



## Next Chapter Strategy

October 2016

Certain information in this presentation is forward-looking and related to anticipated financial performance, events and strategies. When used in this context, words such as “will”, “anticipate”, “believe”, “plan”, “intend”, “target” and “expect” or similar words suggest future outcomes. Forward-looking statements relate to, among other things, ECN Capital Corp.’s (“ECN Capital”) objectives and strategy; future cash flows, financial condition, operating performance, financial ratios, projected asset base and capital expenditures; ECN Capital’s anticipated dividend policy; anticipated cash needs, capital requirements and need for and cost of additional financing; future assets; demand for services; ECN Capital’s competitive position; and anticipated trends and challenges in ECN Capital’s business and the markets in which it operates; and the plans, strategies and objectives of ECN Capital for future operations, including with respect to the proposed separation, the expected timetable for completing the separation, the future financial and operating performance of each business, the strategic and competitive advantages of each business and future opportunities for each business.

The forward-looking information and statements contained in this presentation reflect several material factors and expectations and assumptions of ECN Capital including, without limitation: that ECN Capital will conduct its operations in a manner consistent with its expectations and, where applicable, consistent with past practice; 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; and the extent of its liabilities. ECN Capital 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.

By their nature, such forward-looking information and statements are subject to significant risks and uncertainties, which could cause the actual results and experience to be materially different than the anticipated results. Such risks and uncertainties include, but are not limited to, operating performance, regulatory and government decisions, competitive pressures and the ability to retain major customers, rapid technological changes, availability and cost of financing, availability of labour and management resources and the performance of partners, contractors and suppliers, the possibility that the proposed separation will not be consummated with the anticipated time period or at all, including as a result of regulatory, market or other factors, and the potential for disruption to our business in connection with the proposed separation.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, ECN Capital disclaims any intention and assumes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

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# *Investment Highlights*

# Scale and Expertise $\Rightarrow$ Opportunities

- Premier North American commercial finance business with leading platforms in Commercial & Vendor (“C&V”), Rail and Commercial Aviation
- Investment grade balance sheet with best-in-class asset origination, credit adjudication, risk management capabilities and term liquidity discipline
- Immediate opportunities to drive higher and more profitable volumes on existing platforms as well as entering high returning related verticals
- Unprecedented demand for yield from institutional investors creating fund management and co-investment opportunities
- Deep institutional relationships (banks, asset managers, lifecos and pension funds)
- Exceptional stewards of capital with successful track-record of executing on growth strategies to create significant shareholder value
- Specific initiatives have been launched and are under way to drive sustainable higher ROE

# Element – Track Record of Growth












Source: Company filings; Bloomberg

(1) Share price as of September 20, 2016

(2) IRR is calculated based on \$4.00 issue price for Q1 2011 private placement equity raise (public listing in Q4 2011 at \$4.20 per share)

(3) CQGR: compounded quarterly growth rate

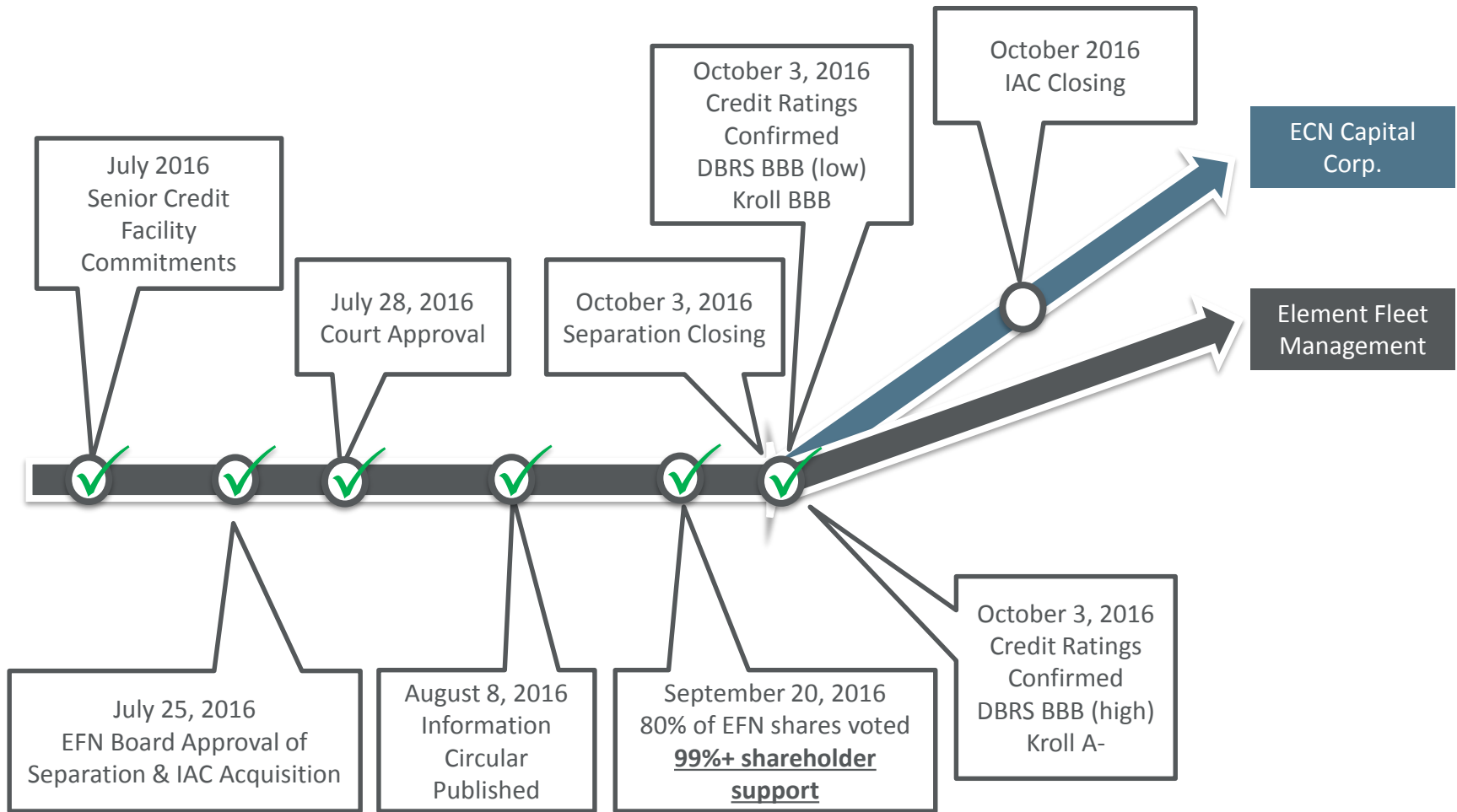
# ECN Capital Management Team

	<b>Steven Hudson</b> <i>Chief Executive Officer</i>	<ul style="list-style-type: none"> <li>• CEO of Element Financial Corp.; to lead ECN Capital Corp.</li> <li>• Founder of Newcourt Credit Group, which grew to become a worldwide leader in equipment and asset finance</li> <li>• Received his Honors BBA from York University in 1981 and his Fellowship with the Institute of Chartered Accountants of Ontario in 2000</li> </ul>
	<b>Michel Beland</b> <i>Chief Financial Officer</i> <i>[Element Financial]</i>	<ul style="list-style-type: none"> <li>• CFO of Element Financial Corp.</li> <li>• Previously, CFO of MMV Financial; Vice President of Finance, Senior Vice President of Operations and CFO of Newcourt Credit Group</li> <li>• Received his BBA from the Université du Québec and became a member of the Comptables Agréés du Québec in 1984</li> </ul>
	<b>David McKerroll</b> <i>President</i> <i>(Rail &amp; Aviation)</i>	<ul style="list-style-type: none"> <li>• President of Element Financial Corp., Rail &amp; Aviation</li> <li>• Previously, Group CEO of CIT Structured Finance and CIT Capital Finance &amp; joint-founder of Newcourt Credit Group; President of Newcourt Capital</li> <li>• Holds a Chartered Accountant designation and a Bachelor of Commerce degree from McMaster University</li> </ul>
	<b>Bruce Ells</b> <i>Chief Credit Officer</i> <i>(Rail &amp; Aviation)</i>	<ul style="list-style-type: none"> <li>• Chief Credit Officer of Element Financial Corp., Rail &amp; Aviation</li> <li>• Previously, Senior Vice President of Project Finance at DBRS; Chief Credit Officer of CIT Capital; RBC Dominion Securities, EDC and Bank of Canada</li> <li>• Holds a Bachelor of Arts in Economics and History from Queen's University and an MBA in Finance and Accounting from the Ivey School of Business</li> </ul>
	<b>Jim Nikopoulos</b> <i>Senior Vice President,</i> <i>General Counsel</i>	<ul style="list-style-type: none"> <li>• Senior Vice President, General Counsel &amp; Corporate Secretary of Element Financial Corp.</li> <li>• Previously, Vice President, Corporate Development and General Counsel at TeraGo Inc. and Partner at Davies Ward Phillips and Vineberg LLP</li> <li>• Holds a Bachelor of Arts in Economics and Political Science from the University of Toronto and a JD from Osgoode Hall Law School</li> </ul>
	<b>Todd Hudson</b> <i>Chief Operating Officer</i> <i>(Canada - C&amp;V Finance)</i>	<ul style="list-style-type: none"> <li>• Chief Operating Officer of Element Financial Corp., C&amp;V Finance Canada. with more than 20 years experience in the Canadian leasing industry</li> <li>• Previously President of Hathway Financial, a financial services company that specialized in small to mid-sized commercial credits in the transportation, construction and industrial equipment markets</li> <li>• Held several key roles at Newcourt Credit Group and CIT Group with responsibilities for national vendor programs in the transportation construction and automotive groups.</li> </ul>
	<b>Stephen Sands</b> <i>Chief Credit Officer</i> <i>(C&amp;V Finance)</i>	<ul style="list-style-type: none"> <li>• Chief Credit Officer of Element Financial Corp., C&amp;V Finance and Fleet Management</li> <li>• Previously, Vice President, Commercial and Industrial Finance at Newcourt Credit Group; Assistant Vice President Corporate &amp; Commercial Lending of National Trust Company and Bank of Nova Scotia</li> <li>• Holds a Bachelor of Arts and a Masters degree in Business Administration from the University of Toronto</li> </ul>
	<b>Don Campbell</b> <i>President</i> <i>(US - C&amp;V Finance)</i>	<ul style="list-style-type: none"> <li>• CEO of Element C&amp;V Finance U.S.; his career spans over 40 years in the equipment financing and leasing industry</li> <li>• Previously, co-founded CoActiv Capital Partners, and served as President of Tokai Financial Services (part of Rabobank); President of Commerce Commercial Leasing and Chief Executive Officer of De Lage Landen</li> <li>• Mr. Campbell graduated from La Salle University</li> </ul>
	<b>Steve Grosso</b> <i>Chief Operating Officer</i> <i>(US - C&amp;V Finance)</i>	<ul style="list-style-type: none"> <li>• Chief Operating Officer of Element, C&amp;V Finance U.S. with 30 years experience in equipment finance</li> <li>• Previously President and CEO of De Lage Landen, and COO of Tokai Financial Services and SVP and Division Head for First Fidelity Bank's Equipment Leasing Group</li> <li>• Mr. Grosso holds a B.S. in Finance and Accounting at the University of Connecticut and attended the Institute of Executive Lease Management at Columbia University</li> </ul>

