Mullen Group Ltd.

NEWS RELEASE

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Mullen Group Ltd.
Announces 2023 Fourth Quarter Financial Results and Filing of Disclosure Documents

(Okotoks, Alberta February 15, 2024) (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, 2023, with comparisons to the same period last year. Full details of our financial and operating results may be found within our 2023 Annual Financial Review, which is available on the Corporation's issuer profile on SEDAR+ at www.sedarplus.ca or on our website at www.mullen-group.com.

"*Results for the fourth quarter were consistent with our previously released December 11th update, although demand was light in all four segments as the year came to a close. Basically, we lost a week's worth of revenue due to the timing of the holiday schedule. In addition, we accelerated the restructuring of the B. & R. Eckel's group, acquired earlier in 2023, resulting in one-time restructuring charges of approximately $2.9 million in the quarter.*

"*Mullen Group continued to deliver industry leading results for a couple of reasons. The first is our diversified business model. Over the course of three decades, we have acquired a portfolio of quality brand names, Business Units that operate in multiple different verticals in the economy and in segments where we believe there are strong underlining fundamentals. The Less-Than-Truckload segment is an excellent example, which happens to be the largest segment in our group. This business is generally more predictable and stable than the long-haul full truckload business, for instance. We have also invested in a wide selection of businesses that provide specialized services offerings, in sectors of the economy where there is generally more pricing discipline. But the other important reason our business continued to produce strong results, even though economic growth slowed year over year, I attribute to the adaptability of our forty Business Units. Quite simply, our Teams did a great job managing the changing market dynamics. I am very proud to represent such a talented and dedicated group of professionals*," commented Mr. Murray K. Mullen, Chair and Senior Executive Officer.

"*We enter 2024 with a greater sense of optimism than at this time last year for a couple of reasons. The first is that the North American economy continues to show a resiliency that supports a strong job market, one of the most important factors influencing end consumer demand. Furthermore, if inflationary pressures continue to moderate and interest rates start declining, consumers will have more disposable income, a precursor to increased freight demand. We also believe the inventory rebalancing cycle is basically over, implying that shippers will need to replenish, or at the very least rebuild, inventory levels if they want to capture the ever demanding needs and wants of consumers. And, even though the current over capacity issue in the logistics and trucking industry is limiting growth and profitability, this will change. Many competitors are struggling with high debt levels and shrinking profitability, an unsustainable situation in our view. This leads to the other reason we are optimistic, acquisitions. We believe there will be consolidation opportunities and business failures in 2024, events that will not only drive revenue growth but also lead to tomorrow's pricing discipline. We will look to add strong brands to our network and will continue to pursue tuck-in acquisitions that drive scale and enhance operating margins,*" added Mr. Mullen.

Financial Highlights

(unaudited) *($ millions, except per share amounts)*	Three month periods ended December 31			Twelve month periods ended December 31		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
	$	$	%	$	$	%
Revenue	**498.6**	502.7	(0.8)	**1,994.7**	1,999.5	(0.2)
Operating income before depreciation and amortization	**79.2**	77.6	2.1	**328.2**	329.9	(0.5)
Net foreign exchange (gain) loss	**(0.8)**	(2.1)	(61.9)	**(4.2)**	10.8	(138.9)
Decrease (increase) in fair value of investments	**(0.3)**	(0.4)	(25.0)	**(0.3)**	(0.1)	200.0
Net income	**29.4**	61.5	(52.2)	**136.7**	158.6	(13.8)
Net Income – adjusted[(1)]	**30.4**	53.6	(43.3)	**134.4**	164.2	(18.1)
Earnings per share – basic	**0.33**	0.66	(50.0)	**1.52**	1.70	(10.6)
Earnings per share – diluted	**0.32**	0.62	(48.4)	**1.45**	1.62	(10.5)
Earnings per share – adjusted[(1)]	**0.34**	0.58	(41.4)	**1.49**	1.76	(15.3)
Net cash from operating activities	**105.0**	100.5	4.5	**276.8**	263.0	5.2
Net cash from operating activities per share	**1.18**	1.08	9.3	**3.08**	2.82	9.2
Cash dividends declared per Common Share	**0.18**	0.18	-	**0.72**	0.68	5.9

