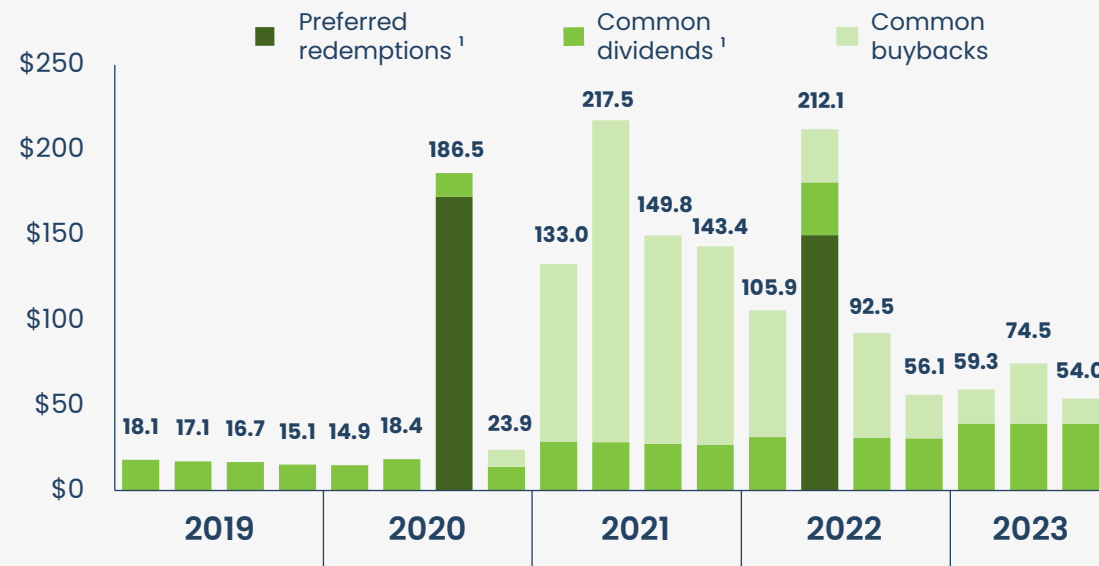
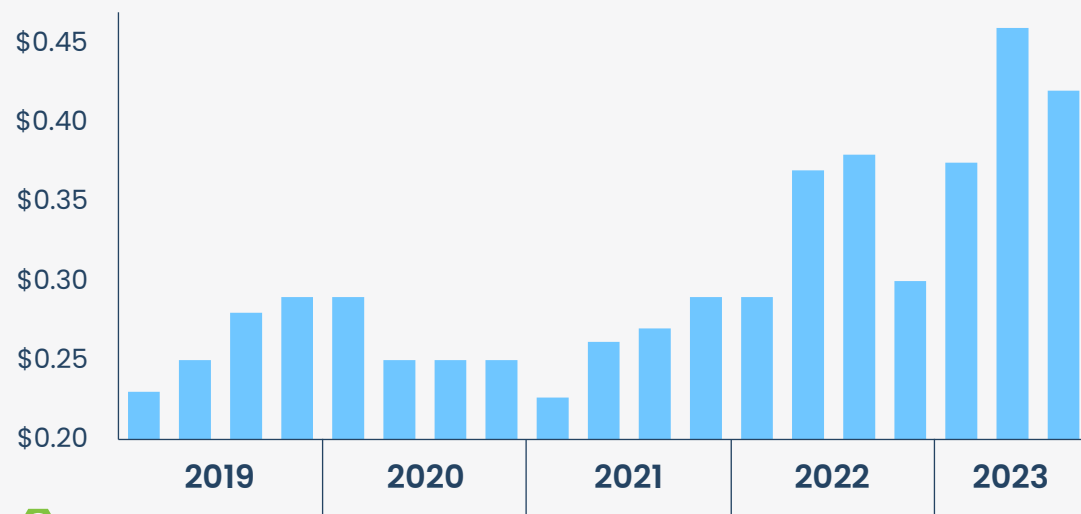
We return capital to our shareholders through growing common dividends, common share buybacks and preferred share series redemptions.

We allocate capital to these return 'levers' based on:

- Required investments in our business;
- Tangible leverage ratio management (target of 6.25x-6.75x, calculated using our assumptions as to normalized FX rates); and
- FCF per share performance (annual common dividend target payout range of 25-35% of our last twelve months' FCF per share).