# *Separation Update*

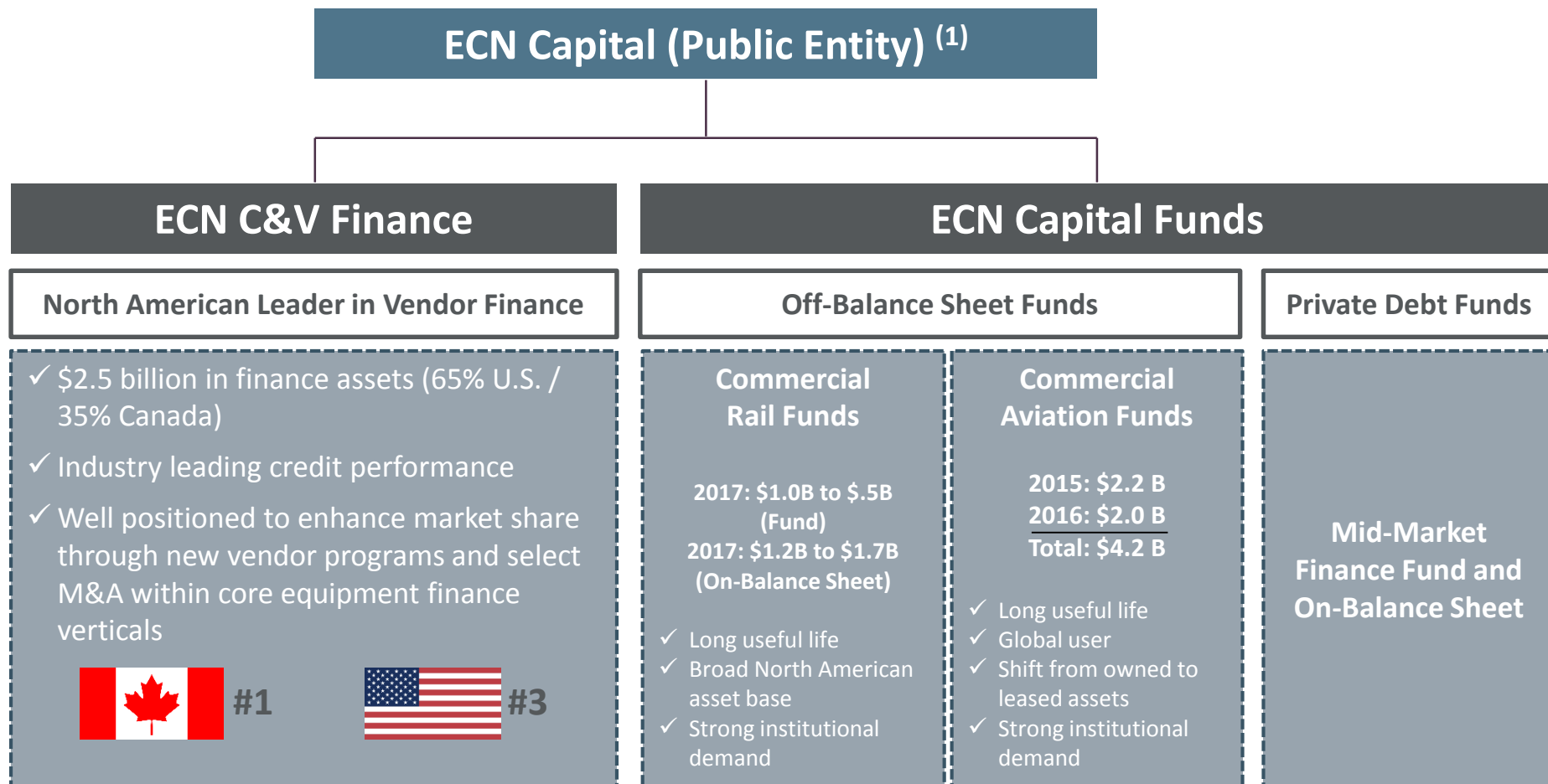


# Meeting the Timeline



# *The Opportunity*

# ECN Capital Structure



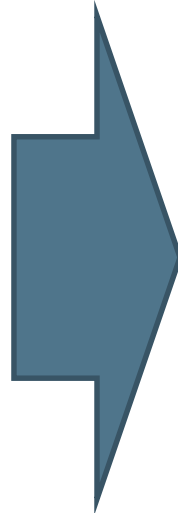
Note: Numbers in CAD, unless otherwise noted

(1) ECN Capital intends on implementing a small dividend upon its separation from Element

# Current Environment

## Bank Competition

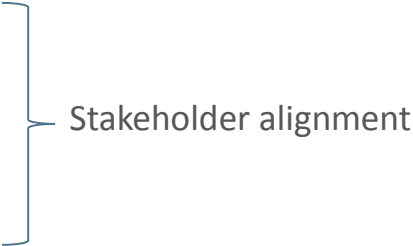
- Canadian and U.S. banks have returned to commercial finance driven by their improved financial positions and search for higher yielding assets
  - Wells Fargo acquired GE Capital Commercial Finance
- U.S. banks are also entering the rail finance market driven by more favorable regulations and predictable risk-adjusted returns over the cycle
  - Wells Fargo (GE Capital Rail acquisition), PNC and Citibank becoming increasingly active



## ECN Capital Positioned to Protect Market Share and Capture New Business

- ECN Capital is well positioned to achieve growth objectives:
  - Scale from national platforms in Canada and the U.S.; Deep vendor relationships
  - Bank “disruption” and culture
  - Singular focus on commercial finance; banks pushing full product offering is driving vendors away
  - Flexibility to finance tailored and expanding scope to include smaller transactions
  - Demand from lifecos and pension funds to partner with ECN Capital to access higher yielding assets
  - Investment grade balance sheet and funding structures

# T.1 Strategy

- ECN Capital's leading business platforms, strong balance sheet and exclusive focus post-split are driving higher ROE's – T.1 Strategy
- Management commitment to drive sustainable higher ROEs in each business unit
  - Yield Improvement
  - COF Reduction
  - Operating Expense Reduction
  - Program/Asset Review

Stakeholder alignment
- T.1 Strategy comprises the following for each business unit
  - Historical performance
  - Current performance
  - Post T.1 performance
  - Specific T.1 initiatives
- T.1 Strategy backed Management and Board commitment
  - Reduction in \$1.5 million compensation and Board fees
  - Underpins \$4 million operating expense reduction program

*C&V Finance*

# C&V Finance Overview

- ECN Capital's C&V finance platform represents a leading North American business in equipment leasing
- Finance assets of C\$2.5B
  - U.S.: ~C\$1.6B (65%)
  - Canada: ~C\$900M (35%)
- Gross yields exceeding 7%
- Industry-leading credit metrics
- Originations driven through C&V partnerships with leading national manufacturers, distributors, and dealers (60%) as well as through a direct sales force (40%)
- Head offices in US (Horsham, PA) and Canada (Mississauga, ON)

## Asset Classes

Transportation & Construction	Manufacturing & Industrial	Franchise	Office Products & Technology	Healthcare
				
