

Head Office: 121A - 31 Southridge Drive  
Okotoks, Alberta, Canada  
T1S 2N3  
Tel: 403-995-5200  
Toll-free: 1-866-995-7711  
Fax: 403-995-5296

## **Mullen Group Ltd. Reports Third Quarter Financial Results**

**(Okotoks, Alberta October 21, 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 September 30, 2020, 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](http://www.sedar.com) or on our website at [www.mullen-group.com](http://www.mullen-group.com).

*"Since the onset of COVID-19 important lessons have been learned. At Mullen Group, for example, I believe the most obvious is the importance of a diversified business model. We didn't anticipate this pandemic, however we were confident that we were positioned to manage through the disruptions. We knew we had a good business focused on multiple segments of the economy and a well structured balance sheet, lessons we garnered from past market and economic breakdowns. We also moved quickly to manage and control those things we could. As a result, today we report another solid quarter, a testament to the strength of our diversified business model and the commitment displayed by our people,"* commented Mr. Murray K Mullen, Chairman and Chief Executive Officer.

*"We continue to see a resurgence in economic activity driven thus far by a very resilient and ever demanding consumer. How they spend has changed but how much they spend has not. And since consumer spending is the primary demand source for the trucking and logistics industry, we witnessed a strong rebound from the lows earlier this year. We see it in our LTL business and in our Logistics & Warehousing business. And we see it in our employment levels where most, but not all, of our workforce has returned to full time employment. Unfortunately, however, parts of the economy and certain geographic regions continue to be ravaged by changes in consumer trends and the economy. The hospitality industry, air travel and the crude oil industry by way of example have been disrupted. The Province of Alberta, where the crude oil and natural gas industries play a significant economic role has been hit hard. A sustained recovery in capital goods and investment remains elusive at best. But, and here is the good news, we did see some improvement in activity during the quarter. Revenues have recovered nicely from last quarter, yet they remain a little softer as compared to last year. All in all, I am very pleased considering how 2020 has unfolded thus far.*

*"Entering the fourth quarter we remain cognizant of the challenges associated with the COVID-19 pandemic. No one knows with any certainty what happens next and with no clear evidence to suggest this health crisis can be resolved in the short term, we remain on high alert that our business could be negatively impacted, either from a financial or safety perspective. Nevertheless, our current view is that consumer spending should remain strong entering the holiday season. Our optimism is based upon a very nice recovery in the employment statistics and job market as well as recent announcements by the Federal Government to provide fiscal support and stimulus to ensure Canadians have the means to manage through this pandemic induced crisis. As such we expect consolidated revenues to remain solid,"* added Mr. Mullen.

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

<b>HIGHLIGHTS</b>			
<i>(unaudited)</i> (\$ millions)	Three month periods ended September 30		
	2020	2019	Change
	\$	\$	%
Revenue			
Less-Than-Truckload	112.7	115.9	(2.8)
Logistics & Warehousing	86.2	98.8	(12.8)
Specialized & Industrial Services	92.4	111.5	(17.1)
Corporate and intersegment eliminations	(0.4)	(0.9)	-
<b>Total Revenue</b>	<b>290.9</b>	<b>325.3</b>	<b>(10.6)</b>
Operating income before depreciation and amortization <sup>(1)</sup>			
Less-Than-Truckload	22.4	19.2	16.7
Logistics & Warehousing	17.7	15.2	16.4
Specialized & Industrial Services	27.5	23.7	16.0
Corporate	(2.4)	(2.5)	-
<b>Total Operating income before depreciation and amortization <sup>(1)</sup></b>	<b>65.2</b>	<b>55.6</b>	<b>17.3</b>

<sup>(1)</sup> 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, 2020, are as follows:

→ generated consolidated revenue of \$290.9 million, a decrease of \$34.4 million, or 10.6 percent, as compared to \$325.3 million in 2019 due to:

- a decrease of \$3.2 million, or 2.8 percent, to \$112.7 million in the Less-Than-Truckload segment
- a decrease of \$12.6 million, or 12.8 percent, to \$86.2 million in the Logistics & Warehousing segment
- a decrease of \$19.1 million, or 17.1 percent, to \$92.4 million in the Specialized & Industrial Services segment

→ earned consolidated operating income before depreciation and amortization ("**OIBDA**") of \$65.2 million, an increase of \$9.6 million as compared to \$55.6 million in 2019 due to:

- an increase of \$3.2 million, or 16.7 percent, to \$22.4 million in the Less-Than-Truckload segment
- an increase of \$2.5 million, or 16.4 percent, to \$17.7 million in the Logistics & Warehousing segment
- an increase of \$3.8 million, or 16.0 percent, to \$27.5 million in the Specialized & Industrial Services segment

Repurchased 7,972,926 Common Shares in 2020 at an average price of \$6.70 per share under the normal course issuer bid ("**NCIB**"). This completes the NCIB as the Corporation has now repurchased the maximum allowable number of Common Shares under the program.

Announced the reinstatement of the monthly dividend by paying \$0.03 per Common Share on a monthly basis.

