element

Full-Year & Q4 2024 Report to Shareholders

The following management discussion and analysis ("MD&A") dated February 26, 2025, provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Element Fleet Management Corp. (the "Company", "we" or "Element") as at and for the year ended December 31, 2024. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2024 and the Company's latest annual information form (AIF) both filed on the System for Electronic Data Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca and are incorporated by reference herein. All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise specified and all numbers are in thousands, unless otherwise specified or for per share amounts or percentages or ratios. Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.elementfleet.com. The Company's functional currency is the Canadian dollar.

This MD&A refers to certain non-GAAP and supplemental financial measures, which we believe are useful in assessing our financial performance. Readers are cautioned that these measures do not have any standard meaning prescribed by GAAP under International Financial Reporting Standards ("IFRS") and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information related to non-GAAP measures and a reconciliation to their nearest IFRS measures, please read "IFRS to Non-GAAP Reconciliations" section at the end of this MD&A. Our Board of Directors has authorized this MD&A.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO FEBRUARY 26, 2025. CERTAIN STATEMENTS IN THIS MD&A, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF APPLICABLE SECURITIES LAWS AND MAY CONTAIN FORWARD-LOOKING INFORMATION. SUCH STATEMENTS ARE BASED UPON ELEMENT'S AND ITS MANAGEMENT'S CURRENT INTERNAL EXPECTATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THESE STATEMENTS MAY INCLUDE, WITHOUT LIMITATION, STATEMENTS REGARDING THE OPERATIONS, BUSINESS, FINANCIAL CONDITION, EXPECTED FINANCIAL RESULTS, PERFORMANCE, PROSPECTS, OPPORTUNITIES, PRIORITIES, TARGETS, GOALS, ONGOING OBJECTIVES, STRATEGIES AND OUTLOOK OF ELEMENT. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS THAT ARE PREDICTIVE IN NATURE, AND DEPEND UPON OR REFER TO FUTURE EVENTS OR CONDITIONS. IN SOME CASES, WORDS SUCH AS "PLAN", "EXPECT", "INTEND", "BELIEVE", "ANTICIPATE", "ESTIMATE", "TARGET", "PROJECT", "FORECAST", "MAY", "IMPROVE", "WILL", "POTENTIAL", "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. FORWARD-LOOKING STATEMENTS (INCLUDING THOSE REGARDING FINANCIAL OUTLOOK) ARE PROVIDED FOR THE PURPOSES OF ASSISTING THE READER IN UNDERSTANDING ELEMENT AND ITS BUSINESS, OPERATIONS, RISKS, SUSTAINABILITY, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS AS AT AND FOR THE PERIODS ENDED ON CERTAIN DATES AND TO PRESENT INFORMATION ABOUT MANAGEMENT'S CURRENT EXPECTATIONS AND PLANS RELATING TO THE FUTURE AND THE READER IS CAUTIONED THAT SUCH STATEMENTS MAY NOT BE APPROPRIATE FOR OTHER PURPOSES. 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. UNDUE RELIANCE SHOULD NOT BE PLACED ON THESE FORWARD-LOOKING STATEMENTS, AS THERE CAN BE NO ASSURANCE THAT THE PLANS, INTENTIONS OR EXPECTATIONS UPON WHICH THEY ARE BASED WILL OCCUR. 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 EXPECTATIONS, PREDICTIONS, FORECASTS, PROJECTIONS, CONCLUSIONS OR OTHER FORWARD-LOOKING STATEMENTS WILL NOT OCCUR OR PROVE ACCURATE, THAT ASSUMPTIONS MAY NOT BE CORRECT AND THAT OBJECTIVES, STRATEGIC GOALS AND PRIORITIES WILL NOT BE ACHIEVED. SUCH FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A SPEAK ONLY AS OF THE DATE OF THIS MD&A. THE FORWARD-LOOKING INFORMATION AND STATEMENTS CONTAINED IN THIS MD&A 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; SUCCESSFUL IMPLEMENTATION OF STRATEGIC INITIATIVES AND THE EXPECTED BENEFITS AND COSTS OF SUCH INITIATIVES; ACCEPTABLE NEGOTIATIONS WITH THIRD PARTIES; THE CONTINUANCE OF EXISTING (AND IN CERTAIN CIRCUMSTANCES, THE IMPLEMENTATION OF PROPOSED) TAX AND REGULATORY REGIMES; EXPECTATIONS REGARDING GOVERNMENT POLICIES, LEGISLATION AND REGULATORY ACTIONS IN RESPECT OF SUSTAINABILITY AND RELATED MATTERS; 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; THE EXTENT OF ITS ASSETS AND LIABILITIES; THE COMPANY'S NET FINANCING REVENUE YIELD ON AVERAGE

NET EARNING ASSETS; GROWTH IN LEASE RECEIVABLES AND SERVICE INCOME; EXPECTATIONS REGARDING SYNDICATION; RATE OF COST INFLATION; APPLICABLE FOREIGN EXCHANGE RATES AND APPLICABLE INCOME TAX RATES; THE COMPANY'S FUNDING MIX; THE IMPACT OF VEHICLE MANUFACTURERS' ABILITY TO DELIVER VEHICLES; AND ANY IMPACTS OF PANDEMICS OR OTHER HEALTH THREATS ON INDUSTRY AND MARKET CONDITIONS. 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.

FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS WITH RESPECT TO: ELEMENT'S REVENUES, EXPENSES, RUN-RATE AND OPERATIONS, FUTURE CASH FLOWS, FINANCIAL CONDITION, OPERATING PERFORMANCE, SUSTAINABILITY PERFORMANCE AND TARGETS, FINANCIAL RATIOS, PROJECTED ASSET BASE AND CAPITAL STRUCTURE; ELEMENT'S EXPECTATIONS REGARDING THE IMPLEMENTATION OF STRATEGIC INITIATIVES AND THE EXPECTED BENEFITS AND COSTS OF SUCH INITIATIVES; ELEMENT'S ABILITY TO ACHIEVE ITS SUSTAINABILITY OBJECTIVES; ELEMENT ACHIEVING ITS DIGITAL PLATFORM AMBITIONS; THE AUTOFLEET ACQUISITION ENABLING THE COMPANY TO SCALE ITS BUSINESS MORE QUICKLY, ACHIEVE OPERATIONAL EFFICIENCIES, INCREASE CLIENT AND SHAREHOLDER VALUE AND UNLOCK NEW REVENUE STREAMS; ELEMENT'S EXPECTATIONS IN RESPECT OF ITS SUPPLY CHAIN AND THE TIMING AND VOLUME OF VEHICLE PRODUCTION; ELEMENT'S ABILITY TO RENEW OR REFINANCE CREDIT AND SECURITIZATION FACILITIES; ELEMENT'S STRATEGY TO IMPROVE AND OPTIMIZE THE CLIENT EXPERIENCE AND CLIENT ACQUISITION AND RETENTION; ELEMENT'S EXPECTATIONS REGARDING SYNDICATION; ELEMENT'S ANTICIPATED CASH NEEDS, CAPITAL REQUIREMENTS AND ITS NEEDS FOR ADDITIONAL FINANCING; ELEMENT'S FUTURE GROWTH PLANS; ELEMENT'S EXPECTATIONS REGARDING ITS ORIGINATION VOLUMES; ELEMENT'S ANTICIPATED DELINQUENCY RATES AND CREDIT LOSSES; ELEMENT'S ABILITY TO ATTRACT AND RETAIN PERSONNEL; ELEMENT'S TECHNOLOGY AND DATA, AND EXPECTED USES AND BENEFITS; ELEMENT'S COMPETITIVE POSITION AND ITS EXPECTATIONS REGARDING COMPETITION; ANTICIPATED TRENDS AND CHALLENGES IN ELEMENT'S BUSINESS AND THE MARKETS IN WHICH IT OPERATES; THE EVOLUTION OF ELEMENT'S BUSINESS AND THE FLEET MANAGEMENT INDUSTRY; ELEMENT'S GROWTH PROSPECTS AND ITS OBJECTIVES, VISION AND STRATEGIES; ELEMENT'S OPERATIONS AND ABILITY TO DRIVE OPERATIONAL EFFICIENCIES; ELEMENT'S ASSESSMENT AND EXPECTATIONS REGARDING ITS ASSETS; ELEMENT'S BUSINESS STRATEGY; ELEMENT'S EXPECTATION REGARDING THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION AND CAPITAL ALLOCATION; ELEMENT'S BUSINESS OUTLOOK AND OTHER EXPECTATIONS REGARDING FINANCING OR OPERATING PERFORMANCE METRICS; THE EVOLUTION OF OPERATIONS AND THE DEVELOPMENT OF PERFORMANCE INDICATORS, AND OTHER FINANCIAL PERFORMANCE METRICS; THE FUTURE FINANCIAL REPORTING OF ELEMENT; FUTURE DEMAND FOR ELEMENT'S SERVICES; ELEMENT'S BORROWING BASE; THE EXTENT, NATURE AND IMPACT OF ANY VALUE DRIVER TO CREATE, AND THE ABILITY TO GENERATE, PRE-TAX RUN-RATE OPERATING INCOME; ELEMENT'S ABILITY TO INCREASE TOTAL SHAREHOLDER RETURN; ELEMENT'S DIVIDEND POLICY AND THE PAYMENT OF FUTURE DIVIDENDS; ELEMENT'S PROPOSED SHARE PURCHASES, INCLUDING THE NUMBER OF COMMON SHARES TO BE REPURCHASED, THE TIMING THEREOF AND TSX ACCEPTANCE OF ANY RENEWAL OF THE NORMAL COURSE ISSUER BID; ANY IMPACT THAT PANDEMICS OR OTHER HEALTH EVENTS MAY HAVE ON ELEMENT'S FINANCIAL CONDITION, OPERATING RESULTS AND CASH FLOWS. THE READER IS CAUTIONED TO CONSIDER THESE AND OTHER FACTORS, UNCERTAINTIES AND POTENTIAL EVENTS CAREFULLY AND NOT TO PUT UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS. INFORMATION CONTAINED IN FORWARD-LOOKING STATEMENTS IS BASED UPON CERTAIN MATERIAL ASSUMPTIONS THAT WERE APPLIED IN DRAWING A CONCLUSION OR MAKING A FORECAST OR PROJECTION, INCLUDING MANAGEMENT'S PERCEPTIONS OF HISTORICAL TRENDS, CURRENT CONDITIONS AND EXPECTED FUTURE DEVELOPMENTS, AS WELL AS OTHER CONSIDERATIONS THAT ARE BELIEVED TO BE APPROPRIATE IN THE CIRCUMSTANCES. ALTHOUGH ELEMENT BELIEVES THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, THERE CAN BE NO ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO BE CORRECT. ELEMENT CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER ELEMENT NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE FORWARD-LOOKING STATEMENTS AND INFORMATION.

SOME OF THE RISKS AND OTHER FACTORS, SOME OF WHICH ARE BEYOND ELEMENT'S CONTROL, WHICH COULD CAUSE RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN THE FORWARD-LOOKING STATEMENTS AND INFORMATION CONTAINED IN THIS MD&A, INCLUDE, BUT ARE NOT LIMITED TO, THOSE SET FORTH UNDER THE HEADING "RISK MANAGEMENT" HEREIN AND UNDER THE HEADING "RISK FACTORS" IN ELEMENT'S ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2024. READERS ARE CAUTIONED THAT SUCH RISK FACTORS ARE NOT EXHAUSTIVE. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MD&A ARE EXPRESSLY QUALIFIED BY THIS CAUTIONARY STATEMENT. OTHER THAN AS SPECIFICALLY REQUIRED BY APPLICABLE CANADIAN LAW, ELEMENT UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE ON WHICH SUCH STATEMENT IS MADE, OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR RESULTS, OR OTHERWISE.

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Selected Financial Highlights

(in US$000's except per share amounts unless otherwise noted)	For the three-month period ended			For the year ended	
	December 31, 2024	September 30, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
Reported results					
Servicing income, net	**161,461**	146,903	129,657	**595,540**	502,659
Net financing revenue	**103,453**	116,090	102,211	**449,130**	410,853
Syndication revenue, net	**5,976**	16,643	13,261	**42,890**	45,587
Net revenue	**270,890**	279,636	245,129	**1,087,560**	959,099
Operating expenses	**141,234**	139,367	134,085	**544,681**	481,749
Operating income[1]	**129,656**	140,269	111,044	**542,879**	477,350
Operating margin[2]	**47.9 %**	50.2 %	45.3 %	**49.9 %**	49.8 %
Total expenses	**149,463**	145,669	141,716	**574,003**	510,153
Income before income taxes	**121,427**	133,967	103,413	**513,557**	448,946
Net Income	**92,057**	98,565	81,567	**387,137**	345,599
Earnings per share (EPS) - basic	**0.23**	0.24	0.20	**0.96**	0.84
Earnings per share (EPS) - diluted	**0.23**	0.24	0.19	**0.95**	0.82
Earnings per share (EPS) - basic [$CAD]	***0.32***	*0.33*	*0.27*	***1.31***	*1.13*
Earnings per share (EPS) - diluted [$CAD]	***0.32***	*0.33*	*0.26*	***1.30***	*1.11*
Adjusted results[4]					
Adjusted net revenue	**270,890**	279,636	245,129	**1,087,560**	959,099
Adjusted operating expenses[3]	**127,547**	118,209	110,201	**486,330**	428,611
Adjusted operating income (AOI)[1]	**143,343**	161,427	134,928	**601,230**	530,488
Adjusted operating margin[2]	**52.9 %**	57.7 %	55.0 %	**55.3 %**	55.3 %
Adjusted net income	**107,507**	119,537	99,806	**450,871**	400,381
Adjusted EPS [basic]	**0.27**	0.29	0.25	**1.12**	0.98
Adjusted EPS [diluted]	**0.27**	0.29	0.24	**1.10**	0.96
Adjusted EPS [basic] [$CAD]	***0.37***	*0.40*	*0.33*	***1.53***	*1.32*
Adjusted EPS [diluted] [$CAD]	***0.37***	*0.40*	*0.33*	***1.51***	*1.29*
Other highlights					
Originations[4]	**1,497,822**	1,715,828	1,489,597	**6,731,548**	6,340,027
Vehicles under management (VUM)[4] - end of period	**1,517**	1,497	1,485	**1,517**	1,485
Adjusted free cash flow per share[4]	**0.30**	0.36	0.29	**1.38**	1.24
Adjusted free cash flow per share [$CAD]	***0.41***	*0.49*	*0.40*	***1.89***	*1.67*
Weighted average common shares outstanding - basic	**404,578**	403,609	389,115	**396,880**	390,297
Weighted average common shares outstanding - diluted	**404,726**	403,768	404,068	**404,164**	405,242
Dividends declared per common share [$CAD]	***0.13***	*0.12*	*0.12*	***0.49***	*0.42*
Return on equity (ROE)	**13.3 %**	12.8 %	12.4 %	**13.3 %**	12.4 %

[1] Calculated as net revenue less operating expenses. Strategic project costs totaled $20 million, of which $14 million was incurred in 2023 and $6 million in 2024. These costs were, attributable to leasing initiatives in Ireland, and were $2 million below planned investment as previously communicated. These costs for the quarterly periods in the above table were as follows: Q4 2023 ($11 million), Q3 2024 ($2 million), and Nil in Q4 2024. Additionally, Q3 2024 also included $7 million in acquisition-related costs, including severance, in connection with the Autofleet transaction.

[2] Calculated as operating income divided by net revenue.

[3] Adjusted operating expenses are calculated as operating expenses less one-time strategic initiatives costs, share-based compensation and amortization of convertible debenture discount.

[4] Considered to be a non-GAAP or supplemental financial measures, which do not have any standard meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "IFRS to Non-GAAP Reconciliations" section in this MD&A. The Company utilizes non-GAAP or supplemental financial measures, such as adjusted results, originations and VUM to assess its businesses and to measure performance. To arrive at adjusted results, the Company adjusts reported results for "adjusting items". Commencing Q4 2024, VUM includes units associated with Autofleet.

Company Overview

Element Fleet Management Corp. ("Element") is the largest publicly traded, pure-play automotive fleet manager in the world. As a Purpose-driven company, we provide a full range of sustainable and intelligent mobility solutions to optimize and enhance fleet performance for our clients across North America, Australia, and New Zealand.

Our services address every aspect of our clients' fleet requirements, from vehicle acquisition, maintenance, route optimization, risk management, and remarketing, to advising on decarbonization efforts, integration of electric vehicles and managing the complexity of gradual fleet electrification. Clients benefit from Element's expertise as one of the largest fleet solutions providers in its markets, offering economies of scale and insight used to reduce operating costs and enhance efficiency and performance.

At Element, we maximize our clients' fleet so they can focus on growing their business. driven by our Purpose to *Move the world through intelligent mobility*.

Element has 1.5 million vehicles under management ("VUM"[5]) (December 31, 2024).

Global Growth Strategy

Driven by our Purpose to *Move the world through intelligent mobility* – and bolstered by our leadership position in the fleet and mobility industry, we continued to focus on executing a global growth strategy that is delivering significant value to our clients, team members, business, and shareholders. By merging a digital-first mindset with operational excellence and strategic investments, we are well-positioned for long-term success in the evolving mobility landscape. Our focus on digitization and automation enhances the client experience, builds our operational scalability, generates greater data-driven insights, and enables long-term growth across our business. At the core of our efforts is an unwavering commitment to prioritizing client success.

As we look ahead, we are well positioned to capitalize on the investments made in 2024 and leverage the advanced digital capabilities and scalable platform that we acquired in Autofleet.

Our conviction to define the future of mobility by moving the world intelligently has galvanized our teams globally. The fleet and mobility industry are evolving, and we see tremendous opportunities ahead for Element.

Our three strategic priorities focus on:

- Continuing to grow organically
- Transforming our holistic digital, analytics, and operational capabilities
- Expanding beyond the core with new products and services such as Insurance, Small- to Medium-Fleets and shared mobility

[5] Every "VUM" is one unique vehicle (a) receiving or subscribed to one or more of our services, and/or (b) financed by us, whether or not subsequently syndicated. In calculating VUM, we apply certain judgements and make certain estimates, including in respect of a small number of single-service usage-based VUM. Certain estimates rely on information provided by our clients that could not be definitively validated. While there are inherent subjectivities in the VUM calculation due to these judgements and estimates, we believe that such judgements and estimates are reasonable.

Achievements and Initiatives in 2024

Autofleet acquisition

On October 1, 2024, we completed the acquisition of Autofleet Solutions Ltd. ("Autofleet"), an innovator in fleet and mobility solutions, for a purchase price of $110 million plus standard working capital adjustments. Autofleet has a robust and highly scalable fleet optimization technology platform alongside optimized mobility solutions tailored for the fleet industry.

This transaction marks an important milestone for our clients and our business, unlocking new growth and value creation potential. By accelerating our digitization and automation initiatives, we aim to deliver innovative and efficient fleet and mobility solutions tailored to our clients' needs. The addition of Autofleet will enhance our position in the evolving mobility and vehicle connectivity landscape, while also accelerating our operational scalability.

The integration of Autofleet will enhance the Company's position in the evolving mobility and vehicle connectivity landscape. Priorities include developing a Digital Driver Experience app, building a digital client reporting portal, and gradually migrating Element's applications to Autofleet's cloud and AI-based platform.

As a wholly owned subsidiary, Autofleet's financial results were consolidated with our financial results beginning on October 1, 2024. In connection with this acquisition, we issued 1.3 million common shares from Treasury, which represented 25% of the total consideration paid.

Strategic initiatives

As previously disclosed, we are optimizing our business by centralizing accountability for our U.S. and Canadian leasing operations in Ireland, and establishing a strategic sourcing presence in Asia to strengthen our relationships with OEMs in the region. We expect these initiatives to generate between $30 - $45 million of run-rate net revenue, and between $22 - $37 million of run-rate adjusted operating income ("AOI"), by full-year 2028.

In August, we commenced operations in Dublin, Ireland, creating a global standard for leasing excellence. This Dublin-based team is currently comprised of 65 cross-functional professionals, and is expected to grow to approximately 80 later this year. As previously communicated, centralizing our U.S. and Canadian leasing functions in Ireland provides the following benefits:

- Enhancing our consistent, superior client leasing experience to grow market-leading offerings across the leasing lifecycle;
- Greater control over our broader leasing functions to better assess performance and optimize capital allocation;
- Aligning commercial sales and strategic alliances with our leasing strategy; and
- A more disciplined approach to pricing.

In April 2024, we commenced operations in Singapore, marking a significant milestone in our ongoing strategic initiative to enhance our global procurement capabilities and strategic sourcing relationships in the region. Concurrently, we entered into our first collaboration agreement with a strategic sourcing supplier.

The expected payback period from our investments remains unchanged at less than 2.5 years.

Growing beyond the core

We continue to make progress on opportunities to expand into new client segments, particularly within insurance and the small- to medium-sized fleet market. Concurrently, we remain focused

on making bold strides towards offering new products and solutions, including Autofleet's fleet optimization solutions, telematics, and electrification.

Subsequent to quarter-end, on January 30, 2025, we announced Element Risk Solutions - a fully integrated insurance and risk management offering. This new service, which we launched in a strategic partnership with Hub International Limited ("HUB"), a leading global insurance brokerage and financial services firm servicing commercial fleets, is designed to transform how clients insure and manage commercial fleets.

This new service bundles insurance coverage solutions, including accident management, subrogation, driver safety programs, and telematics, to deliver a seamless, vehicle life-cycle experience for clients.

Leveraging a simplified transaction process, clients can access customized insurance products powered by HUB Drive Online, based on their specific needs.

Effect of Foreign Currency Exchange Rate Changes

We are exposed to fluctuations in certain foreign currencies from operations we conduct in Mexico, Australia, New Zealand, and Canada. We performed a foreign exchange sensitivity analysis to assess potential mitigating actions. Additionally, we instituted certain designated hedges that further mitigate the effects of FX exposure on our financial performance. Notwithstanding, our assets, liabilities, and foreign operating results do fluctuate as a result of fluctuations in these currencies against our reporting currency, which is the U.S. dollar. Based on our latest analysis, a 1% depreciation (appreciation) in the value of the U.S. dollar against all of the Mexican peso, Australian dollar, New Zealand dollar, and Canadian dollar simultaneously would be expected to increase (decrease) adjusted operating income by approximately $3.6 million with Mexico representing approximately 69% of the total aggregate impact.

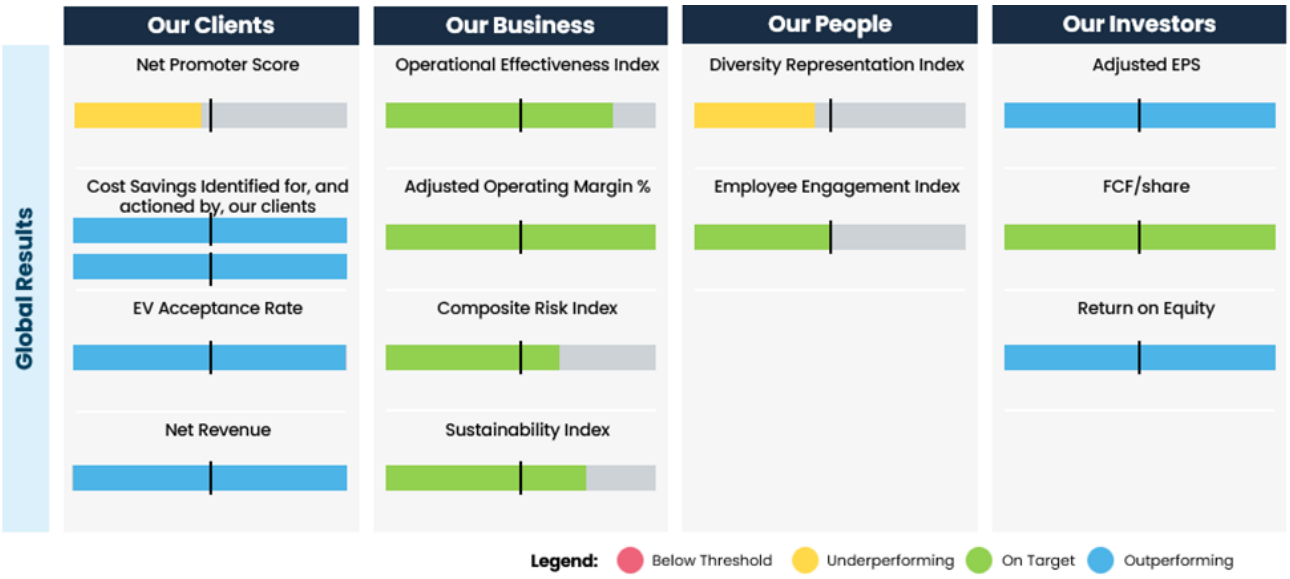
Average exchange rate		**For the three-months ended**		**For the year ended**	
	December 31, 2024	September 30, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
Canadian dollar/U.S. dollar	**0.7147**	0.7331	0.7349	**0.7301**	0.7411
Mexican Peso/U.S. dollar	**0.0498**	0.0529	0.0570	**0.0549**	0.0565
Australian dollar/U.S. dollar	**0.6523**	0.6700	0.6515	**0.6598**	0.6644
New Zealand dollar/U.S. dollar	**0.5913**	0.6113	0.6039	**0.6051**	0.6142

For further information relating to items impacting our Audited Consolidated Financial Statements please refer to Note 2 (*Summary of Material Accounting Policies*) of our Audited Consolidated Financial Statements dated December 31, 2024.

Global Balanced Scorecard

We use a global balanced scorecard ("Global BSC") strategy and performance management system, which forges tight alignment and focus throughout the Company, resulting in the rapid advancement of our strategic objectives. The balanced scorecard frames Element in four dimensions, each representing one of our main pillars: our clients, business, people, and investors.

We either achieved or outperformed on all of our Global BSC metrics in 2024, except for Net Promoter Score (NPS) and Diversity Representation Index, both of which are addressed below under 'Earning our clients' loyalty' and 'Championing Diversity, Equity, Inclusion and Belonging', respectively.



Our Clients

Earning our clients' loyalty

Elevating the client and driver experience remains a strategic focus. One of the key indicators of our success in delivering an exceptional client experience is our NPS.

At the end of 2024, our global NPS was 49. This represents a 4-point year-over-year increase from 45 at the end of 2023 and 1-point below our target of 50. Client engagement levels hit record highs with a 6% increase year-over-year to 35%, providing us with additional valuable feedback to incorporate into our action plans.

Our strategic investments in 2024 have set a strong foundation for elevating the client experience going forward. The acquisition of Autofleet and planned rollout of digital capabilities throughout 2025 will enable us to continue transforming our clients' digital experience, a key driver of our NPS. In addition, our co-created Purpose outlines our commitment to clients, setting clear expectations for our team members and partners on how we will deliver client success each day. We are also implementing a rigorous governance process based on key NPS drivers, which will ensure continued elevation of the client and driver experience.

Creating compelling value for our clients

Our global Strategic Advisory Services (SAS) team is committed to delivering substantial value to our clients. We proactively identify each client's unique fleet challenges and opportunities, and then respond with tailored solutions and strategies.

In 2024, our SAS team launched an identifier tool that enables our advisors to exceed traditional cost-per-mile savings benchmarks, thereby setting new savings standards for both our advisors and clients. Additionally, by leveraging AI, we have classified clients based on vehicle or usage commonalities across different segments. This approach enhances benchmark comparisons, providing our advisors with more profound insights to share with clients.

The team also recently introduced the Client Advisor tool, an internal platform designed to enhance how our advisors manage client relationships. This powerful tool provides our advisors a single pane of glass to manage client goals, pain points, and deliverables, while providing a holistic overview of program enrollment. It tracks cost savings - both identified and actioned - and issues alerts if advisors fail to log savings or follow up on action items. It delivers the latest industry and client news, and proactively sends alerts when category spend surpasses set thresholds, saving time and increasing visibility into client activities. The tool empowers advisors to proactively engage and align with client goals.

In 2024, our teams identified and shared over $1.5 billion of fleet operating cost savings opportunities with clients, of which approximately $605 million in value was actioned by clients (inclusive of vendor, warranty, repair negotiations, subrogation recovery, productivity, etc.).

Enabling client fleet electrification

In 2024, we made significant progress in driving electrification growth, innovation, and delivering outstanding client value across all regions. Enhancements to home and depot charging programs, coupled with improved technology integrations and client engagement tools, streamlined the electric vehicle ("EV") adoption process. A key development in the U.S. and Canada was the launch of our Home Charger Subscription product, designed to simplify the adoption experience and reduce friction points around the adoption process.

Strategic partnerships globally, including our collaboration with Origin Energy in ANZ and local charging providers in Mexico, further empowered us to provide tailored solutions. Additionally, we made headway on selecting and testing a global managed charging platform, which will be implemented in early 2025.

Our technological and infrastructure advancements were underscored by a commitment to sustainability and operational excellence. We strengthened change management training for clients while offering continuous education for our teams. Notable achievements included partnering with new hardware players, completing critical depot projects, and expanding access to public and residential charging stations in order to ensure seamless EV adoption for our clients.

Region-specific progress highlights included Mexico's strong commercial growth, marked by the strong increase in eVUM, successfully coordinating and completing six depot projects across the year, and expanding residential charging infrastructure. Preparations for 2025 include introducing innovative products such as “as-a-service” models and infrastructure financing solutions to support client needs. Element also took a leadership role in Mexico by joining the Electromobility Association (EMA) in 2024, positioning us to have an influential voice in electromobility decision-making in the country.

In our ANZ region, we broadened public charging capabilities in Australia with EVIE and advanced complex fleet electrification projects for last-mile delivery operations. We also focused on enhancing infrastructure capabilities through strategic partnerships and augmenting installation and servicing capabilities for charging infrastructure.

Our Business

Consistently meeting service commitments

In 2024, our maintenance team delivered solid results, reinforcing our commitment to client satisfaction and operational excellence. We delivered our highest ever level of negotiated savings for our clients. Additionally, we achieved strong results on repair times and driver shop service satisfaction. Our focus on efficiency and network optimization led to an 81% in-network shop utilization rate across the year, ensuring clients benefited from preferred pricing and quality. Chatbot interactions reached a record in Q4, demonstrating our continued emphasis on digital-first solutions. These results underscore the dedication of our maintenance team to delivering exceptional value and service while supporting Element's broader strategic goals.

Despite these achievements, our global NPS was below target (as discussed above under "Earning our clients' loyalty") and we recognize there is more we need to do to further enhance our operational capabilities, particularly in our Titling & Registration service offering as well as our Ordering experience. Introducing new digital capabilities in 2025 through our Autofleet acquisition will help Element to keep enhancing our clients' digital experience, a critical factor in improving our NPS.

Continuously improving the way we work

In 2024, our Continuous Improvement team focused on refining operational processes, driving greater efficiency, and improving client experience. Through targeted initiatives, we identified opportunities to reduce waste, optimize workflows, and enhance productivity across our global operations. These efforts resulted in a stronger foundation for consistent service delivery. Our automation solutions have improved operational efficiency, benefiting both employees and clients. By handling routine tasks, our teams can turn their attention to strategic and client-focused activities.

Focused on improving data quality and process reliability, the team implemented measures to ensure consistent and accurate information flows across operations in 2024. These efforts enhanced decision-making, reduced errors and ensured smoother end-to-end processes, contributing to a stronger foundation for client success.

Prudently managing our risks

Our Enterprise Risk Council (the "Council") is a cross-functional group led by our Chief Financial Officer. Risk owners from across Element regularly update the Council on their risks, the steps towards mitigation, and any potential emerging trends.

During 2024, we maintained a current catalog of our enterprise, emerging, and compliance risks and updated Council membership to mirror leadership changes in the organization. This assisted in our focus to continuously deepen our risk awareness culture. We regularly reviewed procedures to update key corporate policies, ensuring alignment globally. This strategy boosted accountability, aligned crucial risks with policies, and improved controls to monitor compliance.

Our Enterprise Composite Risk Index (ECRI) regularly evaluates risks impacting revenue, credit and collections, operations, treasury, information technology and people. The ECRI adheres to our Risk Appetite Statement, providing clear metrics and thresholds for effective risk management. The results and related actions were shared with the Credit and Risk Committee of the Board of Directors for visibility and agreement and the owners began to design metrics for 2025.

Sustainability: Driving progress for our planet, people, communities, and business

In June 2024, we released our 2024 Sustainability Report titled "*Sustainable Momentum: Building on Progress*", which is available on our website. This fourth annual publication outlines our comprehensive approach for measuring and reporting on our impact.

Highlights from the 2024 Sustainability Report include:

- Committing to setting near-term Science Based Targets;
- Aligning our disclosures to the Task Force on Climate-related Financial Disclosures (TCFD); and
- Measuring and addressing our impact through Scopes 1, 2, and 3 greenhouse gas emissions disclosure.

In Q4 2024, we continued the development of our sustainability reporting roadmap to increase alignment with the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards and the Corporate Sustainability Reporting Directive (CSRD) in future reports.

Also in Q4 2024, we announced the validation of our near-term science-based targets by the Science-based Targets initiative (SBTi). This milestone underscores our commitment to emissions reduction, demonstrating continued leadership in sustainability within the fleet management industry.

Further information regarding the SBTi validation and our commitments is available on our website.

Supplier diversity

We take pride in our longstanding commitment to promoting supplier diversity, which aligns seamlessly with the values of our clients. Our Supplier Diversity Program is crafted to create opportunities for diverse suppliers who meet our business, procurement, and contractual standards, while also supporting our clients in achieving their own supplier diversity goals.

Our dedication is demonstrated through our memberships with respected organizations including the National Minority Supplier Development Council (NMSDC), Disability:IN Minnesota, and the Women's Business Enterprise National Council (WBENC) in the U.S., as well as the Canadian Council for Aboriginal Business (CCAB) and the Canadian Aboriginal and Minority Supplier Council (CAMSC). Through these partnerships, we strive to cultivate an inclusive and collaborative supply chain.

Our People

2024 marked a significant year for our people and our culture. We launched our Purpose and shared our Acceleration 2029 strategy globally. We opened our Ireland Leasing function in Q2 2024, welcoming over 50 new colleagues to our team. We also closed our acquisition of Autofleet in Q4 2024, adding another 70 colleagues to our team. While we are proud of our achievements, we also recognize that there is more we need to do to further enhance our employees' experience.

Living our Purpose and connecting on our strategy and our values

In June 2024, our people came together, in-person and virtually in live events across our organization to launch our Purpose: *Move the world through intelligent mobility*. We continued to bring our Purpose to life throughout the year with facilitated Change Agility Sessions, and StoryLiving sessions to support leaders in sharing personal Purpose stories with a tangible business impact.

Connecting pay to performance

Our Global Balanced Scorecard (BSC) underpins our "pay-for-performance" philosophy. We released our 2024 Global BSC in Q1, cascading global strategic objectives to our teams. Each team member then set their own individual goals, aligning them with the scorecard. Short Term Incentive Plan (STIP) rewards reflect both individual performance and business results, recognizing and rewarding high performing team members globally who exceed expectations in what and how they deliver for our clients and each other.

Investing in our Teams

With a 92% participation rate in our annual Engagement Survey, it is clear that our team members are committed to making Element a great place to work. Our engagement score remained level with 2023 at 73%, with feedback provided highlighting a number of opportunities, including broad themes around empowerment, work-life balance, and technology tools. Leaders met with their teams in Q4 2024 to develop specific action plans in areas that matter most to their groups and are committed to regular progress updates throughout the year. In November 2024, we also announced investments to our benefits and compensation programs in areas that our people value – including decreasing out-of-pocket maximums for our U.S. team members, adding fertility coverage for our Canadian team and completing pay equity and living wage adjustments to qualifying employees ahead of schedule in November 2024.

Celebrating growth and welcoming new colleagues

We celebrated two office grand openings in 2024, joined by team members, leaders, local dignitaries and community leaders to mark the occasion. In April 2024 we opened our Owings Mills, Maryland office and then in October 2024, we welcomed the new office for our Leasing function at 2 Grand Parade, Dublin, where our team began collaborating in person. Finally, we welcomed our new colleagues from Autofleet in October 2024 and have leveraged opportunities such as our annual Senior Leadership Forum and Global Town Halls to welcome our new team members as Element continues to grow.

Championing Diversity, Equity, Inclusion and Belonging

Our Global Diversity Representation Index closed just below target at 76, with underperformance in hiring, promotions and voluntary exits of women as well as promotions and voluntary exits of racially and/or ethnically diverse people. This is despite a positive increase in self-identified representation of persons with disabilities and hiring of racially and/or ethnically diverse persons. Our focus continues to be on fostering a workplace where everyone belongs. Notable highlights

from the year include recognition in The Globe and Mail Report on Business magazine's annual *Women Lead Here* benchmark for gender diversity in leadership, recognition as a Culturally Powerful Company for Women in 2024 by Grupo Expansión, awarded the LearnX Global Industry Platinum Award for Best HR Talent Management: Diversity & Inclusion for Green Light, our emerging leadership program for women and recognition of Element Board Chair Katie Taylor as she was recognized for her advocacy of women's advancement at the Catalyst Honors Conference.