Focused on financing manufacturers & distributors and end users of heavy equipment and vehicles	Customized financing solutions for commercial and industrial clients' equipment needs	Servicing the equipment needs of national and regional chains, franchises, and independent operators	Tailored solutions for manufacturers of office and technology equipment	Financing programs for healthcare manufacturers, distributors and practitioners for equipment purchases
				

# C&V Finance – Canada

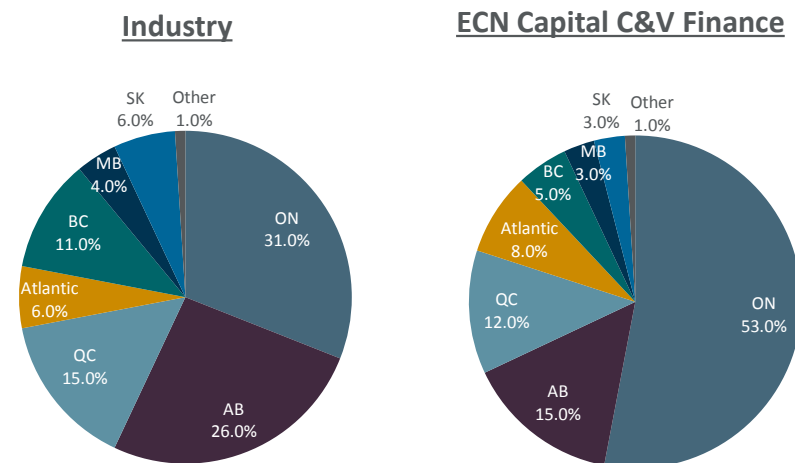
## Overview

- ECN Capital is the #1 player in Canada with a dominant national platform
- Significant M&A activity over the past 12 months as banks have re-entered the sector to capitalize on their cost-of-funding advantages
  - Laurentian/CIT, CWB/Maxium, Meridian/Royntat ( $\approx 10\%$  premium to assets)
  - ECN Capital was highly disciplined and unwilling to match premiums paid for these businesses
- Opportunities in Canada to streamline operations and acquire niche businesses where banks do not compete
  - ECN Capital will only transact if deals are accretive and no negative impact on investment grade balance sheet

## Equipment Lending Index (Indexed to 100)



## Investment by Province



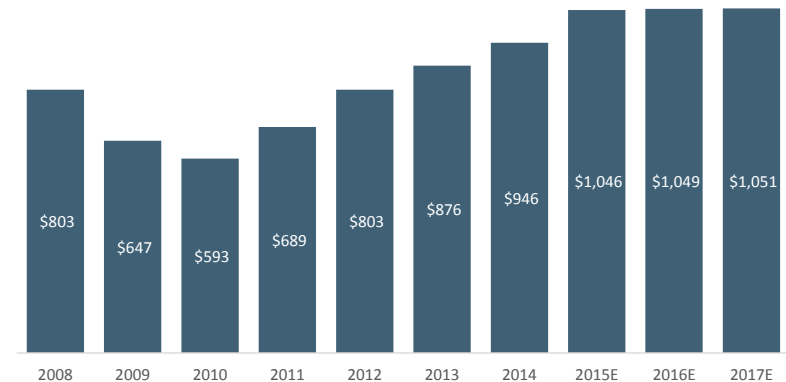


# C&V Finance – United States

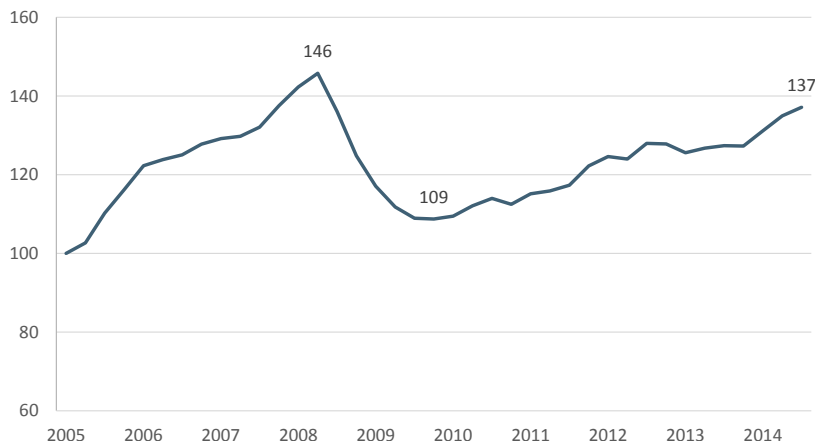
## Overview

- ECN Capital is the #3 player in the U.S. with a national platform
- Wells Fargo acquisition of GE Capital's U.S. C&V business has altered the landscape and presented opportunity
- ECN Capital wins and retains business by providing targeted vendor programs with singular equipment finance focus
- Relatively fragmented market drives new vendor partnership opportunities; economic factors remain favourable to growing assets with attractive risk-adjusted returns, and acquiring selective portfolios

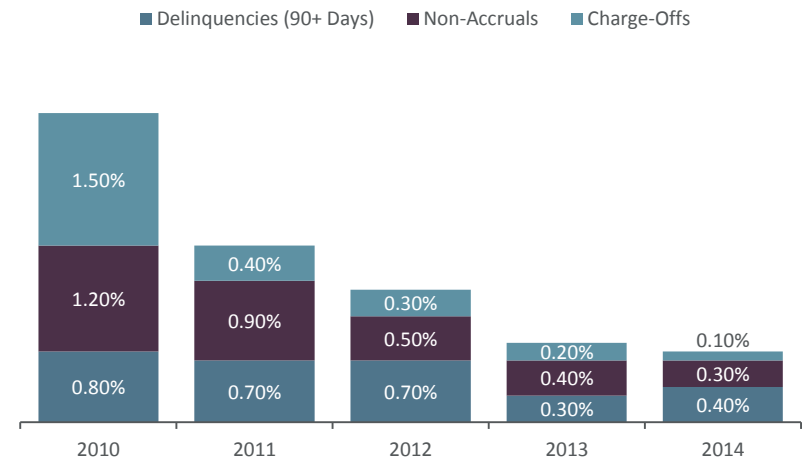
## Industry Size (US\$ B)



## Propensity to Finance Equipment Index (Index to 100)



## Key Credit Metrics (%)



Source: Equipment Financing and Lease Foundation

# C&V (Canada and U.S.) – Performance Summary

	2014
Yield	7.84%
Interest Exp.	2.87%
Net Margin	4.97%
Op-X	2.70%
ROA before taxes	2.22%
ROA after taxes (25%)	1.70%
Leverage	3.3X
ROE – Before taxes	9.87%
ROE – After taxes	7.50%



	2016 (Q2)
Yield	7.15%
Interest Exp.	3.44%
Net Margin	3.71%
Op-X	1.95%
ROA before taxes	1.76%
ROA after taxes (25%)	1.32%
Leverage	5.5X
ROE – Before taxes	11.44%
ROE – After taxes	8.58%



	T.1 (Originations) ≈
Yield	7.40%
Interest Exp.	2.80%
Net Margin	4.60%
Op-X	2.05%
ROA before taxes	2.55%
ROA after taxes (25%)	1.90%
Leverage	5.5X
ROE – Before taxes	16.58%
ROE – After taxes	12.43%



- Bank competition impact on yield – bottom of cycle now
- Interest expense including convert fully allocated debt costs
- Operating expense right sized and program review



- Specific initiatives immediately
- 18-24 months for full impact on portfolio

# C&V – Initiatives

- Yield Initiatives

- Revised pricing matrix launched based upon integrated selling requirements ⇒ On average 45 bps of yield improvement ⇒ Implemented late July
- Transaction size lowered to include higher yielding smaller balance transaction within our core origination channels ⇒ Implemented late July
- Renewed emphasis on minimum fee income ⇒ (Commitment/banking, payouts, insurance etc.)
- Commission structure compressed for transaction yields falling below grade

- Growth Initiatives

- New wins
  - Wabash \$150M, North American exclusive
  - GE Franchise portfolio \$200M, 35 new customers core brands
- Focus floor plan approved and to be tested in Q4 2016 and nationally launched in Q1 2017
  - \$100M to 3 large vendors; \$200M term product
  - Standalone product ROA's of 100 bps
  - Tied to required term funding ROA increases to 320 bps

# C&V – Initiatives

- Early results are encouraging

Canada - Originations			U.S. - Originations		
	Q3 (F)	Q4 (F)		Q3 (F)	Q4 (F)
Yields (pre-fees $\approx$ 50 -75 bps)	5.9%-6.0%	6.5%-6.7%	Yields (pre-fees $\approx$ 25 -50 bps)	7.75%-9.0%	7.40%-7.80%
Originations	\$120 to \$125M	\$130 to \$140M	Originations	\$325M-\$350M	\$240M-\$270M

- Canadian and U.S. COF Reductions

Q2 2016	Post Split*	Savings
3.44%	2.80%	64 bps

\* Combination of all programs

- Launch of investment grade bank securitization programs launched in Q1 2016 (CDN) and Q4 2016 (U.S.)
- Multi-currency capabilities (CAD, USD)
- AAA rated, 90% advance rate
- Elimination of convertible debt Q4/2016

# *Rail Finance*

# Rail Overview

- Rail assets are highly sought after by large pension funds and lifecos seeking long-life assets with sustainable returns through the credit cycle
- Finance assets of C\$2.2B
- Yields in excess of 6.5% with negligible credit losses; 50 year life assets

