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Mullen Group Ltd. Reports Second Quarter Financial Results (Record Trucking/Logistics Segment Results) and 2018 Capital Budget Increase

(Okotoks, Alberta July 25, 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 June 30, 2018, with comparisons to the same period last year. Full details of our results may be found within our Second Quarter Interim Report, 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, "This was an active quarter for our organization. We completed three acquisitions of companies based in western Canada where we view business prospects are poised to improve and a recovery in the oil and natural gas sector to be close after three very challenging years. We also continued to invest in our Trucking/Logistics segment giving our 15 Business Units in this segment the best opportunity to continue capitalizing in the tightening supply chain. We used our excess cash on the balance sheet to pay the \$70.0 million Series D Notes that matured on June 30, 2018, reducing our overall debt position. And now with no significant debt repayments required until 2024, we are very well positioned to consider a variety of options that can bring future value to our shareholders.

"All in all I was most pleased with the performance of our Trucking/Logistics segment and this despite a Canadian economy that is barely growing. Clearly our Oilfield Services segment results were once again disappointing, however, I am of the belief this will improve with the acquisitions we have completed along with our expectation that the oil and natural gas industry is poised to increase capital spending and drilling activity in western Canada once again. It was precisely for these reasons that we are increasing our capital budget to \$60.0 million, an increase of \$20.0 million for the balance of 2018. We want to ensure our Business Units are prepared for a recovery. We will, however, have to remain vigilant because we are starting to see costs escalate with low unemployment, the low Canadian dollar and tariffs, factors that definitely drive higher costs."

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

HIGHLIGHTS			
(unaudited) (\$ millions)	Three month periods ended June 30		
	2018	2017	Change
	\$	\$	%
Revenue			
Trucking/Logistics	219.4	183.2	19.8
Oilfield Services	76.7	90.8	(15.5)
Corporate and intersegment eliminations	(0.4)	(0.4)	-
Total Revenue	295.7	273.6	8.1
Operating income before depreciation and amortization ⁽¹⁾			
Trucking/Logistics	33.4	26.4	26.5
Oilfield Services	11.9	17.4	(31.6)
Corporate	(1.0)	(4.0)	-
Total Operating income before depreciation and amortization ⁽¹⁾	44.3	39.8	11.3
Operating income before depreciation and amortization - adjusted ⁽¹⁾	44.1	42.3	4.3

⁽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 June 30, 2018 are as follows:

→ generated consolidated revenue of \$295.7 million, an increase of \$22.1 million, or 8.1 percent, as compared to \$273.6 million in 2017 due to:

- record revenue in the Trucking/Logistics ("T/L") segment, a \$36.2 million increase to \$219.4 million
- a \$14.1 million decline in the Oilfield Services ("OFS") segment

→ earned consolidated operating income before depreciation and amortization ("OIBDA") of \$44.3 million, an increase of \$4.5 million as compared to \$39.8 million in 2017 due to:

- record second quarter OIBDA of \$33.4 million in the T/L segment
- a \$5.5 million decrease in the OFS segment
- a \$3.0 million decrease in Corporate costs due to a \$2.7 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 \$44.1 million, or 14.9 percent of revenue, as compared to \$42.3 million, or 15.5 percent of revenue, in 2017. These results more accurately reflect our operating performance.*

Second Quarter Financial Results

Revenue increased by \$22.1 million, or 8.1 percent, to \$295.7 million and is summarized as follows:

- T/L segment grew by \$36.2 million, or 19.8 percent, to \$219.4 million - a record compared to any previous quarterly period. Incremental revenue from acquisitions was \$13.3 million while fuel surcharge revenue rose by \$6.5 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 declined by \$14.1 million, or 15.5 percent - a decline of \$6.6 million in our specialized services Business Units, most notably from the delay of various pipeline stringing projects 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. Revenue generated by those Business Units involved in the transportation of fluids and servicing of wells also declined due to reduced demand and intense competition.

OIBDA increased by \$4.5 million, or 11.3 percent, to \$44.3 million and is summarized as follows:

- T/L segment grew by \$7.0 million, or 26.5 percent, to \$33.4 million - a record compared to any previous second quarter. Our LTL Business Units accounted for \$3.8 million of this increase while acquisitions accounted for \$1.5 million of incremental growth. As a percentage of revenue, operating margin increased by 0.8 percent to 15.2 percent due to higher margins resulting from rate increases as tightening industry capacity more than offset the rise in inflationary costs and the lower margins generated by our recent acquisitions.
- OFS segment down by \$5.5 million to \$11.9 million - specialized services Business Units declined by \$2.4 million while those Business Units tied to drilling related activity including pipe handling and storage declined by \$2.1 million. Operating margin decreased to 15.5 percent from 19.2 percent in 2017 due to higher direct operating expenses related to fuel, contractors, and repairs and maintenance; and higher selling and administrative expenses as a percentage of segment revenue due to the fixed nature of these expenses.

