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## Mullen Group Ltd. Reports Third Quarter Financial Results including Record Trucking/Logistics Segment Revenue and Profit

(Okotoks, Alberta October 24, 2018) (TSX:MTL) Mullen Group Ltd. ("Mullen Group", "We", "Our" and/or the "Corporation"), one of Canada's largest suppliers of trucking and logistics services as well as specialized transportation services to the oil and natural gas industry in Canada, today reported its financial and operating results for the period ended September 30, 2018, 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 SEDAR at [www.sedar.com](http://www.sedar.com) or on our website at [www.mullen-group.com](http://www.mullen-group.com).

Mr. Murray K. Mullen, Chairman and Chief Executive Officer commented, "Our latest results once again reflect what is a set of recurring themes; the Canadian economy continues to be okay but certainly not robust and western Canada's oil and natural gas industry remains burdened by the lack of takeaway capacity, regulatory delays and is quite simply out of favour with the capital markets. Within this macro environment, acquisitions become the only way to grow our organization, which is precisely how we achieved a 20.0 percent growth in consolidated revenue this quarter. Even more impressive from my perspective is that we grew profitably despite significant inflationary pressures, with fuel and labour being the most relevant, accompanied by the underperformance of many of our Business Units in the Oilfield Services segment. We could not have achieved these results without a tremendous amount of work and effort by our very talented team of professionals.

"The last few months have been interesting to state the obvious, with trade disputes and pipeline issues garnering most of the headlines, outside of all the discussion surrounding the legalization of cannabis, Canada's new market leadership claim. Unfortunately, for our company along with many other businesses, this new economy does little for business other than creating significantly more Human Resources issues. On a more productive note, I am hopeful, even somewhat optimistic, that the recent announcements regarding a new trade agreement with the United States will alleviate many of the uncertainties that the majority of Canadians were concerned about during the prolonged and often contentious negotiations. And of course we view the recent LNG approvals as very positive. These will be large capital projects benefitting many Canadians and most importantly I believe it lets investors know that Canada is still a good place to invest. Now if we can just get our crude oil to markets, other than the United States where the true value of Canada's oil is sold at a discount to the United States refiners, then the oil and natural gas sector of our economy will be an engine of growth and job creator once again."

Key financial highlights for the third quarter of 2018 with comparison to 2017 are as follows:

<b>HIGHLIGHTS</b>			
<i>(unaudited)</i> (\$ millions)	Three month periods ended September 30		
	2018	2017	Change
	\$	\$	%
Revenue			
Trucking/Logistics	226.7	190.7	18.9
Oilfield Services	114.5	93.6	22.3
Corporate and intersegment eliminations	(1.5)	(0.4)	-
<b>Total Revenue</b>	<b>339.7</b>	<b>283.9</b>	<b>19.7</b>
Operating income before depreciation and amortization <sup>(1)</sup>			
Trucking/Logistics	36.0	30.7	17.3
Oilfield Services	21.6	19.8	9.1
Corporate	(2.5)	(5.8)	-
<b>Total Operating income before depreciation and amortization <sup>(1)</sup></b>	<b>55.1</b>	<b>44.7</b>	<b>23.3</b>
Operating income before depreciation and amortization - adjusted <sup>(1)</sup>	55.3	49.2	12.4

<sup>(1)</sup> Refer to notes section of Summary

Mullen Group operates a diversified business model combined with a highly adaptable and variable cost structure. The financial results for the three month period ended September 30, 2018, are as follows:

→ generated consolidated revenue of \$339.7 million, an increase of \$55.8 million, or 19.7 percent, as compared to \$283.9 million in 2017 due to:

- record revenue in the Trucking/Logistics ("**T/L**") segment, a \$36.0 million increase to \$226.7 million
- a \$20.9 million increase in the Oilfield Services ("**OFS**") segment, principally as a result of acquisitions.

