Mullen Group

NEWS RELEASE

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Mullen Group Ltd.
Reports Record 2022 Financial Results

(Okotoks, Alberta February 9, 2023) (TSX: MTL) Mullen Group Ltd. ("**Mullen Group**", "**We**", "**Our**" and/or the "**Corporation**"), one of Canada's largest logistics providers today reported its financial and operating results for the quarter and year ended December 31, 2022, with comparisons to the same period last year. Full details of our results may be found within our 2022 Annual Financial Review, which is available on the Corporation's issuer profile on SEDAR at www.sedar.com or on our website at www.mullen-group.com.

"*It took a total team effort, some very favourable market conditions, and a strong economy to produce the 2022 results. Our people, especially the front line workers, worked tirelessly to meet the surge in freight demand and still maintain superior customer service. I know it was no easy task last year. Thank you everyone*," commented Mr. Murray K. Mullen, Chair and Senior Executive Officer.

"*Last year's market was impacted by supply chain disruptions, shortages of key equipment and a very tight labour market. This combination was the primary reason I believe productivity was impacted and costs increased beyond expectations. These conditions, strong demand and limited supply, led to higher pricing levels, a major reason for our exceptional performance last year. And with today's announcement, 2022 officially becomes history. We have already shifted to managing the new market conditions, highlighted by rising interest rates and stubbornly high inflation. Under these macro conditions it is rational to conclude that consumer spending will moderate and the general economy will slow. However, Mullen Group has a diversified business model and we are poised to capitalize on increased activity in our Specialized & Industrial Services segment. In addition, I anticipate a more active year in terms of M&A activity*," added Mr. Mullen.

Financial Highlights

(unaudited)	**Three month periods ended December 31**			**Twelve month periods ended December 31**		
($ millions, except per share amounts)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
	$	$	%	$	$	%
Revenue	**502.7**	441.9	13.8	**1,999.5**	1,477.4	35.3
Operating income before depreciation and amortization	**77.6**	65.8	17.9	**329.9**	236.4	39.6
Adjusted operating income before depreciation and amortization[1]	**77.6**	60.6	28.1	**329.9**	218.7	50.8
Net foreign exchange (gain) loss	**(2.1)**	0.8	(362.5)	**10.8**	(0.7)	(1,642.9)
Decrease (increase) in fair value of investments	**(0.4)**	(0.4)	-	**(0.1)**	(1.2)	(91.7)
Net income	**61.5**	20.2	204.5	**158.6**	72.4	119.1
Net Income - adjusted[1]	**53.6**	20.9	156.5	**164.2**	70.4	133.2
Earnings per share - basic	**0.66**	0.21	214.3	**1.70**	0.75	126.7
Earnings per share - diluted	**0.62**	0.21	195.2	**1.62**	0.75	116.0
Earnings per share - adjusted[1]	**0.58**	0.22	163.6	**1.76**	0.73	141.1
Net cash from operating activities	**100.5**	65.8	52.7	**263.0**	198.0	32.8
Net cash from operating activities per share[1]	**1.08**	0.69	56.5	**2.82**	2.06	36.9
Cash dividends declared per Common Share[1]	**0.18**	0.12	50.0	**0.68**	0.48	41.7

[1] Refer to the sections entitled "Non-IFRS Financial Measures" and "Other Financial Measures".

Key highlights for 2022

- Record revenue of $2.0 billion, up 35.3 percent due to incremental acquisition revenue, increases in fuel surcharge revenue and general rate increases negotiated early in the year.
- Record Adjusted operating income before depreciation and amortization ("**OIBDA**") of $329.9 million, up 39.6 percent due to growth from existing Business Units and from incremental Adjusted OIBDA from acquisitions.
- Record net income of $158.6 million, up 119.1 percent and earnings per share of $1.70, up 126.7 percent.
- Return on equity improved to 17.0 percent.
- Divested of a non-core asset and business for total proceeds of $49.1 million.
- Reduced borrowings on our $250.0 million of Credit Facilities by $66.2 million to $22.8 million.

