



Element Reports Record Quarterly Results, Reaffirms Full-Year 2023 Guidance

Amounts in \$CAD unless otherwise noted

- Element delivered a record \$323.1 million of net revenue in Q2, representing 12.1% growth over Q2 last year as reported, and 8.4% growth over "organic" Q2 2022 net revenue in constant currency
- Q2 2023 EPS of \$0.29 were a 3-cent improvement over Q2 2022, and adjusted EPS of \$0.33 -- another quarterly record -- were 5 cents higher than "organic" Q2 2022 (3 cents in constant currency)
- Element generated a record \$0.46 of free cash flow per share in Q2 2023, which is 9 cents more than Q2 2022 (6 cents in constant currency)
- Record services revenue of \$169.8 million in Q2 represents 13.2% growth over Q2 2022 as reported and 12.0% growth over "organic" Q2 2022 services revenue in constant currency
- Capital-light services revenue, and syndication revenue of \$11.4 million, combined in Q2 to enhance Element's return on common equity to 12.3% and pre-tax return on common equity to a record 19.2%
- Element originate a quarterly record \$2.5 billion of vehicles in Q2; \$625 million more than Q2 last year (\$511 million more in constant currency) and \$629 million more than last quarter

TORONTO, Aug. 08, 2023 -- Element Fleet Management Corp. (TSX:EFN) ("Element" or the "Company"), the largest publicly traded pure-play automotive fleet manager in the world, today announced record financial and operating results for the three months ended June 30, 2023.

Element grew second quarter net revenue 12.1% over Q2 2022 ("year-over-year") and 8.4% over "organic" Q2 2022 net revenue (ie. excluding non-recurring items, as disclosed last year) in constant currency. Element's record adjusted operating income ("AOI") of \$178.1 million in Q2 constitutes 7.3% year-over-year growth as reported and 4.5% growth over "organic" Q2 2022 AOI in constant currency.

Second quarter EPS were \$0.29, up 3 cents both year-over-year and from Q1 2023 ("quarter-over-quarter"). Q2 adjusted EPS were a record \$0.33, up 5 cents over "organic" Q2 2022 (3 cents in constant currency) and 2 cents quarter-over-quarter. Element generated a record \$0.46 of free cash flow ("FCF") per share in the quarter -- 9 cents more year-over-year (6 cents in constant currency) and 9 cents more quarter-over-quarter -- driven primarily by the significant increase in originations. ROE and pre-tax ROE at June 30, 2023 were 12.3% and a record 19.2%, respectively.

"Element's second quarter results reflect our team's ability to consistently deliver superior service and value to our clients, combined with improved OEM supply driving record originations in the U.S. and Canada" said Laura Dottori-Attanasio, President and Chief Executive Officer of Element. "All Element stakeholders will benefit as our historic global backlog of client orders eventually normalizes over the course of the next 12 to 18 months. Meanwhile, we remain focused on executing our proven organic net revenue growth strategy."

Profitable organic net revenue growth

Element's second quarter net revenue grew 12.1% year-over-year as reported and 8.4% over "organic" Q2 2022 net revenue in constant currency. Quarter-over-quarter, Q2 2023 net revenue grew 6.3%. Q2 AOI grew 7.3% year-over-year as reported, 4.5% over "organic" Q2 2022 AOI in constant currency, and 7.6% quarter-over-quarter. Pre-tax income margin expanded 400 basis points quarter-over-quarter to 49.4% and operating margin expanded 70 basis points quarter-over-quarter to 55.1% for Q2.

Element's Q2 EPS were \$0.29 and adjusted EPS were \$0.33, the latter up 5 cents per share or 17.6% year-over-year "organically" (3 cents or 10.0% in constant currency) and 2 cents or 6.5% quarter-over-quarter.

A capital-lighter business model

Growing services revenue is one of two pillars of Element's capital-lighter business model. (Services revenue has much lower funding needs than net financing revenue: only the net working capital required to procure fuel, parts and services for clients.)

