



Element Reports Record Third Quarter Results, Raises Common Dividend, and Provides Full-Year 2025 Guidance

Amounts in US\$ unless otherwise noted

- Generates record quarterly net revenue of \$280 million; an increase of 12% year-over-year led by double-digit growth across all revenues categories
- Delivers adjusted EPS of \$0.29 and adjusted free cash flow per share of \$0.36
- Raises common dividend by 8% from CAD\$0.48 to CAD\$0.52 per share annually and announces intention to renew Normal Course issuer Bid ("NCIB")
- Completes acquisition of Autofleet, accelerating digital strategy
- Guides to net revenue growth of 6.5 to 8.5%, positive operating leverage, and high single- to low double-digit growth in each of adjusted operating income, adjusted EPS, and adjusted free cash flow per share in 2025

TORONTO, Nov. 13, 2024 -- Element Fleet Management Corp. (TSX:EFN) ("Element" or the "Company"), the largest publicly traded, pure-play automotive fleet manager in the world, today announced strong financial and operating results for the three months ended September 30, 2024.

The following table presents Element's selected financial results.

	Q3 2024 ¹	Q2 2024 ¹	Q3 2023 ¹	QoQ	YoY
In US\$ millions, except percentages and per share amount and unless otherwise noted				%	%
Selected financial results - as reported:					
Net revenue	279.6	274.6	248.7	2%	12%
Pre-tax income	134.0	135.2	124.7	(1)%	7%
Pre-tax income margin	47.9%	49.2%	50.1%	(130) bps	(220) bps
Earnings per share (EPS) [basic]	0.24	0.26	0.24	-0.02	0.00
<i>Earnings per share (EPS) [basic] [\$CAD]</i>	0.33	0.35	0.32	-0.02	0.01
Adjusted results (excludes one-time strategic project costs in 2024) ¹					
Adjusted net revenue ²	279.6	274.6	248.7	2%	12%
Adjusted operating income (AOI) ²	161.4	152.9	140.6	6%	15%
Adjusted operating margin ²	57.7%	55.7%	56.5%	+200 bps	+120 bps
Adjusted EPS ² [basic]	0.29	0.29	0.26	0.00	0.03
<i>Adjusted EPS² [basic] [\$CAD]</i>	0.40	0.39	0.35	0.01	0.05
Other highlights:					
Adjusted free cash flow per share ² (FCF/sh)	0.36	0.38	0.32	-0.02	0.04
<i>Adjusted free cash flow per share² (FCF/sh) [\$CAD]</i>	0.49	0.52	0.42	-0.03	0.07
Originations (excluding Armada)	1,716	1,976	1,557	(13)%	10%

1. Q3 2023, Q2 2024, and Q3 2024 included \$3 million, \$2 million and \$2 million, respectively, in strategic project costs. Q3 2024 included \$7 million in acquisition-related costs, including severance, in connection with the completion of the Autofleet transaction.
2. Adjusted results are non-GAAP or supplemental financial measures, which do not have any standard meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "IFRS to Non-GAAP Reconciliations" section in this earnings release. The Company uses "Adjusted Results" because it believes that they provide useful information to investors regarding its performance and results of operations.

"We produced robust revenue growth alongside strong operational performance this quarter. As a result of our sustained commercial momentum and recurring revenue model, we delivered double-digit top-line growth year-over-year while expanding our operating margins," said Laura Dottori-Attanasio, Chief Executive Officer of Element. "In light of our strong performance and positive outlook, we are raising our dividend to CAD\$0.52 per share and renewing our NCIB program, aligning growth opportunities with our commitment to returning capital to shareholders."

Dottori-Attanasio continued, "Looking ahead to 2025, we anticipate continued revenue and earnings growth driven by organic growth opportunities across all of our geographies. We plan to scale our business more quickly through digitization and automation, while also expanding beyond our core offerings. The addition of Autofleet will enhance our position in the evolving mobility and vehicle connectivity landscape."