In Q4 2024, we hosted our annual Business Resource Group (BRG)[6] Summit to celebrate our BRG leaders and provide opportunity to network, engage, learn and further support Purpose. Our BRGs and Intersection Network continue to build community for our team members to learn, grow and connect with one another, hosting a number of activities including a career confidence panel featuring Element women leaders, and celebrating Global Diversity Month, World Menopause Day, LGBTQ+ History Month, National Coming Out Day, Disability Employment Awareness Month, International Day of Persons with Disabilities (IDPWD), Diwali, Hispanic Heritage Month and World Mental Health Month. Our Veterans BRG continued our support of Baltimore Station with sponsorship of the Baltimore Station Stars and Stripes fundraiser benefitting unhoused veterans and we held our annual Season of Giving, supporting non-profit organizations across the locations and communities where we live and work.

[6] Business Resource Groups (BRGs) are employee-led groups that foster an inclusive culture by bringing together Element employees who have similar backgrounds, experiences, and/or interests, and their allies. BRG participation is voluntary and open to employees in all global regions who are interested in and support the objectives of the BRG, regardless of their background.

Annual Results of Operations

			For the year ended
	December 31, 2024	December 31, 2023	December 31, 2022
(in US$000's for stated values, except per share amounts)	**$**	$	$
Reported results			
Net revenue			
Net interest income and rental revenue	**1,002,454**	841,626	583,878
Interest expense	**553,324**	430,773	208,359
Net financing revenue	**449,130**	410,853	375,519
Servicing income, net	**595,540**	502,659	446,456
Syndication revenue, net	**42,890**	45,587	47,733
Net revenue	**1,087,560**	959,099	869,708
Operating expenses			
Salaries, wages and benefits	**303,602**	271,834	247,933
General and administration expenses	**136,706**	119,107	95,699
Depreciation and amortization	**59,421**	51,341	45,963
Amortization of convertible debenture discount	**1,517**	3,038	2,945
Share-based compensation	**43,435**	36,429	23,933
Operating expenses	**544,681**	481,749	416,473
Other expenses			
Amortization of intangible assets from acquisition	**28,734**	27,912	28,037
Loss/(Gain) on investments	**588**	492	2,609
Other expenses	**29,322**	28,404	30,646
Income before income taxes	**513,557**	448,946	422,589
Provision for income taxes	**126,420**	103,347	107,687
Net income	**387,137**	345,599	314,902
Total assets	**12,700,714**	12,430,536	10,581,344
Total debt	**8,331,106**	8,064,097	6,623,791
Weighted average number of shares outstanding [basic]	**396,880**	390,297	396,907
EPS [basic]	**0.96**	0.84	74.00
Weighted average number of shares outstanding [diluted]	**404,164**	405,242	413,335
EPS [diluted]	**0.95**	0.82	72.00
Dividends declared, per share [$CAD]			
Common share	**0.490000**	0.420000	0.332500
Preferred Shares, Series A	**—**	1.733252	1.733252
Preferred Shares, Series C	**0.776260**	1.552520	1.552520
Preferred Shares, Series E	**1.106814**	1.475752	1.475752
Preferred Shares, Series I	**—**	—	0.718750

(in US$000's for stated values, except per share amounts)	December 31, 2024 $	December 31, 2023 $	December 31, 2022 $
			For the year ended
Adjusted results[7]			
Servicing income, net	**595,540**	502,659	438,030
Net financing revenue	**449,130**	410,853	368,754
Syndication revenue, net	**42,890**	45,587	43,903
Adjusted net revenue	**1,087,560**	959,099	850,687
Adjusted operating expenses[8]	**486,330**	428,611	389,595
Adjusted operating income[9]	**601,230**	530,488	461,092
Adjusted operating margin[10]	**55.3 %**	55.3 %	54.2 %
Adjusted net income	**450,871**	400,381	343,514
Adjusted EPS [basic]	**1.12**	0.98	0.81
Adjusted EPS [diluted]	**1.10**	0.96	0.79

We offer the following commentary on net revenue, operating expenses, adjusted operating income, pre-tax income margin, net income, earnings per share, and originations for the year ended December 31, 2024, which are IFRS measures. In addition, we present and offer commentary on the adjusted results for the year ended December 31, 2024, which are non-GAAP financial measures.

Net revenue

2024 net revenue grew $128 million or 13% from 2023 ("year-over-year") to $1 billion led largely by double-digit services revenue growth and higher net financing revenue.

Services income, net

2024 services revenue increased a strong $93 million or 18% year-over-year. This increase was largely driven by increased penetration and utilization of our services offerings from new and existing clients and higher origination volumes.

Net financing revenue

Net financing revenue of $449 million in 2024 grew $38 million or 9% year-over-year. This improved performance was largely due to higher net earnings assets resulting from increased originations across all geographies. This growth was partly offset by higher funding costs, including higher interest expense largely associated with financing the redemptions of our preferred shares. Gains on sale ("GOS") were largely unchanged year-over-year, as increased volumes of vehicles for sale were more than offset by a decrease in used vehicle pricing in Mexico and ANZ.

[7] Considered to be a non-GAAP or supplemental financial measures, which do not have any standard meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "IFRS to Non-GAAP Reconciliations" section in this MD&A. We utilize non-GAAP or supplemental financial measures, such as adjusted results to assess our businesses and to measure performance. To arrive at adjusted results, we adjust reported results for "adjusting items".
[8] Adjusted operating expenses are calculated as operating expenses less one-time strategic initiatives costs, Autofleet acquisition-related costs, share-based compensation and amortization of convertible debenture discount.
[9] Calculated as net revenue less adjusted operating expenses.
[10] Calculated as operating income divided by net revenue

Net financing revenue yield on average net earning assets

(in US$000's for stated values)	For the year ended December 31, 2024	December 31, 2023
Average net earning assets	**$ 7,980,144**	$ 7,008,655
Net interest income and rental revenue	**12.56 %**	12.01 %
Interest expense	**6.93 %**	6.15 %
Net financing revenue yield on average net earning assets[11]	**5.63 %**	5.86 %
Average debt outstanding	**$ 8,473,105**	$ 7,361,960
Average cost of debt (Interest expense / average debt)	**6.53 %**	5.85 %
Average 1-Month LIBOR rates	**— %**	— %

Syndication revenue, net

We syndicated a record $3.5 billion of assets in 2024, an increase of $984 million or 40% year-over-year. This growth was largely associated with higher origination volume, our ongoing focus on our capital lighter model, and management of our tangible leverage. Overall, investor demand remains robust.

Syndication revenue of $43 million in 2024 decreased $3 million, or 6% year-over-year, led largely by the bulk syndication of a Canadian lease portfolio in December 2024 (the "Bulk Sale") in the amount of $346 million (CAD$474 million) (referenced below). This Bulk Sale further diversified our funding sources. This initial sale and associated set up costs impacted yields. Yields were further impacted by our core syndication mix and scheduled reduction in bonus depreciation driving lower net yields. Gross yield, which is a measure of the value and demand for our core syndication product, was relatively unchanged from 2023.

The Bulk Sale established a new strategic funding relationship with affiliates of Blackstone's Infrastructure & Asset-Based Credit Group ("Blackstone"). This initial transaction, which took place on December 20, 2024, has characteristics similar to that of a bulk syndication. Through this arrangement we benefit from substantially full derecognition of finance lease receivables, diversifying and optimizing our funding profile, validating the high-quality of our asset origination platform, and supports our continued growth.

Syndication continues to be an important funding mechanism, providing us with ready access to cost-effective off-balance sheet funding.

Operating expenses

2024 operating expenses were $545 million, up $63 million or 13% year-over-year. This increase is largely attributable to higher performance-based compensation commensurate with our robust financial performance and strategic initiative-related professional fees in connection with centralizing our U.S. and Canadian leasing function in Ireland, establishing a strategic sourcing presence in Singapore, the development of our Purpose, accelerating digitization and automation initiatives, investment in our last mile rental solution, and the acquisition of Autofleet. 2024 included $7 million in Autofleet acquisition-related costs. Higher depreciation reflects investments in modernizing our technology platform. These costs are predominantly a function of the planned acceleration of our strategic investments, in light of our strong performance, to sustain our industry leadership and position us for future success. We expect expense growth to moderate considerably in 2025 as the benefits of this year's investments begin to materialize.

These increases were offset by $7 million in lower one-time strategic project costs in 2024, of which there were approximately $6 million in 2024 and $14 million in 2023.

[11] Please refer to the "IFRS to Non-GAAP Reconciliations" section in this MD&A.

2024 adjusted operating expenses of $486 million grew $58 million or 13% year-over-year led largely by strategic investments in future growth and higher performance-based compensation commensurate with record results in 2024. As outlined in the full year discussion above, we expect expense growth to moderate considerably in 2025 as the benefits of these investments begin to materialize.

Net income and adjusted operating income

2024 net income of $387 million grew $42 million or 12% year-over-year. On an adjusted basis, net income of $451 million was $50 million or 13% higher than 2023.

Adjusted operating income ("AOI") for 2024 was $601 million - $71 million or 13% higher than 2023 - resulting in adjusted EPS of $1.12 for 2024, 14% increase over 2023.

Pre-tax income margin

2024 pre-tax income margin was 47.2%. Adjusted operating margin of 55.3% - unchanged year-over-year as we carefully balanced strategic growth investing with operational discipline. Excluding Autofleet, adjusted operating margin would have expanded to 55.6%.

Originations

We originated $6.7 billion of assets in 2024, an increase of $391.5 million or 6.2% year-over-year. This growth was driven by higher origination volume across all geographies.

The table below sets out the geographic distribution of originations for 2024 and 2023:

(in US$000's for stated values)	**December 31, 2024**		December 31, 2023	
	$	**%**	$	%
United States and Canada	**5,206,339**	**77.34 %**	4,850,411	76.50 %
Mexico	**1,035,249**	**15.38 %**	1,028,165	16.22 %
Australia and New Zealand	**489,960**	**7.28 %**	461,451	7.28 %
Total	**6,731,548**	**100.00 %**	6,340,027	100.00 %

Quarterly Results of Operations

(in US$000's except per share amounts unless otherwise noted)	For the three-month period ended		
	December 31, 2024	September 30, 2024	December 31, 2023
Reported results			
Net revenue			
Net interest income and rental revenue	**238,967**	258,563	224,827
Interest expense	**135,514**	142,473	122,616
Net financing revenue	**103,453**	116,090	102,211
Servicing income, net	**161,461**	146,903	129,657
Syndication revenue, net	**5,976**	16,643	13,261
Net revenue	**270,890**	279,636	245,129
Operating expenses			
Salaries, wages and benefits	**76,401**	78,065	71,717
General and administration expenses	**35,390**	34,093	35,678
Depreciation and amortization	**15,756**	14,967	13,572
Amortization of convertible debenture discount	**—**	—	772
Share-based compensation	**13,687**	12,242	12,346
Operating expenses	**141,234**	139,367	134,085
Other expenses			
Amortization of intangible assets from acquisition	**7,819**	6,970	6,971
Loss (gain) on investments	**410**	(668)	660
Other expenses	**8,229**	6,302	7,631
Income before income taxes	**121,427**	133,967	103,413
Provision for income taxes	**29,370**	35,402	21,846
Net income for the period	**92,057**	98,565	81,567
Weighted average number of shares outstanding [basic]	**404,578**	403,609	389,115
EPS [basic]	**0.23**	0.24	0.20
Dividends declared, per share [$CAD]			
Common share	***0.130000***	*0.120000*	*0.120000*
Preferred Shares, Series A[1]	**—**	—	*0.433313*
Preferred Shares, Series C[2]	**—**	—	*0.388130*
Preferred Shares, Series E[3]	**—**	*0.368938*	*0.368938*

1. We redeemed all outstanding Series A preferred shares on December 31, 2023.
2. We redeemed all outstanding Series C preferred shares on June 30, 2024.
3. We redeemed all outstanding Series E preferred shares on September 30, 2024.

(in US$000's for stated values, except per share amounts)	For the three-month period ended		
	December 31, 2024	September 30, 2024	December 31, 2023
Adjusted results[12]			
Adjusted operating expenses[13]	**127,547**	118,209	110,201
Adjusted operating income[14]	**143,343**	161,427	134,928
Adjusted operating margin[15]	**52.9 %**	57.7 %	55.0 %
Adjusted net income	**107,507**	119,537	99,806
Adjusted EPS [basic]	**0.27**	0.29	0.25
Adjusted EPS [diluted]	**0.27**	0.29	0.24
Adjusted EPS [basic] [$CAD]	***0.37***	*0.40*	*0.33*
Adjusted EPS [diluted] [$CAD]	***0.37***	*0.40*	*0.33*

We offer the following commentary on net revenue, operating expenses, pre-tax income margin, net income, and earnings per share for the quarter ended December 31, 2024, which are IFRS measures. In addition, we present and offer commentary on the adjusted results for the quarter ended December 31, 2024, which are non-GAAP financial measures.

Net revenue

Q4 2024 net revenue of $271 million increased $26 million or 11% from Q4 2023. This growth was largely attributable to robust year-over-year services growth. This increase was partly offset by lower syndication revenue.

Net revenue decreased $9 million or 3% from a record high in Q3 2024, led largely by lower net financing and syndication revenue and seasonal factors impacting GOS. These decreases were partly offset by higher services revenue quarter-over-quarter.

Services income, net

Q4 2024 services revenue increased a robust $32 million or 25% year-over-year to $161 million and $15 million or 10% quarter-over-quarter driven by higher penetration and utilization rates of our service offerings from new and existing clients.

Net financing revenue

Q4 2024 net financing revenue increased by $1 million or 1% year-over-year. This moderate increase was largely due to higher net earning assets associated with higher originations across all geographies. This increase was partly offset by a year-over-year decrease in GOS and higher funding costs, including higher interest expense largely associated with financing the redemptions of our preferred shares. A higher volume of vehicles for sale was more than offset by a decrease in used vehicle pricing in Mexico and ANZ.

Q4 2024 net financing revenue decreased by $13 million or 11% from Q3 2024. This quarter-over-quarter decrease was led materially by seasonal factors affecting GOS and for the same reasons cited directly above.

[12] Considered to be a non-GAAP or supplemental financial measures, which do not have any standard meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "IFRS to Non-GAAP Reconciliations" section in this MD&A. We utilize non-GAAP or supplemental financial measures, such as adjusted results to assess our businesses and to measure performance. To arrive at adjusted results, we adjust reported results for "adjusting items".
[13] Adjusted operating expenses are calculated as operating expenses less one-time strategic initiatives costs, Autofleet acquisition-related costs, share-based compensation and amortization of convertible debenture discount.
[14] Calculated as net revenue less adjusted operating expenses.
[15] Calculated as adjusted operating income divided by net revenue.

Net financing revenue yield on average net earning assets

	For the three-month period ended		
(in US$000's unless otherwise noted)	**December 31 2024**	September 30, 2024	December 31, 2023
Average net earning assets	**$ 7,848,023**	$ 8,059,992	$ 7,494,361
Net interest income and rental revenue	**12.18 %**	12.83 %	12.00 %
Interest expense	**6.91 %**	7.07 %	6.54 %
Net financing revenue yield on average net earning assets	**5.27 %**	5.76 %	5.46 %
Average debt outstanding	**$ 8,313,527**	$ 8,582,383	$ 7,829,218
Average cost of debt (Interest expense / average debt)	**6.52 %**	6.64 %	6.26 %
Average 1-Month LIBOR rates	**— %**	— %	— %

Syndication revenue

We syndicated $1 billion of assets in Q4 2024 - $330 million or 47% more volume year-over-year and $34 million or 3% higher quarter-over-quarter. These increases are primarily attributable to higher originations and our ongoing focus on our capital lighter model. Investor demand for Element-originated debt product remains robust.

Despite higher volumes, Q4 2024 syndication revenue decreased $7 million or 55% year-over-year and $11 million or 64% quarter-over-quarter largely due to lower net yields and setup costs associated with the Bulk Sale. As mentioned in the full 2024 commentary, gross yield, which is a measure of the value and demand for our core syndication product, was relatively unchanged from 2023.

Operating expenses and adjusted operating expenses

Q4 2024 operating expenses of $141 million increased $7 million or 5% year-over-year largely due to higher salaries and wages and depreciation and amortization, and higher share-based compensation. General and administrative expenses were largely unchanged. Q4 2023 operating expenses included $11 million in one-time strategic project costs, whereas no such costs were incurred in Q4 2024.

Q4 2024 operating expenses increased $2 million or 1% quarter-over-quarter. General and administrative expenses, depreciation and amortization, and share-based compensation were all up moderately quarter-over-quarter, partially offset by lower salaries, wages and benefits. Q3 2024 included $7 million in acquisition-related costs in connection with the completion of our acquisition of Autofleet.

On an adjusted basis, Q4 2024 operating expenses of $128 million were $17 million or 16% higher year-over-year largely due to higher salaries, wages and benefits associated with higher headcount and higher depreciation and amortization. These costs are predominantly a function of our planned strategic investments to position us for future success, the benefits from which we expect to realize commencing in 2025. Higher performance-based compensation and the $3 million in operating costs attributable to Autofleet in Q4 2024 also contributed to the year-over-year increase.

On an adjusted basis, Q4 2024 operating expenses increased $9 million or 8% quarter-over-quarter largely due to higher general and administrative expenses due to the planned strategic investments we are making in our business to support growth. Q4 2024 also included $3 million in operating expenses attributable to Autofleet following the completion of our acquisition on October 1, 2024.

We expect expense growth to moderate considerably in 2025 as the benefits of our investments begin to materialize.

Net income and adjusted operating income

Q4 2024 net income of $92 million increased by $10 million or 13% from Q4 2023 and decreased $7 million or 7% from Q3 2024.

On an adjusted basis, Q4 2024 net income of $108 million was $8 million or 8% higher year-over-year and $12 million or 10% lower quarter-over-quarter.

AOI was $143 million this quarter, an increase of $8 million or 6% year-over-year resulting in adjusted EPS of $0.27; an 8% increase from Q4 2023.

AOI decreased by $18 million or 11% quarter-over-quarter. Q4 2024 adjusted EPS was down 7% quarter-over-quarter.

Pre-tax income margin and adjusted operating margin

The Q4 2024 pre-tax income margin was 44.8%, as compared to 42.2% in Q4 2023 and 47.9% in Q3 2024.

Q4 2024 adjusted operating margin was 52.9% influenced by accelerated strategic investments, seasonal factors impacting GOS, $3 million in Autofleet operating costs, and the impact of the Bulk Sale. Excluding Autofleet, Q4 2024 adjusted operating margin was 54.0%.

Originations

We originated $1.5 billion of assets in Q4 2024, largely unchanged year-over-year driven by steady volumes in the U.S. and Canada. Quarter-over-quarter, originations decreased $218 million or 13% largely led largely by slower client order volume during the summer months.

Order volumes have strengthened significantly over the last four months, reaching a record monthly high in December 2024. This momentum, bolstered by improvements made through our U.S. & Canada Leasing strategic initiative based in Ireland, is expected to drive strong origination volumes in the first half of 2025.

The table below sets out the geographic distribution of originations for the three-month period ended as of the indicated date.

(in US$000's)	**December 31, 2024**		September 30, 2024		December 31, 2023	
	$	**%**	$	%	$	%
United States and Canada	**1,060,837**	**70.8**	1,362,559	79.4	1,081,091	72.6
Mexico	**303,410**	**20.3**	220,123	12.8	292,324	19.6
Australia and New Zealand	**133,575**	**8.9**	133,146	7.8	116,182	7.8
Total	**1,497,822**	**100.0**	1,715,828	100.0	1,489,597	100.0

Summary of Quarterly Information

The following table sets out selected financial information as reported for each of the eight most recent quarters, the most recent of which ended December 31, 2024. This information has been prepared on the same basis as our audited consolidated financial statements, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with our audited consolidated financial statements and the related notes to those statements.

(in US$ 000's except per share amounts and ratios or unless otherwise noted)	**Q4 2024**	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Net revenue	**270,890**	279,636	274,577	262,457	245,129	248,671	240,623	224,652	215,292
Adjusted operating income	**143,343**	161,427	152,853	143,607	134,928	140,607	132,686	122,273	110,664
After-tax adjusted operating income	**107,507**	119,537	115,404	108,423	99,806	106,861	100,178	93,539	82,998
Net income	**92,057**	98,565	102,698	93,817	81,567	95,946	89,373	78,687	74,389
EPS, basic	**0.23**	0.24	0.26	0.23	0.20	0.24	0.22	0.19	0.18
EPS, diluted	**0.23**	0.24	0.26	0.23	0.19	0.23	0.21	0.18	0.17
Adjusted EPS, basic	**0.27**	0.29	0.29	0.27	0.25	0.26	0.25	0.23	0.20
Adjusted EPS, diluted	**0.27**	0.29	0.29	0.26	0.24	0.25	0.24	0.22	0.19
Total assets	**12,700,714**	12,638,542	12,874,525	13,336,018	12,430,536	12,101,324	11,959,106	11,123,782	10,581,343
Net earning assets	**7,403,724**	7,789,048	8,114,717	8,034,053	7,610,333	7,327,686	7,063,377	6,527,491	6,197,402
Total debt	**8,331,106**	8,346,905	8,610,341	9,060,476	8,064,097	7,737,840	7,656,545	6,884,314	6,583,795
Originations	**1,497,822**	1,715,828	1,976,014	1,541,883	1,489,595	1,556,967	1,888,817	1,404,647	1,317,238
Allowance for credit losses	**6,168**	6,069	5,351	5,794	5,539	6,947	7,613	7,535	7,655
As a % of total finance receivables before allowance	**0.08**	0.08	0.07	0.08	0.08	0.10	0.11	0.12	0.13
Senior revolving credit facilities - drawn	**1,553,350**	1,033,890	1,222,012	796,104	825,319	923,120	1,288,390	1,959,812	1,397,823
Borrowings	**6,910,439**	7,438,240	7,489,404	8,225,463	7,192,813	6,760,142	6,298,892	4,970,289	5,104,937
Convertible debentures[16]	**—**	—	—	126,108	127,816	124,419	125,653	122,018	121,030

[16] We redeemed all of our convertible debentures on June 26, 2024.

Financial Position

The following table presents a summary of our comparative financial positions, as at:

(in US$000's unless otherwise noted)	**December 31, 2024**	September 30, 2024	December 31, 2023
ASSETS			
Cash	**128,845**	65,031	96,419
Restricted funds	**279,776**	272,216	254,218
Finance receivables	**7,570,218**	7,606,812	7,219,554
Equipment under operating leases	**2,435,430**	2,537,369	2,646,158
Accounts receivable and other current assets	**202,168**	177,762	202,898
Derivative financial instruments	**97,922**	70,897	85,459
Property, equipment and leasehold improvements	**112,540**	115,424	102,733
Intangible assets	**642,471**	625,238	638,411
Deferred tax assets	**201,114**	211,471	226,774
Goodwill	**1,030,230**	956,322	957,912
	12,700,714	12,638,542	12,430,536
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**1,338,188**	1,153,738	1,207,797
Derivative financial instruments	**21,566**	67,215	27,864
Borrowings	**8,463,789**	8,472,130	8,018,132
Convertible debentures	**—**	—	127,816
Deferred tax liabilities	**102,856**	170,957	105,099
	9,926,399	9,864,040	9,486,708
Shareholders' equity	**2,774,315**	2,774,502	2,943,828
	12,700,714	12,638,542	12,430,536

Total assets and liabilities increased by $62 million and $62 million, respectively, from September 30, 2024; and increased $270 million and $440 million, respectively, from December 31, 2023.

The year-over-year increase in total assets and liabilities were primarily in cash, finance receivables, accounts payable, and borrowings. Partly offsetting these increases was lower equipment under operating leases and the redemption of our convertible debentures in June 2024.

Approximately 44% of Element's assets are non U.S. dollar-denominated. As a result, changes in the value of our reporting currency, the U.S. dollar, relative to the Mexico Peso, the Australian and New Zealand dollars, and the Canadian dollar, may have an impact on our balance sheet.

Portfolio Details

Total finance receivables

The following table breaks down our total finance receivables, which were $37 million lower at December 31, 2024 than at September 30, 2024, driven primarily by originations.

(in US$000's except ratios or unless otherwise noted)	**December 31, 2024**	September 30, 2024	December 31, 2023
Net investment in finance receivables	**4,968,294**	5,251,679	4,964,175
Impaired lease receivables	**6,329**	6,052	6,247
	4,974,623	5,257,731	4,970,422
Unamortized origination costs and subsidies	**(60,606)**	(64,806)	(58,232)
Net finance receivables	**4,914,017**	5,192,925	4,912,190
Prepaid lease payments and Security deposits	**(144,117)**	(99,024)	(60,014)
Interim funding	**1,245,729**	1,097,583	1,129,091
Fleet management service receivables	**884,335**	550,076	649,562
Other	**543,739**	746,096	512,413
Continuing involvement asset	**132,683**	125,225	81,851
	7,576,386	7,612,881	7,225,093
Allowance for credit losses	**6,168**	6,069	5,539
Total finance receivables	**7,570,218**	7,606,812	7,219,554

Allowance for credit losses and charge-offs, net of recoveries

Credit losses and provisions as at and for the year ended December 31, 2024, for the nine-month period ended September 30, 2024 and the year-ended December 31, 2023 are as follows.

(in US$000's except ratios or unless otherwise noted)	**Year ended December 31, 2024**	Nine-months period ended September 30, 2024	Year ended December 31, 2023
Allowance for credit losses, beginning of period	**5,539**	5,539	7,655
(Recovery of) provision for credit losses	**1,511**	855	(1,560)
Charge-offs, net of recoveries	**(523)**	(203)	(749)
Impact of foreign exchange rates	**(359)**	(122)	193
Allowance for credit losses, end of period	**6,168**	6,069	5,539
Charge-offs, net of recoveries, as a % of net investment of finance receivables	**0.01 %**	— %	0.02%
Allowance for credit losses, as a % of total finance receivables before allowance	**0.08 %**	0.08 %	0.08%

Element's policy is to assess (a) the probability of default and (b) loss-given-default for all of its clients, both at lease inception and throughout the term of the lease. Element makes these assessments by performing risk reviews of specific clients on a periodic basis, reviewing the client's financial condition and ability to service the debt, as well as monitoring the value of the underlying security.

We reviewed inputs to our expected credit loss model throughout the quarter. We also consider forward-looking macroeconomic information, forecasted overall default rates and the impact that potential upward or downward trends in GDP would have on our lease and loan portfolio. We

expect inflation to continue moderating and that interest rates will continue to ease in 2025. The growth of our portfolio, when combined with the evolution of our credit mix and the resilience of our client base, resulted in a modest increase of $0.1 million to our allowance for credit losses in the quarter.

Our allowance for credit losses has increased $0.6 million from December 31, 2023.

Impaired receivables

Accounts over 120 days past due are considered impaired and are fully provisioned net of any anticipated recoveries and recorded at their net realizable value. Accounts that are contractually delinquent less than 120 days may nonetheless be assessed as impaired. Individual impairment is assessed by examining contractual delinquency and the client's financial condition, such as the identification of an approaching bankruptcy or the client being in the process of legal or collateral repossession proceedings with a debtor. Impairments of this nature are provisioned by applying probability-weighted assumptions consistent with industry standards and our experience with respect to the probability of an identified account resulting in a client default. We believe the impaired receivables figure in the first table above appropriately reflects the net realizable value of the finance receivables before any allowance for credit losses.

Impaired receivables of $6 million as at December 31, 2024 remained relatively consistent from the prior year.

Portfolio distribution by geography

The table below sets forth the geographic distribution of our portfolio of net finance receivables and equipment under operating leases, as at:

(in US$000's unless otherwise noted)	**December 31, 2024**		September 30, 2024		December 31, 2023	
	$	**%**	$	%	$	%
United States and Canada	**4,097,949**	**55.8**	4,416,491	57.1	4,144,494	54.8
Mexico	**2,040,503**	**27.7**	1,988,233	25.8	2,145,845	28.4
Australia and New Zealand	**1,210,995**	**16.5**	1,325,570	17.1	1,268,009	16.8
Total	**7,349,447**	**100.0**	7,730,294	100.0	7,558,348	100.0
Allocated as:						
Net finance receivables	**4,914,017**	**66.9**	5,192,925	67.2	4,912,190	65.0
Equipment under operating leases, net	**2,435,430**	**33.1**	2,537,369	32.8	2,646,158	35.0
Total	**7,349,447**	**100.0**	7,730,294	100.0	7,558,348	100.0

The table below sets forth the geographic distribution of our assets under management, as at:

(in US$000's unless otherwise noted)	**December 31, 2024**		September 30, 2024		December 31, 2023	
	$	**%**	$	%	$	%
United States and Canada	**10,566,178**	**75.8**	10,565,229	76.0	9,751,650	73.1
Mexico	**2,158,094**	**15.5**	2,021,217	14.5	2,323,170	17.4
Australia and New Zealand	**1,210,512**	**8.7**	1,324,002	9.5	1,267,505	9.5
Assets under management	**13,934,784**	**100.0**	13,910,448	100.0	13,342,325	100.0

Liquidity

Our primary sources of liquidity are daily operating cash flows from services, financing/leasing and syndication, and committed credit and debt facilities. Our primary uses of cash are the funding of service receivables, finance receivables and operating leases, and working capital.

Cash flow

Daily cash flow / liquidity

We assess and proactively manage our liquidity position by ensuring we have controls over all sources and uses of cash flow. We also conduct ongoing comprehensive stress-tests to identify early indications of any risks to our cash flow and forward funding capacity. Throughout 2023 and 2024, the results of those tests have confirmed the stability and sustainability of our cash flow and forward funding capacity.

Notwithstanding our operating cash flows and total size of all credit and debt facilities of $13.0 billion (of which $4.8 billion is committed and undrawn) at December 31, 2024, we continue our efforts to sustainably enhance our dynamic liquidity management capabilities, including data analysis capacity and forecasting.

Statement of cash flows - as presented in the consolidated financial statements

Cash used in operating activities for the year ended December 31, 2024 was $107 million, a change of $864 million from the $971 million used in operating activities for the year ended December 31, 2023. The year-over-year change was primarily the result of higher syndications and repayments of finance receivables, an increase in non-cash operating assets and liabilities, and an increase in the proceeds on disposal of equipment under operating leases. This was offset by an increase in investment in finance receivables and a decrease in investment in equipment under operating leases.

Cash used in investing activities for the year ended December 31, 2024 was $158 million compared to $75 million for the year ended December 31, 2023. The year-over-year change is driven by the the acquisition of Autofleet for which the cash consideration, net of cash acquired was $81 million and an increase in the purchase of various computer software totaling $4 million offset by a decrease in expenditures for property, equipment and leasehold improvements of $3 million.

Cash provided by financing activities for the year ended December 31, 2024 was $455 million, compared to $1,054 million provided by financing activities for the year ended December 31, 2023. The decrease is primarily due to the lower issuances, net of repayments made on our borrowings facilities, the redemption of preferred shares Series C and E, a decrease in restricted funds and shares repurchased and an increase in dividends paid.

Free cash flow

We present our view of our adjusted free cash flow in our Supplementary Information document available on our website.

In Q4 2024, we accelerated approximately $47 million of tax payments to the Australian Tax Office relating to 2025 to 2027 taxation years. The tax payments relate to cash tax timing benefits received due to temporary accelerated depreciation available during the pandemic, effectively providing us with a tax deferral. The accelerated payment allows for future adjusted free cash flow to better represent the cash taxes that would be paid in the normal course of operations

during those future years. This acceleration of Australian cash taxes is excluded from adjusted free cash flow per share.

The table below illustrates the reconciliation of "adjusted free cash flow" to "Cash Flow from Operations":

	For the three-month period ended			For the year ended	
(in US$000's unless otherwise noted)	**December 31, 2024**	September 30, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
	$	$	$	**$**	$
Adjusted free cash flow	**119,739**	144,915	114,001	**547,158**	483,524
Amortization of equipment under operating leases	**125,560**	128,088	132,648	**523,440**	483,578
Investment in finance receivables	**(2,202,162)**	(2,485,190)	(1,353,500)	**(7,927,890)**	(6,219,898)
Repayments of finance receivables	**983,530**	1,643,875	601,143	**3,783,222**	2,663,859
Investment in equipment under operating leases	**(264,445)**	(236,517)	(314,613)	**(1,038,654)**	(1,175,825)
Disposals of equipment under operating leases	**91,619**	79,319	86,011	**341,434**	281,515
Proceeds from syndication financings	**1,051,384**	1,030,745	719,771	**3,536,185**	2,533,552
Sustaining capital investments	**19,151**	12,273	18,881	**53,671**	62,126
Preferred share dividends	**—**	1,450	4,434	**7,301**	17,641
Other	**(32,284)**	212,874	(94,147)	**66,974**	(100,953)
Cash flow from operations	**(107,908)**	**531,832**	**(85,371)**	**(107,159)**	**(970,881)**

Credit and debt facilities

Maintaining available access to diversified sources of cost-efficient capital is a strategic imperative for us.

As at December 31, 2024, we had $4.8 billion of committed, undrawn liquidity available across our senior unsecured revolving credit facilities ($1.8 billion), secured variable funding note facilities ($2.9 billion), and cash of $0.1 billion. Commitments under these facilities are funded by a syndicate of leading Canadian, U.S. and International banks, who provide us with access to efficient liquidity and capital required to support the growth of our business.

As at		**December 31, 2024**		
(in US$000's unless otherwise noted)	**$**	**%**	**$**	**$**
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	**3,350,619**	***53.6 %***	**1,797,269**	**1,553,350**
Senior notes	**2,650,000**	**—**	**—**	**2,650,000**
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	**1,779,622**	**—**	**—**	**1,779,622**
Variable funding notes	**5,247,483**	***55.2 %***	**2,897,730**	**2,349,753**
Other	**16,489**	**—**	**—**	**16,489**
Total vehicle management asset-backed debt	**7,043,594**	***41.1 %***	**2,897,730**	**4,145,864**
Total cash			**128,845**	
Total capital available for continuing operations			**4,823,844**	

As at *(in US$000's unless otherwise noted)*	$	%	$	$
		December 31, 2023		
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	3,125,000	*73.6 %*	2,299,681	825,319
Senior notes	2,400,000	—	—	2,400,000
Term facilities	45,277	—	45,277	
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	1,694,837	—	—	1,694,837
Variable funding notes	5,355,612	*44.0 %*	2,355,998	2,999,614
Other	29,061	—	—	29,061
Total vehicle management asset-backed debt	7,079,510	*33.3 %*	2,355,998	4,723,512
Total cash			96,419	
Total capital available for continuing operations			4,797,375	

Senior unsecured revolving credit facilities

The Senior unsecured revolving credit facilities are comprised of (i) a $2.425 billion committed revolving facility with a group of lenders, including Canadian, U.S. and International banks (the "Syndicated Senior Credit Facility") (ii) a $850 million committed revolving facility (the "Committed Credit Facility"), together the "Senior Unsecured Revolving Credit Facilities" and (iii) a $75 million committed amortizing facility ("IFC Loan").

The Syndicated Senior Credit Facility was last amended on December 16, 2024, in order to update certain covenants and extend the maturity date by one year to November 2, 2027. The obligations of the borrowers under the Syndicated Senior Credit Facility are senior unsecured obligations and are guaranteed by Element and our material subsidiaries. Borrowings under this facility are available in Canadian dollars, U.S. dollars, Australian dollars and New Zealand dollars, and pricing is based on an applicable benchmark (depending on the applicable currency) plus a margin determined in accordance with a debt ratings-based pricing grid.

The Committed Credit Facility is used solely for the purposes of financing specified assets of our New Zealand and Mexican operations. Under the Committed Credit Facility, the borrowings are available in U.S. dollars, New Zealand dollars and Mexican pesos, and pricing is based on an applicable benchmark (depending on the applicable currency) plus a margin determined in accordance with a debt ratings-based pricing grid. On April 24, 2024, the available capacity on the facility was increased by $150 million, for a total facility amount of $850 million. The maturity on the revolving portion of the facility was extended to April 24, 2025, and the maturity on the non-revolving portion was extended to March 24, 2029. On December 20, 2024, the facility was amended to update certain covenants.

On December 20, 2024, we entered into a loan agreement with the International Finance Corporation ("IFC") in respect of a sustainability-linked loan. The IFC Loan is denominated in Pesos with a facility size of up to MXN $1,530,971,250.00 (approximately the Mexican Peso equivalent of US$75 million), which may be increased up to the Mexican Peso equivalent of US$100 million with the inclusion of an additional lender. The obligations of the borrowers under the IFC Loan are unsecured. Under the IFC Loan, pricing is based on an applicable benchmark plus a margin determined in accordance with a debt ratings-based pricing grid. If we achieve certain sustainability related metrics in connection with our operations in Mexico, the margin will be reduced. As at December 31, 2024, the borrowers had not yet drawn on the IFC Loan.

As at December 31, 2024 a total of $1.6 billion was drawn on the Senior unsecured revolving credit facilities (December 31, 2023 - $825.3 million) leaving us with access to $1.8 billion (December 31, 2023 - $2.3 billion) of available financing under these facilities.

Senior notes

On March 13, 2024, we completed the issuance of $750 million 5.643% senior unsecured investment-grade notes with a maturity of March 13, 2027. The proceeds received at the time of closing were used for general corporate purposes, and to repay the $500 million 1.600% senior unsecured notes which matured on April 6, 2024. As at December 31, 2024, we had $2.65 billion in outstanding senior unsecured notes (December 31, 2023 - $2.4 billion).

