



**Mullen Group**  
Ltd.

# ANNUAL FINANCIAL REVIEW



*FIRST ...*



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about **tomorrow**



*... to FINAL MILE*



# 2023

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## MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

This MD&A, dated February 14, 2024, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the fiscal year ended December 31, 2023, and should be read in conjunction with the audited annual consolidated financial statements for the fiscal year ended December 31, 2023 (the "**Annual 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 on Mullen Group, including the Annual Information Form dated February 14, 2024, are available on the Corporation's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and on our website at [www.mullen-group.com](http://www.mullen-group.com). Such 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 Annual Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "**Board**") on February 14, 2024.

The Annual Financial Statements have been prepared in accordance to and comply with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**") (collectively, "**IFRS Accounting Standards**"). 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: (i) strategic risks which include but are not limited to geopolitical risks such as a slowdown in the general economy; reduced oil and natural gas drilling and decreased oil sands and heavy oil activity; changes in legal frameworks applicable to the Corporation; e-commerce and supply chain evolution; acquisitions; competition; (ii) financial risks which include but are not limited to prevailing interest rates; 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; and (iii) operational risks which include but are not limited to 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; pandemics; political unrest or wars; regulatory framework governing matters such as tax and the environment in the jurisdictions in which the Corporation conducts and will conduct its business; government mandates 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 50 as well as in reports on file with applicable securities regulatory authorities and may be accessed through the Corporation's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). 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 69 of this MD&A.

**Non-IFRS Financial Measures and Other Financial Measures** – Mullen Group reports on certain non-IFRS financial measures and ratios, which do not have a standard meaning under IFRS Accounting Standards and, therefore, may not be comparable to similar measures presented by other issuers. Management uses these non-IFRS financial measures and ratios in its evaluation of performance and believes these are useful supplementary measures. We provide shareholders and potential investors with certain non-IFRS financial measures and ratios to evaluate our ability to fund our operations and provide information regarding liquidity. Specifically, net income – adjusted<sup>1</sup>, earnings per share – adjusted<sup>1</sup>, and net revenue<sup>1</sup> are not measures recognized by IFRS Accounting Standards and do not have standardized meanings prescribed by IFRS Accounting Standards. For the reader's reference, the definition, calculation and reconciliation of non-IFRS financial measures are provided in the "Non-IFRS Financial Measures" section of this MD&A. These non-IFRS financial measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS Accounting Standards. Investors are cautioned that these indicators should not replace the foregoing IFRS Accounting Standards terms: net income, earnings per share and revenue. See the "Other Financial Measures" section for supplementary financial measures disclosed by the Corporation.

<sup>1</sup> Refer to the section entitled "Non-IFRS Financial Measures".

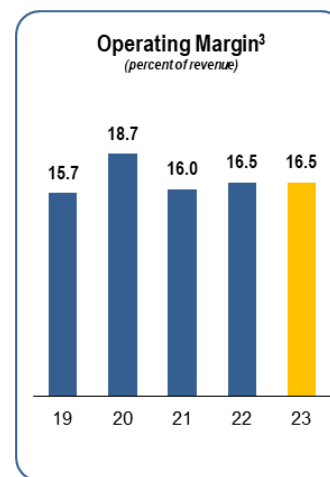
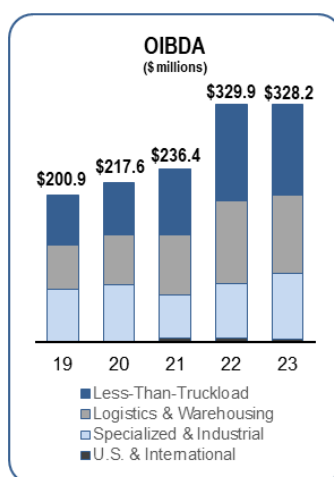
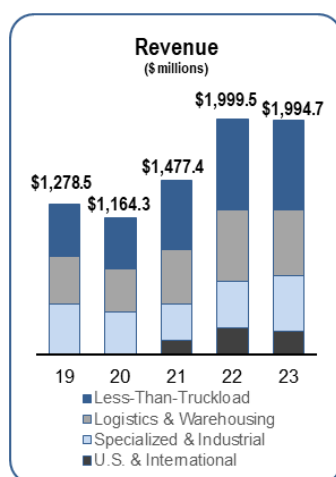
## HIGHLIGHTS

### FINANCIAL PERFORMANCE:

Years ended December 31

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

	2023	2022	2021
<b>Revenue</b>			
Less-Than-Truckload	\$ 770.4	\$ 778.7	\$ 585.3
Logistics & Warehousing	564.9	609.3	465.6
Specialized & Industrial Services	468.0	400.6	313.4
U.S. & International Logistics	198.3	221.8	118.2
Corporate and intersegment eliminations	(6.9)	(10.9)	(5.1)
<b>Total Revenue</b>	<b>\$ 1,994.7</b>	<b>\$ 1,999.5</b>	<b>\$ 1,477.4</b>
<b>OIBDA<sup>1</sup></b>			
Less-Than-Truckload	\$ 130.7	\$ 138.4	\$ 95.9
Logistics & Warehousing	112.0	119.1	86.5
Specialized & Industrial Services	95.3	77.5	62.0
U.S. & International Logistics	3.6	5.7	4.9
Corporate	(13.4)	(10.8)	(12.9)
<b>Total OIBDA</b>	<b>\$ 328.2</b>	<b>\$ 329.9</b>	<b>\$ 236.4</b>
<b>Net Income &amp; Share Information</b>			
Net income	\$ 136.7	\$ 158.6	\$ 72.4
Earnings per share – basic	\$ 1.52	\$ 1.70	\$ 0.75
Earnings per share – diluted	\$ 1.45	\$ 1.62	\$ 0.75
Net income – adjusted <sup>2</sup>	\$ 134.4	\$ 164.2	\$ 70.4
Earnings per share – adjusted <sup>2</sup>	\$ 1.49	\$ 1.76	\$ 0.73
Net cash from operating activities	\$ 276.8	\$ 263.0	\$ 198.0
Net cash from operating activities per share	\$ 3.08	\$ 2.82	\$ 2.06
Cash dividends declared per Common Share	\$ 0.72	\$ 0.68	\$ 0.48
Share price – December 31	\$ 14.04	\$ 14.55	\$ 11.63



<sup>1</sup> Defined as operating income before depreciation and amortization.

<sup>2</sup> Refer to the section entitled "Non-IFRS Financial Measures".

<sup>3</sup> Refer to the section entitled "Other Financial Measures".



## FINANCIAL POSITION:

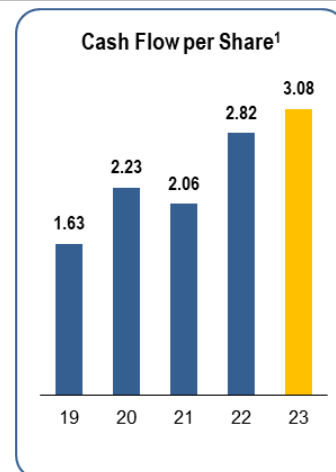
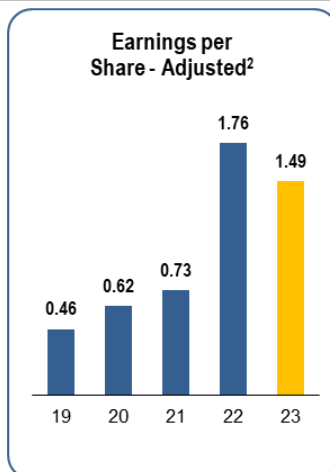
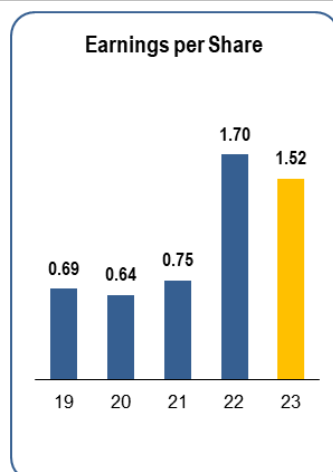
(unaudited) (\$ millions)	As at December 31		
	2023	2022	2021
	\$	\$	\$
Cash (bank indebtedness) – net	(70.7)	(14.0)	(89.0)
Working capital (deficit)	(119.1)*	140.3	50.8
Private Placement Debt – non-current portion	230.8	480.7	460.7
Convertible debentures – debt component	118.1	115.8	113.5
Lease liabilities – non-current portion	72.8	70.9	63.4
Total assets	2,041.7	1,996.1	1,922.0

\* Working capital deficit is due to the impact of reclassifying \$217.2 million of Private Placement Debt notes (net of Cross-Currency Swaps) maturing in October 2024. We expect to be able to replace these notes with new private placement notes in 2024.

- Well-structured balance sheet
  - Private Placement Debt of \$473.6 million (average fixed rate of 3.93 percent per annum) with principal repayments (net of Cross-Currency Swaps) of \$217.2 million and \$207.9 million due in October 2024 and October 2026, respectively
  - Total net debt<sup>1</sup> (\$604.8 million) to operating cash flow (\$330.0 million) of 1.83:1 as defined per our Private Placement Debt agreement (threshold of 3.50:1)
- Real estate – historical cost of \$651.8 million
- Borrowings of \$73.0 million as at December 31, 2023, on the CIBC Credit Facility and the RBC Credit Facility

## 2023 PROGRESS:

- Generated revenue of \$2.0 billion, OIBDA of \$328.2 million and earnings per share – basic of \$1.52 per share.
- Return on equity was 14.0 percent in 2023.
- Invested \$101.6 million towards gross capital expenditures to improve operating efficiencies, including \$8.2 million of capital to support our sustainability goals. Net capital expenditures<sup>1</sup> was \$88.8 million in 2023.
- Repurchased and cancelled 4,936,143 Common Shares for \$72.0 million representing an average price of \$14.60.
- Paid dividends to shareholders totaling \$0.72 per Common Share (\$0.06 per share on a monthly basis).
- Completed the acquisition and integration of B. & R. Eckel's Transport Ltd., a northeastern Alberta based provider of less-than-truckload, full truckload and specialized hauling services.
- Acquired the remaining shares of Butler Ridge Energy Services (2011) Ltd., a fluid management company servicing the energy sector in the Peace River region of British Columbia.
- Commenced operations at our new 36,000 square foot cross dock facility in Kamloops, British Columbia that further expands our less-than-truckload operating network.



<sup>1</sup> Refer to the section entitled "Other Financial Measures".

<sup>2</sup> Refer to the section entitled "Non-IFRS Financial Measures".



## 2024 BUSINESS PLAN AND SUBSEQUENT EVENTS

### 2024 Business Plan:

**Generate consolidated revenue of \$2.025 billion**

**Achieve operating earnings of \$325.0 million**

**Dividends \$0.72 per share per annum paid monthly at \$0.06 per share**

### Priorities:

- 1. Capital Investments:** \$80.0 million in new, more efficient operating assets, exclusive of corporate acquisitions or investment in facilities, land and buildings.
  - \$70.0 million: Maintenance Capital – to improve our Business Units
  - \$10.0 million: Sustainability Focused Capital – continued focus on emission reduction
- 2. Prioritize Margin over Market Share:** Work with Business Units to drive process improvements.
  - Effective Deployment of Technology
  - Optimize Operations of the Business Units
  - Monetize Non-Core Assets
- 3. Pursue Acquisitions:** Be opportunistic with consolidation opportunities that are synergistic and accretive.
  - Tuck-ins: opportunities that make our existing Business Units more profitable
  - Strategic: opportunities to expand our network
- 4. Maintain Balance Sheet Flexibility**
  - Increase liquidity by adding borrowing capacity to our credit facilities
  - Refinance the private placement debt notes due in October 2024
- 5. Normal Course Issuer Bid ("NCIB"):** In 2024 we intend on requesting approvals from the TSX to renew the NCIB.

### Subsequent Events

**New Credit Facility** – On January 5, 2024, Mullen Group entered into a new \$125.0 million credit facility (the "**PNC Credit Facility**") with PNC Bank Canada Branch ("**PNC**"). All of the material terms of the PNC Credit Facility are consistent with those under the CIBC Credit Facility (as hereafter defined on page 15) and the RBC Credit Facility (as hereafter defined on page 15). The PNC Credit Facility is available to finance the Corporation's general operating requirements including acquisition transactions. Interest on the PNC Credit Facility is based on either the Canadian bank prime rate plus 0.50 percent or U.S. bank base rate plus 0.50 percent, in each case payable in arrears. The PNC Credit Facility is uncommitted and unsecured although the Corporation's wholly-owned subsidiary, MT, has granted an unlimited guarantee of any indebtedness owing on the PNC Credit Facility.

**ContainerWorld Forwarding Services Inc.** – On February 2, 2024, Mullen Group entered into a share purchase agreement to acquire Richmond, British Columbia based ContainerWorld Forwarding Services Inc. and its operating subsidiaries ("**ContainerWorld**"). The transaction is scheduled to close in the second quarter of 2024, subject to regulatory approval and final closing conditions, both of which have been initiated. ContainerWorld is a Canadian logistics company that offers integrated supply chain solutions to the alcoholic beverage and hospitality industries. Through a network of customs and suffrance bonded warehouses, ContainerWorld provides inventory management, freight forwarding, warehousing, and distribution services to international and domestic customers in the provinces of British Columbia and Ontario. The financial results of ContainerWorld will be included in the Logistics & Warehousing segment.

**NCIB** – Subsequent to December 31, 2023, until the date of this report, the Corporation repurchased 43,956 Common Shares at a total cost of \$0.6 million.

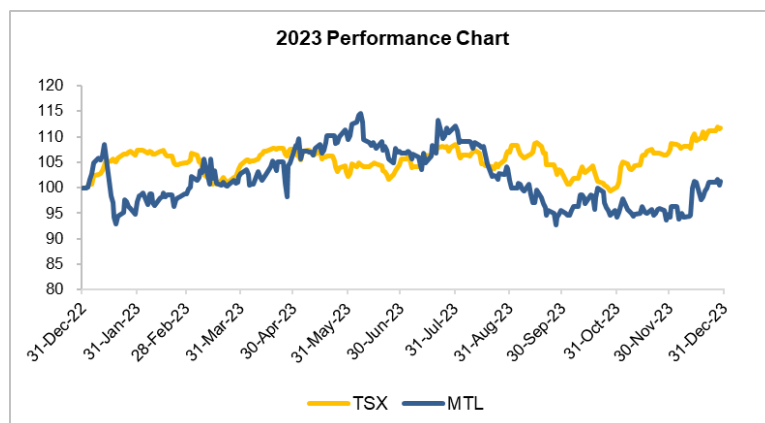


# SHAREHOLDER INFORMATION

## Share Performance

Mullen Group's shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol MTL. The following graph illustrates the cumulative return of our Common Shares for 2023, assuming an initial investment of \$100 on December 31, 2022, compared to the S&P /TSX Composite Total Return Index, assuming the reinvestment of all declared dividends.

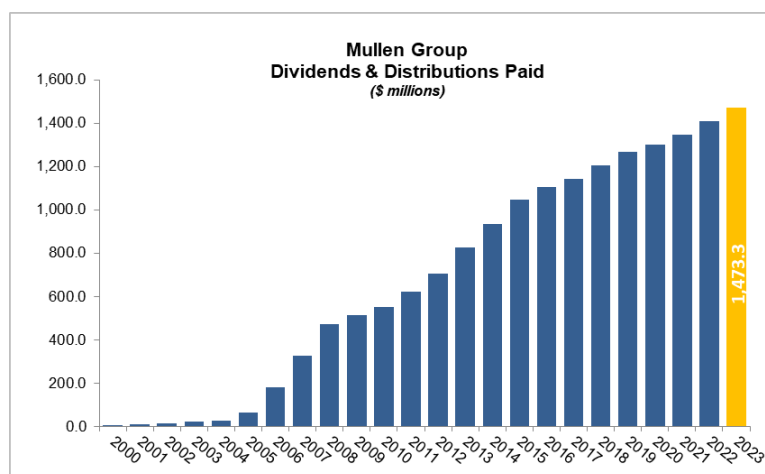
**1.3 percent  
cumulative return in 2023**



## Dividends and Distributions Paid

Mullen Group generates substantial free cash in excess of our operating needs allowing us to return cash to shareholders through monthly dividends. The following chart summarizes our dividends and distributions paid to shareholders over the past twenty-three years.

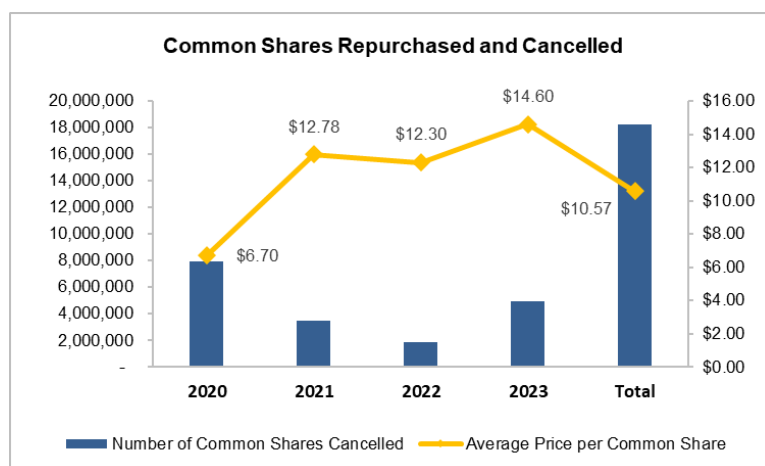
**\$1.4 billion  
paid over 23 years**



## Share Buyback Program

Mullen Group believes that the underlying value of the Corporation may not be reflected in the current market prices of its Common Shares and may represent an attractive investment and benefit investors that hold an equity interest in the Corporation. The following chart summarizes the repurchases and cancelling of Common Shares over the past four years.

**18,254,841 Common Shares  
cancelled for \$192.9 million  
over 4 years**





# MULLEN GROUP AT A GLANCE

## Corporate Profile

Mullen Group, is one of Canada's largest logistics companies, providing a wide range of transportation, warehousing and distribution services throughout North America. Over the past three decades we have grown the business by focusing on operational excellence and being the preferred acquirer for business owners seeking a liquidity event, targeting profitable, well managed companies with strong brands operating in sectors of the economy we view as having the best opportunity for growth.

**WE ACQUIRE  
COMPANIES AND  
STRIVE TO IMPROVE  
THEIR PERFORMANCE**

We operate a decentralized business model through a number of wholly-owned companies and limited partnerships ("**Business Units**"). Each Business Unit is responsible for the financial and safety performance of the business. Financial oversight, capital, strategic planning and a wide range of shared services, such as legal support, human resource planning, payroll expertise and technology, are the responsibility of the corporate office ("**Corporate Office**"). We believe this model is the best way to achieve superior profitability, excellence in safety and provide a quality work environment for all employees.

## Objective – Maximize Shareholder Value

We strive to maximize the overall returns to shareholders, over the long-term, by focusing on the following strategies:

### 1. Focused Growth

Our approach to achieving maximum overall returns to shareholders is based upon the following strategic components:

- Deploy capital to expand business over the long-term.
- Invest in sectors of the economy where we believe future growth opportunities exist.
- Invest in accretive acquisitions – acquire competing, complementary or new business lines that can accelerate growth over the long-term.
- Diversify – continue to grow and invest where opportunities exist in the four sectors of the economy where we have strong market penetration and customer relationships: the Less-Than-Truckload segment ("**LTL segment**") through our final mile delivery network; the Logistics & Warehousing segment ("**L&W segment**"), including a wide range of trucking and logistics services; the Specialized & Industrial Services segment ("**S&I segment**"), providing specialized equipment and services to several different industries; and the U.S. & International Logistics segment ("**US 3PL segment**"), where we utilize a proprietary technology, SilverExpress™, and provide third-party logistics ("**3PL**") services to a wide range of customers.

Since going public in 1993, Mullen Group, and its predecessors the Mullen Group Income Fund and Mullen Transportation Inc., have grown annual revenues from \$72.6 million in 1993 to \$2.0 billion in 2023. During this period over 82 acquisitions have been completed.

### 2. Return Free Cash to Shareholders

One of our objectives is to build a business that generates cash in excess of our operating and financing requirements, funds that can be returned to shareholders through dividends, share buybacks or reinvested to grow the business.

During 2023 we declared dividends of \$0.72 per Common Share (2022 – \$0.68). In December 2023, we announced our intention to continue paying annual dividends of \$0.72 per Common Share (\$0.06 per Common Share on a monthly basis) for 2024.

