



Q2 2023 | **Supplementary Information**

as at June 30, 2023

This supplementary information should be read in conjunction with the Company's Management Discussion & Analysis dated June 30, 2023.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

The following pages provide information management believes is relevant to an assessment and understanding of the financial condition, results and operations of Element Fleet Management Corp. (the “Company” or “Element”) as at and for the three-month period ended June 30, 2023, and should be read in conjunction with the Company’s Q2 Management Discussion & Analysis and unaudited interim condensed financial statements and accompanying notes for the three- and six-month periods ended June 30, 2023. All monetary figures are in millions of Canadian dollars unless otherwise noted or for per share amounts. Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company’s website at www.elementfleet.com.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO AUGUST 8, 2023. CERTAIN STATEMENTS CONTAINED IN THIS REPORT CONSTITUTE “FORWARD- LOOKING STATEMENTS”. IN SOME CASES THE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY WORDS OR PHRASES SUCH AS “MAY”, “CAN”, “WILL”, “EXPECT”, “GUIDANCE”, “PLAN”, “ANTICIPATE”, “TARGET”, “INTEND”, “POTENTIAL”, “ESTIMATE”, “BELIEVE” OR THE NEGATIVE OF THESE TERMS, OR OTHER SIMILAR EXPRESSIONS INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, INCLUDING, AMONG OTHERS, STATEMENTS REGARDING ELEMENT’S FUTURE FINANCIAL PERFORMANCE, GROWTH PROSPECTS AND OBJECTIVES, EXPECTATIONS REGARDING SYNDICATION, ABILITY TO DRIVE OPERATIONAL EFFICIENCIES, ASSETS, BUSINESS STRATEGY, COMPETITIVE POSITIONING, ABILITY TO CREATE VALUE FOR SHAREHOLDERS, THE EVOLUTION OF ELEMENT’S BUSINESS, THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION, STRATEGIC ASSESSMENT, BUSINESS OUTLOOK, ELEMENT’S DIVIDEND POLICY AND THE PAYMENT OF FUTURE DIVIDENDS, ELEMENT’S PROPOSED SHARE PURCHASES, INCLUDING THE NUMBER OF COMMON SHARES TO BE REPURCHASED, THE TIMING THEREOF AND TSX ACCEPTANCE OF THE NORMAL COURSE ISSUER BID AND ANY RENEWAL THEREOF AND OTHER EXPECTATIONS REGARDING FINANCIAL OR OPERATING PERFORMANCE AND METRICS. SUCH STATEMENTS REFLECT THE COMPANY’S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO INHERENT RISKS, UNCERTAINTIES AND NUMEROUS ASSUMPTIONS, INCLUDING, WITHOUT LIMITATION, GENERAL ECONOMIC CONDITIONS, OPERATIONAL CAPABILITIES, TECHNOLOGICAL DEVELOPMENT, SUPPLY CHAIN, RELIANCE ON DEBT FINANCING, COMPETITION, INTEREST RATES, REGULATION, FAILURE OF KEY SYSTEMS, FUTURE CAPITAL NEEDS, THE IMPACT OF THE COVID-19 PANDEMIC, AND SUCH OTHER RISKS OR FACTORS DESCRIBED FROM TIME TO TIME IN REPORTS OF ELEMENT, INCLUDING HEREIN AND IN ELEMENT’S MD&A AND ANNUAL INFORMATION FORM, WHICH HAVE BEEN FILED ON SEDAR AND MAY BE ACCESSED AT WWW.SEDAR.COM.

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

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Profitable organic net revenue growth

PROFITABLE ORGANIC NET REVENUE GROWTH

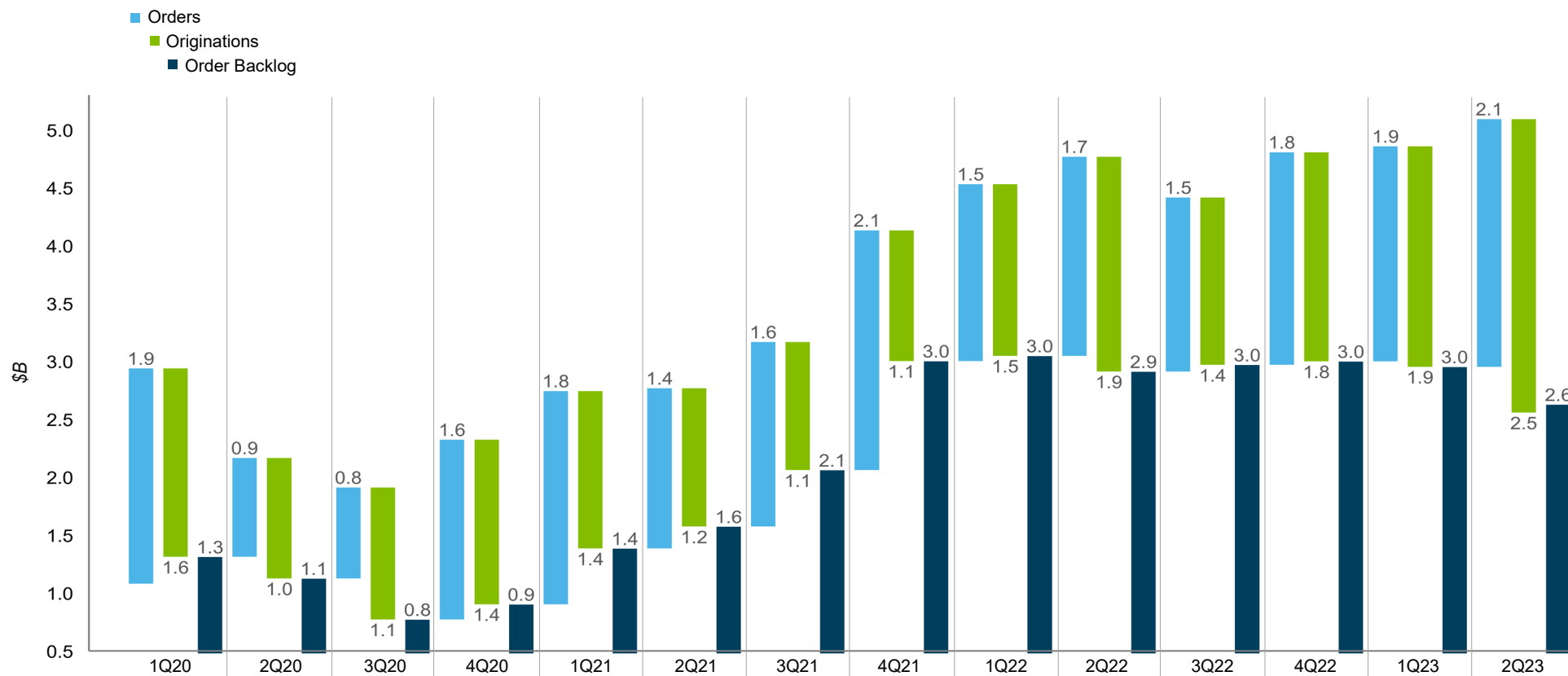
1.1 Orders, Originations, and Order Backlog