Net revenue growth

Element grew Q3 2024 net revenue 12% over Q3 2023 on a year-over-year basis to \$280 million due to robust growth across all revenue categories. Net revenue increased \$5 million or 2% from Q2 2024 on a quarter-over-quarter basis led largely by higher services and syndication revenue.

Service revenue

Element's largely unlevered services revenue is the key pillar of its capital-light business model, which also improves the Company's return on equity profile.

Q3 2024 services revenue grew 12% year-over-year to \$147 million driven primarily by higher origination volumes, and higher penetration and utilization rates of our service offerings from new and existing clients. Higher growth in Mexico also contributed to the year-over-year increase.

Q3 2024 services revenue grew 5% quarter-over-quarter driven primarily by higher penetration and utilization rates of our service offerings from new and existing clients, mainly maintenance and accident services. Partly offsetting this increase was moderately lower services revenue in both Mexico and ANZ and adverse foreign exchange impacts.

Net financing revenue

Q3 2024 net financing revenue grew \$11 million or 11% from Q3 2023 largely due to higher net earning assets associated with higher originations in the U.S and Canada. Higher year-over-year gains on sale ("GOS"), largely in ANZ, also contributed to the increase. These increases were partly offset by higher interest expense associated with the redemption of our preferred shares.

Q3 2024 net financing revenue decreased \$6 million or 5% from a record Q2 2024 largely due to lower average net earning assets and higher interest expense associated with the redemption of the preferred shares on June 30, 2024. Partly offsetting this decrease was higher GOS quarter-over-quarter, as higher GOS in ANZ outpaced the lower GOS in Mexico. The higher volume of vehicles for sale in ANZ more than offset a decrease in used vehicle pricing.

Syndication volume

The Company syndicated a record \$1 billion of assets in Q3 2024 - \$246 million or 32% more volume than Q3 last year associated with higher originations and the Company's ongoing focus on its capital lighter model driving higher volumes again this quarter.

Q3 2024 syndication volumes increased 5% from a strong Q2 2024. A higher yield quarter-over-quarter largely reflects the Company's syndication mix and a more attractive interest rate environment. Overall, client demand remains robust.

Q3 2024 syndication revenue grew \$4 million or 29% year-over-year and \$5 million or 38% quarter-over-quarter largely due to record volumes this quarter.

Adjusted operating income and adjusted operating margins

AOI was \$161 million this quarter, an increase of \$21 million or 15% year-over-year — resulting in adjusted EPS of \$0.29 in Q3 2024, which is a 3 cent increase year-over-year. Q3 2024 adjusted operating margin was 57.7%, representing margin expansion of 120 basis points year-over-year. This expansion is driven by positive operating leverage (i.e. net revenue growth outpacing growth in adjusted operating expenses) of 3%. Adjusted operating margin expanded 200 basis points quarter-over-quarter.

Originations

Element originated \$1.7 billion of assets in Q3 2024 (excluding Armada), which is a \$159 million or 10% increase year-over-year and a \$260 million or 13% decrease quarter-over-quarter largely as a result of seasonal factors. Q3 has historically lower volumes as a result of OEM plant retooling for next model year changeover in the U.S. and Canada occurring this quarter.

The table below sets out the geographic distribution of originations (excluding Armada) for the three-month periods indicated.

(in U.S.\$000's) (Excluding Armada)	September 30, 2024		September 30, 2023		Variance to Q3 2023	
	US\$	%	US\$	%	US\$	%
United States and Canada	1,362,559	79	1,174,914	75	187,645	16%
Mexico	220,123	13	248,461	16	(28,338)	(11)%
Australia and New Zealand	133,146	8	133,591	9	(445)	—%
Total	1,715,828	100	1,556,966	100	158,862	10%

Adjusted free cash flow per share and returns to shareholders

On an adjusted basis, Element generated \$0.36 of adjusted free cash flow ("FCF") per share in Q3 2024 – 4 cents more year-over-year driven by growth in net revenues and higher originations, while investing approximately \$18 million in total capital investments this quarter.