\$1.6 billion in return of capital

Growing free cash flow per share



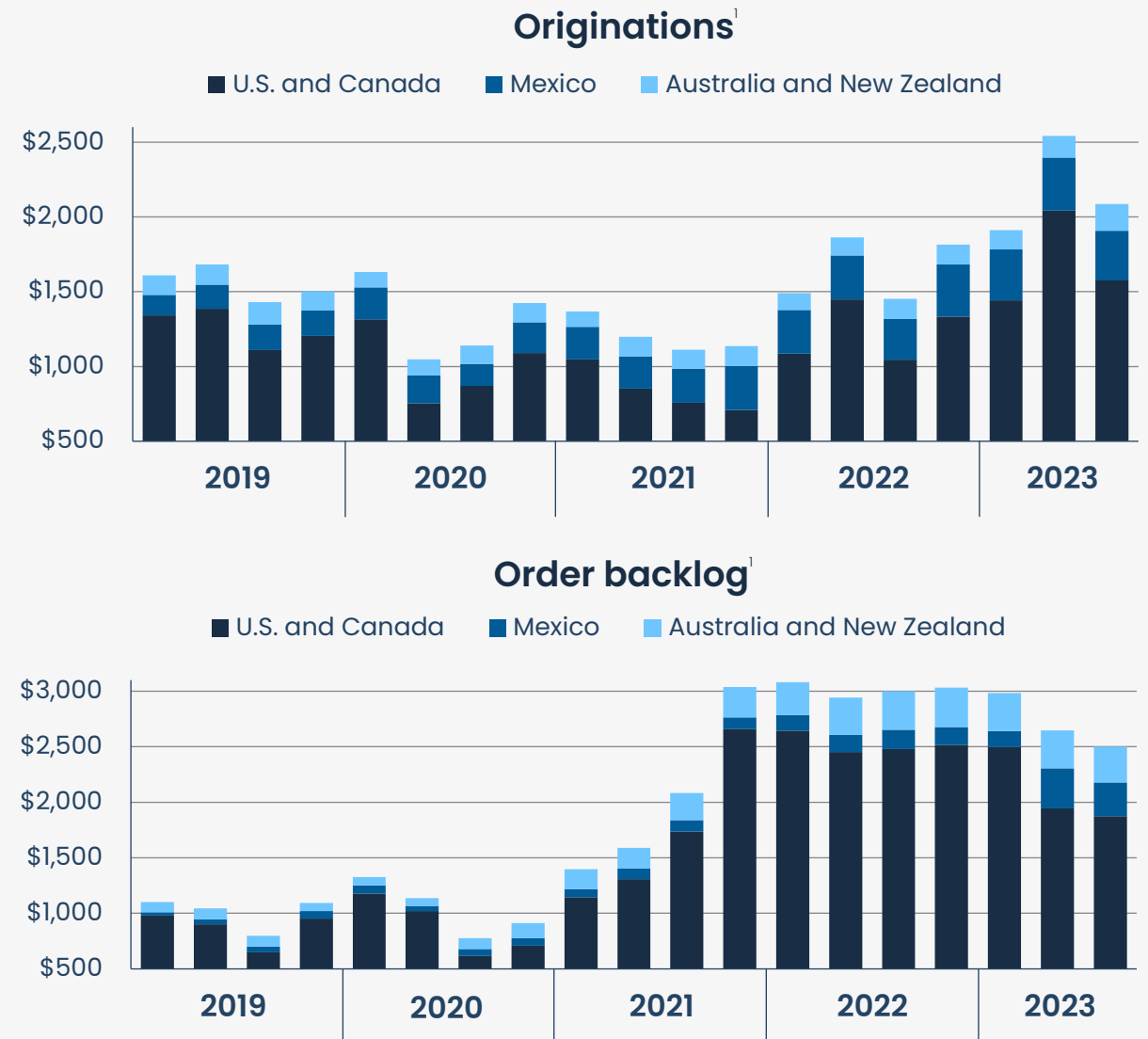
1. We announced on November 6, 2023 a 20% increase to our common dividend, from \$0.40 to \$0.48 annually per share, as well as our intention to redeem our issued and outstanding Series A preferred shares on December 31, 2023 (\$115 million). We intend to allow our currently outstanding convertible debentures convert at their conversion price per share of \$11.77, resulting in the issuance of 14.6 million new common shares.

