Element Fleet Management Corp.

Management Discussion and Analysis

December 31, 2023

The following management discussion and analysis ("MD&A") dated February 27, 2024, 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, 2023. 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, 2023 and the Company's latest annual information form (AIF) both filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and are incorporated by reference herein. All dollar amounts in this MD&A are expressed in Canadian 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.sedar.com and on the Company's website at www.elementfleet.com.

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 27, 2024. 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, 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; ACCEPTABLE NEGOTIATIONS WITH THIRD PARTIES; THE CONTINUANCE OF EXISTING (AND IN CERTAIN CIRCUMSTANCES, THE IMPLEMENTATION OF PROPOSED) TAX AND REGULATORY REGIMES; CERTAIN COST ASSUMPTIONS; THE CONTINUED AVAILABILITY OF ADEQUATE DEBT AND/OR EQUITY FINANCING AND CASH FLOW TO FUND ITS CAPITAL AND OPERATING REQUIREMENTS AS NEEDED; 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, FINANCIAL RATIOS, PROJECTED ASSET BASE AND CAPITAL STRUCTURE; 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 PRESENT INTENTION TO PAY REGULAR DIVIDENDS ON ITS COMMON SHARES AND PREFERRED SHARES; 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 THE OBJECTIVES, VISION AND STRATEGIES OF ELEMENT; ELEMENT'S OPERATIONS AND ABILITY TO DRIVE OPERATIONAL EFFICIENCIES; ELEMENT'S 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 STRATEGIC ASSESSMENT OF CURRENT AND FUTURE ASSETS; 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; ELEMENT'S FUTURE ASSETS AND THE 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 EXPECTATIONS AND ABILITY TO REDEEM ITS PREFERRED SHARES; 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; AND ELEMENT'S ABILITY TO PRE-FUND REDEMPTION OF ITS OUTSTANDING CONVERTIBLE DEBENTURES UPON THEIR MATURITY, IF REQUIRED. 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, 2022. 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 $000's for stated values, except per share amounts)	For the year ended				
	December 31, 2023	December 31, 2022	December 31, 2021	**2023 vs 2022**	2022 vs 2021
	$	$	$	**$**	$
Reported results					
Servicing income, net	**678,236**	581,018	472,465	**97,218**	108,553
Net financing revenue	**554,427**	488,741	436,945	**65,686**	51,796
Syndication revenue, net	**61,493**	62,290	64,412	**(797)**	(2,122)
Net revenue	**1,294,156**	1,132,049	973,822	**162,107**	158,227
Operating expenses	**650,144**	542,667	489,522	**107,477**	53,145
Operating income[1]	**644,012**	589,382	484,300	**54,630**	105,082
Operating margin[2]	**49.8 %**	52.1 %	49.7 %	**(2.3)%**	2.4 %
Total expenses	**688,498**	582,496	516,146	**106,002**	66,350
Income before income taxes	**605,658**	549,553	457,676	**56,105**	91,877
Net Income	**466,197**	409,643	356,006	**56,554**	53,637
Earnings per share (EPS) - basic	**1.13**	0.96	0.76	**0.17**	0.20
Earnings per share (EPS) - diluted	**1.11**	0.94	0.75	**0.17**	0.19
Adjusted results[4]					
Servicing income, net	**678,236**	570,018	472,465	**108,218**	97,553
Net financing revenue	**554,427**	479,741	436,945	**74,686**	42,796
Syndication revenue, net	**61,493**	57,290	64,412	**4,203**	(7,122)
Adjusted net revenue	**1,294,156**	1,107,049	973,822	**187,107**	133,227
Adjusted operating expenses[3]	**578,351**	507,533	461,822	**70,818**	45,711
Adjusted operating income (AOI)[1]	**715,805**	599,516	512,000	**116,289**	87,516
Adjusted operating margin[2]	**55.3 %**	54.2 %	52.6 %	**1.1 %**	1.6 %
Adjusted net income	**540,433**	446,639	387,686	**93,794**	58,953
Adjusted EPS [basic]	**1.32**	1.05	0.84	**0.27**	0.21
Adjusted EPS [diluted]	**1.29**	1.03	0.82	**0.26**	0.21
Other highlights					
Originations (excluding Armada)[4]	**8,551,355**	6,298,688	4,462,842	**2,252,667**	1,835,846
Vehicles under management (VUM)[4] - end of period	**1,485**	1,523	1,447	**(38)**	76
Adjusted free cash flow per share[4]	**1.67**	1.31	1.05	**0.36**	0.26
Weighted average common shares outstanding - basic	**390,297**	396,907	423,070	**(6,610)**	(26,163)
Weighted average common shares outstanding - diluted	**405,242**	413,335	439,488	**(8,093)**	(26,153)
Dividends declared per common share	**0.420000**	0.332500	0.272500	**0.087500**	0.060000
Return on equity (ROE)	**12.5 %**	11.9 %	10.4 %	**0.6 %**	1.5 %

[1] Calculated as net revenue less operating expenses.
[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, client orders, originations and VUM to assess its businesses and to measure performance. To arrive at adjusted results, the Company adjusts reported results for "adjusting items".

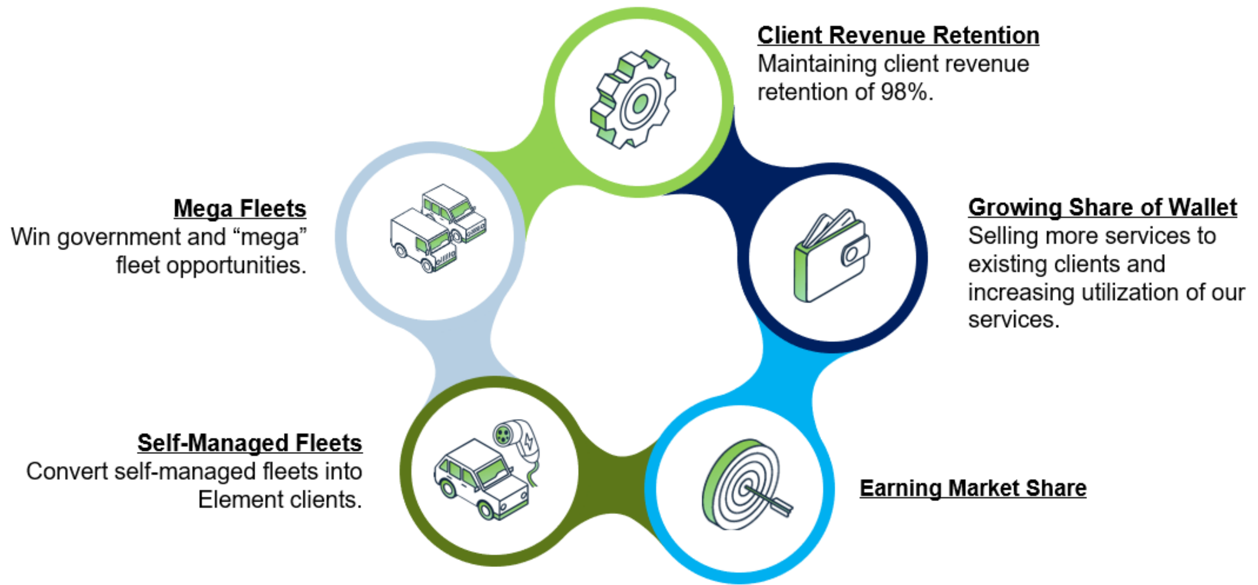
Company Overview

Element Fleet Management Corp. is the largest publicly traded, pure-play automotive fleet manager in the world. We provide business to business services and financing to corporations, governments and not for profits that operate sizeable fleets of mission-critical vehicles.

Our objective is to enhance the safety, efficiency and productivity of these vehicles and their drivers. Through our comprehensive range of services and financing options, we strive to ensure that our clients fleets operate at their optimal performance, whether its vehicle acquisition, maintenance, repair and remarketing, our expertise and industry leading ways enable us to provide tailored solutions that meet our clients' unique needs.

Element has approximately 1.5 million client vehicles under management and we are one of the market leaders everywhere we operate: the U.S., Canada, Mexico, and Australia and New Zealand (ANZ).

We utilize various revenue levers to deliver revenue growth. These include:



Achievements and Initiatives in the Period

Strategic initiatives update

As previously disclosed, Element plans to optimize its business further by centralizing accountability for its U.S. and Canadian leasing operations, establishing a strategic sourcing presence in Asia, and prioritizing digitization and automation initiatives to enable future growth and drive operational efficiencies. Our leasing and strategic sourcing initiatives remain on track to be operational by mid-2024. We continue to expect these initiatives to generate between $40 million and $60 million of run-rate net revenue and $30 million and $50 million of run-rate adjusted operating income ("AOI") by 2028. The above initiatives require approximately $30 million in non-recurring setup costs, $18.5 million have already been incurred in 2023. The vast majority of the remaining non-recurring setup costs are expected to be incurred evenly over the next two quarters.

Centralizing accountability for U.S. and Canadian leasing

Centralizing accountability for U.S. and Canadian leasing involves consolidating leasing functions under a single Element executive, at a new office in Dublin, Ireland. This initiative will bring together multiple lease related functions that are currently spread across our U.S. and Canadian operations. This move will elevate our clients' leasing experience, drive innovation, optimize operations, improve pricing discipline, and ultimately increase profitable net revenue growth. By consolidating leasing activities, we can optimize processes, reduce costs, and maximize the value of our leasing portfolio.

Chris Gittens (who has previously led our Canadian business, our Strategic Relationships business focused on 'mega' fleets, and - most recently - was our Chief Information Officer), and several other existing Element executives will be moving to our new office in Dublin to oversee the operation. We are also focused on adding several key local executive talent. They will bring fresh ideas and specialized leasing expertise, further strengthening our leadership team in Ireland.

Establishing a strategic sourcing and relationship management presence in Asia

We are also progressing toward enhancing our global procurement capabilities and forging new strategic sourcing relationships in Asia. We have successfully registered our company name, a key milestone that formally establishes our presence in the region. We will be adding a key executive who will bring with them a wealth of knowledge and expertise about the region.

Prioritizing digitization and automation

Our greatest opportunities lie in accelerating digital and automation initiatives, which we believe will provide an enhanced client experience, drive operating efficiencies, expand existing client relationships to include greater penetration of capital light services revenue, and position us to help clients thrive in the ever-evolving mobility, and vehicle connectivity landscape. We are in the early stages of a journey to redefine our digital capabilities by executing a robust and carefully crafted technology roadmap in order to better support our growth ambitions by allowing us to scale operations more quickly and to provide an enhanced client experience. In terms of infrastructure, we are modernizing our IT systems, including a shift to more cloud-based solutions. We are also working to enhance our mobile technologies to make them more intuitive and user-friendly. At the same time, we are investing in an advanced digital user experience to provide a more seamless experience for our clients.

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, employees, and investors.

