Mullen Group Ltd.

NEWS RELEASE

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 2024 Second Quarter Financial Results and Dividend Increase

(Okotoks, Alberta July 25, 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 period ended June 30, 2024, with comparisons to the same period last year. Full details of the results may be found within our Second Quarter Interim Report, which is available on the Corporation's issuer profile on SEDAR+ at www.sedarplus.ca or at www.mullen-group.com.

"*We generated solid results this quarter, primarily due to acquisitions and by focusing on margin over market share. What is most impressive, I believe, is that our overall financial results are up over last year despite the slowdown in economic growth and the emergence of competitive markets,"* commented Mr. Murray K. Mullen, Chair and Senior Executive Officer.

"We are in a different spot today as compared to the last economic cycle, which was driven by low interest rates and massive government deficit spending. Today, high interest rates are accompanied by inflation, costs that are hurting the discretionary spending of many consumers. The Canadian economy is also struggling with declines in capital investment, as the private sector assesses the cost of high interest rates and on lower returns. These are significant headwinds for many of our 40 Business Units and the primary reason the Corporate Office has been active in terms of evaluating acquisitions. Quite simply, acquisitions are the only way to grow in this market. At Mullen Group we not only have experience in this area but we also have the balance sheet, which was bolstered with the July 10, 2024, closing of approximately $400.0 million of new debt, and the addition of new bank credit facilities, bringing the total credit available to $525.0 million. This market is ripe for consolidation, and we have the funds available to execute," added Mr. Mullen.

Financial Highlights

(unaudited)	**Three month periods ended June 30**			**Six month periods ended June 30**		
($ millions, except per share amounts)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
	$	$	%	$	$	%
Revenue	**495.6**	494.3	0.3	**958.2**	992.1	(3.4)
Operating income before depreciation and amortization	**85.7**	83.4	2.8	**151.9**	160.4	(5.3)
Net foreign exchange (gain) loss	**0.2**	(1.7)	(111.8)	**0.4**	(3.2)	(112.5)
Decrease (increase) in fair value of investments	**(0.2)**	(0.1)	100.0	**(0.3)**	0.2	(250.0)
Net income	**32.9**	36.5	(9.9)	**55.1**	68.2	(19.2)
Net Income - adjusted[1]	**32.8**	34.7	(5.5)	**55.3**	66.0	(16.2)
Earnings per share - basic	**0.37**	0.41	(9.8)	**0.63**	0.75	(16.0)
Earnings per share - diluted	**0.36**	0.39	(7.7)	**0.60**	0.71	(15.5)
Earnings per share - adjusted[1]	**0.37**	0.38	(2.6)	**0.63**	0.72	(12.5)
Net cash from operating activities	**79.9**	88.0	(9.2)	**118.5**	122.2	(3.0)
Net cash from operating activities per share	**0.91**	0.97	(6.2)	**1.35**	1.34	0.7
Cash dividends declared per Common Share	**0.18**	0.18	-	**0.36**	0.36	-

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

Second Quarter Highlights

- Generated revenue of $495.6 million - generally consistent with last year as acquisitions added $26.9 million of incremental revenues, which was offset by the completion of major capital construction projects including the Trans Mountain Expansion Project ("**TMX**") and the Coastal GasLink Pipeline Project ("**CGL**"), lower freight demand as manufacturers were reluctant to increase inventory levels, competitive pricing pressures in certain markets due to excess capacity in the freight markets, a lack of private sector capital investment in Canada and a slight decrease in fuel surcharge revenue.
- Operating income before depreciation and amortization ("**OIBDA**") of $85.7 million - up 2.8 percent from prior year on $4.7 million of incremental OIBDA from acquisitions and improved results in the LTL and S&I segments. These increases were somewhat offset by lower OIBDA in the L&W segment (excluding acquisitions) and from higher Corporate costs.
- Operating margin improved to 17.3 percent from 16.9 percent on lower direct operating expenses ("**DOE**") as a percentage of consolidated revenues despite more competitive pricing conditions in certain markets and a reduction in higher margin specialized business. Selling and administrative ("**S&A**") expenses increased as a percentage of consolidated revenues resulting from higher costs experienced at our most recent acquisition, ContainerWorld Forwarding Services Inc. and from the relatively fixed nature of S&A expenses.