Vehicle management asset-backed debt

Vehicle management asset-backed debt includes term notes and variable funding notes.

U.S. Fleet Receivables Securitization Arrangement: We operate, through indirect wholly-owned special-purpose subsidiaries, two (2) securitization programs to fund U.S. fleet assets. As part of our transition of moving our U.S. and Canadian leasing operations to Dublin, Ireland, on July 31, 2024, we repaid the outstanding balance on our $3 billion variable funding note facility ("Chesapeake II") using funds from the Syndicated Senior Credit Facility, and subsequently terminated the variable note facility.

On April 17, 2024, we issued $1 billion in amortizing term notes under the Chesapeake II program with an initial weighted average interest rate of 5.646%. The proceeds from these issuances were used to pay down variable funding notes under Chesapeake II. As of December 31, 2024, we had three series of term notes outstanding under Chesapeake II, having an aggregate principal amount of $1.78 billion

On August 15, 2024, the Company established a new warehouse facility under the Ireland structure ("Chesapeake IV Warehouse") with the same capacity as the Chesapeake II facility of $3 billion. Under this program, Chesapeake IV Warehouse is permitted to borrow up to $3.0 billion, collateralized by beneficial interests in specified vehicles, leases and related rights. As of December 31, 2024, $800 million was drawn against this facility. Currently, there are no term notes outstanding under the Chesapeake IV facility.

Canadian Fleet Receivables Securitization Arrangement

We operate, through an indirect wholly-owned special-purpose limited partnership subsidiary, a program to fund the origination of Canadian fleet assets. The securitization series provides for the issuance of variable funding notes with a funding commitment of $1.2 billion (CAD $1.6 billion), and matures on November 20, 2025.

On November 28, 2023, we entered into a two-year letter of credit facility agreement with a Canadian bank, with a facility limit of up to $44.3 million (CAD $60 million). On December 16, 2024, the facility was further amended to update certain covenants. As at December 31, 2024 we had issued and outstanding letters of credit for the full amount of the facility to support the Canadian Fleet Receivables Securitization program.

Under the Canadian securitization, we may arrange to sell beneficial interests in specified vehicles, leases and related rights to the subsidiary, which in turn finances such purchases by issuing corresponding series of notes to financial institutions and other institutional investors. Such financings take the form of series issuances of "pass-through notes", which substantially mirror the performance of the specified lease assets corresponding to the series. We may also determine to sell lease assets or related cash flows directly to financial institutions and other institutional investors in certain circumstances. In both cases, we act as the servicer of the underlying fleet lease assets. We also guarantee the performance of its related obligations in certain transactions. In December 2024, we sold approximately $330 million (CAD $475 million) of assets through the pass-through notes structure, and subsequently paid down $331 million (CAD $476 million) on the Class A notes. As at December 31, 2024, we had available and unutilized

funding capacity of $621 million (CAD $893 million) under the existing securitization funding Class A commitment.

Australian Fleet Receivables Securitization program

We operate, through a special purpose trust, a securitization program to fund the origination of Australian fleet assets. In May 2024, the facility was upsized by $0.05 billion (AUD $0.075 billion) to $0.734 billion (AUD $1.1 billion) and was extended for two years to May 16, 2026. As of December 31, 2024, the third-party funding of these issued notes and loans amounted to outstanding balances of $665.1 million (AUD $1,068 million), with unutilized funding capacity of $20 million (AUD $32 million).

Additional Asset-Backed Receivables Financing Agreement

We are, through an indirect wholly-owned special purpose subsidiary, part of an asset-backed receivables financing agreement with one lender ("Receivables Agreement"). On September 27, 2024, the Receivables Agreement commitment limit was reduced to US$200 million effective as of January 2, 2025, and the commitment period was extended by one year to September 26, 2025. As at December 31, 2024, Element had available and unutilized funding capacity of $57 million under the existing commitment provided for under the Receivables Agreement.

Capital Resources

Capitalization

Our funding activities are well diversified by facility, geography, currency, investor and lender and include both secured and unsecured sources.

Our capitalization is calculated as follows:

As at	**December 31, 2024**	September 30, 2024	December 31, 2023
(in US$000's)	**$**	$	$
Cash	**128,845**	65,031	96,419
Unsecured debt			
Revolving senior credit facilities	**1,553,350**	1,033,890	825,319
4.250% Convertible Debentures due 2024	**—**	—	127,816
3.850% Senior Notes due 2025	**400,000**	400,000	400,000
1.600% Senior Notes due 2024	**—**	—	500,000
6.271% Senior Notes due 2026	**750,000**	750,000	750,000
6.319% Senior Notes due 2028	**750,000**	750,000	750,000
5.643% Senior Notes due 2027	**750,000**	750,000	—
Vehicle Management Asset-Backed Debt			
Revolving term notes in amortization	**1,779,622**	2,059,149	1,694,837
Variable funding notes	**2,349,753**	2,568,196	2,999,614
Other	**16,489**	19,393	29,061
Deferred financing costs	**(29,307)**	(31,254)	(29,618)
Hedge accounting fair value adjustments	**11,199**	47,531	17,068
Continuing involvement liability	**132,683**	125,225	81,851
Total debt	**8,463,789**	8,472,130	8,145,948
Shareholders' equity			
Common share capital	**2,264,051**	2,243,299	2,109,103
Preferred share capital	**—**	—	181,077
Other	**510,264**	531,203	653,648
Total Shareholders' Equity	**2,774,315**	2,774,502	2,943,828
Total Capitalization	**11,238,104**	11,246,632	11,089,776

Growing profitability, adjusted free cash flow and syndication activity all contribute to the deleveraging of our balance sheet.

Corporate updates

Common share dividend increase

On November 13, 2024, we announced an 8% increase to our annual common dividend from CAD$0.48 to CAD$0.52 per share, underscoring the Board's confidence in the sustainability of Element's cash flow generation, financial resilience, and favourable outlook.

Redemption of all outstanding 5.903% Cumulative 5-Year Rate Reset Preferred Shares Series E

On September 30, 2024, we redeemed all of our 5,321,900 issued and outstanding 5.903% Cumulative 5-Year Rate Reset Preferred Shares Series E (the "Series E Shares") at a price of CAD$25.00 per Series E Share for an aggregate amount of approximately $95 million, together with all accrued and unpaid dividends up to but excluding the Share Redemption Date (the "Redemption Price"), less any tax required to be deducted and withheld by us. As of September 30, 2024, the Series E Shares were delisted from and no longer trade on the TSX.

Following the redemption of our Series E Shares, we no longer have any preferred shares outstanding.

Redemption of all outstanding 6.21% Cumulative 5-Year Rate Reset Preferred Shares Series C

On June 30, 2024, we redeemed all of our 5,126,400 issued and outstanding 6.21% Cumulative 5-Year Rate Reset Preferred Shares Series C (the "Series C Shares") at a price of CAD$25.00 per Series C Share for an aggregate total amount of approximately $91 million, together with all accrued and unpaid dividends up to but excluding the Share Redemption Date (the "Redemption Price"), less any tax required to be deducted and withheld by us. As of June 30, 2024, the Series E Shares were delisted from and no longer trade on the TSX.

4.25% Convertible Unsecured Subordinated Debentures Exchanged for Common Shares

On June 26, 2024, (the "Debenture Redemption Date") we redeemed all of our remaining outstanding 4.25% Convertible Unsecured Subordinated Debentures due June 30, 2024 (the "Debentures"). Prior to the Debenture Redemption Date, beneficial holders of the Debentures exercised their right to exchange an aggregate principal amount of approximately CAD$172 million for consideration of approximately 14.6 million Common Shares, issued from Treasury and delivered to beneficial holders. The Debentures in 2024 were converted into Common Shares at a conversion price of CAD$11.77391 per Common Share. As a result, the Debentures were delisted from and no longer trade on the TSX (previous ticker TSX: EFN.DB.B).

Normal course issuer bids

On November 13, 2023, the TSX approved our intention to renew our normal course issuer bid (the "2023 NCIB"). Under the 2023 NCIB, we had approval from the TSX to purchase up to 38,852,159 common shares during the period from November 15, 2023, to November 14, 2024.

On November 18, 2024, the TSX approved our intention to renew our normal course issuer bid (the "NCIB"). Under the NCIB, Element may purchase on the open market (or otherwise as permitted) up to 40,386,699 Common Shares, representing approximately 10% of the "public float" of the Common Shares, at our discretion during the period commencing on November 20, 2024 and ending on the earlier of November 19, 2025 and the completion of purchases under the NCIB. The actual number of the Company's common shares, if any, that may be purchased under the NCIB, and the timing of any such purchases, will be determined by the Company, subject to applicable terms and limitations of the NCIB (including any automatic share purchase plan adopted in connection therewith). There cannot be any assurance as to how many common shares, if any, will ultimately be purchased pursuant to the NCIB. Any subsequent renewals of the NCIB will be in the discretion of the Company and subject to further TSX approval.

In 2024, we purchased 630,657 common shares for cancellation, for an aggregate amount of approximately $11 million (CAD$15 million) at a volume weighted average price of CAD$23.77 per Common Share, of which 175,357 were purchased under the NCIB. During January and February 2025, the Company purchased 1.1 million Common Shares under our latest NCIB, for cancellation, for an aggregate amount of approximately $22 million (CAD$32 million) at a volume weighted average price of CAD $28.75 per Common Share.

Element applies trade date accounting in determining the date on which the share repurchase is reflected in the consolidated financial statements. Trade date accounting is the date on which the Company commits itself to purchase the shares.

Leverage

In Q4 2024, in collaboration with our lenders, we changed our financial covenants from tangible leverage ratio to debt-to-capital, which we believe is a more meaningful measure of our

leverage. Commencing in Q4 2024, we will prioritize debt-to-capital metrics, though tangible leverage will be still disclosed this quarter for consistency. The bank covenants are set at 80% of debt-to-capital, and the Company targets a range between 73% to 77%. The Company remains committed to maintaining a strong investment grade balance sheet and will continue to monitor TLR as a key internal metric, but it will be less of an operating constraint.

At December 31, 2024, our debt-to-capital ratio was 74.1% (December 31, 2023: 72.4%) and our tangible leverage ratio was 7.56:1 (December 31, 2023 5.99:1).

Our financial and tangible leverage is calculated as follows:

As at		**December 31, 2024**	December 31, 2023
(in US$000's, except ratios or unless otherwise noted)		**$**	$
Borrowings		**8,463,789**	8,018,132
Convertible debentures		**—**	127,816
Less: Continuing involvement liability		**(132,683)**	(81,851)
Total debt	**(a)**	**8,331,106**	8,064,097
Total shareholders' equity	**(b)**	**2,774,315**	2,943,828
		11,105,421	11,007,925
Goodwill and intangible assets	**(c)**	**1,672,701**	1,596,323
Cash and restricted funds	**(d)**	**408,621**	350,637
Total net debt	**(e) = (a) - (d)**	**7,922,485**	7,713,460
Debt-to-capital	**(e)/[(e)+(b)]**	**74.1 %**	72.4 %
Tangible leverage	**(a)/[(b)-(c)]**	**7.56**	5.99

We were in compliance with all financial and reporting covenants with all of our lenders at December 31, 2024.

Credit ratings

Our ability to access financing on a cost-effective basis is largely dependent on maintaining strong investment-grade credit ratings. Credit ratings and outlooks assigned by rating agencies reflect their views and methodologies. The credit ratings are subject to change based on several factors, including but not limited to our financial strength, competitive position, liquidity and other factors not entirely within our control.

Credit Ratings[1] as at December 31, 2024

Rating agency	Issuer rating	Outlook
DBRS, Inc.	A (low)	Stable
Fitch Ratings	BBB+	Stable
Kroll Bond Rating Agency	A-	Stable
S&P Global Ratings	BBB	Stable

(1) Credit ratings are not recommendations to purchase, sell or hold a financial obligation in as much as they do not comment on market price or suitability for a particular investor. Ratings are determined by the rating agencies based on criteria established from time to time by them and are subject to revision or withdrawal at any time by the rating organization.

In Q3 2024, DBRS, Inc. upgraded Element's long term issuer credit rating from BBB (high) to A (low) and revised the trend from Positive to Stable. Additionally, Fitch Ratings affirmed its stable outlook and investment-grade rating of BBB+. In Q4 2024, Kroll Bond Rating Agency affirmed its stable outlook investment-grade rating of A- and Standard & Poor affirmed its stable outlook and investment-grade rating of BBB.

Risk Management & Risk Factors

We have risk management processes in place to monitor, evaluate and manage the principal risks we assume in conducting our business activities. These risks include, among others, credit, liquidity, foreign exchange, interest rate, and various sources of operational risk.

Further, while we believe we are prudently managing these risks through our strong ECRI performance and Enterprise Risk Council led by our Chief Financial Officer, there can be no assurance as to the ultimate outcome of any of these risks.

In the normal course of business, we engage in operating and financing activities that generate risks in the following primary areas:

Element may Fail to Execute on its Growth Strategy

While Element believes it can achieve its growth objectives in normal market conditions, the Company may be unable to achieve such expected growth for a variety of reasons.

Element's growth strategy relies on growing its client base and expanding its market share. However, the fleet management industry is competitive and characterized by competitive factors that vary based upon service offering and geographic region. Element competes with a wide variety of competitors, including traditional competitors such as independent lease finance companies, captive finance companies owned by manufacturers and distributors, banks, third party brokers and other large and mid-sized fleet management companies. In addition, as the industry continues to develop and move towards EVs, connected vehicles and other new technologies, the landscape of Element's competitors is evolving and includes more technology focused companies, such as telematics providers, tech start-ups and other new market entrants. Increased competition in the Company's markets could result in intensified pricing pressure, reduced profit margins, increased sales and marketing expenses and a failure to increase, or a loss of, market share. Element may not be able to maintain or improve its competitive position against current or future competitors. Future disintermediation by vehicle manufacturers could increase competitive pressures. In addition, future mergers or consolidations among competitors, or acquisitions of Element's competitors by large companies, may present competitive challenges to Element's business and resulting combined entities could be at a competitive advantage. Further, competitors may reduce the fees for their services, which could increase pricing pressure within the Company's markets. In addition, our competitors may have superior technology and digital capabilities which could make them more attractive to our current and prospective clients. Increased competitive pressures as a result of any of the foregoing could have a material adverse effect on Element's ability to achieve its growth objectives.

Element's growth strategy also includes tapping into currently underserved markets, such as self-managed fleets. While the Company believes that there are significant opportunities in these markets and that Element could deliver significant value to these clients, there is no assurance that the Company will be successful in expanding its reach in these market segments.

Another component of Element's growth strategy is minimizing client attrition. While Element believes that it will be able to continue to deliver a consistent, superior client experience that will help to minimize future client attrition, this issue results from a variety of different factors, including financial difficulties experienced by the client, the integration of different client systems and platforms, the acquisition or ceasing of operations of the client, competition and other socio-economic factors. Any factors that adversely affect the ability of Element's services to compete with those available from competitors, such as availability of competitors' services, competitors offering more advanced service architecture, superior functionality or performance or lower prices, or factors that reduce demand for Element's services, such as intensifying price competition, could lead to increased rates of client attrition. Additionally, demand for vehicle-related products and services may be reduced by factors that are beyond Element's control, such as general market conditions.

Element's growth strategy also includes growing beyond the Company's core business, including through targeting small and medium sized fleets and the introduction of an insurance offering in the U.S. and Canada, among other potential initiatives. While Element believes that it will be able to execute on its initiatives to grow beyond the core, these initiatives may not be successful and may not deliver their expected benefits.

If Element is unable to expand its market share, successfully tap into underserved markets and/or retain its clients and/or successfully grow beyond its core business, Element may be unable to achieve its growth objectives and its business, financial condition and/or results of operations may be adversely impacted.

Element's Operating Model may be Unable to Support its Growth Strategy

Element believes that its operations are sufficiently scalable to support its growth strategy. However, if Element achieves or exceeds its growth objectives, it is possible that Element's platform will not be able to scale in order to meet the additional requirements of such growth. Element may face challenges in (i) implementing new or updated information and financial systems and procedures; and (ii) training, managing and appropriately sizing its work force and other components of its business on a timely and cost-effective basis. There can be no assurance that Element will be able to manage its expanding operations effectively or that it will be able to continue to support its planned growth. In the event that Element's operations are not sufficiently scalable, Element's business, financial condition and/or results of operations may be adversely impacted.

The Acquisition of Autofleet may Fail to Deliver its Expected Benefits

Element believes that the acquisition of Autofleet will improve the Company's digital capabilities and support the Company's strategic objectives. However, any acquisition involves some level of risk and uncertainty and it is possible that the expected benefits from the acquisition of Autofleet will not materialize or may not be sustainable. In addition, Autofleet's operations are based in Israel, a country that often experiences a high level of geopolitical risk. Element may also experience difficulty and expense in integrating the operations and personnel of Autofleet into Element's business. In the event Element fails to capture the expected benefits of the Autofleet acquisition, there are greater than expected challenges and expenses integrating Autofleet into Element's business or Autofleet's operations experience significant disruption, Element may be unable to achieve its growth objectives and its business, financial condition and/or results of operations may be adversely impacted.

Element may be Unable to Successfully Execute on its Strategic Initiatives

Element believes that its strategic initiatives, including (a) centralizing accountability for its U.S. and Canadian leasing function in Dublin, Ireland, (b) establishing a strategic sourcing and relationship management presence in Asia, (c) prioritizing digitization and automation, and (d) growing beyond the Company's core business; will have a positive impact on Element's business. However, there can be no guarantee that these initiatives will be successful or that they will have the expected impact. In addition, Element is expending significant costs in pursuing these initiatives. If Element experiences challenges in executing these initiatives or if the initiatives do not have the anticipated benefits to Element's business, the financial condition and/or results of operations of the Company may be adversely impacted.

Element Derives a Significant Portion of its Revenue from Program Fees and Charges Paid by its Clients. Any Decrease in Element's Receipt of Such Fees and Charges, or Limitations on Element's Service Fees and Charges, Could Materially and Adversely Affect Element's Business, Financial Condition and/or Results of Operations

Element's service programs include a variety of service fees and charges associated with transactions, cards, reports, optional services and late payments. Element derives a significant

amount of its consolidated revenues from these service fees and charges. If the users of Element's cards or other services decrease their transaction activity, or the extent to which they use optional services, Element's revenue could be materially adversely affected. In addition, several market factors can affect the amount of Element's service fees and charges, including the market for similar charges for competitive card services and the availability of alternative payment methods. Furthermore, regulators may scrutinize the electronic payments industry's pricing, charges and other practices related to Element's business. Any legislative or regulatory restrictions on Element's ability to price its services or otherwise conduct its business could materially and adversely affect Element's revenue. Any decrease in Element's revenue derived from these service fees and charges or restrictions on Element's pricing or other practices could materially and adversely affect Element's business, financial condition and/or results of operations.

Concentration of Leases and Loans within a Particular Industry or within a Particular Region May Negatively Impact Element's Business, Financial Condition and/or Results of Operations

Element has clients across a wide range of industries. However, Element has more significant exposure in certain industries. If an industry segment in which Element has a higher concentration of leases and loans experiences adverse economic or business conditions, Element's delinquencies, default rate and charge-offs may increase, which may negatively impact its business, financial condition and/or results of operations. Furthermore, Element may have significant exposures to unique regions and industries, which, if negatively impacted by macroeconomic trends, could negatively impact Element's business, financial condition and/or results of operations.

Lack of Funding May Limit Element's Ability to Originate Leases and Loans

Element is dependent upon its ability to secure funding for its loans and leases to clients and to fund its existing obligations. There can be no assurance that additional financing, if required, will be obtained on terms acceptable to Element or at all. In the past, Element has obtained the cash required for its operations through cash flows from its operating activities, by borrowing money through Senior Credit Facilities or other funding facilities, issuance of senior unsecured notes, the syndication and securitization of certain of its leases and loans and the issuance of debt and equity interests to institutional, accredited and other investors. Element may not be able to continue to access these or other sources of funds.

Concentration of Debt Financing Sources May Increase Element's Funding Risks

Element has obtained funding from a number of financial institutions. Element's reliance on such financial institutions for a significant amount of its funding exposes Element to funding risks. If these financial institutions decided to terminate, or not extend these borrowing arrangements, Element's business, financial condition and/or results of operations could be materially adversely affected.

Ability to Reduce Concentration Risk Through Syndication

One way that Element seeks to manage its exposures to large clients is by transferring leases and loans to third party investors, including through bulk transfers, securitization, syndication and similar risk transference arrangements. There can be no assurance that Element will continue to be able to reduce client credit concentration risks in this way if Element is unable to enter into such risk transference arrangements with third party investors on favourable terms, or at all. Element's reliance on syndication through risk transference arrangements may increase as Element funds the asset growth of its largest clients. There can be no assurance that Element will be able to expand its existing network of syndication market investors or increase the capacities of its existing syndication arrangements in order to manage this concentration risk. An inability to manage such risk could lead Element to curtail new originations with its largest clients in certain

circumstances, which could have an adverse impact on Element's ability to maximize its new origination opportunities with such clients.

A Decline in Element's Origination Volume or Quality May Negatively Impact Element's Ability to Syndicate

If Element experiences a decrease in originations or if the credit quality of its originations declines, Element may be unable to meet the requirements of syndication investors. In such a scenario, Element's syndication volume may decline which could negatively impact Element's business, financial condition and/or results of operations. In addition, any increases in the fed funds rate and/or a decline of bonus deprecation may negatively impact our syndication yields.

Global Financial Markets, Political Uncertainty and General Economic Conditions May Adversely Affect Element's Business, Financial Condition, and/or Results of Operations

Events in the financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to Element or to its industry may materially adversely affect the Company over the course of time. For example, general volatility in the equity markets or with interest rates and credit spreads could hurt Element's ability to raise capital and significantly impact access to funding and liquidity (including access to securitization and syndication markets for Element's originated finance assets). Element may also be negatively impacted by volatility in the equity markets as a result of a number of catastrophic events that are beyond Element's control, including infectious diseases, pandemics or other health threats or fear of the foregoing.

Moreover, a reduction in credit, combined with reduced economic activity, may materially adversely affect businesses and industries that collectively constitute a significant portion of Element's client base and may make it more difficult for Element to generate vehicle originations, and the credit quality of new originations may deteriorate. In addition, these clients may need to reduce their purchases and reliance on Element's services or Element may experience greater difficulty in receiving payment for its services. Delinquencies, non-accruals and credit losses generally increase during economic slowdowns or recessions. Therefore, to the extent that economic and business conditions are unfavourable, Element's non-performing assets may become elevated and the value of Element's portfolio is likely to decrease.

Adverse economic conditions may also decrease the estimated value of the collateral securing some of Element's loans and leases. Further or prolonged economic slowdowns or recessions, including those caused by catastrophic events, could lead to financial losses in Element's portfolio and a decrease in Element's net finance income, net income and book value. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on Element's business, financial condition and/or results of operations.

Element has no control over changes in inflation, interest rates, foreign currency exchange rates or other factors affecting its businesses, including the possibility of political unrest or legal and regulatory changes in jurisdictions in which Element operates. These factors could negatively affect Element's future results of operations in those markets.

Changes in the political conditions in which Element Fleet operates and provides services, as well as changing geopolitical conditions, may be difficult to predict and may adversely affect Element Fleet's business and financial results. Results of elections (including the 2024 elections in the U.S. and Mexico), upcoming elections (including the next Canadian federal election), referendums, sanctions or other political processes and pressures in certain markets in which Element Fleet's services are provided could create uncertainty regarding how existing governmental policies, laws and regulations may change, including with respect to sanctions, taxes, tariffs, import and export controls and the general movement of goods, materials, services, capital, data and people between countries, as well as impact on local, national and global economies. Notably, the U.S. government previously announced a 25% tariff on goods from Canada and Mexico (10% for

Canadian energy) and a 10% tariff on goods from China. In response, Canada announced they would impose tariffs on select U.S. products and Mexico indicated they would respond as well. The tariffs with Canada and Mexico were subsequently delayed for 30 days until March 4 to allow for further discussions to take place. The U.S. government later announced 25% tariffs on all steel and aluminum imports to the United States, to go into effect on March 12, in addition to their previously announced tariffs. It is unclear the extent to which any or all of these tariffs will come into force, if they will remain at their proposed levels and the extent of their impact on trade between these countries. The potential impact of these tariffs and other political uncertainty could adversely affect Element Fleet's business, financial condition and/or results of operations.

Element's operations in and continued expansion into international markets, including the migration of Element's centralized leasing function to Dublin, Ireland and the establishment of a strategic sourcing and relationship management presence in Singapore, may bring additional political, financial and economic risks in such jurisdictions that could negatively affect Element's future results of operations in those markets.

Dependence on Strategic Relationships

Element has strategic relationships in place with a number of organizations including original equipment manufacturers (OEMs), major oil companies, and fuel, tire, and maintenance service providers. While Element regularly monitors these relationships, there can be no guarantee that Element will be able to maintain them in the future. These relationships are important for Element's long-term business operations, and its results of operations could be lower in the event that certain of these relationships cease to exist. The termination of certain of these relationships could impact Element's competitive advantage, and its operating results could be adversely affected.

Disruption in the Operations of Suppliers Could Disrupt Our Business

Our business relies upon the continued ability of vehicle manufacturers to deliver vehicles to Element. Our ability to provide leasing and fleet management services to our clients is dependent upon vehicle manufacturers delivering sufficient quantities of vehicles on time to meet our clients' needs. In certain cases, vehicle production is dependent on raw materials and parts that are ultimately derived from a single source and may be at an increased risk for supply disruptions for vehicle manufacturers. Such disruptions could affect Element's business. If we experience supply disruptions, we may not be able to develop alternate sourcing. Any disruption of our suppliers' production schedule caused by an unexpected shortage of systems, components, raw materials or parts for vehicles, or due to labour disputes or other factors affecting their workforce, could lead to Element being unable to lease vehicles and provide services at desired levels, which could have a material adverse effect on Element's business, financial condition and/or results of operations.

Third Party Risk

Element regularly engages in a variety of third-party relationships to provide expertise and efficiencies that support Element's operations. The inability of a third-party to meet its ongoing service commitments, failure to process transactions completely and accurately, failure to safeguard sensitive corporate and personal information, failure to meet expected standards and failure to have adequate disaster recovery and business continuity plans could result in adverse impacts to Element's reputation, business, financial condition and/or results of operations.
In addition, from time to time, Element may be required to enter into certain exclusivity, preferred pricing, right of first refusal, right of first offer, non-compete, non-solicit and/or similar restrictive arrangements with customers, suppliers and other third parties. While appropriate protections will typically be sought to limit the scope of such restrictive arrangements, such arrangements may nonetheless have the effect of restricting the ability of Element to pursue certain activities which may otherwise have been considered as potentially suitable for Element or may otherwise impact Element's business.

Environmental Laws and Element's Sustainability Policies Could Materially Adversely Affect the Company

Various governments and regulatory authorities in the U.S., Canada and internationally have considered, and will likely continue to consider, numerous measures related to climate change and greenhouse gas emissions. Should rules establishing limitations on greenhouse gas emissions or rules imposing fees on entities deemed to be responsible for greenhouse gas emissions become effective, demand for Element's services could be affected, our vehicle and/or other costs could increase, and our business could be adversely affected. Additionally, any sustainability policies that Element institutes may fail to meet the expectations of investors, clients, employees or other stakeholders which could negatively impact Element's business, financial condition, operations and/or the market price of Element's securities.

Element may Fail to Achieve its Sustainability Goals

Element has established targets and other assessment criteria related to sustainability matters, some of which are detailed in Element's latest sustainability report. Such targets and criteria are based on Element's current assumptions related to scientific or technological developments, the regulatory landscape, trends in the automotive commercial fleet market, and other matters that are subject to change in the future, as well as standards for measuring progress that are still in development, and subject to a number of significant risks and uncertainties. Because of the limitations and uncertainties inherent in climate and sustainability science, climate risk analysis and sustainability reporting, we relied upon prevailing climate change quantification guidance and made reasonable and good faith estimates and assumptions in establishing Element's sustainability targets. There are numerous factors, many of which are beyond Element's control, that are the subject of ongoing climate and sustainability science and that we may not foresee or be able to accurately predict, and which may impact Element's ability to achieve these targets, including the availability of comprehensive and high-quality greenhouse gas emissions data, slow adoption of commercial electric vehicles by companies for their fleets, the availability of technology necessary to achieve these targets, including supply chain issues relating to electric vehicles and their components, the development and performance of technology, innovation and the future use and deployment of technology and associated expected future results, and environmental regulation.

There is no assurance that Element's sustainability initiatives will be economically viable, effective or that the anticipated benefits will materialize. Element's ability to achieve its established sustainability targets, commitments, and other goals depends on the development and performance of technology (including in particular electric vehicles), innovation, and the future use, adoption and deployment thereof and it is possible that the changes needed to achieve such targets, commitments and goals will not be feasible or that the costs will be material, either of which could have a material adverse effect on Element's reputation, business, results of operations or financial condition. Element's failure, or perceived failure, to achieve Element's goals regarding sustainability matters could damage Element's reputation, causing investors, consumers, and other stakeholders to lose confidence in us, and may adversely impact Element's business, financial condition, results of operation and/or share price.

A variety of stakeholders, including regulators, investors, advisory firms, rating agencies, customers and other market participants, are establishing laws, regulations, expectations, reporting obligations and/or assessments reflecting their expectations for corporate practices related to climate change and other corporate responsibility matters. We may incur capital expenditures, compliance costs, and other costs to comply with increasingly stringent environmental laws, enforcement policies and regulatory reporting requirements. In addition, if Element's sustainability practices do not meet, or are not viewed as meeting, investor or other stakeholder expectations and standards (which are continually evolving and may emphasize different priorities than the ones we now or in the future choose to focus on), or if we do not or appear not to achieve Element's sustainability goals, then we may be negatively impacted.

Climate-related litigation has increased in recent years, including claims involving the failure of organizations to mitigate their impacts on climate change, the failure of organizations to adapt to climate change, the insufficiency of disclosure around material risks or inaccuracy of climate-related disclosure and allegations of "greenwashing". Furthermore, if regulators or others disagree with Element's sustainability disclosures, for example, because they believe them to be incomplete or misleading, we may face regulatory enforcement action or private rights of action and Element's business or reputation could be adversely affected. There is also a risk that a significant reorientation in the market following the implementation of measures relating to sustainability disclosure requirements could be adverse to Element's business if we are perceived to be presenting Element's business as having green or sustainable characteristics where this is not, in fact, the case (i.e., "greenwashing"). Additionally, compliance with any new regulations or laws (for example, the adoption of Canadian Bill C-59 in June 2024) generally increases Element's regulatory burden and could make compliance more difficult and expensive, thereby adversely impacting Element's financial position.

Inability to Attract and Retain Employees May Limit Element's Ability to Grow its Business

If Element is not able to attract and retain top employees, its ability to compete may be harmed. Element's success is also highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified management, technical, sales, marketing and other personnel. In addition, in Element's effort to attract and retain critical personnel, Element may experience increased compensation costs that are not offset by either improved productivity or higher prices for Element's services.

In addition, Element invests significant time and expense in training its employees, which increases their value to competitors who may seek to recruit them and increases the costs of replacing them. These factors may have a material adverse effect on Element's ability to grow its business.

Loss of Key Personnel May Significantly Harm Element's Business

Element's executive and other senior officers, including those referred to under "*Directors and Officers*", play a significant role in its success. The conduct of Element's business, the execution of Element's growth strategy and Element's future performance and development depend, to a significant extent, on the abilities, experience and efforts of its management team. The Company's ability to retain its management team or attract suitable replacements, should key members of the management team leave, is dependent on the competitive nature of the employment market. The loss of services from key members of the management team or a limitation in their availability could adversely impact the Company's prospects and financial condition.

Further, Element does not maintain "key person" life insurance policies on any of its employees. The unexpected loss of services of or one or more executive or senior officers could also adversely affect Element. Element provides a competitive compensation package, which includes incentive plans and medical benefits as it continuously seeks to align the interest of employees and shareholders.

Funding Facilities May Limit Element's Operational Flexibility

Element's funding arrangements, including its various securitization facilities, syndication arrangements and the Senior Credit Facilities, contain financial and non-financial covenants, such as requirements that Element comply with one or more of an interest coverage ratio, debt to capitalization ratio, a minimum tangible net worth and change of control provisions. Complying with such covenants may at times necessitate that Element forego other favourable business opportunities, such as acquisitions. Moreover, Element's failure to comply with any of these covenants would likely constitute a default under such facilities and could give rise to an

acceleration of some, if not all, of Element's then outstanding indebtedness, which would have a material adverse effect on Element's business, financial condition and/or results of operations.

As of December 31, 2024, Element had $8 billion in borrowings and Element expects this amount may grow as it increases originations. From time to time, Element may owe amounts under its Senior Credit Facilities and may otherwise increase its debt to fund the growth of Element's business. While Element match funds its borrowings under certain of its funding facilities, if the matched income earning assets securing the leases or loans underperform, Element may to some extent have to utilize cash flow or capital resources to fund its debt service payments. If Element's cash flow and capital resources are insufficient to service amounts owed under its secured funding facilities, the Senior Credit Facility or any future indebtedness, as applicable, Element may be forced to reduce or delay capital expenditures, dispose of assets, issue equity or incur additional debt to obtain necessary funds, or restructure its debt, any or all of which could have a material adverse effect on Element's business, financial condition and/or results of operations. In addition, Element cannot guarantee that it would be able to take any of these actions on terms acceptable to Element, or at all, that these actions would enable Element to continue to satisfy its capital requirements or that these actions would be permitted under the terms of Element's various debt agreements.

Data Privacy and Information Technology Security Breaches May Negatively Impact Element

Element collects and processes confidential information in the course of providing its services. Any inability on Element's part to protect the security of its platforms or the privacy of confidential information could have a material adverse effect on Element's profitability by exposing Element to additional liability, increasing Element's expenses relating to resolution of these breaches, and deterring users from using Element's services.

Element has administrative, technical, and physical security measures in place to protect the privacy of this confidential information as well as policies and procedures to contractually require third parties to whom Element transfers data to implement and maintain appropriate security measures. However, Element cannot ensure that its current security measures will effectively counter security risks, prevent future slowdowns or disruptions, protect against cyber-attacks or address the security and privacy concerns of existing and potential users. If Element's security measures or those of the previously mentioned third parties are inadequate or are breached as a result of cyber-attacks, computer viruses, unauthorized access, employee error, malfeasance, system error, trickery, natural disasters, terrorism, war and telecommunication and electrical failures or otherwise, and, as a result, someone obtains unauthorized access to sensitive information, including personally identifiable information or protected health information, on Element's systems or its partners' systems, Element's reputation and business could be damaged.

In addition, Element may incorporate artificial intelligence (AI) into the development of technologies and business operations, and into Element's services. Element's use of AI may increase vulnerability to cybersecurity risks, including through unauthorized use or misuse of AI tools, logic or the introduction of malicious code incorporated into AI generated code. AI may also be used to generate cyberattacks with greater scale and efficacy than traditional threat actors, which could result in greater risks of security incidents and breaches. The deletion or modification of records could cause interruptions in Element's services and operations. Any system failures, slowdowns or disruptions will likely result in unanticipated disruptions in service to Element's users, decreased levels of user satisfaction and significant negative effects on Element's reputation. If the sensitive information is lost or improperly disclosed or threatened to be disclosed, Element could incur significant liability and be subject to regulatory scrutiny and penalties, including costs associated with remediation. Additionally, if Element's own confidential business information were improperly disclosed, Element's business could be materially and adversely affected. To address these matters, Element continues to evolve security safeguards.

Element has, and may continue to have, a portion of its workforce that work remotely on a hybrid or full-time basis, which exposes Element to additional cybersecurity risks. Employees working

remotely may expose Element to cybersecurity risks through (i) unauthorized access to sensitive information as a result of increased remote access, including employees' use of company-owned and personal devices and videoconferencing functions and applications to remotely handle, access, discuss or transmit confidential information, (ii) increased exposure to phishing and other scams as cybercriminals may, among other things, install malicious software on Element's systems and equipment and access sensitive information, and (iii) violation of international, federal, or provincial/territorial-specific privacy laws. A significant disruption of Element's information technology systems, unauthorized access to or loss of confidential information, or legal claims resulting from violation of privacy laws could each have a material adverse effect on Element's business, financial condition and/or results of operations.

Element's business depends on the efficient and uninterrupted operation of computer and communications systems and networks, hardware and software systems and other information technology. If systems were to fail or Element was unable to successfully expand the capacity of these systems or was unable to integrate new technologies into its existing systems, its operations and financial results could suffer.

Element relies on third-party encryption and authentication technology to provide secure transmission of confidential information over the Internet. Advances in technological capabilities, new discoveries in the field of cryptography, or other events or developments, could result in a compromise or breach of the technology Element uses to protect sensitive data. In addition, because techniques used to obtain unauthorized access or to sabotage systems change frequently and may not be recognized until launched against a target, Element may be unable to anticipate these techniques or to implement adequate preventative measures. If any such compromise of Element's security, or the security of Element's clients, were to occur, it could result in misappropriation of confidential information, proprietary information or interruptions in operations, and have an adverse impact on Element's reputation or the reputation of Element's clients. If Element is unable to detect and prevent unauthorized use of sensitive or confidential data, its business, financial condition and/or results of operations could be materially and adversely affected.