We either achieved or outperformed on all but two of our Global BSC metrics in 2023. Our narrow underperformance in Q4 against our Net Promoter Score ("NPS") and Employee Engagement Index targets are discussed immediately below (under "Earning our clients' loyalty" and "Supporting our people through change", respectively).

Our Clients

Earning our clients' loyalty

We consider NPS to be one of the valuable indicators of our ability to deliver a consistent superior client experience.

Our global NPS finished at a high of 41 for 2023; up from 40 in 2022 driven by record-high scores in Mexico and ANZ, and strong scores in the U.S. and Canada. This said, our global NPS was marginally below target as a result of the fact that, as communicated in prior quarters, we recalibrated and increased our NPS targets for 2023 in response to our continued positive momentum.

2023 saw record levels of client engagement. Client feedback regarding the ease of doing business with us remains very positive, validating our ability to continuously deliver the right outcomes for our clients as their priorities evolve.

Creating compelling value for our clients

Our rebranded global Strategic Advisory Services (SAS) team, previously known as the Strategic Consulting Services team, is committed to delivering substantial value to our clients. It does this by proactively identifying the unique challenges and opportunities within each clients' fleet and responding with solutions and strategies tailored to their specific needs. As trusted advisors, the SAS team (i) has long-term engagement with clients, (ii) provides comprehensive guidance that allows clients to anticipate uncertainties and risks, and (iii) provides recommendations based on specialized knowledge and years of expertise.

In 2023, our SAS team identified and shared with clients over $1.6 billion of fleet-operating-cost savings opportunities, of which approximately $513 million in value were "actioned" by clients.

Our SAS team also continues to invest a substantial amount of time advising our clients on the EV landscape and providing guidance on approaches to transitioning from internal combustion engine (ICE) - powered vehicles to EVs.

Enabling client fleet electrification

In 2023, our clients continued to leverage *Arc by Element,* our end-to-end electric vehicle fleet solution, resulting in a more than doubling of active EV pilots across our regions compared with 2022. These pilots also included multi-site depot deployment of chargers. We expect the continued focus on decarbonization to expand the level of client engagement on fleet electrification in 2024.

Moreover, we entered into a strategic agreement with a global Original Equipment Manufacturer ("OEM") in 2023, expanding our relationship to include charging hardware, software, and services for our clients in the U.S. This relationship will allow us to expand our charging product and service portfolio and broaden our service capabilities in private residences, depots, and public charging spaces.

Our Business

Consistently meeting service commitments

In the fourth quarter of 2023, we launched our enhanced maintenance platform in Mexico. This move not only brought multi-language support to our clients but also reinforced our commitment to a global service network.

We also upgraded our driver communication methods. We integrated Push PM (Preventive Maintenance) Notifications to our Driver Mobile app and introduced PM Text notification to strengthen our proactive service

approach. Additionally, we refined our Interactive Voice Response (IVR) system, improving driver call service levels, enhanced operational efficiency and client satisfaction. We were also awarded with the Automotive Service Excellence (ASE) Blue Seal of Excellence for the 23rd consecutive year, affirming our continued commitment to service quality and professional expertise.

Our digital-first strategy with suppliers led us to integrate a modern platform for roadside assistance operations. This upgrade significantly improved service levels, providing drivers with quicker and more efficient assistance. It also provides real-time tracking of the exact moment when roadside assistance will arrive.

In 2023, our primary focus within our accident management service offering was to digitize and optimize the capabilities of our collision repair center supplier network. We transitioned 55% of traditional estimate documents into a digital format using our digital platforms, which streamlined processing and removed manual steps. We also doubled the number of repair completion status updates handled by our suppliers compared to last year. This improves supplier interaction with our digital platform with respect to the status of repairs, facilitating faster repair times for our clients.

Continuously improving the way we work

Our Continuous Improvement Group is dedicated to driving innovation, process optimization and automation, including exploring and implementing advanced Robotic Process Automation (RPA), Artificial Intelligence (AI) and Machine Learning (ML) tools. This team is focused on driving efficiency by automating repetitive tasks such as data entry, document processing, and transaction reconciliations.

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 to mitigate these risks, and any potential emerging trends. The Council's agenda was expanded in 2023 to include discussions on key compliance risks relative to our business and industry. In 2023, we took a significant step forward in our commitment to sustainability initiatives. We formed a Climate Risk Sub-committee, which will provide regular reports to the Council, helping us stay ahead of climate-related risks and opportunities.

We continue to maintain our Enterprise Composite Risk Index ("ECRI"), which evaluates risks impacting revenue, credit and collections, operations, treasury, information technology and people. The ECRI aligns with our Risk Appetite Statements, providing clear metrics and thresholds for effective risk management.

Fostering positive environmental and social outcomes and maintaining good governance

In 2023, we advanced on our commitment to sustainable and ethical practices. We published our latest sustainability report in June, titled "Progress that Matters", which provided an inventory of our greenhouse gas emissions for scopes 1, 2, and upstream scope 3, globally. This report is available on our website. We also took steps toward setting emission reduction targets across our facilities, business operations, and supply chain.

Further accomplishments in 2023 include:

- We published our Modern Slavery Statement, signifying our commitment to human rights and addressing potential risks or instances related to modern slavery within our operations;
- We strengthened our procurement policies and Vendor Code of Conduct, ensuring diverse businesses have an equal opportunity to participate in our operations;
- We renewed our commitment to Element's safe, ethical, and inclusive practices. Evidence of this is seen in the completion of the annual Element Foundations learning program, a comprehensive

course covering our code of conduct, workplace health and safety, sustainability, Diversity, Equity & Inclusion, safe IT practices, and acknowledgment of Element's policies;

- We completed the United Nations Climate Ambition Accelerator Program, an initiative that encourages progress towards setting science-based emissions reduction targets through access to global best practices, peer learning opportunities, and expert insights; and

- We launched a waste reduction initiative across our offices in Australia and New Zealand. This initiative introduced battery recycling, multiple recycling options, and organic waste management systems.

In the final quarter of the year, we won the Johnson Controls Sustainability Supplier Leadership Award, which is a testament to our efforts in supply chain management. This award is given to companies that consistently exhibit excellence in continuous improvement, customer satisfaction, global growth, innovation and sustainability. Furthermore, we proudly maintained our silver EcoVadis ranking during the quarter, positioning us within the top 25% of businesses evaluated by EcoVadis.

Lastly, our commitment to ethical governance practices was recognized within the Canadian business landscape. In the Globe and Mail's 2023 "Board Games" rankings, we ranked among the top 8% of Canadian companies evaluated. These rankings critically assess governance practices related to board composition, compensation, shareholder rights, and disclosure.

Supplier diversity

We have a long- and well-established track record of fostering supplier diversity, fully aligning us with our clients. Our Supplier Diversity Program is 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 track diversity spend and offer clients customized tracking solutions to ensure their diversity commitments applicable to their fleet operations are understood, organized and can be accurately reported and traced. Additionally, our SAS team applies a “client diversity spend requirements” perspective to all our proactive advisory work, providing clients with actionable insights necessary to enhance their diversity spending practices.

We are proud members of 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) -- which we partner with to further a diverse supply chain.

In Q4, Element was proud to be Vanguard sponsor at the 2023 NMSDC Annual Conference. This sponsorship aligns with our ongoing mission to support minority-owned businesses within our supply chain.

Our People

Our people continue to focus on delivering a consistent, superior client experience, while building a strong, diverse culture, and giving back to the communities where we work and live. Our underperformance in the Global BSC against our Employee Engagement Index target was largely driven by a shift back to in-person work (as described immediately below).

Supporting our people through change

Our team members have the opportunity to provide thoughts and feedback through our annual Employee Engagement Survey, Pulse Surveys and various other feedback channels. Our key areas of prioritization in 2024 include workload and employee well-being. As previously stated, the decline in our employee

engagement score was largely driven by a shift back to in-person work, highlighting the need for continued communication and change management. To aid in this transition, we are providing continuous support through regular leadership touchpoints, open Q&A sessions, and one-on-one conversations.

Working as a collaborative hybrid team

We recently renewed our commitment to collaborative work in-person from our offices at least three days per week commencing in 2024. This approach ensures that our teams can fully leverage one another's expertise and experience, as well as ensuring visibility and development for emerging talent.

In addition, we closed our Sparks, Maryland office location, and relocated our team to a new flexible, LEEDS-certified workspace in Owings Mills, Maryland in January 2024. This move signals our investment in the local community and facilitates diverse interactions – from client visits to team meetings.

Connecting pay to performance

Our Global BSC underpins our "pay-for-performance" philosophy. We released our 2023 Global BSC in January, cascading the global strategic objectives to our teams. Each member then set their own individual goals, aligning them with the scorecard. 2023 also marked the start of a new design for our Short-Term Incentive Program (STIP). This new design will now reflect individual performance alongside business results, recognizing and rewarding high performing employees globally who exceed expectations in what and how they deliver for our clients and each other.

Celebrating our people

Recognizing our people for their contributions continues to be a key pillar of our culture and one we strengthened through the year, launching several new recognition opportunities. In July, we renewed our Bravo recognition program, which was expanded to recognize service milestones, and life events, and gives our people more options to recognize and celebrate each other. And lastly, we announced the Global Operations Awards this past November, which recognizes top performers on our Operations Team, and their partners from across the company.

Fostering inclusion and supporting our communities

We continue to build awareness, education, and take action to foster a more inclusive workplace that celebrates differences and encourages individuality. Our Global BSC Diversity, Equity, and Inclusion (DE&I) index finished on target, surpassing our target for promotions amongst women and racially and/or ethnically diverse individuals. We continue to invest in initiatives that support education, DE&I, the environment and our communities in time of need – some highlights include:

- We doubled our support to UNCF, providing scholarships to college students for the 2023-2024 academic year;
- We supported literacy in Canada with non-profit organization, ChapterOne, and with Reading Partners, a national non-profit organization in the U.S.;
- We partnered with the American, New Zealand and Mexican Red Cross and Doctors Without Borders/ Médecins Sans Frontières, we provided funds to those affected by disasters, including recent events such as the earthquake in Afghanistan, hurricane in Acapulco, Mexico, and humanitarian efforts in the Middle East;
- We collaborated with our Client Advisory Board to support Minnesota non-profit, The Lift Garage, by providing winter car kits;
- We received Bronze Level Certification at the Australian Workplace Equality (AWEI) LGBT Inclusion Awards;

- We held our annual reforestation event in our Mexico office where our team volunteered over 250 hours and planted a total of 1,150 trees;

- As Silver Members of Disability:IN, we proudly sponsored the International Day of Persons with Disabilities celebration; and

- We celebrated Global Diversity Month, and supported equity in our communities through our annual Black Employee BRG book drive for Reading Partners, a children's literacy nonprofit.

