



Q2 Report to Shareholders



Move the world
through intelligent mobility



Our Purpose focuses on what we do and our unwavering commitment to client-centric service, leadership within the industry, and the positive impact we make today for a better tomorrow. To *Move the world* is an embodiment of our dedication to seamless, intelligent mobility — reinforcing the impact we can make in reshaping the world through our services and commitment to building a sustainable future.

The following management discussion and analysis ("MD&A") dated August 13, 2024, 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 and six-month periods ended June 30, 2024. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and accompanying notes as at and for the three and six-month periods ended June 30, 2024 and the Company's latest annual information form (AIF) both filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and are incorporated by reference herein. All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise specified and all numbers are in thousands, unless otherwise specified or for per share amounts or percentages or ratios. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.elementfleet.com. The Company's functional currency is the Canadian dollar.

This MD&A refers to certain non-GAAP and supplemental financial measures, which we believe are useful in assessing our financial performance. Readers are cautioned that these measures do not have any standard meaning prescribed by GAAP under International Financial Reporting Standards ("IFRS") and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information related to non-GAAP measures and a reconciliation to their nearest IFRS measures, please read "IFRS to Non-GAAP Reconciliations" section at the end of this MD&A. Our Board of Directors has authorized this MD&A.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO AUGUST 13, 2024. 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, SUSTAINABILITY, 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; SUCCESSFUL IMPLEMENTATION OF STRATEGIC INITIATIVES AND THE EXPECTED BENEFITS AND COSTS OF SUCH INITIATIVES; ACCEPTABLE NEGOTIATIONS WITH THIRD PARTIES; THE CONTINUANCE OF EXISTING (AND IN CERTAIN CIRCUMSTANCES, THE IMPLEMENTATION OF PROPOSED) TAX AND REGULATORY REGIMES; EXPECTATIONS REGARDING GOVERNMENT POLICIES, LEGISLATION AND REGULATORY ACTIONS IN RESPECT OF SUSTAINABILITY AND RELATED MATTERS; 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; AND ANY IMPACTS OF PANDEMICS OR OTHER HEALTH THREATS ON INDUSTRY AND MARKET CONDITIONS. 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: ELEMENT'S REVENUES, EXPENSES, RUN-RATE AND OPERATIONS, FUTURE CASH FLOWS, FINANCIAL CONDITION, OPERATING PERFORMANCE, SUSTAINABILITY PERFORMANCE AND TARGETS, FINANCIAL RATIOS, PROJECTED ASSET BASE AND CAPITAL STRUCTURE; ELEMENT'S EXPECTATIONS REGARDING THE IMPLEMENTATION OF STRATEGIC INITIATIVES AND THE EXPECTED BENEFITS AND COSTS OF SUCH INITIATIVES; ELEMENT'S ABILITY TO ACHIEVE ITS SUSTAINABILITY OBJECTIVES; THE ABILITY TO SATISFY ALL CLOSING CONDITIONS RELATED TO THE AUTOFLEET ACQUISITION; 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 REVENUE STREAMS; ELEMENT'S EXPECTATIONS IN RESPECT OF ITS SUPPLY CHAIN AND THE TIMING AND VOLUME OF VEHICLE PRODUCTION; 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 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 ITS OBJECTIVES, VISION AND STRATEGIES; ELEMENT'S OPERATIONS AND ABILITY TO DRIVE OPERATIONAL EFFICIENCIES; ELEMENT'S ASSESSMENT AND 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 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; FUTURE 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 EXPECTATIONS AND ABILITY TO REDEEM ITS PREFERRED SHARES; 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 IMPACT THAT PANDEMICS OR OTHER HEALTH EVENTS 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, IF REQUIRED. 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, 2023. 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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Selected Financial Highlights

(in US\$000's except per share amounts unless otherwise noted)	For the three-month period ended			For the six-month period ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	US\$	US\$	US\$	US\$	US\$
Reported results					
Servicing income, net	140,123	147,053	126,433	287,176	241,915
Net financing revenue	122,409	107,178	105,698	229,587	203,923
Syndication revenue, net	12,045	8,226	8,491	20,271	19,436
Net revenue	274,577	262,457	240,622	537,034	465,274
Operating expenses	131,581	132,499	115,233	264,080	230,437
Operating income¹	142,996	129,958	125,389	272,954	234,837
Operating margin²	52.1 %	49.5 %	52.1 %	50.8 %	50.5 %
Total expenses	139,393	139,478	121,692	278,871	244,411
Income before income taxes	135,184	122,979	118,930	258,163	220,863
Net Income	102,698	93,817	89,374	196,515	168,061
Earnings per share (EPS) – basic	0.26	0.23	0.22	0.49	0.41
Earnings per share (EPS) – diluted	0.26	0.23	0.21	0.49	0.39
<i>Earnings per share (EPS) – basic [\$CAD]</i>	0.35	0.31	0.29	0.66	0.55
<i>Earnings per share (EPS) – diluted [\$CAD]</i>	0.35	0.31	0.29	0.66	0.54
Adjusted results⁴					
Adjusted net revenue	274,577	262,457	240,622	537,034	465,274
Adjusted operating expenses³	121,724	118,850	107,943	240,574	210,322
Adjusted operating income (AOI)¹	152,853	143,607	132,679	296,460	254,952
Adjusted operating margin²	55.7 %	54.7 %	55.1 %	55.2 %	54.8 %
Adjusted net income	115,404	108,423	100,174	223,827	193,713
Adjusted EPS [basic]	0.29	0.27	0.25	0.56	0.48
Adjusted EPS [diluted]	0.29	0.26	0.24	0.55	0.46
<i>Adjusted EPS [basic] [\$CAD]</i>	0.39	0.36	0.33	0.75	0.64
<i>Adjusted EPS [diluted] [\$CAD]</i>	0.39	0.35	0.32	0.74	0.62
Other highlights					
Originations (excluding Armada) ⁴	1,976,014	1,541,883	1,888,817	3,517,897	3,293,464
Vehicles under management (VUM) ⁴ – end of period	1,499	1,490	1,500	1,499	1,500
Adjusted free cash flow per share ⁴	0.38	0.35	0.34	0.73	0.62
<i>Adjusted free cash flow per share [\$CAD]</i>	0.52	0.47	0.46	0.99	0.83
Weighted average common shares outstanding – basic	390,013	389,161	390,385	389,587	391,298
Weighted average common shares outstanding – diluted	390,163	404,118	405,505	389,736	406,413
<i>Dividends declared per common share [\$CAD]</i>	0.12	0.12	0.10	0.24	0.20
Return on equity (ROE)	12.6 %	12.7 %	11.9 %	12.7 %	11.9 %

¹ Calculated as net revenue less operating expenses.

² Calculated as operating income divided by net revenue.

³ Adjusted operating expenses are calculated as operating expenses less one-time strategic initiatives costs, share-based compensation and amortization of convertible debenture discount.

⁴ Considered to be a 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 MD&A. The Company utilizes non-GAAP or supplemental financial measures, such as adjusted results, originations and VUM to assess its businesses and to measure performance. To arrive at adjusted results, the Company adjusts reported results for "adjusting items".

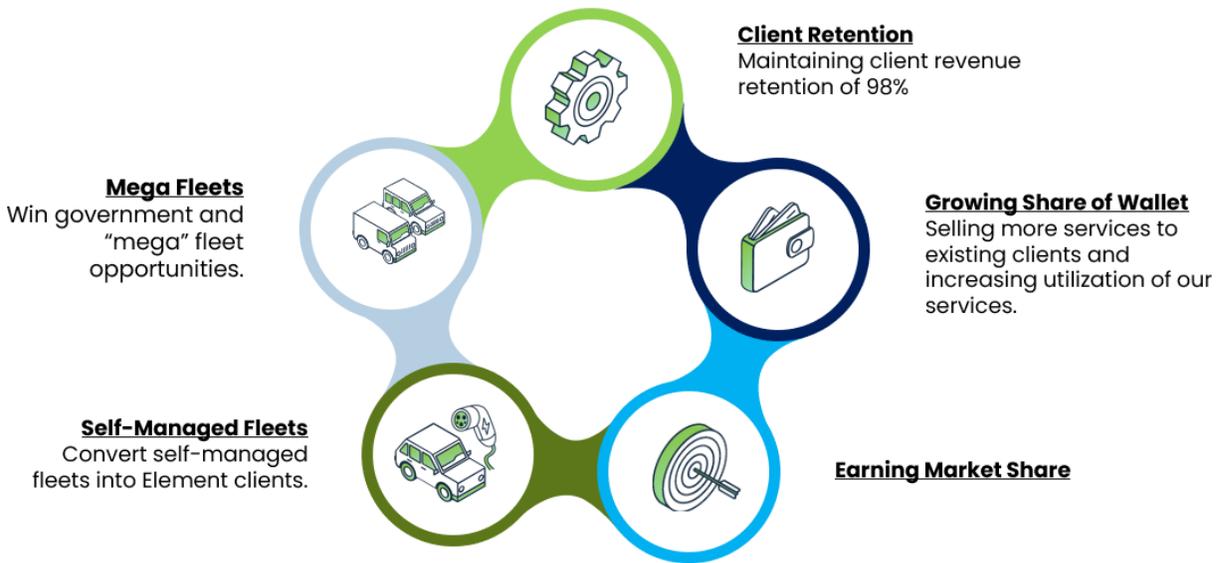
Company Overview

Element Fleet Management Corp. ("Element") is the largest publicly traded, pure-play automotive fleet manager in the world. We provide a full range of fleet services and solutions to a growing base of loyal, world-class clients - corporations, governments and not for profits - across North America, Australia and New Zealand.

Our services address every aspect of clients' fleet requirements, from vehicle acquisition, maintenance, accidents and remarketing, to integrating EV's and managing the complexity of gradual fleet electrification. Clients benefit from our expertise as one of the largest fleet solutions providers in our markets, offering economies of scale and insight used to reduce fleet operating costs, improve productivity of both vehicles and their drivers, and improve performance.

Element has 1.5 million vehicles under management (June 30, 2024).

We utilize various revenue levers to deliver revenue growth. These include:



Acquisition of Autofleet

On August 13, 2024, we announced we have entered into a definitive agreement to acquire Autofleet Solutions Ltd. ("Autofleet"), an innovator in fleet and mobility solutions. Autofleet has a robust and highly scalable fleet optimization technology platform alongside optimized mobility solutions tailored for the fleet industry.

Founded in 2018, the firm boasts a skilled team of approximately 70 professionals including developers, engineers, and data scientists. We expect their expertise will enable us to fast-track the modernization of our digital capabilities, enhance our ability to scale our core business more quickly, and ultimately deliver increased value to our clients and shareholders.

We anticipate that the combination of our own scale, market leadership, and comprehensive fulfillment capabilities with Autofleet's digital, data, and cloud capabilities, will advance our purpose to Move the World Through Intelligent Mobility and unlock new revenue streams for both companies.

The completion of the acquisition is subject to customary closing conditions, and the terms of the transaction remain undisclosed. We expect the transaction to close in early Q4 2024.