## Market Headwinds

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- Excess industry production
- Weak commodity markets and strong US\$
- Decline in railcar loadings (predominantly coal and petroleum)
- Increased railcar velocity due to improved infrastructure and less traffic
- Short term pressure on lease rates and utilization
- Past the bottom of the cycle

## ECN Capital's Strong Portfolio

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- Young fleet, 4.4 years vs. industry average of ~19 years
- Insignificant coal exposure
- Strong credits
- Long lease terms & evenly distributed
- Balanced maturity profile by industry
- Few near term renewals (~5% in 2016)
- 99% Utilization



← Risk Mitigation →

**Despite headwinds in the rail market, ECN's Rail Businesses is well positioned**

# Rail – Summary

	2013
Yield	7.00%
Interest Exp.	3.30%
Net Margin	3.70%
Op-X	0.75%
ROA – Before taxes	2.95%
ROA – After taxes (25%)	2.21%
Leverage	4.0
ROE – Before taxes	14.75%
ROE – After taxes	11.06%



	Q2 2016
Yield	6.59%
Interest Exp.	3.48%
Net Margin	3.11%
Op-X	1.00%
ROA – Before taxes	2.11%
ROA – After taxes (25%)	1.58%
Leverage	4.0
ROE – Before taxes	10.55%
ROE – After taxes	7.91%



	Post T.1
Yield	6.75%
Interest Exp.	3.50%
Net Margin	3.25%
Op-X	1.00%
ROA – Before taxes	2.25%
ROA – After taxes (25%)	1.69%
Leverage	4.0
ROE – Before taxes	11.25%
ROE – After taxes	8.44%



- Market headwinds reduce upside opportunity in short-term
- Portfolio quality and term mitigate downside risk
- Strong institutional/bank interest driving demand for assets

- ROA and ROE will improve as assets are transitioned to funds

# Add Managed Fund to Rail Platform

## ECN Capital Rail Today

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- Trinity relationship is a key foundation of ECN Capital's strategy and drove a ~US \$1.7B portfolio build in 2 years
- Renewed the original program agreement in October 2015 for US \$2bn over four years
- Built a dedicated rail team based in Chicago and Montreal focusing on direct originations and will continue to build business to strengthen asset management capability
- \$2.2 bn Portfolio at end of Q2 2016

## ECN Capital Rail Forecast

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- Opportunities continue to emerge in the softer market environment, but ECN Capital remains selective; investment decisions are being managed with:
  - Price-sensitivity based on rigorous analysis
  - Ability to defer originations in expectation of a better bid, more active market
- ECN Capital is targeting Q1 2017 for its inaugural railcar fund with assets estimated to be \$500MM to \$1B



← Future Growth →

ECN Capital's rail portfolio continues to perform well in a challenging market environment. Future originations are expected to moderate and be more opportunistic to take advantage of attractive pricing. Significant number of new entrants in the market (Wells Fargo acquiring GE Rail; PNC and Citibank active) impacting pricing and volumes.



# Rail – Initiatives

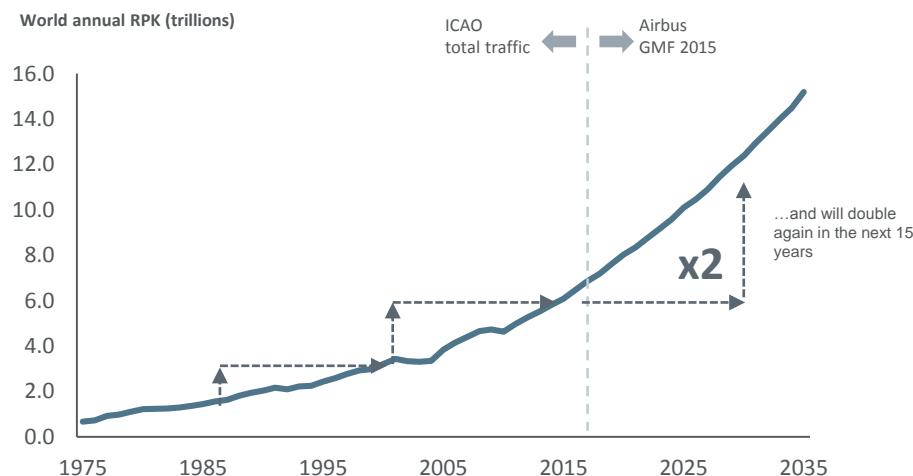
- ECN has developed a rail platform with expertise to take advantage of opportunities in the market place and manage rail assets
- Rail Car portfolio represents a “Store of Value” that can be realized by
  - Selling a portfolio of assets to a fund and managed by ECN for institutional investors
  - Selling assets on a regular basis at 10 to 20% over book value to diversify portfolio/expanded investor base
- ECN undertaking initiatives to drive higher ROE
  - ECN is currently in the market to sell approximately \$50mm of assets for a gain of 15 to 20%
  - ECN is developing a fund for institutional investors for \$500mm to \$1 billion which will release capital and provide management fees ⇒ Q1, 2017

# *Commercial Aviation Finance*

# Commercial Aviation Overview

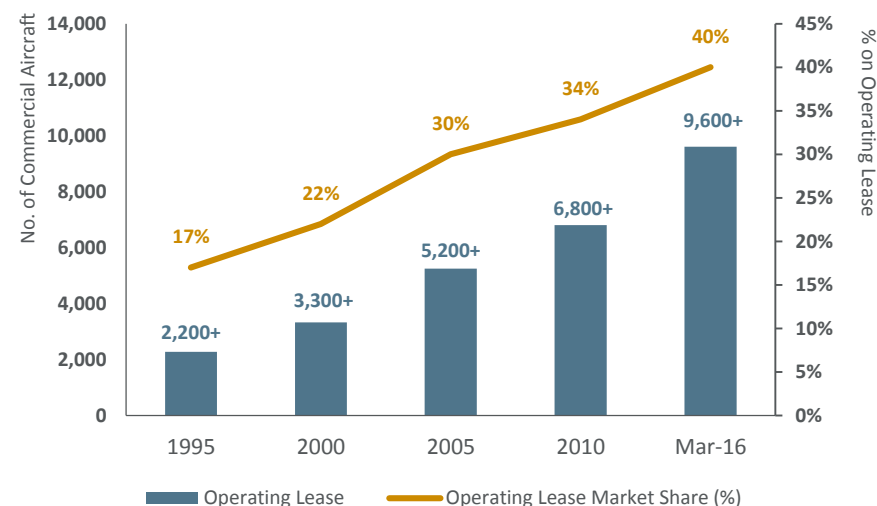
- Commercial aviation represents an attractive leasing segment in high demand by institutional investors
- Managed assets of C\$1.9B
  - International: ~C\$1.7 B (90%)
  - North America: ~C\$190 M (10%)
- Yields in excess of 6% with negligible credit losses

## Air Travel is Expected to Double in the Next 15 Years...



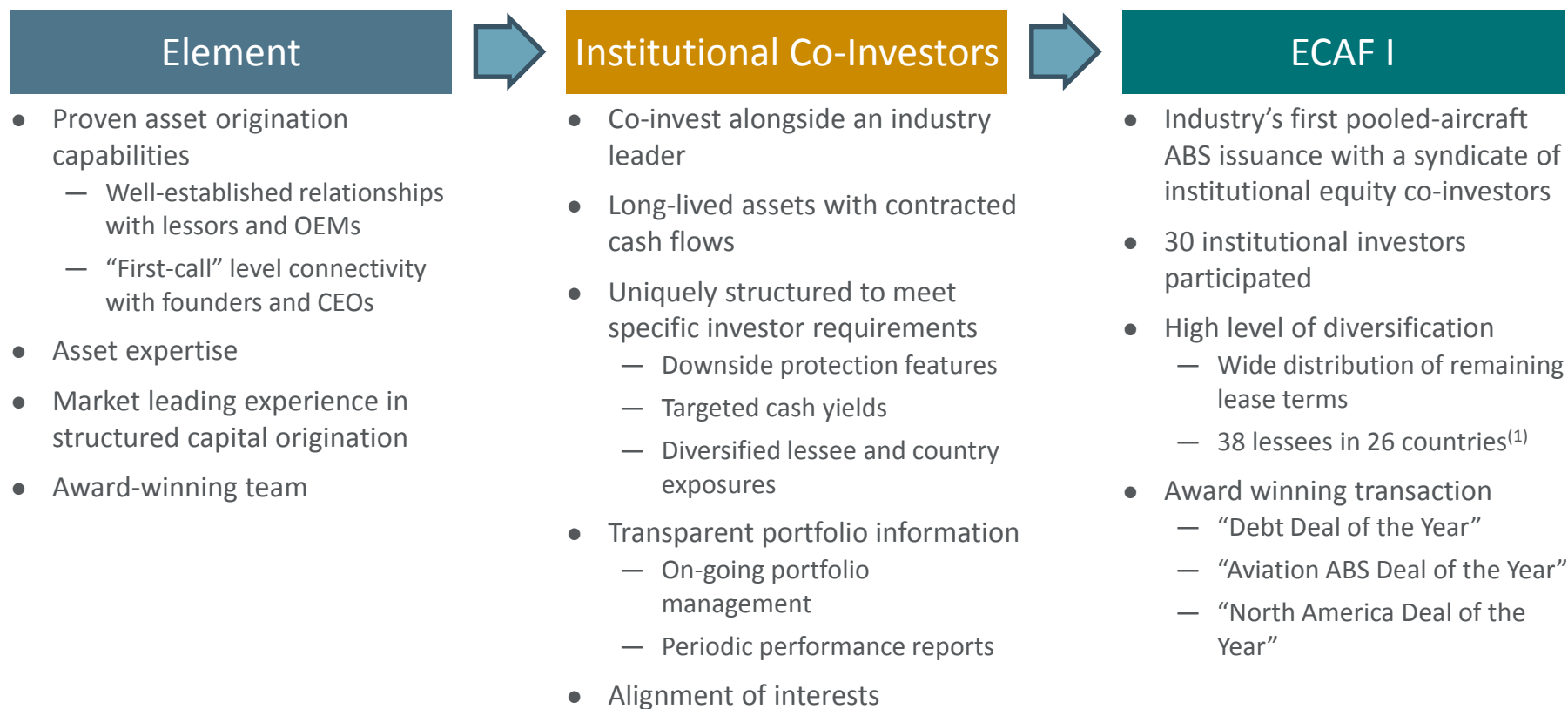
- Over the last 20 years, passenger demand has increased, on average, by 5% per annum
- Outpacing GDP growth by 2.7x