### 3. Maintain a Well-Structured Balance Sheet

We strive to maintain a balance sheet structured in such a manner to ensure that sufficient liquidity is maintained to allow us to meet our liabilities and corporate objectives under both normal and stressed conditions. In terms of liabilities, we maintain sufficient liquidity to not only meet our obligations when due, but to avoid incurring unacceptable losses or risking damage to our reputation. Furthermore, we have balanced our equity with a reasonable proportionate use of structured long-term debt. Most notably, we use Private Placement Debt (as hereafter defined on page 15), which matures in 2024 and 2026 and has a 3.5 times total net debt<sup>1</sup> to operating cash flow (as hereafter defined on page 41) covenant. We expect to be able to replace maturing notes with new Private Placement Debt. For more information refer to the *Debt and Contractual Obligations* section beginning on page 41.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".





#### **4. Strive for Operational Excellence**

Our business is managed upon the basic principles of generating superior profitability, striving for excellence in safety and committing to the process of continuous improvement. Operating in a team environment, we challenge ourselves to make decisions on all aspects relating to the operations of the business, improve customer service, enhance business processes, maintain cost controls, obtain excellence in safety and generate superior profitability. We evaluate operational excellence by benchmarking the financial performance, safety statistics and return on invested capital of each Business Unit.

#### **5. Operate a Decentralized Business Model**

We operate a decentralized business model that is non-hierarchical in nature. Each Business Unit is held accountable for its own performance and results. The management and employees of the Business Units are remunerated based upon the performance of their respective business. Corporate Office provides overall support to the Business Units by coordinating business strategies, monitoring financial and business performance and providing shared services on an as-needed basis.

#### **6. We Prefer to Own the Real Estate**

The Corporate Office has invested significantly in real estate holdings and operating facilities, mainly for use by the Business Units. The carrying costs of such holdings at December 31, 2023, was \$651.8 million (2022 – \$637.4 million).

We believe this model generally results in superior customer service, lower costs and provides greater operational flexibility as compared to a fully-integrated business model. Giving responsibility and the necessary authority to the Business Unit encourages greater entrepreneurship and innovation as the teams are empowered and rewarded for their actions.

### **Corporate Office**

The Corporate Office is responsible for capital allocation along with all regulatory filings and public reporting requirements. In addition, we own a large portfolio of real estate, primarily operating facilities used in the business. These facilities are generally held in MT Investments Inc. ("MT"), a subsidiary of the Corporation, and leased to the Business Units on commercial terms. Minority investments in either public corporations and private companies are held in the Corporate Office.

### **Human Resources**

As at December 31, 2023, approximately 7,400 people were employed or engaged by the Business Units and at Corporate Office. These people include owner operators and dedicated subcontractors engaged by the Business Units. This compares to approximately 7,100 people in 2022. The increase is mainly due to the acquisitions of B. & R. Eckel's Transport Ltd. and Butler Ridge Energy Services (2011) Ltd.

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## OPERATING SEGMENTS

Our diversified portfolio of logistics companies are involved in different sectors of the economy, a strategy we believe offers the best opportunity for long-term growth. The business is reported in four operating segments, each differentiated by the type of service provided, equipment requirements or geographic location. The segments are aligned with how financial information is reviewed, capital is allocated and operating performance is measured.



### Less-Than-Truckload

The LTL segment was comprised of 12 regionally based Business Units in 2023, focused on providing less-than-truckload ("LTL") shipments to over 5,000 communities throughout central and western Canada. Our extensive terminal network is generally regarded as one of the largest LTL networks in Canada, serving local and regional markets with a first and final mile service.

The Business Units utilize advanced technologies to track shipments providing visibility to customers, bar coding and connected dock to enhance service capabilities, and to coordinate the pickup, handling and delivery of small packages, parcels and pallets of all types of freight, including consumer products, goods requiring specialty ambient or temperature-controlled handling as well as general shipments.

LTL Segment:		Number of Units		
Business Unit	Primary Service Region	Power Units	Trailers	Other*
APPS Cargo Terminals Inc. <sup>1</sup>	Western Canada	99	47	56
APPS Cartage Inc.	Ontario	155	305	365
Argus Carriers Ltd.	Lower Mainland British Columbia	77	54	12
B. & R. Eckel's Transport Ltd. <sup>2,4</sup>	Northeastern Alberta	93	111	25
Gardewine Group Limited Partnership <sup>3</sup>	Manitoba and Ontario	993	1,959	492
Grimshaw Trucking L.P. <sup>4</sup>	Northern Alberta	109	320	49
Hi-Way 9 Express Ltd. <sup>4</sup>	Alberta	320	687	68
Jay's Transportation Group Ltd.	Saskatchewan	203	380	166
Number 8 Freight Ltd.	Lower Mainland British Columbia	32	—	12
Pacific Coast Express Limited	Western Canada	45	75	16
West Direct Express Ltd.	Southern Alberta	12	—	103
Willy's Trucking Service <sup>5</sup>	Northern Alberta and Northeastern British Columbia	56	121	30

\* Other includes operating equipment such as: pick-ups, warehousing and yard equipment.

<sup>1</sup> On January 1, 2023, the operations of 24/7 The Storehouse (2015) Ltd. were integrated into APPS Cargo Terminals Inc.

<sup>2</sup> Acquired May 1, 2023.

<sup>3</sup> On January 1, 2022, the operations of Courtesy Freight Systems Ltd. and R.S. Harris Transport Ltd., were integrated into Gardewine Group Limited Partnership.

<sup>4</sup> On January 1, 2024, the LTL operations of B. & R. Eckel's Transport Ltd. were integrated into Grimshaw Trucking L.P. and Hi-Way 9 Express Ltd.

<sup>5</sup> Acquired May 1, 2022.

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## Logistics & Warehousing

We own a large network of Business Units providing shippers throughout North America with a wide range of trucking, warehousing and logistics services, utilizing company owned equipment and an extensive network of contractors.

Our L&W segment Business Units services include, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, transload facilities designed to handle intermodal containers and bulk shipments, and full truckload. Operations and customer service are supported by a robust suite of leading-edge technology solutions including transportation, inventory, and warehouse management systems, that are customizable and integrated into our customers data systems.

L&W Segment:		Number of Units		
Business Unit	Primary Service Provided	Power Units	Trailers	Other*
Bandstra Transportation Systems Ltd.	Irregular Route Truckload and Specialized Transportation & LTL	202	376	77
Caneda Transport Ltd.	Irregular Route Truckload & LTL	93	98	17
Cascade Carriers L.P.	Dry Bulk Freight	95	371	14
DWS Logistics Inc.	Value-Added Warehousing and Distribution Services	—	—	62
International Warehousing & Distribution Inc.	Value-Added Warehousing, Drayage and Distribution Services	56	76	1
Kleysen Group Ltd.	Irregular Route Truckload, Multi-Modal and Intermodal	260	942	913
Mullen Trucking Corp. <sup>1</sup>	Irregular Route Truckload and Specialized Transportation	83	141	27
Payne Transportation Ltd. <sup>2</sup>	Irregular Route Truckload and Specialized Transportation	112	214	9
RDK Transportation Co. Inc. <sup>2</sup>	Irregular Route Truckload and Specialized Transportation	57	116	4
Tenold Transportation Ltd. <sup>3</sup>	Irregular Route Truckload and Specialized Transportation	70	83	30
Tri Point Intermodal Services Inc.	Intermodal Transportation, Drayage and Storage Services	53	143	5

\* Other includes operating equipment such as: pick-ups, rail cars, containers, warehousing and yard equipment.  
<sup>1</sup> On January 1, 2022, the operations of Canadian Hydrovac Ltd. were integrated into Mullen Trucking Corp.  
<sup>2</sup> On January 1, 2024, the operations of RDK Transportation Co. Inc. were integrated into Payne Transportation Ltd.  
<sup>3</sup> On January 1, 2022, the operations of Inter-Urban Delivery Service Ltd. were integrated into Tenold Transportation Ltd.

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## Specialized & Industrial Services

We own unique businesses in sectors of the Canadian economy that require specialized equipment and services including the natural resources, energy, infrastructure and construction sectors.

Our S&I segment Business Units provide a wide range of service offerings including, water management, environmental reclamation services, turnaround services & industrial maintenance, services that support the drilling of wells, well servicing and fluid hauling associated with the oil and gas industry in western Canada, along with transportation and logistics services for complex pipeline and industrial projects. Our Business Units are strategically situated throughout western Canada and operate fleets of highly specialized equipment, generating superior returns on capital employed over the long term.

### S&I Segment:

Business Unit	Primary Service Provided	Number of Units		
		Power Units	Trailers	Other*
B. & R. Eckel's Transport Ltd. <sup>1</sup>	Rig Relocation Services / Drill Pipe Transportation and Warehousing	201	833	161
Babine Truck & Equipment Ltd.	Original Equipment Manufacturer Parts and Services Dealer	2	—	9
Butler Ridge Energy Services (2011) Ltd. <sup>2</sup>	Fluid Management Services	2	22	23
Canadian Dewatering L.P.	Water Management Services	3	44	2,031
Cascade Energy Services L.P.	Production Services, Turnaround and Industrial Cleaning Services	230	430	94
Cordova Oilfield Services Ltd. <sup>3</sup>	Drill Pipe / Fluid Transportation and Warehousing	41	49	14
E-Can Oilfield Services L.P.	Fluid Transportation	128	95	52
Envolve Energy Services Corp.	Processing and Disposal of Oilfield Fluids	—	—	3
Formula Powell L.P.	Mud / Fluid Transportation & Warehousing	15	145	66
Heavy Crude Hauling L.P. <sup>4</sup>	Fluid Transportation	106	260	25
Mullen Oilfield Services L.P.	Rig Relocation Services / Drill Pipe Transportation and Warehousing	130	256	60
OK Drilling Services L.P.	Conductor Pipe Setting	6	9	26
Premay Equipment L.P.	Specialized Heavy Haul	33	317	38
Premay Pipeline Hauling L.P.	Large Diameter Pipe Transportation	67	173	78
Smook Contractors Ltd.	Civil Construction	40	80	96
Spearing Service L.P.	Fluid Transportation	184	478	49
TREO Drilling Services L.P.	Core Drilling	14	90	44

\* Other includes operating equipment such as: pick-ups, mounted dri-prime diesel pumps, submersible pumps, earthmoving equipment, yard equipment and containers.

<sup>1</sup> Acquired May 1, 2023.

<sup>2</sup> Acquired March 1, 2023.

<sup>3</sup> Acquired November 1, 2022.

<sup>4</sup> On January 1, 2022, the operations of Recon Utility Search L.P. were integrated into Heavy Crude Hauling L.P.

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## U.S. & International Logistics

The transportation and movement of goods throughout the supply chain is critical to every company and an important component of the global economy representing approximately 10.0 percent of total GDP. Third-party logistics ("3PL"), which is typically defined as providing non-asset based value-added transport services, is one of the fastest growing components of the supply chain. 3PL is a transportation management service, generally performed in conjunction with freight brokerage and requires a software platform to facilitate a seamless and efficient transaction, regardless of the mode of transportation required. In the United States, industry statistics estimate 3PL to be a U.S. \$350.0 billion industry.

The US 3PL segment currently consists of one Business Unit, HAUListic LLC ("**HAUListic**"), a Warrenville, Illinois based 3PL provider, that offers a wide range of logistics services through a combination of professional representatives and a network of independently owned and managed Station Agents, to over 2,700 customers in the United States and Mexico, utilizing over 6,000 certified sub-contractor carriers. HAUListic, a non-asset based 3PL provider, does not own any operating assets other than its proprietary integrated transportation management platform, branded as SilverExpress™, that provides real time information to customers and carriers, offering price and capacity discovery along with tracking and tracing capabilities. HAUListic uses the services of contractors to transport tendered freight shipments whereby all freight is moved through a network of licensed and certified contractors.

### US 3PL Segment:

Business Unit	Primary Service Provided
HAUListic LLC	Third-Party Logistics

A more detailed description of the Business Units is set forth in the Annual Information Form, which is dated February 14, 2024, and is available on the Corporation's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), 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).

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## ALLOCATING SHAREHOLDER CAPITAL

One of the key responsibilities of the Board is the allocation of capital. Our four priorities are: (i) acquisitions that improve our business and generate growth; (ii) capital expenditures to replace older inefficient equipment and to capture new growth opportunities, facilities and technology enhancements; (iii) consider and, if appropriate, allocate a portion of annual free cash to purchase for cancellation Common Shares in the open market pursuant to an approved normal course issuer bid ("**NCIB**"); and (iv) pay dividends to shareholders.

### Acquisitions

#### THE PLAN

Acquire companies and strive to improve their performance.

#### 2023 INVESTMENTS

##### **B. & R. Eckel's Transport Ltd. ("B&R")**

- Acquired on May 1, 2023, for cash consideration consisting of \$19.9 million for all of the outstanding shares and repaid \$23.6 million of debt.
- B&R has three primary service offerings operating in the greater northeastern Alberta region consisting of LTL, full truckload and specialized hauling services. B&R's LTL business was integrated into Hi-Way 9 Express Ltd. and Grimshaw Trucking L.P.
- Financial results are split between the LTL segment and the S&I segment.

##### **Butler Ridge Energy Services (2011) Ltd. ("Butler Ridge")**

- Acquired on March 1, 2023, for total consideration of \$3.1 million.
- A fluid management company servicing the energy sector in the Peace River region of British Columbia.
- Financial results are included within the S&I segment.

##### **R. Dufour Enterprises Ltd. ("R. Dufour")**

- On October 1, 2023, acquired the business and assets for total cash consideration of \$3.2 million.
- A regional LTL and general freight services provider across northern Alberta and northeastern British Columbia.
- Financial results integrated into Bandstra Transportation Systems Ltd. ("**Bandstra**"), which are included within the L&W segment.

#### 2022 INVESTMENTS

##### **Cordova Oilfield Services Ltd. ("Cordova")**

- Acquired on November 1, 2022, for total consideration of \$8.1 million.
- Recognized a \$2.8 million gain on fair value upon closing since we owned approximately 34.0 percent of this investment prior to obtaining control.
- An oilfield fluid storage and transportation company providing specialized warehousing, inventory management and transportation of oil country tubular goods in the Peace River region of British Columbia.
- Financial results included within the S&I segment.

##### **Willy's Trucking Service ("Willy's")**

- Acquired on May 1, 2022, and included three owned facilities for total consideration of \$18.9 million less \$1.1 million of cash acquired.
- A regional LTL, general freight and logistics services provider across northern Alberta and northeastern British Columbia.
- Financial results included within the LTL segment.

##### **Monarch Messenger Services Ltd.**

- On January 1, 2022, acquired the business and assets for total cash consideration of \$3.7 million.
- Provides courier, small package delivery transportation services as well as ambient temperature controlled freight in Alberta.
- Financial results integrated into West Direct Express Ltd. and Caneda Transport Ltd., which are included within the LTL segment and L&W segment, respectively.



## Capital Expenditures

### 2023 PLAN

In January 2023, the Board approved an \$85.0 million capital budget for 2023, exclusive of corporate acquisitions, investment in facilities, land and buildings, with \$70.0 million allocated towards maintenance capital primarily to invest in trucks, trailers, specialized equipment and technology to improve the operations of the Business Units and \$15.0 million to invest specifically towards sustainability initiatives.

### 2023 PURCHASES

#### Gross Capital Expenditures

- In 2023 gross capital expenditures were \$108.8 million as compared to \$82.7 million in 2022, including \$7.2 million of equipment transferred between segments as follows:

	Years ended December 31		
	2023	2022	Change
	(\$ millions)		
	\$	\$	\$
LTL	49.4	31.3	18.1
L&W	22.4	22.5	(0.1)
S&I	24.3	11.4	12.9
US 3PL	—	—	—
Corporate	12.7	17.5	(4.8)
<b>Total</b>	<b>108.8</b>	<b>82.7</b>	<b>26.1</b>

Achieved our 2023 plan with net capital expenditures<sup>1</sup> of \$88.8 million, which includes \$13.5 million of investments in facilities, land and buildings.

- Capital invested in the LTL segment mainly consisted of trucks and trailers to support growth opportunities as well as replace older less efficient equipment.
- Capital invested in the L&W segment mainly consisted of purchasing new trucks, trailers and operating equipment to replace older less efficient equipment.
- Capital invested in the S&I segment mainly consisted of pumps, generators and water management equipment to support demand at Canadian Dewatering L.P. ("Canadian Dewatering"); to replenish operating equipment for those Business Units involved in the transportation of fluids, servicing of wells and drilling related services; and to increase our disposal capacity at Envolve Energy Services Corp. ("Envolve").
- Invested \$8.2 million of capital expenditures towards sustainability initiatives through the purchase of CNG powered trucks, intermodal containers to reduce our carbon footprint and the continued transition of electric material handling units, including forklifts and reach units within our LTL and L&W segments. We did not meet our \$15.0 million budget due to continued global supply chain issues.
- MT continued to invest in real estate to meet future growth plans in our LTL segment, including: finalizing the construction of our 36,000 square foot cross dock facility in Kamloops, British Columbia to support the expansion of our LTL operations in that province; the expansion of a LTL terminal in Thunder Bay, Ontario; the purchase of additional land adjacent to an LTL terminal in Saskatoon, Saskatchewan; and purchased a facility in Calgary, Alberta to support our small package and courier business.

#### Gross Capital Dispositions

- In 2023 gross capital dispositions were \$20.0 million as compared to \$49.9 million in 2022 as follows:

	Years ended December 31		
	2023	2022	Change
	(\$ millions)		
	\$	\$	\$
LTL	1.7	1.2	0.5
L&W	3.2	36.0	(32.8)
S&I	13.6	6.5	7.1
US 3PL	—	—	—
Corporate	1.5	6.2	(4.7)
<b>Total</b>	<b>20.0</b>	<b>49.9</b>	<b>(29.9)</b>

- The \$29.9 million decrease in gross capital dispositions was mainly due to the 2022 sale of non-core real property for \$32.6 million in Surrey, British Columbia within the L&W segment.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".





## Normal Course Issuer Bid

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### 2023 PLAN

The TSX approved the renewal of the NCIB on March 8, 2023, to purchase for cancellation up to 8,644,508 Common Shares in the open market on or before March 9, 2024.

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### 2023 REPURCHASES

- In 2023 we repurchased and cancelled 4,936,143 Common Shares for \$72.0 million, representing an average price of \$14.60 per Common Share.
  - As at February 28, 2023, the average daily trading volume of the Common Shares on the TSX ("ADTV") for the most recently completed six calendar months was 296,081. Pursuant to 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 74,020 Common Shares, subject to certain prescribed exceptions.
  - 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 period, insider trading rules or otherwise.
  - The NCIB and the ASPP can be cancelled at the discretion of the Corporation at any time provided the Corporation is not in a blackout period.
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## Dividends

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### 2023 PLAN

In January 2023, we announced our intention to pay annual dividends of \$0.72 per Common Share (\$0.06 per Common Share on a monthly basis) for 2023.

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### 2023 PAYMENTS

- Declared monthly dividends per Common Share totalling \$0.72 per Common Share (2022 – \$0.68 per Common Share).
  - At December 31, 2023, we had 88,074,042 Common Shares outstanding and a dividend payable of \$5.3 million (December 31, 2022 – \$5.6 million), which was paid on January 15, 2024.
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## DEBT AND THE BALANCE SHEET

### Private Placement Debt

Mullen Group's long-term debt is comprised of a series of unsecured debt as follows: U.S. \$117.0 million of Series G Notes, U.S. \$112.0 million of Series H Notes, CDN. \$30.0 million of Series I Notes, CDN. \$3.0 million of Series J Notes, CDN. \$58.0 million of Series K Notes and CDN. \$80.0 million of Series L Notes (collectively, the "**Private Placement Debt**"). The average fixed interest rate on the Private Placement Debt is 3.93 percent. The Private Placement Debt matures in October 2024 and October 2026 consisting of principal repayments net of cross-currency swaps (as hereafter defined on page 20) of \$217.2 million and \$207.9 million, respectively.

### Credit Facilities

Mullen Group has credit facilities providing us with \$375.0 million of borrowing capacity. The \$375.0 million of borrowing capacity comes from three unsecured revolving demand credit facilities consisting of a \$100.0 million credit facility (the "**CIBC Credit Facility**") with Canadian Imperial Bank of Commerce, a \$150.0 million credit facility (the "**RBC Credit Facility**") with Royal Bank of Canada, and the PNC Credit Facility that was entered into on January 5, 2024, with PNC (collectively, the "**Bank Credit Facilities**").

As at December 31, 2023, we had \$73.0 million drawn on the CIBC Credit Facility and the RBC Credit Facility.

The Bank Credit Facilities are available in, among other things, Canadian dollar loans, U.S. dollar loans and Canadian dollar banker's acceptances. Interest on the Bank Credit Facilities are based on either the Canadian bank prime rate plus 0.50 percent or U.S. bank base rate plus 0.50 percent, in each case payable monthly in arrears or banker's acceptance rates plus an acceptance fee of 1.50 percent payable upon acceptance.

