Exchange Income Corporation

Exchange Income Corporation Reports Record Third Quarter Financial Results
- EBITDA grows 20% to $72.0 million; Payout Ratio Improves to 45% -

WINNIPEG, Manitoba – November 8, 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 nine month periods ended September 30, 2017. All amounts are in Canadian currency.

CEO Commentary
"The ultimate test of a business model is the results it generates," stated EIC CEO Mike Pyle. "At EIC, our model is unchanged from our IPO over 13 years ago. Make accretive acquisitions and invest in our businesses to generate real long term growth. The third quarter was evidence of the efficacy of this plan as EBITDA and Adjusted Net Earnings again hit all-time highs while our quarterly payout ratio was the best since we converted to a corporation in 2009."

"We concentrated our maintenance capital investment in our airlines in the first half of the year to ensure our fleet would be available for the busy summer season. As a result, we had the necessary capacity to meet the requirements of our customers during a very challenging fire evacuation season. We are proud of being able to step up when needed. We are committed to making decisions that are in the long term best interests of our company and all its stakeholders, resulting in a 13 year track record of increasing dividends " said Mr. Pyle.

Q3 2017 Financial and Operating Highlights

- Consolidated revenue was $253.4 million, up 13%
- Consolidated EBITDA increased 20% to $72.0 million
- Net Earnings were $23.9 million, up 16% from $20.6 million
- Net Earnings per basic share were $0.78, up 8% even with an 8% increase in the weighted average number of shares
- Adjusted Net Earnings were $25.7 million, up 11% from $23.1 million
- Adjusted Net Earnings per basic share were $0.84, up 4% even with an 8% increase in the weighted average number of shares
- Free Cash Flow was $55.8 million, up 22%
- Free Cash Flow less maintenance capital expenditures was $36.0 million, up 36%
- Dividend payout ratio[1] was 45%, improving from 54% last year

EBITDA, Adjusted Net Earnings per basic share, Free Cash Flow and Free Cash Flow less maintenance capital expenditures set all time new quarterly records

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

Selected Financial Highlights

(All amounts in thousands except % and share data)

	Q3 2017	Q3 2016	% Change	YTD 2017	YTD 2016	% Change
Revenue	$253,367	$224,620	+13%	$749,040	$669,369	+12%
EBITDA[2]	$71,964	$60,012	+20%	$185,383	$161,271	+15%
Net Earnings	$23,902	$20,581	+16%	$55,240	$47,668	+16%
per share (basic)	$0.78	$0.72	+8%	$1.78	$1.70	+5%
Adjusted Net Earnings[3]	$25,716	$23,127	+11%	$57,467	$55,523	+4%
per share (basic)	$0.84	$0.81	+4%	$1.86	$1.99	-7%
Free Cash Flow[4]	$55,849	$45,873	+22%	$141,369	$123,446	+15%
per share (basic)	$1.81	$1.60	+13%	$4.56	$4.41	+3%
Maintenance Capital Expenditures[5]	$19,873	$19,389	+2%	$77,171	$54,685	+41%
Free Cash Flow less Maintenance Capital Expenditures	$35,976	$26,484	+36%	$64,198	$68,761	-7%
per share (basic)	$1.17	$0.93	+26%	$2.07	$2.46	-16%
Payout Ratio (basic)	45%	54%		76%	60%	
Dividends declared	$16,152	$14,366	+12%	$48,797	$41,463	+18%

Review of Q3 Financial Results

Consolidated revenue for Q3 2017 was $253.4 million, up 13% from $224.6 million for Q3 2016. The increase was primarily due to investments previously made by the Corporation, particularly throughout the Aerospace & Aviation segment.

The Aerospace & Aviation segment, which consists of Legacy Airlines, Regional One and Provincial, generated revenue in Q3 2017 of $204.0 million, up 14% from Q3 2016. Previous growth capital investments were the drivers behind a 40% increase in revenue at Regional One. Our Legacy Airlines also experienced increased revenue within Nunavut as a result of prior investments in the Kivalliq region. Increased fire suppression work also led to higher revenue in the rotary wing operations.

The Manufacturing segment generated revenue of $49.4 million in Q3 2017, up $3.5 million or 8% from Q3 2016. All entities within the segment with the exception of WesTower experienced strong revenue growth. WesTower continues to be negatively impacted by reduced capital spending by cellular carriers in WesTower's traditional services as they prepare for the next generation of technology. Currently, the vast majority of cellular carriers' capital spending has been associated with fibre-optic infrastructure, a market in which WesTower has recently entered and is looking to expand its market share.

Consolidated EBITDA for Q3 2017 was $72.0 million, up 20% from $60.0 million for Q3 2016. EBITDA increases were largely driven by the previous investments that the Corporation made within the Aerospace & Aviation segment.

[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.

On a segmented basis, the Aerospace & Aviation segment generated EBITDA of $72.2 million in Q3 2017, up 25% from $57.6 million in Q3 2016. The Aerospace & Aviation segment's EBITDA margin for Q3 2017 was 35.4% compared to 32.2% in Q3 2016.

