



News Release

For Immediate Release

Element Reports \$0.27 per share of Free Operating Cash Flow in Q1-2015 on \$10.8 billion of Earning Assets

- After tax adjusted operating income per share of \$0.21 (basic) increased from \$0.19 per share in the previous quarter
- Originations increased to \$1.5 billion in Q1-2015 up from \$1.1 billion in the same period last year
- Adjusted operating expenses decreased to 2.3% of average earning assets in Q1-2015 versus 2.5% in Q4-2014
- After-tax adjusted operating income return on equity was 8.3% in Q1-2015 versus 8.2% in Q4-2014
- Tangible leverage increased to 3.92:1 from 3.72:1 at the end of previous period
- Book value per share increased to \$10.20 at the end of Q1-2015 from \$9.34 at the end of Q4-2014

TORONTO, Ontario, May 13, 2015 - Element Financial Corporation (TSX:EFN) (“Element” or the “Company”), one of North America’s leading fleet management and equipment finance companies, today reported financial results for the three-month period ending March 31, 2015. **Free operating cash flow** amounted to \$78.4 million or \$0.27 per share for the three-month period. **After tax adjusted operating income** amounted to \$60.4 million or \$0.21 per share for the three-month period.

“These results are tracking in line with our business plan and the guidance that we have provided to investors that indicate we expect to generate \$1.05 of operating EPS during the year and exit 2015 with earning assets of \$15.1 billion and tangible leverage of 4.55:1,” said Steven Hudson, Element’s Chief Executive Officer.

Overall, **new originations** amounted to \$1.5 billion for the three-month period ended March 31, 2015 versus \$1.7 billion reported in the seasonally strong three-month period ended December 31, 2014. Fleet Management accounted for \$663.7 million of Q1 originations while the Rail Finance vertical contributed \$161.2 million. Aviation Finance accounted for \$265.3 million of Q1 originations while the Commercial & Vendor vertical accounted for \$367.1 million. The US market accounted for 72 percent of the new origination volume reported during the period versus 71 percent in the three month period ending December 31, 2014. These results are in line with the Company’s previous guidance of \$6.5 billion of new originations during 2015.

Financial revenue for the three-month period ended March 31, 2015 was \$187.3 million or 7.9 percent of average earning assets versus \$175.7 million or 8.2 percent of average earning assets in the previous quarter. **Other revenue** included in financial revenue amounted to \$53.0 million versus \$54.8 million in the previous quarter. **Interest expense** was \$53.6 million for the three-month period ended March 31, 2015 compared to \$50.0 million for the immediately preceding quarter ended December 31, 2014. The average cost of borrowing decreased to 2.5 percent in Q1-2015 from 2.7 percent reported during the immediately preceding quarter ended December 31, 2014

Net financial income for the three-month period ended March 31, 2015 was \$133.7 million versus \$125.7 million in the preceding quarter ended December 31, 2014. **Adjusted operating expenses** for the three-month period ended March 31, 2015 were \$55.3 million or 2.3 percent of average earning assets versus \$53.8 million or 2.5 percent of average earning assets in the previous quarter.

Total earning assets increased by \$1.1 billion during the three-month period to \$10.8 billion as at March 31, 2015 versus \$9.7 billion as at the end of the preceding quarter. **Finance receivables** increased to \$9.2 billion and **Equipment under operating leases** increased to \$1.6 billion as at March 31, 2015 versus \$8.4 billion and \$1.3 billion, respectively, reported at the end of the preceding quarter.

Total debt increased to \$9.1 billion as at March 31, 2015 from \$8.1 billion as at December 31, 2014. The Company's **tangible leverage ratio** increased to 3.92:1 as at March 31, 2015 versus 3.72:1 as at December 31, 2014.

“During the first quarter, more than 72 percent of our new business volume and 71 percent of our financial revenue were derived from the US market,” said Mr. Hudson. “With 69 percent of our earning assets now domiciled in the US and the demand for capital equipment in this market expected to continue to show strength through the current fiscal year, we expect to exit 2015 with a portfolio of earning assets that is 75 percent weighted in favour of the US economy.”

Conference Call

A conference call to discuss the results with analysts will be held on Wednesday May 13, 2015 at 6:00 p.m. ET. The conference call can be accessed by dialing the following numbers:

North America Toll-Free:	1-877-695-6175 passcode 2403180
Local & International:	416-340-2217 passcode 2403180

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 conference call and may be accessed at <http://www.elementcorp.com/investors/presentations-1>.

The conference call will be recorded and can be accessed until June 12, 2015 by dialing 1-800-408-3053 or 905-694-9451 and entering the pass code 4478830.

