



Q4 and 2023 Investor Presentation

Element Fleet Management (TSX: EFN)



Forward-looking statements and disclaimer

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

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An investment in the securities of Element involves significant risks. A discussion of some of the material risks affecting Element and its business appears under the heading "Risk Factors" in Element's Annual Information Form dated on February 27, 2024, and under the headings "Risk Management" and "Critical Accounting Policies and Estimates" in Element's Management Discussion and Analysis for the three- and twelve-month period ended December 31, 2023, all of which have or will have been filed on SEDAR and can be accessed at Element's profile on www.sedarplus.ca. Prospective investors should carefully consider the risks associated with an investment in the securities of Element before deciding to purchase any such securities.

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

Non-IFRS Measures

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

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Full Year 2023 Highlights

Executing on our growth strategy

1. Record net **revenue of \$1.3 billion** driving record operating margins, adjusted earnings, and free cash flow per share.
2. Strong performance driven by a **36% increase in originations**, continued commercial success in converting self-managed fleets, increasing share of wallet, and earning share from competitors.
3. Delivered adjusted operating **margin expansion of 110 bps** in 2023 while strategically reinvesting in the business and people to support future growth.
4. Q4 and 2023 reported results impacted by \$14.6 million and \$18.5 million, respectively, in **one-time strategic costs** in connection with these previously announced initiatives.
5. Leasing and strategic sourcing **initiatives remain on track** to be operational by mid-2024.
6. **Adopting U.S. dollar reporting** as the presentation currency beginning in Q1 2024.
7. **Digitization and automation** initiatives hold immense potential, with a clear focus on enhancing the client experience and driving operational efficiencies.

Building on our success with a client-centric approach while taking actions to position Element for a dynamic and sustainable future

FULL YEAR 2023 HIGHLIGHTS

Achieved all 2023 guidance targets

Key metrics \$ million, except per share)	FY 2023 Results ¹	FY 2023 Guidance	Achieved
Net revenue	\$1,294	\$1,240 – 1,260	✓
Adjusted Operating margin	55.3%	54.0% – 55.0%	✓
Adjusted operating income	\$715.8	\$675 – 700	✓
Adjusted EPS [basic]	\$1.32	\$1.26 – 1.31	✓
Adjusted free cash flow per share	\$1.67	\$1.58 – 1.63	✓
Originations ²	\$8,551	\$7,600 – 8,100	✓

Dividend growth

+ 20% to \$0.48/per share (announced Q3 2023)



1. Considered to be a non-GAAP financial that does not have a standardized meaning under IFRS and may not be comparable to similarly-named or any other non-GAAP measures presented by other organizations. Descriptions of the non-GAAP measures presented in this document can be found in Element's Management Discussion & Analysis that accompanies the financial statements for the most recent year ended December 31, 2023, which have been filed on SEDAR (www.sedarplus.ca).
2. Excludes Armada.

FULL YEAR 2023 HIGHLIGHTS

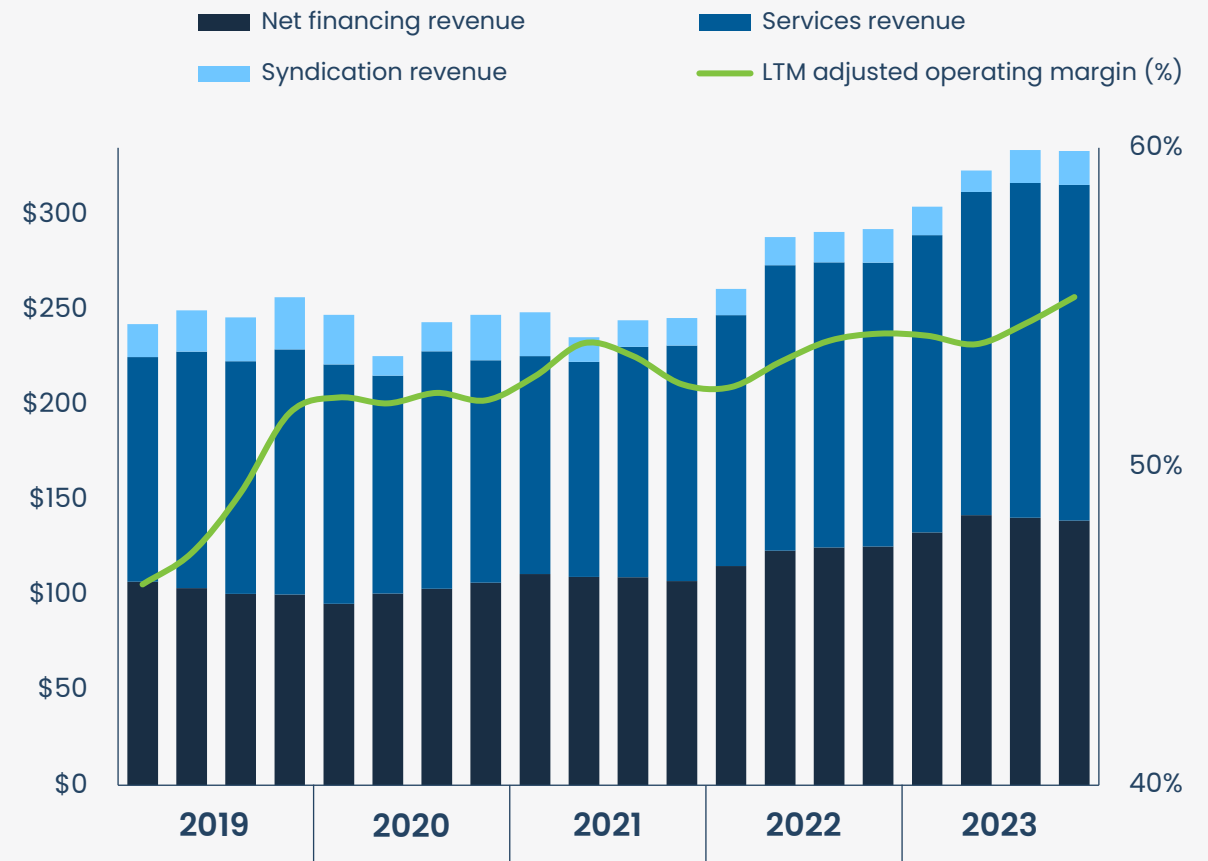
Profitable net revenue growth, fueled by...