Fourth Quarter Commentary

(unaudited) *($ millions)*	Three month periods ended December 31		
	2022	**2021**	**Change**
	$	$	%
Revenue			
Less-Than-Truckload	**190.8**	168.8	13.0
Logistics & Warehousing	**153.8**	131.8	16.7
Specialized & Industrial Services	**108.0**	82.0	31.7
U.S. & International Logistics	**52.6**	61.2	(14.1)
Corporate and intersegment eliminations	**(2.5)**	(1.9)	31.6
Total Revenue	**502.7**	**441.9**	**13.8**
Adjusted operating income before depreciation and amortization (1)			
Less-Than-Truckload	**31.8**	25.7	23.7
Logistics & Warehousing	**30.4**	23.3	30.5
Specialized & Industrial Services	**19.1**	12.3	55.3
U.S. & International Logistics	**0.9**	2.0	(55.0)
Corporate	**(4.6)**	(2.7)	70.4
Total Adjusted operating income before depreciation and amortization (1)	**77.6**	**60.6**	**28.1**

(1) *Refer to the section entitled "Non-IFRS Financial Measures".*

Revenue: Another record quarter with consolidated revenues increasing by $60.8 million, or 13.8 percent, to $502.7 million.

- LTL segment up $22.0 million, or 13.0 percent, to $190.8 million - the rise in revenue is attributable to a $17.2 million increase in fuel surcharge revenue and $5.5 million of incremental revenue from acquisitions. Segment revenue was negatively impacted in the fourth quarter of 2022 as inclement weather and the timing of holidays, reduced the number of working days available particularly in the month of December.
- L&W segment up $22.0 million, or 16.7 percent, to $153.8 million - general rate increases and strong demand for freight services at virtually all of our Business Units led to a $14.0 million increase in segment revenue. Fuel surcharge revenue increased by $8.0 million due to the rise in diesel fuel prices.
- S&I segment up $26.0 million, or 31.7 percent, to $108.0 million - general price increases across all Business Units to offset higher costs associated with inflationary pressures led to a $19.6 million increase in segment revenue. The demand for specialized services, including pipeline hauling, oilfield activity, and construction projects in northern Manitoba was the primary reason for this segment's revenue growth. Fuel surcharge revenue increased by $2.9 million and acquisitions added $3.5 million of incremental segment revenue.
- US 3PL segment down $8.6 million - HAUListic LLC generated $52.6 million of gross freight revenue as freight demand for full truckload shipments softened in the fourth quarter.

Adjusted OIBDA: Strongest fourth quarter in a decade. Adjusted OIBDA increased by $17.0 million, or 28.1 percent, to $77.6 million.

- LTL segment up $6.1 million, or 23.7 percent, to $31.8 million - general rate increases and steady demand contributed $5.2 million of the increase while acquisitions added $0.9 million of incremental Adjusted OIBDA. Adjusted operating margin increased to 16.7 percent as compared to 15.2 percent in 2021 due to rate increases implemented in 2022.
- L&W segment up $7.1 million, or 30.5 percent, to $30.4 million - general rate increases led to improved results at virtually all of our Business Units. Adjusted operating margin increased to 19.8 percent as compared to 17.7 percent in 2021 as freight rates remained elevated and more than offset inflationary costs.
- S&I segment up $6.8 million, or 55.3 percent, to $19.1 million - results improved due to price increases implemented at several Business Units, the improved results at Premay Pipeline Hauling L.P. ("**Premay Pipeline**") and Smook Contractors Ltd. ("**Smook**"), greater demand from the Business Units involved in the transportation of fluids and servicing of wells, and drilling related services as higher commodity prices resulted in increased activity levels in the Western Canadian Sedimentary Basin ("**WCSB**"). Adjusted operating margin increased by 2.7 percent to 17.7 percent as compared to 15.0 percent in 2021 due to price increases, the strong performance at Premay Pipeline and Smook and greater activity levels in the WCSB.
- US 3PL segment generated $0.9 million of Adjusted OIBDA in the quarter, representing a margin of 1.7 percent of gross revenue. Operating margin as a percentage of net revenue was 19.6 percent. Margins were negatively impacted by higher selling and administrative ("**S&A**") expenses as we continue to build out our SilverExpress™ technology platform.