Unaudited Interim Financial Statements and MD&A

Element's unaudited interim financial statements and related management discussion and analysis as at and three month period ended March 31, 2015 have been filed on SEDAR (www.sedar.com).

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 March 31, 2015.

The following table provide a reconciliation of non-IFRS to IFRS measures related to the Company:

As at and for the three months ended				
<i>\$ thousands (except % and per share amounts)</i>		March 31, 2015	December 31, 2014	March 31, 2014
Reported and adjusted income measures				
Net income	A	49,497	47,064	15,836
Adjustments:				
Amortization of debenture synthetic discount		1,472	1,445	—
Share-based compensation		6,536	6,135	4,194
Amortization of intangible assets from acquisitions		4,743	7,840	1,026
Integration costs		1,181	3,346	—
Transaction costs		—	—	—
Provision for income taxes		14,961	6,008	5,246
Adjusted operating income	B	78,390	71,838	26,302
Provision for taxes applicable to adjusted operating income	C	(17,948)	(16,393)	(5,647)
After-tax adjusted operating income	D=B-C	60,442	55,445	20,655
Selected cash flow amounts				
Free operating cash flow	B	78,390	71,838	26,302
Selected statement of financial position amounts				
Finance receivables, before allowance for credit losses (1)	E	9,236,081	8,482,904	2,996,601
Allowance for credit losses	F	18,475	16,915	11,086
Finance receivables, net (1)	G=E-F	9,217,606	8,465,989	2,985,515
Equipment under operating leases (1)	H	1,624,053	1,279,670	813,480
Total earning assets	I=G+H	10,841,659	9,745,659	3,798,995
Average earning assets, net	J	9,489,167	8,543,386	3,365,598
Goodwill and intangible assets	K	925,777	863,008	180,674
Accounts payable and accrued liabilities	L	324,987	368,113	112,590
Secured borrowings	M	8,790,235	7,751,395	2,467,016
Unsecured convertible debentures	N	305,140	303,147	—
Total debt	O	9,095,375	8,054,542	2,467,016
Average debt	P	8,483,365	7,536,131	2,182,433
Total shareholders' equity	Q	3,058,637	2,830,951	1,610,781
Preferred shares	R	365,113	365,113	235,142
Common shareholders' equity	S=Q-R	2,693,524	2,465,838	1,375,639
Average common shareholders' equity	T	2,625,651	2,406,023	1,356,019
Average total shareholders' equity	U	2,990,763	2,771,135	1,504,591

Non-IFRS and IFRS Key Annualized Operating Ratios and per Share Information:

		As at and for the three months ended		
<i>\$ thousands (except % and per share amounts)</i>		March 31, 2015	December 31, 2014	March 31, 2014
Free operating cash flow per share [basic] (1)	(B-Y)/W	\$ 0.27	\$ 0.25	\$ 0.13
After-tax adjusted operating income per share [basic]	(D-Y)/W	\$ 0.21	\$ 0.19	\$ 0.10
After-tax proforma diluted adjusted operating income per share	(D-Y)/X1	\$ 0.20	\$ 0.18	\$ 0.09
Key annualized operating ratios				
Financial leverage ratio	O/Q	2.97	2.85	1.53
Tangible leverage ratio (2)	(2)	3.92	3.72	1.81
Average financial leverage ratio	P/U	2.84	2.72	1.45
Average tangible leverage ratio	(2)	3.84	3.60	1.72
Allowance for credit losses as a percentage of finance receivables	F/E	0.20%	0.20%	0.37%
Adjusted operating income on average common shareholders' equity	(B-Y)/T	11.01%	10.93%	7.04%
Adjusted operating income on average earning assets	B/J	3.30%	3.36%	3.13%
After-tax adjusted operating income on average common shareholders' equity	(D-Y)/T	8.28%	8.20%	5.37%
After-tax adjusted operating income on average earning assets	D/J	2.55%	2.60%	2.45%
Per share information				
Number of shares outstanding (including special warrants)	V	264,094	264,059	189,503
Weighted average number of shares outstanding [basic]	W	264,066	264,057	189,215
Weighted average number of shares outstanding [diluted]	X	269,561	268,889	194,114
Proforma diluted average number of shares outstanding	X1	271,792	269,431	195,105
Cumulative preferred share dividends during the period	Y	\$ 6,109	\$ 6,109	\$ 2,442
Net income per share [basic]	(A-Y)/W	\$ 0.16	\$ 0.16	\$ 0.07
Net income per share [diluted]	(A-Y)/X	\$ 0.16	\$ 0.15	\$ 0.07
Book value per share	S/V	\$ 10.20	\$ 9.34	\$ 7.26

(1) Prior period free operating cash flow per share [basic] has been restated for the change in definition applied in the current period.

(2) March 31, 2014 has been restated to conform to the current period definition.