- Our focus on growing capital light services revenue.
- Our ambitious growth plans.
- Leveraging our deep OEM relationships and service-supplier networks, which are two key competitive advantages – as we continue to expand and improve on them in preparation for fleet electrification.
- Ongoing investments in our people, processes and strategic initiatives to improve the client experience.
- Digitization and automation initiatives.

We are growing net revenue and reliably delivering solid adjusted operating margin.



Net revenue streams, and adjusted operating margin

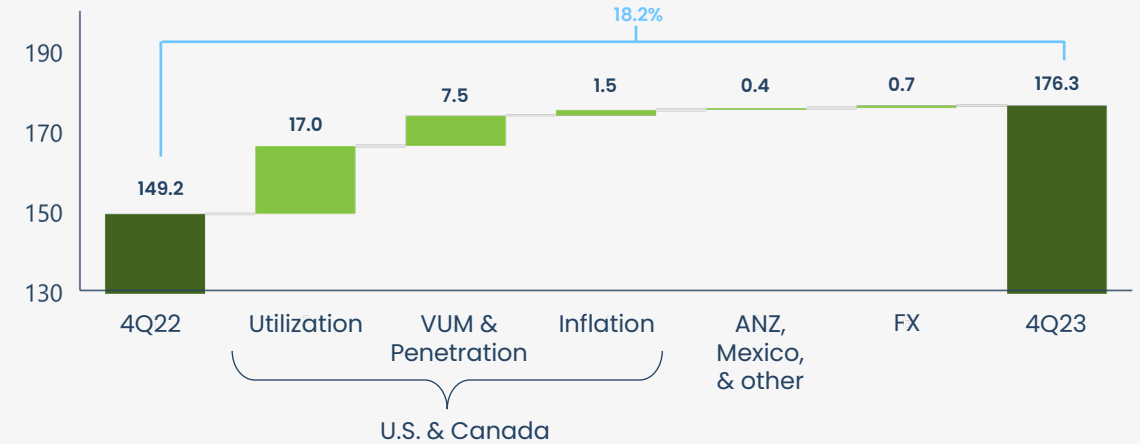


FULL YEAR 2023 HIGHLIGHTS

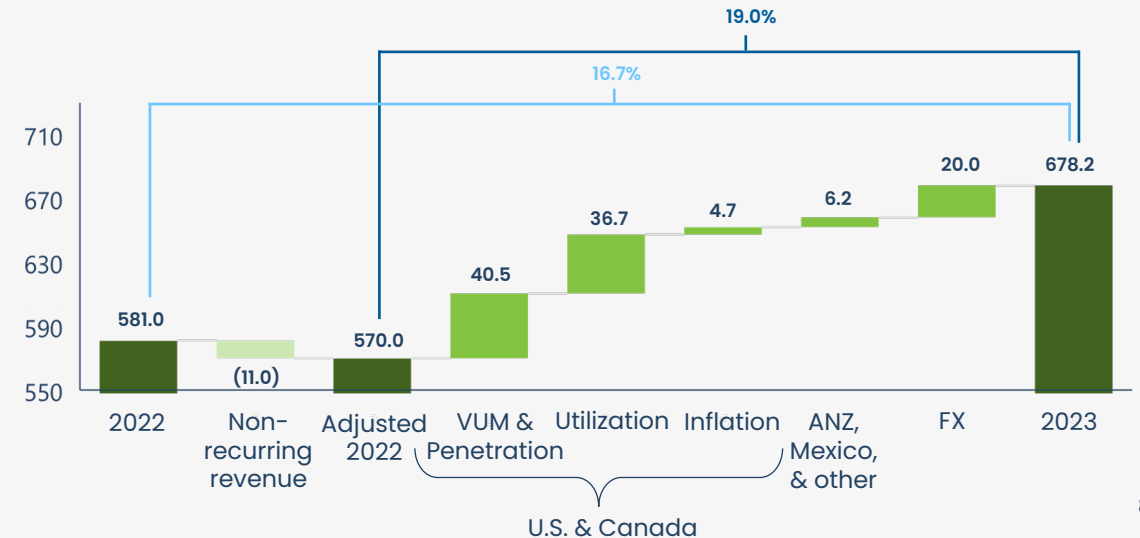
Share of wallet expansion...

