



**Mullen Group**  
Ltd.

# INTERIM REPORT QUARTER ONE



**FOR THE PERIOD ENDED  
March 31, 2021**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A"), dated April 21, 2021, has been prepared by management of Mullen Group Ltd. ("Mullen Group" and/or the "Corporation") for the three month period ended March 31, 2021, and should be read in conjunction with (i) the audited annual consolidated financial statements for the fiscal year ended December 31, 2020 (the "Annual Financial Statements"), together with the Management's Discussion and Analysis thereon (the "2020 MD&A"), and (ii) the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2021 (the "Interim Financial Statements"). Unless otherwise specified, information in this MD&A is provided as at such date and any reference to "Mullen Group", "we", "us", "our" or the "Corporation" means Mullen Group Ltd., a corporation incorporated under the laws of the province of Alberta and includes its predecessors where context so requires. The Annual Financial Statements and other additional information are available on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.mullen-group.com](http://www.mullen-group.com). These documents are also available upon request, free of charge, from the Corporate Investor Services group at [ir@mullen-group.com](mailto:ir@mullen-group.com). This MD&A and the Interim Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "Board") on April 21, 2021.

## ACCOUNTING STANDARDS

The Interim Financial Statements have been prepared in accordance to and comply with International Financial Reporting Standards ("IFRS"), which include the International Accounting Standards ("IAS") and the interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC"), as issued by the International Accounting Standards Board ("IASB"). The Interim Financial Statements comply with IAS 34 Interim Financial Reporting and do not include all of the information required for annual financial statements. Unless otherwise indicated, all amounts contained in this MD&A are in Canadian funds, which is the functional currency of the Corporation.

### ADVISORY:

**Forward-looking statements** - This MD&A reflects management's expectations regarding Mullen Group's future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. Wherever possible, words such as "anticipate", "may", "will", "believe", "expect", "potential", "continue", "view", "objective", "should", "plan", "intend", "ongoing", "estimate", "project" or similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant inherent risks and uncertainties, numerous assumptions and the risk that the predictions and forward-looking statements will not be achieved and that the actual results or events may differ materially from those anticipated in such forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable beliefs and assumptions, Mullen Group cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks and uncertainties include, but are not limited to certain strategic, financial and operational risks, most important of which are geopolitical risks including but not limited to a slowdown in the general economy, reduced oil and natural gas drilling and decreased oil sands and heavy oil activity; e-commerce and supply chain evolution; acquisitions; competition; foreign exchange rates; change in the return on fair value of investments; access to financing; reliance on major customers; customer relationships; impairment of goodwill or intangible assets; credit risk; prevailing interest rates; employees & labour relations; labour disruption and driver retention; cost escalation & fuel costs; accidents; cost of liability insurance; digital infrastructure & cyber security; business continuity, disaster recovery & crisis management; environmental liability risks; weather & seasonality; access to parts, development of new technology & relationships with key suppliers; regulatory framework governing matters such as tax and the environment in the jurisdictions in which the Corporation conducts and will conduct its business; and litigation. Given these risks and uncertainties, readers should not place undue reliance on the forward-looking statements contained in this MD&A. Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors and 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 64 of the 2020 MD&A as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com). The forward-looking statements contained in this MD&A are made as of the date hereof and Mullen Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. Mullen Group relies on litigation protection for "forward-looking" statements. Additional information regarding the forward-looking statements contained in this MD&A and the material assumptions made in preparing such statements may be found under the heading "Forward-Looking Information Statements" beginning on page 40 of this MD&A.

**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<sup>1</sup>, net income – adjusted<sup>1</sup>, earnings per share – adjusted<sup>1</sup>, net capital expenditures<sup>1</sup>, net debt<sup>1</sup>, total net debt<sup>1</sup> and cash flow per share<sup>1</sup> are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. For the reader's reference, the definition, calculation and reconciliation of Non-GAAP Terms are provided in the "Glossary of Terms and Reconciliation of Non-GAAP Terms" section of this MD&A. The Non-GAAP Terms should not be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP. Investors are cautioned that these indicators should not replace the forgoing Canadian GAAP terms: net income, earnings per share, purchases of property, plant and equipment, proceeds on sale of property, plant and equipment and debt.

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

## HIGHLIGHTS FOR THE QUARTER

### PERFORMANCE:

Three month periods ended March 31

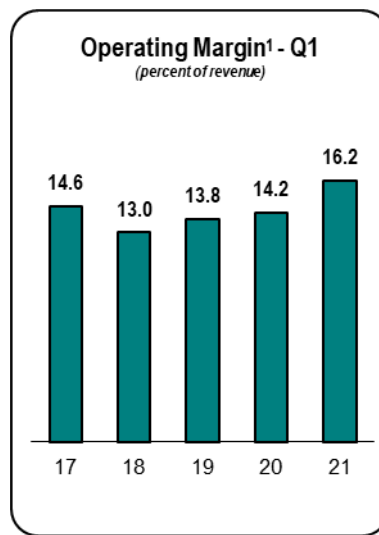
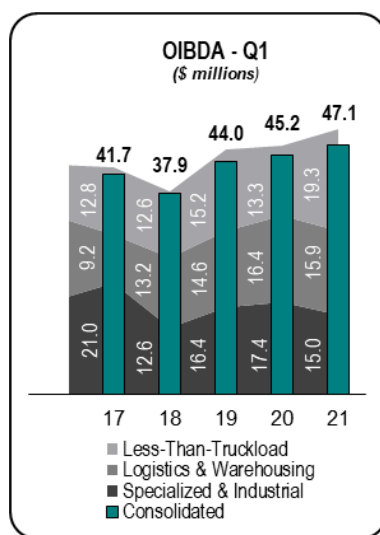
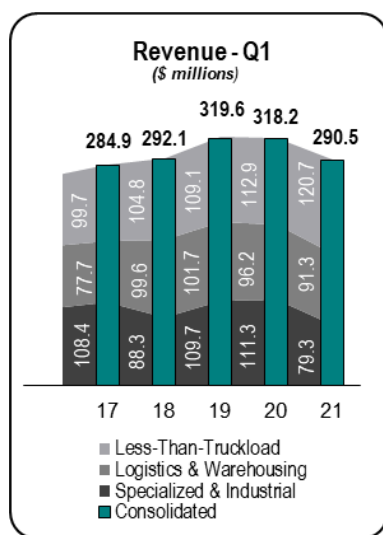
(unaudited)

(\$ millions, except share price and per share amounts)

	2021	2020	% Change
<b>Financial Results</b>			
Revenue	\$ 290.5	\$ 318.2	(8.7)
Operating income before depreciation and amortization <sup>(1)</sup>	47.1	45.2	4.2
Net foreign exchange (gain) loss	(0.1)	2.8	(103.6)
Decrease (increase) in fair value of investments	(0.4)	1.5	(126.7)
Net income	13.0	4.7	176.6
Net income – adjusted <sup>(2)</sup>	11.8	9.5	24.2
Net cash from operating activities	39.0	40.2	(3.0)
Cash dividends declared	11.6	15.7	(26.1)
<b>Financial Position</b>			
Cash and cash equivalents	\$ 117.7	\$ 84.7	39.0
Private Placement Debt	458.2	495.0	(7.4)
Private Placement Debt covenant (threshold 3.50:1)	2.08:1	2.29:1	(9.2)
Total assets	1,709.6	1,767.9	(3.3)
<b>Share Information</b>			
Cash dividends declared per Common Share	\$ 0.12	\$ 0.15	(20.0)
Earnings per share – basic and diluted	\$ 0.13	\$ 0.04	225.0
Earnings per share – adjusted <sup>(2)</sup>	\$ 0.12	\$ 0.09	33.3
Net cash from operating activities per share	\$ 0.40	\$ 0.38	5.3
Share price – March 31	\$ 12.18	\$ 4.10	197.1
<b>Other Information</b>			
Net capital expenditures <sup>(2)</sup>	\$ 9.9	\$ 14.9	(33.6)

<sup>(1)</sup> Management relies on operating income before depreciation and amortization ("**OIBDA**") as a measurement since it provides an indication of our ability to generate cash from our principal business activities prior to depreciation and amortization, financing or taxation in various jurisdictions.

<sup>(2)</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

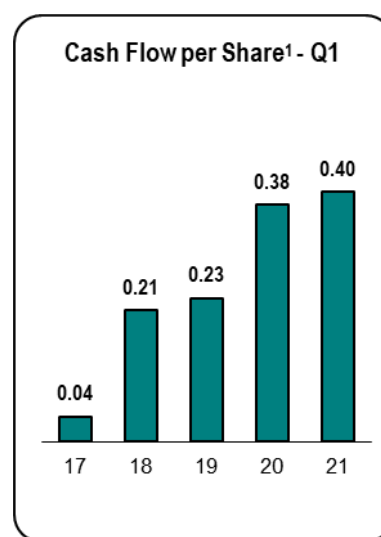
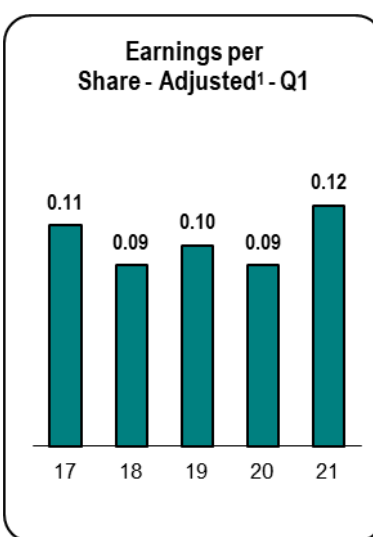
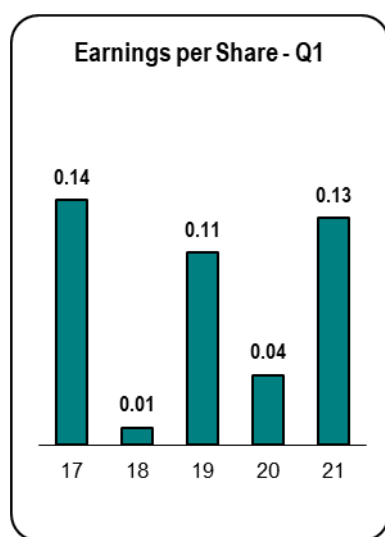


## POSITION (as at March 31, 2021):

- Well-structured balance sheet
  - Working capital: \$247.1 million (includes \$117.7 million of cash and cash equivalents)
  - Unused Bank Credit Facility of \$150.0 million
  - Net debt<sup>1</sup> of \$344.3 million, which represents a debt to OIBDA ratio of 1.57:1
  - Private Placement Debt of \$458.2 million (operating cash flow covenant at 2.08:1) with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum)
- Net book value of property, plant and equipment of \$932.7 million, which includes \$592.2 million of carrying costs of owned land and buildings
- Book value of Derivative Financial Instruments of \$34.4 million, which swaps \$229.0 million of U.S. dollar debt at an average foreign exchange rate of \$1.1096

## FIRST QUARTER PROGRESS:

- Revenue decreased by 8.7 percent on a year over year basis:
  - Less-Than-Truckload increased by 6.9 percent to \$120.7 million
  - Logistics & Warehousing decreased by 5.1 percent to \$91.3 million
  - Specialized & Industrial Services decreased by 28.8 percent to \$79.3 million
- OIBDA increased by 4.2 percent from the prior year:
  - Less-Than-Truckload increased by 45.1 percent to \$19.3 million
  - Logistics & Warehousing decreased by 3.0 percent to \$15.9 million
  - Specialized & Industrial Services decreased by 13.8 percent to \$15.0 million
- Announced our intention to acquire Mississauga, Ontario based APPS Transport Group Inc.
- Repurchased 304,028 Common Shares in 2021 at an average price of \$12.21 per share under the NCIB
- Recognized \$6.0 million of the Canada Emergency Wage Subsidy in 2021



<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



## EXECUTIVE SUMMARY

The quarter was dominated by two main themes. Unfortunately, the COVID-19 pandemic ("**COVID-19**") continued to capture the headlines remaining the major impediment to a return to economic growth in Canada. Government mandated business closures, disruptions to the supply chain, as well as multiple examples of manufacturing capacities being curtailed had a negative impact on freight demand, and our revenues, particularly during the first two months of the year. The frustrating part is that other countries that were more aggressive in addressing how the virus spread and secured vaccines well in advance of Canadian authorities, have seen a sharp rebound in economic activity. Until this situation is rectified, it is difficult to see any recovery in the Canadian economy.

The second, and more positive point, relates to acquisitions. Since the start of 2021 we have announced two significant transactions, one which closed in April and the other we expect to close in the second quarter. Both companies, Bandstra Transportation Group, based in British Columbia, and APPS Transport Group, based in Ontario, are brand names easily recognizable in the Canadian transportation industry. These are precisely the type of companies we have waited to come to market, reinforcing our patient approach to acquisitions. Not only will we have two new platforms that will accelerate our growth in the near term, these companies when combined with our existing network provide our organization with an excellent opportunity to capture market share growth and enhance our bottom line.

We are both excited and positive about the future of our company for a couple of reasons. It is only a matter of time before a sharp recovery in the Canadian economy takes place because the necessary conditions, including significant capital resources and consumer pent up demand, are waiting for COVID-19 to be brought under control. And, of course, the opportunities the new acquisitions bring to our company. In addition, we are of the view that the logistics and freight industry are ripe for further consolidation which we will be well positioned to capture, particularly "tuck-in" purchases.

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 March 31, 2021, are as follows:

- generated consolidated revenue of \$290.5 million, a decrease of \$27.7 million, or 8.7 percent, as compared to \$318.2 million in 2020 due to the negative impact of COVID-19 resulting in:
  - an increase of \$7.8 million to \$120.7 million in the Less-Than-Truckload segment
  - a decrease of \$4.9 million to \$91.3 million in the Logistics & Warehousing segment
  - a decrease of \$32.0 million to \$79.3 million in the Specialized & Industrial Services segment
- earned consolidated OIBDA of \$47.1 million, an increase of \$1.9 million as compared to \$45.2 million in 2020 due to cost control initiatives and \$6.0 million received from the Canada Emergency Wage Subsidy ("**CEWS**") resulting in:
  - an increase of \$6.0 million to \$19.3 million in the Less-Than-Truckload segment
  - a decrease of \$0.5 million to \$15.9 million in the Logistics & Warehousing segment
  - a decrease of \$2.4 million to \$15.0 million in the Specialized & Industrial Services segment

### **First Quarter Financial Results**

**Revenue decreased by \$27.7 million, or 8.7 percent, to \$290.5 million and is summarized as follows:**

- Less-Than-Truckload segment up \$7.8 million, or 6.9 percent, to \$120.7 million – revenue improved by \$7.8 million due to the \$5.9 million of incremental revenue generated from the acquisition of Pacific Coast Express Limited ("**PCX**") and the steady nature of consumer demand being partially offset by COVID-19 and \$0.2 million of lower fuel surcharge revenue.
- Logistics & Warehousing segment down \$4.9 million, or 5.1 percent, to \$91.3 million – revenue declined by \$4.9 million due to COVID-19 and government restrictions which led to plant closures and supply chain disruptions resulting in lower freight volumes and spot prices along with \$1.7 million of lower fuel surcharge revenue.





- Specialized & Industrial Services segment down \$32.0 million, or 28.8 percent, to \$79.3 million – revenue declined by \$32.0 million due to lower demand for specialized services including large diameter pipeline hauling and stringing services as well as fluid hauling and drilling related services resulting from a decline in the rig count in the Western Canadian Sedimentary Basin ("**WCSB**"). Revenue also declined due to lower demand for civil construction services in northern Manitoba at Smook Contractors Ltd. ("**Smook**")

**OIBDA increased by \$1.9 million, or 4.2 percent, to \$47.1 million and is summarized as follows:**

- Less-Than-Truckload segment up \$6.0 million, or 45.1 percent, to \$19.3 million – OIBDA improved due to cost control initiatives, \$1.1 million of incremental OIBDA generated by PCX, and CEWS. Operating margin<sup>1</sup> increased to 16.0 percent (CEWS adjusted – 15.2 percent) from 11.8 percent in 2020 due to cost control initiatives.
- Logistics & Warehousing segment down \$0.5 million, or 3.0 percent, to \$15.9 million – OIBDA declined due to a \$1.3 million negative variance in foreign exchange resulting from the strengthening of the Canadian dollar relative to the U.S. dollar and a higher cost of subcontractors in certain markets being partially offset by cost control initiatives and CEWS. Operating margin<sup>1</sup> improved to 17.4 percent (CEWS and foreign exchange adjusted – 16.2 percent) from 17.0 percent (CEWS and foreign exchange adjusted – 15.8 percent) in 2020 due to the continued focus on cost controls.
- Specialized & Industrial Services segment down \$2.4 million, or 13.8 percent, to \$15.0 million – OIBDA declined due to lower OIBDA from those Business Units providing specialized services including pipeline stockpiling and stringing services and from those involved in the transportation of fluids and servicing of wells. Operating margin<sup>1</sup> improved to 18.9 percent (CEWS adjusted – 14.1 percent) from 15.6 percent in 2020 due to CEWS. Adjusted for CEWS, operating margin<sup>1</sup> decreased due to a change in revenue mix.

**Net income increased by \$8.3 million to \$13.0 million, or \$0.13 per Common Share due to:**

- A \$2.9 million positive variance in net foreign exchange, a \$1.9 million increase in OIBDA, a \$1.9 million positive variance in the fair value of investments, a \$0.7 million decrease in depreciation of property, plant and equipment, a \$0.6 million decrease in income tax expense, a \$0.2 million decrease in finance costs and a \$0.2 million increase in the gain on sale of property, plant and equipment.
- The above was partially offset by a \$0.1 million increase in depreciation of right-of-use assets.

**Financial Position**

The following summarizes our financial position as at March 31, 2021, along with some key changes that occurred during the first quarter of 2021:

- Working capital of \$247.1 million including \$117.7 million of cash and cash equivalents and an undrawn Bank Credit Facility (as hereafter defined on page 11) of \$150.0 million.
- Total net debt<sup>1</sup> (\$459.4 million) to operating cash flow (\$221.2 million) (as hereafter defined on page 34) of 2.08:1 as defined per our Private Placement Debt agreement.
- Private Placement Debt (as hereafter defined on page 17) of \$458.2 million with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum). Private Placement Debt decreased by \$3.6 million due to the foreign exchange gain on our U.S. \$229.0 million debt.
- Book value of Derivative Financial Instruments down \$3.5 million to \$34.4 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 \$932.7 million, which includes \$592.2 million of carrying costs of owned real property.
- Repurchased 304,028 Common Shares at an average price of \$12.21 per share under our Normal Course Issuer Bid (as hereafter defined on page 9).

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



## OUTLOOK

COVID-19 continued to dominate the headlines in early 2021, negatively impacting the Canadian economy and our revenue. The virus continued to have a significant impact on multiple parts of the supply chain. Overall freight demand was impacted by a combination of government mandated "lockdowns", the temporary closures of many manufacturing facilities and shipping delays. As a result, total revenue declined by 8.7 percent as compared to the same period last year.

In previous commentary to shareholders, we suggested that COVID-19 remained the single biggest obstacle holding back an economic recovery. This was precisely the case in the first quarter of 2021. Consumer demand remained relatively strong, primarily due to the emergence of e-commerce, accompanied by direct to consumer deliveries. As a result, our less-than-truckload ("LTL") business grew year over year. On the other hand, our Specialized & Industrial Services segment struggled with everything from shipment delays to projects placed into COVID-19 protocols, including pipeline construction activity, and slower oil and natural gas drilling activity. These were the primary reasons our revenue declined this quarter as compared to 2020.

As we enter the second quarter concerns surrounding COVID-19 remain. And while we are unsure as to when this virus will be contained, we are optimistic that the economy and freight demand will rebound quickly. There are several examples of strong economic growth in countries that have been able to control the spread of the virus, as such we expect a similar response in Canada. The only question remains – one of timing. Consumer demand will remain strong and our expectation is that projects will be restarted and capital investments will rebound. There is significant pent up demand along with a supply of capital ready to fund new growth. In addition to an economic recovery, we will see a return to consolidated revenue growth with the recent acquisitions we have announced. These are quality companies that are strategic fits in our organization providing expansion opportunities into new markets as well as tremendous potential to capture synergies, two important criteria we consider before deploying our shareholders' capital. These acquisitions will be funded from existing cash and the Bank Credit Facility (as hereafter defined on page 11).

