Mullen Group

NEWS RELEASE

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Mullen Group Ltd.
Reports 2023 First Quarter Financial Results including Record First Quarter Revenue

(Okotoks, Alberta April 27, 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 period ended March 31, 2023, with comparisons to the same period last year. Full details of our results may be found within our First 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.

"*Another very good quarter for our organization, with improvements in nearly all financial metrics we measure. I believe shareholders will be happy with our performance thus far in 2023, especially given some of the headwinds the economy is experiencing. I attribute a good portion of the improved results to our 39 Business Units, that did an excellent job at maintaining market share and managing rising costs. In particular, I would like to highlight the continued strong performance of our LTL segment, the largest segment in our group. Volumes held steady, backstopped by solid end consumer demand, and we added a couple of tuck-in acquisitions over the past year. Building lane density and critical mass are two important keys to generating a profitable business and I am delighted to report our 11 LTL Business Units continue to execute to plan. In addition, our Specialized & Industrial Services segment generated solid gains, primarily due to increased investment by the oil and natural gas industry in western Canada. Once again, it took the entire team working tirelessly to produce the results we did this quarter*," commented Mr. Murray K. Mullen, Chair and Senior Executive Officer.

"*It's usually a good sign when the year starts off on a positive note. However, we must be vigilant, and we will maintain a cautious bias because I fully expect there will be no meaningful growth in the North American economies for the foreseeable future, as end consumer demand remains under pressure with consumers pivoting away from buying things to doing things, such as travel and leisure. This means the demand for most freight services will remain subdued and competitive. Under this scenario we must be focused on managing costs and staying disciplined on protecting margin. But not all markets will suffer, and our diversified business model offers shareholders a degree of protection. For example, there will be opportunities in a few select markets, like the energy and mining industries, which we will aggressively pursue. And we expect to complete acquisitions this year, with valuations becoming more realistic*," added Mr. Mullen.

Financial Highlights

(unaudited) ***($ millions, except per share amounts)***	**Three month periods ended March 31**		
	2023	**2022**	**Change**
	$	$	%
Revenue	**497.8**	456.9	9.0
Operating income before depreciation and amortization	**77.0**	60.3	27.7
Net foreign exchange (gain) loss	**(1.5)**	3.3	(145.5)
Decrease (increase) in fair value of investments	**0.3**	(0.2)	(250.0)
Net income	**31.7**	16.4	93.3
Net Income - adjusted[1]	**31.3**	19.5	60.5
Earnings per share - basic	**0.34**	0.17	100.0
Earnings per share - diluted	**0.33**	0.17	94.1
Earnings per share - adjusted[1]	**0.34**	0.21	61.9
Net cash from operating activities	**34.2**	18.0	90.0
Net cash from operating activities per share	**0.37**	0.19	94.7
Cash dividends declared per Common Share	**0.18**	0.15	20.0

[1] Refer to the section entitled "Non-IFRS Financial Measures".

Key highlights for First Quarter

- Record first quarter revenue of $497.8 million, up 9.0 percent due to increases in fuel surcharge revenue, incremental revenue from acquisitions and from general rate increases at most Business Units.
- Operating income before depreciation and amortization ("**OIBDA**") of $77.0 million, up 27.7 percent, primarily due to increases in the LTL segment and the S&I segment.
- Net income of $31.7 million, up 93.3 percent and earnings per share up 100.0 percent to $0.34.
- Repurchased and cancelled 2,190,173 Common Shares for $31.6 million representing an average price of $14.45.
- Return on equity improved to 13.2 percent.