Effect of Foreign Currency Exchange Rate Changes

We are exposed to fluctuations in certain foreign currencies from operations we conduct in the United States, Mexico, Australia, and New Zealand where 62%, 15%, 13%, and 5%, respectively, of our last 12 months' net revenue was generated. We institute certain designated hedges that further mitigate the effects of FX exposure on our balance sheet. Notwithstanding, our assets, liabilities, and foreign operating results do fluctuate as a result of fluctuations in these currencies against the reporting currency, being the Canadian dollar.

Transition to U.S. dollar reporting

We have also announced our intention to transition all our financial reporting currency from the Canadian dollar to the U.S. dollar, effective Q1 2024. Consequently, our first quarter results for the three-month period ending March 31, 2024, tentatively scheduled for publication in May 2024, and all subsequent financial information, will be presented in U.S. dollars. The change will be applied retrospectively, leveraging the translation methodology defined in IAS 21 *The Effects of Changes in Foreign Exchange Rates* to re-present our financial statements and operating results.

Annual Results of Operations

	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
(in $000's for stated values, except per share amounts)	**$**	$	$
Reported results			
Net revenue			
Net interest income and rental revenue	**1,135,792**	761,576	629,814
Interest expense	**581,365**	272,835	192,869
Net financing revenue	**554,427**	488,741	436,945
Servicing income, net	**678,236**	581,018	472,465
Syndication revenue, net	**61,493**	62,290	64,412
Net revenue	**1,294,156**	1,132,049	973,822
Operating expenses			
Salaries, wages and benefits	**366,796**	322,886	306,884
General and administration expenses	**160,716**	124,848	104,401
Depreciation and amortization	**69,300**	59,799	50,537
Amortization of convertible debenture discount	**4,100**	3,831	3,580
Share-based compensation	**49,232**	31,303	24,120
Operating expenses	**650,144**	542,667	489,522
Other expenses			
Amortization of intangible assets from acquisition	**37,667**	36,477	35,313
Loss/(Gain) on investments	**687**	3,352	(8,689)
Other expenses	**38,354**	39,829	26,624
Income before income taxes	**605,658**	549,553	457,676
Provision for income taxes	**139,461**	139,910	101,670
Net income	**466,197**	409,643	356,006
Total assets	**16,472,574**	14,332,218	12,973,412
Total debt	**10,686,300**	8,917,619	8,198,035
Weighted average number of shares outstanding [basic]	**390,297**	396,907	423,070
EPS [basic]	**1.13**	0.96	0.76
Weighted average number of shares outstanding [diluted]	**405,242**	413,335	439,488
EPS [diluted]	**1.11**	0.94	0.75
Dividends declared, per share			
Common share	**0.420000**	0.332500	0.272500
Preferred Shares, Series A	**1.733252**	1.733252	1.733252
Preferred Shares, Series C	**1.552520**	1.552520	1.552520
Preferred Shares, Series E	**1.475752**	1.475752	1.475752
Preferred Shares, Series I	**—**	0.718750	1.437500

	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
(in $000's for stated values, except per share amounts)	**$**	$	$
Adjusted results[5]			
Servicing income, net	**678,236**	570,018	472,465
Net financing revenue	**554,427**	479,741	436,945
Syndication revenue, net	**61,493**	57,290	64,412
Adjusted net revenue	**1,294,156**	1,107,049	973,822
Adjusted operating expenses[6]	**578,351**	507,533	461,822
Adjusted operating income[7]	**715,805**	599,516	512,000
Adjusted operating margin[8]	**55.3 %**	54.2 %	52.6 %
Adjusted net income	**540,433**	446,639	387,686
Adjusted EPS [basic]	**1.32**	1.05	0.84
Adjusted EPS [diluted]	**1.29**	1.03	0.82

We offer the following commentary on net revenue, operating expenses, pre-tax income margin, net income, and earnings per share for the 12 months ended December 31, 2023, which are results quantified by IFRS measures. In addition, we present and offer commentary on the adjusted results for the 12 months ended December 31, 2023.

Net revenue

2023 net revenue grew 14.3% or $162.1 million from 2022 ("year-over-year") to $1.3 billion. On an adjusted basis, net revenue grew 16.9% or $187.1 million year-over-year. 2022 benefited from $25.0 million of non-recurring net revenue as previously disclosed (comprised of $11.0 million in services revenue, $9.0 million in net financing revenue, and $5.0 million in syndication revenue). For a full reconciliation of "as reported" to "adjusted results", please see the "IFRS to Non-GAAP Reconciliations, Non-GAAP Measures and Supplemental Information" section in this MD&A.

Services income, net

Net revenue growth was primarily driven by services revenue growth of 16.7% or $97.2 million year-over-year. This increase was largely driven by increased services penetration and utilization rates from existing clients, higher origination volume year-over-year and higher foreign currency translation gains arising largely from the strengthening of the U.S. dollar against the Canadian dollar. Services revenue in 2023 also benefitted from the onboarding of new client vehicles with higher service attachment rates. For further information on foreign exchange impacts, please see the "Effect of Foreign Currency Exchange Rate Changes" section in this MD&A.

On an adjusted basis, services revenue grew 19.0% or $108.2 million million year-over-year largely for the same reasons discussed above.

Net financing revenue

Net financing revenue of $554.4 million in 2023 grew 13.4% or $65.7 million year-over-year. On an adjusted basis, net financing revenue grew 15.6% or $74.7 million million year-over-year.

This improved performance was largely driven by higher originations in U.S. and Canada, foreign currency

[5] 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".

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

[7] Calculated as net revenue less adjusted operating expenses.

[8] Calculated as operating income divided by net revenue

translation gains arising largely from the strengthening of the U.S. dollar against the Canadian dollar, higher gains on the sale of used vehicles ("GOS") in Mexico and Australia and New Zealand, and growth in higher yielding assets in Mexico. This growth was partly offset by higher cost of funding year-over-year.

Net financing revenue yield on average net earning assets

	For the year ended	
(in $000's for stated values)	**December 31, 2023**	December 31, 2022
Average net earning assets	**$ 9,458,595**	$ 8,133,661
Net interest income and rental revenue	**12.01 %**	9.36 %
Interest expense	**6.15 %**	3.35 %
Net financing revenue yield on average net earning assets[9]	**5.86 %**	6.01 %
Average debt outstanding	**$ 9,962,429**	$ 8,251,833
Average cost of debt (Interest expense / average debt)	**5.84 %**	3.31 %
Average 1-Month LIBOR rates	**— %**	1.92 %

Syndication revenue, net

Syndication revenue of $61.5 million in 2023 decreased $0.8 million year-over-year. On an adjusted basis, syndication revenue grew $4.2 million or 7.3% year-over-year on higher volumes. We syndicated $3.4 billion of assets in 2023 – an increase of $555.3 million or 19.9% year-over-year. Syndication continues to be an important funding mechanism, providing us with ready access to cost-effective off-balance sheet funding.

Operating expenses

2023 operating expenses were $650.1 million, up $107.5 million or 19.8% year-over-year. This increase is largely due to higher salaries, wages and benefits, an increase in general and administrative expenses and higher depreciation, which are all predominantly a function of our planned investments in our people and our business. One-time strategic costs of $18.5 million recorded in 2023 and rising translation costs for U.S. dollar-denominated expenses (due to the U.S. dollar's appreciation compared to the Canadian dollar) also contributed to the increase. The non-recurring setup costs were a combination of professional fees related to the evaluation and setup of key strategic initiatives (recorded in general and administrative expense) and salaries and wages.

2023 adjusted operating expenses of $578.4 million grew $70.8 million or 14.0% year-over-year. This increase was largely driven by the same reasons cited directly above.

Net income and adjusted operating income

2023 net income of $466.2 million grew $56.6 million or 13.8% year-over-year. On an adjusted basis, net income of $540.4 million was $93.8 million or 21.0% higher than 2022.

Adjusted operating income ("AOI") for 2023 was $715.8 million -- $116.3 million or 19.4% higher than 2022 -- amounting to adjusted EPS of $1.32 for 2023, which is a 27 cent increase over last year.

Pre-tax income margin

2023 pre-tax income margin was 46.8%. Adjusted operating margin of 55.3% grew 110 basis points year-over-year. This expansion is driven by positive operating leverage (i.e. net revenue growth outpacing growth in operating expenses).

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

Orders, Backlog and Originations

Orders and Order Backlog

Originations are necessarily preceded by vehicle orders, which are legally binding commitments by our clients to lease or purchase vehicles from Element upon production by the relevant OEM.

Our global order backlog on December 31, 2023 stood at $2.5 billion; a $0.5 billion decrease from December 31, 2022 - due to increased OEM production capacity.

Originations

We originated $8.6 billion of assets in 2023 (excluding Armada), which is a $2.3 billion or 35.8% increase year-over-year. This growth was driven by origination volume growth across all geographies, led largely by a U.S. and Canadian origination volume increase of $1.8 billion or 36.6% in 2023 and growth of $389 million or 38.9% in Mexico.

The table below sets out the geographic distribution of Element's originations for 2023 and 2022:

(in $000's for stated values)	**December 31, 2023**		December 31, 2022	
	$	**%**	$	%
United States and Canada	**6,540,173**	**76.48 %**	4,786,387	75.99 %
Mexico	**1,388,512**	**16.24 %**	999,639	15.87 %
Australia and New Zealand	**622,670**	**7.28 %**	512,662	8.14 %
Total	**8,551,355**	**100.00 %**	6,298,688	100.00 %

Quarterly Results of Operations

	For the three-month period ended		
	December 31, 2023	September 30, 2023	December 31, 2022
(in $000's for stated values, except per share amounts)	**$**	$	$
Reported results			
Net revenue			
Net interest income and rental revenue	**305,941**	300,524	218,701
Interest expense	**166,849**	159,967	93,252
Net financing revenue	**139,092**	140,557	125,449
Servicing income, net	**176,341**	175,889	149,208
Syndication revenue, net	**17,926**	17,326	17,671
Net revenue	**333,359**	333,772	292,328
Operating expenses			
Salaries, wages and benefits	**97,548**	92,193	88,180
General and administration expenses	**48,472**	38,911	38,453
Depreciation and amortization	**18,467**	17,832	15,388
Amortization of convertible debenture discount	**1,052**	1,033	982
Share-based compensation	**16,743**	7,335	7,044
Operating expenses	**182,282**	157,304	150,047
Other expenses			
Amortization of intangible assets from acquisition	**9,487**	9,369	9,466
Loss/(Gain) on investments	**904**	(247)	588
Other expenses	**10,391**	9,122	10,054
Income before income taxes	**140,686**	167,346	132,227
Provision for income taxes	**29,797**	38,553	31,011
Net income	**110,889**	128,793	101,216
Total assets	**16,472,574**	16,338,484	14,332,218
Total debt	**10,686,300**	10,447,166	8,917,619
Weighted average number of shares outstanding [basic]	**389,115**	389,511	392,811
EPS [basic]	**0.27**	0.32	0.24
Weighted average number of shares outstanding [diluted]	**404,068**	404,509	409,590
EPS [diluted]	**0.26**	0.31	0.24
Dividends declared, per share			
Common share	**0.120000**	0.100000	0.100000
Preferred Shares, Series A	**0.433313**	0.433313	0.433313
Preferred Shares, Series C	**0.388130**	0.388130	0.388130
Preferred Shares, Series E	**0.368938**	0.368938	0.368938
Preferred Shares, Series I	**—**	—	—

	For the three-month period ended		
	December 31, 2023	September 30, 2023	December 31, 2022
(in $000's for stated values, except per share amounts)	**$**	$	$
Adjusted results[10]			
Servicing income, net	**176,341**	175,889	149,208
Net financing revenue	**139,092**	140,557	125,449
Syndication revenue, net	**17,926**	17,326	17,671
Adjusted net revenue	**333,359**	333,772	292,328
Adjusted operating expenses[11]	**149,931**	145,031	142,021
Adjusted operating income[12]	**183,428**	188,741	150,307
Adjusted operating margin[13]	**55.0 %**	56.5 %	51.4 %
Adjusted net income	**135,682**	143,443	112,700
Adjusted EPS [basic]	**0.33**	0.35	0.27
Adjusted EPS [diluted]	**0.33**	0.34	0.26

We offer the following commentary on net revenue, operating expenses, pre-tax income margin, net income, and earnings per share for the three months ended December 31, 2023, which are results quantified by IFRS measures. In addition, we present and offer commentary on the adjusted results for the three months ended December 31, 2023.

