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Mullen Group Ltd. Reports Third Quarter Financial Results

(Okotoks, Alberta October 23, 2019) (TSX:MTL) Mullen Group Ltd. ("Mullen Group", "We", "Our" and/or the "Corporation"), one of Canada's largest suppliers of trucking and logistics services as well as specialized transportation services to the oil and natural gas industry in Canada, today reported its financial and operating results for the period ended September 30, 2019, with comparisons to the same period last year. Full details of our results may be found within our Third Quarter Interim Report, which is available on SEDAR at www.sedar.com or on our website at www.mullen-group.com.

"As frustrating as this market is, our financial results continue to be very impressive. We generated the best quarterly results of this fiscal year, cash flow was very strong and with our well capitalized balance sheet there is little doubt in my mind that we will continue to grow our business for many years. The acquisition opportunities are significant and I am confident that we will gain market share as our competition struggles within the current macro environment.

There is no denying the fact that freight demand has been softer this year than last year, especially as it relates to the movement of goods associated with capital investment within Canada, and that the oil and natural gas industry remains under duress but consumer demand remains solid as evidenced by another strong showing from our regional LTL Business Units. This is precisely why we have a diversified portfolio of companies within our group and why we have invested heavily in servicing the consumer through one of the most comprehensive terminal networks in Canada. LTL is the most stable part of our business because it is tied to the consumer. Through our expansive network we provide that critical "final mile" solution to hundreds of communities on a daily basis, absolutely a necessity in today's growing e-commerce world. It is also why we have a significant investment in real estate.

There was also a flurry of activity related to pipeline construction during the quarter, the majority related to the transportation of natural gas as companies position for the build out of LNG projects on Canada's west coast, the gateway to Asian markets for Canada's land locked natural gas. This is extremely positive and one of the few signs that there is some hope for Canada's energy producers," commented Mr. Murray K. Mullen, Chairman and Chief Executive Officer.

Key financial highlights for the third quarter of 2019 with comparison to 2018 are as follows:

HIGHLIGHTS			
<i>(unaudited)</i> (\$ millions)	Three month periods ended September 30		
	2019	2018	Change
	\$	\$	%
Revenue			
Trucking/Logistics	222.2	226.7	(2.0)
Oilfield Services	103.9	114.5	(9.3)
Corporate and intersegment eliminations	(0.8)	(1.5)	-
Total Revenue	325.3	339.7	(4.2)
Operating income before depreciation and amortization ⁽¹⁾			
Trucking/Logistics	35.8	36.0	(0.6)
Oilfield Services	22.3	21.6	3.2
Corporate	(2.5)	(2.5)	-
Total Operating income before depreciation and amortization ⁽¹⁾	55.6	55.1	0.9

⁽¹⁾ Refer to notes section of Summary

Mullen Group operates a diversified business model combined with a highly adaptable and variable cost structure. The financial results for the three month period ended September 30, 2019, are as follows:

→ generated consolidated revenue of \$325.3 million, a decrease of \$14.4 million, or 4.2 percent, as compared to \$339.7 million in 2018 due to:

- a decrease of \$4.5 million or 2.0 percent in the Trucking/Logistics ("**T/L**") segment primarily due to weakness in the demand for truckload freight services
- a decrease of \$10.6 million or 9.3 percent in the Oilfield Services ("**OFS**") segment due to significant declines in drilling activity and mandated crude oil curtailments by the Alberta Government being somewhat offset by greater demand for pipeline hauling and stringing services

→ earned consolidated operating income before depreciation and amortization ("**OIBDA**") of \$55.6 million, an increase of \$0.5 million as compared to \$55.1 million in 2018 due to:

- a decrease of \$0.2 million or 0.6 percent to \$35.8 million in the T/L segment
- an increase of \$0.7 million or 3.2 percent to \$22.3 million in the OFS segment
- Corporate costs were consistent on a year over year basis at \$2.5 million