On November 13, 2024, the Board of Directors (the "Board") authorized and declared a quarterly cash dividend of CAD\$0.13 per common share of Element for the fourth quarter of 2024, representing an 8% increase to its common dividend (from CAD\$0.48 to CAD\$0.52 per share annually). The dividend will be payable on January 15, 2025 to shareholders of record as at the close of business on December 31, 2024. The Company's common dividends are designated to be eligible dividends for purposes of section 89(1) of the Income Tax Act (Canada). This increase underscores the confidence that the Board has in the sustainability of Element's cash flow generation, financial resilience, and favourable outlook.

Element's common dividend represents approximately 27% of the Company's last twelve months' (at September 30, 2024) FCF per share, within the Company's 25% to 35% target payout range. Element expects its common dividend to continue to grow annually, consistent with FCF per share growth.

Element returned \$36 million and \$112 million of cash to common shareholders through dividends and buybacks of common shares in Q3 2024 and the first nine months of 2024, respectively.

In furtherance of the Company's return of capital plan, Element intends to renew its normal course issuer bid (the "2024 NCIB") for its common shares. If accepted by the TSX, the Company would be permitted under the 2024 NCIB to purchase for cancellation, through the facilities of the TSX or such other permitted means, up to 10% of the public float (calculated in accordance with TSX rules) of Element's issued and outstanding common shares during the 12 months following such TSX acceptance at prevailing market prices (or as otherwise permitted). The actual number of the Company's common shares, if any, that may be purchased under the 2024 NCIB, and the timing of any such purchases, will be determined by the Company, subject to applicable terms and limitations of the 2024 NCIB (including any automatic share purchase plan adopted in connection therewith).

Under the terms of the Company's current normal course issuer bid (the "2023 NCIB"), Element has approval from the TSX to purchase up to 38,852,159 common shares during the period from November 15, 2023, to November 14, 2024. There cannot be any assurance as to how many common shares, if any, will ultimately be purchased pursuant to either the 2023 NCIB or the 2024 NCIB. If the 2024 NCIB renewal is accepted by the TSX, any subsequent renewals of the 2024 NCIB will be at the Company's discretion and subject to further TSX approval..

During the first nine months of 2024, the Company purchased 455,300 common shares for cancellation pursuant to the 2023 NCIB, for an aggregate amount of approximately \$7 million at a volume weighted average price of CAD\$21.95 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.

Strategic initiatives update

As previously disclosed, the Company is optimizing its business by centralizing accountability for its U.S. and Canadian leasing operations and establishing a strategic sourcing presence in Asia. The Company continues to expect these initiatives to generate between \$30 - \$45 million of run-rate net revenue, and between \$22 - \$37 million of run-rate adjusted operating income ("AOI"), by full-year 2028.

Both initiatives are fully operational. The expected payback period from the Company's investments remains unchanged at less than 2.5 years.

Completion of Autofleet Acquisition

On October 1, 2024, the Company completed the previously announced acquisition of Autofleet, Solutions Ltd. ("Autofleet"), an innovator in fleet and mobility solutions, for a purchase price of \$110 million plus standard working capital adjustments. Autofleet has a robust and highly scalable fleet optimization technology platform alongside optimized mobility solutions tailored for the fleet industry.

This transaction marks an important milestone for our clients and our business, unlocking new growth and value creation potential. By accelerating digitization and automation initiatives, the Company aims to deliver innovative and efficient fleet and mobility solutions tailored to its clients' needs. The addition of Autofleet will enhance the Company's position in the evolving mobility and vehicle connectivity landscape.

As a wholly owned subsidiary of the Company, Autofleet's financial results will be consolidated with those of Element beginning in the fourth quarter of 2024. In connection with this acquisition, Element issued 1.3 million common shares from Treasury, which represented 25% of the total consideration paid. This acquisition does not affect the Company's previously issued full-year 2024 guidance. Q3 2024 included \$7 million in acquisition-related costs in connection with the completion of this transaction.