Net revenue

Q4 2023 net revenue increased $41.0 million or 14.0% from Q4 2022. This growth was driven largely by higher services revenue, higher net financing revenue resulting from higher net earning assets in connection with increased origination volume and foreign currency translation gains arising largely from the strengthening of the U.S. dollar against the Canadian dollar. For further information on foreign exchange impacts, please see the "Effect of Foreign Currency Exchange Rate Changes" section in this MD&A.

The quarter-over-quarter net revenue decrease was a result of lower GOS in ANZ, as a result of improved supply.

Services income, net

Q4 2023 services revenue grew $27.1 million or 18.2% from Q4 2022.

The factors underpinning this growth are:

A. Origination volume growth, which help drive associated services utilization (such as vehicle titling, registration, and remarketing);

B. Share of wallet gains with our existing clients — increases in both utilization and penetration rates;

C. Foreign currency translation gains described in the net revenue discussion above; and

D. Growth in ANZ.

[10] 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".
[11] Adjusted operating expenses are calculated as operating expenses less one-time strategic initiatives costs, share-based compensation and amortization of convertible debenture discount.
[12] Calculated as net revenue less operating expenses.
[13] Calculated as operating income divided by net revenue.

Net financing revenue

Q4 2023 net financing revenue decreased $1.5 million or 1.0% from Q3 2023 ("quarter-over-quarter") and grew $13.6 million or 10.9% from Q4 2022. Year-over-year growth was primarily driven by (i) average net earning assets (NEA) growth (given origination volume increases), (ii) foreign currency translation gains as described in the net revenue discussion above, and (iii) increased GOS. This growth was partly offset by higher cost of funding in a higher rate environment year-over-year.

Net financing revenue yield on average net earning assets

	For the three-month period ended		
(in $000's for stated values)	**December 31 2023**	September 30, 2023	December 31, 2022
Average net earning assets	**$ 10,198,550**	$ 9,797,130	$ 8,283,008
Net interest income and rental revenue	**12.00 %**	12.27 %	10.56 %
Interest expense	**6.54 %**	6.53 %	4.50 %
Net financing revenue yield on average net earning assets	**5.46 %**	5.74 %	6.06 %
Average debt outstanding	**$ 10,691,110**	$ 10,376,677	$ 8,511,085
Average cost of debt (Interest expense / average debt)	**6.24 %**	6.17 %	4.38 %
Average 1-Month LIBOR rates	**— %**	5.41 %	3.92 %

Syndication revenue

Q4 2023 syndication revenue of $17.9 million was largely unchanged from both Q3 2023 and Q4 2022.

We syndicated $953.3 million of assets in Q4 2023 - $207.8 million or 27.9% more volume than Q4 last year, and $67.0 million or 6.6% less volume quarter-over-quarter.

Operating expenses

Q4 2023 operating expenses of $182.3 million increased $25.0 million or 15.9% quarter-over-quarter and $32.2 million or 21.5% from Q4 2022. On an adjusted basis, operating expenses were $149.9 million, representing an increase of $7.9 million or 5.6% from Q4 2022. This year-over-year increase is largely due to an increase in salaries, wages and benefits and higher general and administrative expenses, which are both predominantly a function of our planned investments in our people and our business. Higher depreciation and amortization - on our current technology stack as we modernize our systems also contributed to the increase. Q4 2023 included $14.6 million in one-time strategic project costs and Q3 2023 included $3.9 million of such costs.

Net income and adjusted operating income

Q4 2023 net income of $110.9 million decreased by $17.9 million or 13.9% quarter-over-quarter largely due to strategic initiative costs recorded this quarter and grew by $9.7 million or 9.6% from Q4 2022. On an adjusted basis, net income of $135.7 million in Q4 2023 was $7.8 million or 5.4% lower than Q3 2023 and $23.0 million or 20.4% higher than Q4 2022. Q4 2023 EPS were $0.27; 5 cents per share lower than Q3 2023 and 3 cents per share higher than Q4 2022.

AOI was $183.4 million in Q4 2023, a decrease of $5.3 million or 2.8% quarter-over-quarter and an increase of $33.1 million or 22.0% from Q4 2022. Year-over-year AOI growth was driven by positive operating leverage as net revenue growth outpaced adjusted operating expense growth.

Pre-tax income margin

Q4 2023 pre-tax income margin of 42.2% compared with 45.2% in Q4 2022. On an adjusted basis, Q4 2023 operating margin was 55.0%, representing margin expansion of 360 basis points from Q4 2022.

Originations

Q4 2023 global originations (excluding Armada) of $2.0 billion were essentially flat quarter-over-quarter and grew $0.2 billion or 13.3% year-over-year.

The table below sets out the geographic distribution of originations (excluding Armada) for the three-month periods indicated.

(in $000's for stated values)	**December 31, 2023**		September 30, 2023		December 31, 2022	
	$	**%**	$	%	$	%
United States and Canada	**1,469,765**	**72.56**	1,574,301	75.42	1,347,190	75.34
Mexico	**397,726**	**19.63**	333,883	15.99	306,626	17.15
Australia and New Zealand	**158,195**	**7.81**	179,315	8.59	134,365	7.51
Total	**2,025,686**	**100.00**	2,087,499	100.00	1,788,181	100.00

Summary of Quarterly Information

The following table sets out selected financial information as reported for each of the eight most recent quarters, the latest of which ended December 31, 2023. 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 $ 000's for stated values, except per share amounts and ratios)	**Q4 2023**	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net revenue	**333,359**	333,772	323,066	303,959	292,328	290,788	288,133	260,800
Adjusted operating income	**183,428**	188,741	178,143	165,493	150,307	148,406	157,947	142,856
After-tax adjusted operating income	**135,682**	143,443	134,501	126,602	112,700	110,562	117,671	105,709
Net income	**110,889**	128,793	120,031	106,484	101,216	103,703	111,120	93,604
EPS, basic	**0.27**	0.32	0.29	0.26	0.24	0.25	0.26	0.21
EPS, diluted	**0.26**	0.31	0.29	0.25	0.24	0.24	0.25	0.21
Adjusted EPS, basic	**0.33**	0.35	0.33	0.31	0.27	0.26	0.28	0.24
Adjusted EPS, diluted	**0.33**	0.34	0.32	0.30	0.26	0.25	0.27	0.24
Total assets	**16,472,574**	16,338,484	15,857,059	15,065,605	14,332,218	13,703,080	13,166,556	12,817,647
Net earning assets	**10,084,985**	9,893,401	9,365,615	8,840,573	8,394,257	8,287,013	7,983,040	7,947,152
Total debt	**10,686,300**	10,447,166	10,152,119	9,489,097	8,917,619	8,465,137	8,322,364	8,069,321
Loan and lease originations	**2,025,686**	2,720,318	2,538,212	1,909,525	1,841,874	1,445,838	1,913,032	1,432,360
Allowance for credit losses	**7,341**	9,380	10,095	10,205	10,369	10,143	9,760	10,256
As a % of total finance receivables before allowance	**0.08**	0.10	0.11	0.12	0.13	0.13	0.13	0.14
Senior revolving credit facilities	**1,093,685**	1,246,341	1,708,328	2,654,291	1,893,323	1,425,361	1,321,024	1,464,384
Borrowings	**9,531,703**	9,127,138	8,351,952	6,731,561	6,914,536	6,918,113	6,859,914	6,457,020
Convertible debentures[14]	**169,378**	167,983	166,609	165,257	163,933	162,725	161,591	160,321

[14] The convertible debentures will mature on June 30, 2024.

Financial Position

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

(in $000's for stated values)	**December 31, 2023**	September 30, 2023	December 31, 2022
	$	$	$
ASSETS			
Cash	**127,772**	99,809	68,876
Restricted funds	**336,882**	452,060	433,327
Finance receivables	**9,567,136**	9,561,738	8,069,386
Equipment under operating leases	**3,506,610**	3,290,669	2,806,841
Accounts receivable and other current assets	**268,874**	243,526	215,817
Derivative financial instruments	**113,248**	111,866	131,943
Property, equipment and leasehold improvements	**136,138**	137,178	80,899
Intangible assets	**846,004**	852,918	864,611
Deferred tax assets	**300,514**	297,424	365,430
Goodwill	**1,269,396**	1,291,296	1,295,088
	16,472,574	16,338,484	14,332,218
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**1,600,936**	1,637,965	1,465,198
Derivative financial instruments	**36,925**	49,581	81,730
Borrowings	**10,625,388**	10,373,479	8,807,859
Convertible debentures	**169,378**	167,983	163,933
Deferred tax liabilities	**139,274**	150,046	132,525
	12,571,901	12,379,054	10,651,245
Shareholders' equity	**3,900,673**	3,959,430	3,680,973
	16,472,574	16,338,484	14,332,218

Total assets and liabilities increased by $134.1 million and $192.8 million, respectively, from September 30, 2023; and $2,140.4 million and $1,920.7 million, respectively, from December 31, 2022.

The increases in total assets and liabilities were primarily increases in finance receivables, equipment under operating leases, and borrowings.

Approximately 62% of Element's assets are U.S. dollar-denominated. As a result, changes in the value of our reporting currency, the Canadian dollar ("CAD"), relative to the U.S. dollar, have an impact on our balance sheet. The spot U.S. dollar as at the balance sheet dates weakened compared to both the spot CAD rate at September 30, 2023 and December 31, 2022.

