Element Fleet Management Corp.

Management Discussion and Analysis

March 31, 2019

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Element Fleet Management Corp. (the "Company", "we" or "Element") as at and for the three-month period ended March 31, 2019 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three-month period ended March 31, 2019 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2018. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise specified and all numbers are in thousands, unless otherwise specified or for per share amounts or ratios. References to "Q1 2019", "this quarter", or "the quarter" are to the fiscal quarter ended March 31, 2019 and references to "Q4 2018" and "Q1 2018" are to the fiscal quarters ended December 31, 2018 and March 31, 2018, respectively. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.elementfleet.com.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO MAY 7, 2019. 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, DEPEND UPON OR REFER TO FUTURE EVENTS OR CONDITIONS. IN SOME CASES, WORDS SUCH AS "PLAN", "EXPECT", "INTEND", "BELIEVE", "ANTICIPATE", "ESTIMATE", "TARGET", "PROJECT", "FORECAST", "MAY", "IMPROVE", "WILL", "POTENTIAL", "PROPOSED" AND OTHER SIMILAR WORDS, OR STATEMENTS THAT CERTAIN EVENTS OR CONDITIONS "MAY" OR "WILL" OCCUR ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS AND FORWARD-LOOKING INFORMATION. FORWARD-LOOKING STATEMENTS (INCLUDING THOSE REGARDING FINANCIAL OUTLOOK) ARE PROVIDED FOR THE PURPOSES OF ASSISTING THE READER IN UNDERSTANDING ELEMENT AND ITS BUSINESS, OPERATIONS, RISKS, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS AS AT AND FOR THE PERIODS ENDED ON CERTAIN DATES AND TO PRESENT INFORMATION ABOUT MANAGEMENT'S CURRENT EXPECTATIONS AND PLANS RELATING TO THE FUTURE AND THE READER IS CAUTIONED THAT SUCH STATEMENTS MAY NOT BE APPROPRIATE FOR OTHER PURPOSES. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS OR EVENTS TO DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS OR INFORMATION. UNDUE RELIANCE SHOULD NOT BE PLACED ON THESE FORWARD-LOOKING STATEMENTS, AS THERE CAN BE NO ASSURANCE THAT THE PLANS, INTENTIONS OR EXPECTATIONS UPON WHICH THEY ARE BASED WILL OCCUR. BY ITS NATURE, FORWARD-LOOKING INFORMATION INVOLVES NUMEROUS ASSUMPTIONS, KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES, BOTH GENERAL AND SPECIFIC, THAT CONTRIBUTE TO THE POSSIBILITY THAT THE EXPECTATIONS, PREDICTIONS, FORECASTS, PROJECTIONS, CONCLUSIONS OR OTHER FORWARD-LOOKING STATEMENTS WILL NOT OCCUR OR PROVE ACCURATE, THAT ASSUMPTIONS MAY NOT BE CORRECT AND THAT OBJECTIVES, STRATEGIC GOALS AND PRIORITIES WILL NOT BE ACHIEVED. SUCH FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A SPEAK ONLY AS OF THE DATE OF THIS MD&A. THE FORWARD-LOOKING INFORMATION AND STATEMENTS CONTAINED IN THIS MD&A REFLECT SEVERAL MATERIAL FACTORS, EXPECTATIONS AND ASSUMPTIONS OF ELEMENT INCLUDING, WITHOUT LIMITATION: THAT ELEMENT WILL CONDUCT ITS OPERATIONS IN A MANNER CONSISTENT WITH ITS EXPECTATIONS AND, WHERE APPLICABLE, CONSISTENT WITH PAST PRACTICE; ACCEPTABLE NEGOTIATIONS WITH THIRD PARTIES; THE GENERAL CONTINUANCE OF CURRENT OR, WHERE APPLICABLE, ASSUMED INDUSTRY CONDITIONS; THE CONTINUANCE OF EXISTING (AND IN CERTAIN CIRCUMSTANCES, THE IMPLEMENTATION OF PROPOSED) TAX AND REGULATORY REGIMES; CERTAIN COST ASSUMPTIONS; THE CONTINUED AVAILABILITY OF ADEQUATE DEBT AND/OR EQUITY FINANCING AND CASH FLOW TO FUND ITS CAPITAL AND OPERATING REQUIREMENTS AS NEEDED; THE EXTENT OF ITS ASSETS AND LIABILITIES; THE COMPANY'S NET INTEREST MARGIN; GROWTH IN LEASE RECEIVABLES AND SERVICE INCOME; RATE OF COST INFLATION; APPLICABLE FOREIGN EXCHANGE RATES AND APPLICABLE INCOME TAX RATES; THE

COMPANY'S FUNDING MIX; THE TERMS OF ANY NEW INSTRUMENTS ISSUED TO REFINANCE THE COMPANY'S 2020 CONVERTIBLE DEBENTURES; THE RESET RATES FOR THE COMPANY'S OUTSTANDING PREFERRED SHARES; THE PROCEEDS FROM NON-CORE ASSET SALES; THE OPERATING PERFORMANCE OF 19TH CAPITAL, INCLUDING THE TERMS UPON WHICH IDLE ASSETS CAN BE SOLD OR LEASED, AND TIMING OF SAME; AND IN THE CASE OF THE FORWARD LOOKING STATEMENTS REGARDING FINANCIAL OUTLOOK, THAT THE COMPANY WILL ACHIEVE THE EXPECTED BENEFITS, COSTS AND TIMING OF ELEMENT'S TRANSFORMATION PLAN. 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 EXPECTATIONS REGARDING ITS REVENUES, EXPENSES, EXPENSE STRUCTURE, RUN-RATE AND OPERATIONS, AND REGARDING FUTURE CASH FLOWS, FINANCIAL CONDITION, OPERATING PERFORMANCE, FINANCIAL RATIOS, PROJECTED ASSET BASE, CAPITAL STRUCTURE AND EXPENDITURES; ELEMENT'S ABILITY TO RENEW OR REFINANCE CREDIT AND SECURITIZATION FACILITIES; ELEMENT'S TRANSFORMATION PLAN AND THE ANTICIPATED IMPACT AND BENEFITS THEREFROM (INCLUDING ANTICIPATED IMPACT ON CREDIT RATINGS); 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 AND THE POTENTIAL IMPACT UNDER EXISTING CREDIT AND SECURITIZATION FACILITIES OF THE TRANSFORMATION PLAN IN WHOLE OR IN PART; ELEMENT'S INTEGRATION OF ITS PAST AND FUTURE ACQUISITIONS AND SYSTEMS AND ABILITY TO DELIVER RETURNS AND BENEFITS FROM ITS INITIATIVES; ELEMENT'S FUTURE GROWTH PLANS; ELEMENT'S EXPECTATIONS REGARDING ITS ORIGINATION VOLUMES; ELEMENT'S ANTICIPATED DELINQUENCY RATES AND CREDIT LOSSES; ELEMENT'S ABILITY TO ATTRACT AND RETAIN PERSONNEL; ELEMENT'S PRESENT INTENTION TO PAY REGULAR DIVIDENDS ON ITS COMMON SHARES AND PREFERRED SHARES; ELEMENT'S TECHNOLOGY AND DATA, AND EXPECTED USES AND BENEFITS; ELEMENT'S COMPETITIVE POSITION AND ITS EXPECTATIONS REGARDING COMPETITION; ANTICIPATED TRENDS AND CHALLENGES IN ELEMENT'S BUSINESS AND THE MARKETS IN WHICH IT OPERATES; THE EVOLUTION OF ELEMENT'S BUSINESS AND THE FLEET MANAGEMENT INDUSTRY; ELEMENT'S GROWTH PROSPECTS AND THE OBJECTIVES, VISION AND STRATEGIES OF ELEMENT; ELEMENT'S OPERATIONS AND ABILITY TO DRIVE OPERATIONAL EFFICIENCIES; ELEMENT'S EXPECTATIONS REGARDING ITS ASSETS; ELEMENT'S BUSINESS STRATEGY; ELEMENT'S EXPECTATION REGARDING THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION AND CAPITAL ALLOCATION; ELEMENT'S STRATEGIC ASSESSMENT OF CURRENT AND FUTURE ASSETS; ELEMENT'S STRATEGY FOR ITS NON-CORE ASSETS; ELEMENT'S BUSINESS OUTLOOK AND OTHER EXPECTATIONS REGARDING FINANCING OR OPERATING PERFORMANCE METRICS; THE EVOLUTION OF OPERATIONS AND THE DEVELOPMENT OF PERFORMANCE INDICATORS, AND OTHER FINANCIAL PERFORMANCE METRICS; THE FUTURE FINANCIAL REPORTING OF ELEMENT; ELEMENT'S FUTURE ASSETS AND THE DEMAND FOR ELEMENT'S SERVICES; ELEMENT'S BORROWING BASE; THE EXTENT, NATURE AND IMPACT OF ANY VALUE DRIVER TO CREATE, AND THE ABILITY TO GENERATE, PRE-TAX RUN-RATE OPERATING INCOME; ELEMENT'S ABILITY TO INCREASE TOTAL SHAREHOLDER RETURN; AND ELEMENT'S ABILITY TO PRE-FUND REDEMPTION OF ITS OUTSTANDING CONVERTIBLE DEBENTURES UPON THEIR MATURITY, INCLUDING REALIZING ON ITS PLANS FOR SELLING CERTAIN NON-CORE ASSETS. 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 "*RISK MANAGEMENT*" IN ELEMENT'S ANNUAL MD&A FOR THE YEAR ENDED DECEMBER 31, 2018 AND UNDER THE HEADING "*RISK FACTORS*" IN ELEMENT'S ANNUAL INFORMATION FORM DATED MARCH 7, 2019. 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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Overview