Potential Acquisitions and Investments

Element may seek to acquire or invest in businesses that expand or complement its current business. Such acquisitions or investments may involve significant commitments of financial or other resources of Element. There can be no assurance that any such acquisitions or investments will generate additional earnings or other returns for Element, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on Element's administrative and operational resources and its ability to manage growth.

To the extent that the prior owners of businesses acquired by Element failed to comply with or otherwise violated applicable laws, Element, as the successor owner, may be financially responsible for these violations and any associated undisclosed liability. Element seeks, through systematic investigation, due diligence and, where applicable, through indemnification by former owners, to minimize the risk of material undisclosed liabilities associated with acquisitions; however, there are limitations to such protections and such protections may not be adequate to address the underlying risks and make Element whole. The discovery of any material liabilities, including but not limited to tax, legal, and environmental liabilities, could have a material adverse effect on Element's business, financial condition and/or results of operations.

Technological Change may Challenge Element Business Prospects or Require Significant Investment

Element's business depends on the efficient and uninterrupted operation of information technology infrastructure. If systems were to fail or Element was unable to successfully expand the capacity of these systems or was unable to integrate new technologies into its existing infrastructure, including the recently implemented enterprise resource planning (ERP) system, its

operations and financial results could suffer. Any changes to technologies associated with Element's business or analytics systems and platforms, or to technologies used by Element's competitors, clients, suppliers or other third parties, may make it more difficult for Element to maintain or increase revenues and earnings and could adversely impact Element's business and prospects.

The services Element delivers are designed to process large, complex data sets and provide reports and other information on that data on a timely basis. Any failure to deliver an effective, secure service or any performance issue that arises with a new service could result in significant processing or reporting errors or other losses. Element may rely on third parties to develop or co-develop solutions, or to incorporate Element's solutions into broader platforms. Element may not be able to enter into such relationships on attractive terms, or at all, and these relationships may not be successful.

Element expects that new services and technologies applicable to the fleet management business in which it operates will continue to emerge and evolve, including AI technology. These new services and technologies may be superior to, impair, or render obsolete the services Element currently offers, or the technologies Element currently uses to provide them. Further, if Element offers new services in the future, there is no guarantee that it will be successful in integrating the new services into its operations, which could materially and adversely affect Element's operating results and financial condition.

Various investors, competitors or other third parties have invested or may invest significant amounts of capital in technologies that may impact the operation of the fleet management business and the services offered by Element. Element may be required to make significant investments in technology (including in AI), in acquisitions, or in its business structure to continue to adapt to technological change. While Element has invested resources in technologies that benefit its clients and believes that its technological platform is one of its competitive advantages, there can be no guarantee that Element will continue to be able to adapt to technological change or adopt AI related strategies, and Element may have to invest additional capital to adapt in the future. Further, Element may enter into new lines of business in the future. There is no guarantee that Element will be successful in integrating these new lines of business into its operations, which could materially and adversely affect Element's operating results and financial condition.

Exposure to Risks Related to the Use of AI

Element may incorporate AI capabilities into the development of technologies and services. AI technology is complex and rapidly evolving, and may subject us to significant competitive, legal, regulatory, operational and other risks. The implementation of AI can be costly, and there is no guarantee that Element's use of AI will enhance Element's technologies, benefit business operations, or improve the Company's services. Element's competitors may be more successful in their AI strategy and develop superior products and services with the aid of AI technology. Additionally, AI algorithms or training methodologies may be flawed, and datasets may contain irrelevant, insufficient or biased information, which can cause errors in outputs. This may give rise to legal liability, damage Element's reputation, and materially harm Element's business. The use of AI in the development of Element's services could also cause loss of intellectual property, as well as subject Element to risks related to intellectual property infringement or misappropriation, data privacy and cybersecurity. Additionally, AI technology may also create ethical issues, which could impair market adoption of such technology and impair demand for Element's services. Furthermore, Canada, the U.S. and other countries may adopt laws and regulations related to artificial intelligence. Such laws and regulations could cause Element to incur greater compliance costs and limit the use of artificial intelligence in the development of Element's products and services. Any failure or perceived failure by Element to comply with such regulatory requirements could subject Element to legal liabilities, damage Element's reputation, or otherwise have a material and adverse impact on Element's business.

Liquidity Risk

Liquidity risk is the risk that the Company will not generate sufficient cash or cash equivalents in a timely and cost-effective manner to satisfy its financial obligations as they come due. One of management's primary goals is to manage liquidity risk by continuously monitoring actual and projected cash flows to ensure that the Company will have sufficient liquidity to meet its liabilities when due as well as sustain and grow the Company's assets and operations, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Growth in our lease portfolio will require ongoing availability of financing and funding lines sufficient to accommodate projected growth objectives. The Company has taken steps to ensure appropriate funding will be in place as required.

The Company believes that its capacity to expand its existing funding arrangements and borrowing facilities and its access to bank term funding will be sufficient to fund its normal operating and capital expenditures as the Company grows. However, there can be no assurance that the Company will have sufficient liquidity to meet its future liabilities when due, which could materially and adversely affect Element's business and financial condition.

As at December 31, 2024, the Company had available liquidity of $5 billion compared to $5 billion at December 31, 2023 (largely unchanged).

Credit Risk

Element's net investment in finance assets for its own account and to be held for future term funding exposes Element to credit risk. Credit risk is the risk that Element will incur an unexpected loss because its clients and counterparties fail to discharge their contractual obligations. Credit risk arises principally through Element's finance receivables that are a result of transactions within the equipment finance industry and, as such, contain an element of credit risk in the event that obligors are unable to meet the terms of their agreements. Element is exposed to credit risk as it arises from events and circumstances outside of Element's control relating to adverse economic conditions, business failure or fraud. The types of fraud to which Element is exposed generally fall into one of three primary categories: (i) vendor/dealer fraud; (ii) client fraud; and (iii) employee fraud. Excessive credit losses could adversely affect Element's ability to generate and fund new financings.

In order to manage credit risk, Element operates using a clearly identified set of policies and procedures throughout its business processes. This includes a detailed analysis of the value of collateral security, the applicant's financial condition, and the ability to service the debt or lease obligations at inception and throughout the term of the lease or loan. Element also manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties on financing leases and loans.

Credit Ratings and Ratings Outlook may Change

The credit rating agencies which rate the Company could re-evaluate their current credit ratings or outlook. There can be no assurance that the credit ratings assigned to Element will be confirmed or remain in effect for any given period of time and ratings may be upgraded, downgraded, or placed under review by an applicable credit ratings agency at any time.

In September 2024, DBRS upgraded their rating to A (low) from BBB (high) and revised their outlook to stable from positive. In August 2024, Fitch Ratings affirmed their stable outlook and investment-grade rating of BBB+. In October 2024, Kroll Bond Rating Agency affirmed their stable outlook and investment-grade rating of A-. In November 2024, S&P affirmed their stable outlook and investment-grade ratings of BBB.

Negative changes in Element's credit ratings or ratings outlook may increase the cost of borrowing. In addition to higher interest rates, rating downgrades could adversely impact the Company's access to capital, cost of capital and financial flexibility, as well as the value of Element's securities.

Element's Provision for Credit Losses May Prove Inadequate

Element's business depends on the creditworthiness of its clients and their ability to fulfill their obligations to Element. Element maintains a provision for credit losses that reflects management's judgment of losses inherent in the portfolio. Element periodically reviews its provision for adequacy considering economic conditions and trends, collateral values, and credit quality indicators, including past charge-off experience and levels of past due loans, past due loan migration trends, and non-performing assets.

Element has and will continue to provide for credit losses based on industry specific historical losses considering the categories, segmentation and distribution of the assets being financed and its client base. However, Element's provision for credit losses may prove inadequate and Element cannot assure that it will be adequate over time to cover credit losses in Element's portfolio because of adverse changes in the economy or events adversely affecting specific clients, industries or markets. Element's credit reserves may not keep pace with changes in the creditworthiness of Element's clients or in collateral values. If the credit quality of Element's client base declines, if the risk profile of a market, industry, or group of clients changes significantly, or if the markets for equipment or other collateral deteriorates significantly, any or all of which would adversely affect the adequacy of Element's reserves for credit losses, it could have a material adverse effect on Element's business, financial condition and/or results of operations.

The Collateral Securing a Loan or a Lease May Not Be Sufficient

While most of Element loans and leases are secured by a lien on specified collateral of the client, there is no assurance that Element has obtained or properly perfected its liens, or that the value of the collateral securing any particular loan will protect Element from suffering a partial or complete loss if the loan or lease becomes non-performing and Element moves to foreclose on the collateral. In such event, Element could suffer loan or lease losses which could have a material adverse effect on its business, financial condition and/or results of operations.

When underwriting collateral, Element makes an estimate of the value of the collateral under a distressed disposition. The estimated realization value of equipment during the life of the lease is an important element in the leasing business. A decrease in the market value of leased equipment at a rate greater than the rate Element projected, whether due to rapid technological or economic obsolescence, unusual wear and tear on the equipment, excessive use of the equipment, recession or other adverse economic conditions, or other factors, would adversely affect the current realization values of such equipment.

Further, certain equipment realization values are dependent on the manufacturers' or vendors' warranties, reputation, and other factors, including market liquidity. The degree of realization risk varies by transaction type.

Foreign Currency Risk

Foreign currency risk is the risk of exposure to foreign currency movements on the Company's lending and/or net investment in foreign subsidiaries, whereby there is a risk the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes, matures or when a foreign subsidiary is divested. The Company mitigates and manages this risk on the Company's lending portfolio by entering into foreign exchange forward contracts to reduce or hedge its exposure to foreign currency risk. The Company currently partially hedges its net investment in foreign subsidiaries. As at December 31, 2024, the Company did not have a significant unhedged exposure to this type of foreign currency risk that would have an impact to net income.

The Company is also exposed to foreign currency risk related to net income generated from foreign currency denominated assets and operations. This risk represents the impact of fluctuations to the average U.S. dollar and respective foreign currency exchange rate used to translate the Company's foreign currency denominated net income into the U.S dollar equivalent, the Company's reporting currency, during each period. The Company may mitigate and manage this type of foreign currency risk by entering into foreign currency forward contracts, or other effective hedges, to reduce or hedge this exposure to foreign currency risk. Based on the Company's latest analysis, a 1% depreciation (appreciation) in the value of the U.S. dollar against all of the Mexican peso, Australian dollar, New Zealand dollar, and Canadian dollar simultaneously would be expected to increase (decrease) adjusted operating income by approximately $3.6 million with Mexico representing approximately 69% of the total aggregate impact.

Historically, the Company has match-funded the assets of the business whereby its debt funding was aligned with its assets in terms of currency, duration and interest rate. Element Mexico was the lone exception in that the Company's business in that country was funded in U.S. dollars. While this exception was readily justifiable when Mexico constituted approximately 4% of Element's average net earning assets in 2018, its successful growth strategy (coupled with the Company's syndication of U.S. assets) has resulted in Element Mexico now constituting approximately 27.7% of the Company's assets. Given the success Element has had in that market (and the possibility that double-digit revenue growth could be sustained), the Company has procured access to Mexican Peso-denominated funding and has replaced a portion of the U.S. dollar funding with Mexican Peso funding. In addition to raising matched funding, Element implemented a hedging strategy using foreign exchange forward contracts to further reduce foreign currency exposure to the Mexican Peso.

Interest Rate Risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In order to mitigate interest rate risk, the Company structures its borrowing arrangements to maintain a fixed interest rate spread between the interest paid on both the term funding facilities and the revolving facilities and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis. In some instances, the Company enters into interest rate swaps in order to align the interest rate variability and to limit interest rate risk exposure.

The Company does experience short-term interest rate risk on finance receivables during the period between fixing the contractual rate under the finance contracts with its clients and the locking of the interest rate under its funding facilities. During this time, an upward movement in respective benchmark rates can negatively impact the spread on the transaction. In order to mitigate this risk, the Company carefully monitors its borrowing costs to ensure its lease financing rates reflect appropriate spreads to insulate against sudden unexpected interest rate movements. Notwithstanding the Company's careful monitoring of borrowing costs, in a market environment featuring the sustained expansion of corporate spreads atop benchmark rates, Element may experience net interest income and rental revenue compression as the Company terms out, renews and extends its funding facilities opposite certain long-term lease contracts at fixed spreads to benchmark rates. The same market environment (sustained expansion of borrowing spreads atop benchmark rates) would impact the Company's analysis of when to syndicate certain assets to optimize the economics thereof.

In order to further mitigate risk, the Company undertakes regular securitizations under its funding arrangements to ensure its finance contracts are appropriately match-funded, which reduces the warehouse period and the likelihood that a significant movement in underlying benchmark rates will negatively impact the spreads on such transactions. The Company also maintains adequate balance sheet liquidity to allow it flexibility in developing a strategy of holding versus securitizing such finance assets.

As at December 31, 2024, the percentage of the total lease portfolio and the loan portfolio that had fixed interest rates was 49% and 100%, respectively.

After considering the fixed interest rate spread on the funding programs and the high exposure to fixed rate finance receivables described above, the Company believes its interest rate risk is generally limited to cash and restricted cash.

Element's Results May Fluctuate

Element's quarterly and annual operating results may fluctuate in the future. These fluctuations could cause Element's stock price to decline. In some future quarters or years, Element's financial or operating results may not meet the expectations of securities analysts and investors, or may not achieve Element's published guidance, which could result in a decline in the price of the Common Shares. Investors should not rely on Element's results of operations in any prior reporting period to be indicative of its performance in future reporting periods. Many other different factors could cause Element's results of operations to fluctuate quarterly and annually, including:

- the success of Element's origination activities;
- market acceptance and penetration of Element's services;
- credit losses and default rates;
- Element's ability to enter into financing and syndication arrangements;
- decreases in demand for fleet leasing and fleet management solutions and related service programs;
- competition;
- regulatory changes, including the costs of compliance with regulatory requirements;
- the timing and effect of any future acquisitions;
- personnel changes;
- changes in accounting rules;
- changes in prevailing interest rates and foreign exchange rates;
- general changes to the global economy and local economies in which Element has operations, including the Canadian, U.S., Mexican, Australian, New Zealand, Irish and Israeli economies; and
- political conditions or events.

Element bases its current and future operating expense levels and its investment plans on estimates of future net finance income, origination activity and growth rates. Any shortfalls in Element's net finance revenue, origination activity, services revenue or in its expected growth rates could result in decreases in its share price. Additionally, Element's use of AI in the development of Element's services could cause the loss of intellectual property and could subject Element to risks related to intellectual property infringement.

Element May Be Unable to Protect, or May be Required to Incur Significant Cost and Attention to Protect, its Intellectual Property Rights and Confidential Information and May Be Required to Defend against Intellectual Property Infringement Claims of Third Parties

To protect its proprietary technology, which includes Xcelerate®, Element relies on copyright, trade secret, patent and other intellectual property law and confidentiality agreements with employees and third parties, all of which offer only limited protection. Despite such precautions, it may be possible for third parties to obtain and use - without Element's consent - confidential information or infringe on its intellectual property rights, and Element's ability to police such misappropriation or infringement is uncertain. In addition, confidentiality agreements with employees, vendors, clients and other third parties may not effectively prevent disclosure or use of proprietary technology or confidential information and may not provide an adequate remedy in the event of such unauthorized use or disclosure. Protecting against the unauthorized use of Element's intellectual property and confidential information is expensive, difficult and not always possible.

Third parties could in the future claim that the technologies and processes underlying Element's services infringe their intellectual property. Element may, in the future, receive notices alleging that we have misappropriated or infringed a third party's intellectual property rights. Any claims of infringement or misappropriation by a third party, even those without merit, could cause us to incur substantial defense costs and could distract management from Element's business, and there can be no assurance that we it be able to prevail against such claims. Additionally, Element's use of AI in the development of Element's services could cause the loss of intellectual property and could subject Element to risks related to intellectual property infringement.

Element Faces Tax Risks in Multiple Jurisdictions

Element is a Canadian corporation, which together with its subsidiaries operates in multiple jurisdictions. As a result, it is subject to the tax laws and regulations of Canadian federal, provincial and local governments and of the governments of foreign jurisdictions in which Element operates, as well as to any income tax treaties between Canada and any such jurisdictions, and to the risk that those tax laws, regulations and treaties may change in the future. Any such changes could adversely affect the taxes payable or recoverable, including withholding taxes, and the effective tax rate in the jurisdictions in which Element operates.

The determination of Element's provision for income taxes in Canada and elsewhere, including current and deferred tax assets and liabilities on Element's financial statements, requires estimates, interpretation and significant judgment. Various internal and external factors may have favorable or unfavorable effects on future provisions for income taxes and Element's effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretation of existing accounting pronouncements could have a material impact on Element's effective income tax rate.

A deferred tax asset may only be recognized to the extent that future realization of the asset is probable. Element considers realization of deferred tax assets based on future taxable income forecasts, enacted future income tax rates, timing of reversal of temporary differences, tax loss carry forward limitations in certain jurisdictions and other items. The Company may be required to derecognize a portion or all of its deferred tax asset if the above assumptions change in the future.

The Canadian government has various tax legislative proposals and consultations that are being considered. This includes, among other things, deductibility, and provisions on hybrid arrangements -These proposals, if implemented, could have a material adverse impact on Element's business, financial condition and results of operations.

The Organization for Economic Co-operation and Development (OECD) has implemented a new global minimum tax regime for the participating countries which includes all jurisdictions that Element currently operates in. Certain jurisdictions may be subject to the new top up tax as a result of operating at an effective tax rate lower than the required 15%.

Element could be adversely impacted by various sunsetting provisions within the US taxation code if extensions are not granted in the future.

Element could be impacted by tax treatments for various revenue streams in different tax jurisdictions. If a tax authority has a different interpretation from Element's, it could potentially impose additional taxes, penalties, fines or change the amount and timing of expected tax refunds. This would potentially reduce the amounts of revenue and net income received by Element.

Element, from time to time, has executed or may execute reorganization transactions impacting its tax structure. If a tax authority has a different interpretation from Element's, it could potentially impose additional taxes, penalties or fines on Element.

Element could be exposed to substantial tax liabilities if the Tax-Deferred Spinoff Requirements are not met.

The tax treatment of the Separation Transaction is dependent on, among other things, the Separation Transaction complying with all of the requirements of the public company "butterfly reorganization" rules in section 55 of the *Income Tax Act* (Canada). Although the Separation Transaction is structured with the intent that it comply with these rules, there are certain requirements of these rules that depend on events occurring after the Separation Transaction is completed or that may not be within the control of Element or that are subject to differing interpretations regarding legal and factual matters (including valuation). If these requirements are not met, Element would recognize a taxable gain in respect of the Separation Transaction. If incurred, tax liabilities could be substantial and could have a material adverse effect on the financial position of Element.

No tax ruling has been requested or received from the authorities in Canada in respect of tax consequences of the Separation Transaction. If such requirements are not met due to an act of ECN Capital in breach of its representations and covenants made in connection with the Separation Transaction, then ECN Capital will in certain circumstances be required to indemnify Element under the arrangement agreement dated July 25, 2016 among Element, ECN Capital, 2510204 Ontario Inc. and INFOR Acquisition Corp. (the "Arrangement Agreement"). If ECN Capital has to indemnify Element for any substantial obligations, it may not be able to satisfy those obligations, and this may materially adversely affect Element's financial position.

The Decision to Pay Dividends on Common Shares and the Amount of Such Dividends are Subject to the Discretion of Element's Board Based on Numerous Factors and May Vary from Time to Time

Although Element currently pays quarterly cash dividends on its Common Shares, these cash dividends may be reduced or suspended. The amount of cash available to Element to pay dividends, if any, can vary significantly from period to period for a number of reasons, including, among other things: Element's operational and financial performance; fluctuations in market prices; the amount of cash required or retained for debt service or repayment; amounts required to fund capital expenditures and working capital requirements; access to capital markets; foreign currency exchange rates and interest rates; and the other risk factors set forth herein.

The decision whether or not to pay dividends and the amount of any such dividends are subject to the discretion of the Board, which regularly evaluates proposed dividend payments and the solvency test requirements of the *Ontario Business Corporations Act*. In addition, the level of dividends per Common Share will be affected by the number of outstanding Common Shares and other securities that may be entitled to receive cash dividends or other payments. Dividends may be increased, reduced or suspended depending on the Company's operational success. For example, as announced on October 1, 2018, the Company's quarterly Common Share dividend was reduced from $0.075 to $0.045. More recently, in Q4 2024 Element increased its quarterly Common Share dividend from $0.12 to $0.13. The market value of Common Shares may deteriorate if Element is unable to meet dividend expectations in the future, and that deterioration may be material.

Volatility of Common Share Price

Market prices for fleet management and other financing corporations, including those of Element, have at times been volatile and subject to substantial fluctuations. The stock market, from time-to-time, experiences significant price and volume fluctuations unrelated to the operating performance of particular companies. Future announcements concerning Element or its

competitors, including those pertaining to financing arrangements, government regulations, developments concerning regulatory actions affecting Element, litigation, additions or departures of key personnel, cash flow, and economic conditions and political factors in Canada, the U.S. or other regions may have a significant impact on the market price of the Common Shares. In addition, there can be no assurance that the Common Shares will continue to be listed on the TSX.

The market price of the Common Shares could fluctuate significantly for many other reasons, including for reasons unrelated to Element's specific performance, such as reports by industry analysts, investor perceptions, market rumors or speculation, or negative announcements by Element's clients, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. For example, market speculation of negative news relating to Element could trigger a sell-off in the Common Shares. Any sales of substantial numbers of the Common Shares in the public market or the perception that such sales or exercise might occur may cause the market price of the Common Shares to decline. In addition, to the extent that other large companies within Element's industry experience declines in their stock price, the share price of the Common Shares may decline as well. Moreover, when the market price of a company's shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of Element's management and other resources.

Market Value of Common Shares and Other Securities

Element cannot predict at what price the Common Shares or other securities issued by Element will trade in the future. The Common Shares and other securities of Element will not necessarily trade at values determined solely by reference to the underlying value of Element's assets. One of the factors that may influence the market price of such securities is the annual yield on such securities. An increase in market interest rates may lead purchasers of securities of Element's to demand a higher annual yield and this could adversely affect the market price of such securities. In addition, the market price for securities of Element may be affected by announcements of new developments, changes in Elements' operating results, failure to meet analysts' expectations, changes in credit ratings, changes in general market conditions, fluctuations in the market for securities and numerous other factors beyond the control of Element.

Element's Business Could be Negatively Impacted as a Result of Shareholder Activism

In recent years, shareholder activists have become involved in numerous public companies. Shareholder activists frequently propose to involve themselves in the governance, strategic direction, and operations of the company. Element may continue to be or may become subject to further shareholder activity and demands in the future. Such demands may disrupt Element's business and divert the attention of Element's management and employees, and any perceived uncertainties as to the Company's future direction resulting from such a situation could result in the loss of potential business opportunities, be exploited by competitors, cause concern to current or potential clients, and make it more difficult to attract and retain qualified personnel and business partners, all of which could adversely affect Element's business. In addition, actions of activist shareholders may cause significant fluctuations in the market price for Common Shares based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of Element's business.

In addition, actions that may be taken by any significant shareholders, if any, may divert the time and attention of Element's Board and management from its business operations. Campaigns by significant investors to effect changes at publicly-traded companies have increased in recent years. If a proxy contest were to be pursued by any of Element's shareholders, it could result in substantial expense to Element and consume significant attention of management and the Board. In addition, there can be no assurance that any shareholder will not pursue actions to effect changes in the management and strategic direction of Element, including through the solicitation of proxies from Element's shareholders.

Dilution from Further Equity Financing and Declining Share Price

If Element raises additional financing through the issuance of equity securities (including securities convertible into or exchangeable for equity securities) or completes an acquisition or merger by issuing additional equity securities, such issuance may substantially dilute the interests of existing shareholders of Element and reduce the value of their investment. The market price of the Common Shares could decline as a result of issuances of new shares or sales by existing shareholders of common shares in the market or the perception that such sales could occur. Sales by shareholders might also make it more difficult for Element itself to sell equity securities at a time and price that it deems appropriate.

Issue of Preferred Shares by Element

Element's Board has the authority to issue undesignated preferred shares in one or more series and, before issue, to fix the designation of, and the rights and restrictions attached to, the preferred shares of each series, without consent from holders of Common Shares. Preferred shares could be issued with voting, dividend, liquidation, dissolution, winding-up and other rights superior to those of the holders of Common Shares. Element has previously issued five series of preferred shares (the Series A Shares, Series C Shares, Series E Shares, Series G Shares and Series I Shares) and all such preferred shares have since been redeemed.

Compliance with Laws and Regulations Affecting Public Companies

Any future changes to the laws and regulations affecting public companies, compliance with existing provisions of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), future sustainability reporting obligations, and the other applicable Canadian securities laws and regulation and related rules and policies, may cause Element to incur increased costs as it evaluates the implications of new rules and implements any new requirements. Delays or a failure to comply with the new laws, rules and regulations could result in enforcement actions, the assessment of other penalties and civil suits.

Any new laws and regulations may make it more expensive for Element to provide indemnities to Element's officers and directors and may make it more difficult to obtain certain types of insurance, including liability insurance for directors and officers. Accordingly, Element may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for Element to attract and retain qualified persons to serve on its Board of Directors or as executive officers. Element may be required to hire additional personnel and utilize additional outside legal, accounting and advisory services, all of which could cause general and administrative costs to increase beyond what Element currently has planned. Element is continuously evaluating and monitoring developments with respect to these laws, rules and regulations and it cannot predict or estimate the amount of the additional costs it may incur or the timing of such costs.

Element is required annually to review and report on the effectiveness of its internal control over financial reporting in accordance with NI 52-109. The results of this review are reported in the section of this MD&A titled "Internal Control over Disclosure and Financial Reporting". Element's Chief Executive Officer and Chief Financial Officer are required to report on the effectiveness of Element's internal control over financial reporting.

Management's review is designed to provide reasonable assurance, not absolute assurance, that all material weaknesses existing within Element's internal controls are identified. Material weaknesses represent deficiencies existing in Element's internal controls that may not prevent or detect a misstatement occurring which could have a material adverse effect on the quarterly or annual financial statements of Element. In addition, management cannot provide assurance that the remedial actions being taken by Element to address any material weaknesses identified will be successful, nor can management provide assurance that no further material weaknesses will be identified within its internal controls over financial reporting in future years.

Further, NI 52-109 requires that Element establish and maintain disclosure controls and procedures. Element's disclosure controls and procedures are designed to reasonably ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is processed on a timely basis to enable appropriate decisions to be made regarding public disclosure. Element believes that any disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are and will be met. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

If Element fails to maintain effective (i) internal controls over its financial reporting or (ii) disclosure controls and procedures, there is the possibility of errors or omissions occurring or misrepresentations in Element's disclosures which could have a material adverse effect on Element's business, its financial statements and the value of the Common Shares.

Public Company Requirements May Strain Resources

As a public company, Element is subject to the reporting requirements under applicable securities laws, including the *Securities Act* (Ontario) (the "Act"), as amended, the regulations and rules thereto, including the national and multilateral instruments adopted as rules, decisions, rulings and orders promulgated under the Act and the published policy statements issued by the Ontario Securities Commission and the listing requirements of the TSX. The ever-increasing obligations of operating as a public company will require significant expenditures and will place additional demands on management as Element complies with the reporting requirements of a public company. Element may need to hire additional accounting, financial and legal staff with appropriate public company experience and technical accounting and regulatory knowledge.

In addition, actions that may be taken by any significant shareholders, if any, may divert the time and attention of Element's Board of Directors and management from its business operations. Campaigns by significant investors to effect changes at publicly traded companies have increased in recent years. If a proxy contest were to be pursued by any of Element's shareholders, it could result in substantial expense to Element and consume significant attention of management and the Board of Directors. In addition, there can be no assurance that any shareholder will not pursue actions to effect changes in the management and strategic direction of Element, including through the solicitation of proxies from Element's shareholders.

Element is Not Subject to the Same Extensive Supervision and Regulation as Certain Other Financial Services Companies

Element competes with financial institutions that are subject to extensive and complex federal, state and provincial regulatory requirements that do not apply to Element. For example, federally regulated financial institutions that are engaged in fleet financing may be subject to amplified supervisory activities (such as those of Canada's Office of the Superintendent of Financial Institutions), regulatory requirements relating to capital adequacy and market liquidity risk, and more rigorous financial reporting standards. Element operates in an unregulated environment with regard to capital requirements and its risk management policies and procedures may not be fully effective to identify, monitor and manage the risks that may jeopardize Element's ability to continue to satisfy its capital requirements. To the extent that Element must comply with financial reporting standards that are less extensive than those applicable to a competitor, it may be more difficult for an investor to completely and accurately assess Element's financial condition.

Litigation May Negatively Impact Element's Business, Financial Condition and/or Results of Operations

From time to time in the ordinary course of its business, Element may become involved in various legal proceedings, including commercial, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause Element to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on Element's business, financial condition and/or results of operations.

Element Has Indemnification Obligations to ECN Capital as a Result of the Separation Transaction that Could be Significant

If certain of the requirements of the "butterfly reorganization" rules in section 55 of the *Income Tax Act* (Canada), discussed above, are not met due to an act of Element, Element may in certain circumstances be required to indemnify ECN Capital under the Arrangement Agreement. These indemnification obligations could be significant. If Element has to indemnify ECN Capital for any substantial obligations, this may materially adversely affect Element's financial position.

Element May be Treated as a Passive Foreign Investment Company ("PFIC") for U.S. Federal Income Tax Purposes, in Which Case U.S. Holders (as defined below) Would be Subject to a Special, Generally Adverse Tax Regime

Element has not made a determination as to whether Element may be a PFIC for any taxable year.

For purposes of this risk, a "U.S. Holder", is a beneficial owner of Common Shares that are, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust if (A) such trust has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes or (B) a court within the United States can exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

The U.S. federal income tax consequences to U.S. Holders of owning and disposing of Common Shares may be affected if Element were treated as a PFIC.

The PFIC rules, including the rules governing any elections that may potentially be made by a U.S. Holder, are extremely complex. Each U.S. Holder should consult its own tax advisor regarding the potential PFIC status of Element and how the PFIC rules (including elections that may be available thereunder) would affect the U.S. federal income tax consequences of the ownership and disposition of Common Shares.

Catastrophic Events, Natural Disasters, Severe Weather and Disease

Element's business may be negatively impacted to varying degrees by a number of events which are beyond its control, including cyber-attacks, unauthorized access, energy blackouts, pandemics, terrorist attacks, acts of war, earthquakes, hurricanes, tornadoes, fires, floods, ice storms or other natural or man-made catastrophes.

While Element engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that Element's operations and ability to carry on business will not be disrupted. Element may still be required to

perform its obligations to third parties, notwithstanding the occurrence of any such events. A catastrophic event, including an outbreak of infectious disease, a pandemic or other health threats, or fear of any of the foregoing, could adversely impact Element by causing operating or supply chain delays and disruptions, labor shortages, expansion project delays, facility shutdowns and other business disruptions, each of which could have a negative impact on Element's ability to conduct its business and could increase its costs. In addition, liquidity and volatility, credit availability and market and financial conditions generally could change at any time as a result. Any of these events in isolation or in combination, could have a material negative impact on Element's financial condition, operating results and cash flows.

Insurance Risk

Element maintains a program of insurance coverage that is ordinarily maintained by similar businesses, including property insurance, directors' and officers' insurance, general commercial liability insurance, auto and cyber insurance. While management evaluates the sufficiency of Element's insurance coverage on an ongoing basis, there can be no assurance that a claim or claims under Element's insurance policies will not exceed the limits of available insurance coverage, that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost or that any insurer will not dispute coverage of certain claims due to ambiguities in the relevant policies. A judgment against Element in excess of available insurance coverage could have a material negative impact on Element's financial condition, operating results and cash flows.

Economic Conditions & Outlook

Outlook

Full-year 2024 guidance compared to 2024 actual results

We delivered full-year 2024 results at or above the high end of our previously provided guidance ranges on all key metrics, with the exception of originations. The following table highlights our full-year 2024 guidance compared to full-year 2024 results.

In US$, except per share amounts	Full-year 2024 Guidance	Full-year 2024 Results
Net revenue	$1.060 - $1.080 billion	$1.088 billion
YoY Growth	11-13 %	13%
Adjusted operating margin[1]	55.0% - 55.5%	55.3%
Adjusted operating income	$575 - 595 million	$601 million
YoY Growth	8-12 %	13%
Adjusted EPS [basic]	$1.07 - $1.11	$1.12
YoY Growth	9-13 %	14%
Adjusted free cash flow per share	$1.32 - 1.36	1.38
YoY Growth	6-10 %	11%
Originations	$7.0 - 7.4 billion	$6.7 billion
YoY Growth	11-17 %	6%

1. Excluding Autofleet, adjusted operating margin was 55.6% in 2024; representing adjusted operating margin expansion of 30 basis points year-over-year.

Full-year 2025 Guidance

We expect to see continued growth in our client base and net revenue, driven by the ongoing transition to self-managed fleets and robust demand for our services and solutions. Strong order volumes over the last four months, bolstered by the enhancements from our U.S. and Canada leasing initiative in Ireland are expected to drive solid originations volume in the first half of 2025. Originations are preceded by vehicle orders, which are binding commitments by clients to lease or purchase vehicles from Element.

Strong commercial momentum underpins our target of achieving net revenue growth between 6.5% and 8.5% for the full year 2025, alongside high single-digit to low double-digit increases in each of adjusted operating income, adjusted EPS, and adjusted free cash flow per share. Element is committed to generating positive operating leverage in 2025, and expects to begin realizing the benefits of the investments undertaken over the past year.

$US, except per share amounts	Full-year 2025 Initial Guidance	Full-year 2025 Guidance
Net revenue	6.5 - 8.5%	$1.160 - $1.185 billion
Adjusted operating income	High-single to low-double digit	$645 - $670 million
Adjusted operating margins		55.5% - 56.5%
Adjusted EPS [basic]	High-single to low-double digit	$1.20 - $1.25
Adjusted free cash flow per share	High-single to low-double digit	$1.48- $1.53
Originations	Low- to mid-single digit	$6.9 - $7.1 billion

Our guidance for 2025 incorporates the effects of several anticipated revenue headwinds, including the depreciation of the Mexican Peso (we have assumed an MXN-to-USD exchange rate of 20.5:1), higher interest expenses due to increased local Peso funding in 2025, and financing the redemption of the preferred shares. In addition, the scheduled reduction in bonus depreciation in the U.S. is likely to impact syndication yields. We also anticipate that our 2025 effective tax rate will average between 24.5% to 26.5%.

The above ranges are prior to any further material foreign exchange fluctuations, and any adverse impact related to changes in the trade agreements between the U.S., Mexico, and Canada.

Capital allocation priorities

Our capital allocation priorities remain as follows:

- Prudently invest in our business;
- Maintain a debt-to-capital ratio between 73% to 77%;
- Grow the common share dividend in keeping with our target payout range of 25% to 35% of last twelve months' adjusted free cash flow per share; and
- Repurchase common shares under our NCIB with remaining capital after investments.

We will continue to be opportunistic with capital redeployment with respect to share repurchases. Further information on our 2024 NCIB can be found above under the 'Normal course issuer bids' section of this MD&A.

Economic conditions

Contemporary economic conditions including a gradual easing of inflationary pressures, an uncertain interest rate environment, increasing geopolitical concerns, and a rapidly evolving fleet and mobility landscape offer both opportunities and challenges for our business. We closely monitor these macroeconomic factors and fleet industry trends to refine existing strategies or introduce new ones where appropriate to mitigate risks, optimize fleet ROI and capitalize on opportunities to ensure our long-term success.

Inflation

We closely monitor inflation trends and take appropriate measures to mitigate any adverse effects on our company's financial performance.

To date, inflation has been additive to our business. Our business model allows us to transfer much of the increase in our costs to our clients in a contractually agreed manner. We expect client demand to remain resilient in 2025 and continue driving net revenue growth. We anticipate inflation to continue moderating throughout 2025.

Inflation and tight labour markets have contributed to increases in operating costs, such as salaries. We will continue to explore and execute opportunities to manage operating costs through enhanced operating efficiencies.

Recession

We believe our value proposition – lowering our clients' total cost of fleet operations and reducing their administrative burden – becomes more attractive and relevant to existing and prospective clients during recessionary periods (where pressure to manage operating costs and realize efficiencies increases). We acknowledge that during recessionary periods business spending and investments may also decline and we may experience a decrease in demand for our products or services, leading to lower sales and revenue.

We closely monitor economic indicators and client behaviour to anticipate and respond to any potential recessionary impacts.