Net income decreased by \$5.7 million to \$13.9 million, or \$0.13 per Common Share due to:

- An \$11.3 million negative variance in net foreign exchange, a \$2.5 million increase in income tax expense and a \$1.4 million increase in depreciation and amortization expense.
- The above was partially offset by a \$4.5 million increase in OIBDA, a \$2.3 million decrease in finance costs, a \$1.3 million increase in the gain on sale of property, plant and equipment, a \$0.8 million increase in earnings from equity investments and a \$0.6 million positive variance in the fair value of investments.

Net income - adjusted increased by 54.5 percent to \$15.5, or \$0.15 per Common Share.

Financial Position

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

- Repaid \$70.0 million of Series D Notes, which matured on June 30, 2018, thereby reducing our annualized interest expense by \$4.0 million.
- Exited the second quarter with working capital of \$161.8 million, which included \$22.7 million of cash and cash equivalents after repaying the Series D Notes.
- Total net debt (\$444.3 million) to operating cash flow (\$177.2 million) of 2.51:1 as defined per our Private Placement Debt agreement.
- Our financial covenant calculation of 2.51:1 remained relatively consistent as compared to the 2.54:1 as at March 31, 2018. The Covenant Relief Period expired after the first quarter of 2018 whereby our cash in excess of \$50.0 million is no longer used in our calculation of total net debt for covenant purposes.
- Total debt decreased by \$74.2 million to \$473.3 million (March 31, 2018 - \$547.5 million) mainly due to the \$70.0 million repayment of the Series D Notes and \$10.4 million of Debenture conversions being somewhat offset by a \$6.3 million foreign exchange loss on our U.S. \$229.0 million debt.
- The value of our cross-currency swaps increased by \$4.3 million to \$31.8 million (March 31, 2018 - \$27.5 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 \$933.7 million, which includes \$465.9 million of real property (carrying cost of \$530.5 million).

2018 Capital Budget

The Board has approved a capital budget increase of \$20.0 million, increasing from \$40.0 million to \$60.0 million. This increase in the capital budget is a direct result of recent positive announcements regarding the oil and natural gas sector along with some accretive investment opportunities within the OFS segment. We also continue to experience strong customer demand within our T/L segment as evidenced by our recent financial performance. In order to meet future customer demand it is important for us to secure allocations for new trucks and trailers as delivery of such equipment continues to approach historical lead times. The Board will continue to monitor both of the sectors of the economy we serve and will adjust the capital budget as new opportunities arise.

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

SUMMARY						
(unaudited) (\$ millions, except per share amounts)	Three month periods ended June 30			Six month periods ended June 30		
	2018	2017	Change	2018	2017	Change
	\$	\$	%	\$	\$	%
Revenue	295.7	273.6	8.1	587.8	558.5	5.2
Operating income before depreciation and amortization ⁽¹⁾	44.3	39.8	11.3	82.2	81.5	0.9
Operating income before depreciation and amortization - adjusted ⁽²⁾	44.1	42.3	4.3	81.9	85.0	(3.6)
Net foreign exchange loss (gain)	1.9	(9.4)	(120.2)	8.1	(11.7)	(169.2)
Decrease (increase) in fair value of investments	(0.4)	0.2	(300.0)	1.1	1.2	(8.3)
Net income	13.9	19.6	(29.1)	15.4	34.1	(54.8)
Net Income - adjusted ⁽³⁾	15.3	9.9	54.5	24.6	21.5	14.4
Earnings per share ⁽⁴⁾	0.13	0.19	(31.6)	0.15	0.33	(54.5)
Earnings per share - adjusted ⁽³⁾	0.15	0.10	50.0	0.24	0.21	14.3
Net cash from operating activities	35.9	35.5	1.1	57.7	39.8	45.0
Net cash from operating activities per share ⁽⁴⁾	0.35	0.34	2.9	0.56	0.38	47.4
Cash dividends declared per Common Share	0.15	0.09	66.7	0.30	0.18	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 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, 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 - 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, 54, 55 and 56 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 or on SEDAR at www.sedar.com.

For further information, please contact:

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