Element Fleet Management Corp. is a leading global fleet management company, providing best-in-class services and financing solutions for commercial vehicle fleets. With approximately $18.5 billion in assets, we are North America's largest publicly-traded fleet management company. Our mission is to ensure that our clients' fleets and their drivers are safer, smarter and more productive. Through a suite of services that spans the total fleet lifecycle, from acquisition and financing to program management and remarketing, we help our clients optimize the productivity and performance of their fleet assets, while lowering their total cost of ownership.

Element is executing a client-centric transformation to create lasting value for shareholders and position the company for growth.

The program involves a series of concrete actions to improve the client experience and generate an estimated $150 million of run-rate pre-tax operating income improvements to our fleet management business by the end of 2020.

Financial Highlights

Select Q1 2019 Results

After-tax adjusted operating income / share	Core net revenue	Core fleet assets under management	Core servicing income, net / core net revenue
$ 0.21	$ 238M	$ 15.5B	50%

Profitability improvements actioned to date	Consolidated free cash flow / share	Consolidated tangible leverage ratio	Consolidated return on equity
$ 70M	$ 0.23	7.4x	10.9%

Fleet Management Income Summary

(in $000's for stated values, except per share amounts)	For the three-month period ended March 31, 2019
	$
Net financing revenue	**102,531**
Servicing income, net	**117,959**
Syndication revenue, net	**17,212**
Net revenue	**237,702**
Adjusted operating expenses	**115,709**
Adjusted operating income	**121,993**
After-tax adjusted operating income per share [basic]	**0.21**

Adjusted operating income from Element's core Fleet Management business increased 38% from Q1 2018 to $122 million - or $0.21 per common share - reflecting the impact of transformation initiatives, syndication revenue and a growing client base.

Balanced Scorecard

Element has implemented a balanced scorecard performance management system, which forges tighter alignment and greater focus throughout the Company, resulting in the rapid advancement of our strategic objectives. The balanced scorecard distills our strategy into a single page, and its broad dissemination throughout the Company allows all of our employees to see our progress through clearly defined metrics, and course correct where required. The balanced scorecard frames the business in four dimensions: Element's clients, operations, people, and investors.

Dimension & *Strategic Pillar*	**Strategic Objective**	**Metric**
Our Clients *Consistently deliver a superior experience and exceptional value for our clients*	Consistently meet service commitments	Operational effectiveness index
	Earn our clients' business	Client retention
	Create meaningful value for clients	Cost savings identified / actioned for our clients
	Earn our clients' loyalty	Net promoter score
Our Business *Improve the productivity of our business*	Transform our business	Annual pre-tax run-rate profit improvement actioned
	Invest to effect meaningful change	Investments from $150M transformation fund
	Continuously optimize the way we work	Operational efficiency index
	Focus on the core fleet business	Value realized on disposition of non-core assets
Our People *Build a more engaged and accountable workforce*	Increase employee engagement	Employee engagement index
	Attract the right talent	Recruitment win rates
	Retain the right talent	Regrettable attrition
Our Investors *Generate an appropriate risk-adjusted return for our investors*	Grow profitably	Adjusted Core EPS
	Ready access to cost-efficient capital	Tangible leverage ratio
	Earn a fair rate of return on capital	Return on equity
	Prudently manage our risks	Enterprise risk composite index

Achievements and Initiatives in the Period

Our Clients

Element's transformational path forward is founded on renewing our focus on our clients, and ensuring that client needs are at the center of everything we do and every decision we make. Key aspects of the transformation program include:

- Simplifying how we work, and the organizational structure we work in, by reducing nine layers of management to five, bringing leadership closer to our clients and the front-line employees who serve them; and

- Simplifying operations and client touchpoints to provide a better, more consistent client experience, through initiatives such as automating manual processes to reduce errors and improve cycle times.

In the most recent quarter,

- We continue to use our scale-based buying power to negotiate better terms and conditions with a broad array of our suppliers, saving our clients money and improving their experience;

- We completed the operating model and organizational changes we began in 2018. Additionally, we are standing-up a more consistent shared services model across our business, which will benefit our clients by making our entire organization more efficient and effective;

- We began building internal capability to “insource” certain knowledge and expertise previously provided by third party vendors. Our increased capabilities will be readily available to deploy in our clients’ best interests, and our ability to do so will grow over time; and

- We expanded our managed heavy vehicle use tax filings service to all new clients in the U.S. Element had been offering this service to certain clients historically but we have now invested in and developed the capability to service all new U.S. clients on this front.

Our Business

Element's transformation under management's strategic plan continued ahead of schedule this quarter.

Throughout 2019, we will execute the second wave of our transformation program: dozens of initiatives within 25+ projects that are collectively anticipated to take the Company to a cumulative $100 million of run-rate pre-tax profit improvement actioned by the end of this year. These "back to basics" projects focus on improving client service delivery, optimizing our go-to-market strategy and pricing model, improving client acquisition and retention, better managing rebates and procurement, and advancing automation and organizational simplification.

As of March 31, 2019, we had actioned a cumulative $70 million of the $100 million target for 2019. These initiatives alone will improve Element's adjusted operating income by approximately $53 million this year, approximately $11 million of which was delivered this quarter.

Management's strategic plan also involves strengthening the Company's investment grade balance sheet and reducing leverage ratios.

Subsequent to Q1, the Company announced:

- the closing of the sale of $172.5 million principal amount of convertible unsecured subordinated debentures with an interest rate of 4.25% per annum; and

- the completion of the sale of its non-core interest in the ECAF note for $97.2 million.

The proceeds of the convertible debenture plus actions taken in the fourth quarter of 2018, the refinancing of a securitization program and sale of Eden Prairie, MN real estate will be used to fund the redemption of the $345 million of 5.125% convertible debentures maturing on June 30, 2019. The proceeds from the sale of our ECAF interest along with cash raised from the disposition of 19th Capital assets will be used to reduce the refinancing requirement of the 2020 convertible debt maturity. Furthermore, the Company advanced its plans this quarter to broaden its use of syndication as a funding tool.

Management believes that by deleveraging Element's balance sheet through a greater degree of syndication, the Company can more quickly mature its capital structure, all-the-while enhancing return on equity and maintaining its ability to grow with our clients.

As Element advanced its transformation, it became clear to management that broadening the use of syndication to strengthen the balance sheet would be, both economically and strategically prudent. Element will continue to fund assets on its strong, investment grade balance sheet, while using syndication to systematically manage leverage as well as client concentration limits - particularly with respect to one large, rapidly-growing client.

The Company's leading position in the fleet management industry coupled with the unmatched quality of its client base mean Element originates assets that are very attractive to syndication market investors.

Our People

In the quarter, Element began the rollout of its balanced scorecard and accompanying performance-and-pay program to Company employees, beginning with leadership and management teams.

The Company is implementing a comprehensive communications plan regarding both initiatives. Element has held town halls and briefings to educate its people about the balanced scorecard, its use as a management tool, and its fundamental link to the Company's performance-and-pay program.

The goal of the balanced scorecard and performance-and-pay is to align incentive compensation with priorities throughout the organization, and clearly track progress toward achieving strategic objectives.

In addition, Element's Board of Directors will use balanced scorecard results to determine the annual short-term incentive compensation of each Named Executive Officer (NEO), with a minimum determinative weighting of 50% on balanced scorecard metrics measuring Element's financial performance. The Company believes that this compensation plan will ensure alignment between performance against strategic objectives and executive pay outcomes. Full details of the impact on incentive compensation are available in Element’s Management Information Circular dated April 9, 2019 which has been filed on SEDAR at www.sedar.com.

