Exchange Income Corporation Reports Record Q4 and FY2016 Results
- Record Annual Net Earnings per Share at $2.18, up 34% -
- Record Annual Free Cash Flow less Maintenance Capex per Share at $3.25, up 8% -

WINNIPEG, Manitoba – February 22, 2017 – Exchange Income Corporation (TSX:EIF) (the "Corporation" or "EIC"), a diversified, acquisition-oriented company focused on opportunities in the aerospace, aviation and manufacturing sectors, reported its financial results for the three and twelve month periods ended December 31, 2016. All amounts are in Canadian currency unless noted.

CEO Commentary
"2016 was an exceptional year for EIC where we executed on our long-established business model, generated record results and laid the ground work for future growth through strategic tuck-in acquisitions, capital investment in our subsidiaries and a focus on reducing costs across our entire business," stated CEO Mike Pyle. "The impact of this strategy is readily apparent in our results. While revenue grew a healthy 10% to $891 million, earnings per share grew 34% to $2.18. Most importantly it gave us the capability to raise our dividend twice during the year to an annualized rate of $2.10, an increase of 9.4%."

Mr. Pyle added, "2016 was much more than a year of just record operating results for EIC. It was about laying the foundation for the next stage of growth while remaining true to a business model that has served our shareholders well since our inception. In August we reached the billion dollar market cap for the first time. We had the opportunity to execute significant organic growth investments and completed two tuck-in acquisitions for Regional One and Provincial to grow their platforms and increase the strength of their product offerings. In December, we were part of the successful consortium chosen to supply and maintain Canada's fleet of northern search and rescue aircraft. This contract award is expected to provide significant revenue and profitability for our Provincial subsidiary for at least the next two decades. We also announced an arrangement with Bombardier to assist them in remarketing their CRJ fleet worldwide. The year culminated with the December announcement that we became part of the TSX Composite Index."

FY2016 Financial and Operational Highlights

- Consolidated revenue was $891.0 million, up 10%.
- Consolidated EBITDA was a record $212.6 million, up 19%.
- Free Cash Flow less maintenance capital expenditures was $91.6 million or $3.25 per share, both annual records and up 23% and 8%, respectively.
- Net earnings were $61.5 million or $2.18 per share, again setting new annual records for the Corporation and up 53% and 34%, respectively.
- Adjusted Net Earnings were $72.1 million or $2.56 per share, achieving new benchmarks for EIC and up 38% and 21% respectively.
- Announced two separate dividend increases, which combined represented a 9.4% growth in distributions to shareholders. Dividend distributions are currently $0.175 per share per month or $2.10 per share on an annualized basis.
- Dividend payout ratio[1] was 61% even with two dividend increases and a growth in the average number of shares by 14% to 28.2 million.
- The C295 team, comprised of Provincial and Airbus Defence and Space, was awarded the Fixed Wing Search and Rescue Aircraft Replacement Program contract.
- Completed the strategic acquisition of CarteNav, a leading software developer providing intelligence, surveillance, reconnaissance and situational awareness software solutions for up to $17 million. CarteNav will be integrated within the operations of Provincial Aerospace.

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

- Completed the acquisition of Team J.A.S., a parts and maintenance repair services company that has specialized in Twin Otter aircraft for 30 years, with a purchase price of approximately US$10 million. Headquartered in Jacksonville, Florida, Team J.A.S. brings expertise in a new aircraft type to EIC and will provide internal sourcing of parts for Provincial's existing fleet of Twin Otters. Team J.A.S. will be integrated within the operations of Regional One.
- Announced the expansion of our leasing business in Ireland enabling future growth of this important business line.
- Closed a $69 million bought deal offering of 7 Year 5.25% Unsecured Subordinated Debentures convertible at $44.75 per share due June 30, 2023.
- Added to the S&P TSX Composite Index on December 16, 2016.

Highlights Subsequent to Year End

- Closed a bought deal equity offering with gross proceeds of $98 million from the issuance of 2,303,450 shares ($42.45 per share).
- Regional One signed a re-marketing agreement with Bombardier Commercial Aircraft Asset Management for 13 previously-owned CRJ900 aircraft. Eleven of the aircraft have already been delivered and the remaining two aircraft are slated for delivery later in 2017.
- Expanded the Corporation's syndicated credit facility by $200 million to $750 million.