The Bank Credit Facilities are unsecured although the Corporation's wholly-owned subsidiary, MT, has granted an unlimited guarantee of any indebtedness owing on the Bank Credit Facilities. The Bank Credit Facilities do not have any financial covenants although the Corporation cannot be in default of its obligations under any other credit agreement that it has entered into and it must remain in compliance with certain reporting and general covenants customary for credit facilities of this nature. We are in compliance with all of these reporting and general covenants.

### 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, including 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.

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)		December 31, 2023		December 31, 2022	
Year of Maturity	Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
2026	5.75%	\$ 125.0	\$ 118.1	\$ 125.0	\$ 115.8

For more information refer to the *Debt and Contractual Obligations* section beginning on page 41.



# CONSOLIDATED FINANCIAL RESULTS

## Executive Summary

While growth was elusive for our organization in 2023, principally due to the lack of meaningful growth in the economy and very few quality acquisition opportunities, it still was, on many metrics, a very good year. We achieved the financial targets outlined in last year's MD&A, both in terms of revenues and OIBDA, despite serious market challenges associated with the inventory rebalancing initiatives implemented by shippers, primarily due to excess ordering in 2022, and the slowdown in economic activity, which has been orchestrated by the central bank authorities in response to unsustainable inflationary pressures. 2023 also was a year the supply chain began to normalize, after the emergence of significant bottlenecks during and after the COVID pandemic. These were the primary reasons overall freight demand was down year over year. This in turn led to an industry oversupply situation along with competitive pricing pressures in many sectors within the logistics industry. Nevertheless, we were successful at mitigating these headwinds because of our diversified portfolio of Business Units, which service multiple verticals. The LTL segment, our largest segment, is a prime example. We consider this part of the logistics industry to be more stable than the long-haul truckload business, due to the nature of the business along with the fact that end consumer spending is the primary driver of demand. In 2023 consumer demand held relatively steady throughout the year. In addition, the oil and natural gas service industry, which today is a smaller component of our overall business than a few years ago, grew year over year as producers increased drilling projects and invested in new capital projects, benefiting our S&I segment, along with general economic activity in western Canada. And once again, both Canadian Dewatering and Kleysen Group capitalized on market opportunities to generate strong results. The acquisitions completed during the year were accretive, offsetting the revenue declines associated with the lower freight volumes and fuel surcharges.

## Outlook

In last year's outlook we indicated that we remained constructive for 2023, expecting revenues to match the prior year. That analysis of the general economy, the sectors we service, and our business model was very accurate as evidenced by the 2023 results. Our view of 2024 is similar in many respects to last year. The economy is facing some serious headwinds and consumers appear to be stretched, factors that will impact overall demand. We expect the first half of 2024 to be soft with activity strengthening as the year unfolds, provided the central bank authorities start to lower interest rates. The most significant change we expect is on the supply side. Many competitors are struggling under the dual threats of competitive pricing and stretched balance sheets. Under this scenario we will look to grow our business through acquisitions. We have the balance sheet to pursue new opportunities and valuations are more reasonable than at any time over the last few years. However, we will remain disciplined and invest only in those opportunities that provide synergies and strengthen our current Business Units.

## Revenue

Revenue is generated by the Corporation through its Business Units utilizing a combination of company assets that are either owned by the Business Unit or leased ("**Company**"); 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**").

Consolidated												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Company	342.9	68.8	336.5	66.9	6.4	1.9	1,351.1	67.7	1,324.4	66.2	26.7	2.0
Contractors	153.9	30.9	164.1	32.6	(10.2)	(6.2)	634.5	31.8	667.2	33.4	(32.7)	(4.9)
Other	1.8	0.3	2.1	0.5	(0.3)	(14.3)	9.1	0.5	7.9	0.4	1.2	15.2
<b>Total</b>	<b>498.6</b>	<b>100.0</b>	<b>502.7</b>	<b>100.0</b>	<b>(4.1)</b>	<b>(0.8)</b>	<b>1,994.7</b>	<b>100.0</b>	<b>1,999.5</b>	<b>100.0</b>	<b>(4.8)</b>	<b>(0.2)</b>

**QTD:** Consolidated revenues were \$498.6 million, a slight decrease of 0.8 percent, or \$4.1 million as compared to the same period last year. Acquisitions added \$21.7 million of incremental revenue offsetting revenue declines:

- Fuel surcharge revenues were lower by \$11.1 million (excluding acquisitions), primarily due to a 25.0 percent decrease in the price of diesel fuel.
- A softer environment for freight and logistics demand, particularly in the L&W segment and the US 3PL segment led to a decline in revenues of \$13.2 million. Somewhat offsetting these declines was greater demand for our services experienced in the S&I segment, while the LTL segment remained relatively flat.
- The sale of the hydrovac business in December 2022 resulted in lower revenues of \$1.4 million year over year.



**YTD:** Consolidated revenues were \$1,994.7 million, a slight decrease of 0.2 percent, or \$4.8 million year over year. Acquisitions added incremental revenues of \$86.9 million, offsetting the following revenue declines:

- Fuel surcharge revenues were lower by \$36.8 million (excluding acquisitions) due to the decrease in the price of diesel fuel.
- A softer environment for freight and logistics demand that led to a year over year decline in revenues of \$43.9 million.
- An \$11.0 million decrease in revenue associated with the sale of the Corporation's hydrovac assets.

## Direct Operating Expenses

Direct operating expenses ("**DOE**") include two main categories of expenses: direct costs associated with generating Company revenue and costs incurred to hire Contractors, namely owner operators or subcontractors.

Consolidated												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%*	\$	%*	\$	%	\$	%*	\$	%*	\$	%
Company												
Wages and benefits	79.0	23.0	73.2	21.8	5.8	7.9	314.1	23.2	289.9	21.9	24.2	8.3
Fuel	29.9	8.7	34.9	10.4	(5.0)	(14.3)	113.6	8.4	137.3	10.4	(23.7)	(17.3)
Repairs and maintenance	39.6	11.5	37.0	11.0	2.6	7.0	156.5	11.6	142.8	10.8	13.7	9.6
Purchased transportation	52.0	15.2	55.3	16.4	(3.3)	(6.0)	207.2	15.3	220.4	16.6	(13.2)	(6.0)
Operating supplies	21.2	6.2	25.0	7.4	(3.8)	(15.2)	82.7	6.1	83.1	6.3	(0.4)	(0.5)
Other	9.3	2.8	8.6	2.5	0.7	8.1	36.2	2.8	33.5	2.5	2.7	8.1
	<b>231.0</b>	<b>67.4</b>	234.0	69.5	(3.0)	(1.3)	<b>910.3</b>	<b>67.4</b>	907.0	68.5	3.3	0.4
Contractors	122.0	79.3	127.7	77.8	(5.7)	(4.5)	494.6	78.0	520.9	78.1	(26.3)	(5.0)
<b>Total</b>	<b>353.0</b>	<b>70.8</b>	361.7	72.0	(8.7)	(2.4)	<b>1,404.9</b>	<b>70.4</b>	1,427.9	71.4	(23.0)	(1.6)

\*as a percentage of respective Consolidated revenue

**QTD:** Consolidated DOE decreased slightly by \$8.7 million to \$353.0 million, or 2.4 percent, as compared to \$361.7 million in 2022, primarily due to a \$4.1 million decrease in consolidated revenues. Other notable highlights were:

- Expenses related to operating company owned equipment decreased as a percentage of Company revenue, with operating margins<sup>1</sup> improving year over year, mainly due to lower fuel, purchased transportation costs and operating supplies.
- Contractors costs decreased by \$5.7 million due to the \$10.2 million decline in Contractors revenue. In percentage terms, however, these costs increased by 1.5 percent, mainly because of lower margins experienced in the L&W segment and the S&I segment.

**YTD:** Consolidated DOE declined to \$1,404.9 million, or 1.6 percent, as compared to \$1,427.9 million in 2022, primarily due to lower fuel expense and lower purchased transportation costs. Other notable highlights were:

- Company costs increased in absolute dollar terms due to higher Company revenue. As a percentage of Company revenue, Company costs, however, decreased by 1.1 percent mainly due to margin improvement in the LTL segment, the L&W segment and the S&I segment.
- Contractors costs decreased by \$26.3 million due to the \$32.7 million decline in Contractors revenue. In percentage terms, these costs decreased slightly by 0.1 percent, which was mainly due to margin improvement in the L&W segment, the LTL segment and the US 3PL segment.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



## Selling and Administrative Expenses

Selling and administrative ("S&A") are expenses incurred to support the operations of Mullen Group and its Business Units.

Consolidated												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%*	\$	%*	\$	%	\$	%*	\$	%*	\$	%
Wages and benefits	39.5	7.9	36.1	7.2	3.4	9.4	156.0	7.8	143.2	7.2	12.8	8.9
Communications, utilities and general supplies	17.9	3.6	17.5	3.5	0.4	2.3	72.4	3.6	67.4	3.4	5.0	7.4
Profit share	6.0	1.2	5.8	1.2	0.2	3.4	20.2	1.0	20.1	1.0	0.1	0.5
Foreign exchange	0.8	0.2	0.4	0.1	0.4	100.0	0.8	—	(3.0)	(0.2)	3.8	(126.7)
Stock-based compensation	0.3	0.1	0.1	—	0.2	200.0	1.1	0.1	0.7	—	0.4	57.1
Rent and other	1.9	0.3	3.5	0.6	(1.6)	(45.7)	11.1	0.6	13.3	0.7	(2.2)	(16.5)
<b>Total</b>	<b>66.4</b>	<b>13.3</b>	<b>63.4</b>	<b>12.6</b>	<b>3.0</b>	<b>4.7</b>	<b>261.6</b>	<b>13.1</b>	<b>241.7</b>	<b>12.1</b>	<b>19.9</b>	<b>8.2</b>

\*as a percentage of total Consolidated revenue

**QTD:** S&A expenses rose by \$3.0 million to \$66.4 million as compared to \$63.4 million in 2022 due to a combination of:

- incremental S&A expenses of \$3.4 million associated with acquisitions;
- inflationary pressures including cost of living wage increases and higher utility costs and general supplies; and
- lower rent and other costs, mainly due to a bad debt recovery in the fourth quarter of 2023.

As a percentage of revenue, S&A expenses increased to 13.3 percent from 12.6 percent last year, due to slightly higher S&A expenses at B&R.

**YTD:** S&A expenses rose by \$19.9 million to \$261.6 million as compared to \$241.7 million in 2022, primarily due to a combination of:

- incremental S&A expenses of \$11.7 million associated with acquisitions;
- a \$3.8 million negative variance in foreign exchange;
- inflationary pressures associated with wages, utility costs and general supplies; and
- lower rent and other costs.

As a percentage of revenue, S&A expenses increased to 13.1 percent from 12.1 percent last year, due to higher inflationary costs and integration costs at B&R.



## OIBDA

Management relies on 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.

Consolidated												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
LTL	29.9	37.8	31.8	41.0	(1.9)	(6.0)	130.7	39.8	138.4	42.0	(7.7)	(5.6)
L&W	29.1	36.7	30.4	39.2	(1.3)	(4.3)	112.0	34.1	119.1	36.1	(7.1)	(6.0)
S&I	24.6	31.1	19.1	24.6	5.5	28.8	95.3	29.0	77.5	23.5	17.8	23.0
US 3PL	0.4	0.5	0.9	1.2	(0.5)	(55.6)	3.6	1.1	5.7	1.7	(2.1)	(36.8)
Corporate	(4.8)	(6.1)	(4.6)	(6.0)	(0.2)	4.3	(13.4)	(4.0)	(10.8)	(3.3)	(2.6)	24.1
<b>Total</b>	<b>79.2</b>	<b>100.0</b>	<b>77.6</b>	<b>100.0</b>	<b>1.6</b>	<b>2.1</b>	<b>328.2</b>	<b>100.0</b>	<b>329.9</b>	<b>100.0</b>	<b>(1.7)</b>	<b>(0.5)</b>

**QTD:** The business generated \$79.2 million in OIBDA, an increase of \$1.6 million, or 2.1 percent, as compared to the \$77.6 million during the same period one year earlier due to:

- Improved DOE margins that was somewhat offset by higher S&A costs.
- Incremental OIBDA of \$0.5 million that was generated from acquisitions.
- Restructuring costs of \$2.9 million associated with the integration of the B&R LTL business, which negatively impacted the quarter results.

Operating margin<sup>1</sup> improved to 15.9 percent as compared to 15.4 percent last year due to lower DOE reflecting the variable cost structure of our business model, and our focus on cost control. This margin improvement was somewhat offset by a rise in S&A expenses.

**YTD:** OIBDA decreased slightly by \$1.7 million, or 0.5 percent, to \$328.2 million from \$329.9 million in 2022 due to:

- Incremental OIBDA of \$9.4 million generated from acquisitions.
- Lower OIBDA at existing Business Units due to a more normalized pricing environment in 2023.
- Higher S&A costs.

Operating margin<sup>1</sup> remained consistent at 16.5 percent as compared to last year, due to lower margins experienced in the LTL segment being somewhat offset by higher margins in the S&I segment.

## Depreciation of Property, Plant and Equipment

Consolidated							
(\$ millions)	Three month periods ended December 31			Years ended December 31			
	2023		2022	2023		2022	Change
	\$	\$	\$	\$	\$	\$	
LTL	6.4	5.4	1.0	23.0	20.6	2.4	
L&W	3.8	4.1	(0.3)	14.6	15.9	(1.3)	
S&I	7.1	6.8	0.3	27.6	26.5	1.1	
US 3PL	—	0.5	(0.5)	1.0	1.9	(0.9)	
Corporate	1.6	1.7	(0.1)	7.0	6.2	0.8	
<b>Total</b>	<b>18.9</b>	<b>18.5</b>	<b>0.4</b>	<b>73.2</b>	<b>71.1</b>	<b>2.1</b>	

- Depreciation in the fourth quarter and in 2023 increased as compared to the corresponding periods in the prior year due to acquisitions and from a greater amount of capital expenditures made within the LTL segment and the S&I segment.
- The slight decrease in depreciation in the L&W segment was due to a lower amount of capital expenditures within the segment.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



## Depreciation of Right-of-Use Assets

Consolidated						
(\$ millions)	Three month periods ended December 31			Years ended December 31		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
LTL	5.4	3.6	1.8	19.2	13.9	5.3
L&W	2.2	2.2	—	8.4	8.7	(0.3)
S&I	0.2	0.2	—	0.9	0.8	0.1
US 3PL	0.1	0.2	(0.1)	0.6	0.8	(0.2)
Corporate	—	—	—	—	—	—
<b>Total</b>	<b>7.9</b>	<b>6.2</b>	<b>1.7</b>	<b>29.1</b>	<b>24.2</b>	<b>4.9</b>

- Depreciation of right-of-use assets increased in the LTL segment due to leases assumed on acquisitions and from adding and renewing certain facility leases.

## 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 a five to ten year period being their estimated life from the date of acquisition. Amortization of intangible assets was \$3.3 million (YTD – \$13.6 million) in 2023 as compared to \$3.9 million (YTD – \$17.2 million) in 2022. This decrease of \$0.6 million (YTD – \$3.6 million) mainly resulted from certain intangible assets becoming fully amortized, which was somewhat offset by the additional amortization recorded on the intangible assets associated with our recent acquisitions.

## Finance Costs

Finance costs mainly consist of interest expense on financial liabilities, including: the Private Placement Debt; the Debentures; lease liabilities; and borrowings on the Bank Credit Facilities, less any interest income generated from the debentures issued to equity investments and from cash and cash equivalents.

Finance costs were \$9.7 million (YTD – \$37.1 million) in 2023 as compared to \$8.9 million (YTD – \$35.0 million) in 2022. The increase of \$0.8 million (YTD – \$2.1 million) was mainly attributable to a greater amount of interest expense being recorded on the CIBC Credit Facility and the RBC Credit Facility and from greater interest expense recognized on lease liabilities by virtue of our recent acquisitions.

## 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.

A net foreign exchange (gain) loss is experienced even though the principal portion of all our U.S. \$229.0 million debt is hedged by our Cross-Currency Swaps. A net foreign exchange (gain) loss occurs due to how our U.S. dollar debt and our Cross-Currency Swaps are valued for accounting purposes. 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, the accounting value should more closely correlate to the value of the U.S. dollar debt.





(\$ millions)	Three month periods ended December 31			Years ended December 31		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
Foreign exchange (gain) loss on U.S. \$ debt	(6.7)	(3.8)	(2.9)	(7.3)	19.8	(27.1)
Foreign exchange loss (gain) on Cross-Currency Swaps	5.9	1.7	4.2	3.1	(9.0)	12.1
Net foreign exchange (gain) loss	(0.8)	(2.1)	1.3	(4.2)	10.8	(15.0)

We recorded a foreign exchange (gain) loss of \$(6.7) million (YTD – \$(7.3) million) related to our \$229.0 million U.S. dollar debt, due to the change in the value of the Canadian dollar relative to the U.S. dollar during 2023 as compared to a (gain) loss of \$(3.8) million (YTD – \$19.8 million) in 2022. We recorded a foreign exchange loss on Cross-Currency Swaps of \$5.9 million (YTD – \$3.1 million) in 2023 as compared to a loss (gain) of \$1.7 million (YTD – \$(9.0) million) in 2022. This was due to the change over the period in the fair value of these Cross-Currency Swaps.

## 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, the gain or loss on fair value of equity investments, earnings from equity investments, and the loss on sale of non-core business.

(\$ millions)	Three month periods ended December 31			Years ended December 31		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
Change in fair value of investments	(0.3)	(0.4)	0.1	(0.3)	(0.1)	(0.2)
(Gain) loss on sale of property, plant & equipment	(0.5)	(29.8)	29.3	(1.7)	(27.9)	26.2
Loss (gain) on fair value of equity investments	—	(2.8)	2.8	0.6	(2.8)	3.4
Earnings from equity investments	(0.7)	(1.5)	0.8	(2.3)	(8.6)	6.3
Loss on sale of non-core business	—	0.1	(0.1)	—	0.1	(0.1)
Other (income) expense	(1.5)	(34.4)	32.9	(3.7)	(39.3)	35.6

- The change in the fair value of investments remained relatively consistent in both the fourth quarter and on a year to date basis in 2023 as compared to the corresponding prior year periods, respectively.
- Gain on sale of property, plant and equipment decreased by \$29.3 million (YTD – \$26.2 million) and was mainly due to the sale of non-core real estate in Surrey, British Columbia in the fourth quarter of 2022.
- In 2023 we recognized a \$0.6 million loss on fair value of equity investment that pertained to the acquisition of Butler Ridge as compared to a \$2.8 million gain on fair value of equity investment recognized in 2022 on the acquisition of Cordova.
- Earnings from equity investments decreased to \$0.7 million (YTD – \$2.3 million) in 2023 as compared to \$1.5 million (YTD – \$8.6 million) in 2022, mainly due to lower demand for services at Kriska Transportation Group Limited.
- In 2023 the aggregate amount of revenue and OIBDA generated by our equity investments was \$354.3 million (2022 – \$388.5 million) and \$55.3 million (2022 – \$76.7 million), respectively. 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
Thrive Management Group Ltd.	September 27, 2017



## Income Taxes

(\$ millions)	Three month periods ended December 31			Years ended December 31		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
Income before income taxes	<b>41.7</b>	76.6	(34.9)	<b>183.1</b>	210.9	(27.8)
Combined statutory tax rate	<b>25%</b>	25%	—	<b>25%</b>	25%	—
Expected income tax	<b>10.4</b>	19.2	(8.8)	<b>45.8</b>	52.7	(6.9)
Add (deduct):						
Non-deductible (taxable) portion of net foreign exchange (gain) loss	<b>(0.1)</b>	(0.3)	0.2	<b>(0.5)</b>	1.2	(1.7)
Non-deductible (taxable) portion of the change in fair value of investments	<b>(0.1)</b>	(0.3)	0.2	—	(0.3)	0.3
Stock-based compensation expense	<b>0.1</b>	0.1	—	<b>0.3</b>	0.2	0.1
Changes in unrecognized deferred tax asset	<b>1.8</b>	(0.3)	2.1	<b>1.4</b>	1.2	0.2
Non-taxable portion of capital gain on sale of lands	—	(3.4)	3.4	—	(3.4)	3.4
Other	<b>0.2</b>	0.1	0.1	<b>(0.6)</b>	0.7	(1.3)
Income tax expense	<b>12.3</b>	15.1	(2.8)	<b>46.4</b>	52.3	(5.9)

Income tax expense was \$12.3 million (YTD – \$46.4 million) in 2023 as compared to \$15.1 million (YTD – \$52.3 million) in 2022. Income tax expense decreased in the fourth quarter as compared to the corresponding prior year period due to the lower amount of income being generated. This was somewhat offset by the non-taxable portion of the capital gain on the sale of lands that was mainly attributable to the disposal of non-core real estate in Surrey, British Columbia in 2022. Income tax expense in 2023 decreased as compared to 2022, due to the variance in net foreign exchange and lower earnings being somewhat offset by the non-taxable portion of the capital gain on the sale of lands in 2022.