Guidance

Full-year 2024 Guidance

Element continues to expect to deliver full-year 2024 results near or at the high end of its previously provided guidance ranges on most metrics, with the exception of originations. The following table highlights our revised full-year 2024 guidance compared to full-year 2023 results.

In US\$ unless otherwise noted	Full-year 2024 Guidance
Net revenue	\$1.060 - \$1.080 billion
<i>Implied YoY Growth</i>	11-13%
Adjusted operating margin	55.0% - 55.5%
Adjusted operating income	\$575 - 595 million
<i>Implied YoY Growth</i>	8-12%
Adjusted EPS [basic]	\$1.07 - \$1.11
<i>Implied YoY Growth</i>	9-13%
Adjusted free cash flow per share	\$1.32 - 1.36
<i>Implied YoY Growth</i>	6-10%
Originations (excl Armada)	\$7.0 - 7.4 billion
<i>Implied YoY Growth</i>	11-17%

Certain implied year-over-year growth amounts shown in this table may not calculate exactly due to rounding.

Full-year 2025 Initial Guidance

The Company expects to see continued growth in its client base, driven by the ongoing transition to self-managed fleets and robust demand for its services and solutions. This positive momentum underpins its target of achieving net revenue growth between 6.5% and 8.5% for the full year 2025, alongside high single-digit to low double-digit increases in each of adjusted operating income, adjusted EPS, and adjusted free cash flow per share. Element is committed to generating positive operating leverage in managing the business, which will underpin further operating margin expansion.

Annual growth rates	Full-year 2025 Initial Guidance
Net revenue	6.5 - 8.5%
Adjusted operating income	High-single to low-double digit
Adjusted EPS [basic]	High-single to low-double digit
Adjusted free cash flow per share	High-single to low-double digit
Originations (excl Armada)	Low- to mid-single digit

The Company's initial guidance for 2025 incorporates the effects of several anticipated revenue headwinds, including the depreciation of the Mexican Peso, higher interest expenses due to increased local Peso funding in 2025, and financing the redemption of the preferred shares. In addition, the scheduled reduction in bonus depreciation is likely to impact syndication yields. The Company also anticipates that its 2025 effective tax rate will average between 24.5% to 26.5%.

Element's full-year 2024 and 2025 guidance exclude strategic projects and acquisition-related costs and also prior to any material changes in foreign exchange. We intend to provide specific target ranges for our 2025 guidance alongside the release of our full-year 2024 financial results in February 2025.

Capital structure

Redemption of all outstanding 5.903% Cumulative 5-Year Rate Reset Preferred Shares Series E

On September 30, 2024 (the "Share Redemption Date"), the Company redeemed all of its 5,321,900 issued and outstanding 5.903% Cumulative 5-Year Rate Reset Preferred Shares Series E (the "Series E Shares") at a price of CAD\$25.00 per Series E Share for an aggregate amount of approximately \$95 million, together with all accrued and unpaid dividends up to but excluding the Share Redemption Date, less any tax required to be deducted and withheld by the Company.

As of September 30, 2024, the Series E Shares were delisted from and no longer trade on the Toronto Stock Exchange ("TSX").

Following the redemption of its Series E preferred shares, the Company no longer has any preferred shares outstanding. When combined with the redemption of its convertible debentures on June 26, 2024, these strategic moves significantly simplify the Company's capital structure.

As at September 30, 2024, total Common Shares issued and outstanding were 403.6 million.

Conference call and webcast

A conference call to discuss these results will be held on Thursday, November 14, 2024 at 8:00 a.m. Eastern Time.

The conference call and webcast can be accessed as follows:

Webcast: www.elementfleet.com/thirdquarter2024

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

Canada/USA toll-free: 1-844-763-8274

International: +1-647-484-8814

A taped recording of the conference call may be accessed through December 14, 2024 by dialing 1-855-669-9658 (Canada Toll Free), 1-877-344-7529 (U.S. Toll Free) or 1-412-317-0088 (International Toll) and entering the access code 8023973.