Strategic Initiatives Update

As previously disclosed, we plan to optimize our business further by centralizing accountability for our U.S. and Canadian leasing operations and establishing a strategic sourcing presence in Asia. We continue to expect these initiatives to generate between US\$30 - \$45 million (CAD \$40 - \$60 million) of run-rate net revenue, and between US\$22 - \$37 million (CAD \$30 - \$50 million) of run-rate adjusted operating income (“AOI”), by full-year 2028.

These initiatives require approximately US\$22 million (total) (CAD \$30 million) in non-recurring setup costs, of which US\$2.4 million and US\$2.1 million were incurred in Q2 2024 and Q1 2024, respectively (H1 2023 - nil). In 2023, the Company incurred US\$13.7 million, in aggregate, in such costs. The remaining and final costs of approximately US\$3.8 million will likely be recorded in Q3 2024.

In August, we commenced operations in Dublin, creating a global standard for leasing excellence. This Dublin-based team is currently comprised of 50 cross-functional professionals, and is expected to grow to approximately 80 later this year. As previously communicated, centralizing our U.S. and Canadian leasing functions in Ireland provides the following benefits:

1. Enhancing our consistent, superior client leasing experience to grow market-leading offerings across leasing lifecycle;
2. Greater control over a broader leasing functions to better assess performance and optimize capital allocations;
3. Aligning commercial sales and strategic alliances to leasing strategy; and
4. A more disciplined pricing strategy.

In April 2024, we commenced operations in Singapore, marking a significant milestone in our ongoing strategic initiative to enhance our global procurement capabilities and strategic sourcing relationships in Asia. Concurrently, we entered into our first collaboration agreement with a strategic sourcing supplier.

The expected payback period from our investments is anticipated to be less than 2.5 years.

We also remain focused on prioritizing digitization and automation initiatives to enable future growth, drive operational efficiencies and position Element as a leading industry player in the rapidly evolving mobility and vehicle connectivity landscape.

Additionally, we continue to make progress on opportunities to expand into new client segments within the small- to medium-sized fleet market. We are also focused on making bold strides towards offering new products and solutions, including insurance, telematics, and electrification.

Effect of Foreign Currency Exchange Rate Changes

Effective Q1 2024, we transitioned all our financial reporting currency from the Canadian dollar to the U.S. dollar. Element cautions readers that the transition to U.S. dollar reporting does not entirely eliminate foreign exchange fluctuations from its financial performance. We are exposed to fluctuations in certain foreign currencies from operations we conduct in Mexico, Australia, New Zealand, and Canada. We performed a foreign exchange sensitivity analysis to assess potential mitigating actions. Additionally, we institute certain designated hedges that further mitigate the effects of FX exposure on our financial performance. Notwithstanding, our assets, liabilities, and foreign operating results do fluctuate as a result of fluctuations in these currencies against the reporting currency, now being the U.S. dollar. Based on our latest analysis, a 1% of depreciation (appreciation) in the value of the U.S. dollar against all of the Mexican peso, Australian dollar, New Zealand dollar, and Canadian dollar simultaneously would be expected to increase (decrease) adjusted operating income by approximately \$3.9 million, on an annualized basis, with Mexico representing just over 60% of the total aggregate impact.

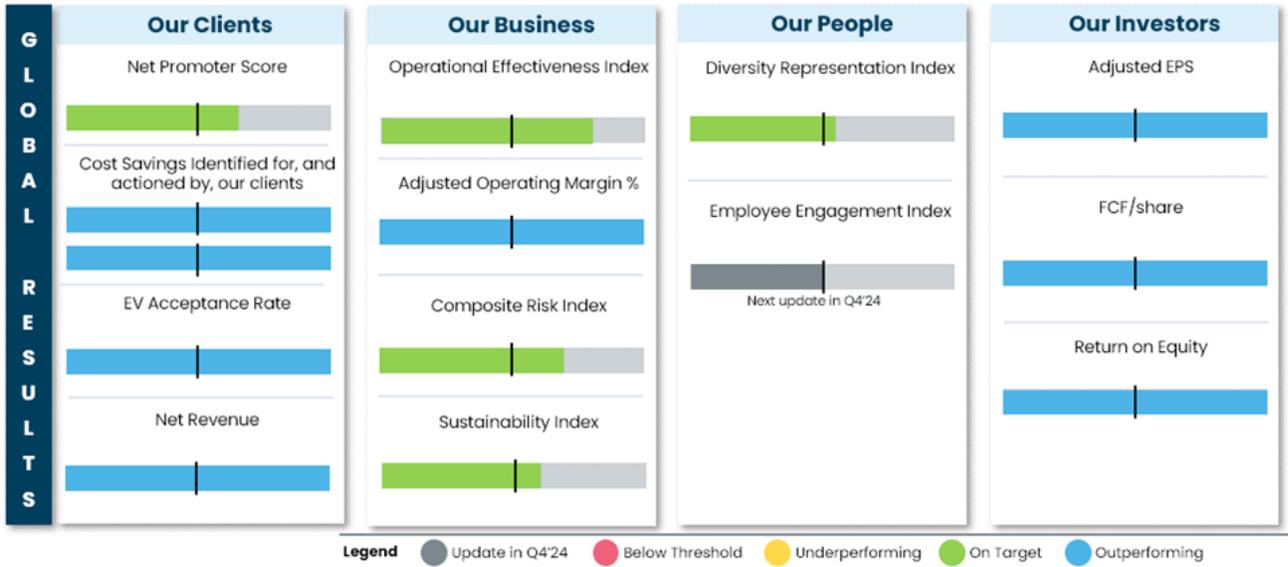
Average exchange rate for the three-months ended	June 30, 2024	March 31, 2024	June 30, 2023
Canadian dollar/U.S. dollar	0.7297	0.7384	0.7524
Mexican Peso/U.S. dollar	0.0551	0.0595	0.0580
Australian dollar/U.S. dollar	0.6639	0.6554	0.6716
New Zealand dollar/U.S. dollar	0.6131	0.6077	0.6135

Items impacting our Unaudited Interim Condensed Consolidated Statements of Operations are translated to U.S. Dollars using average exchange rates for the respective quarterly period. For items impacting our Unaudited Interim Condensed Consolidated Statements of Financial Position, end of period rates are used for currency translation purposes.

Global Balanced Scorecard

We use a global balanced scorecard ("Global BSC") 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 Element in four dimensions, each representing one of our main pillars: our clients, business, employees, and investors.

We either achieved or outperformed on all of our Global BSC metrics in Q2 2024.



Our Clients

Earning our clients' loyalty

Elevating the client and driver experience remains a strategic focus for us. One of the key indicators of our success in delivering an exceptional client experience is our Net Promoter Score (NPS).

At the end of Q2 2024, our global NPS reached a record high of 50; up from 48 at the end of Q1. Our client engagement levels have increased for four consecutive quarters, demonstrating the strength of our partnerships and our clients' willingness to provide valuable feedback. This feedback ensures that we continually incorporate the client's voice into our commitments, elevating both the client and driver experience to best-in-class standards.

Creating compelling value for our clients

Our global Strategic Advisory Services (SAS) team is committed to delivering substantial value to our clients. We achieve this by proactively identifying each client's unique fleet challenges and opportunities, then responding with tailored solutions and strategies.

In Q2 2024, our SAS team launched an AI-powered budgeting tool to forecast future expenses, including maintenance, fuel costs, and vehicle depreciation. Additionally, the SAS team is developing a Best-In-Class tool that enables our advisors to exceed traditional cost-per-mile benchmarks, thereby setting new savings standards for both our advisors and clients.

Additionally, by leveraging AI, we have classified clients based on vehicle or usage commonalities across different segments. This approach enhances benchmark comparisons, providing our advisors with more profound insights to share with clients.

In Q2 2024, our SAS team identified and shared with clients over \$440 million of fleet-operating-cost savings opportunities, of which approximately \$78 million in value were “actioned” by clients. Additionally, the SAS team provided \$120 million in savings through the utilization of our products alone.

Enabling client fleet electrification

Our clients continue to leverage *Arc by Element*, our end-to-end electric vehicle fleet solution. In Q2 2024, we expanded our pipeline of home and depot charging EV programs and client engagements. We also recently conducted a Global EV Charging RFI to enhance Element’s EV services and capabilities. We expect the continued client focus on decarbonization to expand the level of client engagement on fleet electrification throughout the second half of 2024. We are also developing training modules to support change management for clients and drivers.

In the U.S. and Canada, we launched a new home charger subscription product, simplifying the financing, installation and monitoring of home EV chargers.

In Mexico, we have expanded relationships with local charging infrastructure providers to better serve our clients. We also held notable EV events, including our EV Day in Mexico and the U.S. and Canada EV Advisory Council.

In Australia and New Zealand, we worked with large last-mile delivery partners to support the complex and evolving EV transition discussions. Additionally, our clients in Australia continue to benefit from our ARENA funding and partnership with Origin Energy, facilitating the installation of multiple EV charging stations across commercial and residential buildings.

Our Business

Consistently meeting service commitments

In Q2 2024, our maintenance team processed the highest number of transactions in Element’s history. We continued to secure substantial negotiated savings per repair for our clients, marking another historical high in cost efficiency. Despite the increased volume, our team maintained an impressive one-time repair completion rate of over 80% and achieved a consistent driver shop satisfaction rate of 97%.

Continuously improving the way we work

Our Continuous Improvement and Automation team remains committed to driving innovation, process optimization and automation. To achieve its goals, the team leverages the latest technological advancements, including Artificial Intelligence and Machine Learning tools.

The implementation of our automation solutions has significantly boosted operational efficiency, elevating both employee and client experiences. By automating routine tasks, our teams can concentrate on strategic and client-centric activities.

Prudently managing our risks

Our Enterprise Risk Council (the “Council”) is a cross-functional group led by our Chief Financial Officer. Risk owners from across Element regularly update the Council on their risks, the steps to mitigate these risks, and any potential emerging trends.

In Q2 2024, we advanced our commitment to updating our risk universe to better reflect the current landscape, further embedding a culture of risk awareness throughout our organization. We completed the identification of top risks that may impact us over the next 12 months, as well as identifying several emerging risks to monitor. We also continually review our compliance risk inventory, assigning ownership to individuals responsible for daily operations, rather than defaulting to executive-level appointments for all areas. This approach not only enhances accountability but also aligns with our dedication to precision and clarity in managing our risk profile.

Our Enterprise Composite Risk Index (ECRI) reflects the current environment, which evaluates risks impacting revenue, credit and collections, operations, treasury, information technology and people. The ECRI remains aligned with our Risk Appetite Statements, providing clear metrics and thresholds for effective risk management. The results and related actions were shared with the Credit and Risk Committee of the Board of Directors for visibility and agreement.

Sustainability: Driving progress for our planet, people, communities, and business

In Q2 2024, we released our 2024 Sustainability Report titled “*Sustainable Momentum: Building on Progress*”, which is [available on our website](#). This fourth annual publication outlines our comprehensive approach for measuring and reporting on our impact.