We also have assets and liabilities denominated in Mexican pesos and Australian and New Zealand dollars, although these are smaller tranches of our portfolio and have not had any material impact to our financial position.

The net impact of currency variations predominantly flows through to Shareholders' Equity as Other Comprehensive Income.

Portfolio Details

Total finance receivables

The following table breaks down our total finance receivables, which were $5.4 million and $1,497.8 million higher at December 31, 2023 than at September 30, 2023 and December 31, 2022, respectively, driven primarily by originations and timing of payment received.

(in $000's for stated values, except ratios)	**December 31, 2023**	September 30, 2023	December 31, 2022
	$	$	$
Net investment in finance receivables	**6,578,375**	6,602,732	5,587,416
Impaired receivables - at net realizable value	**8,278**	4,619	6,605
	6,586,653	6,607,351	5,594,021
Unamortized origination costs and subsidies	**(77,167)**	(72,131)	(38,294)
Net finance receivables	**6,509,486**	6,535,220	5,555,727
Prepaid lease payments and Security deposits	**(79,528)**	(73,565)	(54,960)
Interim funding	**1,496,237**	1,574,184	1,184,862
Fleet management service receivables	**860,781**	821,168	802,809
Other	**679,035**	619,815	537,144
Continuing involvement asset	**108,466**	94,296	54,173
	9,574,477	9,571,118	8,079,755
Allowance for credit losses	**7,341**	9,380	10,369
Total finance receivables	**9,567,136**	9,561,738	8,069,386

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

Credit losses and provisions as at and for the year ended December 31, 2023, nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows.

	Year ended	Nine-months ended	Year ended
(in $000's for stated values, except ratios)	**December 31, 2023**	September 30, 2023	December 31, 2022
	$	$	$
Allowance for credit losses, beginning of period	**10,369**	10,369	10,246
Recovery of credit losses	**(2,105)**	(325)	(25)
Charge-offs, net of recoveries	**(1,004)**	(742)	(431)
Impact of foreign exchange rates	**81**	78	579
Allowance for credit losses, end of period	**7,341**	9,380	10,369
Charge-offs, net of recoveries, as a % of total finance receivables	**0.02 %**	0.01 %	0.01%
Allowance for credit losses, as a % of total finance receivables before allowance	**0.08 %**	0.10 %	0.13%

Element's policy is to assess (a) the probability of default and (b) loss-given-default for all 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 (in light of a potential slowing economy) such as 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 moderate and that interest rates will ease in 2024. When combined with the favorable evolution of our portfolio and the resilience of our client base, this has resulted in a $2.0 million release from our allowance for credit losses in the quarter.

Our allowance for credit losses has decreased $3.0 million since December 31, 2022.

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 table above appropriately reflects the net realizable value of the finance receivables before any allowance for credit losses.

Impaired receivables increased to $8.3 million as at December 31, 2023 following the Chapter 11 bankruptcy filing of one of our clients. This client's re-organization plan is expected to be confirmed late in the first quarter of 2024, with our lease and service agreements affirmed. The client has continued to make payments during bankruptcy.

Portfolio distribution by geography

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

(in $000's for stated values)	**December 31, 2023**		September 30, 2023		December 31, 2022	
	$	**%**	$	%	$	%
United States and Canada	**5,492,158**	**54.8**	5,583,790	56.8	4,710,263	56.3
Australia and New Zealand	**1,680,328**	**16.8**	1,603,148	16.3	1,597,736	19.1
Mexico	**2,843,610**	**28.4**	2,638,951	26.9	2,054,569	24.6
Total	**10,016,096**	**100.0**	9,825,889	100.0	8,362,568	100.0
Allocated as:						
Net finance receivables	**6,509,486**	**65.0**	6,535,220	66.5	5,555,727	66.4
Equipment under operating leases, net	**3,506,610**	**35.0**	3,290,669	33.5	2,806,841	33.6
Total	**10,016,096**	**100.0**	9,825,889	100.0	8,362,568	100.0

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

(in $000's for stated values)	**December 31, 2023**		September 30, 2023		December 31, 2022	
	$	**%**	$	%	$	%
United States and Canada	**12,975,309**	**73.1**	13,336,524	75.1	12,102,497	75.7
Australia and New Zealand	**1,679,660**	**9.5**	1,601,917	9.0	1,593,563	10.0
Mexico	**3,078,595**	**17.4**	2,829,332	15.9	2,277,157	14.3
Assets under management	**17,733,564**	**100.0**	17,767,773	100.0	15,973,217	100.0

Liquidity

Element's 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 2022 and 2023, the results of those tests have confirmed the stability and sustainability of our cash flow and forward funding capacity.

Notwithstanding our dependable operating cash flows and $6.4 billion of committed, undrawn capital at December 31, 2023, 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 audited consolidated financial statements

Cash used in operating activities for the year ended December 31, 2023 was $1,304.3 million, a change of $1,533.9 million from the $229.6 million provided by operating activities for the year ended December 31, 2022. The year-over-year change was primarily the result of higher investments in finance leases resulting from increased origination volumes compared to prior year and higher investments in equipment operating leases. This is offset by the higher repayment of finance receivables and syndication of finance receivables.

Cash used in investing activities for the year ended December 31, 2023 was $101.5 million compared to $65.6 million for the year ended December 31, 2022. The change is driven by an increase in the purchase of property, plant, and equipment related to leasehold improvements, computer equipment, and vehicles of $18.6 million and an increase of $15.1 million in purchases of computer software compared to the prior year.

Cash provided by financing activities for the year ended December 31, 2023 was $1,431.5 million, compared to $7.6 million used in financing activities for the year ended December 31, 2022. The increase is primarily due to the issuance of the U.S. Senior notes and asset-backed facilities compared to issuance of term facilities in prior year. Further increase due to decrease in share repurchase compared to prior year. This is offset by higher repayment made to our borrowings facilities.

Adjusted free cash flow

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

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 $000's for stated values)	**December 31, 2023**	September 30, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	$	$	$	**$**	$
Adjusted free Cash Flow	**155,179**	168,737	119,396	**652,296**	518,200
Amortization of equipment under operating leases	**180,443**	171,266	135,847	**652,547**	506,903
Investment in finance receivables	**(1,840,830)**	(2,112,369)	(1,689,131)	**(8,380,317)**	(5,913,475)
Repayments of finance receivables	**823,833**	916,535	587,970	**3,599,284**	2,888,526
Investment in equipment under operating leases	**(428,027)**	(434,377)	(333,056)	**(1,587,306)**	(1,151,126)
Disposals of equipment under operating leases	**116,930**	94,772	60,739	**380,018**	280,596
Proceeds from syndication financings	**973,640**	1,039,246	756,673	**3,418,131**	2,844,153
Sustaining capital investments	**25,894**	22,598	14,769	**83,776**	52,079
Preferred share dividends	**5,946**	5,946	5,945	**23,784**	28,074
Other	**(126,700)**	94,824	(10,932)	**(146,561)**	175,701
Cash Flow from Operations	**(113,692)**	(32,822)	(351,780)	**(1,304,348)**	229,631

Leverage

We view both financial and tangible leverage as indicators of the strength of our financial position. At December 31, 2023, our financial leverage ratio was 2.74:1 and tangible leverage ratio was 5.99:1.

Our financial and tangible leverage is calculated as follows:

As at		**December 31, 2023**	December 31, 2022
(in $000's, except ratios)		**$**	$
Borrowings		**10,625,388**	8,807,859
Convertible debentures		**169,378**	163,933
Less: Continuing involvement liability		**(108,466)**	(54,173)
Total debt	**(a)**	**10,686,300**	8,917,619
Total shareholders' equity	**(b)**	**3,900,673**	3,680,973
		14,586,973	12,598,592
Goodwill and intangible assets	**(c)**	**2,115,400**	2,159,699
Financial leverage	**(a)/(b)**	**2.74**	2.42
Tangible leverage	**(a)/[(b)-(c)]**	**5.99**	5.86

We were in compliance with all financial and reporting covenants with all of our lenders at December 31, 2023.

Credit and debt facilities

Maintaining ready access to diversified sources of cost-efficient capital is a strategic imperative.

We had $6.4 billion of committed, undrawn liquidity available across our senior unsecured revolving credit facilities ($3.05 billion), secured variable funding note facilities ($3.12 billion), term facilities ($0.06 billion), and cash of $0.13 billion at December 31, 2023, which is 63% higher quarter-over-quarter. 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.

Prior to June 30, 2023, we transitioned all of our U.S. dollar based floating rate benchmark credit facilities from LIBOR to SOFR. In addition, prior to December 31, 2023 we transitioned all of our Canadian dollar based floating rate benchmark credit facilities from CDOR to CORRA.

As at	**December 31, 2023**			
(in $000's for stated values)	**$**	**%**	**$**	**$**
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	**4,141,156**	***73.6***	**3,047,471**	**1,093,685**
Senior notes	**3,180,409**	**—**	**—**	**3,180,409**
Term facilities	**60,000**	**—**	**60,000**	**—**
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	**2,245,947**	**—**	**—**	**2,245,947**
Variable funding notes	**7,097,094**	***44.0***	**3,122,097**	**3,974,997**
Other	**38,512**	**—**	**—**	**38,512**
Total vehicle management asset-backed debt	**9,381,553**	***33.3***	**3,122,097**	**6,259,456**
Total cash			**127,772**	
Total capital available for continuing operations			**6,357,340**	

Senior Unsecured Revolving Credit Facilities

The Senior Credit Facilities comprise of (i) a $3.214 billion (USD $2.425 billion) committed revolving facility with a group of lenders, comprising Canadian, U.S. and international banks (the "Syndicated Senior Credit Facility") and (ii) a $928 million (USD $700 million) committed revolving facility (the "Committed Credit Facility") syndicated between two lenders, and together the "Senior Unsecured Revolving Credit Facilities".

On January 11, 2023, the Syndicated Senior Credit Facility was amended to increase the available capacity by USD $0.5 billion to USD $1.75 billion and the maturity date was extended to November 2, 2025. On June 28, 2023, two members of the lending syndicate entered into an accordion agreement with each of the borrowers to increase their commitments by USD $175 million pursuant to the accordion provided for in the Syndicated Senior Credit Facility. On December 13, 2023, the Syndicated Senior Credit Facility was amended to further increase the available capacity by USD $0.500 billion to $2.425 billion, and the maturity date was extended by an additional year to November 2, 2026.

The Committed Credit Facility is used solely for the purposes of financing specified assets of our New Zealand and Mexican operations. On March 24, 2023, the Committed Credit Facility was increased by USD $100 million to USD $700 million, with the maturity date on the revolving period extended to April 24, 2024, and the maturity date of the non-revolving period extended to March 24, 2028.

