**Mullen Group** Ltd.

# NEWS RELEASE

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## Mullen Group Ltd.
## Reports Second Quarter Financial Results

**(Okotoks, Alberta July 22, 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 period ended June 30, 2020, with comparisons to the same period last year. Full details of our results may be found within our Second Quarter Interim Report, which is available on SEDAR at www.sedar.com or on our website at www.mullen-group.com.

"*The past few months have certainly been challenging. In response we have been forced to downsize our operations and employee headcount due to the business disruption associated with the government restrictions. We have instituted new safety protocols and practices to ensure the health and wellbeing of our people and their families, ensuring we are doing our part to manage the spread of COVID-19. Clearly this virus remains a threat to many in our community, requiring all of us to do our part*," commented Mr. Murray K. Mullen, Chairman and Chief Executive Officer.

"*Given the circumstances I am pleased with our performance this past quarter. Our Business Units did a fantastic job managing the business, controlling costs, and keeping our people safe. From a revenue perspective there were a few trends that emerged. Consumer spending remained relatively strong throughout the quarter and recovered nicely in June as the economy began to open up from the mandated closures. Consumer spending habits also changed dramatically driving e-commerce shipments to new levels. Both of these were positives for our LTL and warehousing business. The negative in the quarter was due to the lack of capital investment as many businesses struggled to cope with a virtual shutdown of sectors of the economy. The energy industry in western Canada was one of those sectors hit the hardest and was the primary reason our revenue fell during the quarter. The good news is that the worst appears to be over and with rising commodity prices there is at least some reason to be more constructive that the industry and business activity will recover from current lows, which will help drive our future financial performance. Until then the base of our business remains strong and profitable, once again reinforcing that diversification is one of the fundamental strengths of our organization*," added Mr. Mullen.

Key financial highlights for the second quarter of 2020 with comparison to 2019 are as follows:

### HIGHLIGHTS

| ***(unaudited)* *($ millions)*** | **Three month periods ended June 30** | | |
|---|---|---|---|
| | **2020** | **2019** | **Change** |
| | $ | $ | % |
| Revenue | | | |
| Less-Than-Truckload | **101.9** | 112.4 | (9.3) |
| Logistics & Warehousing | **82.8** | 102.1 | (18.9) |
| Specialized & Industrial Services | **73.5** | 105.1 | (30.1) |
| Corporate and intersegment eliminations | **(0.7)** | (0.6) | - |
| **Total Revenue** | **257.5** | **319.0** | **(19.3)** |
| Operating income before depreciation and amortization [(1)] | | | |
| Less-Than-Truckload | **20.5** | 19.5 | 5.1 |
| Logistics & Warehousing | **17.5** | 15.2 | 12.9 |
| Specialized & Industrial Services | **19.8** | 18.1 | 9.4 |
| Corporate | **(2.8)** | (1.7) | - |
| **Total Operating income before depreciation and amortization [(1)]** | **55.0** | **51.4** | **7.0** |

[(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 June 30, 2020, are as follows:

→ generated consolidated revenue of $257.5 million, a decrease of $61.5 million, or 19.3 percent, as compared to $319.0 million in 2019 due to:

- a decrease of $10.5 million, or 9.3 percent, to $101.9 million in the Less-Than-Truckload segment
- a decrease of $19.3 million, or 18.9 percent, to $82.8 million in the Logistics & Warehousing segment
- a decrease of $31.6 million, or 30.1 percent, to $73.5 million in the Specialized & Industrial Services segment

→ earned consolidated operating income before depreciation and amortization ("**OIBDA**") of $55.0 million, an increase of $3.6 million as compared to $51.4 million in 2019 due to:

- an increase of $1.0 million, or 5.1 percent, to $20.5 million in the Less-Than-Truckload segment
- an increase of $2.0 million, or 12.9 percent, to $17.5 million in the Logistics & Warehousing segment
- an increase of $1.7 million, or 9.4 percent, to $19.8 million in the Specialized & Industrial Services segment

→ record net cash from operating activities in the second quarter being up by $39.0 million, or 85.3 percent, to $84.7 million

__**Second Quarter Financial Results**__

**Revenue decreased by $61.5 million, or 19.3 percent, to $257.5 million and is summarized as follows**:

- Less-Than-Truckload segment down $10.5 million, or 9.3 percent, to $101.9 million - revenue declined by $10.5 million due to lower demand resulting from the negative effects of the COVID-19 pandemic and lower fuel surcharge revenue being partially offset by the incremental revenue generated from the acquisitions of Argus Carriers Ltd. ("**Argus**") and Inter-Urban Delivery Service Ltd. ("**Inter-Urban**").
- Logistics & Warehousing segment down $19.3 million, or 18.9 percent, to $82.8 million - revenue declined by $19.3 million due to the outbreak of the COVID-19 virus in North America resulting in business closures as well as lower fuel surcharge revenue. These decreases were partially offset by a strong performance by Kleysen Group Ltd. ("**Kleysen**") due to greater demand for transload services from expanding our service offerings at our Edmonton, Alberta distribution center and from slightly higher industrial salt sales.
- Specialized & Industrial Services segment down $31.6 million, or 30.1 percent, to $73.5 million - revenue declined by $31.6 million due to extremely low oil prices, mandated curtailments and a poor drilling environment along with customers curtailing capital spending and postponing certain maintenance programs. Somewhat offsetting these declines were greater demand for large diameter pipeline hauling and stringing services at Premay Pipeline Hauling L.P. as well as improved results at Smook Contractors Ltd.