### **Third Quarter Financial Results**

#### **Revenue decreased by \$34.4 million, or 10.6 percent, to \$290.9 million and is summarized as follows:**

- Less-Than-Truckload segment down \$3.2 million, or 2.8 percent, to \$112.7 million - revenue declined by \$3.2 million due to \$3.2 million of lower fuel surcharge revenue and from lower demand resulting from the negative effects of the COVID-19 pandemic being partially offset by the incremental revenue generated from the acquisition of Pacific Coast Express Limited ("**PCX**").
- Logistics & Warehousing segment down \$12.6 million, or 12.8 percent, to \$86.2 million - revenue declined by \$12.6 million due to the outbreak of the COVID-19 virus in North America resulting in business closures, projects being cancelled as well as \$2.6 million of 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.
- Specialized & Industrial Services segment down \$19.1 million, or 17.1 percent, to \$92.4 million - revenue declined by \$19.1 million due to lower demand for fluid hauling and drilling related services resulting from low oil prices, mandated curtailments and a poor drilling environment. Somewhat offsetting these declines was greater demand for large diameter pipeline hauling and stringing services at Premay Pipeline Hauling L.P. as well as greater demand for civil construction services in northern Manitoba at Smook Contractors Ltd. ("**Smook**").

#### **OIBDA increased by \$9.6 million, or 17.3 percent, to \$65.2 million and is summarized as follows:**

- Less-Than-Truckload segment up \$3.2 million, or 16.7 percent, to \$22.4 million - OIBDA improved due to \$1.7 million recognized in the quarter from the Canada Emergency Wage Subsidy ("**CEWS**") program, from lower fuel costs and from the incremental OIBDA generated by PCX. These increases were somewhat offset by a weakened Alberta market. Operating margin increased to 19.9 percent (CEWS Adjusted - 18.4 percent) from 16.6 percent in 2019 due to the CEWS program, lower diesel prices and cost control initiatives.
- Logistics & Warehousing segment up \$2.5 million, or 16.4 percent, to \$17.7 million - OIBDA improved due to \$2.3 million being recognized in the quarter from the CEWS program. Operating margin improved to 20.5 percent (CEWS Adjusted - 17.9 percent) from 15.4 percent in 2019 due to the strong performance at Kleysen, from lower diesel fuel prices and cost control measures.
- Specialized & Industrial Services segment up \$3.8 million, or 16.0 percent, to \$27.5 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 and improved results at Smook. These increases were partially offset by lower OIBDA from those Business Units directly tied to oil and natural gas drilling activity and from those involved in the transportation of fluids and servicing of wells. Operating margin improved to 29.8 percent (CEWS Adjusted - 22.9 percent) from 21.3 percent in 2019 due to the CEWS program, a greater proportion of higher margin revenue and cost control measures.

#### **Net income increased by \$5.7 million to \$26.2 million, or \$0.27 per Common Share due to:**

- A \$9.6 million increase in OIBDA, a \$1.3 million increase in the gain on sale of property, plant and equipment, a \$1.1 million decrease in depreciation and amortization and a \$0.4 million gain on the fair value of equity investment.
- The above was partially offset by a \$3.8 million negative variance in net foreign exchange, a \$3.0 million increase in income tax expense and a \$0.2 million decrease in earnings from equity investments.

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

<b>SUMMARY</b>						
<i>(unaudited)</i> (\$ millions, except per share amounts)	Three month periods ended September 30			Nine month periods ended September 30		
	2020	2019	Change	2020	2019	Change
	\$	\$	%	\$	\$	%
Revenue	290.9	325.3	(10.6)	866.6	963.9	(10.1)
Operating income before depreciation and amortization <sup>(1)</sup>	65.2	55.6	17.3	165.4	151.0	9.5
Net foreign exchange (gain) loss	(0.1)	(3.9)	(97.4)	(2.5)	(11.8)	(78.8)
Decrease (increase) in fair value of investments	0.1	0.3	(66.7)	1.4	0.3	366.7
Net income	26.2	20.5	27.8	53.9	63.8	(15.5)
Net Income - adjusted <sup>(2)</sup>	25.6	16.5	55.2	53.1	42.6	24.6
Earnings per share - basic <sup>(3)</sup>	0.27	0.20	35.0	0.53	0.61	(13.1)
Earnings per share - diluted <sup>(3)</sup>	0.26	0.20	30.0	0.53	0.61	(13.1)
Earnings per share - adjusted <sup>(2)</sup>	0.26	0.16	62.5	0.52	0.41	26.8
Net cash from operating activities	47.4	46.5	1.9	172.3	116.4	48.0
Net cash from operating activities per share <sup>(3)</sup>	0.48	0.44	9.1	1.69	1.11	52.3
Cash dividends declared per Common Share	0.09	0.15	(40.0)	0.24	0.45	(46.7)

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 gain on fair value of equity investment 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, 2020, along with some key changes that occurred during the third quarter of 2020:

- Working capital of \$235.0 million including \$105.4 million of cash and cash equivalents and an undrawn Bank Credit Facility of \$150.0 million.
- Total net debt (\$464.3 million) to operating cash flow (\$218.7 million) of 2.12:1 as defined per our Private Placement Debt agreement.
- Private Placement Debt of \$475.6 million with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum). Private Placement Debt decreased by \$6.6 million due to the foreign exchange gain on our U.S. \$229.0 million debt.
- Book value of Derivative Financial Instruments down \$6.5 million to \$51.9 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 \$944.3 million, which includes \$586.4 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](http://www.mullen-group.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).*

## **Contact Information**

*Mr. Murray K. Mullen - Chairman of the Board, Chief Executive Officer and President*

*Mr. P. Stephen Clark - Chief Financial Officer*

*Mr. Richard J. Maloney - Senior Vice President*

*Ms. Joanna K. Scott - Corporate Secretary & Vice President, Corporate Services*

*121A - 31 Southridge Drive*

*Okotoks, Alberta, Canada T1S 2N3*

*Telephone: 403-995-5200*

*Fax: 403-995-5296*

## **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.