Q3 2019 | Supplementary Information

as at September 30, 2019

This supplementary information should be read in conjunction with the Company's Management Discussion & Analysis dated September 30, 2019.

In this document, the Company uses terms and ratios (including “before-tax adjusted operating income”, "earning assets" and “tangible leverage ratio”) that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations. A full description of these measures can be found in Element’s Management Discussion & Analysis that accompanies the financial statements for the most recent quarter or year, which have been filed on SEDAR (www.sedar.com). Element believes that certain non-IFRS measures can be useful to investors because they provide a means by which investors can evaluate Element’s underlying key drivers and operating performance, exclusive of certain adjustments and activities that investors may consider to be unrelated to the underlying economic performance of the business.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The following pages provide information management believes is relevant to an assessment and understanding of the financial condition, results and operations of Element Fleet Management Corp. (the "Company" or "Element") as at and for periods ended September 30, 2019, and should be read in conjunction with the Company's Q3 Management Discussion & Analysis and interim condensed consolidated financial statements and accompanying notes for the three- and nine-months ended September 30, 2019. All monetary figures are in millions of Canadian dollars unless otherwise noted or for per share amounts. Additional information regarding Element is available on SEDAR at www.sedar.com and on the Company's website at www.elementfleet.com.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO NOVEMBER 6, 2019. CERTAIN STATEMENTS CONTAINED IN THIS REPORT CONSTITUTE "FORWARD LOOKING STATEMENTS". IN SOME CASES THE FORWARD LOOKING STATEMENTS CAN BE IDENTIFIED BY WORDS OR PHRASES SUCH AS "MAY", "CAN", "WILL", "EXPECT", "GUIDANCE", "PLAN", "ANTICIPATE", "TARGET", "INTEND", "POTENTIAL", "ESTIMATE", "BELIEVE" OR THE NEGATIVE OF THESE TERMS, OR OTHER SIMILAR EXPRESSIONS INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, INCLUDING, AMONG OTHERS, STATEMENTS REGARDING ELEMENT'S TRANSFORMATION PLAN, GROWTH PROSPECTS AND OBJECTIVES, ABILITY TO DRIVE OPERATIONAL EFFICIENCIES, ASSETS, BUSINESS STRATEGY, COMPETITIVE POSITIONING, ABILITY TO CREATE VALUE FOR SHAREHOLDERS, THE EVOLUTION OF ELEMENT'S BUSINESS, THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION, BUSINESS INTEGRATION, STRATEGIC ASSESSMENT, BUSINESS OUTLOOK AND OTHER EXPECTATIONS REGARDING FINANCIAL OR OPERATING PERFORMANCE AND METRICS. SUCH STATEMENTS REFLECT OUR CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO INHERENT RISKS, UNCERTAINTIES AND NUMEROUS ASSUMPTIONS, INCLUDING, WITHOUT LIMITATION, GENERAL ECONOMIC CONDITIONS, OPERATIONAL CAPABILITIES, TECHNOLOGICAL DEVELOPMENT, RELIANCE ON DEBT FINANCING, DEPENDENCE ON BORROWERS, INABILITY TO SUSTAIN RECEIVABLES, COMPETITION, INTEREST RATES, REGULATION, INSURANCE, FAILURE OF KEY SYSTEMS, DEBT SERVICE, FUTURE CAPITAL NEEDS AND SUCH OTHER RISKS OR FACTORS DESCRIBED FROM TIME TO TIME IN REPORTS OF ELEMENT, INCLUDING HEREIN AND IN ELEMENT'S CURRENT ANNUAL MD&A AND ANNUAL INFORMATION FORM, WHICH HAVE BEEN FILED ON SEDAR AND MAY BE ACCESSED AT WWW.SEDAR.COM.

BY THEIR NATURE, FORWARD-LOOKING STATEMENTS INVOLVE NUMEROUS ASSUMPTIONS, KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES, BOTH GENERAL AND SPECIFIC, WHICH CONTRIBUTE TO THE POSSIBILITY THAT PREDICTIONS, FORECASTS, PROJECTIONS AND OTHER FORMS OF FORWARD LOOKING INFORMATION MAY NOT OCCUR OR BE ACHIEVED. MANY FACTORS COULD CAUSE OUR ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS AND READERS ARE CAUTIONED THAT THE LIST OF FACTORS IN THE FOREGOING PARAGRAPH IS NOT EXHAUSTIVE. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD ASSUMPTIONS UNDERLYING THE FORWARD-LOOKING STATEMENTS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED HEREIN AS INTENDED, PLANNED, ANTICIPATED, BELIEVED, ESTIMATED OR EXPECTED. ACCORDINGLY, READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS OR INTERPRET OR REGARD FORWARD-LOOKING STATEMENTS AS GUARANTEES OF FUTURE OUTCOMES, AS NO FORWARD-LOOKING STATEMENT MAY BE GUARANTEED. EXCEPT AS MAY BE REQUIRED BY APPLICABLE CANADIAN SECURITIES LAWS, WE DO NOT INTEND, AND DISCLAIM ANY OBLIGATION TO UPDATE OR REWRITE ANY FORWARD-LOOKING STATEMENTS WHETHER ORAL OR WRITTEN AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

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All monetary figures are in millions of Canadian dollars unless otherwise noted or for per share amounts.

Transformation Program

Definitions

"Actioned"	A profitability improvement initiative has been “actioned” when Element has taken all steps required for the initiative to deliver value. The value of an “actioned” initiative is the run-rate of the resulting profitability improvement.
"Operating income"	Operating income before tax.
"Delivered"	A profitability improvement is “delivered” as each dollar of cost savings or revenue increase is reflected in Element’s operating income.
"Run-rate"	The maximum potential annual value that a profitability improvement initiative can deliver.

