# Q1 2021 Supplementary Information

as at March 31, 2021

This supplementary information should be read in conjunction with the Company's Management Discussion & Analysis dated March 31, 2021.

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

## FORWARD-LOOKING STATEMENTS DISCLAIMER

The following pages provide information management believes is relevant to an assessment and understanding of the financial condition, results and operations of Element Fleet Management Corp. (the “Company” or “Element”) as at and for the three-month period ended March 31, 2021, and should be read in conjunction with the Company’s Q1 Management Discussion & Analysis and interim condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2021. 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 MAY 11, 2021. CERTAIN STATEMENTS CONTAINED IN THIS REPORT CONSTITUTE “FORWARD- LOOKING STATEMENTS”. IN SOME CASES THE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY WORDS OR PHRASES SUCH AS “MAY”, "CAN", “WILL”, “EXPECT”, "GUIDANCE", “PLAN”, “ANTICIPATE”, "TARGET", “INTEND”, “POTENTIAL”, “ESTIMATE”, “BELIEVE” OR THE NEGATIVE OF THESE TERMS, OR OTHER SIMILAR EXPRESSIONS INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, INCLUDING, AMONG OTHERS, STATEMENTS REGARDING ELEMENT’S TRANSFORMATION PLAN, GROWTH PROSPECTS AND OBJECTIVES, 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, BUSINESS INTEGRATION, 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, THE IMPACT OF THE COVID-19 PANDEMIC, GENERAL ECONOMIC CONDITIONS, OPERATIONAL CAPABILITIES, TECHNOLOGICAL DEVELOPMENT, RELIANCE ON DEBT FINANCING, DEPENDENCE ON BORROWERS, INABILITY TO SUSTAIN RECEIVABLES, COMPETITION, INTEREST RATES, REGULATION, INSURANCE, FAILURE OF KEY SYSTEMS, DEBT SERVICE, FUTURE CAPITAL NEEDS AND SUCH OTHER RISKS OR FACTORS DESCRIBED FROM TIME TO TIME IN REPORTS OF ELEMENT, INCLUDING HEREIN AND IN ELEMENT’S MD&A AND ANNUAL INFORMATION FORM, WHICH HAVE BEEN FILED ON SEDAR AND MAY BE ACCESSED AT WWW.SEDAR.COM. THE COVID-19 PANDEMIC HAS CAST ADDITIONAL UNCERTAINTY ON ELEMENT’S INTERNAL EXPECATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THE DURATION, EXTENT AND SEVERITY OF THE IMPACT THE COVID-19 PANDEMIC, INCLUDING MESAURES TO PREVENT ITS SPREAD, WILL HAVE ON ELEMENT’S BUSINESS IS HIGHLY UNCERTAIN AND DIFFICULT TO PREDICT AT THIS TIME.**

**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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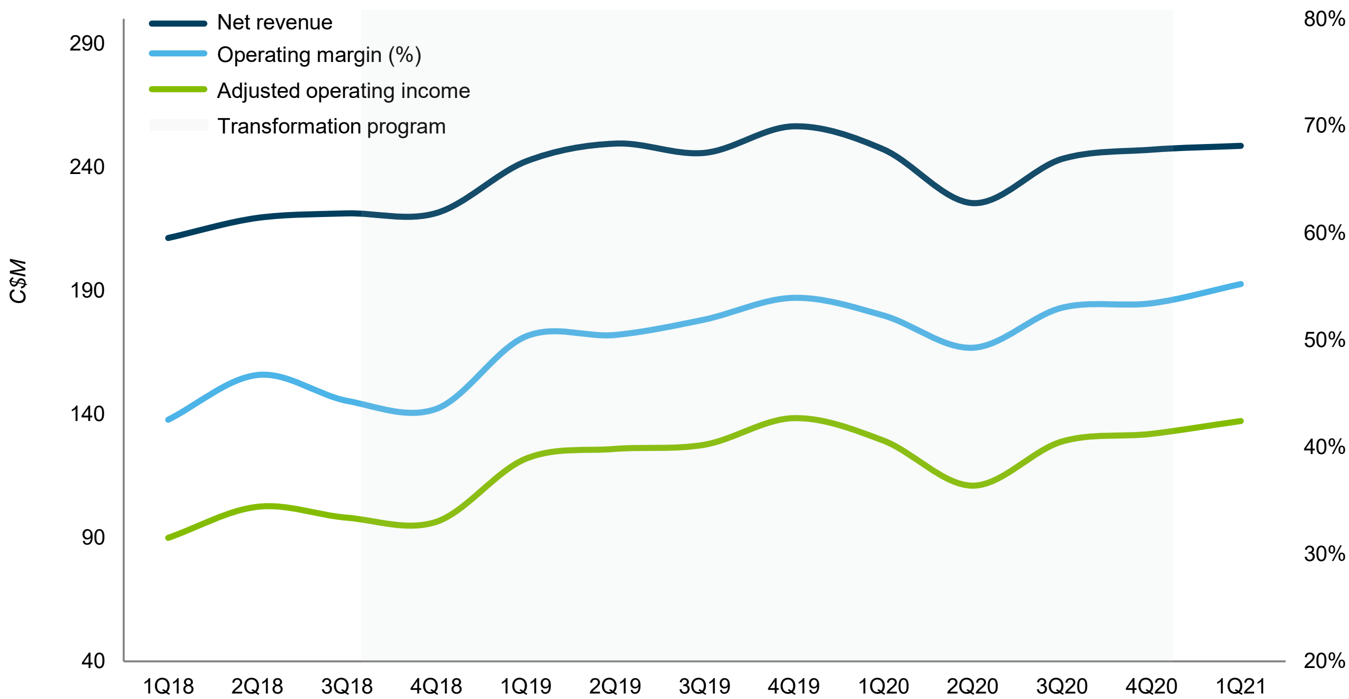
# Strategic Priorities

## A. Aggressively pursue organic growth and demonstrate the scalability of our operating platform by magnifying 4-6% annual net revenue growth into high single-digit to low double-digit operating income growth

### 1.1 Quarterly global net revenue, operating margin and adjusted operating income

One of our three strategic priorities in 2021 (and beyond) is the aggressive pursuit of profitable, organic net revenue growth. We believe the business is capable of growing 4-6% annually in this regard in normal market conditions. Leveraging the scalability of our transformed operating platform, Element will magnify that 4-6% revenue growth into high single-digit to low double-digit annual operating income growth. We will report on our quarterly progress here in our Supplementary Information document.