Highlights from the 2024 Sustainability Report include:

- Committing to setting near-term Science Based Targets;
- Aligning our disclosures to the Task Force on Climate-related Financial Disclosures (TCFD); and
- Measuring and addressing our impact through Scopes 1, 2, and 3 greenhouse gas emissions disclosure.

Additionally, in Q2, we submitted our inaugural Report under the Fighting Against Forced Labour and Child Labour in Supply Chains Act.

We also established our Regulatory Response Team, serving as a global, cross-functional committee that provides strategic direction and rapid decision-making aimed at enhancing client communication and internal coordination in response to sustainability-related regulations.

During the quarter, all employees completed our annual Element Foundations required training, inclusive of both Sustainability and Diversity, Equity, Inclusion and Belonging modules.

Supplier diversity

We are proud to have a longstanding and robust history of promoting supplier diversity, aligning seamlessly with our clients' values. Our [Supplier Diversity Program](#) is designed to create opportunities for diverse suppliers who meet our business, procurement and contractual criteria, while also aiding our clients in reaching their own supplier diversity objectives. We are actively enhancing our program and tracking capabilities to better serve our clients' needs.

Our commitment is reflected in our memberships with esteemed organizations such as 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). Through these partnerships, we strive to foster a diverse supply chain built on inclusivity and collaboration.

Our People

The second quarter marked a defining moment for Element and Our People with the launch of our Purpose – *Move the world through intelligent mobility*, alongside numerous initiatives to foster a strong, diverse, and equitable culture.

Launching our Purpose

In June, our people came together, in-person and virtually in nine live events across our organization, for Purpose Day. Our Purpose was unveiled by local leader and team member hosts with interactive discussions and workshop sessions to connect Purpose to the work we do every day. As we work to embed our Purpose in all we do, we continue to empower our people leaders and team members with the tools and support to bring our Purpose to life.

Taking Action on Engagement

In May, we shared the results of our Employee Engagement Pulse survey, which measured our mid-year progress surveying a randomized sample of our organization. In direct response, Senior Leaders gathered their teams to discuss results specific to their group and to align on the actions that need to be taken to deliver change where it matters most.

Bringing our People Together

Our people value the opportunity to connect with colleagues and leaders in the office and are looking for more ways to network internally. We are actively creating new opportunities for our people to connect in person in a meaningful way.

In April, we held a grand opening ceremony for our new office in Owings Mills, Maryland, where our team members, leaders, and community partners came together to mark the milestone.

Fostering inclusion and supporting our communities

We continue to build awareness, educate, and take action to foster a more inclusive workplace that celebrates differences and encourages a culture of belonging. Our Global BSC Diversity Representation Index is on target, with strong performance within diversity representation in hires and retention. Continuing our efforts to build an inclusive workforce, we sponsored and participated in the Disability:IN Minnesota INclusive Career Fair. We also celebrated National Volunteer Month with activities across our locations in support of our non-profit partners, including book fairs, local food banks and kit packing events to support the communities where we live and work. Our ANZ team also launched Greenlight 2024, an emerging leadership program for women. Our Mexico team members volunteered in literacy activities with Casa Hogar Alegria and rainwater collection system development in Monterrey.

Championing Diversity, Equity, Inclusion and Belonging

In April, we were recognized by The Globe and Mail Report on Business magazine's annual Women Lead Here benchmark for gender diversity in leadership, which recognizes our dedication to an inclusive culture.

Additionally, in Q2, our Business Resource Groups (BRG)⁵ honoured Asian American and Pacific Islander Heritage Month, Memorial Day and Juneteenth as well as Pride with a variety of engaging and informative activities. Through our Abled and Disabled Empowering People Together (ADEPT) and LGBTQ2 + Allies Business Resource Groups, our team members volunteered at the Special

⁵ 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.

Olympics Summer Games in Maryland and sponsored and attended The Link's 2024 Elevate & Empower Gala helping raise much needed funds for youth experiencing poverty and homelessness in Minneapolis.

Our ANZ team recognized Matariki (Māori New Year) in New Zealand and acknowledged National Sorry Day and National Reconciliation Week including a Yarning Circle with the local leadership team. The team also achieved Rainbow Tick certification in New Zealand, recognizing our progress in LGBTQIA+ inclusion.

Quarterly Results of Operations

	For the three-month period ended			For the six-month period ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(in US\$000's except per share amounts unless otherwise noted)	US\$	US\$	US\$	US\$	US\$
Reported results					
Net revenue					
Net interest income and rental revenue	263,763	241,161	208,230	504,924	392,868
Interest expense	141,354	133,983	102,532	275,337	188,945
Net financing revenue	122,409	107,178	105,698	229,587	203,923
Servicing income, net	140,123	147,053	126,433	287,176	241,915
Syndication revenue, net	12,045	8,226	8,491	20,271	19,436
Net revenue	274,577	262,457	240,622	537,034	465,274
Operating expenses					
Salaries, wages and benefits	74,574	74,562	68,118	149,136	131,419
General and administration expenses	35,088	32,135	27,385	67,223	54,418
Depreciation and amortization	14,420	14,278	12,440	28,698	24,485
Amortization of convertible debenture discount	724	793	756	1,517	1,495
Share-based compensation	6,775	10,731	6,534	17,506	18,620
Operating expenses	131,581	132,499	115,233	264,080	230,437
Other expenses					
Amortization of intangible assets from acquisition	6,966	6,979	6,982	13,945	13,959
Loss (gain) on investments	846	—	(523)	846	15
Other expenses	7,812	6,979	6,459	14,791	13,974
Income before income taxes	135,184	122,979	118,930	258,163	220,863
Provision for income taxes	32,486	29,162	29,556	61,648	52,802
Net income for the period	102,698	93,817	89,374	196,515	168,061
Weighted average number of shares outstanding [basic]	390,013	389,161	390,385	389,587	391,298
EPS [basic]	0.26	0.23	0.22	0.49	0.41
<i>Dividends declared, per share [\$CAD]</i>					
Common share	0.120000	0.120000	0.100000	0.240000	0.200000
Preferred Shares, Series A ¹	—	—	0.433313	—	0.866626
Preferred Shares, Series C ²	0.388130	0.388130	0.388130	0.776260	0.776260
Preferred Shares, Series E	0.368938	0.368938	0.368938	0.737876	0.737876

1. We redeemed all outstanding Series A preferred shares on December 31, 2023.

2. We redeemed all outstanding Series C preferred shares on June 30, 2024.

Quarterly Results of Operations

	For the three-month period ended			For the six-month period ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(in US\$000's for stated values, except per share amounts)	US\$	US\$	US\$	US\$	US\$
Adjusted results⁶					
Adjusted operating expenses⁷	121,724	118,850	107,943	240,574	210,322
Adjusted operating income⁸	152,853	143,607	132,679	296,460	254,952
Adjusted operating margin⁹	55.7 %	54.7 %	55.1 %	55.2 %	54.8 %
Adjusted net income	115,404	108,423	100,174	223,827	193,713
Adjusted EPS [basic]	0.29	0.27	0.25	0.56	0.48
Adjusted EPS [diluted]	0.29	0.26	0.24	0.55	0.46
Adjusted EPS [basic] [\$CAD]	0.39	0.36	0.33	0.75	0.64
Adjusted EPS [diluted] [\$CAD]	0.39	0.35	0.32	0.74	0.62

We offer the following commentary on net revenue, operating expenses, pre-tax income margin, net income, and earnings per share for the three and six-month periods ended June 30, 2024, which are results quantified by IFRS measures. In addition, we present and offer commentary on the adjusted results for the three and six-month periods ended June 30, 2024.

Net revenue

Q2 2024 net revenue of \$274.6 million increased \$34.0 million or 14.1% from Q2 2023. This growth was driven by strong growth across all revenue line items.

Net revenue increased \$12.1 million or 4.6% from Q1 2024 ("quarter-over-quarter"), driven by growth in net financing revenue and syndication revenue.

Net revenue for the first six months in 2024 ("year-to-date") of \$537.0 million increased by \$71.8 million or 15.4% compared to the same period last year largely driven by strong services revenue growth and double-digit net financing revenue growth.

Services income, net

Q2 2024 services revenue grew \$13.7 million or 10.8% from Q2 2023 to \$140.1 million. This increase was driven by higher origination volumes, and higher penetration rates from existing clients. Also contributing to the year-over-year increase was growth in both Mexico and ANZ.

Q2 2024 services decreased \$6.9 million or 4.7% quarter-over-quarter. Q1 2024 services revenue benefitted from \$7.0 million in certain one-time items that are not anticipated to recur in 2024 (as previously disclosed). Excluding those one-time amounts, services revenue was largely unchanged quarter-over-quarter.

On a year-to-date basis, services revenue of \$287.2 million increased by \$45.3 million or 18.7% compared to the same period last year largely due to higher utilization and penetration rates from existing and new clients. Continued growth in both Mexico and ANZ also contributed to the year-to-date increase compared with the same six-month period last year. Excluding the \$7.0 million in one-time services fee recorded in Q1 2024, year-to-date services revenue would have been 15.8% higher than the same period last year.

⁶ Considered to be a 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 MD&A. We utilize non-GAAP or supplemental financial measures, such as adjusted results to assess our businesses and to measure performance. To arrive at adjusted results, we adjust reported results for "adjusting items".

⁷ Adjusted operating expenses are calculated as operating expenses less one-time strategic initiatives costs, share-based compensation and amortization of convertible debenture discount.

⁸ Calculated as net revenue less adjusted operating expenses.

⁹ Calculated as adjusted operating income divided by net revenue.

Net financing revenue

Q2 2024 net financing revenue grew \$16.7 million or 15.8% from Q2 2023 and grew \$15.2 million or 14.2% quarter-over-quarter. Year-over-year growth was largely as a result of higher net earning assets associated with higher originations in the U.S., Canada, and ANZ regions, and growth in higher yielding assets. Gain on sale ("GOS") was largely unchanged year-over-year, as higher GOS in Mexico was mostly offset by lower GOS in ANZ as prices continue to moderate but remain well above historic levels. The volume of vehicles available for resale has increased substantially year-over-year, helping partially mitigate the downward pressure on resale values across the industry. These increases were partly offset by higher funding costs year-over-year.

Quarter-over-quarter growth was driven primarily by the same reasons described in the year-over-year discussion above, with the exception of GOS which was moderately lower in both Mexico and ANZ this quarter.

On a year-to-date basis, net financing revenue of \$229.6 million increased by \$25.7 million or 12.6% compared to the same period last year largely for the same reasons described in the Q2 year-over-year discussion above.