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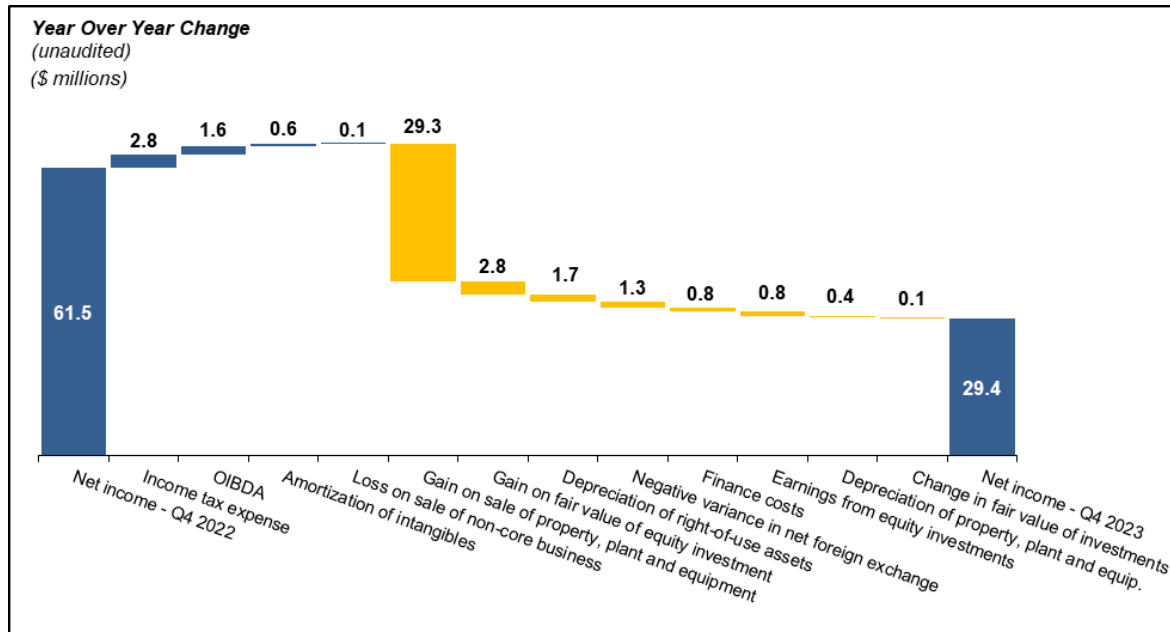


## Net Income

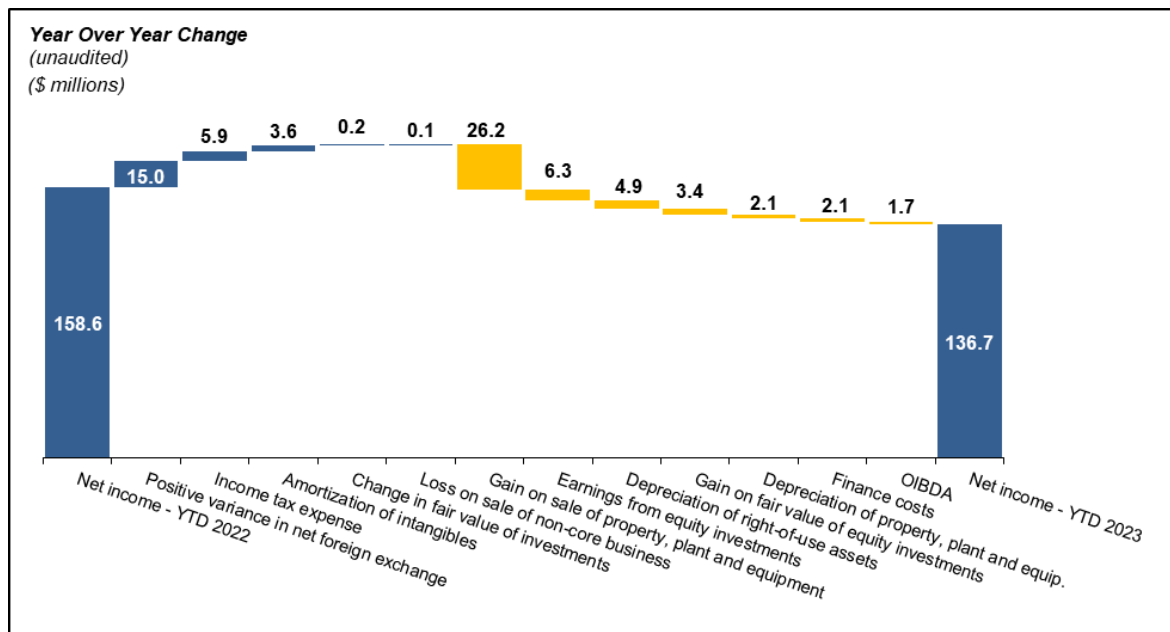
(\$ millions, except share and per share amounts)	Three month periods ended December 31			Years ended December 31		
	2023	2022	% Change	2023	2022	% Change
Net income	\$ 29.4	\$ 61.5	(52.2)	\$ 136.7	\$ 158.6	(13.8)
Weighted average number of Common Shares outstanding	88,423,848	92,930,386	(4.8)	89,931,795	93,351,897	(3.7)
Earnings per share – basic	\$ 0.33	\$ 0.66	(50.0)	\$ 1.52	\$ 1.70	(10.6)

Net income decreased to \$29.4 million (YTD – \$136.7 million) as compared to \$61.5 million (YTD – \$158.6 million) in 2022, primarily due to the \$29.3 million (YTD – \$26.2 million) change in gain on sale of property, plant and equipment. The graphs below highlight each of the factors contributing to the change in net income:

### Three month period ended December 31, 2023



### Year ended December 31, 2023



Basic earnings per share decreased to \$0.33 (YTD – \$1.52) in 2023 as compared to \$0.66 (YTD – \$1.70) in 2022. This decrease resulted from the effect of the \$32.1 million (YTD – \$21.9 million) reduction in net income. The weighted average number of Common Shares outstanding decreased to 88,423,848 (YTD – 89,931,795) from 92,930,386 (YTD – 93,351,897) in 2022, which was due to the repurchase and cancellation of Common Shares under the NCIB being partially offset by the issuance of 57,180 Common Shares on the Butler Ridge acquisition.

### **Net Income – Adjusted<sup>1</sup> and Earnings per Share – Adjusted<sup>1</sup>**

Net income – adjusted<sup>1</sup> and earnings per share – adjusted<sup>1</sup> were \$30.4 million (YTD – \$134.4 million) or \$0.34 (YTD – \$1.49) in 2023 as compared to \$53.6 million (YTD – \$164.2 million) or \$0.58 (YTD – \$1.76) in 2022, respectively. Management adjusts net income and earnings per share by excluding specific factors to more clearly reflect earnings from an operating perspective.

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<sup>1</sup> Refer to the section entitled "Non-IFRS Financial Measures".



## SEGMENTED FINANCIAL RESULTS

### Three Month Periods Ended

Three month period ended December 31, 2023 (unaudited) (\$ millions)	LTL	L&W	S&I	US 3PL	Corporate and intersegment eliminations	Total
	\$	\$	\$	\$	\$	\$
Revenue	190.0	140.8	122.5	47.7	(2.4)	498.6
Direct operating expenses	131.3	94.6	87.0	43.6	(3.5)	353.0
Selling and administrative expenses	28.8	17.1	10.9	3.7	5.9 <sup>1</sup>	66.4
OIBDA	29.9	29.1	24.6	0.4	(4.8)	79.2
Net capital expenditures <sup>2</sup>	21.2	1.9	(3.6)	—	5.3	24.8

Three month period ended December 31, 2022 (unaudited) (\$ millions)	LTL	L&W	S&I	US 3PL	Corporate and intersegment eliminations	Total
	\$	\$	\$	\$	\$	\$
Revenue	190.8	153.8	108.0	52.6	(2.5)	502.7
Direct operating expenses	133.1	106.1	78.5	48.0	(4.0)	361.7
Selling and administrative expenses	25.9	17.3	10.4	3.7	6.1 <sup>3</sup>	63.4
OIBDA	31.8	30.4	19.1	0.9	(4.6)	77.6
Net capital expenditures <sup>2</sup>	14.7	(27.3)	2.2	—	6.9	(3.5)

<sup>1</sup> Includes a \$0.3 million foreign exchange loss.

<sup>2</sup> Refer to the section entitled "Other Financial Measures".

<sup>3</sup> Includes a \$0.3 million foreign exchange loss.

### Years Ended

Year ended December 31, 2023 (\$ millions)	LTL	L&W	S&I	US 3PL	Corporate and intersegment eliminations	Total
	\$	\$	\$	\$	\$	\$
Revenue	770.4	564.9	468.0	198.3	(6.9)	1,994.7
Direct operating expenses	525.5	385.0	327.7	180.2	(13.5)	1,404.9
Selling and administrative expenses	114.2	67.9	45.0	14.5	20.0 <sup>1</sup>	261.6
OIBDA	130.7	112.0	95.3	3.6	(13.4)	328.2
Net capital expenditures <sup>2</sup>	47.7	19.2	10.7	—	11.2	88.8

Year ended December 31, 2022 (\$ millions)	LTL	L&W	S&I	US 3PL	Corporate and intersegment eliminations	Total
	\$	\$	\$	\$	\$	\$
Revenue	778.7	609.3	400.6	221.8	(10.9)	1,999.5
Direct operating expenses	536.8	422.8	283.9	202.2	(17.8)	1,427.9
Selling and administrative expenses	103.5	67.4	39.2	13.9	17.7 <sup>3</sup>	241.7
OIBDA	138.4	119.1	77.5	5.7	(10.8)	329.9
Net capital expenditures <sup>2</sup>	30.1	(13.5)	4.9	—	11.3	32.8

<sup>1</sup> Includes a \$0.5 million foreign exchange loss.

<sup>2</sup> Refer to the section entitled "Other Financial Measures".

<sup>3</sup> Includes a \$1.3 million foreign exchange gain.





**Highlights**

The LTL segment continues to be the largest (and most profitable) segment in our organization, producing results similar to 2022, which was an exceptional year due to favourable market conditions. In 2023, revenues generated by the 11 Business Units owned since last year, declined year over year by \$42.0 million, due to softening demand and lower fuel surcharges. We did, however, complete the acquisition of B&R in May 2023, which had a sizeable LTL division serving the Alberta market, that added the majority of the \$33.7 million of incremental acquisition revenues in 2023. As a result, annual segment revenues were \$770.4 million, very consistent with the prior year.

Pricing held firm throughout the year, primarily due to the nature of the LTL business and the disciplined pricing strategy most carriers follow. This is one of the principle reasons we invest in this segment of the supply chain and why it remains a strategic focus of our organization. In terms of costs, our Business Units worked to minimize unnecessary expenses and improve productivity, initiatives that mitigated a majority of the year over year expense increases associated with inflationary pressures. The acquisition of the B&R business, as anticipated, did not add any OIBDA during 2023, negatively impacting segment operating margins<sup>1</sup> by 1.0 percent. During the fourth quarter we implemented a restructuring plan for this business, closing terminals, reducing labour costs and integrating the freight into Grimshaw Trucking and Hi-Way 9 Express, steps we expect will improve future segment margins.

**Market Outlook**

The general economic outlook remains somewhat mixed, with interest rates remaining at elevated levels even though inflationary pressures have moderated significantly. Consumer balance sheets are stretched and business investment has slowed, two important drivers of end demand. Under this scenario, overall LTL freight demand is not expected to grow in 2024 and pricing increases will be minimal. Our strategy heading into the year, is to focus on reducing overall operating costs by introducing new productivity initiatives, enhancements in technology, and ensuring efficient asset utilization. These initiatives are not expected to generate revenue growth, at least in the short term, however, we expect operating margins<sup>1</sup> to improve by 1.0 percent. We will continue to pursue acquisitions in the LTL sector as opportunities arise, especially those that add lane density and the potential to improve margins.

**Revenue**

LTL												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Company	177.7	93.5	177.8	93.2	(0.1)	(0.1)	713.2	92.6	718.7	92.3	(5.5)	(0.8)
Contractors	12.2	6.4	12.7	6.7	(0.5)	(3.9)	56.0	7.3	59.1	7.6	(3.1)	(5.2)
Other	0.1	0.1	0.3	0.1	(0.2)	(66.7)	1.2	0.1	0.9	0.1	0.3	33.3
<b>Total</b>	<b>190.0</b>	<b>100.0</b>	190.8	100.0	(0.8)	(0.4)	<b>770.4</b>	<b>100.0</b>	778.7	100.0	(8.3)	(1.1)

**QTD:** Segment revenues were \$190.0 million, a slight decrease of 0.4 percent, or \$0.8 million as acquisitions added \$7.4 million of incremental revenue and offset the majority of the following revenue declines:

- Fuel surcharge revenue declined by \$7.1 million (excluding acquisitions), primarily due to a 25.0 percent decrease in the price of diesel fuel.
- Revenue from Business Units (excluding fuel surcharge and acquisitions) declined slightly as steady freight volumes in western Canada were somewhat offset by lower freight volumes in eastern Canada.

**YTD:** Segment revenue decreased to \$770.4 million as compared to \$778.7 million in 2022.

- Fuel surcharge revenue declined by \$22.5 million to \$143.0 million (excluding acquisitions) due to sharply lower diesel fuel prices.
- Revenue from Business Units (excluding fuel surcharge and acquisitions) declined by \$19.5 million due to competitive pricing in major markets and lower freight volumes, particularly in eastern Canada.
- Acquisitions in 2023 added revenues of \$33.7 million.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



## Direct Operating Expenses

LTL												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%*	\$	%*	\$	%	\$	%*	\$	%*	\$	%
Company												
Wages and benefits	42.1	23.7	37.9	21.3	4.2	11.1	165.5	23.2	151.5	21.1	14.0	9.2
Fuel	16.9	9.5	20.5	11.5	(3.6)	(17.6)	64.9	9.1	81.5	11.3	(16.6)	(20.4)
Repairs and maintenance	16.6	9.3	15.1	8.5	1.5	9.9	67.0	9.4	61.2	8.5	5.8	9.5
Purchased transportation	41.0	23.1	45.4	25.5	(4.4)	(9.7)	164.4	23.1	179.1	24.9	(14.7)	(8.2)
Operating supplies	2.8	1.6	2.6	1.5	0.2	7.7	11.1	1.6	10.1	1.4	1.0	9.9
Other	5.0	2.8	4.2	2.4	0.8	19.0	20.2	2.7	17.7	2.5	2.5	14.1
	124.4	70.0	125.7	70.7	(1.3)	(1.0)	493.1	69.1	501.1	69.7	(8.0)	(1.6)
Contractors	6.9	56.6	7.4	58.3	(0.5)	(6.8)	32.4	57.9	35.7	60.4	(3.3)	(9.2)
<b>Total</b>	<b>131.3</b>	<b>69.1</b>	<b>133.1</b>	<b>69.8</b>	<b>(1.8)</b>	<b>(1.4)</b>	<b>525.5</b>	<b>68.2</b>	<b>536.8</b>	<b>68.9</b>	<b>(11.3)</b>	<b>(2.1)</b>

\*as a percentage of respective LTL revenue

**QTD:** DOE declined by \$1.8 million to \$131.3 million as compared to \$133.1 million in 2022, with slight reductions in both Company and Contractors expenses. As a percentage of segment revenue, DOE decreased by 0.7 percent to 69.1 percent from 69.8 percent in 2022.

- Company costs decreased by \$1.3 million, despite higher wages and benefits, inflationary pressures, and one-time costs associated with the B&R integration. As a percentage of Company revenue these expenses decreased by 0.7 percent to 70.0 percent from 70.7 percent in 2022 due to lower fuel and purchased transportation costs.
- Contractors costs decreased by \$0.5 million, consistent with a \$0.5 million decline in Contractors revenue. Contractors costs as a percentage of Contractors revenue decreased to 56.6 percent from 58.3 percent in 2022 due to the greater availability of subcontractors in certain markets.

**YTD:** DOE declined to \$525.5 million, as compared to \$536.8 million in 2022, which was generally consistent with the \$8.3 million decline in segment revenue. As a percentage of segment revenue these expenses decreased by 0.7 percent to 68.2 percent from 68.9 percent in 2022 due to lower Company and Contractors costs.

- Company costs decreased in absolute dollar terms due to lower Company revenue. As a percentage of Company revenue these costs decreased by 0.6 percent to 69.1 percent from 69.7 percent in 2022 due to lower purchased transportation costs associated with more efficient operations, and lower fuel costs resulting from the decline in diesel fuel prices. These decreases were somewhat offset by higher wages resulting from inflationary pressures and one-time costs associated with the B&R integration and from higher repairs and maintenance costs.
- Contractors costs as a percentage of Contractors revenue decreased to 57.9 percent from 60.4 percent in 2022 due to the greater availability of subcontractors in certain markets.





## Selling and Administrative Expenses

LTL												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%*	\$	%*	\$	%	\$	%*	\$	%*	\$	%
Wages and benefits	18.3	9.6	15.4	8.1	2.9	18.8	69.9	9.1	61.6	7.9	8.3	13.5
Communications, utilities and general supplies	8.2	4.3	7.7	4.0	0.5	6.5	33.5	4.3	30.7	3.9	2.8	9.1
Profit share	1.4	0.7	1.4	0.7	—	—	6.0	0.8	6.4	0.8	(0.4)	(6.3)
Foreign exchange	—	—	—	—	—	—	—	—	—	—	—	—
Rent and other	0.9	0.6	1.4	0.8	(0.5)	(35.7)	4.8	0.6	4.8	0.7	—	—
<b>Total</b>	<b>28.8</b>	<b>15.2</b>	<b>25.9</b>	<b>13.6</b>	<b>2.9</b>	<b>11.2</b>	<b>114.2</b>	<b>14.8</b>	<b>103.5</b>	<b>13.3</b>	<b>10.7</b>	<b>10.3</b>

\*as a percentage of total LTL revenue

**QTD:** S&A expenses increased to \$28.8 million as compared to \$25.9 million in 2022.

- An increase of \$2.9 million due to incremental S&A expenses of \$2.5 million associated with acquisitions including one-time integration costs associated with B&R, and higher costs associated with wages, and utilities and general supplies due to inflationary pressures.
- As a percentage of segment revenue these expenses increased to 15.2 percent as compared to 13.6 percent in 2022 due to one-time costs associated with the B&R integration and the relatively fixed nature of S&A expenses.

**YTD:** S&A expenses increased to \$114.2 million as compared to \$103.5 million in 2022.

- An increase of \$10.7 million due to incremental S&A expenses of \$7.9 million associated with acquisitions including one-time integration costs associated with B&R, and higher costs associated with wages, and utilities and general supplies due to inflationary pressures.
- As a percentage of revenue these expenses increased to 14.8 percent as compared to 13.3 percent in 2022 due to one-time costs associated with the B&R integration and the relatively fixed nature of S&A expenses.

## OIBDA

**QTD:** Segment OIBDA was \$29.9 million, a decrease of \$1.9 million, or 6.0 percent, as compared to \$31.8 million in 2022 due to one-time costs associated with the B&R integration, a more normalized pricing environment in 2023 and from lower freight volumes predominately in eastern Canada.

- Operating margin<sup>1</sup> declined by 1.0 percent to 15.7 percent as compared to 16.7 percent in the prior year period, primarily due to lower margins associated with the acquisition of B&R and higher S&A expenses.

**YTD:** Segment OIBDA was \$130.7 million, a decrease of \$7.7 million as compared to \$138.4 million in 2022, due to competitive pricing in 2023 and from lower freight volumes, predominately in eastern Canada.

- Operating margin<sup>1</sup> declined by 0.8 percent to 17.0 percent as compared to 17.8 percent in 2022 due to lower margins experienced by the acquisition of B&R and higher S&A expenses as a percentage of segment revenue.