- **Increased penetration** – providing more financing and/or services to more of our existing clients' vehicles – deepens our value proposition (by further lowering Total Cost of Fleet Operations ('TCO') and reducing fleet-related administrative burden) and increases client retention.
- **Increasing utilization** is a key driver of share of wallet growth, as 2/3rds of services revenue is vehicle usage-based; the remaining 1/3rd is recurring subscription fee-based. We offer clients insights to improve service utilization, which benefits clients' TCO.

4Q22 -> 4Q23 services revenue



2022 -> 2023 services revenue



FULL YEAR 2023 HIGHLIGHTS

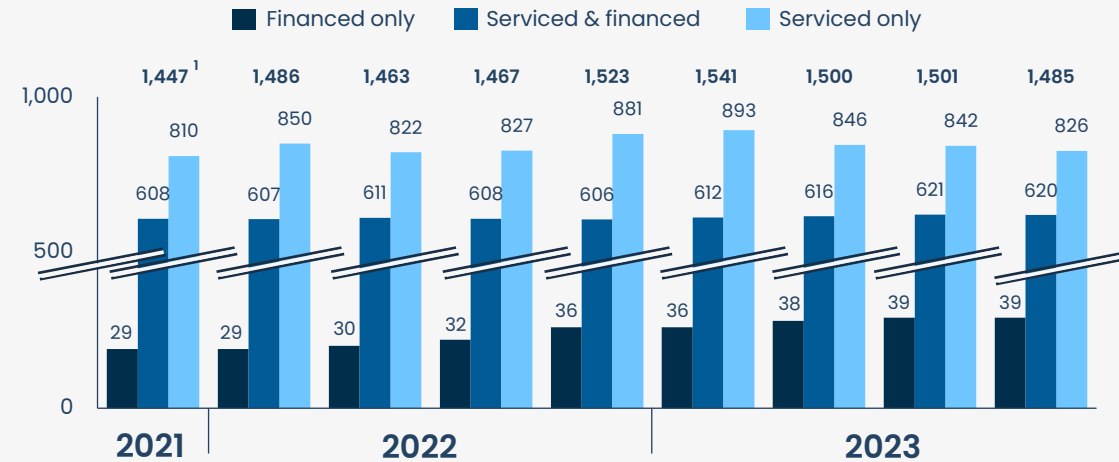
...across our global fleet

Over the long term, Element drives growth in vehicles under management ('VUM') through:

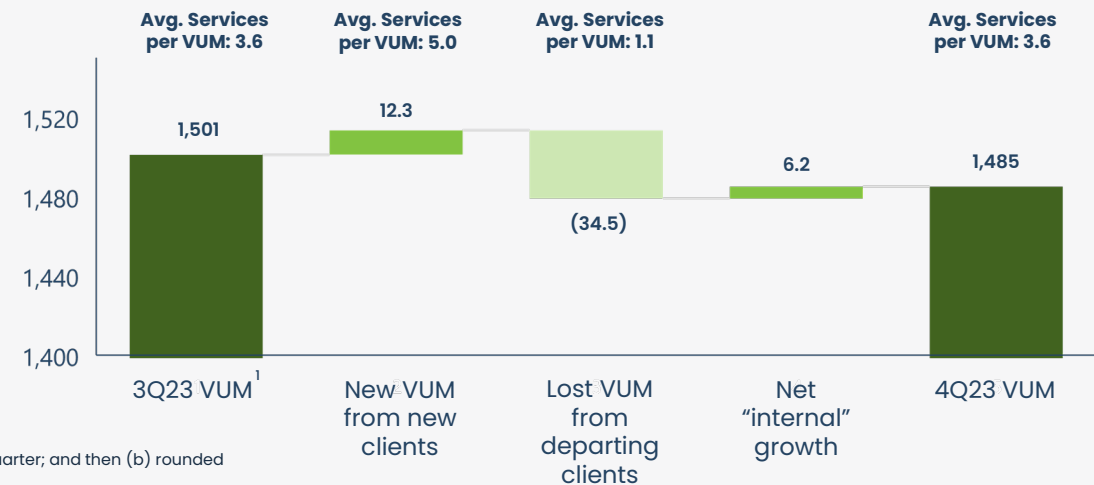
- high client revenue retention;
- 'Internal' growth: earning incremental business from clients whose fleet needs are increasing;
- New clients: earning market share, converting self-managed fleets, and winning government and 'mega' fleets.

The majority of the decline in VUM from 2Q23 through 4Q23 was due to our ending the provision of white-label services to competitors. These were largely low margin and one service only VUM which contributed immaterially to our financial results.

Global VUM (in thousands)



3Q23 -> 4Q23 VUM



1. VUM counts are end-of-period, calculated as (a) the VUM counts on the last day of the quarter; and then (b) rounded to the nearest thousand vehicles.
2. We released approximately 73,800 VUM in 2Q23, 68,000 VUM in 3Q23 and 33,000 VUM in 4Q23 (in aggregate 174,800 VUM) in relation to our move to end the provision of white-label services to competitors.

