Exchange Income Corporation Reports Record Financial Results for Q3 2015
- EPS of $0.64 up 178% and payout ratio of 46%-

WINNIPEG, Manitoba – November 11, 2015 – Exchange Income Corporation (TSX:EIF) (the "Corporation," "EIC," or "Exchange"), a diversified, acquisition-oriented company focused on opportunities in the aviation and manufacturing sectors, reported its financial results for the three- and nine-month periods ended September 30, 2015. All amounts are in Canadian currency and reflective of continuing operations[1].

"Our results for the third quarter on virtually every financial metric are, by a considerable margin, the best in the 11-year history of Exchange," said Mike Pyle CEO of EIC. "More importantly, they are not the result of some short-term operational success, but rather are the result of our strategic plan laid out last year to increase the diversification of our operations, improve profitability, reduce our payout ratio, and strengthen our balance sheet. Even after taking into account the two increases in our dividend over the last 12 months, totaling over 14%, and the additional common shares outstanding resulting from our recent bought deal offering, our payout ratio is at the low end of our range."

Mr. Pyle added, "The combination of a record level of earnings, a strong balance sheet with greatly enhanced access to capital, position us to continue to grow the Corporation in 2016 and beyond whether it be organically or through accretive acquisitions that meet our well defined criteria."

Q3 2015 Highlights from Continuing Operations

- Consolidated revenue was $212.8 million, up 48%.
- Consolidated EBITDA was a record $54.1 million, up 94% and was also 12% greater than the Corporation's previous EBITDA record high of $48.1 million.
- Free Cash Flow less maintenance capital expenditures was $25.0 million or $1.01 per basic share, both quarterly records, up 90% and 71%, respectively.
- Dividend payout ratio[2] significantly improved with a reduction from 71% to 46%.
- Net earnings were $16.0 million or $0.64 per basic share, up 209% and 178%, respectively.
- Adjusted Net Earnings were $18.8 million, or $0.76 per share, up 210% and 181%, respectively.
- "Same store" EBITDA increased $9.0 million or 32% after excluding the contributions of Provincial Aerospace and Ben Machine Products, which were acquired in 2015 and have no basis for comparison in the previous period.
- Increased the Corporation's dividend by 10% to $0.16 per share per month or $1.92 per share on an annualized basis. The dividend increase marks the Corporation's second increase in the last 12 months.
- Completed the acquisition of Ben Machine Products, a manufacturer of precision-machined components and assemblies for the aerospace and defense sector, for approximately $44.6 million.
- Completed the early redemption of 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). The net proceeds were used to reduce the Corporation's bank indebtedness and fund future acquisitions.

Highlights Subsequent to Quarter End

- Increased the Corporation's existing credit facility to $550 million from $450 million.

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[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, 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). Both the current and comparative period results have been presented in a consistent manner.

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

Selected Financial Highlights from Continuing Operations

(All amounts in thousands except % and share data)

- from continuing operations	Q3 2015	Q3 2014	% Change	FY2015 YTD	FY2014 YTD	% Change
Revenue	$212,750	$143,499	+48%	$582,899	$403,777	+44%
EBITDA[3]	$54,052	$27,872	+94%	$133,185	$68,127	+95%
Net Earnings	$15,983	$5,172	+209%	$30,311	$6,104	+397%
Adjusted Net Earnings[4]	$18,811	$6,061	+210%	$38,978	$8,892	+339%
Net Earnings per Share[5] (basic)	$0.64	$0.23	+178%	$1.28	$0.28	+1357%
Adjusted Net Earnings per Share (basic)	$0.76	$0.27	+181%	$1.65	$0.40	+313%
Free Cash Flow (FCF) per basic share	$1.70	$1.03	+65%	$4.38	$2.48	+77%
FCF less Maintenance CAPEX per basic share	$1.01	$0.59	+71%	$2.28	$1.06	+115%
FCF less Maintenance CAPEX payout ratio	46%	71%	NA	59%	119%	NA
Dividends declared	$11,873	$9,349	+27%	$31,975	$27,762	+15%

