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Mullen Group Ltd. Reports Record 2022 Second Quarter Financial Results

(Okotoks, Alberta July 21, 2022) (TSX: MTL) Mullen Group Ltd. ("**Mullen Group**", "**We**", "**Our**" and/or the "**Corporation**"), one of North America's largest logistics providers today reported its financial and operating results for the period ended June 30, 2022, 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 the Corporation's issuer profile on SEDAR at www.sedar.com or on our website at www.mullen-group.com.

"This was another exceptionally strong quarter for our organization. Consolidated revenues reached record levels driven by previously announced acquisitions, general pricing increases, fuel surcharges and steady customer demand in all four operating segments backstopped by consumer spending and overall economic activity that remained at elevated levels throughout the quarter. In addition, there was an overall increase in oil and natural gas activity, a trend I believe will be sustained for the foreseeable future given the high commodity pricing environment. Our strong performance was achieved despite overall economic activity continuing to be negatively impacted by bottlenecks and supply chain disruptions, limiting growth in the economy as well as being a major reason productivity has deteriorated and inflationary pressures remain higher than normal. In addition to the strong revenue gains, our business generated higher operating profits, improved operating margins and strong cash flow during the quarter, primarily due to general pricing increases implemented earlier in the year. These increases were required to offset significant inflationary pressures that have emerged over the past year. Fuel expense, for example, remains at record levels, doubling year over year due to a combination of tight crude oil markets and refining capacity," commented Mr. Murray K. Mullen, Chair and Senior Executive Officer.

"There is a case to be made that economic activity will begin to slow given the impact inflationary pressures are having on consumers. In addition, steps initiated by the central banks to reduce liquidity in the financial markets accompanied by rising interest rates will also dampen economic growth. I do not, however, expect a significant decline in freight demand, provided employment levels remain strong. Consumers will, in my opinion, simply adjust their spend. Furthermore, I am still of the view that capital investment will remain strong, most notably in energy related projects including oil and natural gas activity, supporting our Specialized & Industrial Services segment. Overall, our pace of growth will moderate over the next quarters as we delay future acquisitions. Investors are cautious given the current outlook for interest rates and, as such, we are reluctant to aggressively pursue growth within this environment. Recall that in 2021 we acquired six quality companies that have contributed significantly to the growth of our organization over the last 12 months. These companies will continue to play an important role in Mullen Group, however, year over year growth will slow. Our short term strategy will be to manage the business we have, invest capital in new efficient operating equipment that will improve margins and prudently manage the balance sheet, initiatives that have us on target to achieve \$2.0 billion in consolidated revenues and \$300.0 million in OIBDA this year," added Mr. Mullen.

Key financial highlights for the second quarter of 2022 with comparison to 2021 are as follows:

Second Quarter Summary

<i>(unaudited)</i> (\$ millions, except per share amounts)	Three month periods ended June 30			Six month periods ended June 30		
	2022	2021	Change	2022	2021	Change
	\$	\$	%	\$	\$	%
Revenue	521.5	312.5	66.9	978.4	603.0	62.3
Operating income before depreciation and amortization ⁽¹⁾	93.9	59.0	59.2	154.2	106.1	45.3
Adjusted operating income before depreciation and amortization ⁽²⁾	93.9	52.6	78.5	154.2	93.7	64.6
Net foreign exchange loss (gain)	1.2	(1.2)	(200.0)	4.5	(1.3)	(446.2)
Decrease (increase) in fair value of investments	0.1	(0.7)	(114.3)	(0.1)	(1.1)	(90.9)
Net income	42.7	21.7	96.8	59.1	34.7	70.3
Net Income - adjusted ⁽³⁾	44.1	19.9	121.6	63.6	31.7	100.6
Earnings per share - basic ⁽⁴⁾	0.46	0.23	100.0	0.63	0.36	75.0
Earnings per share - diluted ⁽⁵⁾	0.43	0.23	87.0	0.61	0.36	69.4
Earnings per share - adjusted ⁽³⁾	0.47	0.21	123.8	0.68	0.33	106.1
Net cash from operating activities	48.8	55.9	(12.7)	66.8	94.9	(29.6)
Net cash from operating activities per share ⁽⁴⁾	0.52	0.58	(10.3)	0.71	0.98	(27.6)
Cash dividends declared per Common Share	0.17	0.12	41.7	0.32	0.24	33.3

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) Adjusted OIBDA is calculated by subtracting the Canada Emergency Wage Subsidy from OIBDA.
- (3) 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.
- (4) Earnings per share - basic and net cash from operating activities per share are calculated based on the weighted average number of Common Shares outstanding for the period.
- (5) Earnings per share - diluted is calculated based on the diluted 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, Adjusted OIBDA, adjusted operating margin, operating margin, net revenue, 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.