FULL YEAR 2023 HIGHLIGHTS

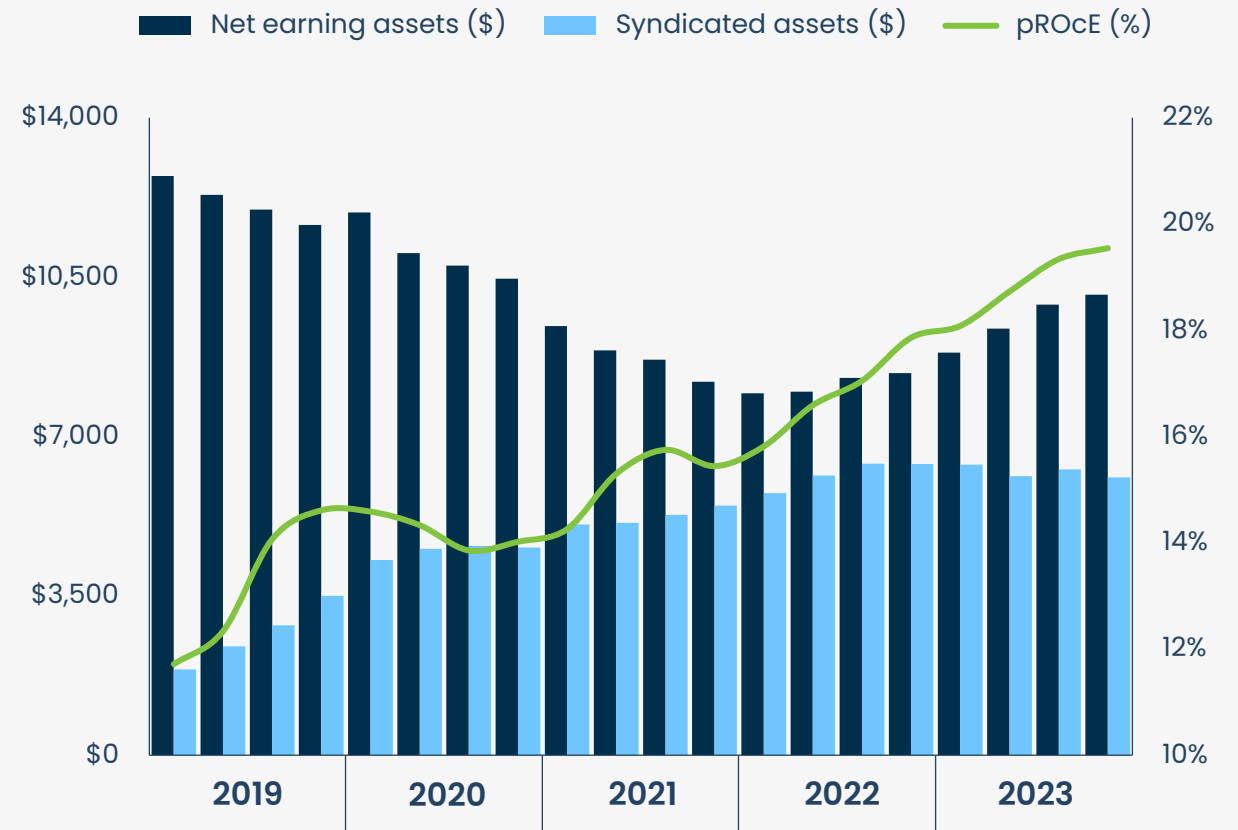
A capital-lighter business model

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

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



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



FULL YEAR 2023 HIGHLIGHTS

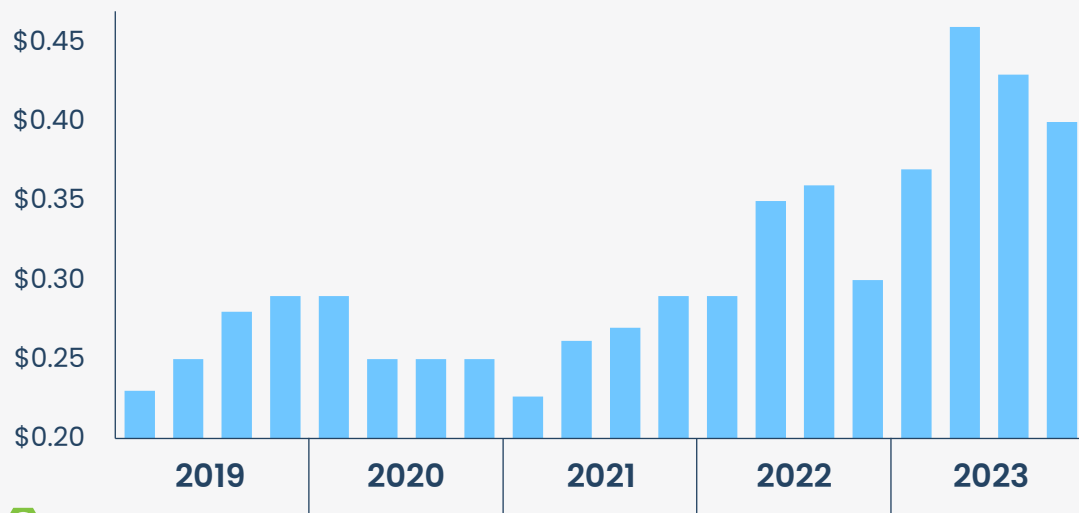
Growing adjusted FCF per share and returning capital