Excluding the financial results of B&R, the LTL segment would have generated operating margins<sup>1</sup> of 18.0 percent in both the fourth quarter and on a year-to-date basis in 2023.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



## Capital Expenditures

LTL						
(\$ millions)	Three month periods ended December 31			Years ended December 31		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
Purchase of property, plant and equipment	21.7	14.9	6.8	49.4	31.3	18.1
Proceeds on sale of property, plant and equipment	(0.5)	(0.2)	(0.3)	(1.7)	(1.2)	(0.5)
Net capital expenditures <sup>1</sup>	21.2	14.7	6.5	47.7	30.1	17.6

- The majority of the capital invested in 2023 consisted of trucks and trailers to support growth opportunities as well as replace older less efficient equipment.



## LOGISTICS & WAREHOUSING

### Highlights

2023 was a challenging year for the trucking and warehousing industry, a stark contrast to 2022 when market fundamentals were very favourable. Shippers and manufacturers embarked upon a rebalancing of excess inventory levels, the general economy slowed year over year, and the increased supply of trucking and warehousing capacity built up over the past two years, all contributed to a very competitive market environment. 2023 was a year characterized by lower demand, excess capacity and lower pricing. Despite this market shift our 11 Business Units still generated good results, with revenues declining a modest \$44.4 million and OIBDA by \$7.1 million, primarily due to the continued strong performance of Bandstra and Kleysen Group, the largest Business Units in the segment. We also benefited from a disciplined acquisition strategy deployed over the years, which focused on companies in the trucking, logistics and warehousing industry that have strong market penetration and provide specialized service offerings. And we utilize a variable cost structure wherever possible, utilizing the owner operator and sub-contractor model.

### Market Outlook

Acquisitions such as ContainerWorld, which we will close in the second quarter once regulatory authorities have reviewed our submission, will drive revenue growth in 2024. Our existing 11 Business Units face a challenging year due to the lingering effects of low demand and excess capacity, which we expect will not improve until later in the year when demand recovers, as suppliers look to restock depleting inventory levels. Until this occurs, however, the oversupply situation will continue to depress pricing. We will also consider additional acquisition opportunities that are complementary to our existing Business Units where we can realize synergies that will enhance overall profitability.

### Revenue

L&W												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Company	74.1	52.6	76.2	49.5	(2.1)	(2.8)	276.7	49.0	287.5	47.2	(10.8)	(3.8)
Contractors	66.4	47.2	77.2	50.2	(10.8)	(14.0)	286.6	50.7	320.3	52.6	(33.7)	(10.5)
Other	0.3	0.2	0.4	0.3	(0.1)	(25.0)	1.6	0.3	1.5	0.2	0.1	6.7
<b>Total</b>	<b>140.8</b>	<b>100.0</b>	<b>153.8</b>	<b>100.0</b>	<b>(13.0)</b>	<b>(8.5)</b>	<b>564.9</b>	<b>100.0</b>	<b>609.3</b>	<b>100.0</b>	<b>(44.4)</b>	<b>(7.3)</b>

**QTD:** Segment revenue decreased to \$140.8 million as compared to \$153.8 million in 2022, primarily due to declines in fuel surcharge revenues, lower freight volumes and competitive pricing.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



- Excluding fuel surcharge, revenue declined by \$9.7 million as compared to the prior year period, which was mainly due to the impacts of the freight recession and from a \$0.7 million decrease in revenue resulting from the sale of our hydrovac business in the fourth quarter of 2022.
- Fuel surcharge revenue decreased by \$2.5 million to \$16.5 million in 2023 due to lower diesel fuel prices.

**YTD:** Segment revenue decreased to \$564.9 million as compared to \$609.3 million in 2022, primarily due to declines in fuel surcharge revenues, lower freight volumes and competitive pricing.

- Excluding fuel surcharge, revenue declined by \$28.0 million as compared to the prior year period, which was mainly due to the impacts of the freight recession and from a \$6.5 million decrease in revenue resulting from the sale of our hydrovac business in the fourth quarter of 2022.
- Fuel surcharge revenue decreased by \$9.8 million to \$65.6 million in 2023 due to lower diesel fuel prices.

## Direct Operating Expenses

L&W												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%*	\$	%*	\$	%	\$	%*	\$	%*	\$	%
Company												
Wages and benefits	14.6	19.7	14.7	19.3	(0.1)	(0.7)	58.3	21.1	60.5	21.0	(2.2)	(3.6)
Fuel	5.6	7.6	7.0	9.2	(1.4)	(20.0)	22.6	8.2	28.2	9.8	(5.6)	(19.9)
Repairs and maintenance	7.6	10.3	7.6	10.0	—	—	29.2	10.6	28.5	9.9	0.7	2.5
Purchased transportation	7.8	10.5	9.1	11.9	(1.3)	(14.3)	33.8	12.2	38.6	13.4	(4.8)	(12.4)
Operating supplies	8.8	11.9	10.1	13.3	(1.3)	(12.9)	26.8	9.7	25.2	8.8	1.6	6.3
Other	1.9	2.5	2.5	3.2	(0.6)	(24.0)	8.1	2.8	9.3	3.3	(1.2)	(12.9)
	46.3	62.5	51.0	66.9	(4.7)	(9.2)	178.8	64.6	190.3	66.2	(11.5)	(6.0)
Contractors	48.3	72.7	55.1	71.4	(6.8)	(12.3)	206.2	71.9	232.5	72.6	(26.3)	(11.3)
<b>Total</b>	<b>94.6</b>	<b>67.2</b>	<b>106.1</b>	<b>69.0</b>	<b>(11.5)</b>	<b>(10.8)</b>	<b>385.0</b>	<b>68.2</b>	<b>422.8</b>	<b>69.4</b>	<b>(37.8)</b>	<b>(8.9)</b>

\*as a percentage of respective L&W revenue

**QTD:** DOE declined by \$11.5 million to \$94.6 million as compared to \$106.1 million in 2022, primarily due to a \$13.0 million decline in segment revenue.

- As a percentage of segment revenue DOE decreased by 1.8 percent to 67.2 percent from 69.0 percent in 2022 due to lower Company costs.
- Company costs decreased as a percentage of Company revenue due to lower fuel costs, associated with the decline in diesel fuel prices, lower operating supplies due to more efficient operations associated with Kleysen Group Ltd.'s ("**Kleysen Group**") industrial road salt distribution business and lower purchased transportation costs. These decreases were somewhat offset by higher wages on inflationary pressures.
- Contractors costs, as a percentage of Contractors revenue increased as pricing pressures were not fully recovered from subcontractors in certain markets.

**YTD:** DOE declined to \$385.0 million, as compared to \$422.8 million in 2022 due to a \$44.4 million decline in segment revenue.

- As a percentage of segment revenue DOE decreased by 1.2 percent to 68.2 percent from 69.4 percent in 2022 due to lower Contractors and Company costs.
- Company costs decreased as a percentage of Company revenue due to lower fuel costs resulting from the decline in diesel fuel prices and from lower purchased transportation costs due to more efficient operations.
- Contractors costs, as a percentage of Contractors revenue decreased due to the greater availability of subcontractors in certain markets.



## Selling and Administrative Expenses

L&W												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%*	\$	%*	\$	%	\$	%*	\$	%*	\$	%
Wages and benefits	10.5	7.5	10.2	6.6	0.3	2.9	42.7	7.6	41.4	6.8	1.3	3.1
Communications, utilities and general supplies	3.7	2.6	4.2	2.7	(0.5)	(11.9)	15.8	2.8	16.0	2.6	(0.2)	(1.3)
Profit share	2.2	1.6	2.0	1.3	0.2	10.0	7.7	1.4	7.8	1.3	(0.1)	(1.3)
Foreign exchange	0.3	0.2	—	—	0.3	—	0.1	—	(0.8)	(0.1)	0.9	(112.5)
Rent and other	0.4	0.2	0.9	0.6	(0.5)	(55.6)	1.6	0.2	3.0	0.5	(1.4)	(46.7)
<b>Total</b>	<b>17.1</b>	<b>12.1</b>	<b>17.3</b>	<b>11.2</b>	<b>(0.2)</b>	<b>(1.2)</b>	<b>67.9</b>	<b>12.0</b>	<b>67.4</b>	<b>11.1</b>	<b>0.5</b>	<b>0.7</b>

\*as a percentage of total L&W revenue

**QTD:** S&A expenses were generally consistent with 2022.

- The decrease of \$0.2 million was due to lower rent, and from lower utilities and general supplies costs being somewhat offset by higher wages and a negative variance in foreign exchange.
- As a percentage of revenue, S&A expenses increased to 12.1 percent from 11.2 percent last year, due to the combination of lower segment revenue and the relatively fixed nature of S&A expenses.

**YTD:** S&A expenses rose to \$67.9 million as compared to \$67.4 million in 2022.

- The increase of \$0.5 million was due to higher inflationary costs associated with wages and the negative variance in foreign exchange.
- As a percentage of revenue, S&A expenses increased to 12.0 percent from 11.1 percent last year, due to higher inflationary costs.

## OIBDA

**QTD:** Segment OIBDA was \$29.1 million, a decrease of \$1.3 million, or 4.3 percent, as compared to \$30.4 million in 2022, due to lower freight volumes.

- Operating margin<sup>1</sup> increased to 20.7 percent as compared to 19.8 percent in 2022, primarily due to lower DOE as a percentage of segment revenue and the strong performance at Kleysen Group.

**YTD:** This segment generated OIBDA of \$112.0 million, a \$7.1 million decrease as compared to \$119.1 million in 2022, due to the impacts of the freight recession and the sale of our hydrovac business.

- Operating margin<sup>1</sup> in 2023 remained fairly consistent at 19.8 percent as compared to the prior year period, primarily due to lower DOE as a percentage of segment revenue resulting from lower fuel costs and the consistent margins associated with owner operators and subcontractors.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



## Capital Expenditures

L&W						
(\$ millions)	Three month periods ended December 31			Years ended December 31		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
Purchase of property, plant and equipment	2.7	5.9	(3.2)	22.4	22.5	(0.1)
Proceeds on sale of property, plant and equipment	(0.8)	(33.2)	32.4	(3.2)	(36.0)	32.8
Net capital expenditures <sup>1</sup>	1.9	(27.3)	29.2	19.2	(13.5)	32.7

- The majority of the capital invested in 2023 consisted of trucks, trailers and various pieces of operating equipment to replace older less efficient equipment. Proceeds on sale in 2022 mainly consisted of the sale of non-core real property in Surrey, British Columbia for \$32.6 million.



## SPECIALIZED & INDUSTRIAL SERVICES

### Highlights

Our S&I segment performed well in 2023, despite fluctuating commodity prices. Revenue for the year in the segment grew by \$67.4 million or 16.8 percent, most of which came by way of the drilling related Business Units, which includes acquisitions that accounted for \$53.2 million of the increase in revenue. Canadian Dewatering and Smook, both of which provide services to the mining and infrastructure sectors, reported increases in revenues for the year. Our revenue gains were offset by a reduction in revenues by the sale of the hydrovac assets in December of 2022.

From an earnings perspective, the segment reported a 23.0 percent increase in OIBDA in 2023 and improved operating margin<sup>1</sup> to 20.4 percent as compared to 19.3 percent in 2022. Here again our improvements were largely driven by our drilling related Business Units, which includes our recent acquisitions, followed by improvements in margin reported by most of the production services Business Units, which benefited from improved pricing and activity levels. The improvement in operating margin<sup>1</sup> was offset by the sale of the hydrovac assets in December of 2022. Our B&R integration plan was completed by the end of 2023, and our new leadership team is well positioned to capitalize on the improving operating environment.

### Market Outlook

While we remain cautious on the general economic outlook, it appears that the world still requires multiple forms of energy and Canada is uniquely qualified to support the increasing global demand for responsibly developed energy and minerals, particularly with geopolitical issues escalating globally. Our customers have signaled increased investment in the energy and mining sectors in Canada and we will correspondingly increase our capital investments into our Business Units in this segment. The near completion of large diameter pipeline construction projects in western Canada will have the dual effect of reducing work for Premay Pipeline, however, our drilling related and production services Business Units are well situated to increase activity levels as energy companies increase production to meet the increased pipeline takeaway capacity. We will also consider additional acquisition opportunities that are complementary to our existing Business Units, where we can realize synergies that will enhance overall profitability.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



## Revenue

S&I												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Company	91.2	74.4	82.6	76.5	8.6	10.4	361.2	77.2	318.3	79.5	42.9	13.5
Contractors	30.9	25.2	25.0	23.1	5.9	23.6	105.4	22.5	81.2	20.3	24.2	29.8
Other	0.4	0.4	0.4	0.4	—	—	1.4	0.3	1.1	0.2	0.3	27.3
<b>Total</b>	<b>122.5</b>	<b>100.0</b>	108.0	100.0	14.5	13.4	<b>468.0</b>	<b>100.0</b>	400.6	100.0	67.4	16.8

**QTD:** Segment revenue increased by \$14.5 million, or 13.4 percent, to \$122.5 million as compared to \$108.0 million in 2022.

- Acquisitions added incremental revenue of \$14.4 million.
- Greater activity levels in the Western Canadian Sedimentary Basin ("**WCSB**") resulted in higher revenue by the drilling related services Business Units. Smook Contractors Ltd. ("**Smook**") and Canadian Dewatering also experienced greater demand for their services.
- Fuel surcharge revenue decreased by \$1.5 million to \$2.4 million as compared to the prior year period.
- The sale of our hydrovac assets and business in the fourth quarter of 2022 accounted for a \$0.7 million reduction in revenue.
- Lower demand for pipeline hauling and stringing services at Premay Pipeline Hauling L.P. ("**Premay Pipeline**") accounted for a \$1.4 million reduction in revenue.

**YTD:** Segment revenue increased by \$67.4 million to \$468.0 million as compared to \$400.6 million in 2022.

- Acquisitions added incremental revenue of \$53.2 million.
- The segment experienced a \$23.2 million increase in revenue (excluding acquisitions, the hydrovac business and fuel surcharge) due to a strong first quarter of 2023. The drilling related services Business Units, Smook's civil construction services, and Canadian Dewatering all experienced stronger demand, as compared to 2022.
- Fuel surcharge revenue decreased by \$4.5 million as compared to the prior year period.
- The sale of the hydrovac assets and business accounted for a \$4.5 million reduction in revenue.

## Direct Operating Expenses

S&I												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%*	\$	%*	\$	%	\$	%*	\$	%*	\$	%
Company												
Wages and benefits	22.3	24.5	20.5	24.8	1.8	8.8	90.3	25.0	77.9	24.5	12.4	15.9
Fuel	7.5	8.2	7.4	9.0	0.1	1.4	26.2	7.3	27.6	8.7	(1.4)	(5.1)
Repairs and maintenance	15.5	17.0	14.2	17.2	1.3	9.2	60.4	16.7	53.1	16.7	7.3	13.7
Purchased transportation	3.2	3.5	0.7	0.8	2.5	357.1	9.0	2.5	2.7	0.8	6.3	233.3
Operating supplies	9.6	10.5	12.3	14.9	(2.7)	(22.0)	44.8	12.4	47.8	15.0	(3.0)	(6.3)
Other	2.3	2.5	2.6	3.2	(0.3)	(11.5)	8.6	2.4	8.3	2.6	0.3	3.6
	<b>60.4</b>	<b>66.2</b>	57.7	69.9	2.7	4.7	<b>239.3</b>	<b>66.3</b>	217.4	68.3	21.9	10.1
Contractors	26.6	86.1	20.8	83.2	5.8	27.9	88.4	83.9	66.5	81.9	21.9	32.9
<b>Total</b>	<b>87.0</b>	<b>71.0</b>	78.5	72.7	8.5	10.8	<b>327.7</b>	<b>70.0</b>	283.9	70.9	43.8	15.4

\*as a percentage of respective S&I revenue



**QTD:** DOE increased by \$8.5 million to \$87.0 million as compared to \$78.5 million in 2022, primarily due to a \$14.5 million increase in segment revenue.

- As a percentage of segment revenue DOE decreased by 1.7 percent to 71.0 percent from 72.7 percent in 2022 due to lower Company costs being somewhat offset by higher Contractors costs.
- Company costs increased in absolute dollar terms due to higher Company revenue. However, Company costs decreased as a percentage of Company revenue due to lower wages as price increases more than offset inflationary costs. Other factors include: lower repairs and maintenance costs, lower fuel expenses resulting from the decline in diesel fuel prices, and lower operating supplies due to a change in sales mix and efficiencies at Smook.
- Contractors costs, as a percentage of Contractors revenue, increased as compared to the prior year period due to the greater proportion of low margin subcontractors' costs associated with civil construction, and lower margins generated by pipeline hauling and stringing services.

**YTD:** DOE increased to \$327.7 million, as compared to \$283.9 million in 2022, primarily due to a \$67.4 million increase in segment revenue.

- As a percentage of segment revenue DOE decreased by 0.9 percent to 70.0 percent from 70.9 percent in 2022 due to lower Company costs being somewhat offset by higher Contractors costs.
- Company costs increased in absolute dollar terms due to higher Company revenue. As a percentage of Company revenue these costs decreased by 2.0 percent to 66.3 percent from 68.3 percent in 2022 due to lower fuel costs resulting from the decline in diesel fuel prices and lower operating supplies. These decreases were somewhat offset by higher wages resulting from inflationary pressures.
- Contractors costs as a percentage of Contractors revenue increased to 83.9 percent from 81.9 percent in 2022 due to a greater proportion of low margin subcontractors' costs associated with civil construction and pipeline hauling and stringing services.

## Selling and Administrative Expenses

S&I													
(\$ millions)	Three month periods ended December 31						Years ended December 31						
	2023		2022		Change		2023		2022		Change		
	\$	%*	\$	%*	\$	%	\$	%*	\$	%*	\$	%	
Wages and benefits	6.1	5.0	5.3	4.9	0.8	15.1	24.1	5.1	21.1	5.3	3.0	14.2	
Communications, utilities and general supplies	3.7	3.0	3.4	3.1	0.3	8.8	14.4	3.1	12.4	3.1	2.0	16.1	
Profit share	1.3	1.1	1.2	1.1	0.1	8.3	5.3	1.1	4.7	1.2	0.6	12.8	
Foreign exchange	—	—	—	—	—	—	—	—	—	—	—	—	
Rent and other	(0.2)	(0.2)	0.5	0.5	(0.7)	(140.0)	1.2	0.3	1.0	0.2	0.2	20.0	
<b>Total</b>	<b>10.9</b>	<b>8.9</b>	<b>10.4</b>	<b>9.6</b>	<b>0.5</b>	<b>4.8</b>	<b>45.0</b>	<b>9.6</b>	<b>39.2</b>	<b>9.8</b>	<b>5.8</b>	<b>14.8</b>	

\*as a percentage of total S&I revenue

**QTD:** S&A expenses were \$10.9 million in 2023 as compared to \$10.4 million in 2022.

- The increase of \$0.5 million was due to \$1.0 million of incremental S&A expenses from acquisitions, and higher costs associated with the impact of inflationary pressures on wages, utilities and general supplies.
- As a percentage of segment revenue these expenses remained fairly consistent with the prior year period at 8.9 percent as compared to 9.6 percent in 2022.

**YTD:** S&A expenses were \$45.0 million as compared to \$39.2 million in 2022.

- The increase of \$5.8 million was due to \$3.8 million of incremental S&A expenses from acquisitions, and higher costs associated with the impact of inflationary pressures on wages, utilities and general supplies.
- As a percentage of segment revenue these expenses remained fairly consistent with the prior year period at 9.6 percent as compared to 9.8 percent in 2022.





## OIBDA

**QTD:** Segment OIBDA was \$24.6 million, an increase of \$5.5 million as compared to \$19.1 million in 2022. Acquisitions added \$3.4 million of incremental OIBDA while greater demand for drilling related services and the transportation of fluids and servicing of wells contributed to the increase. These increases were somewhat offset by the sale of the Corporation's hydrovac assets and lower OIBDA at Premay Pipeline.

- Operating margin<sup>1</sup> improved to 20.1 percent as compared to 17.7 percent on lower DOE as greater activity levels resulted in more efficient operations along with rate increases being implemented at several Business Units.

**YTD:** Segment OIBDA was \$95.3 million, an increase of \$17.8 million, or 23.0 percent, as compared to \$77.5 million in 2022. Acquisitions added \$11.4 million of incremental OIBDA. The increase was also due to rate increases implemented at several Business Units, greater demand for drilling related services and the transportation of fluids and servicing of wells, which resulted from increased activity levels in the WCSB. These increases were somewhat offset by the sale of the Corporation's hydrovac assets.

- Operating margin<sup>1</sup> increased to 20.4 percent as compared to 19.3 percent in 2022 as greater activity levels and rate increases resulted in improved margins.

