



Element Reports Resilient Second Quarter Results, Continued Overachievement on Strategic Priorities and Early Wins in line with Growth Strategy

Amounts in \$CAD unless otherwise noted

- Q2 adjusted operating income of \$111 million, equivalent to \$0.19 on a per share basis; a \$0.02 decline year-over-year
- Free cash flow was \$0.25 on a per share basis; flat year-over-year
- Transformation program actioned a further \$20 million in Q2, resulting in cumulative \$166 million in annual run-rate profit improvements, and delivered \$30 million of operating income enhancement in the quarter
- Element had assets under management of \$17 billion at quarter-end, a 10% year-over-year increase; as anticipated, originations fell (to \$1.3 billion) in Q2 due to OEM closures and client postponement of orders
- Accounts receivable collections and client credit profiles remain strong; Element's allowance for credit losses remains unchanged at \$20 million at quarter-end
- Subsequent to quarter-end, and as previously disclosed, Element issued US\$750 million of vehicle management asset-backed term notes and used the proceeds to pay down variable funding notes outstanding, giving the Company contractually committed, undrawn liquidity of \$5.7 billion at July 22, 2020

TORONTO, July 28, 2020 -- Element Fleet Management Corp. (TSX: EFN) ("Element" or the "Company"), the largest pure-play commercial vehicle fleet manager in the world, today announced financial results for the second quarter ended June 30, 2020 and continued progress on its strategic priorities.

Element's market-leading platform generated adjusted operating income of \$111 million or \$0.19 per share in Q2 – the Company's first full quarter of business amid COVID-19. This represents a \$0.02 per share decline from Q2 2019, reflecting shelter-in-place edicts reducing clients' vehicle activity levels, delayed originations due to OEM facility closures and declining syndication revenue yield. The Company reported Q2 2020 net income of \$58.6 million or \$0.11 per share.

Element's strong results in this environment provide numerous proof points of the Company's resilient earnings power. For example:

- Servicing income decreased just 8% year-over-year and 9% quarter-over-quarter amid a global pandemic,
- the Company generated free cash flow of \$0.25 on a per share basis – 32% higher than its adjusted operating income of \$0.19 per share,
- the Company won new business – including self-managed fleets – and renewed and retained large existing clients in the second quarter, and
- Credit performance remained robust with receivables collection strong, client requests for deferrals having essentially come to an end, no change in the balance sheet allowance for credit losses and a decline in delinquencies in the quarter.

In addition, notwithstanding COVID-19, Element's transformation program delivered \$30 million of operating income enhancement in the quarter.

"Element achieved a host of significant milestones in the second quarter, delivering on our strategic priorities while generating durable earnings and cash flow in spite of COVID-19," said Jay Forbes, President and Chief Executive Officer. "I'm extremely proud of our people, whose hard work underlies these solid results and who have been delivering a consistent, superior client experience in trying conditions for months. That effort will continue to pay off: our learnings this quarter increase our confidence that Element's resilient business model, transformed platform and strengthened balance sheet make us the best-prepared company in our industry to emerge from this period with momentum."

Second quarter strategic milestones include:

- Actioning a cumulative \$166 million in annual run-rate profit improvement initiatives, surpassing Element's original end-of-2020 target of \$150 million and ensuring Element will achieve its current \$180 million transformation target exiting 2020;
- Strengthening Element's investment grade balance sheet, first with the Company's inaugural U.S. investment grade bond issuance – which enabled the Company to retire \$567 million of convertible debentures at quarter-end, thereby

maturing its capital structure – and second by further driving down tangible leverage, with clear line of sight to Element's sub-6x year-end target;

- Exiting 19th Capital – the last of Element's non-core assets – and thereby purifying the Company's focus on its clients and core strength: delivering sophisticated commercial vehicle fleet services; and,
- Accelerating Element's pivot to growth, enabling the Company to go to market in the second half of this year – six months ahead of schedule.

"While Element has not gone unscathed by the impact of COVID-19 on the economy, our Q2 results demonstrate the stability of our business model, including a number of innate defensive characteristics," Mr. Forbes added. "These characteristics are underpinned by the essential nature of our assets to our clients; the credit profile of those clients, with approximately two-thirds of our assets in the hands of investment grade credits; and the liquidity mechanism in our business: a reduction in our clients' use of vehicle services reduces Element's working capital outlay in turn."