Net income: Record fourth quarter. Net income increased by $41.3 million, or 204.5 percent to $61.5 million, or $0.66 per Common Share due to:

- A $29.9 million increase in gain on sale of property, plant and equipment, an $11.8 million increase in OIBDA, a $2.9 million positive variance in net foreign exchange, a $2.8 million gain on fair value of equity investments and a $2.4 million decrease in depreciation on property, plant and equipment.
- These increases were somewhat offset by a $7.8 million increase in income tax expense and a $0.9 million increase in finance costs.

Financial Position

The following summarizes our financial position as at December 31, 2022, along with some key changes that occurred during the fourth quarter:

- Reduced borrowings on our Credit Facilities by $75.9 million to $22.8 million.
- Working capital increased by $45.7 million, or 48.3 percent to $140.3 million, from the third quarter of 2022.
- Total net debt ($554.0 million) to operating cash flow ($331.0 million) of 1.67:1 as defined per our Private Placement Debt agreement (threshold of 3.50:1).
- Private Placement Debt of $480.7 million (average fixed rate of 3.93 percent per annum) with principal repayments (net of Cross-Currency Swaps) of $217.2 million and $207.9 million due in October 2024 and October 2026, respectively. Private Placement Debt decreased by $3.8 million due to the foreign exchange gain on our U.S. $229.0 million debt recognized in the fourth quarter of 2022.
- Book value of Derivative Financial Instruments down $1.7 million to $46.4 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 $981.6 million, which includes $637.4 million of historical cost of owned real property.
- Repurchased and cancelled 150,905 Common Shares at an average price of $13.67 per share under our normal course issuer bid during the fourth quarter of 2022.

Non-IFRS Financial Measures

Mullen Group reports its financial results in accordance with International Financial Reporting Standards ("**IFRS**"). Mullen Group reports on certain non-IFRS financial measures and ratios, which do not have a standard meaning under IFRS and, therefore, may not be comparable to similar measures presented by other issuers. Management uses these non-IFRS financial measures and ratios in its evaluation of performance and believes these are useful supplementary measures. We provide shareholders and potential investors with certain non-IFRS financial measures and ratios to evaluate our ability to fund our operations and provide information regarding liquidity. Specifically, Adjusted OIBDA, adjusted operating margin, net income - adjusted, earnings per share - adjusted, and net revenue are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. For the reader's reference, the definition, calculation and reconciliation of non-IFRS financial measures are provided in this section of the news release. These non-IFRS financial measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Investors are cautioned that these indicators should not replace the forgoing IFRS terms: net income, earnings per share, and revenue.

Adjusted OIBDA

Adjusted OIBDA is a Non-IFRS term and is calculated by subtracting Canada Emergency Wage Subsidy ("**CEWS**") from OIBDA. Management calculates Adjusted OIBDA by excluding CEWS to more clearly reflect earnings from an operating perspective.

(unaudited) *($ millions)*	**Three month periods ended December 31**		**Years ended December 31**	
	2022	**2021**	**2022**	**2021**
OIBDA	**$ 77.6**	$ 65.8	**$ 329.9**	$ 236.4
CEWS	**—**	(5.2)	**—**	(17.7)
Adjusted OIBDA	**$ 77.6**	$ 60.6	**$ 329.9**	$ 218.7

Adjusted OIBDA by Segment

(unaudited) *($ millions)*	**Three month period ended December 31 2022**						**Year ended December 31 2022**					
	Revenue	**DOE**	**S&A**	**OIBDA**	**CEWS**	**Adjusted OIBDA**	**Revenue**	**DOE**	**S&A**	**OIBDA**	**CEWS**	**Adjusted OIBDA**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
LTL	**190.8**	**133.1**	**25.9**	**31.8**	**—**	**31.8**	**778.7**	**536.8**	**103.5**	**138.4**	**—**	**138.4**
L&W	**153.8**	**106.1**	**17.3**	**30.4**	**—**	**30.4**	**609.3**	**422.8**	**67.4**	**119.1**	**—**	**119.1**
S&I	**108.0**	**78.5**	**10.4**	**19.1**	**—**	**19.1**	**400.6**	**283.9**	**39.2**	**77.5**	**—**	**77.5**
US 3PL	**52.6**	**48.0**	**3.7**	**0.9**	**—**	**0.9**	**221.8**	**202.2**	**13.9**	**5.7**	**—**	**5.7**
Other[1]	**(2.5)**	**(4.0)**	**6.1**	**(4.6)**	**—**	**(4.6)**	**(10.9)**	**(17.8)**	**17.7**	**(10.8)**	**—**	**(10.8)**
Total	**502.7**	**361.7**	**63.4**	**77.6**	**—**	**77.6**	**1,999.5**	**1,427.9**	**241.7**	**329.9**	**—**	**329.9**