Client demand for new vehicles continues to be robust: our clients (excluding Armada) placed \$2.1 billion of orders with OEMs in Q2 2023. This volume also speaks to OEMs' improving outlook on their production capabilities (because the OEMs accepted \$2.1 billion of Element client orders, representing commitments to produce same).

OEMs' improving production capabilities were further evidenced in the second quarter by our record origination of \$2.5 billion in new vehicles for Element clients (excluding Armada).

The net result of this ordering and origination activity is a \$2.6 billion order backlog at quarter-end.

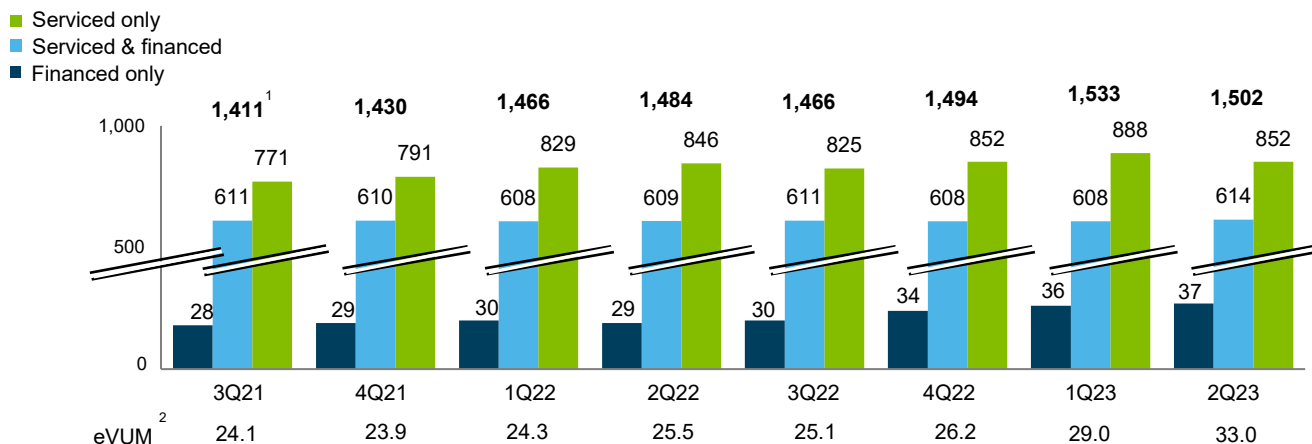
Quarterly orders, originations, and order backlog – each excluding Armada – in constant currency:



PROFITABLE ORGANIC NET REVENUE GROWTH

1.2.1 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. Figures below are in thousands of vehicles.



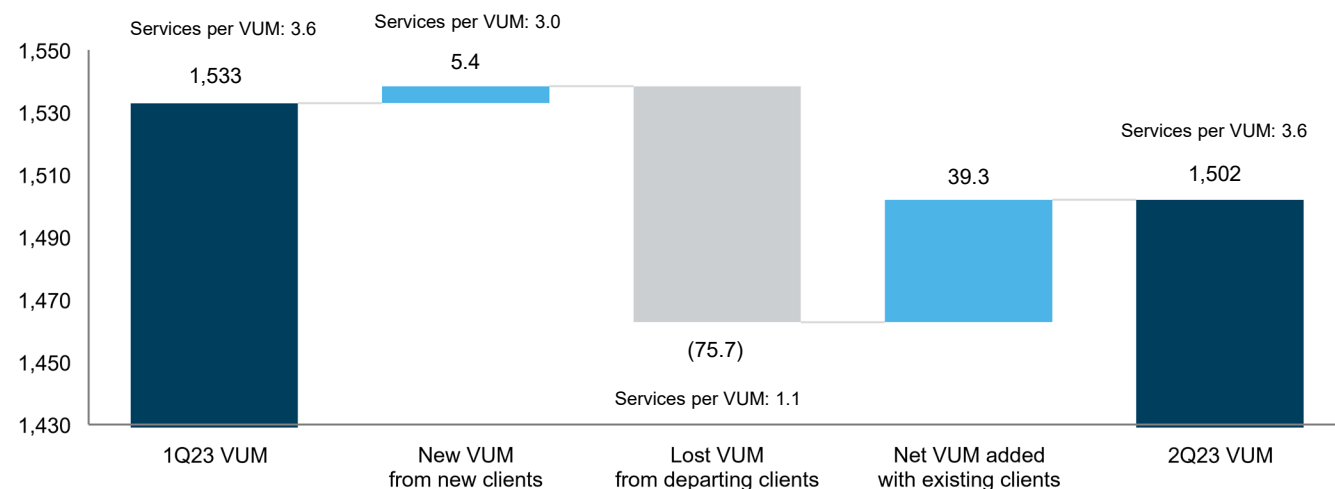
1. VUM counts are average-for-the-period, calculated as (a) the sum of the VUM counts on (i) the last day of the prior period and (ii) the last day of each month during the period; (b) divided by (the number of months in the period, plus 1); and then (c) rounded to the nearest thousand vehicles.

2. Electric vehicles under management (eVUM) consists of battery electric, plug-in hybrid, and hybrid electric vehicles under management, rounded to the nearest hundred vehicles. eVUM totals here are included in the "Serviced only", "Serviced & financed", and "Financed only" VUM totals above.