IFRS to Non-GAAP Reconciliations, Non-GAAP Measures and Supplemental Information

The Company's audited 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 audited consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at September 30, 2024 and September 30, 2023, the results of operations, comprehensive income and cash flows for the three-month periods-ended September 30, 2024 and September 30, 2023.

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

(in US\$000's except ratios and per share amounts or unless otherwise noted)	As at and for the three-month period ended			
	September 30, 2024	June 30, 2024	September 30, 2023	
Key annualized operating ratios				
Leverage ratios				
Financial leverage ratio	P/(P+R)	74.3%	74.0%	71.4%
Tangible leverage ratio	P/(R-K)	7.00	6.50	5.76
Average financial leverage ratio	Q/(Q+V)	75.1%	74.9%	72.0%
Average tangible leverage ratio	Q/(V-L)	6.80	6.49	5.48
Other key operating ratios				
Allowance for credit losses as a % of total finance receivables before allowance	F/E	0.08%	0.07%	0.10%
Adjusted operating income on average net earning assets	B/J	8.01%	7.47%	7.70%
Adjusted operating income on average tangible total equity of Element	D/(V-L)	37.91%	34.22%	30.38%
Per share information				
Number of shares outstanding	W	403,609	403,609	389,218
Weighted average number of shares outstanding [basic]	X	403,609	390,013	389,511
Pro forma diluted average number of shares outstanding	Y	403,768	390,163	405,505
Cumulative preferred share dividends during the period	Z	1,434	2,869	4,388
Other effects of dilution on an adjusted operating income basis	AA	\$ —	\$ 0	\$ 1,232
Net income per share [basic]	(A-Z)/X	\$ 0.24	\$ 0.26	\$ 0.24
Net income per share [diluted]		\$ 0.24	\$ 0.26	\$ 0.23
Adjusted EPS [basic]	(D1)/X	\$ 0.29	\$ 0.29	\$ 0.26
Adjusted EPS [diluted]	(D1+AA)/Y	\$ 0.29	\$ 0.29	\$ 0.26

Management also uses a variety of both IFRS and non-GAAP and Supplemental Measures, and non-GAAP ratios to monitor and assess their operating performance. The Company uses these non-GAAP and Supplemental Financial Measures because they believe that they may provide useful information to investors regarding their performance and results of operations.

The following table provides a reconciliation of certain IFRS to non-GAAP measures related to the operations of the Company and other supplemental information.

					For the three-month period ended			
(in US\$000's except per share amounts or unless otherwise noted)					September			
					30,	June 30,	September 30,	
					2024	2024	2023	
					US\$	US\$	US\$	
Reported results								
Services income, net					146,903	140,123	131,087	
Net financing revenue					116,090	122,409	104,719	
Syndication revenue, net					16,643	12,045	12,890	
Net revenue					279,636	274,577	248,696	
Operating expenses					139,367	131,581	117,227	
Operating income					140,269	142,996	131,469	
Operating margin					50.2%	52.1%	52.9%	
Total expenses					145,669	139,393	124,026	
Income before income taxes					133,967	135,184	124,670	
Net income					98,565	102,698	95,971	
EPS [basic]					\$ 0.24	\$ 0.26	\$ 0.24	
EPS [diluted]					\$ 0.24	\$ 0.26	\$ 0.23	
Adjusting items								
<i>Impact of adjusting items on operating expenses:</i>								
Strategic initiatives costs – Salaries, wages, and benefits					4,633	475	—	
Strategic initiatives costs – General and administrative expenses					4,283	1,883	2,904	
Share-based compensation					12,242	6,775	5,463	
Amortization of convertible debenture discount					—	724	771	
Total impact of adjusting items on operating expenses					21,158	9,857	9,138	
Total pre-tax impact of adjusting items					21,158	9,857	9,138	
Total after-tax impact of adjusting items					15,667	7,442	6,945	
Total impact of adjusting items on EPS [basic]					0.04	0.02	0.02	
Total impact of adjusting items on EPS [diluted]					0.04	0.02	0.02	