We are currently evaluating several additional acquisitions. It is evident that we are in midst of major consolidation trend within the trucking and logistics sector and we will pursue those opportunities where we see the potential to create long term value for shareholders.

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## CORPORATE OVERVIEW

Mullen Group is a publicly-traded company listed on the Toronto Stock Exchange ("TSX") under the symbol "MTL". We are one of Canada's largest logistics providers. Our network of independently operated businesses provide a wide range of service offerings including LTL, truckload, warehousing, logistics, transload, oversized 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.

### Business

The business is operated through a network of wholly-owned companies and limited partnerships (the "**Business Units**"). The segments are differentiated by the type of service provided, equipment requirements and customer needs. Mullen Group provides the capital and financial expertise, legal support, technology and systems support, shared services and strategic planning (the "**Corporate Office**") for the Business Units. The Corporate Office also invests in certain public and private corporations. In addition, the Corporate Office, through its subsidiary MT Investments Inc. ("MT"), owns a network of real estate holdings and facilities that are leased primarily to the Business Units. Such properties are leased to the Business Units by MT on commercially reasonable terms. The day to day management of the Business Units is conducted at the subsidiary level.

#### Less-Than-Truckload Segment

Less-Than-Truckload consisted of 9 regionally focused Business Units and is often referred to as the final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. We are committed to investing in the most advanced technologies available ensuring the continued improvement in all aspects of our business, shortening delivery times and providing customers with visibility, via tracking and tracing, to their shipments during transit.

<i>Service Offerings</i>	<i>Key Drivers and Considerations</i>
<ul style="list-style-type: none"> <li>Less-Than-Truckload Trucking (LTL)</li> </ul>	<ul style="list-style-type: none"> <li>Regional network comprised of 109 terminals;</li> <li>Tied to consumer needs</li> </ul>
<ul style="list-style-type: none"> <li>Ambient Temperature Controlled Transportation</li> </ul>	<ul style="list-style-type: none"> <li>Tied to the movement of healthcare products</li> </ul>

#### Less-Than-Truckload Segment:

<b>Business Unit</b>	<b>Primary Service Region</b>
Argus Carriers Ltd.	Lower Mainland British Columbia
Courtesy Freight Systems Ltd.	Northern Ontario
Gardewine Group Limited Partnership	Manitoba and Ontario
Grimshaw Trucking L.P.	Northern Alberta
Hi-Way 9 Express Ltd. <sup>(1)</sup>	Southern Alberta
Inter-Urban Delivery Service Ltd.	Lower Mainland British Columbia
Jay's Transportation Group Ltd.	Saskatchewan
Number 8 Freight Ltd.	Lower Mainland British Columbia
Pacific Coast Express Limited <sup>(2)</sup>	Western Canada

<sup>(1)</sup> On January 1, 2020, the operations of Load-Way Ltd. and Streamline Logistics Inc., were integrated into Hi-Way 9 Express Ltd.

<sup>(2)</sup> Acquired September 1, 2020.



## Logistics & Warehousing Segment

Logistics & Warehousing consisted of 10 Business Units that provide shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. Operations and customer service are supported by a robust suite of leading edge technology solutions including a fully integrated transportation management system, customized inventory management and warehouse systems along with our proprietary Moveitonline® and Haulistic™ technology platforms, applications that are positioning our organization for an evolving and changing supply chain.

<i>Service Offerings</i>	<i>Key Drivers and Considerations</i>
<ul style="list-style-type: none"> <li>Long-Haul Trucking (T/L)</li> </ul>	<ul style="list-style-type: none"> <li>Tied to general economy (i.e., GDP)</li> </ul>
<ul style="list-style-type: none"> <li>Logistics, Intermodal and Transload Services</li> </ul>	<ul style="list-style-type: none"> <li>Requires less maintenance capital</li> </ul>
<ul style="list-style-type: none"> <li>Bulk Hauling</li> </ul>	<ul style="list-style-type: none"> <li>Primarily contract services</li> </ul>

### Logistics & Warehousing Segment:

<b>Business Unit</b>	<b>Primary Service Provided</b>
24/7 The Storehouse (2015) Ltd.	Value-Added Warehousing and Distribution Services
Caneda Transport Ltd.	LTL & Irregular Route Truckload
Cascade Carriers L.P.	Dry Bulk Freight
DWS Logistics Inc.	Value-Added Warehousing and Distribution Services
International Warehousing & Distribution Inc. <sup>(1)</sup>	Value-Added Warehousing and Distribution Services
Kleysen Group Ltd.	Irregular Route Truckload & Multi-Modal
Mullen Trucking Corp.	Irregular Route Truckload & Specialized Transportation
Payne Transportation Ltd.	Irregular Route Truckload & Specialized Transportation
RDK Transportation Co. Inc.	Irregular Route Truckload & Specialized Transportation
Tenold Transportation Ltd.	Irregular Route Truckload & Specialized Transportation

<sup>(1)</sup> Acquired October 2020.

## Specialized & Industrial Services Segment

Specialized & Industrial Services consisted of 15 Business Units and is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. Strategically located throughout western Canada, these specialty Business Units are focused on providing advanced technology solutions and leading edge service capabilities.

<i>Service Offerings</i>	<i>Key Drivers and Considerations</i>
<ul style="list-style-type: none"> <li>Production Services</li> </ul>	<ul style="list-style-type: none"> <li>Commodity prices (i.e., oil and natural gas)</li> </ul>
<ul style="list-style-type: none"> <li>Specialized Services               <ul style="list-style-type: none"> <li>oil sands, dewatering and infrastructure</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Drilling trends and evolving technologies</li> <li>Take-away / Pipeline Capacity</li> </ul>
<ul style="list-style-type: none"> <li>Drilling and Drilling Related</li> </ul>	<ul style="list-style-type: none"> <li>Drilling activity in western Canada</li> </ul>



## Specialized & Industrial Services Segment:

Business Unit	Primary Service Provided
Canadian Dewatering L.P.	Water Management Services
Cascade Energy Services L.P.	Production services, Turnaround and Industrial Cleaning Services
Canadian Hydrovac Ltd.	Hydrovac Excavation Services
E-Can Oilfield Services L.P.	Fluid Transportation
Envolve Energy Services Corp.	Processing and Disposal of Oilfield Fluids
Formula Powell L.P.	Mud / Fluid Transportation & Warehousing
Heavy Crude Hauling L.P. <sup>(1)</sup>	Fluid Transportation
Mullen Oilfield Services L.P. <sup>(2)</sup>	Rig Relocation Services
OK Drilling Services L.P.	Conductor Pipe Setting
Premay Equipment L.P.	Specialized Heavy Haul
Premay Pipeline Hauling L.P.	Large Diameter Pipe Transportation
Recon Utility Search L.P.	Hydrovac Excavation Services
Smook Contractors Ltd.	Civil Construction
Spearing Service L.P.	Fluid Transportation
TREO Drilling Services L.P.	Core Drilling

<sup>(1)</sup> On April 1, 2020, the operations of R. E. Line Trucking (Coleville) Ltd. were combined into Heavy Crude Hauling L.P.

<sup>(2)</sup> On January 1, 2020, the operations of Withers L.P. were combined into Mullen Oilfield Services L.P..

A more detailed description of the Business Units is set forth in the Annual Information Form, which is dated February 10, 2021 and is available on SEDAR at [www.sedar.com](http://www.sedar.com), our website at [www.mullen-group.com](http://www.mullen-group.com) or upon request, free of charge, from the Corporate Investor Services group at [ir@mullen-group.com](mailto:ir@mullen-group.com).

## Capital Allocations

### Normal Course Issuer Bid

On March 3, 2021, we announced that we received approval from the TSX for the renewal of our normal course issuer bid ("**NCIB**"), commencing March 9, 2021, to purchase for cancellation up to 7,928,623 Common Shares in the open market on or before March 8, 2022. As at March 31, 2021, we had repurchased and cancelled 268,260 Common Shares for \$3.3 million under this NCIB program. All purchases were made in accordance with the NCIB at prevalent market prices as permitted by the TSX. The NCIB can be cancelled at the discretion of the Corporation at any time. At March 31, 2021, the Corporation had 96,583,787 Common Shares issued and outstanding. In 2020 we completed our previous NCIB that began on March 9, 2020 and expired on March 8, 2021, by repurchasing the maximum allowable number of 7,972,926 Common Shares under the program for a total of \$53.4 million, representing an average price of \$6.70 per Common Share. Early in 2020, we announced a plan to allocate \$100.0 million over the course of three years to repurchase Common Shares of Mullen Group via an authorized share buyback program.

As at February 28, 2021, the average daily trading volume of the Common Shares on the TSX ("**ADTV**") for the most recently completed six calendar months was 286,151. Pursuant to the TSX policies, the maximum number of Common Shares that may be purchased in one day pursuant to the NCIB was the greater of 1,000 and 25.0 percent of ADTV, which amounts to 71,537 Common Shares, subject to certain prescribed exceptions.

The Corporation entered into an automatic securities purchase plan (the "**ASPP**") with its broker, to allow for the repurchase of Common Shares at all times during the course of the NCIB including when the Corporation ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. The funding for the purchase of Common Shares under the NCIB is financed out of the working capital of the Corporation. The ASPP can be cancelled at the discretion of the Corporation at any time.



## **Dividends**

On December 9, 2020, we announced our intention to pay annual dividends of \$0.48 per Common Share (\$0.04 per Common Share on a monthly basis) for 2021. For the three month period ending March 31, 2021, we declared monthly dividends totalling \$0.12 per Common Share (2020 – \$0.15 per Common Share). At March 31, 2021, we had 96,583,787 Common Shares outstanding and a dividend payable of \$3.9 million (December 31, 2020 – \$2.9 million).

We also declared a dividend of \$0.04 per Common Share on April 20, 2021, to the holders of record at the close of business on April 30, 2021. The Board will continue to consider the amount of and the record date for the monthly dividend.

## **Capital Expenditures**

On December 9, 2020, the Board approved a capital budget of \$60.0 million for 2021, exclusive of corporate acquisitions or investment in facilities, land and buildings, with \$50.0 million allocated towards maintenance capital primarily to replace trucks, trailers, specialized equipment and technology to support the operations of the business. In addition, we will allocate \$10.0 million to fund growth and create jobs in Canada. In 2020, the Federal Government implemented the CEWS program. We will be directing these funds to create opportunities and employment for Canadians.

In the first three months of 2021, gross capital expenditures on a pre-consolidated basis were \$12.8 million as compared to \$16.0 million in 2020. These capital expenditures were comprised of \$7.6 million in the Less-Than-Truckload segment (2020 – \$6.9 million), \$2.9 million in the Logistics & Warehousing segment (2020 – \$2.4 million), \$1.0 million in the Specialized & Industrial Services segment (2020 – \$5.1 million) and \$1.3 million in the Corporate Office (2020 – \$1.6 million). The \$3.2 million decrease in gross capital expenditures was mainly due to the delay in new equipment arriving, which has resulted from the impact of COVID-19 and the corresponding plant shutdowns and disruptions in the supply chain. Gross dispositions on a pre-consolidated basis were \$2.9 million in 2021 as compared to \$1.1 million in 2020. These gross dispositions were comprised of \$0.5 million in the Less-Than-Truckload segment (2020 – \$0.2 million), \$0.3 million in the Logistics & Warehousing segment (2020 – \$0.2 million), \$1.7 million in the Specialized & Industrial Services segment (2020 – \$0.7 million) and \$0.4 million in the Corporate Office (2020 – nil).

## **Convertible Debentures**

In June 2019, we issued \$125.0 million of convertible unsecured subordinated debentures (the "**Debentures**"), by way of a bought deal, at a price of \$1,000 per Debenture. The Debentures are publicly traded and are listed on the TSX under the symbol "**MTL.DB**". The Debentures will mature on November 30, 2026 and bear interest at an annual rate of 5.75 percent payable semi-annually in arrears on May 31 and November 30 in each year beginning November 30, 2019.

Each \$1,000 Debenture is convertible into 71.4286 Common Shares of Mullen Group (such is based on a conversion price of \$14.00) at any time at the option of the holders of the Debentures. Thus, an aggregate of approximately 8.9 million Common Shares of Mullen Group may be issued if all the holders convert their principal amount. The proceeds of the offering was used for general corporate purposes, which may include future acquisitions. As subordinated debt, the accounting value assigned to the Debentures including any related interest expense is excluded from our financial covenant calculations under our Private Placement Debt (as hereafter defined on page 17).

The Debentures shall not be redeemable by the Corporation prior to November 30, 2023. On or after November 30, 2023 and prior to November 30, 2025, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the arithmetic average of the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125.0 percent of the conversion price. On or after November 30, 2025 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest if any, up to but excluding the date set for redemption.



The details of the debt component of the Debentures are as follows:

(\$ millions)		March 31, 2021		December 31, 2020	
Year of Maturity	Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
2026	5.75%	\$ 125.0	\$ 111.7	\$ 125.0	\$ 111.1

### Acquisitions

The acquisitions set forth below have been accounted for by the acquisition method and the financial results of operations have been included in the accompanying Interim Financial Statements from the date of acquisition.

### 2020

**Pacific Coast Express Limited** – On August 1, 2018, we acquired 40.0 percent of the issued and outstanding shares of Pacific Coast Express Limited ("**PCX**") for \$2.0 million. We used the equity method to account for this investment and recognized \$1.6 million of earnings from August 1, 2018 until September 1, 2020. On September 1, 2020, we acquired all of the remaining issued and outstanding shares of PCX including two of PCX's operating facilities, one in Calgary, Alberta and one in Winnipeg, Manitoba for cash consideration of \$14.4 million. We recorded \$14.4 million of cash used to acquire PCX in our condensed consolidated statement of cash flows, which consists of \$14.2 million of cash consideration paid on closing and \$0.2 million of bank indebtedness acquired. The fair value of PCX was \$18.4 million on the date control was obtained resulting in a \$0.4 million gain on this equity investment being recognized within other (income) expense on the condensed consolidated statement of comprehensive income. PCX is based out of the Lower Mainland of British Columbia and provides expedited handling of international LTL and truckload shipments to and from western Canada, the western United States and Mexico, along with shipments between multiple points in western Canada. PCX operates an owner operator and logistics model from four locations with its head office in Surrey, British Columbia, along with operating terminals in Edmonton and Calgary, Alberta and Winnipeg, Manitoba. We acquired PCX as part of our strategy to invest in the transportation sector in western Canada. The financial results of PCX's operations are included in the Less-Than-Truckload segment.

**International Warehousing & Distribution Inc.** – In October 2020, we announced an agreement to acquire all of the issued and outstanding shares of International Warehousing & Distribution Inc. ("**IWD**") for total cash consideration of \$5.7 million. IWD is based out of Mississauga, Ontario and provides sufferance warehousing and distribution services in Ontario. We acquired IWD as part of our strategy to invest in the warehousing and transportation sector in eastern Canada. The acquisition of IWD expands our service offering to the greater Toronto, Ontario market. The financial results of IWD's operations are included in the Logistics & Warehousing segment.

### Bank Credit Facility

We have a loan agreement to borrow up to \$150.0 million on an unsecured credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 0.50 percent or bankers' acceptance rates plus an acceptance fee of 1.50 percent. As at March 31, 2021, there were no amounts drawn on this facility. This facility does not have any financial covenants, however, we cannot be in default of our Private Placement Debt (as hereafter defined on page 17) and we must be in compliance with certain reporting and general covenants. We are in compliance with all of these reporting and general covenants.



### Subsequent Events

Subsequent to March 31, 2021, until the date of this report, we have repurchased 250,376 Common Shares of the Corporation at a total cost of \$3.2 million.

**Bandstra Transportation Systems Ltd./Babine Truck & Equipment Ltd.** – On April 16, 2021, we acquired all of the issued and outstanding shares of Bandstra Transportation Systems Ltd. ("**Bandstra Transportation**") and Babine Truck & Equipment Ltd. ("**Babine**") for total cash consideration of \$75.0 million. Bandstra Transportation is a privately held company headquartered in Smithers, British Columbia and provides a wide range of transportation and logistics services to communities in northern British Columbia including truckload, general freight, LTL and specialized hauling services. Customers are serviced through a network of three leased and eight owned facilities, all of which are included in the acquisition. They operate a fleet of approximately 180 power units, 360 trailers and 70 pieces of support equipment. Babine is an Original Equipment Manufacturer ("**OEM**") dealership providing sales of OEM trucks and trailers and also provides parts, service and maintenance work from three locations in British Columbia supporting the natural resources, energy and transportation industries.

The acquisition of Bandstra Transportation and Babine align with our strategy of acquiring transportation and logistics companies that have a strong regional presence. The financial results of Bandstra Transportation will be included within the Logistics & Warehousing segment while Babine's financial results will be included within the Specialized & Industrial Services segment.

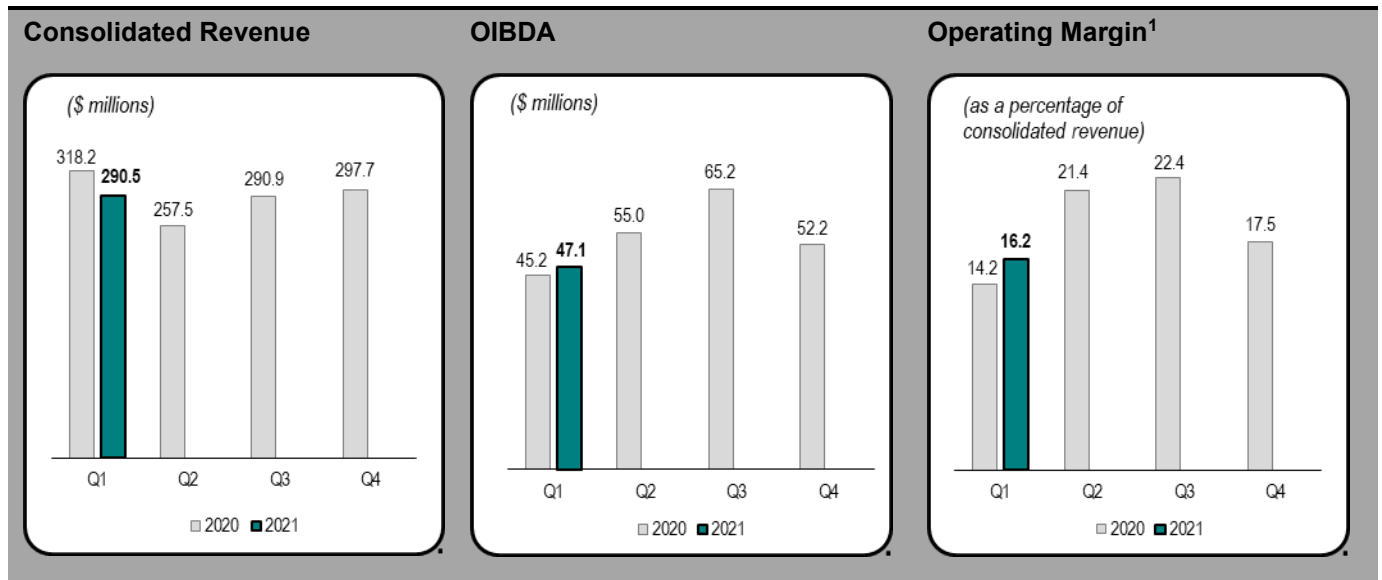
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# CONSOLIDATED FINANCIAL RESULTS – THREE MONTH PERIOD ENDED MARCH 31, 2021

## Summary – Trailing Five Quarters



Our results for the first quarter of 2021 need to be reviewed within the context of the outbreak of a worldwide virus known as COVID-19. This single event continues to have a material impact on the Canadian economy and our results. Actions initiated by the various governments and health authorities influenced nearly every aspect of the economy, changing consumer buying habits, contributing to new trends such as e-commerce and online shopping, decimating the travel and hospitality industries and severely curtailing business investment along with disrupting the supply chain. In addition, governments provided significant stimulus to support displaced workers and businesses negatively impacted by mandated closures and shutdowns. Mullen Group continued to receive benefits from the Federal Governments program identified as CEWS during the quarter. This program did not provide revenue contribution, however, it did support our profitability. In the absence of the outbreak of COVID-19, the economy most likely would have performed in line with pre-COVID levels and as such we believe our results would have been stronger than reported this quarter.