First Quarter Commentary

(unaudited) *($ millions)*	Three month periods ended March 31 **2023**	 **2022**	 **Change**
	$	$	%
Revenue			
Less-Than-Truckload	**192.8**	175.6	9.8
Logistics & Warehousing	**144.1**	142.5	1.1
Specialized & Industrial Services	**112.8**	83.3	35.4
U.S. & International Logistics	**51.0**	57.3	(11.0)
Corporate and intersegment eliminations	**(2.9)**	(1.8)	61.1
Total Revenue	**497.8**	**456.9**	**9.0**
Operating income before depreciation and amortization			
Less-Than-Truckload	**31.8**	23.1	37.7
Logistics & Warehousing	**26.1**	25.5	2.4
Specialized & Industrial Services	**20.4**	13.3	53.4
U.S. & International Logistics	**1.2**	1.1	9.1
Corporate	**(2.5)**	(2.7)	(7.4)
Total Operating income before depreciation and amortization	**77.0**	**60.3**	**27.7**

Revenue: Record first quarter consolidated revenues increased by $40.9 million, or 9.0 percent, to $497.8 million.

- LTL segment up $17.2 million, or 9.8 percent, to $192.8 million - revenue improved by $17.2 million due to a $10.4 million increase in fuel surcharge revenue, incremental revenue of $5.7 million from acquisitions and from internal growth due to rate increases and steady consumer demand.
- L&W segment up $1.6 million, or 1.1 percent, to $144.1 million - revenue improved by $1.6 million due to a $3.4 million increase in fuel surcharge revenue being somewhat offset by a $2.6 million decrease in revenue resulting from the sale of our hydrovac assets and business in the fourth quarter of 2022.
- S&I segment up $29.5 million, or 35.4 percent, to $112.8 million - revenue increased by $29.5 million as general rate increases and greater activity levels led to an $18.5 million increase in revenue as virtually all Business Units in this segment experienced year over year revenue growth. Greater revenue was generated by our drilling related services Business Units and from those involved in the transportation of fluids and servicing of wells, which resulted from greater activity levels in the Western Canadian Sedimentary Basin ("**WCSB**"). Stronger demand for civil construction services and pipeline hauling and stringing services were also experienced at Smook Contractors Ltd. and Premay Pipeline Hauling L.P. ("**Premay Pipeline**"), respectively. Incremental revenue of $9.3 million from acquisitions and a $1.7 million increase in fuel surcharge revenue accounted for the remaining increase in segment revenue.
- US 3PL segment down $6.3 million - revenue decreased by $6.3 million due to lower freight demand for full truckload shipments, which resulted from the impact of higher interest rates on economic growth in the U.S. market.

OIBDA: Strongest first quarter since 2014. OIBDA increased by $16.7 million, or 27.7 percent, to $77.0 million while operating margin[1] expanded by 2.3 percent to 15.5 percent.

- LTL segment up $8.7 million, or 37.7 percent, to $31.8 million - OIBDA improved due to general rate increases and steady consumer demand contributing $7.9 million of the increase, while acquisitions added incremental OIBDA of $0.8 million in 2023. Operating margin[1] increased by 3.3 percent to 16.5 percent as compared to the prior year period due to productivity improvements and general rate increases.
- L&W segment up $0.6 million, or 2.4 percent, to $26.1 million - OIBDA improved due to stronger demand for intermodal, drayage and distribution services. Operating margin[1] remained relatively consistent, improving by 0.2 percent to 18.1 percent as compared to the prior year period, primarily due to the availability of subcontractors in most markets.
- S&I segment up $7.1 million, or 53.4 percent, to $20.4 million - OIBDA increased due to price increases implemented at several Business Units, greater demand for drilling related services and for the transportation of fluids and servicing of wells, which resulted from increased activity levels in the WCSB. Premay Pipeline also contributed to the growth in OIBDA, while acquisitions added $1.5 million of incremental OIBDA in 2023. Operating margin[1] improved by 2.1 percent to 18.1 percent as compared to the prior year period, primarily due to customer rate increases and greater demand for most of our services resulting in more efficient operations.
- US 3PL segment up $0.1 million to $1.2 million - OIBDA remained relatively flat on a year over year basis. Operating margin[1] improved by 0.5 percent to 2.4 percent due to the timing of when contract freight rates were entered into with customers compared to spot market pricing and the availability of contractors in the open market. Operating margin[1] as a percentage of net revenue[1] was 25.0 percent as compared to 23.4 percent in 2022.