The Manufacturing segment generated EBITDA of $5.6 million in Q3 2017, down from $6.4 million in Q3 2016. All entities with the exception of WesTower experienced strong performance during the quarter. As a result of WesTower's size relative to the other entities within the segment, the declines experienced at WesTower due to the cyclical impact of cellular carriers' reduced spending in WesTower's traditional services already cited, more than offset the positive results generated by the other entities. The Manufacturing segment's EBITDA margin for Q3 2017 was 11.3% down from 14.0% in Q3 2016.

On a consolidated basis, EIC generated Net Earnings of $23.9 million, or $0.78 per share (basic) for Q3 2017. These compare to $20.6 million, or $0.72 per share (basic), for Q3 2016. The growth was largely driven by factors already discussed, namely improved EBITDA performance stemming from previous investments. Net Earnings per share improved by 8% or $0.06 over Q3 2016, even with an 8% year-over-year increase in the weighted average number of shares.

Adjusted Net Earnings for the period were $25.7 million, or $0.84 per share (basic) compared to $23.1 million or $0.81 per share (basic) for the comparative period. The growth was driven by factors already discussed and reduced acquisition costs during the period. Adjusted Net Earnings per share improved by 4% or $0.03 over the third quarter of 2016 despite an 8% increase in the weighted average number of shares.

Reviews of Financial Results for the 9-month Period

On a year-to-date basis, EIC's consolidated revenue for the first nine months of 2017 was $749.0 million, up 12% from $669.4 million in the first nine months of 2016. Consolidated EBITDA for the first nine months of 2017 was $185.4 million, up 15% from $161.3 million in the first nine months of 2016. Net Earnings for the first nine months of 2017 were $55.2 million, or $1.78 per share (basic), up from $47.7 million, or $1.70 per share (basic), for the first nine months of 2016. Adjusted Net Earnings for the first nine months of 2017 were $57.5 million, up from $55.5 million for the first nine months of 2016. Adjusted Net Earnings per share (basic) for the period was $1.86, down from $1.99 per share in 2016.

Review of Key Performance Indicators for Q3

Free Cash Flow for Q3 2017 totaled $55.8 million, up 22% from $45.9 million in Q3 2016. Free Cash Flow on a per share basis in Q3 2017 was $1.81 (basic), up 13% from $1.60 in Q3 2016 even with an 8% increase in the weighted average number of shares.

Maintenance Capital Expenditures were $19.9 million, up 2% from $19.4 million in Q3 2016. The increase is entirely due to higher maintenance capital expenditures at Regional One as a result of an increase in depreciation tied to its larger lease portfolio of aircraft. This increase was partially offset by lower maintenance capital expenditures within the Legacy Airlines and Provincial 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.

Free Cash Flow less Maintenance Capital Expenditures in Q3 2017 was $36.0 million, or $1.17 per share (basic), up from $26.5 million, or $0.93 per share (basic), in Q3 2016.

The basic per share payout ratio for Q3 2017 was 45%, improving from 54% in Q3 2016. The improvement was primarily due to increased EBITDA and improved despite an 8% increase in the weighted average number of shares outstanding.

Working Capital

As at September 30, 2017, EIC had a net cash position of $18.8 million and net working capital of $200.4 million, which represents a current ratio of 2.04 to 1. These compare to a net cash position of $14.1 million and net working capital of $203.2 million, or a current ratio 2.21 to 1, at June 30, 2017. The changes in working capital are primarily due to increased accounts receivable related to fire suppression and evacuation work, which are due from governments across Canada and are expected to be collected in the fourth quarter and seasonally higher business volumes in the third quarter within our airlines and changes in foreign exchange rates since Q2 2017.

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.

Outlook

"We are encouraged by the outlook for the balance of 2017," said Mr. Pyle. "The fourth quarter traditionally brings the most challenging weather for our northern airlines as the lakes that surround the communities freeze. We have added capacity and improved our systems to ensure our customers receive the level of service they require. While we cannot change the weather, we can make sure we are ready to react when the weather allows."

"We look forward to two of our growth initiatives going live in the fourth quarter. Keewatin Air begins medevac service in the Kitikmeot region of Nunavut in December. PAL Aerospace's "Force Multiplier" maritime surveillance aircraft will make its international debut at an airshow in the U.A.E. in late November. This quick deployment, short-term rental aircraft will be ready in early 2018."

Mr. Pyle stated, "Maintenance Capital Expenditures are expected to remain at approximately Q3 levels in the fourth quarter. 2018 levels are expected to be similar on an annual basis to what we experienced in 2017. We also expect somewhat less variation quarter to quarter in 2018 as there are fewer aircraft overhauls scheduled and more engine events. Engine overhauls do not require the plane to be out of service for a prolonged period." "We are excited about our current pipeline of potential acquisitions and expect that capital will be deployed in this area and less capital in growth capital expenditures in the near to medium term," added Mr. Pyle.

The Company's complete interim financial statements and management's discussion and analysis for the three- and nine-month periods ended September 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 November 9, 2017 at 8:30 a.m. ET with Mr. Mike Pyle, CEO, Ms. Carmele Peter, President, and Ms. Tamara Schock, CFO to discuss its 2017 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 16, 2017 at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 99792179.

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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