Second Quarter Financial Results

<i>(unaudited)</i> (\$ millions)	Three month periods ended June 30		
	2022	2021	Change
	\$	\$	%
Revenue			
Less-Than-Truckload	210.7	126.7	66.3
Logistics & Warehousing	156.7	120.6	29.9
Specialized & Industrial Services	100.5	66.4	51.4
U.S. & International Logistics	57.2	-	-
Corporate and intersegment eliminations	(3.6)	(1.2)	-
Total Revenue	521.5	312.5	66.9
Adjusted operating income before depreciation and amortization ⁽¹⁾			
Less-Than-Truckload	42.4	23.0	84.3
Logistics & Warehousing	30.5	22.7	34.4
Specialized & Industrial Services	20.5	10.3	99.0
U.S. & International Logistics	2.2	-	-
Corporate	(1.7)	(3.4)	-
Total Adjusted operating income before depreciation and amortization ⁽¹⁾	93.9	52.6	78.5

⁽¹⁾ Refer to notes section of Second Quarter Summary

Revenue increased by \$209.0 million, or 66.9 percent, to \$521.5 million and is summarized as follows:

- LTL segment up \$84.0 million, or 66.3 percent, to \$210.7 million - revenue improved by \$84.0 million due to \$59.0 million of incremental revenue generated from acquisitions, a \$17.9 million increase in fuel surcharge revenue and from \$7.1 million of internal growth as freight volumes held steady on the continued strength in consumer spending along with rate increases implemented in March 2022 and market share gains.
- L&W segment up \$36.1 million, or 29.9 percent, to \$156.7 million - revenue improved by \$36.1 million due to \$16.7 million of internal growth resulting from price increases implemented earlier in the year and an overall improvement in freight demand, a \$12.6 million increase in fuel surcharge revenue and from \$6.8 million of incremental revenue from acquisitions.
- S&I segment up \$34.1 million, or 51.4 percent, to \$100.5 million - revenue increased by \$34.1 million due to \$29.5 million of internal growth as higher commodity prices led to a recovery in the oil and natural gas service sector resulting in greater demand and price increases within several of our Business Units. Demand continued to strengthen in all service offerings and was highlighted by the strong performance at Canadian Dewatering L.P. ("**Canadian Dewatering**"), along with an increase in pipeline related activity. Fuel surcharge revenue increased by \$3.5 million while incremental revenue of \$1.1 million from the acquisition of Babine Truck & Equipment Ltd. accounted for the remaining increase in segment revenue.
- US 3PL segment added \$57.2 million - HAUListic LLC ("**HAUListic**") generated \$57.2 million of gross freight revenue as freight demand in the second quarter remained strong, particularly for less-than-truckload and air freight shipments. Incremental revenue was also generated from the addition of new regional Station Agents.

Adjusted OIBDA increased by \$41.3 million, or 78.5 percent, to \$93.9 million and is summarized as follows:

- LTL segment up \$19.4 million, or 84.3 percent, to \$42.4 million - Adjusted OIBDA improved due to \$10.0 million of incremental Adjusted OIBDA from acquisitions and from \$9.4 million of internal growth, highlighted by the strong performance at Gardewine Group Limited Partnership. Adjusted operating margin increased to 20.1 percent as compared to 18.2 percent in 2021, due to rate increases implemented in March 2022 and improved lane density.
- L&W segment up \$7.8 million, or 34.4 percent, to \$30.5 million - Adjusted OIBDA improved due to \$6.4 million of internal growth due to the strong performance at virtually all of our Business Units and \$1.4 million of incremental Adjusted OIBDA from acquisitions. Adjusted operating margin increased to 19.5 percent as compared to 18.8 percent in 2021 as freight rates remained elevated and more than offset inflationary costs.
- S&I segment up \$10.2 million, or 99.0 percent, to \$20.5 million - Adjusted OIBDA increased due to greater demand and price increases implemented within several Business Units as improved commodity prices resulted in greater activity levels in the Western Canadian Sedimentary Basin as well as the strong performance at Canadian Dewatering. Adjusted operating margin increased by 4.9 percent to 20.4 percent as compared to 15.5 percent in 2021 due to greater demand, price increases and the strong performance at Canadian Dewatering.
- US 3PL segment generated \$2.2 million of Adjusted OIBDA in the quarter, representing a margin of 3.8 percent of gross revenue. Operating margin as a percentage of net revenue was 43.1 percent. Margins were negatively impacted by higher than normal Contractors expense. In addition, inflationary pressures continued with selling and administrative expenses increasing at HAUListic.

Net income increased by \$21.0 million to \$42.7 million, or \$0.46 per Common Share due to:

- A \$34.9 million increase in OIBDA, a \$2.7 million increase in earnings from equity investments due to the strong performance from certain investments, and a \$0.8 million decrease in amortization of intangible assets.
- These increases were somewhat offset by a \$7.9 million increase in income tax expense, a \$2.8 million increase in depreciation of right-of-use assets, a \$2.4 million negative variance in net foreign exchange, a \$1.6 million increase in finance costs, a \$1.3 million increase in loss on sale of property, plant and equipment, a \$0.8 million negative variance in the change in fair value of investments and a \$0.4 million increase in depreciation of property, plant and equipment.

Financial Position

The following summarizes our financial position as at June 30, 2022, along with some key changes that occurred during the second quarter of 2022:

- Working capital of \$58.1 million including \$142.2 million of amounts drawn on our \$250.0 million of bank credit facilities.
- Total net debt (\$675.7 million) to operating cash flow (\$285.4 million) of 2.37:1 as defined per our Private Placement Debt agreement (threshold of 3.50:1).
- Private Placement Debt of \$465.5 million with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum). Private Placement Debt increased by \$8.9 million due to the foreign exchange loss on our U.S. \$229.0 million debt.

- Book value of Derivative Financial Instruments up \$7.7 million to \$37.6 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 \$985.0 million, which includes \$633.3 million of historical cost of owned real property.
- Repurchased and cancelled 579,285 Common Shares at an average price of \$12.47 per share under our normal course issuer bid during the second quarter of 2022.

About Mullen Group Ltd.

Mullen Group is one of North America'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, third-party logistics 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 the Corporation's issuer profile 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 overall economy and the oil and natural gas business. 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 31 and 32 of Mullen Group's Management's Discussion and Analysis.