Exchange Income Corporation

Exchange Income Corporation
Reports Record Financial Results for FY 2015 and Q4

WINNIPEG, Manitoba – February 23, 2016 – Exchange Income Corporation (TSX:EIF) (the "Corporation" or "EIC"), a diversified, acquisition-oriented company focused on opportunities in the aviation and manufacturing sectors, reported its financial results for the three and twelve month periods ended December 31, 2015. All amounts are in Canadian currency and reflective of continuing operations[1].

"We are very excited about our results for 2015 and the fourth quarter was the final chapter in what was one of the most important and successful years in our history," said Mike Pyle, CEO of EIC. "Early in 2014, we announced that we were embarking on a plan to improve the profitability of our company, increase the diversification of our operations and further strengthen our balance sheet, which combined are the cornerstone of our ability to provide sustainable and growing dividends for our shareholders. In 2015, we delivered on all facets of that promise. We hit new highs in virtually every financial metric, but perhaps the metric that most accurately summarizes the year was the improvement of our payout ratio[2] to a very strong 60% even after two dividend increases totaling approximately 14% in the last 14 months."

Mr. Pyle added, "The strength of our performance was not driven by a single factor, but was the result of a number of initiatives. The profitability of our Legacy airlines grew significantly driven by our investments in improving our fleet and infrastructure, as well as a return to more seasonal weather and lower fuel prices. Regional One continued investing in its portfolio of aircraft and aftermarket parts, which resulted in profitable growth. The additions of Provincial Aerospace and Ben Machine during 2015 also provided accretive, profitable diversification."

FY2015 Highlights from Continuing Operations

- Consolidated revenue was $807.4 million, up 49%.
- Consolidated EBITDA was a record $179.2 million, up 90%.
- Free Cash Flow less maintenance capital expenditures was $74.4 million or $3.02 per basic share, both annual records, up 112% and 90%, respectively.
- Dividend payout ratio[2] improved to 60% from 106%.
- Increased the monthly dividend to $0.16 per share (or $1.92 annualized), representing a 10% increase.
- Net Earnings were $40.2 million or $1.63 per basic share, up $51.9 million and $2.16 per share, respectively.
- Adjusted Net Earnings were $51.6 million, or $2.09 per share, up 249% and 212%, respectively.
- Acquired Provincial Aerospace Ltd. ("Provincial"), Ben Machine Products Company Inc. ("Ben Machine") and the non-aircraft assets of First Air in the Kivalliq region.
- Completed the early redemption of Series I and Series H convertible debentures.
- Closed a bought deal equity offering with gross proceeds of $75 million for the issuance of 3,019,000 shares ($24.85 per share).

"In addition to our growth, both organically and through acquisition, we were active in the capital markets taking steps to strengthen our balance sheet while at the same time ensuring we have access to the capital necessary when the right opportunity is identified," said Tamara Schock, CFO of EIC. "In spite of very unsettled capital markets we were able to complete a $75 million equity raise, while retiring the

[1] On October 20, 2014 Exchange announced the sale of the US operations of WesTower ("WesTower US"). The Corporation's results are, therefore, presented with Discontinued Operations in the comparative period, which include the operational results of WesTower US, the allocation of certain costs incurred by the Corporation to support WesTower US and the net gain on disposition (Q4 2014). The current year results do not include any Discontinued Operations.

[2] Based on EIC's Free Cash Flow less maintenance capital expenditures on a basic per share basis.

Series H and I convertible debentures well before their due dates. We also expanded our senior syndicated bank facility from $335 million to $550 million."

Selected Financial Highlights from Continuing Operations
(All amounts in thousands except % and share data)

