NEWS RELEASE

Exchange Income Corporation Demonstrates Adaptability and Resilience as Q2 Financial Results Outpace Prior Year

Twelve Month Trailing Free Cash Flow less Maintenance Capital Expenditures Payout Ratio Strengthens to 58%

WINNIPEG, Manitoba – August 12, 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 six month period ended June 30, 2021. All amounts are in Canadian currency.

Q2 Financial Highlights

- Generated Revenue of $322 million, an increase of $78 million or 32% compared to Q2 2020
- Earned Consolidated EBITDA of $81 million, representing growth of $19 million or 31% compared to Q2 2020
- Produced Adjusted Net Earnings of $20 million or $0.53 per share, an improvement of $14 million or 250% over Q2 2020
- Free Cash Flow less Maintenance Capital Expenditures was $37 million, rising by $11 million or 44% from Q2 2020
- Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures payout ratio improved to 58% from 76% in Q2 2020
- Completed a bought deal financing of common shares that provided gross proceeds of $88 million, inclusive of the over-allotment exercised by the underwriters

Highlights Subsequent to Quarter End

- Acquired Carson Air Ltd., the primary provider of fixed wing air ambulance services in British Columbia, for $61 million
- Acquired Macfab Manufacturing Inc., a precision manufacturing company in Ontario that is closely aligned with Ben Machine's operations, for $11 million
- Closed a $144 million bought deal offering of convertible debentures, including the exercise of the over-allotment by the underwriters
- Provided notice of the Corporation's intent to call the 7 year 5.25% convertible debentures that are due on June 30, 2023
- Extended the maturity of the Corporation's credit facility to August 2025

CEO Commentary

Mike Pyle, CEO of EIC, commented, "The second quarter of 2021 marks the first time that the comparative quarter was also a quarter that was fully impacted by the pandemic. As we move forward, I am struck by how well our businesses and people have adapted to the conditions imposed by the pandemic. All of our key metrics, including Revenue, EBITDA and Adjusted Net Earnings, have improved by more than 30% compared to the previous year and are trending towards those of Q2 2019. I would like to note one specific achievement of which I am very pleased. Our Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures payout ratio has fallen below 60% and, at 58%, is getting close to the Q4 2019 figure. But these achievements really only tell half the story. While our dedicated subsidiary management focused on the execution of their plans in the current period, our leadership teams also remained keenly attentive to the future, growing the business through acquisition and taking advantage of opportunities in the capital markets to lay the financial foundation for years to come."

Mr. Pyle added, "EIC prides itself on its strong, liquid balance sheet that has always allowed it to be opportunistic and we have capitalized on a number of such opportunities during the second quarter and subsequent to it. Backed by more than 15 years of rock-solid financial performance, our stakeholders strongly supported two separate public market offerings. First, we generated gross proceeds of $88 million though a fully-subscribed share offering in the second quarter. We followed this up early in the third quarter with a new issue of Convertible Debentures that generated gross proceeds of $144 million, which will be used to redeem the Convertible Debentures that expire in June, 2023. We further leveraged our financial strength by extending our $1.3 billion syndicated term debt facility through to August 2025."

"With this financial support firmly in place, we have identified a number of acquisition prospects and have begun to complete these transactions," said Adam Terwin, EIC's Chief Corporate Development Officer. "In early July, we announced the acquisition of Carson Air, British Columbia's preeminent medevac provider, for a purchase price of $61 million. In August, we closed the acquisition of Macfab Manufacturing for a purchase price of $11 million. Macfab's business is closely related to Ben Machine's operations and will add capacity and efficiency. Additionally, we presently have entered into Letters of Intent to acquire two additional companies for aggregate consideration of $42 million. With the completion of these acquisitions, we will have deployed approximately $114 million in accretive acquisitions in 2021."

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

	Q2 2021	Q2 2020	% Change	YTD 2021	YTD 2020	% Change
Revenue	$322,070	$243,657	32%	$622,816	$550,633	13%
EBITDA[1]	$81,061	$62,075	31%	$145,183	$119,329	22%
Net Earnings	$16,506	$2,630	528%	$23,633	$(2,668)	
per share (basic)	$0.44	$0.08	450%	$0.65	$(0.08)	
Adjusted Net Earnings[2]	$19,781	$5,645	250%	$30,332	$7,703	294%
per share (basic)	$0.53	$0.16	231%	$0.83	$0.22	277%
Trailing Twelve Month Adjusted Net Earnings Payout Ratio (basic)	118%	110%				
Free Cash Flow[3]	$57,283	$42,268	36%	$98,925	$81,017	22%
per share (basic)	$1.54	$1.21	27%	$2.72	$2.33	17%
Free Cash Flow less Maintenance Capital Expenditures[4]	$36,517	$25,412	44%	$56,095	$27,711	102%
per share (basic)	$0.98	$0.73	34%	$1.54	$0.80	93%
Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio (basic)	58%	76%				
Dividends declared	$21,533	$19,867	8%	$41,780	$39,668	5%

[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.

