



Element Reports Strong First Quarter Results, Raises 2022 Revenue, Earnings, Cash Flow Guidance

Amounts in \$CAD unless otherwise noted

- Element generated \$0.21 EPS, \$0.24 adjusted EPS and \$0.29 FCF per share in Q1
- The Company raised full-year 2022 results guidance, indicating net revenue will grow 4-6%, AOI 4.5-7.5%, adjusted EPS 9-14% and FCF per share 10-15% from full-year 2021 results
- Q1 net revenue grew 4.9% from Q1 last year and 6.2% from last quarter
- The Company's scalable operating platform magnified net revenue growth into pre-tax income growth of 15.1% and AOI growth of 16.6% from last quarter, expanding pre-tax income margin 370 bps to 48.1% and operating margin 485 bps to 54.8%
- Capital-light services revenue grew 15.2% from Q1 last year and 6.6% from last quarter. Syndication revenue was \$13.8 million for Q1. Services revenue growth and syndication combined to improve Q1 return on common equity 250 bps to 10.5% and pre-tax return on common equity 150 bps to 15.8% versus Q1 2021
- Element returned \$106 million cash to common shareholders in the quarter by way of dividends and share buybacks under the Company's NCIB
- First quarter originations of \$1.4 billion constitute 11.3% growth from Q1 last year and 19.9% growth from last quarter

TORONTO, May 09, 2022 -- Element Fleet Management Corp. (TSX:EFN) ("Element" or the "Company"), the largest pure-play automotive fleet manager in the world, today announced strong financial and operating results for the three months ended March 31, 2022, and management raised full-year 2022 results guidance.

Q1 net income of \$93.6 million represents \$0.21 on a per share basis. Q1 adjusted operating income ("AOI") of \$142.9 million was \$5.6 million higher than Q1 last year ("year-over-year") and, \$20.3 million higher than last quarter ("quarter-over-quarter"); and equivalent to \$0.24 on a per share basis - which is 2 cents per share growth year-over-year and 3 cents per share quarter-over-quarter.

Element grew Q1 free cash flow ("FCF") per share 6 cents year-over-year and held flat quarter-over-quarter at \$0.29 per share.

"Element's strong first quarter results are a testament to our people and their dedication to our clients. Their considerable efforts pivoting the business to growth over the last two years are evident in our first quarter financial performance," said Jay Forbes, President and Chief Executive Officer of the Company. "What's more, this improved performance is sustainable, hence our revised full-year 2022 guidance."

"Our people deserve further recognition for their ongoing efforts," Mr. Forbes added. "Element continues to work tirelessly with our clients in a challenging environment for automotive fleets. Utilization of Element services is intensifying, and we are responding by consistently delivering a superior service experience in support of our clients, their vehicles and their drivers."

Revised 2022 guidance

Element anticipates growing full-year 2022 net revenue 4-6% over full-year 2021. The Company's scalable operating platform is expected to magnify that net revenue growth into 4.5-7.5% AOI growth on the same comparative basis, implying 52.5-53.5% operating margin.

In normal market conditions, Element would expect 4-6% annual net revenue growth atop its scalable operating platform to result in stronger operating margin expansion. However, in 2022 (like 2021) the Company is incurring quarterly operating costs to generate revenue that is deferred to future quarters. As previously communicated by the Company, OEM production delays have resulted in corresponding delays to Element originations, thereby deferring substantial net revenue, AOI and FCF realization.

Notwithstanding, Element anticipates 9-14% year-over-year adjusted EPS growth to \$0.92-0.96 per common share for 2022. FCF per share is similarly expected to grow 10-15% to \$1.16-1.21 per common share. Both adjusted EPS and FCF per share growth are underpinned by ongoing common share buybacks pursuant to the Company's normal course issuer bid ("NCIB"), the upshot of which is a projected weighted average outstanding common share count range of 390 to 400 million for full-year 2022.

These and further details of Element's revised 2022 guidance can be found in the Company's Supplementary Information document for the first quarter, available on Element's website.

Profitable revenue growth atop a scalable operating platform

Element's first quarter net revenue grew 4.9% year-over-year and 6.2% quarter-over-quarter to \$261 million, led by services revenue growth of 15.2% year-over-year and 6.6% quarter-over-quarter and net financing revenue growth of 3.7% year-over-year and 7.4% quarter-over-quarter.

The Company's net revenue growth was demonstrably profitable as pre-tax income and AOI growth each outpaced net revenue growth quarter-over-quarter at 15.1% and 16.6%, respectively, expanding pre-tax income margin 370 basis points to 48.1% and operating margin 485 basis points to 54.8% for the first quarter.