There are many factors that contribute to our business model's resilience across economic cycles:

- Element manages vehicles that are mostly viewed as mission-critical by our clients given the roles the vehicles play in our clients' ability to generate revenue and meet stakeholder expectations. Consequently, service consumption and replacement vehicle demand are typically less impacted in a downturn.
- Our "credit first, collateral second" underwriting philosophy mitigates credit losses as we focus on maintaining a high credit quality client base, diversified across industries and, geographies.
- Element leases are typically among the first contracts to be affirmed by administrators in a bankruptcy scenario given the aforementioned mission-critical nature of the leased vehicles.
- The nature of our security positions (*eg.* cross-collateralization of leases, and cross-default provisions with respect to our service receivables) as part of our pro-active collateral management practices has proven effective at minimizing real economic losses for Element in the rare cases of client bankruptcy. Historically, our real economic losses as a percentage of total finance receivables has been in the low single-digit basis point range.

Interest rates

Interest rates play a crucial role in our business impacting our borrowing costs. When interest rates rise, so do our borrowing costs. This increase can make it more costly to finance our clients' fleets and service activity as well as our own operational activity, including new projects. Conversely, when interest rates decline, they can stimulate economic activity, and potentially increase demand for our products or services. We closely monitor interest rate movements and adjust our financial strategies accordingly.

Moreover, our business model is largely agnostic to base interest rate movements as we match fund our leases based on interest rate type (fixed vs floating). This careful monitoring of borrowing costs ensures new leases reflect appropriate credit spreads. We actively manage our funding facilities to optimize lease interest margins. Once a lease is activated, the interest margin is locked in for the life of the asset on our balance sheet. After activation, our exposure is limited to credit spread risk for the duration of the lease.

Syndication market

The vehicle lease syndication market remains robust and expansive, with relatively stable pricing and strong client demand. Lower than historical level yields are attributed to business mix specifics and increased volume, rather than pricing or market constraints.

Higher syndication volumes helped mitigate the lower year-over-year net yields. We continue to profitably syndicate assets and manage our target tangible leverage ratio. In December 2024, Element established a new strategic funding relationship with affiliates Blackstone involving a portfolio of Canadian fleet lease receivables valued at approximately $346 million (CAD$474 million). This initial transaction, which took place on December 20, 2024, has characteristics similar to that of a bulk syndication. Through this arrangement Element benefits from substantial derecognition of these finance lease receivables, diversifying and optimizing its funding profile, validating the high-quality of our asset origination platform, and supports our continued growth. This transaction further assists in diversifying our funding sources, reducing leverage and driving our capital lighter model. However, due to the initial sale, overall yield was negatively impacted by setup costs and the necessary unwinding of interest rate hedges related to the portfolio. These costs are not expected to recur in future transactions. Consequently, we expect higher syndication yields in 2025, while also benefiting from the derecognition of finance lease receivables that similar transactions would offer.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial conditions and results of operations are made with reference to the consolidated financial statements for the year ended December 31, 2024. A summary of the Company's material accounting policies and critical accounting estimates are presented in Notes 2 and 3, respectively, to the audited consolidated financial statements for the year ended December 31, 2024. Some of the Company's accounting policies, as required by International Financial Reporting Standards, require management to make subjective, complex judgments and estimates to matters that are inherently uncertain. The Company believes the policies below are the most critical accounting estimates that affect its operating results, and that would have the most material effect on the financial statements should these policies change or be applied in a different manner.

Finance receivables

The Company determines the classification of a lease at its lease inception date.

The Company primarily provides financing to clients through financing leases. Financing leases transfer substantially all the benefits and risks of equipment ownership to the lessee. These leases are recorded at (i) the aggregate minimum payments plus residual values accruing to the Company, less (ii) unearned finance income, which includes origination fees. These leases are carried at amortized cost using the effective interest rate method (i.e. interest income is allocated over the expected term of the lease by applying the effective interest rate to the carrying amount of the lease).

In certain circumstances, the Company may provide financing to clients through loans. Loans are recorded and carried at amortized cost using the effective interest rate method (i.e. interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan). Unearned finance income includes loan origination fees. The Company does not retain title to the vehicles that are subject to these loans.

Initial direct costs that relate to the origination of the finance receivables are deferred and recognized as yield adjustments using the effective interest rate method over the term of the related financial asset. These costs are incremental to individual leases or loans and comprise certain specific activities related to processing requests for financing, such as the costs to underwrite the transaction and commission payments.

Financing leases and loans are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a financing lease or a loan is deemed to be impaired when timely collection is not assured or when it has been in arrears for 120 days or more. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for credit losses.

Also included in finance receivables are secondary receivables, including interim funding (vehicles paid for by the Company but not yet delivered to clients) and fleet management receivables (amounts receivable from lease billings and ancillary fleet service revenues, including fuel cards, accident management services and maintenance). The outstanding receivables are evaluated for recoverability at the end of each reporting period and appropriate reserves are recorded based on the Company's analysis of collectability.

Equipment under operating leases

An operating lease is one that does not transfer substantially all of the risks and rewards of ownership to the lessee.

Operating leases entered into by the Company are reported as "Equipment under operating leases" and are carried at cost less accumulated depreciation and are being depreciated to their estimated residual values using the straight-line method over the lease term or estimated useful life of the asset up to 10 years from the date of manufacture, with an average term of approximately 45 months. The Company retains the residual value risk on certain equipment under operating leases and finance receivables for which there is an unguaranteed residual value and, as a result, manages this risk through a combination of its credit policies and the determination of residual value at the inception of the lease. The Company maintains a strict credit review process and over time, has transitioned a large portion of its portfolio to investment-grade clients, reducing potential exposure to non-payment. Additionally, the process of setting the residual value at the inception of the lease is a highly structured, data driven methodology that includes multiple data points including model life, deflation forecast, and trade price to calculate the residual value.

Rental revenue on operating leases is recognized on a straight-line basis over the lease term.

Equipment under operating leases is reviewed for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use.

Allowance for credit losses

Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, the fair value of underlying collateral, current economic trends, the expected residual value of leased assets, and past experience.

The Company reviews its individually significant leases and loans at each consolidated balance sheet date to assess the adequacy of the allowance for credit losses and to determine whether an impairment loss should be recorded in the consolidated statement of operations. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the allowance. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance. Leases and loans that have been assessed individually and found not to be impaired and all individually insignificant leases are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether an allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio such as levels of arrears and credit utilization and judgments to the effect of concentrations of risks.

As at December 31, 2024, the allowance for credit losses as a percentage of outstanding finance receivables was 0.08%.

Deferred tax assets

Deferred tax assets are recognized for unused income tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax-planning strategies.

Useful lives and residual values of equipment under operating leases

The Company's equipment under operating leases are recorded at cost and depreciated over their estimated useful lives to an estimated residual value using the straight-line method. The Company determines the economic useful life based on management's estimate of the period which the asset will generate revenue. The residual values are based on historical experience and economic factors. Management will periodically review the appropriateness of the estimated useful lives and residual values based on changes in economic circumstances and other factors. Changes in these estimates would result in a change in future depreciation expense.

Intangible assets valuation - Client Relationships and technology

The Company's client relationships and technology require management to use judgment in estimating the fair value of these intangible assets acquired in a business combination and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. Management also uses judgment in estimating client attrition rates to determine the appropriate amortization period for the client relationship intangible asset and benefits received from technology intangible asset.

Goodwill valuation

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable values of the Company's single cash generating unit ("CGU") and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Derecognition of financial assets

The Company periodically syndicates certain finance lease receivables, either through transferring ownership of the syndicated lease receivables to the third-party investor or through the transfer of an interest in interest bearing notes to third-party investors with the finance lease receivables as a security against the issued note, as well as all contractual rights to future cash flow, interest rate risk, credit risk and tax benefits, if applicable, related to the syndicated lease receivables. In the event the lessee terminates its lease agreement prior to the lease term, the Company is required to pay the third-party investor the foregone interest it would have earned if there was no early lease termination. For each syndication transaction, the Company evaluates the extent to which the risks and rewards of ownership have been transferred.

When substantially all the risks and rewards of ownership have been transferred, the Company derecognizes the lease receivables. When the Company has neither transferred nor retained substantially all the risk and rewards of ownership, a continuing involvement asset and associated liability are recognized to the extent of the Company's maximum continuing involvement. Element's continuing involvement is the amount of syndication fees earned that would be required to be returned to third-party investors if all vehicle leases, not meeting full derecognition criteria, are terminated as of the balance sheet date. The Company accounts for the likelihood of such early terminations separately from its continuing involvement.

When a syndication either qualifies for derecognition or is transferred with continuing involvement, the resulting gain from the syndication is recorded in the consolidated statements of operations in Syndication revenue, net, and the Company recognizes its estimated obligation for early lease terminations as a liability.

The Company continues to perform certain administrative tasks related to the lease receivables after assets are syndicated including billing and cash collections and remits such cash collections directly to the third-party investor. As a result, the Company retains the management fee billed to its clients to cover charges for the performance of these tasks in the majority of syndications.

The Company will continue to provide fleet management services (including, for example, accident management services, maintenance services, and fuel cards) regardless of whether or not the lease receivable is syndicated.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, including options to renew if the Company considers it highly likely it will exercise the renewal options. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Cash flow hedges

The effective portion of the change in fair value of the derivative instrument is recognized in OCI until the forecasted cash flows being hedged are recognized in income in future accounting periods. When forecasted cash flows are recognized in income, an appropriate amount of fair value changes of the derivative instrument in AOCI is reclassified to income. Any hedge ineffectiveness is immediately recognized in income.

The Company uses interest rate swaps to hedge its exposure to changes in future cash flows due to interest rate risk.

The Company also uses interest rate derivatives, mainly interest rate swap agreements, to hedge its exposure to changes in future cash flows due to interest rate risk on its floating rate debt and assets.

The Company also uses total return swap agreements to hedge its exposure to changes in future cash flows due to changes in the Company's share price on its stock compensation plans that are accounted for as liabilities.

Fair value hedges

The Company designates fair value hedges as part of interest rate risk management strategies that use derivatives to hedge changes in the fair value of financial instruments with fixed interest rates. Changes in fair value attributed to the hedged interest rate risk are accounted for as basis adjustments to the hedged financial instruments and are included in net income. Changes in fair value from the hedging derivatives are also included in net income. Any differences between the two represent hedge ineffectiveness that is included in other income. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated and the basis adjustment applied to the hedged item is amortized over the remaining term of the hedged item. If the hedged item is derecognized, the unamortized basis adjustment is recognized immediately in the consolidated statement of operations.

Hedges of a net investment

Hedges of a net investment in a foreign operation ("NIFO") are accounted for in a way similar to cash flow hedges. Gains or losses on a hedging instrument relating to the effective portion of the hedge are recognized in OCI while any gains or losses relating to the ineffective portion are recognized in income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in AOCI is transferred to income.

Hedging through profit and loss

The Company may elect to not designate hedges in a hedge accounting relationship, where they remain an effective economic hedge of an identified risk. The change in fair value of the hedging instruments will be recognized through profit and loss where the change in value offsets the change in value of the underlying hedged item.

Related Party Transactions

Our related parties include the following persons and/or entities: (a) associates, or entities which are controlled or significantly influenced by us; (b) key management personnel, which are comprised of directors and/or officers of the Company and those persons having authority and responsibility for planning, directing and controlling the activities of the Company; and (c) entities controlled by key management personnel.

Derivatives and Hedging

From time to time, the Company enters into derivative transactions to maintain a fixed interest rate spread between the interest paid on both the term funding facilities and the revolving loan facilities and the interest received on the underlying finance receivables. The Company will enter into interest rate swap transactions whereby the Company will pay a fixed rate of interest and receive a floating rate of interest, primarily to hedge interest rate exposure resulting from its floating rate debt obligations. The notional amounts of the derivatives are matched to the expected amortization of the related debt. The Company will also enter into interest rate swap transactions whereby the Company will pay a floating rate of interest and receive a fixed rate of interest, primarily to hedge interest rate exposure resulting from its floating rate finance receivables.

The Company has designated these instruments as cash flow hedges when the criteria for hedge accounting has been met and the changes in fair value of the effective portions of the hedging instruments are recognized through other comprehensive income, interest settlements on these interest rate swaps are applied to the related interest expense through the statement of operations.

The Company also designates fair value hedges as part of interest rate risk management strategies that use derivatives to hedge changes in the fair value of financial instruments with fixed interest rates. Changes in fair value attributed to the hedged interest rate risk are accounted for as basis adjustments to the hedged financial instruments and are included in net income. Changes in fair value from the hedging derivatives are also included in net income. Any differences between the two represent hedge ineffectiveness that is included in other income.

The Company will also enter into foreign exchange forward agreements to hedge its exposures to foreign currency risk on foreign denominated finance receivables and its net investment in foreign subsidiaries. Fair value changes on the foreign exchange forward agreements and settlements on the foreign exchange forward contracts are recognized through other comprehensive income and are transferred to income as foreign exchange gains and losses are recognized on the related hedged finance receivable or on the disposition of the related foreign subsidiary.

The Company also enters into total return swap agreements to partially hedge its exposure to changes to Company's share price on the Company's stock compensation plans that are accounted for as liabilities. The Company has designated both fair value and cash flow hedging relationships depending on the stock compensation plan.

As at December 31, 2024, the Company had net derivative assets of $76.4 million on notional balances of $9,162.5 million.

For the year ended December 31, 2024, the fair value changes recorded in net income was nil and a gain in other comprehensive income of $32.2 million for derivatives designated as cash flow hedges.

Future Accounting Changes

The following IFRS pronouncement has been issued but is not yet effective and may have a future impact on our consolidated financial statements.

Presentation and disclosure in financial statements

IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18") will replace IAS 1, Presentation of Financial Statements ("IAS 1"). IFRS 18 substantially carries forward IAS 1 accounting requirements for recognition and measurement of items in the financial statements, with changes to improve Companies' reporting of financial performance which will enhance investors ability to analyze and compare financial results between Companies. The new standard may impact the structure of the statement of profit or loss, disclosure in the financial statements for certain profit or loss performance measures that are reported outside of the financial statement such as management-defined performance measures, and redefining the principles of aggregate and disaggregate grouping of items based on their shared characteristics. IFRS 18 is to be effective for fiscal years beginning on or after 1 January 2027 and also applies to comparative information. We are currently evaluating the potential impact that the adoption of IFRS 18 will have on our consolidated financial statements.

Internal Control over Disclosure and Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures to ensure that material information is being recorded, processed, summarized, and reported to senior management, including the certifying officers and other members of the Board of Directors, on a timely basis, so that appropriate decisions can be made regarding public disclosure. In addition, the CEO and CFO are responsible for establishing and maintaining internal controls over financial reporting to a standard that provides reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As of December 31, 2024, we evaluated the effectiveness of Element's disclosure controls and procedures as defined under National Instrument 52-109. Based on that evaluation, the CEO and CFO concluded that such disclosure controls and procedures were effective.

Limitations on the effectiveness of disclosure controls and internal controls over financial reporting

It should be noted that while our CEO and CFO believe that our internal control system and disclosure controls and procedures provide a reasonable level of assurance that the objectives of the control systems are met, they do not expect that our control systems will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential conditions.

We have an established process in place which includes the on-going testing and reporting of the results to senior management and the Board of Directors on the effectiveness of the disclosure controls and internal controls over financial reporting.

For the year ended December 31, 2024, there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

IFRS to Non-GAAP Reconciliations, Non-GAAP Measures and Supplemental Information

Our audited consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and the accounting policies we adopted in accordance with IFRS. These audited consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at December 31, 2024 and December 31, 2023, the results of operations, comprehensive income and cash flows for the three-month period-ended and twelve-month periods-ended December 31, 2024 and December 31, 2023.

Non-GAAP and IFRS key annualized operating ratios and per share information of the operations of the Company:

		As at and for the three-month period ended			For the year ended	
(in U,S,$000's except ratios and per share amounts or unless otherwise noted)		**December 31, 2024**	September 30, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	$P_2/(P_2+R)$	**74.1 %**	74.3 %	72.4 %	**74.1 %**	72.4 %
Tangible leverage ratio	P/(R-K)	**7.56**	7.00	5.98	**7.56**	5.99
Average financial leverage ratio	Q/(Q+V)	**75.0 %**	75.1 %	72.6 %	**74.7 %**	71.6 %
Average tangible leverage ratio	Q/(V-L)	**7.60**	6.80	5.75	**6.72**	5.53
Other key operating ratios						
Allowance for credit losses as a % of total finance receivables before allowance	F/E	**0.08 %**	0.08 %	0.08 %	**0.08 %**	0.08 %
Adjusted operating income on average net earning assets	B/J	**7.31 %**	8.01 %	7.20 %	**7.53 %**	7.57 %
Adjusted operating income on average tangible total equity of Element	D/(V-L)	**39.34 %**	37.91 %	29.34 %	**35.76 %**	30.08 %
Per share information						
Number of shares outstanding	W	**404,502**	403,609	389,169	**404,502**	389,169
Weighted average number of shares outstanding [basic]	X	**404,578**	403,609	389,115	**396,880**	390,297
Pro forma diluted average number of shares outstanding	Y	**404,726**	403,768	404,068	**404,164**	405,242
Cumulative preferred share dividends during the period	Z	**—**	1,434	4,418	**7,222**	17,625
Other effects of dilution on an adjusted operating income basis	AA	**$ —**	$ —	$ 1,184	**$ 2,412**	$ 4,859
Net income per share [basic]	(A-Z)/X	**$ 0.23**	$ 0.24	$ 0.20	**$ 0.96**	$ 0.84
Net income per share [diluted]		**$ 0.23**	$ 0.24	$ 0.19	**$ 0.95**	$ 0.82
Adjusted EPS [basic]	(D1)/X	**$ 0.27**	$ 0.29	$ 0.25	**$ 1.12**	$ 0.99
Adjusted EPS [diluted]	(D1+AA)/Y	**$ 0.27**	$ 0.29	$ 0.24	**$ 1.10**	$ 0.96

We use a variety of both IFRS and non-GAAP and Supplemental Measures, and non-GAAP ratios to monitor and assess our operating performance. We use these non-GAAP and Supplemental Financial Measures because we believe that they may provide useful information to investors regarding our performance and results of operations.

The following table provide a reconciliation of certain IFRS to non-GAAP measures related to our operations and other supplemental information.

		For the three-month period ended			For the year ended	
(in US$000's except per share amounts or unless otherwise noted)		**December 31, 2024**	September 30, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
Reported results		**US$**	US$	US$	**US$**	US$
Services income, net		**161,461**	146,903	129,657	**595,540**	502,659
Net financing revenue		**103,453**	116,090	102,211	**449,130**	410,853
Syndication revenue, net		**5,976**	16,643	13,261	**42,890**	45,587
Net revenue		**270,890**	279,636	245,129	**1,087,560**	959,099
Operating expenses		**141,234**	139,367	134,085	**544,681**	481,749
Operating income		**129,656**	140,269	111,044	**542,879**	477,350
Operating margin		**47.9 %**	50.2 %	45.3 %	**49.9 %**	49.8 %
Total expenses		**149,463**	145,669	141,716	**574,003**	510,153
Income before income taxes		**121,427**	133,967	103,413	**513,557**	448,946
Net income	A	**92,057**	98,565	81,567	**387,137**	345,599
EPS [basic]		**$ 0.23**	$ 0.24	$ 0.20	**$ 0.96**	$ 0.84
EPS [diluted]		**$ 0.23**	$ 0.24	$ 0.19	**$ 0.95**	$ 0.82
Adjusting items						
Impact of adjusting items on operating expenses:						
Strategic initiatives costs – Salaries, wages, and benefits		**—**	4,633	5,329	**5,593**	5,329
Strategic initiatives costs – General and administrative expenses		**—**	4,283	5,437	**7,806**	8,342
Amortization of convertible debenture discount		**—**	—	772	**1,517**	3,038
Share-based compensation		**13,687**	12,242	12,346	**43,435**	36,429
Total impact of adjusting items on operating expenses		**13,687**	21,158	23,884	**58,351**	53,138
Total pre-tax impact of adjusting items		**13,687**	21,158	23,884	**58,351**	53,138
Total after-tax impact of adjusting items		**10,265**	15,667	17,667	**43,763**	27,478
Total impact of adjusting items on EPS [basic]		**0.03**	0.04	0.05	**0.11**	0.07
Total impact of adjusting items on EPS [diluted]		**0.03**	0.04	0.04	**0.11**	0.06

(in US$000's except per share amounts or unless otherwise noted)	For the three-month period ended			For the year ended	
	December 31, 2024	September 30, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
Adjusted results	**US$**	US$	US$	**US$**	US$
Adjusted net revenue	**270,890**	279,636	245,129	**1,087,560**	959,099
Adjusted operating expenses	**127,547**	118,209	110,201	**486,330**	428,611
Adjusted operating income	**143,343**	161,427	134,928	**601,230**	530,488
Adjusted operating margin	**52.9 %**	57.7 %	55.0 %	**55.3 %**	55.3 %
Provision for income taxes	**29,370**	35,402	21,846	**126,420**	103,347
Adjustments:					
Pre-tax income	**5,481**	6,213	8,184	**22,465**	21,153
Foreign tax rate differential and other	**985**	275	5,092	**1,474**	5,607
Provision for taxes applicable to adjusted results	**35,836**	41,890	35,122	**150,359**	130,107
Adjusted net income	**107,507**	119,537	99,806	**450,871**	400,381
Adjusted EPS [basic]	**$ 0.27**	$ 0.29	$ 0.25	**$ 1.12**	$ 0.98
Adjusted EPS [diluted]	**$ 0.27**	$ 0.29	$ 0.24	**$ 1.10**	$ 0.96

The following table summarizes key statement of financial position amounts for the periods presented.

Selected statement of financial position amounts		For the three-month period ended			For the year ended	
(in US$000's unless otherwise noted)		**December 31, 2024**	September 30, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
		US$	US$	US$	**US$**	US$
Total Finance receivables, before allowance for credit losses	E	**7,576,386**	7,612,881	7,225,093	**7,576,386**	7,225,093
Allowance for credit losses	F	**6,168**	6,069	5,539	**6,168**	5,539
Net investment in finance receivable	G	**4,968,294**	5,251,679	4,964,175	**4,968,294**	4,964,175
Equipment under operating leases	H	**2,435,430**	2,537,369	2,646,158	**2,435,430**	2,646,158
Net earning assets	I=G+H	**7,403,724**	7,789,048	7,610,333	**7,403,724**	7,610,333
Average net earning assets	J	**7,848,023**	8,059,992	7,494,361	**7,980,144**	7,008,655
Goodwill and intangible assets	K	**1,672,701**	1,581,560	1,596,323	**1,672,701**	1,596,323
Average goodwill and intangible assets	L	**1,675,336**	1,581,776	1,589,182	**1,607,766**	1,590,290
Borrowings	M	**8,463,789**	8,472,130	8,018,132	**8,463,789**	8,018,132
Unsecured convertible debentures	N	**—**	—	127,816	**—**	127,816
Less: continuing involvement liability	O	**(132,683)**	(125,225)	(81,851)	**(132,683)**	(81,851)
Total debt	P=M+N-O	**8,331,106**	8,346,905	8,064,097	**8,331,106**	8,064,097
Cash and restricted funds	P_1	**408,621**	337,247	350,637	**408,621**	350,637
Total net debt	$P_2 = P-P_1$	**7,922,485**	8,009,658	7,713,460	**7,922,485**	7,713,460
Average debt	Q	**8,313,527**	8,582,383	7,829,218	**8,473,105**	7,361,960
Total shareholders' equity	R	**2,774,315**	2,774,502	2,943,828	**2,774,315**	2,943,828
Preferred shares	S	**—**	—	181,077	**—**	181,077
Common shareholders' equity	T=R-S	**2,774,315**	2,774,502	2,762,751	**2,774,315**	2,762,751
Average common shareholders' equity	U	**2,768,504**	2,781,421	2,713,843	**2,770,044**	2,664,760,000
Average total shareholders' equity	V	**2,768,504**	2,843,024	2,949,789	**2,868,593**	2,921,281

Throughout this MD&A, we use the following 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. Non-GAAP measures are reported in addition to, and should not be considered alternatives to, measures of performance according to IFRS.

Adjusted operating expenses

Adjusted operating expenses are equal to salaries, wages and benefits, general and administrative expenses, and depreciation and amortization less adjusting items impacting operating expenses. The following table reconciles our reported expenses to adjusted operating expenses.

	For the three-month period ended			For the year ended	
	December 31, 2024	September 30, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
(in US$000's except per share amounts or unless otherwise noted)	**US$**	US$	US$	**US$**	US$
Reported Expenses	**149,463**	145,669	141,716	**574,003**	510,153
Less:					
Amortization of intangible assets from acquisitions	**7,819**	6,970	6,971	**28,734**	27,912
Loss (gain) on investments	**410**	(668)	660	**588**	492
Operating expenses	**141,234**	139,367	134,085	**544,681**	481,749
Less:					
Amortization of convertible debenture discount	**—**	—	772	**1,517**	3,038
Share-based compensation	**13,687**	12,242	12,346	**43,435**	36,429
Strategic initiatives costs - Salaries, wages and benefits	**—**	4,633	5,329	**5,593**	5,329
Strategic initiatives costs - General and administrative expenses	**—**	4,283	5,437	**7,806**	8,342
Total adjustments	**13,687**	21,158	23,884	**58,351**	53,138
Adjusted operating expenses	**127,547**	118,209	110,201	**486,330**	428,611

Adjusted operating income or Pre-tax adjusted operating income

Adjusted operating income reflects net income or loss for the period adjusted for the amortization of debenture discount, share-based compensation, amortization of intangible assets from acquisitions, provision for or recovery of income taxes, loss or income on investments, and adjusting items from the table below.

The following tables reconciles income before taxes to adjusted operating income.

	For the three-month period ended			For the year ended	
(in US$000's except per share amounts or unless otherwise noted)	**December 31, 2024**	September 30, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
	US$	US$	US$	**US$**	US$
Income before income taxes	**121,427**	133,967	103,413	**513,557**	448,946
Adjustments:					
Amortization of convertible debenture discount	**—**	—	772	**1,517**	3,038
Share-based compensation	**13,687**	12,242	12,346	**43,435**	36,429
Amortization of intangible assets from acquisition	**7,819**	6,970	6,971	**28,734**	27,912
Loss (gain) on investments	**410**	(668)	660	**588**	492
Adjusting Items:					
Strategic initiatives costs - Salaries, wages and benefits	**—**	4,633	5,329	**5,593**	5,329
Strategic initiatives costs - General and administrative expenses	**—**	4,283	5,437	**7,806**	8,342
Total pre-tax impact of adjusting items	**—**	8,916	10,766	**13,399**	13,671
Adjusted operating income	**143,343**	161,427	134,928	**601,230**	530,488

Adjusted operating margin

Adjusted operating margin is the adjusted operating income before taxes for the period divided by the net revenue for the period.

After-tax adjusted operating income

After-tax adjusted operating income reflects the adjusted operating income after the application of the Company's effective tax rates.

Adjusted net income

Adjusted net income reflects reported net income less the after-tax impacts of adjusting items. The following table reconciles reported net income to adjusted net income.

	For the three-month period ended			For the year ended	
(in US$000's except per share amounts or unless otherwise noted)	**December 31, 2024**	September 30, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
	US$	US$	US$	**US$**	US$
Net income	**92,057**	98,565	81,567	**387,137**	345,599
Amortization of convertible debenture discount	**—**	—	772	**1,517**	3,038
Share-based compensation	**13,687**	12,242	12,346	**43,435**	36,429
Amortization of intangible assets from acquisition	**7,819**	6,970	6,971	**28,734**	27,912
Loss (gain) on investments	**410**	(668)	660	**588**	492
Strategic initiatives costs - Salaries, wages and benefits	**—**	4,633	5,329	**5,593**	5,329
Strategic initiatives costs - General and administrative expenses	**—**	4,283	5,437	**7,806**	8,342
Provision for income taxes	**29,370**	35,402	21,846	**126,420**	103,347
Provision for taxes applicable to adjusted results	**(35,836)**	(41,890)	(35,122)	**(150,359)**	(130,107)
Adjusted net income	**107,507**	119,537	99,806	**450,871**	400,381

After-tax adjusted operating income attributable to common shareholders

After-tax adjusted operating income attributable to common shareholders is computed as after-tax adjusted operating income less the cumulative preferred share dividends for the period.

After-tax adjusted operating income on average tangible total equity

After-tax adjusted operating income on average tangible equity is the after-tax adjusted operating income for the period, divided by the net of the average total shareholders' equity outstanding throughout the period, less average goodwill and intangible assets.

Adjusted EPS diluted

Adjusted EPS diluted computes the diluted after-tax adjusted operating income per share for the period on the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises. Convertible debentures are assumed to be converted at the beginning of the period (or at issuance if issued during the period on a time weighted basis) with the other effects of dilution added to the adjusted operating income if they are dilutive.

Adjusted EPS basic

Adjusted EPS is computed as the after-tax adjusted operating income attributable to common shareholders for the period, divided by the basic weighted average number of Common Shares outstanding during the period.

Assets under management

Assets under management are the sum of net earning assets, interim funding, and the value of assets syndicated by Element net of depreciation at the end of the period.

Allowance for credit losses as a percentage of total finance receivables

Allowance for credit losses as a percentage of total finance receivables is the allowance for credit losses at the end of the period divided by the total finance receivables (gross of the allowance for credit losses) at the end of the period.

Average common shareholders' equity

Average common shareholders' equity is calculated as the monthly average common shareholders' equity during the period.

Average cost of borrowing or average cost of debt

Average cost of borrowing or average cost of debt is equal to interest expense divided by the average debt outstanding during the period, excluding the continuing involvement liability, and is presented on an annualized basis.

Average debt outstanding

Average debt outstanding is calculated as the sum of monthly average borrowings outstanding under all of the Company's borrowings facilities, excluding the continuing involvement liability, and the convertible debentures outstanding throughout the period.

Average shareholders' equity

Average shareholders' equity is calculated as the monthly average balance of shareholders' equity during the period.

Average tangible leverage ratio

The average tangible leverage ratio has been computed as the sum of the average borrowings, excluding the continuing involvement liability, and average convertible debentures, divided by the net of total average shareholders' equity less average goodwill and intangible assets during the period.

Average financial leverage or average financial leverage ratio

Average financial leverage or average financial leverage ratio is calculated as average debt outstanding during the period excluding the continuing involvement liability, divided by average total shareholders' equity outstanding during the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenant.

Finance assets or total finance assets

Finance assets are the sum of the total finance receivables and total carrying value of the equipment under operating leases.

Financial leverage or financial leverage ratio

Financial leverage or financial leverage ratio is calculated as total debt (the sum of borrowings, excluding the continuing involvement liability, and convertible debentures) outstanding at the end of the period, divided by total shareholders' equity outstanding at the end of the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenants.

Adjusted free cash flow per share

Adjusted free cash flow per share is calculated by adjusting before-tax adjusted operating income for certain non-cash and cash revenue and expenses to get total cash from operations. Cash expenses of sustaining capital investments, preferred share dividends and cash taxes paid are subtracted from cash from operations to arrive at adjusted free cash flow. Adjusted free cash flow is then divided by the weighted average number of outstanding Common Shares for the period noted. Sustaining capital investments are defined by the Company as expenditures management considers necessary to support long-term growth.

Average net earning assets

Average net earning assets is the sum of the average outstanding finance receivables and average equipment under operating leases. Average outstanding finance receivables or average finance receivables is the sum of [i] the average finance receivables net investment balance (gross investment less unearned income) outstanding during the period and [ii] the average investment in managed funds during the period. Average equipment under operating leases is the monthly average equipment under operating leases outstanding during the period and is calculated net of accumulated depreciation.

Net earning assets

Net earning assets are the sum of the total net investment in finance receivables and total carrying value of the equipment under operating leases at the end of the period.

Net financing revenue yield on average net earning assets

Net financing revenue yield on average net earning assets is calculated as (net interest and rental revenue) divided by (average net earning assets outstanding throughout the period), multiplied by four (i.e. annualized).

Net interest and rental revenue

Net interest and rental revenue is calculated as the sum of (a) net interest income and (b) rental revenue net of depreciation, less (c) interest expense. Net interest and rental revenue refers to net financing income earned from finance receivables and equipment under operating leases, after considering financing costs and provision for credit losses.

Orders

Orders are legally binding commitments at the time at which the OEM accepts the order. Orders necessarily precede Originations.

Originations

An origination occurs once a vehicle that will be financed through Element is produced.

Period-end vehicles under management (VUM)

Every "VUM" is one unique vehicle (a) receiving or subscribed to one or more of our services, and/or (b) financed by us, whether or not subsequently syndicated. Period-end VUM refers to total VUM as at the end of the quarter. In calculating VUM, we apply certain judgements and make certain estimates, including in respect of a small number of single-service usage-based VUM. Certain estimates rely on information provided by our clients that could not be definitively validated. While there are inherent subjectivities in the VUM calculation due to these judgements and estimates, we believe that such judgements and estimates are reasonable.

Pro forma diluted average number of shares outstanding

Pro forma diluted average number of shares outstanding is the basic weighted average number of shares outstanding, plus the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises.

Pre-tax income margin

Pre-tax income margin is income before taxes divided by net revenue.

Pre-tax return on common equity

Pre-tax return on common equity ("pROcE") is the sum of before-tax adjusted operating income, minus preferred share dividends, for each of the current and three preceding quarters; divided by average total equity for the current quarter and same quarter prior year, minus current quarter preferred share capital.

Return on common equity

Return on common equity is calculated as the sum of net income, minus preferred share dividends, for each of the current and three preceding quarters; divided by average total equity for the current quarter and same quarter prior year, minus current quarter preferred share capital.

Tangible leverage ratio

The tangible leverage ratio has been computed as the sum of borrowings, excluding the continuing involvement liability, and convertible debentures divided by the net of total shareholders' equity less goodwill and intangible assets at the period end.

Updated Share Information

The Company is currently authorized to issue (i) an unlimited number of Common Shares without nominal or par value and (ii) an unlimited number of preferred shares, issuable in series.

As at February 26, 2025, the Company had 403,621,612 Common Shares issued and 403,336,066 Common Shares outstanding. In addition, 154,662 options were issued and outstanding under the Company's stock option plan as at February 26, 2025. These convertible securities are convertible into, or exercisable for, Common Shares of the Company. 154,662 of these convertible securities were exercisable at December 31, 2024, for what would have been proceeds to the Company upon exercise of $0.6 million.

Consolidated Financial Statements

Element Fleet Management Corp.

December 31, 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Element Fleet Management Corp.

Opinion

We have audited the consolidated financial statements of Element Fleet Management Corp. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2024, December 31, 2023 and January 1, 2023, and the consolidated statements of operations, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended December 31, 2024 and December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024, December 31, 2023 and January 1, 2023, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2024 and December 31, 2023 in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of deferred tax assets

Key audit matter

As described in Notes 3 and 15 to the consolidated financial statements, the Company has deferred tax assets of $201,114 thousand as at December 31, 2024. Deferred tax assets are recognized to the extent that it is probable that they can be utilized to offset future taxable profit. The Company's ability to recognize deferred tax assets on tax losses

carried forward is assessed by management at the end of each reporting period, considering forecasts of future taxable profits and the interpretation of taxation legislation for tax planning strategies.

Auditing the valuation of the deferred tax assets required significant judgment in the interpretation of complex tax legislation and jurisprudence as well as the evaluation of management's tax planning strategies and projections of future taxable profits. The application of these judgments impacts the evaluation of the timeline to realize deferred tax assets.

How our audit addressed the key audit matter

To test the valuation of deferred tax assets, we performed the following audit procedures, among others, with the involvement of our tax specialists:

- Obtained an understanding of the Company's overall tax strategies and components of income tax-related account balances by jurisdiction;
- Evaluated tax utilization strategies for recognized deferred tax assets in jurisdictions where tax planning is required to support utilization, including consideration of the technical merits of management's tax planning strategies and the amount of expected taxable income/loss using our knowledge of, and experience with, the application of income tax laws by the relevant income tax authorities;
- Evaluated the reasonableness of significant assumptions and inputs in management's forecast, including the growth rate of revenues and expenses, by comparing to historical cash flow trends, assessing the historical accuracy of management's previous forecasts, considering the manner in which changes to the Company's business model, customer base, or revenue streams were incorporated into the forecasts, and comparing to current industry and economic trends; and
- Assessed the adequacy of the disclosures related to income taxes.

