Exchange Income Corporation

Exchange Income Corporation Continues Strong Financial Performance in First Quarter of 2018

WINNIPEG, Manitoba – May 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 month period ended March 31, 2018. All amounts are in Canadian currency.

CEO Commentary

"I believe that Q1 was one of the most significant and successful quarters in the company's history," stated Mike Pyle, the CEO of EIC. "Not only did we achieve strong financial results for the first quarter, but we also undertook a number of important, strategic initiatives that will lay the foundation for future growth and profitability. The acquisition of CANLink Global Inc. ("Moncton Flight College") supports the long-term growth and operational requirements of our airline and aerospace portfolio by providing us with a unique ability to address pilot recruitment and retention. As well, the partnership with Wasaya will allow us to build upon its strong brand and legacy in Northern Ontario to expand our reach. In addition, we have commenced the development of a second manufacturing facility for our Quest subsidiary. This plant will be located in the US, geographically closer to our most significant growth opportunities and will more than double our manufacturing capacity."

Tamara Schock, EIC's CFO, noted that the Corporation's recent transactions in the capital markets show a strong level of support for the Corporation and its direction. "In December, we closed a bought deal offering of convertible unsecured subordinated debentures that was originally to be for $70 million but was increased to $100 million due to investor demand. We also recently amended our credit facility to increase its size by $250 million to $1 billion and, at the same time, reduced pricing, obtained more favourable covenants and attracted a new member to our syndicate. These events clearly indicate a confidence in our ability to continue to generate strong financial results and are an endorsement of our strategic direction. We are very well positioned to take advantage of acquisition opportunities with approximately $360 million in unused capacity under the amended credit facility."

Mr. Pyle added, "We have always managed our financial leverage prudently and that is not about to change simply because we have increased the size of our credit facility. We will continue to maintain leverage ratios that are consistent with our historical norms. We will also continue to look for accretive opportunities with the confidence that we have the financial capacity to act upon them."

Q1 2018 Financial and Operating Highlights

- Consolidated revenue was $266.0 million, up 20%
- Consolidated EBITDA increased 25% to $54.0 million
- Net Earnings were $8.6 million, an increase of 55%
- Net Earnings per basic share was $0.27, up 50%
- Adjusted Net Earnings increased by 66% to $12.9 million
- Adjusted Net Earnings per basic share was $0.41, an increase of 64%
- Trailing Twelve Month Adjusted Net Earnings payout ratio strengthened to 77% from 82% at Q4 2017
- Free Cash Flow was $40.6 million, up 20%
- Free Cash Flow less Maintenance Capital Expenditures was $9.8 million, up 54%
- Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures payout ratio strengthened to 69% from 71% at Q4 2017
- Exercised its right to call its 7 year 5.50% convertible debentures which were due on September 30, 2019

- Purchased Moncton Flight College, the largest flight training college in Canada which offers domestic Canadian pilot training as well as a foreign pilot program, for up to $55 million

Highlights Subsequent to Quarter End

- Completed the previously announced partnership transaction with Wasaya to enhance the level of air service in Northwestern Ontario and provide operational efficiencies, for $25 million
- Amended its credit facility by $250 million to $1 billion, improved covenants, reduced pricing and added one new member to the syndicate

Selected Financial Highlights

(All amounts in thousands except % and share data)

	Q1 2018	Q1 2017	% Change
Revenue	$266,027	$222,528	+20%
EBITDA[1]	$54,013	$43,348	+25%
Net Earnings	$8,614	$5,559	+55%
per share (basic)	$0.27	$0.18	+50%
Adjusted Net Earnings[2]	$12,932	$7,808	+66%
per share (basic)	$0.41	$0.25	+64%
Trailing Twelve Month Adjusted Net Earnings Payout Ratio (basic)	77%	88%	
Free Cash Flow[3]	$40,596	$33,789	+20%
per share (basic)	$1.29	$1.09	+18%
Maintenance Capital Expenditures[4]	$30,754	$27,409	+12%
Free Cash Flow less Maintenance Capital Expenditures	$9,842	$6,380	+54%
per share (basic)	$0.31	$0.21	+48%
Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio (basic)	69%	73%	
Dividends declared	$16,733	$16,335	+2%

Review of Q1 Financial Results

Consolidated revenue for Q1 2018 was $266.0 million, an increase of $43.5 million or 20% over Q1 2017. Consolidated EBITDA for the same period was $54.0 million, up $10.7 million or 25%. The gains were the result of significant increases in both the Aerospace & Aviation segment and the Manufacturing segment, both of which realized increases from acquisitions and organic growth.