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

Fourth Quarter Highlights

- Generated revenue of $498.6 million - seventh consecutive quarter of generating revenues of approximately $500.0 million.
- Operating income before depreciation and amortization ("**OIBDA**") of $79.2 million - up 2.1 percent from prior year despite one-time integration costs related to B. & R. Eckel's Transport Ltd. ("**B&R**") and a more competitive operating environment.
- Operating margin[1] improved to 15.9 percent from 15.4 percent reflecting the variable cost structure of our business model resulting in lower direct operating expenses ("**DOE**") as a percentage of revenue, which was somewhat offset by a rise in selling and administrative ("**S&A**") expenses.

Fourth Quarter Commentary

(unaudited) *($ millions)*	Three month periods ended December 31		
	2023	**2022**	**Change**
	$	$	%
Revenue			
Less-Than-Truckload	**190.0**	190.8	(0.4)
Logistics & Warehousing	**140.8**	153.8	(8.5)
Specialized & Industrial Services	**122.5**	108.0	13.4
U.S. & International Logistics	**47.7**	52.6	(9.3)
Corporate and intersegment eliminations	**(2.4)**	(2.5)	-
Total Revenue	**498.6**	502.7	(0.8)
Operating income before depreciation and amortization			
Less-Than-Truckload	**29.9**	31.8	(6.0)
Logistics & Warehousing	**29.1**	30.4	(4.3)
Specialized & Industrial Services	**24.6**	19.1	28.8
U.S. & International Logistics	**0.4**	0.9	(55.6)
Corporate	**(4.8)**	(4.6)	-
Total operating income before depreciation and amortization	**79.2**	77.6	**2.1**

[1] *Refer to the section entitled "Other Financial Measures".*

Revenue: A slight decrease of 0.8 percent to $498.6 million due to lower fuel surcharge revenue and softer freight and logistics demand being almost completely offset by incremental revenue from acquisitions.

- LTL segment down $0.8 million, or 0.4 percent, to $190.0 million - the slight decline in revenue is attributable to a $7.1 million decrease in fuel surcharge revenue being offset by $7.4 million of incremental revenue from acquisitions. Revenue from Business Units (excluding fuel surcharge and acquisitions) declined slightly due to lower freight volumes in eastern Canada being somewhat offset by steady freight volumes in western Canada.
- L&W segment down $13.0 million, or 8.5 percent, to $140.8 million - lower freight volumes and competitive pricing resulting from the freight recession led to a $9.7 million reduction in revenue while the sale of our hydrovac business in December 2022 resulted in a $0.7 million decrease in revenue. Fuel surcharge revenue decreased by $2.5 million due to lower diesel fuel prices.
- S&I segment up $14.5 million, or 13.4 percent, to $122.5 million - acquisitions added $14.4 million of incremental revenue. Greater activity levels in the Western Canadian Sedimentary Basin resulted in higher revenue by the drilling related services Business Units while Smook Contractors Ltd. and Canadian Dewatering L.P. also experienced greater demand for their services. Fuel surcharge revenue decreased by $1.5 million, lower demand for pipeline hauling and stringing services accounted for a $1.4 million reduction in revenue while the sale of our hydrovac assets and business resulted in a $0.7 million reduction in revenue.
- US 3PL segment down $4.9 million, or 9.3 percent, to $47.7 million - the 3PL industry in the U.S. experienced a notable decline in activity in the fourth quarter as compared to the same period last year because of slowing freight volumes and excess trucking capacity. This trend was evident at HAUListic LLC, who also experienced lower freight demand for full truckload shipments and lower pricing per shipment.

OIBDA: Generated $79.2 million of OIBDA, an increase of $1.6 million, or 2.1 percent due to improved DOE margins. Operating margins[1] improved to 15.9 percent from 15.4 percent.