Net income: Net income increased by $15.3 million, or 93.3 percent to $31.7 million, or $0.34 per Common Share due to:

- A $16.7 million increase in OIBDA, a $4.8 million positive variance in net foreign exchange and a $1.0 million decrease in amortization of intangible assets.
- These increases were somewhat offset by a $4.2 million increase in income tax expense, a $0.8 million increase in depreciation of right-of-use assets, a $0.6 million increase in depreciation of property, plant and equipment, a $0.6 million loss on fair value of equity investment, a $0.5 million change in the fair value of investments, a $0.3 million increase in finance costs and a $0.2 million increase in loss on sale of property, plant and equipment.

Financial Position

The following summarizes our financial position as at March 31, 2023, along with some key changes that occurred during the first quarter:

- Repurchased and cancelled 2,190,173 Common Shares for $31.6 million representing an average price of $14.45.
- Working capital of $105.2 million including $68.3 million of amounts drawn on our $250.0 million of bank credit facilities.
- Total net debt[1] ($605.2 million) to operating cash flow ($347.9 million) of 1.74:1 as defined per our Private Placement Debt agreement (threshold of 3.50:1).
- Private Placement Debt of $480.5 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.
- Book value of Derivative Financial Instruments up $1.3 million to $47.7 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 $988.1 million, which includes $639.2 million of carrying costs of owned real property.

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, 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. 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.

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 and the loss on fair value of equity investment. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective.

(unaudited)	**Three month periods ended March 31**			
($ millions, except share and per share amounts)		**2023**		**2022**
Income before income taxes	**$**	**42.4**	$	22.9
Add (deduct):				
Net foreign exchange (gain) loss		**(1.5)**		3.3
Change in fair value of investments		**0.3**		(0.2)
Loss on fair value of equity investment		**0.6**		—
Income before income taxes – adjusted		**41.8**		26.0
Income tax rate		**25%**		25%
Computed expected income tax expense		**(10.5)**		(6.5)
Net income – adjusted		**31.3**		19.5
Weighted average number of Common Shares outstanding – basic		**92,649,808**		94,184,879
Earnings per share – adjusted	**$**	**0.34**	$	0.21

Net Revenue

Net revenue is calculated by subtracting direct operating expenses (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 3PL market.

(unaudited)	**Three month periods ended March 31**			
($ millions)		**2023**		**2022**
Revenue	**$**	**51.0**	$	57.3
Direct operating expenses		**46.2**		52.6
Net Revenue	**$**	**4.8**	$	4.7

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.

Operating Margin

Operating margin is a supplementary financial measure and is defined as OIBDA divided by revenue. Management relies on operating margin as a measurement since it provides an indication of our ability to generate an appropriate return as compared to the associated risk and the amount of assets employed within our principal business activities.

(unaudited)	**Three month periods ended March 31**			
($ millions)		**2023**		**2022**
OIBDA	**$**	**77.0**	$	60.3
Revenue	**$**	**497.8**	$	456.9
Operating margin		**15.5%**		13.2%

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 condensed 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 News Release with an understanding of how our debt covenant is calculated.

(unaudited) ***($ millions)***		March 31, 2023
Private Placement Debt	**$**	**480.5**
Lease liabilities (including the current portion)		**99.1**
Bank indebtedness		**68.3**
Letters of credit		**4.0**
Long-term debt (including the current portion)		**1.0**
Total debt		**652.9**
Less: unrealized gain on Cross-Currency Swaps		**(47.7)**
Add: unrealized loss on Cross-Currency Swaps		—
Total net debt	**$**	**605.2**

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) we will maintain a cautious bias; (ii) the demand for most freight services will remain subdued and competitive and that we must be focused on managing costs and staying disciplined on protecting margin; (iii) not all markets will suffer and our diversified business model offers shareholders a degree of protection; and (iv) we expect to complete acquisitions this year. 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) our view that we fully expect there will be no meaningful growth in the North American economies for the foreseeable future, as end consumer demand remains under pressure with consumers pivoting away from buying things to doing things, such as travel and leisure; (ii) our view that there will be opportunities in a few select markets, like the energy and mining industries, which we will aggressively pursue; and (iii) our view that valuations will become more realistic and our belief that our access to cash will exceed our expected requirements. 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.