
Element Fleet Management Corp.

Management Discussion and Analysis

March 31, 2023



The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Element Fleet Management Corp. (the "Company", "we" or "Element") as at and for the three-month period ended March 31, 2023 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three-month period ended March 31, 2023 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022 filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise specified and all numbers are in thousands, unless otherwise specified or for per share amounts or percentages or ratios. References to "Q1 2023", "this quarter", or "the quarter" are to the quarter ended March 31, 2023 and references to "Q4 2022" and "Q1 2022" are to the quarters ended December 31, 2022 and March 31, 2022, respectively. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.elementfleet.com.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO MAY 9, 2023. CERTAIN STATEMENTS IN THIS MD&A, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF APPLICABLE SECURITIES LAWS AND MAY CONTAIN FORWARD-LOOKING INFORMATION. SUCH STATEMENTS ARE BASED UPON ELEMENT'S AND ITS MANAGEMENT'S CURRENT INTERNAL EXPECTATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THESE STATEMENTS MAY INCLUDE, WITHOUT LIMITATION, STATEMENTS REGARDING THE OPERATIONS, BUSINESS, FINANCIAL CONDITION, EXPECTED FINANCIAL RESULTS, PERFORMANCE, PROSPECTS, OPPORTUNITIES, PRIORITIES, TARGETS, GOALS, ONGOING OBJECTIVES, STRATEGIES AND OUTLOOK OF ELEMENT. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS THAT ARE PREDICTIVE IN NATURE, AND DEPEND UPON OR REFER TO FUTURE EVENTS OR CONDITIONS. IN SOME CASES, WORDS SUCH AS "PLAN", "EXPECT", "INTEND", "BELIEVE", "ANTICIPATE", "ESTIMATE", "TARGET", "PROJECT", "FORECAST", "MAY", "IMPROVE", "WILL", "POTENTIAL", "PROPOSED" AND OTHER SIMILAR WORDS, OR STATEMENTS THAT CERTAIN EVENTS OR CONDITIONS "MAY" OR "WILL" OCCUR ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS AND FORWARD-LOOKING INFORMATION. FORWARD-LOOKING STATEMENTS (INCLUDING THOSE REGARDING FINANCIAL OUTLOOK) ARE PROVIDED FOR THE PURPOSES OF ASSISTING THE READER IN UNDERSTANDING ELEMENT AND ITS BUSINESS, OPERATIONS, RISKS, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS AS AT AND FOR THE PERIODS ENDED ON CERTAIN DATES AND TO PRESENT INFORMATION ABOUT MANAGEMENT'S CURRENT EXPECTATIONS AND PLANS RELATING TO THE FUTURE AND THE READER IS CAUTIONED THAT SUCH STATEMENTS MAY NOT BE APPROPRIATE FOR OTHER PURPOSES. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS OR EVENTS TO DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS OR INFORMATION. UNDUE RELIANCE SHOULD NOT BE PLACED ON THESE FORWARD-LOOKING STATEMENTS, AS THERE CAN BE NO ASSURANCE THAT THE PLANS, INTENTIONS OR EXPECTATIONS UPON WHICH THEY ARE BASED WILL OCCUR. BY ITS NATURE, FORWARD-LOOKING INFORMATION INVOLVES NUMEROUS ASSUMPTIONS, KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES, BOTH GENERAL AND SPECIFIC, THAT CONTRIBUTE TO THE POSSIBILITY THAT THE EXPECTATIONS, PREDICTIONS, FORECASTS, PROJECTIONS, CONCLUSIONS OR OTHER FORWARD-LOOKING STATEMENTS WILL NOT OCCUR OR PROVE ACCURATE, THAT ASSUMPTIONS MAY NOT BE CORRECT AND THAT OBJECTIVES, STRATEGIC GOALS AND PRIORITIES WILL NOT BE ACHIEVED. SUCH FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A SPEAK ONLY AS OF THE DATE OF THIS MD&A. THE FORWARD-LOOKING INFORMATION AND STATEMENTS CONTAINED IN THIS MD&A REFLECT SEVERAL MATERIAL FACTORS, EXPECTATIONS AND ASSUMPTIONS OF ELEMENT INCLUDING, WITHOUT LIMITATION: THAT ELEMENT WILL CONDUCT ITS OPERATIONS IN A MANNER CONSISTENT WITH ITS EXPECTATIONS AND, WHERE APPLICABLE, CONSISTENT WITH PAST PRACTICE; ACCEPTABLE NEGOTIATIONS WITH THIRD PARTIES; THE CONTINUANCE OF EXISTING (AND IN CERTAIN CIRCUMSTANCES, THE IMPLEMENTATION OF PROPOSED) TAX AND REGULATORY REGIMES; CERTAIN COST ASSUMPTIONS; THE CONTINUED AVAILABILITY OF ADEQUATE DEBT AND/OR EQUITY FINANCING AND CASH FLOW TO FUND ITS CAPITAL AND OPERATING REQUIREMENTS AS NEEDED; THE EXTENT OF ITS ASSETS AND LIABILITIES; THE COMPANY'S NET FINANCING REVENUE YIELD ON AVERAGE NET EARNING ASSETS; GROWTH IN LEASE RECEIVABLES AND SERVICE INCOME; EXPECTATIONS REGARDING SYNDICATION; RATE OF COST INFLATION; APPLICABLE FOREIGN EXCHANGE RATES AND APPLICABLE INCOME TAX RATES; THE COMPANY'S FUNDING MIX; THE IMPACT OF VEHICLE MANUFACTURERS' ABILITY TO DELIVER VEHICLES; ANY ONGOING IMPACT OF THE COVID-19 PANDEMIC ON INDUSTRY AND MARKET CONDITIONS; AND THE RESET RATES FOR THE COMPANY'S OUTSTANDING PREFERRED SHARES. ELEMENT BELIEVES THE MATERIAL FACTORS, EXPECTATIONS AND ASSUMPTIONS REFLECTED IN THE FORWARD-LOOKING INFORMATION AND STATEMENTS ARE REASONABLE BUT NO ASSURANCE CAN BE GIVEN THAT THESE FACTORS, EXPECTATIONS AND ASSUMPTIONS WILL PROVE TO BE CORRECT.

FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS WITH RESPECT TO: THE IMPACT THAT MANUFACTURERS' PRODUCTION DELAYS WILL HAVE ON

ELEMENT'S BUSINESS; ELEMENT'S REVENUES, EXPENSES, RUN-RATE AND OPERATIONS, FUTURE CASH FLOWS, FINANCIAL CONDITION, OPERATING PERFORMANCE, FINANCIAL RATIOS, PROJECTED ASSET BASE AND CAPITAL STRUCTURE; ELEMENT'S ABILITY TO RENEW OR REFINANCE CREDIT AND SECURITIZATION FACILITIES; ELEMENT'S STRATEGY TO IMPROVE AND OPTIMIZE THE CLIENT EXPERIENCE AND CLIENT ACQUISITION AND RETENTION; ELEMENT'S EXPECTATIONS REGARDING SYNDICATION; ELEMENT'S ANTICIPATED CASH NEEDS, CAPITAL REQUIREMENTS AND ITS NEEDS FOR ADDITIONAL FINANCING; ELEMENT'S FUTURE GROWTH PLANS; ELEMENT'S EXPECTATIONS REGARDING ITS ORIGINATION VOLUMES; ELEMENT'S ANTICIPATED DELINQUENCY RATES AND CREDIT LOSSES; ELEMENT'S ABILITY TO ATTRACT AND RETAIN PERSONNEL; ELEMENT'S PRESENT INTENTION TO PAY REGULAR DIVIDENDS ON ITS COMMON SHARES AND PREFERRED SHARES; ELEMENT'S TECHNOLOGY AND DATA, AND EXPECTED USES AND BENEFITS; ELEMENT'S COMPETITIVE POSITION AND ITS EXPECTATIONS REGARDING COMPETITION; ANTICIPATED TRENDS AND CHALLENGES IN ELEMENT'S BUSINESS AND THE MARKETS IN WHICH IT OPERATES; THE EVOLUTION OF ELEMENT'S BUSINESS AND THE FLEET MANAGEMENT INDUSTRY; ELEMENT'S GROWTH PROSPECTS AND THE OBJECTIVES, VISION AND STRATEGIES OF ELEMENT; ELEMENT'S OPERATIONS AND ABILITY TO DRIVE OPERATIONAL EFFICIENCIES; ELEMENT'S EXPECTATIONS REGARDING ITS ASSETS; ELEMENT'S BUSINESS STRATEGY; ELEMENT'S EXPECTATION REGARDING THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION AND CAPITAL ALLOCATION; ELEMENT'S STRATEGIC ASSESSMENT OF CURRENT AND FUTURE ASSETS; ELEMENT'S BUSINESS OUTLOOK AND OTHER EXPECTATIONS REGARDING FINANCING OR OPERATING PERFORMANCE METRICS; THE EVOLUTION OF OPERATIONS AND THE DEVELOPMENT OF PERFORMANCE INDICATORS, AND OTHER FINANCIAL PERFORMANCE METRICS; THE FUTURE FINANCIAL REPORTING OF ELEMENT; ELEMENT'S FUTURE ASSETS AND THE DEMAND FOR ELEMENT'S SERVICES; ELEMENT'S BORROWING BASE; THE EXTENT, NATURE AND IMPACT OF ANY VALUE DRIVER TO CREATE, AND THE ABILITY TO GENERATE, PRE-TAX RUN-RATE OPERATING INCOME; ELEMENT'S ABILITY TO INCREASE TOTAL SHAREHOLDER RETURN; ELEMENT'S DIVIDEND POLICY AND THE PAYMENT OF FUTURE DIVIDENDS; ELEMENT'S PROPOSED SHARE PURCHASES, INCLUDING THE NUMBER OF COMMON SHARES TO BE REPURCHASED, THE TIMING THEREOF AND TSX ACCEPTANCE OF ANY RENEWAL OF THE NORMAL COURSE ISSUER BID; ANY ONGOING IMPACT THAT THE COVID-19 PANDEMIC MAY HAVE ON ELEMENT'S FINANCIAL CONDITION, OPERATING RESULTS AND CASH FLOWS; AND ELEMENT'S ABILITY TO PRE-FUND REDEMPTION OF ITS OUTSTANDING CONVERTIBLE DEBENTURES UPON THEIR MATURITY. THE READER IS CAUTIONED TO CONSIDER THESE AND OTHER FACTORS, UNCERTAINTIES AND POTENTIAL EVENTS CAREFULLY AND NOT TO PUT UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS. INFORMATION CONTAINED IN FORWARD-LOOKING STATEMENTS IS BASED UPON CERTAIN MATERIAL ASSUMPTIONS THAT WERE APPLIED IN DRAWING A CONCLUSION OR MAKING A FORECAST OR PROJECTION, INCLUDING MANAGEMENT'S PERCEPTIONS OF HISTORICAL TRENDS, CURRENT CONDITIONS AND EXPECTED FUTURE DEVELOPMENTS, AS WELL AS OTHER CONSIDERATIONS THAT ARE BELIEVED TO BE APPROPRIATE IN THE CIRCUMSTANCES. ALTHOUGH ELEMENT BELIEVES THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, THERE CAN BE NO ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO BE CORRECT. ELEMENT CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER ELEMENT NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE FORWARD-LOOKING STATEMENTS AND INFORMATION.

SOME OF THE RISKS AND OTHER FACTORS, SOME OF WHICH ARE BEYOND ELEMENT'S CONTROL, WHICH COULD CAUSE RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN THE FORWARD-LOOKING STATEMENTS AND INFORMATION CONTAINED IN THIS MD&A, INCLUDE, BUT ARE NOT LIMITED TO, THOSE SET FORTH UNDER THE HEADING "RISK MANAGEMENT" HEREIN AND UNDER THE HEADING "RISK FACTORS" IN ELEMENT'S ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2022. READERS ARE CAUTIONED THAT SUCH RISK FACTORS ARE NOT EXHAUSTIVE. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MD&A ARE EXPRESSLY QUALIFIED BY THIS CAUTIONARY STATEMENT. OTHER THAN AS SPECIFICALLY REQUIRED BY APPLICABLE CANADIAN LAW, ELEMENT UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE ON WHICH SUCH STATEMENT IS MADE, OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR RESULTS, OR OTHERWISE.

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Company & Business Overview

Element Fleet Management Corp. is the largest pure-play automotive fleet manager in the world. Our business is exclusively focused on business-to-business services for corporates, governments and not-for-profits that operate large fleets of vehicles. Element has approximately 1.5 million vehicles under management and is the market leader everywhere we operate: the U.S., Canada, Mexico, and Australia and New Zealand (ANZ).