Element's Q1 EPS were \$0.21 and adjusted (*ie.* operating) EPS were \$0.24, the latter up 2 cents per share or 9.1% year-over-year and 3 cents or 14.3% quarter-over-quarter.

A capital-lighter business model

Element's sale of fleet assets to third parties - financial buyers with a lower cost of capital - is one of two thrusts of the Company's capital-lighter business model, and advances several aspects of Element's profitable growth strategy:

- Syndication generates a highly profitable, recurring revenue stream for the Company;
- Syndication accelerates revenue recognition (while improving economics) and increases the velocity of cash flow; and
- Syndication alleviates the need a growing Element would otherwise have to (i) increase the Company's on-balance-sheet funding of assets and therefore (ii) set aside equity to manage the resulting pressure on leverage. Instead, syndication has allowed Element to grow while significantly lowering its tangible leverage ratio and, at the same time, returning \$105.9 million cash to common shareholders thus far (at March 31) in 2022.

Element syndicated \$661 million of assets in the first quarter, generating \$13.8 million of syndication revenue or a 2.09% "yield" on assets syndicated.

The second thrust of Element's capital-lighter business model is services revenue growth, because services revenue has a low funding requirement – only the net working capital required for procurement – compared to net financing revenue.

First quarter services revenue grew 15.2% or \$17.4 million year-over-year and 6.6% or \$8.1 million quarter-over-quarter, for three broad reasons:

- A. The speed at which Element is converting share of wallet commercial wins into new active services being provided to existing clients (penetration);
- B. Element clients' increasing use of services (utilization) due to increased vehicle activity levels in general, and - as a result of the ongoing, unprecedented OEM production delays - the advanced average age of clients' vehicles in particular; and
- C. Fuel, parts and labour cost inflation across Element's networks of supplier-partners.

The Company's MD&A and Supplementary Information documents for the quarter contain further details of Q1 services revenue composition and growth.

Element's advance of its capital-lighter business model enhances ROE: year-over-year at March 31, return on common equity had improved 250 basis points to 10.5% and pre-tax return on common equity had improved 150 basis points to 15.8%.

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

Element generated \$0.29 of FCF per share in the first quarter; 26.1% or 6 cents per share growth year-over-year and flat quarter-over-quarter.

Per share growth is aided by Element's return of capital to common shareholders through buybacks pursuant to the Company's NCIB. Combined with Element's dividend payout, the Company returned \$105.9 million cash to common shareholders in the first quarter.

Adjusted Operating Results as reported

(in \$000's for stated values, except per share amounts)	Three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
	\$	\$	\$
Net revenue			
Servicing income, net	131,842	123,716	114,489

Net financing revenue	115,181	107,245	111,020
Syndication revenue, net	13,777	14,521	23,089
Net revenue	260,800	245,482	248,598
Adjusted operating expenses¹			
Salaries, wages and benefits	76,212	82,112	73,625
General and administrative expenses	27,797	27,074	27,146
Depreciation and amortization	13,935	13,735	10,526
Adjusted operating expenses	117,944	122,921	111,297
Adjusted operating income	142,856	122,561	137,301
Provision for taxes applicable to adjusted operating income	37,147	28,189	32,128
Cumulative preferred share dividends	8,103	8,103	8,103
After-tax adjusted operating income attributable to common shareholders	97,606	86,269	97,070
Weighted average number of shares outstanding [basic]	401,575	409,175	438,503
After-tax adjusted operating income per share [basic]	0.24	0.21	0.22
Net income	93,604	94,664	95,529
Earnings per share [basic]	0.21	0.21	0.20

Adjusted Operating Results in constant currency²

(in \$000's for stated values, except per share amounts)	Three-month periods ended		
	March 31,	December 31,	March 31,
	2022	2021	2021
	\$	\$	\$
Net revenue			
Servicing income, net	131,842	124,423	113,594
Net financing revenue	115,181	107,534	108,784
Syndication revenue, net	13,777	14,593	23,098
Net revenue	260,800	246,550	245,476
Salaries, wages and benefits	76,212	82,421	72,948
General and administrative expenses	27,797	27,171	26,973
Depreciation and amortization	13,935	13,794	10,390
Adjusted operating expenses	117,944	123,386	110,311
Adjusted operating income	142,856	123,164	135,165
Provision for taxes applicable to adjusted operating income	37,147	28,327	31,628
Cumulative preferred share dividends	8,103	8,103	8,103
After-tax adjusted operating income attributable to common shareholders	97,606	86,734	95,434
Weighted average number of shares outstanding [basic]	401,575	409,175	438,503
After-tax adjusted operating income per share [basic]	0.24	0.21	0.22

¹ Please refer to the Descriptions of Non-GAAP Measures section of the MD&A for a description of this non-GAAP measure.