**OIBDA increased by $3.6 million, or 7.0 percent, to $55.0 million and is summarized as follows:**

- Less-Than-Truckload segment up $1.0 million, or 5.1 percent, to $20.5 million - OIBDA improved due to the incremental OIBDA generated from the acquisitions of Argus and Inter-Urban and from $1.9 million recognized in the quarter from the Canada Emergency Wage Subsidy ("**CEWS**") program. These increases were somewhat offset by a weakened Alberta market. Operating margin increased to 20.1 percent (CEWS Adjusted - 18.3 percent) from 17.3 percent in 2019 due to the CEWS, lower diesel prices and cost control initiatives.
- Logistics & Warehousing segment up $2.0 million, or 12.9 percent, to $17.5 million - OIBDA improved due to $2.7 million being recognized in the quarter from the CEWS program. Operating margin improved to 21.1 percent (CEWS Adjusted - 17.9 percent) from 15.2 percent in 2019 due to the CEWS, the strong performance at Kleysen, lower diesel prices and cost control measures.
- Specialized & Industrial Services segment up $1.7 million, or 9.4 percent, to $19.8 million - OIBDA improved due to recognizing $6.3 million in the quarter from the CEWS program and from greater demand for large diameter pipeline hauling and stringing services. These increases were partially offset

by lower OIBDA from those Business Units involved in the transportation of fluids and servicing of wells and from those directly tied to oil and natural gas drilling activity. Operating margin improved to 26.9 percent (CEWS Adjusted - 18.4 percent) from 17.2 percent in 2019 due to the CEWS, a greater proportion of higher margin revenue, lower diesel prices and cost control measures.

**Net income decreased by $8.7 million to $23.0 million, or $0.23 per Common Share due to**:

- A $10.5 million increase in income tax expense, a $1.8 million increase in finance costs and a $1.6 million negative variance in net foreign exchange.
- The above was partially offset by a $3.6 million increase in OIBDA, a $1.1 million decrease in amortization of intangible assets, a $0.3 million positive variance in the fair value of investments and a $0.3 million increase in earnings from equity investments.

A summary of Mullen Group's results for the three and six month periods ended June 30, 2020 and 2019 are as follows:

**SUMMARY**

| ***(unaudited)*** ***($ millions, except per share amounts)*** | **Three month periods ended June 30** | | | **Six month periods ended June 30** | | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **Change** | **2020** | **2019** | **Change** |
| | $ | $ | % | $ | $ | % |
| Revenue | 257.5 | 319.0 | (19.3) | 575.7 | 638.6 | (9.8) |
| Operating income before depreciation and amortization(1) | 55.0 | 51.4 | 7.0 | 100.2 | 95.4 | 5.0 |
| Net foreign exchange gain | (5.2) | (6.8) | (23.5) | (2.4) | (7.9) | (69.6) |
| Decrease (increase) in fair value of investments | (0.2) | 0.1 | (300.0) | 1.3 | - | 100.0 |
| Net income | 23.0 | 31.7 | (27.4) | 27.7 | 43.3 | (36.0) |
| Net Income - adjusted(2) | 18.0 | 15.5 | 16.1 | 27.5 | 26.1 | 5.4 |
| Earnings per share - basic and diluted(3) | 0.23 | 0.30 | (23.3) | 0.27 | 0.41 | (34.1) |
| Earnings per share - adjusted(2) | 0.18 | 0.15 | 20.0 | 0.27 | 0.25 | 8.0 |
| Net cash from operating activities | 84.7 | 45.7 | 85.3 | 124.9 | 69.9 | 78.7 |
| Net cash from operating activities per share(3) | 0.83 | 0.44 | 88.6 | 1.21 | 0.67 | 80.6 |
| Cash dividends declared per Common Share | - | 0.15 | (100.0) | 0.15 | 0.30 | (50.0) |

*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 June 30, 2020, along with some key changes that occurred during the second quarter of 2020:

- Working capital of $244.7 million including $111.9 million of cash and cash equivalents and an undrawn Bank Credit Facility of $150.0 million.
- Total net debt ($464.1 million) to operating cash flow ($209.5 million) of 2.22:1 as defined per our Private Placement Debt agreement.
- Private Placement Debt of $482.2 million with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum). Private Placement Debt decreased by $12.8 million due to the foreign exchange gain on our U.S. $229.0 million debt.
- Book value of Derivative Financial Instruments down $7.7 million to $58.4 million, which swaps our $229.0 million of U.S. dollar debt at an average foreign exchange rate of $1.1096.
- Net book value of property, plant and equipment of $942.8 million, which includes $577.4 million of carrying costs of owned real property.

**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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