Selected Financial Information and Financial Ratios

The following tables summarize key financial data and key operating ratios for the three-month periods ended March 31, 2015, December 31, 2014 and March 31, 2014:

	As at and for the three months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
(in \$000's for stated values, except ratios and per share amounts)	\$	\$	\$
After tax adjusted operating income per share (basic) (1)	0.21	0.19	0.10
Free operating cash flows per share (basic) (1)	0.27	0.25	0.13
Financial revenue (1)	187,320	175,703	66,500
Adjusted operating income (1)	78,390	71,838	26,302
After tax adjusted operating income (1)	60,442	55,445	20,655
Income before taxes	64,458	53,072	21,082
Net income	49,497	47,064	15,836
Total assets	12,531,007	11,290,502	4,234,963
Finance receivables, net	9,217,606	8,465,989	2,985,515
Equipment under operating leases	1,624,053	1,279,670	813,480
Total earning assets	10,841,659	9,745,659	3,798,995
New originations	1,457,433	1,665,765	1,084,014
Secured borrowings	8,790,235	7,751,395	2,467,016
Convertible debentures	305,140	303,147	—
Total debt	9,095,375	8,054,542	2,467,016
Average finance receivables (1)	8,098,172	7,396,499	2,811,352
Average equipment under operating leases (1)	1,390,995	1,146,887	554,246
Average earning assets (1)	9,489,167	8,543,386	3,365,598
Average debt outstanding (1)	8,483,365	7,536,131	2,182,433
Number of shares outstanding (including special warrants)	264,094	264,059	189,503
Weighted average number of shares outstanding (including special warrants) [basic]	264,066	264,057	189,215
Weighted average number of shares outstanding [diluted]	269,561	268,889	194,114
Total shareholders' equity	3,058,637	2,830,951	1,610,781
Average common shareholders' equity (1)	2,625,651	2,406,023	1,356,019
Net income per share [basic]	0.16	0.16	0.07
Net income per share [diluted]	0.16	0.15	0.07

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

The following table summarizes key operating ratios as at and for the three months ended:

	As at and for the three-months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Ratios			
Financial leverage ratio (2) (3)	2.97	2.85	1.53
Average financial leverage ratio (2)	2.84	2.72	1.45
Tangible leverage ratio (2) (4) (5)	3.92	3.72	1.81
Average tangible leverage ratio (2) (4) (5)	3.84	3.60	1.72
Allowance for credit losses as a percentage of finance receivables (2)	0.20%	0.20%	0.37%
Annualized credit loss provision as a percentage of average finance receivables (2)	0.16%	0.12%	0.43%
Portfolio average remaining life (in months, excluding equipment under operating leases) (2)	26.2	24.8	28.8
Adjusted operating income on average common shareholders' equity (2) (5)	11.01%	10.93%	7.04%
Adjusted operating income on average earning assets (2)	3.30%	3.36%	3.13%
After-tax adjusted operating income on average common shareholders' equity (2) (5)	8.28%	8.20%	5.37%
After-tax adjusted operating income on average earning assets (2)	2.55%	2.60%	2.45%
Book value per share (5)	\$ 10.20	\$ 9.34	\$ 7.26

(1) All are ratios presented on an annualized basis.

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

(3) Financial leverage ratio is computed as total debt (the sum of secured borrowings and extendible convertible debentures) divided by total shareholders' equity.

(4) The tangible leverage ratio has been computed beginning with the quarter ended September 30, 2014 to conform to the terms of the Company's latest secured borrowing agreements.

(5) March 31, 2014 has been restated to conform to the current period definitions in the "Description of Non-IFRS Measures" section.

Results of Operations – For the three months ended March 31, 2015, December 31, 2014 and March 31, 2014

The following table sets forth a summary of the Company’s results of operations for the three months ended March 31, 2015, December 31, 2014 and March 31, 2014:

	For the three-month periods ended		
	March 31, 2015	December 31, 2014	March 31, 2014
<i>(in 000's for stated values, except per unit amounts)</i>	\$	\$	\$
Net Financial Income			
Interest income	111,593	102,527	48,545
Rental revenue, net (1)	25,981	20,664	10,174
Total interest income and rental revenue, net	137,574	123,191	58,719
Interest expense	53,602	50,046	21,533
Net interest income and rental revenue, net before provision for credit losses	83,972	73,145	37,186
Provision for credit losses	3,227	2,268	2,958
Net interest income and rental revenue, net	80,745	70,877	34,228
Other revenue items	52,973	54,780	10,739
Net financial income	133,718	125,657	44,967
Operating Expenses			
Salaries, wages and benefits	34,023	32,835	12,567
General and administration expenses	21,305	20,984	6,098
Amortization of debenture synthetic discount	1,472	1,445	—
Share-based compensation	6,536	6,135	4,194
	63,336	61,399	22,859
Business acquisition costs			
Amortization of intangibles from acquisition	4,743	7,840	1,026
Integration costs	1,181	3,346	—
Transaction costs	—	—	—
	5,924	11,186	1,026
Net income before taxes	64,458	53,072	21,082
Tax expense/(recovery)	14,961	6,008	5,246
Net income for the period	49,497	47,064	15,836
Net income per share [basic]	0.16	0.16	0.07
Net income per share [diluted]	0.16	0.15	0.07

(1) Rental revenue, net is equal to rental income earned on equipment under operating leases, less depreciation on equipment under operating leases.