Review of Q3 Financial Results from Continuing Operations

Consolidated revenue for Q3 2015 was $212.8 million, up 48% from $143.5 million for Q3 2014. The majority of the revenue increase was attributable to the Aviation segment, including $50.0 million in contributions made by Provincial, which was acquired in January 2015 with no comparable. The Corporation's Legacy airlines increased revenue by $9.8 million or 14%, largely due to the acquisition of First Air's non-aircraft assets in the Kivalliq region and a return to near normal levels of fire suppression activity at Custom Helicopters. The Corporation's revenue growth was also due to the strong performance by Regional One, which increased its revenue by $7.0 million or 33%. Regional One's growth is tied to an expanded fleet of inventory of aircraft and after-market parts that it sells or leases to regional airline carriers around the world.

On a segmented basis, the Aviation segment generated revenue in Q3 2015 of $157.3 million, up 74% from Q3 2014. In Q3 2015, the Aviation segment generated 74% of the Corporation's consolidated revenue compared to 63% in Q3 2014. The growth of the Aviation segment's revenue contributions is consistent with the Corporation's efforts to become more diversified, and includes the addition of Provincial's diversified revenue streams of three different divisions – a scheduled airline, aerospace and fixed base operations.

The Manufacturing segment generated revenue of $55.4 million in Q3 2015, up 5% or $2.5 million from Q3 2014. The growth was due to the accretive contributions made by Ben Machine, which was acquired in July 2015. Ben Machine's revenue contributions more than offset the overall decline experienced by the other Manufacturing segment entities. The Alberta Operations, in particular, were negatively impacted by low commodity prices, resulting in significantly lower product demand.

Consolidated EBITDA for Q3 2015 was a record $54.1 million, up 94% from Q3 2014. The growth was due to a combination of factors, the most significant being the acquisition of Provincial at the beginning of fiscal 2015, which contributed $15.3 million in EBITDA. The strong performance of Legacy airlines, which collectively grew EBITDA by 37% to $22.0 million due to the combined impact of previous growth investments, cost control and efficiency initiatives and lower fuel costs, also drove improved performance. Regional One also made strong EBITDA contributions in Q3, growing $4.5 million or 58% as a result of a larger portfolio of aircraft assets and a higher conversion rate on its US-based results.

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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] 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, and amortization of intangible assets that are purchased at the time of acquisition.

[5] The Corporation had 27.5 million common shares outstanding at September 30, 2015, up from 22.4 million at September 30, 2014. The growth is due to an equity financing completed in September 2015 (3.0 million shares), an increase in the conversion of debentures, shares issued under the dividend reinvestment plan, and the issuance of shares in support of financing acquisition activities.

On a segmented basis, the Aviation segment generated EBITDA of $49.5 million in Q3 2015, up 109% from Q3 2014. The Aviation segment's EBITDA margins for Q3 2015 were 31.5% compared to 26.2% in Q3 2014.

The Manufacturing segment generated EBITDA of $8.2 million in Q3 2015, up 17% from Q3 2014. The growth was due to the contributions stemming from the acquisition of Ben Machine with no comparative in 2014. The Manufacturing segment's EBITDA margins for Q3 2015 were 14.8% compared to 13.2% in Q3 2014.

Adjusted Net Earnings from continuing operations totaled $18.8 million or $0.76 per basic share for Q3 2015. These compare to an Adjusted Net Earnings of $6.1 million or $0.27 per share for Q3 2014.

Review of Financial Results from Continuing Operations – Nine Months

On a year-to-date basis, EIC's consolidated revenue for FY2015 was $582.9 million, up 44% from $403.8 million for FY2014. Consolidated EBITDA for FY2015 was $133.2 million, up 95% from $68.1 million for FY2014. Net earnings for FY2015 was $30.3 million or $1.28 per basic share compared to $6.1 million or $0.28 per basic share for FY2014. YTD results for FY2014 do not include any contributions from Provincial, which was acquired in January 2015, or contributions from Ben Machine, which was acquired in July 2015.