1.2.2 1Q23 -> 2Q23 Average VUM waterfall

Quarter-over-quarter, we are onboarding new clients' vehicles with higher service attachment rates – and, therefore, more compelling future services revenue profiles – than the vehicles we are offboarding.

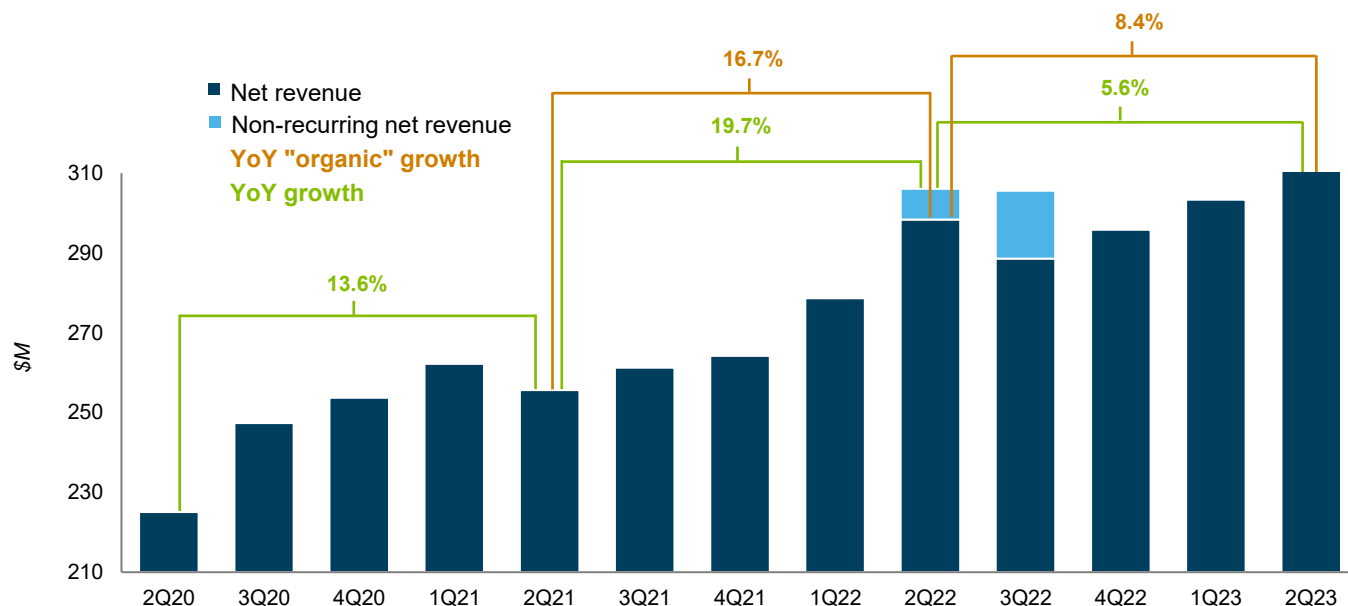
As previously disclosed, the lion's share of the decline in VUM this quarter was due to our ending the provision of white-label services to a competitor, which resulted in the associated vehicles coming out of our VUM count. These vehicles were only enrolled in one service and thus contributed immaterially to our financial results.



PROFITABLE ORGANIC NET REVENUE GROWTH

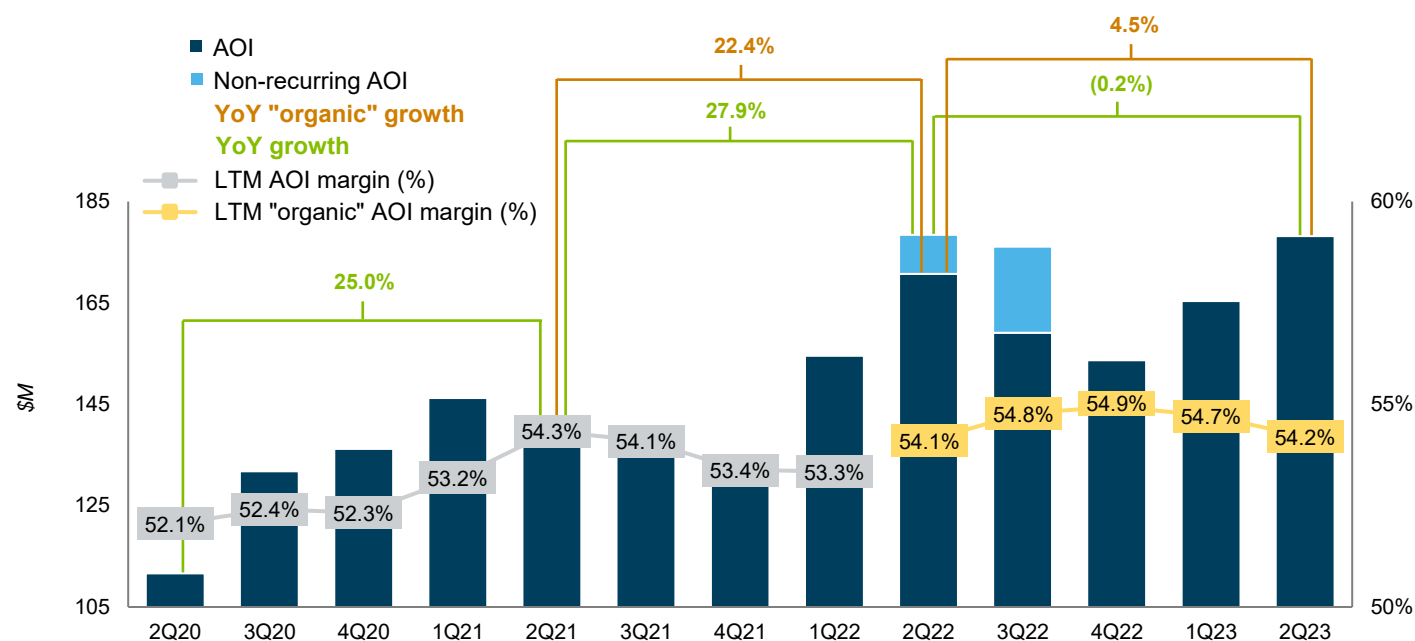
1.3 Net revenue growth in constant currency

Q2 2023 net revenue grew 5.6% from Q2 2022 on a constant currency basis but 8.4% "organically" excluding non-recurring net revenue (disclosed at the time) from last year's comparator.