→ earned consolidated operating income before depreciation and amortization ("**OIBDA**") of \$55.1 million, an increase of \$10.4 million as compared to \$44.7 million in 2017 due to:

- record quarterly OIBDA of \$36.0 million in the T/L segment
- a \$1.8 million increase in the OFS segment
- a \$3.3 million decrease in Corporate costs due to a \$4.3 million positive variance in foreign exchange

→ *adjusting for the impact of foreign exchange at Corporate Office, operating income before depreciation and amortization ("**OIBDA - adjusted**") was \$55.3 million, or 16.3 percent of revenue, as compared to \$49.2 million, or 17.3 percent of revenue, in 2017. These results more accurately reflect our operating performance.*

### **Third Quarter Financial Results**

**Revenue increased by \$55.8 million, or 19.7 percent, to \$339.7 million and is summarized as follows:**

- T/L segment grew by \$36.0 million, or 18.9 percent, to \$226.7 million - a record compared to any previous quarterly period. Incremental revenue from acquisitions was \$12.5 million while fuel surcharge revenue rose by \$7.6 million. Growth resulted from a combination of rate increases due to tightness in the supply chain and from increased demand in western Canada for both less-than-truckload ("**LTL**") and truckload services.
- OFS segment increased by \$20.9 million, or 22.3 percent - incremental revenue from acquisitions was \$21.4 million which was partially offset by a decline in drilling activity for deep natural gas in the Western Canadian Sedimentary Basin and from lower demand for specialized heavy haul transportation services. Lower drilling activity combined with greater competition led to revenue declines, particularly at our pipe and tubular Business Units.

**OIBDA increased by \$10.4 million, or 23.3 percent, to \$55.1 million and is summarized as follows:**

- T/L segment grew by \$5.3 million, or 17.3 percent, to \$36.0 million - a record compared to any previous quarterly period. Our LTL Business Units accounted for \$2.0 million of this increase while acquisitions accounted for \$1.2 million of incremental growth. As a percentage of revenue, operating margin decreased slightly by 0.2 percent to 15.9 percent due to lower margins generated by our recent asset light acquisitions being somewhat offset by rate increases resulting from tightening industry capacity.
- OFS segment up by \$1.8 million to \$21.6 million - segment OIBDA improved and was mainly due to the acquisition of the business and assets of AECOM's Canadian Industrial Services Division while those Business Units tied to drilling related activity including pipe handling and storage declined by \$2.9 million. Operating margin decreased to 18.9 percent from 21.2 percent in 2017 due to lower margin associated with the recent acquisitions as well as inflationary pressures resulting in higher direct operating expenses including wages and fuel.

**Net income decreased by \$4.1 million to \$21.9 million, or \$0.21 per Common Share due to:**

- A \$9.5 million negative variance in net foreign exchange, a \$2.7 million increase in income tax expense, a \$3.0 million increase in depreciation and amortization expense and a \$2.0 million gain on contingent consideration recorded in 2017.
- The above was partially offset by a \$10.4 million increase in OIBDA and a \$2.3 million decrease in finance costs.

**Net income - adjusted increased by 57.7 percent to \$20.5 million, or \$0.19 per Common Share.**

**Bank Credit Facility Amendment**

On October 24, 2018, we entered into an agreement to amend the amount available to be borrowed on our credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). The amount available to be borrowed on the Bank Credit Facility was increased by \$50.0 million to \$125.0 million. All other terms under the Bank Credit Facility remain the same.

**Financial Position**

The following summarizes our financial position as at September 30, 2018, along with some of the key changes that occurred during the third quarter of 2018:

- Exited the third quarter with working capital of \$132.0 million, which included \$24.0 million of borrowings on our Bank Credit Facility.
- Total net debt (\$466.4 million) to operating cash flow (\$187.4 million) of 2.49:1 as defined per our Private Placement Debt agreement.
- Total debt increased by \$16.9 million to \$490.2 million (June 30, 2018 - \$473.3 million) mainly due to borrowing \$24.0 million on our Bank Credit Facility being somewhat offset by the \$5.1 million foreign exchange gain on our U.S. \$229.0 million debt and from the repayment and conversion of Debentures.
- The value of our cross-currency swaps decreased by \$3.3 million to \$28.5 million (June 30, 2018 - \$31.8 million), which swaps the principal portion of our U.S. \$229.0 million debt to a Canadian currency equivalent of \$254.1 million.
- Net book value of property, plant and equipment of \$956.7 million, which includes \$473.9 million of real property (carrying cost of \$540.4 million).

