Mullen Group Ltd.

NEWS RELEASE

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Mullen Group Ltd.
Reports 2019 Financial Results and Announces 2020 Business Plan

(Okotoks, Alberta February 12, 2020) (TSX:MTL) Mullen Group Ltd. ("**Mullen Group**", "**We**", "**Our**" and/or the "**Corporation**"), one of the leading suppliers of trucking and logistics services in Canada providing a wide range of service offerings including less-than-truckload, truckload, warehousing, logistics, transload, oversized and specialized hauling transportation, today reported its financial and operating results for the quarter and year ended December 31, 2019, with comparisons to the same period last year. Full details of our results may be found within our 2019 Annual Financial Review, which is available on SEDAR at www.sedar.com or on our website at www.mullen-group.com.

"The last quarter of 2019 was very challenging, to say it politely, which is reflective of the overall pressures associated with the current macro environment. The economy is clearly stuck in neutral, at best, contributing to what is referred to as freight recession, arising from weak shipper demand, accompanied by changes to the supply chain, an inventory overhang as suppliers ramped up shipments earlier in the year and excessive truck capacity. These factors are the primary reason the Trucking/Logistics segment struggled to show any meaningful growth during the quarter, in spite of a relatively strong performance in our LTL business, which continues to benefit from solid consumer demand. And while growth in this segment slowed, we still managed to increase revenue and grow market share, primarily through some small tuck-in type acquisitions. Overall, I am quite pleased with the results generated, given the competitive market conditions.

"Consolidated revenue was negatively impacted by declines in oilfield services. The issues surrounding western Canada's oil and natural gas industry remain front and centre and are the primary reason for the revenue and profitability declines in the fourth quarter. Adding to the lack of demand for nearly all oilfield services, is competitive pricing, the main reason we decided to demarket certain customers and contract hauls. We have always made the conscious decision to protect margin and not chase unprofitable business knowing this is the right long-term decision given the capital requirements of this business.

"2019 ended just about on plan although the fourth quarter was more difficult than I had originally anticipated. Nevertheless, we generated another strong year in terms of cash from operations, paid shareholders a healthy $0.60 dividend per Common Share, exited the year with $79.0 million in cash and an unused bank line of $150.0 million. We are well positioned to grow the business in the new decade as the macro environment stabilizes and the right acquisition opportunities become available," commented Mr. Murray K. Mullen, Chairman and Chief Executive Officer.

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

HIGHLIGHTS

(unaudited) *($ millions)*	Three month periods ended December 31		
	2019	**2018**	**Change**
	$	$	%
Revenue			
Trucking/Logistics	**224.6**	219.7	2.2
Oilfield Services	**91.4**	114.1	(19.9)
Corporate and intersegment eliminations	**(1.4)**	(0.5)	-
Total Revenue	**314.6**	**333.3**	**(5.6)**
Operating income before depreciation and amortization [(1)]			
Trucking/Logistics	**37.5**	33.2	13.0
Oilfield Services	**15.5**	20.8	(25.5)
Corporate	**(3.1)**	(2.3)	(0.8)
Total Operating income before depreciation and amortization [(1)]	**49.9**	**51.7**	**(3.5)**

[(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 December 31, 2019, are as follows:

→ generated consolidated revenue of $314.6 million, a decrease of $18.7 million, or 5.6 percent, as compared to $333.3 million in 2018 due to:

- record fourth quarter revenue in the Trucking/Logistics ("**T/L**") segment, a $4.9 million increase to $224.6 million
- a decrease of $22.7 million or 19.9 percent in the Oilfield Services ("**OFS**") segment

→ earned consolidated operating income before depreciation and amortization ("**OIBDA**") of $49.9 million, a decrease of $1.8 million as compared to $51.7 million in 2018 due to:

- record fourth quarter OIBDA of $37.5 million in the T/L segment
- a decrease of $5.3 million or 25.5 percent in the OFS segment
- a $0.8 million increase in Corporate costs mainly due to foreign exchange

Fourth Quarter Financial Results

Revenue decreased by $18.7 million, or 5.6 percent, to $314.6 million and is summarized as follows:

- T/L segment grew by $4.9 million, or 2.2 percent, to $224.6 million - a record compared to any previous fourth quarter period. Incremental revenue from acquisitions was $5.9 million while fuel surcharge revenue decreased by $2.7 million. Excluding acquisitions and the change in fuel surcharge revenue, growth resulted primarily from revenue increases at Gardewine Group Limited Partnership and Smook Contractors Ltd.
- OFS segment decreased by $22.7 million, or 19.9 percent - this decrease is attributable to the decline in drilling activity in the Western Canadian Sedimentary Basin ("**WCSB**"), and the Alberta Government's mandated crude oil curtailments that resulted in lower demand and very competitive pricing for the transportation of fluids and servicing of wells and drilling related services. These decreases were partially offset by strong results generated by Premay Pipeline Hauling L.P. ("**Premay Pipeline**").

OIBDA decreased by $1.8 million, or 3.5 percent, to $49.9 million and is summarized as follows:

- T/L segment grew by $4.3 million, or 13.0 percent, to $37.5 million - a record compared to any previous fourth quarter period. The majority of this rise in OIBDA, specifically $3.2 million, was due to the adoption of IFRS 16 - Leases. In addition, acquisitions accounted for $0.9 million of incremental growth. When comparing our operating margin without the impact of IFRS 16 - Leases, it was 15.3 percent as compared to 15.1 percent in 2018.
- OFS segment down by $5.3 million to $15.5 million - those Business Units involved in the transportation of fluids and servicing of wells declined by $2.5 million due to the Alberta Government's mandated crude oil curtailments while those providing specialized services such as large diameter pipe stockpiling and stringing services as well as water management services declined by $2.2 million. Operating margin adjusted for the impact of IFRS 16 - Leases decreased to 16.5 percent from 18.2 percent in 2018 due to higher direct operating expenses including operating supplies expense, repairs and maintenance expense, and contractors costs.

Net income increased by $89.5 million to $8.4 million, or $0.08 per Common Share due to:

- The 2018 impairment of goodwill of $100.0 million recorded by certain Business Units within the OFS segment due to the significant deterioration of industry conditions in the fourth quarter, a $4.5 million positive variance in net foreign exchange and a $2.0 million positive variance in the fair value of investments.
- The above was partially offset by a $10.0 million increase in depreciation of property, plant and equipment and right-of-use assets, a $1.8 million decrease in OIBDA, a $1.8 million increase in finance costs and a $1.4 million increase in income tax expense.

Net income - adjusted decreased to $5.6 million, or $0.05 per Common Share.

A summary of Mullen Group's results for the quarter and year ended December 31, 2019, are as follows:

SUMMARY						
	Three month periods ended December 31			**Twelve month periods ended December 31**		
(unaudited) ***($ millions, except per share amounts)***	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
	$	$	%	$	$	%
Revenue	**314.6**	333.3	(5.6)	**1,278.5**	1,260.8	1.4
Operating income before depreciation and amortization(1)	**49.9**	51.7	(3.5)	**200.9**	189.0	6.3
Net foreign exchange (gain) loss	**(2.3)**	2.2	(204.5)	**(14.1)**	8.5	(265.9)
Decrease (increase) in fair value of investments	**(0.3)**	1.7	(117.6)	**-**	3.1	(100.0)
Net income (loss)	**8.4**	(81.1)	(110.4)	**72.2**	(43.8)	(264.8)
Net Income - adjusted(2)	**5.6**	16.9	(66.9)	**48.2**	62.0	(22.3)
Earnings (loss) per share(3)	**0.08**	(0.77)	(110.4)	**0.69**	(0.42)	(264.3)
Earnings per share - adjusted(2)	**0.05**	0.16	(68.8)	**0.46**	0.59	(22.0)
Net cash from operating activities	**54.2**	56.5	(4.1)	**170.6**	140.7	21.3
Net cash from operating activities per share(3)	**0.52**	0.54	(3.7)	**1.63**	1.35	20.7
Cash dividends declared per Common Share	**0.15**	0.15	-	**0.60**	0.60	-

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, the change in fair value of investments, and the impairment of goodwill.