² Please refer to the Effect of Foreign Currency Exchange Rate Changes section of the MD&A for reconciliations of certain non-GAAP "constant currency" measures to their counterpart IFRS measures as reported.

CEO LETTER TO SHAREHOLDERS

My fellow shareholders,

Reflecting on our first quarter results and what they signal for the remainder of the year, I believe the true growth potential of Element that we as Management get to see every day is finally observable by you, our fellow owners.

The impact of the pandemic – and the resulting industry-first vehicle shortages – have masked the growth potential created by Transformation and, more recently, the revitalization of our Commercial teams as we initiated our pivot to growth.

With fleet activity returning to pre-pandemic levels, OEMs gradually ramping up production and the Commercial success of 2021 adding more clients, vehicles and service uptake, the strength of our multifaceted growth strategy was on display in the first quarter with year-over-year constant currency growth of

- 6% in Net Revenue and Adjusted Operating Income,
- 9% in Adjusted Earnings Per Share,

- 32% in Free Cash Flow per share, and
- 150 bps in pre-tax Return on Equity.

Further, our confidence in the sustainability of these results is reflected in our revised guidance for 2022 and bolstered by both

- positive trends in our business and
- the innate qualities of our business model.

Positive Trends in our Business

Recognizing that Net Financing and Syndication revenues would be deferred because of OEM production delays, we shifted additional focus to Services revenue growth throughout 2021. Service offerings (a) underpin Element's value proposition to lower the total cost of fleet operations ("TCO") for our clients, (b) enhance the 'stickiness' of our client relationships and (c) advance our capital-lighter strategic priority.

Element's \$132 million this quarter is the most services revenue generated in the last 13 quarters. Two positive trends recently converged for our business to enable this performance.

Commercial success

The revenue units our Commercial teams won in 2021 – as documented in our quarterly Supplementary disclosures – are beginning to contribute to our results as we rapidly onboard new clients and vehicles and activate new services for clients. This is particularly true of "share of wallet" revenue unit wins, which are predominantly incremental service offerings being taken up by existing clients (penetration).

Moreover – and as you can see in our inaugural vehicles under management ("VUM") disclosure in this quarter's Supplementary – we are also growing VUM, thereby expanding the base of vehicles and clients to whom we can demonstrate our value proposition and provide incremental services.

Growing VUM is largely a product of our Commercial teams' success winning new clients, both by stealing market share from other fleet management companies and by converting self-managed fleets into Element clients.

Rising client vehicle activity and service utilization levels

The vast majority of client vehicle activity is now back to or exceeding pre-pandemic levels. This is not only true of our clients' service fleet vehicles (think: pick-ups, vans and medium-duty trucks), which have been increasingly active quarter-over-quarter for some time now, but also our clients' sales fleets (think: passenger cars, light-duty SUVs and crossovers).

Sales fleet activity in the first quarter increased year-over-year and quarter-over-quarter for the first time in two years, adding a tailwind to our services revenue growth trajectory.

Notably, we are also seeing the impact of our clients' fleets having aged due to prolonged OEM production delays. These older vehicles utilize more services: they require more maintenance and consume more products, from daily fuel (reduced efficiency) to additional tires (that would not have been replaced were a new vehicle on its way).

Our ability to procure these products and manage these services at attractive prices helps our clients mitigate the increased cost of operating an aging fleet and, with our cost-plus model, the increased costs provide us further opportunity to grow revenue.

Innate Qualities of Our Business Model

We have spent the last four years improving those aspects of our business under our control while minimizing disruptions from events beyond our influence. Although we continue to operate in a world of increasing uncertainty, we derive great confidence from the meaningful value proposition Element offers, the consistent, superior client experience we deliver and the profitable, resilient business model we have established.

We also derive considerable comfort from knowing that our business model can navigate the macro trends unfolding in this first half of 2022, namely inflation and rising interest rates.

Inflation is beneficial

Inflation contributes to profitable revenue growth both directly and indirectly, with the latter a greater and longer-lasting contribution.

Directly

The majority of Element's revenue is directly tied to the cost of vehicles and services procured on behalf of our clients. Accordingly, inflationary increases in these costs result in net revenue growth for Element given our cost-plus model.

That said, the inflation dynamic plays out differently between our two largest revenue streams. While Services revenue will see a more immediate impact, Net Financing revenue benefits will be gradual as increased interest income (arising from higher

vehicle purchase prices) is driven by Originations and recognized over each lease term.