- LTL segment down $1.9 million, or 6.0 percent, to $29.9 million - the decrease was due to recognizing one-time costs associated with the B&R integration, a more normalized pricing environment in 2023 and from lower freight volumes predominately in eastern Canada. Operating margin[1] declined by 1.0 percent to 15.7 percent as compared to 16.7 percent in the prior year period, primarily due to one-time integration costs associated with B&R and higher S&A expenses. Excluding the financial results of B&R, the LTL segment would have generated operating margins of 18.0 percent.
- L&W segment down $1.3 million, or 4.3 percent, to $29.1 million - the decrease was mainly due to the impact of the freight recession resulting in lower freight volumes and competitive pricing. Operating margin[1] increased to 20.7 percent as compared to 19.8 percent in 2022, primarily due to lower DOE as a percentage of segment revenue and the strong performance at Kleysen Group Ltd.
- S&I segment up $5.5 million, or 28.8 percent, to $24.6 million - acquisitions added $3.4 million of incremental OIBDA while greater demand for drilling related services and the transportation of fluids and servicing of wells contributed to the increase. These increases were somewhat offset by the sale of the Corporation's hydrovac assets and lower OIBDA at Premay Pipeline Hauling L.P. Operating margin[1] improved to 20.1 percent as compared to 17.7 percent on lower DOE as greater activity levels resulted in more efficient operations along with rate increases being implemented at several Business Units.
- US 3PL segment down $0.5 million to $0.4 million as compared to $0.9 million - the decrease was mainly due to a combination of lower segment revenue and the relatively fixed nature of S&A expenses. DOE as a percentage of segment revenue remained fairly consistent compared to the prior year period. Operating margin[1] decreased to 0.8 percent as compared to 1.7 percent last year due to higher S&A expenses as a percentage of segment revenue. Operating margin[1] as a percentage of net revenue[1] was 9.8 percent as compared to 19.6 percent in 2022.

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

Net income: Net income decreased by $32.1 million, or 52.2 percent to $29.4 million, or $0.33 per Common Share due to:

- A $29.3 million decrease in gain on sale of property, plant and equipment, which mainly resulted from a significant gain on sale of non-core real estate in Surrey, British Columbia in the fourth quarter of 2022. Other factors contributing to the decrease in net income include a $2.8 million decrease in gain on fair value of equity investments, a $1.7 million increase in depreciation of right-of-use assets and a $1.3 million negative variance in net foreign exchange.
- These decreases were somewhat offset by a $2.8 million decrease in income tax expense and a $1.6 million increase in OIBDA.

Financial Position

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

- Reduced borrowings on the Credit Facilities by $41.2 million in the quarter to $73.0 million at year end.
- Working capital deficit of $119.1 million, which is mainly due to reclassifying $217.2 million of Private Placement Debt notes (net of cross-currency swaps) maturing in October 2024. We expect to be able to replace these notes with new private placement notes in 2024.
- Total net debt[1] ($604.8 million) to operating cash flow ($330.0 million) of 1.83:1 as defined per our Private Placement Debt agreement (threshold of 3.50:1).
- Private Placement Debt of $473.6 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 $6.7 million due to the foreign exchange gain on our U.S. $229.0 million debt recognized in the fourth quarter of 2023.
- Book value of Derivative Financial Instruments down $5.9 million to $43.4 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 $1.0 billion, which includes $651.8 million of historical cost of owned real property.
- Repurchased 545,954 Common Shares at an average price of $13.47 per share under our normal course issuer bid during the fourth quarter of 2023.

[1] *Refer to the section entitled "Other Financial Measures".*

Non-IFRS Financial Measures

Mullen Group reports its financial results in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (the "**IFRS Accounting Standards**"). Mullen Group reports on certain non-IFRS financial measures and ratios, which do not have a standard meaning under IFRS Accounting Standards 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 Accounting Standards and do not have standardized meanings prescribed by IFRS Accounting Standards. 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 Accounting Standards. Investors are cautioned that these indicators should not replace the forgoing IFRS Accounting Standards 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, the gain or loss on fair value of equity investments and the loss on sale of non-core business. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective.