TRANSFORMATION PROGRAM

1.0 Transformation progress in Q3 2019

Following the completion of our comprehensive strategic assessment in Q3 2018, we announced a 27-month client-focused transformation program on October 1, 2018. As of September 30, 2019, we have actioned $102 million of transformation initiatives, including an incremental $17 million since June 30, 2019. Some examples are:

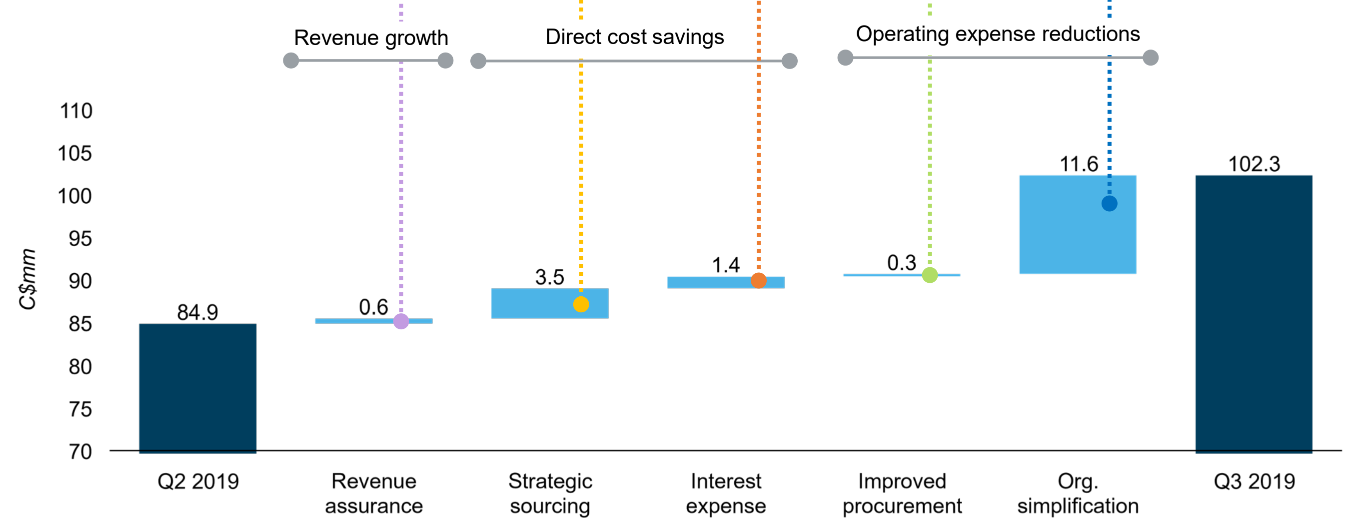
Our revenue assurance team continued to action additional initiatives to stem revenue leakage. In ANZ, there has been progress in identifying missing roadside service and telematics charges that should have been billed to clients. This has resulted in ~$100K of additional revenue being generated in Q3 and we expect it will generate additional revenue of ~$600K per annum.

We continue working with our suppliers to improve terms and conditions and the overall experience for our clients, having actioned an incremental $3.5 million of direct cost savings this quarter across the US, Canada and Mexico. We have also focused on (1) identifying inefficient client spend behaviours, and (2) providing differentiated solutions that allow client savings and increased utilization of contracted relationships.

As our transformation program delivers monthly cash flow enhancements that often exceed transformation investment requirements in the same month, the resulting positive free cash flow is used to pay down debt, resulting in interest expense savings. We have actioned $1.4 million of such interest expense savings in Q3 and expect to action similar quarterly amounts across the next 5 quarters until the end of our transformation in Q4 2020.

Many of our improved procurement initiatives involve supplier consolidation, which requires updating internal processes and better supplier relationship management in order to reduce external vendor spend. Reducing supplier count, while ensuring the appropriate contractual relationship, benefits our clients through a consistently delivered superior client experience.

In this quarter, we actioned $9.2 million of productivity improvements in our operations process improvements and location strategy. In addition, we actioned $1.9 million in our support functions, while shifting towards a best-in-class operating model. We also actioned $0.5 million of profitability improvements by further reorganizing the Commercial segments of our business as it relates to sales force effectiveness and market strategy optimization.

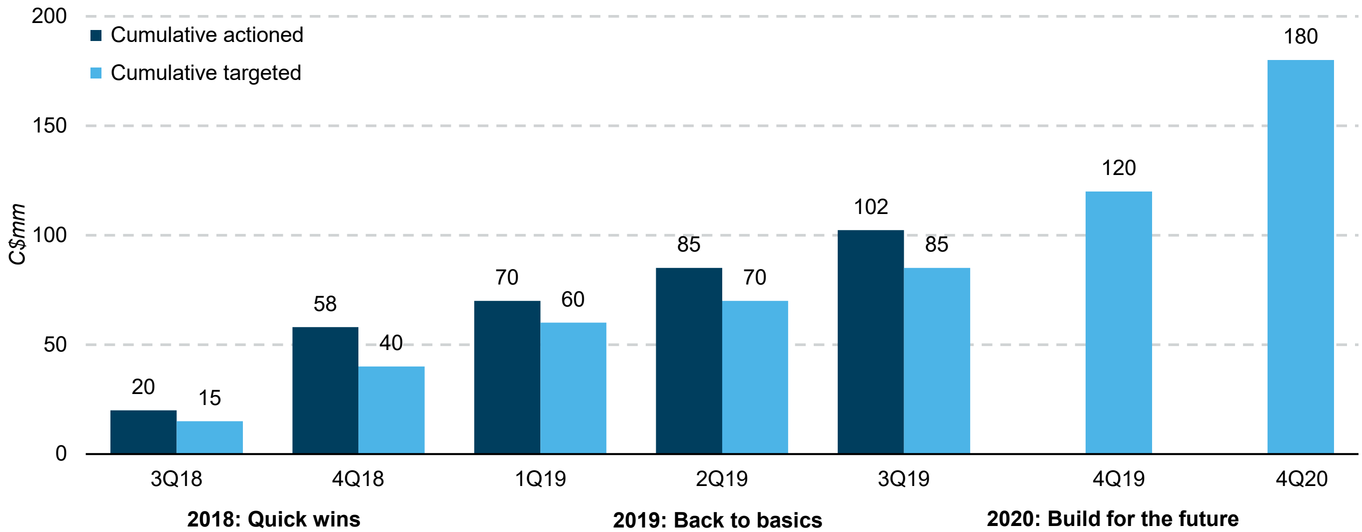


The significant progress we have made on our transformation initiatives begets strong momentum that has continued through 2019 to date. We are in the "back to basics" phase of our transformation, focusing our business on delivering a consistently superior client experience and creating value for our shareholders.