# A. Aggressive pursuit of organic growth

## 1.2 Deals closed in the quarter

Our aggressive pursuit of organic net revenue growth is guided by our global growth strategy, three planks of which are (i) increasing client profitability and service penetration (share of wallet), (ii) winning new clients from other FMCs (stealing market share) and (iii) converting self-managed fleets into Element clients. Our commercial teams were very successful on all three fronts in the quarter, in each of our operating geographies. Every "Unit" represents either a lease or a single service to be provided to a specific vehicle. It's important to note that we often provide more than one service to any given vehicle. Units will vary in their timing and degree of contribution to net revenue, operating income, cash flow and return on equity. These figures exclude Armada.

| | 1Q21 | | 1Q20 | |
|---|---|---|---|---|
| | Deals | Units [1] | Deals | Units [1] |
| **Share of wallet** | | | | |
| Australia and New Zealand | 2 | 2,192 | 1 | 359 |
| Mexico | 10 | 3,469 | 18 | 2,607 |
| U.S. and Canada | 85 | 58,336 | 59 | 24,325 |
| **Subtotal** | **97** | **63,997** | **78** | **27,291** |
| **Market share** | | | | |
| Australia and New Zealand | 3 | 1,515 | 3 | 748 |
| Mexico | 19 | 3,810 | 19 | 5,013 |
| U.S. and Canada | 6 | 40,775 | 5 | 6,214 |
| **Subtotal** | **28** | **46,100** | **27** | **11,975** |
| **Self-managed** | | | | |
| Australia and New Zealand | 6 | 7,750 | 2 | 4,048 |
| Mexico | 12 | 2,774 | 9 | 1,376 |
| U.S. and Canada | 9 | 3,963 | 4 | 4,050 |
| **Subtotal** | **27** | **14,487** | **15** | **9,474** |
| **Total** | **152** | **124,584** | **120** | **48,740** |

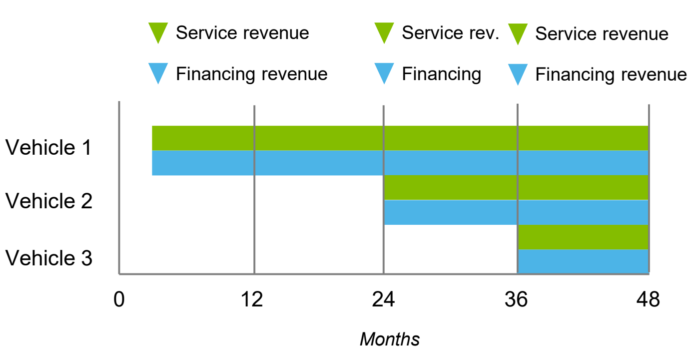
1. Every "Unit" represents either a lease or a single service to be provided to a specific vehicle. It's important to note that we often provide more than one service to any given vehicle. Units will vary in their timing and degree of contribution to net revenue, operating income, cash flow and return on equity.

### 1.2.1 New client revenue timing differences by geography

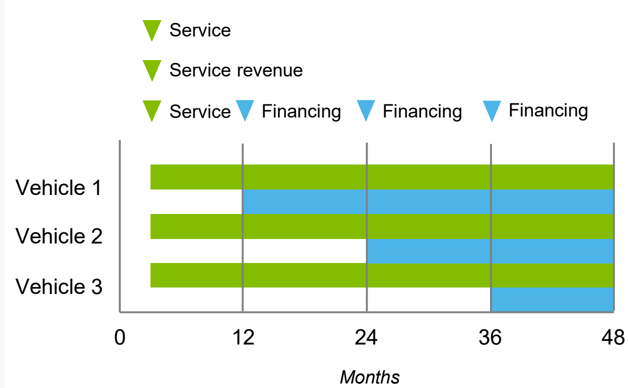
**In Australia and New Zealand and Mexico,** service and financing revenue are typically linked such that we only begin to earn service revenue on a vehicle when we begin financing that vehicle.

**In the U.S. and Canada,** service and financing revenue are independent such that we can begin to earn service revenue on a new client's existing vehicles within months of closing a deal but only begin to earn financing revenue when the client replaces existing vehicles with ones that we are financing.