					For the three-month period ended			
(in US\$000's except per share amounts or unless otherwise noted)					September			
					30,	June 30,	September 30,	
					2024	2024	2023	
					US\$	US\$	US\$	
Adjusted results								
Adjusted net revenue					279,636	274,577	248,696	
Adjusted operating expenses					118,209	121,724	108,089	
Adjusted operating income					161,427	152,853	140,607	
Adjusted operating margin					57.7%	55.7%	56.5%	
Provision for income taxes					35,402	32,486	28,699	
Adjustments:								
Pre-tax income					6,213	5,381	4,164	
Foreign tax rate differential and other					275	(418)	883	
Provision for taxes applicable to adjusted results					41,890	37,449	33,746	
Adjusted net income					119,537	115,404	106,861	
Adjusted EPS [basic]					\$ 0.29	\$ 0.29	\$ 0.26	
Adjusted EPS [diluted]					\$ 0.29	\$ 0.29	\$ 0.26	

The following table summarizes key statement of financial position amounts for the periods presented.

					For the three-month period ended			
(in US\$000's unless otherwise noted)					September			
					30,	June 30,	September 30,	
					2024	2024	2023	
					US\$	US\$	US\$	
Total Finance receivables, before allowance for credit losses					E	7,612,881	7,775,035	7,088,982
Allowance for credit losses					F	6,069	5,351	6,948

Net investment in finance receivable	G	5,251,679	5,525,306	4,890,404
Equipment under operating leases	H	2,537,369	2,589,411	2,437,280
Net earning assets	I=G+H	7,789,048	8,114,717	7,327,684
Average net earning assets	J	8,059,992	8,186,031	7,300,940
Goodwill and intangible assets	K	1,581,560	1,583,634	1,588,142
Average goodwill and intangible assets	L	1,581,776	1,584,972	1,589,598
Borrowings	M	8,472,130	8,711,416	7,683,262
Unsecured convertible debentures	N	—	—	124,419
Less: continuing involvement liability	O	(125,225)	(101,075)	(69,841)
Total debt	P=M+N-O	8,346,905	8,610,341	7,737,840
Average debt	Q	8,582,383	8,757,365	7,711,703
Total shareholders' equity	R	2,774,502	2,908,420	2,932,662
Preferred shares	S	—	92,404	263,380
Common shareholders' equity	T=R-S	2,774,502	2,816,016	2,669,282
Average common shareholders' equity	U	2,781,421	2,782,534	2,733,383
Average total shareholders' equity	V	2,843,024	2,934,053	2,996,763

Throughout this press release, 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. Non-GAAP measures are reported in addition to, and should not be considered alternatives to, measures of performance according to IFRS.

Adjusted operating expenses

Adjusted operating expenses are equal to salaries, wages and benefits, general and administrative expenses, and depreciation and amortization less adjusting items impacting operating expenses. The following table reconciles the Company's reported expenses to adjusted operating expenses.

	For the three-month period ended		
	September	June 30,	September 30,
(in US\$000's except per share amounts or unless otherwise noted)	30,	2024	2023
	US\$	US\$	US\$
Reported Expenses	145,669	139,393	124,026
Less:			
Amortization of intangible assets from acquisitions	6,970	6,966	6,982
Loss (gain) on investments	(668)	846	(183)
Operating expenses	139,367	131,581	117,227
Less:			
Amortization of convertible debenture discount	—	724	771
Share-based compensation	12,242	6,775	5,463
Strategic initiatives costs - Salaries, wages and benefits	4,633	475	—
Strategic initiatives costs - General and administrative expenses	4,283	1,883	2,904
Total adjustments	21,158	9,857	9,138
Adjusted operating expenses	118,209	121,724	108,089

Adjusted operating income or Pre-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, loss or income on investments, and adjusting items from the table below.