Second quarter services revenue grew 13.2% or \$19.8 million year-over-year as reported (8.0% or \$12.6 million in constant currency) and 8.7% or \$13.6 million quarter-over-quarter (9.5% or \$14.7 million in constant currency) to a record \$169.8 million. As previously disclosed, Element benefitted from \$5.5 million of non-recurring services revenue in Q2 2022. On an "organic" basis (ie. excluding non-recurring items), services revenue grew 12.0% or \$18.1 million in constant currency year-over-year.

The second pillar of Element's capital-lighter business model is syndication -- the sale of fleet lease receivables to financial buyers on terms that are more beneficial for Element than holding those assets on balance sheet.

Element syndicated \$688.6 million of assets in Q2, generating \$11.4 million of syndication revenue (a 1.65% “yield” on assets syndicated). The syndication market demand for Element's assets remains robust, affording the Company ready access to this off-balance-sheet source of cost effective funding; however, near-term interest rate volatility compressed Q2 2023 yields relative to prior periods.

Element's advance of its capital-lighter business model continues to enhance ROE: year-over-year at June 30, return on common equity improved 100 basis points to 12.3% and pre-tax return on common equity improved 240 basis points to a record 19.2%.

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

Element generated a record \$0.46 of FCF per share in the second quarter; 24.3% or 9 cents per share growth year-over-year as reported and 16.0% or 6 cents in constant currency. Quarter-over-quarter, FCF per share grew 24.3% or 9 cents.

This record quarterly FCF was driven by the significant increase in originations and their associated cash flows, as well as lower cash taxes and other timing-dependent cash items. As such, the Company believes the second quarter will be the “high water mark” for quarterly FCF per share in 2023. Nonetheless, Element affirms its \$1.58 - \$1.63 FCF per share guidance range for full-year 2023.

Per share growth is aided by Element's return of capital to common shareholders through buybacks pursuant to the Company's NCIBs. Element has returned \$55 million cash to common shareholders through buybacks of 3.1 million common shares year-to-date.

As previously communicated, Element plans to maintain an annual common dividend representing between 25% and 35% of the Company's last twelve months' free cash flow per share, which the Company expects to grow as guided. Element also continues to plan to redeem its outstanding preferred share series – at the time (and in lieu) of rate reset – thereby further optimizing the Company's balance sheet and maturing its capital structure. The next redemption opportunity is on December 31, 2023 for the Company's outstanding Series A preferred shares.

Full-year 2023 results guidance

Element reaffirmed its full-year 2023 results guidance:

\$ millions, except per share	2022 results, excluding non-recurring items ¹	2023 results guidance ¹	Year-over-year growth rates implied by 2023 guidance
Net revenue	\$1,164	\$1,240-1,260	6.5% - 8.5%
Operating margin	54.8%	54-55%	-
Adjusted operating income	\$638	\$675-700	7% - 10%
Adjusted earnings per share	\$1.13	\$1.26-1.31	12% - 16%
Free cash flow per share	\$1.39	\$1.58-1.63	13% - 17%
Originations	\$6,938	\$8,000-8,500	15% - 23%
Syndication volume	\$2,906	\$3,000-4,000	3% - 38%

Adjusted Operating Results as reported

(in \$000's for stated values, except per share amounts)	Three-month periods ended			Six-month periods ended	
	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$	\$
Net revenue					
Servicing income, net	169,807	156,199	150,037	326,006	281,879
Net financing revenue	141,898	132,880	123,252	274,778	238,433
Syndication revenue, net	11,361	14,880	14,844	26,241	28,621
Net revenue	323,066	303,959	288,133	627,025	548,933
Adjusted operating expenses²					
Salaries, wages and benefits	91,444	85,611	77,786	177,055	153,998
General and administrative expenses	36,775	36,558	28,944	73,333	56,741
Depreciation and amortization	16,704	16,297	15,456	33,001	29,391
Adjusted operating expenses	144,923	138,466	122,186	283,389	240,130
Adjusted operating income	178,143	165,493	165,947	343,636	308,803
Provision for taxes applicable to adjusted operating income	43,642	38,891	42,317	82,533	79,464
Cumulative preferred share dividends	5,946	5,946	8,103	11,893	16,206
After-tax adjusted operating income attributable to common shareholders ²	128,555	120,656	115,527	249,210	213,133
Weighted average number of shares					