(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.*

Year End Financial Results

Revenue increased by $17.7 million, or 1.4 percent, to $1,278.5 million and is summarized as follows:

- T/L segment grew by $8.3 million, or 1.0 percent, to $881.6 million - a record compared to any previous year. Our regional LTL business improved by $16.6 million to $447.4 million benefitting from acquisitions and modest market share gains. Our truckload services business decreased by $8.0 million to $446.1 million as a result of lower GDP growth and a lack of capital investments. Fuel surcharge revenue, excluding the effect of acquisitions, declined by $6.4 million to $83.4 million.
- OFS segment increased by $10.2 million, or 2.6 percent, to $400.1 million - this increase was mainly attributable to the $39.4 million of incremental revenue generated by the 2018 mid-year acquisition of the business and assets of AECOM's Canadian Industrial Services Division ("**AECOM ISD**") and from the rise in demand for large diameter pipeline hauling and stringing services. These increases were partially offset by a $27.6 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as a result of lower drilling activity in the WCSB. Revenue also decreased due to a decline in demand for the transportation of fluids and servicing of wells due to the Alberta Government's mandated crude oil curtailments.

OIBDA increased by $11.9 million, or 6.3 percent, to $200.9 million and is summarized as follows:

- T/L segment grew by $11.2 million, or 8.7 percent, to $139.6 million - a record compared to any previous year. The majority of this increase, specifically $10.9 million, was due to the adoption of IFRS 16 - Leases while acquisitions accounted for $2.8 million of incremental OIBDA. These increases were somewhat offset by a reduction in OIBDA generated by certain of our truckload services Business Units.

When comparing our operating margin without the impact of IFRS 16 - Leases, it was 14.6 percent, as compared to 14.7 percent in 2018, which was primarily due to the lower margins generated by the recent acquisitions.

- OFS segment up by $4.0 million to $70.8 million - those Business Units providing specialized services including that of Premay Pipeline increased by $7.0 million while those Business Units involved in the transportation of fluids and servicing of wells improved due to the 2018 mid-year acquisition of AECOM ISD. These increases were partially offset by a $6.9 million decrease from those Business Units tied to drilling and drilling related activity due to the decline in drilling activity in the WCSB. Operating margin adjusted for the impact of IFRS 16 - Leases improved by only 0.1 percent. The net margin gain was due to the integration of the AECOM ISD assets and the change in revenue mix associated with certain large diameter pipeline projects that had a beneficial effect on margin being mostly offset by the significant decline in margin generated by those Business Units mostly tied to drilling related activity.

Net income increased by $116.0 million to $72.2 million, or $0.69 per Common Share due to:

- The 2018 impairment of goodwill of $100.0 million recorded by certain Business Units within the OFS segment due to the significant deterioration of industry conditions in the fourth quarter, a $22.6 million positive variance in net foreign exchange, an $11.9 million increase in OIBDA, a $9.3 million decrease in income tax expense and a $3.1 million positive variance in the fair value of investments.
- The above was partially offset by a $20.1 million increase in depreciation of property, plant and equipment and right-of-use assets, a $3.9 million increase in amortization of intangible assets, a $3.6 million increase in finance costs, a $2.4 million increase in the loss on sale of property, plant and equipment and a $0.9 million decrease in earnings from equity investments.

Net income - adjusted decreased by 22.3 percent to $48.2 million, or $0.46 per Common Share.

Financial Position

The following summarizes our financial position as at December 31, 2019, along with some of the key changes that occurred during the fourth quarter of 2019:

- Exited the fourth quarter with working capital of $243.3 million, which included $79.0 million of cash and cash equivalents.
- Total net debt ($470.6 million) to operating cash flow ($204.7 million) of 2.30:1 as defined per our Private Placement Debt agreement (financial covenant threshold of 3.50:1).
- Net book value of property, plant and equipment of $954.6 million, which includes $495.1 million of real property (carrying costs of $571.4 million).

Our Plans for 2020

"2020 will be a growth year for our company primarily because we will use a strong balance sheet to acquire some really good companies. And to the very loyal shareholders who stuck with our company during some difficult times in the last decade, as the oil and natural industry came under significant realignment, I confidently say we are now positioned to resume a growth trajectory. Today Mullen Group is predominately a "Logistics Company", with an extensive and diversified business highlighted by one of the largest LTL networks in Canada. We have strong brands in the warehousing and transload business. We invest in technology to ensure we remain at the forefront of the changing supply chain and we remain an employer of choice. Not only are we focused on growing the business in areas of the economy that offer opportunity, we are implementing a series of initiatives to support shareholders. We are rebranding our company. We will maintain the dividend at $0.60 per Common Share in 2020 and we will implement a share buyback program. Our business model generates significant cash flow and given the current share price and dividend, buying back our own stock makes imminent sense.