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

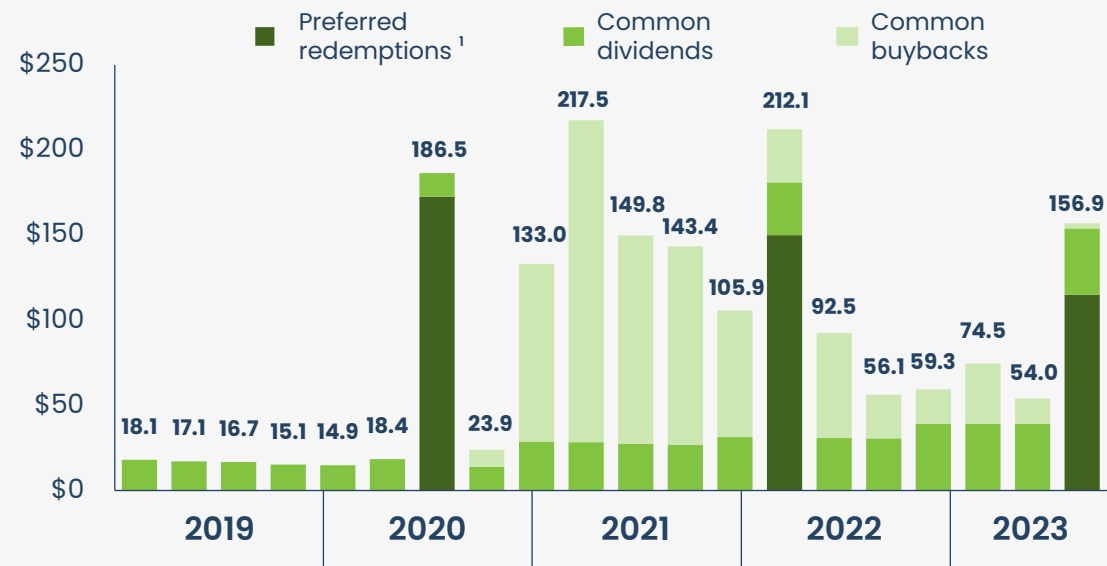
We allocate capital to these return 'levers' based on:

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

Growing adjusted free cash flow per share



\$1.8 billion in return of capital



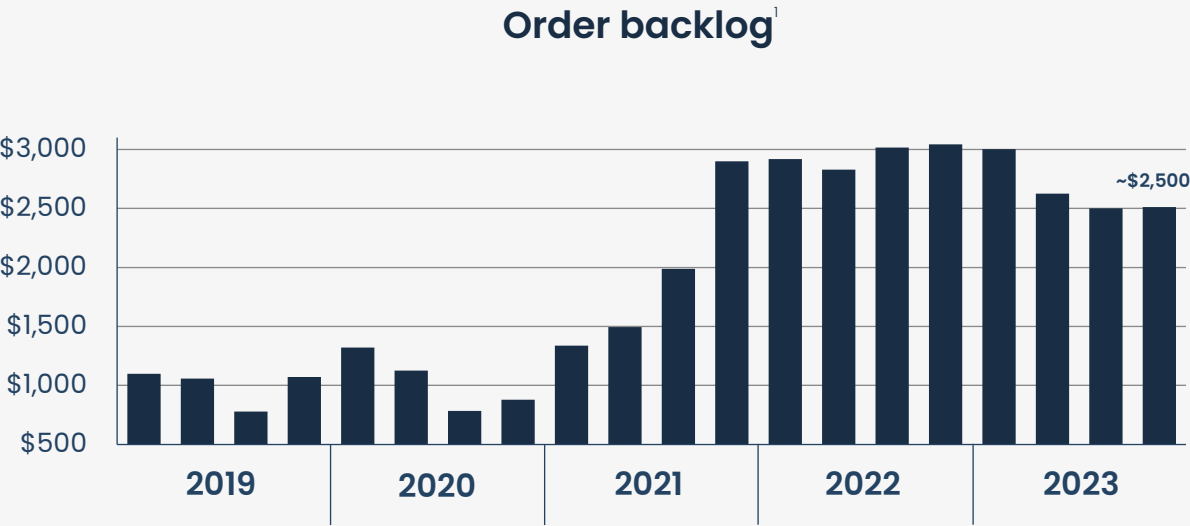
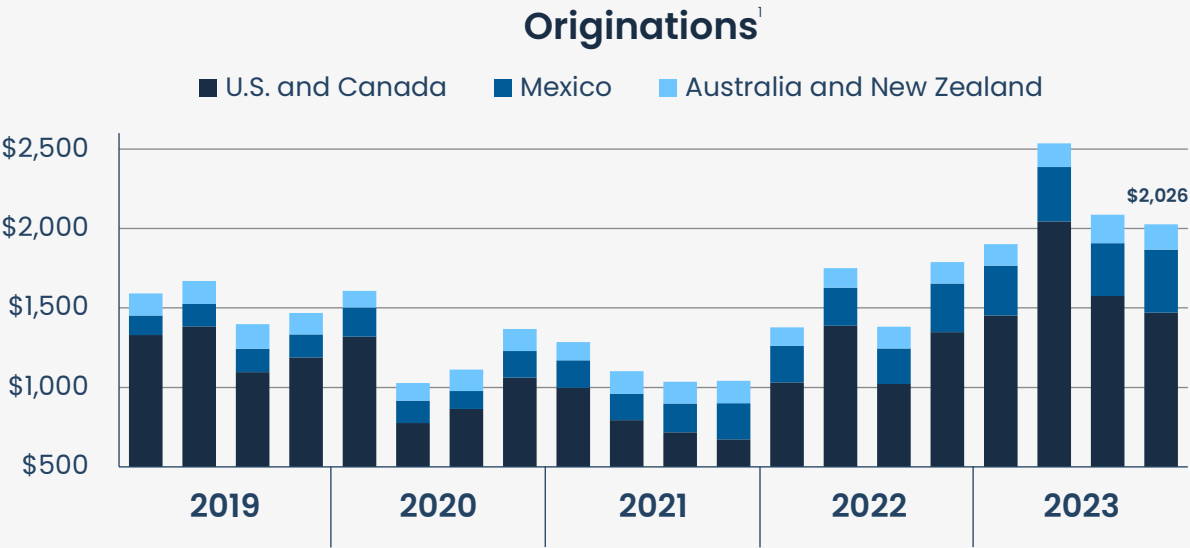
¹ We redeemed our issued and outstanding Series A preferred shares on December 28, 2023 (\$115 million). We intend to allow our currently outstanding convertible debentures convert at their conversion price per share of \$11.77, resulting in the issuance of 14.6 million new common shares.