Transforming the Business

Element continues to outperform its transformation targets, having actioned a cumulative \$166 million in annual run-rate, pre-tax profit improvements at June 30, 2020. Actioned initiatives in the second quarter included revenue assurance measures, direct cost savings through lower interest expense, improved procurement from contract renegotiations and operating expense savings from organizational simplification. The Company's actioned initiatives have been enabled by \$164 million in one-time investments at June 30, 2020.

Element is on track to achieve its \$180 million actioned profit improvements target in 2020 and is well positioned to overachieve on its transformation.

Strengthening the Balance Sheet

In keeping with Element's strategic priority to strengthen its balance sheet, the Company took the first step to becoming a programmatic issuer in the U.S. debt capital markets with its inaugural issuance of \$400 million U.S. dollar 5-year 3.85% senior unsecured investment grade notes in Q2, diversifying Element's sources of cost-efficient capital. The proceeds of the issuance were used together with cash on hand to retire the Company's \$567 million of convertible debentures that would have otherwise come due on June 30, 2020.

The replacement of convertible debentures with investment grade bonds further matures Element's capital structure. The Company has successfully eliminated nearly \$750 million of convertible debentures from its capital structure since March 2019, leaving only \$172.5 million remaining.

Element also renewed its \$1 billion Australian dollar securitization facility in the quarter, ensuring Custom Fleet¹ has continued access to cost-efficient capital to support its growth strategy.

Profitability, free cash flow and syndication all contribute to de-leveraging Element's balance sheet. In Q2, lower originations and lower client use of vehicle services also made modest contributions. The Company reported tangible leverage of 6.80x at quarter-end – a decrease of 0.65 from Q1 2020 – largely driven by reduced debt levels and the strengthening of the Canadian dollar against the U.S. dollar, bringing FX closer to pre-COVID-19 levels.

Excluding the impact of the Company's non-recourse warehouse credit facility (which exclusively funds pre-syndication assets for Armada²), Element's tangible leverage at June 30, 2020 would have been 6.49x. The Company continues to target tangible leverage below 6.0x by the end of this year.

The syndication market has remained open to Element throughout this year. The Company continued to enjoy robust demand for its product in the quarter, syndicating \$759 million of assets and generating \$10.3 million of revenue. The quarter-over-quarter decrease in syndication revenue is a function of (i) the 9% decrease in volume of assets syndicated, (ii) the significant tightening of prices throughout the quarter (higher hurdle rates) – including on leases with high-grade credit counterparties, such as Armada (whose assets Element needs to syndicate) – (iii) one-time costs incurred to support the re-amortization of a large client's previously-syndicated assets, partially offset by resulting benefits to net financing revenue and (iv) the particular mix of assets syndicated in the quarter.

Element's priority remains to maintain a significant presence in the syndication market and further increase demand for the Company's assets. Element made a small number of talented additions to its syndication team in the quarter who are already contributing to expanding the Company's universe of prospective investors. Element continued to transact with new investors in Q2, bringing its total syndication volume with new investors to \$143 million in the first half of 2020. Additional prospective buyers continue to express interest in the Company's product.

Subsequent to quarter-end, Element issued US\$750 million of term notes under its Chesapeake vehicle management asset-backed debt facility. The issuance was the first U.S. fleet ABS deal since the widespread arrival of COVID-19 in North America, demonstrating Element's ready access to cost-efficient capital. The Company used the proceeds to pay down variable funding notes outstanding, increasing Element's contractually committed, undrawn liquidity to \$5.7 billion.

¹ Element does business as Custom Fleet in Australia and New Zealand.

² "Armada" is the term Element uses to reference one client in particular that the Company does not name due to the client's

desire for confidentiality.

Pivoting to Growth

Since the fall of 2018, Element has remained focused on the three pillars of its strategic plan: transform the core business, strengthen the balance sheet and exit 19th Capital. Progress on these three fronts has put the company in a position to grow ahead of schedule. In 2021, the priority will be a singular focus on organic, profitable revenue growth.

Element has consistently overachieved on its strategic plan and, as a result, the Company used the first half of 2020 to accelerate its pivot to growth. The Company made organizational changes that will better position Element to capture the many opportunities it identified last year in comprehensively sizing and mapping the North American and Australia / New Zealand markets for fleet management services. Having developed a strategy based on this work, Element believes it can sustainably, organically grow annual net revenue by 4-6% in normal market conditions.