Net financing revenue yield on average net earning assets

(in US\$000's unless otherwise noted)	For the three-month period ended			For the six-month period ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	US\$	US\$	US\$	US\$	US\$
Average net earning assets	\$ 8,186,031	\$ 7,825,155	\$ 6,801,141	\$ 8,006,280	\$ 6,619,559
Net interest income and rental revenue	12.89 %	12.33 %	12.24 %	12.62 %	11.87 %
Interest expense	6.91 %	6.85 %	6.03 %	6.88 %	5.71 %
Net financing revenue yield on average net earning assets	5.98 %	5.48 %	6.21 %	5.74 %	6.16 %
Average debt outstanding	\$ 8,757,365	\$ 8,239,147	\$ 7,274,728	\$ 8,498,256	\$ 6,970,018
Average cost of debt (Interest expense / average debt)	6.46 %	6.50 %	5.64 %	6.48 %	5.42 %
Average 1-Month LIBOR rates	— %	— %	3.42 %	— %	4.86 %

Syndication revenue

We syndicated \$955.2 million of assets in Q2 2024 - \$440.8 million or 85.7% more volume than Q2 last year and double that of Q1 2024. These increases are primarily attributable to record originations and our ongoing focus on our capital lighter model driving higher volumes this quarter. This increased the number of names we syndicated, impacting our syndication mix. Overall, pricing in the syndication market has improved from Q1 and client demand remains robust. We continue to utilize syndication as a key lever to manage our tangible leverage.

Q2 2024 syndication revenue grew \$3.6 million or 41.9% year-over-year and \$3.8 million or 46.4% quarter-over-quarter largely due to record volumes this quarter.

On a year-to-date basis, syndication revenue of \$20.3 million was \$0.8 million or 4.3% higher compared to the same period last year largely for the same reasons described in the immediately preceding paragraph.

Operating expenses

Q2 2024 operating expenses of \$131.6 million increased \$16.3 million or 14.2% year-over-year largely due to higher salaries, wages and benefits, and higher general and administrative expenses. The increase in salaries, wages and benefits is attributable to higher headcount in support of growth

and higher incentive compensation accruals on strong first half 2024 financial performance. The year-over-year increase in general and administrative expenses is predominantly a function of investments made in our business to support growth (largely professional fees). Higher depreciation and amortization also contributed to the increase. Q2 2024 operating expenses included \$2.4 million in one-time strategic project costs (Q2 2023 - nil).

Q2 2024 operating expenses decreased \$0.9 million or 0.7% quarter-over-quarter driven largely by lower share based compensation, and offset by higher general and administration expenses. This increase in general and administration expenses is largely attributable to higher professional fees and business development, partly offset by lower promotional and advertising spend. Salaries, wages, and benefits were unchanged quarter-over-quarter. Q2 2024 included \$2.4 million in one-time strategic project costs compared with \$2.1 million recorded in Q1 2024.

On an adjusted basis, Q2 2024 operating expenses of \$121.7 million were \$13.8 million or 12.8% and \$2.9 million or 2.4% higher year-over-year and quarter-over-quarter, respectively, largely driven by the same reasons cited in the immediately preceding paragraphs.

On a year-to-date basis, operating expenses of \$264.1 million increased by \$33.6 million or 14.6% compared to the same period last year for the same reasons cited in the Q2 year-over-year commentary above. The first six months of 2024 included \$4.5 million in one-time strategic project costs (YTD 2023 - nil). On an adjusted basis, year-to-date operating expenses of \$240.6 million increased by \$30.3 million or 14.4% compared to the same period last year.

Net income and adjusted operating income

Q2 2024 net income of \$102.7 million grew by \$13.3 million or 14.9% from Q2 2023 and increased by \$8.9 million or 9.5% quarter-over-quarter - both increases primarily driven by stronger net revenue generation. Year-to-date, net income of \$196.5 million increased by \$28.5 million or 16.9% compared with the same six-month period last year.

On an adjusted basis, Q2 2024 net income of \$115.4 million was \$15.2 million or 15.2% higher year-over-year and \$7.0 million or 6.4% higher quarter-over-quarter. On a year-to-date basis, adjusted net income of \$223.8 million grew \$30.1 million or 15.5% compared to the same period last year.

AOI was \$152.9 million this quarter, an increase of \$20.2 million or 15.2% year-over-year - amounting to adjusted EPS of \$0.29 for Q2 2024, which is a 4 cent increase from Q2 2023.

AOI increased by \$9.2 million or 6.4% quarter-over-quarter. Q2 2024 adjusted EPS was 2 cents higher than Q1 2024.

On a year-to-date basis, AOI of \$296.5 million increased by \$41.5 million or 16.3% year-over-year.

Pre-tax income margin and adjusted operating margin

Q2 2024 pre-tax income margin was 49.2% compared to 49.4% in Q2 2023 and 46.9% in Q1 2024. Q2 2024 adjusted operating margin was 55.7%, representing margin expansion of 60 basis points year-over-year. This expansion is driven largely by positive operating leverage (i.e. net revenue growth outpacing growth in adjusted operating expenses). Adjusted operating margin expanded 100 basis points quarter-over-quarter.

For the first six months ended June 30, 2024, pre-tax income margin was 48.1% and adjusted operating margin was 55.2%, which compares favourably to pre-tax income margin of 47.5% and adjusted operating margin was 54.8% for the same six month period last year.

Originations

We originated a record \$2.0 billion of assets in Q2 2024 (excluding Armada), which is an \$87.2 million or 4.6% increase year-over-year and \$434.1 million or 28.2% quarter-over-quarter. These increases were led largely by growth in the U.S. and Canada and ANZ, offset by modestly lower originations in Mexico largely due to unfavourable impacts of foreign currency translation.

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

(in US\$000's) (Excluding Armada)	June 30, 2024		March 31, 2024		June 30, 2023	
	US\$	%	US\$	%	US\$	%
United States and Canada	1,599,955	81.0	1,182,987	76.7	1,522,241	80.6
Mexico	252,573	12.8	259,143	16.8	255,453	13.5
Australia and New Zealand	123,486	6.2	99,753	6.5	111,123	5.9
Total	1,976,014	100.0	1,541,883	100.0	1,888,817	100.0

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 June 30, 2024. This information has been prepared on the same basis as our 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 our audited consolidated financial statements and the related notes to those statements.

(in US\$ 000's except per share amounts and ratios or unless otherwise noted)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
	US\$	US\$						
Net revenue	274,577	262,457	245,129	248,671	240,623	224,652	215,292	222,639
Adjusted operating income	152,853	143,607	134,928	140,607	132,686	122,273	110,664	113,794
After-tax adjusted operating income	115,404	108,423	99,806	106,861	100,178	93,539	82,998	84,777
Net income	102,698	93,817	81,567	95,946	89,373	78,687	74,389	79,471
EPS, basic	0.26	0.23	0.20	0.24	0.22	0.19	0.18	0.19
EPS, diluted	0.26	0.23	0.19	0.23	0.21	0.18	0.17	0.18
Adjusted EPS, basic	0.29	0.27	0.25	0.26	0.25	0.23	0.20	0.20
Adjusted EPS, diluted	0.29	0.26	0.24	0.25	0.24	0.22	0.19	0.19
Total assets	12,874,525	13,336,018	12,430,536	12,101,324	11,959,106	11,123,782	10,581,343	10,009,118
Net earning assets	8,114,717	8,034,053	7,610,333	7,327,686	7,063,377	6,527,491	6,197,402	6,053,067
Total debt	8,610,341	9,060,476	8,064,097	7,737,840	7,656,545	6,884,314	6,583,795	6,183,174
Originations	1,976,014	1,541,883	1,489,595	1,556,967	1,888,817	1,404,647	1,317,238	1,058,525
Allowance for credit losses	5,351	5,794	5,539	6,947	7,613	7,535	7,655	7,409
As a % of total finance receivables before allowance	0.07	0.08	0.08	0.10	0.11	0.12	0.13	0.13
Senior revolving credit facilities - drawn	1,222,012	796,104	825,319	923,120	1,288,390	1,959,812	1,397,823	1,041,124
Borrowings	7,489,404	8,225,463	7,192,813	6,760,142	6,298,892	4,970,289	5,104,937	5,053,184
Convertible debentures ¹⁰	—	126,108	127,816	124,419	125,653	122,018	121,030	118,859

¹⁰ We redeemed all of our convertible debentures on June 26, 2024.

Financial Position

The following table presents a summary of our comparative financial positions, as at:

(in US\$000's unless otherwise noted)	June 30, 2024	March 31, 2024	June 30, 2023
	US\$	US\$	US\$
ASSETS			
Cash	83,228	696,043	56,189
Restricted funds	268,209	335,908	323,829
Finance receivables	7,769,684	7,473,180	6,997,605
Equipment under operating leases	2,589,411	2,685,015	2,383,189
Accounts receivable and other current assets	214,507	197,553	171,693
Derivative financial instruments	54,918	62,164	93,288
Property, equipment and leasehold improvements	110,943	114,466	95,587
Intangible assets	628,252	631,288	634,102
Deferred tax assets	199,991	184,224	245,760
Goodwill	955,382	956,177	957,864
	12,874,525	13,336,018	11,959,106
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	1,090,754	1,098,935	1,133,320
Derivative financial instruments	16,113	41,552	44,924
Borrowings	8,711,416	9,021,567	7,587,282
Convertible debentures	—	126,108	125,653
Deferred tax liabilities	147,822	103,268	111,394
	9,966,105	10,391,430	9,002,573
Shareholders' equity	2,908,420	2,944,588	2,956,533
	12,874,525	13,336,018	11,959,106

Total assets and liabilities decreased by \$461.5 million and \$425.3 million, respectively, from March 31, 2024; and increased \$0.9 billion and \$1.0 billion, respectively, from June 30, 2023.

The quarter-over-quarter decrease in total assets and liabilities were primarily in cash, restricted funds, equipment under operating leases, and borrowings. Q1 2024 cash balance included the accelerated refinancing of debt that matured in Q2 2024.

Approximately 47% of Element's assets are non U.S. dollar-denominated. As a result, changes in the value of our reporting currency, the U.S. dollar, relative to the Mexico Peso, Australian and New Zealand dollars, and Canadian dollars, may have an impact on our balance sheet.

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 our total finance receivables, which were \$296.5 million higher at June 30, 2024 than at March 31, 2024, driven primarily by originations.

(in US\$000's except ratios or unless otherwise noted)	June 30, 2024	March 31, 2024	December 31, 2023
	US\$	US\$	US\$
Net investment in finance receivables	5,525,306	5,349,038	4,964,175
Impaired receivables - at net realizable value	6,483	5,359	6,247
	5,531,789	5,354,397	4,970,422
Unamortized origination costs and subsidies	(67,529)	(63,298)	(58,232)
Net finance receivables	5,464,260	5,291,099	4,912,190
Prepaid lease payments and Security deposits	(94,041)	(77,104)	(60,014)
Interim funding	1,125,919	979,079	1,129,091
Fleet management service receivables	608,092	711,515	649,562
Other	569,730	487,186	512,413
Continuing involvement asset	101,075	87,199	81,851
	7,775,035	7,478,974	7,225,093
Allowance for credit losses	5,351	5,794	5,539
Total finance receivables	7,769,684	7,473,180	7,219,554

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

Credit losses and provisions as at and for the six-month period ended June 30, 2024, for the three-month period ended March 31, 2024 and the year-ended December 31, 2023 are as follows.