1.4 Adjusted operating income growth and operating margin expansion, all in constant currency

Q2 2023 adjusted operating income (AOI) was ~flat year-over-year, but grew 4.5% "organically" – in both cases, on a constant currency basis. "Organic" operating margin for the last 12 months (LTM "organic" AOI margin) expanded by 10 basis points from Q2 2022 to Q2 2023.



A capital-lighter business model

A CAPITAL-LIGHTER BUSINESS MODEL

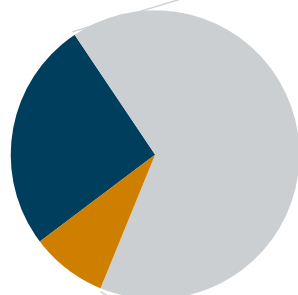
2.1 Services revenue by geography, nature and product

Growing services revenue is one of two planks of our capital-lighter business model. Services revenue has much lower funding needs than net financing revenue – only the net working capital required to procure fuel, parts and services for clients – making services revenue highly accretive to return on equity.

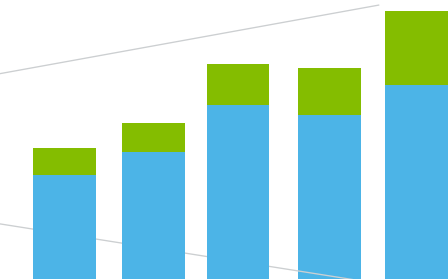
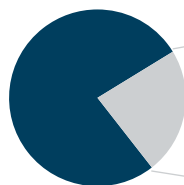
We earn varying degrees of services revenue in different geographies, and the nature of that services revenue (usage-based versus recurring) varies by both geography and product across our business. Globally, we have ample opportunity to generate more and a higher proportion of services revenue, which is aligned with our advancement of a capital-lighter business model.

- Services revenue
- Net financing revenue
- Syndication revenue

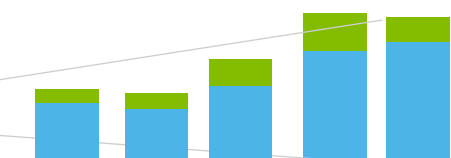
U.S. and Canada



Australia and New Zealand



Mexico



Services revenue by geography, nature and product

Usage-based	Recurring
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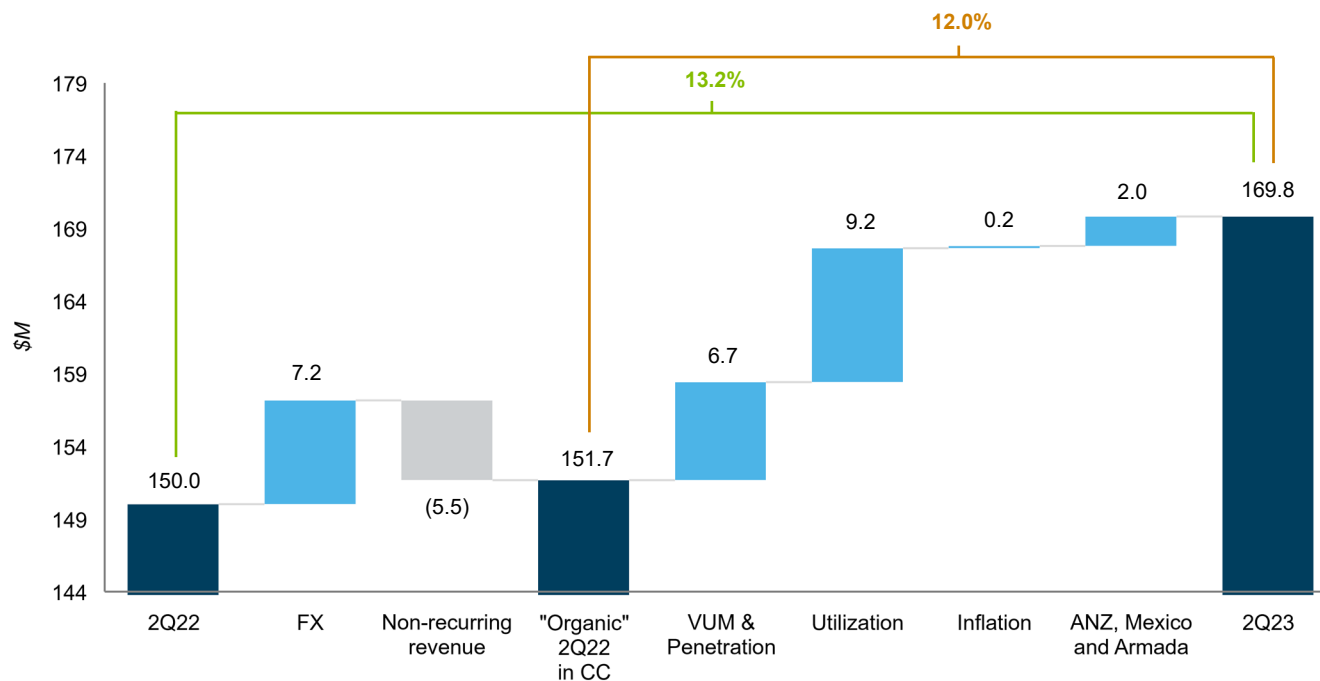
Note: In most cases, services have both usage-based and recurring components to their revenue. Globally overall, approximately two thirds of our service revenue is usage-based and one third is recurring.