For the quarter, consolidated revenue was down as compared to the same period last year, primarily due to the underperformance of our Specialized & Industrial Services segment. Pipeline activity and major construction projects were delayed or put on hold for several weeks in order to comply with government mandated closures. In addition, oil and natural gas drilling activity remained well below 2020 levels as many producers managed through balance sheet issues. Within the current environment, a majority of producers have chosen to focus on living within cash flow as opposed to previous cycles where production growth was the preferred strategy. These were the two principal reasons consolidated revenue was down year over year. The Less-Than-Truckload segment had a very strong quarter due to the acquisition of PCX and resilient consumer demand, which does not appear to be negatively impacted by COVID-19 or government initiated lockdowns. We view the emergence of e-commerce and direct to consumer deliveries as the primary reason consumer demand remains strong, a positive for our LTL and warehousing Business Units. Overall, revenue was soft during the months of January and February, down significantly on a year over year comparative basis. However, freight demand recovered in March as mandated restrictions were eased contributing to a sharp recovery in revenue for the month. In fact, March revenue was higher than the prior year period.

Operating profitability was maintained despite the decline in consolidated revenue due to a combination of factors including: effective cost management; margin improvement in our Less-Than-Truckload segment; acquisitions; and benefits associated with the CEWS program.

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



## Revenue

Revenue is generated by the Corporation through its Business Units. These Business Units are divided into three operating segments: Less-Than-Truckload, Logistics & Warehousing and Specialized & Industrial Services. The Business Units utilize a combination of company assets that are either owned by the Business Unit or leased ("**Company Equipment**"), owner operators who provide trucks and/or trailers and work exclusively for the Business Unit under annual contracts and subcontractors who own their own equipment and are used during times of peak demand (collectively, "**Contractors**").

Q1 Consolidated Revenue by Segment						
(unaudited) (\$ millions)	2021		2020		Change	
	\$	%*	\$	%*	\$	%
	Less-Than-Truckload	120.7	41.4	112.9	35.2	7.8
Logistics & Warehousing	91.3	31.3	96.2	30.0	(4.9)	(5.1)
Specialized & Industrial Services	79.3	27.3	111.3	34.8	(32.0)	(28.8)
Corporate and intersegment eliminations	(0.8)	—	(2.2)	—	1.4	—
Total	290.5	100.0	318.2	100.0	(27.7)	(8.7)

\*as a percentage of pre-consolidated revenue

Consolidated revenue in the first quarter decreased by \$27.7 million, or 8.7 percent, declining to \$290.5 million as compared to \$318.2 million in 2020. The Less-Than-Truckload segment revenue, tied to the consumer part of the economy, improved by 6.9 percent due to the acquisition of PCX and the steady nature of the consumer demand. The demand for Logistics & Warehousing segment services was much softer than 2020 due to the continued effects of the COVID-19 pandemic. This segment experienced a revenue decline of 5.1 percent or \$4.9 million. The Specialized & Industrial Services segment revenue declined by 28.8 percent, or \$32.0 million, due to lower demand for specialized services including demand for large diameter pipeline hauling and stringing services as well as fluid hauling and drilling related services. Consolidated fuel surcharge revenue was \$20.1 million as compared to \$21.6 million in 2020.

Q1 Consolidated Revenue						
(unaudited) (\$ millions)	2021		2020		Change	
	\$	%	\$	%	\$	%
	Company	204.4	70.4	228.4	71.8	(24.0)
Contractors	84.8	29.2	88.7	27.9	(3.9)	(4.4)
Other	1.3	0.4	1.1	0.3	0.2	18.2
Total	290.5	100.0	318.2	100.0	(27.7)	(8.7)

Revenue generated by Company Equipment decreased by \$24.0 million, or 10.5 percent, to \$204.4 million as compared to \$228.4 million in 2020 and represented 70.4 percent of consolidated revenue in the current period as compared to 71.8 percent in 2020. Revenue related to Contractors decreased by \$3.9 million, or 4.4 percent, to \$84.8 million as compared to \$88.7 million in 2020 and represented 29.2 percent of consolidated revenue in the current period as compared to 27.9 percent in 2020.



## Direct Operating Expenses

Direct operating expenses ("**DOE**") include two main categories of expenses. The first category of DOE relates to the direct costs incurred to operate and maintain Company Equipment. The major DOE associated with operating Company Equipment are wages (which was offset by CEWS), fuel, repairs and maintenance, purchased transportation and operating supplies. The other expenses included under DOE – Company mainly consist of short-term or low value leases, equipment rent, insurance and licensing costs. The second category of DOE are the costs incurred to hire Contractors, whether owner operators or subcontractors.

Q1 Consolidated Direct Operating Expenses						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2021		2020		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	55.0	26.9	61.9	27.1	(6.9)	(11.1)
CEWS	(4.3)	(2.1)	—	—	(4.3)	—
Fuel	19.9	9.7	21.5	9.4	(1.6)	(7.4)
Repairs and maintenance	26.6	13.0	29.6	13.0	(3.0)	(10.1)
Purchased transportation	22.0	10.8	24.3	10.6	(2.3)	(9.5)
Operating supplies	15.4	7.5	20.3	8.9	(4.9)	(24.1)
Other	6.6	3.3	6.6	2.9	—	—
	141.2	69.1	164.2	71.9	(23.0)	(14.0)
Contractors	63.7	75.1	68.3	77.0	(4.6)	(6.7)
Total	204.9	70.5	232.5	73.1	(27.6)	(11.9)

\*as a percentage of respective Consolidated revenue

DOE were \$204.9 million in the first quarter as compared to \$232.5 million in 2020. This decrease of \$27.6 million, or 11.9 percent, once adjusted for the effect of CEWS, was generally in line with the \$27.7 million decrease in consolidated revenue. Excluding CEWS, these expenses declined as a percentage of revenue to 72.0 percent as compared to 73.1 percent in 2020.

DOE related to Company Equipment decreased by \$23.0 million, or 14.0 percent, to \$141.2 million as compared to \$164.2 million in 2020. This decrease was due to the following key factors:

- a \$24.0 million decrease in Company revenue;
- a \$6.9 million reduction in wages and benefits expense due to cost control initiatives;
- a \$4.9 million reduction in operating supplies primarily due to fewer industrial salt and pump sales; and
- the offsetting benefit of \$4.3 million contribution from CEWS.

In terms of a percentage of revenue, Company expenses decreased by 2.8 percent to 69.1 percent as compared to 71.9 percent in 2020. This decrease was primarily due to lower operating supplies expense. Adjusted for CEWS, these expenses decreased by 0.7 percent as a percentage of revenue to 71.2 percent.

Contractors expense in the first quarter decreased to \$63.7 million as compared to \$68.3 million in 2020. This \$4.6 million, or 6.7 percent, decrease was generally in line with the \$3.9 million, or 4.4 percent, decline in Contractors revenue. As a percentage of revenue, Contractors expense decreased by 1.9 percent to 75.1 percent as compared to 77.0 percent in 2020, primarily due to reduced costs within the Less-Than-Truckload segment.



## Selling and Administrative Expenses

Selling and administrative ("**S&A**") expenses include salaries (which was offset by CEWS), employee profit share and other administrative expenses incurred to support the operations of Mullen Group and its Business Units.

Q1 Consolidated Selling and Administrative Expenses						
(unaudited) (\$ millions)	2021		2020		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	24.1	8.3	25.4	8.0	(1.3)	(5.1)
CEWS	(1.7)	(0.6)	—	—	(1.7)	—
Communications, utilities and general supplies	11.8	4.1	12.0	3.8	(0.2)	(1.7)
Profit share <sup>(1)</sup>	2.5	0.9	3.1	1.0	(0.6)	(19.4)
Foreign exchange	0.5	0.2	(2.2)	(0.7)	2.7	(122.7)
Stock-based compensation	0.1	—	0.3	0.1	(0.2)	(66.7)
Rent and other	1.2	0.4	1.9	0.5	(0.7)	(36.8)
<b>Total</b>	<b>38.5</b>	<b>13.3</b>	<b>40.5</b>	<b>12.7</b>	<b>(2.0)</b>	<b>(4.9)</b>

\*as a percentage of total Consolidated revenue

<sup>(1)</sup> The profit share calculation excludes any benefits received from the CEWS program.

S&A expenses for the period declined by \$2.0 million to \$38.5 million as compared to \$40.5 million in 2020, largely due to cost control initiatives being partially offset by the \$2.7 million negative variance in foreign exchange expense that related to the year over year change in the Canadian dollar relative to the U.S. dollar and the \$1.4 million of incremental S&A expenses associated with acquisitions. Excluding the effects of CEWS and foreign exchange, S&A expenses were fairly consistent as a percentage of revenue at 13.7 percent as compared to 13.4 percent in 2020.

## Operating Income Before Depreciation and Amortization

Operating income before depreciation and amortization ("**OIBDA**") is net income before depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, finance costs, net foreign exchange gains and losses, other (income) expense and income taxes.

Q1 Consolidated Operating Income Before Depreciation and Amortization						
(unaudited) (\$ millions)	2021		2020		Change	
	\$	%	\$	%	\$	%
Less-Than-Truckload	19.3	41.0	13.3	29.4	6.0	45.1
Logistics & Warehousing	15.9	33.8	16.4	36.3	(0.5)	(3.0)
Specialized & Industrial Services	15.0	31.8	17.4	38.5	(2.4)	(13.8)
Corporate	(3.1)	(6.6)	(1.9)	(4.2)	(1.2)	63.2
<b>Total</b>	<b>47.1</b>	<b>100.0</b>	<b>45.2</b>	<b>100.0</b>	<b>1.9</b>	<b>4.2</b>

OIBDA for the period was \$47.1 million, or 16.2 percent of revenue, as compared to \$45.2 million, or 14.2 percent, in 2020 mainly as a result of \$6.0 million of CEWS. The \$1.9 million increase in OIBDA was comprised of a \$6.0 million increase in the Less-Than-Truckload segment, a \$0.5 million decrease in the Logistics & Warehousing segment, a \$2.4 million decrease in the Specialized & Industrial Services segment and a \$1.2 million increase in Corporate costs. Adjusted for CEWS, OIBDA was \$41.1 million for an operating margin<sup>1</sup> of 14.1 percent, fairly consistent with the 14.2 percent operating margin<sup>1</sup> achieved in 2020.

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



## Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was \$16.8 million in the first quarter as compared to \$17.5 million in 2020. This decrease of \$0.7 million was mainly attributable to a lower amount of depreciation being recognized in the Specialized & Industrial Services segment, which was somewhat offset by a greater amount of depreciation being recorded in the Less-Than-Truckload segment. Depreciation in the Logistics & Warehousing segment and the Corporate Office remained consistent on a year over year basis. Depreciation in the Specialized & Industrial Services segment decreased by \$1.7 million and was mainly due to the lower amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. Depreciation in the Less-Than-Truckload segment increased by \$1.0 million due to a greater amount of capital expenditures being made within this segment.

## Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was \$3.0 million in the first three months of 2021 as compared to \$2.9 million in 2020. The majority of our right-of-use assets consists of real property leases within the Less-Than-Truckload segment and the Logistics & Warehousing segment. This increase of \$0.1 million was mainly attributable to a greater amount of depreciation of right-of-use assets being recorded in the Less-Than-Truckload segment and the Logistics & Warehousing segment, which was somewhat offset by a lower amount of depreciation being recognized in the Specialized & Industrial Services segment. Depreciation in the Less-Than-Truckload segment and the Logistics & Warehousing segments increased by \$0.2 million, which was mainly due to the incremental real property leases acquired in the acquisitions of IWD and PCX. Depreciation in the Specialized & Industrial Services segment decreased slightly and was mainly due to some real property leases that have come to the end of their term and were not renewed.

## Amortization of Intangible Assets

Intangible assets are normally acquired on acquisitions and are mainly comprised of customer relationship values and non-competition agreements that are amortized over their estimated life from the date of acquisition. Amortization of intangible assets was \$5.0 million in the first quarter, which is consistent with the \$5.0 million recognized in 2020. This mainly resulted from certain intangible assets becoming fully amortized, which was offset by the additional amortization recorded on the intangible assets associated with our recent acquisitions.

## Finance Costs

Finance costs consist of:

- Interest expense on financial liabilities, including:
  - U.S. \$117.0 million of Series G Notes, U.S. \$112.0 million of Series H Notes, \$30.0 million of Series I Notes, \$3.0 million of Series J Notes, \$58.0 million of Series K Notes and \$80.0 million of Series L Notes (collectively, the "**Private Placement Debt**");
  - the **Debentures** that were issued in June 2019;
  - lease liabilities; and
  - borrowings on the Bank Credit Facility.
- Less any interest income generated from the debentures issued to our equity investees and from cash and cash equivalents.

Finance costs were \$7.0 million in the first quarter as compared to \$7.2 million in 2020. This decrease of \$0.2 million was mainly attributable to a lower amount of interest expense being recorded on our U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar. This decrease was somewhat offset by a reduction in interest income being generated from cash and cash equivalents.



## Net Foreign Exchange (Gain) Loss

We recognize foreign exchange gains or losses at the end of each reporting period related to our U.S. dollar debt and from our two cross-currency swap contracts. In 2014 we entered into two cross-currency swap contracts to swap the principal portion of the Series G (U.S. \$117.0 million) and Series H (U.S. \$112.0 million) Notes (collectively, the "**Cross-Currency Swaps**") into Canadian dollars at foreign exchange rates of \$1.1047 and \$1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These swap contracts were entered into as a method of hedging the U.S. debt notes against any declines in the Canadian dollar vis-à-vis the U.S. dollar.

The net foreign exchange gain was \$0.1 million in the first quarter of 2021 as compared to a net foreign exchange loss of \$2.8 million in 2020. The net foreign exchange gain of \$0.1 million in 2021 resulted even though the principal portion of all our U.S. \$229.0 million debt is hedged by our Cross-Currency Swaps. This gain is due to how our U.S. dollar debt and our Cross-Currency Swaps are valued for accounting purposes. Our U.S. dollar debt is valued at the end of each quarter using the closing exchange rate between the Canadian dollar vis-à-vis the U.S. dollar (the "**Spot Rate**"). In addition to the Spot Rate, our Cross-Currency Swaps are valued using a discounted value from maturity of the forward rate, which is influenced by changes in interest rate differentials between Canada and the United States. As the Cross-Currency Swaps get closer to maturity, their accounting value should more closely correlate to the value of our U.S. dollar debt. The variance of \$2.9 million was mainly attributable to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the net foreign exchange (gain) loss are as follows:

Net Foreign Exchange (Gain) Loss  ( <i>unaudited</i> ) (\$ millions)	Three month periods ended March 31	
	CDN. \$ Equivalent	
	2021	2020
Foreign exchange (gain) loss on U.S. \$ debt	(3.6)	27.5
Foreign exchange loss (gain) on Cross-Currency Swaps	3.5	(24.7)
Net foreign exchange (gain) loss	(0.1)	2.8

## Foreign Exchange (Gain) Loss on U.S. \$ Debt

We recorded a foreign exchange gain of \$3.6 million related to our U.S. dollar debt due to the \$0.0157 strengthening of the Canadian dollar relative to the U.S. dollar during the first quarter of 2021. For the same period in 2020, we recorded a foreign exchange loss of \$27.5 million due to the weakening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange (gain) loss on the U.S. dollar debt are summarized in the following table:

Foreign Exchange (Gain) Loss on U.S. \$ Debt  ( <i>unaudited</i> ) (\$ millions, except exchange rate amounts)	Three month periods ended March 31					
	2021			2020		
	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent
Ending – March 31	229.0	1.2575	288.0	229.0	1.4187	325.0
Beginning – January 1	229.0	1.2732	291.6	229.0	1.2988	297.5
Foreign exchange (gain) loss on U.S. \$ debt			(3.6)			27.5

## Foreign Exchange Loss (Gain) on Cross-Currency Swaps

On July 25, 2014, we entered into two Cross-Currency Swaps with a Canadian bank to swap U.S. \$117.0 million and U.S. \$112.0 million into Canadian currency at foreign exchange rates of \$1.1047 and \$1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. The Cross-Currency Swaps convert the repayment of the principal portion of the Series G and Series H Notes into a Canadian currency equivalent of \$129.2 million and \$124.9 million, respectively. We record the foreign exchange gain or loss relating to these Cross-Currency Swaps within net foreign exchange (gain) loss on the condensed consolidated statement of comprehensive income, which is consistent with its underlying nature and purpose. The carrying value of these Cross-Currency Swaps are recorded within derivative financial instruments ("**Derivatives**") in the condensed consolidated statement of financial position.





We recorded a foreign exchange loss on Cross-Currency Swaps of \$3.5 million in the first quarter of 2021 as compared to a \$24.7 million gain in 2020. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange Loss (Gain) on Cross-Currency Swaps	Three month periods ended March 31			
	2021		2020	
	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps
(unaudited) (\$ millions)				
Cross-Currency Swap maturing October 22, 2024	117.0	1.7	117.0	(12.9)
Cross-Currency Swap maturing October 22, 2026	112.0	1.8	112.0	(11.8)
Foreign exchange loss (gain) on Cross-Currency Swaps		3.5		(24.7)

## Other (Income) Expense

Other (income) expense consists of the change in fair value of investments, the gain or loss on sale of the Corporation's assets including property, plant and equipment, and earnings from equity investments. Other income in the first quarter was \$0.8 million, a \$2.1 million positive variance as compared to the \$1.3 million of other expense recorded in 2020. The \$2.1 million positive variance was due to the factors set forth below:

Change in Fair Value of Investments (positive variance of \$1.9 million). We periodically invest in certain public corporations. We recorded an increase in the fair value of investments of \$0.4 million in the first quarter as compared to a \$1.5 million decrease in 2020. There were no investments purchased or sold in either the first quarter of 2021 or 2020.

(Gain) Loss on Sale of Property, Plant and Equipment (positive variance of \$0.2 million). We recognized a gain of \$0.2 million on sale of property, plant and equipment on total consolidated proceeds on sale of \$2.6 million in the first quarter as compared to a nominal loss on sale of property, plant and equipment on total consolidated proceeds on sale of \$1.0 million in 2020. The \$0.2 million gain on sale of property, plant and equipment in 2021 mainly resulted from the sale of older equipment in the Specialized & Industrial Services segment and from real property within the Corporate Office being somewhat offset by some losses being recognized within the Less-Than-Truckload and Logistics & Warehousing segments.

Earnings from Equity Investments (no variance). We recognized \$0.2 million of earnings from equity investments in the first quarter of 2021, which is consistent with earnings of \$0.2 million in 2020. We use the equity method to account for investments in which we obtain significant influence or joint control over the investee and we recognize earnings from these equity investments from the date thereof. There were no equity investments purchased or sold in either the first quarter of 2021 or 2020. The following table details our equity investments and the date from which we commenced recording earnings from them.

Equity Investment	Date of Significant Influence or Joint Control Obtained
Canol Oilfield Services Inc.	January 1, 2013
Kriska Transportation Group Limited	December 1, 2014
Cordova Oilfield Services Ltd.	April 17, 2015
Butler Ridge Energy Services (2011) Ltd.	July 1, 2015
Thrive Management Group Ltd.	September 27, 2017



## Income Taxes

<i>(unaudited)</i> (\$ millions)	Three month periods ended March 31			
	2021		2020	
Income before income taxes	\$	16.2	\$	8.5
Combined statutory tax rate		25%		26%
Expected income tax		4.0		2.2
Add (deduct):				
Non-deductible (taxable) portion of net foreign exchange (gain) loss		—		0.3
Non-deductible (taxable) portion of the change in fair value of investments		(0.1)		0.2
Stock-based compensation expense		—		0.1
Changes in unrecognized deferred tax asset		(0.9)		—
Other		0.2		1.0
Income tax expense	\$	3.2	\$	3.8

Income tax expense was \$3.2 million in the first quarter of 2021 as compared to \$3.8 million in 2020. The decrease of \$0.6 million was mainly attributable to the changes in unrecognized deferred tax asset.