(in US\$000's except ratios or unless otherwise noted)	Six-month period ended	Three-months ended	Twelve-months period ended
	June 30, 2024	March 31, 2024	December 31, 2023
	US\$	US\$	US\$
Allowance for credit losses, beginning of period	5,539	5,539	7,655
(Recovery of) provision for credit losses	(20)	328	(1,560)
Charge-offs, net of recoveries	(51)	(13)	(749)
Impact of foreign exchange rates	(117)	(60)	193
Allowance for credit losses, end of period	5,351	5,794	5,539
Charge-offs, net of recoveries, as a % of net investment of finance receivables	— %	— %	0.02%
Allowance for credit losses, as a % of total finance receivables before allowance	0.07 %	0.08 %	0.08%

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) such as overall default rates and the impact that potential upward or downward trends in GDP would have on our lease and loan portfolio. We expect inflation to continue moderating and that

interest rates will ease in the second half of 2024. The growth of our portfolio when combined with the favorable evolution of our credit mix and the resilience of our client base, resulted in a modest release of \$0.4 million to our allowance for credit losses in the quarter.

Our allowance for credit losses has decreased \$0.2 million since December 31, 2023.

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.

Impaired receivables increased to \$6.5 million as at June 30, 2024 following the Chapter 11 bankruptcy of one of our clients. The client's re-organization plan is expected to be confirmed in fourth quarter of 2024, with our lease and service agreements affirmed. One of our clients that filed Chapter 11 bankruptcy in Q4 2023 is expected to have its re-organization plan confirmed in the third quarter of 2024, with our lease and service agreements affirmed. This client has also continued to make payments during bankruptcy.

Portfolio distribution by geography

The table below sets forth the geographic distribution of our portfolio of net finance receivables and equipment under operating leases, as at:

(in US\$000's unless otherwise noted)	June 30, 2024		March 31, 2024		December 31, 2023	
	US\$	%	US\$	%	US\$	%
United States and Canada	4,686,871	58.2	4,498,423	56.4	4,144,494	54.8
Mexico	2,108,125	26.1	2,266,179	28.4	2,145,845	28.4
Australia and New Zealand	1,258,675	15.7	1,211,512	15.2	1,268,009	16.8
Total	8,053,671	100.0	7,976,114	100.0	7,558,348	100.0
Allocated as:						
Net finance receivables	5,464,260	67.8	5,291,099	66.3	4,912,190	65.0
Equipment under operating leases, net	2,589,411	32.2	2,685,015	33.7	2,646,158	35.0
Total	8,053,671	100.0	7,976,114	100.0	7,558,348	100.0

The table below sets forth the geographic distribution of our assets under management, as at:

(in US\$000's unless otherwise noted)	June 30, 2024		March 31, 2024		December 31, 2023	
	US\$	%	US\$	%	US\$	%
United States and Canada	10,607,222	75.7	9,976,486	73.9	9,751,650	73.1
Mexico	2,141,379	15.3	2,311,652	17.1	2,323,170	17.4
Australia and New Zealand	1,257,888	9.0	1,210,975	9.0	1,267,505	9.5
Assets under management	14,006,489	100.0	13,499,113	100.0	13,342,325	100.0

Liquidity

Our 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

We assess and proactively manage our liquidity position by ensuring we have controls over all sources and uses of cash flow. We also conduct ongoing comprehensive stress-tests to identify early indications of any risks to our cash flow and forward funding capacity. Throughout 2023 and continuing through 2024, 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, total capital of \$13.6 billion (of which \$5.0 billion is committed and undrawn) at June 30, 2024, 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 six-month period ended June 30, 2024 was \$531.1 million, a change of \$134.5 million from the \$665.6 million used in operating activities for the six-month period ended June 30, 2023. The year-over-year change was primarily the result of higher syndication of finance receivables, increase in disposal of equipment under operating leases, deferred tax liabilities and derivative financial instruments. This offset by lower repayment of finance receivables and increase investment in finance receivables.

Cash used in investing activities for the six-month period ended June 30, 2024 was \$36.2 million compared to \$31.2 million for the six-month period ended June 30, 2023. The year-over-year change is driven by an increase in the purchase of computer software of \$4.6 million.

Cash provided by financing activities for the six-month period ended June 30, 2024 was \$662.3 million, compared to \$831.5 million provided in financing activities for the six-month period ended June 30, 2023. The decrease is primarily due to the repayment made to our borrowings facilities, redemption of preferred shares Series C, a decrease in restricted funds and increase dividends paid. This is offset by the issuance of asset-backed facilities, decrease in shares repurchased and issuance of share capital.

Free cash flow

We present our view of our adjusted free cash flow in our Supplementary Information document available on our website.

The table below illustrates the reconciliation of "adjusted free cash flow" to "Cash Flow from Operations":

(in US\$000's unless otherwise noted)	For the three-month period ended			For the six-month period ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	US\$	US\$	US\$	US\$	US\$
Adjusted free cash flow	148,058	134,446	134,119	282,504	243,795
Amortization of equipment under operating leases	132,461	137,331	117,540	269,792	223,270
Investment in finance receivables	(1,877,564)	(1,362,974)	(1,752,672)	(3,240,538)	(3,089,434)
Repayments of finance receivables	524,511	631,306	860,579	1,155,817	1,382,047
Investment in equipment under operating leases	(279,581)	(258,111)	(283,162)	(537,692)	(537,775)
Disposals of equipment under operating leases	94,428	76,068	63,715	170,496	124,900
Proceeds from syndication financings	971,573	482,483	523,151	1,454,056	1,041,216
Sustaining capital investments	9,300	12,947	15,215	22,247	26,212
Preferred share dividends	2,900	2,951	4,474	5,851	8,817
Other	45,346	(158,962)	39,171	(113,616)	(88,646)
Cash flow from operations	(228,568)	(302,515)	(277,870)	(531,083)	(665,598)

Credit and debt facilities

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

As at June 30, 2024, we had \$5.0 billion of committed, undrawn liquidity available across our senior unsecured revolving credit facilities (\$2.05 billion), secured variable funding note facilities (\$2.87 billion), and cash of \$0.08 billion. Commitments under these facilities are funded by a syndicate of leading Canadian, U.S. and international banks, who provide us with access to efficient liquidity and capital required to support the growth of our business.

As at (in US\$000's unless otherwise noted)	June 30, 2024			
	US\$	%	US\$	US\$
	Facility size	Undrawn amount	Drawn amount	
Senior unsecured revolving credit facilities	3,275,000	62.7	2,052,988	1,222,012
Senior notes	2,650,000	—	—	2,650,000
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	2,275,037	—	—	2,275,037
Variable funding notes	5,353,315	53.7	2,874,693	2,478,622
Other	20,439	—	—	20,439
Total vehicle management asset-backed debt	7,648,791	37.6	2,874,693	4,774,098
Total cash			83,228	
Total capital available for continuing operations			5,010,909	

As at (in US\$000's unless otherwise noted)	March 31, 2024			
	US\$	%	US\$	US\$
	Facility size	Undrawn amount	Drawn amount	
Senior unsecured revolving credit facilities	3,125,000	74.5	2,328,896	796,104
Senior notes	3,150,000	—	—	3,150,000
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	1,515,545	—	—	1,515,545
Variable funding notes	5,299,250	34.3	1,817,985	3,481,265
Other	21,999	—	—	21,999
Total vehicle management asset-backed debt	6,836,794	26.6	1,817,985	5,018,809
Total cash			696,043	
Total capital available for continuing operations			4,842,924	

Senior unsecured revolving credit facilities

The Senior Credit Facilities comprise of (i) a \$2.425 billion committed revolving facility with a group of lenders, comprising Canadian, U.S. and international banks (the "Syndicated Senior Credit Facility") and (ii) a \$850 million committed revolving facility (the "Committed Credit Facility") syndicated between two lenders, and together the "Senior Unsecured Revolving Credit Facilities".

The Syndicated Senior Credit Facility was last amended on December 13, 2023, at which point the available capacity on the facility was increased by \$0.500 billion to \$2.425 billion, and the maturity date was extended to November 2, 2026.

The Committed Credit Facility is used solely for the purposes of financing specified assets of our New Zealand and Mexican operations. On April 24, 2024, the available capacity on the facility was increased by \$150 million, for a total facility amount of \$850 million. The maturity on the revolving portion of the facility was extended to April 24, 2025, and the maturity on the non-revolving portion was extended to March 24, 2029.

As at June 30, 2024, \$1.2 billion was drawn on the Senior Unsecured Revolving Credit Facilities (December 31, 2023 - \$825.3 million) leaving us with access to \$2.05 billion (December 31, 2023 - \$2.3 billion) of available financing under these facilities.

Senior notes

On March 13, 2024, we completed the issuance of \$750.0 million 5.643% senior unsecured investment-grade notes with a maturity of March 13, 2027. The proceeds received at the time of closing were used for general corporate purposes, and to repay the \$500 million 1.600% senior unsecured notes which matured on April 6, 2024. As at June 30, 2024, we had \$2.65 billion in outstanding senior unsecured notes (December 31, 2023 - \$2.4 billion).

Vehicle management asset-backed debt

Vehicle management asset-backed debt includes term notes and variable funding notes.

U.S. Fleet Receivables Securitization Arrangement: We operate, through an indirect wholly-owned special-purpose subsidiary, a securitization program to fund U.S. fleet assets. On December 15, 2023, the aggregate funding commitment for the variable funding notes was increased to \$3.0 billion, and the maturity date was extended to December 31, 2024. On April 17, 2024, we issued \$1 billion in amortizing term notes with an initial weighted average interest rate of 5.646%. The proceeds from these issuances were used to pay down variable funding notes. As of June 30, 2024, we had five series of term notes outstanding, having an aggregate principal amount of \$2.28 billion.

Canadian Fleet Receivables Securitization Arrangement: We operate, through an indirect wholly-owned special-purpose limited partnership subsidiary, a program to fund the origination of Canadian fleet assets. The securitization series provides for the issuance of variable funding notes with a funding commitment of \$1.2 billion (CAD \$1.6 billion), and matures on November 20, 2025. As at June 30, 2024, we had available and unutilized funding capacity of \$307.4 million (CAD \$416.4 million) under the existing securitization funding Class A commitment.

On November 28, 2023, we entered into a two-year letter of credit facility agreement with a Canadian bank, with a facility limit of up to \$44.3 million (CAD \$60 million). As at June 30, 2024 we had issued and outstanding letters of credit for the full amount of the facility to support the Canadian Fleet Receivables Securitization program.

Australian Fleet Receivables Securitization program: We operate, through a special purpose trust, a securitization program to fund the origination of Australian fleet assets. In May 2024, the facility was upsized by \$0.05 billion (AUD \$0.075 billion) to \$0.734 billion (AUD \$1.1 billion) and was extended for two years to May 16, 2026. As of June 30, 2024, the third-party funding of these issued notes and loans amounted to outstanding balances of \$682.8 million (AUD \$1,023.8 million), with unutilized funding capacity of \$50.8 million (AUD \$76.2 million).