The fleet management industry took shape over 70 years ago and has consistently demonstrated stability and resilience throughout the business cycle. The industry is characterized by high barriers to entry, rational competition and long-term client relationships.

Element specializes in large and often complex fleets. We benefit from a blue-chip client base, significant advantages of scale and expertise, and the financial strength to support the achievement of our own and our clients' business objectives. Element's purpose is to ensure that our clients' vehicles and their drivers are safer, smarter and more productive.

Fleet vehicles are essential to our clients' ability to generate and sustain revenue or, in the case of governments and not-for-profits, fulfill their obligations to stakeholders. Regardless, fleet vehicles have significant associated costs.

Element's value proposition is lowering clients' total cost of fleet operations ("TCO") and reducing related administrative burden. We deliver this value to clients through service solutions that span the fleet lifecycle, from vehicle acquisition and financing to maintenance, repair and remarketing. In plain English, "we make the complex simple for our clients" – a proposition that is becoming increasingly compelling as operators seek to evaluate the addition of electric vehicles ("EVs") to their fleets. Our comprehensive and fully integrated EV offering, *Arc by Element*, is detailed herein.

From September 2018 through December 2020, we successfully executed a three-pronged strategy to transform Element and position the business for sustainable growth. We solidified the Company's core operating platform and client relationships, strengthened and deleveraged the balance sheet and divested of all non-core assets.

We completed the transformation having effected hundreds of changes to the organization resulting in a more consistent, superior client experience; greater operational efficiency and scalability; a materially strengthened financial position and maturing capital structure; diversified funding sources (including approximately \$2.1 billion of committed, undrawn liquidity at March 31, 2022); and meaningfully improved profitability.

Beginning in 2018 in Mexico and 2020 in the U.S., Canada and ANZ, our successful transformation efforts empowered Element's commercial teams to focus on the aggressive pursuit of profitable, organic revenue growth. Our global growth strategy leverages the Company's market leadership to (i) exceed the industry average 98% client retention rate, (ii) increase service and financing penetration - and service utilization - within our existing client base ("share of wallet"), (iii) steal market share from other fleet managers, (iv) convert self-managed fleets into Element clients, and (v) win government and "mega" fleet¹ opportunities.

The last five years have given our people the skills and confidence to recognize and capitalize on a myriad of opportunities while managing complicated, deeply nuanced business issues. These capabilities were on full display as our organization adapted to operating first through the COVID-19 pandemic and subsequently through the global vehicle production shortage, all while maintaining sharp focus on our three strategic growth priorities:

- Aggressively pursue organic growth in all our geographies and demonstrate the scalability of Element's transformed operating platform by growing annual operating income in excess of the annual net revenue growth rate;
- Advance a capital-lighter business model by growing services revenue and strategically syndicating fleet assets, which enhances return on equity; and
- Given the expected double-digit annual free cash flow per share growth rate, predictably return excess equity to investors by way of growing common dividends and share buybacks.

¹ A "mega" fleet is a very large client or prospect with complex needs, being provided or requiring a high number of services that (a) generate significant annual net revenue and (b) necessitate the development of custom service delivery capabilities beyond Element's standard operations.

Financial Highlights

Select Q1 2023 Results

Earnings per share	After-tax adjusted operating income per share	Free cash flow per share
\$ 0.26	\$ 0.31	\$ 0.37
Net revenue growth vs. Q1 2022	Pre-tax income margin	Adjusted operating margin
16.5%	45.4 %	54.4 %
Average vehicles under management	Return on common equity ²	Pre-tax return on common equity ³
1,533,030	12.0 %	18.8 %

Income Summary

<i>(in \$000's for stated values, except per share amounts)</i>	For the three-month period ended March 31, 2023	
Servicing income, net	\$	156,199
Net financing revenue		132,880
Syndication revenue, net		14,880
Net revenue		303,959
<i>Adjusted operating expenses</i>		138,466
Total operating expenses		155,864
Total other expenses		10,170
Pre-tax income		137,925
Earnings per share [basic]		0.26
<i>Adjusted operating income before taxes</i>		165,493
<i>After-tax adjusted operating income per share [basic]</i>	\$	0.31

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

³ Please refer to the Glossary of Terms section for a description of this non-GAAP measure.

Achievements and Initiatives in the Period

Global Balanced Scorecard

Element uses a balanced scorecard strategy and performance management system, which forges tight alignment and focus throughout the Company, resulting in the rapid advancement of our strategic objectives.

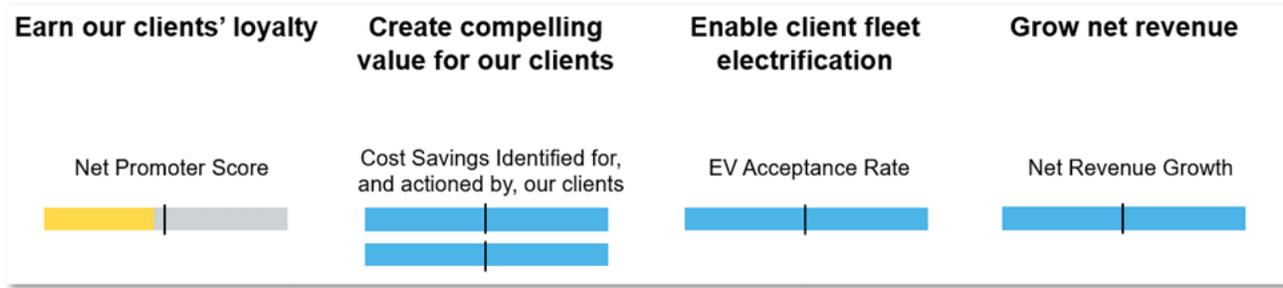
The balanced scorecard frames the business in four dimensions, representing Element's chief stakeholders: our clients, business, people and investors.

Element achieved or outperformed 12 of our 13 global balanced scorecard ("Global BSC") Q1 2023 targets.

Our narrow underperformance in Q1 against our Net Promoter Score ("NPS") target is discussed immediately below (under "Earning our clients' loyalty").



Our Clients



Earning our clients' loyalty

We consider Net Promoter Scores to be valuable indicators of the consistency and effectiveness with which we deliver Element's superior client experience. Through our people, policies, processes and systems, our Company's relentless focus on consistency and operational effectiveness continues to yield strong NPS results.

In the first quarter of 2023, we maintained our all-time high global NPS of 40 (first achieved at the end of 2022), reflecting continued positive client feedback.

In every region we serve, our clients communicated appreciation for the superior client experience we deliver and the comprehensive tools we afford clients direct access to. Mexico maintained elite NPS over 50 in the first quarter, and both ANZ and the U.S. + Canada achieved strong scores. Client feedback regarding the ease of doing business remains near all-time high levels, demonstrating our continued ability to "make the complex simple for our clients".

Our global NPS was below our target for the quarter as a result of the fact that we recalibrated and increased our NPS targets for 2023 in response to our continued outstanding NPS momentum. We are proactively taking actions to ensure that we achieve our global NPS target by year-end (and, ideally, in Q2 and Q3 as well).

Creating compelling value for our clients

Our global Strategic Consulting Services ("SCS") team provides significant value to clients by proactively identifying challenges and opportunities specific to each client's fleet and sharing responsive solutions and strategies directly with the client.

For Q1 2023, our SCS team identified and shared over \$351 million of fleet-operating-cost savings opportunities with our clients, of which approximately \$91 million in value were "actioned".

Element's scale provides our SCS team with two significant benefits:

1. The breadth of data available: With 1.5 million vehicles under management, we are able to use the tens of millions of data points generated for benchmarking and predictive analytics.
2. The resources available to, and the caliber of, our people: Element is able to house a technical team within our SCS function, which focuses on developing the custom analytical tools that enable SCS consultants to do the great work that they do.

Our clients continue to move towards more sustainable fleet practices, most with aggressive corporate sustainability goals in place. The SCS team continues to spend significant time informing clients about the EV landscape and providing guidance on approaches to transitioning from internal combustion engine ("ICE")-powered vehicles to EVs, while also addressing client concerns around range and charging infrastructure.

Enabling client fleet electrification

Client interest in and demand for EVs remained steady through the first quarter and we outperformed our Q1 target for client EV acceptance rate.

Arc by Element – our comprehensive, integrated end-to-end EV offering – brings our EV services to market under a single banner, ensuring consistency for our global clients and reinforcing the program’s seamless nature across our geographies. We are continuing to scale *Arc by Element* across our business by growing our dedicated EV team and infusing EV knowledge and best practices throughout the organization.

In the U.S. and Canada, we are in the process of launching several pilots where we are providing the full suite of *Arc by Element* services -- including EV feasibility and driver selection, implementation of charging solutions, and operational and reimbursement support -- to participating clients. One notable pilot started with less than 10 EVs in the fall of 2022, and has expanded to almost 500 EVs as of Q1 2023. This large and rapid EV deployment has provided valuable insights into driver recruitment strategies and large-scale home charger implementation.

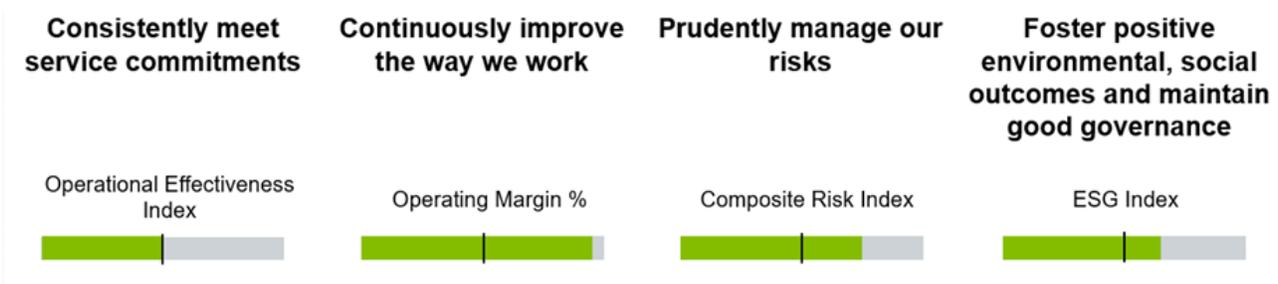
In Australia, Custom Fleet secured an EV pilot in Q1 with a delivery services company that operates a national network of more than 1,200 franchisees and delivery partners, 400 freight handlers and 15 major depots across approximately 850 active territories. This pilot includes five LDV eDeliver 9 electric vans, as well as the installation of on-site chargers at certain client work locations.

In Mexico, the last mile delivery industry is leading fleet electrification. Element's focus is to apply our experience with our last mile delivery clients to accelerate the transition to EVs more broadly. Our EV uptake by clients in the first quarter exceeded our target in Mexico. Notably, Latin America's largest e-commerce ecosystem confirmed an order for 700 Ford E-Transit vans and Element assisted with strategic consulting to support this client's decision making process as well as securing the EVs.

In addition to our client EV pilots, we have continued to electrify our internal fleet across our global operating footprint, which has provided us further insights on electrification, and will allow us to validate new EV-related services with our internal driver segment.

We continue to scale and streamline our services with every pilot, which provide new insights into client needs and nuanced considerations.

Our Business



Consistently meeting service commitments

Element's global Operations team has been preparing for a significant increase in OEM production in 2023 (with approximately \$8.0 to \$8.5 billion in Originations planned for 2023, a historic high for Element). Each functional area of Operations has undertaken an aggressive capacity-planning exercise to ensure we are appropriately resourced to meet growing demand within our turnaround time commitments. This includes

forecasting volumes 90 days ahead (at minimum) and executing on resourcing strategies to support our clients' growth.

There are several specific initiatives that we are proactively executing to enhance Element's consistent, superior service experience for our clients. One area which experienced significant volume growth in Q1 is our Acquisitions department.

Our scalable operating platform and successful resourcing strategy enabled us to enter and submit 85% of Q1 orders in less than 2 days, adhering to our client service commitments. As our Acquisition teams look forward to the remainder of the year, we continue to improve our North American Vehicle Ordering (“NAVO”) platform, which enables a far more efficient and powerful user experience. Our clients and drivers are benefitting from better visibility to transactions in flight, enhanced systematic communications, and bulk inventory management capabilities.

Our Remarketing team has also been transitioning to a post-pandemic environment and executing on our multi-channel sales approach. During the pandemic, our Remarketing team had to transition to 100% digital sales, quickly capitalizing on technology and partnerships to enable this transition. As in-person auctions are returning to pre-pandemic cadences, it has been critical for our Remarketing team to continue capitalizing on our multi-channel approach to ensure we sell the right vehicle in the right market to optimize sales proceeds and to maintain a diversity of sales channels.