As at December 31, 2023, $1,093.7 million was drawn on the Senior Unsecured Revolving Credit Facilities (December 31, 2022 - $1,893.3 million) leaving Element with access to $3,047.5 million (December 31, 2022 - $612.5 million) of available financing under these facilities.

Senior Notes

On June 26, 2023, we completed the issuance of a USD $750.0 million 6.271% senior unsecured investment-grade notes with a maturity of June 26, 2026. The proceeds were used for working capital and general corporate purposes.

On December 4, 2023, we completed the issuance of USD $750.0 million 6.319% senior unsecured investment-grade notes with a maturity of December 4, 2028. The proceeds received were used (i) to repay all of the outstanding indebtedness under our existing Term facilities, including related fees and expenses, thereby terminating these facilities, and (ii) for working capital and general corporate purposes.

As at December 31, 2023, we had $3.18 billion (USD $2.4 billion) in outstanding senior unsecured notes (December 31, 2022 - $1,219.0 million (USD $900 million)).

Term Facilities

On May 12, 2022, we entered into a non-revolving one-year term loan agreement with a Canadian bank with a maturity date of May 12, 2023. On May 12, 2023, the facility was upsized by $50 million to $200 million, and the term of the facility was extended for a period of one year to May 13, 2024. On December 11, 2023, the facility was repaid in full and terminated ahead of its scheduled maturity date.

On June 28, 2022, we entered into another one-year term loan agreement with a Canadian bank in the maximum principal amount of USD $175 million, and with a maturity date of June 28, 2023. On December 4, 2023, the facility was repaid in full and terminated ahead of its scheduled maturity date.

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 $60.0 million. Borrowings under this facility are made available in Canadian dollars in the form of two separate letters of credit, both issued on November 28, 2023. As at December 31, 2023, no amounts were drawn on this facility.

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 an indirect wholly-owned special-purpose subsidiary, a securitization program to fund U.S. fleet assets. On December 15, 2023, the aggregate funding commitment for the variable funding notes was increased to USD $3.0 billion, and the maturity date was extended to December 31, 2024.

On April 19, 2023, we (through a special purpose entity) issued amortizing term notes in the amount of $994 million (USD $750 million) at an initial weighted average interest rate of 5.78%. On September 12, 2023, we (through a special purpose entity) issued a second term note in the amount of $994 million (USD $750 million) and at an initial weighted average interest rate of 6.19%. The proceeds from both term note issuances were used to pay down the U.S.variable funding notes outstanding. As of December 31, 2023, we had four series of term notes outstanding, having an aggregate principal amount of USD $1.7 billion.

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 two classes of variable-funding notes; Class A and Class B. On March 13, 2023, the outstanding bank commitments to acquire Class A notes were reduced from $1.35 billion to $1.2 billion, and the outstanding bank commitments to acquire Class B notes were reduced from $63.05 million to $56.04 million. The facility was further amended on November 28, 2023 to upsize the Class A notes commitment from $1.2 billion to $1.6 billion, reduce the Class B notes commitment from $56.04 million to nil and extend the maturity by two years to November 2025. In addition, the amendment provided for letters of credit to be used as a form of credit enhancement under the securitization series. As at December 31, 2023, Element had available and unutilized funding capacity of $416.4 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 2023, the facility was upsized by AUD $0.1 billion to AUD $1.025 billion and was extended for a period of one year to May 16, 2024. As of December 31, 2023, the third-party funding of these issued notes and loans amounted to outstanding balances of AUD $1,008.8 million, with unutilized funding capacity of AUD $16.2 million.

Other 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. On September 27, 2022, the receivables agreement commitment limit was increased from USD $400 million to USD $450 million, and the commitment period was extended to September 27, 2024. As at December 31, 2023, we had

available and unutilized funding capacity of nil under the existing commitment provided for under the Receivables Agreement.

As at	September 30, 2023			
(in $000's for stated values)	**$**	**%**	**$**	**$**
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	3,544,118	*64.8*	2,297,777	1,246,341
Senior notes	2,227,731	—	—	2,227,731
Term facilities	341,765	—	—	341,765
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	2,506,329	—	—	2,506,329
Variable funding notes	5,457,294	*27.4*	1,496,350	3,960,944
Other	46,859	—	—	46,859
Total vehicle management asset-backed debt	8,010,482	*18.7*	1,496,350	6,514,132
Total cash			99,809	
Total capital available for continuing operations			3,893,936	

As at	December 31, 2022			
(in $000's for stated values)	**$**	**%**	**$**	**$**
	Facility size	**Undrawn amount**		**Drawn amount**
Senior unsecured revolving credit facilities	2,505,788	*24.4*	612,465	1,893,323
Senior notes	1,219,032	—	—	1,219,032
Term facilities	387,034	—	—	387,034
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	1,115,459	—	—	1,115,459
Variable funding notes	5,582,429	*26.2*	1,462,068	4,120,361
Other	83,639	—	—	83,639
Total vehicle management asset-backed debt	6,781,527	*21.6*	1,462,068	5,319,459
Total cash			68,876	
Total capital available for continuing operations			2,143,409	

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, 2023**	September 30, 2023	December 31, 2022
(in $000's)	**$**	$	$
Cash	**127,772**	99,809	68,876
Unsecured debt			
Senior credit facilities	**1,093,685**	1,246,341	1,893,323
4.250% Convertible Debentures due 2024	**169,378**	167,983	163,933
1.600% Senior Notes due 2024	**530,068**	675,070	677,240
3.850% Senior Notes due 2025	**662,585**	540,056	541,792
6.271% Senior Notes due 2026	**993,878**	1,012,605	—
6.319% Senior Notes due 2028	**993,878**	—	—
Term facilities	—	341,765	387,034
Vehicle Management Asset-Backed Debt			
Revolving term notes in amortization	**2,245,947**	2,506,329	1,115,459
Variable funding notes	**3,974,997**	3,960,944	4,120,361
Other	**38,512**	46,859	83,639
Deferred financing costs	**(39,249)**	(26,394)	(19,227)
Continuing involvement liability	**108,466**	94,296	54,173
Hedge accounting fair value adjustments	**22,621**	(24,392)	(45,935)
Total debt	**10,794,766**	10,541,462	8,971,792
Shareholders' equity			
Common share capital	**2,847,206**	2,846,624	2,868,078
Preferred share capital	**254,738**	365,113	365,113
Other	**798,729**	747,693	447,782
Total Shareholders' Equity	**3,900,673**	3,959,430	3,680,973
Total Capitalization	**14,695,439**	14,500,892	12,652,765

On December 28, 2023, we redeemed all of our 4,600,000 outstanding Cumulative 5-Year Rate Reset Preferred Shares Series A at a price of $25.00 per Series A share for an aggregate total of approximately $115 million.

Growing profitability, adjusted free cash flow and syndication all contribute to the de-leveraging of our balance sheet.

Normal Course Issuer Bids

On November 13, 2023, the Toronto Stock Exchange approved our intention to renew our normal course issuer bid (the “2023 NCIB”). Under the 2023 NCIB, we have approval from the TSX to purchase up to 38,852,159 common shares during the period from November 15, 2023, to November 14, 2024. There cannot be any assurance as to how many common shares, if any, will ultimately be purchased pursuant to the 2023 NCIB.

During Q4 2023, we purchased 153,473 common shares for cancellation (under the previous NCIB), for an aggregate amount of approximately $3.0 million at a volume weighted average price of $19.56 per common share. Under the previous NCIB that commenced on November 15, 2022 and ended on November 14, 2023, 3,984,022 common shares were repurchased for cancellation, for an aggregate amount of approximately $73.9 million at a volume weighted average price of $18.56 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 we commit ourselves to purchase the shares.

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, 2023

Rating agency	Issuer rating	Outlook
DBRS, Inc.	BBB (high)	Positive
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 2023, DBRS, Inc. upgraded its outlook to positive and affirmed its investment-grade rating of BBB (high). Additionally, Fitch Ratings affirmed its stable outlook and investment-grade rating of BBB+. In Q4 2023, 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, client attrition 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.

If Element is unable to expand its market share, successfully tap into underserved markets and/or retain its clients, 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.

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, and (c) prioritizing digitization and automation, 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 expected positive impact on 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 could materially and adversely affect Element's revenue. Any decrease in Element's revenue derived from these service fees and charges 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. While Element currently has sufficient funding, there can be no assurance that additional financing 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 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 favorable 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. The continued increases in the fed funds rate and the decline of bonus deprecation may add continued stress to our yields in the short term as well.

Global Financial Markets 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 Element over the course of time. For example, general volatility in the equity markets or volatility with interest rates and spreads could hurt Element's ability to raise capital and significantly impact Element's 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 also may decrease the estimated value of the collateral securing some of Element's loans and leases. Further or prolonged economic slowdowns, recessions, or 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.

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.

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.

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 and the Senior Credit Facilities, contain financial and non-financial covenants, such as requirements that Element comply with one or more of interest coverage, consolidated debt to tangible shareholders equity ratio, loan loss ratios 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, 2023, Element had $10.6 billion in secured and unsecured borrowings and $172 million face value aggregate principal amount of Debentures outstanding, 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 its secured 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. 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'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.

Decreased Demand for Vehicle Services Could Harm Element's Business, Financial Condition and/or Results of Operations

Demand for vehicle-related products and services may be reduced by factors that are beyond Element's control, such as general market conditions.

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) and ordering systems, 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. 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, 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, 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.

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 secured and unsecured 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 secured and unsecured 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, 2023, the Company had available liquidity of $6,357.3 million compared to $2,143.4 million at December 31, 2022.

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 August 2023, Fitch Ratings affirmed their stable outlook and investment-grade rating of BBB+. In September 2023, DBRS Inc. affirmed their rating of BBB (high) and upgraded the outlook from stable to positive. In October 2023, Kroll Bond Rating Agency affirmed their stable outlook and investment-grade rating of A-. In November 2023, S&P Global Ratings 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.

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 by its funding arrangements, 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, 2023, the percentage of the total lease portfolio and the loan portfolio that had fixed interest rates was 49.9% and 100.0%, 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;
- 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 Canadian, U.S., Mexican, Australian, New Zealand and global 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.

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™ and Connected Data™, 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.

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 Corporation’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 2023 Element increased its quarterly Common Share dividend from $0.10 to $0.12. 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.

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, 2023, 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 Canadian and respective foreign currency exchange rate used to translate the Company's foreign currency denominated net income into the Canadian dollar equivalent during each period. 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. If future income before taxes is consistent with the results generated in 2023, each $0.01 of depreciation (appreciation) in the value of the Canadian dollar against all of the U.S. dollar, Mexican peso, Australian dollar, and New Zealand dollar simultaneously would be expected to increase (decrease) income before taxes for the year by approximately $35.4 million in the absence of hedging transactions.

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 28.4% 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.

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, Preferred Shares, Debentures or other securities issued by Element will trade in the future. The Common Shares, Preferred Shares, Debentures 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. For example, on May 14, 2018 the Corporation entered into Nomination Agreements with some of its significant shareholders. 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.

