



Element Reports Strong First Quarter Results, Raises Full-Year 2023 Results Guidance

Amounts in \$CAD unless otherwise noted

- Q1 net revenue grew 16.5% (8.9% before FX) from Q1 last year and 4.0% (2.3% before FX) over last quarter to a record \$304.0 million
- Q1 pre-tax income grew 4.3% over last quarter and adjusted operating income grew 10.1% (7.2% before FX) over last quarter, expanding pre-tax income margin to 45.4% and operating margin to 54.4%
- Q1 EPS of \$0.26 was 5 cents higher than Q1 last year and 2 cents higher than last quarter, while adjusted EPS grew 7 cents (4 cents before FX) and 4 cents (3 cents before FX) on the same comparative bases to a record \$0.31
- Element generated \$0.37 of free cash flow per share in the quarter – 8 cents more than Q1 last year (6 cents before FX) and 7 cents more than last quarter (6 cents before FX)
- Q1 services revenue grew 18.5% (11.8% before FX) from Q1 last year and 4.7% (4.6% before FX) over last quarter, to a record \$156.2 million. Combined with syndication revenue of \$14.9 million for the quarter, Element's capital-lighter business model expanded the Company's return on common equity to 12.0% and pre-tax return on common equity to a record 18.8%

TORONTO, May 09, 2023 -- 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, 2023 and raised full-year 2023 results guidance.

Element grew first quarter net revenue 16.5% (8.9% before FX) from Q1 2022 ("year-over-year") and 4.0% (2.3% before FX) over last quarter ("quarter-over-quarter") to a record \$304.0 million. Adjusted operating income ("AOI") of \$165.5 million constitutes 15.8% year-over-year growth (7.2% before FX) and 10.1% quarter-over-quarter growth (7.2% before FX). Element's market-leading platform underpinned a 45.4% pre-tax income margin and 54.4% operating margin for the quarter, absorbing the Company's continued investment in its commercial capabilities, which will continue throughout 2023 as previously communicated.

First quarter EPS were \$0.26, up 5 cents year-over-year and 2 cents quarter-over-quarter. Q1 adjusted EPS were a record \$0.31, up 7 cents year-over-year (4 cents before FX) and 4 cents quarter-over-quarter (3 cents before FX). Element generated \$0.37 of free cash flow ("FCF") per share in the quarter – 8 cents more year-over-year (6 cents before FX) and 7 cents more quarter-over-quarter (6 cents before FX). ROE and pre-tax ROE at March 31, 2023 were 12.0% and a record 18.8%, respectively.

"Element's outstanding first quarter results are a testament to our client-centric culture and the value of delivering a consistent, superior service experience," said Jay Forbes, Element's retiring Chief Executive Officer. "Our people – my 2,500 colleagues for the last 5 years – continue to drive Element's performance to record heights evidenced by our net revenue, adjusted EPS, and pre-tax ROE benchmarks this quarter. I have the utmost confidence in the Company's ability to continue generating record performance in the quarters and years ahead."

"Our clients remain the focal point of everything we do and every decision we make," said Laura Dottori-Attanasio, Element's President and incoming Chief Executive Officer. "Growing net revenue atop a scalable operating platform, advancing a capital-lighter business model and returning excess equity to shareholders remain our strategic priorities because they have proven to generate considerable value for all Element stakeholders. Based on what I have seen across this organization so far, I believe we have everything we need to keep generating material value for our stakeholders, and I look forward to leading the charge."

Full-year 2023 results guidance

Element is raising certain of its full-year 2023 result guidance ranges:

<i>\$ millions, except per common share</i>	2022 results, excluding non-recurring items, at Q3 2022 FX ¹	Old 2023 guidance, at Q3 2022 FX ¹	2022 results, excluding non-recurring items, at current FX ²	Old 2023 guidance, at current FX ²	New 2023 guidance (at current FX²)
Net revenue	\$1,098	\$1,140-1,170	\$1,164	\$1,210-1,240	\$1,240-1,260
<i>Implied YoY Growth</i>		4-7%		4-7%	6.5-8.5%
Operating margin	54.1%	54-55%	54.8%	54-55%	54-55%
Adjusted operating income	\$594	\$615-645	\$638	\$660-690	\$675-700
<i>Implied YoY Growth</i>		4-9%		3-8%	7-10%

Adjusted earnings per share ³ <i>Implied YoY Growth</i>	\$1.05 7-11%	\$1.12-1.17 7-11%	\$1.13	\$1.21-1.26 7-12%	\$1.26-1.31 12-16%
Free cash flow per share ³ <i>Implied YoY Growth</i>	\$1.29 12-16%	\$1.45-1.50 12-16%	\$1.39	\$1.57-1.62 13-17%	\$1.58-1.63 13-17%
Originations <i>Implied YoY Growth</i>	\$6,605 14-21%	\$7,500-8,000 14-21%	\$6,938	\$8,000-8,500 15-23%	\$8,000-8,500 15-23%
Syndication volume		\$3,000-4,000			\$3,000-4,000

