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Mullen Group Ltd. Reports 2021 Second Quarter Financial Results

(Okotoks, Alberta July 21, 2021) (TSX: MTL) Mullen Group Ltd. ("Mullen Group", "We", "Our" and/or the "Corporation"), one of Canada's largest logistics providers with 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, 2021, 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.

"We just completed one of our most active quarters in the history of our company, finalizing the acquisition of five real quality businesses. These are strategic fits in our expanding network, strengthening our Canadian less-than-truckload service offering and logistics capacities, along with our first investment in the very large U.S. 3PL market. Collectively, these businesses will add incremental annualized revenue in excess of \$400.0 million, putting us well ahead of our long-term plans to achieve \$2.0 billion in revenue per year, along with ensuring we maintain our position as one of the largest and most respected logistics providers in North America. We welcome all of the new dedicated employees, dedicated contractors and partners to our growing organization, a company that values its people, focuses on a quality and safe work environment for all, and invests in leading edge technology solutions.

"From a positioning perspective, these are great acquisitions especially given the current market context, where health restrictions are being lifted and economic expansion is poised to return. June was the first full month in quite some time that freight demand was strong across virtually all business lines. Consumer demand, which has been one of the steadiest segments of the economy, continued at a robust pace throughout the quarter, and finally we witnessed strength in the demand for "freight of all kinds" beginning in June, a sign of a more positive outlook for business investment and capital deployment. Acquisitions along with a recovering economy were the primary reasons for the improved financial performance year over year, a trend we believe will continue as the year progresses," commented Mr. Murray K. Mullen, Chairman and Chief Executive Officer.

Key financial highlights for the second quarter of 2021 with comparison to 2020 are as follows:

HIGHLIGHTS			
<i>(unaudited)</i> (\$ millions)	Three month periods ended June 30		
	2021	2020	Change
	\$	\$	%
Revenue			
Less-Than-Truckload	126.7	101.9	24.3
Logistics & Warehousing	120.6	82.8	45.7
Specialized & Industrial Services	66.4	73.5	(9.7)
Corporate and intersegment eliminations	(1.2)	(0.7)	-
Total Revenue	312.5	257.5	21.4
Operating income before depreciation and amortization ⁽¹⁾			
Less-Than-Truckload	23.5	20.5	14.6
Logistics & Warehousing	23.8	17.5	36.0
Specialized & Industrial Services	15.1	19.8	(23.7)
Corporate	(3.4)	(2.8)	-
Total Operating income before depreciation and amortization ⁽¹⁾	59.0	55.0	7.3

⁽¹⁾ Refer to notes section of Summary

Mullen Group generates cash in excess of its operating needs through a diversified business model combined with a highly adaptable and variable cost structure. The financial results for the three month period ended June 30, 2021, are as follows:

→ generated consolidated revenue of \$312.5 million, an increase of \$55.0 million, or 21.4 percent, as compared to \$257.5 million in 2020 due to a combination of incremental revenue generated from acquisitions and internal growth resulting in:

- an increase of \$24.8 million to \$126.7 million in the Less-Than-Truckload segment
- an increase of \$37.8 million to \$120.6 million in the Logistics & Warehousing segment
- a decrease of \$7.1 million to \$66.4 million in the Specialized & Industrial Services segment

→ earned consolidated operating income before depreciation and amortization ("**OIBDA**") of \$59.0 million, an increase of \$4.0 million as compared to \$55.0 million in 2020 despite a \$4.5 million reduction in the Canada Emergency Wage Subsidy ("**CEWS**") resulting in:

- an increase of \$3.0 million to \$23.5 million in the Less-Than-Truckload segment
- an increase of \$6.3 million to \$23.8 million in the Logistics & Warehousing segment
- a decrease of \$4.7 million to \$15.1 million in the Specialized & Industrial Services segment

Second Quarter Financial Results

Revenue increased by \$55.0 million, or 21.4 percent, to \$312.5 million and is summarized as follows:

- Less-Than-Truckload segment up \$24.8 million, or 24.3 percent, to \$126.7 million - revenue improved by \$24.8 million due to strong consumer spending relative to 2020, from the \$6.4 million of incremental revenue generated from the acquisition of Pacific Coast Express Limited ("**PCX**") and from \$5.5 million of higher fuel surcharge revenue.
- Logistics & Warehousing segment up \$37.8 million, or 45.7 percent, to \$120.6 million - revenue improved by \$37.8 million due to \$25.0 million of incremental revenue from acquisitions, a \$2.5 million increase in fuel surcharge revenue and from a 13.1 percent increase in same store sales as government mandated restrictions were reduced driving higher demand for freight with the month of June 2021 being noticeably stronger.
- Specialized & Industrial Services segment down \$7.1 million, or 9.7 percent, to \$66.4 million - revenue declined by \$7.1 million due to a \$12.6 million reduction in revenue from Premay Pipeline Hauling L.P. ("**Premay Pipeline**") as COVID-19 restrictions and environmental concerns have delayed certain major pipeline construction projects until later this year. This decrease was partially offset by stronger demand for fluid hauling and drilling related services as higher crude oil and natural gas prices led to greater oil and natural gas drilling activity in western Canada.