Within the Aerospace & Aviation segment, revenue increased by $12.8 million or 7% to $189.8 million in Q1 2018. EBITDA also increased by $3.9 million or 9% to $46.7 million. Within the Legacy Airlines and

[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.

Provincial, increased EBITDA was driven by higher revenue, synergies obtained through capacity sharing, and the benefit of investment in aircraft during 2017, resulting in reduced third party charter cost, additional revenue opportunities, and operational efficiencies. Increases in sales and service revenue at Regional One were partially offset by declines in lease revenue. The Manufacturing segment generated revenue of $76.2 million in Q1 2018, up $30.7 million or 68% from Q1 2017. EBITDA also increased during the first quarter of 2018 compared to the first quarter of 2017, up $7.8 million or 166% to $12.5 million. While the addition of Quest is the single largest contributor to these increases, the remainder of the Manufacturing segment also experienced growth in revenue, which led to an 11% increase in EBITDA.

On a consolidated basis, EIC generated Net Earnings of $8.6 million, or $0.27 per share (basic) for the three month period ended March 31, 2018. These compare to $5.6 million, or $0.18 per share (basic), for the comparative period in 2017. The growth was driven by the $10.7 million increase in EBITDA and by the revaluation of contingent consideration that resulted in a gain of $1.5 million. These increases were partially offset by increased interest, depreciation, and taxes. Net Earnings per share improved by 50% or $0.09 over Q1 2017.

Adjusted Net Earnings for the period was $12.9 million, or $0.41 per share (basic) compared to $7.8 million or $0.25 per share (basic) for the comparative period. The growth was driven by the factors impacting Net Earnings and increased amortization of the Corporation's intangible assets, net of tax. The increase in amortization is attributable to the impact of the Quest acquisition in the fourth quarter of 2017. Adjusted Net Earnings per share improved by 64% or $0.16.

Review of Key Performance Measures for Q1

Free Cash Flow for Q1 2018 totaled $40.6 million, up 20% from $33.8 million in Q1 2017. Free Cash Flow on a per share basis was $1.29 (basic), up 18% from $1.09.

Maintenance Capital Expenditures were $30.8 million during the three months ended March 31, 2018, up 12% from $27.4 million during the comparative period. The increase is consistent with our expectations and our previously communicated disclosures, as we attempt to perform as much scheduled engine and large aircraft maintenance work in the seasonally slower first quarter as possible.

Free Cash Flow less Maintenance Capital Expenditures in the first quarter of 2018 was $9.8 million, which is up from $6.4 million in the first quarter of 2017. On a per share (basic) basis, Free Cash Flow less Maintenance Capital Expenditures was $0.31 per share, up 48% from $0.21 per share.

The basic per share payout ratio based on trailing twelve month Adjusted Net Earnings improved during the quarter, from 88% at March 31, 2017 to 77% at March 31, 2018.The trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio also improved to 69% at March 31, 2018 compared to 73% at March 31, 2017. The improvement is a direct result of the percentage increase in Free Cash Flow exceeding the percentage increase in Maintenance Capital Expenditures and dividends during the period.

Outlook

"As I have noted on many occasions, we maintain a long-term perspective when looking at our business," stated Mr. Pyle. "And as I look to the future, I am very optimistic. The prospects for the near term are on track with our expectations and all of our operations are well-positioned to provide real, sustainable growth in the future."

EIC's complete interim financial statements and management's discussion and analysis for the three month period ended March 31, 2018 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice

The Corporation will hold a conference call on May 9, 2018 at 8:30 a.m. ET with Mr. Mike Pyle, CEO, Ms. Carmele Peter, President, and Ms. Tamara Schock, CFO to discuss its first 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 May 16, 2018 at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 9097742.

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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