ANZ and Mexico

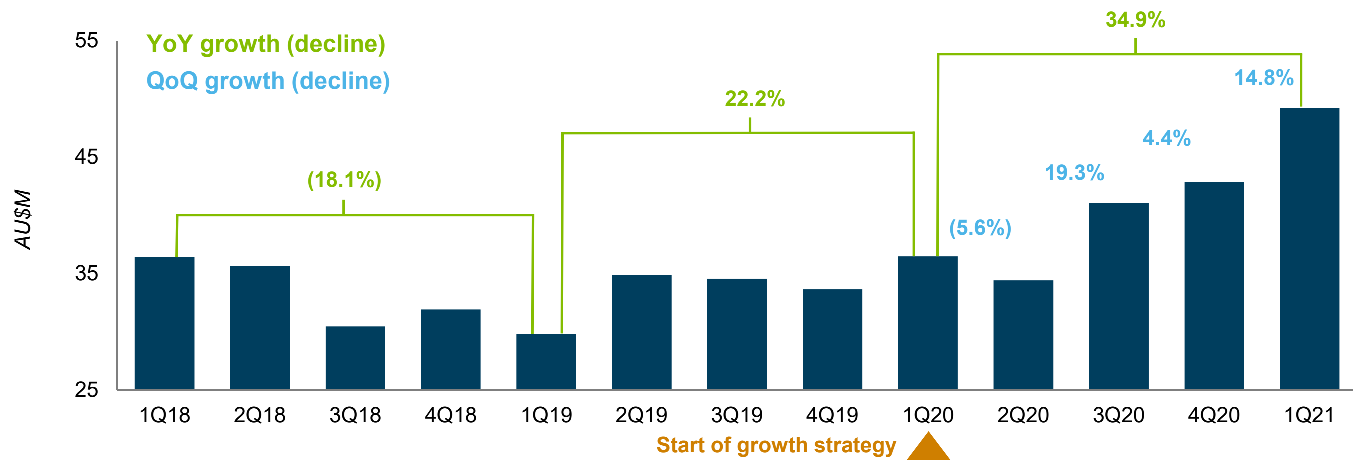



U.S. and Canada

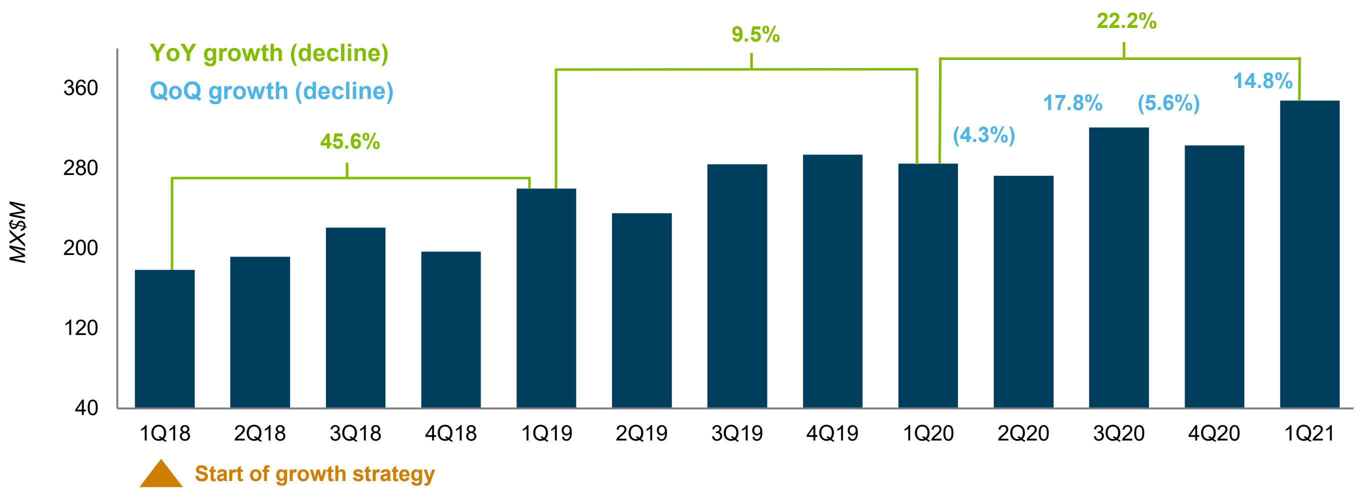


## A. Net revenue growth of 4-6%

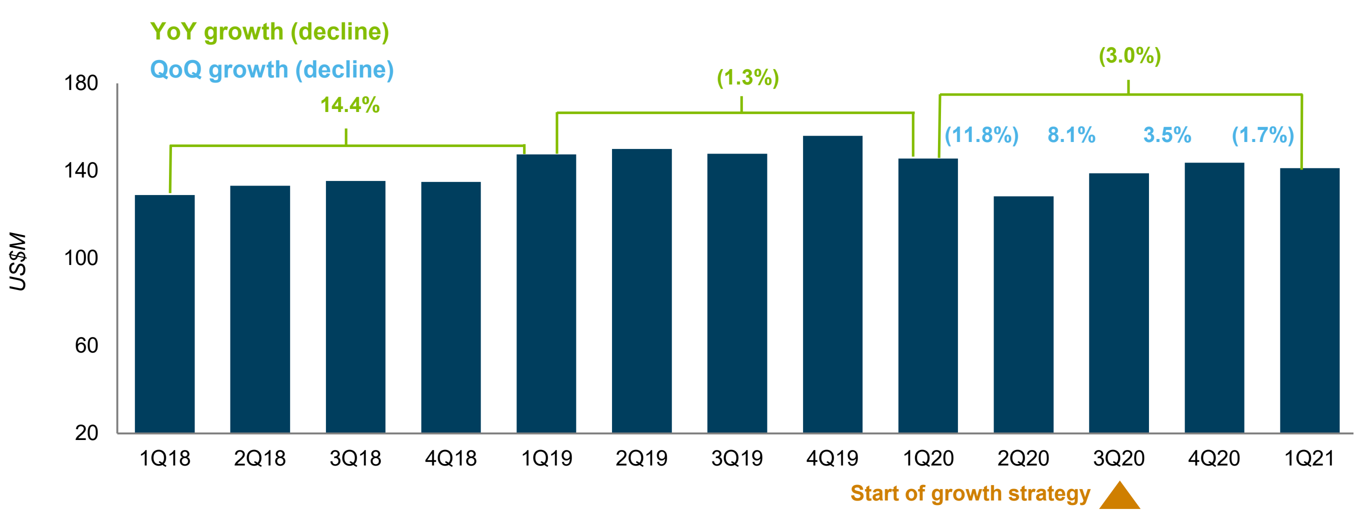
### 1.3.1 Net revenue growth quarter-over-quarter (QoQ) and quarter-over-same-quarter-prior-year (YoY) in Australia and New Zealand – in local currency (Australian dollars)




