NEWS RELEASE

Exchange Income Corporation Draws Strength from Diversity to Deliver Strong Results in Pandemic-Stricken 2020

Net Debt Reduced Again in Fourth Quarter

WINNIPEG, Manitoba – February 17, 2021 – Exchange Income Corporation (TSX: EIF) ("EIC" or the "Corporation") a diversified, acquisition-oriented company focused on opportunities in the aviation, aerospace and manufacturing sectors, reported its financial results for the three- and twelve-months ending December 31, 2020. All amounts are in Canadian currency.

2020 Financial Highlights

- Generated Revenue of $1.15 billion
- Preserved EBITDA margins, with Consolidated EBITDA of $285 million
- Safeguarded Free Cash Flow less Maintenance Capital Expenditures, producing $113 million or $3.23 per share
- Earned Adjusted Net Earnings per share of $1.35
- Annual Free Cash Flow less Maintenance Capital Expenditures Payout Ratio of 71%

Q4 Financial Highlights

- Generated Revenue of $302 million
- Preserved EBITDA margins, with Consolidated EBITDA of $82 million
- Safeguarded Free Cash Flow less Maintenance Capital Expenditures, producing $41 million or $1.17 per share, an increase of 7% over the comparative period
- Earned Adjusted Net Earnings per share of $0.53
- Three Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio improved to 49%

CEO Commentary

"2020 was a year unlike any in our history," said Mike Pyle, CEO of EIC. "Lockdowns, travel limitations, employees working remotely, the economy beginning to open up, and then the imposition of even tighter restrictions during the late-year second-wave. 2020 had it all. Despite these challenges, EIC delivered consistently remarkable financial and operational performance. From a financial perspective, the Corporation generated sufficient cash flow since the onset of the pandemic to cover its Maintenance Capital Expenditures, invest in the future through Growth Capital Expenditures and complete the acquisition of Window Installation Specialists Inc. ("WIS"), pay its dividend and reduce its debt, net of cash."

"Operationally, I could not be prouder of the management and staff at our subsidiaries," continued Mr. Pyle. "Our social responsibility to our customers and employees was of paramount importance and our teams adapted quickly to the ever-changing circumstances of the pandemic while consistently demonstrating their commitment to prioritizing the health and safety of our customers and employees. By emphasizing across our organization EIC's responsibility to contribute positively in the communities where we operate, we consistently found ways to continue delivering goods and services. EIC companies also showed incredible initiative and adaptability in pivoting to make unique and meaningful contributions in the fight against COVID-19. By designing and manufacturing PPE for front-line personnel, continuing to be the lifeline reliably delivering essential aviation services to remote communities, providing critical medevac services in the North, and now delivering the vaccines to vulnerable populations in our communities that are allowing the first glimpses of hope for a post-pandemic future, our people are invigorated by the opportunity to contribute in ways only the EIC family of companies can."

“Like all participants in the aviation industry, EIC is not immune to the negative effects of travel restrictions and reduced passenger volumes across our network. That said, the design of EIC’s aviation portfolio, emphasizing diversity and essential service provision, did insulate us from the worst impacts of the pandemic. Our stable foundation allowed us to post results that, frankly, stand in stark contrast to our domestic and international peers,” continued Mr. Pyle. “We are intentionally unique, allowing our subsidiaries to operate with the autonomy and nimbleness needed to adjust to changes in their businesses and markets quickly. At the same time, as part of a larger entity, our subsidiaries draw on the significant professional aviation, aerospace, engineering, and manufacturing expertise we maintain across our organization. By accessing that collective strength, EIC operators have been able to develop and implement products, processes, and procedures that have benefited our operation and our customers even in the most challenging circumstances.”

Mr. Pyle concluded, “We were very pleased with our fourth quarter, considering the enhanced travel restrictions and shutdowns in many of our markets. Demand for the Corporation’s ISR assets and charter services exceeded our expectations. Similarly, the level of financial support from territorial and federal governments for which we qualified exceeded previous expectations given the challenges of the operating environment in the quarter.”