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 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).

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 of 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.

Outlook and Economic Conditions

Outlook

Full-year 2024 results guidance

	Full-year 2024 result ranges ($CAD)	Full-year 2024 result ranges ($USD)
Net revenue	$1.365 - 1.390 billion	$1.020 - 1.040 billion
Adjusted operating margin	55.0% - 55.5%	55.0% - 55.5%
Adjusted operating income	$750 - 770 million	$560 – 575 million
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 (excl Armada)	$9.5 - $10.0 billion	$7.0 - $7.4 billion

We continue to expect sustained commercial success and resilient client demand for our services to underpin full-year net revenue of between CAD $1.365 to CAD $1.390 billion in 2024 (USD $1.020 to USD $1.040 billion). We strive for positive operating leverage as we continue to invest in our business to support our growth ambitions. We expect the business to generate high single- to low double-digit adjusted EPS and adjusted free cash flow per share growth in 2024, which we believe will create value for shareholders.

Our leasing and strategic sourcing initiatives remain on track to be operational by mid-2024. We continue to expect these initiatives to generate between $40 million and $60 million of run-rate net revenue and $30 million and $50 million of run-rate adjusted operating income ("AOI") by 2028. The initiatives require approximately $30 million in non-recurring setup costs, $18.5 million have already been incurred in 2023. Our full-year 2024 results guidance ranges exclude the remaining approximate CAD $11 million in non-recurring setup costs to be incurred largely in the first two quarters of 2024 as we invest in the strategic initiatives announced in the third quarter of 2023.

For further detail on our leasing and strategic sourcing initiatives, please see the "Achievements and Initiatives in the Period" section in this MD&A.

Profitable net revenue growth

As we have previously communicated, we anticipate delivering 6% to 8% profitable net revenue growth in normal market conditions. We strive for positive operating leverage in managing the business. We continue to expect strong new client growth (including conversion of self-managed fleets) success) and existing client demand for our products and services (Share-of-Wallet growth from increased penetration and utilization rates) to drive net revenue growth.

A capital-lighter business model

In addition to higher margin services revenue growth mentioned above, syndication revenue is the second pillar of our capital light business model. Syndication is an off-balance-sheet source of cost-effective funding, a leverage-management tool, and an enabler of the return of capital to shareholders. We expect client demand for new vehicles to drive consistent and growing originations, which will provide a ready supply of lease assets to sell to a broadening geographic base of syndication investors.

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

Growing adjusted free cash flow per share and the return of capital to shareholders

A combination of strong operating income growth and a capital-lighter business model has produced robust growth in adjusted free cash flow per share, which we plan to continue allocating as follows:

- Prudently invest in our business, while maintaining a tangible leverage ratio of 6.25x-6.75x;
- Grow the common dividend in keeping with our target payout of 25% to 35% of last twelve months' adjusted free cash flow per share;
- Eliminate the last of the high-cost legacy financing instruments (preferred share series); and
- Repurchase common shares under NCIBs.

Electric vehicles

Fleet electrification plays a meaningful role in the decarbonization that underpins many corporate pledges toward greenhouse gas emission neutrality by 2050. This prioritization of decarbonization from C-suites and boards of directors is expected to accelerate client demand for and transition to electric vehicles. Full EV adoption has been slowed by lack of necessary infrastructure, battery range concerns, grid capacity concerns, and higher vehicle pricing.

We remain on track to electrify our own internal fleet in Australia by mid-2024, and North America by the end of 2025. Our internal fleet in New Zealand is already fully electrified.

We believe the complexity and risk associated with gradually transitioning mission-critical automotive fleets from ICE-powered to electric vehicles will increase demand for outsourced fleet management services and expertise. Importantly, we are seeing this belief bear itself out in our Commercial engagements with both new and existing clients.

Economic Conditions

Contemporary economic conditions including recessionary concerns, moderation of inflationary pressures, and an uncertain interest rate environment offer both opportunities and challenges for our business. We closely monitor these macroeconomic factors and refine existing strategies or introduce new ones where appropriate to mitigate risks and capitalize on opportunities to ensure Element’s long-term success.

Inflation

Inflation can erode the purchasing power of clients and impact their ability to afford our products or services. Additionally, inflation may increase our operating costs, such as salaries.

To date, inflation has been additive to our business. Our unique business model allows us to transfer much of our increased costs to our clients in a contractually agreed manner.

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

Recession

We believe our value proposition – lowering our clients’ total cost of fleet operations and reducing 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 behavior 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 gap 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 and moderation of inflation pressures

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, 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 monitor 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.

Material 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, 2023. 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, 2023. 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, 2023, 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 - Customer Relationships

The Company's client relationships require management to use judgment in estimating the fair value of this intangible asset 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.

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 value of the Company's 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.

Syndication

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.

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 de-recognized, the unamortized basis adjustment is recognized immediately in the consolidated statement of operations.

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, 2023, the Company had net derivative assets of $76.3 million on notional balances of $10,317.0 million.

For the year ended December 31, 2023, the fair value changes recorded in net income was nil and a gain in other comprehensive income of $16.6 million for derivatives designated as cash flow hedges.

Recently Adopted Accounting Standards

Interest Rate Benchmark Reform

We adopted amendments ("Amendments") to IFRS 9, Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures (Amendments), applicable from November 1, 2019. These Amendments modify certain hedge accounting requirements to provide relief from the effect of uncertainty caused by interbank offered rate ("IBOR") reform ("the IBOR Reform") prior to the transition to alternative interest rates. The adoption of the Amendments had no impact to our consolidated financial statements.

We adopted Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 ("Phase 2 Amendments") effective January 1, 2021. The Phase 2 Amendments include additional disclosure requirements for financial instruments that have yet to transition to an alternative interest rate at the end of the reporting period. We ceased to apply the amendments on June 30, 2023.

Effective December 31, 2021, the publication of LIBOR settings ceased for the 1-week and 2-month US LIBOR setting. The overnight, one-month, three-month, six-month and 12-month US LIBOR settings terminated on June 30, 2023. Effective January 1, 2023, we migrated all floating rate leases tied to LIBOR to the Secured Overnight Financing Rate ("SOFR"). All derivatives tied to LIBOR were transitioned to SOFR effective June 30, 2023.

The following table shows the Company's exposure for financial asset and liabilities at December 31, 2023 and December 31, 2022 subject to IBOR reform that have yet to transition to SOFR.

	As at December 31, 2023		
	Non-derivative financial assets - carrying value	**Non-derivative financial liabilities - carrying value**	**Derivative Notional/Principal**
	$	**$**	**$**
USD LIBOR (1 month)	—	—	—
USD LIBOR (3 month)	—	—	—
	—	—	—

	As at December 31, 2022		
	Non-derivative financial assets - carrying value	Non-derivative financial liabilities - carrying value	Derivative Notional/Principal amount[1]
	$	$	$
USD LIBOR (1 month)	1,154,829	—	3,687,647
USD LIBOR (3 month)	542,600	—	—
	1,697,429	—	3,687,647

1. Excludes interest rate contracts and non-derivative instruments which reference rates to multi-rate jurisdictions, including the Australian Bank Bill Swap Rates ("BBSW"), New Zealand Bank Bill Rates ("BBR"), and MXN-TIIE-Banxico ("MXIBTIIE"). Element's exposure to the Canadian Dollar Offered Rate ("CDOR") is immaterial.

On May 16, 2022, Refinitiv Benchmark Services (UK) Ltd. ("RBSL"), the administrator of the Canadian Dollar Offered Rate ("CDOR"), announced that the calculation and publication of all tenors of CDOR will permanently cease following a final publication on June 28, 2024. The Company has determined that its exposure to CDOR is immaterial.

Future Accounting Changes

All applicable accounting standards effective for periods beginning on or after January 1, 2023 have been adopted by us. The following new IFRS pronouncement has been issued but is not yet effective and may have a future impact on our consolidated financial statements.

Income taxes

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions we operate. The legislation will be effective for our financial year beginning January 1, 2024. We are in scope of the enacted or substantively enacted legislation and have performed an assessment of our 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 of Element. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which we operate 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%. We do not expect a material exposure to Pillar Two income taxes in those jurisdictions.

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.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of Element's internal control over financial reporting and based on this assessment have concluded that Element's internal control over financial reporting is effective as of December 31, 2023.

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

It should be noted that while the Company's CEO and CFO believe that the Company's 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 the Company's 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 its stated goals under all potential conditions.

The Company has 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.

Changes in internal control over financial reporting

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the year ended December 31, 2023.

During 2023, Element designed and tested its new enterprise resource planning software, SAP S/4HANA ("SAP"), for our US and Canadian operations, which was implemented in January 2024. This is the largest part of a multi-year plan to integrate and upgrade our systems and processes and will continue in phases over the next several years for our Mexico and CEI businesses. We are in the process of developing an implementation strategy and roll-out plan for our Mexico operations and expect to substantially complete the migration of our Mexico operations to SAP during 2024.

While we expect SAP to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting across our organization, management will continue to evaluate and monitor our internal controls as each of the affected areas evolves. For a discussion of risks related to the implementation of new systems, see "Risk Management – Technological Change may Challenge Element Business Prospects or Require Significant Investment.”

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, 2023 and December 31, 2022, the results of operations, comprehensive income and cash flows for the three-month period-ended and year-ended December 31, 2023 and December 31, 2022.

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			As at and for the year ended	
(in $000's for stated values, except ratios and per share amounts)		**December 31, 2023**	September 30, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	P/R	**2.74**	2.64	2.42	**2.74**	2.42
Tangible leverage ratio	P/(R-K)	**5.99**	5.76	5.86	**5.99**	5.86
Average financial leverage ratio	Q/V	**2.67**	2.58	2.34	**2.53**	2.35
Average tangible leverage ratio	Q/(V-L)	**5.80**	5.49	5.75	**5.55**	5.80
Other key operating ratios						
Allowance for credit losses as a % of total finance receivables before allowance	F/E	**0.08 %**	0.10 %	0.13 %	**0.08 %**	0.13 %
Adjusted operating income on average net earning assets	B/J	**7.19 %**	7.71 %	7.26 %	**7.57 %**	7.37 %
Adjusted operating income on average tangible total equity of Element	D/(V-L)	**29.43 %**	30.35 %	30.48 %	**30.11 %**	31.37 %
Per share information						
Number of shares outstanding	W	**389,169**	389,218	392,495	**389,169**	392,495
Weighted average number of shares outstanding [basic]	X	**389,115**	389,511	392,811	**390,297**	396,907
Pro forma diluted average number of shares outstanding	Y	**404,068**	404,509	409,590	**405,242**	413,335
Cumulative preferred share dividends during the period	Z	**5,925**	5,946	5,946	**23,764**	28,074
Other effects of dilution on an adjusted operating income basis	AA	**$ 1,611**	$ 1,652	$ 1,620	**$ 6,557**	$ 6,421
Net income per share [basic]	(A-Z)/X	**$ 0.27**	$ 0.32	$ 0.24	**$ 1.13**	$ 0.96
Net income per share [diluted]		**$ 0.26**	$ 0.31	$ 0.24	**$ 1.11**	$ 0.94
Adjusted EPS [basic]	(D1)/X	**$ 0.33**	$ 0.35	$ 0.27	**$ 1.32**	$ 1.05
Adjusted EPS [diluted]	(D1+AA)/Y	**$ 0.33**	$ 0.34	$ 0.26	**$ 1.29**	$ 1.03

Management also uses 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 the operations of the Company and other supplemental information.

