

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 Strong 2023 Third Quarter Financial Results

(Okotoks, Alberta October 19, 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 September 30, 2023, 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 the Corporation's issuer profile on SEDAR+ at www.sedarplus.ca or on our website at www.mullen-group.com.

"Throughout the first nine months of 2023 the economy has endured a period of adjustment due to the rapid rise in interest rates and tighter monetary policy, a deliberate attempt by central bank authorities to reign in inflationary pressures. These measures have been somewhat successful, but they have also directly impacted economic growth and the demand for freight services. In addition to these macro events, the transportation and logistics market in North America is also experiencing a period of adjustment as retailers, shippers, and manufacturers have embarked upon an inventory rebalancing strategy, after two years of excessive ordering. Consumers have also changed their spending patterns this year towards services and leisure. Despite these headwinds, our business generated very strong results, differentiating the Mullen Group from many of our peers. Most impressively, in the recent quarter ended September 30, 2023, revenues reached the half a billion mark once again, which I attribute to the diversification of service offerings our forty Business Units provide, accompanied by a well thought out acquisition strategy. I can say with confidence, that we have built a business that can deliver growth regardless of the market conditions," commented Mr. Murray K. Mullen, Chair and Senior Executive Officer.

"There is a growing consensus that the economy may avoid tipping into recession territory, implying that consumer demand can remain at or near current levels for the balance of 2023. There are also a few "green shoots" suggesting that inventory levels are back in balance, a strong indicator that freight demand may be on the verge of stabilizing. These are positives for the transportation and logistics industry, and more importantly for our organization. In addition, we forecast another solid quarter for the Specialized and Industrial Services segment given the outlook for the Canadian energy and mining industries, verticals in which we have a meaningful presence. And lastly, we continue to evaluate a number of quality acquisition opportunities. Based upon these positive fundamentals, our full year 2023 results are now expected to exceed earlier projections, setting us up nicely for future years," added Mr. Mullen.

Financial Highlights

(unaudited) (\$ millions, except per share amounts)	Three month periods ended September 30			Nine month periods ended September 30		
	2023	2022	Change	2023	2022	Change
	\$	\$	%	\$	\$	%
Revenue	504.0	518.4	(2.8)	1,496.1	1,496.8	-
Operating income before depreciation and amortization	88.6	98.1	(9.7)	249.0	252.3	(1.3)
Net foreign exchange (gain) loss	(0.2)	8.4	(102.4)	(3.4)	12.9	(126.4)
Decrease (increase) in fair value of investments	(0.2)	0.4	(150.0)	-	0.3	(100.0)
Net income	39.1	38.0	2.9	107.3	97.1	10.5
Net income - adjusted ¹	38.0	47.0	(19.1)	104.0	110.6	(6.0)
Earnings per share - basic	0.44	0.41	7.3	1.19	1.04	14.4
Earnings per share - diluted	0.42	0.39	7.7	1.13	1.00	13.0
Earnings per share - adjusted ¹	0.43	0.51	(15.7)	1.15	1.18	(2.5)
Net cash from operating activities	49.6	95.7	(48.2)	171.8	162.5	5.7
Net cash from operating activities per share	0.56	1.03	(45.6)	1.90	1.74	9.2
Cash dividends declared per Common Share	0.18	0.18	-	0.54	0.50	8.0

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

Key highlights for Third Quarter

- Net income of \$39.1 million, up 2.9 percent and earnings per share up 7.3 percent to \$0.44.
- Return on equity was 16.3 percent in the quarter and 14.7 percent on a year to date basis.
- Third quarter revenue of \$504.0 million, down slightly compared to the prior year due to lower fuel surcharge revenue, declines in overall general freight demand in three of our operating segments amid changes in consumer buying trends along with manufacturers and retailers adjusting inventory levels and from the sale of our hydrovac assets and business in December 2022.
- Operating income before depreciation and amortization ("**OIBDA**") of \$88.6 million, down 9.7 percent, primarily due to a decrease in the LTL segment and the L&W segment.
- Repurchased and cancelled 114,524 Common Shares for \$1.5 million representing an average price of \$13.57.