FULL YEAR 2023 HIGHLIGHTS

OEM production

- As forecast, automotive OEM production volumes continue to improve.
- Q4 and 2023 originations¹ improved substantially year-over-year.
- Strong originations in the quarter reduced our global order backlog to \$2.5 billion as of December 31, 2023.
- Any impacts to orders and originations represent deferred, not lost, revenue.

1. Excluding Armada.



Looking Ahead

LOOKING AHEAD

2024 guidance

Full-year 2024 results guidance¹

<i>\$ millions except per common share</i>	<u>\$CAD</u>	<u>\$USD²</u>
Net revenue	\$1,365 – 1,390	\$1,020 – 1,040
Adjusted operating margin	55.0% – 55.5%	55.0% – 55.5%
Adjusted operating income	\$750 – 770	\$560 – 575
Adjusted EPS [basic]	\$1.41 – 1.46	\$1.05 – 1.09
Adjusted free cash flow per share	\$1.75 – 1.80	\$1.31 – 1.34
Originations ³	\$9,500 – 10,000	\$7,000 – 7,400

1. Excluding the impact of non-recurring setup costs related to strategic initiatives.

2. Based on a USD:CAD exchange rate of 1.34.

3. Excludes Armada.

LOOKING AHEAD

Laying the foundation for future growth – Leasing & Strategic Sourcing Initiatives

- **Centralizing accountability for U.S. and Canadian leasing in Dublin, Ireland**
 - Enhance our consistent, superior client leasing experience
- **Establishing a strategic sourcing presence in Asia**
 - Broaden and deepen relationships with Asian OEMs/improve clients' access to new vehicles
- **Both initiatives remain on track to be operational by mid-2024.**
- **\$40–60M run-rate net revenue, \$30–50M run-rate AOI by '28; cash flow positive¹ in '25**
- **~\$30M non-recurring setup costs in '23–'24; ~2.5-year payback period**
(**\$18.5 million of such costs already recorded in 2023**)

1. Excluding non-recurring setup costs.



LOOKING AHEAD

Laying the foundation for future growth – Digitization and Automation

- Client-centric and focused on enhancing the client experience
- Strengthening our digital foundation to support ambitious growth plans and answering the call for greater data-driven insights
- Early in the process, Chief Information Officer and Chief Digital Officer added in late 2023
- Focused on meeting client needs with investments directed toward cloud-based solutions, automating manual and repetitive tasks, and developing more intuitive and easier-to-use mobile technologies



Retaining our clients

98% client revenue retention.



Growing share of wallet

Selling more services and financing to existing clients and increasing utilization of our services.



Earning market share

Leverage our superior value proposition to earn market share from competitors.



Converting self-managed fleets into Element clients

More than half of commercial vehicles across our geographies are self-managed. Commercial success momentum driving meaningful revenue growth.



Winning government & 'mega' fleets

Typically requires a longer sales cycle.