TRANSFORMATION PROGRAM

1.1 Cumulative: actioned and targeted (to-be-actioned) operating income improvements

We exceeded our Q4 target this quarter, having actioned $102 million of operating income improvements to date. Our Q4 2019 and Q4 2020 targets have been increased to $120 million and $180 million, respectively.



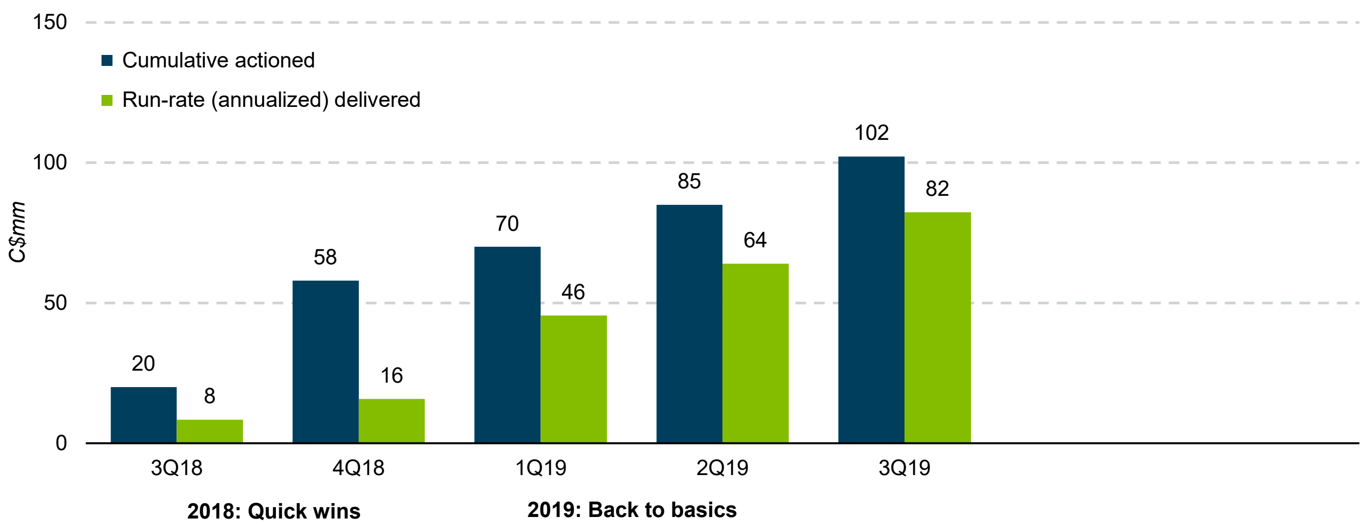
1.2 Delivery and anticipated delivery of $102 million of operating income improvements actioned to date[1]

Our actioned initiatives to date will deliver $70 million of operating income improvement (~$0.13 EPS) in 2019.

C$mm	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20
Revenue growth	1.4	1.5	2.9	3.6	4.5	4.9	6	19	5	5	5	5	20
Direct cost savings	0.5	0.6	1.1	1.4	3.0	4.8	4	13	4	4	4	4	14
Opex reductions	0.2	1.9	2.1	6.4	8.5	10.9	13	38	14	14	14	14	56
Op income improvement	**2.1**	**4.0**	**6.1**	**11.4**	**16.0**	**20.6**	**22**	**70**	**22**	**22**	**22**	**23**	**90**

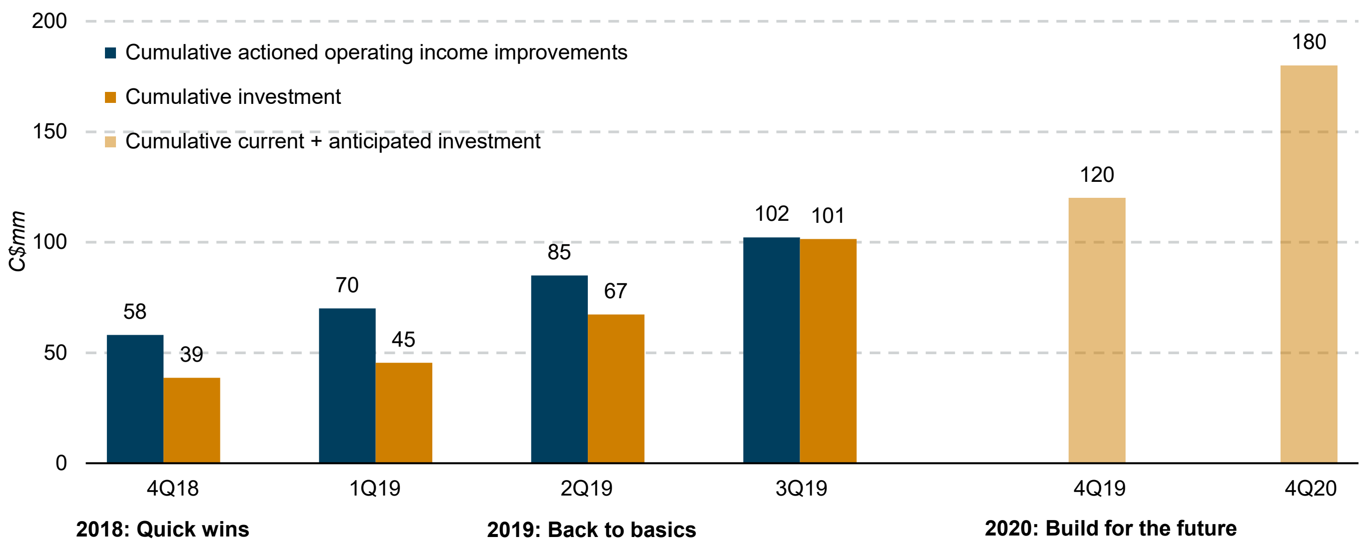
1. Numbers may not add due to rounding.

