Mullen Group

NEWS RELEASE

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Mullen Group Ltd.
Reports 2018 Financial Results and Announces 2019 Business Plan

(Okotoks, Alberta February 6, 2019) (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 quarter and year ended December 31, 2018, with comparisons to the same period last year. Full details of our results may be found within our 2018 Annual Financial Review, which is available on SEDAR at www.sedar.com or on our website at www.mullen-group.com.

Mr. Murray K. Mullen, Chairman and Chief Executive Officer commented, "I am pleased to report that our fourth quarter results from an operating perspective were up year over year despite some significant challenges associated with the market meltdown in late 2018. We definitely saw the freight demand slow in the quarter as business adjusted to credit tightening. The major impact, however, was felt by our Oilfield Services segment, particularly those Business Units tied to drilling activity. The swift declines in crude oil pricing along with a "blow-out" in the price for Canadian crude oil virtually brought drilling activity to a halt in the fourth quarter as producers adjusted spending plans to align with cash flow. Overall, however, our financial results from operations were up year over year with consolidated revenue up by 12.6 percent and operating profitability by 12.4 percent, due to acquisitions and the strong performance of a few Business Units.

"The most troubling aspect of the fourth quarter market meltdown is the impact that events like this can have on the investment cycle. The oil and natural gas industry is a case in point. The industry, especially here in Canada, has been dealing with a multitude of issues that has restricted the ability of most producers to raise new capital. As such when commodity prices collapse, as they did in the fourth quarter, cash flows are negatively impacted forcing producers to reduce spending and investment decisions. The response this time was fast and will be devastating on the service industry in Canada. It is for this reason that we concluded that several of our Business Units in the Oilfield Services segment would be negatively impacted in 2019, resulting in an impairment of $100.0 million to goodwill, a non-cash event, negatively affecting earnings for the fourth quarter and full year. Decisions like this are never easy, however, it does reiterate that the prospects for the oilfield service industry in Canada are troubling at best. And unfortunately it is not just shareholders that will be impacted. A lot of really dedicated and hardworking people and their families are victims of the slowdown in Canada's oil and natural gas industry."

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

HIGHLIGHTS

(unaudited) *($ millions)*	Three month periods ended December 31		
	2018	**2017**	**Change**
	$	$	%
Revenue			
Trucking/Logistics	**219.7**	206.6	6.3
Oilfield Services	**114.1**	89.4	27.6
Corporate and intersegment eliminations	**(0.5)**	0.1	-
Total Revenue	**333.3**	**296.1**	**12.6**
Operating income before depreciation and amortization [(1)]			
Trucking/Logistics	**33.2**	31.2	6.4
Oilfield Services	**20.8**	15.4	35.1
Corporate	**(2.3)**	(0.6)	-
Total Operating income before depreciation and amortization [(1)]	**51.7**	**46.0**	**12.4**

[(1)] 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 December 31, 2018, are as follows:

→ generated consolidated revenue of $333.3 million, an increase of $37.2 million, or 12.6 percent, as compared to $296.1 million in 2017 due to:

- record fourth quarter revenue in the Trucking/Logistics ("**T/L**") segment, a $13.1 million increase to $219.7 million
- an increase of $24.7 million or 27.6 percent in the Oilfield Services ("**OFS**") segment

→ earned consolidated operating income before depreciation and amortization ("**OIBDA**") of $51.7 million, an increase of $5.7 million as compared to $46.0 million in 2017 due to:

- record fourth quarter OIBDA of $33.2 million in the T/L segment
- an increase of $5.4 million or 35.1 percent in the OFS segment
- a $1.7 million increase in Corporate costs mainly due to higher salaries

→ *adjusting for the impact of foreign exchange at Corporate Office, operating income before depreciation and amortization ("**OIBDA - adjusted**") was $51.5 million, or 15.5 percent of revenue, as compared to $45.9 million, or 15.5 percent of revenue, in 2017. These results more accurately reflect our operating performance.*

<u>Fourth Quarter Financial Results</u>

Revenue increased by $37.2 million, or 12.6 percent, to $333.3 million and is summarized as follows:

- T/L segment grew by $13.1 million, or 6.3 percent, to $219.7 million - a record compared to any previous fourth quarter period. Incremental revenue from acquisitions was $7.9 million while fuel surcharge revenue rose by $5.2 million. Growth resulted from a combination of rate increases achieved earlier in the year and from increased demand in western Canada for both less-than-truckload ("**LTL**") and truckload services.
- OFS segment increased by $24.7 million, or 27.6 percent - growth resulted from $21.3 million of incremental revenue from acquisitions and from greater demand for large diameter pipeline hauling and stringing and dewatering services. These increase were partially offset by a decline in drilling activity which resulted in revenue declines by those Business Units providing drilling related services.