[1] *consists of Corporate and intersegment eliminations.*

(unaudited) *($ millions)*	**Three month period ended December 31 2021**						**Year ended December 31 2021**					
	Revenue	**DOE**	**S&A**	**OIBDA**	**CEWS**	**Adjusted OIBDA**	**Revenue**	**DOE**	**S&A**	**OIBDA**	**CEWS**	**Adjusted OIBDA**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
LTL	168.8	119.1	23.5	26.2	(0.5)	25.7	585.3	411.1	78.3	95.9	(2.0)	93.9
L&W	131.8	93.5	14.2	24.1	(0.8)	23.3	465.6	327.3	51.8	86.5	(3.1)	83.4
S&I	82.0	57.6	8.2	16.2	(3.9)	12.3	313.4	218.6	32.8	62.0	(12.6)	49.4
US 3PL	61.2	55.8	3.4	2.0	—	2.0	118.2	107.5	5.8	4.9	—	4.9
Other[1]	(1.9)	(3.0)	3.8	(2.7)	—	(2.7)	(5.1)	(9.1)	16.9	(12.9)	—	(12.9)
Total	441.9	323.0	53.1	65.8	(5.2)	60.6	1,477.4	1,055.4	185.6	236.4	(17.7)	218.7

[1] *consists of Corporate and intersegment eliminations.*

Adjusted Operating Margin

Adjusted operating margin is a non-IFRS ratio and is defined as Adjusted OIBDA divided by revenue. Management relies on adjusted operating margin as a measurement since it provides an indication of our ability to generate an appropriate return without CEWS.

(unaudited) *($ millions)*	Three month periods ended December 31				Years ended December 31			
		2022		**2021**		**2022**		**2021**
Adjusted OIBDA	**$**	**77.6**	$	60.6	**$**	**329.9**	$	218.7
Revenue	**$**	**502.7**	$	441.9	**$**	**1,999.5**	$	1,477.4
Adjusted operating margin		**15.4%**		13.7%		**16.5%**		14.8%

Net Income – Adjusted and Earnings per Share – Adjusted

The following table illustrates net income and basic earnings per share before considering the impact of the net foreign exchange gains or losses, the change in fair value of investments, the gain on fair value of equity investment, the loss on sale of non-core business and the gain on contingent consideration. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective.

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended December 31			Years ended December 31		
		2022	2021		**2022**	2021
Income before income taxes	**$**	**76.6**	27.5	**$**	**210.9**	96.0
Add (deduct):						
Net foreign exchange (gain) loss		**(2.1)**	0.8		**10.8**	(0.7)
Change in fair value of investments		**(0.4)**	(0.4)		**(0.1)**	(1.2)
Gain on fair value of equity investment		**(2.8)**	—		**(2.8)**	—
Loss on sale of non-core business		**0.1**	—		**0.1**	—
Gain on contingent consideration		**—**	—		**—**	(0.2)
Income before income taxes – adjusted		**71.4**	27.9		**218.9**	93.9
Income tax rate		**25%**	25%		**25%**	25%
Computed expected income tax expense		**(17.8)**	(7.0)		**(54.7)**	(23.5)
Net income – adjusted		**53.6**	20.9		**164.2**	70.4
Weighted average number of Common Shares outstanding – basic		**92,930,386**	95,364,667		**93,351,897**	96,068,715
Earnings per share – adjusted	**$**	**0.58**	0.22	**$**	**1.76**	0.73

Net Revenue

Net revenue is calculated by subtracting direct operating expenses ("**DOE**") (primarily comprised of expenses associated with the use of Contractors) from revenue. Management calculates and measures net revenue within the US 3PL segment as it provides an important measurement in evaluating our financial performance and it provides an indication of our ability to generate an appropriate return in the third-party logistics market.