### 1.3.2 Net revenue growth QoQ and YoY in Mexico – in local currency

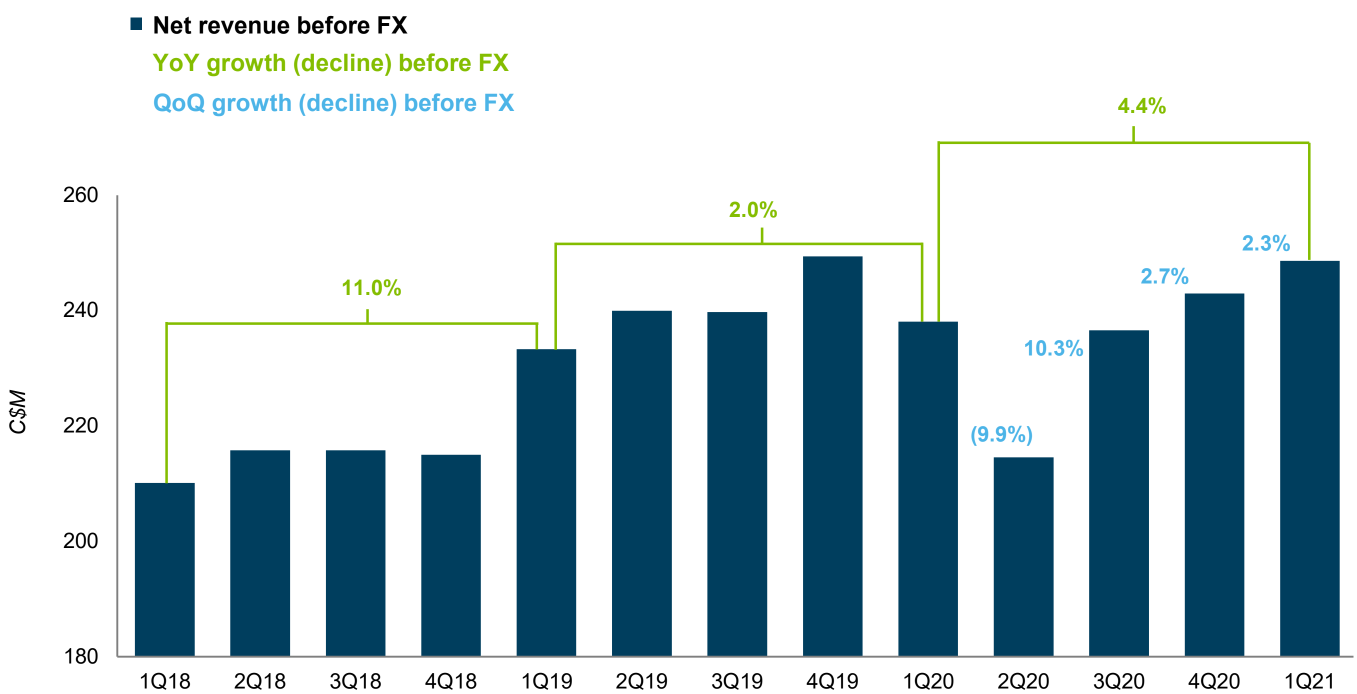



### 1.3.3 Net revenue growth QoQ and YoY in the U.S. and Canada – in U.S. dollars



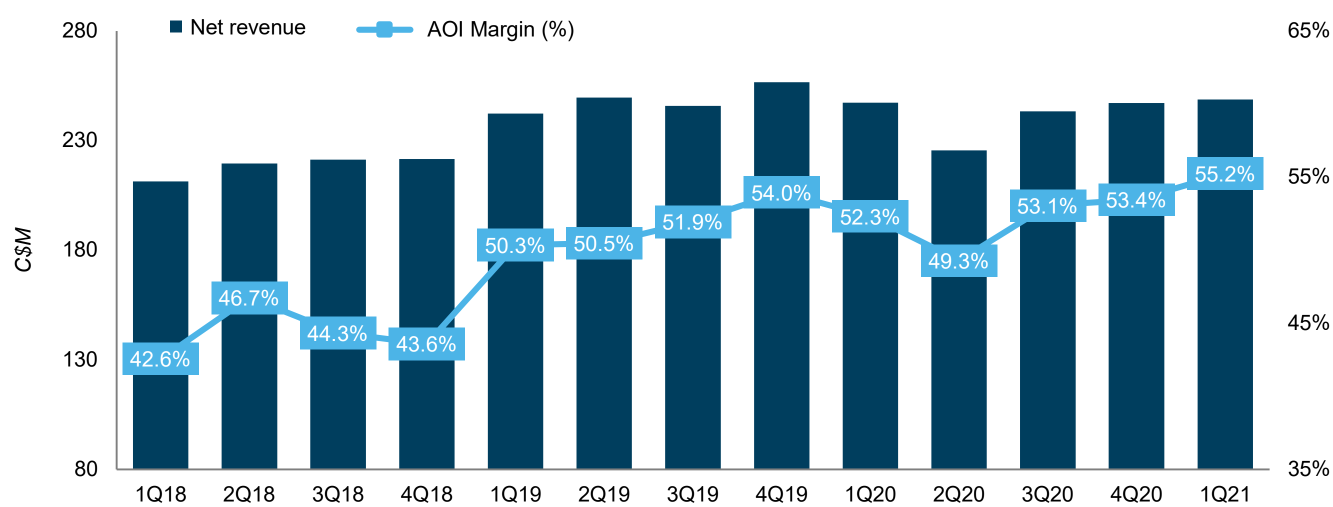
### 1.3.4 Global net revenue growth QoQ and YoY

Global net revenue grew 4.4% YoY and 2.3% QoQ in Q1 2021 before the impact of changes in FX.




### 1.4 Operating leverage

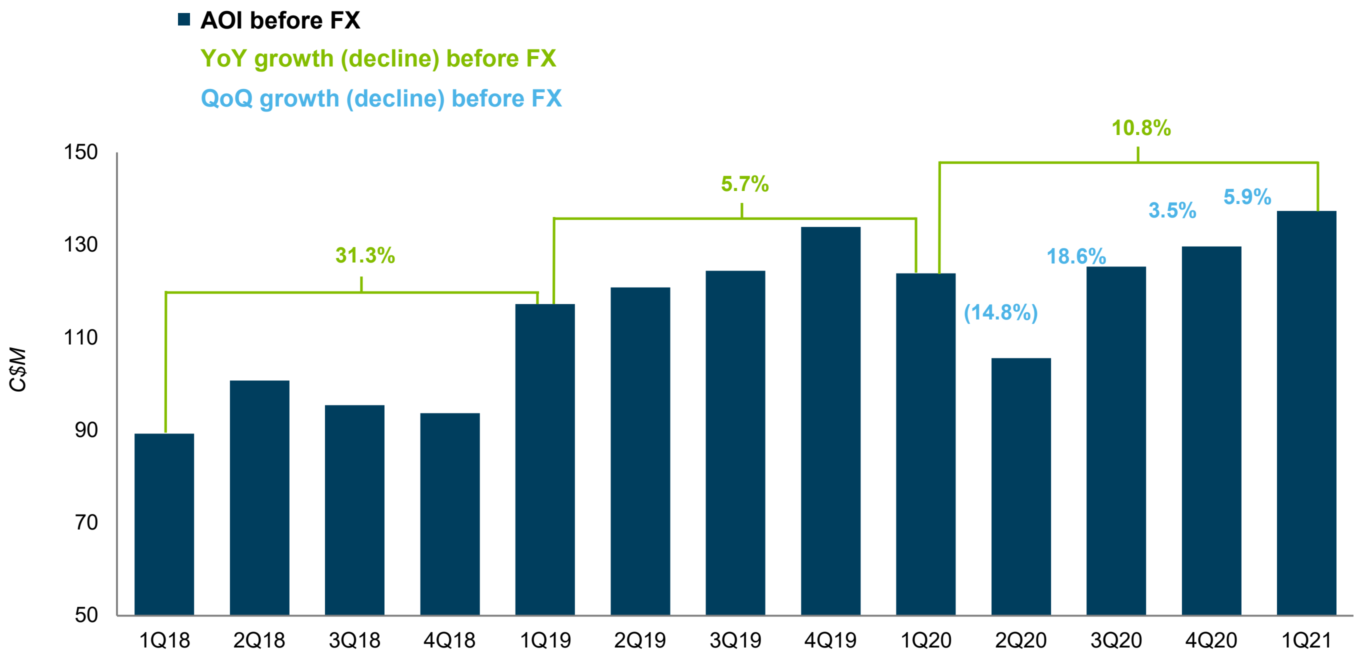
Operating margin increased ~180 bps quarter-over-quarter in Q1 2021 as global net revenue grew slightly and adjusted operating expenses (not shown) decreased by over 3%.



## A. Magnified operating income growth

### 1.5 Global adjusted operating income growth QoQ and YoY

Global adjusted operating income grew 10.8% YoY and 5.9% QoQ in Q1 2021 before the impact of changes in FX, demonstrating the net revenue-magnifying scalability of our transformed, industry-leading platform.

