



## Element Fleet Management Reports Q4 and Fiscal 2017 Results

Amounts in \$CAD unless otherwise noted

- Core fleet after-tax adjusted Q4 EPS of \$0.18 per share, in line with prior guidance
- Executing on strategic plan focused on product innovation, cost reductions and growth
- \$194 million of capital returned to shareholders in 2017

TORONTO, March 15, 2018 -- Element Fleet Management Corp. (TSX:EFN) ("Element" or the "Company"), a leading global provider of fleet management and fleet-focused business services, today announced financial results for the fourth quarter and year ended December 31, 2017. Effective with the second quarter of 2017, Element adopted new segmentation of core fleet management and non-core assets. For more information, see the Company's Management Discussion & Analysis ("MD&A") for the three-month and 12-month periods ended December 31, 2017. The table below sets out summary financial metrics for core fleet management and non-core assets.

### Summary Consolidated Results for the Fourth Quarter of 2017

| In millions, except per share amounts and where otherwise noted | Core Fleet | Non-Core | Total           |
|-----------------------------------------------------------------|------------|----------|-----------------|
| Net earning assets                                              | \$12,229   | \$974    | <b>\$13,203</b> |
| Net revenue                                                     | \$221.3    | \$8.5    | <b>\$229.8</b>  |
| Adjusted operating expenses                                     | \$125.9    | \$1.3    | <b>\$127.2</b>  |
| Share of loss from and provision in 19 <sup>th</sup> Capital    | -          | \$60.8   | <b>\$60.8</b>   |
| After-tax adjusted operating income                             | \$79.4     | \$2.7    | <b>\$82.1</b>   |
| After-tax adjusted operating income<br>(to common shareholders) | \$68.3     | \$2.7    | <b>\$71.0</b>   |
| Adjusted basic EPS                                              | \$0.18     | \$0.01   | <b>\$0.19</b>   |

Note: See the Company's Management Discussion & Analysis ("MD&A") for the three-month and 12-month periods ended December 31, 2017 for more information.

"Since completing our strategic review and providing the corporate update earlier this quarter, we have moved quickly to take the necessary steps to reign in operating expenses while optimizing the customer experience and positioning the company for a return to earnings growth in 2019," said Dan Jauernig, Acting Chief Executive Officer. "We continue to expect core fleet adjusted operating income for 2018 to be within 3% to 5% of 2017 results on a currency adjusted basis. We expect financial results to build throughout the year, while continuing to generate strong cash flows, access capital markets, and execute on a solid pipeline of new business."

### Recent Highlights

- Core fleet originations in the fourth quarter of 2017 were \$1.46 billion compared to \$1.44 billion in Q3 2017 and \$1.43 billion in Q4 2016.
- Recent select customer wins include high quality commercial fleets in the car rental, healthcare services and construction industries.
- During the quarter, Element continued to make significant advances providing fleet management services to the ride sharing and car sharing sectors, launching its programs with General Motors' car sharing platform, Maven, and with Splend, an Australian based company that provides vehicles for on-demand rideshare and delivery services.
- Element continues to maintain a strong financial position with approximately \$4.7 billion of liquidity to finance future business. During the fourth quarter, Element completed the issuance of US\$1 billion of rated term notes through its Chesapeake Funding II platform, bringing its total 2017 issuances to US\$3.2 billion, the most in a year from any fleet asset-backed security (ABS) issuer. Element also extended the maturity of its senior credit facility by one year to November 2020.

### Operational Update

On February 5, 2018, the Company announced that it would seek to create long-term value by executing on its business plan focused on customers, efficiency and operational excellence. Recently enacted initiatives include the rationalization of office space, the curtailing of discretionary expenses and targeted headcount reductions. Element expects to incur a restructuring charge of approximately \$40 million in the first quarter of fiscal 2018, primarily related to employee severance, office closures

and combinations, professional fees and other costs. The anticipated annualized run-rate savings from these initiatives are expected to be approximately \$20 million, to be fully realized beginning in fiscal 2019. One-time strategic review costs of \$11.9 million were recognized in the fourth quarter.

"As we indicated several weeks ago, we have begun the process of further optimizing our operations and rightsizing our expense structure," said Mr. Jauernig. "While some of these decisions have been difficult, they are necessary and have support across the organization. We are grateful to our team members across the company for their ongoing efforts to streamline our processes while continuing to improve the customer experience."