Selected Financial Highlights

(All amounts in thousands except % and share data)

	FY2016 YTD	FY2015 YTD	Change	Q4 2016	Q4 2015	Change
Revenue	$891,026	$807,403	+10%	$221,657	$224,504	-1%
EBITDA[2]	$212,575	$179,240	+19%	$51,304	$46,055	+11%
Net Earnings	$61,490	$40,234	+53%	$13,822	$9,923	+39%
per share[3] (basic)	$2.18	$1.63	+34%	$0.48	$0.36	+33%
Adjusted Net Earnings[4]	$72,094	$52,262	+38%	$16,571	$12,636	+31%
per share (basic)	$2.56	$2.12	+21%	$0.58	$0.46	+26%
Free Cash Flow	$164,211	$139,772	+17%	$40,765	$36,025	+13%
per share (basic)	$5.83	$5.67	+3%	$1.42	$1.31	+8%
Total Maintenance Capex[5]	$72,627	$65,367	+11%	$17,942	$15,565	+15%
Free Cash Flow less Maintenance Capex[6]	$91,584	$74,405	+23%	$22,823	$20,460	+12%
per share (basic)	$3.25	$3.02	+8%	$0.80	$0.74	+8%
payout ratio	61%	60%		65%	65%	
Dividends declared	$56,331	$45,227	+25%	$14,868	$13,252	+12%

[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] The Corporation had 28.2 million weighted average common shares outstanding during 2016, up from 24.7 million during 2015. The growth is mainly due to the $75 million equity offering in September 2015 and shares issued for convertible debenture conversions. See the Corporation's Management Discussion & Analysis, Section 7 – *Liquidity and Capital Resources* for additional information relating all changes in the common shares outstanding.

[4] Adjusted Net Earnings: is defined as net earnings adjusted for acquisition costs expensed, impairment and restructuring charges, gains or losses recognized on the fair value of contingent consideration items, amortization of intangible assets that are purchased at the time of acquisition, one-time non-cash accelerated accretion charges as a result of convertible debenture redemptions 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.

[5] 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.

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

Review of FY 2016 Financial Results

Consolidated revenue for FY2016 was $891.0 million, up $83.6 million or 10% from FY2015. Consolidated EBITDA for FY2016 was $212.6 million, up 19% from FY2015. The consolidated revenue and EBITDA increases were a result of the organic growth experienced by Regional One, Provincial's aerospace division and improvements in the Legacy Airlines. These were partially offset by the current economic conditions impacting the Manufacturing segment and Provincial's passenger services in Newfoundland and Labrador.

On a segmented basis in FY2016, the Aerospace & Aviation segment, which consists of EIC's Legacy Airlines, Regional One and Provincial, generated revenue of $703.3 million, up 14% and EBITDA of $204.2 million, up 19%. The Manufacturing segment generated revenue of $187.7 million, down 3% and EBITDA of $23.8 million, up 4%.

Within the Aerospace & Aviation segment the growth was largely driven by Regional One, which benefited from $140 million in growth capital investments to expand its portfolio of aircraft for re-sale or leasing opportunities. Provincial grew its aerospace division primarily as a result of a contract signed in the Middle East at the end of 2015. Legacy Airlines made gains through organic growth offset by wet weather conditions significantly reducing fire suppression services in Manitoba, economic conditions in Newfoundland and Labrador and a challenging fourth quarter at Perimeter.

The Manufacturing segment experienced unfavorable economic conditions throughout the year, particularly in the Alberta operations. The decline was largely due to weak commodity prices and the impact of fires in the Fort McMurray region that resulted in lower product demand. Stainless also experienced a weaker 2016 as the industry slowed down as companies deferred capital expenditures during the election year. The declines were partially offset by a full year of Ben Machine results.

Gains to consolidated revenue and EBITDA resulted in net earnings of $61.5 million, or $2.18 per share, for FY2016, both of which are records for the Corporation. These compare to net earnings of $40.2 million, or earnings per share of $1.63, for FY2015. Excluding the net impact of acquisition costs, the amortization of asset intangibles and the related tax impact, and one-time non-cash accelerated accretion charges as a result of convertible debenture redemptions, EIC also set new benchmarks for adjusted net earnings and adjusted net earnings per share of $72.1 million and $2.56 respectively for FY2016. These compare to $52.3 million and $2.12 for FY2015.

Review of Key Performance Indicators for FY2016

Free cash flow for FY2016 totaled $164.2 million, up 17% from $139.8 million. Free cash flow on a per share basis was a record $5.83 for FY2016, up 3% from $5.67 for FY2015.

Free cash flow less maintenance CAPEX for FY2016 was $91.6 million, or $3.25 on a per share basis, which is an all-time high for the Corporation. These compare to $74.4 million, or $3.02 on a per share basis, for FY2015.

EIC's per share payout ratio based on Free Cash Flow less Maintenance Capex was 61% for FY2016, consistent with the 60% for FY2015. As a result of EIC's record performance, EIC was able to maintain a historically low payout ratio despite two dividend increases that resulted in a 9.4% growth in distributions to shareholders and a 14% increase in the average shares outstanding.