OIBDA increased by $5.7 million, or 12.4 percent, to $51.7 million and is summarized as follows:

- T/L segment grew by $2.0 million, or 6.4 percent, to $33.2 million - a record compared to any previous fourth quarter period. Our LTL Business Units accounted for $1.8 million of this increase while acquisitions accounted for $0.9 million of incremental growth. As a percentage of revenue, operating margin remained consistent at 15.1 percent due to rate increases secured earlier in the year that more than offset the rise in inflationary costs and lower margin generated by acquisitions.
- OFS segment up by $5.4 million to $20.8 million - production services Business Units improved by $4.3 million led by the acquisition of the business and assets of AECOM's Canadian Industrial Services Division ("**AECOM ISD**") while specialized services increased by $4.2 million mainly due to greater demand for large diameter pipeline hauling and stringing and dewatering services. These increases were partially offset by those Business Units tied to drilling related activity. Operating margin increased to 18.2 percent from 17.2 percent in 2017 and was mainly due to the synergies achieved from the integration efforts on the AECOM ISD acquisition and from a greater proportion of higher margin business. These improvements were somewhat offset by inflationary pressures resulting in higher direct operating expenses including wages and fuel.

Net income decreased by $86.5 million to $(81.1) million, or $(0.77) per Common Share due to:

- A $100.0 million impairment of goodwill recorded by certain Business Units within the OFS segment due to the significant deterioration of industry conditions in the fourth quarter of 2018, a $2.3 million negative variance in the fair value of investments and a $1.1 million increase in amortization of intangible assets.
- The above was partially offset by a $5.9 million decrease in depreciation of property, plant and equipment, a $5.7 million increase in OIBDA and a $4.1 million decrease in income tax expense.

Net income - adjusted increased by 119.5 percent to $16.9 million, or $0.16 per Common Share.

A summary of our results for the quarter and year ended December 31, 2018, are as follows:

SUMMARY

(unaudited) *($ millions, except per share amounts)*	Three month periods ended December 31			Twelve month periods ended December 31		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
	$	$	%	$	$	%
Revenue	**333.3**	296.1	12.6	**1,260.8**	1,138.5	10.7
Operating income before depreciation and amortization(1)	**51.7**	46.0	12.4	**189.0**	172.2	9.8
Operating income before depreciation and amortization - adjusted(2)	**51.5**	45.9	12.2	**188.7**	180.1	4.8
Net foreign exchange loss (gain)	**2.2**	1.3	69.2	**8.5**	(21.7)	(139.2)
Decrease (increase) in fair value of investments	**1.7**	(0.6)	(383.3)	**3.1**	0.7	342.9
Impairment of goodwill	**100.0**	-	100.0	**100.0**	-	100.0
Net income (loss)	**(81.1)**	5.4	(1,601.9)	**(43.8)**	65.5	(166.9)
Net Income - adjusted(3)	**16.9**	7.7	119.5	**62.0**	42.2	46.9
Earnings (loss) per share(4)	**(0.77)**	0.05	(1,640.0)	**(0.42)**	0.63	(166.7)
Earnings per share - adjusted(3)	**0.16**	0.08	100.0	**0.59**	0.41	43.9
Net cash from operating activities	**56.5**	58.3	(3.1)	**140.7**	142.1	(1.0)
Net cash from operating activities per share(4)	**0.54**	0.56	(3.6)	**1.35**	1.37	(1.5)
Cash dividends declared per Common Share	**0.15**	0.09	66.7	**0.60**	0.36	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, impairment of goodwill, 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 net income before depreciation of property, plant and equipment, amortization of intangible assets, impairment of goodwill, finance costs, net foreign exchange gains and losses, other (income) expense, income taxes and foreign exchange gains and losses recognized 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 impairment of goodwill, 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.*

Year End Financial Results

Revenue increased by $122.3 million, or 10.7 percent, to $1,260.8 million and is summarized as follows:

- T/L segment grew by $111.9 million, or 14.7 percent, to $873.3 million - a record compared to any previous year. Incremental revenue from acquisitions was $43.6 million while fuel surcharge revenue rose by $23.5 million. Growth resulted from increased demand for freight services in western Canada for both LTL and truckload services and from rate increases achieved earlier in the year due to tightness in the supply chain.
- OFS segment increased by $11.5 million, or 3.0 percent - incremental revenue from acquisitions was $43.9 million which was partially offset by $20.2 million of lower revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as a result of new competition in the handling of storage of oilfield pipe. Revenue decreased by $7.2 million from pipeline hauling and stringing services and there was also lower demand for specialized heavy haul transportation services and from a reduction in demand for pumps and water management services.