Current operating environment

CURRENT OPERATING ENVIRONMENT

OEM production

- As forecast, automotive OEM production volumes continue to gradually improve.
- Q3 2023 originations¹ improved substantially year-over-year.
- Strong originations in the quarter reduced our global order backlog to \$2.5 billion as of September 30, 2023, which is still substantially higher than the historical average.
- The full impacts of the UAW labour disruption on production volumes remains unknown. We are closely monitoring the situation to mitigate potential impacts, if they arise.
- Any impacts to orders and originations represent deferred, not lost, revenue.



CURRENT OPERATING ENVIRONMENT

Inflation

- Inflation is additive to Element's profitable revenue growth.
- Net financing revenue benefits from rising vehicle prices, as does syndication revenue when we choose to transact on those leases.
- Services revenue benefits from inflation as the growing cost of maintaining, repairing and fueling vehicles result in higher fee bases.

Most importantly, rising vehicle operating costs drive greater demand for Element's services, as clients (and prospective clients) seek to control and optimize TCO.

CURRENT OPERATING ENVIRONMENT

Access to capital

- We have a diversified roster of lenders and investors across different funding sources that afford us ready access to ample cost-effective capital:
 - Senior unsecured revolving credit facilities with long-standing syndicates of Canadian, U.S., and international banks;
 - Senior unsecured U.S. corporate debt (bonds);
 - Vehicle management asset-backed debt in the U.S. (Variable Funding Notes and Term ABS), Canada, and ANZ; and
 - An established syndication function, regularly transacting in the U.S. and Canada.

Our lending partners continue to expand their funding capacity commitments to us, and syndication investors continue to drive robust demand for our assets.



