Exchange Income Corporation

NEWS RELEASE

Acquisitions and Continued Execution Drive Exchange Income Corporation to Record Annual Results

Company Posts Annual Record for Revenue of $2.1 Billion and for Adjusted EBITDA of $456 Million

WINNIPEG, Manitoba – February 22, 2023 – 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 month periods ended December 31, 2022. All amounts are in Canadian currency.

2022 Financial Highlights

- Generated record high Revenue of $2.1 billion, an increase of $646 million or 46%
- Earned consolidated Adjusted EBITDA[1] of $456 million, a new record that represents growth of $127 million or 38%
- Produced Adjusted Net Earnings[1] of $133 million or $3.29 per share, an improvement of $47 million or 55%
- Trailing Twelve Month Adjusted Net Earnings Payout Ratio improved to 73% from 99%
- Free Cash Flow less Maintenance Capital Expenditures[1] was a record $176 million, rising by $29 million or 20%
- Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio improved to 55% from 58%

Q4 Financial Highlights

- Generated Revenue of $543 million, an increase of $153 million or 39%
- Earned consolidated Adjusted EBITDA of $124 million, representing growth of $35 million or 39%
- Produced Adjusted Net Earnings of $32 million or $0.76 per share, an improvement of $4 million or 14%

CEO Commentary

Mike Pyle, CEO of EIC, commented, "I am incredibly pleased to be able to announce the results for 2022 that produced record metrics almost across the board and that point toward an even better future. Our long-held strategy of acquiring proven companies with excellent management teams in defensible, niche markets and then investing in and nurturing these companies has proven once again to be a formula for success. In spite of supply chain challenges, prolonged high inflation rates and interest rates that continue to rise, we have generated annual bests in Revenue, Adjusted EBITDA, Net Earnings, Adjusted Net Earnings and Free Cash Flow less Maintenance Capital Expenditures, increased the dividend rate twice during the year and improved our payout ratios to near all-time bests".

"Of all the elements of our business model, I think the one that is perhaps overlooked is our unwavering commitment to a strong balance sheet," continued Mr. Pyle. "Our robust balance sheet is what allowed us to continue to build our company during the pandemic and take advantage of acquisition opportunities like Northern Mat as we came out of the pandemic. Properly managing a balance sheet requires a proactive approach; closely monitoring capital markets, working with lenders and advisors and having the insight to seize opportunities to raise capital when they present themselves. If you are reacting to changes in market conditions or the company's circumstances, you will be too late, and

[1] Adjusted EBITDA, Adjusted Net Earnings, Free Cash Flow, Free Cash Flow less Maintenance Capital Expenditures, Maintenance and Growth Capital Expenditures, and the corresponding per share amounts and payout ratios are Non-IFRS measures. See Appendix A for more information.

opportunity will have passed you by. We take great pride in our balance sheet management, and we will never overlook its importance. Without the foundation of a strong balance sheet, the results you see here today would not have been possible and this financial strength will be the backbone of our future growth."

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

	FY 2022	FY 2021	% Change	Q4 2022	Q4 2021	% Change
Revenue	$2,059,373	$1,413,146	46%	$543,360	$390,327	39%
Adjusted EBITDA	$456,442	$329,880	38%	$124,052	$89,421	39%
Net Earnings	$109,669	$68,588	60%	$26,990	$23,056	17%
per share (basic)	$2.72	$1.84	48%	$0.64	$0.61	5%
Adjusted Net Earnings	$132,915	$86,012	55%	$32,049	$28,027	14%
per share (basic)	$3.29	$2.31	42%	$0.76	$0.74	3%
Trailing Twelve Month Adjusted Net Earnings Payout Ratio (basic)	73%	99%				
Free Cash Flow[1]	$332,025	$243,317	36%	$82,533	$71,592	15%
per share (basic)	$8.23	$6.53	26%	$1.95	$1.88	4%
Free Cash Flow less Maintenance Capital Expenditures	$176,104	$147,154	20%	$40,243	$42,906	-6%
per share (basic)	$4.36	$3.95	10%	$0.95	$1.13	-16%
Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio (basic)	55%	58%				
Dividends declared	$97,473	$85,387	14%	$26,736	$21,911	22%

Review of 2022 Financial Results
Consolidated revenue for the year was $2.1 billion, which was an increase of $646 million or 46% over 2021. Consolidated Adjusted EBITDA for the year was $456 million, which was an increase of $127 million or 38% compared to last year.