Accident	Accident
Acquisitions	Driver safety
Fuel	Fuel
Long term rentals	Fleet Partnership Solutions
Maintenance	Maintenance
Taxable benefits	End of contract
Remarketing	
Roadside assistance	
Telematics	Telematics
Titling & registration	Titling & registration
Tolls & violations	
Accident	Accident
Fuel	Fuel
Maintenance	Maintenance
Roadside assistance	Insurance
Telematics	Telematics
Tires	Peace of Mind
Tolls & violations	
Accident	Accident
Fuel	Fuel
Maintenance	Maintenance
Telematics	Telematics
Titling & registration	Titling & registration

A CAPITAL-LIGHTER BUSINESS MODEL

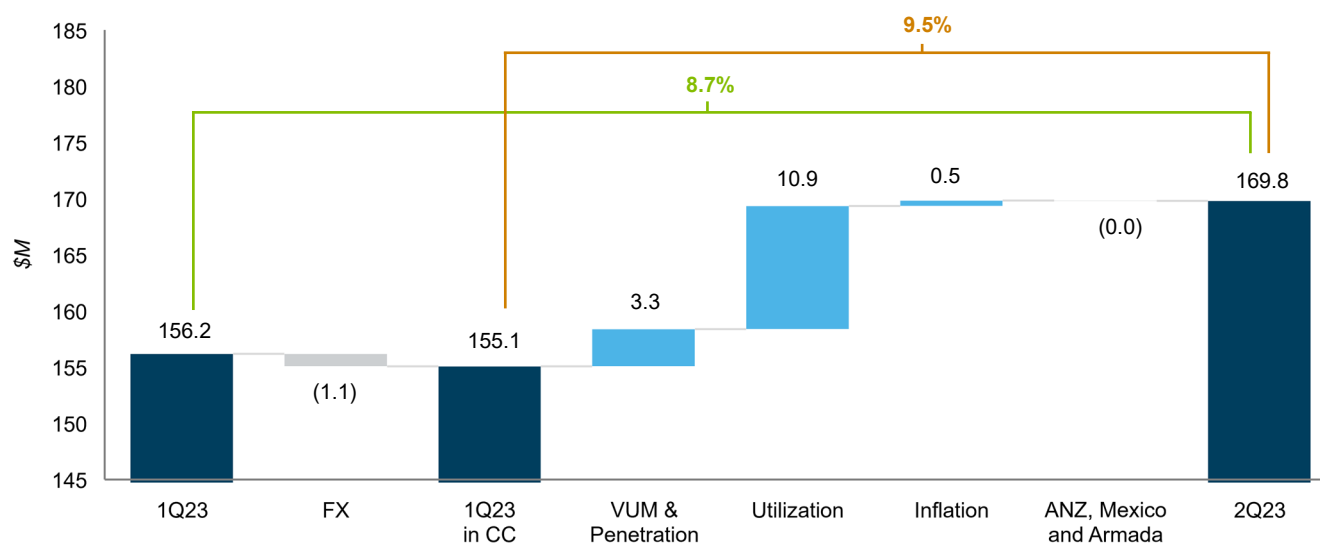
2.2.1 2Q22 -> 2Q23 services revenue waterfall

Q2 2023 services revenue grew \$19.8 million or 13.2% from Q2 2022 as reported, and \$18.1 million or 12.0% "organically" and on a constant currency basis.



2.2.2 1Q23 -> 2Q23 services revenue waterfall

Q2 2023 services revenue grew \$13.6 million or 8.7% from Q1 2023 as reported and \$14.7 million or 9.5% in constant currency.

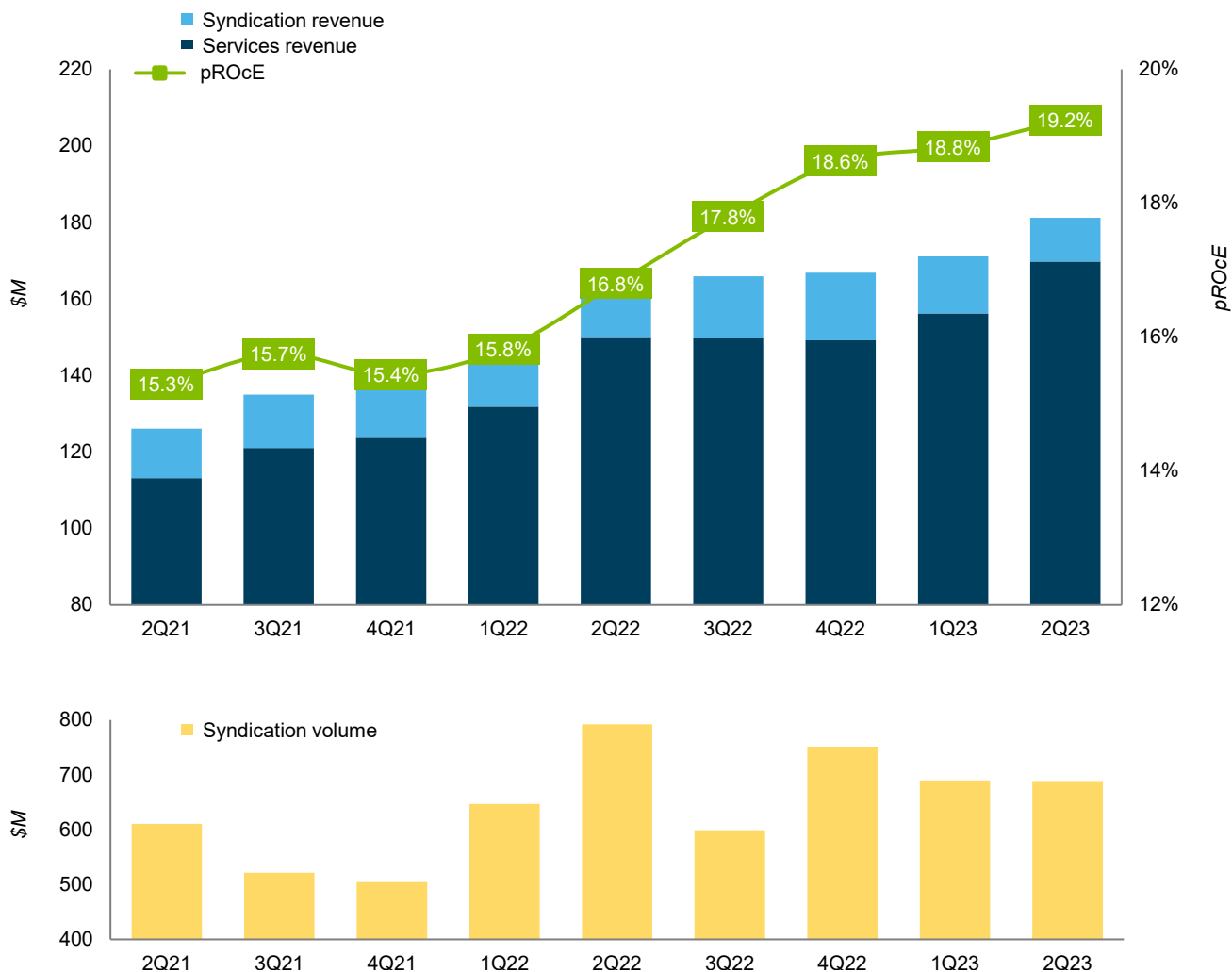


A CAPITAL-LIGHTER BUSINESS MODEL

2.3 Capital-lighter services revenue, and syndication revenue, and pre-tax return on common equity

Besides services revenue, the second pillar of our capital-lighter business model is syndication: the sale of fleet lease receivables, on a non-recourse basis, to financial buyers with a lower cost of capital than Element's, on terms that are more beneficial to Element than holding those assets on balance sheet.