Consequently, we now remarket vehicles through both digital channels as well as our more traditional channel where we physically run the vehicle through an auction lane and both in-person and online buyers have the ability to purchase the vehicle. Within the traditional model, about 42% of sales are now made to in-person buyers as compared to only 25% for the full-year 2021. Element leverages its scale to secure preferred in-person auction lane placement, preferred start times, and high-quality auctioneers as the largest seller in all markets to achieve re-sale prices that consistently outperform the market, creating meaningful value for our clients.

Continuously improving the way we work

The Continuous Improvement Group continues to expand its project scope, training, and automation as we improve Element's consistent, superior client experience, while lowering costs to serve.

We exceeded our first quarter Global BSC operating margin target as a result of our commitment to three key priorities, all of which drive our ability to offer services at scale:

- Maintaining a team of dedicated recourses to drive Continuous Improvement at Element;
- Implementing a scoring model to evaluate where and how Continuous Improvement team members are deployed on projects across Element globally; and
- Developing automation solutions.

Our CI Skills and Mindset Program continues to develop Lean Six Sigma skills in the organization. We maintained a team of 12 experienced black belts in the quarter by leveraging our 24-month rotational assignment program to train employees on Lean Six Sigma methodologies while working on high-priority projects. In addition, we continued to offer our four-month Yellow Belt certification program, which has already trained over 115 employees globally. The program encourages and trains employees to identify innovative cost- and time-saving opportunities for clients as well as improve the overall client experience.

We continued to develop and implement automation solutions using Robotic Process Automation “bots” and other light-touch tools in the quarter. Our total library of automations now contains over 160 solutions, accounting for over 550,000 transactions processed and 22,000 hours saved for our employees in the first quarter alone. These automation solutions decrease cycle times, provide increased accuracy, and make our business more scalable, leading to a superior employee and client experience.

Xcelerate Ordering

Clients on our state-of-the-art NAVO platform are placing 85% of their orders directly, without the need for Element assistance as interactive help and support tools within the platform provide guidance throughout the ordering process. Clients have consistently highlighted the ease of use and the helpfulness of the guided flow embedded within NAVO. The time to enter orders is proving to be significantly lower for clients than on the legacy platform. New functionalities within the NAVO platform also allow Element employees to process orders on a mass basis, resulting in significant time savings.

Prudently managing our risks

In 2021, we introduced Element's first Enterprise Composite Risk Index ("ECRI") based on our key risk universe, translated into Risk Appetite Statements ("RAS") with applicable metrics and thresholds.

In 2022, we refined our risk metrics to focus on comprehensive indices, leading indicators, and changes in the business environment.

In 2023, we will be further refreshing our risk universe based on the current environment and continuing to build on the foundation in place. The Enterprise Risk Council, led by our Chief Financial Officer, meets on a regular basis to discuss large and emerging risks and how they could impact our business - as well as the mitigating actions that we have in place or may need to enhance. The Council is staffed cross-functionally with attendance by our senior executives and is driving the risk culture more deeply into the organization.

The ECRI was on target for Q1 2023 as reported on our Global BSC.

Fostering positive environmental and social outcomes and maintaining good governance

In Q1 2023, we finalized Element's process to inventory our 2022 greenhouse gas emissions in alignment with the Sustainability Accounting Standards Board (SASB) standard for the Car Rental and Leasing industry in the transportation sector, which will be included in our third annual Element ESG report to be released mid-year this year.

In ANZ, Custom Fleet is striving to become an employer of choice for diverse talent. This strategy is underpinned by the continuous improvement of our Diversity, Equity, Belonging and Inclusion practices to align with the achievement of externally benchmarked certifications, being:

- The Reconciliation Action Plan (Aboriginal and Torres Strait Islander inclusion);
- The Australian Workplace Equality Index Certification (LGBTQI+ inclusion); and
- The Employer of Choice for Gender Equity Citation (Women's Gender Equality Agency).

Notably, in Q1, Custom Fleet: launched a reconciliation action plan, sponsored a speaker at the World LGBTQI+ Conference for Criminal Justice Professionals, and had representatives attend the World Pride Human Rights Conference.

These activities are advancing Element's ESG agenda and, in many cases, will help us track our ESG performance to build a robust baseline on which we can aim to improve in subsequent years. [Our second annual ESG report](#) — released in 2022 — details progress on our ESG strategy, goals and commitments first outlined in our inaugural report. Element will be releasing its third annual ESG report mid-year this year.

Supplier Diversity

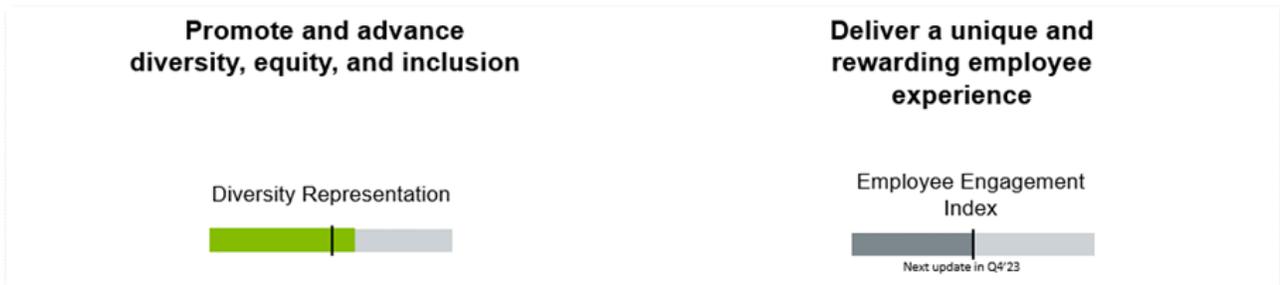
We have a long and well-established track record of fostering supplier diversity, dating back nearly three decades at Element's predecessor companies. Our ongoing supplier diversity initiatives are a point of pride at

Element in full alignment and partnership with our clients. [Our Supplier Diversity Program overview](#) is available on our website, along with [our commitment to supplier diversity](#). Our Supplier Diversity Program aims to provide opportunities for all diverse suppliers that satisfy our business, procurement and contractual requirements; and support our clients in achieving their supplier diversity goals while inherently improving performance KPI's.

Notably in Q1 2023, we hired a dedicated resource focused on supplier diversity and sustainable sourcing. We track diversity spend and offer clients customized tracking solutions to ensure their diversity commitments applicable to their fleet operations are understood, organized and can be accurately reported and traced. Moreover, our SCS team applies a "client diversity spend requirements" perspective to all our proactive advisory work, offering actionable insights to clients that will improve their practices in this area.

Element is a member of the National Minority Supplier Development Council (NMSDC), Disability:IN Minnesota, and the Women's Business Enterprise National Council (WBENC) in the U.S., as well as the Canadian Council for Aboriginal Business (CCAB) and the Canadian Aboriginal and Minority Supplier Council (CAMSC) -- which we partner with to further a diverse supply chain. In Q1, we participated in the WBENC national conference, further aligning Element with our clients and strengthening our diverse supplier relationships, while also growing our supply chain network with new and innovative suppliers. We continue to make strides to enhance our diverse network in Canada and have recently launched our Canadian Supplier Identification form, which will allow our Canadian suppliers to identify as minority business enterprises within our network.

Our People



We entered 2023 ready to build on our momentum and win together. Our people continued to "show up" for each other in the first quarter through better dialogue, collaboration and a commitment to Diversity, Equity, and Inclusion that resonates across the organization.

Embracing our leadership transition

In January, we shared the announcement of Jay Forbes' upcoming retirement and the appointment of Laura Dottori-Attanasio as our President and incoming CEO, effective May 10th. The announcements were met with expressions of gratitude for Jay's leadership and a warm welcome for Laura including a global Town Hall where our people learned about her 30 years of experience in the finance sector, strong cultural fit, and commitment to our strategy. Over much of March and into April, Laura and Jay have embarked on a global tour of our locations, engaging our people together.

Connecting pay to performance

Our Global BSC is the foundation for how we prioritize and resource work across our organization and enables our people to focus on what matters most. It also underpins our "pay-for-performance" philosophy. We released our 2023 Global BSC in January, cascading the global strategic objectives to our people, who in turn set their own individual goals which align back to the scorecard. This important dimension of our pay-for-performance process is supported by informative videos and interactive Q&A sessions – year-long resources

that have already been viewed by over 650 of our people combined. 2023 also marked the start of a new design for our Short-Term Incentive Program (STIP), which will now reflect individual performance alongside business results, to further recognize high performing employees globally who exceed expectations and role model our "Ways of Working" at Element: agility; accountability; collaboration; connectedness; and transparency.

A strong, engaged team

Our annual Employee Engagement Survey is an essential tool letting us know where we are doing well and areas we need to focus on. With a strong overall Employee Engagement score of 82% (up 1% from last year), and outstanding 90% global participation rate, our people gave us not only a clear picture of our strengths as a company, but a mandate on where to improve. Our focus for 2023 will centre on three key areas: communication and collaboration; workload and resources; and continuous improvement. We've committed to reporting back to our people on our progress quarterly.

We're tremendously proud of our culture of recognition at Element, which was on full display as we celebrated Employee Appreciation Day in March. We set an ambitious goal for our people to recognize each other resulting in a remarkable 4,351 recognitions that celebrated our collective success and ignited a strong and collaborative 2023.

We were also honoured to be named Best-in-Class Employer by Gallagher's 2022 Benefits Strategy and Benchmarking Survey. A program that recognizes employers that excel in supporting their employees' physical, emotional, career, and financial well-being for better overall organizational strength and resilience.

Sharing our real estate journey

In February, we announced two significant changes to our real estate portfolio: the relocation of our Sparks team to a new location in Owings Mills, Maryland, and the closure of our Trevoise office. Our new location at Owings Mills will be a modern, flexible workspace designed to enable interactions of many types – from client visits to team meetings. The new space will be designed with sustainability elements, including EV charging, to support our ESG commitments. With our move scheduled for Q4, we're looking forward to welcoming our people to a space where we can all be proud to work and share with our clients.

Fostering inclusion and supporting our communities

We continue to build awareness, education, and action to foster a more inclusive workplace. We conducted our annual self-identification campaign to capture the many dimensions of diversity of our people. We are proud that as of March 2023 women comprise 51% of our global workforce and Black, Indigenous and People of Color (BIPOC) make up 21% of our workforce in the U.S. and Canada. Our Global BSC DE&I index is on target in Q1, including achieving our targets in both women and BIPOC promotions, BIPOC external hires, and female retention. Our Business Resource Groups⁴ celebrated Martin Luther King Jr Day, Black History, Women's History, and International Women's Day, and observed Lunar New Year and Ramadan in Q1. We continued our efforts to support education and the environment in local communities, philanthropically as well as with volunteerism.

Our BRGs are a driving force in supporting our local communities. Through our Abled and Disabled Empowering People Together (ADEPT) BRG, our employees supported Special Olympics raising over \$4,900 for the Special Olympics Polar Plunge and with an Element match we donated over \$10,000 to these amazing athletes. Our Veterans BRG is supporting local veterans getting back on their feet with a \$6,700 donation to The Baltimore Station and our employees will start monthly meal service volunteering in Q2. Our LGBTQ2+ Allies BRG is furthering support of youth at risk of, or experiencing, homelessness through support of The Link with Element as a bronze level sponsor of their annual Elevate and Empower Gala.

⁴ Business Resource Groups (BRGs) are employee-led groups that foster an inclusive culture by bringing together Element employees who have similar backgrounds, experiences, and/or interests, and their allies. BRG participation is voluntary and open to employees in all global regions who are interested in and support the objectives of the BRG, regardless of their background.

Achievements and Initiatives in the Period

We continue to support communities impacted by disaster, with support to Doctors Without Borders/Médecins Sans Frontières (MSF) Canada and The Red Cross New Zealand providing resources for those devastated by the earthquakes in Turkey and Syria and Cyclone Gabrielle in New Zealand.

Our Mexico Team continues to further our strides in volunteerism supporting the environment. In celebration of the International Day of Water, our team in collaboration with TECHO, a youth-led non-profit organization that seeks to respond to the housing deficit caused by poverty or natural disasters that affect thousands of people in México and other Latin American countries, helped install a rain harvesting system that will provide water purity and sanitation facilities for three local families.

Championing DE&I for our clients and prospects

We continue to reinforce the importance of DE&I with our clients and prospects. We participated in a Diversity in Fleet panel sponsored by The Automotive Fleet & Leasing Association (AFLA). As part of AFLA's Learning Sessions series, this interactive discussion featured Element and other DE&I fleet subject matter experts talking about DE&I effective practices and positive impact in the fleet industry.

Furthering the DE&I connection of our employees to our clients, as part of our Women's BRG Women's History Month celebration, we featured career stories from two of our clients, who shared the impacts diversity has had in the success of their careers and business goals.