Other Asset-Backed Receivables Financing Agreement: We are, through an indirect wholly-owned special purpose subsidiary, part of an asset-backed receivables financing agreement with one lender. As at June 30, 2024, we had available and unutilized funding capacity of nil under the existing commitment provided for under the Receivables Agreement.

Capital Resources

Capitalization

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

Our capitalization is calculated as follows:

As at	June 30, 2024	March 31, 2024	December 31, 2023
(in US\$000's)	US\$	US\$	US\$
Cash	83,228	696,043	96,419
Unsecured debt			
Senior credit facilities	1,222,012	796,104	825,319
4.250% Convertible Debentures due 2024	—	126,108	127,816
1.600% Senior Notes due 2024	—	500,000	500,000
3.850% Senior Notes due 2025	400,000	400,000	400,000
6.271% Senior Notes due 2026	750,000	750,000	750,000
5.643% Senior Notes due 2027	750,000	750,000	—
6.319% Senior Notes due 2028	750,000	750,000	750,000
Vehicle Management Asset-Backed Debt			
Revolving term notes in amortization	2,275,037	1,515,545	1,694,837
Variable funding notes	2,478,622	3,481,265	2,999,614
Other	20,439	21,999	29,061
Deferred financing costs	(30,195)	(30,607)	(29,618)
Continuing involvement liability	101,075	87,199	81,851
Hedge accounting fair value adjustments	(5,574)	62	17,068
Total debt	8,711,416	9,147,675	8,145,948
Shareholders' equity			
Common share capital	2,243,299	2,108,023	2,109,103
Preferred share capital	92,404	181,077	181,077
Other	572,717	655,488	653,648
Total Shareholders' Equity	2,908,420	2,944,588	2,943,828
Total Capitalization	11,619,836	12,092,263	11,089,776

Growing profitability, adjusted free cash flow and syndication all contribute to the deleveraging of our balance sheet.

Corporate updates

Redemption of all outstanding 6.21% Cumulative 5-Year Rate Reset Preferred Shares Series C

On June 30, 2024, we redeemed all of our 5,126,400 issued and outstanding 6.21% Cumulative 5-Year Rate Reset Preferred Shares Series C (the "Series C Shares") at a price of CAD\$25.00 per Series C Share for an aggregate total amount of approximately US\$91.2 million (CAD\$128 million), together with all accrued and unpaid dividends up to but excluding the Share Redemption Date (the "Redemption Price"), less any tax required to be deducted and withheld by us.

Intention to redeem all our outstanding 5.903% Cumulative 5-Year Rate Reset Preferred Shares Series E

To further optimize our balance sheet and mature our capital structure, on August 13, 2024, we announced our intention to redeem - in accordance with the terms of the 5.903% Cumulative 5-Year Rate Reset Preferred Shares Series E (the "Series E Shares") as set out in our articles - all of our 5,321,900 issued and outstanding Series E Shares on September 30, 2024 (the "Share Redemption

Date") for a redemption price equal to CAD\$25.00 per Series E Share for an aggregate total amount of approximately US\$92.4 million (CAD\$133 million), together with all accrued and unpaid dividends up to but excluding the Share Redemption Date (the "Redemption Price"), less any tax required to be deducted and withheld by us.

On August 13, 2024, we provided notice (via press release) of the Redemption Price and the Share Redemption Date to the sole registered holder of the Series E Shares in accordance with the terms of the Series E Shares as set out in our articles. Non-registered holders of Series E Shares should contact their broker or other intermediary for information regarding the redemption process for the Series E Shares in which they hold a beneficial interest. Our transfer agent for the Series E Shares is Computershare Investor Services Inc. ("Computershare Investor Services"). Questions regarding the redemption process may be directed to Computershare Investor Services at 1-800-564-6253 or by email to corporateactions@computershare.com.

Following their redemption on September 30, 2024, the Series E Shares will be delisted from and no longer trade on the Toronto Stock Exchange ("TSX").

4.25% Convertible Unsecured Subordinated Debentures Exchanged for Common Shares

On June 26, 2024, we redeemed all of our remaining outstanding 4.25% Convertible Unsecured Subordinated Debentures (the "Debentures") due June 30, 2024 (the "Redemption Date"). Prior to the Redemption Date, beneficial holders of the Debentures exercised their right to exchange an aggregate principal amount of approximately CAD\$172.0 million for consideration of approximately 14.6 million Common Shares, issued from Treasury and delivered to beneficial holders. The Debentures in 2024 were converted into Common Shares at a conversion price of CAD\$11.77391 per Common Share. As a result, the Debentures were delisted from and no longer trade on the TSX (previous ticker TSX: EFN.DB.B).

Normal course issuer bids

On November 13, 2023, the TSX approved the Company's intention to renew its normal course issuer bid (the "2023 NCIB"). Under the 2023 NCIB, the Company 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 will ultimately be purchased pursuant to the 2023 NCIB.

During the first six months of 2024, we purchased 455,300 common shares for cancellation, for an aggregate amount of approximately US\$7.3 million (CAD\$10.0 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.

Leverage

We view both financial and tangible leverage as indicators of the strength of our financial position. At June 30, 2024, our financial leverage ratio was 74.8% and tangible leverage ratio was 6.50:1, comfortably within our target range.

Our financial and tangible leverage is calculated as follows:

As at		June 30, 2024	December 31, 2023
<i>(in US\$000's, except ratios or unless otherwise noted)</i>		US\$	US\$
Borrowings		8,711,416	8,018,132
Convertible debentures		—	127,816
Less: Continuing involvement liability		(101,075)	(81,851)
Total debt	(a)	8,610,341	8,064,097
Total shareholders' equity	(b)	2,908,420	2,943,828
		11,518,761	11,007,925
Goodwill and intangible assets	(c)	1,583,634	1,596,323
Financial leverage	(a)/[(b)+(a)]	74.8 %	73.3 %
Tangible leverage	(a)/[(b)-(c)]	6.50	5.99

We were in compliance with all financial and reporting covenants with all of our lenders at June 30, 2024.

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 ⁽ⁱ⁾ as at June 30, 2024		
Rating agency	Issuer rating	Outlook
DBRS, Inc.	BBB (high)	Positive
Fitch Ratings	BBB+	Stable
Kroll Bond Rating Agency	A-	Stable
S&P Global Ratings	BBB	Stable

(i) 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 Q3 2023, DBRS, Inc. upgraded its outlook to positive and affirmed its investment-grade rating of BBB (high). Additionally, Fitch Ratings affirmed its stable outlook and investment-grade rating of BBB+. In Q4 2023, Kroll Bond Rating Agency affirmed its stable outlook investment-grade rating of A- and Standard & Poor affirmed its stable outlook and investment-grade rating of BBB.

Risk Management & Risk Factors

We have risk management processes in place to monitor, evaluate and manage the principal risks we assume in conducting our business. Our primary risks have not changed materially from those described in the "Risk Management & Risk Factors" section of our 2023 Annual MD&A. However, following the release of our Sustainability Report in June, and for greater clarity we have supplemented the risk factors described in the 2023 Annual MD&A with the sustainability related risk factor below.

We continue to maintain our Enterprise Composite Risk Index (ECRI), which evaluates risks impacting revenue, credit and collections, operations, treasury, information technology and people. The ECRI aligns with our Risk Appetite Statements, providing clear metrics and thresholds for effective risk management.

With a sound balance sheet, we manage tangible leverage of 6.25x-6.75x (calculated using our assumptions as to normalized FX rates) to remain within rating agency thresholds.

Element May Fail to Achieve its Sustainability Goals

We have established targets and other assessment criteria related to Sustainability matters, some of which are detailed in our latest Sustainability Report. Such targets and criteria are based on our current assumptions related to scientific or technological developments, the regulatory landscape, trends in the automotive commercial fleet market, and other matters that are subject to change in the future, as well as standards for measuring progress that are still in development, and subject to a number of significant risks and uncertainties. Because of the limitations and uncertainties inherent in climate and sustainability science, climate risk analysis and Sustainability reporting, we relied upon prevailing climate change quantification guidance and made reasonable and good faith estimates and assumptions in establishing our Sustainability targets. There are numerous factors, many of which are beyond our control, that are the subject of ongoing climate and sustainability science and that we may not foresee or be able to accurately predict, and which may impact our ability to achieve these targets, including the availability of comprehensive and high-quality greenhouse gas emissions data, slow adoption of commercial electric vehicles by companies for their fleets, the availability of technology necessary to achieve these targets, including supply chain issues relating to electric vehicles and their components, the development and performance of technology, innovation and the future use and deployment of technology and associated expected future results, and environmental regulation. There is no assurance that our Sustainability initiatives will be economically viable, effective or that the anticipated benefits will materialize. Our ability to achieve its Sustainability targets, commitments, and other goals depends on the development and performance of technology (including in particular electric vehicles), innovation, and the future use, adoption and deployment thereof and it is possible that the changes needed to achieve such targets, commitments and goals will not be feasible or that the costs will be material, either of which could have a material adverse effect on our reputation, business, results of operations or financial condition. Our failure, or perceived failure, to achieve its goals regarding sustainability matters could damage our reputation, causing investors, consumers, and other stakeholders to lose confidence in us, and may adversely impact our business, financial condition, results of operation and/or impact our share price.

A variety of stakeholders, including regulators, investors, advisory firms, rating agencies, customers and other market participants, are establishing laws, regulations, expectations, reporting obligations and/or assessments reflecting their expectations for corporate practices related to climate change and other corporate responsibility matters. We may incur capital expenditures, compliance costs, and other costs to comply with increasingly stringent environmental laws, enforcement policies and regulatory reporting requirements. In addition, if our Sustainability practices do not meet, or are not viewed as meeting, investor or other stakeholder expectations and standards (which are continually evolving and may emphasize

different priorities than the ones we now or in the future chooses to focus on), or if we do not or appear not to achieve our Sustainability goals, then we may be negatively impacted. Climate-related litigation has increased in recent years, including claims involving the failure of organizations to mitigate their impacts on climate change, the failure of organizations to adapt to climate change, the insufficiency of disclosure around material risks or inaccuracy of climate-related disclosure and allegations of “greenwashing”. Furthermore, if regulators or others disagree with our Sustainability disclosures, for example, because they believe them to be incomplete or misleading, we may face regulatory enforcement action or private rights of action and our business or reputation could be adversely affected. There is also a risk that a significant reorientation in the market following the implementation of measures relating to Sustainability disclosure requirements could be adverse to our business if we are perceived to be presenting our business as having green or sustainable characteristics where this is not, in fact, the case (i.e., “greenwashing”). Additionally, compliance with any new regulations or laws (for example, the adoption of Canadian Bill C-59 in June 2024) generally increases our regulatory burden and could make compliance more difficult and expensive, thereby adversely impacting our financial position.

Economic Conditions & Outlook

Outlook

Full-year 2024 results guidance

As a result of our strong first-half performance and positive outlook for the remainder of the year, we are raising our full-year guidance on most metrics.