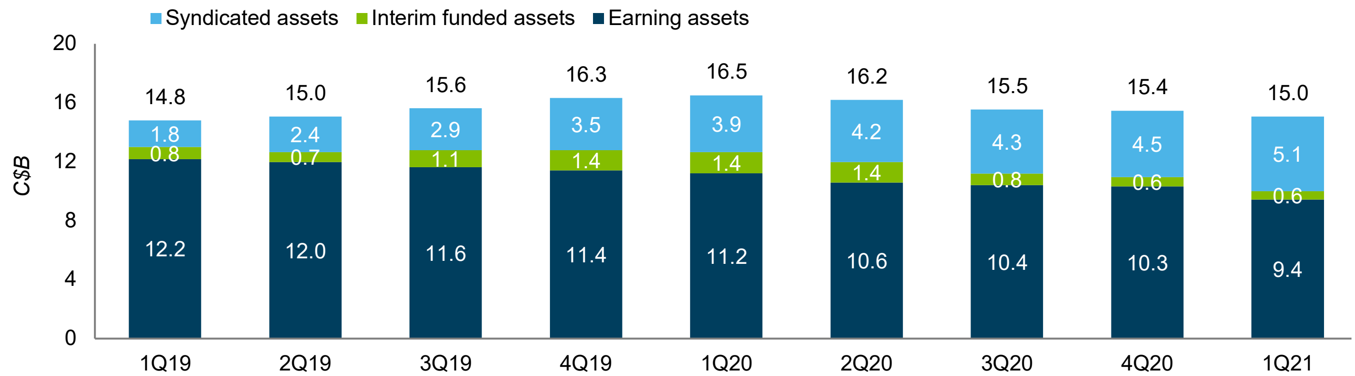


## B. Advance a capital-lighter business model by increasing service penetration and strategically syndicating fleet assets, which enhances return on equity

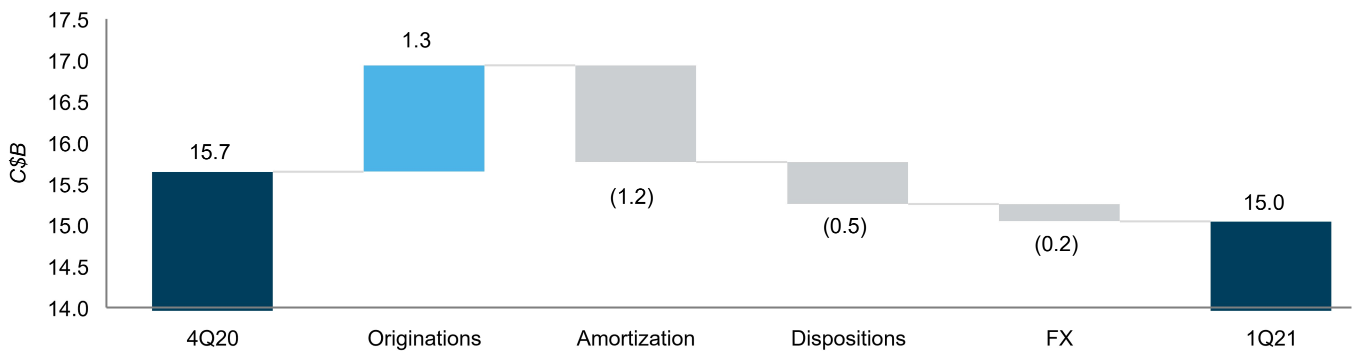
### 2.1.1 Assets under management by geography

| *Local currencies, billions* | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. and Canada (USD) | 9.7 | 9.8 | 9.7 | 9.9 | 9.9 | 10.1 | 10.5 | 10.9 | 11.0 | 10.7 | 10.2 | 10.1 | 9.8 |
| Mexico (MXN) | 6.2 | 6.9 | 7.4 | 9.4 | 9.9 | 10.8 | 11.9 | 14.0 | 14.9 | 15.9 | 16.3 | 19.0 | 19.0 |
| Australia and New Zealand (AUD) | 1.6 | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.6 | 1.7 | 1.6 |

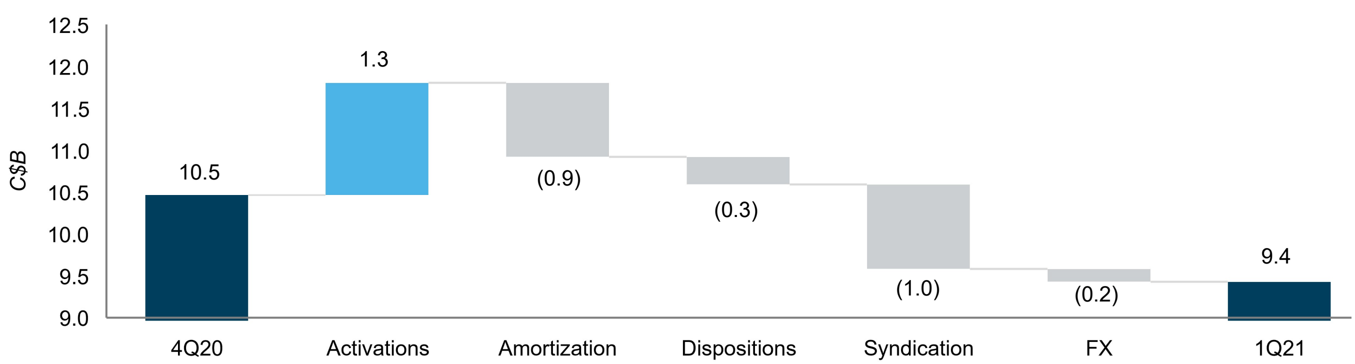
### 2.1.2 Global assets under management before the impact of changes in FX