Working Capital

As at December 31, 2016, EIC had a net cash position of $26.5 million and net working capital of $170.6 million, which represents a current ratio of 1.96 to 1. These compare to a net cash position of $15.5 million and net working capital of $135.3 million, or a current ratio of 1.74 to 1, at December 31, 2015.

Q4 2016 Highlights

- Consolidated revenue was $221.7 million, marginally down from $224.5 million.
- Consolidated EBITDA was $51.3 million, up 11%.
- Net earnings were $13.8 million or $0.48 per share, up 39% and 33%, respectively.

- Adjusted net earnings and adjusted net earnings per share were $16.6 million and $0.58 per share, up 31% and 26%, respectively.
- Free Cash Flow less maintenance capital expenditures was $22.8 million, or $0.80 per share, up 12% and 8%, respectively.
- Dividend payout ratio was 65%, consistent with the 65% payout ratio from Q4 2015.

Review of Q4 Financial Results

Consolidated revenue for Q4 2016 was $221.7 million, down 1% from Q4 2015. Consolidated EBITDA for Q4 2016 was $51.3 million, up 11% from Q4 2015.

On a segmented basis in Q4 2016, the Aerospace & Aviation segment generated revenue of $173.9 million, consistent with Q4 2015 and EBITDA of $48.6 million, up 10%. The Manufacturing segment generated revenue of $47.7 million, down 5% and EBITDA of $6.2 million, down 8%.

Within the Aerospace & Aviation segment, increases in revenue were driven by passenger and cargo services in the Kivilliq region. EBITDA increased as result of improved performance in the majority Legacy Airlines and Regional One. These increases were partially offset by weather and aircraft equipment issues experienced at Perimeter leading to lost revenue and increased temporary charter costs.

The soft economic conditions in the Manufacturing segment continued from earlier in the year resulting in lower revenue and EBITDA. However the declines were less pronounced than earlier in the year. This is evidenced by revenue decreasing by only $2.6 million or 5% in the fourth quarter of 2016 versus the comparative period, while the third quarter of 2016 experienced a $9.6 million or 17% decline from the comparative period. The improvement in the comparative period variance trending is a result of conditions starting to improve at the end of 2016 in Stainless and stabilizing at Alberta Operations.

Consolidated EBITDA gains in Q4 2016 were the primary reason for the positive changes in the Corporation's highlighted results, including Net Earnings, Adjusted Net Earnings, and Free Cash Flow less Maintenance Capex.

EIC's basic per share payout ratio for Free Cash Flow less Maintenance Capex was 65% for Q4 2016 compared to 65% in Q4 2015. The Corporation was able to maintain this payout ratio even with the impact of two dividend increases and a growth in the number of shares as previously cited.

Outlook

Carmele Peter, EIC's President stated, "The accomplishments achieved in 2016, particularly within the Aviation and Aerospace segment, have created a platform for growth and opportunities in 2017 and beyond. Our partnership with Airbus to deliver service support for the new aircraft for the Government of Canada's search and rescue program will not only provide a steady and long-term revenue stream once the new fleet is in service, it also enhances our relationship with a leading aerospace company. Similarly our recent contract with Bombardier to purchase CRJ900s includes the opportunity to acquire additional aircraft, which provides a pipeline of aircraft acquisition opportunities and further develops our relationship with another leading aerospace company. These contracts help to elevate our presence on the international aerospace stage and we look to leverage these relationships into further partnering opportunities."

Ms. Peter added, "As a result we expect our Aerospace & Aviation division to continue posting strong growth, led by Regional One and its expanded fleet of CRJ aircraft and the Legacy Airlines expansion into more markets in Northwestern Ontario. We believe external market conditions are improving so we expect our Manufacturing segment to return to growth in 2017.

"With a newly-stocked war chest to fund acquisitions, new aerospace contracts, rising commodity prices and an improved outlook for the Alberta economy, we believe EIC is very well positioned for continued growth in 2017 and beyond."

EIC's complete financial statements and management's discussion and analysis for the three and twelve months ended December 31, 2016 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice
The Corporation will hold a conference call on February 23, 2017 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 2016 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, March 2, 2017 at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 56320107.

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 on opportunities in aerospace, aviation 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 and operate in niche markets.

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 by Jasper Tank, Overlanders Manufacturing, Water Blast Manufacturing, Stainless Fabrication, WesTower Communications and Ben Machine Products. 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).

For further information, please contact:

Mike Pyle
Chief Executive Officer
Exchange Income Corporation
(204) 982-1850
MPyle@eig.ca

Joe Racanelli
Investor Relations
NATIONAL Equicom
(416) 586 1943
JRacanelli@national.ca