Second Quarter Commentary

(unaudited) ***($ millions)***	**Three month periods ended June 30**		
	2024	**2023**	**Change**
	$	$	%
Revenue			
Less-Than-Truckload	**189.8**	193.4	(1.9)
Logistics & Warehousing	**150.9**	142.9	5.6
Specialized & Industrial Services	**109.6**	107.3	2.1
U.S. & International Logistics	**46.9**	50.8	(7.7)
Corporate and intersegment eliminations	**(1.6)**	(0.1)	-
Total Revenue	**495.6**	**494.3**	**0.3**
Operating income before depreciation and amortization			
Less-Than-Truckload	**37.5**	34.5	8.7
Logistics & Warehousing	**29.0**	30.0	(3.3)
Specialized & Industrial Services	**23.5**	20.6	14.1
U.S. & International Logistics	**0.8**	0.9	(11.1)
Corporate	**(5.1)**	(2.6)	-
Total Operating income before depreciation and amortization	**85.7**	**83.4**	**2.8**

Revenue: An increase of $1.3 million or 0.3 percent to $495.6 million, led by higher revenue in the L&W and S&I segments being offset by lower revenue in the LTL and US 3PL segments.

- LTL segment down $3.6 million, or 1.9 percent, to $189.8 million - revenues were down slightly due to a softening in overall freight demand, from demarketing underperforming business and from a $0.6 million decrease in fuel surcharge revenue to $35.2 million. These decreases were somewhat offset by $1.8 million of incremental revenue from acquisitions.
- L&W segment up $8.0 million, or 5.6 percent, to $150.9 million - revenues improved as acquisitions added $22.2 million of incremental revenue, which was somewhat offset by $13.9 million of lower revenue from our Business Units (excluding acquisitions and fuel surcharge) due to shippers electing to keep a tight rein on inventory levels, a lack of capital investment in the private sector and from competitive pricing pressures in certain markets. Fuel surcharge revenue also declined by $0.3 million to $15.5 million.
- S&I segment up $2.3 million, or 2.1 percent, to $109.6 million - revenues increased on greater activity levels in the Western Canadian Sedimentary Basin ("**WCSB**") resulting in higher revenue generated by

our drilling related services Business Units while revenues within our production services Business Units improved due to the commencement of plant turnaround and maintenance projects undertaken by large E&P companies in western Canada. Acquisitions added $2.9 million of incremental revenue and fuel surcharge revenue increased by $0.5 million to $2.2 million. These increases were somewhat offset by a $9.1 million reduction in revenue for pipeline hauling and stringing services at Premay Pipeline Hauling L.P. ("**Premay Pipeline**") as construction of TMX and CGL has virtually been completed. Canadian Dewatering L.P. ("**Canadian Dewatering**") also experienced lower demand for dewatering services.

- US 3PL segment down $3.9 million, or 7.7 percent to $46.9 million - revenue decreased due to a combination of freight volumes remaining stagnant with an excess supply of trucking capacity creating a competitive operating environment. Competitive pricing and lower freight volumes, particularly for full truckload shipments resulted in lower revenue.

OIBDA: An increase of $2.3 million or 2.8 percent to $85.7 million, led by higher OIBDA in the LTL and S&I segments being offset by higher Corporate costs and lower OIBDA in the L&W and US 3PL segments.

- LTL segment up $3.0 million, or 8.7 percent, to $37.5 million - OIBDA increased despite the $3.6 million decline in segment revenues and was primarily due to the integration of B. & R. Eckel's Transport Ltd.'s LTL operations into Grimshaw Trucking L.P. and Hi-Way 9 Express Ltd. as well as cost control measures implemented at our other Business Units, which resulted in lower DOE and S&A expenses. Operating margin[1] increased by 2.0 percent to 19.8 percent as compared to the prior year period due to more efficient operations and from implementing cost control measures.
- L&W segment down $1.0 million, or 3.3 percent, to $29.0 million - OIBDA decreased due to the decline in segment revenue generated by our Business Units (excluding acquisitions), which was somewhat offset by $4.2 million of incremental OIBDA from acquisitions. Operating margin[1] declined by 1.8 percent to 19.2 percent as compared to 21.0 percent in the prior year, primarily due to the impact of a more competitive pricing environment resulting in higher DOE and S&A expenses as a percentage of segment revenue.
- S&I segment up $2.9 million, or 14.1 percent, to $23.5 million - greater OIBDA was experienced by our production services Business Units due to the commencement of certain turnaround and maintenance projects while the drilling related services Business Units recognized improved OIBDA due to higher activity levels in the WCSB. Acquisitions added $0.2 million of incremental OIBDA. These increases more than offset lower OIBDA at Premay Pipeline and Canadian Dewatering on decreased demand for their services. Operating margin[1] improved by 2.2 percent to 21.4 percent as compared to the prior year period on lower DOE despite the loss of higher margin pipeline construction work due to more efficient operations and from plant turnaround projects, which generally provide higher margins.
- US 3PL segment down $0.1 million, or 11.1 percent, to $0.8 million - OIBDA remained relatively flat on a year over year basis. Operating margin[1] declined slightly by 0.1 percent to 1.7 percent primarily due to higher DOE as a percentage of segment revenue resulting from 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 20.0 percent as compared to 18.8 percent in the prior year.
- Corporate costs up $2.5 million to $5.1 million - Corporate costs increased due to higher professional fees associated with restructuring the Corporation's balance sheet and acquisitions, and from a lower annual distribution received from Kriska Transportation Group Limited. These factors were somewhat offset by a $0.6 million positive variance in foreign exchange.