Our Investors



Business outlook

Profitable organic net revenue growth atop a scalable operating platform

Having assessed our reinvigorated Commercial capabilities and their ability to both grow vehicles under management ("VUM") and increase share-of-wallet (through higher penetration, utilization, and pricing), we believe Element can reliably deliver 6% to 8% annual organic net revenue growth in normal market conditions. Our confidence is grounded in the progress made to date and the market prospects we envision.

We continue to target year-over-year expansion of operating margins such that revenue growth rates are expected to be in excess of operating expense growth, creating superior growth in operating income.

A capital-lighter business model

In addition to the increased focus on services revenue (ie. serviced VUM and share-of-wallet) growth noted above, syndication continues to be a key enabler of our capital-lighter business model. Growing originations from increasing OEM production are providing a ready supply of lease assets to sell to a broadening geographic base of syndication investors (already in the U.S. and Canada and targeting Mexico). Accordingly, we expect syndication volume to increase this year, and again in 2024.

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

Strong growth in operating income combined with our capital-lighter business model has produced robust growth in free cash flow per share for Element. We expect that to continue; and we plan to allocate this excess capital as follows:

- Eliminate the last of the high-cost legacy financing instruments (preferred share series);
- Grow the common dividend consistent with the growth in free cash flow per share; and
- Repurchase common shares under Normal Course Issuer Bids ("NCIB"s).

Full-year 2023 results guidance

We are raising certain of our full-year 2023 result guidance ranges:

<i>\$ millions, except per common share</i>	2022 results, excluding non-recurring items, at Q3 2022 FX ⁵	Old 2023 guidance, at Q3 2022 FX ⁵	2022 results, excluding non-recurring items, at current FX ⁶	Old 2023 guidance, at current FX ⁶	New 2023 guidance (at current FX ⁶)
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 ⁷	\$1.05	\$1.12-1.17	\$1.13	\$1.21-1.26	\$1.26-1.31
<i>Implied YoY Growth</i>		7-11%		7-12%	12-16%
Free cash flow per share ⁷	\$1.29	\$1.45-1.50	\$1.39	\$1.57-1.62	\$1.58-1.63
<i>Implied YoY Growth</i>		12-16%		13-17%	13-17%
Originations	\$6,605	\$7,500-8,000	\$6,938	\$8,000-8,500	\$8,000-8,500
<i>Implied YoY Growth</i>		14-21%		15-23%	15-23%
Syndication volume		\$3,000-4,000			\$3,000-4,000

Profitable organic net revenue growth atop a scalable operating platform

Our 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).

Our 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 our 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.)

⁵ 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

⁶ 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

⁷ 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.

Achievements and Initiatives in the Period

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 advance of our 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 our return of capital to common shareholders through buybacks pursuant to the Company's NCIBs. Element returned \$20.0 million cash to common shareholders through buybacks of 1.1 million common shares in the first quarter.

As previously communicated, we plan to maintain an annual common dividend representing between 25% and 35% of our last twelve months' free cash flow per share, which we expect to grow (as guided). We also continue to plan to redeem our outstanding preferred share series – at the time (and in lieu) of rate reset – thereby further optimizing our balance sheet and maturing our capital structure.

Effect of Foreign Currency Exchange Rate Changes

We are exposed to fluctuations in certain foreign currencies from operations we conduct in Australia, New Zealand, Mexico and, predominantly, the United States where 13%, 5%, 12% and 64%, respectively, of our last 12 months' net revenue was generated. Element has established local currency funding structures in each of these countries. We also institute certain designated hedges that further mitigate the effects of FX exposure. Notwithstanding, our assets, liabilities, and foreign operating results do fluctuate as a result of fluctuations in these currencies against the reporting currency, being the Canadian dollar. We do not hedge pure currency translation risk.

The following "Quarterly Results of Operations" section contains a table summarizing the Company's results on a constant currency basis. We provide certain further details in our Supplementary Information document (available on the Company's website) regarding results for the relevant periods before the impact of changes in FX (*ie.* in constant currency). The Company calculates constant currency for prior quarters' results by applying the current quarter monthly average rates to the prior quarters' months (*eg.* the January, February, and March 2023 monthly averages are applied to the October, November, and December 2022 results, respectively). The current spot rate is used for all balance sheet constant currency calculations. The table immediately below illustrates the FX impact on the reported consolidated financial results for prior periods that are discussed on the following pages:

(in \$000's for stated values)	For the three-months ended				
	March 31, 2023	Change from Q4 2022	December 31, 2022	Change from Q1 2022	March 31, 2022
	\$	%	\$	%	\$
Servicing income, net, constant currency	156,199	4.6 %	149,354	11.8 %	139,658
Fx impact	—		(146)		(7,816)
Servicing income, net, as reported	156,199	4.7 %	149,208	18.5 %	131,842
Net financing revenue, constant currency	132,880	2.0 %	130,299	6.6 %	124,710
Fx impact	—		(4,850)		(9,529)
Net financing revenue, as reported	132,880	5.9 %	125,449	15.4 %	115,181
Syndication revenue, constant currency	14,880	(15.4)%	17,587	0.7 %	14,782
Fx impact	—		84		(1,005)
Syndication revenue, as reported	14,880	(15.8)%	17,671	8.0 %	13,777
Net revenue, constant currency	303,959	2.3 %	297,240	8.9 %	279,150
Fx impact	—		(4,912)		(18,350)
Net revenue, as reported	303,959	4.0 %	292,328	16.5 %	260,800
Salaries, wages and benefits, constant currency	85,611	(3.5)%	88,752	6.2 %	80,635
Fx impact	—		(572)		(4,423)
Salaries, wages and benefits, as reported	85,611	(2.9)%	88,180	12.3 %	76,212
General and administrative expenses, constant currency	36,558	(5.4)%	38,641	24.5 %	29,374
Fx impact	—		(188)		(1,577)
General and administrative expenses, as reported	36,558	(4.9)%	38,453	31.5 %	27,797
Depreciation and amortization, constant currency	16,297	5.6 %	15,434	10.8 %	14,711
Fx impact	—		(46)		(776)
Depreciation and amortization, as reported	16,297	5.9 %	15,388	17.0 %	13,935
Adjusted operating expenses, constant currency	138,466	(3.1)%	142,827	11.0 %	124,720
Fx impact	—		(806)		(6,776)
Adjusted operating expenses, as reported	138,466	(2.5)%	142,021	17.4 %	117,944
Adjusted operating income, constant currency	165,493	7.2 %	154,413	7.2 %	154,430
Fx impact	—		(4,106)		(11,574)
Adjusted operating income, as reported	165,493	10.1 %	150,307	15.8 %	142,856
Provision for taxes applicable to adjusted operating income, constant currency	38,891	(1.2)%	39,376	0.7 %	38,623
Fx impact	—		(1,769)		(1,476)
Provision for taxes applicable to adjusted operating income, as reported	38,891	3.4 %	37,607	4.7 %	37,147
After-tax adjusted operating income, constant currency	126,602	10.1 %	115,037	9.3 %	115,807
Fx impact	—		(2,337)		(10,098)
After-tax adjusted operating income, as reported	126,602	12.3 %	112,700	19.8 %	105,709

Quarterly Results of Operations

(in \$000's for stated values, except per share amounts)	For the three-month periods ended		
	March 31, 2023	December 31, 2022	March 31, 2022
	\$	\$	\$
Net revenue			
Net interest income and rental revenue	249,756	218,701	160,648
Interest expense	116,876	93,252	45,467
Net financing revenue	132,880	125,449	115,181
Servicing income, net	156,199	149,208	131,842
Syndication revenue, net	14,880	17,671	13,777
Net revenue	303,959	292,328	260,800
Operating expenses			
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
Amortization of convertible debenture discount	999	982	933
Share-based compensation	16,399	7,044	6,163
Operating expenses	155,864	150,047	125,040
Other expenses			
Amortization of intangible assets from acquisition	9,433	9,466	8,909
Loss on investments	737	588	1,442
Other expenses	10,170	10,054	10,351
Income before taxes	137,925	132,227	125,409
Provision for income taxes	31,441	31,011	31,805
Net income for the period	106,484	101,216	93,604
Weighted average number of shares outstanding [basic]	392,220	392,811	401,575
Earnings per share [basic]	0.26	0.24	0.21
Dividends declared, per share			
Common share	0.100000	0.100000	0.077500
Preferred Shares, Series A	0.433313	0.433313	0.433313
Preferred Shares, Series C	0.388130	0.388130	0.388130
Preferred Shares, Series E	0.368938	0.368938	0.368938
Preferred Shares, Series I	—	—	0.359375

We present and offer the following commentary on operating expenses, pre-tax income margin, and net income for the period (including earnings per share), which are results quantified by IFRS measures. These results' counterpart non-GAAP measures are presented and commented-on further below.

Operating expenses

Operating expenses for the quarter were \$155.9 million, up 3.9% or \$5.8 million from Q4 2022 ("quarter-over-quarter") and 24.7% or \$30.8 million over Q1 2022 ("year-over-year").

Pre-tax income margin

Pre-tax income margin for the quarter was 45.4%, expanding by 20 basis points quarter-over-quarter, and compressing by 270 basis points year-over-year. This compression was predominantly driven by the year-over-year increase in first quarter share-based compensation; which, itself, was driven by strong share price performance on the same comparative basis.

Net income

Element earned net income of \$106.5 million for the quarter, an increase of \$5.3 million or 5.2% from Q4 2022 and \$12.9 million or 13.8% over Q1 2022. Q1 2023 net income per share was \$0.26; 2 cents per share higher than prior quarter and 5 cents per share higher than Q1 2022.

Adjusted Operating Results as reported

(in \$000's for stated values, except per share amounts)	For the three-month periods ended		
	March 31, 2023	December 31, 2022	March 31, 2022
	\$	\$	\$
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
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	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 share [basic]	0.31	0.27	0.24

Adjusted Operating Results in constant currency⁸

(in \$000's for stated values)	For the three-month periods ended		
	March 31, 2023	December 31, 2022	March 31, 2022
	\$	\$	\$
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 expenses	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	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

Please note: In the following commentary, we restrict citation of constant currency results to the instances where FX had a noteworthy impact on comparative results.

Net revenue

Q1 net revenue grew \$43.2 million or 16.5% year-over-year and \$11.6 million or 4.0% quarter-over-quarter as reported. In constant currency, Q1 net revenue grew \$24.8 million or 8.9% year-over-year and \$6.7 million or 2.3% quarter-over-quarter.

Both year-over-year and quarter-over-quarter net revenue growth was driven primarily by services revenue growth and secondarily by net financing revenue growth. The reasons for year-over-year and quarter-over-

⁸ Please refer to the Effect of Foreign Currency Exchange Rate Changes section for reconciliations of certain non-GAAP "constant currency" measures to their counterpart IFRS measures as reported.

quarter services revenue and net financing revenue growth (respectively) are noted below -- please see "Servicing income, net" and "Net financing revenue" on the following pages.

Orders and Originations

Orders

Originations are necessarily preceded by vehicle orders, which are legally binding commitments by our clients to lease or purchase vehicles from Element upon production by the relevant OEM. Our clients placed \$2.0 billion of orders with OEMs in Q1 2023. This order volume evidences the strength in both demand-for and, importantly, supply-of vehicles: the OEMs' ability to accept these orders lends further credence to our positive outlook on 2023 OEM production volume.

Originations

First quarter global originations of \$1.9 billion were \$477.2 million or 33.3% higher year-over-year and \$67.7 million or 3.7% higher quarter-over-quarter due to OEM production volume and thus vehicle availability improvements in all our operating geographies.

The table below sets out the geographic distribution of total originations for the following three-month periods ended.

(in \$000's for stated values)	March 31, 2023		December 31, 2022		March 31, 2022	
	\$	%	\$	%	\$	%
United States and Canada	1,459,388	76.43	1,400,883	76.05	1,084,488	75.71
Mexico	314,152	16.45	306,626	16.65	230,443	16.09
Australia and New Zealand	135,985	7.12	134,365	7.30	117,429	8.20
Total	1,909,525	100.00	1,841,874	100.00	1,432,360	100.00

The table below sets out the geographic distribution of Element's originations for the following three-month periods ended, on a constant currency basis:

(in \$000's for stated values)	March 31, 2023		December 31, 2022		March 31, 2022	
	\$	%	\$	%	\$	%
United States and Canada	1,459,388	76.43	1,395,830	75.17	1,149,949	74.76
Mexico	314,152	16.45	321,921	17.33	270,266	17.57
Australia and New Zealand	135,985	7.12	139,349	7.50	117,902	7.67
Total	1,909,525	100.00	1,857,100	100.00	1,538,117	100.00

Year-over-year global originations growth was driven primarily by U.S. and Canadian volume, up \$374.9 million or 34.6% as reported in Q1 on account of (a) robust client demand, (b) the ongoing gradual return of OEM production capacity, (c) vehicle price inflation and (d) the strengthening of the U.S. dollar against the Canadian dollar. In constant currency, Q1 U.S. and Canadian originations volume was nonetheless up \$309.4 million or 26.9% year-over-year.