Third Quarter Commentary

<i>(unaudited)</i> (\$ millions)	Three month periods ended September 30		
	2023	2022	Change
	\$	\$	%
Revenue			
Less-Than-Truckload	194.2	201.6	(3.7)
Logistics & Warehousing	137.1	156.3	(12.3)
Specialized & Industrial Services	125.4	108.8	15.3
U.S. & International Logistics	48.8	54.7	(10.8)
Corporate and intersegment eliminations	(1.5)	(3.0)	-
Total Revenue	504.0	518.4	(2.8)
Operating income before depreciation and amortization			
Less-Than-Truckload	34.5	41.1	(16.1)
Logistics & Warehousing	26.8	32.7	(18.0)
Specialized & Industrial Services	29.7	24.6	20.7
U.S. & International Logistics	1.1	1.5	(26.7)
Corporate	(3.5)	(1.8)	-
Total Operating income before depreciation and amortization	88.6	98.1	(9.7)

Revenue: Third quarter consolidated revenues decreased by \$14.4 million, or 2.8 percent, to \$504.0 million.

- LTL segment down \$7.4 million, or 3.7 percent, to \$194.2 million - revenue declined by \$7.4 million due to a \$12.3 million decrease in fuel surcharge revenue and from a \$6.4 million reduction in revenue resulting from lower freight volumes, particularly in eastern Canada along with a more normalized pricing environment in 2023 compared to last year. These decreases were somewhat offset by \$11.3 million of incremental revenue from acquisitions.
- L&W segment down \$19.2 million, or 12.3 percent, to \$137.1 million - revenue was down by \$19.2 million due to the continuation of the inventory rebalancing cycle and softer freight demand as consumers shift their spend towards leisure and travel versus buying goods. Other factors contributing to the decrease in revenue were a \$5.7 million decline in fuel surcharge revenue and from a \$1.1 million decrease in revenue resulting from the sale of our hydrovac assets and business in the fourth quarter of 2022.
- S&I segment up \$16.6 million, or 15.3 percent, to \$125.4 million - revenue increased by \$16.6 million on \$16.3 million of incremental revenue from acquisitions and from greater demand for drilling related services and from those Business Units involved in the transportation of fluids and servicing of wells. Fuel surcharge revenue decreased by \$2.3 million while the sale of our hydrovac assets and business in the fourth quarter of 2022 accounted for a \$1.6 million reduction in revenue.
- US 3PL segment down \$5.9 million to \$48.8 million - revenue decreased by \$5.9 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: OIBDA decreased by \$9.5 million, or 9.7 percent, to \$88.6 million while operating margin¹ decreased by 1.3 percent to 17.6 percent.

- LTL segment down \$6.6 million, or 16.1 percent, to \$34.5 million - OIBDA declined by \$6.6 million due to a more normalized pricing environment in 2023 and from lower freight volumes, predominately in eastern Canada. Operating margin¹ decreased by 2.6 percent to 17.8 percent as compared to the prior year period, primarily due to lower margins experienced by the acquisition of B. & R. Eckel's Transport Ltd. and higher selling & administrative ("S&A") expenses as a percentage of revenue, which resulted from lower segment revenue and the fixed nature of S&A expenses.
- L&W segment down \$5.9 million, or 18.0 percent, to \$26.8 million - OIBDA declined due to lower freight volumes, which resulted from the impact of the freight recession. Operating margin¹ declined by 1.4 percent to 19.5 percent due to the combination of lower segment revenue and the fixed nature of S&A expenses.
- S&I segment up \$5.1 million to \$29.7 million - OIBDA increased due to stronger demand for drilling related services and for the transportation of fluids and servicing of wells while acquisitions added \$3.6 million of incremental OIBDA. These increases were somewhat offset by lower OIBDA resulting from the sale of the Corporation's hydrovac assets and business in the fourth quarter of 2022. Operating margin¹ increased by 1.1 percent to 23.7 percent as compared to the prior year period, primarily due to greater activity levels resulting in more efficient operations.
- US 3PL segment down \$0.4 million to \$1.1 million - OIBDA declined primarily due to the combination of lower segment revenue and higher direct operating expenses as a percentage of segment revenue. Operating margin¹ decreased slightly to 2.3 percent from 2.7 percent. Operating margin¹ as a percentage of net revenue¹ was 25.0 percent as compared to 28.8 percent in 2022.

Net income: Net income increased by \$1.1 million, or 2.9 percent to \$39.1 million, or \$0.44 per Common Share due to:

- An \$8.6 million positive variance in net foreign exchange, a \$4.0 million decrease in income tax expense, a \$1.1 million increase in gain on sale of property, plant and equipment, a \$1.0 million decrease in amortization of intangible assets and a \$0.6 million change in the fair value of investments.
- These increases to net income were somewhat offset by a \$9.5 million decrease in OIBDA, a \$2.8 million decrease in earnings from equity investments, a \$1.1 million increase in depreciation of right-of-use assets, a \$0.5 million increase in depreciation of property, plant and equipment, and a \$0.3 million increase in finance costs.