LOOKING AHEAD

Revenue growth levers

LOOKING AHEAD

Favourable market dynamics supporting conversion of self-managed fleets



Growing complexity

The need to simplify the complexities of managing large fleets to lower total cost of fleet ownership



Fleet electrification

Transition to EV fueled by corporate decarbonization goals and gov't incentives. EV expertise required



Data-driven insights

Element leverages its access to advanced analytics, telematics, and driver behaviour for strategic advantage and enhanced decision-making



Incumbent scale advantage

Element has 1.5 million vehicles under management, unrivaled purchasing power, strategic advisory capabilities and access to a network of 60,000 suppliers

LOOKING AHEAD

Ample opportunity

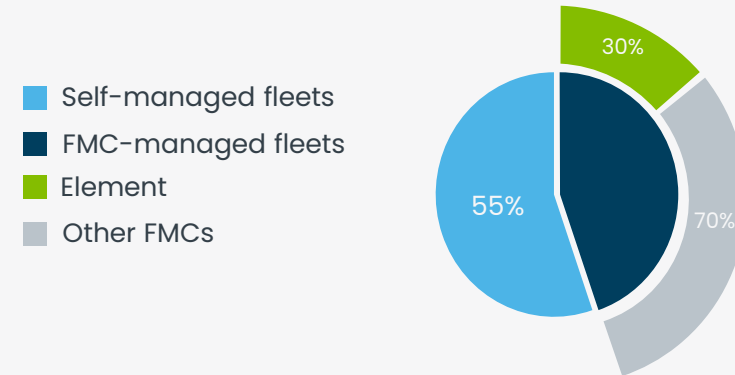
Approximately 67% of our 2023 net revenue was earned in the U.S. and Canada.

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

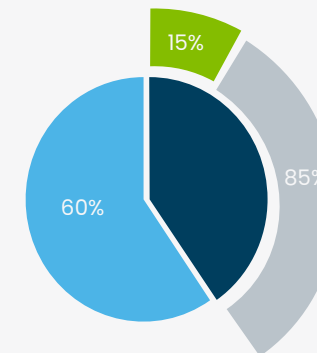
Similarly, we estimate the addressable markets in ANZ and Mexico to represent approximately \$3.3 billion and \$3.6 billion of annual net revenue opportunity, respectively, with 60% and 65% of those markets (respectively) being self-managed.

Digitization and automation enable further operational efficiencies.

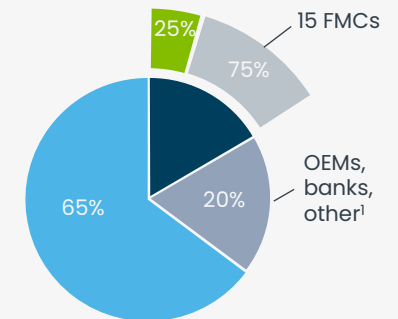
U.S. & Canada



Australia & New Zealand



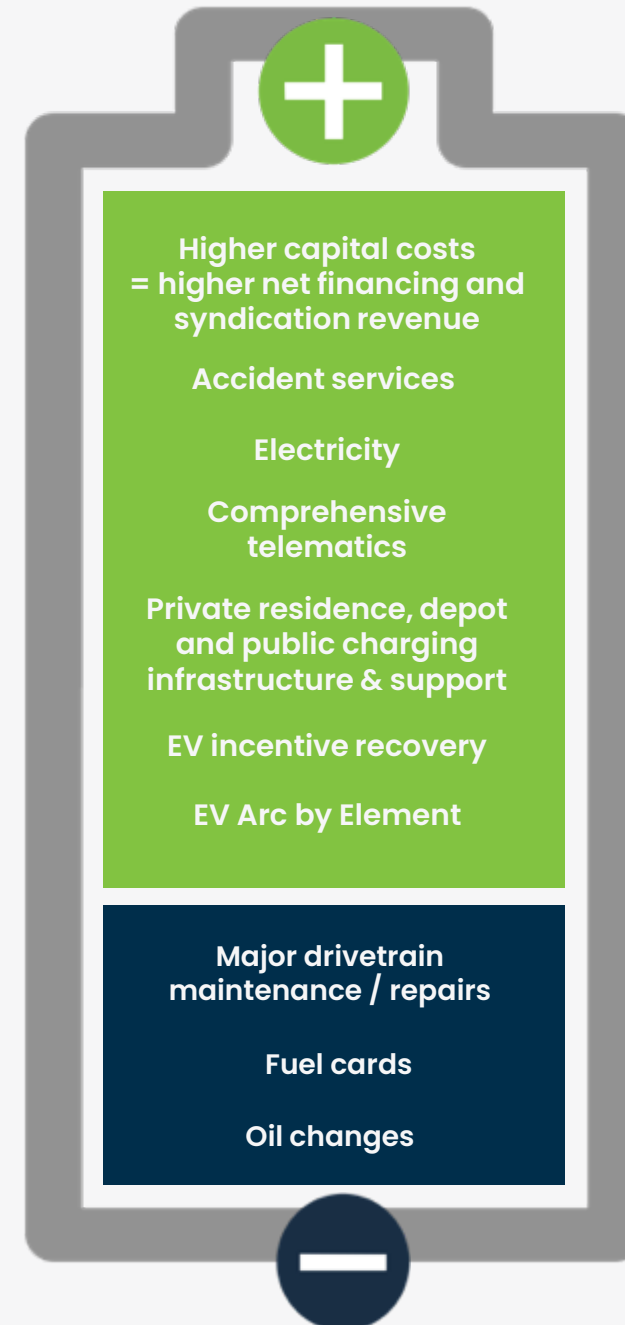
Mexico



LOOKING AHEAD

The economics of transitioning from ICE to EV

- The transition is expected to be **net revenue positive**, with near-term economic benefits driven primarily by:
 - Increased net financing due to higher vehicle prices and opportunities to finance charging infrastructure.
 - Increased maintenance and collision due to higher parts and repair costs.
- As adoption and implementation progress, new EV-related services revenue opportunities and connected solutions will become more entrenched and are expected to make up for lost fuel and ICE related maintenance revenues.
 - Furthermore, we expect the reduction in commercial vehicle maintenance to be less pronounced than in consumer segments.