Overall Performance Highlights for the Three-Months Ended March 31, 2015

The Company's earning assets, consisting of the Company's Finance receivables and Equipment under operating leases, have grown during the period ending March 31, 2015 to \$10,841.7 million from \$9,745.7 million reported at December 31, 2014. The quarter over quarter growth is primarily due to the combined effect of the total new originations for the quarter in the amount of \$1,457.4 million, net of repayments, syndication activities, depreciation of equipment under operating leases, changes in foreign exchange rates and others of \$361.4 million.

Net income before income taxes for the three months ended March 31, 2015 was \$64.5 million compared to a net income before income taxes of \$21.1 million reported for the three months ended March 31, 2014 and net income before income taxes of \$53.1 million reported in the immediately preceding quarter. The increase over the comparative quarter ended March 31, 2014 is a result of growth in assets and related income during the intervening period. The increase over the amount reported in the immediately preceding quarter is primarily due to the higher revenues due to the growth in assets, combined with a decrease in business acquisition costs.

As indicated previously, management believes that adjusted operating income, a Non-IFRS Measure, is the most appropriate operating measure of the Company's performance as it excludes non-cash items related to share-based compensation and business acquisition costs which do not relate to maintaining operating activities. For the three months ended March 31, 2015, the Company is reporting adjusted operating income of \$78.4 million and after-tax adjusted operating income per share (basic) of \$0.21, compared to \$26.3 million in adjusted operating income or \$0.10 in after-tax operating income per share (basic) for the comparative three months ended March 31, 2014, and compared to \$71.8 million in adjusted operating income or \$0.19 in after-tax operating income per share (basic) for the immediately preceding quarter ended December 31, 2014.

As indicated previously, Management also believes that Free Operating Cash Flows and Free Operating Cash Flows per Share, as described in the Non-IFRS Measures section of Element's Management Discussion and Analysis for the quarter ended March 31, 2015, are key statistics to properly assess the operating performances of the Company to mostly reflect the substantial value being created by the very long deferral of cash income taxes and the investment value produced by that deferral. Thus, while the Company is reporting after-tax adjusted operating income per share of \$0.21 for the three months ended March 31, 2015, free operating cash flows per share reaches \$0.27 per share, compared to \$0.10 and \$0.13, respectively, for the comparative three months ended March 31, 2014, and \$0.19 and \$0.25, respectively, for the immediately preceding quarter ended December 31, 2014.

Consolidated Financial Position

The following table sets forth a summary of the Company's consolidated financial position as of the dates presented:

	As at	
	March 31,	December 31,
	2015	2014
<i>(in 000's for stated values, except per unit amounts)</i>	\$	\$
Cash	19,763	66,869
Restricted cash	521,497	443,238
Finance receivables	9,217,606	8,465,989
Equipment under operating leases	1,624,053	1,279,670
Derivative financial instruments	14,472	5,746
Deferred tax assets	53,318	39,405
Non-portfolio assets	1,080,298	989,585
Total assets	12,531,007	11,290,502
Accounts payable and accrued liabilities	324,987	368,113
Secured borrowings	8,790,235	7,751,395
Convertible debentures	305,140	303,147
Derivative financial instruments	15,545	11,196
Deferred tax liabilities	36,463	25,700
Total liabilities	9,472,370	8,459,551
Shareholders' equity	3,058,637	2,830,951
Total liabilities and shareholders' equity	12,531,007	11,290,502

About Element Financial Corporation

With total assets in excess of \$12 billion, Element Financial Corporation is one of North America's leading equipment finance companies. Element operates across North America in four verticals of the equipment finance market - Commercial & Vendor Finance, Aviation Finance, Railcar Finance and Fleet Management

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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 new originations in the current quarter, the anticipated pipeline of prospective transactions, and proposed purchases of portfolios of finance assets. 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 equipment finance industry, economic factors, risks related to completion of the proposed purchases of portfolios of finance assets, 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 2014 MD&A, and 2014 Annual Information Form, all of which have been filed on SEDAR and can be accessed at 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.