Revenue in the Aerospace & Aviation segment grew by $420 million and Adjusted EBITDA generated by the Aerospace & Aviation segment increased by $49 million to $337 million, an increase of 17%. The acquisitions of Carson Air and CTI in the latter half of 2021 and, to a lesser extent, Advanced Paramedic in 2022, contributed to this increase. Passenger activity increased throughout the year as COVID-related travel restrictions were lifted and medical diagnostic and treatment backlogs slowly began to improve. Strong charter activity, rotary wing and medevac operations also contributed to the increase in revenue. Regional One's revenue for the current year increased by $126 million or 59%, driven by a substantial increase in parts and whole aircraft and engine sales, with sales exceeding pre-pandemic levels. These revenue increases were the primary drivers of the increase in Adjusted EBITDA. During the slowdowns related to the Omicron variant in early 2022, infrastructure and labour costs were largely kept at pre-Omicron levels in keeping with our long-term strategy of retaining employees in a difficult labour market and to position ourselves for the anticipated rebound in passenger demand later in the year. The impact of escalating fuel prices and other inflationary cost

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pressures also placed downward pressure on Adjusted EBITDA. Although certain contracts have embedded fuel cost and CPI escalation clauses, the contractual right to implement the fuel and CPI increases always lags in time compared to the initial increase in fuel prices and other inflationary increases. Adjusted EBITDA in the Legacy Airlines and Provincial improved despite receiving $26 million less in government support compared to the prior year.

Revenue in the Manufacturing segment increased by $226 million or 46% to $722 million and Adjusted EBITDA rose by $84 million or 115% to $157 million. Three tuck-in acquisitions made in the latter part of 2021 and the acquisition of Northern Mat in the second quarter of 2022 are the primary reasons for the revenue and Adjusted EBITDA increases. Continued strong performance from our existing companies operating in diverse industries also contributed to the success of the segment. Quest's results, which were in line with expectations but lower than prior year due to the pandemic induced production gaps, were mostly offset by strength in the remainder of the existing companies. Quest experienced strong demand for new projects and its order book grew throughout the year, closing at its highest level in its history.

In the year, EIC recorded Adjusted Net Earnings of $133 million, or $3.29 per share, compared to $86 million, or $2.31 per share last year, an increase of 55%.

The Corporation generated Free Cash Flow of $332 million, an $89 million increase over $243 million in the prior year primarily due to the year's higher Adjusted EBITDA. Free Cash Flow less Maintenance Capital Expenditures is $176 million in 2022 compared to $147 million in 2021. The increase in Adjusted EBITDA was partially offset by an increase in Maintenance Capital Expenditures as a result of higher flight hours in 2021 and the impact of acquisitions made in 2021 and 2022. In addition, an increase in interest costs due to increases in benchmark borrowing rates and interest from the funding of our acquisitions reduced Free Cash Flow less Maintenance Capital Expenditures. The Corporation's Trailing Twelve-Month Free Cash Flow less Maintenance Capital Expenditures payout ratio is 55% for the year.

Review of Q4 Financial Results

Revenue generated by the Corporation during the fourth quarter was $543 million, an increase of $153 million or 39% over the comparative period. Revenue in the Aerospace & Aviation segment increased by $79 million while revenue in the Manufacturing segment increased by $74 million. The reasons for the increases during the quarter are largely consistent with the drivers for the year to date increases.

Adjusted EBITDA generated by the Corporation during the fourth quarter was $124 million compared to $89 million in the fourth quarter of 2021, an increase of 39%. Adjusted EBITDA in the Aerospace & Aviation segment was up $10 million compared to the prior period while Adjusted EBITDA in the Manufacturing segment increased by $28 million. The Adjusted EBITDA changes were largely driven by factors described in the annual results as well as the impact of the Netherlands contract at Provincial, which began contributing in the quarter.