While inflation will likely outpace our continuous improvement initiatives and result in rising operating costs and capital investments for our business, at approximately 48% and 7% of revenue respectively, Element will nonetheless be a strong net beneficiary of inflationary trends.

Indirectly

Element's chief value proposition to clients (and prospects) is the material reduction of their TCO, and inflation makes this proposition even more compelling.

As vehicle, parts, labour and fuel prices rise, the concessions we procure by leveraging our scale to negotiate with suppliers become even more valuable to clients. We already see increased client/driver utilization of our supply networks given current inflationary trends, as well as clients enrolling in incremental Element service offerings (penetration) to help manage their TCO.

We also see self-managed fleet owners and operators – a key source of long-term growth – more interested in the financial advantages of outsourcing to Element because of these trends.

Rising interest rates are managed through matched funding

We are largely interest rate agnostic given our staunch commitment to matched funding.

Coincident to accepting a client's vehicle order, we set the terms - interest rate, fixed or floating, and duration - of both the funding we will use to purchase that vehicle and the lease we will enter with the client in respect of that vehicle.

In doing so, we are vigilant to ensure

- i. the difference (*aka.* margin) between the interest rate on our funding and the interest rate on the corresponding lease is acceptable to Element, all things considered (*eg.* client credit quality, industry and business, history with Element, intended vehicle use, etc.);
- ii. the nature of the interest rate on our funding and the interest rate in that lease are the same – either fixed or floating – to ensure our interest margin remains stable for the life of the contract; and
- iii. the duration over which we will repay our funding is the same as the number of months over which our client will make their lease payments to Element.

As a result, the prevailing interest rate when a client places (and we accept) their vehicle order is largely immaterial to our financing business; we 'lock in' our margin/spread on that interest rate for the duration of the lease.

This combination of positive trends in our business (penetration and utilization) and the innate qualities of our business model (benefiting from inflation and being interest rate agnostic) reinforces our confidence in Element's ability to attain its strategic objectives in the year (and years) ahead.

One Final Thought

I sometimes have to remind myself that Element was only half-way through its Transformation program when the pandemic hit, and that we had just begun our pivot to growth when we were confronted with an industry-first global vehicle shortage.

That context is important:

- Many of the transformative changes made to our operating model were under-utilized given the decline in client activity throughout 2020 and 2021 as the world coped with the challenges of the pandemic. Therefore, the benefits arising from those changes are only now beginning to appear in our financial results.
- The same is true regarding our pivot to growth. Our early success improving client retention, stealing share and converting self-managed fleets has been largely masked as the related revenue (and operating income and free cash flow) gets deferred to future periods while we await vehicle deliveries from the OEMs.

Consequently, the waning impact of the pandemic coupled with the improving availability of new vehicles is allowing Element to step out of the shadows that have hidden its true growth potential.

I hope these additional insights are helpful in deepening your understanding of this company and the unique attributes of its business model. Having led the organization through Transformation and its subsequent pivot to growth, I truly believe we have something quite special in Element. Further, as we enter a period of inflation and rising interest rates, I can think of few companies better positioned to weather these uncertainties that the next few years will bring.

Until next quarter,

Jay

Conference Call and Webcast

A conference call to discuss these results will be held on Tuesday, May 10, 2022 at 8:00 a.m. Eastern Time.

The conference call and webcast can be accessed as follows:

Webcast: <https://services.choruscall.ca/links/elementfleet20220510.html>

Telephone: [Click here](#) to join the call most efficiently,
or dial one of the following numbers to speak with an operator:

Canada/USA toll-free: 1-800-319-4610

International: +1-604-638-5340

The webcast will be available on the Company's website for three months thereafter. A taped recording of the conference call may be accessed through June 10, 2022 by dialing 1-800-319-6413 or +1-604-638-9010 and entering the access code 8679.

Dividends Declared

The Company's Board of Directors has authorized and declared a quarterly dividend of \$0.0775 per outstanding common share of Element for the first quarter of 2022. The dividend will be paid on July 15, 2022 to shareholders of record as at the close of business on June 30, 2022.

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	June 15, 2022	June 30, 2022
Series C	EFN.PR.C	\$0.3881300	June 15, 2022	June 30, 2022
Series E	EFN.PR.E	\$0.3689380	June 15, 2022	June 30, 2022
Series I	EFN.PR.I	\$0.3593750	June 15, 2022	June 30, 2022

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).