### 2.1.3 4Q20 -> 1Q21 Assets under management



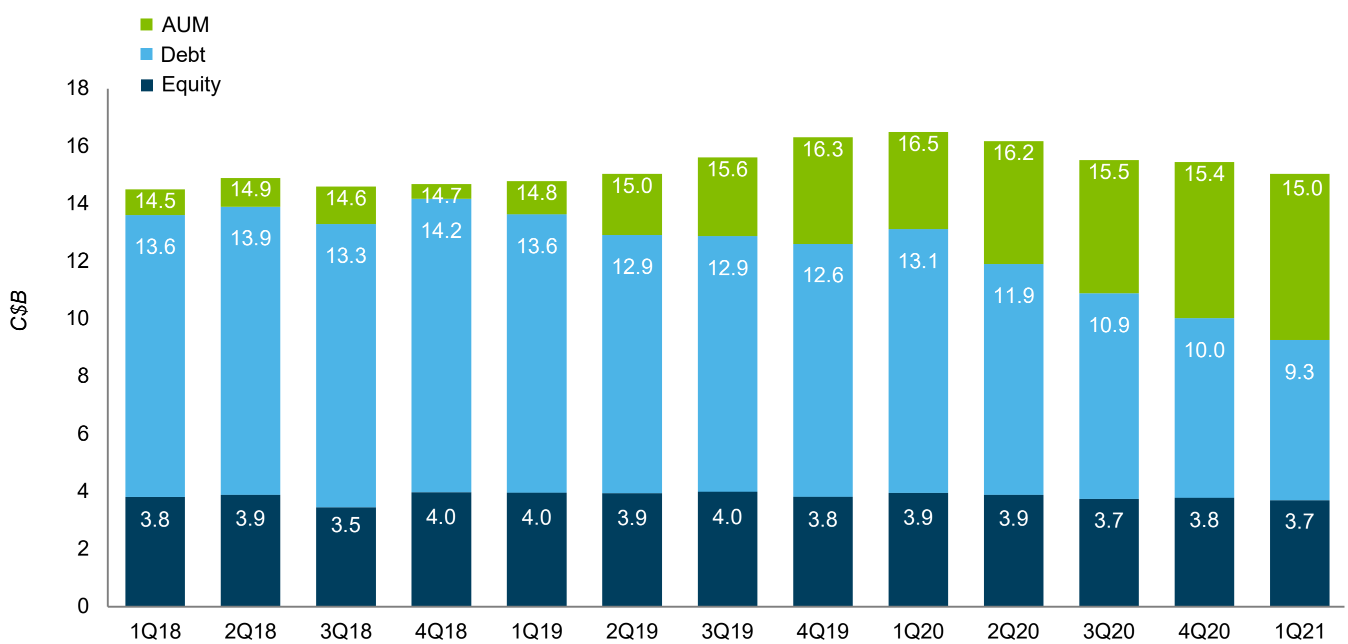

### 2.1.4 4Q20 -> 1Q21 End-of-period earning assets



## B. Advance a capital-lighter business model

### 2.2 Debt and equity relative to assets under management

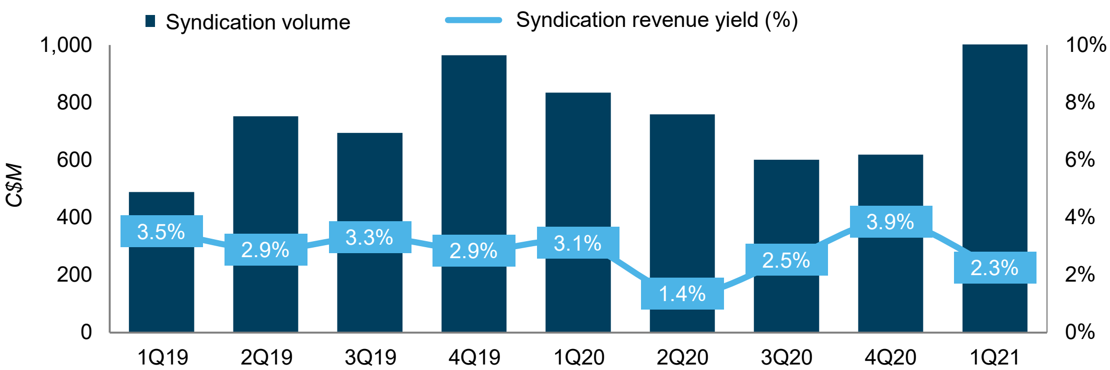
In 2020, we reduced Element's liabilities by over $2.4 billion, while maintaining shareholders' equity essentially flat. We will continue to mature and improve our capital structure as opportunities to do so arise; and we will continue to optimize our cost of funds – all through the lens of a capital-lighter business model. Our assets under management are largely independent of these changes.



## B. Strategically syndicating fleet assets, which enhances return on equity

### 2.3 Quarterly syndication volume and revenue yield

We strategically syndicate U.S. leases when the economics of doing so are superior to holding the assets on our balance sheet, and syndication helps to manage leverage as well as client concentration risk. We continue to welcome new investors in our syndicated assets and expand our offering in terms of client names syndicated.

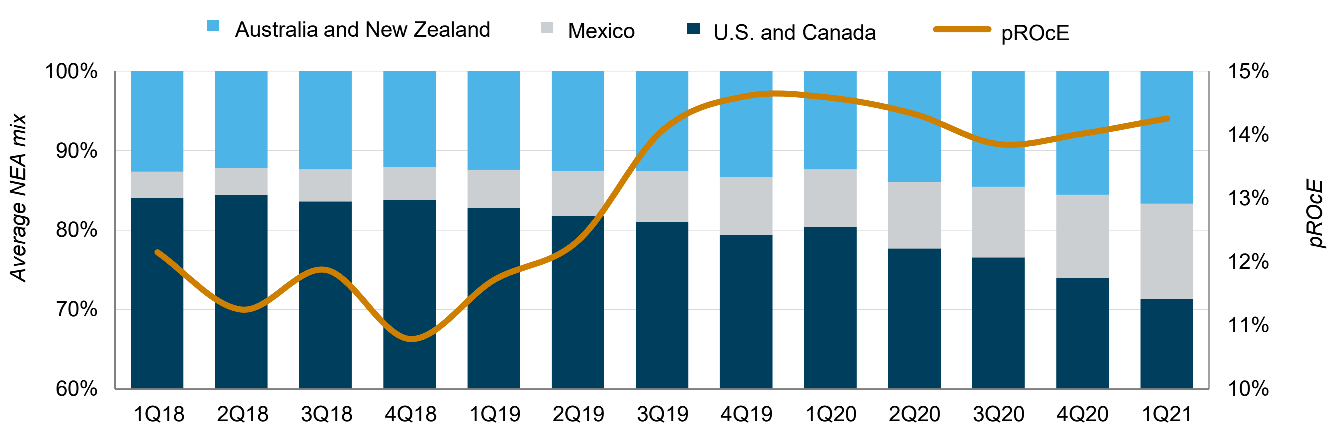



| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 |
|---|---|---|---|---|---|---|---|---|---|
| *# of Investors* | | | | | | | | | |
| New | 2 | 1 | 2 | 1 | 3 | 2 | 4 | 2 | 2 |
| Returning | 6 | 6 | 8 | 8 | 6 | 6 | 8 | 10 | 9 |
| Total | 8 | 7 | 10 | 9 | 9 | 8 | 12 | 12 | 11 |
| Cumulative[1] | 10 | 11 | 13 | 14 | 17 | 19 | 23 | 25 | 27 |
| *# of Client names syndicated for the first time* | | | | | | | | | |
| New | 3 | 5 | 3 | 5 | 2 | 8 | 3 | 4 | 9 |

1. The number of investors in our syndicated assets, cumulative, independent of their participation in deals in the quarter.

### 2.4 Quarterly average net earning asset mix and pre-tax return on common equity

Syndication of U.S. leases (only) accelerated the growth of Australia/New Zealand and Mexico earning assets (as a percentage of total) – which generate higher net financing revenue yields – as a percentage of total average net earning assets. Syndication enhances returns on equity by increasing the velocity of operating income and strengthening net financing revenue's contribution to same.



