Exchange Income Corporation

Exchange Income Corporation Reports Record Second Quarter Financial Results
- EBITDA grows 23% to $70.1 million; Net Earnings up 50% to $25.8 million -

WINNIPEG, Manitoba – July 19, 2017 – Exchange Income Corporation (TSX:EIF) (the "Corporation" or "EIC"), a diversified, acquisition-oriented company focused on opportunities in the aviation, aerospace and manufacturing sectors, reported its financial results for the three and six month periods ended June 30, 2017. All amounts are in Canadian currency.

CEO Commentary

"The results of the second quarter of 2017 are a testament to the strength and resilience of the principles that have guided EIC since its inception 13 years ago," said Mike Pyle, CEO of Exchange Income Corporation. "Since day one, we have believed in diversification of operations and a disciplined investment approach. The record EBITDA and Net Earnings in the second quarter are the product of continuing to manage the business as we always have."

"Throughout our history, we have successfully grown through both acquisition and growth investments in our companies. With historically high multiples persisting in the U.S. acquisition market over the past few years, a much higher proportion of our recent growth has come from investment in our own companies. Our strategic investment of approximately $310 million of growth capital in our subsidiaries over the past 30 months is the key catalyst for our second quarter results. Regional One's 128% increase in revenue and 86% increase in EBITDA provide clear evidence that investments in Regional One generate significant increases in financial performance," said Mr. Pyle.

"Even though we have achieved record results, the second quarter was not without its challenges. Certain of our subsidiaries are operating in some difficult environments right now," he said. "The fact that we were able to post the results we did, even with these challenges, provides further evidence of the sustainability and resilience of our business model."

Q2 2017 Financial and Operating Highlights

- Consolidated revenue was $273.1 million, up 20%
- Consolidated EBITDA increased 23% to $70.1 million
- Net Earnings were $25.8 million, up 50% from $17.2 million
- Net Earnings per basic share were $0.83, up 34% even with a 12% increase in the weighted average number of shares

EBITDA and earnings metrics set new quarterly records

- Free Cash Flow was $51.7 million, up 21%
- Free Cash Flow less maintenance capital expenditures was $21.8 million, down 14%, due to increased maintenance capital expenditures
- Dividend payout ratio[1] was 75%, which is higher than the second quarter of 2016 as a result of increased maintenance capital expenditures
- Provincial Airlines signed a partnership with the Innu Development Partnership and the Nunatsiavut Group of Companies to provide air services in Labrador under the Air Borealis brand
- Regional One took delivery of the final CRJ 900 aircraft from the previously announced re-marketing agreement with Bombardier

Highlights Subsequent to Quarter End

[1] Based on the Company's Free Cash Flow less maintenance capital expenditures on a basic per share basis.

- Provincial Aerospace signed a contract extension to 2020 with the Government of the Netherlands for search and rescue activities in the Caribbean region

Selected Financial Highlights

(All amounts in thousands except % and share data)

	Q2 2017	Q2 2016	% Change	YTD 2017	YTD 2016	% Change
Revenue	$273,145	$226,851	+20%	$495,673	$444,749	+11%
EBITDA[2]	$70,071	$56,928	+23%	$113,419	$101,259	+12%
Net Earnings	$25,779	$17,214	+50%	$31,338	$27,087	+16%
per share (basic)	$0.83	$0.62	+34%	$1.01	$0.98	+3%
Adjusted Net Earnings[3]	$23.943	$20,388	+17%	$31,751	$32,396	-2%
per share (basic)	$0.77	$0.74	+4%	$1.02	$1.17	-13%
Free Cash Flow[4]	$51,731	$42,683	+21%	$85,520	$77,573	+10%
per share (basic)	$1.66	$1.54	+8%	$2.75	$2.80	-2%
Maintenance Capital Expenditures[5]	$29.889	$17,207	+74%	$57,298	$35,296	+62%
Free Cash Flow less Maintenance Capital Expenditures	$21,842	$25,476	-14%	$28,222	$42,277	-33%
per share (basic)	$0.70	$0.92	-24%	$0.91	$1.53	-41%
Payout Ratio (basic)	75%	54%		115%	64%	
Dividends declared	$16,310	$13,839	+18%	$32,645	$27,097	+20%

Review of Q2 Financial Results

Consolidated revenue for Q2 2017 was $273.1 million, up 20% from $226.9 million for Q2 2016. The increase was due to a number of factors, but particularly due to previous growth capital investments made at Regional One, which continued to benefit from its expanded portfolio of assets.

On a segmented basis, the Aerospace & Aviation segment, which consists of Legacy Airlines, Regional One and Provincial, generated revenue in Q2 2017 of $227.0 million, up 28% from Q2 2016. Previous growth capital investments at Regional One were the primary driver of the revenue increase. Revenue also grew as a result of higher volumes in the Legacy Airlines. Perimeter Aviation achieved record revenues in May and June in its core Manitoba market. The revenue growth was partially offset by weak demand for Custom Helicopter's fire suppression services primarily due to wet ground conditions.

The Manufacturing segment generated revenue of $46.2 million in Q2 2017, down $3.6 million or 7% from Q2 2016. The revenue decline at WesTower, which is being impacted by the cyclical reduction in capital spending by cellular carriers in WesTower's traditional services as they prepare for the transition to next generation technologies, was partially offset by strong revenue contributions from Stainless and EIC's Alberta Operations, which are capitalizing on improving manufacturing sector conditions.

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[2] 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.

[3] Adjusted Net Earnings is defined as net earnings adjusted for acquisition costs expensed, amortization of intangible assets that are purchased at the time of acquisition 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.