Other information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Morgan.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 26, 2025

Element Fleet Management Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of United States dollars)

	As at December 31, 2024	As at December 31, 2023[1]	As at January 1, 2023[1]
	$	$	$
ASSETS			
Cash	**128,845**	96,419	50,850
Restricted funds (note 10)	**279,776**	254,218	319,921
Finance receivables (notes 5 and 25)	**7,570,218**	7,219,554	5,957,552
Equipment under operating leases (note 6)	**2,435,430**	2,646,158	2,072,264
Accounts receivable and other assets	**202,168**	202,898	159,336
Derivative financial instruments (note 25)	**97,922**	85,459	97,412
Property, equipment and leasehold improvements, net (note 7)	**112,540**	102,733	59,727
Intangible assets, net (note 8)	**642,471**	638,411	638,335
Deferred tax assets (note 15)	**201,114**	226,774	269,794
Goodwill (note 9)	**1,030,230**	957,912	956,152
	12,700,714	12,430,536	10,581,343
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**1,338,188**	1,207,797	1,081,766
Derivative financial instruments (note 25)	**21,566**	27,864	60,340
Borrowings (note 10)	**8,463,789**	8,018,132	6,502,760
Convertible debenture (notes 11 and 25)	**—**	127,816	121,030
Deferred tax liabilities (note 15)	**102,856**	105,099	97,842
	9,926,399	9,486,708	7,863,738
Shareholders' equity (note 12)	**2,774,315**	2,943,828	2,717,605
	12,700,714	12,430,536	10,581,343

See accompanying notes

(1) Refer to note 2 for change in presentation currency effective January 1, 2024

On behalf of the Board:

Director Director

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands of United States dollars, except for per share amounts)

	Year ended December 31, 2024	Year ended December 31, 2023[1]
	$	$
NET REVENUE		
Interest income, net (note 14)	**628,583**	521,663
Rental revenue and other (note 14)	**897,311**	803,541
Depreciation of equipment under operating leases (notes 6 and 14)	**(523,440)**	(483,578)
	1,002,454	841,626
Interest expense	**553,324**	430,773
Net financing revenue	**449,130**	410,853
Fleet service revenue (note 14)	**636,261**	540,941
Direct costs of fixed rate service contracts (note 14)	**(40,721)**	(38,282)
Servicing income, net	**595,540**	502,659
Syndication revenue, net (notes 14 and 26)	**42,890**	45,587
Net revenue	**1,087,560**	959,099
OPERATING EXPENSES		
Salaries, wages and benefits	**303,602**	271,834
General and administrative expenses	**136,706**	119,107
Depreciation and amortization (notes 7, 8 and 22)	**59,421**	51,341
Amortization of convertible debenture discount (note 11)	**1,517**	3,038
Share-based compensation (note 13)	**43,435**	36,429
	544,681	481,749
OTHER EXPENSES		
Amortization of intangible assets from acquisitions (note 8)	**28,734**	27,912
Loss on investments	**588**	492
Income before income taxes from operations	**513,557**	448,946
Provision for income taxes (note 15)	**126,420**	103,347
Net income for the year	**387,137**	345,599
Basic earnings per share (note 18)	**$ 0.96**	$ 0.84
Diluted earnings per share (note 18)	**$ 0.95**	$ 0.82

See accompanying notes

(1) Refer to note 2 for change in presentation currency effective January 1, 2024

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of United States dollars)

	Year ended December 31, 2024	Year ended December 31, 2023[1]
	$	$
Net income for the year	**387,137**	345,599
OTHER COMPREHENSIVE (LOSS) INCOME		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges gain (loss)	**(32,206)**	(11,531)
Net unrealized foreign exchange (loss) gain	**(339,306)**	192,222
	(371,512)	180,691
Provision for income taxes	**(11,364)**	(922)
Total other comprehensive (loss) income	**(360,148)**	181,613
Comprehensive income for the year	**26,989**	527,212

See accompanying notes

(1) Refer to note 2 for change in presentation currency effective January 1, 2024

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of United States dollars)

	Common share capital	Preferred share capital	Equity component of convertible debentures	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total shareholders' equity
	$	$	$	$	$	$
Balance, December 31, 2023[1]	**2,109,103**	**181,077**	**8,990**	**424,646**	**220,012**	**2,943,828**
Comprehensive income for the year	**—**	**—**	**—**	**387,137**	**(360,148)**	**26,989**
Dividends - Preferred shares (note 12)	**—**	**—**	**—**	**(7,222)**	**—**	**(7,222)**
Dividends - Common shares (note 12)	**—**	**—**	**—**	**(142,486)**	**—**	**(142,486)**
Redemption of preferred shares (note 12)	**—**	**(181,077)**	**—**	**(4,745)**	**—**	**(185,822)**
Conversion of convertible debentures (notes 11 and 12)	**134,248**	**—**	**(8,976)**	**—**	**—**	**125,272**
Options exercised (notes 12 and 13)	**3,106**	**—**	**—**	**(627)**	**—**	**2,479**
Matured convertible debentures (notes 11 and 12)	**—**	**—**	**(14)**	**14**	**—**	**—**
Autofleet acquisition (notes 4 and 12)	**20,515**	**—**	**—**	**—**	**—**	**20,515**
Compensation - escrowed shares (notes 12 and 13)	**—**	**—**	**—**	**1,612**	**—**	**1,612**
Vesting of escrowed shares (notes 12 and 13)	**511**	**—**	**—**	**(511)**	**—**	**—**
Shares repurchased for cancellation (note 12)	**(3,432)**	**—**	**—**	**(7,418)**	**—**	**(10,850)**
Balance, December 31, 2024	**2,264,051**	**—**	**—**	**650,400**	**(140,136)**	**2,774,315**
Balance, December 31, 2022[1]	2,124,564	263,380	8,990	282,272	38,399	2,717,605
Comprehensive income for the year	—	—	—	345,599	181,613	527,212
Dividends - Preferred shares (note 12)	—		—	(17,625)	—	(17,625)
Dividends - Common shares (note 12)	—	—	—	(121,487)	—	(121,487)
Redemption for preferred shares (note 12)	—	(82,303)	—	(3,448)	—	(85,751)
Options exercised (notes 12 and 13)	6,363	—	—	(28,513)	—	(22,150)
Issuance of shares, net of share issue costs (note 12)	6	—	—	(1)	—	5
Shares repurchased for cancellation (note 12)	(21,830)	—	—	(32,151)	—	(53,981)
Balance, December 31, 2023[1]	2,109,103	181,077	8,990	424,646	220,012	2,943,828

See accompanying notes

(1) Refer to note 2 for change in presentation currency effective January 1, 2024

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of United States dollars)

	Year ended December 31, 2024	Year ended December 31, 2023[1]
	$	$
OPERATING ACTIVITIES		
Net income for the year	**387,137**	345,599
Items not affecting cash		
Depreciation of property, equipment and leasehold improvements	**14,823**	16,782
Amortization of intangible assets, including from acquisitions	**73,332**	62,471
Amortization of deferred lease costs	**24,233**	25,519
Amortization of deferred financing costs	**20,092**	14,147
Depreciation of equipment under operating leases (note 6)	**523,440**	483,578
Amortization of convertible debenture discount and deferred costs (note 11)	**2,033**	4,069
Loss on investments	**588**	492
Compensation - escrowed shares (note 13)	**1,612**	—
Provision for (recovery of) credit losses	**1,511**	(1,560)
	1,048,801	951,097
Changes in non-cash operating assets and liabilities		
Investment in finance receivables	**(5,967,935)**	(6,220,177)
Repayments of finance receivables	**1,870,459**	2,663,859
Investment in equipment under operating leases	**(1,038,654)**	(1,175,825)
Proceeds on disposal of equipment under operating leases	**341,434**	281,515
Syndications of finance receivables	**3,536,184**	2,533,552
Cash payments for interest portion of lease liability	**(4,106)**	(2,919)
Other non-cash operating assets and liabilities	**106,657**	(1,983)
Cash used in operating activities	**(107,160)**	(970,881)
INVESTING ACTIVITIES		
Business acquisition, net of cash acquired (note 4)	**(81,364)**	—
Investments	**(30)**	478
Purchase of property, equipment and leasehold improvements	**(13,657)**	(16,700)
Proceeds on disposals of property, equipment and leasehold improvements and intangible assets	**556**	669
Purchase of intangible assets, including computer software	**(63,350)**	(59,347)
Cash used in investing activities	**(157,845)**	(74,900)
FINANCING ACTIVITIES		
Cash payments for principal portion of lease liability	**(4,627)**	(4,333)
(Increase)/decrease in restricted funds	**(28,480)**	66,675
Increase in deferred financing costs	**(21,222)**	(29,265)
Issuance of share capital, net	**2,479**	(22,150)
Shares repurchased (note 12)	**(10,850)**	(54,578)
Repayment of term facilities (note 10)	**—**	(281,261)
Issuance of asset-backed facilities (note 10)	**1,000,000**	1,500,000
Repayments of borrowings, net	**(899,562)**	(1,401,501)
Repayment of convertible debenture (note 11)	**(345)**	—
Dividends paid (note 12)	**(146,746)**	(133,518)
Issuance of senior notes (note 10)	**750,000**	1,500,000
Redemption of preferred shares (note 12)	**(185,822)**	(85,751)
Cash provided by financing activities	**454,825**	1,054,318
Effects of foreign exchange rates on cash	**(157,394)**	37,032
Net increase in cash during the year	**32,426**	45,569
Cash, beginning of the year	**96,419**	50,850
Cash, end of the year	**128,845**	96,419
Supplemental cash flow information:		
Cash taxes paid	**120,816**	57,377
Cash interest paid	**544,707**	400,300

See accompanying notes

(1) Refer to note 2 for change in presentation currency effective January 1, 2024

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of United States dollars, except where otherwise noted and per share amounts)

December 31, 2024

1. CORPORATE INFORMATION

Element Fleet Management Corp. ("Element" or the "Company"), was incorporated under the *Business Corporations Act (Ontario)* on May 11, 2007 and commenced operations on that date. The registered office of the Company is 161 Bay Street, Suite 3600, Toronto, Ontario. The Company is a public corporation traded on the Toronto Stock Exchange (the "TSX") under the symbol "EFN".

Element is a publicly traded fleet management company with $12.7 billion in assets and operations in the United States ("US"), Canada, Ireland, Mexico, Australia, New Zealand, and Israel. Element is a leading global fleet management company, providing services and financings for commercial vehicle and equipment fleets, reaching 55 countries worldwide through the Element-Arval Global Alliance. Element provides a comprehensive range of fleet services that span the total lifecycle, from vehicle acquisition and financing to program management and remarketing, with approximately 1.5 million fleet vehicles under management, which include all leased vehicles, including syndicated leases and interim funding.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company (the "Board") on February 26, 2025.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries from the dates of their acquisition. Transactions and balances amongst these entities have been eliminated upon consolidation.

Subsidiaries, which include certain private partnerships and structured entities, are entities over which the Company has control. The Company controls an entity when (1) it has the power over the entity; (2) it has exposure, or rights, to variable returns from its involvement with the entity, and (3) it has the ability to use its power over the entity to affect the amount of its returns.

Material accounting policies

Translation of foreign currencies

Effective January 1, 2024, the Company elected and changed its presentation currency from Canadian dollars ("CAD" or "C$") to United States dollars ("USD"). Management is of

the view that financial reporting in USD more accurately reflects the predominant currency of the Company's revenue, expenses, and cash flows and enhances comparability to its peers. The change in presentation currency is a voluntary change which is accounted for retrospectively, in accordance with the guidance in IAS 21, *The Effects of Changes in Foreign Exchange Rates.* The change in presentation currency did not impact the functional currency for any of the Company's wholly owned subsidiaries. Current and comparative balances have been translated from CAD to USD using the procedures outlined below:

- Consolidated Statements of Operations, Comprehensive Income, and Cash Flows have been translated into USD using average foreign currency rates prevailing for the relevant periods.
- Assets and liabilities in the consolidated Statement of Financial Position, including goodwill, have been translated into USD at the closing foreign currency rates on the relevant balance sheet dates.
- Shareholders' Equity in the consolidated Statement of Financial Position and Statement of Shareholders' Equity, including share capital, preferred share capital, equity component of convertible debentures, retained earnings, and other reserves, have been translated into USD using historical rates.
- Notes to the consolidated financial statements have been translated into USD using the methodologies above given the nature of the underlying accounts, including earnings per share and dividend disclosures, to reflect the change in presentation currency.

The Company's consolidated financial statements are now presented in USD. All information in these consolidated financial statements is presented in USD unless otherwise specified. The Company has also presented an opening consolidated statement of financial position as at January 1, 2023 in USD which has been derived from the consolidated financial statements as at and for the year ended December 31, 2022. Cumulative translation differences between functional currency and presentation currency are recognized and included as part of the cumulative foreign currency translation adjustment in Comprehensive Income.

The Company's functional currency remains the Canadian dollar. Foreign currency denominated monetary assets and liabilities of the Company and its subsidiaries that have the same functional currency are translated using the closing rate and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenue and expense items are measured at average exchange rates during the year. Realized and unrealized gains and losses arising from translation into the functional currency are included in the consolidated statements of operations. Foreign currency denominated non-monetary assets and liabilities, measured at historical cost, are translated at the rate of exchange in effect at the transaction date.

Assets and liabilities of foreign operations with a functional currency other than the Canadian dollar, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates prevailing at the year end, while revenue and expenses of these foreign operations are translated into Canadian dollars at the average exchange rates for the year. Exchange gains and losses arising from the translation of these foreign operations and from the results of hedging the net

investment in these foreign operations, net of applicable taxes, are included in net foreign currency translation adjustments, which is included in accumulated other comprehensive income ("AOCI"). A deferred tax asset or liability is not recognized in respect of a translation gain or loss arising from the Company's investment in its foreign operations as it is not expected that such a gain or loss would be realized for tax purposes in the foreseeable future.

Upon disposition of a foreign operation, any cumulative translation adjustment gain or loss, including the impact of hedging, will be reclassified from other comprehensive income ("OCI") to the consolidated statements of operations, and included as part of the gain or loss recognized on disposition of the foreign operations.

Finance receivables

The Company determines the classification of a lease at its lease inception date.

The Company primarily provides financing to clients through finance leases. Finance leases transfer substantially all the benefits and risks of equipment ownership to the lessee. These leases are recorded at (i) the aggregate minimum payments plus residual values accruing to the Company, less (ii) unearned finance income, which includes origination fees. These leases are carried at amortized cost using the effective interest rate method (i.e. interest income is allocated over the expected term of the lease by applying the effective interest rate to the carrying amount of the lease).

In certain circumstances, the Company may provide financing to clients through loans. Loans are recorded and carried at amortized cost using the effective interest rate method (i.e. interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan). Unearned finance income includes loan origination fees. The Company does not retain title to the vehicles that are subject to these loans.

Initial direct costs that relate to the origination of the finance receivables are deferred and recognized as yield adjustments using the effective interest rate method over the term of the related financial asset. These costs are incremental to individual leases or loans and comprise certain specific activities related to processing requests for financing, such as the costs to underwrite the transaction and commission payments.

Finance leases and loans are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a finance lease or a loan is deemed to be impaired when timely collection is not assured or when it has been in arrears for 120 days or more. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for credit losses.

Also included in finance receivables are secondary receivables, including interim funding (vehicles paid for by the Company but not yet delivered to clients) and fleet management receivables (amounts receivable from lease billings and ancillary fleet service revenues, including fuel cards, accident management services and

maintenance, and other fleet management services). The outstanding receivables are evaluated for recoverability at the end of each reporting period and appropriate reserves are recorded based on the Company's analysis of collectability.

Equipment under operating leases

An operating lease is one that does not transfer substantially all of the risks and rewards of ownership to the lessee.

Operating leases entered into by the Company are reported as "Equipment under operating leases" and are carried at cost less accumulated depreciation and are being depreciated to their estimated residual values using the straight-line method over the lease term or estimated useful life of the asset up to 10 years from the date of manufacture, with an average term of approximately 45 months. The Company retains the residual value risk on certain equipment under operating leases and finance receivables for which there is an unguaranteed residual value and, as a result, manages this risk through a combination of its credit policies and the determination of residual value at the inception of the lease. The Company maintains a strict credit review process and over time, has transitioned a large portion of its portfolio to investment-grade clients, reducing potential exposure to non-payment. Additionally, the process of setting the residual value at the inception of the lease is a highly structured, data driven methodology that includes multiple data points including model life, deflation forecast, and trade price to calculate the residual value.

Rental revenue on operating leases is recognized on a straight-line basis over the lease term.

Equipment under operating leases is reviewed for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use.

Revenue recognition

The Company recognizes interest income that relates to finance receivables as described above. This income is recognized on an accrual basis using the effective interest rate method for leases and loans. The Company also recognizes rental income that relates to equipment under operating leases described above. This revenue is recognized on a straight-line basis over the lease term.

Service and other revenue is recognized when such services are provided to the client, at a point in time or over time. These services include fuel cards, accident management services, maintenance services, and other fleet management services. Certain fixed-fee service revenues are recognized over time, on a straight-line basis, as the Company performs the related service and costs are recognized as incurred. The Company also acts as an agent in performing certain service transactions and revenue is recorded on a net basis.

Derecognition of financial assets

The Company periodically syndicates certain finance lease receivables, either through transferring ownership of the syndicated lease receivables to the third-party investor or through the transfer of an interest in interest bearing notes to third-party investors with the finance lease receivables as a security against the issued note, as well as all contractual rights to future cash flow, interest rate risk, credit risk and tax benefits, if applicable, related to the syndicated lease receivables. In the event the lessee terminates its lease agreement prior to the lease term, the Company is required to pay the third-party investor the foregone interest it would have earned if there was no early lease termination. For each syndication transaction, the Company evaluates the extent to which the risks and rewards of ownership have been transferred.

When substantially all the risks and rewards of ownership have been transferred, the Company derecognizes the lease receivables. When the Company has neither transferred nor retained substantially all the risk and rewards of ownership, a continuing involvement asset and associated liability are recognized to the extent of the Company's maximum continuing involvement. Element's continuing involvement is the amount of syndication fees earned that would be required to be returned to third-party investors if all vehicle leases, not meeting full derecognition criteria, are terminated as of the balance sheet date. The Company accounts for the likelihood of such early terminations separately from its continuing involvement.

When a syndication either qualifies for derecognition or is transferred with continuing involvement, the resulting gain from the syndication is recorded in the consolidated statements of operations in Syndication revenue, net, and the Company recognizes its estimated obligation for early lease terminations as a liability.

The Company continues to perform certain administrative tasks related to the lease receivables after assets are syndicated including billing and cash collections and remits such cash collections directly to the third-party investor. As a result, the Company retains the management fee billed to its clients to cover charges for the performance of these tasks in the majority of syndications.

The Company will continue to provide fleet management services (including, for example, accident management services, maintenance services, and fuel cards) regardless of whether or not the lease receivable is syndicated.

Allowance for credit losses

The Company assesses its portfolio of leases and loans separately at each consolidated statement of financial position date. The Company segments its lease portfolio into one of two classifications:

- Leases are performing and are not credit impaired. Full lifetime expected credit losses ("ECL") are recognized immediately at a reporting date (Performing); and
- Credit-impaired (Impaired).

The Company has elected, as an accounting policy choice, to apply the simplified approach to its lease receivables to apply lifetime ECL at all times (Performing or Impaired).

Under this approach:

- Leases begin in Performing.
- Leases enter Impaired when there is an event of default. Contractual delinquencies over 120 days are automatically considered defaulted accounts (Impaired) and are fully provisioned (net of any anticipated recoveries) and presented at their net realizable value on the consolidated statements of financial position. Accounts are also considered for transfer to Impaired when internal or external credit ratings indicate a default or when they are under repossession, or when the borrower has filed for bankruptcy or creditor protection. A borrower is generally considered cured and moved out of Impaired when none of these conditions are present for six consecutive months.
- Leases are charged-off when the Company has stopped pursuing the recovery.

The Company segments its loan portfolio into one of three classifications at each consolidated statement of financial position date:

- Financially healthy with no sign of increased credit risk (Stage 1);
- Increased credit risk when compared to origination but not credit impaired. Full lifetime ECL are recognized immediately at a reporting date (Stage 2); and
- Credit-impaired (Stage 3).

Stage 1 and 2 are disclosed as Performing and Stage 3 is disclosed as Impaired in Note 5. Internal risk rating changes and delinquencies are used by the Company to determine when there has been a significant increase or decrease in credit risk of a loan.

Under this approach:

- Loans begin in Stage 1 unless they are initiated or acquired in an impaired state. ECL within the next 12 months are recognized immediately at a reporting date.
- Loans move to Stage 2 when it is determined that a significant increase in credit risk has occurred. ECL over the expected life of the lease or loan are recognized immediately. Loans may return to Stage 1 if a significant decrease in credit risk has occurred.
- Loans enter Stage 3 when there is an event of default. Contractual delinquencies over 120 days are automatically considered defaulted accounts (Stage 3) and are fully provisioned (net of any anticipated recoveries) and presented at their net realizable value on the consolidated statements of financial position. Accounts are also considered for transfer to Stage 3 when internal or external credit ratings indicate a default, or when they are under repossession, or when the borrower has filed for bankruptcy or creditor protection. A borrower is generally considered cured and moved out of Stage 3 when none of these conditions are present for six consecutive months.
- Loans are charged-off when the Company has stopped pursuing the recovery.

ECLs are calculated based on a range of scenarios (with a base case, an upside, and a downside) and corresponding probability weights. The scenarios take into consideration forward-looking macroeconomic information including changes in forecasted default rates and the impact on probability of default ("PD") and changes in the used vehicle price index and the corresponding impact on loss given default ("LGD"). Local and global macroeconomic factors are considered within each geography.

Restricted funds

Restricted funds represent cash reserve accounts that are held in trust as security for borrowings and cash collection accounts required by the lenders of certain financial assets that can only be used to repay these debts.

Restricted funds also include amounts posted as collateral for derivative contracts.

Derivative financial instruments and hedge accounting

The Company utilizes derivatives to manage interest rate risk and foreign currency exposure, as well as equity price risk exposure related to the Company's stock compensation plans that are accounted for as liabilities. Derivatives are carried at fair value and are reported as assets if they have a positive fair value and as liabilities if they have a negative fair value.

In order to qualify for hedge accounting, a hedge relationship must be designated and formally documented in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"). The Company's documentation, in accordance with the requirements, includes the specific risk management objective and strategy being applied, the specific financial asset or liability or cash flow being hedged and how hedge effectiveness is assessed. Hedge effectiveness is assessed at the inception of the hedge and on an ongoing basis, which is at least quarterly. Hedge ineffectiveness is recognized immediately in income.

Cash flow hedges

The effective portion of the change in fair value of the derivative instrument is recognized in OCI until the forecasted cash flows being hedged are recognized in income in future accounting periods. When forecasted cash flows are recognized in income, an appropriate amount of fair value changes of the derivative instrument in AOCI is reclassified to income. Any hedge ineffectiveness is immediately recognized in income.

The Company uses interest rate swaps to hedge its exposure to changes in future cash flows due to interest rate risk.

The Company also uses interest rate derivatives, mainly interest rate swap agreements, to hedge its exposure to changes in future cash flows due to interest rate risk on its floating rate debt and assets.

The Company also uses total return swap agreements to hedge its exposure to changes in future cash flows due to changes in the Company's share price on its stock compensation plans that are accounted for as liabilities.

Fair value hedges

The Company designates fair value hedges as part of interest rate risk management strategies that use derivatives to hedge changes in the fair value of financial instruments with fixed interest rates. Changes in fair value attributed to the hedged interest rate risk are accounted for as basis adjustments to the hedged financial instruments and are included in net income. Changes in fair value from the hedging derivatives are also included in net income. Any differences between the two represent hedge ineffectiveness that is included in other income. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated and the basis adjustment applied to the hedged item is amortized over the remaining term of the hedged item. If the hedged item is derecognized, the unamortized basis adjustment is recognized immediately in the consolidated statement of operations.

Hedges of a net investment

Hedges of a net investment in a foreign operation ("NIFO") are accounted for in a way similar to cash flow hedges. Gains or losses on a hedging instrument relating to the effective portion of the hedge are recognized in OCI while any gains or losses relating to the ineffective portion are recognized in income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in AOCI is transferred to income.

Hedging through profit and loss

The Company may elect to not designate hedges in a hedge accounting relationship, where they remain an effective economic hedge of an identified risk. The change in fair value of the hedging instruments will be recognized through profit and loss where the change in value offsets the change in value of the underlying hedged item.

Borrowings

The Company periodically transfers pools of finance receivables to structured entities to facilitate secured borrowing transactions. These transfers, including transfers where a security interest or legal ownership is transferred, are also described as pledging of assets into secured borrowing arrangements and do not result in derecognition of the finance receivables from the Company's consolidated statements of financial position and continue to be recognized on the Company's consolidated statements of financial position and accounted for as finance receivables, as described above.

As such, these transactions result in the recognition of borrowings when cash is received from the third party or structured entity.

The borrowings are recorded at amortized cost using the effective interest rate method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability. The effective interest rate is the rate that exactly discounts estimated future cash outflows over the expected life of the liability.

Deferred financing costs are presented as a reduction of borrowings and relate to costs incurred to establish and maintain the Company's funding facilities. These amounts are accreted to income over a period matching the repayment terms of the borrowing obtained during the commitment period.

Convertible debentures

Convertible debentures are accounted for as a compound financial instrument with a debt component and a separate equity component. The debt component of this compound financial instrument is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The debt component is subsequently deducted from the total carrying value of the compound instrument to derive the equity component. The debt component is subsequently measured at amortized cost using the effective interest rate method. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized through income as finance costs.

Property, equipment and leasehold improvements

Property, equipment and leasehold improvements are recorded at cost. The Company provides for depreciation using the straight-line method over the estimated useful life of the asset. Land is not depreciated.

The rates of amortization are as follows:

Office equipment	5 years
Computer equipment	3 - 5 years
Leasehold Improvements	Lesser of remaining lease term per the right-of-use asset or 20 years
Vehicles	5 years
Right-of-use assets	Remaining lease term

Impairment is recognized when a fixed asset's estimated recoverable amount is less than the carrying amount.

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Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets, including previously unrecognized intangible assets and liabilities and contingent liabilities, but excluding future restructuring of the acquired business, at fair value.

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash-generating units ("CGUs") to which it relates. Goodwill is not amortized but is evaluated for impairment against the carrying amount of the CGU annually or more often if events or circumstances indicate that there may be an impairment. The carrying amount of a CGU includes the carrying amount of assets, liabilities and goodwill allocated to the CGU. If the recoverable amount is less than the carrying value, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to the other non-financial assets of the CGU proportionately based on the carrying amount of each asset. Any impairment loss is charged to income in the period in which the impairment is identified. Goodwill is stated at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

Intangible assets

The Company's intangible assets, which include computer software, client relationships, and technology acquired in business acquisitions, are measured at cost. Examples of costs that are capitalized related to computer software include internal payroll-related costs directly related to the capital project, internal and external costs of materials and services, and the cost of related software to bring the asset to its intended use. All of the Company's intangible assets have a finite life, are amortized over their useful economic lives, and are assessed for impairment at each reporting period. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of operations.

The rates of amortization are as follows:

Computer software	Straight line over 3 to 15 years depending on the software
Client relationships	Straight line over periods up to 25 years from the date of acquisition
Technology	Straight line over 7 years from the date of acquisition

Share-based compensation

The Company issues share-based awards to certain employees and directors.

Deferred share unit plan

The Company has established a Deferred Share Unit ("DSU") plan whereby the Board may award DSUs as compensation for services rendered by Company directors. Further, DSUs can be issued to executives, pursuant to their advanced election, in lieu of cash payment of their annual short-term incentive payments. The plan is intended to promote a greater alignment of long-term interests between executives and directors and the shareholders of the Company. The Board determines the amount, timing, and vesting conditions associated with each award of DSUs. Additionally, directors may elect to receive up to 100% of their annual remuneration in DSUs. The DSUs granted pursuant to such an election are fully vested on the date of grant.

Each DSU has a value that depends on the fair market value of one common share of the Company and, in the event dividends are paid on the Company's common shares, accrues dividend equivalents in the form of additional DSUs based on the amount of the dividend paid on a common share. DSUs mature upon termination of employment or directorship, whereupon the holder is entitled to receive a cash payment that reflects the fair market value of the equivalent number of common shares.

DSUs are recognized in the consolidated statements of financial position as a liability in accounts payable and accrued liabilities and are measured at fair value. Fair value is a function of the number of DSUs outstanding, the value of the Company's common shares and, if applicable, the portion of the associated vesting period that has elapsed.

Performance share unit plan

The Company has established a Performance Share Unit ("PSU") plan for employees of the Company and its subsidiaries, whereby the Board may award PSUs as compensation for services rendered. The Board determines the amount, timing, and vesting conditions associated with each award of PSUs.

The plan is intended to promote a greater alignment of long-term interests between employees and the shareholders of the Company. Each PSU has a value that depends on the fair market value of one common share of the Company and, in the event dividends are paid on the Company's common shares, accrues dividend equivalents in the form of additional PSUs based on the amount of the dividend paid on a common share.

PSUs are recognized in the consolidated statements of financial position as a liability in accounts payable and accrued liabilities and are measured at fair value. Fair value is a function of the number of PSUs outstanding, the value of the Company's common shares, and, if applicable, the portion of the associated vesting period that has elapsed or expectations with respect to performance criteria as calculated based on the relative total shareholder return compared to the S&P TSX Composite Index. Until the PSUs are settled in cash, the liability is remeasured with any change in the fair value recorded in the consolidated statements of operations as an expense in the relevant financial reporting period.

Restricted share unit plan

The Company has established a Restricted Share Unit ("RSU") plan for employees of the Company and its subsidiaries, whereby the Board may award RSUs as compensation for services rendered. The Board determines the amount, timing, and vesting conditions associated with each award of RSUs.

The plan is intended to promote a greater alignment of long-term interests between employees and the shareholders of the Company. Each RSU has a value that depends on the fair market value of one common share of the Company and, in the event dividends are paid on the Company's common shares, accrues dividend equivalents in the form of additional RSUs based on the amount of the dividend paid on a common share.

RSUs are recognized in the consolidated statements of financial position as a liability in accounts payable and accrued liabilities and are measured at fair value. Fair value is a function of the number of RSUs outstanding, the value of the Company's common shares, and, if applicable, the portion of the associated vesting period that has elapsed. Until the RSUs are settled in cash, the liability is remeasured with any change in the fair value recorded in the consolidated statements of operations as an expense in the relevant financial reporting period.

Escrowed shares

The Company issued shares to founders of an acquired business for their continued employment (the "Escrowed shares"). The Escrowed shares vest and are issued to the founders evenly on a quarterly basis over three years while they remain employed by the Company. In the event that the Escrowed shares do not vest, they will be forfeited. The fair value of the Escrowed shares on the grant date will be recognized as an expense in share-based compensation in the consolidated statements of operations over the service period with an offset to contributed surplus. Upon vesting, the amount accumulated in contributed surplus will be transferred to common shares upon the release of the Escrowed shares. The Escrowed shares are not considered to be outstanding for the purposes of basic and diluted earnings per share calculations.

Stock options

The Company previously established a stock option plan for employees of the Company whereby the Board awarded stock options as compensation for services rendered. The awards consisted of equity-settled stock options and the related cost was measured based on the estimated fair value on the date the awards were granted. The fair value of the stock options was estimated using the Black-Scholes option valuation model. The cost of the stock options issued to employees is recognized on a proportionate basis consistent with the vesting features of each tranche of the grant. The Company subsequently did not seek re-approval of the stock option plan from shareholders as the granting of stock options was no longer part of the Company's compensation strategy. As a result, the Company is not currently eligible to grant stock options and would need to seek re-approval of the stock option plan in order to do so.

Earnings per share

Basic earnings per share are calculated by dividing the net income or loss for the year attributed to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the same method as for basic earnings per share and adjusted for the weighted average number of common shares outstanding during the year to reflect the dilutive impact, if any, of Escrowed shares, options and warrants assuming they were exercised for that number of common shares calculated by applying the treasury stock method. The treasury stock method assumes that the proceeds for Escrowed shares (the average unamortized compensation cost) and the proceeds received by the Company when options and warrants are exercised will be used to purchase common shares at the average market price during the reporting period.

Financial assets and liabilities

The Company initially recognizes financial assets and liabilities at fair value and subsequently measures at either fair value or amortized cost based on their classification under IFRS 9 as described below.

Fair value through profit or loss ("FVTPL")

Financial assets and financial liabilities that the Company purchases or incurs, respectively, with the intention of generating earnings in the near term are classified as FVTPL. Such assets and liabilities are carried on the consolidated statements of financial position at fair value, with any subsequent changes to fair value recognized through the consolidated statements of operations. Transaction costs are recognized in the consolidated statements of operations as incurred. The Company accounts for certain investments that it holds under FVTPL.

Amortized cost

Financial assets held to collect contractual cash flows (in the form of payment of principal and interest earned on the principal outstanding) are carried at amortized cost. The assets are initially recognized at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest rate method. The Company accounts for its finance receivables under amortized cost.

Other financial instruments

Other financial instruments held or issued by the Company include cash, restricted funds, finance receivables, accounts receivable, notes receivable, accounts payable and accrued liabilities, and borrowings. All of these financial instruments are initially recorded at cost and subsequently measured at amortized cost.

Income taxes

The Company follows the liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are determined for each temporary difference and for unused losses, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income or equity in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Company operates. The legislation became effective for the Company's financial year beginning January 1, 2024. The Company is in scope of the enacted or substantively enacted legislation and has performed an assessment of its potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Company. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Company operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is close to 15%. The Company's exposure to Pillar Two income taxes in those jurisdictions is not material.

Leases

The Company applies a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Company recognizes right-of-use assets ("ROU") representing the right to use the underlying assets and lease liabilities to make lease payments.

Right-of-use assets

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, including options to renew if the Company considers it highly likely it will exercise the renewal options. In calculating the present value of lease payments, the Company uses

the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Future accounting policy changes

The following IFRS pronouncement has been issued but is not yet effective and may have a future impact on the Company's consolidated financial statements:

IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18")

IFRS 18 will replace IAS 1, *Presentation of Financial Statements* ("IAS 1"). IFRS 18 substantially carries forward IAS 1 accounting requirements for recognition and measurement of items in the financial statements, with changes to improve Companies' reporting of financial performance which will enhance investors' ability to analyze and compare financial results between Companies. The new standard may impact the structure of the statement of profit or loss, disclosure in the financial statements for certain profit or loss performance measures that are reported outside of the Company's financial statement such as management-defined performance measures, and redefining the principles of aggregate and disaggregate grouping of items based on their shared characteristics. IFRS 18 is to be effective for fiscal years beginning on or after 1 January 2027 and also applies to comparative information. Management is currently evaluating the potential impact that the adoption of IFRS 18 will have on the Company's consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND USE OF JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments are made based on information available as at the date the consolidated financial statements are issued. Accordingly, actual results may differ from those recorded amounts. Areas of financial reporting that require management's estimates and judgments are discussed below.

Classification of leases

The classification of leases as finance receivables is based on an evaluation of the terms and conditions of the arrangement, such as the lease term constituting a major part of the economic life of the vehicle and the present value of the minimum lease payments amounting to substantially all of the fair value of the vehicle, and that substantially all the risks and rewards incidental to ownership of the vehicles are transferred to the client. If the terms and conditions do not meet the above, the leases are accounted for as equipment under operating leases.

Derecognition of financial assets

The Company derecognizes financial assets based on a determination that the rights to receive cash flows from the financial asset and substantially all the risk and rewards of ownership of the financial asset has been transferred to a third-party investor or client. When the Company neither transfers nor retains substantially all the risks and rewards of ownership, the financial assets continue to be recognized to the extent of the Company's continuing involvement.

Allowance for credit losses

Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, the fair value of underlying collateral, current economic trends, the expected residual value of the underlying leased assets and past experience.

Income taxes

Element's business is subject to various changing tax laws. While Element believes it has adequately provided for all income taxes based on information that is currently available, the calculations in many cases require significant judgment in interpreting tax laws and regulations. Element's tax filings are also subject to government audits which could result in changes in the amount of current and deferred income tax assets and liabilities.

Deferred tax assets are recognized for unused income tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax-planning strategies.

Useful lives and residual values of equipment under operating leases

The Company's equipment under operating leases are recorded at cost and depreciated over their estimated useful lives to an estimated residual value using the straight-line method. The Company determines the economic useful life based on management's estimate of the period which the asset will generate revenue. The residual values are based on historical experience and economic factors. Management will periodically review the appropriateness of the estimated useful lives and residual values based on changes in economic circumstances and other factors. Changes in these estimates would result in a change in future depreciation expense.

Intangible assets valuation - client relationships and technology

The Company's client relationships and technology require management to use judgment in estimating the fair value of these intangible assets acquired in a business combination and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. Management also uses judgment in estimating client attrition rates to determine the appropriate amortization period for the client relationship intangible asset and benefits received from technology intangible asset.

Goodwill valuation

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable values of the Company's single cash generating unit ("CGU") and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

4. BUSINESS ACQUISITION

On October 1, 2024, the Company, through its wholly owned subsidiary, EFN (Netherlands) 4 B.V., acquired 100% of the outstanding shares of Autofleet Systems Ltd. ("Autofleet") for a total purchase price of $109,743, $89,228 in cash and $20,515 in ordinary shares of the Company. Autofleet is a provider of an end-to-end software platform to fleet and mobility operators which assists in effectively managing and routing their fleets using various innovative technologies.

The total consideration transferred by the Company to complete the acquisition of Autofleet is allocated to identifiable assets acquired, liabilities assumed, and goodwill acquired, based on their estimated fair values at the date of the acquisition. Goodwill of $78,625 was recognized and represents the estimated synergies and benefits that Autofleet and its technology brings to Element as a whole. Goodwill is not deductible for tax purposes. Synergies expected from the transaction include Element's ability to

leverage Autofleet's industry-leading digital capabilities and Autofleet's ability to leverage Element's operational scale, resources, and brand reputation.