The following table highlights our revised full-year 2024 guidance compared to full-year 2023 results and prior 2024 guidance ranges.

In US\$ unless otherwise noted	FY 2023 – U.S. Dollars	Prior 2024 Guidance – U.S. Dollars	New 2024 Guidance – U.S. Dollars
Net revenue	\$959.1 million	\$1.020 – 1.040 billion	\$1.060 – \$1.080 billion
<i>Implied YoY Growth</i>		6-8%	11-13%
Adjusted operating margin	55.3%	55.0% – 55.5%	55.0% – 55.5%
Adjusted operating income	\$530.6 million	\$560 – 575 million	\$575 – 595 million
<i>Implied YoY Growth</i>		6-8%	8-12%
Adjusted EPS [basic]	\$0.98	\$1.05 – 1.09	\$1.07 – \$1.11
<i>Implied YoY Growth</i>		7-11%	9-13%
Adjusted free cash flow per share	\$1.24	\$1.31 – 1.34	\$1.32 – 1.36
<i>Implied YoY Growth</i>		6-8%	6-10%
Originations (excl Armada)	\$6.3 billion	\$7.0 – 7.4 billion	\$7.0 – 7.4 billion
<i>Implied YoY Growth</i>		11-17%	11-17%

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

Our full-year 2023 results and 2024 guidance exclude non-recurring setup costs associated with our strategic initiatives, as well as non-recurring costs associated with the acquisition of Autofleet, and also prior to any material changes in foreign exchange.

We continue to expect new client growth, including the conversion of self-managed fleets, and enhanced demand from existing clients for our services and solutions (resulting from higher penetration and utilization rates) as key drivers of net revenue growth. We strive for positive operating leverage in managing the business.

Capital allocation priorities

Our capital allocation priorities have not changed. They are as follows:

- Prudently invest in our business;
- Grow common share dividend in keeping with our target payout of 25% to 35% of last twelve months' adjusted free cash flow per share;
- Redeem the last of the high-cost legacy financing instruments (preferred share series); and
- Repurchase common shares under NCIBs.

We continue to expect share repurchases in 2024 to be modest given our intention to redeem our remaining preferred shares this September and the completion of the acquisition of Autofleet.

Electric vehicles and sustainability

Fleet electrification plays a meaningful role in the decarbonization that underpins many corporate pledges toward greenhouse gas emission neutrality by 2050. This prioritization of decarbonization from C-suites and boards of directors is expected to accelerate client demand for and transition to electric vehicles. Full commercial EV adoption continues to be affected by lack of necessary infrastructure, battery range concerns, grid capacity concerns, and higher vehicle pricing.

We believe the complexity and risk associated with gradually transitioning mission-critical automotive fleets from ICE-powered to electric vehicles will increase demand for outsourced fleet management services and expertise. Importantly, we are seeing this belief bear itself out in our Commercial engagements with both new and existing clients.

Economic conditions

Contemporary economic conditions including a gradual easing of inflationary pressures, an uncertain interest rate environment, and the potential impacts to global supply chains from the upcoming U.S. presidential election offer both opportunities and challenges for our business. We closely monitor these macroeconomic factors and fleet industry trends to refine existing strategies or introduce new ones where appropriate to mitigate risks, optimize fleet ROI and capitalize on opportunities to ensure our long-term success.

Inflation

We closely monitor inflation trends and take appropriate measures to mitigate any adverse effects on our company's financial performance.

To date, inflation has been additive to our business. Our unique business model allows us to transfer much of our increased costs to our clients in a contractually agreed manner. We expect client demand to remain resilient in the second half of 2024 and continue driving net revenue growth. We anticipate inflation to continue moderating in the second half of 2024.

Inflation and tight labour market have contributed to moderate increases in operating costs, such as salaries. We will continue to explore and execute opportunities to manage operating costs through enhanced operating efficiencies.

Recession

We believe our value proposition – lowering our clients' total cost of fleet operations and reducing administrative burden – becomes more attractive and relevant to existing and prospective clients during recessionary periods (where pressure to manage operating costs and realize efficiencies increases). We acknowledge that during recessionary periods business spending and investments may also decline and we may experience a decrease in demand for our products or services, leading to lower sales and revenue.

We closely monitor economic indicators and client behavior to anticipate and respond to any potential recessionary impacts.

There are many factors that contribute to our business model's resilience across economic cycles:

- Element manages vehicles that are mostly viewed as mission-critical by our clients given the roles the vehicles play in our clients' ability to generate revenue and meet stakeholder expectations. Consequently, service consumption and replacement vehicle demand are typically less impacted in a downturn.

- Our “credit first, collateral second” underwriting philosophy mitigates credit losses as we focus on maintaining a high credit quality client base, diversified across industries and geographies.
- Element leases are typically among the first contracts to be affirmed by administrators in a bankruptcy scenario given the aforementioned mission-critical nature of the leased vehicles.
- The nature of our security positions (eg. cross-collateralization of leases, and cross-default provisions with respect to our service receivables) as part of our pro-active collateral gap management practices has proven effective at minimizing real economic losses for Element in the rare cases of client bankruptcy. Historically, our real economic losses as a percentage of total finance receivables has been in the low single-digit basis point range.

Interest rates

Interest rates play a crucial role in our business impacting our borrowing costs. When interest rates rise, so do our borrowing costs. This increase can make it more costly to finance our clients' fleets and service activity as well as our own operational activity, including new projects. Conversely, when interest rates decline, they can stimulate economic activity, potentially increase demand for our products or services. We closely monitor interest rate movements and adjust our financial strategies accordingly.

Moreover, our business model is largely agnostic to base interest rate movements as we match fund our leases based on interest rate type (fixed vs floating). This careful monitor of borrowing costs ensures new leases reflect appropriate credit spreads. We actively manage our funding facilities to optimize lease interest margins. Once a lease is activated, the interest margin is locked in for the life of the asset on our balance sheet. After activation, our exposure is limited to credit spread risk for the duration of the lease.

We expect that interest rates will be lower in the second half of 2024.

Syndication market

The vehicle lease syndication market remains robust and expansive, with relatively stable pricing and strong client demand. Lower than historical level yields are attributed to business mix specifics and increased volume, rather than pricing or market constraints. Higher syndication volumes helped mitigate the lower net yields, leading to a year-over-year and quarter-over-quarter syndication revenue increase of 41.8% and 46.4%, respectively. We continue to profitably syndicate assets and manage our target tangible leverage ratio.

In Q2 2024, we syndicated a record volume, showcasing both market depth and client demand. The syndication market benefits from a strong network of financial institutions and investors providing substantial liquidity. We continue to expect full-year 2024 syndication volumes to be higher than 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 and six-month periods ended June 30, 2024. A summary of our significant accounting policies is presented in Note 2 to the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2023. The unaudited interim condensed consolidated financial statements and the accompanying notes for the three and six-month periods ended June 30, 2024 have been prepared in conformity with accounting polices disclosed in the audited consolidated financial statements and the accompanying notes for the three and six-month periods ended December 31, 2023, except as discussed below.

Translation of foreign currencies

Effective January 1, 2024, we elected and changed our presentation currency from Canadian dollars ("CAD") to United States dollars ("USD"). Management is of the view that financial reporting in USD more accurately reflects the predominant currency of our revenue, expenses, and cash flows and to enhance comparability to our peers. The change in presentation currency is a voluntary change which is accounted for retrospectively, in accordance with the guidance in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. For comparative purposes, the historical unaudited interim condensed consolidated financial statements have been recast to USD using the procedures outlined below:

- Unaudited interim condensed consolidated Statements of Operations, Comprehensive Income, and Cash Flows have been translated into USD using average foreign currency rates prevailing for the relevant periods.
- Assets and liabilities in the unaudited interim condensed consolidated Statement of Financial Position, including goodwill, have been translated into USD at the closing foreign currency rates on the relevant balance sheet dates.
- Shareholders' Equity in the unaudited interim condensed consolidated Statement of Financial Position and Statement of Shareholders' Equity, including share capital, preferred share capital, equity component of convertible debentures, retained earnings, and other reserves, have been translated into U.S. dollars using historical rates.
- Notes to the unaudited interim condensed consolidated financial statements have been translated into USD using the methodologies above given the nature of the underlying accounts, including earnings per share and dividend disclosures, to reflect the change in presentation currency.

Our functional currency remains the Canadian dollar. Translation gains and losses from the application of the USD as the presentation currency while the Canadian dollar is the functional currency are recognized and included as part of the cumulative foreign currency translation adjustment in Comprehensive Income.

Income taxes

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which we operate. The legislation is effective for the financial year beginning January 1, 2024. We are in scope of the enacted or substantively enacted legislation and have performed an assessment of it's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Company. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which we operate are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is close to 15%. We do not expect a material exposure to Pillar Two income taxes in those jurisdictions.

Related Party Transactions

Our related parties include the following persons and/or entities: (a) associates, or entities which are controlled or significantly influenced by us; (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.

Future Accounting Changes

All applicable accounting standards effective for periods beginning on or after January 1, 2024 have been adopted by us. The following IFRS pronouncement has been issued but is not yet effective and may have a future impact on our consolidated financial statements.

Presentation and disclosure in financial statements

IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18") will replace IAS 1, *Presentation of Financial Statements* ("IAS 1"). IFRS 18 substantially carries forward IAS 1 accounting requirements for recognition and measurement of items in the financial statements, with changes to improve Companies' reporting of financial performance which will enhance investors ability to analyze and compare financial results between Companies. The new standard may impact the structure of the statement of profit or loss, disclosure in the financial statements for certain profit or loss performance measures that are reported outside of the financial statement such as management-defined performance measures, and redefining the principles of aggregate and disaggregate grouping of items based on their shared characteristics. IFRS 18 is to be effective for fiscal years beginning on or after 1 January 2027 and also applies to comparative information. We are currently evaluating the potential impact that the adoption of IFRS 18 will have on our consolidated financial statements.

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.

As of June 30, 2024, we evaluated the design of disclosure controls and procedures as defined under National Instrument 52-109. Based on that evaluation, the CEO and CFO concluded that the design of disclosure controls and procedures was effective.

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

It should be noted that while our CEO and CFO believe that our 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 our 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 our stated goals under all potential conditions.

We have 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.

For the three and six-month periods ended June 30, 2024, there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

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 June 30, 2024 and June 30, 2023, the results of operations, comprehensive income and cash flows for the three-month period-ended and year-ended June 30, 2024 and June 30, 2023.