## Capital Expenditures

S&I						
(\$ millions)	Three month periods ended December 31			Years ended December 31		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
Purchase of property, plant and equipment	3.1	3.4	(0.3)	24.3	11.4	12.9
Proceeds on sale of property, plant and equipment	(6.7)	(1.2)	(5.5)	(13.6)	(6.5)	(7.1)
Net capital expenditures <sup>1</sup>	(3.6)	2.2	(5.8)	10.7	4.9	5.8

- The majority of the capital invested in 2023 consisted of pumps, generators and water management equipment to support demand at Canadian Dewatering; to replenish operating equipment for those Business Units involved in the transportation of fluids, servicing of wells and drilling related services; and to increase our disposal capacity at Envolve.

*[The remainder of this page intentionally left blank.]*

<sup>1</sup> Refer to the section entitled "Other Financial Measures".





## U.S. & INTERNATIONAL LOGISTICS

### Highlights

The 3PL industry in the U.S. experienced a notable decline in activity in 2023 as compared to 2022, because of slowing freight volumes and excess trucking capacity. As shippers and manufacturers continued with their inventory rebalancing throughout the year, many 3PL companies reported significant reductions in revenues, earnings and staff count through layoffs, while other 3PL entities simply shutdown their operations. HAUListic was not immune to the slowdown in activity, yet it produced reasonable results all things considered. Revenues declined by approximately 10.0 percent, however, DOE as a percent of revenue remained consistent with 2022, which demonstrates the strength of HAUListic's business model of negotiating favourable rates between shippers and carriers. Operating margin<sup>1</sup> decreased slightly, primarily due to the decrease in revenue as compared to S&A expenses that are relatively fixed in nature. During the year, we continued to develop and enhance our proprietary technology platform, SilverExpress™, the costs of which are accounted for in S&A expenses.

### Market Outlook

We expect the 3PL space to remain competitive for the first part of 2024 and we will be monitoring consumer spending patterns and carrier capacity levels, two factors that will dictate future activity levels for HAUListic. While consumers are somewhat stretched as they struggle with elevated interest rates and an economy that is facing headwinds, there are signs of a freight demand recovery as retailers initiate inventory rebalancing. There also remains excess carrier capacity particularly in the full truckload space, however, the recent increase in operating authority revocations in the U.S. suggests carrier capacity is shrinking, which generally leads to improved pricing. As well, there are indications of other 3PL operators downsizing, looking to be sold or shutting down. This is creating a market in which 3PL talent is looking for stable work opportunities. HAUListic's independent station agent model is an ideal fit for these would be candidates and adding station agents is a priority for HAUListic in 2024. Finally, HAUListic remains focused on enhancing SilverExpress™, which includes adopting artificial intelligence applications that optimize the operating capabilities of SilverExpress™. This focus on process improvement will allow HAUListic to capitalize on the eventual rebound in the freight market.

### Revenue

US 3PL												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Company	—	—	—	—	—	—	—	—	—	—	—	—
Contractors	47.7	100.0	52.6	100.0	(4.9)	(9.3)	198.3	100.0	221.8	100.0	(23.5)	(10.6)
Other	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>47.7</b>	<b>100.0</b>	<b>52.6</b>	<b>100.0</b>	<b>(4.9)</b>	<b>(9.3)</b>	<b>198.3</b>	<b>100.0</b>	<b>221.8</b>	<b>100.0</b>	<b>(23.5)</b>	<b>(10.6)</b>

**QTD:** Segment revenue decreased by \$4.9 million to \$47.7 million as compared to \$52.6 million in 2022 due to lower freight demand for full truckload shipments and lower pricing per shipment.

**YTD:** Segment revenue decreased by \$23.5 million to \$198.3 million as compared to \$221.8 million in 2022 due to lower freight demand for full truckload shipments and lower pricing per shipment.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



## Direct Operating Expenses

US 3PL												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%*	\$	%*	\$	%	\$	%*	\$	%*	\$	%
Company												
Wages and benefits	—	—	—	—	—	—	—	—	—	—	—	—
Fuel	—	—	—	—	—	—	—	—	—	—	—	—
Repairs and maintenance	—	—	—	—	—	—	—	—	—	—	—	—
Purchased transportation	—	—	—	—	—	—	—	—	—	—	—	—
Operating supplies	—	—	—	—	—	—	—	—	—	—	—	—
Other	0.2	—	0.2	—	—	—	0.8	—	0.9	—	(0.1)	(11.1)
	0.2	—	0.2	—	—	—	0.8	—	0.9	—	(0.1)	(11.1)
Contractors	43.4	91.0	47.8	90.9	(4.4)	(9.2)	179.4	90.5	201.3	90.8	(21.9)	(10.9)
<b>Total</b>	<b>43.6</b>	<b>91.4</b>	<b>48.0</b>	<b>91.3</b>	<b>(4.4)</b>	<b>(9.2)</b>	<b>180.2</b>	<b>90.9</b>	<b>202.2</b>	<b>91.2</b>	<b>(22.0)</b>	<b>(10.9)</b>

\*as a percentage of respective US 3PL revenue

**QTD:** DOE were \$43.6 million as compared to \$48.0 million in 2022. The decrease of \$4.4 million was primarily due to the \$4.9 million decrease in segment revenue.

- As a percentage of segment revenue DOE remained fairly consistent as compared to the prior year period due to the timing of when contract freight rates were entered into with customers as compared to spot market pricing and the availability of contractors, which resulted in stable margins.

**YTD:** DOE were \$180.2 million as compared to \$202.2 million in 2022. The decrease of \$22.0 million was primarily due to the \$23.5 million decrease in segment revenue.

- As a percentage of segment revenue, DOE decreased to 90.9 percent from 91.2 percent due to the greater availability of subcontractors in 2023 as compared to the prior year period.

## Selling and Administrative Expenses

US 3PL												
(\$ millions)	Three month periods ended December 31						Years ended December 31					
	2023		2022		Change		2023		2022		Change	
	\$	%*	\$	%*	\$	%	\$	%*	\$	%*	\$	%
Wages and benefits	2.4	5.0	2.6	4.9	(0.2)	(7.7)	9.6	4.8	9.4	4.2	0.2	2.1
Communications, utilities and general supplies	0.9	1.9	0.9	1.7	—	—	3.5	1.8	3.5	1.6	—	—
Profit share	0.1	0.2	—	—	0.1	—	0.2	0.1	0.2	0.1	—	—
Foreign exchange	0.2	0.4	0.1	0.2	0.1	100.0	0.2	0.1	(0.4)	(0.2)	0.6	(150.0)
Rent and other	0.1	0.3	0.1	0.2	—	—	1.0	0.5	1.2	0.6	(0.2)	(16.7)
<b>Total</b>	<b>3.7</b>	<b>7.8</b>	<b>3.7</b>	<b>7.0</b>	<b>—</b>	<b>—</b>	<b>14.5</b>	<b>7.3</b>	<b>13.9</b>	<b>6.3</b>	<b>0.6</b>	<b>4.3</b>

\*as a percentage of total US 3PL revenue

**QTD:** S&A expenses were consistent at \$3.7 million in 2023 as compared to 2022.

- As a percentage of segment revenue these expenses increased to 7.8 percent as compared to 7.0 percent in 2022 due to a combination of lower segment revenue and the relatively fixed nature of S&A expenses.



**YTD:** S&A expenses were \$14.5 million, an increase of \$0.6 million from the \$13.9 million in 2022.

- As a percentage of segment revenue these expenses increased to 7.3 percent as compared to 6.3 percent in 2022 due to a combination of lower segment revenue and the relatively fixed nature of S&A expenses.
- The \$0.6 million increase in S&A expenses was due to the negative impacts of foreign exchange and from higher wages from adding support staff to continue the development of SilverExpress™.

## OIBDA

**QTD:** Segment OIBDA was \$0.4 million, a decrease of \$0.5 million as compared to \$0.9 million in 2022, primarily due to lower revenues.

- Operating margin<sup>1</sup> decreased to 0.8 percent as compared to 1.7 percent in 2022.
- Operating margin<sup>1</sup> as a percentage of net revenue<sup>2</sup> was 9.8 percent as compared to 19.6 percent in 2022.

**YTD:** Segment OIBDA was \$3.6 million, a decrease of \$2.1 million as compared to \$5.7 million in 2022, primarily due to lower segment revenues.

- Operating margin<sup>1</sup> declined to 1.8 percent from 2.6 percent in 2022, primarily due to the combination of lower segment revenue and higher S&A costs as a percentage of segment revenue.
- Operating margin<sup>1</sup> as a percentage of net revenue<sup>2</sup> was 19.9 percent as compared to 29.0 percent in 2022.

## Capital Expenditures

This asset light operating segment did not have any capital expenditures or dispositions and therefore generates cash in excess of its operating needs.

## CORPORATE

The Corporate Office recorded a loss of \$4.8 million in the fourth quarter of 2023 as compared to a loss of \$4.6 million in the same period in 2022 due to higher information technology costs and stock-based compensation expense.

In 2023, the Corporate Office recorded a loss of \$13.4 million as compared to a loss of \$10.8 million in 2022 due to a \$1.8 million negative variance in foreign exchange and higher information technology costs.

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<sup>1</sup> Refer to the section entitled "Other Financial Measures".

<sup>2</sup> Refer to the section entitled "Non-IFRS Financial Measures".



## CAPITAL RESOURCES AND LIQUIDITY

### Consolidated Cash Flow Summary

(\$ millions)	Years ended December 31	
	2023	2022
Net cash from operating activities	\$ 276.8	\$ 263.0
Net cash used in financing activities	(174.1)	(215.1)
Net cash used in investing activities	(109.9)	(37.0)
Change in cash and cash equivalents	(7.2)	10.9
Effect of exchange rate fluctuations on cash held	0.7	(2.1)
Cash and cash equivalents, beginning of period	8.8	—
Cash and cash equivalents, end of period	\$ 2.3	\$ 8.8

### Sources and Uses of Cash

#### **Cash From Operating Activities**

We continue to generate cash in excess of our operating needs by generating net cash from operating activities of \$276.8 million in 2023 as compared to \$263.0 million in 2022. The increase of \$13.8 million was mainly due to generating cash from working capital in 2023 as compared to using cash to finance working capital requirements in 2022. This increase was somewhat offset by a greater amount of cash taxes being paid in 2023, which resulted from paying the final taxes owing related to fiscal 2022 due to our strong financial performance last year.

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

Net cash used in financing activities was \$174.1 million in 2023 as compared to using \$215.1 million in 2022. This \$41.0 million variance was mainly due to the change in the amounts being borrowed on our CIBC Credit Facility and RBC Credit Facility. This change was somewhat offset by an increase in cash used to repay debt associated with the acquisition of B&R, to repurchase and cancel Common Shares under the NCIB, to pay dividends to common shareholders, pay interest obligations and repay lease liabilities.

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

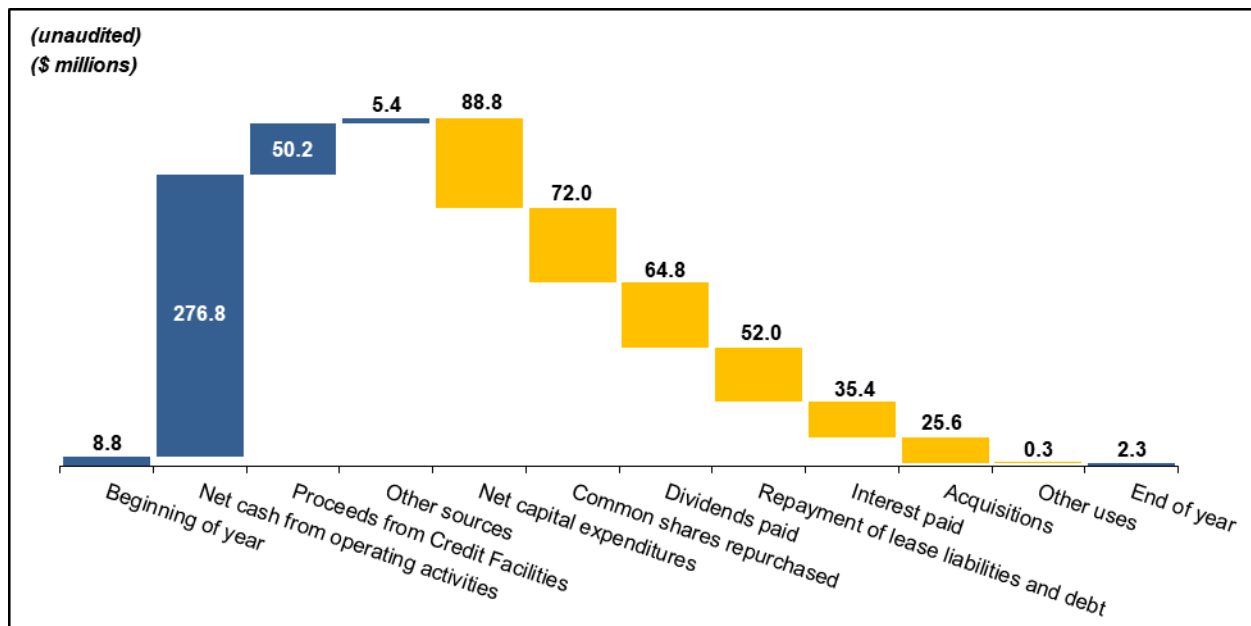
Net cash used in investing activities increased to \$109.9 million in 2023 as compared to \$37.0 million in 2022. This \$72.9 million increase was mainly due to a \$56.0 million increase in net capital expenditures<sup>1</sup> as well as the sale of the non-core hydrovac assets and business in 2022.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".

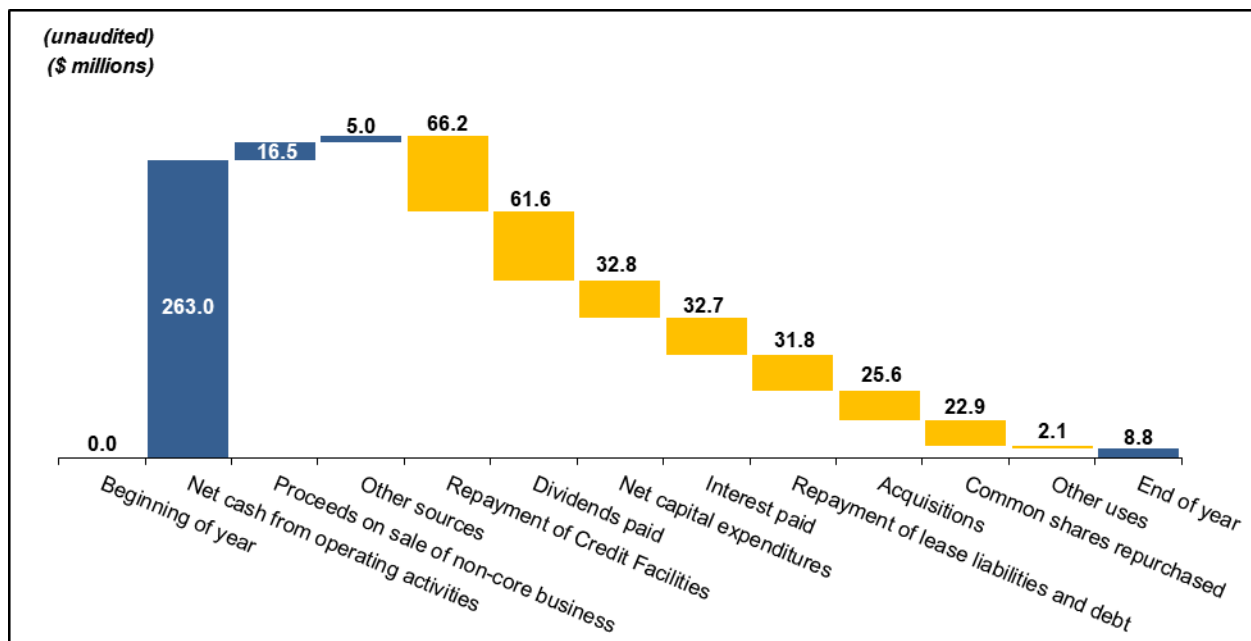


The following charts present the sources and uses of cash for comparative purposes.

### Year ended December 31, 2023



### Year ended December 31, 2022



### Working Capital

At December 31, 2023 we had a working capital deficit of \$119.1 million as compared to \$140.3 million of working capital as at December 31, 2022. Working capital deficit included \$73.0 million of amounts drawn on the CIBC Credit Facility and the RBC Credit Facility (December 31, 2022 – \$22.8 million). This working capital deficit also included a current liability of \$243.6 million (December 31, 2022 – \$0.2 million) related to the current portion of long-term debt. The increase in the current portion of long-term debt is due to certain notes under the Private Placement Debt maturing in October 2024. We expect to be able to replace these notes with new private placement notes in 2024. In January 2024, Mullen Group entered into the PNC Credit Facility providing it with \$375.0 million of borrowing capacity and over \$300.0 million of borrowing availability on its Bank Credit Facilities. The Bank Credit Facilities and the anticipated cash flow from operating activities in 2024 are available to finance ongoing working capital requirements, the NCIB program, the 2024 dividend, the 2024 capital budget, as well as various special projects and acquisition opportunities.



## DEBT AND CONTRACTUAL OBLIGATIONS

### Debt

As at December 31, 2023, total debt less working capital was \$541.0 million, (December 31, 2022 – \$527.9 million), which consisted of total debt of \$764.0 million (December 31, 2022 – \$712.3 million) less working capital (excluding the current portion of long-term debt and lease liabilities) of \$223.0 million (December 31, 2022 – \$184.4 million). The primary reason for the increase in the carrying value of the long-term debt was due to additional amounts being drawn on the CIBC Credit Facility and the RBC Credit Facility and an increase in lease liabilities, which was somewhat offset by the strengthening of the Canadian dollar relative to the U.S. dollar and its impact on our U.S. dollar denominated debt. Total debt is comprised of the Private Placement Debt, the Debentures, lease liabilities, bank indebtedness and various financing loans. The following table summarizes total debt less working capital as at December 31, 2023, and December 31, 2022.

(\$ millions)	Interest Rate	December 31, 2023		December 31, 2022		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	\$ 154.8	\$ 117.0	\$ 158.5	\$ (3.7)
Series H - matures October 22, 2026	3.94%	112.0	148.1	112.0	151.7	(3.6)
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 indebtedness	variable <sup>1</sup>	—	73.0	—	22.8	50.2
Various financing loans	3.31% - 5.99%	—	0.9	—	1.1	(0.2)
Less:						
Unamortized debt issuance costs		—	(0.3)	—	(0.5)	0.2
Long-term debt (including the current portion)		229.0	547.5	229.0	504.6	42.9
Debentures – debt component	5.75%	—	118.1	—	115.8	2.3
Lease liabilities (including the current portion)	3.20%	—	98.4	—	91.9	6.5
<b>Total debt</b>		<b>\$ 229.0</b>	<b>\$ 764.0</b>	<b>\$ 229.0</b>	<b>\$ 712.3</b>	<b>\$ 51.7</b>
Less:						
Working capital (excluding the bank indebtedness and the current portion of long-term debt and leases)			223.0		184.4	38.6
<b>Total debt less working capital</b>			<b>\$ 541.0</b>		<b>\$ 527.9</b>	<b>\$ 13.1</b>

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

**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 consolidated statement of financial position but includes the Private Placement Debt, lease liabilities, Bank Credit Facilities 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.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



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

	December 31 2023	December 31 2022
<b>Total net debt<sup>1</sup> to operating cash flow</b>		
Total net debt <sup>1</sup>	\$ 604.8	\$ 554.0
Operating cash flow	\$ 330.0	\$ 331.0
Total net debt <sup>1</sup> to operating cash flow	1.83:1	1.67:1

<sup>1</sup> Refer to the section entitled "Other Financial Measures".

**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.

	December 31 2023	December 31 2022
<b>Total Earnings Available for Fixed Charges to Total Fixed Charges</b>		
Total earnings available for fixed charges	\$ 333.6	\$ 336.1
Total fixed charges	\$ 31.8	\$ 30.9
Total earnings available for fixed charges to total fixed charges	10.51:1	10.89:1

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

Financial Covenants	Financial Covenant Threshold	December 31 2023	December 31 2022
Private Placement Debt Covenants			
(a) Total net debt <sup>1</sup> to operating cash flow cannot exceed	3.50:1	1.83:1	1.67:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	10.51:1	10.89:1

<sup>1</sup> Refer to the section entitled "Other Financial Measures".

Total net debt<sup>1</sup> to operating cash flow was 1.83:1 at December 31, 2023. Assuming the \$604.8 million of total net debt<sup>1</sup> remains constant, we would need to generate approximately \$172.8 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant.

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 December 31, 2023, the priority debt was \$0.3 million or an insignificant percentage of total assets.