Working Capital

As at September 30, 2015, the Corporation had a net cash position of $35.5 million and net working capital of $149.1 million, which represents a current ratio of 1.82 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.

Selected Key Performance Indicators from Continuing Operations

(All amounts in thousands except % and share data)

- from continuing operations	Q3 2015	Q3 2014	% Change	FY2015 YTD	FY2014 YTD	Change
Free Cash Flow[6]	$42,195	$22,819	+85%	$103,747	$54,500	+90%
Free Cash Flow per basic share	$1.70	$1.03	+65%	$4.38	$2.48	+77%
Total Maintenance Capex[7]	$17,229	$9,676	+78%	$49,802	$31,099	+60%
Free Cash Flow less Maintenance CAPEX[8]	$24,966	$13,143	+90%	$53,945	$23,401	+131%
Free Cash Flow less Maintenance CAPEX per basic share	$1.01	$0.59	+71%	$2.28	$1.06	+115%
Free Cash Flow less Maintenance CAPEX payout ratio	46%	71%	NA	59%	119%	NA

Free Cash Flow for Q3 2015 totaled $42.2 million, up 85% from Q3 2014. On a basic per share basis, Free Cash Flow was $1.70, up 65% from Q3 2014. The growth in Free Cash Flow was the result of increased EBITDA, but was partially offset by higher cash interest charges as well as $4.8 million of additional cash taxes.

Free Cash Flow less Maintenance Capex for Q3 2015 was $25.0 million, up 90% from Q3 2014. On a basic per share basis Free Cash Flow less Maintenance Capex was $1.01 compared to $0.59 per share in Q3 2014.

Maintenance Capex grew by 78% to $17.2 million in Q3 2015 over the comparative period mainly as a result of the addition of Provincial.

The Corporation's Q3 2015 basic per share payout ratio was 46% for Free Cash Flow less maintenance capital expenditures, which is near a historical low. This payout ratio compares to 71% for Q3 2014. The improvement is attributable to a number of factors, including the accretive contributions resulting from the acquisition of Provincial, the efficiency gains at the Corporation's Legacy airlines, and the continued strong

[6] Free Cash Flow is a financial metric used by Management to assess the Corporation's performance and assess its ability to sustain its dividend policy. Free Cash Flow for the period is equal to the cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital and any unusual non-operating one-time items. It is not a recognized measure under IFRS.

[7] 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.

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

performance by Regional One. On a year-to-date basis, the Corporation's basic per share payout ratio for FY2015 was 59% versus 119% in the comparable period.

Outlook

"We are excited about our future prospects in both the short and longer term," stated Carmele Peter President of EIC. "We expect continued improvement in our performance in the next year as previous investments in our Legacy airlines take hold and we integrate the Kivalliq operations acquisition. Investments made in Regional One will fuel its future growth, and we are optimistic about realizing on opportunities at both of our recent acquisitions for Provincial and Ben Machine."

Ms. Peter added, "While the move into the slower winter season for aviation and the continued economic downturn in Alberta will certainly be reflected in our results, we are confident the significant improvement over prior periods will continue. The recent common share financing and increased bank facility will provide the capital required to fund the next phase of our growth. We look forward to reporting our fourth quarter results and closing off the most profitable year in our history."

EIC's complete interim financial statements and management's discussion and analysis for the three and nine month periods ended September 30, 2015 can be found at or at www.sedar.com.

Conference Call Notice

The Corporation will hold a conference call on November 12, 2015 at 10:00 a.m. ET with Mike Pyle, CEO, Ms. Carmele Peter, President, and Mr. David Patrick, Interim CFO to discuss its third 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, November 19, 2015 at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 50037126.

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).

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