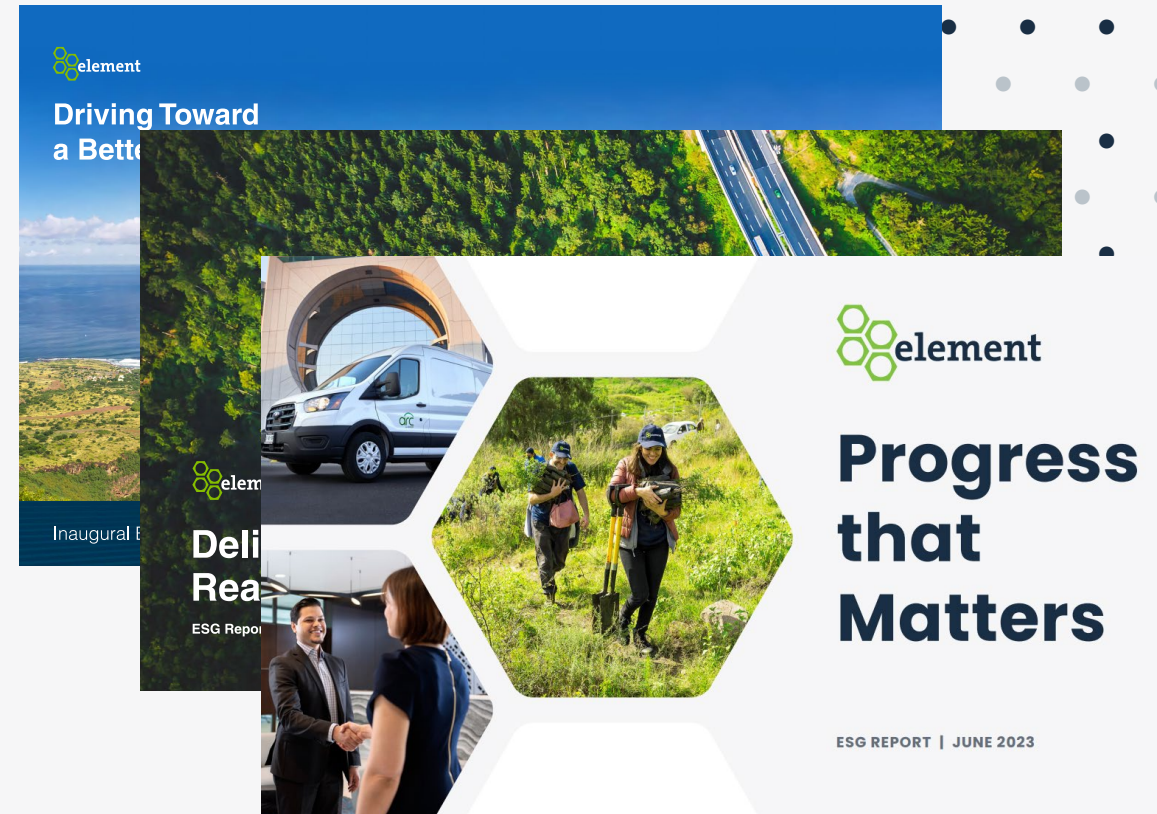
Environmental, Social & Governance

ESG highlights

Governance: We are ranked in the top 7% of 226 companies (in the S&P/TSX Composite Index) by The Globe & Mail national newspaper's 2022 annual "Board Games" study.

Social: We are driving:

- Diversity, Equity & Inclusion – we achieved in the U.S. and Canada compensation parity for women and BIPOC¹ employees and exceeded our diverse hiring goals with women now comprising 51% of our workforce and 21% of our workforce self-identifying as BIPOC;
 - We also have over 4,800 diverse suppliers – businesses owned by minorities, women, the disadvantaged/disabled, members of the LGBTQA, and veterans – in our service networks; and generated for them \$1.75 billion in transaction value throughout 2022;
- Development – in 2022, we launched Opportunities Marketplace, an experiential learning program where our employees can seek out leadership roles within our BRGs, Six Sigma certifications and mentorship connections.



C-suite decarbonization priorities are accelerating fleet electrification efforts.



ESG

Environmental Sustainability

Our commitments include:

- Transition 350,000 client vehicles into EVs by 2030 through *Arc by Element*, our global “wing-to-wing” Electric Vehicle solution tailored to availability and infrastructure in each geography we serve;
- Install charging infrastructure across all our North American offices by 2023;
- Electrify our internal fleet in Australia and New Zealand by mid-2024 and North America by the end of 2025; and
- Signatory of the United Nations Global Compact, recipient of the EcoVadis silver medal, and member of the Ceres Corporate Electric Vehicle Alliance and the Accelerate: Canada’s Zero Emission Vehicle Supply Chain Alliance.

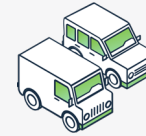
We reduced our GHG footprint by 55% in 2022 across our Scope 1 and 2 emissions, and our global real estate footprint by 38% generating a decrease in facility emissions.

Fleet Management 101

Value proposition: lowering the total cost of fleet operations and reducing administrative burden

What is it?

- Operators of automotive fleets can outsource vehicle-related responsibilities and functions to a fleet management company ('**FMC**').
- Through scale efficiencies and know-how, FMCs lower the total cost of fleet operations ('**TCO**') and reduce administrative burden for their clients.
- FMC services can span the vehicle lifecycle, from suitability analysis before vehicle ordering to the remarketing of vehicles at the end of their useful life.
- The FMC services pictured here do not constitute an exhaustive list.



Vehicle
Selection



Vehicle
Ordering



Production
Tracking



Customization
/ "Upfit"



Financing



Titling &
Registration



Vehicle
Delivery



Maintenance
& Repair



Driver Safety
Training



Accident
Services



Connected
Vehicles



Fuel
Management



Tolls &
Violations



Vehicle
Remarketing

Attractive industry dynamics

High barriers to entry

- Scale: Incumbents possess scale advantages and expertise, to maximize TCO savings for clients.
- “Sticky” Clients: Long-term relationships and high switching costs contribute to strong client retention rates.

Mature industry participants

- Well-established FMCs are focused on value-based selling.

The fleet management industry took shape over 70 years ago and has consistently demonstrated stability and resilience throughout the cycle.



Low risk, resilient business model

- Low recession risk: FMC value proposition – to reduce TCO – becomes more relevant and compelling.
- Low inflation risk: “Cost-plus” business model translates higher costs of vehicles and services into higher revenue.
- Low concentration risk: Automotive fleets exist in almost every industry, allowing large FMCs to diversify their client rosters.
- Low credit risk: Contractual provisions and mission-critical nature of fleet assets result in exceptionally low real economic losses.

FMCs enjoy predominantly recurring revenue streams and high client retention rates.