- from continuing operations	Q4 2015	Q4 2014	Change	FY2015 YTD	FY2014 YTD	Change
Revenue	$224,504	$138,726	+62%	$807,403	$542,503	+49%
EBITDA[3]	$46,055	$26,151	+76%	$179,240	$94,278	+90%
Net Earnings from continuing operations	$9,923	($17,729)	NA	$40,234	($11,625)	NA
per share[4] (basic)	$0.36	($0.79)	NA	$1.63	($0.53)	NA
Adjusted Net Earnings from continuing operations[5]	$12,636	$5,915	+114%	$51,614	$14,797	+249%
per share (basic)	$0.46	$0.26	+77%	$2.09	$0.67	+212%
Free Cash Flow	$36,025	$22,480	+60%	$139,772	$76,980	+82%
per share (basic)	$1.31	$1.00	+31%	$5.67	$3.48	+63%
Total Maintenance Capex[6]	$15,565	$10,762	+45%	$65,367	$41,861	+56%
Free Cash Flow less Maintenance Capex[7]	$20,460	$11,718	+75%	$74,405	$35,119	+112%
per share (basic)	$0.74	$0.52	+42%	$3.02	$1.59	+90%
payout ratio	65%	83%		60%	106%	
Dividends declared	$13,252	$9,662	+37%	$45,227	$37,424	+21%

Review of FY 2015 Financial Results from Continuing Operations

FY2015 consolidated revenue was $807.4 million, up $264.9 or 49% from FY2014. The revenue increase was attributable to growth in the Aviation segment, which was primarily due to the acquisition of Provincial in January 2015, as well as strong revenue growth at both Regional One and at the Legacy airlines[8]. The acquisition of Provincial, with no comparative for the prior year, increased revenue by approximately $200 million. Regional One's growth was driven by ongoing investments in aircraft and after-market parts for resale or lease. Revenue growth at the Legacy airlines was bolstered by the acquisition of First Air's non-aircraft assets in the Kivalliq region early in the third quarter.

On a segmented basis, the Aviation segment generated revenue in FY2015 of $614.8 million, up 81% from FY2014. The Aviation segment has grown, both organically and through acquisition. The results of our Aviation segment reflect the diversification benefits of multiple entities, geographic markets and revenue sources. Additionally, the operations acquired with Provincial include airlines, aerospace and fixed base operations.

The Manufacturing segment generated revenue of $192.6 million in FY2015, down 5% from FY2014. The acquisition of Ben Machine in July 2015 partially offset the revenue declines at WesTower's Canadian operations ("WesTower CDA") and the Alberta Operations. EIC's Alberta Operations, in particular, were negatively impacted by low commodity prices, resulting in significantly lower product demand in its regions.

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[3] EBITDA is defined as earnings before interest, income taxes, depreciation, amortization, other non-cash items such as gains or losses recognized on the fair value of contingent consideration items, asset impairment and restructuring costs, and any unusual non-operating one-time items such as acquisition costs. EBITDA is not a defined performance measure under International Financial Reporting Standards (IFRS) but it is used by Management to assess the performance of the Corporation and its segments.

[4] The Corporation had 27.6 million common shares outstanding at December 31, 2015, up from 22.5 million at December 31, 2014. The growth is mainly due to the $75 million equity offering and also from shares issued to the vendors of Provincial and Ben Machine. See the Corporation's Management Discussion & Analysis, Section 7 – *Liquidity and Capital Resources* for additional information relating all changes in the common shares outstanding.

[5] Adjusted Net Earnings: is defined as net earnings from continuing operations adjusted for acquisition costs expensed, asset impairment and restructuring costs, gains or losses recognized on the fair value of contingent consideration items, amortization of intangible assets that are purchased at the time of acquisition, and the non-cash charge to deferred income taxes incurred as a result of the Corporation's settlement with the CRA on certain tax pools associated with the conversion of the Corporation from an income trust to a corporation (Q4 2014 $22.9 million non-cash charge to Net Earnings).

[6] Maintenance Capex is not an IFRS measure. Capital expenditures are characterized as either maintenance or growth capital expenditures. Maintenance capital expenditures are those required to maintain the operations of the Corporation at its current level and includes principal payments made on finance leases.

[7] Free Cash Flow less Maintenance Capex is not an IFRS measure.

[8] The Legacy airlines include the operations of Calm Air, Perimeter, Keewatin, Bearskin, Custom Helicopters and other aviation supporting businesses within the Aviation segment.

FY2015 consolidated EBITDA was $179.2 million, up 90% from FY2014. Consistent with the drivers for revenue growth already noted, EBITDA growth was primarily due to the acquisition of Provincial at the beginning of fiscal 2015, the growth in Regional One and significant improvement in EBITDA across all of the Legacy airlines.

