Record Revenue and Profitability Highlight Exchange Income Corporation's Third Quarter Results

Adjusted Net Earnings Surpasses Previous Quarterly High by 12% on a Per Share Basis

WINNIPEG, Manitoba – November 8, 2018 – 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 nine-month periods ended September 30, 2018. All amounts are in Canadian currency.

Q3 2018 Financial and Operating Highlights

- Consolidated revenue increased 22% to $308 million;
- EBITDA grew by 10% to $79.2 million;
- Adjusted Net Earnings grew by 15% to $29.6 million;
- Adjusted Net Earnings per share increased 12% to $0.94;
- Free Cash Flow less Maintenance Capital Expenditures per share increased 12% to $1.31;

Each of the preceding are all-time quarterly highs for the Corporation;

- Payout ratio when calculated as a percentage of Free Cash Flow less Maintenance Capital Expenditures improved to 42% from 45% for the third quarter and the trailing twelve month payout ratio improved to 62% from 73%;
- Payout ratio when calculated as a percentage of Adjusted Net Earnings strengthened to 58% from 63% for the third quarter and the trailing twelve month payout ratio improved to 75% from 86%;
- Dividends per share in the quarter increased by 4%.

CEO Commentary

"Our third quarter results highlight the value of our diversified strategy, and our continued ability to grow our businesses, lower our payout ratio and pay a growing dividend" said Mike Pyle, the CEO of EIC. "Revenue, EBITDA, Adjusted Net Earnings, and Free Cash Flow less Maintenance Capital Expenditures all reached new quarterly highs both on an absolute and per share basis. We had strong results driven by organic growth and contributions from our acquisitions. For the year-to-date, our revenue is up 19% and our EBITDA is up 12%, which represents a continuation of our remarkable track record over the past eight years. Since 2010, we have achieved compounded annual growth rates of 22% for revenue and 26% for EBITDA, as well as 11% for Adjusted Net Earnings per share over the same comparable nine-month period. At the same time, we have grown our dividend from an annual rate of $1.56 in 2010 to $2.19, representing a compounded annual growth rate of 4.3%, together with a material reduction in our payout ratios."

"While we had strong contributions pretty well across the board in the third quarter, I would be remiss if I did not recognize the exceptional performance of Quest in particular. Quest continued to exceed our internal expectations, generating $6.1 million in EBITDA for the quarter and approximately $21 million for the year-to-date, which already exceeds the threshold to trigger the full payout of the $15 million earnout included in the purchase agreement. Also, during the quarter we began to install the equipment at Quest's new 330,000 square foot facility in Texas."

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

	Q3 2018	Q3 2017	% Change	YTD 2018	YTD 2017	% Change
Revenue	$ 308,179	$253,367	+ 22%	$887,655	$749,040	+ 19%
EBITDA[1]	$ 79,174	$71,964	+ 10%	$208,258	$185,383	+ 12%
Net Earnings	$ 24,162	$23,902	+ 1%	$52,323	$55,240	- 5%
per share (basic)	$0.77	$0.78	- 1%	$1.66	$1.78	- 7%
Adjusted Net Earnings[2]	$29,550	$25,716	+ 15%	$67,690	$57,467	+ 18%
per share (basic)	$0.94	$0.84	+ 12%	$2.15	$1.86	+ 16%
Adjusted Net Earnings Payout Ratio - Quarter (basic)	58%	63%				
Adjusted Net Earnings Payout Ratio – Trailing Twelve Months (basic)	75%	86%				
Free Cash Flow[3]	$64,219	$55,849	+ 15%	$163,600	$141,369	+ 16%
per share (basic)	$2.04	$1.81	+ 13%	$5.19	$4.56	+ 14%
Maintenance Capital Expenditures[4]	$23,116	$19,873	+ 16%	$82,976	$77,171	+ 8%
Free Cash Flow less Maintenance Capital Expenditures	$41,103	$35,976	+ 14%	$80,624	$64,198	+ 26%
per share (basic)	$1.31	$1.17	+ 12%	$2.56	$2.07	+ 24%
Free Cash Flow less Maintenance Capital Expenditures Payout Ratio - Quarter (basic)	42%	45%				
Free Cash Flow less Maintenance Capital Expenditures Payout Ratio – Trailing Twelve Months (basic)	62%	73%				
Dividends declared	$17,215	$16,152	+ 7%	$51,305	$48,797	+ 5%

[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 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.
[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 and long-term deferred revenue, acquisition costs 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 and includes principal payments made on finance leases.