Profitable organic net revenue growth atop a scalable operating platform

Element's first quarter net revenue grew 16.5% year-over-year and 4.0% quarter-over-quarter as reported, and 8.9% year-over-year and 2.3% quarter-over-quarter in constant currency. This was led by services revenue growth of 18.5% year-over-year and 4.7% quarter-over-quarter as reported (11.8% year-over-year and 4.6% quarter-over-quarter in constant currency), followed by net financing revenue growth of 15.4% year-over-year and 5.9% quarter-over-quarter as reported (6.6% year-over-year and 2.0% quarter-over-quarter in constant currency).

The Company's quarter-over-quarter net revenue growth was demonstrably profitable as pre-tax income and AOI growth each outpaced net revenue growth, expanding pre-tax income margin 20 basis points to 45.4% and operating margin 300 basis points to 54.4% for the first quarter. In constant currency, operating margin grew by 250 basis points quarter-over-quarter.

Element's Q1 EPS were \$0.26 and adjusted EPS were \$0.31, the latter up 7 cents per share or 29.2% year-over-year (4 cents or 14.8% in constant currency) and 4 cents or 14.8% quarter-over-quarter as reported (3 cents or 10.7% in constant currency).

A capital-lighter business model

Growing services revenue is one of two planks of the Company'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.)

First quarter services revenue grew 18.5% or \$24.4 million year-over-year as reported (or 11.8% or \$16.5 million in constant currency) and 4.7% or \$7.0 million quarter-over-quarter (4.6% or \$6.8 million in constant currency) to a record \$156.2 million.

The second plank of Element's capital-lighter business model is syndication – the sale of fleet lease receivables to financial buyers (with a lower cost of capital than Element's) on terms that are economically superior for Element than holding those assets on balance sheet.

Element syndicated \$689.6 million of assets in Q1 (including \$370.8 million in the last two weeks of March despite U.S. banking turmoil), generating \$14.9 million of syndication revenue (a 2.2% "yield" on assets syndicated).

The Company's advance of its capital-lighter business model continues to enhance ROE: year-over-year at March 31, return on common equity improved 210 basis points to 12.0% and pre-tax return on common equity improved 310 basis points to 18.8%.

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

Element generated \$0.37 of FCF per share in the first quarter; 27.6% or 8 cents per share growth year-over-year and 23.3% or 7 cents per share growth quarter-over-quarter as reported. In constant currency, FCF per share grew 19.4% or 6 cents year-over-year and 19.4% or 6 cents per share quarter-over-quarter.

Per share growth is aided by Element's return of capital to common shareholders through buybacks pursuant to the Company's NCIBs. Element returned \$20 million cash to common shareholders through buybacks of 1.1 million common shares in the first quarter.

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.

Adjusted Operating Results as reported

(in \$000's for stated values, except per share amounts)	Three-month periods ended		
	March 31, 2023	December 31, 2022	March 31, 2022
	\$	\$	\$
Net revenue			

Servicing income, net	156,199	149,208	131,842
Net financing revenue	132,880	125,449	115,181
Syndication revenue, net	14,880	17,671	13,777
Net revenue	303,959	292,328	260,800
Adjusted operating expenses⁴			
Salaries, wages and benefits	85,611	88,180	76,212
General and administrative expenses	36,558	38,453	27,797
Depreciation and amortization	16,297	15,388	13,935
Adjusted operating expenses	138,466	142,021	117,944
Adjusted operating income	165,493	150,307	142,856
Provision for taxes applicable to adjusted operating income	38,891	37,607	37,147
Cumulative preferred share dividends	5,946	5,946	8,103
After-tax adjusted operating income attributable to common shareholders ⁴	120,656	106,754	97,606
Weighted average number of shares outstanding [basic]	392,220	392,811	401,575
After-tax adjusted operating income per share⁴ [basic]	0.31	0.27	0.24
Net income	106,484	101,216	93,604
Earnings per share [basic]	0.26	0.24	0.21

Adjusted Operating Results in constant currency⁵

(in \$000's for stated values, except per share amounts)	Three-month periods ended		
	March 31, 2023	December 31, 2022	March 31, 2022
	\$	\$	\$
Net revenue			
Servicing income, net	156,199	149,354	139,658
Net financing revenue	132,880	130,299	124,710
Syndication revenue, net	14,880	17,587	14,782
Net revenue	303,959	297,240	279,150
Salaries, wages and benefits	85,611	88,752	80,635
General and administrative expenses	36,558	38,641	29,374
Depreciation and amortization	16,297	15,434	14,711
Adjusted operating expenses⁴	138,466	142,827	124,720
Adjusted operating income	165,493	154,413	154,430
Provision for taxes applicable to adjusted operating income	38,891	39,376	38,623
Cumulative preferred share dividends	5,946	5,946	8,103
After-tax adjusted operating income attributable to common shareholders ⁴	120,656	109,091	107,704
Weighted average number of shares outstanding [basic]	392,220	392,811	401,575
After-tax adjusted operating income per share [basic]	0.31	0.28	0.27

CEO LETTER TO SHAREHOLDERS

My fellow shareholders,

When I accepted this role five years ago, I couldn't have imagined that the journey would have been this challenging, or this fulfilling.