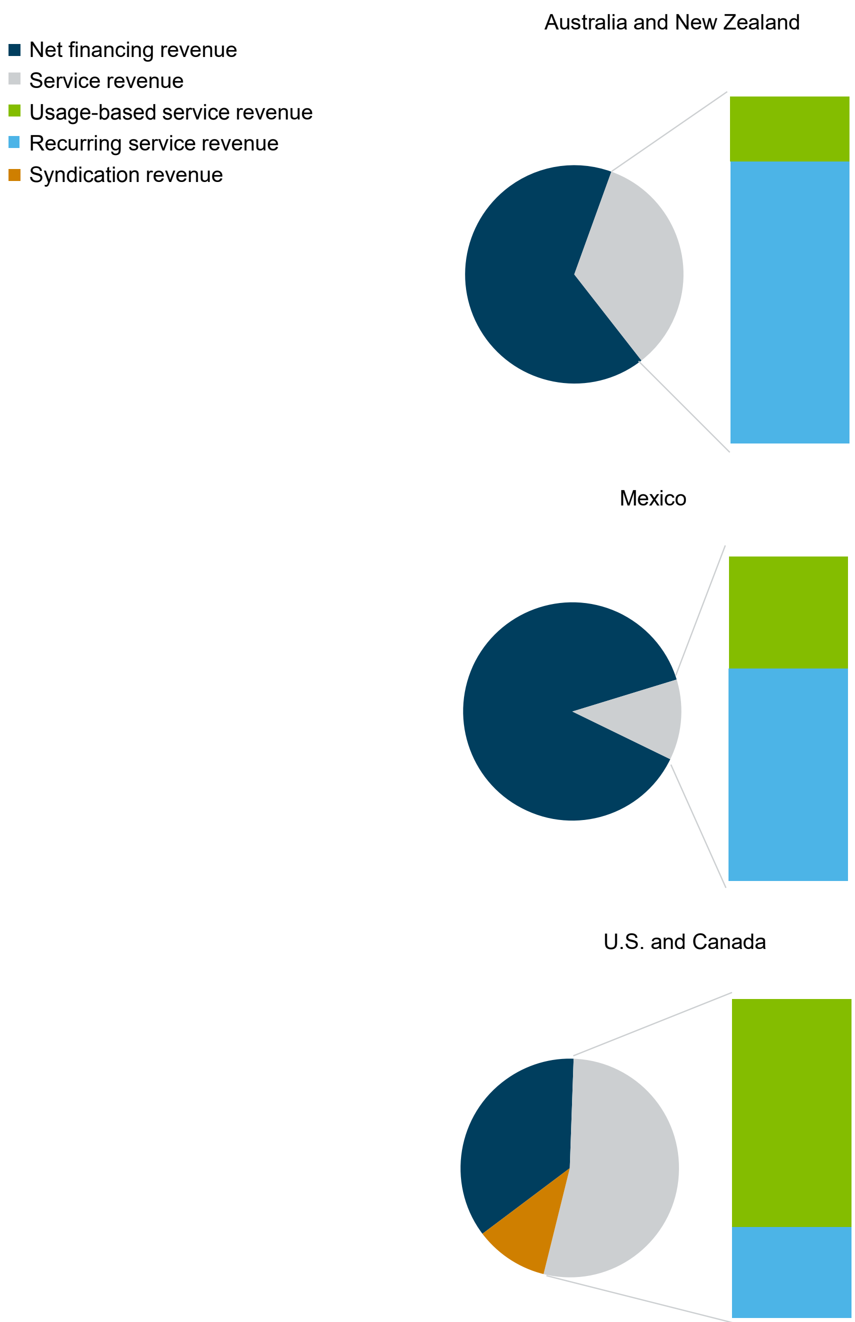

### Definitions

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).

## B. Advance a capital-lighter business model by increasing service penetration

### 2.5 Net revenue splits by geography

We earn varying degrees of service revenue, and the nature of that service revenue varies, by geography across our business. We have ample opportunity to generate more, and a higher proportion of, service revenue, which is aligned with our advancement of a capital-lighter business model. Service revenue requires little capital to generate – typically only the net working capital required to provide the service – making it highly accretive to returns on equity.



## C. Achieve high single-digit to low double-digit annual free cash flow growth…

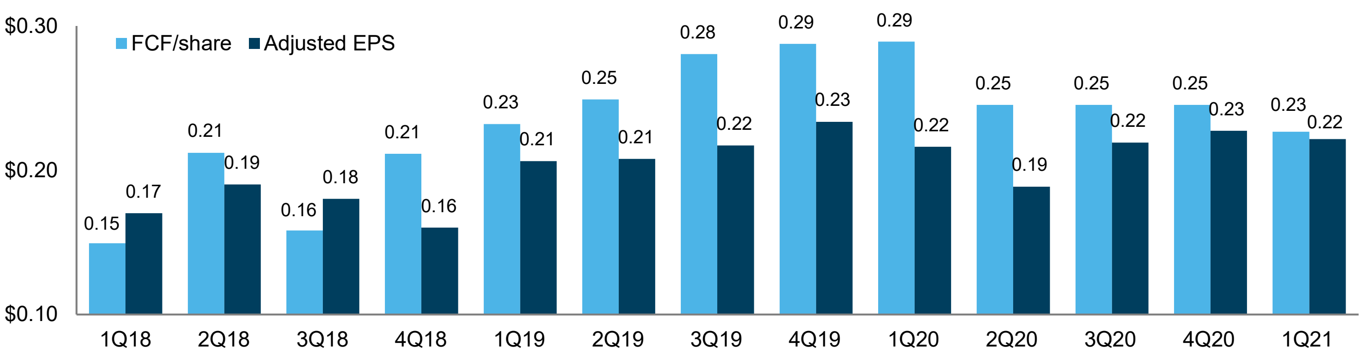
### 3.1.1 Free cash flow

| *CAD, millions (except free cash flow per common share)* | 1Q19 | 2Q19 | 3Q19 | 4Q19 | FY19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | FY20 | 1Q21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Before-tax adjusted operating income** | **122.0** | **126.0** | **127.6** | **138.4** | **514.0** | **129.3** | **111.1** | **129.0** | **132.1** | **501.5** | **137.3** |
| Add/(subtract): non-cash expenses/(revenue) and cash revenue/(expenses)[1] | 13.4 | 12.2 | 33.9 | 14.2 | 73.7 | 28.4 | 18.8 | 18.5 | 7.4 | 73.1 | 3.2 |
| **Cash from operations** | **135.4** | **138.2** | **161.5** | **152.6** | **587.7** | **157.7** | **130.0** | **147.6** | **139.5** | **574.6** | **140.5** |
| Subtract: required cash expenses | | | | | | | | | | | |
| Sustaining capital investments | 13.8 | 10.2 | 10.6 | 6.9 | 41.4 | 10.5 | 7.3 | 9.5 | 14.4 | 41.7 | 10.3 |
| Preferred share dividends | 11.2 | 11.2 | 11.1 | 11.0 | 44.4 | 10.9 | 10.9 | 10.9 | 8.1 | 40.8 | 8.1 |
| Cash taxes | 9.9 | 8.6 | 17.9 | 9.4 | 45.8 | 10.0 | 4.4 | 19.6 | 9.0 | 43.0 | 22.7 |
| **Free cash flow** | **100.5** | **108.2** | **122.0** | **125.3** | **456.1** | **126.3** | **107.3** | **107.6** | **107.9** | **449.2** | **99.3** |
| *Weighted avg. no. of common shares o/s (million)* | *433.6* | *434.7* | *435.1* | *435.8* | *434.8* | *437.3* | *437.8* | *438.8* | *440.2* | *438.6* | *438.5* |
| **Per common share outstanding** | **0.23** | **0.25** | **0.28** | **0.29** | **1.05** | **0.29** | **0.25** | **0.25** | **0.25** | **1.02** | **0.23** |