(unaudited) *($ millions)*	Three month periods ended December 31				Years ended December 31			
		2022		2021		**2022**		2021
Revenue	**$**	**52.6**	$	61.2	**$**	**221.8**	$	118.2
Direct operating expenses		**(48.0)**		(55.8)		**(202.2)**		(107.5)
Net Revenue	**$**	**4.6**	$	5.4	**$**	**19.6**	$	10.7

Other Financial Measures

Other financial measures consist of supplementary financial measures and capital management measures.

Supplementary Financial Measures

Supplementary financial measures are financial measures disclosed by a company that (a) are, or are intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of a company, (b) are not disclosed in the financial statements of a company, (c) are not non-IFRS financial measures, and (d) are not non-IFRS ratios. The Corporation has disclosed the following supplementary financial measure.

Cash Flow per Share

Cash flow per share is calculated by dividing net cash from operating activities by the weighted average number of Common Shares outstanding. Management measures cash flow per share to provide investors with an indication of the amount of cash being generated on a per share basis, after consideration of working capital and income taxes paid.

(unaudited) ***($ millions, except share and per share amounts)***	Three month periods ended December 31		Years ended December 31	
	2022	**2021**	**2022**	**2021**
Net cash from operating activities	**$ 100.5**	$ 65.8	**$ 263.0**	$ 198.0
Weighted average number of Common Shares outstanding	**92,930,386**	95,364,667	**93,351,897**	96,068,715
Cash flow per share	**$ 1.08**	$ 0.69	**$ 2.82**	$ 2.06

Capital Management Measures

Capital management measures are financial measures disclosed by a company that (a) are intended to enable users to evaluate a company's objectives, policies and processes for managing the entity's capital, (b) are not a component of a line item disclosed in the primary financial statements of the company, (c) are disclosed in the notes of the financial statements of the company, and (d) are not disclosed in the primary financial statements of the company. The Corporation has disclosed the following capital management measure.

Total Net Debt

The term "*total net debt*" means all debt excluding the Debentures but includes the Private Placement Debt, lease liabilities, the Credit Facilities and letters of credit less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the consolidated statement of financial position. Total net debt is defined within our Private Placement Debt Agreement and is used to calculate our total net debt to operating cash flow covenant. Management calculates and discloses total net debt to provide users of this Management's Discussion and Analysis with an understanding of how our debt covenant is calculated.

(unaudited) ***($ millions)***	**December 31, 2022**
Private Placement Debt	**$ 480.7**
Lease liabilities (including the current portion)	**91.9**
Bank indebtedness	**22.8**
Letters of credit	**3.9**
Long-term debt (including the current portion)	**1.1**
Total debt	**600.4**
Less: unrealized gain on Cross-Currency Swaps	**(46.4)**
Add: unrealized loss on Cross-Currency Swaps	—
Total net debt	**$ 554.0**

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, 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

Mullen Group may make statements in this news release that reflect its current beliefs and assumptions and are based on information currently available to it and contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. 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. These forward-looking statements relate to future events and Mullen Group's future performance. All forward looking statements and information contained herein that are not clearly historical in nature constitute forward-looking statements, 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 statements. Such forward-looking statements represent Mullen Group's internal projections, estimates, expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These forward-looking statements involve 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 statements. Mullen Group believes that the expectations reflected in these forward-looking statements are reasonable; however, undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. In particular, forward-looking statements include but are not limited to the following: (i) our expectation that consumer spending will moderate and the general economy will slow; and (ii) our expectation that we are poised to capitalize on increased activity in our Specialized and Industrial Segment. These forward-looking statements are based on certain assumptions and analyses 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's view that we continue to manage the new market conditions highlighted by rising interest rates and stubbornly high inflation; (ii) Mullen Group's view that we have a diversified business model; and (iii) Mullen Group's anticipation this will be a more active year in terms of M&A activity. 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 Mullen Group's issuer profile on SEDAR at www.sedar.com. Additional information on risks that could affect the operations or financial results of Mullen Group may be found under the heading "Principal Risks and Uncertainties" starting on page 48 of the 2022 Annual Financial Review as well as in reports on file with applicable securities regulatory authorities and may be accessed through Mullen Group's issuer profile on the SEDAR website at www.sedar.com. The forward-looking statements contained in this news release is expressly qualified by this cautionary statement. The forward-looking statements 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 statements, 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.

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