The Company will begin executing its enhanced growth strategy in the second half of 2020 – 6 months ahead of schedule. While COVID-19 has limited certain traditional sales practices, Element believes the economic impact of the pandemic has also made the Company's value proposition even more compelling. Element clients enjoy (i) ready access to cost-efficient capital; (ii) the ability to significantly reduce their fleet ownership and operating costs, and eliminate related administrative burden; and (iii) in certain cases, the option of a sizeable cash infusion through a sale-and-leaseback transaction.

Q2 provided numerous examples of the attractiveness of Element's value proposition to new and existing clients:

U.S. & Canada

- We now manage a U.S.-headquartered Top 10 global logistics firm's newly-outsourced fleet. Element will finance and service the client's 800 previously self-managed units, with the potential to earn responsibility for the client's additional 3,000 units that are currently still being self-managed.
- A Pacific Northwest telecommunications business has now entrusted Element with the management of their 1,235-unit fleet. We provide financing and a broad suite of services to this client in support of their growth extending fiber to millions of customers.
- Our superior client experience standards and breadth of servicing capabilities were key to our taking market share from a competitor in winning the Canadian business of a global cable, transmission and substation servicer. Element will provide financing and a broad suite of services for 750 units with the opportunity to displace the client's current FMC in the U.S. as well.
- We renewed our lease and services agreements with one of our largest North American clients – an investment-grade company in the fabricated goods space with over 22,000 units managed by Element – for another 3 years. The go-forward arrangement is on terms that will improve the profitability of this client relationship.

Mexico

- Element is now part of the expansion plans of one of the largest delivery and logistic services companies in Mexico. Our new, investment-grade client will grow their 2,300-unit fleet to support increased operations for over 140,000 national and international customers serving the growing e-commerce industry.
- We are a new strategic partner of an investment-grade Mexican waste management company with a +30-year history and operations throughout Central America. Element enabled this client's acquisition of over 100 new specialty trash collection vehicles and have taken over management of the company's 150-unit sales and executive fleet (previously self-managed). We will be renewing all 3,000 fleet units across the business over the next 4 years.
- A world leader in real estate services has entrusted Element in Mexico with leasing and service of their sales and executive fleet, with potential expansion of responsibility to over 2,000 units in total. Strong value-add and our focus on client service won this investment-grade business away from a competitor. We are already working with the client on a project that encompasses over 1,800 units.
- One of our existing clients in Mexico was acquired by a global chemical firm whose fleet was already managed by an Element competitor in the region. Not only did we retain the existing client's business post-merger; we were able to win the business of the acquirer – an account representing 1,100 vehicles in Mexico and approximately 4,000 service units.

Australia & New Zealand

- Custom Fleet is the manager of Australian supermarket chain Coles' newly-outsourced Online fleet. We won a competitive RFP process for the nearly 1,000-unit opportunity because of our asset class expertise, the superior client experience we deliver (including bespoke reporting capabilities), our third-party partnerships enabling wing-to-wing client service and the funding certainty given Element's balance sheet and liquidity. Coles is an investment-grade client listed on the Australian Stock Exchange.

- We have entered into an exclusivity agreement with Schneider Electric, an investment-grade global energy management firm awarding us sole supply of their fleet across Australia and New Zealand.
- Custom Fleet in New Zealand has won the contract to manage 700 units on behalf of the Department on Conservation, extending our successful partnership with the New Zealand government and further demonstrating our position as a key player in public sector fleet management and service.

Financial Highlights and Adjusted Operating Results

The following summarizes results from the Company's operations:

(in \$000's for stated values, except per share amounts)	Three-month periods ended		
	June 30, 2020	March 31, 2020	June 30, 2019
	\$	\$	\$
Net financing revenue	100,655	95,305	103,545
Servicing income, net	114,515	125,847	124,282
Syndication revenue, net	10,333	26,087	21,743
Net revenue	225,503	247,239	249,570
Salaries, wages and benefits	74,859	75,470	84,532
General and administrative expenses	28,590	31,791	28,592
Depreciation and amortization	10,910	10,656	10,470
Adjusted operating expenses¹	114,359	117,917	123,594
Adjusted operating income¹	111,144	129,322	125,976
Provision for taxes applicable to adjusted operating income	17,783	23,925	24,565
Cumulative preferred share dividends	10,906	10,906	11,164
After-tax adjusted operating income attributable to common shareholders¹	82,455	94,491	90,247
Weighted average number of shares outstanding [basic]	437,849	437,291	434,694
After-tax adjusted operating income per share ¹ [basic]	0.19	0.22	0.21
Net income	58,594	79,358	64,061
Weighted average number of shares outstanding [basic]	437,849	437,291	434,694
Earnings per share [basic]	0.11	0.16	0.12
Originations	1,306,804	2,030,988	1,806,515
End-of-period assets under management ¹	17,049,689	17,780,139	15,516,475

1. See non-IFRS measures, and the Company's Management Discussion & Analysis ("MD&A") for the three- and six-month periods ended June 30, 2020 for more information.

Results Commentary

Element's adjusted operating income ("AOI") in Q2 was \$111.1 million, equivalent to \$0.19 on a per share basis. This represents a \$0.02 per share decline from Q2 2019 AOI of \$126.0 million or \$0.21 per share; and a \$0.03 per share decline from Q1 2020 AOI of \$129.3 million or \$0.22 per share.

Net financing revenue contributed approximately the same amount of AOI per share in Q2 2020 as it did in Q2 2019 while servicing income and syndication revenue were down approximately \$0.02 each on the same comparative basis. We address the reasons for each of these declines in the commentary below. Adjusted operating expenses in Q2 contributed approximately \$0.02 of AOI per share on a year-over-year basis – driven by transformation savings on salaries and related costs – partially offsetting the \$0.04 AOI per share decline across our revenue streams.

Overall, our diversified, largely investment-grade client base and Element's resilient business model, underpinned an AOI result for the quarter that met and, in some respects, exceeded our expectations.

Originations

We originated \$1.3 billion of assets in the quarter – \$500 million or 28% lower than Q2 2019 and \$724 million or 36% lower than last quarter. Origination volumes moderated as expected given that OEM production facilities and dealerships were

closed for most of the quarter. Also as expected, many clients chose to postpone fleet vehicle replacements in the quarter while they focused on other aspects of their business (impacted by COVID-19).

Importantly, notwithstanding the reduction in originations, we view postponed orders and delayed originations in the quarter as largely deferred rather than lost units of revenue and cash flow. There are isolated instances in specific industries where clients hit hard by the consequences of COVID-19 are paring back on their unit counts. However, we have not seen meaningful de-fleeting to date, and we are carefully tracking all the leading indicators. ("De-fleeting" is when a client decides to materially reduce the size of their fleet.)

Declines in originations varied materially by geography: from \$464 million or 31% year-over-year and \$687 million or 39% quarter-over-quarter in the U.S. and Canada to near flat year-over-year and \$43 million or 23% quarter-over-quarter in Mexico.

Originations in ANZ fell by \$35 million or 24% year-over-year in Q2, while quarter-over-quarter originations grew by \$5 million or 5%.

H1 2020 originations in ANZ remain approximately 25% below H1 2019 origination levels. Given the region's challenges with wildfires prior to COVID-19, we are pleased with the H1 2020 performance of Custom Fleet, whose originations include new clients won away from competitors as well as a conversion of a self-managed fleet into a new client.

We note the correlation in origination volumes with the timing, extent and duration of COVID-19's impact in the quarter on our different operating geographies.

- Australia and New Zealand were the first Element locations to be "hit" by the virus, but the extent and duration of the impact was relatively modest, and Custom Fleet's quarter-over-quarter origination volumes ultimately grew in Q2.
- COVID-19 arrived in Mexico relatively late in the quarter, allowing time for our business in that region to continue its strong originations trend until vehicle availability was curtailed.
- We believe Q2 is likely to represent "peak COVID-19" in the U.S. and Canada in terms of simultaneous transcontinental economic disruption, and our origination volumes were significantly decreased both year-over-year and quarter-over-quarter.

Assets under management

Our AUM at the end of the quarter totaled to \$17.0 billion, representing a 10% or approximately \$1.5 billion increase over Q2 2019 levels. On a constant currency basis, the comparative growth equates to 7.5% or approximately \$1.2 billion.