outstanding [basic]	390,385	392,220	398,242	391,298	399,899
After-tax adjusted operating income per share² [basic]	0.33	0.31	0.29	0.64	0.53
Net income	120,031	106,484	111,120	226,515	204,724
Earnings per share [basic]	0.29	0.26	0.26	0.55	0.47

Adjusted Operating Results in constant currency³

	Three-month period ended			Six-month period ended	
(in \$000's for stated values, except per share amounts)	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$	\$
Net revenue					
Servicing income, net	169,807	155,069	157,177	326,006	296,836
Net financing revenue	141,898	133,580	133,338	274,778	258,048
Syndication revenue, net	11,361	14,638	15,501	26,241	30,283
Net revenue	323,066	303,287	306,016	627,025	585,167
Salaries, wages and benefits	91,444	85,354	81,450	177,055	162,085
General and administrative expenses	36,775	36,392	30,013	73,333	59,387
Depreciation and amortization	16,704	16,217	16,127	33,001	30,838
Adjusted operating expenses²	144,923	137,963	127,590	283,389	252,310
Adjusted operating income	178,143	165,324	178,426	343,636	332,857
Provision for taxes applicable to adjusted operating income	43,642	42,157	44,623	82,533	82,158
Cumulative preferred share dividends	5,946	5,946	8,103	11,893	16,206
After-tax adjusted operating income attributable to common shareholders ²	128,555	117,221	125,700	249,210	234,493
Weighted average number of shares outstanding [basic]	390,385	392,220	398,242	391,298	399,899
After-tax adjusted operating income per share [basic]	0.33	0.30	0.32	0.64	0.59

Conference Call and Webcast

A conference call to discuss these results will be held on Wednesday, August 9, 2023 at 7:30 a.m. Eastern Time.

The conference call and webcast can be accessed as follows:

Webcast: <https://services.choruscall.ca/links/elementfleet2023q2.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

A taped recording of the conference call may be accessed through September 9, 2023 by dialing 1-800-319-6413 or +1-604-638-9010 and entering the access code 0276.

Dividends Declared

The Company's Board of Directors has authorized and declared a quarterly dividend of \$0.10 per outstanding common share of Element for the third quarter of 2023. The dividend will be paid on October 13, 2023 to shareholders of record as at the close of business on September 29, 2023.

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 15, 2023	September 29, 2023
Series C	EFN.PR.C	\$0.3881300	September 15, 2023	September 29, 2023
Series E	EFN.PR.E	\$0.3689380	September 15, 2023	September 29, 2023

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).

Normal Course Issuer Bid

On November 11, 2022, the TSX approved Element's notice of intention to renew its normal course issuer bid ("NCIB"). The NCIB allows Element to repurchase on the open market (or as otherwise permitted) at its discretion, during the period from November 15, 2022 to November 14, 2023, up to 39,228,719 common shares, subject to rules of the TSX and applicable law. As of June 30, 2023 and since the NCIB renewal, 3,082,273 common shares were repurchased for cancellation, for an aggregate amount of approximately \$55.9 million at a volume weighted average price of \$18.14 per common share.

Element applies trade date accounting in determining the date on which the 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 June 30, 2023.

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, 2023 have been filed on SEDAR (www.sedar.com).

About Element Fleet Management

Element Fleet Management (TSX: EFN) is the largest publicly traded 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; 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 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, 2022, 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.

¹ Based on a CAD:USD exchange rate of 1.35:1, a CAD:MXP exchange rate of 0.07:1, and a CAD:AUD exchange rate of 0.92:1

² Please refer to the Descriptions of Non-GAAP Measures section of the MD&A for a description of this non-GAAP measure.

³ 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.

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