1.3 Cumulative actioned, and run-rate of delivered, operating income improvements



1.4 Cumulative actioned operating income improvements, and investment (and anticipated investment) in our transformation program

We plan to invest approximately $180 million to fund our transformation program before the end of 2020. To date, we have made $101 million such one-time investments.

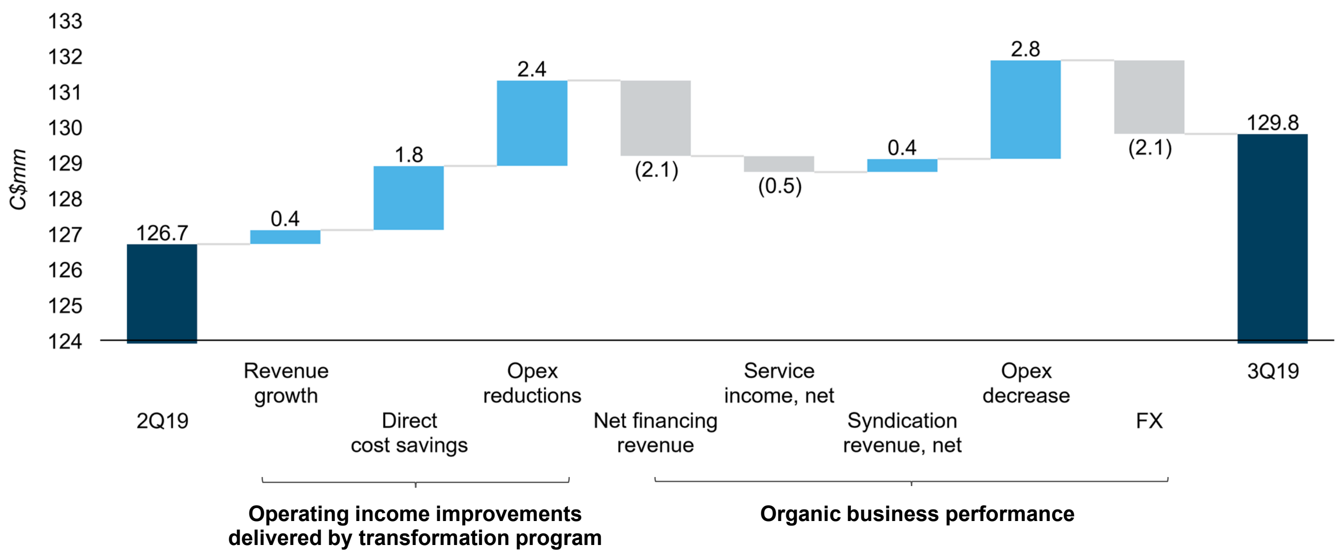


Financial Information

FINANCIAL INFORMATION

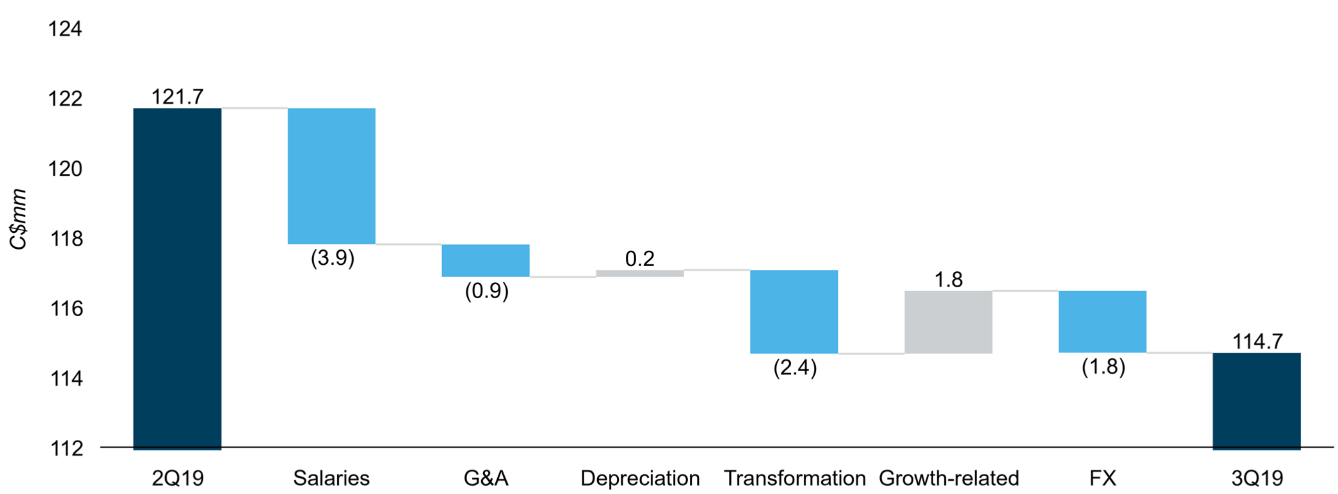
2.0 2Q19 → 3Q19 Core adjusted operating income growth

Core adjusted operating income increased by $3.1 million in Q3, largely driven by opex and direct cost savings, partially offset by quarter-over-quarter reductions in net financing revenue and service income, and adverse FX impact.