The growth of services revenue and our syndication program advance our capital-lighter business model, which continues to enhance ROE: year-over-year at June 30, pre-tax return on common equity improved 240 basis points to a record 19.2%.



Definition

pROcE 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).

Growing free cash flow per share and returning capital to shareholders

GROWING FREE CASH FLOW PER SHARE AND RETURNING CAPITAL TO SHAREHOLDERS

3.1 Free cash flow per share

Q2 2023 free cash flow per share of \$0.46 represents 11 cents' growth or a 31.4% increase over "organic" Q2 2022 free cash flow per share (8 cents or 21.1% growth on a constant currency basis).

\$ millions (except free cash flow per common share)		Source	2Q21	3Q21	4Q21	1Q22	"organic" 2Q22	"organic" 3Q22	4Q22	1Q23	2Q23
Adjusted operating income (AOI)		a.	126.5	125.6	122.6	142.9	157.9	148.4	150.3	165.5	178.1
Adjust for non-cash items in AOI:											
Depreciation and amortization	b.		10.4	15.9	13.7	13.9	15.5	15.0	15.4	16.3	16.7
Amortization of deferred lease costs	c.		5.4	6.2	6.8	7.1	7.6	7.1	9.7	7.9	8.3
Amortization of deferred financing costs	c.		6.1	5.7	5.1	3.9	3.7	3.7	3.6	3.7	4.4
Amortization of deferred convertible debenture costs	d.		0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Provision for credit losses	c.		(1.5)	(1.9)	1.4	0.1	(0.6)	0.2	0.2	(0.1)	0.3
X. Amortization of deferred revenue											
Adjust for cash items not included in AOI:											
Y. Cash revenue received in the period, recognition of which is deferred											
Z. Lease costs incurred in the period, recognition of which is deferred											
X. + Y. + Z. =			(7.0)	(7.7)	(2.7)	(13.3)	(9.5)	(4.3)	(23.7)	(4.2)	9.1
Cash from operations			140.3	144.0	147.2	154.9	175.0	170.6	155.8	189.4	217.2
Subtract required cash expenses:											
Sustaining capital investments	c. ¹		(11.0)	(13.2)	(14.5)	(14.1)	(14.5)	(8.6)	(14.8)	(16.1)	(19.2)
Preferred share dividends	e.		(8.1)	(8.1)	(8.1)	(8.1)	(8.1)	(6.0)	(5.9)	(5.9)	(5.9)
Cash taxes	c.		(9.1)	(11.4)	(5.1)	(17.4)	(12.7)	(12.2)	(15.7)	(20.3)	(10.7)
Free cash flow			112.1	111.3	119.5	115.3	139.7	143.8	119.4	147.0	181.4
Weighted avg. # of c.s. outstanding (million)	e.		428.6	416.4	409.2	401.6	398.2	395.1	392.8	392.2	390.4
Per common share outstanding			0.26	0.27	0.29	0.29	0.35	0.36	0.30	0.37	0.46
Per common share outstanding, in constant currency			0.28	0.28	0.31	0.30	0.38	0.40	0.31	0.38	0.46

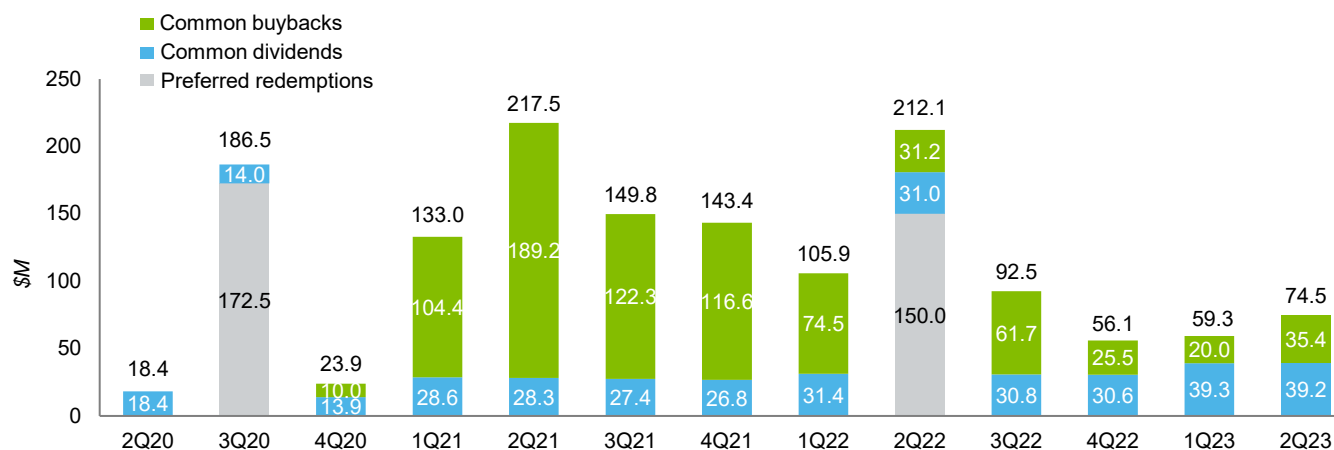
Sources: a. MD&A; b. Financial Statements - Statement of Operations; c. Financial Statements - Statement of Cash Flows; d. Financial Statements - Convertible debentures note; e. This Supplementary Information document; f. Financial Statements - Earnings per share note

1. Sustaining capital investments are a portion of Element's total capital investments, which are disclosed quarterly in our Financial Statements - Statement of Cash Flows section, line items "Purchase of property, equipment and leasehold improvements" and "Purchase of intangible assets, including computer software".