## Net Income

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended March 31				
	2021		2020		% Change
Net income	\$	13.0	\$	4.7	176.6
Weighted average number of Common Shares outstanding		96,849,066		104,670,985	(7.5)
Earnings per share – basic	\$	0.13	\$	0.04	225.0

Net income increased to \$13.0 million in the first quarter of 2021 as compared to \$4.7 million in 2020. The factors contributing to the increase in net income include:

- a \$2.9 million positive variance in net foreign exchange;
- a \$1.9 million increase in OIBDA;
- a \$1.9 million positive variance in the fair value of investments;
- a \$0.7 million decrease in depreciation of property, plant and equipment;
- a \$0.6 million decrease in income tax expense;
- a \$0.2 million decrease in finance costs; and
- a \$0.2 million increase in the gain on sale of property, plant and equipment.

These factors were somewhat offset by the following factor that decreased net income:

- a \$0.1 million increase in depreciation of right-of-use assets.

Basic earnings per share increased to \$0.13 in 2021 as compared to \$0.04 in 2020. This increase resulted from the effect of the \$8.3 million increase in net income along with the reduction in the number of Common Shares



outstanding. The weighted average number of Common Shares outstanding decreased from 104,670,985 to 96,849,066, which was due to the repurchase and cancellation of Common Shares under the NCIB.

## 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 and the change in fair value of investments. Net income and basic earnings per share have been adjusted to reflect earnings from a strictly operating perspective.

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended March 31	
	2021	2020
Income before income taxes	\$ 16.2	\$ 8.5
Add (deduct):		
Net foreign exchange (gain) loss	(0.1)	2.8
Change in fair value of investments	(0.4)	1.5
Income before income taxes – adjusted	15.7	12.8
Income tax rate	25%	26%
Computed expected income tax expense	(3.9)	(3.3)
Net income – adjusted <sup>(1)</sup>	11.8	9.5
Weighted average number of Common Shares outstanding – basic	96,849,066	104,670,985
Earnings per share – adjusted <sup>(1)</sup>	\$ 0.12	\$ 0.09

<sup>(1)</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

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## SEGMENTED INFORMATION – THREE MONTH PERIOD ENDED MARCH 31, 2021

Three month period ended March 31, 2021 (unaudited) (\$ millions)	Less-Than -Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate and intersegment eliminations	Total
	\$	\$	\$	\$	\$
Revenue	120.7	91.3	79.3	(0.8)	290.5
Direct operating expenses	84.7	65.2	56.4	(1.4)	204.9
Selling and administrative expenses	16.7	10.2	7.9	3.7 <sup>(1)</sup>	38.5
Operating income before depreciation and amortization	19.3	15.9	15.0	(3.1)	47.1
Net capital expenditures <sup>(2)</sup>	7.1	2.6	(0.7)	0.9	9.9

Three month period ended March 31, 2020 (unaudited) (\$ millions)	Less-Than -Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate and intersegment eliminations	Total
	\$	\$	\$	\$	\$
Revenue	112.9	96.2	111.3	(2.2)	318.2
Direct operating expenses	83.8	69.6	82.0	(2.9)	232.5
Selling and administrative expenses	15.8	10.2	11.9	2.6 <sup>(3)</sup>	40.5
Operating income before depreciation and amortization	13.3	16.4	17.4	(1.9)	45.2
Net capital expenditures <sup>(2)</sup>	6.7	2.2	4.4	1.6	14.9

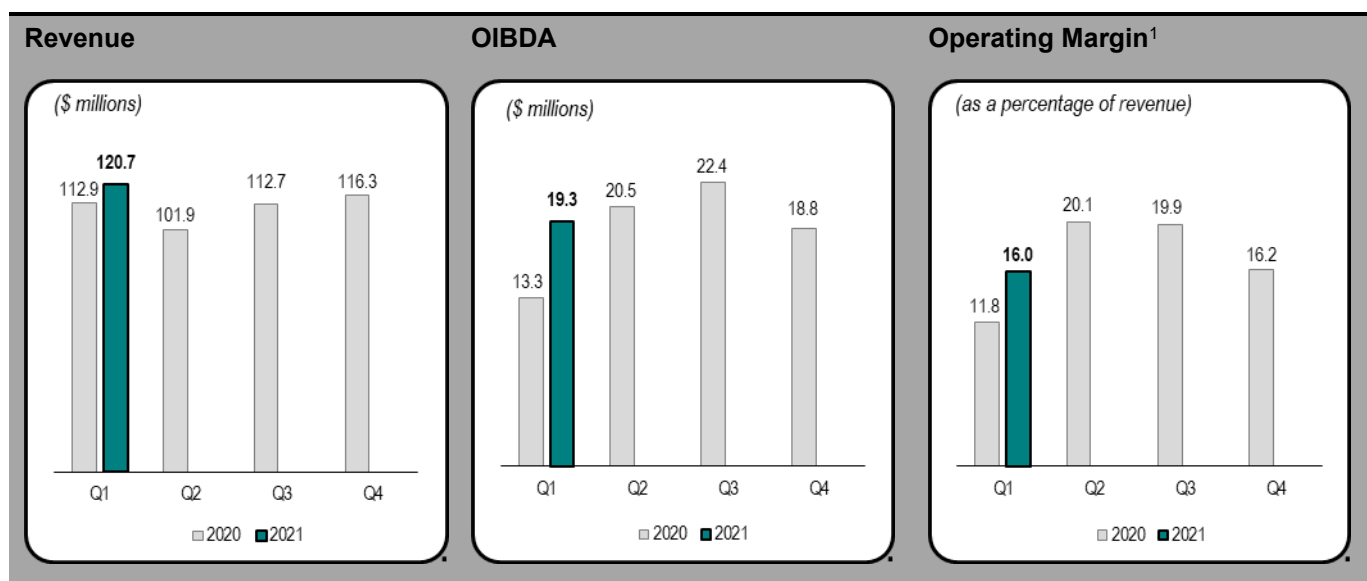
<sup>(1)</sup> Includes a \$0.4 million foreign exchange loss.

<sup>(2)</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

<sup>(3)</sup> Includes a \$1.0 million foreign exchange gain.

## LESS-THAN-TRUCKLOAD SEGMENT

### Summary – Trailing Five Quarters



<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



## Revenue

Q1 Revenue – Less-Than-Truckload						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2021		2020		Change	
	\$	%	\$	%	\$	%
Company	106.3	88.1	107.2	95.0	(0.9)	(0.8)
Contractors	14.3	11.8	5.6	5.0	8.7	155.4
Other	0.1	0.1	0.1	—	—	—
Total	120.7	100.0	112.9	100.0	7.8	6.9

Segment revenue increased by \$7.8 million, or 6.9 percent, to \$120.7 million as compared to \$112.9 million in 2020 and represented 41.4 percent of pre-consolidated revenue as compared to 35.2 percent in 2020. This increase in revenue was mainly attributable to the acquisition of PCX. Specific factors affecting segment revenue were:

- a \$5.9 million increase in revenue generated from the acquisition of PCX; and
- a decrease of \$0.2 million in fuel surcharge revenue to \$14.2 million, as compared to \$14.4 million generated in 2020.

Adjusted for the acquisition of PCX and fuel surcharge fluctuations, revenue rose by 2.1 percent due to the strength of consumer spending.

## Direct Operating Expenses

Q1 Direct Operating Expenses – Less-Than-Truckload						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2021		2020		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	28.4	26.8	29.7	27.7	(1.3)	(4.4)
CEWS	(0.7)	(0.7)	—	—	(0.7)	—
Fuel	12.1	11.4	11.6	10.8	0.5	4.3
Repairs and maintenance	11.3	10.6	11.6	10.8	(0.3)	(2.6)
Purchased transportation	20.1	18.9	22.8	21.3	(2.7)	(11.8)
Operating supplies	1.6	1.5	1.7	1.6	(0.1)	(5.9)
Other	3.6	3.4	3.4	3.2	0.2	5.9
	76.4	71.9	80.8	75.4	(4.4)	(5.4)
Contractors	8.3	58.0	3.0	53.6	5.3	176.7
Total	84.7	70.2	83.8	74.2	0.9	1.1

\*as a percentage of respective Less-Than-Truckload revenue

DOE were \$84.7 million as compared to \$83.8 million in 2020. The increase of \$0.9 million, or 1.1 percent, was due to cost control initiatives and the net effect of the following key factors:

- a \$7.8 million increase in segment revenue;
- an additional \$3.8 million of DOE related to the acquisition of PCX;
- a \$2.7 million reduction in purchased transportation;
- a \$1.3 million reduction in wages and benefits expense; and
- the \$0.7 million contribution from CEWS.

As a percentage of revenue these expenses decreased by 4.0 percent to 70.2 percent as compared to 74.2 percent in 2020, largely as a result of cost control initiatives.



DOE associated with Company Equipment decreased by \$4.4 million, or 5.4 percent, to \$76.4 million as compared to \$80.8 million in 2020. As a percentage of Company revenue these expenses decreased by 3.5 percent to 71.9 percent as compared to 75.4 percent in 2020, primarily due to lower purchased transportation and reduced wages and benefits expense. CEWS accounted for a reduction in expenses of \$0.7 million. These reductions were partially offset by a slight increase in fuel expense due to higher diesel fuel prices.

Contractors expense increased by \$5.3 million to \$8.3 million as compared to \$3.0 million in 2020. This increase was directly related to the \$8.7 million increase in Contractors revenue as a result of the PCX acquisition. As a percentage of Contractors revenue, Contractors expense increased to 58.0 percent as compared to 53.6 percent in 2020.

## Selling and Administrative Expenses

Q1 Selling and Administrative Expenses – Less-Than-Truckload (unaudited) (\$ millions)						
	2021		2020		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	10.4	8.6	9.8	8.7	0.6	6.1
CEWS	(0.3)	(0.2)	—	—	(0.3)	—
Communications, utilities and general supplies	5.4	4.5	4.8	4.3	0.6	12.5
Profit share	0.9	0.7	0.7	0.6	0.2	28.6
Foreign exchange	—	—	(0.1)	(0.1)	0.1	(100.0)
Rent and other	0.3	0.2	0.6	0.5	(0.3)	(50.0)
<b>Total</b>	<b>16.7</b>	<b>13.8</b>	<b>15.8</b>	<b>14.0</b>	<b>0.9</b>	<b>5.7</b>

\*as a percentage of total Less-Than-Truckload revenue

S&A expenses increased by \$0.9 million to \$16.7 million as compared to \$15.8 million in 2020, primarily due to the \$1.0 million of incremental S&A expenses associated with the acquisition of PCX being partially offset by \$0.3 million of CEWS. S&A expenses as a percentage of segment revenue were relatively stable at 13.8 percent as compared to 14.0 percent in 2020.

## Operating Income Before Depreciation and Amortization

OIBDA increased by \$6.0 million, or 45.1 percent, to \$19.3 million as compared to \$13.3 million in 2020. The increase in OIBDA was due to operating margin<sup>1</sup> improvement due to cost control initiatives as well as \$1.1 million of incremental OIBDA generated by PCX. Operating margin<sup>1</sup> increased to 16.0 percent as compared to 11.8 percent in 2020. Excluding CEWS, the operating margin<sup>1</sup> improved to 15.2 percent.

## Capital Expenditures

Net capital expenditures<sup>1</sup> were \$7.1 million in the first quarter, an increase of \$0.4 million as compared to \$6.7 million in 2020. The Less-Than-Truckload segment had gross capital expenditures of \$7.6 million and dispositions of \$0.5 million for net capital expenditures<sup>1</sup> of \$7.1 million in 2021. The majority of the capital invested was to purchase trucks and trailers to support growth opportunities as well as replace some older less efficient equipment. In 2020 gross capital expenditures were \$6.9 million and dispositions were \$0.2 million for net capital expenditures<sup>1</sup> of \$6.7 million.

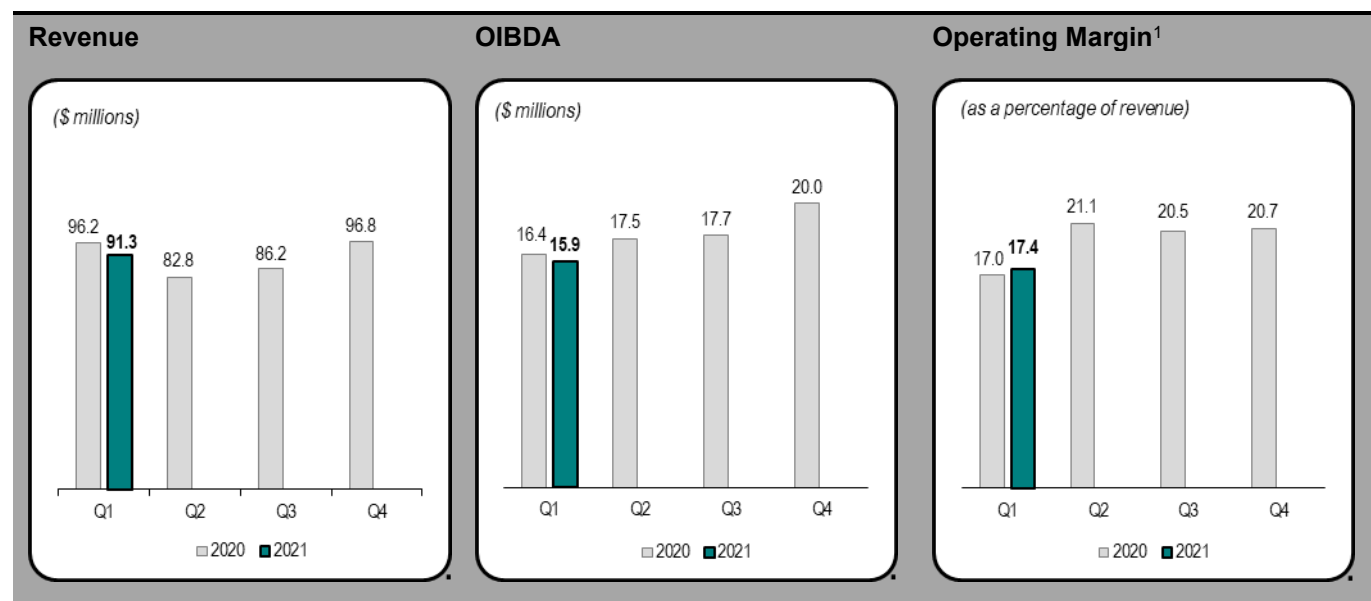
<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".





## LOGISTICS & WAREHOUSING SEGMENT

### Summary – Trailing Five Quarters



### Revenue

Q1 Revenue – Logistics & Warehousing (unaudited) (\$ millions)						
	2021		2020		Change	
	\$	%	\$	%	\$	%
Company	36.9	40.4	38.1	39.6	(1.2)	(3.1)
Contractors	54.3	59.5	57.9	60.2	(3.6)	(6.2)
Other	0.1	0.1	0.2	0.2	(0.1)	(50.0)
<b>Total</b>	<b>91.3</b>	<b>100.0</b>	<b>96.2</b>	<b>100.0</b>	<b>(4.9)</b>	<b>(5.1)</b>

Segment revenue fell by \$4.9 million, or 5.1 percent, to \$91.3 million as compared to \$96.2 million in 2020 and represented 31.3 percent of pre-consolidated revenue as compared to 30.0 percent in 2020. The decline is due to the lingering effects of the COVID-19 pandemic. This negatively impacted both freight volumes and spot prices. Spot prices began to improve during the month of March. Despite slightly higher diesel fuel prices, fuel surcharge revenue declined by \$1.7 million to \$4.9 million as compared to \$6.6 million in 2020 due to lower freight volumes.

Revenue related to Company Equipment decreased by \$1.2 million, or 3.1 percent, to \$36.9 million as compared to \$38.1 million in 2020 and represented 40.4 percent of segment revenue in the current period as compared to 39.6 percent in 2020. Revenue related to Contractors decreased by \$3.6 million, or 6.2 percent, to \$54.3 million as compared to \$57.9 million in 2020 and represented 59.5 percent of segment revenue in the current period as compared to 60.2 percent in 2020.

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



## Direct Operating Expenses

Q1 Direct Operating Expenses – Logistics & Warehousing						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2021		2020		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	8.5	23.1	8.4	22.0	0.1	1.2
CEWS	(0.8)	(2.2)	—	—	(0.8)	—
Fuel	2.8	7.6	2.9	7.6	(0.1)	(3.4)
Repairs and maintenance	4.5	12.2	4.7	12.3	(0.2)	(4.3)
Purchased transportation	1.4	3.8	1.0	2.6	0.4	40.0
Operating supplies	6.1	16.5	7.7	20.2	(1.6)	(20.8)
Other	1.1	3.0	1.1	3.0	—	—
	23.6	64.0	25.8	67.7	(2.2)	(8.5)
Contractors	41.6	76.6	43.8	75.6	(2.2)	(5.0)
Total	65.2	71.4	69.6	72.3	(4.4)	(6.3)

\*as a percentage of respective Logistics & Warehousing revenue

Total DOE were \$65.2 million as compared to \$69.6 million in 2020. The decrease of \$4.4 million, or 6.3 percent, was generally in line with the \$4.9 million, or 5.1 percent, decrease in segment revenue. DOE expressed as a percentage of revenue decreased by 0.9 percent to 71.4 percent as compared to 72.3 percent in 2020.

DOE related to Company Equipment decreased by \$2.2 million, or 8.5 percent, to \$23.6 million as compared to \$25.8 million in 2020. This decrease was due to the following key factors:

- a \$1.2 million decrease in Company revenue;
- a \$1.6 million reduction in operating supplies due to fewer industrial salt sales; and
- the offsetting benefit of \$0.8 million contribution from CEWS.

In terms of a percentage of revenue, Company expenses decreased by 3.7 percent to 64.0 percent as compared to 67.7 percent in 2020. This decrease was primarily due to lower operating supplies expense. Adjusted for CEWS, these expenses decreased by 1.6 percent as a percentage of revenue to 66.1 percent.

Contractors expense decreased by \$2.2 million to \$41.6 million as compared to \$43.8 million in 2020. This decrease was generally in line with the \$3.6 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 1.0 percent to 76.6 percent as compared to 75.6 percent in 2020 due to the lack of availability of subcontractors in certain markets.



## Selling and Administrative Expenses

Q1 Selling and Administrative Expenses – Logistics & Warehousing						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2021		2020		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	6.8	7.4	7.0	7.3	(0.2)	(2.9)
CEWS	(0.4)	(0.4)	—	—	(0.4)	—
Communications, utilities and general supplies	2.6	2.8	2.9	3.0	(0.3)	(10.3)
Profit share	0.8	0.9	1.1	1.1	(0.3)	(27.3)
Foreign exchange	0.1	0.1	(1.2)	(1.2)	1.3	(108.3)
Rent and other	0.3	0.4	0.4	0.4	(0.1)	(25.0)
<b>Total</b>	<b>10.2</b>	<b>11.2</b>	<b>10.2</b>	<b>10.6</b>	<b>—</b>	<b>—</b>

\*as a percentage of total Logistics & Warehousing revenue

S&A expenses held steady at \$10.2 million. The strengthening Canadian dollar relative to the U.S. dollar had a negative affect on the value of our U.S. dollar receivables and resulted in a negative variance in foreign exchange of \$1.3 million. In addition, there was \$0.4 million of incremental S&A cost due to the acquisition of IWD. These negative factors were completely offset by cost control initiatives and CEWS of \$0.4 million. S&A expenses as a percentage of segment revenue increased by 0.6 percent to 11.2 percent as compared to 10.6 percent in 2020. Adjusted for foreign exchange and the benefits of CEWS, S&A expenses as a percentage of segment revenue was reduced to 11.5 percent as compared to 11.9 percent in 2020.

## Operating Income Before Depreciation and Amortization

OIBDA decreased by \$0.5 million, or 3.0 percent, to \$15.9 million as compared to \$16.4 million generated in 2020. Operating margin<sup>1</sup> increased by 0.4 percent to 17.4 percent as compared to 17.0 percent in 2020. Adjusted for CEWS and foreign exchange, operating margin<sup>1</sup> rose to 16.2 percent as compared to 15.8 percent in 2020 due to the continued focus on cost controls.