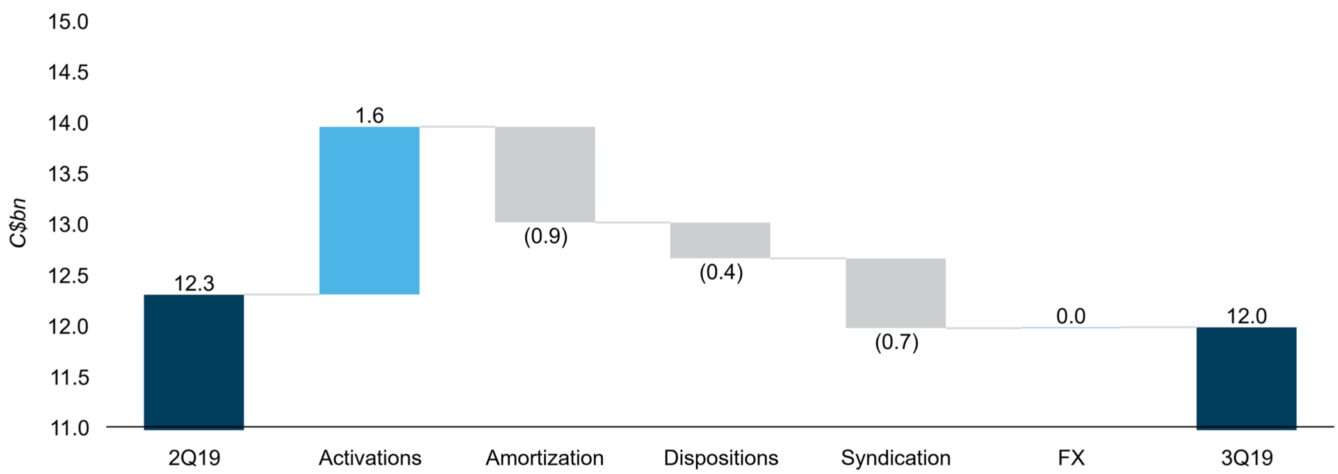
2.1 2Q19 → 3Q19 Core opex decrease

Core opex decreased $7.0 million quarter-over-quarter, led by a $3.9 million reduction in salary expenses, $0.9 million less G&A, and $2.4 million of savings from the transformation program. We made approximately $1.8 million of investments in growth in the quarter.



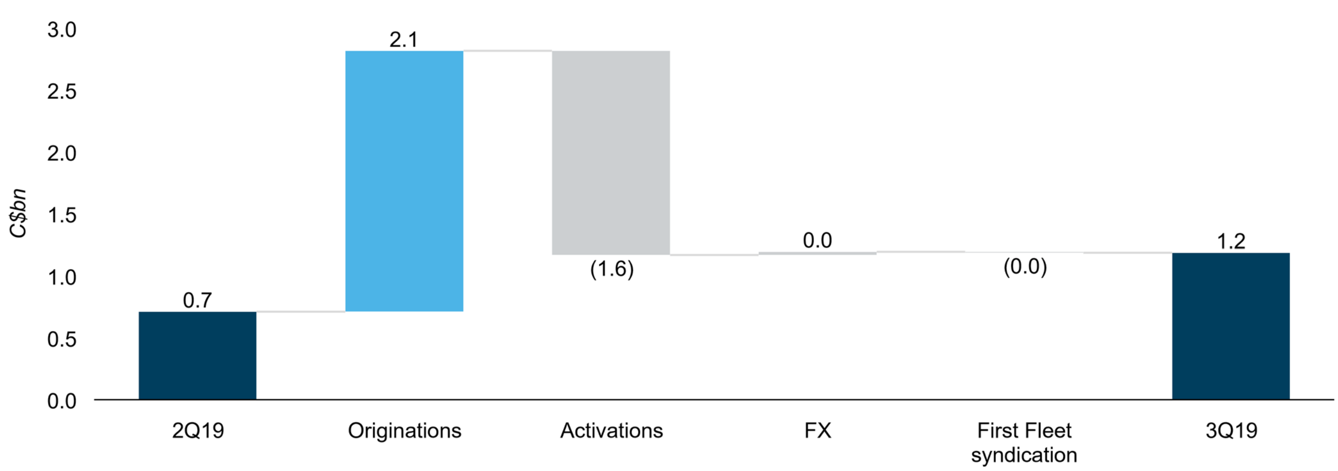
3.0 2Q19 → 3Q19 Core end-of-period earning assets

Core earning assets fell by $0.3 billion in Q3 2019 as syndication volumes of $0.7 billion offset a strong quarter of activations.



3.1 2Q19 → 3Q19 Core interim funded assets

Interim funded assets increased approximately $0.5 billion from Q2 2019 as originations from a large, rapidly growing client worked their way from OEMs and upfitters to the client.



Definitions

"Originations"	An origination occurs when Element pays a manufacturer for a vehicle.
"Activations"	An activation occurs when a vehicle is delivered to a client.
"Interim funded assets"	Interim funded assets are vehicles paid for by Element (“originated”) but not yet delivered to our clients (“activated”). The most common reason for a timing difference between origination and activation is client-required vehicle upfit.