Reflecting the marked reduction in Q2 originations discussed above, Q2 AUM levels represent a 2% or approximately \$0.3 billion reduction from previous quarter levels on a constant currency basis. AUM movement is broken down further in our Supplementary Information document available on our website.

Net financing revenue

Net financing revenue decreased \$2.9 million year-over-year and increased \$5.4 million quarter-over-quarter.

The year-over-year decrease of 3% represents relatively strong performance for two reasons: first, net earning assets decreased by 13% over the same period; and second, Q2 2019 net financing revenue included a \$10.1 million contribution from 19th Capital, whereas Q2 2020 contained a \$2.8 million net financing revenue contribution from 19th Capital. Excluding 19th Capital from the comparative results, net financing revenue increased \$4.5 million or 4.7% year-over-year.

We note three material variances in the makeup of our net financing revenue that resulted in the \$5.4 million or 5.6% increase quarter-over-quarter:

- Our Q1 net financing revenue contained \$5.6 million of contribution from 19th Capital, while Q2 net financing revenue contained \$2.8 million from 19th Capital. Excluding these contributions, the quarter-over-quarter increase in net financing revenue was \$8.2 million.
- Our Q1 net financing revenue reflected a \$12 million provision for credit losses in order to increase our balance sheet allowance for credit losses to \$20 million at March 31, 2020. The credit profile of our client base remained strong in Q2 and our ability to recover in the event of default improved with the rebound in used vehicle market volumes. As a result, we maintained our allowance for credit losses unchanged at \$20 million at June 30, 2020.
- Partly offsetting the substantial improvement in provision for credit losses quarter-over-quarter were the expected reductions in gain on sale revenue from ANZ (a 22% decrease) and originations in the quarter (a 36% decrease).

It is important to note that the quarter-over-quarter reduction in gain on sale revenue is volume-based - impacted by lower average auction house capacity in the quarter (driven by COVID-19) - and that overall used vehicle pricing has remained quite strong. We see continued strength in the secondary markets across our geographies subsequent to quarter-end. We provide additional datapoints in section 8.3 of our Supplementary Information document.

Average net earning assets, and net interest and rental revenue margin (NIM)

Average net earning assets decreased \$1.4 billion or 11% year-over-year and \$283 million or 2% quarter-over-quarter as a result of syndication activity and the decline in origination volumes in the quarter. Earning asset changes are broken down in our Supplementary Information document.

Net interest and rental revenue margin (or NIM) improved 29 basis points year-over-year and 26 basis points quarter-over-quarter. The year-over-year improvement was a function of the 11% decrease in average net earning assets from Q2 2019 to Q2 2020 being larger than the 3% decrease in net financing revenue over the same period. Quarter-over-quarter, net earning assets decreased by 2% while net financing revenue increased by 6%. The improvement of net financing revenue as a percentage of average net earning assets is driven by

- our work to strengthen and optimize Element's balance sheet, resulting in decreased debt costs,
- instances of improved client profitability across our portfolio and
- incremental changes in the geographic mix of our net earning assets.

Servicing income, net

Servicing income has been a major area of focus and was resilient in the quarter amid a global pandemic, declining 8% year-over-year and 9% quarter-over-quarter. These declines were led by U.S. and Canadian servicing income slowdown (10% year-over-year and 6% quarter-over-quarter) whereas both ANZ and Mexico servicing income was effectively flat on both comparative bases.

The majority of servicing income is driven by clients' vehicle usage. We discuss four overarching reasons for the durability of Q2 servicing income in "Achievements and Initiatives in the Period – Resilient servicing income" on page 13 of our MD&A.

Notwithstanding the majority of our clients' relatively high use of their fleets in the quarter, fewer absolute miles driven impacted servicing income from fuel, maintenance, accident and toll & violation services as expected. Further, department of motor vehicles closures delayed title & registration fees, and the restrictions on auction house activity reduced remarketing volume and remarketing revenue accordingly.

There was gradual reversion towards 2019 levels across most contributors to servicing income, beginning as early as halfway through the quarter depending on geography. However, we cannot predict when or if further recovery will accelerate. Section 8.2 of our Supplementary Information document (available on our website) provides datapoints on servicing income contributors in the period.