OIBDA increased by $16.8 million, or 9.8 percent, to $189.0 million and is summarized as follows:

- T/L segment grew by $18.7 million, or 17.0 percent, to $128.4 million - a record compared to any previous year. Our LTL Business Units accounted for $7.4 million of this increase while acquisitions accounted for $4.4 million of incremental growth. As a percentage of revenue, operating margin increased slightly by 0.3 percent to 14.7 percent due to the effect of rate increases and tightening industry capacity which was somewhat offset by lower margins generated by our recent asset light acquisitions.
- OFS segment down by $7.4 million to $66.8 million - drilling related services Business Units declined by $11.1 million due to reduced activity levels while our specialized services Business Units decreased by $2.7 million mainly due to lower demand for large diameter pipeline hauling and stringing services. These decreases were partially offset by the incremental OIBDA generated by our recent acquisitions. Operating margin decreased to 17.1 percent from 19.6 percent in 2017 due to higher direct operating expenses related to wages, fuel, contractors, and repairs and maintenance. Selling and administrative expenses increased slightly as a percentage of segment revenue.

Net income decreased by $109.3 million to $(43.8) million, or $(0.42) per Common Share due to:

- A $100.0 million impairment of goodwill recorded by certain Business Units within the OFS segment due to the significant deterioration of industry conditions in the fourth quarter of 2018, a $30.2 million negative variance in net foreign exchange, a $4.2 million increase in amortization of intangible assets and a $2.4 million negative variance in the fair value of investments.
- The above was partially offset by a $16.8 million increase in OIBDA, a $7.5 million decrease in finance costs and a $3.3 million decrease in depreciation of property, plant and equipment.

Net income - adjusted increased by 46.9 percent to $62.0 million, or $0.59 per Common Share.

Financial Position

The following summarizes our financial position as at December 31, 2018, along with some of the key changes that occurred during the fourth quarter of 2018:

- Increased the borrowing capacity on our Bank Credit Facility by $50.0 million to $125.0 million.
- Exited the fourth quarter with working capital of $131.7 million, which included $30.0 million of borrowings on our Bank Credit Facility.
- Total net debt ($474.1 million) to operating cash flow ($192.8 million) of 2.46:1 as defined per our Private Placement Debt agreement.
- Total net debt increased by $7.7 million to $474.1 million (September 30, 2018 - $466.4 million) mainly due to the $16.0 million foreign exchange loss on our U.S. $229.0 million debt.
- The value of our cross-currency swaps increased by $13.8 million to $42.2 million (September 30, 2018 - $28.4 million), which swaps the principal portion of our U.S. $229.0 million debt to a Canadian currency equivalent of $254.1 million.

Business Plan and Dividend for 2019

"We are taking a reasonably constructive view in our outlook and business plan for 2019. We have a well-structured balance sheet, a diversified portfolio of Business Units distributed across Canada and we are seeing competitors, especially in western Canada, forced out of business. The general economy, while not robust, is expected to show modest gains. Unfortunately, the oil and natural gas sector of the economy, especially drilling activity in western Canada, will underperform for at least the first half of the year. It is for these reasons that on balance we believe 2019 will be a good year for the Mullen Group. And because of our business model we have the good fortune of being able to wait for a rebound in drilling activity along with gaining market share as our competition struggles," added Mr. Mullen.

Our 2019 Plan

We will:

1. Continue to invest in the strength of our business: people, Business Units and technology. The capital budget is set at $75.0 million, exclusive of acquisitions.
2. Continue to return free cash to shareholders, maintaining our annual dividend at $0.60 per share.

We have established the following financial goals:

1. Generate consolidated revenue of $1.3 billion.
2. Achieve operating earnings of $200.0 million[1], with volatility based on how the oil and natural gas sector ultimately performs.

To support these goals, we will focus on the following initiatives:

1. Integrate and streamline recent acquisitions.
2. Increase efficiencies, reduce costs and increase margin through technology and streamlining of business processes.
3. Invest in technology, like Moveitonline®, that can change the way we do business.
4. Pursue acquisitions that can make a difference to our business.

This news release may contain forward-looking information that is subject to risk factors associated with the oil and natural gas business and the overall economy. This information relates to future events and Mullen Group's future performance. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, 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 information. Such information represents Mullen Group's internal projections, estimates, expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This information involves 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 information. Mullen Group believes that the expectations reflected in this forward-looking information are reasonable; however, undue reliance should not be placed on this forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. 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 SEDAR at www.sedar.com. The risks and other factors are described under "Principal Risks and Uncertainties" in Mullen Group's Annual Information Form and Management's Discussion and Analysis. The forward-looking information contained in this news release is expressly qualified by this cautionary statement. 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.

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 or on SEDAR at www.sedar.com.*

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[1] Based on 2018 IFRS, prior to the adoption of IFRS 16.