Our Investors

The success of Element's transformation program and the strengthening of our balance sheet, including an expansion of our syndication efforts, will create significant improvement in the Company's financial results, creating value for investors.

Subsequent to the quarter, Element announced an increase in guidance for 2020.

Given

- a stabilized and growing fleet management business;
- confidence in realizing the full $150 million of profitability improvements to be actioned by the end of 2020; and
- the positive and sustainable earnings impact to be derived from syndication as the Company manages client concentration and accelerates deleveraging.

Element is increasing its 2020 guidance on after-tax adjusted operating income per share from $0.90-0.95 to $1.00-1.05.

The Company is targeting return on equity of 13.0-13.5% and a tangible leverage ratio below 6.0x exiting 2020.

In this quarter, the Company has also updated the presentation of its financial results to better reflect the adoption of syndication and the regular, recurring stream of revenue created by same. Further details can be found in the section of this document entitled "Changes in the presentation of the interim condensed consolidated statements of operations and geographic location".

Changes in Presentation

On January 1, 2019 the Company adopted IFRS 16, *Leases*, issued by the International Accounting Standards Board ("IASB"). As permitted by the new standard, the Company elected to not restate comparative periods and has recognized the classification and measurement adjustment on January 1, 2019 through opening retained earnings. There were no changes to the Company's accounting policies and adjustments as a result of the adoption of the standard.

Changes in the presentation of the interim condensed consolidated statements of operations and geographic location

During the current period, the Company modified the presentation and classification of the Net revenue section within the condensed consolidated statements of operations with the overarching principle of disaggregating revenue into three distinct revenue streams: 1) financing revenue, 2) syndication revenue, and 3) servicing revenue. The primary reclassifications are as follows:

- Reclassification of gain on sale of disposition of equipment under operating leases from Service revenue and other to Rental revenue and other,
- Reclassification of syndication revenue from Service revenue and other to its own line item,
- Reclassification of certain US financing leases to Equipment under operating leases, and
- Reclassification of certain contract costs from Interest income, net to Servicing income, net.

Additionally, the Company modified its geographic locations from the US, Canada, and Other to the US and Canada, Australia and New Zealand, and Mexico to distinguish between the Company's primary locations.

The changes in presentation have been applied retrospectively to the 2018 comparative amounts in the condensed consolidated statements of financial position, operations, and cash flows and the geographic locations disclosed in the following notes to the interim condensed consolidated financial statements.

The following tables illustrate the reclassifications of the Company's financial statements for the periods noted below.

Interim condensed consolidated statement of operations

	Three months ended March 31, 2018		
	As previously reported	Adjustments	As reclassified
	$	$	$
Interest income, net	153,168	188	153,356
Rental revenue and other	125,859	14,781	140,640
Depreciation of equipment under operating leases	(95,303)	(1,550)	(96,853)
	183,724	13,419	197,143
Interest expense	101,513	—	101,513
Net financing revenue	82,211	13,419	95,630
Fleet service revenue	140,196	(14,433)	125,763
Direct costs of fixed rate service contracts	(11,064)	—	(11,064)
Servicing income, net	129,132	(14,433)	114,699
Syndication revenue, net	—	1,014	1,014
Net revenue	211,343	—	211,343

	Three months ended December 31, 2018		
	As previously reported	Adjustments	As reclassified
	$	$	$
Interest income, net	162,657	1,458	164,115
Rental revenue and other	155,254	15,297	170,551
Depreciation of equipment under operating leases	(107,490)	(1,570)	(109,060)
	210,421	15,185	225,606
Interest expense	125,899	—	125,899
Net financing revenue	84,522	15,185	99,707
Fleet service revenue	144,796	(17,464)	127,332
Direct costs of fixed rate service contracts	(7,838)	—	(7,838)
Servicing income, net	136,958	(17,464)	119,494
Syndication revenue, net	—	2,279	2,279
Net revenue	221,480	—	221,480

Interim condensed consolidated statement of financial position

	As at December 31, 2018		
	As previously reported	Adjustments	As reclassified
	$	$	$
Finance receivables	13,231,146	(27,558)	13,203,588
Equipment under operating leases	2,134,105	27,558	2,161,663

Selected Quarterly Consolidated Financial Information and Financial Ratios

The table below sets out key financial metrics that show operating results together with related per share figures:

	As at and for the three-month periods ended		
(in $000's for stated values, except ratios and per share amounts)	**March 31, 2019**	December 31, 2018	March 31, 2018
	$	$	$
Net revenue	**242,227**	221,480	211,343
Net income	**80,473**	41,145	21,759
Total assets	**18,476,935**	18,964,006	18,060,312
Total debt	**13,624,200**	14,168,215	13,605,018
Before tax adjusted operating income (1)	**121,954**	96,529	89,958
After tax adjusted operating income (1)	**100,612**	79,154	76,230
Earnings per share			
Basic	**0.16**	0.07	0.03
Diluted	**0.16**	0.07	0.03
After tax adjusted operating income per share (1)			
Basic	**0.21**	0.16	0.17
Pro forma Diluted	**0.20**	0.16	0.17
Dividends declared, per share			
Common share	**0.045000**	0.045000	0.075000
Preferred Shares, Series A	**0.433313**	0.412500	0.412500
Preferred Shares, Series C	**0.406250**	0.406250	0.406250
Preferred Shares, Series E	**0.400000**	0.400000	0.400000
Preferred Shares, Series G	**0.406250**	0.406250	0.406250
Preferred Shares, Series I	**0.359375**	0.359375	0.359375

(1) For additional information, see "Description of Non-IFRS Measures" section.

Consolidated Quarterly Results of Operations

The following table sets forth a summary of the Company's consolidated results of operations:

	For the three-month periods ended		
(in $000's for stated values, except per share amounts)	**March 31, 2019**	December 31, 2018	March 31, 2018
	$	$	$
Net revenue			
Net interest income and rental revenue (1)	**236,016**	225,606	197,143
Interest expense	**129,129**	125,899	101,513
Net financing revenue	**106,887**	99,707	95,630
Servicing income, net (2)	**118,128**	119,494	114,699
Syndication revenue, net (3)	**17,212**	2,279	1,014
Net revenue	**242,227**	221,480	211,343
Operating expenses			
Salaries, wages and benefits	**80,115**	83,511	82,265
General and administrative expenses	**29,798**	34,609	33,840
Depreciation and amortization	**10,360**	6,831	5,280
Adjusted operating expenses (4)	**120,273**	124,951	121,385
Amortization of convertible debenture synthetic discount	**3,655**	3,597	3,424
Share-based compensation	**5,170**	5,037	4,547
Total operating expenses	**129,098**	133,585	129,356
Business acquisition and other costs			
Amortization of intangibles from acquisition	**9,176**	10,495	11,871
Restructuring and transformation costs	**6,738**	35,615	40,811
Total business acquisition and other costs	**15,914**	46,110	52,682
Share of loss (income) from and provision in investments	**1,330**	(2,432)	10,304
Net income before taxes	**95,885**	44,217	19,001
Income tax expense (recovery)	**15,412**	3,072	(2,758)
Net income (loss) for the period	**80,473**	41,145	21,759
Earnings per share [basic]	**0.16**	0.07	0.03
Adjusted operating results (4)			
Net revenue (1)	**242,227**	221,480	211,343
Adjusted operating expenses (4)	**120,273**	124,951	121,385
Adjusted operating income (4)	**121,954**	96,529	89,958
Provision for taxes applicable to adjusted operating income	**21,342**	17,375	13,728
After-tax adjusted operating income (4) (5)	**100,612**	79,154	76,230
Weighted average number of shares outstanding [basic]	**433,607**	424,795	380,356
Before-tax adjusted operating income per share [basic] (5)	**0.26**	0.20	0.21
After-tax adjusted operating income per share [basic] (5)	**0.21**	0.16	0.17

(1) Net interest income and rental revenue is equal to interest income, less provision for credit losses and rental income earned on equipment under operating leases, including the gain on sale of the disposition of equipment under operating leases, less depreciation on equipment under operating leases.
(2) Servicing income, net, is shown net of direct costs of fixed rate service contracts.
(3) Syndication revenue, net includes fees and other income, net of expenses, in the recognition of the syndication of the related assets.
(4) For additional information, see "Description of Non-IFRS Measures" section.
(5) For reconciliation of Net Income to After-tax adjusted operating income, see "IFRS to Non-IFRS Reconciliation" section.

Consolidated adjusted operating income for Q1 2019 was $122.0 million compared to $90.0 million in Q1 2018 and $96.5 million in Q4 2018. The increase in adjusted operating income is driven by an increase in net financing revenue and syndication revenue as well as a decrease in salaries, wages, and benefits due to transformation initiatives being recognized during the quarter.