## Capital Expenditures

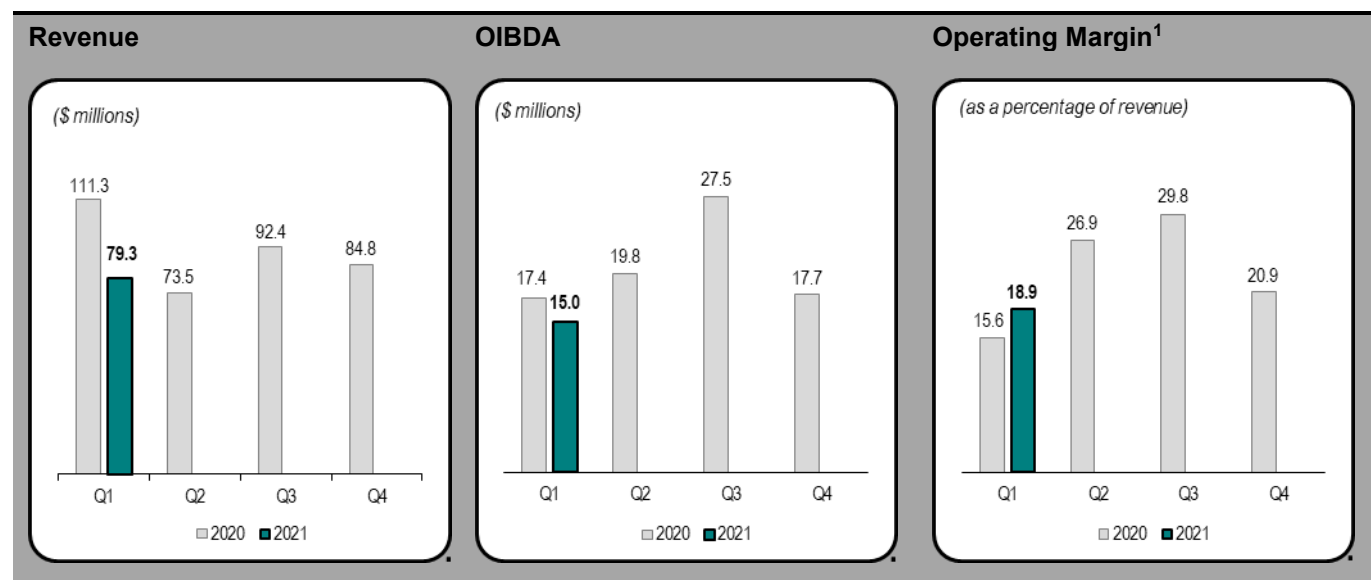
Net capital expenditures<sup>1</sup> were \$2.6 million in the first quarter of 2021, an increase of \$0.4 million as compared to \$2.2 million in 2020. The Logistics & Warehousing segment had gross capital expenditures of \$2.9 million and dispositions of \$0.3 million for net capital expenditures<sup>1</sup> of \$2.6 million in 2021. The majority of the capital invested was to purchase trucks, trailers and various pieces of operating equipment to replace some older less efficient equipment. In 2020 gross capital expenditures were \$2.4 million and dispositions were \$0.2 million for net capital expenditures<sup>1</sup> of \$2.2 million.

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



## SPECIALIZED & INDUSTRIAL SERVICES SEGMENT

### Summary – Trailing Five Quarters



### Revenue

Q1 Revenue – Specialized & Industrial Services						
(unaudited) (\$ millions)	2021		2020		Change	
	\$	%	\$	%	\$	%
Company	61.3	77.3	83.0	74.6	(21.7)	(26.1)
Contractors	17.8	22.4	28.1	25.2	(10.3)	(36.7)
Other	0.2	0.3	0.2	0.2	—	—
<b>Total</b>	<b>79.3</b>	<b>100.0</b>	<b>111.3</b>	<b>100.0</b>	<b>(32.0)</b>	<b>(28.8)</b>

Segment revenue declined by \$32.0 million, or 28.8 percent, to \$79.3 million as compared to \$111.3 million in 2020 and represented 27.3 percent of pre-consolidated revenue as compared to 34.8 percent of pre-consolidated revenue in 2020. This decline in revenue was mainly attributable to prolonged delays and lower demand for specialized services including demand for large diameter pipeline hauling and stringing services as well as fluid hauling and drilling related services. Specific factors affecting the segment revenue were:

- a \$16.9 million decrease in revenue generated by those Business Units providing specialized services to the oil sands, environmental, construction, pipeline, utility, telecom and water management industries including an \$8.0 million decrease in demand for pipeline hauling and stringing services revenue;
- a \$13.4 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells due to the continued decline in demand for these services; and
- a \$2.3 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as the demand for most services was negatively impacted by the decline in the rig count in the WCSB during the first quarter as compared to last year.

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



## Direct Operating Expenses

Q1 Direct Operating Expenses – Specialized & Industrial Services						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2021		2020		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	18.2	29.7	23.8	28.7	(5.6)	(23.5)
CEWS	(2.8)	(4.6)	—	—	(2.8)	—
Fuel	5.0	8.2	7.0	8.4	(2.0)	(28.6)
Repairs and maintenance	10.8	17.6	13.4	16.1	(2.6)	(19.4)
Purchased transportation	0.5	0.8	0.5	0.6	—	—
Operating supplies	7.8	12.7	10.8	13.0	(3.0)	(27.8)
Other	1.5	2.5	2.3	2.8	(0.8)	(34.8)
	41.0	66.9	57.8	69.6	(16.8)	(29.1)
Contractors	15.4	86.5	24.2	86.1	(8.8)	(36.4)
Total	56.4	71.1	82.0	73.7	(25.6)	(31.2)

\*as a percentage of respective Specialized & Industrial Services revenue

DOE were \$56.4 million as compared to \$82.0 million in 2020. The decrease of \$25.6 million, or 31.2 percent, was directly related to the \$32.0 million, or 28.8 percent, decline in segment revenue. As a percentage of revenue these expenses decreased by 2.6 percent to 71.1 percent as compared to 73.7 percent in 2020 due to CEWS. Adjusted for CEWS, these expenses increased by 1.0 percent as a percentage of revenue to 74.7 percent as compared to 73.7 percent in 2020.

DOE associated with Company Equipment decreased by \$16.8 million, or 29.1 percent, to \$41.0 million as compared to \$57.8 million in 2020. This decrease, once adjusted for CEWS, was generally in line with the \$21.7 million, or 26.1 percent, decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 2.7 percent to 66.9 percent as compared to 69.6 percent in 2020, primarily due to CEWS, which accounted for a \$2.8 million reduction. Adjusted for CEWS, DOE associated with Company Equipment as a percentage of Company revenue increased by 1.9 percent to 71.5 percent.

Contractors expense decreased by \$8.8 million to \$15.4 million as compared to \$24.2 million in 2020. As a percentage of Contractors revenue, Contractors expense increased slightly to 86.5 percent as compared to 86.1 percent in 2020.

## Selling and Administrative Expenses

Q1 Selling and Administrative Expenses – Specialized & Industrial Services						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2021		2020		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	5.2	6.6	6.5	5.8	(1.3)	(20.0)
CEWS	(1.0)	(1.3)	—	—	(1.0)	—
Communications, utilities and general supplies	2.7	3.4	3.5	3.1	(0.8)	(22.9)
Profit share	0.8	1.0	1.3	1.2	(0.5)	(38.5)
Foreign exchange	—	—	—	—	—	—
Rent and other	0.2	0.3	0.6	0.6	(0.4)	(66.7)
Total	7.9	10.0	11.9	10.7	(4.0)	(33.6)

\*as a percentage of total Specialized & Industrial Services revenue

S&A expenses decreased by \$4.0 million to \$7.9 million as compared to \$11.9 million in 2020, primarily due to the reduction in wages and benefits expense and other cost control initiatives. S&A expenses as a percentage of segment revenue declined by 0.7 percent to 10.0 percent as compared to 10.7 percent in 2020. Adjusted for CEWS, S&A expenses as a percentage of revenue increased to 11.2 percent.



## Operating Income Before Depreciation and Amortization

OIBDA decreased by \$2.4 million, or 13.8 percent, to \$15.0 million as compared to \$17.4 million in 2020. Operating margin<sup>1</sup> increased to 18.9 percent as compared to 15.6 percent in 2020. The margin gain was due to the \$3.8 million of CEWS as well as a change in revenue mix. Adjusted for CEWS, OIBDA as a percentage of revenue decreased to 14.1 percent.

Specifically, the year over year decrease in OIBDA can be attributed to the following:

- a \$2.1 million decrease relating to those Business Units providing specialized services including pipeline stockpiling and stringing services;
- a \$0.7 million decrease in those Business Units involved in the transportation of fluids and servicing of wells; and
- a \$0.4 million increase from those Business Units tied to drilling and drilling related activity.

## Capital Expenditures

Net capital expenditures<sup>1</sup> were \$(0.7) million in the first quarter, a decrease of \$5.1 million as compared to \$4.4 million in 2020. The Specialized & Industrial Services segment had gross capital expenditures of \$1.0 million and dispositions of \$1.7 million for net capital expenditures<sup>1</sup> of \$(0.7) million in 2021. The majority of the capital invested consisted of trucks, trailers and various pieces of operating equipment to replace older less efficient equipment. In 2020 gross capital expenditures were \$5.1 million and dispositions were \$0.7 million for net capital expenditures<sup>1</sup> of \$4.4 million.

## CORPORATE

*The Corporate Office provides support to the Business Units including coordinating business strategies, monitoring financial and business performance and providing shared services such as payroll services, human resource support, information technology support, legal support and accounting services. The Corporate Office also owns a network of real estate holdings and facilities, through its subsidiary MT, which are leased primarily to the Business Units. Such properties are leased on commercially reasonable terms. In addition, the Corporate Office is responsible for capital allocation to the Business Units as well as all regulatory and public reporting.*

The Corporate Office recorded a loss of \$3.1 million in the first quarter of 2021 as compared to a loss of \$1.9 million in 2020. The \$1.2 million increase in loss was mainly attributable to a \$1.4 million negative variance in foreign exchange and a lower amount of costs recovered from our Business Units. In the first quarter of 2021, the Corporate Office recorded a foreign exchange loss of \$0.4 million as compared to a foreign exchange gain of \$1.0 million in 2020. These increases were somewhat offset by lower salaries and stock-based compensation expense.

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<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



# CAPITAL RESOURCES AND LIQUIDITY

## Consolidated Cash Flow Summary

<i>(unaudited)</i> (\$ millions)	Three month periods ended March 31	
	2021	2020
Net cash from operating activities	\$ 39.0	\$ 40.2
Net cash used in financing activities	(16.8)	(22.9)
Net cash used in investing activities	(9.4)	(13.3)
Change in cash and cash equivalents	12.8	4.0
Effect of exchange rate fluctuations on cash held	(0.4)	1.7
Cash and cash equivalents, beginning of period	105.3	79.0
Cash and cash equivalents, end of period	\$ 117.7	\$ 84.7

## Sources and Uses of Cash

Mullen Group continues to generate cash in excess of its operating needs by generating \$39.0 million of cash from operating activities in the first three months of 2021 as compared to \$40.2 million in 2020. Net cash used in financing activities in 2021 decreased by \$6.1 million to \$16.8 million as compared to \$22.9 million in 2020. The \$6.1 million decrease in cash used was mainly due to a decrease in dividends paid to common shareholders in the first quarter of 2021 as compared to the same period in 2020 and from a \$1.9 million decrease in cash used to repurchase Common Shares under the NCIB in 2021. Net cash used in investing activities decreased by \$3.9 million due to a reduction in cash used on net capital expenditures<sup>1</sup>. Specific changes in cash flow are set forth below.

### Cash From Operating Activities

Net cash from operating activities decreased to \$39.0 million in the first three months of 2021 as compared to \$40.2 million in 2020. The decrease of \$1.2 million was mainly due to a \$7.5 million increase in cash taxes paid, which was somewhat offset by a \$1.9 million increase in OIBDA and from a \$2.5 million increase in cash generated from non-cash working capital items. The change in non-cash working capital items from operating activities is detailed in the table below.

Changes in Non-Cash Working Capital Items from Operating Activities			
<i>(unaudited)</i> (\$ millions)	Three month periods ended March 31		
	2021	2020	Variance
	\$	\$	\$
Sources (uses) of cash			
Trade and other receivables	7.6	(1.0)	8.6
Inventory	(1.1)	1.5	(2.6)
Prepaid expenses	(1.6)	0.1	(1.7)
Accounts payable and accrued liabilities	(2.1)	(0.3)	(1.8)
Total sources (uses) of cash from non-cash working capital items	2.8	0.3	2.5

In the first quarter of 2021 we generated \$2.8 million of cash from changes in non-cash working capital items from operating activities as compared to generating \$0.3 million of cash during the same period in 2020. This \$2.5 million variance was mainly due to the following factor.

- An additional \$8.6 million of cash was generated from trade and other receivables that resulted from the combined effect of a \$7.6 million source of cash in 2021 as compared to a \$1.0 million use of cash in 2020.

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".





Somewhat offsetting this item were the following:

- An additional \$2.6 million of cash was used from inventory that resulted from the combined effect of a \$1.1 million use of cash in 2021 as compared to a \$1.5 million source of cash in 2020.
- An additional \$1.7 million of cash was used from prepaid expenses that resulted from the combined effect of a \$1.6 million use of cash in 2021 as compared to a \$0.1 million source of cash in 2020.
- An additional \$1.8 million of cash was used from accounts payable and accrued liabilities that resulted from the combined effect of a \$2.1 million use of cash in 2021 as compared to a \$0.3 million use of cash in 2020.

### ***Cash Used In Financing Activities***

Net cash used in financing activities was \$16.8 million in the first quarter of 2021 as compared to using \$22.9 million during the same period in 2020. This \$6.1 million variance was mainly due to the factors set forth below.

- A \$1.9 million decrease in cash used in 2021 to repurchase and cancel Common Shares under the NCIB as compared to 2020.
- A \$5.0 million decrease in cash used to pay dividends to common shareholders.

Somewhat offsetting these items was the following:

- A \$0.3 million increase in the repayment of lease liabilities, long-term debt and loans in 2021.

### ***Cash Used In Investing Activities***

Net cash used in investing activities decreased to \$9.4 million in the first quarter of 2021 as compared to \$13.3 million during the same period in 2020. This \$3.9 million decrease was mainly due to the factors set forth below.

- A \$5.0 million decrease in net capital expenditures<sup>1</sup>. In 2021 net capital expenditures<sup>1</sup> were \$9.9 million as compared to \$14.9 million in 2020.

Somewhat offsetting this item were the following:

- A \$0.7 million variance in changes in non-cash working capital items from investing activities.
- A \$0.4 million decrease in interest received from cash and cash equivalents.

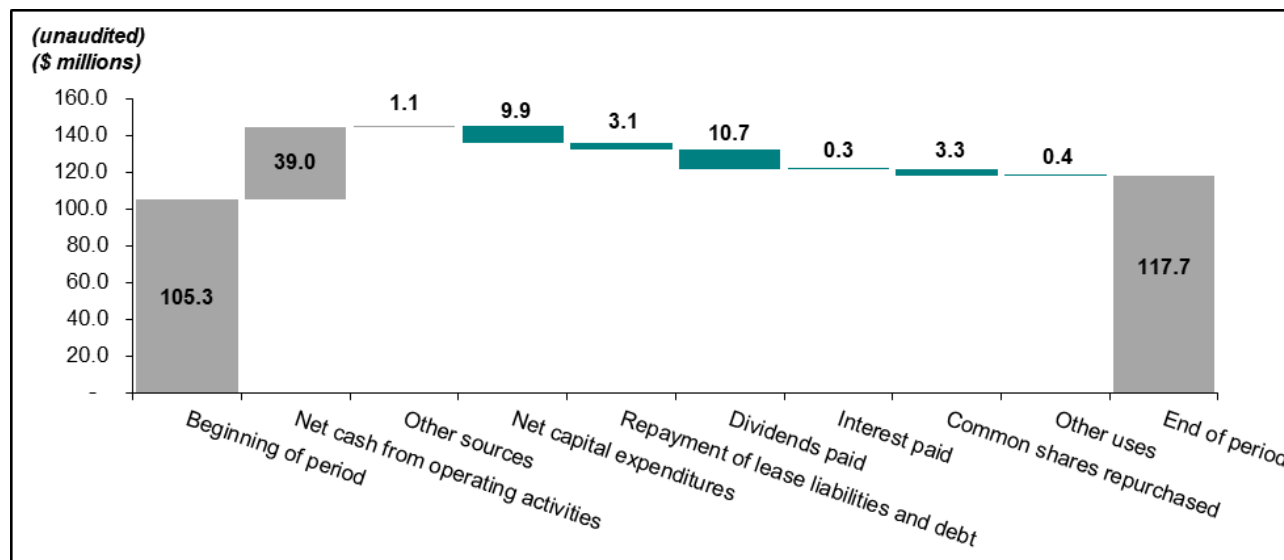
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<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

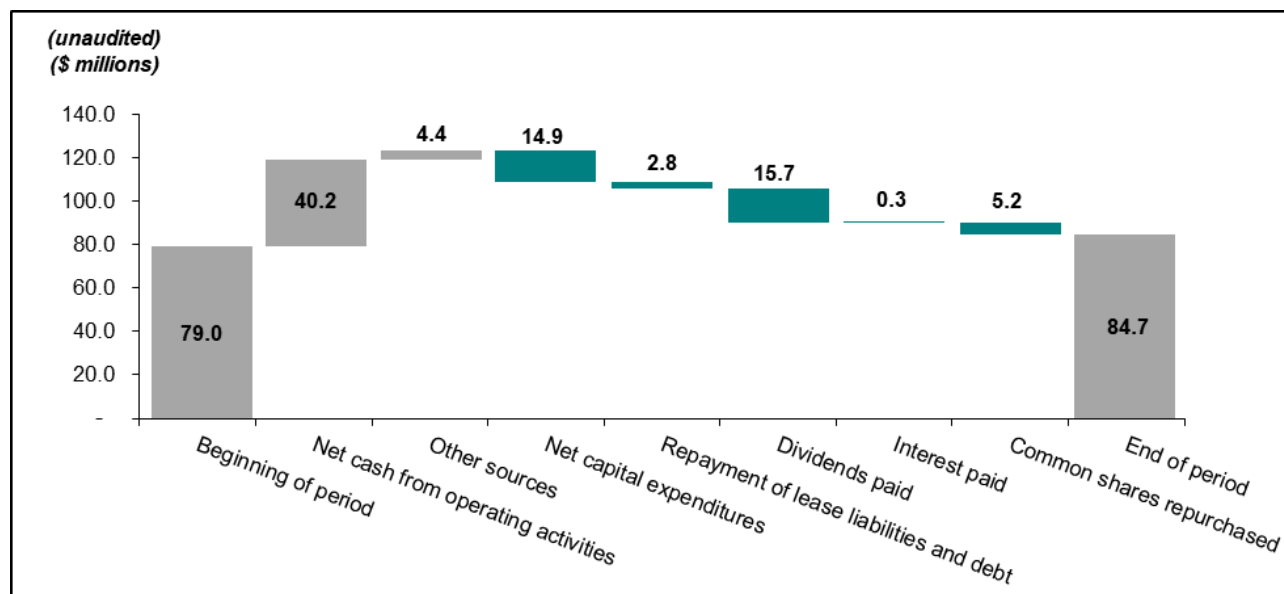


The following charts present the sources and uses of cash for comparative purposes.

### Three month period ended March 31, 2021



### Three month period ended March 31, 2020



In addition to the \$39.0 million (2020 – \$40.2 million) of net cash from operating activities, we also received \$1.1 million (2020 – \$4.4 million) of cash from other sources, which mainly consisted of cash received from net investment in finance leases, from interest income generated on cash and cash equivalents, and from changes in non-cash working capital items from financing and investing activities. Cash was used to repurchase and cancel 268,260 Common Shares for \$3.3 million (2020 – \$5.2 million), repay finance leases and debt of \$3.1 million (2020 – \$2.8 million), pay dividends totalling \$10.7 million (2020 – \$15.7 million), incur net capital expenditures<sup>1</sup> of \$9.9 million (2020 – \$14.9 million) and pay interest obligations of \$0.3 million (2020 – \$0.3 million). We also had \$0.4 million (2020 – nil) of other uses.