GROWING FREE CASH FLOW PER SHARE AND RETURNING CAPITAL TO SHAREHOLDERS

3.2 Return of capital

We return capital to our shareholders through growing common dividends (see section 3.3 below), common share buybacks (section 3.4 below) and preferred share series redemptions. We allocate capital to these return 'levers' based on free cash flow per share performance, tangible leverage ratio management, and required reinvestments in our business. Our target tangible leverage ratio range is 6.25-6.75, calculated using our assumptions as to normalized FX rates. We have upcoming preferred share series redemptions in December 2023 (\$115 million), June 2024 (\$128 million) and September 2024 (\$133 million).



3.3 Common dividends

Our annual common dividend represents 26.2% of the Company's last twelve months' (LTM) free cash flow (FCF) per share, which is within the 25% to 35% target payout range we plan to maintain going forward. Given the planned maturation of Element's capital structure over the forthcoming 14 months, and the proven recurring nature of our free cash flow per share and ability to grow same, we expect to continue to utilize our common dividend as a consistent and predictable method of capital return over time.

	Units	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Common dividend per share	CAD	0.0775	0.0775	0.0775	0.10	0.10	0.10
Annualized common dividend per share as a % of LTM FCF per share		28.0%	25.4%	23.2%	29.7%	27.9%	26.2%

3.4 NCIB activity

Since launching our inaugural NCIB in November 2020, Element has returned \$790.7 million to common shareholders through buybacks up to June 30, 2023, repurchasing almost 13% of the common shares that were issued and outstanding as of November 2020.

	Units	Inaugural NCIB ¹	Second NCIB ²	Current NCIB ³		
				December 2022	1Q23	2Q23
Shares repurchased	Millions	34.4	19.2	0.03	1.1	2.0
Weighted avg. repurchased share price	CAD	13.77	13.57	18.25	18.26	18.06
Cost of repurchases	CAD, millions	473.9	260.9	0.5	20.0	35.4
Cumulative shares repurchased since Nov. 2020...	Millions	34.4	53.6	53.7	54.8	56.7
...as a % of shares issued and outstanding as of Nov. 2020		7.8%	12.2%	12.2%	12.4%	12.9%
Shares issued in the period on exercise of options	Millions	4.1	1.7	0.1	0.2	0.1
Shares issued in the period on exercise of convertible debentures	Millions	-	0.01	0.01	-	-
Shares issued and outstanding at period end	Millions	410.0	392.4	392.5	391.6	389.7

1. Element's inaugural NCIB ran from November 10, 2020 to November 9, 2021.

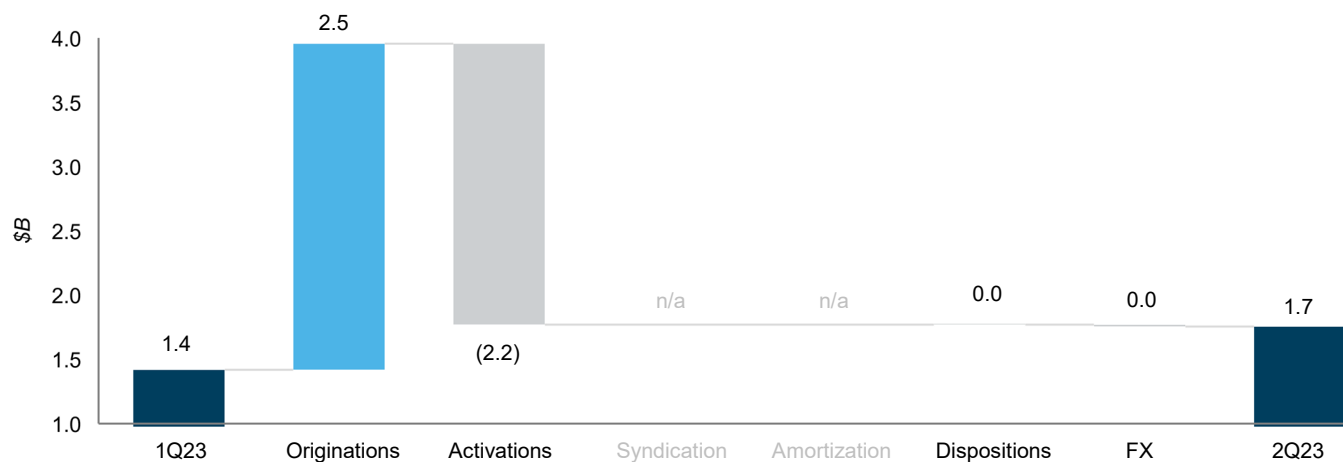
2. Element's second NCIB ran from November 15, 2021 to November 14, 2022.