During Q1 2019 the Company recorded $6.7 million in transformation costs which consisted primarily of professional fees. To date, we have incurred approximately $45 million of the total planned $150 million of expenditures related to the transformation initiatives.

Quarterly Results of Operations - Fleet Management

The following table sets forth a summary of the Company's results of Fleet Management operations:

	For the three-month periods ended		
(in $000's for stated values, except per share amounts)	**March 31, 2019**	December 31, 2018	March 31, 2018
	$	$	$
Net revenue			
Net interest income and rental revenue	**216,643**	212,202	184,277
Interest expense	**114,112**	113,072	90,891
Net financing revenue	**102,531**	99,130	93,386
Servicing income, net	**117,959**	119,409	114,047
Syndication revenue, net	**17,212**	2,279	1,014
Net revenue	**237,702**	220,818	208,447
Adjusted operating expenses			
Salaries, wages and benefits	**78,221**	83,101	81,535
General and administrative expenses	**27,748**	31,639	33,354
Depreciation and amortization	**9,740**	6,831	5,280
Adjusted operating expenses	**115,709**	121,571	120,169
Adjusted operating income	**121,993**	99,247	88,278
Provision for taxes applicable to adjusted operating income	**21,349**	17,868	15,890
After-tax adjusted operating income	**100,644**	81,379	72,388
Less: Cumulative preferred share dividends	**11,164**	11,068	11,068
After-tax adjusted operating income attributable to common shareholders	**89,480**	70,311	61,320
Weighted average number of shares outstanding [basic]	**433,607**	424,795	380,356
Before-tax adjusted operating income per share [basic]	**0.26**	0.21	0.20
After-tax adjusted operating income per share [basic]	**0.21**	0.17	0.16

After-tax adjusted operating income for Q1 2019 increased $28.3 million over Q1 2018 to $100.6 million and resulted in a $0.05 increase in after-tax adjusted EPS of $0.21 including the full quarter dilution impact of the equity issuance in October 2018. After-tax adjusted operating income in Q1 2019 increased $19.3 million compared to Q4 2018.

Net revenue was $237.7 million, an increase of $16.9 million and $29.3 million from Q4 2018 and Q1 2018, respectively.

Net interest income and rental revenue of $216.6 million reflects an increase of $4.4 million and $32.4 million over Q4 2018 and Q1 2018, respectively. The growth from Q1 2018 reflects a higher interest rate environment, strong growth in Mexico, and a positive foreign currency impact as a result of a weaker Canadian dollar during the current period.

Interest expense in Q1 2019 increased to $114.1 million from $113.1 million and $90.9 million in Q4 2018 and Q1 2018, respectively. The increase in expense from Q1 2018 reflects a higher interest rate environment, including the introduction of localized syndication in Australia, strong growth in Mexico, and a negative foreign currency impact as a result of a weaker Canadian dollar during the current period.

Syndication revenue, net, was $17.2 million, an increase of $14.9 million and $16.2 million over Q4 2018 and Q1 2018, respectively. During Q1 2019, we expanded the syndication program to reduce our overall leverage and manage client concentration. This resulted in syndicating approximately $488 million in net book value of finance receivables compared to approximately $48 million in Q1 2018 and $80 million in Q4 2018.

Net servicing income of $118.0 million:

- decreased $1.4 million from Q4 2018 reflecting primarily seasonal tire and maintenance volume decreases; and
- increased $3.9 million from Q1 2018 primarily related to higher revenues in vehicle sales and end of contract fees as well as a positive foreign currency impact from a weaker Canadian dollar during the current period.

The following table sets out the Net interest and rental revenue margin ("NIM") calculation for Fleet Management operations, together with references to key benchmarks and metrics:

	For the three-month periods ended		
(in $000's for stated values)	**March 31, 2019**	December 31, 2018	March 31, 2018
Net interest income and rental revenue	**6.62%**	6.65%	6.00%
Interest expense	**3.51%**	3.54%	2.96%
Net interest and rental revenue margin or NIM (1)	**3.11%**	3.11%	3.04%
Average cost of debt (Interest expense / average debt) (1)	**3.55%**	3.50%	2.96%
Average 1-Month LIBOR rates	**2.49%**	2.29%	1.66%
Total average net earning assets (1)	**$ 12,988,903**	$ 12,759,998	$ 12,298,999
Total earning assets at period end (1)	**$ 12,718,944**	$ 13,223,788	$ 12,523,199
Average debt outstanding (1)	**$ 12,862,541**	$ 12,920,745	$ 12,287,571
New originations	**$ 1,712,849**	$ 1,819,479	$ 1,471,500

(1) For additional information, see "Description of Non-IFRS Measures" section.

Total average net earning assets as at Q1 2019 were $12,988.9 million compared to $12,760.0 million as at Q4 2018 and $12,299.0 million as at Q1 2018 reflecting strong growth in the US and Mexico. Total earning assets at period end decreased $505 million from Q4 2018 reflecting $488 million in syndications and the impact of foreign exchange reflecting a stronger Canadian dollar as at March 31, 2019 relative to December 31, 2018 more than offsetting the impact of strong originations growth.

Adjusted operating expenses of $115.7 million decreased $5.9 million from $121.6 million Q4 2018 and decreased $4.5 million from $120.2 million in Q1 2018.

- Salaries, wages and benefits decreased $4.9 million from Q4 2018 and $3.3 million from Q1 2018. The decrease from Q4 2018 was primarily the result of lower employee salaries as a result of the Transformation initiatives and lower benefits expenses.
- General and administrative expenses of $27.7 million decreased $3.9 million and $5.6 million when compared to Q4 2018 and Q1 2018, respectively, mainly due to lower rent expense of approximately $3.3 million as a result of the implementation of IFRS 16 along with Transformation savings.
- Depreciation and amortization increased $2.9 million and $4.5 million when compared to Q4 2018 and Q1 2018, respectively, due largely to the $3.3 million of amortization on leased assets as a result of the implementation of IFRS 16 in addition to depreciation and amortization associated with IT projects that were completed in the first half of 2018.

Quarterly Results of Operations - Non-Core

The following table sets forth a summary of the Company's results from Non-Core operations:

	For the three-month periods ended		
(in $000's for stated values, except per share amounts)	**March 31, 2019**	December 31, 2018	March 31, 2018
	$	$	$
Net revenue			
Net interest income and rental revenue	**19,373**	13,404	12,866
Interest expense	**15,017**	12,827	10,622
Net financing revenue	**4,356**	577	2,244
Servicing income, net	**169**	85	652
Net revenue	**4,525**	662	2,896
Adjusted operating expenses			
Salaries, wages and benefits	**1,894**	410	730
General and administrative expenses	**2,050**	2,970	486
Depreciation and amortization	**620**	—	—
Adjusted operating expenses	**4,564**	3,380	1,216
Adjusted operating (loss) income	**(39)**	(2,718)	1,680
Recovery of taxes applicable to adjusted operating income	**(7)**	(493)	(2,162)
After-tax adjusted operating (loss) income	**(32)**	(2,225)	3,842
Weighted average number of shares outstanding [basic]	**433,607**	424,795	380,356
Before-tax adjusted operating (loss) income per share [basic]	**—**	(0.01)	—
After-tax adjusted operating (loss) income per share [basic]	**—**	(0.01)	0.01

After-tax adjusted operating loss for Q1 2019 was $nil compared to a small loss in Q4 2018 and a small profit in Q1 2018.

The following table sets out the NIM calculation, together with references to key benchmarks and metrics:

	For the three-month periods ended		
(in $000's for stated values)	**March 31, 2019**	December 31, 2018	March 31, 2018
Net interest income and rental revenue	**18.33%**	12.39%	6.00%
Interest expense	**14.21%**	11.86%	4.95%
Net interest and rental revenue margin or NIM (1)	**4.12%**	0.53%	1.05%
Average cost of debt (Interest expense / average debt) (1)	**8.62%**	7.61%	4.52%
Total average net earning assets (1) (2)	**$ 422,769**	$ 432,745	$ 857,885
Total earning assets at period end (1)	**$ 422,329**	$ 439,033	$ 872,235
Average debt outstanding (1)	**$ 697,216**	$ 673,802	$ 940,031

(1) For additional information, see "Description of Non-IFRS Measures" section.
(2) Prior to the second quarter of 2017, total average earning assets were calculated using monthly average balances; comparative periods have not been adjusted as the impact on historical periods was determined to be insignificant.

Average cost of debt remained relatively flat during the three-month period ended March 31, 2019, compared to Q4 2018 and decreased from 4.5% in Q1 2018. The change compared to Q1 2018 was primarily due to lower asset levels without a corresponding reduction in borrowing levels. An increase in the underlying reference rates during the year also contributed to the increase.