LOOKING AHEAD

Low risk, resilient, client-centric business model

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

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



Sustainability

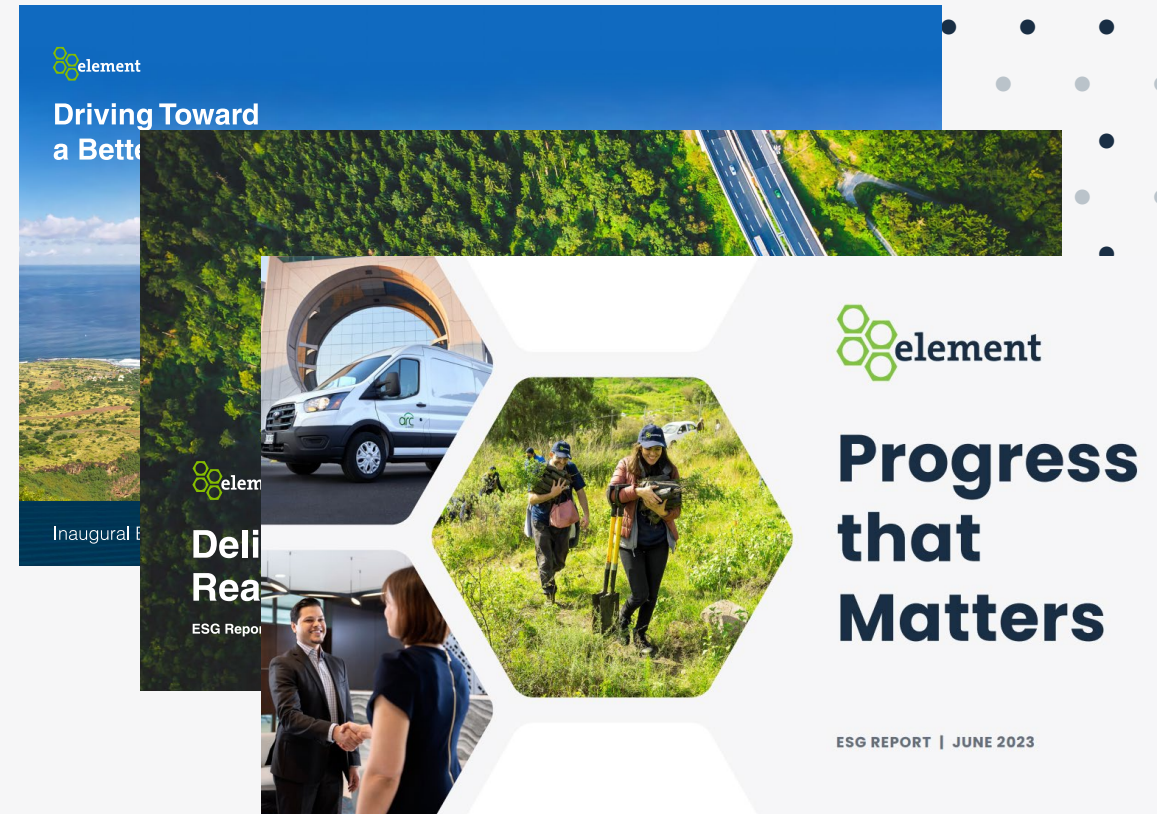
SUSTAINABILITY

Sustainability highlights

Governance: We are ranked among the top 8% of companies (in the S&P/TSX Composite Index) in the Globe & Mail's 2023 annual "Board Games" rankings.

Social:

- Diversity, Equity, Inclusion & Belonging – We achieved compensation parity globally and surpassed our promotion targets for women and race and/or ethnicity groups in 2023;
- Supplier Diversity Program – designed to create opportunities for diverse suppliers who meet our business, procurement and contractual criteria, as well as support our clients in achieving their own supplier diversity goals;
 - We have over 4,800 diverse suppliers in our service networks including women, minority, LGBT, disability and veteran-owned businesses.



Corporate sustainability priorities are accelerating fleet decarbonization efforts.

SUSTAINABILITY

Commitments and Achievements

- Transition 350,000 client vehicles into EVs by 2030 through *Arc by Element*, our global “wing-to-wing” Electric Vehicle solution tailored to availability and infrastructure in each geography we serve;
- Electrify our global internal fleet by the end of 2025 (New Zealand is 100% electric);
- Signatory of the United Nations Global Compact;
- Recipient of the EcoVadis silver medal, top 25% of companies
- Member of the Ceres Corporate Electric Vehicle Alliance and the Accelerate: Canada’s Zero Emission Vehicle Supply Chain Alliance; and
- Scored a “B”, which is above the industry average for our annual CDP climate change assessment.

Making significant strides in reducing Scope 1 and Scope 2 greenhouse gas (GHG) emissions