Preferred Share Redemption

The Company also announced today its intention to redeem – in accordance with the terms of the Cumulative 5-Year Minimum Rate Reset Preferred Shares, Series I (the "Series I Shares") as set out in the Company's articles – all of its 6,000,000 issued and outstanding Series I Shares on June 30, 2022 (the "Redemption Date") for a redemption price equal to \$25.00 per Series I Share, together with all accrued and unpaid dividends up to but excluding the Redemption Date (the "Redemption Price"), less any tax required to be deducted and withheld by the Company.

The Company's Board of Directors has declared a dividend of \$0.3593750 per Series I Share payable on the Redemption Date to holders of record as of the close of business on June 15, 2022. This will be the final quarterly dividend on the Series I Shares, although holders will receive on redemption of the Series I Shares all accrued and unpaid dividends up to but excluding the Redemption Date.

The Company has provided notice today of the Redemption Price and the Redemption Date to the sole registered holder of the Series I Shares in accordance with the terms of the Series I Shares as set out in the Company's articles. Non-registered holders of Series I Shares should contact their broker or other intermediary for information regarding the redemption process for the Series I Shares in which they hold a beneficial interest.

The Company's transfer agent for the Series I Shares is Computershare Investor Services Inc. Questions regarding the redemption process may be directed to Computershare Investor Services Inc. at 1-800-564-6253 or by email to corporateactions@computershare.com.

Normal Course Issuer Bids

On November 4, 2020, the TSX approved Element's notice of intention to commence a Normal Course Issuer Bid (the "2020 NCIB"). The 2020 NCIB allowed the Company to repurchase on the open market (or as otherwise permitted), at its discretion during the period commencing on November 10, 2020 and ending on the earlier of November 9, 2021 or the completion of purchases under the NCIB, up to 43,929,594 common shares of the Company, subject to the normal terms and limitations of such bids. The Company repurchased 34,420,833 common shares for cancellation under the 2020 NCIB for an aggregate amount of approximately \$474.5 million at a volume weighted average price of \$13.78 per common share.

On November 10, 2021, the TSX approved Element's notice of intention to renew its Normal Course Issuer Bid (the "2021 NCIB"). The 2021 NCIB allows the Company to repurchase on the open market (or as otherwise permitted), at its discretion during the period commencing on November 15, 2021 and ending on the earlier of November 14, 2022 or the completion of purchases under the NCIB, up to 40,968,811 common shares, subject to the normal terms and limitations of such bids, which include the number of common shares purchased in any 12 month period being limited to 10% of the common shares

outstanding at the commencement of such period. As of March 31, 2022, under the 2021 NCIB, 11,153,500 common shares were repurchased for cancellation for an aggregate amount of approximately \$143.1 million at a volume weighted average price of \$12.83 per common share.

The Company applies trade date accounting in determining the date on which a share repurchase is reflected in the consolidated financial statements. Trade date accounting is the date on which the Company commits itself to purchase the shares.

Non-GAAP Measures

The Company's 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 Element adopted in accordance with IFRS.

The Company believes that certain non-GAAP 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 March 31, 2022.

Element's unaudited interim condensed consolidated financial statements and related management discussion and analysis as at and for the three-month period ended March 31, 2022 have been filed on SEDAR (www.sedar.com).

About Element Fleet Management

Element Fleet Management (TSX: EFN) is the largest pure-play automotive fleet manager in the world, providing the full range of fleet services and solutions to a growing base of loyal, world-class clients – corporates, governments and not-for-profits – across North America, Australia and New Zealand. Element enjoys proven resilient cash flow, a significant proportion of which is returned to shareholders in the form of dividends and share buybacks; a scalable operating platform that magnifies revenue growth into earnings growth; and an evolving capital-lighter business model that enhances return on equity. Element's services address every aspect of clients' fleet requirements, from vehicle acquisition, maintenance, accidents and remarketing, to integrating EVs and managing the complexity of gradual fleet electrification. Clients benefit from Element's expertise as the largest fleet solutions provider in its markets, offering unmatched economies of scale and insight used to reduce fleet operating costs and improve productivity and performance. For more information, visit www.elementfleet.com/investors.

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 enhancements to clients' service experience and service levels; enhancement of financial performance; improvements to client retention trends; reduction of operating expenses; increases in efficiency; EV strategy and capabilities; global EV adoption rates; redemption of the Series I Shares; dividend policy and the payment of future dividends; creation of value for all stakeholders; expectations regarding syndication; growth prospects and expected revenue growth; level of workforce engagement; improvements to magnitude and quality of earnings; executive hiring and retention; focus and discipline in investing; balance sheet management and plans to reduce leverage ratios; anticipated benefits of the balanced scorecard initiative; Element's proposed share purchases, including the number of common shares to be repurchased, the timing thereof and TSX acceptance of the NCIB and any renewal thereof; 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 Element's 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 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, 2021, 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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