Impact of Foreign Currency Exchange Rate Changes

We are exposed to fluctuations in certain foreign currencies from operations we conduct in Australia, New Zealand, Mexico and, predominantly, the United States where, as at March 31, 2019, 8.4%, 3.8%, 4.6% and 72.9% of the net finance receivables and equipment under operating leases were located, respectively. While Element hedges for currencies, our assets and liabilities do fluctuate as a result of fluctuations in these currencies against the reporting currency, being the Canadian dollar. Fluctuations in these currencies also affect the reported income when foreign operating results are then converted back to the Canadian dollar.

During the first quarter of 2019, the weighted average changes in average exchange rates of the Company's operating currencies against the Canadian dollar affected adjusted operating income positively by approximately 0.1% over the immediately preceding quarter and positively by 0.9% over the first quarter in 2018, respectively.

The following table sets forth a summary of the Company's results from both Fleet Management and Non-Core operations on a **constant currency** basis:

(in $000's for stated values)	For the three-month periods ended March 31, 2019	 December 31, 2018	 March 31, 2018
	$	$	$
Fleet Management net financing revenue	**102,531**	100,105	95,611
Non-core service net financing revenue	**4,356**	633	2,682
Consolidated net financing revenue	**106,887**	100,738	98,293
Fleet Management servicing income, net	**117,959**	119,999	118,066
Non-core servicing income, net	**169**	86	662
Consolidated servicing income, net	**118,128**	120,085	118,728
Fleet Management syndication revenue, net	**17,212**	2,292	1,065
Non-core syndication revenue, net	**—**	—	—
Consolidated syndication revenue, net	**17,212**	2,292	1,065
Fleet Management net revenue	**237,702**	222,397	214,743
Non-Core net revenue	**4,525**	719	3,345
Consolidated net revenue	**242,227**	223,116	218,088
Fleet Management adjusted operating expenses	**115,709**	122,170	123,854
Non-core adjusted operating expenses	**4,564**	3,228	1,277
Consolidated adjusted operating expenses	**120,273**	125,398	125,131
Fleet Management adjusted operating income	**121,993**	100,231	90,941
Non-Core adjusted operating (loss) income	**(39)**	(2,509)	2,068
Consolidated adjusted operating income	**121,954**	97,722	93,009
Fleet Management after-tax adjusted operating income	**100,644**	82,189	74,571
Non-Core after-tax adjusted operating (loss) income	**(32)**	(2,058)	4,732
Consolidated after-tax adjusted operating income	**100,612**	80,131	79,303
Fleet Management net earning assets	**12,718,944**	12,990,272	12,758,500
Non-core net earning assets	**422,329**	429,724	901,249
Consolidated net earning assets	**13,141,273**	13,419,996	13,659,749
Fleet Management average net earning assets	**12,988,903**	12,535,476	12,529,698
Non-core average net earning assets	**422,769**	429,284	886,192
Consolidated average net earning assets	**13,411,672**	12,964,760	13,415,890

Consolidated Financial Position

The following table presents a summary of the comparative consolidated financial position, as at:

(in $000's for stated values)	**March 31, 2019** **$**	December 31, 2018 $	March 31, 2018 $
ASSETS			
Cash	**43,860**	21,999	86,156
Restricted funds	**568,524**	504,454	554,355
Finance receivables	**12,606,855**	13,203,588	13,005,808
Equipment under operating leases	**2,200,786**	2,161,663	1,694,300
Accounts receivable and other current assets	**259,964**	270,997	147,350
Notes receivable	**12,566**	13,698	19,792
Derivative financial instruments	**33,253**	34,752	31,018
Property, equipment and leasehold improvements	**117,483**	60,969	66,374
Equity investments (1)	**119,759**	124,353	147,753
Deferred tax assets	**404,727**	410,864	236,035
Intangible assets	**832,447**	854,433	833,431
Goodwill	**1,276,711**	1,302,236	1,237,940
	18,476,935	18,964,006	18,060,312
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**783,777**	706,720	556,639
Derivative financial instruments	**59,450**	68,467	44,599
Secured borrowings	**12,721,176**	13,270,780	12,723,845
Convertible debentures	**903,024**	897,435	881,173
Deferred tax liabilities	**53,956**	45,119	51,590
	14,521,383	14,988,521	14,257,846
Shareholders' equity	**3,955,552**	3,975,485	3,802,466
	18,476,935	18,964,006	18,060,312

(1) Investments in the comparable period included the 32.5% interest in ECAF I Holdings Ltd., which was accounted for using the effective interest rate method and considered an earning asset. Upon adoption of IFRS 9 on January 1, 2018 by the Company, the investment is accounted for using fair value through profit and loss and no longer considered an earning asset.

Total assets and liabilities decreased by $487.1 million and $467.1 million, respectively over Q4 2018, mainly as a result of a strengthening Canadian dollar in addition to the adoption of IFRS 16 and the recording of lease assets and liabilities for the Company's leased facilities. The Company was also exposed to other currencies that appreciated against the Canadian dollar during the period. The net impact of these currency variations flows through to Shareholders' Equity as Other Comprehensive Income.

Fleet Management Portfolio Finance Asset Details

Finance Receivables

The following table sets forth a breakdown of the Company's Fleet Management finance receivables, as at:

(in $000's for stated values, except ratios)	**March 31, 2019** **$**	December 31, 2018 $
Net investment in finance receivables	**10,892,018**	11,444,909
Impaired receivables - at net realizable value	**74,736**	32,170
	10,966,754	11,477,079
Unamortized origination costs and subsidies	**(105,860)**	(106,178)
Net finance receivables	**10,860,894**	11,370,901
Prepaid lease payments and Security deposits	**(52,089)**	(68,402)
Interim funding	**863,175**	870,808
Fleet management service receivables	**663,397**	765,718
Other	**233,571**	217,452
	12,568,948	13,156,477
Allowance for credit losses	**9,277**	8,506
Total finance receivables	**12,559,671**	13,147,971
Ratios		
Allowance for credit losses as a percentage of finance receivables	**0.07%**	0.06%

Fleet Management finance receivables as at March 31, 2019 decreased by $588.3 million compared to December 31, 2018, primarily due to the syndication of assets as well as the strengthening Canadian dollar compared to the US dollar.

Allowance for credit losses

Management maintains an allowance for credit losses, which it establishes to provide for the impairment of individual or groups of assets. Individual impairment is assessed by examining contractual delinquency, and the individual borrower's financial condition, such as the identification of a borrower entering bankruptcy, or the company being in the process of legal or collateral repossession proceedings with a debtor. Accounts over 120 days past due are automatically considered to be impaired and are fully provisioned net of any anticipated recoveries and are presented at their net realizable value. Accounts that are contractually delinquent less than 120 days are provisioned by applying probability-weighted assumptions consistent with industry standards and the Company's own experience with respect to the probability of an identified account resulting in a borrower default. The amount of allowance for credit losses is measured as the difference between the carrying amounts of the assets on the consolidated statements of financial position and the present value of the estimated future cash flows on the financial receivables, discounted at the finance receivables' original effective interest rate.

The Company's policy is to assess credit risk related to specific client defaults by performing detailed assessments on the value of the underlying security, the client's financial condition and ability to service the debt, both at loan inception and throughout the term of the loan.

The Company's consolidated allowance for credit losses was $10.1 million as at March 31, 2019 (Fleet Management - $9.3 million, Non-Core - $0.8 million), an increase of $0.8 million over the $9.3 million reported at December 31, 2018. The allowance for credit losses as a percentage of finance receivables as at March 31, 2019 was 0.07%, a slight increase from 0.06% as at December 31, 2018. The Company believes that its allowance for credit losses is appropriate as of March 31, 2019. As at March 31, 2019, total impaired receivables was $74.7 million compared to $32.2 million as at December 31, 2018. The Company believes the impaired receivables appropriately reflects the net realizable value of the finance receivables before the allowance for credit losses.

Please refer to sections titled "Fleet Management Geographic Portfolio Segmentation", "Fleet Management Asset Class Portfolio Distribution" and "Fleet Management Delinquencies" of this MD&A for additional information.

Fleet Management delinquencies

The contractual delinquency of the Fleet Management net finance receivables as at each reporting period is as follows:

(in $000's for stated values)	March 31, 2019		December 31, 2018	
	$	%	$	%
Current	**10,774,391**	**99.20**	11,328,464	99.63
31 to 60 days	**10,852**	**0.10**	3,707	0.03
61 to 90 days	**650**	**0.01**	3,434	0.03
91 to 120 days	**265**	**—**	3,126	0.03
Impaired receivables	**74,736**	**0.69**	32,170	0.28
Total	**10,860,894**	**100.00**	11,370,901	100.00

The $74.7 million in impaired receivables at March 31, 2019 represents 0.69% of net finance receivables with the increase during the period relating primarily to a single client.