The determination of the fair value of assets acquired and liabilities assumed are summarized in the table below and may be adjusted within twelve months of the acquisition date if new information about facts and circumstances become available. The fair value of the net assets acquired and consideration paid are summarized as follows:

	Fair value recognized on acquisition
	$
Cash	7,864
Restricted cash	152
Accounts receivable and other assets	951
Property, equipment and leasehold improvements (note 7)	964
Intangible assets (note 8)	24,800
Accounts payable and other liabilities	(3,613)
Fair value of identifiable net assets	31,118
Goodwill on acquisition (note 9)	78,625
Total acquired cost	109,743
Cash consideration[(i)]	89,228
Share consideration[(ii)] (note 12)	20,515
Total consideration	109,743

(i) In addition to its share payouts, Element has also paid out $6,485 in Escrowed shares to compensate certain key employees of Autofleet for their post-combination service. Vesting of Escrowed shares occurs evenly over 3 years post close and is contingent on post-combination service being provided by such employees. As such, the payout of Escrowed shares has not been considered in determining the total purchase price and will be accounted for as a separate transaction outside of the overall business combination. Vesting of Escrowed shares will be recorded over the three-year service period as share-based compensation expense with an offsetting charge to equity. $1,612 of compensation expense has been recognized related to Escrowed shares for the three-months ended December 31, 2024. Including ordinary and escrow shares, a total of 1,296,914 shares of the Company have been issued as a result of the transaction.

(ii) Element granted newly issued RSUs to employees of Autofleet who held options that were unvested as at the date of the transaction. See Note 13 for discussion of RSUs. Vesting of RSUs is contingent on post-combination service being provided by such employees. Therefore, the newly issued RSUs have not been considered in determining the total purchase price and will be accounted for as a separate transaction outside of the acquisition. $352 of compensation expense has been recognized related to RSUs issued for the year ended December 31, 2024.

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For the period from October 1, 2024 to December 31, 2024, the acquisition contributed net revenue of ($189) and a net loss of $6,112 to Element. Should the acquisition of Autofleet have occurred on January 1, 2024, consolidated net revenue would have decreased by $2,417 to $1,085,142 and consolidated net income would have decreased by $12,713 to $374,424 for the year ended December 31, 2024. The contribution to net revenue and net income includes the interest expense incurred on borrowings for the acquisition consideration and excludes revenue received by Autofleet from the Company during the year. The net income contribution by Autofleet also reflects the amortization of intangible assets acquired. Transaction costs of $7,329 have been recognized in operating expenses for the year-ended December 31, 2024 in relation to the acquisition.

5. FINANCE RECEIVABLES

The following tables present finance receivables based on the ultimate obligor's location:

	As at December 31, 2024			
	US and Canada	Australia and New Zealand	Mexico	Total
	$	$	$	$
Minimum lease payments	4,683,721	267,505	658,557	5,609,783
Unguaranteed residual values	—	65,921	—	65,921
Gross investment	4,683,721	333,426	658,557	5,675,704
Unearned income	(542,124)	(52,010)	(113,276)	(707,410)
Net investment	4,141,597	281,416	545,281	4,968,294
Impaired lease receivables[1]	5,846	483	—	6,329
Unamortized deferred costs and subsidies	(60,606)	—	—	(60,606)
Prepaid lease payments and security deposits	(101,987)	—	(42,130)	(144,117)
Interim funding	1,127,348	—	118,381	1,245,729
Fleet management receivables	818,129	30,920	35,286	884,335
Other receivables	273,728	76,183	193,828	543,739
Continuing involvement asset	132,683	—	—	132,683
Allowance for credit losses (Subsection B)	(2,886)	(951)	(2,331)	(6,168)
Total finance receivables	6,333,852	388,051	848,315	7,570,218

1. The fair market value of vehicles held as collateral against impaired lease receivables as at December 31, 2024 is $9,122.

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December 31, 2024

	As at December 31, 2023			
	US and Canada	Australia and New Zealand	Mexico	Total
	$	$	$	$
Minimum lease payments	4,836,840	228,217	634,591	5,699,648
Unguaranteed residual values	—	61,969	—	61,969
Gross investment	4,836,840	290,186	634,591	5,761,617
Unearned income	(657,220)	(42,402)	(97,820)	(797,442)
Net investment	4,179,620	247,784	536,771	4,964,175
Impaired receivables[1]	5,743	504	—	6,247
Unamortized deferred costs and subsidies	(58,232)	—	—	(58,232)
Prepaid lease payments and security deposits	(15,373)	—	(44,641)	(60,014)
Interim funding	950,700	—	178,391	1,129,091
Fleet management receivables	576,332	31,690	41,540	649,562
Other receivables	272,342	76,724	163,347	512,413
Continuing involvement asset	81,851	—	—	81,851
Allowance for credit losses (Subsection B)	(2,937)	(1,724)	(878)	(5,539)
Total finance receivables	5,990,046	354,978	874,530	7,219,554

1. The fair market value of vehicles held as collateral against impaired lease receivables as at December 31, 2023 is $10,079.

A) Interest rate characteristics of net investment in finance lease receivables and loan receivables

	As at December 31, 2024		As at December 31, 2023	
	Leases	**Loans**	Leases	Loans
Net investment	**$4,626,467**	**$ 341,827**	$4,696,280	$ 267,895
Weighted average fixed interest rate	**6.95 %**	**11.46 %**	6.39 %	10.71 %
Weighted average floating interest rate	**6.87 %**	**6.38 %**	8.02 %	8.30 %
Percentage of portfolio with fixed interest rate	**48.86 %**	**99.99 %**	49.86 %	99.99 %

B) Allowance for credit losses

The Company continues to monitor its inputs to the ECL model to ensure it appropriately reflects current market conditions in light of a clearing economic outlook, with lower risk of a potential recession, moderating inflation, and potentially declining interest rates in 2025, and information available to the Company as at December 31, 2024.

The Company evaluates its credit risk exposure broadly in line with Standard & Poor's and Moody's ratings outlined below and will adjust internal classifications based on additional information the Company has available to it at the time of the assessment. In conjunction with the Company's evaluation of the PD as at December 31, 2024, and consistent with the ECL model, the Company reviewed its classifications and updated its internal assessment of PD based on current information.

The Company's lease and loan portfolio is secured by the underlying assets and, in the event of an obligor bankruptcy or insolvency, in cases where leases are affirmed, the obligor assumes the lease as an ongoing obligation and is required to make future payments as originally agreed. Leases are typically affirmed when the leased asset is necessary for the obligor's operations or financial recovery. As a result, the Company can continue collecting post-filing lease payments despite the bankruptcy or insolvency filing. Further, all the vehicles in a client portfolio are cross-collateralized, such that the surplus collateral on (usually older) vehicles can be used to offset under-collateralized positions (usually newer vehicles). Because of these factors, the Company is often able to recover 100% of the net investment.

Overall used vehicle prices have increased slightly in 2024 compared to 2023 as OEM production returned to historic levels and prices remain materially elevated from a historical basis leading to continued low LGD levels as at December 31, 2024. The Company expects used vehicle pricing in 2025 to follow normal season trends while continuing to remain materially elevated versus historical values. Should a recessionary scenario occur, we would expect an increasing number of drivers to keep their vehicles for longer periods of time (or purchase used, instead of new, vehicles) which would likely lead to higher used vehicle demand and prices.

In determining the appropriate allowance for credit losses, the Company considered forward-looking macroeconomic information, including potential impacts from changes to US trade policy by the new administration, moderating inflation, potential additional declines in interest rates in 2025, and the impact that potential upward or downward trends in GDP and default rates might have on the Company's lease and loan portfolio. The Company has also evaluated multiple scenarios related to this environment, including how it is expected to affect markets and as it pertains to specific industries or clients most susceptible to be impacted by a potential recession. Forward-looking macroeconomic expectations, the creditworthiness of our clients and the continued evolution of our portfolio resulted in a modest increase in the Company's allowance for credit losses to $6,168 as at December 31, 2024.

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An analysis of the Company's allowance for credit losses under IFRS 9 is as follows:

Finance receivables	**Performing**	**Impaired**	**Total**
	$	**$**	**$**
Balance as at January 1, 2024	**5,477**	**62**	**5,539**
Transfer to Performing	**36**	**(36)**	**—**
Transfer to Impaired	**(35)**	**35**	**—**
Lease originations	**8,416**	**—**	**8,416**
Changes in models and inputs, derecognition, and repayments	**(7,429)**	**524**	**(6,905)**
Total	**6,465**	**585**	**7,050**
Charge-offs, net of recoveries	**—**	**(523)**	**(523)**
Foreign exchange	**(360)**	**1**	**(359)**
Balance as at December 31, 2024	**6,105**	**63**	**6,168**

Finance receivables	Performing	Impaired	Total
	$	$	$
Balance as at January 1, 2023	7,606	49	7,655
Transfer to Performing	1	(1)	—
Transfer to Impaired	(36)	36	—
Lease originations	8,968	—	8,968
Changes in models and inputs, derecognition, and repayments	(11,256)	728	(10,528)
Total	5,283	812	6,095
Charge-offs, net of recoveries	—	(749)	(749)
Foreign exchange	194	(1)	193
Balance as at December 31, 2023	5,477	62	5,539

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A summary view of the Company's allowance for credit losses is as follows:

Allowance for credit losses	**Year ended December 31, 2024**	Year ended December 31, 2023
	$	$
Allowance for credit losses, beginning of the year	**5,539**	7,655
Provision for (recovery of) credit losses	**1,511**	(1,560)
Charge-offs, net of recoveries	**(523)**	(749)
Impact of foreign exchange rates	**(359)**	193
Allowance for credit losses, end of the year	**6,168**	5,539
Allowance as a percentage of total finance receivables before allowance	**0.08 %**	0.08%

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c) Credit risk exposure

The following table sets out the credit risk exposure for finance receivables, fleet management service receivables, and the impaired values and allowances for credit losses recorded.

	As at December 31, 2024		
Finance receivables	**Performing**	**Impaired**	**Total**
	$	**$**	**$**
Internal risk rating grade [1]			
Low	**3,166,351**	**—**	**3,166,351**
Medium	**1,748,284**	**—**	**1,748,284**
High	**53,659**	**—**	**53,659**
Fleet management receivables	**883,468**	**867**	**884,335**
Other finance receivables	**543,739**	**—**	**543,739**
Impaired	**—**	**6,329**	**6,329**
	6,395,501	**7,196**	**6,402,697**
Allowance for credit losses	**(6,105)**	**(63)**	**(6,168)**
Net carrying value	**6,389,396**	**7,133**	**6,396,529**

1. Loan balances of $63,070, $278,756 and nil are included in the Performing category in internal risk rating grade low, medium, and high, respectively, and nil in Impaired.

	As at December 31, 2023		
Finance receivables	Performing	Impaired	Total
	$	$	$
Internal risk rating grade [2]			
Low	3,015,771	—	3,015,771
Medium	1,859,659	—	1,859,659
High	88,745	—	88,745
Fleet management receivables	648,982	580	649,562
Other finance receivables	512,413	—	512,413
Impaired	—	6,247	6,247
	6,125,570	6,827	6,132,397
Allowance for credit losses	(5,477)	(62)	(5,539)
Net carrying value	6,120,093	6,765	6,126,858

2. Loan balances of $9,251, $258,643 and $1 are included in the Performing category in internal risk rating grade low, medium, and high, respectively, and nil in Impaired.

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The Company's internal risk rating grades broadly align to external ratings as follows:

Internal risk rating grade	Standard & Poor's	Moody's
Low risk	AAA to BBB-	Aaa to Baa3
Medium risk	BB+ to B-	Ba1 to B3
High risk	CCC+ and below	Caa1 and below
Impaired receivables	Default	Default

D) Contract maturities

The contractual maturity of lease payments as at December 31, excluding impaired receivables and assuming no prepayments, is as follows:

	2024			2023		
	Gross investment	**Unearned income**	**Net investment**	Gross investment	Unearned income	Net investment
	$	$	$	$	$	$
Maturity						
Year 1	**2,451,401**	**(280,249)**	**2,171,152**	2,114,181	(260,407)	1,853,774
Year 2	**1,533,293**	**(214,904)**	**1,318,389**	1,588,456	(242,432)	1,346,024
Year 3	**1,350,697**	**(133,257)**	**1,217,440**	1,283,762	(174,554)	1,109,208
Year 4	**175,015**	**(39,124)**	**135,891**	539,591	(61,564)	478,027
Year 5	**96,745**	**(23,393)**	**73,352**	144,571	(33,313)	111,258
Thereafter	**68,553**	**(16,483)**	**52,070**	91,056	(25,172)	65,884
	5,675,704	**(707,410)**	**4,968,294**	5,761,617	(797,442)	4,964,175

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6. EQUIPMENT UNDER OPERATING LEASES

The Company acts as a lessor in connection with operating leases and recognizes the leased assets in its consolidated statements of financial position. The lease payments received are recognized in income as rental revenue. Leased assets under operating leases were as follows:

	As at December 31, 2024	As at December 31, 2023
	$	$
COST		
At the beginning of the year	**3,859,907**	3,010,931
Additions	**1,038,654**	1,175,825
Transfers	**(8,472)**	(5,145)
Disposals	**(756,804)**	(572,893)
Foreign exchange rate adjustments	**(544,782)**	251,189
Cost	**3,588,503**	3,859,907
ACCUMULATED DEPRECIATION		
At the beginning of the year	**1,213,749**	938,667
Depreciation charge for the year	**523,440**	483,578
Disposals	**(415,370)**	(291,378)
Foreign exchange rate adjustments	**(168,746)**	82,882
Accumulated depreciation	**1,153,073**	1,213,749
Net carrying amount	**2,435,430**	2,646,158

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The future minimum lease payments arising from non-cancellable operating leases as at December 31 are as follows:

	2024	2023
	$	$
Year 1	**817,197**	855,207
Year 2	**567,919**	575,994
Year 3	**380,483**	393,161
Year 4	**175,385**	207,830
Year 5	**49,229**	72,704
Thereafter	**14,897**	22,441
	2,005,110	2,127,337

7. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	2024					
	Leasehold improvements	**Computer equipment**	**Office equipment**	**Right-of-use assets - Buildings**	**Vehicles**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Cost						
As at January 1, 2024	**20,964**	**24,976**	**7,891**	**121,132**	**9,589**	**184,552**
Additions	**3,326**	**4,063**	**2,564**	**10,193**	**3,704**	**23,850**
Business acquisition (note 4)	**11**	**91**	**65**	**797**	**—**	**964**
Disposals	**(342)**	**(145)**	**(2,126)**	**(4,721)**	**(1,311)**	**(8,645)**
Lease modification	**—**	**—**	**—**	**4,306**	**—**	**4,306**
Foreign exchange rate adjustments	**(1,085)**	**(1,137)**	**(285)**	**(4,944)**	**(1,115)**	**(8,566)**
As at December 31, 2024	**22,874**	**27,848**	**8,109**	**126,763**	**10,867**	**196,461**
Accumulated depreciation						
As at January 1, 2024	**6,812**	**18,592**	**6,302**	**47,200**	**2,913**	**81,819**
Disposals	**(341)**	**(144)**	**(2,113)**	**(4,721)**	**(915)**	**(8,234)**
Depreciation charge for the year	**1,445**	**3,221**	**977**	**7,122**	**2,058**	**14,823**
Lease modification	**—**	**—**	**—**	**41**	**—**	**41**
Foreign exchange rate adjustments	**(583)**	**(971)**	**(175)**	**(2,413)**	**(386)**	**(4,528)**
As at December 31, 2024	**7,333**	**20,698**	**4,991**	**47,229**	**3,670**	**83,921**
Net carrying amount	**15,541**	**7,150**	**3,118**	**79,534**	**7,197**	**112,540**

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	2023					
	Leasehold improvements	Computer equipment	Office equipment	Right of Use Assets - Buildings	Vehicles	Total
	$	$	$	$	$	$
Cost						
As at January 1, 2023	12,039	46,902	10,111	81,265	5,250	155,567
Additions	8,598	3,043	193	41,406	4,866	58,106
Disposals	(205)	(25,239)	(2,463)	(3,494)	(1,132)	(32,533)
Foreign exchange rate adjustments	532	270	50	1,955	605	3,412
As at December 31, 2023	20,964	24,976	7,891	121,132	9,589	184,552
Accumulated depreciation						
As at January 1, 2023	5,607	40,932	7,332	40,107	1,862	95,840
Disposals	(203)	(25,239)	(2,470)	(3,489)	(711)	(32,112)
Depreciation charge for the year	1,187	2,705	1,381	9,921	1,588	16,782
Foreign exchange rate adjustments	221	194	59	661	174	1,309
As at December 31, 2023	6,812	18,592	6,302	47,200	2,913	81,819
Net carrying amount	14,152	6,384	1,589	73,932	6,676	102,733

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8. INTANGIBLE ASSETS

	2024			
	Computer software	**Client relationships**	**Technology[1]**	**Total**
	$	**$**	**$**	**$**
Cost				
As at January 1, 2024	**397,641**	**664,414**	**—**	**1,062,055**
Additions	**63,350**	**—**	**—**	**63,350**
Business acquisition (note 4)	**—**	**1,800**	**23,000**	**24,800**
Disposals	**(145)**	**—**	**—**	**(145)**
Foreign exchange rate adjustments	**(10,393)**	**(6,567)**	**—**	**(16,960)**
As at December 31, 2024	**450,453**	**659,647**	**23,000**	**1,133,100**
Accumulated amortization				
As at January 1, 2024	**146,840**	**276,804**	**—**	**423,644**
Amortization	**48,355**	**24,156**	**821**	**73,332**
Foreign exchange rate adjustments	**(3,494)**	**(2,853)**	**—**	**(6,347)**
As at December 31, 2024	**191,701**	**298,107**	**821**	**490,629**
Net carrying amount	**258,752**	**361,540**	**22,179**	**642,471**

(1) Refer to note 4 for technology acquired in business acquisition

	2023		
	Computer software	Client relationships	Total
	$	**$**	**$**
Cost			
As at January 1, 2023	336,374	662,610	998,984
Additions	59,347	—	59,347
Disposals	(727)	—	(727)
Foreign exchange rate adjustments	2,647	1,804	4,451
As at December 31, 2023	397,641	664,414	1,062,055
Accumulated amortization			
As at January 1, 2023	108,730	251,919	360,649
Disposals	(727)	—	(727)
Amortization	38,315	24,156	62,471
Foreign exchange rate adjustments	522	729	1,251
As at December 31, 2023	146,840	276,804	423,644
Net carrying amount	250,801	387,610	638,411

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9. GOODWILL

	2024	2023
	$	$
Balance, beginning of year	**957,912**	956,152
Autofleet acquisition (note 4)	**78,625**	—
Foreign exchange rate adjustments	**(6,307)**	1,760
Balance, end of year	**1,030,230**	957,912

For the purpose of impairment testing, the recoverable amount of the CGU has been determined based on its value in use. The value in use method is based on estimated future cash flows over a five-year period referenced to the most recent financial forecasts approved by management and actual historic results, discounted to a present value. Beyond the initial five-year period, cash flows were estimated to grow at perpetual annual rates of up to 6.5%. The discount rate the Company applied in determining the recoverable amount was 13.18% (December 31, 2023 - 13.18%), which comprised a risk-free rate, equity risk premium, size premium and company specific premium. These components were based on data from external sources.

In considering the sensitivity of the key assumptions discussed above, management determined that there is no plausible change in any of the above that would result in the carrying value of the Fleet Management CGU to exceed its recoverable value.

10 . BORROWINGS

The Company's outstanding borrowings were as follows:

	As at December 31, 2024			
	Balance outstanding	**Weighted average interest rate[1]**	**Pledged finance receivables and equipment under operating leases**	**Cash reserves**
	$	**%**	**$**	**$**
Revolving term notes in amortization	**1,779,622**	**5.73**	**1,910,172**	**11,125**
Variable funding notes	**2,349,753**	**5.42**	**3,293,637**	**28,358**
Other	**16,489**	**5.11**	**16,341**	**—**
Vehicle management asset-backed debt	**4,145,864**	**5.55**	**5,220,150**	**39,483**
Revolving senior credit facilities	**1,553,350**	**7.28**	**—**	**—**
Senior notes	**2,650,000**	**5.74**	**—**	**—**
	8,349,214	**5.93**	**5,220,150**	**39,483**
Deferred financing costs	**(29,307)**			
Hedge accounting fair value adjustments	**11,199**			
Continuing involvement liability	**132,683**			
Total borrowings	**8,463,789**			

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	As at December 31, 2023			
	Balance outstanding	Weighted average interest rate[1]	Pledged finance receivables and equipment under operating leases	Cash reserves
	$	%	$	$
Revolving term notes in amortization	1,694,837	5.01	2,055,363	20,637
Variable funding notes	2,999,614	6.22	3,491,873	14,187
Other	29,061	4.75	28,452	—
Vehicle management asset-backed debt	4,723,512	5.78	5,575,688	34,824
Revolving senior credit facilities	825,319	9.17	—	—
Senior notes	2,400,000	4.91	—	—
	7,948,831	5.88	5,575,688	34,824
Deferred financing costs	(29,618)			
Hedge accounting fair value adjustments	17,068			
Continuing involvement liability	81,851			
Total borrowings	8,018,132			

1. Represents the weighted average stated interest rate of outstanding debt at period-end, and excludes amortization of deferred financing costs, premiums or discounts, stand-by fees and the effects of hedging.

The Company was in compliance with all financial and reporting covenants with all of its lenders at December 31, 2024.

Prior to June 30, 2023, the Company transitioned all of its US dollar based floating rate benchmark credit facilities from LIBOR to SOFR. In addition, prior to December 31, 2024 the Company transitioned all of its Canadian dollar based floating rate benchmark credit facilities from CDOR to CORRA.

Vehicle management asset-backed debt

Vehicle management asset-backed debt includes term notes and variable funding notes.

Term notes provide a fixed funding amount at the time of issuance. During the amortization period, the monthly collection of lease payments allocable to the series is used in the repayment of principal until the notes are paid in full. The amortization period will continue through the earlier of: (i) 125 months following the commencement of the amortization period; or (ii) when the respective series of notes are paid in full.

During the second quarter of 2024, the Company issued $1,000,000 of amortizing term notes at an initial weighted average interest rate of 5.646%. The proceeds from this issuance were used to pay down variable funding notes.

As at December 31, 2024, the term notes in amortization period had a weighted average interest rate of 5.73%, which ranged from 5.37% to 6.69% with expected maturities in 2025 to 2028 (December 31, 2023 - the weighted average interest was 5.01% which ranged from 0.47% to 6.69%).

Variable funding notes provide a committed capacity that may be drawn upon as needed during a commitment period, which is primarily one to two years in duration. Similar to term notes, the monthly collections in respect of pledged assets create availability to fund the acquisition of vehicles and/or equipment to be leased to clients. Available committed capacity under variable funding notes may be used to fund growth in net investment in fleet assets during the term of the commitment. Upon expiration of the commitment period, variable funding notes begin amortizing. As at December 31, 2024, the Company had a total of $2,349,753 (December 31, 2023 – $2,999,614) in variable funding notes outstanding, with a weighted average floating interest rate of 5.42%, which ranged from 4.97% to 5.66% and expected maturities in 2025 to 2026 (December 31, 2023 - the weighted average interest was 6.22%, which ranged from 5.70% to 6.45%).

In the third quarter of 2024, as part of the Company's transition of its US leasing operations to Dublin, Ireland, the Company repaid the outstanding balance on its $3,000,000 US variable funding note facility. At the same time the Company terminated the facility. Additionally, the Company established a new warehouse facility in connection with the Irish structure with the same capacity of $3,000,000.

The term notes and the variable funding notes are secured by either a security interest and/or legal ownership in fleet assets. As at December 31, 2024, the Company had available capacity in variable funding notes of $2,897,730 (December 31, 2023 – $2,355,998) under its vehicle management asset-backed debt facilities.

Senior credit facilities

The aggregate capacity under the Senior Credit Facilities is $3,350,619 and is comprised of (i) a $2,425,000 committed revolving facility, syndicated to a diverse group of Canadian, US and international banks (the "Syndicated Senior Credit Facility") (ii) a $850,000, committed revolving facility (the "Committed Credit Facility") syndicated between two lenders and (iii) a $75 million committed amortizing facility ("IFC Loan"). Borrowings under the Syndicated Senior Credit Facility are available in Canadian dollars, U.S. dollars, Australian dollars and New Zealand dollars, and are subject to an applicable benchmark based on the currency plus an applicable margin determined in accordance with a debt ratings-based pricing grid.

In December 2024, the Syndicated Senior Credit Facility was amended by one year and the maturity date was extended to November 2, 2027. The Committed Credit Facility allows for borrowings in U.S. dollars, New Zealand dollars, and Mexican Pesos, with pricing based on an applicable benchmark plus margin determined in accordance with a debt ratings-based pricing grid. In the second quarter of 2024, the Committed Credit Facility was amended to increase the available capacity by $150,000, and the revolving term was extended until April 24, 2025, and the non-revolving term-out period was extended to March 24, 2029. As at December 31, 2024, $1,553,350 was drawn on the Senior Credit

Facilities (December 31, 2023 - $825,319) leaving the Company with access to $1,797,269 (December 31, 2023 - $2,299,681) of available financing under these facilities.

In December 2024, the Company entered into a loan agreement with the International Finance Corporation ("IFC") in respect of a sustainability-linked loan. The obligations of the borrowers under the IFC Loan are unsecured. The IFC Loan is denominated in Pesos with a facility size of up to MXN $1,530,971,250 (approximately the Mexican Peso equivalent of US$75 million), which may be increased up to the Mexican Peso equivalent of US$100 million with the inclusion of an additional lender. Under the IFC Loan, pricing is based on an applicable benchmark plus a margin determined in accordance with a debt ratings-based pricing grid. As at December 31, 2024, the borrowers had not yet drawn on the IFC Loan.

Senior notes

During the first quarter of 2024, the Company issued $750,000 in aggregate principal amount of 5.643% senior unsecured notes due March 2027. The notes were issued at par. Interest is paid semi-annually in arrears on March 13 and September 13, commencing on September 13, 2024. The proceeds received at the time of closing were used for general corporate purposes, and to repay the $500,000 1.600% senior unsecured notes which matured on April 6, 2024.

As at December 31, 2024, the Company had $2,650,000 in outstanding senior unsecured notes (December 31, 2023 - $2,400,000).

Restricted funds

As at December 31, 2024, restricted funds include (i) cash reserves of $39,483 (December 31, 2023 - $34,824), which represent collateral for secured borrowing arrangements; (ii) cash of $219,392 (December 31, 2023 - $216,822) includes amounts accumulated in collection accounts that are received on assets financed pursuant to the secured borrowing facilities, and are subsequently utilized in accordance with applicable provisions, as well as other payments received that are due back to clients in accordance with their contracts; and (iii) cash of $20,901 (December 31, 2023 - $2,572) provided to counter-parties as collateral against derivative liabilities.

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Contractual maturity of borrowings

The contractual maturity of the secured borrowings gross of interest costs outstanding as at December 31, 2024 compared to the maturity of the gross investment in finance receivables and future minimum payments received on equipment under operating leases, is as follows:

	2024			**2023**		
	Borrowings gross of interest costs[1]	**Finance receivables and equipment under operating leases[2]**		Borrowings gross of interest costs[1]	Finance receivables and equipment under operating leases[2]	
Maturity	**$**	**$**	**%**	$	$	%
Within 1 year	**1,734,274**	**3,661,498**	**47.4 %**	2,252,233	3,419,389	65.9 %
In 1 to 3 years	**2,073,085**	**3,832,392**	**54.1 %**	2,156,689	3,841,373	56.1 %
In 3 to 5 years	**512,637**	**496,374**	**103.3 %**	538,490	964,695	55.8 %
After 5 years	**20,490**	**83,450**	**24.6 %**	37,227	113,498	32.8 %
	4,340,486	**8,073,714**	**53.8 %**	4,984,639	8,338,955	59.8 %
Interest costs	**(194,622)**			(261,127)		
Net of interest costs	**4,145,864**			4,723,512		
Revolving senior credit facility	**1,553,350**			825,319		
Senior notes	**2,650,000**			2,400,000		
Term facilities	**—**			—		
	8,349,214			7,948,831		

1. Maturity schedule for borrowings gross of interest costs has been calculated based on interest expense rates as at the respective year ends and excludes the impact of hedging, and assumes the interest rate remains unchanged for the remaining life of the debt, including floating rate credit facilities.
2. Maturity schedule for finance receivables is based on the gross investment balance, certain fleet management service receivables, and certain interim funding balances. For equipment under operating leases, the schedule is based on the existing contractual future minimum lease payments.

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11. CONVERTIBLE DEBENTURES

April 5, 2019 Issuance

On June 30, 2024, the C$471 4.25% extendible convertible unsecured subordinated debentures matured and were repaid in full, including accrued interest, by the Company, in accordance with the Trust Indenture.

Prior to maturity, convertible debentures consisted of:

	As at December 31, 2023						
Issue Date	Final maturity date	Conversion price per share	Interest rate[2]	Face value	Deferred costs	Discount	Net carrying value
		$	%	$	$	$	$
April 5, 2019	June 30, 2024	11.77	4.250	129,964	(530)	(1,618)	127,816

1. The conversion price was adjusted on June 30, 2023, the ex-dividend date for dividends to be paid on July 14, 2023, to C$11.77391 for the April 5, 2019 issuance.
2. Stated interest rate on principal face value.

Conversions

During June 2024, holders of the April 2019 Convertible Debentures ("2019 Debentures") redeemed C$170,953 at a conversion price equal to C$11.77391 per share, representing a conversion ratio of approximately 84.93355 shares per C$1,000 principal amount of the 2019 Debentures. As a result of the conversion, holders of the 2019 Debentures received an interest payment of C$3,511 and 14,519,642 common shares.

During May 2024, holders of the 2019 Debentures redeemed C$800 at a conversion price equal to C$11.77391 per share, representing a conversion ratio of approximately 84.93355 shares per C$1,000 principal amount of the 2019 Debentures. As a result of the conversion, holders of the 2019 Debentures received an interest payment of C$14 and 67,946 common shares.

During January 2023, holders of the 2019 Debentures redeemed C$8 at a conversion price equal to C$11.90841 per share, representing a conversion ratio of approximately 83.97427 shares per C$1,000 principal amount of the 2019 Debentures. As a result of the conversion, holders of the 2019 Debentures received an interest payment of nil and 671 common shares.

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12. SHARE CAPITAL

The Company is currently authorized to issue (i) an unlimited number of common shares without nominal or par value and (ii) an unlimited number of preferred shares, issuable in series.

	Common shares	
	Shares	Amount
	#	$
Balance, December 31, 2022	392,495,287	2,124,564
Convertible debenture	671	6
Share repurchase	(3,957,622)	(21,830)
Exercise of options	630,399	6,363
Balance, December 31, 2023	**389,168,735**	**2,109,103**
Issuance for business acquisition	**985,410**	**20,515**
Conversion of convertible debentures	**14,587,588**	**134,248**
Share repurchase	**(630,657)**	**(3,432)**
Exercise of options	**365,332**	**3,106**
Release of escrowed shares to employees	**25,958**	**511**
Balance, December 31, 2024	**404,502,366**	**2,264,051**

Share repurchase

On November 18, 2024, the TSX approved the Company's notice of intention to renew its Normal Course Issuer Bid ("NCIB"). The renewal allows the Company to repurchase on the open market (or as otherwise permitted), at its discretion during the period commencing on November 20, 2024 and ending on the earlier of November 19, 2025 or the completion of purchases under the NCIB, up to 40,386,699 common shares of the Company, subject to the normal terms and limitations of such bids, which include the number of common shares purchased in any 12 month period being limited to 10% of the common shares outstanding at the commencement of such period.

For the year ended December 31, 2024, 630,657 common shares have been repurchased for cancellation for $10,850, including commission, at a volume weighted average price of C$23.77 per common share. For the year ended December 31, 2023, 3,957,622 common shares have been repurchased, for cancellation for $53,981 including commission, at a volume weighted average price of C$18.56 per common share. The Company applies trade date accounting in determining the date on which the share repurchase is reflected in the consolidated financial statements. The trade date is the date on which the Company commits itself to purchase the shares.

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Share issuance

On October 1, 2024, the Company acquired Autofleet. As part of the purchase price consideration, 985,410 shares were issued. In addition, 311,504 shares were issued to the founders and are held in escrow and vest over a period of three years, in twelve equal quarterly installments, upon fulfillment of certain employment conditions. As at December 31, 2024, 25,958 shares were released from escrow.

Common share dividends

For the year ended December 31, 2024, the Company declared $142,486 in common share dividends or C$0.49 per common share (December 31, 2023 - $121,487 or C$0.42 per common share).

As at December 31, 2024, the accrued common share dividends were $36,582 (December 31, 2023 – $35,241).

On November 13, 2024, the Board approved an increase in the quarterly common share dividend from C$0.12 to C$0.13 per share.

Preferred share redemption

As at December 31, 2024, all preferred shares have been redeemed.

On September 30, 2024, the Company redeemed all of its 5,321,900 Series E Preferred Shares for a redemption price equal to C$25.00 per share for a total of $94,656 together with all accrued and unpaid dividends.

On June 30, 2024, the Company redeemed all of its 5,126,400 Series C Preferred Shares for a redemption price equal to C$25.00 per share for a total of $91,166 together with all accrued and unpaid dividends.

On December 31, 2023, the Company redeemed all of its 4,600,000 Series A Preferred Shares for a redemption price equal to C$25.00 per share for a total of $85,751 together with all accrued and unpaid dividends.

Preferred share dividends

For the year ended December 31, 2024, the Company declared $7,222 in preferred share dividends (December 31, 2023 – $17,625).

As at December 31, 2024, the accrued preferred share dividends were nil (December 31, 2023 – $33).

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December 31, 2024

13. SHARE-BASED COMPENSATION

Share-based compensation expense consists of the following:

	Year ended	
	December 31, 2024	December 31, 2023
	$	$
(b) Deferred share units	**830**	1,391
(c) Performance share units	**25,941**	22,817
(d) Restricted share units	**15,052**	12,221
(e) Escrowed shares	**1,612**	—
	43,435	36,429

(a) Stock options

The changes in the number of stock options during the periods were as follows:

	Number of options	Weighted average exercise price
	#	C$
Outstanding, December 31, 2022	3,809,948	7.17
Expired	(123,280)	12.97
Exercised[1]	(3,130,399)	6.70
Outstanding, December 31, 2023	**556,269**	**8.49**
Expired	**(36,275)**	**11.74**
Exercised[1]	**(365,332)**	**9.33**
Outstanding, December 31, 2024	**154,662**	**5.73**

1. Weighted average share price of options exercised during the year ended December 31, 2024 was C$24.88 (year ended December 31, 2023 – C$20.22).

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(in thousands of United States dollars, except where otherwise noted and per share amounts)

December 31, 2024

As at December 31, 2024, the following employee and director stock options to purchase common shares were outstanding:

Range of exercise prices	Weighted avg remaining life (in years)	Options Outstanding[1] #
$5.01 to $10.00	1.23	154,662

1. All options have vested as at December 31, 2021.

(b) Deferred share units, performance share units, restricted share units, and escrowed shares

	Deferred share units	Performance share units	Restricted share units	Escrowed shares
	#	#	#	#
Outstanding, December 31, 2022	788,182	1,752,480	1,775,914	—
Granted	110,841	1,122,451	812,991	—
Forfeited	—	(664)	(74,122)	—
Redeemed	(70,810)	(976,528)	(673,141)	—
Outstanding, December 31, 2023	**828,213**	**1,897,739**	**1,841,642**	**—**
Granted	**101,666**	**902,784**	**874,698**	**311,504**
Forfeited	**—**	**(5,369)**	**(118,244)**	**—**
Redeemed / vested	**—**	**(1,098,636)**	**(797,865)**	**(25,958)**
Outstanding, December 31, 2024	**929,879**	**1,696,518**	**1,800,231**	**285,546**

(i) Deferred share units ("DSUs")

As at December 31, 2024, the fair value of DSUs recorded in the consolidated statements of financial position as accounts payable and accrued liabilities was $18,786 (December 31, 2023 – $13,475).

(ii) Performance share units ("PSUs")

As at December 31, 2024, 1,696,518 PSUs remain unvested and outstanding, and the amortized fair value of PSUs recorded in the consolidated statements of financial position as accounts payable and accrued liabilities was $48,208 (December 31, 2023 – 1,897,739 PSUs and $35,870 of liabilities). Certain PSUs issued during 2024, 2023, and 2022 contain a multiplier factor and the final number of PSUs that will vest will range from 100% to 200% of the initial number awarded based on certain performance targets. The PSUs outstanding will vest on achievement of specific performance conditions over 2025, 2026 and 2027.

(iii) Restricted share units ("RSUs")

As at December 31, 2024, 1,800,231 RSUs remain unvested and outstanding, and the amortized fair value of RSUs recorded in the consolidated statements of financial position as accounts payable and accrued liabilities was $20,560 (December 31, 2023 – 1,841,642 RSUs and $18,434 of liabilities). The RSUs outstanding will vest over one, two and three years.