Mexico originations grew \$83.7 million or 36.3% year-over-year as reported for the same reasons that drove originations growth in the U.S. and Canada, as well as the strengthening of the Mexican peso against the Canadian dollar. In constant currency, Mexico originations volume was nonetheless up \$43.9 million or 16.2% year-over-year. ANZ originations grew \$18.6 million or 15.8% as reported (\$18.1 million or 15.3% in constant currency) on the same comparative basis.

Quarter-over-quarter global originations grew \$67.7 million or 3.7% as reported (\$52.4 million or 2.8% in constant currency). U.S. and Canadian originations increased \$58.5 million or 4.2% quarter-over-quarter as reported (\$63.6 million or 4.6% in constant currency) in Q1. Mexico originations volume increased \$7.5 million or 2.5% quarter-over-quarter as reported (down \$7.8 million or 2.4% in constant currency) and ANZ grew

originations \$1.6 million or 1.2% as reported on the same comparative basis (down \$3.4 million or 2.4% in constant currency).

Servicing income, net

First quarter services revenue grew \$24.4 million or 18.5% year-over-year (\$16.5 million or 11.8% in constant currency), driven by

- A. The conversion of share of wallet (penetration) wins into active services being provided to vehicles under Element's management;
- B. Increased client use (utilization) of vehicle maintenance, accident recovery and other services, largely for the following reasons:
 - Improvements in driving "in-network" product and service purchases by our clients' drivers.
 - Expanding our service-supplier network and ensuring ready access to "in-network" service options.
 - As a result of unprecedented OEM production delays, our clients' fleet vehicles are older (on average) than typical historical fleet ages.
 - As fleets age, regular and preventive maintenance becomes increasingly important in order to avoid vehicle downtime due to substantial (and costly) repairs being required.
 - Given the essential nature of fleet vehicles to our clients' businesses, vehicle downtime is far more financially damaging than any additional vehicle maintenance costs.
 - Older vehicles also tend to require more expensive maintenance procedures, such as drivetrain repair or replacement;
- C. Fuel, parts and labour cost inflation across our service-supplier network; and
- D. Expansion of our relationship with Armada, and services revenue growth in ANZ.

Quarter-over-quarter, services grew \$7.0 million or 4.7% as reported, driven by growth in ANZ, our continued and expanding relationship with Armada, and higher average cost of repairs due to inflation.

Net financing revenue

Q1 net financing revenue grew \$17.7 million or 15.4% year-over-year (\$8.2 million or 6.6% in constant currency) and \$7.4 million or 5.9% quarter-over-quarter (\$2.6 million or 2.0% in constant currency), in both cases driven by GOS in ANZ (and, to a lesser extent, Mexico), the growth of our average net earning assets (NEA) as origination volumes improve (as discussed above), and the steady improvement of net financing yield.

Net financing revenue yield on average net earning assets

(in \$000's for stated values)	For the three-month periods ended		
	March 31, 2023	December 31, 2022	March 31, 2022
Average net earning assets	\$ 8,704,954	\$ 8,283,008	\$ 8,071,446
Net interest income and rental revenue	11.48 %	10.56 %	7.96 %
Interest expense	5.37 %	4.50 %	2.25 %
Net financing revenue yield on average net earning assets	6.11 %	6.06 %	5.71 %
Average debt outstanding	\$ 9,012,768	\$ 8,511,085	\$ 8,183,306
Average cost of debt (Interest expense / average debt)	5.19 %	4.38 %	2.22 %
Average 1-Month LIBOR rates	4.62 %	3.92 %	0.23 %

Syndication revenue, net

We syndicated \$689.6 million of assets in the first quarter (including \$370.8 million in the last two weeks of March despite U.S. banking turmoil) -- \$28.9 million more than Q1 last year and \$55.8 million less than last quarter -- and generated \$14.9 million of syndication revenue or a 2.2% "yield" on assets syndicated. This yield was relatively flat year-over-year, while compressing modestly quarter-over-quarter -- as expected: all else equal, fourth quarter syndication revenue yields tend to be better than in any other quarter, because syndication investors attribute the most value to the tax benefits of our fleet lease receivables at the end of the fiscal year.

Interest rate and macroeconomic uncertainty has widened credit spreads such that we expect further modest syndication revenue yield compression this year. We continue to enjoy robust demand for our assets and expect to syndicate between \$3.0 and \$4.0 billion of volume for 2023. We will do so without compromising the economic superiority of our syndication transactions (when compared to the economics of retaining the assets in question on balance sheet).

Adjusted operating expenses

As anticipated and signaled, Q1 2023 adjusted operating expenses of \$138.5 million were \$20.5 million or 17.4% higher than in Q1 last year, driven predominantly by G&A investments in our Commercial functions to support our elevated 6% to 8% annual organic net revenue target growth range. Further, Q1 salaries, wages and benefits grew year-over-year given merit-based salary increases as well as headcount growth in our Mexico business.

Quarter-over-quarter, adjusted operating expenses decreased by \$3.6 million or 2.5% because Q4 2022 included a higher STIP accrual, as well as G&A related to several key stakeholder events that were not repeated in the first quarter. Adjusted operating expense decline was partially offset this quarter by depreciation expense growth reflecting accelerated depreciation of certain software assets.

As previously communicated, we expect 2023 adjusted operating expenses to be at the high end of the range implied by our guidance as we invest some of the non-recurring revenue generated in 2022 into our Commercial functions to take full advantage of the market opportunities we are seeing.

Adjusted operating income ("AOI") and margins

Element generated \$165.5 million of AOI in the quarter, which is \$22.6 million or 15.8% year-over-year growth as reported (\$11.1 million or 7.2% growth in constant currency) and equivalent to \$0.31 on a per share basis.

Year-over-year AOI growth was driven by net revenue growth -- led by services revenue growth, with net financing revenue growth in support -- despite adjusted operating expenses increasing, all as discussed above.

Quarter-over-quarter, AOI increased \$15.2 million or 10.1% in Q1 as reported (\$11.1 million or 7.2% in

constant currency) similarly driven by services and net financing revenue growth and assisted by adjusted operating expense decline -- as discussed above.

Operating margin for the quarter was 54.4%: 30 basis points down from Q1 2022 (90 basis points in constant currency) but up 300 basis points (250 basis points in constant currency) quarter-over-quarter.

Summary of Quarterly Information

The following table sets out selected financial information as reported for each of the eight most recent quarters, the latest of which ended March 31, 2023. This information has been prepared on the same basis as the Company's audited consolidated financial statements, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements of the Company and the related notes to those statements.

(in \$ 000's for stated values, except per share amounts and ratios)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net revenue	303,959	292,328	290,788	288,133	260,800	245,482	244,340	235,402
Adjusted operating income	165,493	150,307	165,406	165,947	142,856	122,561	125,626	126,512
After-tax adjusted operating income	126,602	112,700	123,227	123,630	105,709	94,372	94,207	93,935
Net income	106,484	101,216	103,703	111,120	93,604	94,664	84,941	80,872
Earnings per share, basic	0.26	0.24	0.25	0.26	0.21	0.21	0.18	0.17
Earnings per share, diluted	0.25	0.24	0.24	0.25	0.21	0.21	0.18	0.17
Adjusted operating income per share, basic	0.41	0.37	0.40	0.40	0.34	0.28	0.28	0.28
After-tax adjusted operating income per share, basic	0.31	0.27	0.30	0.29	0.24	0.21	0.21	0.20
After-tax pro forma diluted adjusted operating income per share	0.30	0.26	0.29	0.28	0.24	0.21	0.20	0.20
Total assets	15,065,605	14,332,218	13,703,080	13,166,556	12,817,647	12,973,412	13,105,478	13,483,620
Net earning assets	8,840,573	8,394,257	8,287,013	7,983,040	7,947,152	8,203,159	8,687,716	8,890,566
Total debt	9,489,097	8,917,619	8,465,137	8,342,529	8,069,321	8,198,035	8,493,546	8,686,606
Loan and lease originations	1,909,525	1,841,874	1,445,838	1,913,032	1,432,360	1,194,746	1,314,234	1,198,102
Allowance for credit losses	10,205	10,369	10,143	9,760	10,256	10,246	8,613	11,397
As a % of total finance receivables before allowance	0.12	0.13	0.13	0.13	0.14	0.14	0.11	0.14
Senior revolving credit facilities	2,654,291	1,893,323	1,425,361	1,321,024	1,464,384	1,106,629	1,007,628	1,006,473
Borrowings	6,731,561	6,914,536	6,918,113	6,859,914	6,457,020	6,932,334	7,328,076	7,523,502
Convertible debentures	165,257	163,933	162,725	161,591	160,321	159,072	157,842	156,631

Financial Position

The following table presents a summary of the Company's comparative financial positions, as at:

(in \$000's for stated values)	March 31, 2023	December 31, 2022	March 31, 2022
	\$	\$	\$
ASSETS			
Cash	145,121	68,876	33,206
Restricted funds	382,024	433,327	479,845
Finance receivables	8,611,256	8,069,386	7,112,513
Equipment under operating leases	3,012,215	2,806,841	2,423,569
Accounts receivable and other current assets	221,156	215,817	195,170
Derivative financial instruments	98,777	131,943	66,703
Property, equipment and leasehold improvements	92,035	80,899	87,143
Intangible assets	858,209	864,611	820,319
Deferred tax assets	349,818	365,430	395,129
Goodwill	1,294,994	1,295,088	1,204,050
	15,065,605	14,332,218	12,817,647
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	1,453,550	1,465,198	1,104,910
Derivative financial instruments	66,455	81,730	56,067
Borrowings	9,385,852	8,807,859	7,921,404
Convertible debentures	165,257	163,933	160,321
Deferred tax liabilities	136,611	132,525	105,070
	11,207,725	10,651,245	9,347,772
Shareholders' equity	3,857,880	3,680,973	3,469,875
	15,065,605	14,332,218	12,817,647

Total assets and liabilities increased by \$733.4 million and \$556.5 million, respectively, from December 31, 2022; and \$2,248.0 million and \$1,860.0 million, respectively, from March 31, 2022.

The increases in total assets and liabilities were primarily increases in finance receivables, equipment under operating leases, and borrowings.

Approximately 53% of Element's assets are U.S. dollar-denominated. As a result, changes in the value of our reporting currency, the Canadian dollar ("CAD"), relative to the U.S. dollar, have an impact on our balance sheet. The U.S. dollar was relatively flat to the CAD quarter-over-quarter but strengthened significantly against the CAD compared to March 31, 2022.

We also have assets and liabilities denominated in Mexican pesos and Australian and New Zealand dollars, although these are smaller tranches of our portfolio. As a result, material changes in the value of the CAD relative to the Mexican peso, Australian dollar, or New Zealand dollar can have an impact on our balance sheet. The peso strengthened against the CAD both quarter-over-quarter and year-over-year, while the Australian and New Zealand dollars weakened immaterially versus the CAD.

The net impact of currency variations predominantly flows through to Shareholders' Equity as Other Comprehensive Income.

Portfolio Details

Total finance receivables

The following table breaks down the Company's total finance receivables, which were \$541.9 million higher at March 31, 2023 than at December 31, 2022, driven primarily by originations.

(in \$000's for stated values, except ratios)	March 31, 2023	December 31, 2022
	\$	\$
Net investment in finance receivables	5,828,358	5,587,416
Impaired receivables - at net realizable value	7,745	6,605
	5,836,103	5,594,021
Unamortized origination costs and subsidies	(49,826)	(38,294)
Net finance receivables	5,786,277	5,555,727
Prepaid lease payments and Security deposits	(55,862)	(54,960)
Interim funding	1,410,812	1,184,862
Fleet management service receivables	800,266	802,809
Other	617,956	537,144
Continuing involvement asset	62,012	54,173
	8,621,461	8,079,755
Allowance for credit losses	10,205	10,369
Total finance receivables	8,611,256	8,069,386

Allowance for credit losses and charge-offs, net of recoveries

Credit losses and provisions as at and for the three-month period ended March 31, 2023 and the year-ended December 31, 2022 are as follows.