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



## Working Capital

At March 31, 2021, we had \$247.1 million (December 31, 2020 – \$239.1 million) of working capital, which included \$117.7 million of cash and cash equivalents, of which \$31.8 million was denominated in U.S. currency. We also have access to our undrawn \$150.0 million Bank Credit Facility. This working capital also includes a current liability of \$10.2 million (December 31, 2020 – \$11.4 million) related to the current portion of lease liabilities. This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2021 are available to finance our ongoing working capital requirements, our 2021 dividend, our 2021 capital budget, as well as various special projects and acquisition opportunities.

## Debt

As at March 31, 2021, we had net debt<sup>1</sup> outstanding of \$344.3 million, (December 31, 2020 – \$357.3 million), which consisted of total debt of \$601.6 million (December 31, 2020 – \$607.8 million) less working capital (excluding the current portion of lease liabilities) of \$257.3 million (December 31, 2020 – \$250.5 million). The primary reason for the decrease in the carrying value of the long-term debt was due to the impact of the strengthening of the Canadian dollar relative to the U.S. dollar on our U.S. dollar denominated debt. Total debt is comprised of the Private Placement Debt, the Debentures, lease liabilities and the Bank Credit Facility. The following table summarizes our total debt and net debt<sup>1</sup> as at March 31, 2021, and December 31, 2020:

(\$ millions)	Interest Rate	March 31, 2021		December 31, 2020		Change in CDN. Dollar Equivalent
		U.S. Dollar	CDN. Dollar Equivalent	U.S. Dollar	CDN. Dollar Equivalent	
Private Placement Debt:						
Series G - matures October 22, 2024	3.84%	\$ 117.0	\$ 147.1	\$ 117.0	\$ 149.0	\$ (1.9)
Series H - matures October 22, 2026	3.94%	112.0	140.9	112.0	142.6	(1.7)
Series I - matures October 22, 2024	3.88%	—	30.0	—	30.0	—
Series J - matures October 22, 2026	4.00%	—	3.0	—	3.0	—
Series K - matures October 22, 2024	3.95%	—	58.0	—	58.0	—
Series L - matures October 22, 2026	4.07%	—	80.0	—	80.0	—
Bank Credit Facility	variable <sup>(1)</sup>	—	—	—	—	—
Less:						
Unamortized debt issuance costs		—	(0.8)	—	(0.9)	0.1
<b>Long-term debt (including the current portion)</b>		<b>229.0</b>	<b>458.2</b>	<b>229.0</b>	<b>461.7</b>	<b>(3.5)</b>
Debentures – debt component	5.75%	—	111.7	—	111.1	0.6
Lease liabilities (including the current portion)	3.20%	—	31.7	—	35.0	(3.3)
<b>Total debt</b>		<b>\$ 229.0</b>	<b>\$ 601.6</b>	<b>\$ 229.0</b>	<b>\$ 607.8</b>	<b>\$ (6.2)</b>
Less:						
Working capital (excluding the Bank Credit Facility and the current portion of leases)			257.3		250.5	6.8
<b>Net debt<sup>(2)</sup></b>			<b>\$ 344.3</b>		<b>\$ 357.3</b>	<b>\$ (13.0)</b>

<sup>(1)</sup> Bank prime rate plus 0.5 percent or bankers' acceptance rates plus 1.5 percent.

<sup>(2)</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

**Total Net Debt<sup>1</sup> to Operating Cash Flow.** Mullen Group's total net debt<sup>1</sup> cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months' financial results normalized for acquisitions. The term total net debt<sup>1</sup>, as defined within the Private Placement Debt Agreement, means all debt excluding the Debentures 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 but includes the Private Placement Debt, lease liabilities, the Bank Credit Facility and letters of credit. The term "**operating cash flow**", as defined within the Private Placement Debt Agreement, means, for any quarterly period the trailing twelve months' consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits; (ii) depreciation and amortization taken during such period; (iii) total interest charges, including interest on the Debentures; and (iv) non-cash charges. Total net debt<sup>1</sup> to operating cash flow

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



financial covenant under our Private Placement Debt enables us to include the trailing twelve months operating cash flows from acquisitions. Although permitted, we have not included any operating cash flows generated prior to the date of the acquisition from our recent acquisitions in this financial covenant calculation.

Total net debt<sup>1</sup> to operating cash flow was calculated as follows:

	March 31 2021	December 31 2020
<b>Total net debt<sup>(1)</sup> to operating cash flow</b>		
Total net debt <sup>(1)</sup>	\$ 459.4	\$ 462.8
Operating cash flow	\$ 221.2	\$ 220.1
<b>Total net debt<sup>(1)</sup> to operating cash flow</b>	<b>2.08:1</b>	<b>2.10:1</b>

<sup>(1)</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

**Total Earnings Available for Fixed Charges to Total Fixed Charges.** The fixed charge coverage ratio cannot be less than 1.75:1 calculated using the trailing twelve months financial results.

The term "**total earnings available for fixed charges**", as defined within the Private Placement Debt Agreement, means, for any period consolidated net income plus all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) the depreciation and amortization taken during such period, (iii) consolidated fixed charges, (iv) interest charges with respect to convertible debentures, and (v) non-cash charges, and less any non-cash gains included in the computation of consolidated net income. The term "**total fixed charges**", as defined within the Private Placement Debt Agreement, means, for any period the sum of total interest charges and rental charges for such period.

	March 31 2021	December 31 2020
<b>Total Earnings Available for Fixed Charges to Total Fixed Charges</b>		
Total earnings available for fixed charges	\$ 223.4	\$ 222.4
Total fixed charges	\$ 21.7	\$ 22.5
<b>Total earnings available for fixed charges to total fixed charges</b>	<b>10.30:1</b>	<b>9.87:1</b>

Mullen Group, as evidenced by the table below, is in compliance with both of the aforementioned covenants.

<b>Financial Covenants</b>	<b>Financial Covenant Threshold</b>	March 31 2021	December 31 2020
Private Placement Debt Covenants			
(a) Total net debt <sup>(1)</sup> to operating cash flow cannot exceed	3.50:1	2.08:1	2.10:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	10.30:1	9.87:1

<sup>(1)</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Total net debt<sup>1</sup> to operating cash flow was 2.08:1 at March 31, 2021. Assuming the \$459.4 million of total net debt<sup>1</sup> remains constant, we would need to generate approximately \$131.2 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant. When a business is acquired, the trailing twelve months of operating cash flows generated by the newly acquired business may be added to our trailing twelve months' operating cash flows from the date of acquisition for financial covenant calculation purposes.

Mullen Group is also subject to a priority debt covenant. The term "priority debt" means all indebtedness secured by permitted liens excluding certain qualified subsidiary debt. Priority debt cannot exceed 15.0 percent of total assets. At March 31, 2021, the priority debt was \$0.6 million or an insignificant percentage of total assets.

Our debt-to-equity ratio was 0.67:1 at March 31, 2021, as compared to 0.68:1 at December 31, 2020. This decrease in the debt-to-equity ratio was due to the net effect of a \$6.3 million decrease in total debt (including the current portion) and a \$1.9 million decrease in equity as compared to December 31, 2020. The \$6.3 million decrease in

<sup>1</sup> Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".



total debt was due to the \$3.6 million foreign exchange gain on the Corporation's U.S. dollar debt and from a \$3.3 million reduction in lease liabilities, being somewhat offset by a \$0.6 million increase in the debt component of the Debentures. The \$1.9 million decrease in equity mainly resulted from the \$11.6 million of dividends declared to shareholders in 2021 and the 268,260 Common Shares repurchased and cancelled for \$3.3 million. These items were somewhat offset by the \$13.0 million of net income being recognized in 2021.

## Contractual Obligations

An overview of Mullen Group's contractual obligations can be found on page 43 of the 2020 MD&A. As at March 31, 2021, Mullen Group's contractual obligations have not changed significantly from this overview.

## Share Capital

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. The number of, and the specific rights, privileges, restrictions and conditions attaching to any series of Preferred Shares shall be determined by the Board prior to the creation and issuance thereof. As at the date hereof, no series of Preferred Shares has been created.

### Common Shares

Common Shares Authorized: Unlimited Number	# of Common Shares	Amount (\$ millions)
Balance at December 31, 2020	96,852,047	\$ 874.9
Common Shares repurchased and cancelled	(268,260)	(2.3)
Balance at March 31, 2021	<b>96,583,787</b>	<b>\$ 872.6</b>

At March 31, 2021, there were 96,583,787 Common Shares outstanding representing \$872.6 million in share capital. In the first quarter of 2021, we repurchased and cancelled 268,260 Common Shares under the NCIB program.

### Stock Option Plan

	Options	Weighted average exercise price
Outstanding – December 31, 2020	2,995,000	\$ 19.38
Granted	700,000	10.15
Forfeited	(305,000)	(19.20)
Outstanding – March 31, 2021	<b>3,390,000</b>	<b>17.49</b>
Exercisable – March 31, 2021	<b>2,685,000</b>	<b>19.41</b>

There are 3,377,500 stock options available to be issued under our stock option plan. In the first three months of 2021, there were 700,000 stock options granted and 305,000 stock options forfeited. As at March 31, 2021, Mullen Group had 3,390,000 stock options outstanding under the stock option plan.



# SUMMARY OF QUARTERLY RESULTS

## Seasonality of Operations

Revenue and profitability within the Less-Than-Truckload segment and the Logistics & Warehousing segment are generally lower in the first quarter than during the remainder of the year as freight volumes are typically lower following the holiday season due to less consumer demand and customers reducing shipments. Operating expenses also tend to increase within these segments in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions. The Less-Than-Truckload segment and the Logistics & Warehousing segment represents approximately 70.0 percent of our pre-consolidated revenue on an annualized basis. Generally speaking, our third and fourth quarters tend to be the strongest in terms of demand for the services in these segments. As a result, our consolidated revenue is generally higher in these quarters compared to the first and second quarters of the year.

A significant portion of the operations within the Specialized & Industrial Services segment is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and gas, environmental, construction, pipeline, utility, telecom and civil industries, predominantly in western Canada. Activity levels, revenue and earnings are influenced by the seasonal activity pattern of western Canada's oil and natural gas exploration industry whereby activity peaks in the winter months and declines during the spring when wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing activity levels. Additionally, certain oil and natural gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unpredictable weather patterns may lead to declines in the activity levels and demand for certain services. As a result, the demand for these services is traditionally highest in the first quarter and lowest in the second quarter.

## Financial Results

	TTM <sup>(1)</sup>	2021 Q1	2020				2019		
			Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>(unaudited)</i> (\$ millions, except per share amounts)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,136.6	290.5	297.7	290.9	257.5	318.2	314.6	325.3	319.0
Operating income before depreciation and amortization	219.5	47.1	52.2	65.2	55.0	45.2	49.9	55.6	51.4
Net income	72.3	13.0	10.1	26.2	23.0	4.7	8.4	20.5	31.7
Earnings per share									
Basic	0.73	0.13	0.10	0.27	0.23	0.04	0.08	0.20	0.30
Diluted	0.73	0.13	0.10	0.26	0.23	0.04	0.08	0.20	0.30
<b>Other Information</b>									
Net foreign exchange (gain) loss	(5.3)	(0.1)	0.1	(0.1)	(5.2)	2.8	(2.3)	(3.9)	(6.8)
Decrease (increase) in fair value of investments	(0.9)	(0.4)	(0.4)	0.1	(0.2)	1.5	(0.3)	0.3	0.1

<sup>(1)</sup> TTM represents the "trailing twelve months" and consists of a summary of the Corporation's financial results for the most recently completed four quarters.

Consolidated revenue in the first quarter of 2021 decreased by \$27.7 million to \$290.5 million as compared to \$318.2 million in 2020. Revenue generated by the Less-Than-Truckload segment increased by \$7.8 million to \$120.7 million due to \$5.9 million of incremental revenue generated from the acquisition of PCX and from the strength of consumer spending. Revenue generated by the Logistics & Warehousing segment decreased by \$4.9 million to \$91.3 million due to the lingering effects of COVID-19 resulting in lower freight volumes and spot prices. Revenue generated by the Specialized & Industrial Services segment decreased by \$32.0 million to \$79.3 million due to lower demand for specialized services including demand for large diameter pipeline hauling and stringing services as well as fluid hauling and drilling related services. Net income in the first quarter was \$13.0 million, an increase of \$8.3 million from the \$4.7 million of net income generated in 2020. The \$8.3 million increase in net income was mainly attributable to a \$2.9 million positive variance in net foreign exchange, a \$1.9 million increase in OIBDA, a \$1.9 million positive variance in the fair value of investments, a \$0.7 million decrease in depreciation of property, plant and equipment and a \$0.6 million decrease in income tax expense.





These increases were partially offset by a \$0.1 million increase in the depreciation of right-of-use assets. As a result, basic earnings per share in the first quarter of 2021 was \$0.13, an increase of \$0.09, from the \$0.04 of earnings per share generated in 2020.

Consolidated revenue in the fourth quarter of 2020 decreased by \$16.9 million to \$297.7 million as compared to \$314.6 million in 2019. Revenue generated by the Less-Than-Truckload segment increased by \$2.1 million to \$116.3 million due to the incremental revenue generated from the acquisition of PCX being somewhat offset by the negative effects of COVID-19 and lower fuel surcharge revenue. Revenue generated by the Logistics & Warehousing segment decreased by \$5.4 million to \$96.8 million due to COVID-19 resulting in supply chain disruptions, a lack of capital projects, business closures and lower fuel surcharge revenue. Revenue generated by the Specialized & Industrial Services segment decreased by \$15.2 million to \$84.8 million due to low oil prices, mandated curtailments and a poor drilling environment being moderately offset by improved results from Premay Pipeline Hauling L.P. ("**Premay Pipeline**"). Net income in the fourth quarter was \$10.1 million, an increase of \$1.7 million from the \$8.4 million of net income generated in 2019. The \$1.7 million increase in net income was mainly attributable to a \$7.9 million decrease in depreciation of property, plant and equipment, a \$2.3 million increase in OIBDA, and a \$0.5 million decrease in amortization of intangible assets. These increases were partially offset by a \$4.3 million increase in the loss on sale of property, plant and equipment, a \$2.4 million negative variance in net foreign exchange and a \$1.0 million increase in income tax expense. As a result, basic earnings per share in the fourth quarter of 2020 was \$0.10, an increase of \$0.02, from the \$0.08 of earnings per share generated in 2019.

Consolidated revenue in the third quarter of 2020 decreased by \$34.4 million to \$290.9 million as compared to \$325.3 million in 2019. Revenue generated by the Less-Than-Truckload segment decreased by \$3.2 million to \$112.7 million due to the negative effects of COVID-19 and lower fuel surcharge revenue. Revenue generated by the Logistics & Warehousing segment decreased by \$12.6 million to \$86.2 million due to COVID-19 resulting in supply chain disruptions, a lack of capital projects, business closures and lower fuel surcharge revenue. Revenue generated by the Specialized & Industrial Services segment decreased by \$19.1 million to \$92.4 million due to extremely low oil prices, mandated curtailments and a poor drilling environment being moderately offset by improved results from Premay Pipeline and Smook. Net income in the third quarter was \$26.2 million, an increase of \$5.7 million from the \$20.5 million of net income generated in 2019. The \$5.7 million increase in net income was mainly attributable to a \$9.6 million increase in OIBDA, a \$1.3 million increase in the gain on sale of property, plant and equipment, a \$1.1 million decrease in amortization of intangible assets and depreciation of property, plant and equipment and a \$0.4 million gain on fair value of equity investment. These increases were partially offset by a \$3.8 million negative variance in net foreign exchange and a \$3.0 million increase in income tax expense. As a result, basic earnings per share in the third quarter of 2020 was \$0.27, an increase of \$0.07, from the \$0.20 of earnings per share generated in 2019.

Consolidated revenue in the second quarter of 2020 decreased by \$61.5 million to \$257.5 million as compared to \$319.0 million in 2019. Revenue generated by the Less-Than-Truckload segment decreased by \$10.5 million to \$101.9 million due to the negative effects of COVID-19 and lower fuel surcharge revenue being somewhat offset by the incremental revenue generated from the acquisitions of Argus Carriers Ltd. and Inter-Urban Delivery Services Ltd. Revenue generated by the Logistics & Warehousing segment decreased by \$19.3 million to \$82.8 million due to COVID-19 resulting in supply chain disruptions and business closures, and lower fuel surcharge revenue. These decreases were somewhat offset by a strong performance by Kleysen due to greater demand for transload services. Revenue generated by the Specialized & Industrial Services segment decreased by \$31.6 million to \$73.5 million due to extremely low oil prices, mandated curtailments and a poor drilling environment being moderately offset by improved results from Premay Pipeline and Smook. Net income in the second quarter was \$23.0 million, a decrease of \$8.7 million from the \$31.7 million of net income generated in 2019. The \$8.7 million decrease in net income was mainly attributable to a \$10.5 million variance in income tax expense, a \$1.8 million increase in finance costs and a \$1.6 million negative variance in net foreign exchange. These decreases were partially offset by a \$3.6 million increase in OIBDA. As a result, basic earnings per share in the second quarter of 2020 was \$0.23, a decrease of \$0.07, from the \$0.30 of earnings per share generated in 2019.





## TRANSACTIONS WITH RELATED PARTIES

A description of transactions with related parties can be found on page 63 of the 2020 MD&A. As at March 31, 2021, the transactions with related parties have not changed significantly from these descriptions.

All of the transactions with related parties occurred in the normal course of operations with terms consistent with those offered to arms-length parties and are measured at the exchange amount. Mullen Group has no long-term contracts with any related party other than the \$5.0 million of the Debentures subscribed to certain officers and directors of the Corporation.

## PRINCIPAL RISKS AND UNCERTAINTIES

A description of principal risks and uncertainties can be found beginning on page 64 of the 2020 MD&A. As at March 31, 2021, these risks and uncertainties have not changed significantly from those descriptions, however, due to economic implications associated with the COVID-19 health care crisis, some of these risks have been elevated in 2021. Our risks and are summarized as follows:

STRATEGIC RISKS:	FINANCIAL RISKS:	OPERATIONAL RISKS:
<ul style="list-style-type: none"><li>geopolitical risks<ul style="list-style-type: none"><li>general economy</li><li>natural gas and oil drilling and oil sands development</li><li>changes in the legal framework</li></ul></li><li>e-commerce and supply chain evolution</li><li>acquisitions</li><li>competition</li></ul>	<ul style="list-style-type: none"><li>foreign exchange rates</li><li>investments</li><li>access to financing</li><li>reliance on major customers</li><li>impairment of goodwill or intangible assets</li><li>credit risk</li><li>interest rates</li></ul>	<ul style="list-style-type: none"><li>employees &amp; labour relations</li><li>cost escalation &amp; fuel costs</li><li>potential operating risks &amp; insurance</li><li>digital infrastructure &amp; cyber security</li><li>business continuity, disaster recovery &amp; crisis management</li><li>environmental liability risks</li><li>weather &amp; seasonality</li><li>access to parts, development of new technology &amp; relationships with key suppliers</li><li>regulation</li><li>litigation</li></ul>

## CRITICAL ACCOUNTING ESTIMATES

This MD&A summarizes Mullen Group's financial condition and results of operations and is based upon our Interim Financial Statements, which have been prepared in accordance with IFRS and comply with IAS 34 Interim Financial Reporting. The Interim Financial Statements require management to select significant accounting policies and make certain critical accounting estimates that affect the reported assets, liabilities, revenue and expenses. A description of critical accounting estimates can be found beginning on page 79 of the 2020 MD&A. As at March 31, 2021, our critical accounting estimates have not changed significantly from such description.

## SIGNIFICANT ACCOUNTING POLICIES

### New Standards and Interpretations Not Yet Adopted

A description of new standards and interpretations not yet adopted can be found on page 82 of the 2020 MD&A. There have been no new standards or interpretations issued during 2021 that significantly impact Mullen Group.

### Changes in Accounting Policies

There have been no changes to our accounting policies in 2021 as compared to those disclosed in our audited annual consolidated financial statements for the fiscal year ended December 31, 2020.