3. Element's current NCIB will run from November 15, 2022 to November 14, 2023.

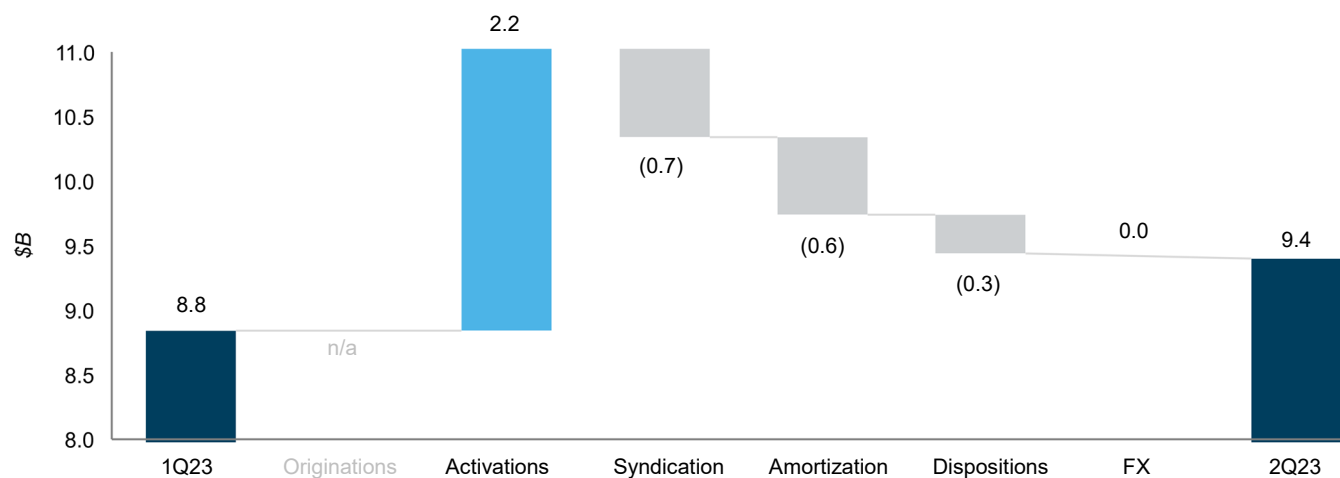
Assets under management

ASSETS UNDER MANAGEMENT

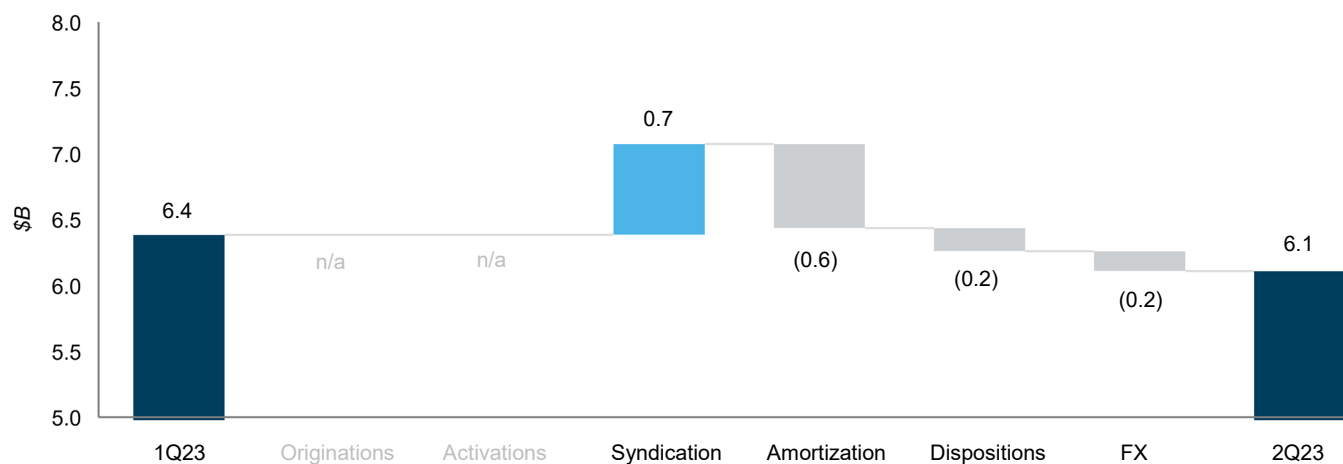
4.1.1 1Q23 -> 2Q23 End-of-period interim funded assets



4.1.2 1Q23 -> 2Q23 End-of-period net earning assets

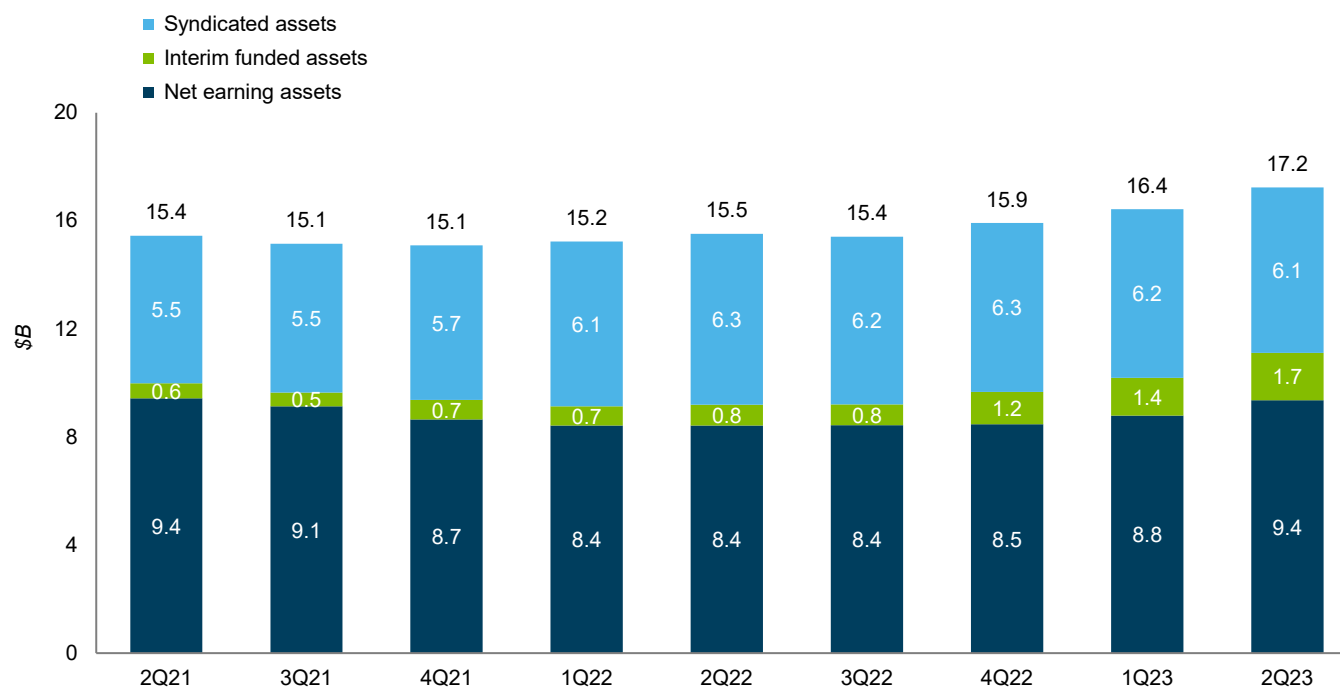


4.1.3 1Q23 -> 2Q23 End-of-period syndicated assets



ASSETS UNDER MANAGEMENT

4.2.1 End-of-period assets under management on a constant currency basis



4.2.2 End-of-period net earning assets by geography on a constant currency basis