(iv) Hedging of DSUs, PSUs and RSUs

As at December 31, 2024, the Company has hedged 3,012,960 referenced share units with net derivative assets of $9,870 which will be applied to the settlement of PSU, RSU and DSU awards (December 31, 2023 – 2,736,238 referenced share units hedged and net derivative assets of $23,771). For the year ended December 31, 2024, derivative mark to market adjustments of $14,937 (December 31, 2023 - $7,151) were netted against share-based compensation expense.

(v) Escrowed shares

On October 1, 2024, the Company issued 311,504 Escrowed shares to founders of Autofleet. As at December 31, 2024, 285,546 Escrowed shares remain unvested and outstanding, and the amortized grant value of the Escrowed shares of $1,612 was recorded as share-based compensation expense and contributed surplus. The remaining Escrowed shares will vest in equal quarterly installments over 33 months. On December 31, 2024, 25,958 Escrowed shares vested and $511 was credited for the amounts initially recorded as contributed surplus to reflect the issuance of share capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. REVENUE

Set out below is the disaggregation of the Company's revenue before interest expense.

	Year ended	
	December 31, 2024	December 31, 2023
	$	$
Major service lines		
Interest income, net	**628,583**	521,663
Rental revenue	**797,832**	704,520
Gain on sale of equipment under operating leases	**99,479**	99,021
Depreciation of equipment under operating leases	**(523,440)**	(483,578)
Financing revenue before interest expense	**1,002,454**	841,626
Service revenue, net	**502,129**	411,088
Vehicle sales and end of contract fees	**93,411**	91,571
Servicing income, net	**595,540**	502,659
Syndication revenue, net	**42,890**	45,587
Net revenue before interest expense	**1,640,884**	1,389,872
Primary geographical markets		
US and Canada	**1,087,614**	934,646
Australia and New Zealand	**220,158**	205,234
Mexico	**333,112**	249,992
Net revenue before interest expense	**1,640,884**	1,389,872
Timing of revenue recognition		
Revenue earned at a point in time	**527,523**	460,703
Revenue earned over time	**1,113,361**	929,169
Net revenue before interest expense	**1,640,884**	1,389,872

Revenue earned at a point in time includes gain on sale of equipment under operating leases, commissions from repairs due to accidents, fuel, title and registration fees, syndication revenue, and vendor commissions. Revenue earned over time includes interest income and rental revenue, fleet maintenance and accident management fees, telematics fees, and other fleet management services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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A) Contract balances

	As at December 31, 2024	As at December 31, 2023
	$	$
Contract assets	**12,169**	12,877

Contract assets represent the costs the Company incurs to enter into service contracts with clients including certain commissions. Contract assets are recorded in the unamortized deferred costs and subsidies line within note 5. For the year ended December 31, 2024, the Company has recorded $7,620 of amortization on its service contract assets (December 31, 2023 - $9,317).

B) Performance obligations

Fixed-fee Service Contracts. The Company provides separately priced and contracted service contracts to its fleet clients that include fuel cards, accident management services, and maintenance services. These service contracts generally have open-ended terms and can be in place as long as the client uses the underlying vehicle that is being serviced. Fees are billed monthly and revenue is recognized over the term of the agreement proportionally over the passage of time.

15. INCOME TAXES

The major components of the provision for income taxes for the years ended December 31 are as follows:

	2024	2023
	$	$
Consolidated statements of operations		
Current income tax expense	**74,832**	41,628
Foreign withholding tax expense	**22,774**	9,982
Origination and reversal of temporary differences	**28,814**	51,737
Income tax expense reported in the consolidated statements of operations	**126,420**	103,347

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Reconciliation of the effective tax rate for the years ended December 31:

	2024	2023
	$	$
Income before income taxes	**513,557**	448,946
Combined statutory Canadian federal and provincial tax rate	**25.95 %**	25.95 %
Income tax expense based on statutory rate	**133,268**	116,501
Income taxes adjusted for the effect of:		
Non-deductible and non-taxable items	**(5,845)**	(3,525)
Foreign rate differential	**(2,953)**	2,218
Change in unrecognized tax losses	**—**	
Adjustments of prior year taxes and other	**1,950**	(11,847)
Income tax expense	**126,420**	103,347

Deferred taxes as at December 31 relate to the following:

	2024	2023
	$	$
Deferred tax assets		
Tax loss carryforwards	**710,184**	734,880
Transaction and integration costs	**20,732**	22,368
Deferred share units	**21,615**	17,005
	752,531	774,253
Deferred tax liabilities		
Finance receivables	**526,533**	538,291
Intangible assets arising from acquisitions	**14,278**	9,332
Convertible debentures	**—**	420
Capital assets, intangibles and other	**108,714**	91,313
Unrealized gain or loss on foreign exchange and derivatives	**4,748**	13,222
	654,273	652,578
Net deferred tax asset position	**98,258**	121,675

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Deferred tax assets and liabilities are assessed by the Company for presentation in the consolidated statement of financial position. As a result, as at December 31, the deferred tax assets and liabilities are reported as:

	2024	2023
	$	$
Deferred tax assets	**201,114**	226,774
Deferred tax liabilities	**102,856**	105,099
Net deferred tax asset position	**98,258**	121,675

Reconciliation of the net deferred tax asset for the years ended December 31 is as follows:

	2024	2023
	$	$
Balance, beginning of the year	**121,675**	171,951
Tax expense recognized in profit or loss	**(28,814)**	(51,737)
Tax expense recognized through shareholders' equity		(32)
Tax expense recognized through OCI	**5,397**	1,493
Balance, end of the year	**98,258**	121,675

Management has concluded the deferred tax asset of $201,114 (2023 - $226,774) meets the relevant recognition criteria under IFRS. Management's conclusion is supported by forecasted taxable profits, embedded profits in existing finance receivables and the future reversal of existing taxable temporary differences which are expected to produce sufficient taxable income to realize the deferred tax asset.

The Company has incurred capital losses for tax purposes of $261,486 (2023 - $210,171), which are available to reduce future capital gains. No deferred income tax asset has been recognized in respect of the loss carryforwards of the capital losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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16. SUBSIDIARIES

(a) List of significant subsidiaries

The table below provides details of the significant subsidiaries of the Company, all of which are wholly owned:

	Principal place of business
Autofleet Systems Ltd.	Israel
Chesapeake IV Warehouse LP	Cayman
Element Fleet Management (US) Holdings Inc.	US
Element Vehicle Management Services Group LLC	US
Element Fleet Corporation	US
Chesapeake Finance Holdings II LLC	US
Element Technology LLC	US
Element Fleet Management Inc.	Canada
Element Fleet Lease Receivable LP	Canada
FLR LP Inc.	Canada
EFN (Netherlands) International B.V.	Netherlands
EFN (Netherlands) B.V.	Netherlands
EFN (Netherlands) 2 B.V.	Netherlands
EFN (Netherlands) 3 B.V.	Netherlands
EFN (Netherlands) 4 B.V.	Netherlands
Element Fleet Leasing Limited	Ireland
Element Fleet Sourcing Pte Ltd	Singapore
Element Fleet Services Australia Pty Ltd.	Australia
EFN (Australia) Pty Limited	Australia
Element Financial (Australia) Pty Limited	Australia
Custom Fleet Pty Limited	Australia
EFN (New Zealand) Limited	New Zealand
Custom Fleet NZ	New Zealand
Element Fleet Mexico, S.A. de C.V. SOFOM E.N.R.	Mexico
Element Fleet Management Corporation Mexico S.A. de C.V.	Mexico

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(b) Subsidiaries with restrictions

The Company's operations have restrictions on its ability to access or use its assets and settle its liabilities in Chesapeake Finance Holdings II LLC, Chesapeake Funding II LLC, Chesapeake IV Warehouse LP and Element Fleet Lease Receivable LP. These subsidiaries facilitate the transfer of financial assets and related property or interests, in connection with funding facilities, and the activities of these entities are governed by their constituting agreements and debt agreements. Assets held as collateral by these subsidiaries for such funding facilities are not available to satisfy the claims of creditors of the Company. The carrying amounts of assets and liabilities in these subsidiaries as at December 31, 2024 were $4,275,645 and $3,194,985, respectively (December 31, 2023 - $4,502,331 and $3,591,219, respectively).

17. RELATED PARTY

Compensation of directors and key management

The remuneration of directors and key management personnel of the Company were as follows for the years ended December 31:

	2024	2023
	$	$
Salaries, bonuses and benefits	**9,049**	11,287
Share-based compensation	**8,981**	12,562
	18,030	23,849

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18. EARNINGS PER SHARE

Basic earnings per share is as follows:

	Year ended	
	December 31, 2024	December 31, 2023
Net income attributable to shareholders	**$ 387,137**	$ 345,599
Cumulative dividends on preferred shares	**(7,222)**	(17,625)
Net income available to common shareholders	**$ 379,915**	$ 327,974
Weighted average number of common shares outstanding – basic (number)	**396,879,910**	390,297,255
Basic earnings per share	**$ 0.96**	$ 0.84

Diluted earnings per share is as follows:

	Year ended	
	December 31, 2024	December 31, 2023
Net income available to common shareholders adjusted for the effects of dilution	**$ 382,328**	$ 332,833
Weighted average number of common shares outstanding – basic (number)	**396,879,910**	390,297,255
Convertible debentures (number)	**6,954,104**	14,627,599
Dilutive stock options (number)	**119,766**	317,089
Dilutive escrowed shares (number)	**210,683**	—
Weighted average number of common shares outstanding – diluted (number)	**404,164,463**	405,241,943
Diluted earnings per share	**$ 0.95**	$ 0.82

The weighted average number of common shares outstanding - diluted excludes nil instruments that were anti-dilutive for the years ended December 31, 2024 and December 31, 2023.

19. DERIVATIVE AND HEDGING INSTRUMENTS

Hedge accounting

In the normal course of business and consistent with its risk management program, the Company enters into interest rate derivatives to manage interest rate risk, foreign exchange forward agreements to manage foreign currency exposure, and total return swaps to manage exposure to share-based compensation.

Interest rate risk

The majority of the Company's derivative contracts used to hedge certain exposures to interest rate risk are interest rate swaps. For cash flow hedges, the Company converts certain exposures to cash flow variability from its variable rate instruments to fixed interest rate exposures. For fair value hedges, the Company converts fixed interest rate exposures from the hedged financial instruments to floating interest rate exposures.

Foreign currency risk

For cash flow hedges, the Company may use foreign exchange forwards to hedge and manage anticipated foreign currency obligations. For NIFO hedges, the Company uses foreign exchange forward contracts and foreign currency denominated debt to manage the foreign currency exposure of our NIFOs with a functional currency other than the Canadian dollar.

Equity price risk

The Company uses cash settled total return swaps in designated cash flow hedge relationships to hedge changes in Element's share price in respect of certain cash-settled share-based compensation awards. Note 13 provides details on cash-settled share-based compensation plans. The average share price of the outstanding hedging derivatives as at December 31, 2024 was $24.28 (December 31, 2023 - 10.05). The increase in the average share price was due to the re-striking of the average share price to current levels with a change in hedge counterparty. There was no hedge ineffectiveness as a result of the change.

Hedge Ineffectiveness

For the hedge relationships above, hedge effectiveness is assessed at the inception of the hedge relationship and on an ongoing basis, primarily using the dollar offset method. The sources of hedge ineffectiveness may be attributed to the following:

- Differences in fixed rates, when contractual coupons of the fixed rate hedged items are designated;
- Differences in the discounting factors between the hedged item and the hedging instruments arising from different rate reset frequencies and timing of cash flows; and
- Employee forfeitures and quarterly interest payments on the equity swaps.

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The following table provides a summary of financial instruments designated and not designated as hedging instruments:

As at December 31, 2024	Notional amount of the hedging instrument	Maturity range			Fair value of the hedge derivatives		Gain (losses) on changes in fair value used for calculating hedge ineffectiveness
		Less than 1 year	1-5 years	Over 5 years	Assets	Liabilities	
	$	$	$	$	$	$	$
Derivatives designated as hedging instruments							
Cash flow hedges							
Interest rate risk							
Interest rate swaps	**1,761,919**	**415,492**	**1,197,299**	**149,128**	**7,129**	**5,123**	**(17,182)**
Equity share price risk							
Equity swaps	**50,863**	**50,863**	**—**	**—**	**9,870**	**—**	**1,346**
Foreign exchange risk							
FX forwards	**1,150,000**	**400,000**	**750,000**	**—**	**50,511**	**8,213**	**(8,428)**
	2,962,782	**866,355**	**1,947,299**	**149,128**	**67,510**	**13,336**	**(24,264)**
Fair value hedges							
Interest rate swaps	**4,493,882**	**358,500**	**3,783,939**	**351,443**	**13,212**	**7,708**	**(8,718)**
	4,493,882	**358,500**	**3,783,939**	**351,443**	**13,212**	**7,708**	**(8,718)**
NIFO hedges							
FX forwards	**1,555,883**	**1,555,883**	**—**	**—**	**13,558**	**522**	**49,642**
Borrowings	**2,152,457**	**802,457**	**1,350,000**	**—**	**n/a**	**n/a**	**(160,367)**
	3,708,340	**2,358,340**	**1,350,000**	**—**	**13,558**	**522**	**(110,725)**
Derivatives not designated in hedging relationships							
Cross Currency Interest Rate Swaps	**150,000**	**150,000**	**—**	**—**	**3,642**	**—**	**N/A**
	150,000	**150,000**	**—**	**—**	**3,642**	**—**	**—**

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As at December 31, 2023	Notional amount of the hedging instrument	Maturity range			Fair value of the hedge derivatives		Gain (losses) on changes in fair value used for calculating hedge ineffectiveness
		Less than 1 year	1-5 years	Over 5 years	Assets	Liabilities	
	$	$	$	$	$	$	$
Derivatives designated as hedging instruments							
Cash flow hedges							
Interest rate risk							
Interest rate swaps	3,863,699	1,299,357	2,443,295	121,047	31,582	8,359	(14,598)
Equity share price risk							
Equity swaps	23,771	23,771	—	—	23,771	—	—
	3,887,470	1,323,128	2,443,295	121,047	55,353	8,359	(14,598)
Fair value hedges							
Interest rate swaps	3,898,572	800,768	2,693,050	404,754	30,106	14,084	32,969
	3,898,572	800,768	2,693,050	404,754	30,106	14,084	32,969
NIFO hedges							
FX forwards	1,123,090	1,123,090	—	—		5,421	40,428
Borrowings	3,091,432	1,191,432	1,900,000	—	n/a	n/a	(59,945)
	4,214,522	2,314,522	1,900,000	—	—	5,421	(19,517)

n/a Not applicable

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The following table provides the average rate or price of the hedging derivatives:

As at December 31, 2024		Average exchange rate [1]		Average fixed interest rate
Cash flow hedges				
Foreign exchange risk				
Foreign exchange forwards	**USD - CAD**	**$1.36**		**n/a**
Interest rate risk				
Interest rate swaps		**n/a**	**CAN**	**3.19 %**
		n/a	**USD**	**3.93 %**
		n/a	**NZD**	**3.78 %**
		n/a	**AUD**	**3.02 %**
Fair value hedges				
Interest rate risk				
Interest rate swaps		**n/a**	**CAN**	**3.45 %**
		n/a	**USD**	**3.90 %**
		n/a	**AUD**	**3.90 %**
NIFO hedges				
Foreign exchange risk				
Foreign exchange forwards	**CAD - MXN**	**$14.42**		**n/a**

1. Includes average foreign exchange rates and interest rates relating to significant hedging relationships.

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As at December 31, 2023		Average exchange rate [1]		Average fixed interest rate
Cash flow hedges				
Interest rate risk				
Interest rate swaps		n/a	CAN	1.98 %
		n/a	USD	3.76 %
		n/a	NZD	3.78 %
		n/a	AUD	2.69 %
		n/a	MXN	9.02 %
Fair value hedges				
Interest rate risk				
Interest rate swaps		n/a	CAN	4.25 %
		n/a	USD	4.41 %
NIFO hedges				
Foreign exchange risk				
Foreign exchange forwards	CAD - MXN	12.89		n/a

n/a Not applicable

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The following table provides information on designated and not designated hedged items:

As at December 31, 2024	Carrying amount of the hedged item		Gain (losses) on changes in fair value used for calculating hedge ineffectiveness
	Assets	Liabilities	
	$	$	$
Derivatives designated for hedge accounting			
Cash flow hedges			
Interest rate risk			
Floating Rate Leases	439,340	—	504
Floating Rate Borrowings	—	1,322,579	16,678
Equity share price risk			
Share-based payment	—	50,863	(1,346)
Foreign exchange risk			
Unsecured borrowings	—	1,150,000	8,428
	439,340	2,523,442	24,264
Fair value hedges			
Interest rate risk			
Fixed rate borrowings	—	2,890,001	5,329
Fixed rate lease assets	1,595,163	—	3,389
	1,595,163	2,890,001	8,718
NIFO hedges			
Net investment in foreign subsidiaries	3,708,340	—	110,725
	3,708,340	—	110,725
Derivatives not designated in hedging relationships			
Secured borrowings	—	150,000	—
	—	150,000	—

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As at December 31, 2023	Carrying amount of the hedged item		Gain (losses) on changes in fair value used for calculating hedge ineffectiveness
	Assets	Liabilities	
	$	$	$
Derivatives designated for hedge accounting			
Cash flow hedges			
Interest rate risk			
Floating Rate Leases	1,874,224	—	(4,648)
Floating Rate Borrowings	—	1,989,476	19,246
Equity share price risk			
Share-based payment	—	23,771	—
	1,874,224	2,013,247	14,598
Fair value hedges			
Interest rate risk			
Fixed rate borrowings	—	2,149,196	(50,928)
Fair value for fixed rate lease assets	1,782,346	—	17,959
	1,782,346	2,149,196	(32,969)
NIFO hedges			
Net investment in foreign subsidiaries	4,214,522	—	(19,517)
	4,214,522	—	(19,517)

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Hedge accounting gains (losses) on the consolidated statement of operations and consolidated statement of comprehensive income

Year Ended December 31, 2024	**Beginning balance of AOCI - hedge reserve (after-tax)**	**Change in the value of the hedging instrument recognized in OCI (before-tax)**	**Amount reclassified from accumulated OCI to income (before-tax)**	**Tax benefit (expense)**	**Ending balance of AOCI hedge reserve (after-tax)**	**Hedge ineffectiveness gains (losses) recognized in income**
	$	$	$	$	$	$
Derivatives designated as hedging instruments						
Cash flow hedges						
Foreign exchange risk	**2,471**	**8,428**	**1,869**	**—**	**12,768**	**—**
Interest rate risk	**(32,504)**	**17,182**	**5,755**	**(11,364)**	**(20,931)**	**—**
Equity share price risk	**—**	**(1,346)**	**318**	**—**	**(1,028)**	**—**
	(30,033)	**24,264**	**7,942**	**(11,364)**	**(9,191)**	**—**
NIFO hedges						
Net investment in foreign subsidiaries	**(77,690)**	**110,725**	**—**	**—**	**33,035**	**—**
	(77,690)	**110,725**	**—**	**—**	**33,035**	**—**

Year Ended December 31, 2023	Beginning balance of AOCI - hedge reserve (after-tax)	Change in the value of the hedging instrument recognized in OCI (before-tax)	Amount reclassified from accumulated OCI to income (before-tax)	Tax benefit (expense)	Ending balance of AOCI hedge reserve (after-tax)	Hedge ineffectiveness gains (losses) recognized in income
	$	$	$	$	$	$
Derivatives designated as hedging instruments						
Cash flow hedges						
Foreign exchange risk	4,096	—	(1,625)	—	2,471	—
Interest rate risk	(44,738)	14,598	(1,442)	(922)	(32,504)	—
Equity share price risk	—	—	—	—	—	—
	(40,642)	14,598	(3,067)	(922)	(30,033)	—
NIFO hedges						
Net investment in foreign subsidiaries	(58,173)	(19,517)	—	—	(77,690)	—
	(58,173)	(19,517)	—	—	(77,690)	—

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Offsetting of derivative assets and liabilities

The following table presents a summary of the Company's derivative portfolio, which includes the gross amounts of recognized financial assets and liabilities; the amounts offset in the consolidated statements of financial position; the net amounts presented in the consolidated statements of financial position; the amounts subject to an enforceable master netting arrangement or similar agreement that were not included in the offset amount mentioned above; and the amount of cash collateral received or pledged.

				Amounts subject to an enforceable master netting arrangement or similar agreement that are not set-off in the Consolidated Statements of Financial Position		
	Gross amounts of recognized financial instruments before netting on the Consolidated Statements of Financial Position	Gross amounts of recognized financial instruments set-off in the Consolidated Statements of Financial Position	Net amount of financial instruments presented in the Consolidated Statements of Financial Position	Amounts subject to an enforceable master netting agreement	Collateral	Net amount
	$	$	$	$	$	$
As at December 31, 2024						
Derivative financial instrument assets	**97,922**	**—**	**97,922**	**18,739**	**—**	**79,183**
Derivative financial instrument liabilities	**21,566**	**—**	**21,566**	**18,739**	**20,901**	**(18,074)**
As at December 31, 2023						
Derivative financial instrument assets	85,459	—	85,459	22,436	—	63,023
Derivative financial instrument liabilities	27,864	—	27,864	22,436	2,572	2,856

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20. CAPITALIZATION

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met and to maximize shareholder value. Element's funding activities are well diversified by facility, geography, investor, and lender and include both secured and unsecured sources.

The Company's capitalization is as follows, as at:

As at	**December 31, 2024**	December 31, 2023
	$	$
Cash	**128,845**	96,419
Unsecured debt		
Revolving senior credit facilities	**1,553,350**	825,319
4.250% Convertible Debentures due 2024	**—**	127,816
1.600% Senior Notes due 2024	**—**	500,000
3.850% Senior Notes due 2025	**400,000**	400,000
6.271% Senior Notes due 2026	**750,000**	750,000
5.643% Senior Notes due 2027	**750,000**	—
6.319% Senior Notes due 2028	**750,000**	750,000
Vehicle Management Asset-Backed Debt		
Revolving term notes in amortization	**1,779,622**	1,694,837
Variable funding notes	**2,349,753**	2,999,614
Other	**16,489**	29,061
Deferred financing costs	**(29,307)**	(29,618)
Continuing involvement liability	**132,683**	81,851
Hedge accounting fair value adjustments	**11,199**	17,068
Total debt	**8,463,789**	8,145,948
Shareholders' equity		
Common share capital	**2,264,051**	2,109,103
Preferred share capital	**—**	181,077
Other	**510,264**	653,648
Total Shareholders' Equity	**2,774,315**	2,943,828
Total Capitalization	**11,238,104**	11,089,776

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21. GEOGRAPHIC INFORMATION

The Company primarily operates in the US and Canada, Australia and New Zealand, and Mexico. Certain assets located in Ireland and Israel are included in "All other countries" below.

Selected assets by geography are as follows:

	As at December 31, 2024				
	US and Canada	**Australia and New Zealand**	**Mexico**	**All other countries**	**Total**
	$	**$**	**$**	**$**	**$**
Select assets					
Finance receivables	**6,333,852**	**388,051**	**848,315**	**—**	**7,570,218**
Equipment under operating leases	**11,903**	**929,096**	**1,494,431**	**—**	**2,435,430**
Goodwill and intangible assets	**1,531,790**	**23,971**	**13,822**	**103,118**	**1,672,701**
Property, equipment and leasehold improvements	**75,197**	**12,200**	**11,974**	**13,169**	**112,540**
	7,952,742	**1,353,318**	**2,368,542**	**116,287**	**11,790,889**

	As at December 31, 2023			
	US and Canada	Australia and New Zealand	Mexico	Total
	$	$	$	$
Select assets				
Finance receivables	5,990,046	354,978	874,530	7,219,554
Equipment under operating leases	18,428	1,019,722	1,608,008	2,646,158
Goodwill and intangible assets	1,559,868	24,176	12,279	1,596,323
Property, equipment and leasehold improvements	77,511	15,189	10,033	102,733
	7,645,853	1,414,065	2,504,850	11,564,768

Geographic selected assets are based on the location of the assets.

22. LEASES

The Company leases its office space and certain office equipment. The Company accounts for the lease components (fixed payments including rent and variable payments that depend on an index or rate) separately from the non-lease components (e.g. common-area maintenance costs).

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Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 10 years or more. The exercise of lease renewal options is at the sole discretion of the Company and is included in determining the lease liability and right-of-use asset if the Company assesses it is highly likely to exercise the lease renewal options at the inception of the lease. Subsequent to the inception of the lease, management continues to evaluate the likelihood of exercising the lease renewal options to ensure it aligns with the Company's business strategy. Adjustments to the lease liability and right-of-use asset as a result of a modification to the expected lease term are made in accordance with IFRS 16.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Certain of the Company's leases include rental payments adjusted periodically for inflation. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Management evaluates all facilities to ensure the Company's footprint continues to support business activities, employees and client needs. In support of this and to align with the Company's growth strategy, the Company closed certain facilities in the US, Canada, Australia and New Zealand during the year ended December 31, 2020. The remaining lease liability for the closed facilities is $263 as at December 31, 2024 (December 31, 2023 - $1,081).

		As at December 31, 2024	As at December 31, 2023
		$	$
Assets	**Classification**		
Right-of-use assets	Buildings, net of accumulated amortization[1]	**79,534**	73,932
Liabilities	**Classification**		
Lease liabilities	Accounts payable and accrued liabilities	**90,566**	82,804

1. As at December 31, 2024, right-of-use assets are recorded net of accumulated amortization of $47,229 (December 31, 2023 - $47,200).

		Year ended	
		December 31, 2024	December 31, 2023
Lease cost	**Classification**	**$**	$
Amortization of leased assets	Depreciation and amortization	**7,122**	9,921
Interest on lease liabilities	Interest expense	**4,106**	2,919
Net lease cost		**11,228**	12,840

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Maturity of lease liabilities	**As at December 31, 2024**
	$
2025	**5,113**
2026	**6,435**
2027	**6,343**
2028	**6,382**
Thereafter	**66,293**

Lease Term and Discount Rate	**As at December 31, 2024**	As at December 31, 2023
Weighted-average remaining lease term (years)	**14.9**	14.4
Weighted-average discount rate	**4.21 %**	3.84 %

23. COMMITMENTS

The Company enters into commitments to extend credit and provide lease or loan financing to its clients in the ordinary course of business, or commits to purchase equipment for leases. The funding of these commitments is subject to the client satisfying various conditions and contractual requirements prior to funding. As a result, the total commitments outstanding do not necessarily reflect actual future cash flow requirements. As at December 31, 2024, the Company had $1,792,280 of commitments outstanding to provide financing or purchase equipment, and expire or settle on various dates through to December 31, 2025.

24. FINANCIAL INSTRUMENT RISKS

Credit risk

Credit risk is the risk that the Company will incur a loss because its clients and counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties on finance leases and loans. Counterparty limits are established by the use of both external and internal credit risk classification systems, which assign each counterparty a risk rating. The Company also manages credit risk through the existence of asset collateral held against both finance leases and loans. The Company maintains insurance coverage over these assets to further mitigate risk of loss. In situations where the Company takes possession of collateral under the terms of the finance lease or loan agreement, the asset is sold and a gain or loss on disposal is recognized.

The Company also monitors the diversification of its lending across asset class, geography and transaction size. As a result of transaction sizes and collateral arrangements, no individual client represents a significant credit risk to the Company.

The Company's maximum exposure to credit risk for components of the consolidated statements of financial position as at December 31, 2024 and 2023 is the carrying amounts as disclosed on the consolidated statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's management oversees the Company's liquidity to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due and sustain and grow its assets and operations under both normal and stress conditions.

The most significant exposure to liquidity risk relates to the repayment of borrowings (Note 10). This exposure is managed as the cash flows generated by the Company's net investment in leases and loans, syndication, and future minimum payments on equipment under operating leases are term matched to meet the repayment requirements, and its capacity to expand its existing secured and unsecured borrowings facilities and its access to bank term funding.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company structures its borrowing arrangements to maintain a fixed interest rate spread between the interest paid on both the term funding facilities and the revolving loan facilities and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis. In some instances, the Company enters into interest rate swaps in order to align the interest rate variability.

The Company does experience short-term interest rate risk on these finance receivables during the period between fixing the contractual rate under the finance contracts with its clients and the locking of the interest rate under its funding facilities. During this time, an upward movement in benchmark rates can negatively impact the spread on the transaction. In order to mitigate this risk, the Company carefully monitors its borrowing costs to ensure its rates reflect appropriate spreads to insulate against sudden unexpected interest rate movements. In order to further mitigate risk, the Company undertakes regular securitizations under its borrowing arrangements to ensure its finance contracts are appropriately match-funded by its borrowings, which reduces the warehouse period and the likelihood that a significant movement in bond rates will negatively impact the spreads on such transactions.

After considering the fixed interest rate spread on the borrowing programs and exposure to fixed rate finance receivables described above, the Company's interest rate risk is generally limited to cash and restricted cash, floating-rate finance receivables

that are neither hedged nor part of a match-funded borrowing arrangement, and senior revolving credit facility. Based on its exposure as at December 31, 2024, the Company estimates that a 100 basis point increase in interest rates would decrease net income before taxes by approximately $3,800 and a 100 basis point decrease in interest rates would increase net income before taxes approximately by the same amount.

Foreign currency risk

Foreign currency risk is the risk of exposure to foreign currency movements on the Company's lending and/or net investment in foreign subsidiaries, whereby there is a risk the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes, matures or when a foreign subsidiary is divested. The Company mitigates and manages this risk on the Company's lending portfolio by matching the currency of debt financing and where prudent entering into foreign exchange forward contracts to reduce or hedge its exposure to foreign currency risk. The Company currently partially hedges its net investment in foreign subsidiaries. As at December 31, 2024, the Company did not have a significant unhedged exposure to this type of foreign currency risk, which would have a material impact to net income.

The Company is also exposed to foreign currency risk related to net income generated from foreign currency denominated assets and operations. This risk represents the impact of fluctuations to the average Canadian and foreign currency exchange rate used to translate the Company's foreign currency denominated net income into its functional currency (the Canadian dollar) during each year. The Company may mitigate and manage this type of foreign currency risk by entering into foreign currency forward contracts to reduce or hedge this exposure to foreign currency risk. The Company is also exposed to foreign currency risk related to fluctuations in the average US and Canadian dollar used to translate the Company's net income and assets and liabilities from its functional currency into it's presentation currency (the US dollar).

If future net income before income taxes is consistent with results generated in 2024, each $0.01 of depreciation (appreciation) in the value of the US dollar against all of the Canadian dollar, Mexican peso, Australian dollar, and New Zealand dollar simultaneously would be expected to increase (decrease) net income and income taxes for the year by approximately $46,479 in the absence of hedging transactions.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., the exit price). The determination of fair value requires judgment and is based on market information, where available and appropriate. Fair value measurements are categorized into three levels within a fair value hierarchy (Level 1, 2, or 3) based on the valuation inputs used in measuring the fair value, as outlined below.

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities the Company can access at the measurement date. Bid prices, ask prices or prices within the bid and ask, which are the most representative of the fair value,

are used as appropriate to measure fair value. Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where transactions are occurring with sufficient frequency and volume to provide quoted prices on an ongoing basis.

- Level 2 – Quoted prices for identical assets or liabilities in markets that are inactive or observable market quotes for similar instruments, or use of valuation techniques where all significant inputs are observable. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In instances where traded markets do not exist or are not considered sufficiently active, we measure fair value using valuation models.

- Level 3 – Non-observable or indicative prices or use of valuation techniques where one or more significant inputs are non-observable.

Valuation methods and assumptions

Finance lease receivables, finance loan receivables, and borrowings on finance receivables

The assertion that the carrying value of the finance receivables and borrowings approximates fair value requires the use of estimates and significant judgment. The finance receivables securing the borrowings were credit scored based on an internal model that is not used in market transactions. They comprise a large number of transactions with commercial clients in different businesses, are secured by liens on various types of equipment and may be guaranteed by third parties and cross collateralized. The fair value of any receivable would be affected by a potential buyer's assessment of the transaction's credit quality, collateral value, guarantees, payment history, yield, term, documents and other legal matters, and other subjective considerations. Value received in a fair market sale transaction would be based on the terms of the sale, the buyer's views of the economic and industry conditions, the Company's and the buyer's tax considerations, and other factors.

Convertible debentures

The debt component of convertible debentures is recorded at fair value on initial recognition and subsequently carried at amortized cost. The fair market value of the debt component is calculated by discounting the stream of remaining payments at 5.50%, which represents the rate of interest prevailing for instruments of similar terms and risks without the conversion feature.

Derivatives

The fair values of derivatives are determined by the derivative counterparty using the related interest rate swap curves, foreign exchange forward values, intrinsic values and/or the Company's stock price for the total return swaps.

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Investments

FVTPL investments are valued based on bids received in the private market or using valuation techniques and/or inputs that are based on unobservable market data.

Accounts receivable, accounts payable, and accrued liabilities

The carrying value of the accounts receivable, accounts payable, and accrued liabilities approximates their fair value.

The tables below summarize the Company's fair value measurement hierarchy for its financial assets and financial liabilities. There were no transfers between Level 2 and Level 3 for the years presented and there were no significant changes in valuation techniques or the range of significant non-observable inputs used in measuring the Company's Level 3 financial assets and liabilities during the year.

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	As at December 31, 2024				
		Level 1	Level 2	Level 3	
	Carrying value	Quoted market price	Observable market inputs	Non-observable market inputs	Total
	$	$	$	$	$
Financial assets					
Assets not carried at fair value					
Cash	128,845	128,845	—	—	128,845
Finance lease receivables[1]	7,095,708	—	—	7,095,708	7,095,708
Finance loans receivables	341,827	—	—	341,827	341,827
Accounts receivable and other assets	196,545	—	—	196,545	196,545
Assets held at fair value					
Derivative financial assets					
Foreign exchange contracts	64,069	—	64,069		64,069
Interest rate swaps	23,983	—	23,983	—	23,983
Equity swaps	9,870	—	9,870	—	9,870
Investments classified as FVTPL	5,623	—	—	5,623	5,623
Total financial assets	7,866,470	128,845	97,922	7,639,703	7,866,470
Financial liabilities					
Liabilities not carried at fair value					
Accounts payable and accrued liabilities	1,338,188	—	—	1,338,188	1,338,188
Borrowings on finance receivables[1]	8,331,106	—	—	8,331,106	8,331,106
Liabilities held at fair value					
Derivative financial liabilities					
Foreign exchange contracts	8,735	—	8,735	—	8,735
Interest rate swaps	12,831	—	12,831	—	12,831
Total financial liabilities	9,690,860	—	21,566	9,669,294	9,690,860

1. As at December 31, 2024, the finance lease receivables and borrowings on finance receivables exclude the continuing involvement asset and liability, respectively, of $132,683.

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	As at December 31, 2023				
		Level 1	Level 2	Level 3	
	Carrying value	Quoted market price	Observable market inputs	Non-observable market inputs	Total
	$	$	$	$	$
Financial assets					
Assets not carried at fair value					
Cash	96,419	96,419	—	—	96,419
Finance lease receivables	6,869,808	—	—	6,869,808	6,869,808
Finance loans receivables	267,895	—	—	267,895	267,895
Accounts receivable and other assets	196,717	—	—	196,717	196,717
Assets held at fair value					
Derivative financial assets					
Interest rate swaps	61,688	—	61,688	—	61,688
Equity Swaps	23,771	—	23,771	—	23,771
Investments classified as FVTPL	6,181	—	—	6,181	6,181
Total financial assets	7,522,479	96,419	85,459	7,340,601	7,522,479
Financial liabilities					
Liabilities not carried at fair value					
Accounts payable and accrued liabilities	1,207,797	—	—	1,207,797	1,207,797
Borrowings on finance receivables	7,936,281	—	—	7,936,281	7,936,281
Convertible debentures	127,816	—	128,592	—	128,592
Liabilities held at fair value					
Derivative financial liabilities					
Foreign exchange contracts	5,421	—	5,421	—	5,421
Interest rate swaps	22,443	—	22,443	—	22,443
Total financial liabilities	9,299,758	—	156,456	9,144,078	9,300,534

1. As at December 31, 2023, the finance lease receivables and borrowings on finance receivables exclude the continuing involvement asset and liability, respectively, of $81,851.

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26. SYNDICATIONS

The following represents the detail of the Company's syndicated assets that qualify for full derecognition:

	Classification	**As at December 31, 2024**	As at December 31, 2023
		$	$
Allowance for early termination	Accounts payable and accrued liabilities	**3,105**	3,758
Deferred servicing fee	Finance receivables	**62**	127

The following represents the detail of the Company's syndicated assets subject to continuing involvement:

	Classification	**As at December 31, 2024**	As at December 31, 2023
		$	$
Continuing involvement in syndicated assets	Finance receivables	**132,683**	81,851
Liabilities associated with continuing involvement in syndicated assets	Secured borrowings	**132,683**	81,851
Allowance for early termination	Accounts payable and accrued liabilities	**15,398**	10,429
Net book value of assets related to deals remaining in continuing involvement	N/A	**4,329,468**	2,760,584

The following represents the detail of the Company's syndicated assets for the:

		Year ended	
	Classification	**December 31, 2024**	December 31, 2023
		$	$
Syndication revenue, net	Syndication revenue, net	**42,890**	45,587
Net book value of assets syndicated	n/a	**3,468,098**	2,484,348

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27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.