Selected Financial Highlights

(all amounts in thousands except % and share data)

	FY 2020	FY 2019	% Change	Q4 2020	Q4 2019	% Change
Revenue	$1,149,629	$1,341,374	-14%	$301,710	$363,287	-17%
EBITDA[1]	$284,535	$328,813	-13%	$81,971	$88,748	-8%
Net Earnings	$28,055	$83,636	-66%	$13,479	$25,283	-47%
per share (basic)	$0.80	$2.58	-69%	$0.38	$0.74	-49%
Adjusted Net Earnings[2]	$47,176	$102,127	-54%	$18,847	$29,757	-37%
per share (basic)	$1.35	$3.15	-57%	$0.53	$0.88	-40%
Adjusted Net Earnings Payout Ratio (basic)	169%	71%				
Free Cash Flow[3]	$198,400	$245,772	-19%	$59,497	$68,631	-13%
per share (basic)	$5.66	$7.58	-25%	$1.68	$2.02	-17%
Free Cash Flow less Maintenance Capital Expenditures[4]	$113,331	$126,075	-10%	$41,270	$36,935	+12%
per share (basic)	$3.23	$3.89	-17%	$1.17	$1.09	+7%
Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio (basic)	71%	57%				
Dividends declared	$80,012	$72,742	+10%	$20,200	$19,764	+2%

[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, amortization of intangible assets, interest accretion on acquisition contingent consideration 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, acquisition costs, principal payments on right of use lease liabilities 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.

Exchange Income Corporation

Review of 2020 Financial Results

Consolidated revenue for the year was $1.15 billion, which was down 14% from 2019's record $1.34 billion. A decline of $287 million in the Aerospace & Aviation segment was partially offset by an increase of $96 million in the Manufacturing segment. Consolidated EBITDA for the year was $285 million, which was a decrease of $44 million or 13% compared to last year.

The Corporation's results were materially impacted by the COVID-19 pandemic during the year. Travel restrictions and required quarantine periods reduced overall demand for the Aerospace & Aviation segment's products and services. Demand in the Manufacturing segment remained strong, but the segment continued to experience challenges in manufacturing efficiency as workplace protections were implemented to ensure the health and safety of our employees. In both the Aerospace & Aviation and the Manufacturing segments, increased costs associated with keeping our employees and customers safe negatively impacted EBITDA in the year.

Revenue generated by the Aerospace & Aviation segment decreased by 29% to $687 million in 2020, with a corresponding drop in EBITDA of 27% to $218 million. Passenger volumes were volatile, moving in direct correlation to the imposition and lifting of travel restrictions mandated by federal, provincial, local, and First Nations governments. Passenger volumes were strong from January to the middle of March and dropped dramatically with the initial onset of the pandemic. As restrictions slowly eased throughout the summer, passenger volumes rebounded to upwards of 75% of normal activity. As COVID-19 cases climbed in the fall and travel restrictions were reimposed, passenger volumes decreased correspondingly.

Cargo volumes increased over the prior year and remained strong after the onset of COVID-19 with communities continuing to receive essential goods and supplies as the result of our service. Charter and medevac volumes remained stable to the prior year after an initial slowdown at the onset of the pandemic. Moncton Flight College paused operations for the latter half of March and part of the second quarter as the provincial government ordered closures of educational facilities in New Brunswick. The Corporation's aerospace operations were largely unaffected by the pandemic as the segment is characterized by long-term contracts with governments around the world. The only exception was the Force Multiplier aircraft, which was idle during the second quarter as procurement processes for utilization of the aircraft were put on hold while governments globally shifted focus to the pandemic. The Force Multiplier generated additional revenue in both the third and fourth quarters. Regional One's revenue for the current period decreased by $165 million or 54%. Regional One's business is dependent on passenger volumes at traditional regional air carriers and reduced travel globally has put pressure on all its lines of business.

At the outset of the pandemic, the Corporation quickly adapted its operations to help mitigate the impacts of government-mandated COVID-19 travel restrictions. EIC implemented cost controls including scheduled frequency reductions, workforce rationalization, and other cost-containment initiatives in all operational areas. The Corporation provides essential aviation services and is in many instances the only transportation provider moving passengers and essential supplies into or out of the communities in our network. Consequently, it is imperative that the Corporation maintains regular, albeit reduced, scheduled flights to these areas. Complete termination of our service to these communities is not an acceptable option for the Corporation. The essential nature of our service has been recognized by federal, territorial, and provincial governments who continue to work collaboratively with the Corporation to sustain essential flight operations. Government participation has in many instances mitigated service and frequency reductions that would have otherwise been implemented and facilitated the retention or return of workers whose employment would otherwise have been affected. EIC remains fundamentally committed to the health and safety of our employees, customers, and the communities we serve. As a result, enhanced safety protocols have been established and maintained across our operation, resulting in higher operating costs in the segment.

Manufacturing segment revenue increased 26% to $462 million and EBITDA increased by 58% to $88 million. All the Corporation's subsidiaries in the segment were deemed essential businesses during the COVID-19 pandemic and remain in operation. EBITDA at Quest was higher than the prior year, reflecting the acquisition of AWI in the fourth quarter of 2019 and the acquisition of WIS in the third quarter of 2020, for which there is no comparative in the prior period. The balance of the segment collectively experienced an increase in EBITDA, which was aided by the acquisition of LV Control in the fourth quarter of 2019.