(in \$000's for stated values, except ratios)	March 31, 2023	December 31, 2022
	\$	\$
Allowance for credit losses, beginning of period	10,369	10,246
Provision for credit losses	(106)	(25)
Charge-offs, net of recoveries	(151)	(431)
Impact of foreign exchange rates	93	579
Allowance for credit losses, end of period	10,205	10,369
Charge-offs, net of recoveries, as a % of total finance receivables	— %	0.01%
Allowance for credit losses, as a % of total finance receivables before allowance	0.12 %	0.13%

Element's policy is to assess (a) the probability of default and (b) loss-given-default for all its clients, both at lease inception and throughout the term of the lease. Element makes these assessments by performing risk reviews of specific clients on a periodic basis, reviewing the client's financial condition and ability to service the debt, as well as monitoring the value of the underlying security.

We reviewed inputs to our expected credit loss model throughout the quarter. We also consider forward-looking macroeconomic information in light of a potential slowing economy due to the inflationary environment, rising interest rates, and supply chain disruptions, such as overall default rates and the impact that potential upward or downward trends in GDP would have on our lease and loan portfolio. Inflation,

interest rate and recessionary concerns remain at the forefront while COVID-19 concerns wane. Consideration of these potential impacts, on one hand, opposite the favourable evolution of our portfolio and the resilience of our client base, on the other hand, resulted in a modest \$0.1 million release from our allowance for credit losses in the quarter.

Our allowance for credit losses has decreased \$0.2 million since December 31, 2022.

Impaired receivables

Accounts over 120 days past due are considered impaired and are fully provisioned net of any anticipated recoveries and recorded at their net realizable value. Accounts that are contractually delinquent less than 120 days may nonetheless be assessed as impaired. Individual impairment is assessed by examining contractual delinquency and the client's financial condition, such as the identification of an approaching bankruptcy or the client being in the process of legal or collateral repossession proceedings with a debtor. Impairments of this nature are provisioned by applying probability-weighted assumptions consistent with industry standards and our experience with respect to the probability of an identified account resulting in a client default. We believe the impaired receivables figure in the table above appropriately reflects the net realizable value of the finance receivables before any allowance for credit losses.

Total impaired receivables increased to \$7.7 million as at March 31, 2023, but remain near historic lows.

Portfolio Distribution by Geography

The table below sets forth the geographical distribution of the Company's portfolio of net finance receivables and equipment under operating leases, as at:

(in \$000's for stated values)	March 31, 2023		December 31, 2022	
	\$	%	\$	%
United States and Canada	4,865,038	55.3	4,710,263	56.3
Australia and New Zealand	1,584,930	18.0	1,597,736	19.1
Mexico	2,348,524	26.7	2,054,569	24.6
Total	8,798,492	100.0	8,362,568	100.0
Allocated as:				
Net finance receivables	5,786,277	65.8	5,555,727	66.4
Equipment under operating leases, net	3,012,215	34.2	2,806,841	33.6
Total	8,798,492	100.0	8,362,568	100.0

The table below sets forth the geographical distribution of the Company's assets under management, as at:

(in \$000's for stated values)	March 31, 2023		December 31, 2022	
	\$	%	\$	%
United States and Canada	12,563,075	75.5	12,102,497	75.7
Australia and New Zealand	1,584,091	9.5	1,593,563	10.0
Mexico	2,486,805	15.0	2,277,157	14.3
Assets under management	16,633,971	100.0	15,973,217	100.0

The geographical distribution of earning assets and assets under management shown in the tables above reflect in part the disproportionate impact of OEM production delays on our business in the U.S. and Canada. As OEM production volumes normalize, the U.S. and Canada should enjoy a similarly disproportionate improvement in assets under management (which may also benefit earning assets, depending on syndication volumes) and related contributions to our global results.

Liquidity

Element's primary sources of liquidity are daily operating cash flows from services, financing/leasing and syndication, and committed credit and debt facilities. Our primary uses of cash are the funding of service receivables, finance receivables and operating leases, and working capital.

Cash Flow

Daily cash flow / liquidity

Our global cash management office assesses and proactively manages Element's liquidity position by ensuring we have controls over all sources and uses of cash flow. The cash management office also conducts ongoing comprehensive stress-tests to identify early indications of any risks to our cash flow and forward funding capacity. Throughout 2022, the results of those tests have confirmed the stability and sustainability of our cash flow and forward funding capacity.

Notwithstanding our dependable operating cash flows and \$2.1 billion of committed, undrawn capital at March 31, 2023, we continue our efforts to sustainably enhance our dynamic liquidity management capabilities, including data analysis capacity and forecasting.

Statement of cash flows - as presented in the unaudited interim condensed consolidated financial statements

Cash used in operating activities for the three-month period ended March 31, 2023 - as presented in our unaudited interim condensed consolidated financial statements - was \$454.2 million, a decrease of \$704.0 million from the \$249.8 million provided by operating activities for the three-month period ended March 31, 2022. The decrease year-over-year was primarily the result of higher investments in finance leases resulting from increased origination volumes compared to prior year.

Cash used in investing activities for the three-month period ended March 31, 2023 was \$18.7 million compared to cash used in investing activities of \$15.4 million for the three-month period ended March 31, 2022. The primary driver of the change is an increase in the purchase of property, plant, and equipment, offset by a decrease in the purchase of intangible assets, including computer software, compared to the prior year.

Cash provided by financing activities for the three-month period ended March 31, 2023 was \$538.4 million, compared to \$274.8 million used in financing activities for the three-month period ended March 31, 2022. The increase is primarily due to increased borrowings on our facilities to finance the increase in investments in finance receivables.

Free cash flow

We present Management's view of Element's free cash flow in our Supplementary Information document available on the Company's website.

The table below illustrates the reconciliation of "free cash flow" (from our Supplementary Information document) to "Cash Flow from Operations":

(in \$000's for stated values)	For the three-month periods ended		
	March 31, 2023	December 31, 2022	March 31, 2022
	\$	\$	\$
Free Cash Flow	147,025	119,396	115,283
Amortization of equipment under operating leases	142,981	135,847	122,550
Investment in finance receivables	(1,809,362)	(1,689,131)	(1,260,426)
Repayments of finance receivables	704,172	587,970	867,476
Investment in equipment under operating leases	(344,763)	(333,056)	(287,511)
Disposals of equipment under operating leases	82,763	60,739	72,105
Proceeds from syndication financings	704,993	756,673	671,816
Sustaining capital investments	16,095	14,769	14,142
Preferred share dividends	5,946	5,945	8,103
Other	(104,040)	(10,933)	(73,776)
Cash Flow from Operations	(454,190)	(351,781)	249,762

Credit and debt facilities

Maintaining ready access to diversified sources of cost-efficient capital is a strategic imperative for Element.

We had \$2.1 billion of contractually committed, undrawn liquidity across our revolving unsecured (\$0.7 billion), vehicle management asset-backed (\$1.2 billion), and term (\$0.1 billion) facilities as well as cash of \$0.1 billion at March 31, 2023. Commitments under these facilities are provided by syndicates of leading Canadian, U.S. and international banks.

These sources of financing were as follows:

As at (in \$000's for stated values)	March 31, 2023			
	\$	%	\$	\$
	Facility size	Undrawn amount	Drawn amount	
Senior unsecured revolving credit facilities	3,318,182	20	663,891	2,654,291
Senior notes	1,218,924	—	—	1,218,924
Term facilities	387,013	0.24	94,805	292,208
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	925,534	—	—	925,534
Variable funding notes	5,413,373	22.2	1,199,473	4,213,900
Other	71,017	—	—	71,017
Total vehicle management asset-backed debt	6,409,924	18.7	1,199,473	5,210,451
Total cash			145,121	
Total capital available for continuing operations			2,103,290	

Liquidity

As at <i>(in \$000's for stated values)</i>	December 31, 2022			
	\$	%	\$	\$
	Facility size	Undrawn amount	Drawn amount	
Senior unsecured revolving credit facilities	2,505,788	24.4	612,465	1,893,323
Senior notes	1,219,032	—	—	1,219,032
Term facilities	387,034	—	—	387,034
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	1,115,459	—	—	1,115,459
Variable funding notes	5,582,429	26.2	1,462,068	4,120,361
Other	83,639	—	—	83,639
Total vehicle management asset-backed debt	6,781,527	21.6	1,462,068	5,319,459
Total cash			68,876	
Total capital available for continuing operations			2,143,409	

During Q4 2022, the Company extended one of our variable funding note facilities to March 2024, at which time the available capacity was increased by \$677.2 million.

During Q1 2023, the Company extended the senior unsecured revolving credit facilities and increased the available capacities. One facility was extended to November 2025 and the available capacity was increased by \$677.2 million. Another facility was extended to April 2024 and the available capacity was increased by \$135.4 million.

Subsequent to quarter-end, as previously communicated, the Company issued U.S. \$750.0 million of vehicle management asset-backed term notes to a wide selection of institutional investors. The offering was greeted by strong investor demand, allowing the Company to increase the offering size from U.S. \$500.0 million while improving pricing.

These issuances align with our strategic priorities to continue to strengthen Element's investment-grade balance sheet and diversify our access to cost-efficient capital.

Capital Resources

Capitalization

Element's funding activities are well diversified by facility, geography, currency, investor and lender and include both secured and unsecured sources.

The Company's capitalization is calculated as follows:

As at (in \$000's)	March 31, 2023 \$	December 31, 2022 \$
Cash	145,121	68,876
Unsecured debt		
Senior credit facilities	2,654,291	1,893,323
4.250% Convertible Debentures due 2024	165,257	163,933
3.850% Senior Notes due 2025	541,744	541,792
1.600% Senior Notes due 2024	677,180	677,240
Term facilities	292,208	387,034
Vehicle Management Asset-Backed Debt		
Revolving term notes in amortization	925,534	1,115,459
Variable funding notes	4,213,900	4,120,361
Other	71,017	83,639
Deferred financing costs	(17,715)	(19,227)
Continuing involvement liability	62,012	54,173
Hedge accounting fair value adjustments	(34,319)	(45,935)
Total debt	9,551,109	8,971,792
Shareholders' equity		
Common share capital	2,862,708	2,868,078
Preferred share capital	365,113	365,113
Other	630,059	447,782
Total Shareholders' Equity	3,857,880	3,680,973
Total Capitalization	13,408,989	12,652,765

Growing profitability, free cash flow and syndication all contribute to the de-leveraging of Element's balance sheet. With our redemption of \$150.0 million of Series I preferred shares in full on June 30, 2022, we have cumulatively eliminated or replaced well over \$1 billion of high-cost hybrid instruments from Element's capital structure since April 2019, simplifying and strengthening the Company's investment-grade balance sheet.

As noted above, subsequent to quarter end, on April 25, 2023, Element issued U.S. \$750.0 million of term notes, at an initial weighted average interest rate of 5.76%, under our Chesapeake Funding II LLC vehicle management asset-backed debt facility. The proceeds received at the time of closing were used to pay down variable funding notes outstanding.

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.

Leverage

We view both financial and tangible leverage as indicators of the strength of Element's financial position. At March 31, 2023, our financial leverage ratio was 2.46:1 and tangible leverage ratio was 5.57:1.

The Company's financial and tangible leverage is calculated as follows:

As at		March 31, 2023	December 31, 2022
<i>(in \$000's, except ratios)</i>		\$	\$
Borrowings		9,385,852	8,807,859
Convertible debentures		165,257	163,933
Less: Continuing involvement liability		(62,012)	(54,173)
Total debt	(a)	9,489,097	8,917,619
Total shareholders' equity	(b)	3,857,880	3,680,973
		13,346,977	12,598,592
Goodwill and intangible assets	(c)	2,153,203	2,159,699
Financial leverage	(a)/(b)	2.46	2.42
Tangible leverage	(a)/[(b)-(c)]	5.57	5.86

The Company was in compliance with all financial and reporting covenants with all of its lenders at March 31, 2023.

Credit ratings

Our ability to access financing on a cost-effective basis is largely dependent on maintaining strong investment-grade credit ratings. Credit ratings and outlooks assigned by rating agencies reflect their views and methodologies. The credit ratings are subject to change based on several factors, including but not limited to our financial strength, competitive position, liquidity and other factors not entirely within our control.

Credit Ratings⁽¹⁾ as at March 31, 2023

Rating agency	Issuer rating	Outlook
DBRS, Inc.	BBB (high)	Stable
Fitch Ratings	BBB+	Stable
Kroll Bond Rating Agency	A-	Stable
S&P Global Ratings	BBB	Stable

(1) Credit ratings are not recommendations to purchase, sell or hold a financial obligation in as much as they do not comment on market price or suitability for a particular investor. Ratings are determined by the rating agencies based on criteria established from time to time by them and are subject to revision or withdrawal at any time by the rating organization.

In September 2022, DBRS, Inc. and Fitch Ratings affirmed their stable outlooks and investment-grade rating of BBB (high) and BBB+, respectively. Additionally, in Q4 2022, Kroll Bond Rating Agency affirmed its stable outlook and investment-grade rating of A-, and Standard & Poor's also affirmed its stable outlook and investment-grade rating of BBB.