## Airlines are More Dependent on Operating Leases



- Increasing size of the global fleet
- Growing market share of aircraft on operating lease
- Significant increase in aggregate number of aircraft on lease
  - Number of aircraft on operating lease has grown by 7.5% CAGR since 1995

# Proven Ability to Structure Commercial Aviation Funds - ECAF I



**Element, together with a syndicate of institutional co-investors, executed ECAF I in June 2015**

# ECAF I Structure

## Description

- Completed its inaugural commercial aircraft fund, ECAF I, to reduce its on-balance sheet assets and funding requirements
- Structured the fund and arranged the syndication of both the debt and equity to third-party institutional investors and acts as the manager on behalf of institutional investors
- Following the separation, will launch similar programs with Commercial Finance funds to support its rail portfolio and potentially C&V assets

## Structuring

<b>ECAF I Ltd</b> <b>US\$1.6 B (C\$2.2 B)</b> <b>commercial aircraft fund</b> <ul style="list-style-type: none"> <li>Closed June 19, 2015</li> <li>48 commercial aircraft</li> <li>38 lessees</li> <li>26 countries</li> <li>6.6 year wtd. avg. age</li> <li>5.9 year wtd. avg. remaining lease term</li> <li>BBAM acts as aircraft lessor</li> </ul>	Capital Structure	Investor Base	Overview <sup>(1)</sup>	Illustrative Rating S&P/Fitch	LTV	Indicative Cost	WAL
	Senior Notes \$1,050MM	12 Investors	<b>Class A-1</b> \$459.4MM <b>Class A-2</b> \$590.6MM Total \$1,050MM	A/A-  A/A-	66.77%  66.77%	3.47%  4.95%	3.6 year  7.0 year
	Junior Notes \$160MM	8 Investors	\$160MM	BBB/BBB	76.95%	5.8%	5.5 year
	Common Equity \$320MM	5 Investors	\$320MM				

(1) Represents amount funded at closing. Excludes the impact of financing expenses

# Commercial Aviation Funds

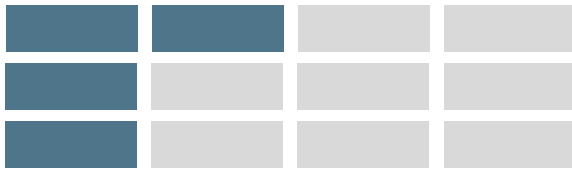
- ECAF Summary
  - \$1.5B in total assets
  - \$ 1.2B in two tranches of rated debt
  - \$ 320mm in equity, IRR of 16%
  - Equity held by Element Fleet
  - Up front fees of \$15M (2015)
  - Yearly management fee of \$3.75M
- ECAF II Update

**Note: all amounts in US\$**

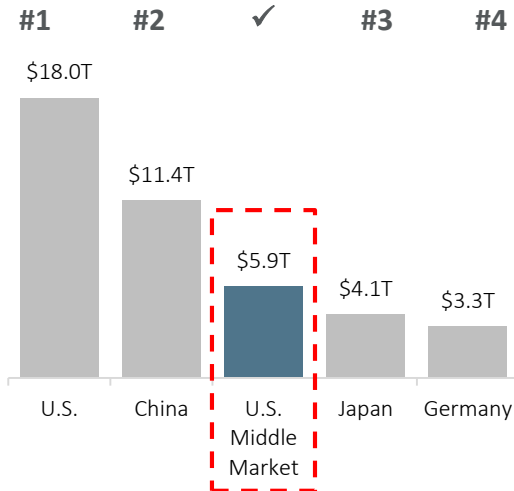
# *U.S. Middle Market Finance*

# U.S. Middle Market Finance Represents a Large and Attractive Opportunity

Nearly 33% of private sector GDP with > \$10T in Annual Revenue



3<sup>rd</sup> Largest Global Economy<sup>(1)</sup>

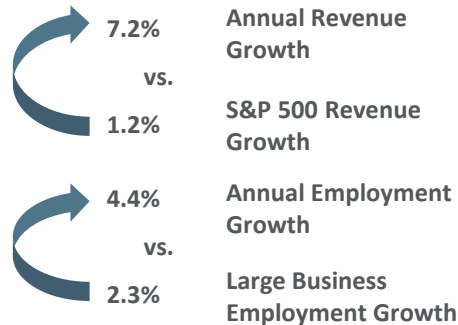
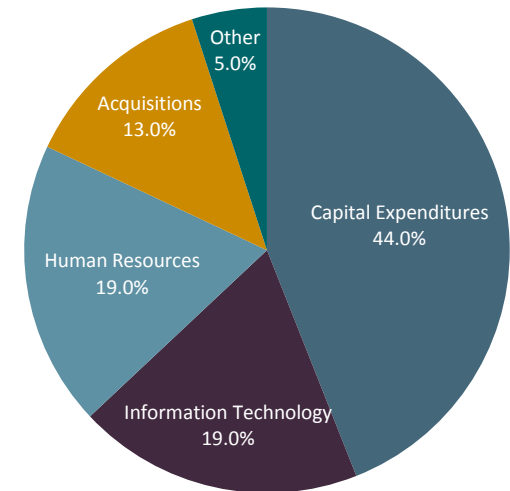


Represents 1/3 of All U.S. Jobs



~200,000 Middle Market Businesses Require Capital to Support Growth

~ 62% of middle market firms plan to invest excess capital over the next twelve months



**The U.S. Middle Market: An Engine of Growth with an Intense Demand for Capital**

Source: National Center for the Middle Market 2Q 2016 Middle Market Indicator and 2015 CIA World Factbook

Note: U.S. middle market defined as companies with annual revenues ranging from \$10mm to \$1B, representing nearly 200,000 businesses

(1) Global economy ranked by 2015 estimated GDP not adjusted for purchasing power parity as per CIA World Factbook. U.S. middle market GDP represents

National Center for Middle Market estimate as per 2Q 2016 Middle Market Indicator



# Secular Changes in the Banking Industry Create Significant Opportunities

More stringent regulatory oversight and higher capital requirements driving changes in the commercial banking industry

## New Regulatory Scrutiny

- Dodd-Frank / Volcker Rule
- Basel III
- Leverage Lending Guidelines
- Solvency II Tests
- Asset Quality Review

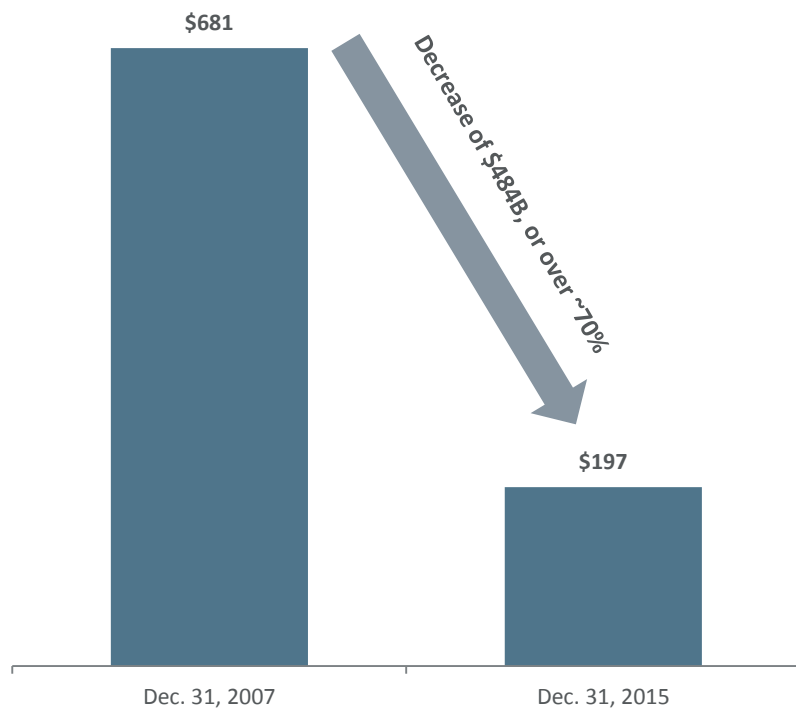
## Impact on Banks

- Risk-based capital ratio / higher capital requirements
- Total Leverage Ratio Test
- Classified loan expansion
- Increased scrutiny underwriting leveraged transactions
- Liquidity tests
- Lower ROE/ROA