OIBDA increased by \$4.0 million, or 7.3 percent, to \$59.0 million and is summarized as follows:

- Less-Than-Truckload segment up \$3.0 million, or 14.6 percent, to \$23.5 million - OIBDA improved due to strong results from Gardewine Group Limited Partnership and from \$1.2 million of incremental OIBDA generated by PCX. These increases were partially offset by a \$1.4 million reduction in CEWS. Excluding CEWS, the operating margin was consistent at 18.2 percent as compared to 18.3 percent in 2020.
- Logistics & Warehousing segment up \$6.3 million, or 36.0 percent, to \$23.8 million - OIBDA improved due to \$6.2 million of incremental OIBDA from acquisitions and from internal growth. These increases were partially offset by a \$1.6 million reduction in CEWS. Excluding CEWS, the operating margin improved to 18.8 percent as compared to 17.9 percent in 2020.

- Specialized & Industrial Services segment down \$4.7 million, or 23.7 percent, to \$15.1 million - OIBDA declined due to a \$3.1 million decline in OIBDA generated by Premay Pipeline and from a \$1.5 million reduction in CEWS. Adjusted for CEWS, operating margin was 15.5 percent as compared to 18.4 percent in 2020 due to a change in revenue mix associated with large diameter pipeline projects.

Net income decreased by \$1.3 million to \$21.7 million, or \$0.23 per Common Share due to:

- A \$4.0 million negative variance in net foreign exchange, a \$1.8 million increase in amortization of intangible assets, a \$1.2 million decrease in earnings from equity investments and a \$0.3 million increase in depreciation of right-of-use assets.
- The above was partially offset by a \$4.0 million increase in OIBDA, a \$0.8 million decrease in depreciation of property, plant and equipment, a \$0.7 million decrease in the loss on sale of property, plant and equipment, and a \$0.5 million positive variance in the fair value of investments.

A summary of Mullen Group's results for the three and six month periods ended June 30, 2021, and 2020 are as follows:

SUMMARY	Three month periods ended			Six month periods ended		
	June 30			June 30		
	(unaudited)	2021	2020	Change	2021	2020
(\$ millions, except per share amounts)						
	\$	\$	%	\$	\$	%
Revenue	312.5	257.5	21.4	603.0	575.7	4.7
Operating income before depreciation and amortization ⁽¹⁾	59.0	55.0	7.3	106.1	100.2	5.9
Net foreign exchange (gain) loss	(1.2)	(5.2)	(76.9)	(1.3)	(2.4)	(45.8)
Decrease (increase) in fair value of investments	(0.7)	(0.2)	250.0	(1.1)	1.3	(184.6)
Net income	21.7	23.0	(5.7)	34.7	27.7	25.3
Net Income - adjusted ⁽²⁾	19.9	18.0	10.6	31.7	27.5	15.3
Earnings per share ⁽³⁾	0.23	0.23	-	0.36	0.27	33.3
Earnings per share - adjusted ⁽²⁾	0.21	0.18	16.7	0.33	0.27	22.2
Net cash from operating activities	55.9	84.7	(34.0)	94.9	124.9	(24.0)
Net cash from operating activities per share ⁽³⁾	0.58	0.83	(30.1)	0.98	1.21	(19.0)
Cash dividends declared per Common Share	0.12	-	100.0	0.24	0.15	60.0

Notes:

- 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.
- 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 gain on contingent consideration.
- 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, 2021, along with some key changes that occurred during the second quarter of 2021:

- Working capital of \$62.6 million including \$70.3 million of amounts drawn on our \$150.0 million Bank Credit Facility.
- Total net debt (\$572.0 million) to operating cash flow (\$224.8 million) of 2.54:1 as defined per our Private Placement Debt agreement (threshold of 3.50:1).
- Private Placement Debt of \$454.0 million with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum). Private Placement Debt decreased by \$4.2 million due to the foreign exchange gain on our U.S. \$229.0 million debt.
- Book value of Derivative Financial Instruments down \$3.0 million to \$31.4 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 \$982.4 million, which includes \$621.3 million of carrying costs of owned real property.
- Year to date, we repurchased 1,430,720 Common Shares at an average price of \$12.81 per share under our normal course issuer bid.

About Mullen Group Ltd.

Mullen Group is one of Canada's largest logistics providers. Our network of independently operated businesses provide 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 energy, mining, forestry and construction industries in western Canada, including 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

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