## DISCLOSURE AND INTERNAL CONTROLS

### Disclosure Controls and Internal Controls over Financial Reporting

As at March 31, 2021, an evaluation of the effectiveness of our disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"). Based on this evaluation, the CEO and the CFO concluded that, as at March 31, 2021, the design and operation of our disclosure controls and procedures was effective.

Internal control over financial reporting is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. Under the supervision and with the participation of the CEO and CFO, management conducted an evaluation of the effectiveness of its internal control over financial reporting as at March 31, 2021.

Based on this evaluation, the CEO and CFO concluded that as at March 31, 2021, our internal control over financial reporting was effective. We utilize the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. As at March 31, 2021 there was no change in our internal control over financial reporting that materially affected or is reasonably likely to materially affect our internal control over financial reporting.

## FORWARD-LOOKING INFORMATION STATEMENTS

This MD&A contains forward-looking statements within the meaning of applicable Canadian Securities laws. Readers are cautioned that expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The following is a list of forward-looking statements contained within this MD&A, along with the respective assumptions:

- Mullen Group's comment that our two new acquisitions will not only accelerate our growth in the near term, but when combined with our existing network provide our organization with an excellent opportunity to capture market share growth and enhance our bottom line, as referred to in the Executive Summary section beginning on page 4. This forward-looking statement is based on the assumption that we have announced two significant transactions, one which closed in April and the other we expect to close in the second quarter. Both companies, Bandstra Transportation Group, based in British Columbia, and APPS Transport Group, based in Ontario, are brand name easily recognizable in the Canadian transportation industry.
- Mullen Group's comment that we are excited and positive about the future of our company, as referred to in the Executive Summary section beginning on page 4. This forward-looking statement is based on the assumption that it is only a matter of time before a sharp recovery in the Canadian economy takes place because the necessary conditions, including significant capital resources and consumer pent up demand, are waiting for COVID-19 to be brought under control. And, of course, the opportunities the new acquisitions bring to our company. In addition, we are of the view that the logistics and freight industry are ripe for further consolidation which we will be well positioned to capture, particularly "tuck-in" purchases.
- Mullen Group's comment that we are optimistic that the economy and freight demand will rebound quickly, as referred to in the Outlook section beginning on page 6. This forward-looking statement is based on the assumption that there are several examples of strong economic growth in countries that have been able to control the spread of the virus, as such we expect a similar response in Canada. The only question remains – one of timing. Consumer demand will remain strong and our expectation is that projects will be restarted and capital investments will rebound. There is significant pent up demand along with a supply of capital ready to fund new growth. In addition to an economic recovery, we will see a return to consolidated revenue growth with the recent acquisitions we have announced.



- Mullen Group's announcement of its plan to allocate \$100.0 million over the course of three years to repurchase its Common Shares via an authorized share buyback program, as referred to in the Corporate Overview section beginning on page 7. This forward-looking statement is based on the assumption that we will obtain approvals from the TSX to renew a share buyback program and that we will generate sufficient cash in excess of our financial obligations to support the share buyback program.
- Mullen Group's intention to pay annual dividends of \$0.48 per Common Share (\$0.04 per Common Share on a monthly basis) for 2021, subject to Board approval, as referred to in the Corporate Overview section beginning on page 7. This forward-looking statement is based on the assumption that we will generate sufficient cash in excess of our financial obligations to support the dividend.
- Mullen Group's intention to invest \$60.0 million in capital expenditures, exclusive of corporate acquisitions or investment in facilities, land and buildings, with \$50.0 million allocated towards maintenance capital primarily to replace trucks, trailers, specialized equipment and technology to support the operations of the business. In addition, we will allocate \$10.0 million to fund growth and create jobs in Canada, as referred to in the Corporate Overview section beginning on page 7. This forward-looking statement is based on the assumption that our Business Units will require capital to support their ongoing operations and growth opportunities and that we will generate sufficient cash in excess of our financial obligations to support the capital expenditures.
- Mullen Group's intention to use working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2021 to finance our ongoing working capital requirements, our 2021 dividend, our 2021 capital budget as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 31. This forward-looking statement is based on our belief that our access to cash will exceed our expected requirements.

Although we believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because we can give no assurance that they will prove to be correct.

Forward-looking statements address future events and conditions and, therefore, involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to certain strategic, financial and operational risks, most important of which are geopolitical risks including but not limited to a slowdown in the general economy, reduced oil and natural gas drilling and decreased oil sands and heavy oil activity; e-commerce and supply chain evolution; acquisitions; competition; foreign exchange rates; change in the return on fair value of investments; access to financing; reliance on major customers; customer relationships; impairment of goodwill or intangible assets; credit risk; prevailing interest rates; employees & labour relations; labour disruption and driver retention; cost escalation & fuel costs; accidents; cost of liability insurance; digital infrastructure & cyber security; business continuity, disaster recovery & crisis management; environmental liability risks; weather & seasonality; access to parts, development of new technology & relationships with key suppliers; regulatory framework governing matters such as tax and the environment in the jurisdictions in which the Corporation conducts and will conduct its business; and litigation. Accordingly, readers should not place undue reliance on the forward-looking statements contained in this MD&A.

Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Mullen Group along with the forward-looking statements in this MD&A, may be found in the Advisory on page 1 as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com). The forward-looking statements contained in this MD&A are made as of the date hereof and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. We rely on litigation protection for "forward-looking" statements.



## GLOSSARY OF TERMS AND RECONCILIATION OF NON-GAAP TERMS

The Interim Financial Statements attached and referred to in this MD&A were prepared according to Canadian GAAP. References to operating margin, net income – adjusted, earnings per share – adjusted, net capital expenditures, net debt, total net debt and cash flow per share are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. This MD&A reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate our ability to fund our operations and information regarding our liquidity. In addition, these measures are used by management in its evaluation of performance. These Non-GAAP Terms may not be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP. Investors are cautioned that these indicators should not replace the foregoing Canadian GAAP terms: net income, earnings per share, purchases of property, plant and equipment, proceeds on sale of property, plant and equipment and debt.

### Operating Margin

Operating margin is a Non-GAAP term 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.

<i>(unaudited)</i> (\$ millions)	Three month periods ended March 31	
	2021	2020
Operating income before depreciation and amortization	\$ 47.1	\$ 45.2
Revenue	\$ 290.5	\$ 318.2
Operating margin	16.2%	14.2%

### Net Income – Adjusted and Earnings per Share – Adjusted

Net income – adjusted and earnings per share – adjusted are calculated by adjusting net income and basic earnings per share by the impact of any net foreign exchange gains and losses and from the change in fair value of investments. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective. See page 21 for detailed calculations of net income – adjusted and earnings per share – adjusted.

### Net Capital Expenditures

Net capital expenditures are calculated by subtracting the amount of cash received from the sale of property, plant and equipment from the amount of cash used to purchase property, plant and equipment. Management calculates net capital expenditures to evaluate and manage its capital expenditure budget and to assist in allocating capital amongst its Business Units.

<i>(unaudited)</i> (\$ millions)	Three month periods ended March 31	
	2021	2020
Purchase of property, plant and equipment	\$ 12.5	\$ 15.9
Proceeds on sale of property, plant and equipment	(2.6)	(1.0)
Net capital expenditures	\$ 9.9	\$ 14.9



## Net Debt

Net debt is calculated by subtracting total working capital (current assets less current liabilities) from total debt (long-term debt plus the debt component of lease liabilities and Debentures). Management calculates net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

<i>(unaudited)</i> (\$ millions)	March 31, 2021		December 31, 2020	
Long-term debt	\$	458.2	\$	461.7
Convertible debentures - debt component		111.7		111.1
Lease liabilities (non-current portion)		21.5		23.6
Total debt		591.4		596.4
Less working capital:				
Current assets		354.7		345.3
Current liabilities		(107.6)		(106.2)
Total working capital		247.1		239.1
Net debt	\$	344.3	\$	357.3

## 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 Facility 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. Management calculates total net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

<i>(unaudited)</i> (\$ millions)	March 31, 2021	
Private Placement Debt	\$	458.2
Lease liabilities (including the current portion)		31.7
Letters of credit		3.9
Total debt		493.8
Less: unrealized gain on Cross-Currency Swaps		(34.4)
Add: unrealized loss on Cross-Currency Swaps		—
Total net debt	\$	459.4

## Cash Flow per Share

Cash flow per share is calculated by dividing net cash from operating activities by the weighted average number of Common Shares outstanding. Management measures cash flow per share to provide investors with an indication of the amount of cash being generated on a per share basis, after consideration of working capital and income taxes paid.

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended March 31			
	2021		2020	
Net cash from operating activities	\$	39.0	\$	40.2
Weighted average number of Common Shares outstanding		96,849,066		104,670,985
Cash flow per share	\$	0.40	\$	0.38





**MARCH 31, 2021**  
**INTERIM FINANCIAL REPORT**

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(unaudited)</i> <i>(thousands)</i>	Note	March 31 2021	December 31 2020
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 117,680	\$ 105,340
Trade and other receivables	5	184,512	192,453
Inventory		31,192	30,072
Prepaid expenses		15,515	13,910
Current tax receivable		5,768	3,522
		<b>354,667</b>	<b>345,297</b>
Non-current assets:			
Property, plant and equipment		932,696	939,107
Right-of-use assets		28,888	32,186
Goodwill		271,340	271,340
Intangible assets		40,853	45,867
Investments		36,389	35,761
Deferred tax assets		9,002	9,072
Derivative financial instruments	6	34,443	37,906
Other assets		1,285	1,400
		<b>1,354,896</b>	<b>1,372,639</b>
<b>Total Assets</b>		<b>\$ 1,709,563</b>	<b>\$ 1,717,936</b>
<b>Liabilities and Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 92,941	\$ 88,153
Dividends payable	7	3,863	2,906
Current tax payable		578	3,687
Lease liabilities – current portion		10,219	11,439
Current portion of long-term debt		12	16
		<b>107,613</b>	<b>106,201</b>
Non-current liabilities:			
Convertible debentures – debt component	9	111,698	111,111
Long-term debt	9	458,164	461,713
Lease liabilities		21,516	23,593
Asset retirement obligations		1,615	1,609
Deferred tax liabilities		114,403	117,291
		<b>707,396</b>	<b>715,317</b>
Equity:			
Share capital	10	872,576	874,888
Convertible debentures – equity component		9,116	9,116
Contributed surplus		35,676	36,577
Deficit		(22,814)	(24,163)
		<b>894,554</b>	<b>896,418</b>
Subsequent events	17		
<b>Total Liabilities and Equity</b>		<b>\$ 1,709,563</b>	<b>\$ 1,717,936</b>

The notes which begin on page 49 are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors on April 21, 2021, after review by the Audit Committee.

**"Signed: Murray K. Mullen"**  
Murray K. Mullen, Director

**"Signed: Philip J. Scherman"**  
Philip J. Scherman, Director





## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(unaudited)</i> <i>(thousands, except per share amounts)</i>	Note	Three month periods ended March 31	
		2021	2020
Revenue	13	\$ 290,507	\$ 318,234
Direct operating expenses		204,880	232,414
Selling and administrative expenses		38,555	40,610
Operating income before depreciation and amortization		47,072	45,210
Depreciation of property, plant and equipment		16,808	17,536
Depreciation of right-of-use assets		3,018	2,892
Amortization of intangible assets		5,014	5,030
Finance costs		7,023	7,209
Net foreign exchange (gain) loss	6	(132)	2,740
Other (income) expense	14	(871)	1,316
Income before income taxes		16,212	8,487
Income tax expense	8	3,252	3,825
Net income and total comprehensive income		\$ 12,960	\$ 4,662
Earnings per share:	11		
Basic		\$ 0.13	\$ 0.04
Diluted		\$ 0.13	\$ 0.04
Weighted average number of Common Shares outstanding:	11		
Basic		96,849	104,671
Diluted		96,849	104,671

*The notes which begin on page 49 are an integral part of these condensed interim consolidated financial statements.*



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(unaudited)</i> <i>(thousands)</i>		Share capital	Convertible debentures – equity component	Contributed surplus	Deficit	Total
<b>Balance at January 1, 2021</b>		\$ 874,888	\$ 9,116	\$ 36,577	\$ (24,163)	\$ 896,418
Total comprehensive income for the period		—	—	—	12,960	12,960
Common Shares repurchased	10	(2,312)	—	(967)	—	(3,279)
Stock-based compensation expense		—	—	66	—	66
Dividends declared to common shareholders	7	—	—	—	(11,611)	(11,611)
<b>Balance at March 31, 2021</b>		\$ 872,576	\$ 9,116	\$ 35,676	\$ (22,814)	\$ 894,554

<i>(unaudited)</i> <i>(thousands)</i>		Share capital	Convertible debentures – equity component	Contributed surplus	Deficit	Total
<b>Balance at January 1, 2020</b>		\$ 946,910	\$ 9,116	\$ 16,860	\$ (54,965)	\$ 917,921
Total comprehensive income for the period		—	—	—	4,662	4,662
Common Shares repurchased	10	(9,695)	—	4,447	—	(5,248)
Stock-based compensation expense		—	—	348	—	348
Dividends declared to common shareholders	7	—	—	—	(15,674)	(15,674)
<b>Balance at March 31, 2020</b>		\$ 937,215	\$ 9,116	\$ 21,655	\$ (65,977)	\$ 902,009

The notes which begin on page 49 are an integral part of these condensed interim consolidated financial statements.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) (thousands)	Note	Three month periods ended March 31	
		2021	2020
Cash provided by (used in):			
<b>Cash flows from operating activities:</b>			
Net income		\$ 12,960	\$ 4,662
Adjustments for:			
Depreciation and amortization		24,840	25,458
Finance costs		7,023	7,209
Stock-based compensation expense		66	348
Foreign exchange loss (gain) on cross-currency swaps	6	3,463	(24,717)
Foreign exchange (gain) loss		(3,150)	25,728
Change in fair value of investments	14	(442)	1,452
(Gain) loss on sale of property, plant and equipment	14	(249)	17
Earnings from equity investments	14	(186)	(159)
Accretion on asset retirement obligations	14	6	6
Income tax expense	8	3,252	3,825
Cash flows from operating activities before non-cash working capital items		47,583	43,829
Changes in non-cash working capital items from operating activities	15	2,855	270
Cash generated from operating activities		50,438	44,099
Income tax paid		(11,425)	(3,884)
Net cash from operating activities		39,013	40,215
<b>Cash flows from financing activities:</b>			
Repurchase of Common Shares	10	(3,279)	(5,248)
Cash dividends paid to common shareholders		(10,654)	(15,724)
Interest paid		(280)	(343)
Repayment of long-term debt and loans		(3)	—
Repayment of lease liabilities		(3,127)	(2,846)
Changes in non-cash working capital items from financing activities	15	546	1,137
Net cash used in financing activities		(16,797)	(23,024)
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		(12,564)	(15,926)
Proceeds on sale of property, plant and equipment		2,627	1,037
Net investment in finance leases		316	278
Interest received		167	634
Other assets		18	(8)
Changes in non-cash working capital items from investing activities	15	5	712
Net cash used in investing activities		(9,431)	(13,273)
Change in cash and cash equivalents		12,785	3,918
Cash and cash equivalents at January 1		105,340	79,023
Effect of exchange rate fluctuations on cash held		(445)	1,729
Cash and cash equivalents at March 31		\$ 117,680	\$ 84,670

The notes which begin on page 49 are an integral part of these condensed interim consolidated financial statements.



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Three month periods ended March 31, 2021 and 2020 (unaudited)  
(Tabular amounts in thousands, except share and per share amounts)

## 1. Reporting Entity

Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") was incorporated pursuant to the laws of the Province of Alberta and is a publicly-traded company listed on the Toronto Stock Exchange ("**TSX**") under the symbol 'MTL'. The Corporation maintains its registered office in Okotoks, Alberta, Canada. The business of Mullen Group is operated through wholly-owned (either directly or indirectly) subsidiaries and limited partnerships ("**Business Units**"). The Corporation is recognized as one of the leading suppliers of trucking and logistics services in Canada providing a wide range of service offerings including less-than-truckload, truckload, warehousing, logistics, transload, oversized and specialized hauling transportation. In addition, Mullen Group provides 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. These unaudited condensed interim consolidated financial statements ("**Interim Financial Statements**") include the accounts of the Corporation, its subsidiaries and its limited partnerships.

## 2. Basis of Presentation

### (a) Statement of Compliance

These Interim Financial Statements have been prepared in accordance to and comply with International Financial Reporting Standards ("**IFRS**"), which include the International Accounting Standards ("**IAS**") and the interpretations developed by the International Financial Reporting Interpretations Committee ("**IFRIC**"), as issued by the International Accounting Standards Board ("**IASB**"). These Interim Financial Statements comply with IAS 34 Interim Financial Reporting and do not include all of the information required for annual financial statements.

### (b) Basis of Measurement

These Interim Financial Statements have been prepared on the historical cost basis except for investments (excluding investments accounted for by the equity method), and derivative financial instruments ("**Derivatives**"), which are measured at fair value through profit or loss.

### (c) Functional and Presentation Currency

These Interim Financial Statements are presented in Canadian dollars, which is the functional currency of the Corporation and each of its Business Units. All financial information presented in Canadian dollars has been rounded to the nearest thousand except for per share amounts.

## 3. Significant Accounting Policies

The accompanying Interim Financial Statements should be read in conjunction with Note 3 to Mullen Group's audited annual consolidated financial statements for the year ended December 31, 2020, (the "**Annual Financial Statements**") as the accounting policies applied by the Corporation in these Interim Financial Statements are the same as those disclosed therein.

## 4. Determination of Fair Values

The following table compares the fair value of certain financial assets and financial liabilities to its corresponding carrying amount as presented in the condensed consolidated statement of financial position.

March 31, 2021 Financial Instrument	Fair Value Hierarchy	Carrying Amount	Fair Value
Investments (excluding investments accounted for by using the equity method)	Level 1	\$ 1,621	\$ 1,621
Derivative Financial Instruments <sup>(1)</sup>	Level 2	\$ 34,443	\$ 34,443
Private Placement Debt	Level 2	\$ 458,164	\$ 448,300
Convertible Debentures – debt component	Level 2	\$ 111,698	\$ 118,047

<sup>(1)</sup> The fair value of the Derivative Financial Instruments is determined using Level 2 of the fair value hierarchy. Level 2 fair values are determined by referencing observable market data, including future foreign currency curves, interest rates, credit spreads and other financial measures.

## 5. Trade and Other Receivables

	March 31 2021	December 31 2020
Trade receivables	\$ 153,543	\$ 171,221
Other receivables	28,412	19,450
Net investment in finance leases	765	1,085
Contract assets	1,792	697
	\$ 184,512	\$ 192,453



## 6. Derivative Financial Instruments

On July 25, 2014, Mullen Group entered into two cross-currency swap contracts with a Canadian bank to swap \$117.0 million U.S. dollars and \$112.0 million U.S. dollars into Canadian dollars (collectively, the "Cross-Currency Swaps") at foreign exchange rates of \$1.1047 and \$1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These Cross-Currency Swaps provide an economic hedge on the principal amount of the Series G and Series H Notes.