Fleet Management credit losses and provisions, as at and for each of the respective periods are as follows:

(in $000's for stated values, except ratios)	Three-month period ended March 31, 2019	Year ended December 31, 2018
	$	$
Allowance for credit losses, beginning of period	**8,506**	4,304
IFRS 9 Adjustment	**—**	3,028
Provision for credit losses	**1,261**	1,913
Charge-offs, net of recoveries	**(161)**	(1,401)
Impact of foreign exchange rates	**(329)**	662
Allowance for credit losses, end of period	**9,277**	8,506
Allowance for credit losses as a percentage of finance receivables	**0.07%**	0.06%

Fleet Management Equipment Under Operating Leases

The following table sets forth the Company's Fleet Management equipment under operating leases:

(in $000's for stated values)	**March 31, 2019**	December 31, 2018
	$	$
Equipment under operating leases, net		
Vehicles	**1,797,879**	1,778,868
Others	**29,036**	—
	1,826,915	1,778,868

Fleet Management Portfolio Distribution

Fleet Management Geographic Portfolio Segmentation

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

(in $000's for stated values)	**March 31, 2019**		December 31, 2018	
	$	**%**	$	%
United States and Canada	**10,485,983**	**82.6**	10,981,968	83.5
Australia and New Zealand	**1,593,792**	**12.6**	1,620,340	12.4
Mexico	**608,034**	**4.8**	547,461	4.1
Total	**12,687,809**	**100.0**	13,149,769	100.0
Allocated as:				
Net finance receivables	**10,860,894**	**85.6**	11,370,901	86.5
Equipment under operating leases, net	**1,826,915**	**14.4**	1,778,868	13.5
Total	**12,687,809**	**100.0**	13,149,769	100.0

As noted in the table and chart above, approximately 83% of the Company's Fleet Management net finance receivables and equipment under operating leases are in the United States and Canada.

Fleet Management Asset Class Portfolio Distribution

The distribution of the Fleet Management net finance receivables and equipment under operating leases by asset classes was as follows:

(in $000's for stated values)	**March 31, 2019**		December 31, 2018	
	$	**%**	$	%
Vehicles	**12,078,001**	**95.2**	12,535,148	95.3
Highway Tractors and Trailers	**310,005**	**2.4**	315,939	2.4
Others	**299,803**	**2.4**	298,682	2.3
	12,687,809	**100.0**	13,149,769	100.0

Non-Core Portfolio Finance Asset Details

Non-Core Finance Receivables

The following table sets forth a breakdown of the Company's Non-Core finance receivables, as at:

(in $000's for stated values)	**March 31, 2019**	December 31, 2018
	$	$
Net investment in finance receivables	**48,469**	56,249
Impaired receivables - at net realizable value	**717**	1,157
Net finance receivables	**49,186**	57,406
Prepaid lease payments and Security deposits	**(1,158)**	(937)
Other	**(25)**	(26)
	48,003	56,443
Allowance for credit losses	**819**	826
Total finance receivables	**47,184**	55,617

Total Non-Core finance receivables have decreased $8.4 million compared to December 31, 2018. The decrease is predominately related to the run-off of 19th Capital's portfolio of finance receivables.

Please refer to sections titled "Non-Core Geographic Portfolio Segmentation", "Non-Core Asset Class Portfolio Distribution" and "Non-Core Delinquencies and Losses" of this MD&A for additional information.

Non-core delinquencies

The contractual delinquency of the net finance receivables as at each reporting period was as follows:

(in $000's for stated values)	**March 31, 2019**		December 31, 2018	
	$	**%**	$	%
Current	**45,530**	**92.57**	50,801	88.49
31 to 60 days	**1,185**	**2.41**	1,642	2.86
61 to 90 days	**983**	**2.00**	2,646	4.61
91 to 120 days	**771**	**1.57**	1,160	2.02
Impaired receivables	**717**	**1.45**	1,157	2.02
Total	**49,186**	**100.00**	57,406	100.00

Non-core credit losses and provisions, as at and for each of the respective periods are as follows:

(in $000's for stated values, except ratios)	Three-month period ended March 31, 2019 $	Year ended December 31, 2018 $
Allowance for credit losses, beginning of period	**826**	—
IFRS 9 Adjustment	**—**	65,826
Provision for credit losses	**—**	480,000
Charge-offs, net of recoveries (1)	**—**	(552,500)
Impact of foreign exchange rates	**(7)**	7,500
Allowance for credit losses, end of period	**819**	826
Allowance for credit losses as a percentage of finance receivables	**1.71%**	**1.46%**

(1) On October 19, 2018, the Company purchased the equity interest held by its joint venture partner thereby obtaining 100% ownership and control over 19th Capital [for further information, see note 7 to the Company's audited consolidated financial statements as of December 31, 2018). At the time of acquisition, the loans receivable from 19th Capital were derecognized and the assets and liabilities of 19th Capital were recorded on Company's balance sheet at the acquisition-date fair value.

Non-Core Equipment Under Operating Leases

The following table sets forth the Company's Non-Core equipment under operating leases which are comprised of the acquired 19th Capital assets:

(in $000's for stated values)	March 31, 2019 $	December 31, 2018 $
Equipment under operating leases, net		
Highway Tractors and Trailers	**373,871**	382,795
	373,871	382,795

Non-Core Portfolio Distribution

Non-Core Geographic Portfolio Segmentation

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

(in $000's for stated values)	March 31, 2019		December 31, 2018	
	$	%	$	%
United States	**419,199**	**99.1**	434,908	98.8
New Zealand	**3,858**	**0.9**	5,293	1.2
Total	**423,057**	**100.0**	440,201	100.0

Non-Core Asset Class Portfolio Distribution

The distribution of the net finance receivables and equipment under operating leases by asset classes was as follows:

(in $000's for stated values)	March 31, 2019		December 31, 2018	
	$	**%**	$	%
Vehicles	**2,216**	**0.5**	2,689	0.6
Highway Tractors and Trailers	**419,468**	**99.2**	435,368	98.9
Others	**1,373**	**0.3**	2,144	0.5
	423,057	**100.0**	440,201	100.0

Liquidity & Capital Resources

An important liquidity measure for the Company is its ability to maintain diversified funding sources to support its operations. The Company's primary sources of liquidity are (i) cash flows from operating activities, (ii) the secured borrowing facilities, and (iii) equity. The Company's primary use of cash is the funding of finance receivables and working capital. The Company manages its capital resources by utilizing the financial leverage available under its term and revolving funding facilities and, when additional capital is required, the Company has access to capital through the issuance of convertible debt and preferred or common shares.

Management believes that the liquidity available to the Company of $6,470.9 million at March 31, 2019, coupled with the cash flow generated from the repayment of leases and loans, is sufficient to fund the Company's operations throughout 2019, as well as to pay dividends to all preferred and common shareholders.

The Company views both financial and tangible leverage as key indicators of the strength of the Company's Consolidated Statements of Financial Position. As at March 31, 2019, the Company's financial leverage ratio was 3.44:1 and the Company's tangible leverage was 7.38:1.

The Company's capitalization is calculated as follows:

		As at
(in $000's, except ratios)		**March 31, 2019**
		$
Secured borrowings		**12,721,176**
Convertible debentures		**903,024**
Total debt	**(a)**	**13,624,200**
Total shareholders' equity	**(b)**	**3,955,552**
		17,579,752
Goodwill and intangible assets	**(c)**	**2,109,158**
Financial leverage	**(a)/(b)**	**3.44**
Tangible leverage	**(a)/[(b)-(c)]**	**7.38**

Cash flow and liquidity

Overall, corporate cash has increased from $22.0 million at December 31, 2018 to $43.9 million at March 31, 2019.

During the three-month period ended March 31, 2019, cash provided by operating activities was $310.2 million, an increase of $339.9 million over the $29.7 million used in operating activities in 2018 as we made greater investments in equipment under operating leases in support of our growth in Mexico as well as cash inflow and outflow from investment in and repayments of finance receivables and an increase in syndication of assets during the period.

During the three-month period ended March 31, 2019, cash provided by investing activities was $8.9 million from the sale of our Eden Prairie, MN office building, whereas in Q1 2018 we made a $23.4 million investment in Amerit Fleet Holdings, LLC.

Cash used in financing activities for the three-month period ended March 31, 2019 was $296.5 million, compared to $61.9 million provided in 2018, a decrease of $358.4 million. The decrease over the comparative year is due primarily to a net paydown of secured borrowings in Q1 2019 compared to borrowings in Q1 2018.