Financial Position

The following summarizes our financial position as at September 30, 2023, along with some key changes that occurred during the third quarter:

- Working capital of \$91.9 million including \$114.2 million of amounts drawn on our \$250.0 million of bank credit facilities.
- Total net debt¹ (\$649.8 million) to operating cash flow (\$328.1 million) of 1.98:1 as defined per our Private Placement Debt agreement (threshold of 3.50:1).
- Private Placement Debt of \$480.4 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 \$6.6 million to \$49.2 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 \$1.0 billion, which includes \$646.1 million of carrying costs of owned real property.
- Repurchased and cancelled 114,524 Common Shares for \$1.5 million representing an average price of \$13.57.

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

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.

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended September 30		Nine month periods ended September 30	
	2023	2022	2023	2022
• Income before income taxes	\$ 51.0	\$ 53.9	\$ 141.4	\$ 134.3
• Add (deduct):				
• • Net foreign exchange (gain) loss	(0.2)	8.4	(3.4)	12.9
• • Change in fair value of investments	(0.2)	0.4	—	0.3
• • Loss on fair value of equity investment	—	—	0.6	—
• Income before income taxes – adjusted	50.6	62.7	138.6	147.5
• Income tax rate	25%	25%	25%	25%
• Computed expected income tax expense	12.6	15.7	34.6	36.9
• Net income – adjusted	38.0	47.0	104.0	110.6
• Weighted average number of Common Shares outstanding – basic	88,737,882	92,901,163	90,439,968	93,493,945
• Earnings per share – adjusted	\$ 0.43	\$ 0.51	\$ 1.15	\$ 1.18

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 as well as our ability to generate an appropriate return in the 3PL market.

<i>(unaudited)</i> (\$ millions)	Three month periods ended September 30		Nine month periods ended September 30	
	2023	2022	2023	2022
Revenue	\$ 48.8	\$ 54.7	\$ 150.6	\$ 169.2
Direct operating expenses	44.4	49.5	136.6	154.2
Net Revenue	\$ 4.4	\$ 5.2	\$ 14.0	\$ 15.0

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.

<i>(unaudited)</i> (\$ millions)	Three month periods ended September 30		Nine month periods ended September 30	
	2023	2022	2023	2022
OIBDA	\$ 88.6	\$ 98.1	\$ 249.0	\$ 252.3
Revenue	\$ 504.0	\$ 518.4	\$ 1,496.1	\$ 1,496.8
Operating margin	17.6%	18.9%	16.6%	16.9%

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 MD&A with an understanding of how our debt covenant is calculated.

<i>(unaudited)</i> (\$ millions)	September 30, 2023
Private Placement Debt	\$ 480.4
Lease liabilities (including the current portion)	101.3
Bank indebtedness	114.2
Letters of credit	2.2
Long-term debt (including the current portion)	0.9
Total debt	699.0
Less: unrealized gain on Cross-Currency Swaps	(49.2)
Add: unrealized loss on Cross-Currency Swaps	—
Total net debt	\$ 649.8

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.sedarplus.ca.

Contact Information

*Mr. Murray K. Mullen - Chair, Senior Executive Officer and President
Mr. Richard J. Maloney - Senior Operating Officer
Mr. Carson P. Urlacher - Senior Accounting Officer
Ms. Joanna K. Scott - Senior Corporate Officer*

*121A - 31 Southridge Drive
Okotoks, Alberta, Canada T1S 2N3
Telephone: 403-995-5200
Fax: 403-995-5296*

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) based upon these positive fundamentals, our full year 2023 results are now expected to exceed earlier projections, setting us up nicely for future years. 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 there is a growing consensus that the economy may avoid tipping into recession territory, implying that consumer demand can remain at or near current levels for the balance of 2023; (ii) our view that there are also a few "green shoots" suggesting that inventory levels are back in balance, a strong indicator that freight demand may be on the verge of stabilizing. These are positives for the transportation and logistics industry, and more importantly for our organization; (iii) our forecast of another solid quarter for the Specialized and Industrial Services segment given the outlook for the Canadian energy and mining industries, verticals in which we have a meaningful presence; and (iv) that we continue to evaluate a number of quality acquisition opportunities. 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.sedarplus.ca. 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 SEDAR+ at www.sedarplus.ca. 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.