[4] 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 and long-term deferred revenue, acquisition costs and any unusual non-operating one-time items.

[5] 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 and includes principal payments made on finance leases.

Consolidated EBITDA for Q2 2017 was $70.1 million, up 23% from $56.9 million for Q2 2016. EBITDA increases were largely driven by previous growth capital investments that the Corporation made at Regional One, Provincial Aerospace and the Legacy Airlines.

On a segmented basis, the Aerospace & Aviation segment generated EBITDA of $70.3 million in Q2 2017, up 29% from $54.5 million in Q2 2016. The Aerospace & Aviation segment's EBITDA margin for Q2 2017 was 31.0% compared to 30.8% in Q2 2016.

The Manufacturing segment generated EBITDA of $4.8 million in Q2 2017, down from $6.7 million in Q2 2016. The decrease was largely due to the cyclical impact of cellular carriers' reduced spending in WesTower's traditional services already cited. This offset strong performance by the remainder of the segment. The Manufacturing segment's EBITDA margin for Q2 2017 was 10.4% down from 13.4% in Q2 2016.

On a consolidated basis, EIC generated Net Earnings of $25.8 million, or $0.83 per share (basic) for Q2 2017. These compare to $17.2 million, or $0.62 per share (basic), for Q2 2016. The growth was largely driven by factors already discussed, namely improved EBITDA performance stemming from previous growth capital investments. Net Earnings were also positively impacted by a $3.9 million after-tax gain on the disposal of EIC's partnership interest in Innu Mikun.

Net Earnings per share improved by 34% or $0.21 over Q2 2016, even with a 12% year-over-year increase in the weighted average number of shares.

Reviews of Financial Results for the 6-month Period

On a year-to-date basis, EIC's consolidated revenue for the first six months of 2017 was $495.7 million, up 11% from $444.7 million in the first six months of FY2016. Consolidated EBITDA for the first six months of 2017 was $113.4 million, up 12% from $101.3 million in the first six months of 2016. Net Earnings for the first six months of 2017 were $31.3 million, or $1.01 per share (basic), up from $27.1 million, or $0.98 per share (basic), for the first six months of 2016.

Review of Key Performance Indicators for Q2

Free Cash Flow for Q2 2017 totaled $51.7 million, up 21% from $42.7 million in Q2 2016. Free Cash Flow on a per share basis in Q2 2017 was $1.66 (basic), up 8% from $1.54 in Q2 2016 even with a 12% increase in the weighted average number of shares.

Maintenance Capital Expenditures were $29.9 million, up 74% from $17.2 million in Q2 2016, largely due to the Corporation's decision to accelerate the timing of heavy overhauls into the first half of the year when winter seasonality conditions lessen demand for transportation services. In Q2 2017, EIC completed six heavy overhauls, up from two in Q2 2016.

Free Cash Flow less Maintenance Capital Expenditures in Q2 2017 was $21.8 million, or $0.70 per share (basic), down from $25.5 million, or $0.92 per share (basic) basis, in Q2 2016.

The basic per share payout ratio for Q2 2017 was 75%, up from 54% in Q2 2016. The increase was due to the accelerated timing of maintenance activities and the growth in the weighted average number of shares by 12% on a year-over-year basis.

Working Capital

As at June 30, 2017, EIC had a net cash position of $14.1 million and net working capital of $203.2 million, which represents a current ratio of 2.21 to 1. These compare to a net cash position of $26.5 million and net working capital of $178.5 million, or a current ratio 2.05 to 1, at December 31, 2016. The changes in working capital are primarily related to increased business volumes in the second quarter within our airlines, increased receivables at Regional One related to significant sales volumes near the end of the quarter and increased inventory at Regional One.

Outlook

"We are very encouraged by the outlook for the balance of 2017 and beyond, as we have had a number of positive developments in each of our segments," said Mr. Pyle. "We fully anticipate that the investments we have made in Regional One will continue to produce outstanding results. Within the remainder of the Aerospace & Aviation segment, we were recently awarded a five-year medevac services contract within the Kitikmeot region of Nunavut, began the expansion of air services in Labrador and the north shore of

Quebec, continued our expansion into regions of Northwest Ontario that we had not previously serviced and advanced with the development of our surveillance demonstrator aircraft at Provincial."

"In our Manufacturing segment, we see the cyclical slowdown in demand for WesTower's traditional services being mitigated by better results at Stainless and our Alberta Operations, driven by improving economic conditions."

Mr. Pyle added, "We fully anticipate that, with the bulk of our large aircraft overhauls behind us for 2017, we will see a reduction in maintenance capital expenditures in the latter half of the year. Combined with the exciting developments in our operations, we are confident that we will have strong results in 2017."

Mr. Pyle also said, "While we expect our growth capital investments to be lower in the near term, we remain very committed to taking advantage of opportunities as they become available. We also remain very committed to growth via our disciplined acquisition strategy. Our current pipeline of potential target companies is the most attractive we have seen in several quarters."

The Company's complete interim financial statements and management's discussion and analysis for the three- and six-month periods ended June 30, 2017 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice

The Corporation will hold a conference call on July 20, 2017 at 10:00 a.m. ET with Mr. Mike Pyle, CEO, Ms. Carmele Peter, President, and Ms. Tamara Schock, CFO to discuss its 2017 second quarter 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 Thursday, July 27, 2017 at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 53358371.

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: 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.

The Corporation currently operates two segments: Aerospace & Aviation and Manufacturing. The Aerospace & 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 of Overlanders Manufacturing, Water Blast, Stainless Fabrication, WesTower Communications 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).

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, 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, 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 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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