A summary of Mullen Group's results for the three and nine month periods ended September 30, 2018 and 2017 are as follows:

<b>SUMMARY</b>						
<i>(unaudited)</i> (\$ millions, except per share amounts)	Three month periods ended September 30			Nine month periods ended September 30		
	2018	2017	Change	2018	2017	Change
	\$	\$	%	\$	\$	%
Revenue	339.7	283.9	19.7	927.5	842.4	10.1
Operating income before depreciation and amortization <sup>(1)</sup>	55.1	44.7	23.3	137.3	126.2	8.8
Operating income before depreciation and amortization - adjusted <sup>(2)</sup>	55.3	49.2	12.4	137.2	134.2	2.2
Net foreign exchange (gain) loss	(1.8)	(11.3)	(84.1)	6.3	(23.0)	(127.4)
Decrease (increase) in fair value of investments	0.3	0.1	200.0	1.4	1.3	7.7
Net income	21.9	26.0	(15.8)	37.3	60.1	(37.9)
Net Income - adjusted <sup>(3)</sup>	20.5	13.0	57.7	45.1	34.5	30.7
Earnings per share <sup>(4)</sup>	0.21	0.25	(16.0)	0.36	0.58	(37.9)
Earnings per share - adjusted <sup>(3)</sup>	0.19	0.12	58.3	0.43	0.33	30.3
Net cash from operating activities	26.5	44.0	(39.8)	84.2	83.8	0.5
Net cash from operating activities per share <sup>(4)</sup>	0.25	0.42	(40.5)	0.81	0.81	-
Cash dividends declared per Common Share	0.15	0.09	66.7	0.45	0.27	66.7

Notes:

- (1) Operating income before depreciation and amortization ("OIBDA") is defined as net income before depreciation of property, plant and equipment, amortization of intangible assets, finance costs, net foreign exchange gains and losses, other (income) expense and income taxes.
- (2) Operating income before depreciation and amortization - adjusted ("OIBDA - adjusted") is defined as OIBDA adjusted for the gains and losses recognized on U.S. dollar cash held within the Corporate office.
- (3) Net income - adjusted and earnings per share - adjusted are calculated by adjusting net income and basic earnings per share by the amount of any net foreign exchange gains and losses, the change in fair value of investments, the gain on contingent consideration and the gain on fair value of equity investment.
- (4) Earnings per share and net cash from operating activities per share are calculated based on the weighted average number of Common Shares outstanding for the period.

*Non-GAAP Terms - Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its liquidity. In addition, these measures are used by management in its evaluation of performance. These financial performance measures ("Non-GAAP Terms") are not recognized financial terms under Canadian generally accepted accounting principles ("Canadian GAAP"). For publicly accountable enterprises, such as Mullen Group, Canadian GAAP is governed by principles based on IFRS and interpretations of IFRIC. Management believes these Non-GAAP Terms are useful supplemental measures. These Non-GAAP Terms do not have standardized meanings and may not be comparable to similar measures presented by other entities. Specifically, operating margin, OIBDA - adjusted, operating margin - adjusted, net income - adjusted and earnings per share - adjusted are not recognized terms under IFRS and do not have standardized meanings prescribed by IFRS. Management believes these measures are useful supplemental measures. Investors should be cautioned that these indicators should not replace net income and earnings per share as an indicator of performance.*

This news release may contain forward-looking statements that are subject to risk factors associated with the oil and natural gas business and the overall economy. Mullen Group believes that the expectations reflected in this news release are reasonable, but results may be affected by a variety of variables. The forward-looking information 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 information, 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. Additional information regarding the forward-looking statements is found on pages 1, 57 and 58 of Mullen Group's Management's Discussion and Analysis.

*Mullen Group is a company that owns a network of independently operated businesses. The Corporation is recognized as one of the leading suppliers of trucking and logistics services in Canada and provides a wide range of specialized transportation and related services to the oil and natural gas industry in western Canada - two sectors of the economy in which Mullen Group has strong business relationships and industry leadership. 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](http://www.mullen-group.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).*

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