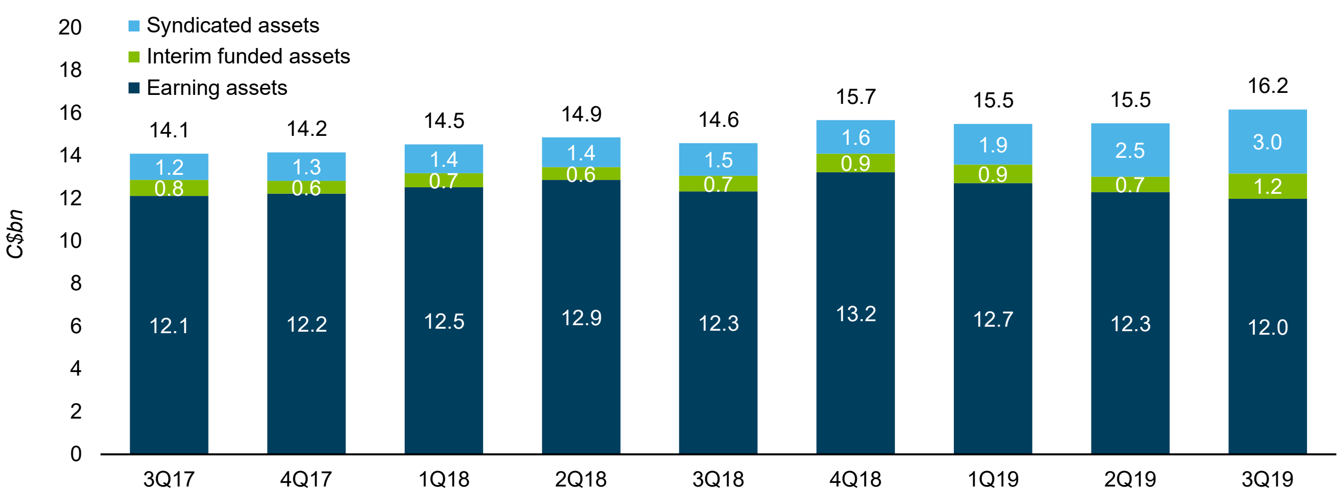
3.2 Core end-of-period fleet assets under management by geography

Strong organic growth in US + Canada and Mexico led to an increase in fleet assets under management in those geographies.

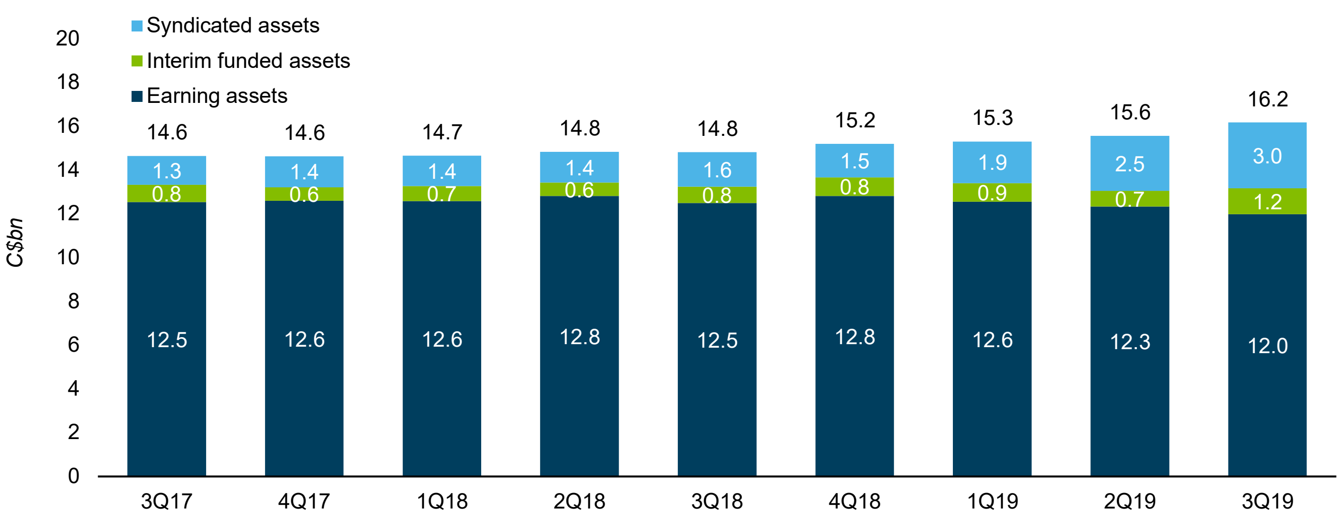
Local currencies, billions	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
US and Canada (USD)	9.9	9.8	9.7	9.8	9.7	9.9	9.9	10.1	10.5
Mexico (MXN)	5.0	6.2	6.2	6.9	7.4	9.4	9.9	10.8	11.9
Australia and New Zealand (AUD)	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.7	1.7

3.3 Core fleet assets under management

Core fleet assets under management increased to $16.2 billion in Q3 2019, driven by net growth in syndicated assets of $0.5 billion and interim funded assets of $0.5 billion. On a constant currency basis, core fleet assets under management increased by approximately $0.6 billion in the quarter; see section 3.4 below.