Debt and contractual repayment obligations

With nearly $6.5 billion in available sources of financing, we have significant resources available to continue funding projected growth. Finance receivables are securitized on a regular basis to ensure cash is always available to fund new transactions. In addition, the Company adheres to a strict policy of matching the maturities and the related debt as closely as possible in order to manage its liquidity position. The funding capacity is supplemented by the expanded use of syndication.

The Company's available sources of financing were as follows:

	As at	
(in $000's for stated values)	**March 31, 2019**	December 31, 2018
	$	$
Cash	**43,860**	21,999
Term Senior Facility		
Facility amount	**4,001,100**	4,088,400
Utilized against facility	**2,153,786**	2,406,195
	1,847,314	1,682,205
Vehicle Management Asset-Backed Debt		
Facilities	**15,204,084**	14,818,806
Utilized against available facilities	**10,624,383**	10,924,763
	4,579,701	3,894,043
Total available sources of capital for continuing operations	**6,470,875**	5,598,247

The Company was in compliance with all of the terms of its credit facilities and loan agreements throughout the period and as at March 31, 2019.

Summary of Consolidated Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended March 31, 2019. This information has been prepared on the same basis as the Company's audited consolidated financial statements, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements of the Company and the related notes to those statements.

(in $ 000's for stated values, except per share amounts and ratios)	**Q1, 2019**	Q4, 2018	Q3, 2018	Q2, 2018	Q1, 2018	Q4, 2017	Q3, 2017	Q2, 2017
Net revenue	**242,227**	221,480	221,255	219,440	211,343	229,814	236,284	247,543
Adjusted operating income (1)	**121,954**	96,529	98,091	102,564	89,958	102,676	116,462	124,425
After-tax adjusted operating income (1)	**100,612**	79,154	80,433	84,103	76,230	82,051	91,737	99,753
Net income (loss)	**80,473**	41,145	(341,105)	79,096	21,759	(1,463)	67,175	37,087
Earnings (loss) per share, basic	**0.16**	0.07	(0.93)	0.18	0.03	(0.03)	0.15	0.07
Earnings (loss) per share, diluted	**0.16**	0.07	(0.93)	0.18	0.03	(0.03)	0.15	0.07
Adjusted operating income per share, basic (1)	**0.26**	0.20	0.23	0.24	0.21	0.24	0.27	0.29
After-tax adjusted operating income per share, basic (1)	**0.21**	0.16	0.18	0.19	0.17	0.19	0.21	0.23
After-tax pro forma diluted adjusted operating income per share (1)	**0.20**	0.16	0.18	0.19	0.17	0.18	0.20	0.22
Total earning assets	**13,141,273**	13,662,821	13,180,374	13,734,850	13,395,434	13,203,189	13,105,362	13,652,770
Loan and lease originations	**1,712,849**	1,819,476	1,486,700	1,714,100	1,471,500	1,461,257	1,441,839	1,908,496
Allowance for credit losses	**10,096**	9,332	549,798	76,362	75,306	4,304	5,833	5,995
As a % of finance receivables	**0.08**	0.07	4.20	0.57	0.57	0.03	0.05	0.04
Senior revolving credit facility	**2,153,786**	2,406,195	2,617,114	2,611,108	3,435,650	3,168,087	3,163,214	3,758,274
Secured borrowings	**10,567,390**	10,864,585	9,784,284	10,401,781	9,288,195	9,139,786	9,183,920	9,492,215
Convertible debentures	**903,024**	897,435	891,929	886,510	881,173	875,918	870,743	865,647

(1) For additional information, see "Description of Non-IFRS Measures" section.

Other Disclosures

Related Party Transactions

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

The Company has issued notes receivables that are loans to certain employees and directors of the Company granted in order to help finance the purchase of the Company's common shares. Such loans have been issued at market conditions, bear interest at 3% and are evidenced by individual promissory notes secured by the shares purchased under the loan arrangements. On March 3, 2017 the Board of Directors approved a plan to discontinue this program on a prospective basis.

Risk Management

The Company has risk management processes in place to monitor, evaluate and manage the principal risks it assumes in conducting its business activities. These risks include credit, liquidity, foreign exchange, interest rate, and various sources of operational risk. The Company's approach to the management of risk has not changed materially from that described in the "Risk Management" section of the Company's 2018 Annual MD&A other than as noted below.

Ability to Reduce Concentration Risk Through Syndication

One way that Element seeks to manage its exposures to large clients is by transferring leases and loans to third party investors, including through bulk transfers, securitization, syndication and similar risk transference arrangements. There can be no assurance that Element will continue to be able to reduce client concentration risks in this way if Element is unable to enter into such risk transference arrangements with third party investors on favorable terms, or at all. Element’s reliance on syndication through risk transference arrangements may increase as Element funds the asset growth of its largest clients. There can be no assurance that Element will be able to expand its existing network of syndication market investors or increase the capacities of its existing syndication arrangements in order to manage this concentration risk. An inability to manage such risk could lead Element to curtail new originations with its largest clients in certain circumstances, which could have an adverse impact on Element’s ability to maximize its new origination opportunities with such clients.

Outlook and Economic Conditions

Element is a market leader in its sector and benefits from significant scale, industry expertise and the financial strength to support the achievement of its business objectives. The Company operates in the fleet management industry which is further characterized by strong barriers to entry, high-quality, credit-worthy clients, and has demonstrated resilience across the business cycle.

As previously indicated in the second and third quarters of 2018 we completed a comprehensive, end-to-end business assessment resulting in a strategic plan expected to enhance our operating performance, client relationships, corporate structure and balance sheet. This transformational reset is well underway, effecting hundreds of changes to our organization which we anticipate will result in a superior client experience, greater efficiency, and generate meaningfully improved profitability going forward. Accordingly, management and the Board of Directors believe that Element is well positioned to execute on its strategy and deliver strong value creation for its shareholders over time. For the 2020 fiscal year, Element is expected to generate after-tax adjusted operating income per share in the range of $1.00 to $1.05 based on a U.S. dollar equal to $1.32 Canadian dollars. Management's confidence in a stronger growth profile for the business and the sustainability of our syndication strategy results in an increase to 2020 after-tax adjusted EPS guidance to $1.00-1.05 from $0.90-0.95.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial conditions and results of operations are made with reference to the unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2019. A summary of the Company's significant accounting policies is presented in note 2 to the audited consolidated financial statements for the year ended December 31, 2018. Some of the Company's accounting policies, as required by IFRS, require management to make subjective, complex judgments and estimates to matters that are inherently uncertain. Accounting policies that require management's judgment and estimates are described in the "Critical Accounting Policies and Estimates" section of the December 31, 2018 MD&A.

Syndication

The Company periodically syndicates certain finance receivables to third party financial institutions. At the time the finance receivables are syndicated, the net book value of the asset is removed from the statement of financial position and the associated revenue and expenses are recognized immediately in the statement of operations within the Syndication revenue, net line item.

Recently Adopted Accounting Standards

IFRS 16, *Leases* ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16, issued by the IASB, using the modified retrospective method with the cumulative effect of initially applying the standard recognized as an adjustment to opening retained earnings. This adoption methodology does not require restatement of prior periods. In addition, the Company elected the practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed the Company to carry forward the historical lease classification and allowed the use of hindsight to determine the lease term for existing leases. In the application of hindsight, the Company evaluated its current real estate strategies, which resulted in the determination that certain renewal terms would likely be exercised and were therefore included in the expected lease term when calculating the lease liability and right of use asset. As a result, the recorded lease liability at adoption was higher than the lease commitments disclosed in the Company's December 31, 2018 audited annual financial statements.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Company recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments. This resulted in the recording of additional lease assets and lease liabilities of approximately $79,700 as of January 1, 2019. Lessor accounting under the new standard was mostly left unchanged and did not impact the Company's vehicle leases with its clients. The adoption of this standard did not materially impact the Company's condensed consolidated operations and had no impact on cash flows.

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Future Accounting Changes

All accounting standards effective for periods beginning on or after January 1, 2019 have been adopted by the Company.

