



Element Updates Investors on Business and Transformation

Amounts in \$CAD unless otherwise noted

- *Element's strategy and strong financial position enable Company to withstand business impacts of COVID-19 crisis and emerge with momentum, President & CEO Jay Forbes says in letter to shareholders*
- *Company continues to target \$180 million of actioned profit improvements and sub-6x tangible leverage by end of 2020*
- *Element establishes additional \$560 million credit facility underwritten by four leading banks to provide interim funding for redemption of maturing convertible debentures if U.S. bond market conditions are not conducive to planned senior unsecured note issue.*
- *CEO Jay Forbes to hold discussion with Geoffrey Kwan of RBC Capital Markets on Wednesday, April 8, 2020 at 5:00 p.m. Eastern Time with live webcast and replay to be available at [elementfleet.com/businessupdateapril2020](https://www.elementfleet.com/businessupdateapril2020)*

TORONTO, April 07, 2020 -- Element Fleet Management Corp. (TSX: EFN) ("Element" or the "Company"), a leading global provider of fleet management services, today announced an update on its business and the impact of the COVID-19 pandemic and released a letter to shareholders from President and Chief Executive Officer Jay Forbes.

"Element has a very resilient business model, and the ongoing execution of our strategic plan to transform our core business and strengthen and deleverage our investment-grade balance sheet positions us well to not only withstand the stresses of this tumultuous time but to emerge with momentum," Mr. Forbes said. "Our workforce is safe and working hard to deliver our consistent, superior client experience throughout this unprecedented period. We remain optimistic about the road ahead for Element."

Element's workforce is now largely working remotely, and delivering high levels of service to its clients in all five countries.

The Company remains committed to achieving its targets of \$180 million in run-rate profit improvements actioned and tangible leverage below 6.0x by year-end.

Element's lease book is fully funded to maturity, and the Company has ready access to more than \$5 billion of contractually committed forward funding from leading financial institutions to both fund new originations and operate its business.

Element still intends to issue senior unsecured term debt in the U.S. bond market, the proceeds of which will be used – along with cash on hand – to retire the Company's outstanding Convertible Subordinated Debentures maturing in June 2020. However, recognizing that bond market conditions may not be attractive in the short term, Element has established a \$560 million committed credit facility underwritten by Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada and BNP Paribas that can be used as required to fund redemption of the debentures on an interim basis.

"We have the luxury of waiting for more optimal conditions to enter the U.S. bond market for our inaugural issue, and this facility provides access to additional capital on a cost-effective basis to enable us to bide our time should we choose to do so," Mr. Forbes added.

Mr. Forbes will hold a discussion with analyst Geoffrey Kwan of RBC Capital Markets regarding how Element's strategy positions the business to withstand the current circumstances and seize opportunities that may ensue. The live webcast tomorrow (Wednesday, April 8, 2020) at 5:00 p.m. Eastern Time, and replays thereof, will be available at <https://www.elementfleet.com/businessupdateapril2020>.

CEO LETTER TO SHAREHOLDERS

My fellow shareholders,

We find ourselves in extraordinary times, navigating waters that are quite foreign to us. The COVID-19 pandemic has inflicted great pain and suffering, with few countries escaping its path. Further, the global response to contain this virus has resulted in an abrupt and dramatic drop in economic activity. With all of us trying to understand and cope with the unknown and unforeseeable that accompany a "one-off" type of event, I thought it might be helpful to share a brief update on our business.

In short, we are safe and sound. Nearly all our employees are working – safely and productively – remotely. Our operating platform is performing well, with our people, processes and systems providing our clients with the support they need to help their own organizations address this threat. Further, after three weeks of intense analysis and stress-testing of COVID-19 scenarios, my team and I are confident Element is both well-prepared to weather this storm, and well-positioned to emerge from it with even stronger momentum and opportunities.

This enviable position is thanks to the hard work and resourcefulness of our people, and the successful and ongoing execution

of our strategy to transform our core business and strengthen our balance sheet. It is also thanks to the proactive steps we are taking to deal with the impact of the COVID-19 pandemic.