The Transformation – ridding ourselves of the problematic investment in 19th Capital; deleveraging and upgrading our balance sheet; and reinvesting in the people, processes and culture that underpin our core fleet management business – revealed far more “opportunities” than I had initially expected when I outlined my strategic hypothesis to the Board in early 2018.

We had barely begun to execute the Transformation plan when we received news that Armada wanted us to fund and service a massive new fleet of delivery vans in support of their last mile delivery program. In the first year of the program, they grew to become our single-largest client.

And mid-way through Transformation, the degree of difficulty increased again with the onset of the pandemic, forcing us to advance our comprehensive change agenda working remotely.

Despite these and other setbacks, we completed the Transformation of Element, on time and well ahead of plan, having disposed of 19th Capital, achieved our targeted leverage and generated top quartile employee engagement, client retention and shareholder returns. Further, the consistent superior client experience and scalable operating platform we built as part of

Transformation, coupled with the syndication capabilities we established to support Armada, provided us the three planks of our current growth platform.

Our success over the last five years is readily apparent in our numerical results, with the achievement of

- Top quartile client loyalty scores that helped us grow annual revenue by \$259 million over the period;
- Operational scalability that allowed us to expand operating margins by 771 bps to 54.4%;
- A capital lighter business model that has increased pre-tax ROE by 758 bps to 18.8%; and
- More than \$5 billion of shareholder value created, placing us in the top 5% of the companies within the TSX Composite during this period.

Clearly, the investments we made in our people, processes and systems throughout Transformation and our pivot to growth have both strengthened and de-risked our business model, allowing us to assert our market leadership in each of the three geographies we serve, to both enlarge the addressable market and increase our share thereof.

What is less apparent but arguably as (or more) important are the fundamental changes we have made to the business, changes that will allow the company to sustain its growth strategy for many years to come.

Our Culture

The biggest change – and the one that underpins my confidence in the continued success of Element – has been the shift in the culture that envelops and supports the 2,500 talented people that achieved these remarkable outcomes.

Ours is a culture of transparency and accountability. Our people understand and embrace the strategic objectives set forth and measured on our Global Balanced Scorecard and devote their collective resources – daily – towards their attainment. And whether they're in Melbourne, Mexico City, Maryland, Minnesota or Mississauga, they have aligned their local priorities and activities to the advancement of these same strategic objectives. This ability to focus the entire organization on the few things that matter most has been a key contributor to the success we enjoyed with both Transformation and our Pivot to Growth, and this entrenched strategic alignment – reinforced with a strong sense of accountability and commitment – bodes well for the continuing advancement of our strategy for the years to come.

Ours is a culture of collaboration and connection. While we have done much to shift the culture of the Company, we've also worked diligently to preserve and enhance those historical cultural norms that would play an important, continuing role in our success. One legacy cultural attribute we preserved and built upon was our client centricity. Our clients cite our people – and the expertise and care they bring to the relationship – as a key point of differentiation from our competitors. That ability to connect and collaborate – with clients and one another – has allowed us to become trusted advisors of clients (and prospects) as they optimize existing fleet operations and plan for their fleet transition from ICE to EV. This spirit of collaboration and connection has also allowed us to retain our people and to rapidly share best practices across the globe, continuously improving the client experience.

Ours is a culture of agility. The world in which we operate has known few constants over the last five years. While we as a leadership team pride ourselves on our ability to “look around corners”, we have nonetheless encountered a broad array of unforeseen circumstances over these last five years. When these unexpected factors arise and threaten the attainment of our strategic objectives, we quickly swarm the issue to gain a clear understanding and assessment of the matter and then effect a timely resolution (incorporating any learnings into our future operating routines). In doing so, our organizational capability grows, making our business model even more resilient.

The changes we've made to our culture have created something truly unique and special, and wonderfully enduring; the cultural fabric of Element will be a key enabler of our continuing success.

Our People

Another significant change we've made relates to our people.

I find it fascinating – and terribly rewarding – that the same people who struggled to address a whole host of operational and financial challenges in 2018, are now posting successive years of record-breaking, “best-in-class” performance. While we have added new, complementary talent to the team who have helped us considerably, the bigger reason for this pronounced shift in performance over the last five years was the early decision made to put our people first.