#### Core Fleet Management Operations

The following summarizes results from the Company's core Fleet Management operations:

|                                                                                                | For the three-month periods ended |                    |                   | For the 12-month periods ended |                   |
|------------------------------------------------------------------------------------------------|-----------------------------------|--------------------|-------------------|--------------------------------|-------------------|
|                                                                                                | December 31, 2017                 | September 30, 2017 | December 31, 2016 | December 31, 2017              | December 31, 2016 |
|                                                                                                | \$                                | \$                 | \$                | \$                             | \$                |
| Results from continuing operations<br>(in \$000's for stated values, except per share amounts) |                                   |                    |                   |                                |                   |
| <b>Net revenue</b>                                                                             |                                   |                    |                   |                                |                   |
| Service and other revenue                                                                      | 140,970                           | 134,902            | 122,983           | 547,707                        | 535,388           |
| Net interest and rental revenue                                                                | 80,342                            | 84,164             | 74,779            | 329,126                        | 338,273           |
| <b>Net revenue</b>                                                                             | <b>221,312</b>                    | <b>219,066</b>     | <b>197,762</b>    | <b>876,833</b>                 | <b>873,661</b>    |
| <b>Adjusted operating expenses</b>                                                             |                                   |                    |                   |                                |                   |
| Salaries, wages and benefits                                                                   | 83,078                            | 79,980             | 71,425            | 315,489                        | 292,640           |
| General and administrative expenses                                                            | 38,234                            | 34,558             | 37,679            | 148,236                        | 160,510           |
| Depreciation and Amortization                                                                  | 4,575                             | 3,854              | 1,779             | 15,976                         | 11,077            |
| <b>Adjusted operating expenses</b>                                                             | <b>125,887</b>                    | <b>118,392</b>     | <b>110,883</b>    | <b>479,701</b>                 | <b>464,227</b>    |
| <b>Adjusted operating income</b>                                                               | <b>95,425</b>                     | <b>100,674</b>     | <b>86,879</b>     | <b>397,132</b>                 | <b>409,434</b>    |
| Provision for taxes                                                                            | 16,068                            | 21,141             | 18,244            | 79,426                         | 85,891            |
| <b>After-tax adjusted operating income</b>                                                     | <b>79,357</b>                     | <b>79,533</b>      | <b>68,635</b>     | <b>317,706</b>                 | <b>323,453</b>    |
| Cumulative preferred share dividends                                                           | 11,068                            | 11,068             | 8,912             | 41,301                         | 35,648            |
| <b>After-tax adjusted operating income attributable to common shareholders</b>                 | <b>68,289</b>                     | <b>68,465</b>      | <b>59,723</b>     | <b>276,405</b>                 | <b>287,805</b>    |
| After-tax adjusted operating income per share [basic]                                          | 0.18                              | 0.18               | 0.15              | 0.72                           | 0.74              |

- Services and other revenue was \$141 million for Q4 2017, an increase of 5% sequentially and 15% compared to the same period in the prior year, respectively. The increases reflects higher remarketing fees, the introduction of accident services in Mexico, higher maintenance fees in Canada, and increased telematics revenues.
- Net interest and rental revenue of \$80.3 million in Q4 2017 was 7.4% higher than the same period last year, and 4% lower than Q3 2017.
- Net interest and rental revenue margin (NIM) was 2.61% in Q4 2017 as compared with 2.32% in Q4 2016 and 2.77% in Q3 2017.

#### Non-core Assets

At December 31, 2017, non-core operations represented approximately 6% of Element's total assets and included the assets listed below.

In millions

| Category                                | Description                                                                                                    | Sept. 30, 2017 | Dec. 31, 2017 |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------|---------------|
| 19 <sup>th</sup> Capital Group LLC      | Senior term loans (A&B) and revolver equipment loan                                                            | \$777.2        | \$775.7       |
| 19 <sup>th</sup> Capital Group LLC      | Equity ownership (49.99%)                                                                                      | \$69.0         | \$10.0        |
| ECAF I Holding Ltd                      | 32.5% interest in ECAF Holdings Ltd., an indirect owner of ECAF I Ltd., an issuer of rated pooled-aircraft ABS | \$122.3        | \$122.3       |
| New Zealand Equipment Finance Portfolio | Portfolio of various vehicles and equipment                                                                    | \$29.7         | \$17.4        |

|                            |                                                        |           |                |
|----------------------------|--------------------------------------------------------|-----------|----------------|
| Heavy Duty Truck Portfolio | Portfolio of Class 8 tractors and trailers in the U.S. | \$65.8    | <b>\$58.8</b>  |
| <b>Total</b>               |                                                        | \$1,064.0 | <b>\$984.2</b> |

Non-Core operations contributed \$9 million of net revenue and \$0.01 in after-tax adjusted operating income per share in Q4 2017.