Review of Q3 Financial Results

Consolidated revenue for the quarter was $308.2 million, an increase of $54.8 million or 22% over Q3 2017. The higher consolidated revenue was attributable to acquisitions and organic growth in both the Aerospace & Aviation and Manufacturing segments. Consolidated EBITDA for the quarter was $79.2 million, up $7.2 million or 10%. The higher consolidated EBITDA was driven by strong increases in the Manufacturing segment, partially offset by lower EBITDA from the Aerospace & Aviation segment.

Revenue from the Aerospace & Aviation segment was $226.6 million, an increase of $22.6 million or 11% compared to Q3 2017. The Aerospace & Aviation segment had EBITDA of $70.9 million, which was down $1.3 million or 2% for the quarter. The lower EBITDA was the due to higher fuel costs and training costs, which more than offset the positive impacts of the addition of Moncton Flight College. Regional One had another quarter of strong performance with results consistent to the prior period. The third quarter of 2017 was a very strong comparative period for our aviation sector.

The Manufacturing segment had revenue of $81.6 million in the quarter, up $32.2 million or 65% compared to the same quarter a year earlier. The segment also achieved EBITDA of $14.1 million, which was up $8.5 million or 152% over the same period a year ago. While the acquisition of Quest midway through the fourth quarter of 2017 is the largest contributor to these increases, adding $6.1 million of EBITDA, all of the other manufacturing entities collectively experienced growth in revenue and EBITDA.

Adjusted Net Earnings increased to $29.6 million, or $0.94 per share (basic), from $25.7 million, or $0.84 per share (basic), in Q3 2017.

On a consolidated basis, EIC generated Net Earnings of $24.2 million, or $0.77 per share (basic), compared to $23.9 million, or $0.78 per share (basic), for the same quarter a year ago. The strong EBITDA growth for the quarter was largely offset by higher depreciation, amortization, interest costs and acquisition costs. The decrease in basic Net Earnings per share was attributable to the higher weighted average number of shares outstanding compared to Q3 2017.

Review of Key Performance Measures for Q3

Free Cash Flow for Q3 2018 totaled $64.2 million, up 15% from $55.8 million in Q3 2017. Free Cash Flow on a per share basis was $2.04 (basic), up 13% from $1.81.

Maintenance Capital Expenditures for the quarter were $23.1 million, up 16% from $19.9 million during the comparative period. The increase was largely attributable to the acquisition of Moncton Flight College, an increase in the fleet of aircraft and the timing of maintenance events in the Aerospace & Aviation segment, and is consistent with internal expectations and previous disclosures.

Free Cash Flow less Maintenance Capital Expenditures in Q3 2018 was $41.1 million, which is up 14% from $36.0 million in Q3 2017. On a per share (basic) basis, Free Cash Flow less Maintenance Capital Expenditures was $1.31 per share, up 12% from $1.17 per share in Q3 2017.

The basic per share payout ratio for the quarter based on Adjusted Net Earnings improved during the quarter to 58% from 63% in the comparative quarter. For the trailing twelve months, the payout ratio improved to 75% from 86%. The Free Cash Flow less Maintenance Capital Expenditures payout ratio for the third quarter also improved to 42% from 45% over the same period. For the trailing twelve months, the payout ratio improved to 62% from 73%. The percentage increase in Free Cash Flow exceeded the impact of the increase in Maintenance Capital Expenditures and dividends, resulting in the improved payout ratio for the quarter.

Outlook

“Looking ahead, we remain on schedule to open the new Quest facility in Texas and commence trial production runs early in the new year,” said Mr. Pyle. “Our plan is to ramp up production at the new Quest plant throughout the course of the year. Our flight training business at Moncton Flight College is not only expected to grow in terms of its financial contribution to EIC in future periods but remains a key tenet of our pilot training and retention strategy, providing our airlines with a competitive advantage in the extremely tight pilot market. Transport Canada has granted final approval to the PAL Aerospace Demonstrator Surveillance Airplane, “The Force Multiplier”. Response from the Intelligence, Surveillance and Reconnaissance market has been very favourable and the aircraft has already started to generate income. We look forward to updating you on the progress as the plane serves customers around the globe.”

EIC’s complete interim financial statements and management's discussion and analysis for the three- and nine-month period ended September 30, 2018 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice

The Corporation will hold a conference call to on November 9, 2018 at 8:30 a.m. ET with Mike Pyle, CEO, Ms. Carmele Peter, President, and Ms. Tamara Schock, CFO to discuss its third quarter 2018 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 November 16, 2018 at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 6694589.

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 (operating as a division of Perimeter Aviation), Custom Helicopters, Regional One, Provincial Aerospace and Moncton Flight College, and an investment in Wasaya Group. The Manufacturing segment consists of the operations of Overlanders Manufacturing, Water Blast, Stainless Fabrication, WesTower Communications, Ben Machine and Quest Window Systems. 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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