Internal Control over Disclosure and Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for designing 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 to design, or cause to be designed under their supervision, internal controls over financial reporting to a standard that provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

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

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

IFRS to Non-IFRS Reconciliations

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

(in $000's for stated values)		As at and for the three-month periods ended March 31, 2019	December 31, 2018	March 31, 2018
Reported and adjusted income measures				
Net income	A	**80,473**	41,145	21,759
Adjustments:				
Amortization of debenture synthetic discount		**3,655**	3,597	3,424
Share-based compensation		**5,170**	5,037	4,547
Amortization of intangible assets from acquisitions		**9,176**	10,495	11,871
Restructuring and transformation costs		**6,738**	35,615	40,811
Provision (recovery) of income taxes		**15,412**	3,072	(2,758)
Share of loss (income) from investments		**1,330**	(2,432)	10,304
Before-tax adjusted operating income	B	**121,954**	96,529	89,958
Provision for taxes applicable to adjusted operating income	C	**21,342**	17,375	13,728
After-tax adjusted operating income	D=B-C	**100,612**	79,154	76,230
Cumulative preferred share dividends during the period	Y	**11,164**	11,068	11,068
After-tax adjusted operating income attributable to common shareholders	D1= D-Y	**89,448**	68,086	65,162
Selected statement of financial position amounts				
Finance receivables, before allowance for credit losses	E	**12,616,951**	13,212,920	13,081,113
Allowance for credit losses	F	**10,096**	9,332	75,306
Earning assets				
Net investment in finance receivable	G	**10,940,487**	11,501,158	11,701,133
Equipment under operating leases	H	**2,200,786**	2,161,663	1,694,301
Total earning assets	I=G+H	**13,141,273**	13,662,821	13,395,434
Average earning assets, net	J	**13,411,672**	13,192,743	13,156,884
Goodwill and intangible assets	K	**2,109,158**	2,156,669	2,071,371
Average goodwill and intangible assets	L	**2,094,041**	2,108,293	2,038,391
Secured borrowings	M	**12,721,176**	13,270,780	12,723,845
Unsecured convertible debentures	N	**903,024**	897,435	881,173
Total debt	O=M+N	**13,624,200**	14,168,215	13,605,018
Average debt	P	**13,559,757**	13,594,547	13,227,602
Total shareholders' equity	Q	**3,955,552**	3,975,485	3,802,466
Preferred shares	R	**680,412**	680,412	680,412
Common shareholders' equity	S=Q-R	**3,275,140**	3,295,073	3,122,054
Average common shareholders' equity	T	**3,217,035**	3,079,564	3,114,061
Average total shareholders' equity	U	**3,897,446**	3,759,975	3,794,472

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

(in $000's for stated values, except ratios and per share amounts)		As at and for the three-month periods ended March 31, 2019	December 31, 2018	March 31, 2018
Key annualized operating ratios				
Leverage ratios				
Financial leverage ratio	O/Q	**3.44**	3.56	3.58
Tangible leverage ratio	O/ (Q-K)	**7.38**	7.79	7.86
Average financial leverage ratio	P/U	**3.48**	3.62	3.49
Average tangible leverage ratio	P/(U-L)	**7.52**	8.23	7.53
Other key operating ratios				
Allowance for credit losses as a percentage of finance receivables	F/E	**0.08%**	0.07%	0.58%
Adjusted operating income on average earning assets	B/J	**3.64%**	2.93%	2.73%
After-tax adjusted operating income on average tangible total equity of Element	D/(U-L)	**22.32%**	19.17%	17.36%
Per share information				
Number of shares outstanding	V	**434,322**	433,204	380,356
Weighted average number of shares outstanding [basic]	W	**433,607**	424,795	380,356
Pro forma diluted average number of shares outstanding	X	**493,312**	487,189	436,966
Cumulative preferred share dividends during the period	Y	**11,164**	11,068	11,068
Other effects of dilution on an adjusted operating income basis	Z	**$ 9,152**	$ 9,133	$ 9,077
Net income (loss) per share [basic]	(A-Y)/W	**$ 0.16**	$ 0.07	$ 0.03
Net income (loss) per share [diluted]		**$ 0.16**	$ 0.07	$ 0.03
Book value per share	S/V	**$ 7.54**	$ 7.61	$ 8.21
Before tax adjusted operating income per share [basic]	(B-Y)/W	**$ 0.26**	$ 0.20	$ 0.21
After-tax adjusted operating income per share [basic]	(D1)/W	**$ 0.21**	$ 0.16	$ 0.17
After-tax pro forma diluted adjusted operating income per share	(D1+Z)/ X	**$ 0.20**	$ 0.16	$ 0.17

The following table provides a reconciliation of the consolidated after-tax adjusted operating income per share and the after-tax pro forma diluted adjusted operating income per share of the operations of the Company for the three-month period ended March 31, 2019:

(in $000's for stated values, except per share amounts)	Amount $	Weighted average number of shares outstanding applicable	Amount per share $
Adjusted operating income before taxes	121,954		0.28
Less:			
Income taxes related to adjusted operating income	(21,342)		(0.05)
Preferred share dividends	(11,164)		(0.03)
After-tax adjusted operating income attributable to common shareholders	89,448	433,607	0.21
Dilution items:			
Employee stock option plan	—	266	—
Convertible debentures (after-tax net interest expense)	9,152	59,439	(0.01)
After-tax pro forma diluted adjusted operating income	98,600	493,312	0.20

Description of Non-IFRS Measures

Our 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 consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at March 31, 2019 and December 31, 2018, the results of operations, comprehensive income and cash flows for the three-month period ended March 31, 2019 and March 31, 2018.

Management uses both IFRS and Non-IFRS Measures to monitor and assess the operating performance of the Company's operations. Throughout this MD&A, management uses the following terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations:

Adjusted operating expenses

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

Adjusted operating income or Before-tax adjusted operating income

Adjusted operating income reflects Income before income taxes, business acquisition costs and related amortization, amortization of convertible debenture synthetic discount, and share-based compensation.

Adjusted operating income on average earning assets

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

After-tax adjusted operating income

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

After-tax adjusted operating income attributable to common shareholders

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

After-tax adjusted operating income per share

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

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

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

After-tax pro forma diluted adjusted operating income per share

After-tax pro forma diluted adjusted operating income per share computes the diluted after-tax adjusted operating income per share for the period on the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises. Convertible debentures are assumed to be converted at the beginning of the period (or at issuance if issued during the period on a time weighted basis) with the other effects of dilution adjusted operating income basis added to the adjusted operating income, if they are dilutive.

Allowance for credit losses as a percentage of finance receivables

Allowance for credit losses as a percentage of finance receivables is the allowance for credit losses at the end of the period divided by the finance receivables (gross of the allowance for credit losses) at the end of 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 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 secured borrowings facilities and the convertible debentures outstanding throughout the period.

Average common shareholders' equity

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

Average outstanding earning assets or average net earning assets

Average outstanding earning assets or average net earning assets is the sum of the average outstanding finance receivable, average equipment under operating leases and average other earning assets. 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 fund 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. Average other earning assets is the monthly average of other earning assets outstanding during the period.

Average goodwill and intangible assets

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

Average shareholders' equity

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

Average tangible leverage ratio

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

Common shareholders' equity

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

Consolidated return on equity

Consolidated return on equity is the current period end consolidated after-tax adjusted operating income less preferred share dividends, annualized, divided by the average of the current and prior period ending consolidated total shareholders' equity less preferred share equity.

Core fleet assets under management

Core fleet assets under management are the sum of fleet management earning assets, fleet management interim funding, and the value of core fleet assets syndicated by Element net of depreciation.

Earning assets or total earning assets or finance earning assets

Earning assets are the sum of the total net investment in finance receivables, total carrying value of the equipment under operating leases and carrying value of other earning assets.

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 secured borrowings and convertible debentures) outstanding at the end of the period, divided by total shareholders' equity outstanding at the end of the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenants.

Net interest and rental revenue

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

Net interest and rental revenue margin or NIM

Net interest and rental revenue yield to average earning assets or NIM is calculated as net interest and rental revenue divided by average earning assets outstanding throughout the period on an annualized basis.

Other earning assets

Other earning assets are other yield generating assets that are not finance receivables or equipment under operating leases.

Other effects of dilution adjusted operating income basis

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

Pro forma diluted average number of shares outstanding

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

Tangible leverage ratio

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

Updated Share Information

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

As at May 7, 2019, the Company had 434,633,285 common shares issued and outstanding. In addition, 22,203,151 options were issued and outstanding under the Company's stock option plan as at May 7, 2019. These convertible securities are convertible into, or exercisable for common shares of the Company of which 16,896,248 are exercisable at March 31, 2019 for proceeds to the Company upon exercise of $195.8 million. In addition, the Company had convertible debentures outstanding that are convertible into an aggregate of 59,439,209 common shares.

As at May 7, 2019, the Company had 4,600,000 Preferred Shares, Series A, 5,126,400 Preferred Shares, Series C, 5,321,900 Preferred Shares, Series E, 6,900,000 Preferred Shares, Series G and 6,000,000 Preferred Shares, Series I issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on May 7, 2019.