Syndication revenue, net

Syndication revenue declined 52% year-over-year and 60% quarter-over-quarter in Q2, equivalent to approximately \$0.02 of adjusted operating income per share and reflecting a lower volume of assets syndicated quarter-over-quarter and lower revenue yield on assets on both comparative bases. We syndicated \$759 million of assets (including \$73 million to new investors) in Q2, resulting in \$10.3 million of syndication revenue and significant contribution to our balance sheet de-leveraging in the quarter.

The syndication market has remained open to Element throughout this year and we continue to enjoy robust demand for our assets. The quarter-over-quarter decrease in syndication revenue is a function of (i) the 9% decrease in volume of assets syndicated, (ii) the significant tightening of pricing on our assets throughout the quarter (notwithstanding the persistent demand) -- this was true for all leases, including those with high-grade credit counterparties such as Armada (whose assets we need to syndicate) -- (iii) one-time costs incurred to support the re-amortization of a large client's previously-syndicated assets, partially offset by resulting benefits to net financing revenue and (iv) the particular mix of assets syndicated in the quarter.

While we largely expected pricing to contract in this environment, it has occurred sooner and more drastically than we had anticipated. Many buyers of our syndicated product are financial institutions whose cash-on-hand desires and requirements are significant at this time.

Subsequent to quarter-end, in limited instances we are seeing investor hurdle rates decrease. However, there is no definitive trend at this time.

Our priority remains to maintain a significant presence in the syndication market and further increase demand for our assets. We made a small number of talented additions to our syndication team in the second quarter who are already contributing to expanding our universe of prospective investors. We transacted with 4 new investors for \$143 million of assets in total in the first half of this year. Additional prospective buyers continue to express interest in our product.

Adjusted operating expenses

Adjusted operating expenses were \$9.2 million lower in the quarter than in Q2 2019 – driven by transformation savings primarily on salaries – and approximately \$3.6 million lower quarter-over-quarter. Quarter-over-quarter, G&A savings due to travel restrictions, continued impact of transformation savings and currency fluctuations all contributed to the decline.

Dividends Declared

The Company's Board of Directors has authorized and declared a quarterly dividend of \$0.045 per outstanding common share of Element for the third quarter of 2020. The dividend will be paid on October 15, 2020 to shareholders of record as at the close of business on September 30, 2020.

Element's Board of Directors also declared the following dividends on Element's preferred shares:

Series	TSX Ticker	Amount	Record Date	Payment Date
Series A	EFN.PR.A	\$0.4333125	September 14, 2020	September 30, 2020
Series C	EFN.PR.C	\$0.388130	September 14, 2020	September 30, 2020
Series E	EFN.PR.E	\$0.368938	September 14, 2020	September 30, 2020
Series G	EFN.PR.G	\$0.406250	September 14, 2020	September 30, 2020
Series I	EFN.PR.I	\$0.359375	September 14, 2020	September 30, 2020

The Company's common and preferred share dividends are designated to be eligible dividends for purposes of section 89(1) of the Income Tax Act (Canada).

Dividend Reinvestment Plan

Element adopted a dividend reinvestment plan (the "Plan") to be administered by Computershare Trust Company of Canada (the "Plan Agent"), which became effective beginning with the fourth quarter dividend of 2018. A complete copy of the Plan is available on Element's website at <https://www.elementfleet.com> or on the Plan Agent's website at www.investorcentre.com/service. Shareholders should carefully read the complete text of the Plan before making any decisions regarding their participation in the Plan.

To be eligible to participate in the Plan, shareholders must be resident in Canada. Shareholders resident outside of Canada (including shareholders who are non-residents of Canada or partnerships other than "Canadian partnerships" (all within the meaning of the Income Tax Act (Canada)) or that are U.S. persons (within the meaning of Regulation S under the Securities Act of 1933 of the United States)) are not eligible to participate in the Plan.

CEO LETTER TO SHAREHOLDERS

My fellow shareholders,

"What's next?"

While this has been an area of interest for some time, as the end of 2020 nears – and with the successful completion of our transformation imminent – this question is being asked more frequently by our clients, our people and our investors.

To this point, my leadership team and I have been reluctant to talk too much about Element post-2020, largely for one specific reason: focus.

We have witnessed the exponential outcomes that can be achieved by focusing the entirety of an organization's resources on the few things that matter most.