For the three month period ended March 31, 2021, Mullen Group has recorded a net foreign exchange (gain) loss of \$(0.1) million (2020 – \$2.7 million). This was due to the impact of the change over the period in the value of the Canadian dollar relative to the U.S. dollar on the Corporation's U.S. dollar debt and from the change in the fair value of its Cross-Currency Swaps as summarized in the table below:

Net Foreign Exchange (Gain) Loss	Three month periods ended March 31			
	CDN. \$ Equivalent			
	2021		2020	
Foreign exchange (gain) loss on U.S. \$ debt	\$	(3,595)	\$	27,457
Foreign exchange loss (gain) on Cross-Currency Swaps		3,463		(24,717)
Net foreign exchange (gain) loss	\$	(132)	\$	2,740

For the three month period ended March 31, 2021, Mullen Group recorded a foreign exchange (gain) loss on U.S. dollar debt of \$(3.6) million (2020 – \$27.5 million) as summarized in the table below:

Foreign Exchange (Gain) Loss on U.S. \$ Debt	Three month periods ended March 31					
	2021			2020		
	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent
<i>(\$ thousands, except exchange rate amounts)</i>						
Ending – March 31	229,000	1.2575	287,968	229,000	1.4187	324,883
Beginning – January 1	229,000	1.2732	291,563	229,000	1.2988	297,426
Foreign exchange (gain) loss on U.S. \$ debt			(3,595)			27,457

For the three month period ended March 31, 2021, Mullen Group recorded a foreign exchange loss (gain) on its Cross-Currency Swaps of \$3.5 million (2020 – \$(24.7) million). This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange Loss (Gain) on Cross-Currency Swaps	Three month periods ended March 31			
	2021		2020	
	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps
Cross-Currency Swap maturing October 22, 2024	117,000	1,656	117,000	(12,880)
Cross-Currency Swap maturing October 22, 2026	112,000	1,807	112,000	(11,837)
Foreign exchange loss (gain) on Cross-Currency Swaps		3,463		(24,717)

## 7. Dividends Payable

For the three month period ended March 31, 2021, Mullen Group declared dividends totalling \$0.12 per Common Share (2020 – \$0.15 per Common Share). On December 9, 2020, Mullen Group announced its intention to pay annual dividends of \$0.48 per Common Share (\$0.04 per Common Share on a monthly basis) for 2021. At March 31, 2021, Mullen Group had 96,583,787 Common Shares outstanding and a dividend payable of \$3.9 million (December 31, 2020 – \$2.9 million), which was paid on April 15, 2021. Mullen Group also declared a dividend of \$0.04 per Common Share on April 20, 2021, to the holders of record at the close of business on April 30, 2021.



## 8. Income Taxes

The following table provides a reconciliation of the effective tax rates based on the applicable tax rates in various provincial jurisdictions during the period.

	Three month periods ended March 31	
	2021	2020
Income before income taxes	\$ 16,212	\$ 8,487
Combined statutory tax rate	25%	26%
Expected income tax	4,053	2,207
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange (gain) loss	(15)	342
Non-deductible (taxable) portion of the change in fair value of investments	(51)	182
Stock-based compensation expense	15	87
Changes in unrecognized deferred tax asset	(936)	—
Other	186	1,007
Income tax expense	\$ 3,252	\$ 3,825

## 9. Long-Term Debt, Credit Facility and Convertible Unsecured Subordinated Debentures

Mullen Group has a loan agreement with its lender to borrow up to \$150.0 million on an unsecured credit facility (the "**Bank Credit Facility**"). Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 0.50 percent or bankers' acceptance rates plus an acceptance fee of 1.50 percent. As at March 31, 2021, no amounts were drawn on this facility. This facility does not have any financial covenants, however, Mullen Group cannot be in default of its Private Placement Debt and it must be in compliance with certain reporting and general covenants. Mullen Group is in compliance with all of these reporting and general covenants.

Mullen Group has \$3.9 million of letters of credit outstanding, which were issued to guarantee certain performance and payment obligations. These letters of credit reduce the amount available under the Bank Credit Facility.

Mullen Group's long-term debt is mainly comprised of a series of unsecured debt (collectively, the "**Private Placement Debt**"), the details of which are set forth below:

Notes	Principal amount	Maturity	Interest Rate <sup>(1)</sup>
Series G	\$ 117,000 U.S.	October 22, 2024	3.84%
Series H	\$ 112,000 U.S.	October 22, 2026	3.94%
Series I	\$ 30,000 CDN.	October 22, 2024	3.88%
Series J	\$ 3,000 CDN.	October 22, 2026	4.00%
Series K	\$ 58,000 CDN.	October 22, 2024	3.95%
Series L	\$ 80,000 CDN.	October 22, 2026	4.07%

<sup>(1)</sup> Interest is payable semi-annually.

Mullen Group's unamortized debt issuance costs of \$0.8 million related to its Private Placement Debt have been netted against its carrying value at March 31, 2021 (December 31, 2020 – \$0.8 million). Mullen Group has certain financial covenants that must be met under its unsecured Private Placement Debt, which include a total net debt to operating cash flow ratio and a total earnings available for fixed charges to total fixed charges ratio. Mullen Group's total net debt cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months financial results normalized for acquisitions. The term "**total net debt**" is defined in the Private Placement Debt agreement as all debt excluding the Debentures 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 but includes Private Placement Debt, lease liabilities, the Bank Credit Facility and letters of credit. The term "**operating cash flow**" is also defined in the Private Placement Debt agreement and means, for any quarterly period, the trailing twelve month consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) depreciation and amortization taken during such period, (iii) total interest charges, including interest on the Debentures and lease liabilities; and (iv) non-cash charges. Mullen Group cannot have a fixed charge coverage ratio less than 1.75:1 calculated using the trailing twelve months financial results. Mullen Group is in compliance with all the Private Placement Debt financial covenants.

Mullen Group entered into Cross-Currency Swaps to swap the Series G and Series H Notes into Canadian dollars at foreign exchange rates of \$1.1047 and \$1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. ► For more information, refer to Note 6.



The following table summarizes the Corporation's total debt:

	March 31, 2021	December 31, 2020
Current liabilities:		
Private Placement Debt	\$ —	\$ —
Lease liabilities – current portion	10,219	11,439
Current portion of long-term debt	12	16
Bank Credit Facility	—	—
	10,231	11,455
Non-current liabilities:		
Private Placement Debt	458,164	461,713
Lease liabilities	21,516	23,593
	479,680	485,306
	\$ 489,911	\$ 496,761

The details of total debt, as at the date hereof, are as follows:

	Year of Maturity	Interest Rate	March 31, 2021		December 31, 2020	
			Face Value	Carrying Amount	Face Value	Carrying Amount
			\$	\$	\$	\$
Bank Credit Facility	—	Variable	—	—	—	—
Lease liabilities	2021 – 2028	3.20%	34,056	31,735	37,488	35,032
Private Placement Debt	2024 – 2026	3.84% - 4.07%	458,968	458,164	462,563	461,713
Various financing loans	2021	1.90%	12	12	16	16
			493,036	489,911	500,067	496,761

In addition, Mullen Group has an aggregate principal amount of \$125.0 million of convertible unsecured subordinated debentures (the "**Debentures**"). The Debentures mature on November 30, 2026 and are publicly listed on the TSX under 'MTL.DB'. The Debentures bear interest at a rate of 5.75 percent per annum, payable semi-annually in arrears on May 31 and November 30 of each year. The carrying amount of the debt component of the Debentures at March 31, 2021, was \$111.7 million (December 31, 2020 – \$111.1 million).

## 10. Share Capital

The authorized share capital of Mullen Group consists of an unlimited number of no par value Common Shares and an unlimited number of Preferred Shares, issuable in series.

The number of, and the specific rights, privileges, restrictions and conditions attaching to any series of Preferred Shares shall be determined by the Board of Directors (the "**Board**") of Mullen Group prior to the creation and issuance thereof. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of Mullen Group, whether voluntarily or involuntarily, the Preferred Shares are entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of such series. As at the date hereof, no series of Preferred Shares had been created.

All of the issued Common Shares of Mullen Group have been paid in full.

	# of Common Shares	
	2021	2020
Issued Common Shares at January 1	96,852,047	104,824,973
Common Shares repurchased and cancelled	(268,260)	(1,000,920)
Issued Common Shares at March 31	96,583,787	103,824,053

On March 3, 2021, Mullen Group announced the renewal of its normal course issuer bid ("**NCIB**"), commencing March 9, 2021, to purchase for cancellation up to 7,928,623 Common Shares in the open market on or before March 8, 2022. As at March 31, 2021, Mullen Group had purchased and cancelled 268,260 Common Shares for \$3.3 million under this NCIB program.

All purchases were made in accordance with the NCIB at prevalent market prices as permitted by the Toronto Stock Exchange, with consideration allocated to share capital up to the average carrying amount of the shares and any excess allocated to contributed surplus. The NCIB can be cancelled at the discretion of the Corporation at any time.





## 11. Earnings per Share

### (a) Basic Earnings per Share

Basic earnings per share is calculated as net income attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income attributable to common shareholders for the three month period ended March 31, 2021, was \$13.0 million (2020 – \$4.7 million). The weighted average number of Common Shares outstanding for the three month periods ended March 31, 2021 and 2020 was calculated as follows:

	Note	Three month periods ended March 31	
		2021	2020
Issued Common Shares at beginning of period	10	96,852,047	104,824,973
Effect of Common Shares repurchased and cancelled	10	(2,981)	(153,988)
Weighted average number of Common Shares at end of period – basic		96,849,066	104,670,985

### (b) Diluted Earnings per Share

Diluted earnings per share is calculated by adjusting net income attributable to common shareholders and the basic weighted average number of Common Shares outstanding by the effects of all potentially dilutive transactions to existing common shareholders. In calculating diluted earnings per share, net income was adjusted as follows:

	Three month periods ended March 31			
		2021		2020
Net income	\$	12,960	\$	4,662
Effect of the Debentures		—		—
Net income – adjusted	\$	12,960	\$	4,662

The diluted weighted average number of Common Shares was calculated as follows:

	Three month periods ended March 31			
		2021		2020
Weighted average number of Common Shares – basic	\$	96,849,066	\$	104,670,985
Effect of "in the money" stock options		—		—
Effect of the Debentures		—		—
Weighted average number of Common Shares at end of period – diluted	\$	96,849,066	\$	104,670,985

For the three month period ended March 31, 2021, 3,390,000 stock options (2020 – 3,152,500) were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive. The average market value of the Corporation's Common Shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the periods ended March 31, 2021 and 2020. For the three month periods ended March 31, 2021 and 2020, the Common Shares that would be issued upon conversion of the Debentures were excluded from the diluted weighted average calculation as their effect was anti-dilutive.

## 12. Seasonality of Operations

Revenue and profitability within the Less-Than-Truckload segment and the Logistics & Warehousing segment are generally lower in the first quarter than during the remainder of the year as freight volumes are typically lower in the first quarter following the holiday season due to less consumer demand and customers reducing shipments. Operating expenses also tend to increase within these segments in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions.

A significant portion of the operations within the Specialized & Industrial Services segment is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. Earnings are influenced by the seasonal activity pattern of western Canada's oil and natural gas exploration industry whereby activity usually peaks in the winter months and declines during the spring when wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing activity levels. Additionally, certain oil and natural gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services provided by Mullen Group. As a result, the demand for these services is traditionally highest in the first quarter and lowest in the second quarter.



### 13. Revenue

The business of Mullen Group is operated through its Business Units, which are divided into three distinct operating segments for reporting purposes – Less-Than-Truckload, Logistics & Warehousing and Specialized & Industrial Services. The segments are differentiated by the type of service provided, equipment requirements and customer needs. Mullen Group provides the capital and financial expertise, technology and systems support, shared services and strategic planning (the "Corporate Office") for the Business Units. The Corporate Office also invests in certain public and private corporations. In addition, the Corporate Office, through its subsidiary MT Investments Inc. ("MT"), owns a network of real estate holdings and facilities that are leased primarily to the Business Units. Such properties are leased by MT to the Business Units on commercially reasonable terms. The day to day management of the Business Units is conducted at the subsidiary level. ► **For more information, refer to Note 16.**

At March 31, 2021, the Less-Than-Truckload segment consisted of 9 Business Units and is often referred to as the final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. We are committed to investing in the most advanced technologies available ensuring the continued improvement in all aspects of our business, shortening delivery times and providing customers with visibility, via tracking and tracing, to their shipments during transit.

At March 31, 2021, the Logistics & Warehousing segment consisted of 10 Business Units and provides shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. Operations and customer service are supported by a robust suite of leading edge technology solutions including a fully integrated transportation management system, customized inventory management and warehouse systems along with our proprietary Moveitonline® and Haulistic™ technology platforms, applications that are positioning our organization for an evolving and changing supply chain.

At March 31, 2021, the Specialized & Industrial Services segment consisted of 15 Business Units and is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. Strategically located throughout western Canada, these specialty Business Units are focused on providing advanced technology solutions and leading edge service capabilities.

Disaggregation of revenue:

The following tables detail Mullen Group's revenue by type of service and timing of the transfer of goods or services by segment:

Three month period ended March 31, 2021	Less-than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate	Intersegment eliminations	Total
	\$	\$	\$	\$	\$	\$
Revenue by service line						
Transportation	112,363	50,319	42,948	—	—	205,630
Logistics	9,142	18,946	4,802	—	—	32,890
Other <sup>(1)</sup>	1,222	23,142	31,804	862	—	57,030
Eliminations	(2,064)	(1,058)	(259)	—	(1,662)	(5,043)
	120,663	91,349	79,295	862	(1,662)	290,507
Timing of revenue recognition						
Over time	112,424	51,368	56,046	854	—	220,692
Point in time	10,303	41,039	23,508	8	—	74,858
Eliminations	(2,064)	(1,058)	(259)	—	(1,662)	(5,043)
	120,663	91,349	79,295	862	(1,662)	290,507

<sup>(1)</sup> Included within other revenue is \$7.5 million of rental revenue comprised of \$0.1 million, \$1.0 million, \$5.6 million and \$0.8 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment and Corporate, respectively. Mullen Group also provides a diverse set of specialized services related to the warehousing, energy, mining, forestry and construction industries.



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
Three month periods ended March 31, 2021 and 2020 (unaudited)  
(Tabular amounts in thousands, except share and per share amounts)

Three month period ended March 31, 2020	Less-than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate	Intersegment eliminations	Total
	\$	\$	\$	\$	\$	\$
Revenue by service line						
Transportation	105,963	52,414	64,700	—	—	223,077
Logistics	7,442	21,665	1,897	—	—	31,004
Other <sup>(1)</sup>	1,086	23,439	45,553	667	—	70,745
Eliminations	(1,623)	(1,273)	(864)	—	(2,832)	(6,592)
	112,868	96,245	111,286	667	(2,832)	318,234
Timing of revenue recognition						
Over time	106,022	53,798	81,825	654	—	242,299
Point in time	8,469	43,720	30,325	13	—	82,527
Eliminations	(1,623)	(1,273)	(864)	—	(2,832)	(6,592)
	112,868	96,245	111,286	667	(2,832)	318,234

<sup>(1)</sup> Included within other revenue is \$7.9 million of rental revenue comprised of \$0.1 million, \$1.4 million, \$5.8 million and \$0.6 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment and Corporate, respectively. Mullen Group also provides a diverse set of specialized services related to the warehousing, energy, mining, forestry and construction industries.

#### 14. Other (Income) Expense

	Three month periods ended March 31	
	2021	2020
Change in fair value of investments	\$ (442)	\$ 1,452
(Gain) loss on sale of property, plant and equipment	(249)	17
Earnings from equity investments	(186)	(159)
Accretion on asset retirement obligations	6	6
Other (income) expense	\$ (871)	\$ 1,316

#### 15. Changes in Non-Cash Working Capital

	Three month periods ended March 31	
	2021	2020
Trade and other receivables	\$ 7,621	\$ (1,044)
Inventory	(1,120)	1,484
Prepaid expenses	(1,605)	133
Accounts payable and accrued liabilities	(1,490)	1,546
	\$ 3,406	\$ 2,119

	Three month periods ended March 31	
	2021	2020
Changes in non-cash working capital items from:		
Operating activities	\$ 2,855	\$ 270
Financing activities	546	1,137
Investing activities	5	712
	\$ 3,406	\$ 2,119

#### 16. Operating Segments

Mullen Group reports its financial results in three operating segments. These three operating segments have been differentiated by the sector of the economy in which the businesses operate, the type of services provided, the equipment requirements and the customer needs. The Less-Than-Truckload segment provides final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. The Logistics & Warehousing segment provides shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. The Specialized & Industrial Services



segment provides specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. ► **For more information, refer to Note 13.**

The following tables provide financial results by segment:

Three month period ended March 31, 2021	Less-than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate	Intersegment eliminations			Total
					Less-than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	120,663	91,349	79,295	862	(199)	(1,197)	(266)	290,507
Income (loss) before income taxes	7,034	8,099	2,757	(1,678)	—	—	—	16,212
Depreciation of property, plant and equipment	4,428	2,756	8,112	1,512	—	—	—	16,808
Amortization of intangible assets	1,922	1,754	1,338	—	—	—	—	5,014
Capital expenditures <sup>(1)</sup>	7,584	2,928	1,036	1,322	(55)	(160)	(91)	12,564
Total assets at March 31, 2021	370,514	244,535	399,255	695,259	—	—	—	1,709,563

<sup>(1)</sup> Excludes business acquisitions

Three month period ended March 31, 2020	Less-than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate	Intersegment eliminations			Total
					Less-than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	112,868	96,245	111,286	667	(152)	(2,369)	(311)	318,234
Income (loss) before income taxes	2,344	9,051	2,844	(5,752)	—	—	—	8,487
Depreciation of property, plant and equipment	3,467	2,745	9,843	1,481	—	—	—	17,536
Amortization of intangible assets	2,641	1,524	865	—	—	—	—	5,030
Capital expenditures <sup>(1)</sup>	6,921	2,371	5,099	1,629	—	(34)	(60)	15,926
Total assets at December 31, 2020	363,517	249,470	420,104	684,845	—	—	—	1,717,936

<sup>(1)</sup> Excludes business acquisitions

Performance is measured based on segment income before income tax, as included in the internal management reports that are reviewed by Mullen Group's CEO and President. Segment income is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to other entities that operate within these industries.

## 17. Subsequent Events

Subsequent to March 31, 2021, until the date of this report, the Corporation repurchased 250,376 Common Shares at a total cost of \$3.2 million.

*Bandstra Transportation Systems Ltd./Babine Truck & Equipment Ltd.*

Bandstra Transportation Systems Ltd./Babine Truck & Equipment Ltd. – On April 16, 2021, Mullen Group acquired all of the issued and outstanding shares of Bandstra Transportation Systems Ltd. ("**Bandstra Transportation**") and Babine Truck & Equipment Ltd. ("**Babine**") for total cash consideration of \$75.0 million. Bandstra Transportation is a privately held company headquartered in Smithers, British Columbia and provides a wide range of transportation and logistics services to communities in northern British Columbia including truckload, general freight, less-than-truckload and specialized hauling services. Babine is an Original Equipment Manufacturer ("**OEM**") dealership providing sales of OEM trucks and trailers and also provides parts, service and maintenance work from three locations in British Columbia supporting the natural resources, energy and transportation industries.

The acquisition of Bandstra Transportation and Babine align with Mullen Group's strategy of acquiring transportation and logistics companies that have a strong regional presence. The financial results of Bandstra Transportation will be included within the Logistics & Warehousing segment while Babine's financial results will be included within the Specialized & Industrial Services segment.



## CORPORATE INFORMATION

### DIRECTORS | OFFICERS

**Murray K. Mullen**

Chairman of the Board, Chief Executive Officer,  
President and Director

**Sonia Tibbatts, MBA**

Lead Director

**Stephen H. Lockwood, LLB**

Director

**Christine E. McGinley, CPA, CA, ICD.D**

Director

**David E. Mullen**

Director

**Philip J. Scherman, FCPA, FCA, ICD.D**

Director

**P. Stephen Clark, FCPA, FCMA, ICD.D**

Chief Financial Officer

**Richard J. Maloney**

Senior Vice President

**Joanna K. Scott**

Corporate Secretary and  
Vice President, Corporate Services

**Carson Urlacher, CPA, CA**

Corporate Controller

### CORPORATE OFFICE

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**Internet:** [www.mullen-group.com](http://www.mullen-group.com)

**Email:** [IR@mullen-group.com](mailto:IR@mullen-group.com)

### BANKER

**The Royal Bank of Canada**

Calgary, Alberta

### AUDITORS

**PricewaterhouseCoopers LLP**

Calgary, Alberta

### STOCK EXCHANGE

**Toronto Stock Exchange**

Trading Symbol: MTL

### TRANSFER AGENT AND REGISTRAR

**Computershare Trust Company of Canada**

Toronto, Ontario

Telephone: 1-800-564-6253

Internet: [www.investorcentre.com](http://www.investorcentre.com)

Shareholder Inquiries:

[www.investorcentre.com/service](http://www.investorcentre.com/service)

### ONLINE INFORMATION

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please visit Mullen Group's website at  
[www.mullen-group.com](http://www.mullen-group.com).*

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