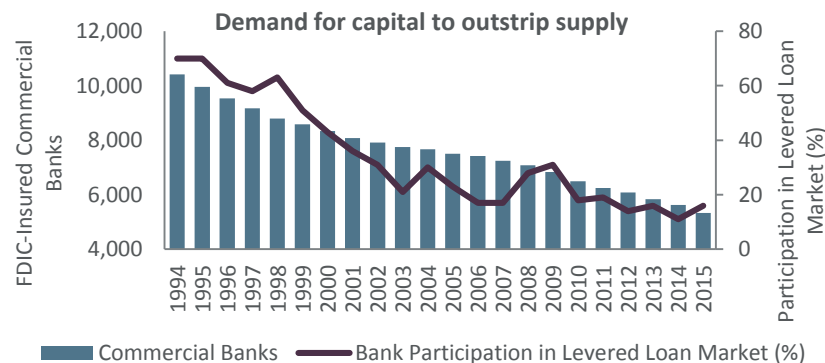
Significant opportunity for non-bank capital providers due to increased bank regulation and reduced risk appetite

# Non-Banks Filling the Void as Banks Retrench

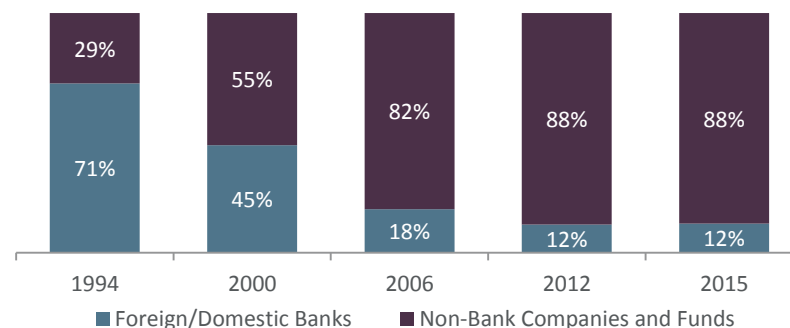
## Level 3 Assets for Capital Markets Firms (US\$B)



## Current State of Bank Lenders



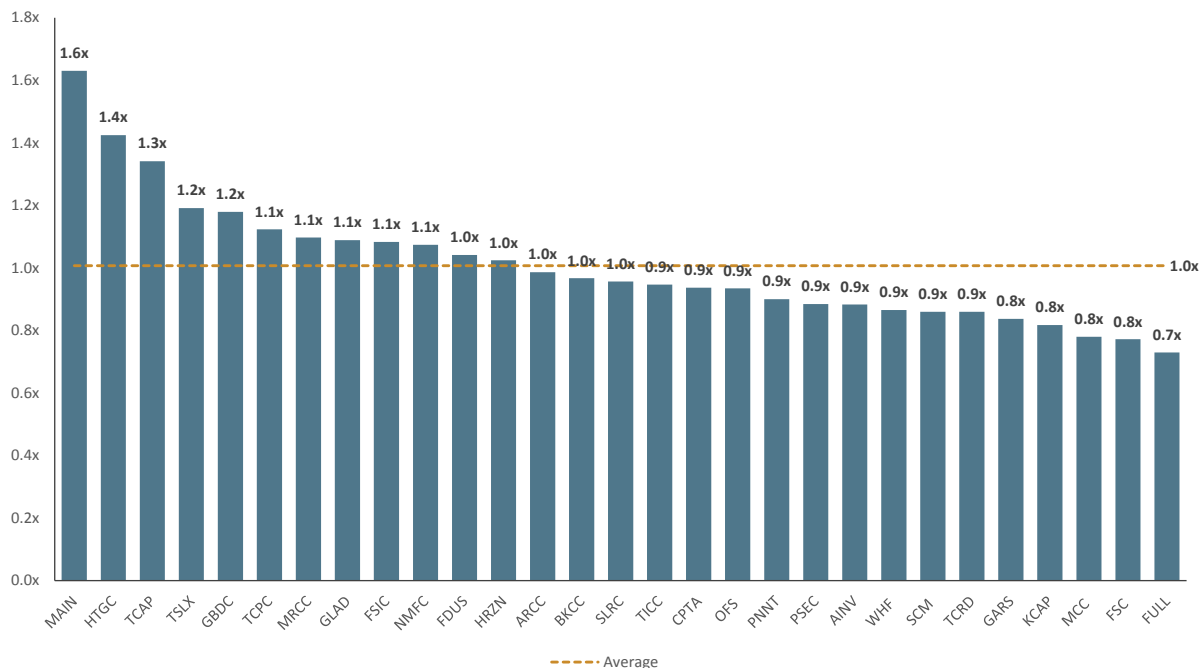
## Leveraged Loan Funding by Entity



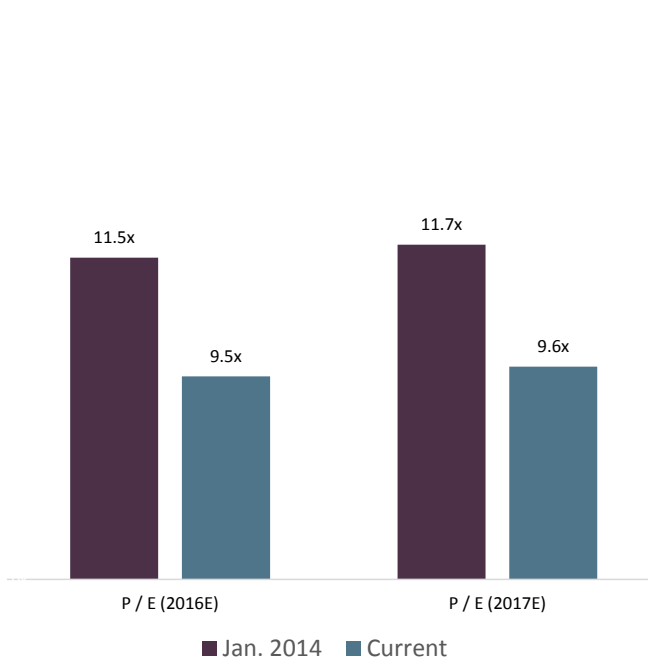
A variety of recent bank regulations have driven large financial firms to reduce leveraged loan assets. While non-bank lenders have grown significantly, they remain small relative to the contraction of bank credit.

# BDC Valuations Under Pressure

P/B Multiples



P/E Multiples



**BDCs, typically a key source of financing for the middle market, have experienced material valuation compression. This has limited their ability to raise growth capital.**

# Establishing a U.S. Middle Market Finance Platform

- ECN Capital is uniquely positioned to partner with banks, asset managers, lifecos and pension funds to establish a U.S. middle market finance platform
  - Unprecedented demand for yield from institutional investors creating fund management opportunities
- Ability to establish both warehouse and permanent capital structures that leverage ECN Capital's investment grade rating and attractive cost of financing
- Pursue both buy and build opportunities:
  - Only target leading platforms and proven management teams
  - Currently reviewing three buy and two build opportunities (includes opportunities in excess of \$5 billion and as small as \$500 million; each management team has significant experience and has built successful businesses previously)
  - Disciplined acquisition strategy; avoid overpaying for platforms in current phase of the credit cycle
  - Prudently deploy capital in sectors and asset structures where risk-adjusted returns are most attractive
  - Natural fit with ECN Capital's best-in-class asset origination, credit adjudication and risk management capabilities
  - Target pre-tax ROE of  $\approx 17\%$

# U.S. Middle Market Finance Landscape



Significant opportunities to capture market share in primary lending market where banks are rapidly reducing volumes