Risk Management

The Company has risk management processes in place to monitor, evaluate and manage the principal risks it assumes in conducting its business. These risks include credit, liquidity, foreign exchange, credit spread, and various sources of operational risk. The Company's primary risks have not changed materially from those described in the "Risk Management" section of the Company's 2022 Annual MD&A.

While our universe of known risks has remained largely unchanged, our ability to identify and assess risks has improved significantly. Further, our ability to effectively manage these risks has grown through increased awareness and monitoring, as evidenced by our continued strong ECRI performance.

With a meaningfully strengthened operating platform and de-risked balance sheet, we manage FX-normalized tangible leverage of 6.25x-6.75x, with a target of 6.5x, ensuring we are well within rating agency thresholds for negative ratings pressure.

Economic Conditions and Outlook

Economic Conditions

Inflation

As hypothesized, inflation is proving to be additive to Element's profitable revenue growth. Net financing revenue benefits from rising vehicle prices, as does syndication revenue when we choose to transact on those leases. Services revenue benefits from inflation as the cost of maintaining, repairing and fueling vehicles result in higher fee bases.

More importantly, rising vehicle operating costs drive greater demand for our services, because clients (and prospective clients) want to control and optimize the total cost to own and operate their fleets.

While inflation could have a broader negative macroeconomic impact that adversely affects our clients and markets generally, inflation is proving beneficial to Element in the near- to intermediate-term.

Recession

The ~1.5 million vehicles we manage are essential to the operations of our blue-chip client base. This dynamic ensures continuity of service consumption and demand for replacement vehicles. We are confident that Element's value proposition – materially lowering our clients' total cost of fleet operations and reducing related administrative burden – remains highly relevant in a recessionary environment. In fact, the pressure to manage operating costs and realize efficiencies during periods of economic stress make Element's value proposition even more compelling.

We view the impacts of the pandemic on our 2020 business as akin to a severe economic downturn. Despite COVID-19 lockdowns and “shelter in place” edicts throughout that year, Element's business model generated resilient net revenue, operating income and cash flow while we accelerated the organization's transformation program and initiated the pivot to our current, successful focus on organic revenue growth.

Our “credit first, collateral second” underwriting philosophy protects our investors from any material escalation of credit losses. We focus on maintaining a high-credit-quality client base, which is also diversified: no single industry accounts for more than 5% of our vehicles under management today.

Our cross-collateralized leases are typically one of the first contracts affirmed in bankruptcy, given the mission-critical nature of the leased assets to our clients' ability to generate revenue.

Cross-collateralization is only one dimension of our active and efficient collateral gap management efforts, which have proven effective in the exceedingly rare cases of client liquidations.

Rising interest rates

Element's business model is largely agnostic to interest rate movements. We match-fund our leases on interest rate type (fixed vs. floating) and duration, carefully monitor borrowing costs to ensure lease financing rates reflect appropriate spreads, and actively manage our funding facilities to optimize interest margins/spreads given market conditions – which margins/spreads are preserved for the life of the asset on our balance sheet.

Pandemic-Related Conditions

As expected, automotive OEM production volumes are gradually improving and we believe they will continue to do so. However, volumes remain low by historical standards, and we expect that to remain the case through the first half of 2023.

This will result in the continued deferral of a portion of our growing revenues, operating income and cash flow, as would-be originations remain in our global order backlog awaiting new vehicles.

With expectations of OEM production capacity improved in 2023, we had anticipated that our excess order backlog would begin to recede in the second half of this year. However, due to the pent-up demand and increase in client orders that would have been placed at an earlier point in time (but for OEM order banks being closed at certain times to control order volumes in the midst production delays), we are now anticipating that our global order backlog will remain at current elevated levels as we exit this year. The inflation we are seeing in new vehicle prices is also a driver of this outlook on our excess order backlog and the timing of the receding of same.

On the services side of our business, revenue is growing significantly and our clients' consumption levels have surpassed pre-pandemic levels for a combination of reasons:

- A. The conversion of share of wallet (penetration) wins into active services being provided to vehicles under Element's management;
- B. Increased client use (utilization) of vehicle maintenance, accident recovery and other services, largely for the following reasons:
 - Improvements in driving "in-network" product and service purchases by our clients' drivers.
 - Expanding our service-supplier network and ensuring ready access to "in-network" service options.
 - As a result of unprecedented OEM production delays, our clients' fleet vehicles are older (on average) than typical historical fleet ages.
 - As fleets age, regular and preventive maintenance becomes increasingly important in order to avoid vehicle downtime due to substantial (and costly) repairs being required.
 - Given the essential nature of fleet vehicles to our clients' businesses, vehicle downtime is far more financially damaging than any additional vehicle maintenance costs.
 - Older vehicles also tend to require more expensive maintenance procedures, such as drivetrain repair or replacement; and
- C. Fuel, parts and labour cost inflation across our service-supplier network.

Outlook

Profitable organic net revenue growth atop a scalable operating platform

Having assessed our reinvigorated Commercial capabilities and their ability to both grow vehicles under management ("VUM") and increase share-of-wallet (through higher penetration, utilization, and pricing), we believe Element can reliably deliver 6% to 8% annual organic net revenue growth in normal market conditions. Our confidence is grounded in the progress made to date and the market prospects we envision.

We continue to target year-over-year expansion of operating margins such that revenue growth rates are expected be in excess of operating expense growth, creating superior growth in operating income.

A capital-lighter business model

In addition to the increased focus on services revenue (ie. serviced VUM and share-of-wallet) growth noted above, we continue to see syndication as a key enabler of our capital-lighter business model and enhanced returns on equity for the foreseeable future. Growing originations from increasing OEM production should provide a ready supply of lease assets to sell to a broadening geographic base of syndication investors

(already in the U.S. and Canada and targeting Mexico). Accordingly, we expect syndication volume to increase this year, and again in 2024.

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

Strong growth in operating income combined with our capital-lighter business model has produced robust growth in free cash flow per share for Element. We expect that to continue. And we plan to allocate this excess capital as follows:

- Eliminate the last of the high-cost legacy financing instruments (preferred share series);
- Grow the common dividend consistent with the growth in free cash flow per share; and
- Repurchase common shares under NCIBs.

Electric vehicles

We believe the complexity and risk of gradually transitioning mission-critical automotive fleets from ICE-powered vehicles to EVs will increase demand for outsourced fleet management services and expertise, and this belief is bearing itself out. As the fleet solutions market leader everywhere we operate, Element is strategically well-positioned to support our clients and lead our industry through the gradual electrification of automotive fleets over the next decade.

Arc by Element is our Company's comprehensive, integrated end-to-end EV offering. Building on our success in all the markets we serve, we are excited to bring this full service EV offering to our clients under a single banner, ensuring consistency for our global clients and developing our offering to be seamless across our geographies.

Full-year 2023 results guidance

We are raising certain of our full-year 2023 result guidance ranges:

<i>\$ millions, except per common share</i>	2022 results, excluding non- recurring items, at Q3 2022 FX ⁹	Old 2023 guidance, at Q3 2022 FX ⁹	2022 results, excluding non- recurring items, at current FX ¹⁰	Old 2023 guidance, at current FX ¹⁰	New 2023 guidance (at current FX ¹⁰)
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 ¹¹	\$1.05	\$1.12-1.17	\$1.13	\$1.21-1.26	\$1.26-1.31
<i>Implied YoY Growth</i>		7-11%		7-12%	12-16%
Free cash flow per share ¹¹	\$1.29	\$1.45-1.50	\$1.39	\$1.57-1.62	\$1.58-1.63
<i>Implied YoY Growth</i>		12-16%		13-17%	13-17%
Originations	\$6,605	\$7,500-8,000	\$6,938	\$8,000-8,500	\$8,000-8,500
<i>Implied YoY Growth</i>		14-21%		15-23%	15-23%
Syndication volume		\$3,000-4,000			\$3,000-4,000

⁹ 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

¹⁰ 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

¹¹ 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.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are made with reference to the unaudited interim condensed consolidated financial statements and the accompanying notes for the three-month period ended March 31, 2023. A summary of the Company's significant accounting policies is presented in note 2 to the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2022. The unaudited interim condensed consolidated financial statements and the accompanying notes for the three-month period ended March 31, 2023 have been prepared in conformity with accounting polices disclosed in the consolidated financial statements and the accompanying notes for the year ended December 31, 2022.

Related Party Transactions

The Company's related parties include the following persons and/or entities: (a) associates, or entities which are controlled or significantly influenced by the Company; (b) key management personnel, which are comprised of directors and/or officers of the Company and those persons having authority and responsibility for planning, directing and controlling the activities of the Company; and (c) entities controlled by key management personnel.

Recently Adopted Accounting Standards

Interest Rate Benchmark Reform

The Company adopted amendments ("Amendments") to IFRS 9, *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures (Amendments)*, applicable from November 1, 2019. These Amendments modify certain hedge accounting requirements to provide relief from the effect of uncertainty caused by interbank offered rate ("IBOR") reform ("the IBOR Reform") prior to the transition to alternative interest rates. The adoption of the Amendments had no impact to the Company's unaudited interim condensed consolidated financial statements.

The Company adopted *Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16* ("Phase 2 Amendments") effective January 1, 2021. The Phase 2 Amendments include additional disclosure requirements for financial instruments that have yet to transition to an alternative interest rate at the end of the reporting period.

The Company will cease to apply the Amendments and Phase 2 Amendments as IBOR based cash flows transition to new alternative interest rates or when the hedging relationships to which the relief is applied to are discontinued.

Effective December 31, 2021, the publication of LIBOR settings has ceased for the 1-week and 2-month US LIBOR setting. The overnight, one-month, three-month, six-month and 12-month US LIBOR settings is expected to be terminated on June 30, 2023. Effective January 1, 2023, the Company has migrated all floating rate leases tied to LIBOR to the Secured Overnight Financing Rate ("SOFR") as well as the majority of its derivatives. The Company will continue to work on the transition of any remaining derivatives tied to LIBOR by June 30, 2023.

The following table shows the Company's exposure for financial asset and liabilities at March 31, 2023 and December 31, 2022 subject to IBOR reform that have yet to transition to SOFR. These exposures will remain outstanding as of June 30, 2023 until IBOR ceases and will then transition to SOFR:

	As at March 31, 2023		
	Non-derivative financial assets - carrying value	Non-derivative financial liabilities - carrying value	Derivative Notional/ Principal amount ⁽¹⁾
	\$	\$	\$
USD LIBOR (1 month)	—	—	68,234
USD LIBOR (3 month)	—	—	—
	—	—	68,234
	As at December 31, 2022		
	Non-derivative financial assets - carrying value	Non-derivative financial liabilities - carrying value	Derivative Notional/ Principal amount ⁽¹⁾
	\$	\$	\$
USD LIBOR (1 month)	1,154,829	—	3,687,647
USD LIBOR (3 month)	542,600	—	—
	1,697,429	—	3,687,647

1. Excludes interest rate contracts and non-derivative instruments which reference rates to multi-rate jurisdictions, including the Australian Bank Bill Swap Rates ("BBSW"), New Zealand Bank Bill Rates ("BBR"), and MXN-TIIE-Banxico ("MXIBTIIE"). Element's exposure to the Canadian Dollar Offered Rate ("CDOR") is immaterial.

On May 16, 2022, Refinitiv Benchmark Services (UK) Ltd. (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease following a final publication on June 28, 2024. The Company has determined that its exposure to

CDOR is immaterial.

Future Accounting Changes

All applicable accounting standards effective for periods beginning on or after January 1, 2023 have been adopted by the Company.

Internal Control over Disclosure and Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures to ensure that material information is being recorded, processed, summarized, and reported to senior management, including the certifying officers and other members of the Board of Directors, on a timely basis, so that appropriate decisions can be made regarding public disclosure. In addition, the CEO and CFO are responsible for establishing and maintaining internal controls over financial reporting to a standard that provides reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Limitations on the effectiveness of disclosure controls and internal controls over financial reporting

It should be noted that while the Company's CEO and CFO believe that the Company's internal control system and disclosure controls and procedures provide a reasonable level of assurance that the objectives of the control systems are met, they do not expect that the Company's control systems will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

The Company has an established process in place which includes the on-going testing and reporting of the results to senior management and the Board of Directors on the effectiveness of the disclosure controls and internal controls over financial reporting.