Review of Q2 Financial Results

Consolidated revenue for the quarter was $322 million, which was an increase of $78 million or 32% over the comparative period. Both the Aerospace & Aviation and Manufacturing segments grew over the prior year, by $58 million and $20 million respectively. Consolidated EBITDA for the quarter was $81 million, which was an increase of $19 million or 31% compared to the second quarter of last year.

Revenue generated by the Aerospace & Aviation segment increased by $58 million to $198 million and EBITDA increased by $22 million to $69 million. Passenger volumes, which had declined by as much as 90%, have rebounded to varying degrees depending on geography and loosening of travel restrictions, with volumes in Eastern Canada now approaching pre-pandemic levels but volumes in Central Canada and Nunavut remaining substantially below historical levels due to the limited availability of diagnostics and other medical treatments. Medevac, charter and cargo operations have remained strong throughout the pandemic and also contributed to the increases. The aerospace division benefitted from contract scope escalators and increased on-demand ISR aircraft utilization. Regional One's revenue for the current period increased by $9 million or 29%, driven by increased sales and service revenue which reflects the impact of increasing passenger volumes, particularly in the United States. In addition to the revenue impacts, cost reduction measures such as scheduled frequency reductions, labour rationalization, and various other strategies that took some time to implement in 2020 were meaningfully realized in 2021 and benefited EBITDA during the quarter.

Manufacturing segment revenue increased 20% to $124 million for the quarter and EBITDA decreased by $2 million to $20 million. The acquisition of WIS in the third quarter of 2020 is the primary driver of the increased revenue. The decrease in EBITDA is the result of decreased CEWS received by the segment in 2021.

In the second quarter, EIC recorded Adjusted Net Earnings of $20 million, or $0.53 per share, compared to $6 million, or $0.16 per share, in the second quarter of last year.

"We are seeing positive signs that areas of our company which were deeply impacted by the pandemic are slowly returning to normal," stated Carmele Peter, President of EIC. "Regional One has experienced an increase in orders for parts and larger components as major airlines have begun to increase flying in response to greater consumer demand, particularly in the United States. Our scheduled airline businesses are experiencing a steady recovery as restrictions are eased in northern communities and passenger numbers improve. ISR and medevac operations have consistently remained near pre-pandemic levels, proving to be very resilient businesses. The Manufacturing segment continues to enjoy steady demand and Quest in particular is seeing strong interest for future projects."

Darryl Bergman, EIC's CFO also noted, "The work we have done over the past few months will be the cornerstone for continued long term success. We have called the debentures due in 2023, and when the debentures due in 2022 are redeemed, we will have no debt due until 2025. Combined with increased liquidity and a Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio of 58%, we have created a foundation providing us the necessary flexibility to persevere through potential challenges, whether it be the resurgence of the pandemic, economic recession, inflation or other similar circumstances that could arise. At the same time, we have created additional financial flexibility that will promote growth through acquisition and internal reinvestment in our subsidiaries."

Outlook

Mr. Pyle concluded by saying, "We head into the latter half of the year with cautious optimism regarding the course of the pandemic. Increased vaccination levels will hopefully lead to a reduction in restrictions but variants of concern, particularly the Delta variant, will also impact the pace of the economy, supply chains and social reopenings. Our approach, however, will remain unaltered, as we will have both hands on the wheel and our sights firmly fixed on the horizon. We have demonstrated we will be able to manage the near-term impacts of the pandemic and we will continue to look for investment opportunities, buoyed by the strength of our balance sheet. I fully expect our third quarter results to reflect a continued return to more normal operations. This increased level of activity will also result in higher Maintenance Capital Expenditures compared to the first half of the year, as increased flight hours have a direct and corresponding impact on Maintenance Capital Expenditures. We also expect to expand our business with the closing of two additional acquisitions, for which we previously announced we have entered into Letters of Intent."

EIC's complete interim financial statements and management's discussion and analysis for the three and six month period ended June 30, 2021 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice
Management will hold a conference call to discuss its 2021 second quarter financial results on Friday, August 13, 2020 at 8:30am ET. To join the conference call, dial 1-888-664-6392 or 416-764-8659. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until August 20, 2021 at midnight. To access the archived conference call, please dial 1-888-390-0541 or 416-764-8677 and enter the encore code 359599#.

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, 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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