# ECN Capital's Deep Institutional Relationships

## Asset Managers and Pension Funds

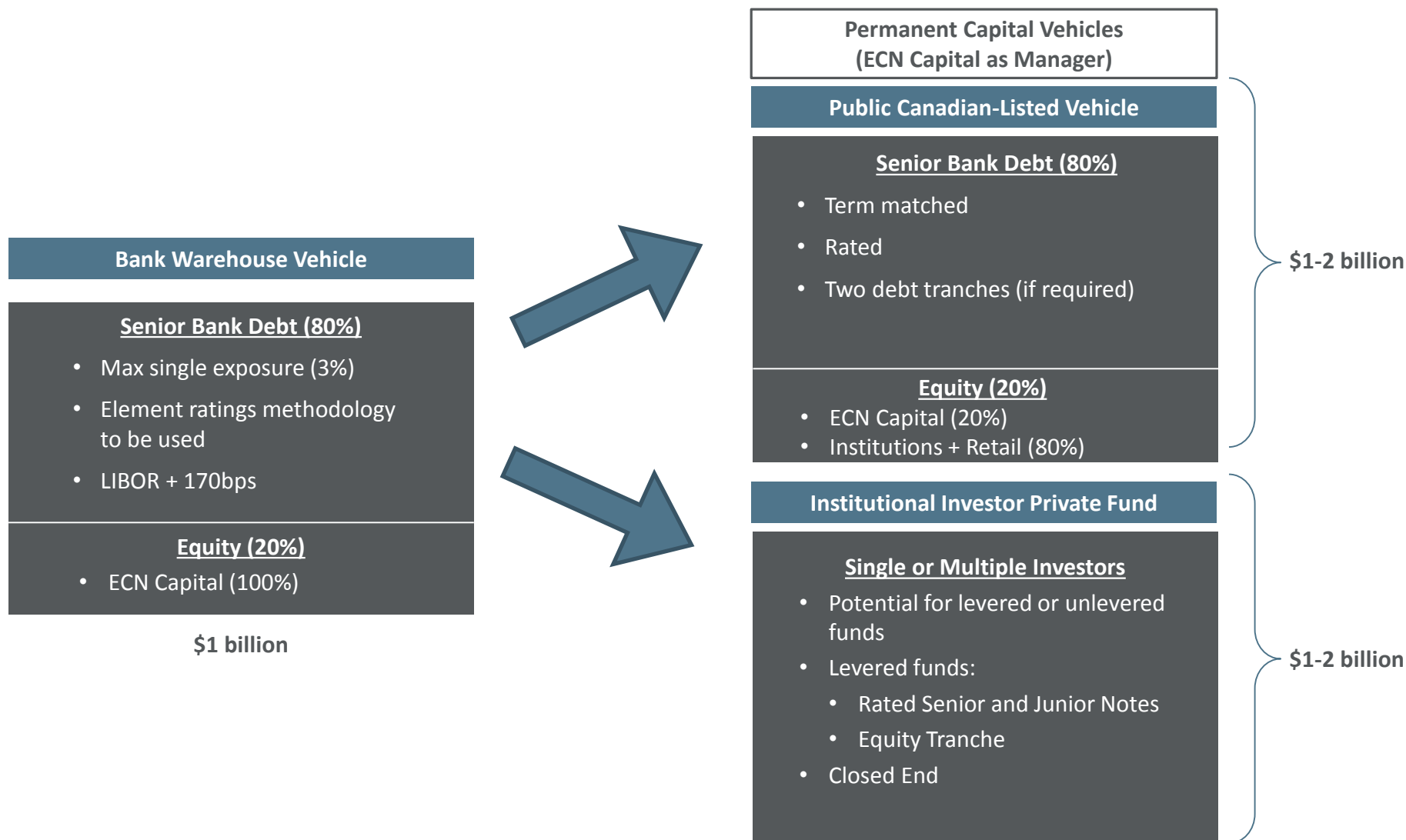


## Insurance Companies



Strong institutional relationships across asset managers, pension funds and insurance companies

# U.S. Middle Market Finance Indicative Structures



Notes:

(1) Assets to be originated subject to strict underwriting standards (max concentrations limits and sector diversification)

# U.S. Middle Market Finance:

## Illustrative Economics to ECN Capital

(C\$MM)

### Total Middle Market Finance Assets

On-Balance Sheet (warehoused)	\$900	30%
Off-Balance Sheet (fund management)	\$2,100	70%
	<b>\$3,000</b>	<b>100%</b>

### Key Inputs

Assumed Leverage (debt/equity)	4.0x
Cost of Leverage	2.7%
Gross Revenue (% of on-balance sheet assets)	7.25%
Fees earned by ECN Capital on Managed Assets	1.25%
Opex Ratio (% of Total Assets)	1.25%
Tax Rate	25.00%

(C\$MM)

### Illustrative Returns

Gross Revenue (on-balance sheet assets)	\$65
Fee Income (% of managed assets)	\$26
Income Earned from Retained Interest in Fund <sup>(1)</sup>	\$10

**Total Revenue** **\$102**

Interest Expense (on-balance sheet assets) **-\$19**

**Net Revenue (incl. fee income)** **\$82**

Operating Expenses **-\$38**

**Pre-Tax Income** **\$45**

Tax **-\$11**

**Net Income** **\$33**

### ROA (% of on-balance sheet assets)

Pre-Tax 5.0%

Post-Tax 3.7%

### ROE (% of equity invested)

Pre-Tax 16.9%

Post-Tax 12.7%

Notes:

(1) Assumes that ECN Capital holds 20% of the equity in the fund and earns a 12% post-tax return on that equity



# *Sources of Capital*

# Sources of Capital

- **IAC transaction enables ECN Capital to accelerate its growth plan following the separation**
  - Immediate Funding: Provides ECN Capital with the funding it requires to take advantage of actionable strategic opportunities with a focus on building a U.S. middle market finance business
  - Cost Effective: Offers the most cost effective way for ECN Capital to access growth capital and in the least dilutive way possible in the current market environment
  - Valuation Support: Puts a firm marker in the market that ECN Capital is worth at least net book value (i.e. at least \$4.00 per share)
- **Perpetual Preferred Shares**
  - Element has successfully tapped the preferred share market previously as an attractive source of non-dilutive growth financing
  - Four unrated preferred share issuances totaling over \$500 million from 2013-2015
  - Institutional demand for preferred shares has increased significantly, with non-traditional buyers becoming regular participants
  - Potential to raise up to \$300 million in perpetual preferred shares
- **General Aviation Wind-Down**

	Portfolio	Run-Off	Cash Returned
December 31, 2016	\$1.0B	---	---
December 31, 2017	\$.7B	\$.3B	\$120M
December 31, 2018	\$.5B	\$.2B	\$80M
December 31, 2019	\$.350B	\$.150B	\$60M
Thereafter	\$.350B	\$.350B	\$140M
<b>TOTAL</b>	<b>N/A</b>	<b>\$1.0B</b>	<b>\$400M</b>

# *Valuation*

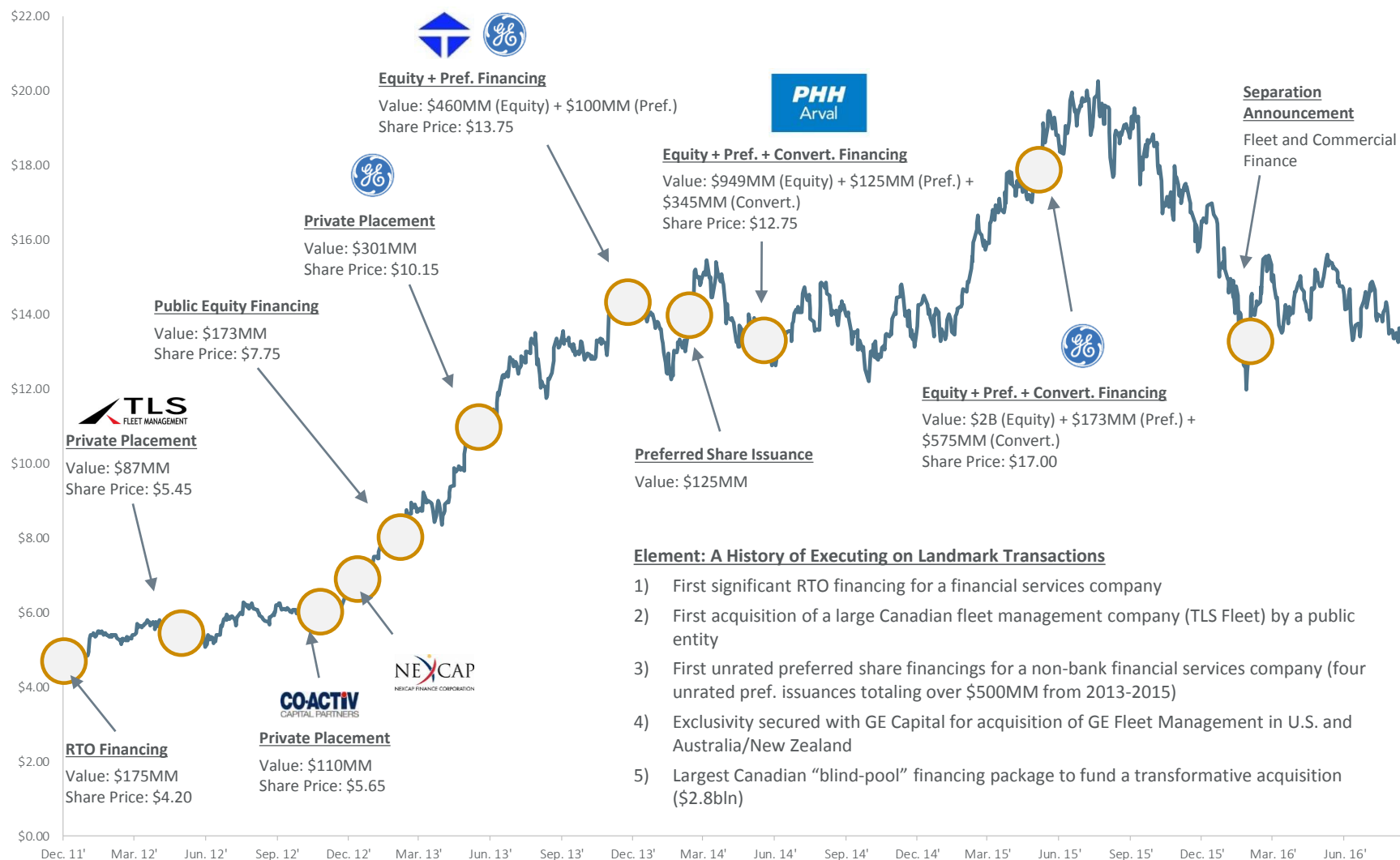
# Commercial & Diversified Leasing Comparable Companies

