Exchange Income Corporation

NEWS RELEASE

Exchange Income Corporation Achieves Record Revenue of $400 Million and Delivers Strong Third Quarter Financial Performance

Company Posts Quarterly Records in Several Key Metrics and EBITDA Reaches All Time Quarterly High of $95 Million

WINNIPEG, Manitoba – November 11, 2021 – Exchange Income Corporation (TSX: EIF) ("EIC" or the "Corporation") a diversified, acquisition-oriented company focused on opportunities in the aviation, aerospace and manufacturing sectors, reported its financial results for the three and nine month period ended September 30, 2021. All amounts are in Canadian currency.

Q3 Financial Highlights

- Generated record high revenue of $400 million, an increase of $103 million or 35%
- Earned consolidated EBITDA of $95 million, a new quarterly high that represents growth of $12 million or 14%
- Produced Adjusted Net Earnings of $28 million or $0.73 per share, an improvement of $7 million or 34%
- Free Cash Flow less Maintenance Capital Expenditures was a record $48 million, rising by $4 million or 9%
- Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures payout ratio improved to 57% from 73%
- Acquired Carson Air Ltd., the primary provider of fixed wing air ambulance services in British Columbia, for $58 million
- Acquired Macfab Manufacturing Inc., a precision manufacturing company in Ontario that is closely aligned with Ben Machine's operations, for $12 million
- Closed a $144 million bought deal offering of convertible debentures, including the exercise of the over-allotment by the underwriters
- Extended the maturity of the Corporation's credit facility to August 2025

Highlights Subsequent to Quarter End

- Acquired Telcon Datvox Inc. ("Telcon"), a wireline installation and maintenance company in Southern Ontario which, when combined with WesTower's leading presence in the wireless tower industry, will further our ability to provide a fully integrated service to the telecommunication companies across Canada, for $10 million

CEO Commentary

Mike Pyle, CEO of EIC, commented, "The third quarter was remarkable for EIC as we achieved $400 million of revenue for the first time and hit a new quarterly high in EBITDA at $95 million. The effect of the pandemic has begun to wane, but it is a long way from over. In fact, some of the side effects of the pandemic, supply chain issues, input and labour inflation and labour shortages, are still increasing and creating challenges for our Manufacturing segment. Even with these challenges, the operations delivered solid results. It was our Aerospace & Aviation segment, however, that drove our strong performance in the third quarter. As has been the case throughout the pandemic, our maritime surveillance and medevac businesses have been consistent performers and we benefitted from the acquisition of Carson Air. The big driver of our improvement was primarily our northern flight airline operations, where passenger volumes increased and freight and charter operations remained above pre-pandemic levels. Secondly, our Regional One operation improved significantly, with higher parts, aircraft and engine sales and improved leasing driving increased profitability. If the pandemic has proven anything when it comes to EIC, it is the value of our diversified model and the resilience of our business."

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

	Q3 2021	Q3 2020	% Change	YTD 2021	YTD 2020	% Change
Revenue	$400,003	$297,286	35%	$1,022,819	$847,919	21%
EBITDA[1]	$95,276	$83,235	14%	$240,459	$202,564	19%
Net Earnings	$21,899	$17,244	27%	$45,532	$14,576	212%
per share (basic)	$0.58	$0.49	18%	$1.23	$0.42	193%
Adjusted Net Earnings[2]	$27,653	$20,626	34%	$57,985	$28,329	105%
per share (basic)	$0.73	$0.59	24%	$1.57	$0.81	94%
Trailing Twelve Month Adjusted Net Earnings Payout Ratio (basic)	109%	137%				
Free Cash Flow[3]	$72,811	$57,886	26%	$171,736	$138,903	24%
per share (basic)	$1.91	$1.64	16%	$4.65	$3.98	17%
Free Cash Flow less Maintenance Capital Expenditures[4]	$48,164	$44,350	9%	$104,259	$72,061	45%
per share (basic)	$1.27	$1.26	1%	$2.82	$2.06	37%
Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio (basic)	57%	73%				
Dividends declared	$21,696	$20,144	8%	$63,476	$59,812	6%

Review of Q3 Financial Results
Consolidated revenue for the quarter was $400 million, which was an increase of $103 million or 35% over the comparative period. Consolidated EBITDA for the quarter was $95 million, which was an increase of $12 million or 14% compared to the third quarter of last year.

Revenue in the Aerospace & Aviation segment grew by $104 million over the prior period and EBITDA generated by the Aerospace & Aviation segment increased by $27 million to $89 million, an increase of 44%. Passenger and charter revenue drove the most significant increases in revenue from the prior period as the impact of the pandemic on the airlines lessened during the third quarter of 2021. As the vaccination rate in Canada has accelerated and the percentage of the population fully vaccinated increased in the third quarter, passenger volumes have rebounded, although the improvement varied across geographical markets. Medevac and cargo operations have remained strong throughout the pandemic and also contributed to the increases. The aerospace operations benefitted from contract scope escalators and increased on-demand

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[1] 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.
[2] Adjusted Net Earnings is defined as Net Earnings adjusted for acquisition costs, amortization of intangible assets, interest accretion on acquisition contingent consideration and non-recurring items. Adjusted Net Earnings is a performance measure, along with Free Cash Flow less Maintenance Capital Expenditures, which the Corporation uses to assess cash flow available for distribution to shareholders.
[3] Free Cash Flow is a performance measure used by management and investors to analyze the cash generated from operations before the seasonal impact of changes in working capital items or other unusual items. Free Cash Flow for the period is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital, acquisition costs, principal payments on right of use lease liabilities and any unusual non-operating one-time items.
[4] Maintenance Capital Expenditures 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.