"The oil and natural gas industry is an important and large part of the Canadian economy however we have concluded that it is not a growth industry any longer, as such we will be reporting operating results to shareholders in a manner that reflects the business we are focused on today. LTL is the fastest growing part of our business as we build out a network across Canada that will serve literally hundreds of communities. Logistics & Warehousing is where we will use our expertise in technology and transload capabilities to expand service offerings. And Specialized & Industrial Services will capture a wide range of niche businesses, including the oil and natural gas industry, where we see opportunity to generate excellent returns on capital. This is the today's Mullen Group," added Mr. Mullen.

Financial Goals and Capital Budget:

1. Generate consolidated revenue in excess of $1.4 billion.
2. Achieve operating earnings in the range of $210.0 - $220.0 million, with volatility in operating margins based upon the timing of acquisitions.
3. Invest $50.0 million in capital expenditures, exclusive of acquisitions and new land or buildings.

To support these goals, we will focus on the following initiatives:

1. Pursue acquisitions.
2. Invest in new technologies that can improve operating efficiencies and position ourselves for the digital world, including Moveitonline and Haulistic, technologies that can change the way we do business.
3. Continue to streamline business processes and reduce redundancies where appropriate.

Dividends and Share Buyback:

1. We will continue to pay annual dividends of $0.60 per Common Share on a monthly basis, being the largest portion of our annual free cash.
2. The board of directors approved management to pursue a normal course issuer bid.

2020 Operating Segments:

Effective January 1, 2020, we will report our results in three new operating segments: Less-Than-Truckload; Logistics & Warehousing; and Specialized & Industrial Services. The change in the segment reporting structure more accurately reflects the business of Mullen Group today and aligns with how information is regularly reviewed internally for the purposes of decision making, capital allocation and assessing performance. For further details, please refer to our 2019 Annual Financial Review and our 2019 Annual Information Form.

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 providing a wide range of service offerings including less-than-truckload, truckload, warehousing, logistics, transload, oversized and specialized hauling transportation. In addition, we provide a diverse set of specialized services related to the oil and natural gas industry in western Canada, water management, fluid hauling and environmental reclamation. 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 information that is subject to risk factors associated with the oil and natural gas business and the overall economy. This information relates to future events and Mullen Group's future performance. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "propose", "predict", "potential", "continue", "aim", or the negative of these terms or other comparable terminology are generally intended to identify forward-looking information. Such information represents Mullen Group's internal projections, estimates, expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Mullen Group believes that the expectations reflected in this forward-looking information are reasonable; however, undue reliance should not be placed on this forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. In particular, forward-looking information and statements include but are not limited to the following: (i) our financial goals and expectations for 2020; (ii) our capital expenditure plans for 2020; (iii) our strategic initiatives for 2020; (iv) anticipated 2020 dividend payments; and (v) our plan to pursue a normal course issuer bid. These forward-looking information and statements are based on certain assumptions and analysis made by Mullen Group in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. These assumptions include but are not limited to the following: (i) Mullen Group will generate sufficient cash in excess of our financial obligations to support the dividend; (ii) Mullen Group's plan to pursue a normal course issuer bid will be approved by the applicable regulatory authorities; (iii) Mullen Group's Business Units will require capital to support their ongoing operations and growth opportunities and that we will generate sufficient cash in excess of our financial obligations to support the capital expenditures; (iv) Mullen Group's expectation as to how our current Business Units will perform in 2020 along with the timing and financial results of acquisitions; and (v) that the macro environment stabilizes and we have a strong balance sheet with $79.0 million in cash and an unused bank line of $150.0 million with which to use when the right acquisition opportunities become available. For further information on any strategic, financial, operational and other outlook on Mullen Group's business please refer to Mullen Group's Management's Discussion and Analysis available for viewing on SEDAR at www.sedar.com. The risks and other factors are described under "Principal Risks and Uncertainties" in Mullen Group's Annual Information Form and Management's Discussion and Analysis. The forward-looking information contained in this news release is expressly qualified by this cautionary statement. 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.