Consequently, we have been resolute in our dedication to executing on the three prongs of the strategic plan we laid out in the fall of 2018; goals that were designed to ensure Element would be ready to grow:

- Transform our core fleet management business to provide a consistent, superior client experience and, in the process, action \$180 million of pre-tax annual run-rate profit improvements (up from the \$150 million originally planned);
- Strengthen our investment-grade balance sheet by disposing of non-core assets, driving tangible leverage below 6x and entering the U.S. investment-grade bond market to mature our capital structure; and
- Put the distraction of 19th Capital behind us, purifying Element's focus on our clients and core strength: delivering sophisticated commercial vehicle fleet services.

With five months to go in 2020, we can confidently say success is assured on all three of these strategic ambitions.

Secure in this knowledge, we now feel comfortable sharing more about our thinking regarding 2021 and beyond.

Ready to Grow

The 2021 we are heading into is far different from the one we envisioned when we began this journey in late 2018. While we are more knowledgeable today than we were at the onset of this pandemic, the unknowns continue to dwarf the knowns. The short -, mid- and long-term societal and economic ramifications of COVID-19 are still largely undetermined.

Against this backdrop of uncertainty, we have positioned Element to be "best prepared" to meet the needs of our stakeholder

communities regardless of the nature, extent or duration of change fashioned by the pandemic. Accordingly, we will enter 2021 with

- a well-established position of market leadership in five under-penetrated countries, in an industry with high barriers to entry;
- a compelling value proposition to clients – a proven ability to provide reliable cost-efficient capital, deliver material ongoing opex savings and reduce administrative burden – supported by a completely upgraded operating platform; and
- ready access to over \$5 billion of committed liquidity to ensure we and our clients can achieve our respective business objectives.

I am increasingly confident in the strength of our position because, when it comes to what we can control, Element is exactly where we need to be as we approach 2021.

Compared to where Element was at this time two years ago, we will begin next year with vastly improved profitability, operating margins and free cash flow; a vastly superior balance sheet; and a vastly fortified operating platform resulting in best-in-class client retention and rising Net Promoter Scores.

We also enter 2021 with a much better organizational culture: more client-centric, agile, entrepreneurial, engaged and curious.

These are the necessary preconditions for success when it comes to our next strategic priority: a singular focus on profitable organic growth.

When we shared our insights on the large, untapped market for fleet management services and the 4-6% annual global revenue growth opportunity it provides Element, we envisioned a slow ramp of Commercial go-to-market preparations in the second half of 2020, in anticipation of a strong launch in 2021. Based on the progress we are making on our other strategic objectives, and in light of the increasing market opportunities we see for our value proposition in this challenging economy, we have decided to accelerate these efforts:

- In the U.S. and Canada, we have
 - appointed David Madrigal – the architect of Element's high-performing Element Mexico team – as our Chief Commercial Officer;
 - consolidated and reorganized our Commercial group into regional growth units and a team dedicated to account management and client retention;
 - established new compensation structures designed to incent profitable growth; and
 - invested in strengthening our marketing function, with a full suite of technology to help our salesforce identify, qualify and ultimately secure new business opportunities.
- In Australia and New Zealand, our Custom Fleet team has completed a similar set of initiatives designed to give them the necessary resources to steal share and win new business across our key areas of focus, including self-managed and government fleets.
- In Mexico, we continue to build on our team's success converting self-managed fleets into Element clients. While our percentage growth rates will be challenging to maintain on a base that has doubled in the last two years, we expect continued strong absolute growth in dollar terms. With this in mind, we have invested in adding and training more talent in Mexico and expect that investment to pay off beginning in 2021 as these new hires gain traction.

Put simply, we are accelerating the development of our Commercial team capabilities such that they will be prepared to present our value proposition to prospective clients in search of operating savings and capital relief.

Element will be ready to grow – ahead of schedule.

A New Kind of Excitement

From time to time, I am asked what attracted me to Element back in 2018 (especially given the significant struggles it was enduring at that time).

For those of you who don't know the story, after identifying and studying this company from afar, and having marvelled at its leadership position in an industry with such a solid business model, I approached the Chairman to propose a turnaround plan that could surface its considerable unrealized potential. I saw a business with strong fundamentals and very attractive upside. The company was suffering self-inflicted wounds of a kind that often follow rapid growth by acquisition, and our people and investors were desperate for strategic clarity.

I knew that with crisp execution of a strategic plan – centered on our clients and creating value for all stakeholders – we could play the market-leading role Element was built for and position the organization to resume growth, this time of the organic variety.