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

Net income: Net income decreased by $3.6 million, or 9.9 percent to $32.9 million, or $0.37 per Common Share due to:

- A $3.6 million increase in depreciation of right-of-use assets, a $1.9 million negative variance in net foreign exchange, a $1.4 million increase in loss on sale of property, plant and equipment and a $0.7 million increase in finance costs.
- These increases were somewhat offset by a $2.3 million increase in OIBDA, a $1.1 million increase in earnings from equity investments and a $0.6 million decrease in income tax expense.

Financial Position

The following summarizes our financial position as at June 30, 2024, along with some key changes that occurred subsequent to the end of the second quarter:

- Announced the pricing of US$75.0 million and CAD$300.0 million of new private placement debt that was funded and closed on July 10, 2024.
- On July 10, 2024, in conjunction with the new private placement debt, we increased the borrowing capacity on the Bank Credit Facilities to $525.0 million.
- Working capital deficit at June 30, 2024 was $138.3 million including $93.3 million of amounts drawn on the Bank Credit Facilities and $217.2 million (net of Cross-Currency Swaps) on our Private Placement Debt maturing in October 2024.
- Repurchased and cancelled 286,200 Common Shares for $3.7 million representing an average price of $12.89.
- Total net debt[1] ($760.5 million) to operating cash flow ($321.6 million) of 2.36:1 as defined per our Private Placement Debt agreement (threshold of 3.50:1).
- Private Placement Debt of $484.2 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 $2.9 million to $53.5 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 $655.7 million of carrying costs of owned real property.

Dividend Increase

The Board of Directors of Mullen Group announced today that it has approved an increase to the Corporation's monthly dividend from $0.06 to $0.07 per Common Share. This represents a 16.7 percent increase from the prior dividend declared on July 23, 2024, and equates to an annualized dividend of $0.84 per Common Share. This increase will be effective as of the next regular dividend payment, which is expected to be payable on September 16, 2024, to shareholders of record on August 31, 2024.

[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**"). 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) *($ millions, except share and per share amounts)*	**Three month periods ended June 30**		**Six month periods ended June 30**	
	2024	**2023**	**2024**	**2023**
Income before income taxes	**$ 43.8**	48.0	**$ 73.6**	90.4
Add (deduct):				
Net foreign exchange loss (gain)	**0.2**	(1.7)	**0.4**	(3.2)
Change in fair value of investments	**(0.2)**	(0.1)	**(0.3)**	0.2
Loss on fair value of equity investment	**-**	-	**-**	0.6
Income before income taxes – adjusted	**43.8**	46.2	**73.7**	88.0
Income tax rate	**25%**	25%	**25%**	25%
Computed expected income tax expense	**11.0**	11.5	**18.4**	22.0
Net income – adjusted	**32.8**	34.7	**55.3**	66.0
Weighted average number of Common Shares outstanding – basic	**87,998,534**	89,975,202	**88,025,667**	91,305,117
Earnings per share – adjusted	**$ 0.37**	0.38	**$ 0.63**	0.72

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.

(unaudited) *($ millions)*	**Three month periods ended June 30**		**Six month periods ended June 30**	
	2024	**2023**	**2024**	**2023**
Revenue	**$ 46.9**	$ 50.8	**$ 91.3**	$ 101.8
Direct operating expenses	**42.9**	46.0	**83.4**	92.2
Net Revenue	**$ 4.0**	$ 4.8	**$ 7.9**	$ 9.6

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 following are supplementary financial measures disclosed by the Corporation.

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 June 30**		**Six month periods ended June 30**	
	2024	**2023**	**2024**	**2023**
OIBDA	**$ 85.7**	$ 83.4	**$ 151.9**	$ 160.4
Revenue	**$ 495.6**	$ 494.3	**$ 958.2**	$ 992.1
Operating margin	**17.3%**	16.9%	**15.9%**	16.2%

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 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 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.

(unaudited) *($ millions)*	**June 30, 2024**
Private Placement Debt (including the current portion)	**$ 484.2**
Lease liabilities (including the current portion)	**233.0**
Bank indebtedness	**93.3**
Letters of credit	**3.4**
Long-term debt (including the current portion)	**0.1**
Total debt	**814.0**
Less: unrealized gain on Cross-Currency Swaps	**(53.5)**
Add: unrealized loss on Cross-Currency Swaps	**-**
Total net debt	**$ 760.5**

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 Financial 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

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