		For the three-month period ended			For the year ended	
(in $000's for stated values, except per share amounts)		**December 31, 2023**	September 30, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
Reported results						
Services income, net		**176,341**	175,889	149,208	**678,236**	581,018
Net financing revenue		**139,092**	140,557	125,449	**554,427**	488,741
Syndication revenue, net		**17,926**	17,326	17,671	**61,493**	62,290
Net revenue		**333,359**	333,772	292,328	**1,294,156**	1,132,049
Operating expenses		**182,282**	157,304	150,047	**650,144**	542,667
Operating income		**151,077**	176,468	142,281	**644,012**	589,382
Operating margin		**45.3 %**	52.9 %	48.7 %	**49.8 %**	52.1 %
Total expenses		**192,673**	166,426	160,101	**688,498**	582,496
Income before income taxes		**140,686**	167,346	132,227	**605,658**	549,553
Net income	A	**110,889**	128,793	101,216	**466,197**	409,643
EPS [basic]		**0.27**	0.32	0.24	**1.13**	0.96
EPS [diluted]		**0.26**	0.31	0.24	**1.11**	0.94
Adjusting items						
Impact of adjusting items on net revenue:						
Contribution from one-time, non-recurring revenue		**—**	—	—	**—**	(25,000)
Total impact of adjusting items on net revenue		**—**	—	—	**—**	(25,000)
Impact of adjusting items on operating expenses:						
Strategic initiatives costs – Salaries, wages, and benefits		**7,201**	—	—	**7,201**	—
Strategic initiatives costs – General and administrative expenses		**7,355**	3,905	—	**11,260**	—
Share-based compensation		**16,743**	7,335	7,044	**49,232**	31,303
Amortization of convertible debenture discount		**1,052**	1,033	982	**4,100**	3,831
Total impact of adjusting items on operating expenses		**32,351**	12,273	8,026	**71,793**	35,134
Total pre-tax impact of adjusting items		**32,351**	12,273	8,026	**71,793**	10,134
Total after-tax impact of adjusting items		**23,930**	9,327	6,018	**54,204**	7,550
Total impact of adjusting items on EPS [basic]		**0.06**	0.02	0.02	**0.14**	0.02
Total impact of adjusting items on EPS [diluted]		**0.06**	0.02	0.01	**0.13**	0.02

		For the three-month period ended			For the year ended	
(in $000's for stated values, except per share amounts)		**December 31, 2023**	September 30, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
Adjusted results						
Services income, net		**176,341**	175,889	149,208	**678,236**	570,018
Net financing revenue		**139,092**	140,557	125,449	**554,427**	479,741
Syndication revenue, net		**17,926**	17,326	17,671	**61,493**	57,290
Adjusted net revenue		**333,359**	333,772	292,328	**1,294,156**	1,107,049
Adjusted operating expenses		**149,931**	145,031	142,021	**578,351**	507,533
Adjusted operating income		**183,428**	188,741	150,307	**715,805**	599,516
Adjusted operating margin		**55.0 %**	56.5 %	51.4 %	**55.3 %**	54.2 %
Provision for income taxes		**29,797**	38,553	31,011	**139,461**	139,910
Adjustments:						
Pre-tax income		**11,007**	5,522	4,701	**28,472**	12,975
Foreign tax rate differential and other		**6,942**	1,223	1,895	**7,439**	(8)
Provision for taxes applicable to adjusted results	C	**47,746**	45,298	37,607	**175,372**	152,877
Adjusted net income		**135,682**	143,443	112,700	**540,433**	446,639
Adjusted EPS [basic]		**0.33**	0.35	0.27	**1.32**	1.05
Adjusted EPS [diluted]		**0.33**	0.34	0.26	**1.29**	1.03

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 $000's for stated values)		**December 31, 2023**	September 30, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
Total Finance receivables, before allowance for credit losses	E	**9,574,477**	9,571,118	8,079,755	**9,574,477**	8,079,755
Allowance for credit losses	F	**7,341**	9,380	10,369	**7,341**	10,369
Net investment in finance receivable	G	**6,578,375**	6,602,732	5,587,416	**6,578,375**	5,587,416
Equipment under operating leases	H	**3,506,610**	3,290,669	2,806,841	**3,506,610**	2,806,841
Net earning assets	I=G+H	**10,084,985**	9,893,401	8,394,257	**10,084,985**	8,394,257
Average net earning assets	J	**10,198,550**	9,797,130	8,283,008	**9,458,595**	8,133,661
Goodwill and intangible assets	K	**2,115,400**	2,144,214	2,159,699	**2,115,400**	2,159,699
Average goodwill and intangible assets	L	**2,154,186**	2,135,408	2,158,593	**2,144,829**	2,092,308
Borrowings	M	**10,625,388**	10,373,479	8,807,859	**10,625,388**	8,807,859
Unsecured convertible debentures	N	**169,378**	167,983	163,933	**169,378**	163,933
Less: continuing involvement liability	O	**(108,466)**	(94,296)	(54,173)	**(108,466)**	(54,173)
Total debt	P=M+N-O	**10,686,300**	10,447,166	8,917,619	**10,686,300**	8,917,619
Average debt	Q	**10,691,110**	10,376,677	8,511,085	**9,962,429**	8,251,833
Total shareholders' equity	R	**3,900,673**	3,959,430	3,680,973	**3,900,673**	3,680,973
Preferred shares	S	**254,738**	365,113	365,113	**254,738**	365,113
Common shareholders' equity	T=R-S	**3,645,935**	3,594,317	3,315,860	**3,645,935**	3,315,860
Average common shareholders' equity	U	**3,670,043**	3,660,505	3,272,442	**3,583,886**	3,089,962
Average total shareholders' equity	V	**3,998,364**	4,025,618	3,637,535	**3,939,801**	3,516,223

Throughout this MD&A, management uses 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, 2023	September 30, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
(in $000's for stated values, except per share amounts)	**$**	$	$	**$**	$
Reported Expenses	**192,673**	166,426	160,101	**688,498**	582,496
Less:					
Amortization of intangible assets from acquisitions	**9,487**	9,369	9,466	**37,667**	36,477
Loss/(Gain) on investments	**904**	(247)	588	**687**	3,352
Operating expenses	**182,282**	157,304	150,047	**650,144**	542,667
Less:					
Amortization of convertible debenture discount	**1,052**	1,033	982	**4,100**	3,831
Share-based compensation	**16,743**	7,335	7,044	**49,232**	31,303
Strategic initiatives costs - Salaries, wages and benefits	**7,201**	—	—	**7,201**	—
Strategic initiatives costs - General and administrative expenses	**7,355**	3,905	—	**11,260**	—
Total adjustments	**32,351**	12,273	8,026	**71,793**	35,134
Adjusted operating expenses	**149,931**	145,031	142,021	**578,351**	507,533

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 $000's for stated values, except per share amounts)	**December 31, 2023**	September 30, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	$	$	$	**$**	$
Income before income taxes	**140,686**	167,346	132,227	**605,658**	549,553
Adjustments:					
Amortization of convertible debenture discount	**1,052**	1,033	982	**4,100**	3,831
Share-based compensation	**16,743**	7,335	7,044	**49,232**	31,303
Amortization of intangible assets from acquisition	**9,487**	9,369	9,466	**37,667**	36,477
Loss/(Gain) on investments	**904**	(247)	588	**687**	3,352
Adjusting Items:					
Contribution from one-time, non-recurring revenue	**—**	—	—	**—**	(25,000)
Strategic initiatives costs - Salaries, wages and benefits	**7,201**	—	—	**7,201**	—
Strategic initiatives costs - General and administrative expenses	**7,355**	3,905	—	**11,260**	—
Total pre-tax impact of adjusting items	**14,556**	3,905	—	**18,461**	(25,000)
Adjusted operating income	**183,428**	188,741	150,307	**715,805**	599,516

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 $000's for stated values, except per share amounts)	**December 31, 2023**	September 30, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	$	$	$	**$**	$
Net income	**110,889**	128,793	101,216	**466,197**	409,643
Amortization of convertible debenture discount	**1,052**	1,033	982	**4,100**	3,831
Share-based compensation	**16,743**	7,335	7,044	**49,232**	31,303
Amortization of intangible assets from acquisition	**9,487**	9,369	9,466	**37,667**	36,477
Loss/(Gain) on investments	**904**	(247)	588	**687**	3,352
Contribution from one-time, non-recurring revenue	**—**	—	—	**—**	(25,000)
Strategic initiatives costs - Salaries, wages and benefits	**7,201**	—	—	**7,201**	—
Strategic initiatives costs - General and administrative expenses	**7,355**	3,905	—	**11,260**	—
Provision for income taxes	**29,797**	38,553	31,011	**139,461**	139,910
Provision for taxes applicable to adjusted results	**(47,746)**	(45,298)	(37,607)	**(175,372)**	(152,877)
Adjusted net income	**135,682**	143,443	112,700	**540,433**	446,639

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 goodwill and intangible assets

Average goodwill and intangible assets is the monthly average balances of goodwill and intangible assets during 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.

Other effects of dilution adjusted operating income basis

Other effects of dilution adjusted operating income basis represents, if dilutive, the add back of the after-tax convertible debt interest and the amortization of deferred financing costs related to the convertible debt, and excludes the add back of the after-tax amortization of the discount of the convertible debt (which is included on an IFRS basis).

Period-end vehicles under management (VUM)

Every "VUM" is one unique vehicle (a) receiving or subscribed for one or more Element services, and/or (b) financed by Element, whether or not subsequently syndicated. Period-end VUM refers to total VUM as at the end of the quarter.

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 27, 2024, the Company had 389,168,735 Common Shares issued and outstanding. In addition, 556,269 options were issued and outstanding under the Company's stock option plan as at February 27, 2024. These convertible securities are convertible into, or exercisable for, Common Shares of the Company. 556,269 of these convertible securities were exercisable at December 31, 2023, for what would have been proceeds to the Company upon exercise of $4.7 million. In addition, the Company had convertible debentures outstanding that are convertible into an aggregate of 14,627,599 Common Shares.

As at February 27, 2024, the Company had 5,126,400 Preferred Shares, Series C and 5,321,900 Preferred Shares, Series E issued and outstanding.