(US\$mm, except where noted)	Price	Market Cap	P / E			P / B	Pre-Tax ROE		Pre-Tax ROA		D / E
	(Sep. 20, 2016)		CY2016E	CY2017E	CY2018E	Current	LFY	LQA	LFY	LQA	Current
Rail											
GATX Corp	\$41.25	\$1,666.5	7.4x	8.9x	10.4x	1.3x	20.8%	24.9%	3.9%	4.6%	3.3x
Equipment & Diversified Leasing											
Century Tokyo Leasing Corp	¥3,645.00	¥388,646.7	9.0x	8.4x	7.9x	1.2x	23.8%	23.3%	2.1%	2.1%	8.6x
CIT Group Inc	\$35.03	\$7,075.8	15.1x	9.8x	9.1x	0.6x	5.8%	9.9%	1.0%	1.6%	1.6x
Grenke AG	\$174.35	\$2,575.3	25.8x	22.3x	19.3x	4.2x	20.2%	20.2%	3.4%	3.5%	4.5x
Marlin Business Services Corp	\$18.28	\$229.2	13.2x	11.4x	9.9x	1.5x	15.6%	18.7%	3.3%	3.5%	4.2x
McGrath RentCorp	\$31.69	\$757.6	19.5x	17.5x	14.3x	2.0x	16.5%	15.7%	5.9%	5.3%	0.9x
Mitsubishi UFJ Lease & Finance Co Ltd	¥461.00	¥412,979.5	7.7x	7.5x	7.1x	0.7x	14.3%	14.3%	1.8%	1.8%	6.1x
NewStar Financial Inc	\$10.31	\$481.1	21.9x	14.9x	11.1x	0.7x	4.4%	5.3%	0.8%	0.9%	4.8x
PacWest Bancorp	\$42.41	\$5,106.7	14.8x	14.1x	13.4x	1.1x	7.6%	11.8%	1.6%	2.5%	3.7x
Median			14.8x	11.4x	10.4x	1.2x	15.6%	15.7%	2.1%	2.5%	4.2x
Average			15.0x	12.8x	11.4x	1.5x	14.3%	16.0%	2.6%	2.9%	4.2x

Superior valuations driven by strong ROE and track-record of sustainable growth

# *Appendices*

# Element – A History of Firsts

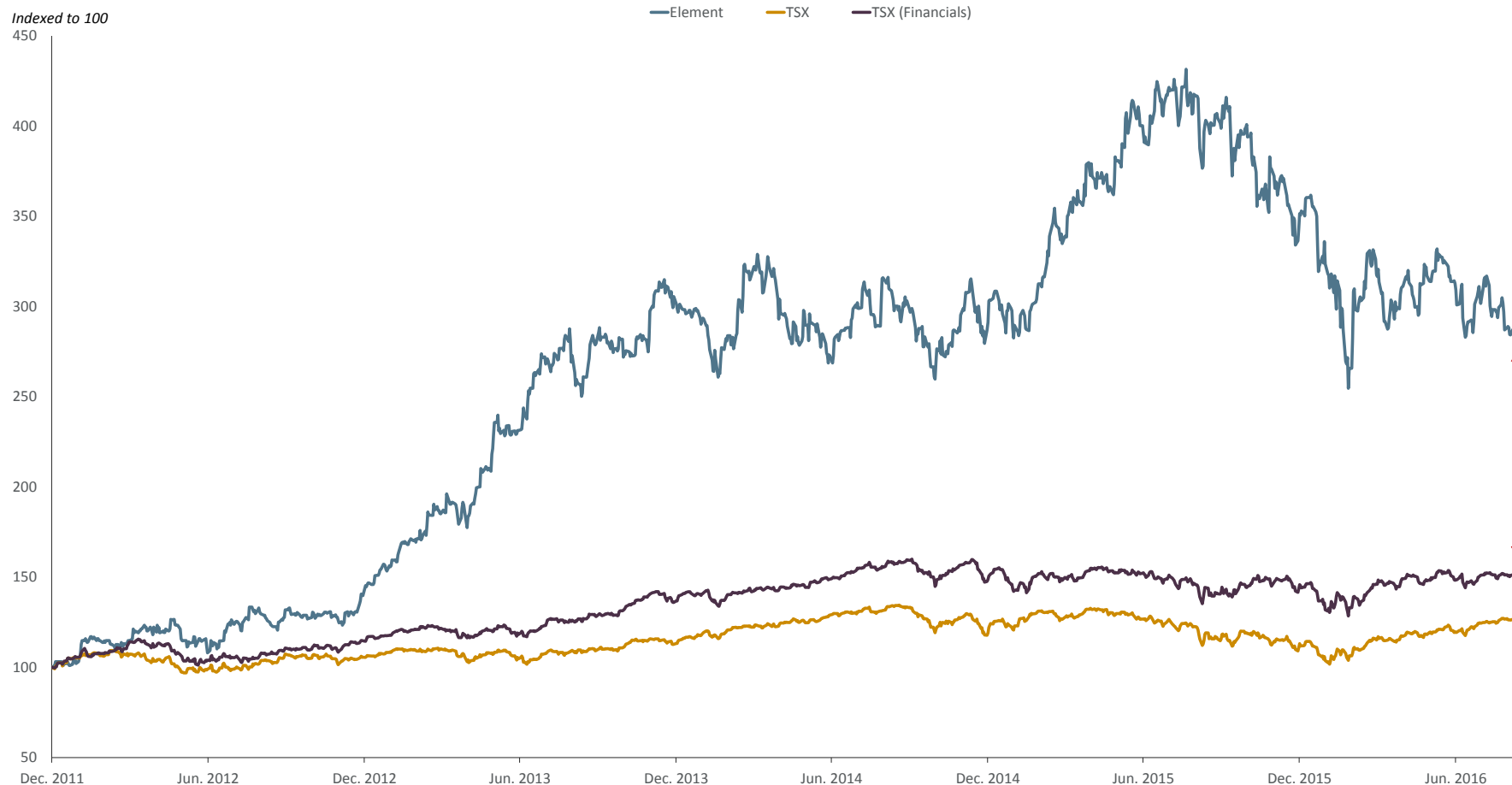


Source: Company filings; Bloomberg

Note: Dates indicated on stock chart are announcement dates; does not reflect \$75MM private placement in Q1 2011

Note: Trading data as of September 20, 2016

# Element – Relative Performance Since Inception



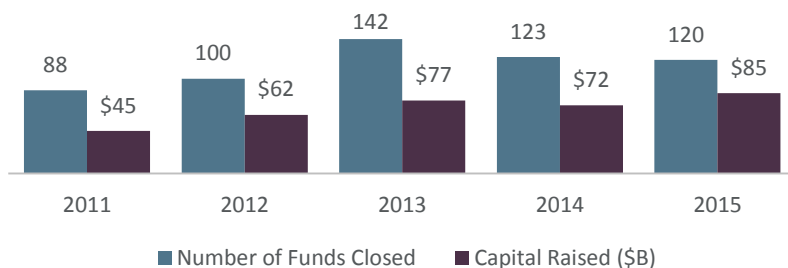
Element's share price has significantly outperformed major market indices since inception

# Growth of U.S. Middle Market Finance

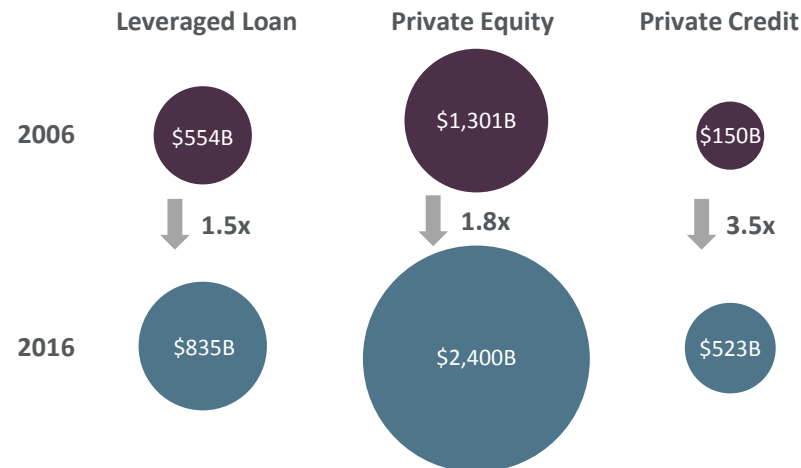
## Market Dynamics

- As a sector, private credit for the middle market has experienced the rapid emergence and growth of non-bank participants, particularly in direct lending
  - Leveraged loan and private equity investors have moved down in both size spectrum and capital stack in search of yield
  - Heightened regulatory climate has resulted in tighter underwriting standards at regulated banks
  - Private credit funds have filled both voids
- Middle market lending growth has outpaced the traditional leveraged loan markets and that growth is expected to continue
  - According to a Preqin survey of private credit investors, direct lending will be the leading strategy targeted in coming years
  - Nearly 2/3 of the 92% of investors seeking to maintain or increase their private credit allocation will seek to invest in direct lending in 2016 and 2017

## Annual Private Credit Fundraising



## Relative Size of Growth and Private Investment Markets



## Dry Powder of Private Credit Funds by Strategy