	Three month periods ended December 31		Years ended December 31	
(unaudited) ***($ millions, except share and per share amounts)***	**2023**	**2022**	**2023**	**2022**
Income before income taxes	**$ 41.7**	$ 76.6	**$ 183.1**	$ 210.9
Add (deduct):				
Net foreign exchange (gain) loss	**(0.8)**	(2.1)	**(4.2)**	10.8
Change in fair value of investments	**(0.3)**	(0.4)	**(0.3)**	(0.1)
Loss (gain) on fair value of equity investments	**—**	(2.8)	**0.6**	(2.8)
Loss on sale of non-core business	**—**	0.1	**—**	0.1
Income before income taxes – adjusted	**40.6**	71.4	**179.2**	218.9
Income tax rate	**25%**	25%	**25%**	25%
Computed expected income tax expense	**(10.2)**	(17.8)	**(44.8)**	(54.7)
Net income – adjusted	**30.4**	53.6	**134.4**	164.2
Weighted average number of Common Shares outstanding – basic	**88,423,848**	92,930,386	**89,931,795**	93,351,897
Earnings per share – adjusted	**$ 0.34**	$ 0.58	**$ 1.49**	$ 1.76

Net Revenue

Net revenue is calculated by subtracting 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 as well as our ability to generate an appropriate return in the 3PL market.

	Three month periods ended December 31		Years ended December 31	
(unaudited) ***($ millions)***	**2023**	**2022**	**2023**	**2022**
Revenue	**$ 47.7**	$ 52.6	**$ 198.3**	$ 221.8
Direct operating expenses	**(43.6)**	(48.0)	**(180.2)**	(202.2)
Net Revenue	**$ 4.1**	$ 4.6	**$ 18.1**	$ 19.6

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) *($ millions)*	Three month periods ended December 31				Years ended December 31			
		2023		**2022**		**2023**		**2022**
OIBDA	**$**	**79.2**	$	77.6	**$**	**328.2**	$	329.9
Revenue	**$**	**498.6**	$	502.7	**$**	**1,994.7**	$	1,999.5
Operating margin		**15.9%**		15.4%		**16.5%**		16.5%

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

(unaudited) *($ millions)*		**December 31, 2023**
Private Placement Debt (including the current portion)	**$**	**473.6**
Lease liabilities (including the current portion)		**98.4**
Bank indebtedness		**73.0**
Letters of credit		**2.2**
Long-term debt (including the current portion)		**1.0**
Total debt		**648.2**
Less: unrealized gain on Cross-Currency Swaps		**(43.4)**
Add: unrealized loss on Cross-Currency Swaps		**—**
Total net debt	**$**	**604.8**

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.*

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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 belief that we are entering 2024 with a greater sense of optimism than at this time last year; (ii) our expectation that 2024 will present opportunities for acquisitions; and (iii) our expectation that we will look to add strong brands to our network and will continue to pursue tuck-in acquisitions that drive scale and enhance operating margins. 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) that there is optimism in that the North American economy continues to show a resiliency that supports a strong job market, one of the most important factors influencing end consumer demand; (ii) that if inflationary pressures continue to moderate and interest rates start declining, consumers will have more disposable income, a precursor to increased freight demand; (iii) that we also believe the inventory rebalancing cycle is basically over, implying that shippers will need to replenish, or at the very least rebuild, inventory levels if they want to capture the ever demanding needs and wants of consumers; (iv) that even though the current over capacity issue in the logistics and trucking industry is limiting growth and profitability, this will change; (v) that there will be consolidation opportunities and business failures in 2024, events that will not only drive revenue growth but also lead to tomorrow's pricing discipline; (vi) that acquisition opportunities will present themselves to Mullen Group; and (vii) that Mullen Group will generate sufficient cash in excess of our financial obligations to support our acquisition strategy for 2024. 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 50 of the 2023 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.sedarplus.ca. The forward-looking statements contained in this news release are 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.