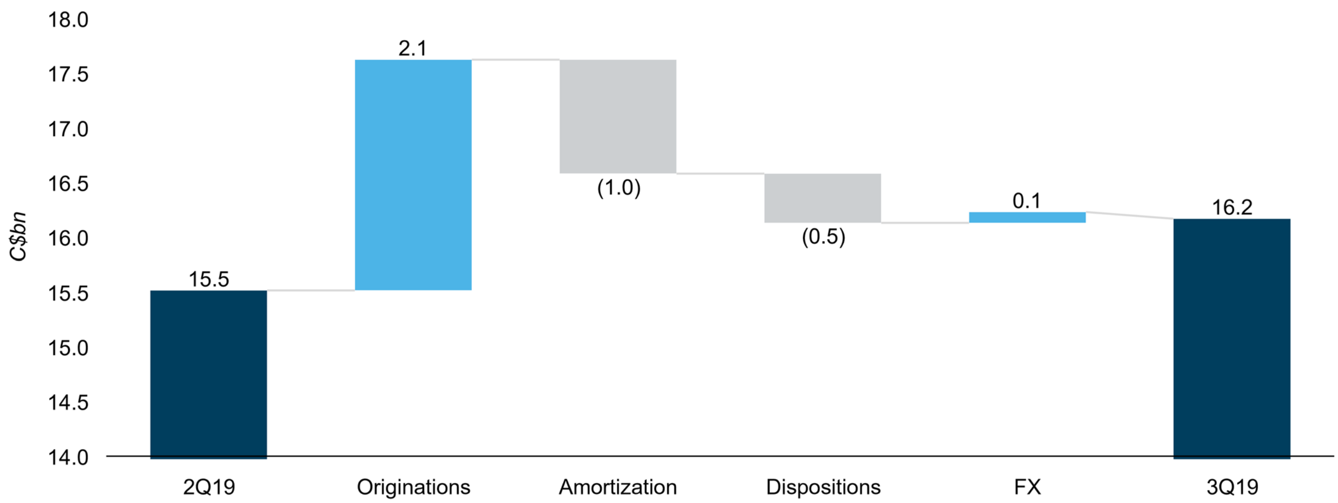


3.4 Core fleet assets under management (constant currency)



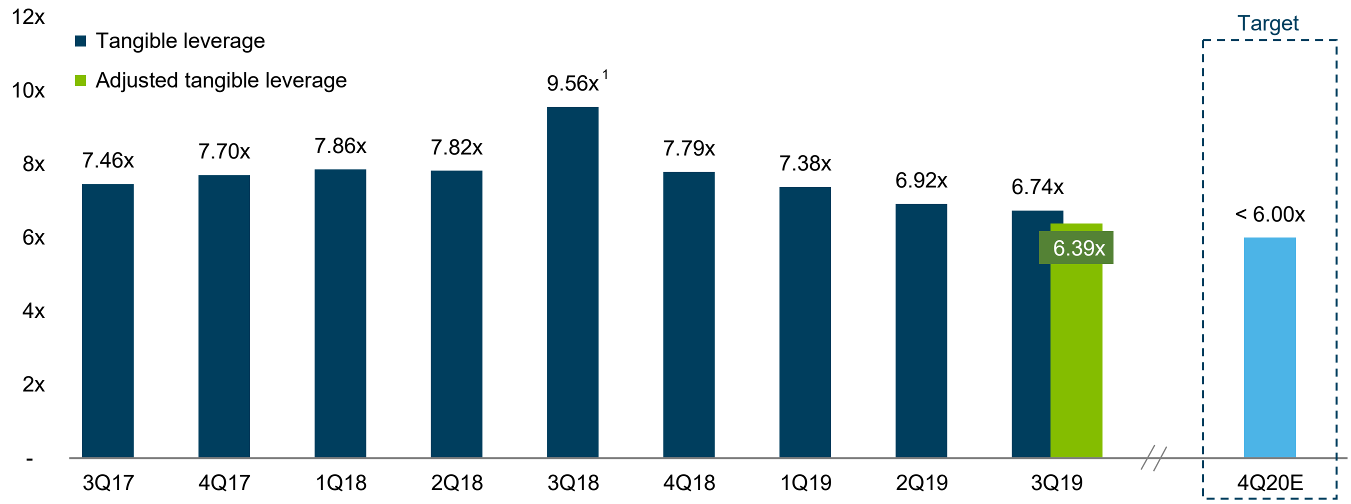
3.5 2Q19 → 3Q19 Core fleet assets under management

Strong originations of $2.1 billion were offset by amortization of approximately $1.0 billion and dispositions of approximately $0.5 billion, delivering an increase in core assets under management of $0.7 billion including FX.



4.0 Consolidated tangible leverage ratio

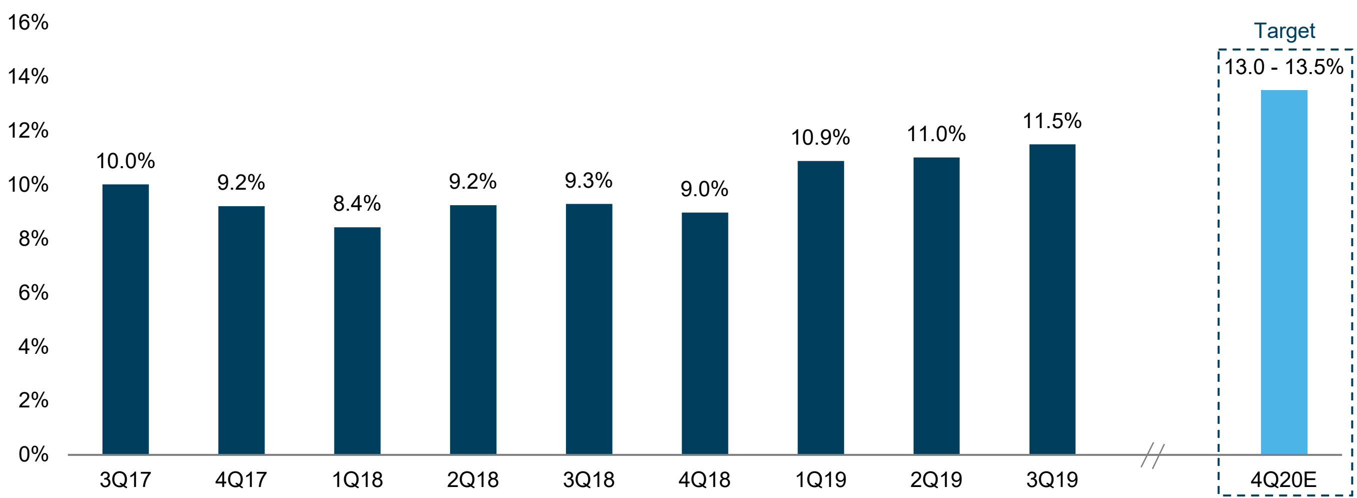
Our tangible leverage ratio decreased to 6.74 in Q3 2019. If our tangible leverage ratio were adjusted to exclude Element's non-recourse warehouse credit facility – which exclusively funds pre-syndication assets for one large, rapidly growing client – it would be 6.39 this quarter-end. We are targeting a tangible leverage ratio below 6.0 exiting 2020. We expect the path to our target will continue to be non-linear and fluctuate based on anticipated originations for one large, rapidly growing client.



1. Tangible leverage was reduced to 7.66x with the $345 million equity issuance announced October 1, 2018.

5.0 Return on equity

We are targeting ROE of 13.0 - 13.5% exiting 2020. Our return on equity increased 50 basis points in Q3 2019, largely due to the increase in quarter-over-quarter adjusted operating income.