On a segmented basis, the Aviation segment generated EBITDA of $172.0 million in FY2015, up 116% from FY2014. The Aviation segment's EBITDA margin for FY2015 was 28.0% compared to 23.5% in FY2014.

The Manufacturing segment generated EBITDA of $22.8 million in FY2015, down 11% from FY2014. The EBITDA contributions from the acquisition of Ben Machine, completed in July 2015, partially offset the margin erosion in the Alberta Operations and at WesTower CDA. The Manufacturing segment's EBITDA margin for FY2015 was 11.9% compared to 12.6% in FY2014.

The improvement in corporate-wide EBITDA was the primary reason for the positive changes in the rest of the Corporation's highlighted results for FY2015, including Net Earnings, Adjusted Net Earnings, and Free Cash Flow less Maintenance Capex. Also impacting the comparative Net Earnings was a non-cash charge in that period of $22.9 million resulting from the settlement with the CRA.

The Corporation's basic per share payout ratio for Free Cash Flow less Maintenance Capex was 60% for FY2015 compared to 106% in FY2014. The improvement is attributable to the accretive contributions resulting from the acquisitions of Provincial and Ben Machine, the continued strong performance by Regional One and the additional EBITDA generated by the Legacy airlines. This improvement was achieved even though the Corporation paid out a higher percentage dividend rate in 2015 on a larger number of common shares.

Working Capital

As at December 31, 2015, the Corporation had a net cash position of $15.5 million and net working capital of $135.3 million, which represents a current ratio of 1.74 to 1. These compare to a net cash position of $15.0 million and net working capital of $95.8 million, or a current ratio of 1.93 to 1, at December 31, 2014.

Q4 2015 Highlights from Continuing Operations

- Consolidated revenue was $224.5 million, up 62%.
- Consolidated EBITDA was $46.1 million, up 76%.
- Free Cash Flow less maintenance capital expenditures was $20.5 million or $0.74 per basic share, up 75% and 42%, respectively.
- Dividend payout ratio[2] improved to 65% from 83%.
- Net Earnings were $9.9 million or $0.36 per basic share, up $27.7 million and $1.15 per share, respectively.
- Adjusted Net Earnings were $12.6 million or $0.46 per share, up 114% and 77%, respectively.
- Increased the Corporation's existing credit facility to $550 million.

"The momentum that we started late in 2014 was sustained in Q4," said Mr. Pyle. "Despite volatile economic conditions that saw dramatic declines to commodity prices and the value of the Canadian dollar, we generated record results, proving yet again the strength of our diversification and business model. Our growth was largely driven by the contributions of Provincial, which itself is a diversified company, and the strong performance of Regional One."

Review of Q4 Financial Results from Continuing Operations

Consolidated revenue for Q4 2015 was $224.5 million, up $85.8 million or 62% from Q4 2014. The increase in revenue was attributable to the strong performance of the Aviation segment, and partially offset by a decline in the Manufacturing segment. The Aviation segment included contributions made by Provincial, which was acquired in January 2015 with no comparable, and strong revenue growth at Regional One and the Legacy airlines. Revenue growth at the Legacy airlines was primarily due to the acquisition of First Air's non-aircraft assets in the Kivalliq region. On a segmented basis, the Aviation segment generated revenue in Q4 2015 of $174.2 million, up 100% from Q4 2014.

The Manufacturing segment generated revenue in Q4 2015 of $50.3 million, down 3% from Q4 2014. The accretive contributions made by Ben Machine, which was acquired in July 2015 partially offset the overall decline experienced by the other Manufacturing segment entities. EIC's Alberta Operations, in particular, were negatively impacted by low commodity prices, resulting in significantly lower product demand in its regions.

Consolidated EBITDA for Q4 2015 was a $46.1 million, up 76% from Q4 2014. The growth was due primarily to the acquisition of Provincial at the beginning of fiscal 2015, strong performance at Regional One as a result of a larger portfolio of aircraft assets and a higher conversion rate on its US-based results, and improvements at the Legacy airlines. Partially offsetting this growth was the unusually mild and unsettled weather in the central and northern regions of Canada where the Legacy airlines operate. These weather conditions, which contributed to higher levels of fog, led to significant flight delays and cancelations that negatively impacted EBITDA.