1. Certain cash revenue received and cash expenses paid in any given quarter are deferred and amortized for accounting purposes, resulting in their recognition over the course of subsequent quarters. As a result, non-cash revenue and non-cash expenses are part of any given quarter's accounting results. The line item footnoted above nets the non-cash revenue and expenses in before-tax AOI against real cash flows (received and spent) in the quarter.

### 3.1.2 Free cash flow and adjusted operating income per share

Free cash flow per common share of $0.23 in Q1 2021 is a $0.06 decrease from Q1 2020 and a $0.02 decrease from Q4 2020, predominantly on account of a strengthening Canadian dollar and a one-time 2020 carryover tax payment in New Zealand.




### 3.2 Value of tax assets

The value of tax assets at the end of Q1 2021 was $371.9 million, equating to $0.85 per common share.

| *CAD, millions (except tax asset value per common share)* | YE17 | YE18 | YE19 | YE20 | 1Q21 |
|---|---|---|---|---|---|
| Value of tax assets | 147.3 | 365.7 | 392.7 | 386.3 | 371.9 |
| Weighted average number of common shares o/s (*mm*) | 385.4 | 391.7 | 434.8 | 438.6 | 438.5 |
| **Tax asset value per common share** | **0.38** | **0.93** | **0.90** | **0.88** | **0.85** |

## C. …and predictably return excess equity to shareholders

### 3.3 NCIB activity

Element has returned $121.5 million to common shareholders since commencing our normal course issuer bid (NCIB) in late 2020. We have repurchased over 20% of the common shares authorized for repurchase under the NCIB – and over 2% of our total common shares.

| | Units | Dec 2020 | Jan 2021 | Feb 2021 | Mar 2021 | Apr 2021 |
|---|---|---|---|---|---|---|
| Shares repurchased | Millions | 0.8 | 2.0 | 1.6 | 4.3 | 3.5 |
| Weighted avg. share price | CAD | 13.12 | 12.69 | 12.36 | 13.95 | 14.34 |
| Cost of repurchases | CAD, millions | 10.0 | 25.0 | 20.0 | 59.4 | 50.0 |
| **Cumulative shares repurchased…** | Millions | **0.8** | **2.7** | **4.4** | **8.6** | **12.1** |
| …as a % of shares authorized for repurchase by NCIB | | 1.7% | 6.2% | 9.9% | 19.6% | 27.5% |
| …as a % of shares issued and outstanding at commencement of NCIB | | 0.2% | 0.6% | 1.0% | 2.0% | 2.7% |

### 3.4 Common dividends

With Element's Q3 results in October 2020, we announced a 44% increase to the common dividend, from $0.18 to $0.26 annually per share, representing approximately 30% of the Company's last twelve months' adjusted earnings per share, which is the mid-point of the 25% to 35% payout range the Company plans to maintain going forward.

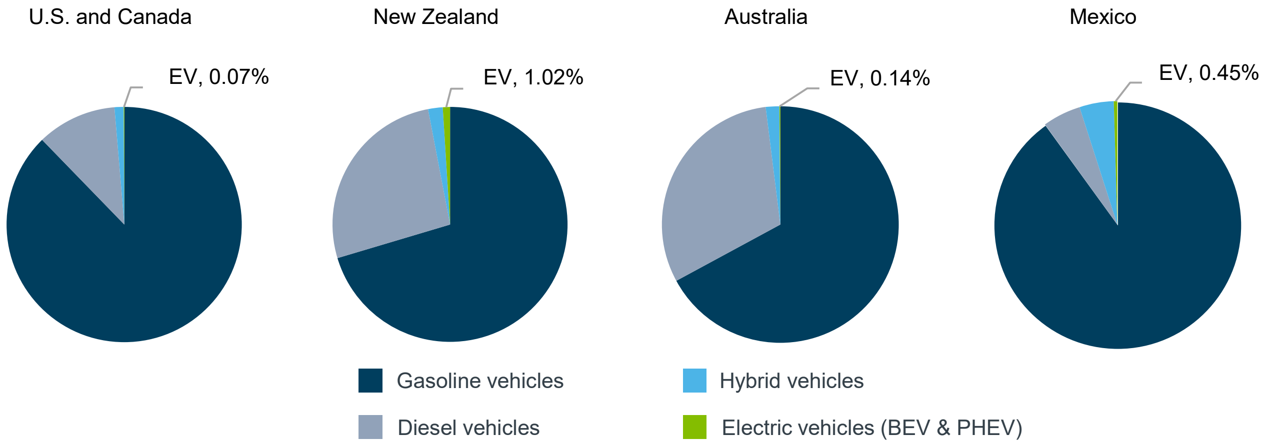
| | Units | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 |
|---|---|---|---|---|---|---|
| Common dividend per share | CAD | 0.045 | 0.045 | 0.045 | 0.065 | 0.065 |
| Annual common dividend per share as a % of LTM adjusted EPS | | 20.6% | 21.1% | 21.0% | 30.6% | 30.3% |

# Electric Vehicles

## ELECTRIC VEHICLES

### 4.1 EV penetration of Element clients' fleets

Element is well positioned to support our clients and lead our industry through the gradual electrification of automotive fleets. Although EV and hybrid penetration of our clients' fleets is currently immaterial, we are excited by both the economic and environmental benefits of EVs, and we have all the necessary capabilities to electrify our clients' fleets today.




### 4.2 Current estimates as to the timing of battery electric vehicles achieving total cost of ownership / operation (TCO) and purchase price (PP) parity with internal combustion engine vehicles

| Vehicles | TCO Parity | PP Parity | Variables |
|---|---|---|---|
| Light duty (<10,000 lbs. GVWR) (Passenger and light commercial vehicles) | 2023-2025 | ~2025 | Battery capacity, efficiency and cost (production scale)<br>Depreciation<br>Gas prices<br>Electricity prices |
| Medium and heavy duty (>10,000 lbs. GVWR) | Mid-2020's | 2030 | Purchase incentives / subsidies<br>Use case (range, access to right-sized charging infrastructure)<br>Maintenance costs |