For the year, EIC generated Adjusted Net Earnings of $47 million, or $1.35 per share, compared to $102 million, or $3.15 per share last year.

The Corporation generated Free Cash Flow of $198 million, a decrease from $246 million in the prior year primarily due to the year's lower EBITDA. Free Cash Flow less Maintenance Capital Expenditures is $113 million in 2020 compared to $126 million in 2019. The reduction in EBITDA was partially offset by a $35 million decrease in Maintenance Capital Expenditures as the result of significant reductions in flight hours during the year. The Corporation's Trailing Twelve-Month Free Cash Flow less Maintenance Capital Expenditures payout ratio is 71% for the year.

Review of Q4 Financial Results

Revenue generated by the Corporation during the fourth quarter was $302 million, a decrease of $62 million or 17% from the comparative period. Revenue in the Aerospace & Aviation segment decreased by $77 million while revenue in the Manufacturing segment increased by $15 million. COVID-19 factors drove the lower revenues in Aerospace & Aviation segment in the same manner as noted in the discussion of annual results. Reduced passenger volumes and Regional One revenues were again negatively impacted, offset by strong cargo volumes and steady charter and medevac operations. The increase in Manufacturing segment revenue is mainly attributable to the acquisition of AWI in the fourth quarter of 2019 and WIS in the third quarter of 2020.

EBITDA generated by the Corporation during the fourth quarter was $82 million compared to $89 million in the fourth quarter of 2019, a decrease of 8%. EBITDA in the Aerospace & Aviation segment was down $19 million compared to the prior period while EBITDA in the Manufacturing segment increased by $10 million. The EBITDA changes were largely driven by factors described in the annual results. The federal and provincial government's announcement of financial support for air operators servicing remote communities occurred after the end of the year and therefore no amounts from this funding source have been accrued at December 31, 2020.

"The strength of EIC's business model is certainly reflected in the results of this year," noted Darryl Bergman, CFO of EIC. "In a year that has been nothing short of a nightmare for many companies, particularly those in aviation-related industries, EIC has achieved solid financial results while at the same time solidifying our leadership position in the industries and communities we serve. Acquiring well-run businesses in niche markets at reasonable values has helped to insulate EIC from the financial pressures experienced by other companies. Prudently investing in growth while executing strategic acquisitions continues to provide the financial stability we have leveraged to withstand the impact of the pandemic and laid the foundation for opportunistic growth."

Carmele Peter, President of EIC, stated, "EIC's aviation subsidiaries led the industry in developing and implementing safety protocols for passengers and employees alike. Many of these same practices were implemented by other airlines after being introduced by EIC and eventually became industry standard. We have worked as partners with First Nations communities and government leaders to transport medical professionals and supplies, including vaccines, to the North and continue to support the populations living there. Finally, our manufacturing companies have designed, received approval for, and manufactured a variety of PPE and other equipment to help protect Canada's essential frontline workers and to combat the COVID-19 virus."

Outlook

"2021 will no doubt be another challenging year," continued Mr. Pyle. "As the pandemic continues to evolve uncertainty will persist, and unforeseen circumstances will arise. Our operations will continue to adapt to shifting regional and national regulations while we prepare to manage through the impact of new variants, to integrate rapid testing technology as it becomes available, and to assist in vaccine roll-out efforts. As we demonstrated in 2020, the diversity of our operations and the strong management teams we have in place will allow us to nimbly adjust to changing environments, cope with adversity, and seize opportunities where they exist."

Mr. Pyle concluded by saying, "While no one knows what the coming year holds, we now have the benefit of our experience gained over the course of the last year. Based on what we have been able to accomplish so far, I can say with certainty that EIC will be there for our stakeholders going forward. For our investors and shareholders, we will continue to manage the business in the same way we have for over a decade and a half, prudently managing our balance sheet and taking advantage of opportunities that may arise. For our customers, employees and the communities we serve, you are the reason this company exists and will remain our first priority. We will continue to deliver the essential goods and services you need, and we will do it with uncompromising regard for your health and safety. Some may say that being socially responsible comes at a cost. For EIC, our record of consistent financial growth and success for over a decade and a half is only possible because social responsibility is ingrained into who we are."

EIC's complete annual financial statements and management's discussion and analysis for the three- and twelve-month period ended December 31, 2020, can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice

Management will hold a conference call to discuss its 2020 fourth-quarter financial results on Thursday, February 18, 2021, at 8:30 a.m. ET. To join the conference call, dial 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 February 25, 2021, at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 8868679.

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 90 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. 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, COVID-19 and pandemic related risks, 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, and 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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