Our position is also the result of fundamental attributes of our business model that foster resiliency and dependable operating cash flow even in tumultuous times:

- Our blue-chip clients provide strong counterparty credit
 - Approximately two-thirds of our net earning assets are leased to investment-grade (or equivalent) rated clients, reducing the risk of default
 - In past economic downturns, charge-offs net of recovery were immaterial (at less than 10 bps at the peak)
- Our vehicles are essential to the revenue-generating operations of our clients
 - More than 80% of our fleet assets are work vehicles which are integral to the operations of our clients
 - Because our assets are vital to our clients' revenue productivity, our leases are typically affirmed in a restructuring, ensuring continuity of payment
- Our widely distributed client base mitigates issues arising from industry concentration
 - Our assets are working in over 700 industry segments, with low exposure to currently hard-hit sectors such as hospitality and travel and leisure
- High client retention results in strong, predictable revenue
 - The nature of our assets and consistent, superior service levels result in annual client retention levels of approximately 98%
- Our compelling value proposition also creates high barriers to industry entry
 - We use our scale to drive down the total cost of ownership of our clients' fleets
- We maintain ample forward funding capacity to finance our clients' requirements
 - We maintain ready access to cost-efficient funds to support our clients

Let me walk you through the key factors that underpin our confidence in more detail, with apologies in advance for the length. There is much to cover and we strive always to provide as much transparency as possible. We also strive to provide timely information, which brings me to an important caveat: we don't know what we don't know. We've never had to deal with a global pandemic and thus we are stretching the collective agility and ingenuity of the business to respond as its potential impact quickly morphs. We'll know more tomorrow, and even more the day after. That said, we have chosen timeliness over exactness in providing this update today.

First and foremost, our people are safe and working productively.

We transitioned 95% of our people to working from home (WFH) as soon as the pandemic's scale became clear. From kitchen tables and home offices, dens and spare bedrooms, we at Element Fleet Management are delivering our signature consistent, superior experience to clients. In addition to proactive and periodic outreach to clients, we are also in regular communication with our suppliers as we coordinate supply chain activities in response to the crisis. Furthermore, we continue to execute on our Transformation, and we remain on target to successfully complete the program this year.

Both our liquidity and financial position remain strong.

Element has abundant liquidity.

- Our current lease book is *fully funded*, and matched on a maturity, interest rate and currency basis. There is no need for any additional capital to fund existing leases. Indeed, the run-off of the existing lease book creates further liquidity.
- Our day-to-day liquidity is excellent, and we are taking prudent steps to ensure it remains so. For instance, we promptly stood up an initiative led by our CFO and Treasurer to exercise an extra layer of cash flow discipline and stress-test this aspect of our business.
- We also have ample financial capacity for the origination needs of existing and new clients, with ready access to well over \$5 billion in contractually-committed funding from leading Canadian and international banks.

Our investment-grade balance sheet is solid and improving as leverage continues to decline. Strengthening the balance sheet was one of three strategic pillars we announced in October 2018 because we knew the criticality of maintaining ready access to cost-efficient capital to fulfilling our mandate of funding clients' fleets.

- We continue to target a sub-6 tangible leverage ratio on exit from 2020, down dramatically from the more than 9x tangible leverage when this leadership team took charge. We will continue to aggressively de-lever by way of profitable results, free cash flow and syndication. The syndication market is open, and buyers have appetite. We even added -and transacted with - new syndication counterparties in Q1.
- We also intend to enter the U.S. unsecured bond market, as planned, when conditions are appropriate for our inaugural, investment grade issue. While we hope this will happen prior to the end of June (when \$567 million of convertible debentures mature), we have put a separate funding facility in place – announced today – to draw on should market conditions continue to be less-than-ideal.

We will benefit from our focus on operational excellence and deep client relationships.

The effect of our transformation on our operational excellence – providing a consistent, superior client experience – has been profound. Client relationships are stronger. Our Net Promoter Score has turned from negative to positive as a result of our transformation and continues to be strong in all geographies. And our retention levels have returned to historical norms. In fact, we see an opportunity to further improve retention in 2020.

We get asked, logically, will people still need the vehicles you lease, and will they pay you?

The answer is yes to both questions.