The past two years have been remarkably exciting as we worked to make that plan a reality. Transforming the core platform, shifting the culture, rapidly de-leveraging the balance sheet, extricating ourselves from 19th Capital, scaling with Armada and maturing our capital structure have all been prerequisites for this pivot to growth.

The result is an organization with incredible fundamentals – including even greater resilience than I anticipated – and one better positioned for the future than I could have imagined when I first joined.

What's more, we arrive in this enviable spot just as our value proposition is likely to be more compelling amid the economic impacts of COVID-19.

And so, we will shift from the exhilaration of rapid-fire change to a new kind of excitement, one that is derived from the pursuit of profitable organic growth and cash generation over the years to come.

This bright future is one that everyone at Element has worked extremely hard to make reality. The reward for our people is a high-performing company full of opportunities for personal and career growth and development – which, in turn, results in an increasingly superior client experience and enhanced value creation for all stakeholders.

I will close by saying thank you to our people for all you have done, and a thank you to our stakeholders for your support thus far.

While there may be a few near-term bumps and detours as we and the rest of the world deal with the impacts of COVID-19, I am confident that as we look forward to where our growth plan will take us on this next leg of Element's journey – and knowing what this company can now do – we are in for a very enjoyable drive.

Until next quarter,

Jay

Conference Call and Webcast

A conference call to discuss these results will be held on Tuesday, July 28, 2020 at 6:30 p.m. Eastern Time. The conference call and webcast may be accessed as follows:

- Webcast: <http://services.choruscall.ca/links/elementfleet20200728.html>
- North America Toll-Free: 1-800-319-8560
- International: 1-604-638-5345
- Passcode: 86810#

The webcast will be available on the Company's website for three months. A taped recording of the conference call may be accessed through August 28, 2020 by dialing 1-800-319-6413 or +1-604-638-9010 and entering the access code 4863.

Non-IFRS Measures

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the accounting policies we adopted in accordance with IFRS.

The Company believes that certain non-IFRS measures can be useful to investors because they provide a means by which investors can evaluate the Company's underlying key drivers and operating performance of the business, exclusive of certain adjustments and activities that investors may consider to be unrelated to the underlying economic performance of the business of a given period. Throughout this News Release, management used a number of 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. A full description of these measures can be found in the Management Discussion & Analysis that accompanies the unaudited interim condensed financial statements for the quarter ended June 30, 2020.

Element's unaudited interim condensed consolidated financial statements and related management discussion and analysis as at and for the three- and six-month periods ended June 30, 2020 have been filed on SEDAR (www.sedar.com).

About Element Fleet Management

Element Fleet Management (TSX: EFN) is a leading global fleet management company, providing world-class services and financing for commercial vehicle fleets. The Company enjoys scale and leadership in key markets, a top-tier client base, strong cash flow and ready access to capital, and an investment-grade balance sheet. Element's suite of services spans the total fleet lifecycle - from acquisition and financing to program management and remarketing - helping clients optimize performance and improve productivity. For more information, visit www.elementfleet.com.

This press release includes forward-looking statements regarding Element and its business. Such statements are based on the current expectations and views of future events of Element's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "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 improvements to run-rate profitability; enhancements to clients' service

experience and service levels; enhancement of financial performance; improvements to client retention trends; reduction of operating expenses; increases in efficiency; run-off of the 19th Capital portfolio; plans to sell its interests in non-core assets; terms of the dividend reinvestment plan; transformation of its core business; creation of value for all stakeholders; expectations regarding syndication; growth prospects; level of workforce engagement; improvements to magnitude and quality of earnings; funding of the transformation; executive hiring and retention; process and infrastructure transformation; focus and discipline in investing; balance sheet management and plans to reduce leverage ratios; anticipated benefits of the balanced scorecard initiative; and expectations regarding financial performance. No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Such risks and uncertainties include those regarding the ongoing COVID-19 pandemic, risks regarding the fleet management and finance industries, economic factors, risks related to the payment of dividends, risks related to business integration and many other factors beyond the control of Element. A discussion of the material risks and assumptions associated with this outlook can be found in Element's annual MD&A, and Annual Information Form for the year ended December 31, 2019, each of which has been filed on SEDAR and can be accessed at www.sedar.com. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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