Definition

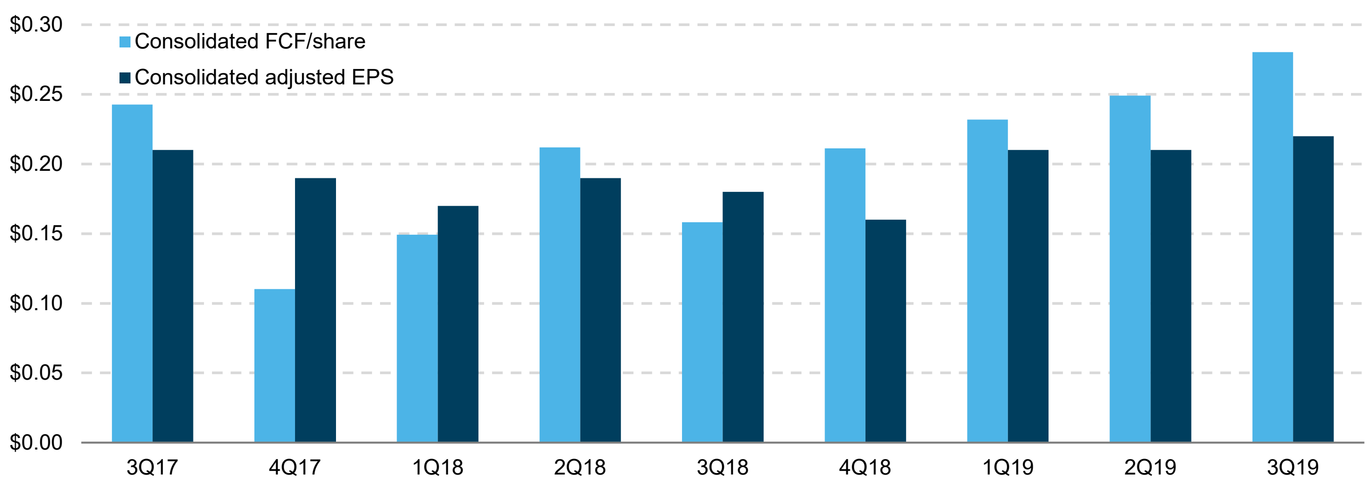
"Return on equity"	Annualized consolidated after-tax adjusted operating income for the quarter attributable to common shareholders, divided by average common equity of the current and immediately preceding quarter.

6.0 Consolidated free cash flow

C$mm (except free cash flow per common share)	3Q17	4Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19
Before-tax adjusted operating income	**116.4**	**102.7**	**466.6**	**90.0**	**102.6**	**98.1**	**96.5**	**387.1**	**122.0**	**126.0**	**127.6**
Add/(subtract) cash revenue/(expenses) and non-cash expenses/(revenue)	0.6	(18.2)	(34.2)	(3.9)	5.2	9.3	14.8	25.4	13.4	12.2	33.9
Cash from operations	**117.0**	**84.5**	**432.4**	**86.1**	**107.8**	**107.4**	**111.3**	**412.5**	**135.4**	**138.2**	**161.5**
Subtract required cash expenses:											
Sustaining capital investments	10.4	19.1	60.6	12.3	9.7	10.7	7.0	39.7	13.8	10.2	10.6
Preferred share dividends	11.1	11.1	41.4	11.1	11.1	11.1	11.1	44.3	11.2	11.2	11.1
Cash taxes paid	2.1	12.4	40.8	5.9	6.3	25.4	3.5	41.2	9.9	8.6	17.9
Free cash flow	**93.4**	**41.9**	**289.7**	**56.8**	**80.7**	**60.2**	**89.7**	**287.3**	**100.5**	**108.2**	**122.0**
As a % of before-tax adjusted operating income	*80%*	*41%*	*62%*	*63%*	*79%*	*61%*	*93%*	*74%*	*82%*	*86%*	*96%*
Weighted avg. number of common shares o/s *(mm)*	384.9	380.2	385.4	380.4	380.5	380.6	424.8	391.6	433.6	434.7	435.1
Free cash flow per common share	**0.24**	**0.11**	**0.75**	**0.15**	**0.21**	**0.16**	**0.21**	**0.73**	**0.23**	**0.25**	**0.28**

6.1 Consolidated free cash flow and adjusted operating income per share

Consolidated free cash flow per share increased 75% from Q3 2018 to Q3 2019, while adjusted EPS increased 22% over the same period.



7.0 Value of consolidated tax assets

The value of tax assets at the end of Q3 2019 was $341 million, equating to $0.78 per common share. The increase from Q2 2019 is primarily driven by the decline in the depreciation tax shield due to syndication.

C$mm (except tax asset value per common share)	FY17	FY18	1Q19	2Q19	3Q19
Gross non-capital tax losses	3,531.1	4,043.3	3,789.9	3,871.6	3,816.5
Value of tax losses at statutory tax rate[1]	955.9	1,043.0	1,009.6	1,004.7	990.4
Value of depreciation tax shield	(818.0)	(701.8)	(732.6)	(687.7)	(620.5)
Value of other tax assets	9.4	24.6	73.8	10.4	(28.8)
Value of tax assets	**147.3**	**365.7**	**350.8**	**327.4**	**341.1**
Weighted average number of common shares o/s (*mm*)	385.4	391.7	433.6	434.7	435.1
Tax asset value per common share	**0.38**	**0.93**	**0.81**	**0.75**	**0.78**

1. Statutory tax rate of 26.6% in FY 2017, FY 2018 and Q1 2019; statutory tax rate of 25.9% in Q2 2019 and Q3 2019.

Balanced Scorecard

BALANCED SCORECARD

8.0 Global BSC dashboard

We are outperforming on most metrics on our Global Balanced Scorecard, indicating healthy performance across our organization.