Carmele Peter, President of EIC, stated, "The resilience of our operations stem from the nature of the businesses we buy. We acquire mature companies with dependable cash flows in diversified industries which allows EIC to weather economic cycles very well. Look at the make-up of our companies - our airline businesses are effectively an essential service provided either directly for governments or government funded, our aerospace business is backed by several long-term government contracts, and our Manufacturing segment produces specialized industrial products, not retail goods which are much more impacted in a recession."

Adam Terwin, CCDO of EIC, commented, "2022 has been an eventful year from an acquisition perspective. The first half of the year culminated with the acquisitions of Northern Mat and Bridge, our biggest acquisition ever, and Advanced Paramedic, which further strengthened our medevac operations. The second half of the year saw us perform diligence on a number of potential acquisitions, as the pipeline continues to be very healthy. Rising interest rates and the general economic conditions have resulted in a moderation of purchase multiples, which in turn has broadened the acquisition marketplace for us and made us more competitive on more opportunities."

"Increasing the dividend twice in a single calendar year is a rarity for us and it was not something we undertook lightly," noted Richard Wowryk, EIC's CFO. "As you can see from the Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures payout ratio that has improved to 55% even with the increase in dividend, this decision was more than justified. We also reinforced our financial position during the year and set the table for future growth by amending, extending and increasing the size of our credit facility to $1.75 billion and by completing a $115 million bought deal financing of common shares, inclusive of the over-allotment exercised by the underwriters."

Ms. Peter added, "Advancement of economic reconciliation with our Indigenous communities is core to our beliefs and long-standing commitment. One small example of that ongoing commitment is our establishment in 2022 of the Atik Mason Indigenous Pilot Pathway, named after our first sponsored Indigenous graduate from MFC Training, this program offers full-funded, world-class flight training to Indigenous peoples who are inspired to become pilots in a way that allows them to stay connected to their homes, cultures and families. In offering this program, EIC is focused on building even greater lasting and sustainable partnerships with the communities we serve because, for us, economic reconciliation is about doing the right thing not just for today and tomorrow, but always."

Outlook

Mr. Pyle concluded by saying, "Our guidance for 2023 Adjusted EBITDA remains unchanged from last quarter, with a range of $510 million to $540 million, which is an increase of between 12% and 18% from our 2022 results. The tactics, plans, strategies and investments required to deliver these results have already been put in place. All that remains is for our exceptional operational teams to execute on them, as they consistently have for 18 years."

EIC's complete annual financial statements and management's discussion and analysis for the three and twelve month period ended December 31, 2022 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice

Management will hold a conference call to discuss its 2022 fourth quarter financial results on Thursday, February 23, 2023 at 8:30am ET. To join the conference call, dial 1-888-396-8049 or 1-416-764-8646 (International). Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until March 2, 2023 at midnight. To access the archived conference call, please dial 1-877-674-7070 or 1-416-7648692 (International) and enter the encore code 723313#.

A live audio webcast of the conference call will be available at www.ExchangeIncomeCorp.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.

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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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Appendix A

Adjusted EBITDA, Adjusted Net Earnings, Free Cash Flow, and Maintenance and Growth Capital Expenditures are not recognized measures under IFRS and are, therefore, defined below.

On May 27, 2021, the Canadian Securities Administrators issued National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure along with the companion policy for that instrument that came into effect for financial years ending after October 15, 2021. As a result of the requirements under this instrument, the Corporation presents "Adjusted EBITDA" which is determined in the exact same manner as "EBITDA" was presented in its prior MD&A reports. As such, all amounts presented as "Adjusted EBITDA" are directly comparable to amounts presented as "EBITDA" in prior MD&A reports.

Adjusted 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. It is used by management to assess its consolidated results and the results of its operating segments. Adjusted EBITDA is a performance measure utilized by many investors to analyze the cash available for distribution from operations before allowance for debt service, capital expenditures, and income taxes. The most comparable IFRS measure, presented in the Corporation's Statements of Income as an additional IFRS measure, is Operating profit before Depreciation, Amortization, Finance Costs, and Other.