ISR aircraft utilization. The acquisition of Carson Air early in the quarter also contributed to the higher revenue and EBITDA. Regional One's revenue for the current period increased by $47 million or 174%, driven by increased sales and service revenue which reflects the impact of increasing passenger volumes, particularly in the United States. The third quarter was a particularly high period for large assets sales compared to the prior period and compared to pre-covid operations. In addition to the revenue impacts, cost reduction measures such as scheduled frequency reductions, labour rationalization, and various other strategies that took some time to implement in 2020 were meaningfully realized in 2021 and benefited EBITDA during the quarter.

Revenue in the Manufacturing segment was essentially the same as last year, down $1 million or 1% and EBITDA decreased by $11 million to $16 million for the quarter. More than half of the decrease in EBITDA compared to the prior period is caused by decreased CEWS received by the segment in 2021. The Manufacturing segment has been impacted by increased raw materials and transportation costs and labour shortages, which decreased margins during the quarter. The entities within the segment are leveraging their collective expertise and supply chains for the benefit of each other to access materials and labour required in their operations.

In the third quarter, EIC recorded Adjusted Net Earnings of $28 million, or $0.73 per share, compared to $21 million, or $0.59 per share, in the third quarter of last year.

"These results clearly indicate that we are on the road to recovering from the pandemic's impact," stated Carmele Peter, President of EIC. "The results also serve as a reminder of the tremendously talented and dedicated teams we have running our operating companies. This remarkable group led our businesses through the pandemic, keeping employees and customers safety as the number one priority, and remained cash flow positive throughout. Now, as we begin to come out of the pandemic, we see that they have also positioned their companies to capitalize on opportunities that are arising because of the recovery. At Regional One, they have managed their inventory to be able to supply the increased volume of orders for parts and larger components as major airlines continue to increase flying, particularly in the United States. Our scheduled airline businesses have made strategic changes to their fleets to right-size the aircraft for their operations and geographically expand where there are opportunities. PAL Aerospace continues to bid on contracts, capitalize on strong demand for its ISR assets and fulfill its mandate on the many long-term contracts already in hand."

Darryl Bergman, EIC's CFO also noted, "The transactions that EIC completed in the capital markets during the second quarter and early in the third quarter have had their intended effect on our balance sheet and our operations. Combined with the financial impact of the operations in the quarter, net debt decreased by $44 million since December 31, 2020. This reduction is quite remarkable in light of the fact that we also completed $70 million of acquisitions and $40 million of Growth Capital Expenditures in the quarter. In fact, our net debt has declined since December 31, 2019, the last pre-pandemic year end. With no maturing debt until 2025 once the debentures due in 2022 are redeemed, increased liquidity and a Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio of 57%, we are well positioned to capitalize on opportunities arising as we come out of the pandemic. At the same time, we have created a foundation that will help to insulate us should there be pressure put on the business from outside events such as economic recession, inflation or other similar circumstances."

After serving as the Company's Chairman for over 17 years, Gary Filmon has announced that he will be retiring as Chairman and a director of EIC. Gary will be staying on until the next Annual General Meeting in May 2022.

Outlook

"Gary has been the Chair of EIC since its inception and through his years of dedicated service has helped guide and mold EIC into the successful company it is today. Gary has always recognized the value of the EIC business model, believed in and supported all the people behind EIC, and he will leave the Company having created a tremendous legacy. Gary your leadership and guidance in good times and challenging times has been immeasurable. Thank you."

Mr. Pyle continued by saying, "Moving into the last quarter of 2021 and into 2022, we can see a light at the end of the tunnel as it pertains to COVID-19. Hopefully, we are leaving the worst of the pandemic behind us as we transition into a world where we learn to live with the virus. However, while we are optimistic about the long term future, the pandemic has created some residual side effects that will continue to impact the global economy and many of our businesses for some period of time. As we have proven time and again, our diversity is our strength; we are resilient, and this resilience will see us through these headwinds just as it has with previous challenges. We are confident that, with our strong balance sheet and exceptional operations teams, we will rise above these short-term issues and continue on the path to new highs."

EIC's complete interim financial statements and management's discussion and analysis for the three and nine month period ended September 30, 2021 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice

Management will hold a conference call to discuss its 2021 third quarter financial results on Friday, November 12, 2021 at 8:30am ET. To join the conference call, dial 1-888-664-6392 or 416-764-8659. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until November 19, 2021 at midnight. To access the archived conference call, please dial 1-888-390-0541 or 416-764-8677 and enter the encore code 422839#.

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 90 days.

About Exchange Income Corporation

Exchange Income Corporation is a diversified acquisition-oriented company, focused in two sectors: aerospace & 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. 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).

Caution concerning forward-looking statements

The statements contained in this news release that are forward-looking are based on current expectations and are subject to a number of uncertainties and risks, and actual results may differ materially. These uncertainties and risks include, but are not limited to, COVID-19 and pandemic related risks, the dependence of Exchange Income Corporation on the operations and assets currently owned by it, the degree to which its subsidiaries are leveraged, the fact that cash distributions are not guaranteed and will fluctuate with the Corporation's financial performance, dilution, restrictions on potential future growth, the risk of shareholder liability, competitive pressures (including price competition), changes in market activity, the cyclicality of the industries, seasonality of the businesses, poor weather conditions, and foreign currency fluctuations, legal proceedings, commodity prices and raw material exposure, dependence on key personnel, and environmental, health and safety and other regulatory requirements. Except as required by Canadian

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Securities Law, Exchange does not undertake to update any forward-looking statements; such statements speak only as of the date made. Further information about these and other risks and uncertainties can be found in the disclosure documents filed by Exchange Income Corporation with the securities regulatory authorities, available at www.sedar.com.

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