→ net cash from operating activities up by \$20.0 million, or 75.5 percent, to \$46.5 million (highest third quarter amount since 2014)

Third Quarter Financial Results

Revenue decreased by \$14.4 million, or 4.2 percent, to \$325.3 million and is summarized as follows:

- T/L segment decreased by \$4.5 million, or 2.0 percent, to \$222.2 million - revenue from truckload freight services decreased by \$11.0 million and resulted from lower gross domestic products growth, a lack of project work associated with capital investments and a \$1.8 million reduction in fuel surcharge revenue. Revenue from less-than-truckload ("**LTL**") services improved by \$6.7 million due to \$7.1 million of incremental revenue from acquisitions and revenue gains at Gardewine Group Limited Partnership being somewhat offset by a \$1.3 million reduction in fuel surcharge revenue.
- OFS segment decreased by \$10.6 million, or 9.3 percent to \$103.9 million - revenue from those Business Units involved in the transportation of fluids and servicing of wells declined by \$12.3 million due to a very competitive pricing environment coupled with lower customer demand due to the impact of the Alberta Government's crude oil curtailment program while revenue generated by those Business Units most directly tied to drilling and drilling related services decreased by \$9.1 million as drilling activity levels hit multi-year lows in the third quarter. These decreases were partially offset by a \$9.5 million increase in revenue from large diameter pipeline hauling and stringing services.

OIBDA increased by \$0.5 million, or 0.9 percent, to \$55.6 million and is summarized as follows:

- T/L segment declined by \$0.2 million, or 0.6 percent, to \$35.8 million - OIBDA generated by our truckload services Business Units declined and was somewhat offset by a \$2.7 million increase in OIBDA due to the adoption of IFRS 16 - Leases, \$1.1 million of incremental OIBDA associated with acquisitions and improved results generated by our regional LTL Business Units. When comparing our operating margin without the impact of IFRS 16 - Leases, it was 14.9 percent, a decrease of 100-bps as compared to 2018, primarily due to competitive market conditions and spot market pricing declines.
- OFS segment up by \$0.7 million, or 3.2 percent, to \$22.3 million - transportation of fluids and servicing of wells Business Units decreased by \$1.3 million due to competitive pricing and the Alberta Government's crude oil curtailment program while those Business Units tied to drilling related activity experienced a \$1.5 million decrease in OIBDA. These decreases were partially offset by a \$4.0 million increase from those Business Units providing specialized services including that of Premay Pipeline Hauling L.P. Operating margin adjusted for the impact of IFRS 16 - Leases increased to 21.0 percent from 18.9 percent in 2018 due to a greater proportion of higher margin specialized services revenue and cost control measures.

Net income decreased by \$1.4 million to \$20.5 million, or \$0.20 per Common Share due to:

- A \$2.8 million increase in depreciation of right-of-use assets, a \$2.2 million increase in finance costs and a \$1.2 million increase in amortization of intangible assets.
- The above was partially offset by a \$2.1 million positive variance in net foreign exchange, a \$1.9 million decrease in income tax expense, a \$0.5 million increase in OIBDA and a \$0.3 million increase in earnings from equity investments.

A summary of Mullen Group's results for the three and nine month periods ended September 30, 2019, and 2018 are as follows:

SUMMARY						
<i>(unaudited)</i> (\$ millions, except per share amounts)	Three month periods ended September 30			Nine month periods ended September 30		
	2019	2018	Change	2019	2018	Change
	\$	\$	%	\$	\$	%
Revenue	325.3	339.7	(4.2)	963.9	927.5	3.9
Operating income before depreciation and amortization ⁽¹⁾	55.6	55.1	0.9	151.0	137.3	10.0
Net foreign exchange (gain) loss	(3.9)	(1.8)	116.7	(11.8)	6.3	(287.3)
Decrease (increase) in fair value of investments	0.3	0.3	-	0.3	1.4	(78.6)
Net income	20.5	21.9	(6.4)	63.8	37.3	71.0
Net Income - adjusted ⁽²⁾	16.5	20.5	(19.5)	42.6	45.1	(5.5)
Earnings per share ⁽³⁾	0.20	0.21	(4.8)	0.61	0.36	69.4
Earnings per share - adjusted ⁽²⁾	0.16	0.19	(15.8)	0.41	0.43	(4.7)
Net cash from operating activities	46.5	26.5	75.5	116.4	84.2	38.2
Net cash from operating activities per share ⁽³⁾	0.44	0.25	76.0	1.11	0.81	37.0
Cash dividends declared per Common Share	0.15	0.15	-	0.45	0.45	-

Notes:

- (1) Operating income before depreciation and amortization ("OIBDA") is defined as net income before depreciation of right-of-use assets and of property, plant and equipment, amortization of intangible assets, finance costs, net foreign exchange gains and losses, other (income) expense and income taxes.
- (2) Net income - adjusted and earnings per share - adjusted are calculated by adjusting net income and basic earnings per share by the amount of any net foreign exchange gains and losses and the change in fair value of investments.
- (3) Earnings per share and net cash from operating activities per share are calculated based on the weighted average number of Common Shares outstanding for the period.

Non-GAAP Terms - Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its liquidity. In addition, these measures are used by management in its evaluation of performance. These financial performance measures ("Non-GAAP Terms") are not recognized financial terms under Canadian generally accepted accounting principles ("Canadian GAAP"). For publicly accountable enterprises, such as Mullen Group, Canadian GAAP is governed by principles based on IFRS and interpretations of IFRIC. Management believes these Non-GAAP Terms are useful supplemental measures. These Non-GAAP Terms do not have standardized meanings and may not be comparable to similar measures presented by other entities. Specifically, operating margin, net income - adjusted and earnings per share - adjusted are not recognized terms under IFRS and do not have standardized meanings prescribed by IFRS. Management believes these measures are useful supplemental measures. Investors should be cautioned that these indicators should not replace net income and earnings per share as an indicator of performance.

Financial Position

The following summarizes our financial position as at September 30, 2019, along with some of the key changes that occurred during the third quarter of 2019:

- Exited the third quarter with working capital of \$240.6 million, which included \$77.5 million of cash and cash equivalents and had access to our undrawn Bank Credit Facility of \$150.0 million.
- Total net debt (\$474.1 million) to operating cash flow (\$206.1 million) of 2.30:1 as defined per our Private Placement Debt agreement.
- The value of our cross-currency swaps increased by \$7.5 million to \$44.9 million (June 30, 2019 - \$37.4 million), which swaps the principal portion of our U.S. \$229.0 million debt to a Canadian currency equivalent of \$254.1 million.

About Mullen Group Ltd.

Mullen Group is a company that owns a network of independently operated businesses. The Corporation is recognized as one of the leading suppliers of trucking and logistics services in Canada and provides a wide range of specialized transportation and related services to the oil and natural gas industry in western Canada - two sectors of the economy in which Mullen Group has strong business relationships and industry leadership. The corporate office provides the capital and financial expertise, legal support, technology and systems support, shared services and strategic planning to its independent businesses.

Mullen Group is a publicly traded corporation listed on the Toronto Stock Exchange under the symbol "MTL". Additional information is available on our website at www.mullen-group.com or on SEDAR at www.sedar.com.

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Disclaimer

This news release may contain forward-looking statements that are subject to risk factors associated with the oil and natural gas business and the overall economy. Mullen Group believes that the expectations reflected in this news release are reasonable, but results may be affected by a variety of variables. The forward-looking information contained herein is made as of the date of this news release and Mullen Group disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable Canadian securities laws. Mullen Group relies on litigation protection for "forward-looking" statements. Additional information regarding the forward-looking statements is found on pages 1, 56 and 57 of Mullen Group's Management's Discussion and Analysis.