Our debt-to-equity ratio was 0.78:1 at December 31, 2023, as compared to 0.73:1 at December 31, 2022. This increase in the debt-to-equity ratio was due to the net effect of a \$51.8 million increase in total debt (including the current portion) and a \$1.5 million increase in equity as compared to December 31, 2022. The \$51.8 million increase in total debt was due to additional amounts being drawn on the CIBC Credit Facility and the RBC Credit Facility and an increase in lease liabilities, which was somewhat offset by a \$7.3 million foreign exchange gain on the Corporation's U.S. dollar debt. The \$1.5 million increase in equity mainly resulted from the \$136.7 million of net income being recognized in 2023. This item was somewhat offset by the \$64.5 million of dividends declared to shareholders in 2023 and from the Common Shares repurchased under the NCIB.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".





## Contractual Obligations

The following table summarizes the contractual maturities of financial liabilities, using the contractual cash flows.

(\$ millions)	Maximum Payments				
	Total	1 year	2 – 3 years	4 – 5 years	5 years and thereafter
	\$	\$	\$	\$	\$
Private Placement Debt <sup>1</sup>	473.8	242.7	231.1	—	—
Interest on Private Placement Debt <sup>1</sup>	37.0	18.6	18.4	—	—
Bank indebtedness	73.0	73.0	—	—	—
Debentures	125.0	—	125.0	—	—
Interest on the Debentures	21.6	7.2	14.4	—	—
Purchase obligations	25.1	25.1	—	—	—
Lease liabilities	112.2	27.8	39.7	17.4	27.3
Various financing loans	1.0	0.9	0.1	—	—
<b>Total Contractual Obligations</b>	<b>868.7</b>	<b>395.3</b>	<b>428.7</b>	<b>17.4</b>	<b>27.3</b>

<sup>1</sup> Assumes a U.S. dollar foreign exchange rate of \$1.3226.

We ended 2023 with Private Placement Debt of \$473.8 million, a decrease of \$7.3 million as compared to the \$481.1 million at the beginning of the year. This decrease was due to the \$7.3 million foreign exchange gain on the Corporation's U.S. dollar debt. The Private Placement Debt matures in 2024 and 2026.

In June 2019, we issued \$125.0 million of the Debentures, by way of a bought deal, at a price of \$1,000 per Debenture. The Debentures mature on November 30, 2026, and bear interest at an annual rate of 5.75 percent payable semi-annually in arrears on the last day of May and November of each year. Each \$1,000 Debenture is convertible into 71.4286 Common Shares (or a conversion price of \$14.00) at any time at the option of the holders of the Debentures. As at the date of issuance, an aggregate of 8,928,575 Common Shares would be issued if all holders converted their principal amount.

As at December 31, 2023, we entered into various capital expenditure purchase obligations totalling \$25.1 million. The majority of these purchase obligations relate to the acquisition of trucks and trailers given that certain manufacturers require purchase obligations in advance so that manufacturing can commence and expected delivery times can be met.

The majority of our lease liabilities relate to real property leases that are mainly utilized by certain Business Units within the LTL and the L&W segments. Some Business Units have also entered into leases pertaining to various pieces of operating equipment including rail cars, trucks and trailers. As at December 31, 2023, we had total contractual cash commitments of \$112.2 million while the carrying amount of these lease liabilities on our consolidated statement of financial position was \$98.4 million. The carrying amount is measured at the present value of the remaining lease payments at an average incremental borrowing rate of 3.2 percent.

As at December 31, 2023, we had \$73.0 million of bank indebtedness, which consists of amounts drawn on the CIBC Credit Facility and the RBC Credit Facility. Various financing loans consist of a mortgage that was assumed as part of the acquisition of Bandstra and various bank loans assumed on the acquisitions of Butler Ridge and Cordova.



## 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, 2022	92,953,005	\$ 845.3
Common Shares repurchased and cancelled	(4,936,143)	(44.8)
Common Shares issued on acquisition	57,180	0.8
Balance at December 31, 2023	<b>88,074,042</b>	<b>\$ 801.3</b>

At December 31, 2023, there were 88,074,042 Common Shares outstanding representing \$801.3 million in share capital. In 2023 we repurchased and cancelled 4,936,143 Common Shares under the NCIB program. We also repurchased 56,608 Common Shares that were cancelled in January 2024. As at January 31, 2024, there were 88,017,434 Common Shares issued and outstanding.

In 2023 we issued 57,180 Common Shares as partial consideration for the acquisition of Butler Ridge.

### Stock Option Plan

	Options	Weighted average exercise price
Outstanding – December 31, 2022	3,755,000	\$ 16.47
Granted	507,500	14.03
Expired	(205,000)	(24.26)
Forfeited	(155,000)	(16.35)
Outstanding – December 31, 2023	<b>3,902,500</b>	<b>\$ 15.74</b>
Exercisable – December 31, 2023	<b>2,090,000</b>	<b>\$ 18.86</b>

There are 2,865,000 stock options available to be issued under our stock option plan. In 2023 we granted 507,500 stock options at a weighted average exercise price of \$14.03. In 2023 there were 205,000 stock options that had expired and 155,000 stock options were forfeited. As at December 31, 2023, Mullen Group had 3,902,500 stock options outstanding under the stock option plan. As at January 31, 2024, there were 3,762,500 stock options outstanding under the stock option plan.

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## CAPITAL EXPENDITURES

The following chart summarizes our capital expenditures and depreciation for facilities as well as trucks, trailers and specialized equipment for the last number of years.

Capital Expenditures and Depreciation Summary (\$ millions)	Years ended December 31			
	2023	2022	2021	2020
	\$	\$	\$	\$
Facilities				
Gross capital expenditures	14.6	18.1	16.7	22.6
Net capital expenditures <sup>1</sup>	13.5	(20.8)	6.6	15.2
Depreciation	9.3	9.3	10.3	8.4
Trucks, trailers and specialized equipment				
Gross capital expenditures	87.0	63.3	51.5	42.3
Net capital expenditures <sup>1</sup>	75.3	53.6	40.9	35.2
Depreciation	63.9	61.8	62.9	64.0
Total				
Gross capital expenditures	101.6	81.4	68.2	64.9
Net capital expenditures <sup>1</sup>	88.8	32.8	47.5	50.4
Depreciation	73.2	71.1	73.2	72.4

<sup>1</sup> Refer to the section entitled "Other Financial Measures".

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## SUMMARY OF QUARTERLY RESULTS

### Seasonality of Operations

Revenue and profitability within the LTL and L&W segments 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. Generally speaking, the third and fourth quarters tend to be the strongest in terms of demand for the services in these segments.

A significant portion of the operations within the S&I 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. As a result, the demand for these services has historically been highest in the first quarter and lowest in the second quarter.

### Financial Results

(unaudited) (\$ millions, except per share amounts)	TTM <sup>1</sup>	2023				2022			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,994.7	498.6	504.0	494.3	497.8	502.7	518.4	521.5	456.9
OIBDA	328.2	79.2	88.6	83.4	77.0	77.6	98.1	93.9	60.3
Net income	136.7	29.4	39.1	36.5	31.7	61.5	38.0	42.7	16.4
Earnings per share									
Basic	1.52	0.33	0.44	0.41	0.34	0.66	0.41	0.46	0.17
Diluted	1.45	0.32	0.42	0.39	0.33	0.62	0.39	0.43	0.17
<b>Other Information</b>									
Net foreign exchange (gain) loss	(4.2)	(0.8)	(0.2)	(1.7)	(1.5)	(2.1)	8.4	1.2	3.3
Decrease (increase) in fair value of investments	(0.3)	(0.3)	(0.2)	(0.1)	0.3	(0.4)	0.4	0.1	(0.2)

<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 fourth quarter of 2023 decreased by \$4.1 million to \$498.6 million as compared to \$502.7 million in 2022. This decrease was mainly due to a reduction in fuel surcharge revenue, and a decline in demand for most freight services, predominately in the L&W segment. These decreases were somewhat offset by incremental revenue from acquisitions and from greater demand for services within the S&I segment. Net income in the fourth quarter was \$29.4 million, a decrease of \$32.1 million from the \$61.5 million of net income generated in 2022. The \$32.1 million decrease in net income was mainly attributable to the gain on sale of property, plant and equipment recognized in 2022.

Consolidated revenue in the third quarter of 2023 decreased by \$14.4 million to \$504.0 million as compared to \$518.4 million in 2022. This decrease was mainly due to a reduction in fuel surcharge revenue, and a decline in demand for most freight services, predominately in the L&W segment. These decreases were somewhat offset by incremental revenue from acquisitions and from greater demand for services within the S&I segment. Net income in the third quarter was \$39.1 million, an increase of \$1.1 million from the \$38.0 million of net income generated in 2022. The \$1.1 million increase in net income was mainly attributable to a positive variance in net foreign exchange and a decrease in income tax expense being somewhat offset by a decrease in OIBDA.

Consolidated revenue in the second quarter of 2023 decreased by \$27.2 million to \$494.3 million as compared to \$521.5 million in 2022. This decrease was mainly due to a reduction in fuel surcharge revenue and a decline in demand for most freight services. These decreases were somewhat offset by incremental revenue from acquisitions. Net income in the second quarter was \$36.5 million, a decrease of \$6.2 million from the \$42.7 million of net income generated in 2022. The \$6.2 million decrease in net income was mainly attributable to a decrease in OIBDA being somewhat offset by a positive variance in net foreign exchange and a decrease in income tax expense.

Consolidated revenue in the first quarter of 2023 was a record as compared to any previous first quarter and increased by \$40.9 million to \$497.8 million as compared to \$456.9 million in 2022. This increase was mainly due to an increase in fuel surcharge revenue, general rate increases along with steady demand for freight services and from incremental revenue from acquisitions. Net income in the first quarter was \$31.7 million, an increase of \$15.3 million from the \$16.4 million of net income generated in 2022. The \$15.3 million increase in net income was mainly attributable to an increase in OIBDA being somewhat offset by an increase in income tax expense.



## SELECTED FINANCIAL DATA

### Consolidated – Seven Year

Years ended December 31 (\$ thousands) (unaudited)	2023	2022	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$	\$	\$
Revenue	1,994,721	1,999,453	1,477,434	1,164,331	1,278,502	1,260,798	1,138,489
Expenses							
Direct operating expenses	1,404,956	1,427,939	1,055,392	796,541	909,911	902,813	811,378
Selling and administrative expenses	261,580	241,625	185,664	150,216	167,679	168,970	154,953
OIBDA <sup>1</sup>	328,185	329,889	236,378	217,574	200,912	189,015	172,158
Depreciation and amortization	115,889	112,513	113,964	101,590	111,491	87,489	86,570
Finance costs	37,055	35,043	30,381	28,464	23,625	20,027	27,499
Net foreign exchange (gain) loss	(4,203)	10,787	(723)	(2,393)	(14,140)	8,537	(21,693)
Other (income) expense	(3,696)	(39,335)	(3,089)	3,779	(201)	(445)	(504)
Impairment of goodwill	—	—	—	—	—	100,000	—
Gain on contingent consideration	—	—	(150)	—	—	—	(2,000)
Income (loss) before income taxes	183,140	210,881	95,995	86,134	80,137	(26,593)	82,286
Income tax expense	46,421	52,262	23,559	22,155	7,896	17,194	16,777
Total comprehensive income (loss)	136,719	158,619	72,436	63,979	72,241	(43,787)	65,509

### Segmented Information – Six Year

Years ended December 31 (\$ thousands) (unaudited)	2023	2022	2021	2020	2019	2018
	\$	\$	\$	\$	\$	\$
<b>Less-Than-Truckload Segment</b>						
Revenue	770,446	778,728	585,318	443,792	451,582	429,286
Direct operating expenses	525,491	536,786	411,096	307,786	321,458	307,830
Selling and administrative expenses	114,264	103,517	78,292	61,018	59,503	58,120
OIBDA <sup>1</sup>	130,691	138,425	95,930	74,988	70,621	63,336
Operating margin <sup>2</sup>	17.0%	17.8%	16.4%	16.9%	15.6%	14.8%
<b>Logistics &amp; Warehousing Segment</b>						
Revenue	564,949	609,288	456,614	362,007	404,840	424,852
Direct operating expenses	384,951	422,869	327,234	251,331	294,617	316,637
Selling and administrative expenses	67,977	67,344	51,838	39,090	45,394	46,931
OIBDA <sup>1</sup>	112,021	119,075	86,542	71,586	64,829	61,284
Operating margin <sup>2</sup>	19.8%	19.5%	18.6%	19.8%	16.0%	14.4%
<b>Specialized &amp; Industrial Services Segment</b>						
Revenue	467,980	400,605	313,394	362,041	426,312	410,578
Direct operating expenses	327,744	283,939	218,623	243,504	302,946	288,925
Selling and administrative expenses	44,972	39,130	32,760	36,185	48,420	51,071
OIBDA <sup>1</sup>	95,264	77,536	62,011	82,352	74,946	70,582
Operating margin <sup>2</sup>	20.4%	19.4%	19.8%	22.8%	17.6%	17.2%
<b>U.S. &amp; International Logistics Segment</b>						
Revenue	198,269	221,844	118,193	—	—	—
Direct operating expenses	180,217	202,225	107,555	—	—	—
Selling and administrative expenses	14,460	13,877	5,703	—	—	—
OIBDA <sup>1</sup>	3,592	5,742	4,935	—	—	—
Operating margin <sup>2</sup>	1.8%	2.6%	4.1%	—	—	—

<sup>1</sup> Effective January 1, 2019, the Corporation adopted IFRS 16 – Leases. As is permitted with this new standard, comparative information for previous years has not been restated.

<sup>2</sup> Refer to the section entitled "Other Financial Measures".



## Other Information

Years ended December 31 (\$ thousands) (unaudited)	2023	2022	2021	2020	2019	2018*	2017
<b>Ratios – Operating</b>							
Return on equity <sup>1</sup>	14.0%	17.0%	8.1%	7.1%	8.0%	3.5%	6.7%
Gross margin – percentage of revenue <sup>2</sup>	29.6%	28.6%	28.6%	31.6%	28.8%	28.4%	28.7%
Selling and administrative expenses – percentage of revenue	13.1%	12.1%	12.6%	12.9%	13.1%	13.4%	13.6%
Operating margin <sup>3</sup>	16.5%	16.5%	16.0%	18.7%	15.7%	15.0%	15.1%
Operating ratio <sup>4</sup>	89.3%	87.6%	91.6%	90.5%	93.2%	92.2%	92.4%
<b>Financial Position</b>							
Acid test ratio <sup>5</sup>	0.48:1	1.37:1	0.94:1	2.80:1	2.74:1	1.74:1	1.76:1
Property, plant and equipment	\$1,035,192	\$981,624	\$985,971	\$939,107	\$954,604	\$965,683	\$916,140
Total assets	\$2,041,662	\$1,996,131	\$1,921,996	\$1,717,936	\$1,749,292	\$1,645,852	\$1,750,657
Long-term debt (including current portion)	\$764,084	\$712,279	\$745,315	\$607,872	\$616,842	\$512,185	\$539,973
Equity	\$974,884	\$973,397	\$888,664	\$896,418	\$917,921	\$898,076	\$989,731
Debt-to-equity ratio <sup>6</sup>	0.78:1	0.73:1	0.84:1	0.68:1	0.67:1	0.57:1	0.55:1
Total net debt to operating cash flow <sup>7</sup>	1.83:1	1.67:1	2.52:1	2.10:1	2.30:1	2.46:1	2.40:1
Net cash from operating activities	\$276,747	\$262,970	\$197,967	\$224,821	\$170,653	\$140,710	\$142,085
<b>Share Data</b>							
Net cash from operating activities per share	\$3.08	\$2.82	\$2.06	\$2.23	\$1.63	\$1.35	\$1.37
Book value per share <sup>8</sup>	\$11.07	\$10.47	\$9.40	\$9.26	\$8.76	\$8.57	\$9.55
Earnings (loss) per share (basic) <sup>9</sup>	\$1.52	\$1.70	\$0.75	\$0.64	\$0.69	\$(0.42)	\$0.63
Price/earnings ratio <sup>10</sup>	9.2	8.5	15.5	17.0	13.4	37.0	25.0
Weighted average number of shares outstanding (thousands)	89,932	93,352	96,069	100,624	104,825	104,274	103,654
Total shares outstanding (thousands)	88,074	92,953	94,532	96,852	104,825	104,825	103,654

\* 2018 operating ratios and share data are calculated before the effect of the impairment of goodwill.

### NOTES:

<sup>1</sup> Return on equity was calculated by dividing net income (loss) by average shareholders' equity.

<sup>2</sup> Gross margin was calculated by dividing revenue less direct operating costs by revenue.

<sup>3</sup> Operating margin was calculated by dividing OIBDA by revenue.

<sup>4</sup> Operating ratio was calculated by dividing the total cost before impairment of goodwill, taxes, interest, earnings from equity investments and net gains and losses on foreign exchange, as a percentage of revenue.

<sup>5</sup> Acid test ratio was calculated by dividing cash (bank indebtedness) plus receivables by current liabilities.

<sup>6</sup> Debt-to-equity ratio was calculated by dividing total debt by shareholders' equity.

<sup>7</sup> Total net debt to operating cash flow was calculated as per the financial covenant terms within the Private Placement Debt agreement.

<sup>8</sup> Book value per share was calculated by dividing shareholders' equity by the number of shares outstanding.

<sup>9</sup> Earnings (loss) per share was calculated by dividing net income (loss) by the weighted average number of shares outstanding.

<sup>10</sup> Price/earnings ratio was calculated by dividing the year-end closing price by earnings (loss) per share adjusted for the impairment of goodwill.



## TRANSACTIONS WITH RELATED PARTIES

### Key Management Personnel Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of the Corporation, including all its directors along with certain executives. Directors are remunerated for services rendered in their capacity as directors by way of a flat annual retainer fee. The overall compensation program for executives is comprised of base salary and benefits, annual profit share and stock-based compensation. Our Executives do not have formal employment contracts. Similar to the employment processes established for employees, each executive's personnel file contains a memorandum outlining the basic terms of an executive's employment relationship with the Corporation. There are no agreements or arrangements with any executive for the payment of compensation in the case of resignation, retirement, or termination of employment, a change of control of Mullen Group or its Business Units or a change in an executive's responsibilities following a change of control. Key management personnel do not participate in a defined benefit or actuarial pension plan, however, key management personnel do participate in the Stock Option Plan. Total remuneration to key management personnel including directors' fees, salaries and benefits, annual profit share, and the value attributable to stock-based compensation expense was as follows:

(\$ millions) Category	Years Ended December 31	
	2023	2022
Salaries and benefits (including profit share)	\$ 2.2	\$ 2.2
Share-based payments	0.1	0.1
Total	\$ 2.3	\$ 2.3

There are no outstanding amounts owing to or amounts receivable from directors and officers as at December 31, 2023 and 2022, with respect to the overall compensation program for the executives. As at December 31, 2023, directors and officers of Mullen Group collectively held 5,812,839 Common Shares (2022 – 5,704,999) representing 6.6 percent (2022 – 6.1 percent) of all Common Shares of the Corporation. As at December 31, 2023, directors and officers of Mullen Group held \$4.9 million of the Debentures under the same terms and conditions as those issued to unrelated third parties. The majority of the Debentures outstanding at December 31, 2023, were held by Murray K. Mullen (\$4.4 million). Other than these \$4.9 million of Debentures, Mullen Group has no contracts with its key management personnel.

### Related Party Transactions

During the year, we generated revenue of \$1,337 (2022 – \$7,367) and incurred expenses of \$13,230 (2022 – \$6,000) with entities that are related by virtue of David E. Mullen, a Board member having control or joint control over the other entities. As at December 31, 2023, there was \$383 (2022 – nil) accounts receivable amounts due from these related parties.

During the year, we generated revenue of \$6.6 million (2022 – \$4.9 million) and incurred expenses of \$0.1 million (2022 – \$0.3 million) with our equity investments, which are accounted for by the equity method of accounting. As at December 31, 2023, there was \$1.2 million (2022 – \$1.8 million) of accounts receivable amounts due from our equity investments, including debentures owing from Thrive Management Group Ltd. at an interest rate of 10.0 percent per annum calculated and payable semi-annually that mature in 2024. There was nil (2022 – \$30,225) accounts payable amounts due to equity investments at year end.

All related party transactions were provided in the normal course of business materially under the same commercial terms and conditions as transactions with unrelated companies and recorded at the exchange amount.





## PRINCIPAL RISKS AND UNCERTAINTIES

*The nature of both our business and our strategy means that we face a number of inherent risks and uncertainties. We endeavour to manage these risks within the context of our understanding of market trends along with maintaining a strategic goal of achieving satisfactory shareholder returns.*

The operational complexities inherent in our business, together with the highly regulated and competitive environment of the industries in which we operate, leave Mullen Group exposed to a number of risks and uncertainties, which may affect Mullen Group's future financial and operational performance (collectively the "risks"). The logistics business and other related activities are directly affected by fluctuations in the general economy, including the amount of trade between Canada and the United States and the value of the Canadian dollar as compared to the U.S. dollar. Our S&I segment is directly affected by fluctuations in the levels of oil and gas drilling activity, oil sands development and production activity carried on by its customers, which in turn is dictated by numerous factors, including but not limited to world energy prices and government policies.