From the very outset, we put the well-being and success of our employees first knowing that if we focused on meeting their needs, then they could devote their undivided attention to meeting the needs of our clients. In addition to establishing a foundation of mutual trust and respect, we

- Provided clarity as to the strategic direction and priorities – our people understand how their job contributes to Element's success;
- Furnished them with the policies, processes and systems they need to achieve high-performance – our people have the tools they need to do their job well;
- Deployed better leaders – promoting from within and hiring externally – to coach and direct them – our people have the feedback and support they need to excel; and
- Created an employee experience that promotes inclusion and engagement, and rewards them for their contributions – our employees are being grown and developed, enlarging our organizational capacity and productivity while creating opportunities for their career progression.

Element teams are well-positioned to accelerate our forward momentum throughout 2023 and beyond having equipped them to succeed with a unifying culture, strategic clarity, an industry-leading operating platform and outstanding leaders.

Our Future

While the early years of *Transformation* hardened our infrastructure – “cementing” the policies, processes and systems essential to achieving our strategic objectives into our operations – our more recent *Pivot to Growth* gave us the time and purpose to both solidify the cultural changes we had initiated while further developing our people.

Working closely with this great team of high-quality talent, and seeing how our deep-rooted culture permeated every team in every geography, it became clear to me that my time had come; I had achieved what I had set out to do back in early 2018, translating Element’s clear potential into tangible success and ensuring that the means to sustain this newfound success would remain in place for years to come.

By design, successful organizations outlast the people that contribute to their success. While I believe my leadership was required to initiate the necessary changes that launched us on this remarkable journey, my importance to the organization’s success has – by intention – lessened as the organization rapidly matured to become – in substance and not just name – the market leader in fleet management. As Jim Collins wrote in *Built to Last* “...wouldn’t that person be even more amazing if, instead of telling the time, he or she built a clock that could tell the time forever, even after he or she was dead and gone?” In Element, we have created a fine timepiece.

In closing, let me offer my thanks,

To our Executive team, I couldn’t be prouder of what we have accomplished over these last five years or the way it was achieved. Thank you for your trust in me and one another, for your selfless and tireless dedication to turning ambitions into reality, and for the spirit of camaraderie you all generously imbued.

To David Denison and our Board of Directors, thank you for your support and encouragement as we reconstructed this business and gained a full appreciation as to just how special it was. You have been great stewards of this organization, as well-evidenced and properly recognized by the vast improvement in our governance standings.

To my fellow Shareholders, thank you for entrusting your capital in this truly unique business. As many of you have heard me say, “If you are willing to invest the time to understand Element, you will be rewarded for your efforts.” We will continue to benefit from those rewards for years to come.

To my 2,500 colleagues throughout Canada, the United States, Mexico, Australia and New Zealand, thank you for your countless contributions to our success. I have asked a lot of you, and you have consistently exceeded expectations in response. I am forever grateful for the warm embrace you showed me on day one and for the followership and resolute spirit you have shown ever since.

And to Laura, thank you for the energy, curiosity and humility you have shown these last three months as you learned our business, met our people and immersed yourself into our culture. You will be a great leader for this company, providing vital services to our clients, great careers for our people, and outstanding returns to our owners.

It’s been an honour to serve in this role,

Jay

Conference Call and Webcast

A conference call to discuss these results will be held on Tuesday, May 9, 2023 at 7:00 p.m. Eastern Time.

The conference call and webcast can be accessed as follows:

Webcast: <https://services.choruscall.ca/links/elementfleet2023Q1.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 9, 2023 by dialing 1-800-319-6413 or +1-604-638-9010 and entering the access code 0035.

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 second quarter of 2023. The dividend will be paid on July 14, 2023 to shareholders of record as at the close of

business on June 30, 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	June 15, 2023	June 30, 2023
Series C	EFN.PR.C	\$0.3881300	June 15, 2023	June 30, 2023
Series E	EFN.PR.E	\$0.3689380	June 15, 2023	June 30, 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 Bids

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 March 31, 2023 and since the NCIB renewal, 1,122,933 common shares were repurchased for cancellation, for an aggregate amount of approximately \$20.5 million at a volume weighted average price of \$18.27 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 March 31, 2023.

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, 2023 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.

¹ Based on a CAD:USD exchange rate of 1.29:1, a CAD:MXP exchange rate of 0.06:1, and a CAD:AUD exchange rate of 0.90:1

² 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

³ Both adjusted EPS and free cash flow per share growth will be aided by common share buybacks under Element's NCIB, the upshot of which is a projected weighted average outstanding common share count of 385-395 million for 2023.

⁴ Please refer to the Descriptions of Non-GAAP Measures section of the MD&A for a description of this non-GAAP measure.

⁵ 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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