Element Fleet Management

The largest publicly traded pure-play FMC in the world

ELEMENT 101

Global industry leader

- We provide services and financing to large and mid-sized corporate/commercial and government/public service fleets.
- We specialize in large, complex fleets of mission-critical service vehicles: vans, pick-ups, and medium- and heavy-duty trucks. The majority are “upfit” post-production.
- We are the market leader in North America.
- We win global client mandates with our strategic alliance partner, Arval (BNP Paribas).



ELEMENT 101

Three strategic growth priorities



Aggressively pursue organic growth in all our geographies and grow operating income in excess of the annual net revenue growth rate.



Advance a capital-lighter business model by growing services revenue and strategically syndicating assets, which enhance return on equity.



Given the expected single- to low double-digit annual free cash flow per share growth rate, predictably return excess equity to investors by way of growing common dividends, redeeming high cost preferred shares and common share buybacks.

ELEMENT 101

Ample opportunity

Approximately 67% of our LTM 2023 net revenue was earned in the U.S. and Canada.

Approximately 55% of our addressable market in the U.S. and Canada is currently self-managed, representing approximately \$3.3 billion of annual net revenue opportunity – more than four times our current annual net revenue from this region.

Similarly, we estimate the addressable markets in ANZ and Mexico to represent approximately \$3.3 billion and \$3.6 billion of annual net revenue opportunity, respectively, with 60% and 65% of those markets (respectively) being self-managed.

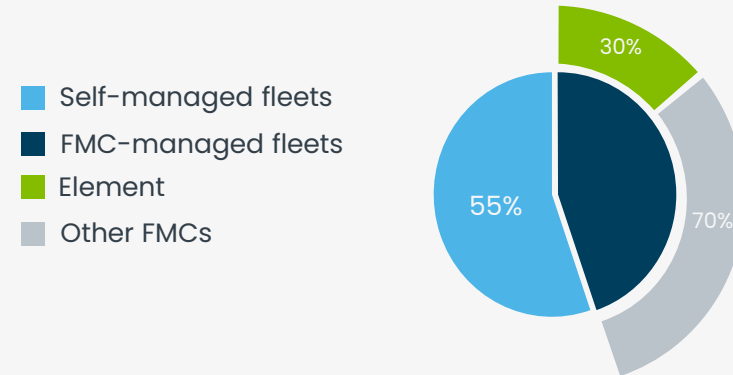
Digitization and automation enable further operational efficiencies.

We have continued opportunity to convert self-managed fleets into Element clients.

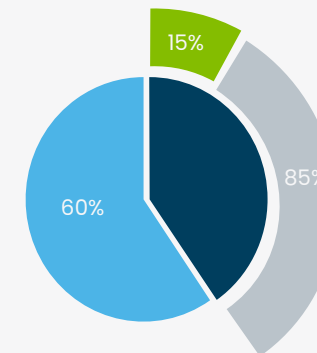


1. ~20% of the Mexican fleet market procures financing (only) from OEMs, banks and other commercial lenders.

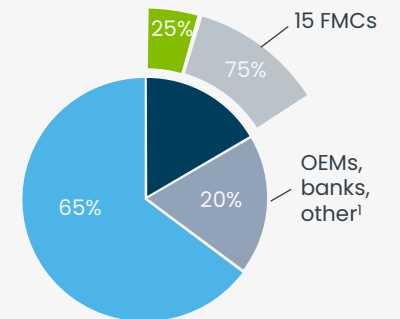
U.S. & Canada



Australia & New Zealand



Mexico



Rising interest rates

- Element's business model is largely agnostic to interest rate movements.
- We match-fund our leases on interest rate type (fixed vs. floating) and duration.
- We carefully monitor borrowing costs to ensure new leases are written to reflect appropriate credit spreads.
- We actively manage our funding facilities to optimize lease interest margins, which -- upon lease activation -- are preserved for the life of the asset on our balance sheet.
- Following lease activation, our exposure is limited to credit spread risk for the duration of the lease.



Recession

- Our value proposition – lower the total cost of clients' fleet operations – is more compelling in a recessionary environment.
- Our “credit first, collateral second” approach protects investors from any material escalation of credit losses.
- Our leases are typically among the first contracts affirmed in a bankruptcy, because the associated vehicles are essential to our clients' ability to continue operating their business and generating revenue.
- Our cross-collateralized leases and active collateral gap management protocols have proven effective in the rare cases of client liquidation.