	Three Months December 31, 2022	Three Months, December 31, 2021	**Twelve Months, December 31, 2022**	Twelve Months, December 31, 2021
Adjusted EBITDA	**$ 124,052**	$ 89,421	**$ 456,442**	$ 329,880
Depreciation of capital assets	**47,103**	40,466	**168,156**	144,946
Amortization of intangible assets	**6,116**	4,788	**20,897**	16,897
Finance costs - interest	**22,533**	11,571	**73,665**	48,955
Depreciation of right of use assets	**8,684**	6,340	**30,655**	24,542
Interest expense on right of use liabilities	**1,647**	755	**4,753**	3,243
Acquisition costs	**630**	1,526	**6,847**	3,034
Other	**-**	(6,000)	**-**	(6,000)
Earnings before taxes	**$ 37,339**	$ 29,975	**$ 151,469**	$ 94,263

Adjusted Net Earnings: is defined as Net Earnings adjusted for acquisition costs, amortization of intangible assets, interest accretion on acquisition contingent consideration, accelerated interest accretion on convertible debentures, 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. The most comparable IFRS measure is Net Earnings. Interest accretion on contingent consideration is recorded in the period subsequent to an acquisition after the expected payment to the vendors is discounted. The value recorded on acquisition is accreted to the expected payment over the earn out period. Accelerated interest accretion on convertible debentures reflects the additional interest accretion recorded in a period that, but for the action to early redeem the debenture series, would have been recorded over the remaining term to maturity. This interest reflects the difference in the book value of the convertible debentures and the par value outstanding.

The Corporation presents Adjusted Net Earnings per share, which is calculated by dividing Adjusted Net Earnings, as defined above, by the weighted average number of shares outstanding during the period, as presented in the Corporation's Financial Statements and Notes.

The Corporation presents an Adjusted Net Earnings payout ratio, which is calculated by dividing dividends declared during a period, as presented in the Corporation's Financial Statements and Notes, by Adjusted Net Earnings, as defined above. The Corporation uses this metric to assess cash flow available for distribution to shareholders.

Year Ended December 31,		2022		2021
Net Earnings	**$**	**109,669**	$	68,588
Acquisition costs (net of tax of $709 and $122)		**6,138**		2,912
Amortization of intangible assets (net of tax of $5,642 and $4,562)		**15,255**		12,335
Interest accretion on acquisition contingent consideration (net of tax of nil and nil)		**235**		286
Accelerated interest accretion on redeemed debentures (net of tax of $599 and $700)		**1,618**		1,891
Adjusted Net Earnings	**$**	**132,915**	$	86,012
per share - Basic	**$**	**3.29**	$	2.31
per share - Diluted	**$**	**3.13**	$	2.26

Three Months Ended December 31		2022		2021
Net Earnings	**$**	**26,990**	$	23,056
Acquisition costs (net of tax $271 and $122)		**359**		1,404
Amortization of intangible assets (net of tax $1,651 and $1,293)		**4,465**		3,495
Interest accretion on acquisition contingent consideration (net of tax of nil and nil)		**235**		72
Adjusted Net Earnings	**$**	**32,049**	$	28,027
per share - Basic	**$**	**0.76**	$	0.74
per share - Diluted	**$**	**0.73**	$	0.71

Free Cash Flow: for the year 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. 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. The most comparable IFRS measure is Cash Flow from Operating Activities. Adjustments made to Cash Flow from Operating Activities in the calculation of Free Cash Flow include other IFRS measures, including adjusting the impact of changes in working capital and deducting principal payments on right of use lease liabilities.

The Corporation presents Free Cash Flow per share, which is calculated by dividing Free Cash Flow, as defined above, by the weighted average number of shares outstanding during the period, as presented in the Corporation's Financial Statements and Notes.