- We provide mission-critical work vehicles to large and mid-sized clients whose business model is heavily dependent on their fleets. In this environment, fleets of delivery vans, utility service trucks and vehicles transporting samples for lab testing, to name but a few, are as important as ever (and perhaps even more vital). And while fleet utilization might decline for some of our clients given WFH requirements, we believe that this will be a temporary phenomenon; these vehicles will be required to ferry workers and parts to worksites post a return to work.
- With regard to payment, our clients are largely investment-grade credits who keep current with their obligations. Further, there are no force majeure clauses in our lease contracts. All that said, we are seeing – and are prepared for – requests for credit accommodations given the sudden economic slowdown.

Our revenues streams are resilient.

We won't be totally unscathed – few will be – but our analysis is that the revenue impact of this economic crisis on our business will be transitory. Furthermore, with 55% operating margins and three complementary revenue streams, we feel very confident about the organization's ability to keep generating strong cash flow through these uncertain times.

Let's first dig into Net Financing Revenue, which represents roughly 40% of our net revenue.

- Our current lease book of mission-critical assets leased to high-quality counterparties is fully funded (and matched on a maturity, interest rate and currency basis), providing highly predictable gross interest income streams and equally predictable interest costs.
- Regarding new additions (originations) to the lease book, while some clients – like Armada – are expected to provide strong originations through this period, a combination of OEM shutdowns and client deferrals could see a softening of originations in the short term. That said, originations are largely deferred, not lost: OEM production will resume and the pursuit of the lowest total cost of ownership will see clients ordering new vehicles to avoid the cost of maintaining their old vehicles.
- One area of softness we may see in Net Financing Revenue is a lower level of gains on sale. A number of auction houses have temporarily ceased operations, delaying the sale of cars coming off lease in Australia, New Zealand and Mexico. Again, this is revenue that will be deferred, not lost.

Next, we come to services, which account for 50% of net revenue.

- As some of our clients adopt measures to protect their employees from this pandemic (including WFH), we have begun to see declines in fleet vehicle mileage and an accompanying reduction in service revenues from lower fuel, maintenance and other service consumption. While temporary in nature, this will result in softer service revenues until fleet utilization picks up.
- We will try to minimize margin erosion by diligently managing expenses and will otherwise redirect surplus resources to busier areas of the business.
- One short-term, unintended benefit of slower service spending is that it reduces our use of our revolving credit line, saving interest expense and improving leverage. That's because we pay for services before we collect from clients, using our revolving credit facility to fund that timing mismatch.

Finally, syndication, which last quarter was approximately 10% of net revenue. As noted above, the syndication market remains open and is expanding in terms of investor interest.

So, from where we sit today, we anticipate our earnings will be negatively impacted in the short term as we navigate these choppy waters. That said, at this point we don't have enough data to quantify any meaningful revisions to our earnings guidance. We will have a more informed view that we can share with you when we release our first quarter results in May.

What I can tell you with certainty is that we remain fully committed to our strategy of transforming the operations of Element Fleet Management (and actioning \$180 million of run-rate profitability improvements), as well as further strengthening its financial position by the end of this year.

Conclusion

The stability and predictability of Element Fleet Management in this environment is a credit to our business model and our strategic plan. More than that, it's a credit to our people, who continue to deliver the consistent, superior client experience that is the bedrock of our strategy; who continue to execute on strengthening our balance sheet; and who continue to transform our business – all under challenging conditions.

With our plan on track, our strong financial position, and our readiness to seize opportunities that ensue, we feel as optimistic as anyone could be in these circumstances.

I grew up on Canada's east coast, and I love to be out on the water. Boating teaches the importance of being prepared for rough weather. My team and I manage with that in mind. As a result, Element is a safe vessel in this storm, and one that will be well-positioned to take advantage of calm seas when they return.

Until May,

Jay Forbes
President & Chief Executive Officer
Element Fleet Management

Webcast

A webcast to discuss how Element's strategy positions the business to withstand the current circumstances and seize opportunities that may ensue will be held on Wednesday, April 8, 2020 at 5:00 p.m. Eastern Time. The webcast may be accessed live and for replay at <https://www.elementfleet.com/businessupdateapril2020> or <https://www.veracast.com/webcasts/rbc/meetings/857hW2xd.cfm>. Replays will be available until May 11, 2020.

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. Accordingly, readers should not place undue reliance on any forward-looking statements or information. 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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