The following tables reconciles income before taxes to adjusted operating income.

	For the three-month period ended		
	September	June 30,	September 30,
(in US\$000's except per share amounts or unless otherwise noted)	30,	2024	2023
	US\$	US\$	US\$
Income before income taxes	133,967	135,184	124,670
Adjustments:			
Amortization of convertible debenture discount	—	724	771
Share-based compensation	12,242	6,775	5,463
Amortization of intangible assets from acquisition	6,970	6,966	6,982

Loss (gain) on investments	(668)	846	(183)
Adjusting Items:			
Strategic initiatives costs - Salaries, wages and benefits	4,633	475	—
Strategic initiatives costs - General and administrative expenses	4,283	1,883	2,904
Total pre-tax impact of adjusting items	8,916	2,358	2,904
Adjusted operating income	161,427	152,853	140,607

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.

Adjusted net income

Adjusted net income reflects reported net income less the after-tax impacts of adjusting items. The following table reconciles reported net income to adjusted net income.

(in US\$000's except per share amounts or unless otherwise noted)	For the three-month period ended		
	September	June 30,	September 30,
	30, 2024	2024	2023
	US\$	US\$	US\$
Net income	98,565	102,698	95,971
Amortization of convertible debenture discount	—	724	771
Share-based compensation	12,242	6,775	5,463
Amortization of intangible assets from acquisition	6,970	6,966	6,982
Loss (gain) on investments	(668)	846	(183)
Strategic initiatives costs - Salaries, wages and benefits	4,633	475	—
Strategic initiatives costs - General and administrative expenses	4,283	1,883	2,904
Provision for income taxes	35,402	32,486	28,699
Provision for taxes applicable to adjusted results	(41,890)	(37,449)	(33,746)
Adjusted net income	119,537	115,404	106,861

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.

About Element Fleet Management

Element Fleet Management (TSX: EFN) is the largest publicly traded pure-play automotive fleet manager in the world, providing the full range of fleet services and solutions to a growing base of world-class clients – corporations, governments, and not-for-profits – across North America, Australia, and New Zealand. Element's services address every aspect of clients' fleet requirements, from vehicle acquisition, maintenance, accidents and remarketing, to integrating EVs and managing the complexity of gradual fleet electrification. Clients benefit from Element's expertise as one of the largest fleet solutions providers in its markets, offering economies of scale and insight used to reduce fleet operating costs and improve productivity and performance. For more information, visit elementfleet.com/investor-relations.

This press release includes forward-looking statements regarding Element and its business. Such statements are based on management's current expectations and views of future events. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements, including, among others, statements regarding Element's financial performance, enhancements to clients' service experience and service levels; expectations regarding client and revenue retention trends; management of operating expenses; increases in efficiency; Element's ability to achieve its sustainability objectives; Element achieving its digital platform ambitions; the Autofleet acquisition enabling the Company to scale its business more quickly, achieve operational efficiencies, increase client and shareholder value and unlock new revenues streams; EV strategy and capabilities; global EV adoption rates; dividend policy and the payment of future dividends; the costs and benefits of strategic initiatives; creation of value for all stakeholders; expectations regarding syndication; growth prospects and expected revenue growth; level of workforce engagement; improvements to magnitude and quality of earnings; executive hiring and retention; focus and discipline in investing; balance sheet management and plans and expectations with respect to leverage ratios; and Element's proposed share purchases,

including the number of common shares to be repurchased, the timing thereof and TSX acceptance of the NCIB and any renewal thereof. No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause Element's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Such risks and uncertainties include those regarding the fleet management and finance industries, economic factors, regulatory landscape and many other factors beyond the control of Element. A discussion of the material risks and assumptions associated with this outlook can be found in Element's annual MD&A, and Annual Information Form for the year ended December 31, 2023, each of which has been filed on SEDAR+ and can be accessed at www.sedarplus.ca. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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