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 period ended			As at and for the six-month period ended	
		June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(in U.S.\$000's except ratios and per share amounts or unless otherwise noted)						
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	$P/(P+R)$	74.8 %	75.5 %	72.1 %	74.8 %	72.1 %
Tangible leverage ratio	$\frac{P}{(R-K)}$	6.50	6.68	5.61	6.50	5.61
Average financial leverage ratio	$Q/(Q+V)$	74.9 %	73.8 %	71.4 %	74.4 %	70.8 %
Average tangible leverage ratio	$Q/(V-L)$	6.49	6.15	5.50	6.32	5.45
Other key operating ratios						
Allowance for credit losses as a % of total finance receivables before allowance	F/E	0.07 %	0.08 %	0.10 %	0.07 %	0.11 %
Adjusted operating income on average net earning assets	B/J	7.47 %	7.34 %	7.80 %	3.70 %	3.85 %
Adjusted operating income on average tangible total equity of Element	$D/(V-L)$	34.22 %	32.37 %	30.28 %	33.30 %	30.31 %
Per share information						
Number of shares outstanding	W	403,609	388,926	389,703	403,609	389,703
Weighted average number of shares outstanding [basic]	X	390,013	389,161	390,385	389,587	391,298
Pro forma diluted average number of shares outstanding	Y	390,163	404,118	405,505	389,736	406,413
Cumulative preferred share dividends during the period	Z	2,869	2,919	4,475	5,788	8,818
Other effects of dilution on an adjusted operating income basis	AA	\$ —	\$ 1,222	\$ 1,219	\$ 1,222	\$ 2,444
Net income per share [basic]	$(A-Z)/X$	\$ 0.26	\$ 0.23	\$ 0.22	\$ 0.49	\$ 0.41
Net income per share [diluted]		\$ 0.26	\$ 0.23	\$ 0.21	\$ 0.49	\$ 0.39
Adjusted EPS [basic]	$(D1)/X$	\$ 0.29	\$ 0.27	\$ 0.25	\$ 0.56	\$ 0.48
Adjusted EPS [diluted]	$(D1+AA)/Y$	\$ 0.29	\$ 0.26	\$ 0.24	\$ 0.56	\$ 0.46

We use a variety of both IFRS and non-GAAP and Supplemental Measures, and non-GAAP ratios to monitor and assess our operating performance. We use these non-GAAP and Supplemental Financial Measures because we believe that they may provide useful information to investors regarding our performance and results of operations.

IFRS to Non-GAAP Reconciliations

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

(in US\$000's except per share amounts or unless otherwise noted)	For the three-month period ended			For the six-month period ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Reported results	US\$	US\$	US\$	US\$	US\$
Services income, net	140,123	147,053	126,433	287,176	241,915
Net financing revenue	122,409	107,178	105,698	229,587	203,923
Syndication revenue, net	12,045	8,226	8,491	20,271	19,436
Net revenue	274,577	262,457	240,622	537,034	465,274
Operating expenses	131,581	132,499	115,233	264,080	230,437
Operating income	142,996	129,958	125,389	272,954	234,837
Operating margin	52.1 %	49.5 %	52.1 %	50.8 %	50.5 %
Total expenses	139,393	139,478	121,692	278,871	244,411
Income before income taxes	135,184	122,979	118,930	258,163	220,863
Net income	102,698	93,817	89,374	196,515	168,061
EPS [basic]	0.26	0.23	0.22	0.49	0.41
EPS [diluted]	0.26	0.23	0.21	0.49	0.39
Adjusting items					
<i>Impact of adjusting items on operating expenses:</i>					
Strategic initiatives costs – Salaries, wages, and benefits	475	485	—	960	—
Strategic initiatives costs – General and administrative expenses	1,883	1,640	—	3,523	—
Amortization of convertible debenture discount	724	793	756	1,517	1,495
Share-based compensation	6,775	10,731	6,534	17,506	18,620
Total impact of adjusting items on operating expenses	9,857	13,649	7,290	23,506	20,115
Total pre-tax impact of adjusting items	9,857	13,649	7,290	23,506	20,115
Total after-tax impact of adjusting items	7,442	10,305	5,504	17,747	15,315
Total impact of adjusting items on EPS [basic]	0.02	0.03	0.01	0.05	0.04
Total impact of adjusting items on EPS [diluted]	0.02	0.03	0.01	0.05	0.03

IFRS to Non-GAAP Reconciliations

(in US\$000's except per share amounts or unless otherwise noted)	For the three-month period ended			For the six-month period ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Adjusted results	US\$	US\$	US\$	US\$	US\$
Adjusted net revenue	274,577	262,457	240,622	537,034	465,274
Adjusted operating expenses	121,724	118,850	107,943	240,574	210,322
Adjusted operating income	152,853	143,607	132,679	296,460	254,952
Adjusted operating margin	55.7 %	54.7 %	55.1 %	55.2 %	54.8 %
Provision for income taxes	32,486	29,162	29,556	61,648	52,802
Adjustments:					
Pre-tax income	5,381	5,390	3,533	10,771	8,805
Foreign tax rate differential and other	(418)	632	(584)	214	(368)
Provision for taxes applicable to adjusted results	37,449	35,184	32,505	72,633	61,239
Adjusted net income	115,404	108,423	100,174	223,827	193,713
Adjusted EPS [basic]	0.29	0.27	0.25	0.56	0.48
Adjusted EPS [diluted]	0.29	0.26	0.24	0.55	0.46

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

Selected statement of financial position amounts		For the three-month period ended			For the six-month period ended	
(in US\$000's unless otherwise noted)		June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
		US\$	US\$	US\$	US\$	US\$
Total Finance receivables, before allowance for credit losses	E	7,775,035	7,478,974	7,005,218	7,775,035	7,005,218
Allowance for credit losses	F	5,351	5,794	7,613	5,351	7,613
Net investment in finance receivable	G	5,525,306	5,349,038	4,680,188	5,525,306	4,680,188
Equipment under operating leases	H	2,589,411	2,685,015	2,383,189	2,589,411	2,383,189
Net earning assets	I=G+H	8,114,717	8,034,053	7,063,377	8,114,717	7,063,377
Average net earning assets	J	8,186,031	7,825,155	6,801,141	8,006,280	6,619,559
Goodwill and intangible assets	K	1,583,634	1,587,465	1,591,966	1,583,634	1,591,966
Average goodwill and intangible assets	L	1,584,972	1,588,981	1,589,673	1,586,976	1,591,191
Borrowings	M	8,711,416	9,021,567	7,587,282	8,711,416	7,587,282
Unsecured convertible debentures	N	—	126,108	125,653	—	125,653
Less: continuing involvement liability	O	(101,075)	(87,199)	(56,390)	(101,075)	(56,390)
Total debt	P=M+N-O	8,610,341	9,060,476	7,656,545	8,610,341	7,656,545
Average debt	Q	8,757,365	8,239,147	7,274,728	8,498,256	6,970,018
Total shareholders' equity	R	2,908,420	2,944,588	2,956,533	2,908,420	2,956,533
Preferred shares	S	92,404	181,077	263,380	92,404	263,380
Common shareholders' equity	T=R-S	2,816,016	2,763,511	2,693,153	2,816,016	2,693,153
Average common shareholders' equity	U	2,782,534	2,747,716	2,646,122	2,765,125	2,605,906
Average total shareholders' equity	V	2,934,053	2,928,793	2,909,503	2,931,423	2,869,286

Throughout this MD&A, we use 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 our reported expenses to adjusted operating expenses.

	For the three-month period ended			For the six-month period ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(in US\$000's except per share amounts or unless otherwise noted)	US\$	US\$	US\$	US\$	US\$
Reported Expenses	139,393	139,478	121,692	278,871	244,411
Less:					
Amortization of intangible assets from acquisitions	6,966	6,979	6,982	13,945	13,959
Loss (gain) on investments	846	—	(523)	846	15
Operating expenses	131,581	132,499	115,233	264,080	230,437
Less:					
Amortization of convertible debenture discount	724	793	756	1,517	1,495
Share-based compensation	6,775	10,731	6,534	17,506	18,620
Strategic initiatives costs - Salaries, wages and benefits	475	485	—	960	—
Strategic initiatives costs - General and administrative expenses	1,883	1,640	—	3,523	—
Total adjustments	9,857	13,649	7,290	23,506	20,115
Adjusted operating expenses	121,724	118,850	107,943	240,574	210,322

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.

(in US\$000's except per share amounts or unless otherwise noted)	For the three-month period ended			For the six-month period ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	US\$	US\$	US\$	US\$	US\$
Income before income taxes	135,184	122,979	118,930	258,163	220,863
Adjustments:					
Amortization of convertible debenture discount	724	793	756	1,517	1,495
Share-based compensation	6,775	10,731	6,534	17,506	18,620
Amortization of intangible assets from acquisition	6,966	6,979	6,982	13,945	13,959
Loss (gain) on investments	846	—	(523)	846	15
Adjusting Items:					
Strategic initiatives costs - Salaries, wages and benefits	475	485	—	960	—
Strategic initiatives costs - General and administrative expenses	1,883	1,640	—	3,523	—
Total pre-tax impact of adjusting items	2,358	2,125	—	4,483	—
Adjusted operating income	152,853	143,607	132,679	296,460	254,952

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.

IFRS to Non-GAAP Reconciliations

(in US\$000's except per share amounts or unless otherwise noted)	For the three-month period ended			For the six-month period ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	US\$	US\$	US\$	US\$	US\$
Net income	102,698	93,817	89,374	196,515	168,061
Amortization of convertible debenture discount	724	793	756	1,517	1,495
Share-based compensation	6,775	10,731	6,534	17,506	18,620
Amortization of intangible assets from acquisition	6,966	6,979	6,982	13,945	13,959
Loss (gain) on investments	846	—	(523)	846	15
Strategic initiatives costs - Salaries, wages and benefits	475	485	—	960	—
Strategic initiatives costs - General and administrative expenses	1,883	1,640	—	3,523	—
Provision for income taxes	32,486	29,162	29,556	61,648	52,802
Provision for taxes applicable to adjusted results	(37,449)	(35,184)	(32,505)	(72,633)	(61,239)
Adjusted net income	115,404	108,423	100,174	223,827	193,713

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

After-tax adjusted operating income on average tangible equity 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.

Adjusted EPS diluted

Adjusted EPS diluted 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.

Adjusted EPS basic

Adjusted EPS 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.

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.

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 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.

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 covenant.

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.

Adjusted free cash flow per share

Adjusted 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 adjusted free cash flow. Adjusted 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.

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.

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.

Orders

Orders are legally binding commitments at the time at which the OEM accepts the order. Orders necessarily precede Originations.

Originations

An origination occurs once a vehicle that will be financed through Element is produced.

Period-end vehicles under management (VUM)

Every "VUM" is one unique vehicle (a) receiving or subscribed for one or more Element services, and/or (b) financed by Element, whether or not subsequently syndicated. Period-end VUM refers to total VUM as at the end of the quarter.

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.

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.

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 August 13, 2024, the Company had 403,608,523 Common Shares issued and outstanding. In addition, 227,762 options were issued and outstanding under the Company's stock option plan as at August 13, 2024. These convertible securities are convertible into, or exercisable for, Common Shares of the Company. 227,762 of these convertible securities were exercisable at June 30, 2024, for what would have been proceeds to the Company upon exercise of \$1.3 million.

As at August 13, 2024, the Company had 5,321,900 Preferred Shares, Series E issued and outstanding.