Element expects to continue to execute on its strategy of maximizing the value of its remaining non-core assets to enhance its capital structure and return capital to shareholders.

#### *19<sup>th</sup> Capital LLC Joint Venture Update*

19<sup>th</sup> Capital continues to implement its strategic plan to improve its operations in the joint venture. This plan includes moving vehicles to corporate fleets, expediting the sale or trade-in of certain units, and optimizing the composition of the fleet to improve overall efficiency. The Company expects these actions to right-size the operating fleet, increase utilization rates, and improve cash flows over time through the operation of newer and more efficient vehicles. The Company's share of operating losses in the joint venture was \$14.1 million for Q4 2017, which reflects a one-time adjustment for accelerating depreciation of \$4.0 million. In addition to operating losses, the Company's share of losses on the disposition of certain assets in the joint venture was \$17.8 million, net of the remaining reserve established in Q2. Also in Q4 2017, the Company established a provision for impairment of \$29.0 million against its investment in the joint venture.

#### **Dividends declared**

The Company's Board of Directors has authorized and declared a quarterly dividend of \$0.075 per outstanding common share of Element for the fourth quarter of 2017. The dividend will be paid on April 13, 2018 to shareholders of record as at the close of business on March 29, 2018. These dividends are designated to be eligible dividends for purposes of section 89(1) of the Income Tax Act (Canada).

On March 6, 2018, the Company's Board of Directors declared the upcoming dividends on Element's preferred shares, payable to shareholders of record at the close of business on March 16, 2018.

#### **Conference call**

A conference call to discuss these results will be held on Thursday, March 15, 2018 at 9:00 a.m. Eastern Time. The conference call may be accessed by dialing the following numbers:

- North America Toll-Free: 1-800-806-5484
- Local: 416-340-2217
- International dial-in numbers:
- <https://www.conf solutions.ca/ILT?oss=7P1R8008065484>
- Passcode 2176493#

A series of presentation slides will be referenced by management during the conference call. These slides will be available on the Company's website in advance of the call and may be accessed at <https://www.elementfleet.com/about-us/investor-relations/presentations>.

The call will be recorded and may be accessed until April 13, 2018 by dialing 1-800-408-3053 or 905-694-9451 and entering the pass code 1807245#.

#### **Non-IFRS Measures**

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the accounting policies we adopted in accordance with IFRS.

The Company believes that certain Non-IFRS Measures can be useful to investors because they provide a means by which investors can evaluate the Company's underlying key drivers and operating performance of the business, exclusive of certain adjustments and activities that investors may consider to be unrelated to the underlying economic performance of the business of a given period. Throughout this Press Release, management used a number of terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations. A full description of these measures can be found in the Management Discussion & Analysis that accompanies the financial statements for the quarter ended December 31, 2017.

Element's unaudited interim condensed financial statements and related management discussion and analysis as at and for the three-month and 12-month periods ended December 31, 2017 have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

#### **About Element Fleet Management Corp.**

Element Fleet Management (TSX:EFN) is a leading global fleet management company, providing world-class management services and financing for commercial vehicle and equipment fleets. Element's suite of fleet management services span the total fleet lifecycle, from acquisition and financing to program management and remarketing – helping customers optimize performance and improve productivity. For more information, visit [www.elementfleet.com](http://www.elementfleet.com).

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*This release includes forward-looking statements regarding Element and its business. Such statements are based on the current expectations and views of future events of Element's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements, including, among others, statements regarding Element's technology platform and recent investments; growth opportunities presented by the evolving transportation and mobility sectors; the ability to drive operational efficiencies, safety improvements and lower cost of ownership; business growth and its ability to win new business, technological development, partnerships and strategy, the payment of dividends, return of capital, capital allocation, expected annual results for core fleet management and non-core segments (including for various stated financial metrics), the strategies for Element's non-core assets, the strategic plan of the 19<sup>th</sup> Capital Group LLC joint venture, and expectations regarding financial performance. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting Element, including risks regarding the fleet management and finance industries, economic factors, risks related to the completion of the purchase of new portfolios or technologies or the addition of new clients, risks related to the payment of dividends, risks relating to business integration and many other factors beyond the control of Element. No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. A discussion of the material risks and assumptions associated with this outlook can be found in Element's current MD&A, and Annual Information Form, all of which have been filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com). Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*