On a segmented basis, the Aviation segment generated EBITDA of $44.0 million in Q4 2015, up 100% from Q4 2014. The Aviation segment's EBITDA margin for Q4 2015 was 25.3% compared to 25.3% in Q4 2014.

The Manufacturing segment generated EBITDA of $6.8 million in Q4 2015, down 1% from Q4 2014. This was consistent with the segment's revenue decline. The Manufacturing segment's EBITDA margins for Q4 2015 were 13.4% compared to 13.2% in Q4 2014.

The improvement in EBITDA was the primary reason for the positive changes in the rest of the Corporation's highlighted results for Q4 2015, including Net Earnings, Adjusted Net Earnings, and Free Cash Flow less Maintenance Capex. Also impacting the comparative Net Earnings was a non-cash charge in that period of $22.9 million resulting from the settlement with the CRA.

The Corporation's basic per share payout ratio for Free Cash Flow less Maintenance Capex was 65% for Q4 2015 compared to 83% in Q4 2014. The improvement was consistent with the factors impacting the annual payout ratio.

Outlook

"Our business model of diversification, disciplined growth and a strong balance sheet will allow us to continue to deliver dependable results in a wide variety of economic situations and has created a natural insulation against economic turbulence, whether it be fluctuating oil prices, the declining value of the Canadian dollar or a slowing economy," stated Carmele Peter, President of EIC.

Ms. Peter added, "This is no more evident than in the current economic situation where there has been a dramatic decline in oil prices. This decline negatively impacts our Alberta Operations, but is offset by the positive impact that the lower fuel prices have on our Aviation segment, including extending the economic viability of older less fuel efficient aircraft creating higher demand at Regional One. The current economic environment has also brought a significant decline in the value of the Canadian dollar which negatively impacts our airlines through higher parts and maintenance costs but this is also naturally hedged through our US dollar operations at Regional One, Stainless and our US dollar revenue contracts at Provincial."

"The stability created by our structure in these economic conditions coupled with the acquisitions, capital structure and operational initiatives we successfully implemented in 2015 have us well positioned to continue to deliver dependable results and to seize further opportunities for growth. Our prior investments in our airline infrastructure should continue to enhance profitability. Our acquisitions in 2015 of Provincial and Ben Machine have added revenue and regional diversification along with organic growth potential. The award of a five year in service support contract to Provincial, expected to generate in excess of $150 million of revenues over that term, only 11 months after being acquired illustrates this potential. Regional One continues to be an engine of growth which will be further augmented with the monetization of the CRJ700 aircraft recently acquired. Finally, our recent common share financing and the expansion of our senior debt facility in 2015, will allow us to take advantage of both organic and acquisition opportunities."

EIC's complete financial statements and management's discussion and analysis for the three and twelve months ended December 31, 2015 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice

The Corporation will hold a conference call on February 24, 2016 at 10:00 a.m. ET with Mike Pyle, CEO, Ms. Carmele Peter, President, and Ms. Tamara Schock, CFO to discuss its fourth quarter and fiscal 2015 financial results.

All interested parties can join the conference call by dialing 1-888-231-8191 or 647-427-7450. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until Wednesday, March 2, 2016 at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 33756293.

A live audio webcast of the conference call will be available at www.ExchangeIncomeCorp.ca and www.newswire.ca. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. An archived replay of the webcast will be available for 365 days.

About Exchange Income Corporation

Exchange Income Corporation is a diversified acquisition-oriented company, focused in two sectors: aviation services and equipment, and manufacturing. The Corporation uses a disciplined acquisition strategy to identify already profitable, well-established companies that have strong management teams, generate steady cash flow, operate in niche markets and have opportunities for organic growth.

The Corporation currently operates two segments: Aviation and Manufacturing. The Aviation segment consists of the operations by Perimeter Aviation, Keewatin Air, Calm Air International, Bearskin Lake Air Service, Custom Helicopters, Regional One and Provincial Aerospace. The Manufacturing segment consists of the operations by Jasper Tank, Overlanders, Water Blast, Stainless Fabrication, WesTower Communications in Canada and Ben Machine. For more information on the Corporation, please visit www.ExchangeIncomeCorp.ca. Additional information relating to the Corporation, including all public filings, is available on SEDAR (www.sedar.com).

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