IFRS to Non-GAAP Reconciliations

The following table provides a reconciliation of IFRS to non-GAAP measures related to the operations of the Company:

		As at and for the three-month periods ended		
(in \$000's for stated values)		March 31, 2023	December 31, 2022	March 31, 2022
Reported and adjusted income measures				
Net income	A	106,484	101,216	93,604
Adjustments:				
Amortization of debenture discount		999	982	933
Share-based compensation		16,399	7,044	6,163
Amortization of intangible assets from acquisitions		9,433	9,466	8,909
Provision for income taxes		31,441	31,011	31,805
Loss on investments		737	588	1,442
Before-tax adjusted operating income	B	165,493	150,307	142,856
Provision for taxes applicable to adjusted operating income	C	38,891	37,607	37,147
After-tax adjusted operating income	D=B-C	126,602	112,700	105,709
Cumulative preferred share dividends during the period	Y	5,946	5,946	8,103
After-tax adjusted operating income attributable to common shareholders	D1=D-Y	120,656	106,754	97,606
Provision for income taxes		31,441	31,011	31,805
Adjustments:				
Pre-tax income		7,154	5,042	4,527
Foreign tax rate differential and other		296	1,554	815
Provision for taxes applicable to adjusted operating income		38,891	37,607	37,147
Selected statement of financial position amounts				
Total Finance receivables, before allowance for credit losses	E	8,621,461	8,079,755	7,122,769
Allowance for credit losses	F	10,205	10,369	10,256
Net investment in finance receivable	G	5,828,358	5,587,416	5,523,583
Equipment under operating leases	H	3,012,215	2,806,841	2,423,569
Net earning assets	I=G+H	8,840,573	8,394,257	7,947,152
Average net earning assets	J	8,704,954	8,283,008	8,071,446
Goodwill and intangible assets	K	2,153,203	2,159,699	2,024,369
Average goodwill and intangible assets	L	2,148,897	2,158,593	2,045,058
Borrowings	M	9,385,852	8,807,859	7,921,404
Unsecured convertible debentures	N	165,257	163,933	160,321
Less: continuing involvement liability	O	(62,012)	(54,173)	(12,404)
Total debt	P=M+N-O	9,489,097	8,917,619	8,069,321
Average debt	Q	9,012,768	8,511,085	8,183,306
Total shareholders' equity	R	3,857,880	3,680,973	3,469,875
Preferred shares	S	365,113	365,113	511,869
Common shareholders' equity	T=R-S	3,492,767	3,315,860	2,958,006
Average common shareholders' equity	U	3,452,277	3,272,442	2,935,589
Average total shareholders' equity	V	3,817,390	3,637,535	3,447,458

IFRS to Non-GAAP Reconciliations

Non-GAAP and IFRS key annualized operating ratios and per share information of the operations of the Company:

		As at and for the three-month periods ended		
(in \$000's for stated values, except ratios and per share amounts)		March 31, 2023	December 31, 2022	March 31, 2022
Key annualized operating ratios				
Leverage ratios				
Financial leverage ratio	P/R	2.46	2.42	2.33
Tangible leverage ratio	P/(R-K)	5.57	5.86	5.58
Average financial leverage ratio	Q/V	2.36	2.34	2.37
Average tangible leverage ratio	Q/(V-L)	5.40	5.75	5.84
Other key operating ratios				
Allowance for credit losses as a % of total finance receivables before allowance	F/E	0.12 %	0.13 %	0.14 %
Adjusted operating income on average net earning assets	B/J	7.60 %	7.26 %	7.08 %
After-tax adjusted operating income on average tangible total equity of Element	D/(V-L)	30.35 %	30.48 %	30.15 %
Per share information				
Number of shares outstanding	W	391,571	392,495	399,692
Weighted average number of shares outstanding [basic]	X	392,220	392,811	401,575
Pro forma diluted average number of shares outstanding	Y	408,966	409,590	417,817
Cumulative preferred share dividends during the period	Z	5,946	5,946	8,103
Other effects of dilution on an adjusted operating income basis	AA	\$ 1,656	\$ 1,620	\$ 1,590
Net income per share [basic]	(A-Z)/X	\$ 0.26	\$ 0.24	\$ 0.21
Net income per share [diluted]		\$ 0.25	\$ 0.24	\$ 0.21
After-tax adjusted operating income per share [basic]	(D1)/X	\$ 0.31	\$ 0.27	\$ 0.24
After-tax pro forma diluted adjusted operating income per share	(D1+AA)/Y	\$ 0.30	\$ 0.26	\$ 0.24

The following table provides a reconciliation of the after-tax adjusted operating income per share and the after-tax pro forma diluted adjusted operating income per share of the operations of the Company for the three-month period ended March 31, 2023:

(in \$000's for stated values, except per share amounts)	Amount \$	Weighted average number of shares outstanding applicable	Amount per share \$
Adjusted operating income before taxes	165,493		0.42
Less:			
Income taxes related to adjusted operating income	(38,891)		(0.10)
Preferred share dividends	(5,946)		(0.02)
After-tax adjusted operating income attributable to common shareholders	120,656	392,220,198	0.31
Dilution items:			
Employee stock option plan	—	2,283,170	—
Convertible debentures (after-tax net interest expense)	1,656	14,462,387	(0.01)
After-tax pro forma diluted adjusted operating income	122,312	408,965,755	0.30

Glossary of Terms

Assets under management

Assets under management are the sum of net earning assets, interim funding, and the value of assets syndicated by Element net of depreciation at the end of the period.

Average financial leverage or average financial leverage ratio

Average financial leverage or average financial leverage ratio is calculated as average debt outstanding during the period excluding the continuing involvement liability, divided by average total shareholders' equity outstanding during the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenants.

Average net earning assets

Average net earning assets is the sum of the average outstanding finance receivables and average equipment under operating leases. Average outstanding finance receivables or average finance receivables is the sum of [i] the average finance receivables net investment balance (gross investment less unearned income) outstanding during the period and [ii] the average investment in managed funds during the period. Average equipment under operating leases is the monthly average equipment under operating leases outstanding during the period and is calculated net of accumulated depreciation.

Free cash flow per share

Free cash flow per share is calculated by adjusting before-tax adjusted operating income for certain non-cash and cash revenue and expenses to get total cash from operations. Cash expenses of sustaining capital investments, preferred share dividends and cash taxes paid are subtracted from cash from operations to arrive at free cash flow. Free cash flow is then divided by the weighted average number of outstanding Common Shares for the period noted. Sustaining capital investments are defined by the Company as expenditures management considers necessary to support long-term growth.

Pre-tax income margin

Pre-tax income margin is income before taxes divided by net revenue.

Pre-tax return on common equity

Pre-tax return on common equity ("pROcE") is the sum of before-tax adjusted operating income, minus preferred share dividends, for each of the current and three preceding quarters; divided by average total equity for the current quarter and same quarter prior year, minus current quarter preferred share capital.

Descriptions of Non-GAAP Measures

Our unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and the accounting policies we adopted in accordance with IFRS. These unaudited interim condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at March 31, 2023 and December 31, 2022, the results of operations, comprehensive income and cash flows for the three-month period-ended March 31, 2023 and March 31, 2022.

Management uses both IFRS and non-GAAP Measures to monitor and assess the operating performance of the Company's operations. Throughout this MD&A, management uses the following 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:

Adjusted operating expenses

Adjusted operating expenses are equal to salaries, wages and benefits, general and administrative expenses, and depreciation and amortization.

Adjusted operating income on average net earning assets

Adjusted operating income on average net earning assets is the adjusted operating income for the period divided by the average net earning assets outstanding throughout the period, presented on an annualized basis.

Adjusted operating income or Before-tax adjusted operating income

Adjusted operating income reflects net income or loss for the period adjusted for the amortization of debenture discount, share-based compensation, amortization of intangible assets from acquisitions, provision for or recovery of income taxes, and loss or income on investments.

Adjusted operating margin

Adjusted operating margin is the adjusted operating income before taxes for the period divided by the net revenue for the period.

After-tax adjusted operating income

After-tax adjusted operating income reflects the adjusted operating income after the application of the Company's effective tax rates.

After-tax adjusted operating income attributable to common shareholders

After-tax adjusted operating income attributable to common shareholders is computed as after-tax adjusted operating income less the cumulative preferred share dividends for the period.

After-tax adjusted operating income on average tangible total equity of Element

After-tax adjusted operating income on average tangible equity of Element is the after-tax adjusted operating income for the period, divided by the net of the average total shareholders' equity outstanding throughout the period, less average goodwill and intangible assets.

After-tax pro forma diluted adjusted operating income per share

After-tax pro forma diluted adjusted operating income per share computes the diluted after-tax adjusted operating income per share for the period on the assumption that all outstanding options at the end of the

period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises. Convertible debentures are assumed to be converted at the beginning of the period (or at issuance if issued during the period on a time weighted basis) with the other effects of dilution added to the adjusted operating income, if they are dilutive.

After-tax adjusted operating income per share

After-tax adjusted operating income per share is computed as the after-tax adjusted operating income attributable to common shareholders for the period, divided by the basic weighted average number of Common Shares outstanding during the period.

Allowance for credit losses as a percentage of total finance receivables

Allowance for credit losses as a percentage of total finance receivables is the allowance for credit losses at the end of the period divided by the total finance receivables (gross of the allowance for credit losses) at the end of the period.

Average common shareholders' equity

Average common shareholders' equity is calculated as the monthly average common shareholders' equity during the period.

Average cost of borrowing or average cost of debt

Average cost of borrowing or average cost of debt is equal to interest expense divided by the average debt outstanding during the period, excluding the continuing involvement liability, and is presented on an annualized basis.

Average debt outstanding

Average debt outstanding is calculated as the sum of monthly average borrowings outstanding under all of the Company's borrowings facilities, excluding the continuing involvement liability, and the convertible debentures outstanding throughout the period.

Average goodwill and intangible assets

Average goodwill and intangible assets is the monthly average balances of goodwill and intangible assets during the period.

Average shareholders' equity

Average shareholders' equity is calculated as the monthly average balance of shareholders' equity during the period.

Average tangible leverage ratio

The average tangible leverage ratio has been computed as the sum of the average borrowings, excluding the continuing involvement liability, and average convertible debentures, divided by the net of total average shareholders' equity less average goodwill and intangible assets during the period.

Common shareholders' equity

Common shareholders' equity is total shareholders' equity less principal face value of the preferred shares outstanding.

Finance assets or total finance assets

Finance assets are the sum of the total finance receivables and total carrying value of the equipment under operating leases.

Financial leverage or financial leverage ratio

Financial leverage or financial leverage ratio is calculated as total debt (the sum of borrowings, excluding the continuing involvement liability, and convertible debentures) outstanding at the end of the period, divided by total shareholders' equity outstanding at the end of the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenants.

Net earning assets

Net earning assets are the sum of the total net investment in finance receivables and total carrying value of the equipment under operating leases at the end of the period.

Net financing revenue yield on average net earning assets

Net financing revenue yield on average net earning assets is calculated as (net interest and rental revenue) divided by (average net earning assets outstanding throughout the period), multiplied by four (i.e. annualized).

Net interest and rental revenue

Net interest and rental revenue is calculated as the sum of (a) net interest income and (b) rental revenue net of depreciation, less (c) interest expense. Net interest and rental revenue refers to net financing income earned from finance receivables and equipment under operating leases, after considering financing costs and provision for credit losses.

Other effects of dilution adjusted operating income basis

Other effects of dilution adjusted operating income basis represents, if dilutive, the add back of the after-tax convertible debt interest and the amortization of deferred financing costs related to the convertible debt, and excludes the add back of the after-tax amortization of the discount of the convertible debt (which is included on an IFRS basis).

Pro forma diluted average number of shares outstanding

Pro forma diluted average number of shares outstanding is the basic weighted average number of shares outstanding, plus the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises.

Return on common equity

Return on common equity is calculated as the sum of net income, minus preferred share dividends, for each of the current and three preceding quarters; divided by average total equity for the current quarter and same quarter prior year, minus current quarter preferred share capital.

Tangible leverage ratio

The tangible leverage ratio has been computed as the sum of borrowings, excluding the continuing involvement liability, and convertible debentures divided by the net of total shareholders' equity less goodwill and intangible assets at the period end.

Updated Share Information

The Company is currently authorized to issue (i) an unlimited number of Common Shares without nominal or par value and (ii) an unlimited number of preferred shares, issuable in series.

As at May 9, 2023, the Company had 390,057,868 Common Shares issued and outstanding. In addition, 3,555,081 options were issued and outstanding under the Company's stock option plan as at May 9, 2023. These convertible securities are convertible into, or exercisable for, Common Shares of the Company. 3,582,079 of these convertible securities were exercisable at March 31, 2023, for what would have been proceeds to the Company upon exercise of \$24.4 million. In addition, the Company had convertible debentures outstanding that are convertible into an aggregate of 14,462,387 Common Shares.

As at May 9, 2023, the Company had 4,600,000 Preferred Shares, Series A, 5,126,400 Preferred Shares, Series C and 5,321,900 Preferred Shares, Series E issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on May 9, 2023.