FREE CASH FLOW Year Ended December 31,		2022		2021
Cash flows from operations	**$**	**335,119**	$	285,047
Change in non-cash working capital		**21,217**		(20,755)
Acquisition costs (net of tax of $709 and $122)		**6,138**		2,912
Principal payments on right of use lease liabilities		**(30,449)**		(23,887)
	$	**332,025**	$	243,317
per share - Basic	**$**	**8.23**	$	6.53
per share - Diluted	**$**	**7.16**	$	5.78

FREE CASH FLOW Three Months Ended December 31		2022		2021
Cash flows from operations	$	169,792	$	79,012
Change in non-cash working capital items		(79,192)		(2,515)
Acquisition costs (net of tax of $271 and $122)		359		1,404
Principal payments on right of use lease liabilities		(8,426)		(6,309)
	$	82,533	$	71,592
per share - Basic	$	1.95	$	1.88
per share - Fully Diluted	$	1.71	$	1.62

Free Cash Flow less Maintenance Capital Expenditures: for the year is equal to Free Cash Flow, as defined above, less Maintenance Capital Expenditures, as defined below.

The Corporation presents Free Cash Flow less Maintenance Capital Expenditures per share, which is calculated by dividing Free Cash Flow less Maintenance Capital Expenditures, as defined above, by the weighted average number of shares outstanding during the period, as presented in the Corporation's Financial Statements and Notes.

The Corporation presents a Free Cash Flow less Maintenance Capital Expenditures payout ratio, which is calculated by dividing dividends declared during a period, as presented in the Corporation's Financial Statements and Notes, by Free Cash Flow less Maintenance Capital Expenditures, as defined above. The Corporation uses this metric to assess cash flow available for distribution to shareholders.

Maintenance and Growth Capital Expenditures: Maintenance Capital Expenditures is defined as the capital expenditures made by the Corporation to maintain the operations of the Corporation at its current level, depreciation on the Corporation's mat and bridge rental portfolio assets, and, prior to the onset of COVID-19, depreciation recorded on assets in the Corporation's aircraft and engine leasing pool. Other capital expenditures are classified as Growth Capital Expenditures as they will generate new cash flows and are not considered by management in determining the cash flows required to sustain the current operations of the Corporation. While there is no comparable IFRS measure for Maintenance Capital Expenditures or Growth Capital Expenditures, the total of Maintenance Capital Expenditures and Growth Capital Expenditures is equivalent to the total of capital asset and intangible asset purchases, net of disposals, on the Statement of Cash Flows.

	Year Ended December 31, 2022							
CAPITAL EXPENDITURES		Aerospace & Aviation		Manufacturing		Head Office		Total
Maintenance Capital Expenditures	$	132,931	$	22,679	$	311	$	155,921
Growth Capital Expenditures		108,885		15,613		918		125,416
Total Net Capital Asset and Intangible Purchases, per Statement of Cash Flows	$	241,816	$	38,292	$	1,229	$	281,337

	Year Ended December 31, 2021							
CAPITAL EXPENDITURES		Aerospace & Aviation		Manufacturing		Head Office		Total
Maintenance Capital Expenditures	$	92,257	$	3,793	$	113	$	96,163
Growth Capital Expenditures		128,836		2,131		-		130,967
Total Net Capital Asset and Intangible Purchases, per Statement of Cash Flows	$	221,093	$	5,924	$	113	$	227,130

Investors are cautioned that Adjusted EBITDA, Adjusted Net Earnings, Free Cash Flow, and Maintenance Capital Expenditures and Growth Capital Expenditures should not be viewed as an alternative to measures that are recognized under IFRS such as Net Earnings or cash flow from operating activities. The Corporation's method of calculating Adjusted EBITDA, Adjusted Net Earnings, Free Cash Flow, and Maintenance Capital Expenditures and Growth Capital Expenditures may differ from that of other entities and therefore may not be comparable to measures utilized by them. For additional information on the Corporation's non-IFRS measures, refer to *Section 5 – Dividends and Payout Ratios* and *Section 13 – Non-IFRS Measures and Glossary* of the Corporation's MD&A, which is available on SEDAR at www.sedar.com.