Many risks, for example, the cyclical and volatile nature of the oil and gas industry, may be mitigated to a certain degree but still remain outside of our control. The Board is responsible for approving our organization's level of risk tolerance and for overseeing the management of the risks the organization faces. Risk oversight guidance is set forth in the Mullen Group Board mandate. We define risk as: "The possibility that an event, action or circumstance may adversely affect the organization's ability to achieve its business objectives." A risk management review process has been formalized to assist in mitigating risk. The risk management review process highlights the significant risks that our business is exposed to, which then leads to mitigation plans. Although we have developed and implemented these mitigation plans to assist in managing these risks, there is no certainty these strategies will be successful in whole or in part. In addition, the inability to identify, assess and respond to known and unknown risks through the risk management review process could lead to, among other things, our inability to capture opportunities, recognize threats and inefficiencies and comply with laws and regulations, all of which may have a material adverse effect on our business or share price.

We believe that the risks described below are the ones that could have the most significant impact on the Corporation. Readers are cautioned that the list of risks is not exhaustive and new information, future events or changing circumstances could affect our operations and financial results, which may reduce or restrict our ability to pay a dividend to our shareholders and may materially affect the market price of our securities. We encourage you to review and carefully consider the risks described below, which may impact or materially adversely affect our business, financial condition, results of operations, cash flows or prospects. In turn, this could have a material adverse effect on the trading price of our Common Shares and Debentures. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also adversely affect our business and operations.

For ease of reference, we have categorized the most significant risks identified by Mullen Group in the following three categories:

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>• energy programs including 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>• interest rates</li> <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> </ul>	<ul style="list-style-type: none"> <li>• senior management &amp; employees</li> <li>• cost escalation &amp; fuel costs</li> <li>• potential operating risks &amp; insurance</li> <li>• information technology &amp; cyber security</li> <li>• business continuity, disaster recovery &amp; crisis management</li> <li>• environmental, social &amp; governance (ESG)</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>





## STRATEGIC RISKS:

### Geopolitical Risks:

*Geopolitical risk is viewed as the major strategic risk to our organization impacting everything from the general economy to the energy industry as well as oil and gas development in western Canada. Political shocks and surprises of the past few years show how easily assumptions about rational markets, legal certainty, international relations and trade can be shaken. In our view, geopolitical volatility has become a key driver of uncertainty, and will remain one over the next few years.*

#### Risk Description & Trend

Geopolitical risk is the risk associated with legislative, judicial, political, economic and regulatory uncertainty. For instance, unexpected events can cause a spike in commodity prices or an unexpected change in trade patterns or currency valuations.

**Trend:** In the recent past, the rise of populism, the repudiation of existing economic and political systems, global trade tensions and certain judicial decisions have created uncertainty that have negatively impacted investment sentiment in Canada and in the oil and gas sector specifically.

#### Potential Impact

There are a variety of decisions that various levels of government and the judiciary can make that can negatively affect individual businesses, industries and the overall economy. These include, but are not limited to, regulatory approvals, currency valuation, trade tariffs, labour laws, taxes and carbon pricing, environmental and other regulations. More specifically, we identify geopolitical risks that may impact the following strategic risks:

- General economy
- Energy programs including natural gas and oil drilling and oil sands development
- Changes in legal framework

#### Mitigation

In consideration of this risk, we strive to be flexible and resilient, monitor risks proactively, and have adopted a diversification strategy. We service an extensive customer base from diverse industries covering a broad geographic area. In addition, we actively manage the mix of Company Equipment and Contractors we use to service our customers. In our opinion, these diversification and operating strategies ensure, as much as possible, that we are not overly exposed to any single economic trend.

### Geopolitical Risks – General Economy:

*Our results are affected by the state of the economy and trade patterns and the associated demand for freight transportation and logistics services. These general economic factors, as well as instability in financial and credit markets or government restrictions, which are beyond our control, could adversely affect our business, financial condition, results of operations and cash flows.*

#### Risk Description & Trend

Mullen Group is a significant provider of trucking and logistics services to customers throughout North America. Our results are affected by the state of the economy and trade patterns, both in North America and globally, and the associated demand for freight transportation and logistics services. Trade disruptions may pose a substantial risk to Mullen Group.

**Trend:** After experiencing significant pricing increases as a result of supply chain disruptions and "just in case" inventory purchasing by retailers in 2022, 2023 is normalizing. Price increases have decelerated in 2023 from the highs of 2022. In early 2023, warehouses were full of dead inventory which when that inventory moved, not as much came in to replace it. Improvements in supply chains and economic slowdowns on a more global level have contributed to this softening, resulting in the cooling of pricing pressures and increasing warehouse capacity, rebalancing the inventory within.

Unemployment rates in 2023 have increased over 2022, however, labour shortages remain in certain sectors including the transportation industry. 2023 also saw a rise in global conflict impacting international freight and shipping routes. Uncertainty arising from global conflict may impact inputs such as fuel costs (see Cost Escalation and Fuel Costs on page 60) and general economic activities, which in turn may impact the demand for freight and other

services provided by Mullen Group through its Business Units.

Risks remain in regard to the future path of interest rates, inflation, labour, decline in global free trade, tensions in the geopolitical and trade environment and there is economic uncertainty as a result of a potential for a global recession.

#### Potential Impact

General economic activity is the main driver of demand levels for our LTL, L&W and US 3PL segments. Uncertainty with regard to the health of the North American economy or trade patterns could have a material adverse effect on the operations of our LTL, L&W and US 3PL segments and, to a lesser degree, our S&I segment (to the extent that the economy affects commodity pricing with respect to oil and gas, in particular), and our overall financial condition.

An economic recession may result in a decrease or substantial reduction in revenue as a result of:

- lower overall freight levels, which negatively affects our asset utilization and margin;
- customers bidding out freight or selecting competitors that offer lower rates, in an attempt to lower their costs, forcing us to lower our rates or lose freight; and
- customers with credit issues and cash flow problems.

Inflation may cause input costs to rise at a faster pace than rate increases, thereby negatively affecting operating margin<sup>1</sup>. Further, higher prices and higher fuel surcharges to our customers may cause some of our customers to consider alternatives.

#### Mitigation

In consideration of this risk, we service an extensive customer base from diverse industries covering a broad geographic area. In addition, we actively manage the mix of Company Equipment and Contractors we use to service our customers. During periods of peak demand, we tend to use a higher volume of Contractors, which yield lower margins, but protects us from the downside risk and fixed costs associated with a larger fleet of Company Equipment during periods of lower demand. We have also invested in intermodal containers and fuel-efficient equipment to assist in the management of inflation, increased fuel costs and reduce Greenhouse Gas ("GHG") emissions. Further, it has been recognized that transportation and supply chain management is an essential service. We have been able to adapt to the changes in consumer spending patterns and the evolution and prominence of e-commerce purchases and supply chain change. In our view, these diversification and operating strategies ensure, as much as possible, that we are not overly exposed to any single economic trend.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



## **Geopolitical Risk – Natural Gas and Oil Drilling and Oil Sands Development:**

***As a service provider to the oil and gas industry we are reliant on the levels of capital expenditures made by oil sands, oil and gas producers. Our results may be affected by the level of capital expenditures in the WCSB, including investments in natural gas and both for conventional and unconventional oil and oil sands development. Pipeline approvals and natural gas export facilities are critical to the future development of Canada's natural gas and oil resource development.***

### **Risk Description & Trend**

Approximately 14.0 percent of our revenue is directly related to oil and gas drilling activity and oil sands development in western Canada. As a service provider to the oil and gas industries we are reliant on the levels of capital expenditures made by oil and gas exploration and production companies ("E&Ps"). In our experience, the level of capital investment made by E&Ps is based on several factors including, but not limited to:

- net hydrocarbon prices and the related impacts of fluctuating light/heavy and sweet/sour crude oil differentials;
- market access and long-term takeaway capacity, including pipeline and rail infrastructure;
- anticipated and actual aggregate production levels;
- access to capital;
- regulatory and stakeholder approvals for exploration and development activities;
- changes in demand for refinery feedstock;
- fuel conservation measures, long-term demand for fossil fuels, the evolution of electric vehicles ("EV") and alternative forms of transportation;
- changes to royalty and tax legislation;
- indigenous claims or protests; and
- environmental regulations and approvals.

Negative public perception of oil sands, conventional oil and natural gas development, pipelines, hydraulic fracturing and fossil fuels generally may further impede industry growth in the WCSB. Operators and producers tend to examine long-term fundamentals affecting the foregoing factors before they adjust their capital budgets to reflect these assessments. There can be no certainty that investments will be made by E&Ps, or that approvals for infrastructure or export facilities by regulators or the judiciary will be forthcoming. Market access and long-term takeaway capacity are critical factors to western Canadian oil production growth. Further, the development of LNG export facilities and pipeline infrastructure are

critical to the future development of Canada's natural gas sector.

In addition, a change in this regulatory regime may impact our customers and our operations. Climate related regulations and carbon taxes may lead to project delays and additional costs to producers affecting both their profitability and their investments in oil, oil sands and natural gas. Given the evolving nature of the climate movement, it is not currently possible to predict the nature of, or the impact on, our operations and future financial condition.

Further, the industry may become subject to new environmental regulations, which could negatively affect future capital expenditures. In addition to GHG emissions regulations, oil sands producers are subject to water use regulations, which may become more stringent and require additional capital in order to satisfy those regulations. To date, regulations relating to water use and management, have had no demonstrable or quantifiable negative effect on our business.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons.

Trend: Over the course of 2023, we saw a stabilization of oil prices and crude oil demand increased to nearly 102 million barrels per day globally as of December 2023. Oil prices are expected to remain at or near recent levels, however, economic uncertainty and downside risks are always a consideration. More recently, the war in the Middle East and the continued war in Ukraine have highlighted the need globally for the oil and gas industry and has demonstrated just how intertwined conventional oil and natural gas is to a properly functioning economic system. As such, it appears that the global transition to alternative energies will take more time than was initially envisioned, leaving countries to prioritize their energy needs with conventional and commercially available sources.

As a result, investment in the oil and gas industry in western Canada is expected to be

up from 2023. In the medium term, the LNG Canada project in Kitimat, British Columbia, the war in the Middle East and the continued war in Ukraine may contribute to increased capital expenditures by E&Ps.

### **Potential Impact**

As a service provider to this sector, we are directly impacted by and reliant on the level of capital and operational expenditures. Another sudden decline as experienced in 2020 or a more prolonged decline of oil and/or natural gas prices will have a negative impact on drilling activity and oil sands maintenance as well as further oil sands development that would negatively affect the operations in our S&I segment as well as our overall financial condition. Conversely, a resurgence of oil and/or natural gas prices and increased demand should have a positive impact on the operations in our S&I segment as well as our overall financial condition.

Ultimately, the prices of our services are subject to aggregate industry demand and the availability of service equipment and qualified personnel. In addition, the long-term impact of changing demand for oil and gas products could have a material adverse effect on our business, results of operations and financial condition.

### **Mitigation**

To mitigate this risk and potential uncertainty we pivoted away from this industry and made investments in the more stable LTL, L&W and US 3PL segments. We also continually assess the requirements for further investments in our S&I segment and have diversified our operations within this segment itself.

In addition, we endeavour to ensure that our capital allocation, costs and pricing are appropriate for the anticipated level of oil and natural gas development. We also recognize the cyclical and volatile nature of drilling activity and mitigate the risks associated with this volatility as reasonably possible through the combination of a disciplined capital allocation process and a focus on maintaining long-term relationships with large-cap oil and gas companies.



## **Geopolitical Risk – Changes in the Legal Framework:**

***We may be adversely affected by changes to existing laws and regulations, trade agreements, change in the permitting process as it relates to oil and natural gas infrastructure projects and subsequent court challenges.***

### **Risk Description**

Our operations are subject to a variety of federal, provincial and local laws, regulations and guidelines and income tax laws ("**Regulations**"). In addition, the operations of Mullen Group may be affected by international trade agreements and the ability to seamlessly cross international borders.

Our customers in the oil and gas sector are subject to various Regulations such as royalties, environmental regulations and the reduction of GHG emissions. In addition, before proceeding with most major projects, including the building of a pipeline, a LNG export facility or significant changes to an existing oil sands plant, E&Ps must obtain various federal, provincial, state and municipal permits and regulatory approvals. These permits may be challenged and subject to denial or the imposition of further conditions by the judiciary.

Changes in such Regulations could significantly affect the transportation and energy industry in North America, impacts that are difficult to ascertain and predict. Any new Regulations (or changes to current Regulations in force) could have a material impact on our operations and the resultant cash flow from same.

Changes in tax laws may also adversely affect our results of operations and financial performance. Significant judgment is

required in determining our provision for income taxes and various internal and external factors may have favorable or unfavorable effects on our future provision for income taxes, income taxes receivable and our effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, transfer pricing adjustments and changes in the overall mix of income among the different jurisdictions in which we operate. Furthermore, new accounting pronouncements or new interpretations of existing accounting pronouncements could have a material impact on our effective income tax rate and accordingly, our financial performance.

Additionally, Mullen Group has claimed and received benefits under certain COVID-19 Government Programs. Any material changes in the governing legislation, or administrative practice for a COVID-19 Program accessed by Mullen Group could cause an unanticipated obligation to repay that may negatively impact the results of operations and financial performance of Mullen Group.

### **Potential Impact**

There can be no assurance that such Regulations, including those relating to the oil and gas industry and the transportation

industry, as well as environmental and otherwise applicable operating legislation will not be changed in a manner that adversely affects our organization. Any such change could have a material adverse effect on our business, results of operations and financial condition. Our customers are similarly subject to Regulations and there can be no assurance that the Regulations governing our customers will not be changed in a manner that adversely affects them and, thereby, Mullen Group.

### **Mitigation**

The diversity of our Business Units and our decentralized business model may diminish the effect that a change in the legal framework could have on Mullen Group as a whole. This diversification strategy has resulted in investment in several sectors of the economy, most notably in transportation and logistics, energy and oilfield services, as well as in many geographic regions. We monitor proposed legislative changes and participate with various industry associations in advocating for reasonable and non-disruptive regulatory changes. Further, we engage tax experts to provide advice and review our corporate tax and other filings' returns as well as to evaluate changes in Regulations and how such changes may impact our tax obligations and consequential financial results.

## **E-Commerce and Supply Chain Evolution:**

***Our results may be affected by disruptive technologies and supply chain innovations. Technology continues to evolve at a rapid pace, which has the potential to impact everything, including how markets conduct transactions as well as how we manage our business. As the retail marketplace continues to evolve, digital technology is disrupting traditional operations. The impact on supply chain management is particularly great as businesses reinvent their supply chain strategies.***

### **Risk Description & Trend**

Disruptive technologies continue to change the structure of the North American economy due to the continuous growth of e-commerce. The use of web based and mobile technology is increasingly becoming the preferred method by consumers and retailers to both shop for and ship orders. As a result, supply chains have undergone enormous change with more frequent direct to consumer shipments replacing transportation from distribution centers to traditional retail stores. In addition, our organization is reliant on certain Information Technology ("IT") systems (see Information Technology and Cyber Security on page 61).

Trend: Containment measures implemented by governments caused an acceleration in e-commerce sales. E-commerce sales in

Canada that averaged 11.5 percent of total retail sales in 2023 and represented a \$109.2 billion industry as compared to \$98.4 billion in 2022. In 2022, this resulted in greater demand for LTL transportation and home delivery options, which trend has continued in 2023. The consumer in 2023 proved to be more resilient than first thought at the beginning of the year.

### **Potential Impact**

E-commerce and omni-channel marketing requires a different distribution model than traditional retail or big-box store logistics. Generally, it is negatively affecting demand for truckload and long-haul transportation services, however, it is creating greater demand for warehousing as well as LTL and small package Final Mile™ deliveries.

The added complexity of e-commerce and the change in the supply chain presents an opportunity to expand our logistics revenue.

### **Mitigation**

In consideration of this risk, we have expanded our LTL and warehousing network in western Canada as well as Ontario, Canada and continue to focus on supply chain efficiencies. Our ability to meet customer demands in respect of e-commerce and supply management will depend upon innovation and our ability to reasonably anticipate market trends and change management execution. We continue to focus on technology, invest in hybrid and electric courier vehicles and our logistics Haulistic™ mobility app, SilverExpress™ software and Moveitonline® marketplace.



## **Acquisitions:**

***Our company strategy includes pursuing selected and strategic acquisitions focused primarily on the segments of the economy where we have strong market penetration and customer relationships, however, we may not be able to execute or integrate future acquisitions successfully.***

### **Risk Description & Trend**

Historically, a key component of our growth strategy has been to pursue acquisitions of strategic and/or complementary businesses. We continually evaluate acquisition candidates and may acquire assets and businesses that we believe complement our existing businesses or enhance our service offerings.

The processes of evaluating acquisitions and performing due diligence procedures include risks. Further, we face competition from both peer group and non-peer group firms for acquisition opportunities. This external competition may hinder our ability to identify and/or consummate future acquisitions successfully. If the prices sought by sellers of these potential acquisitions were to rise or otherwise be deemed unacceptable, we may find fewer suitable acquisition opportunities.

Achieving the benefits of acquisitions will depend, in part, on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner. In addition, non-core assets may be periodically disposed of so that we can focus our efforts and resources more efficiently. Depending on the state of the market such non-core assets, if disposed of, could realize a price less than their carrying value resulting in a loss on disposal.

There is no assurance that we will be successful in identifying, negotiating, consummating or integrating any future acquisitions. If the Corporation does not make any future acquisitions, our growth rate could be materially and adversely affected.

**Trend:** Opportunities for acquisitions continue. In 2023 we successfully acquired

three new businesses for total cash consideration of \$49.3 million and share consideration of \$0.8 million as compared to three new businesses in 2022 for cash consideration of \$25.6 million and share consideration of \$3.9 million.

### **Potential Impact**

Entities that are acquired may not increase our OIBDA or yield other anticipated benefits. The possible difficulties of integration include, among others:

- we may be unable to retain customers or key employees including drivers and Contractors;
- the business may not achieve anticipated revenue, earnings, or cash flows;
- we may be unable to integrate successfully and realize the anticipated economic, operational, and other benefits in a timely manner, which could result in substantial costs and delays;
- possible inconsistencies in or conflicts between standards, controls, procedures and policies among Mullen Group and the acquirees, and the need to implement standard company-wide financial, accounting, IT and other systems;
- we may have limited experience in the acquiree's market and may experience difficulties operating in its market;
- we may assume liabilities beyond our estimates or what was disclosed to us;
- the acquisition could disrupt our ongoing business, distract our management, and divert our resources; and

- we may incur indebtedness or issue additional Common Shares.

The risks involved in successful integration could be heightened if we were to complete a large acquisition or multiple acquisitions within a short period of time.

If any one, or a combination, of the described possibilities results in our failure to execute our acquisition strategy successfully in the future, it could limit our ability to continue to grow in terms of revenue, OIBDA and cash flow. In addition, there is a risk of impairment of acquired goodwill and intangible assets. This risk of impairment to goodwill and intangible assets exists because the assumptions used in the initial valuation of these assets, such as interest rate or forecasted cash flows, may change when testing for impairment is required.

### **Mitigation**

In consideration of the risk relating to identifying and realizing the benefits of acquisitions and disposals, we endeavour to create a balanced and diverse portfolio in our operating segments by using considerable experience and the financial modeling to assess potential targets for, among other things, potential synergies, financial returns, cultural fit and integration.

In addition, we manage our cash flows diligently and maintain our capital allocation disciplines to ensure that we maintain what we believe is a suitable level of liquidity and leverage.





## **Competition:**

***We operate in highly competitive industries, and certain market segments have mature characteristics and face commoditization. Our business could suffer if we are unable to adequately address downward pricing pressures and other factors that could adversely affect our profitability.***

### **Risk Description & Trend**

Our various Business Units operate in highly competitive and fragmented industries with low barriers to entry, especially within the trucking industry. We compete with several large companies both in the transportation and energy services industries that may have greater financial and other resources. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of services that we compete for or that new competitors will not enter our various markets.

**Trend:** 2023 saw a decline in freight volumes and rates from the highs of 2022. In 2023 port congestion was alleviated and shippers and retailers right sized inventory levels within their overstocked warehouses and stores. As a result, freight prices were under pressure which was also compounded by some of our competitors lowering rates to attract business.

### **Potential Impact**

Numerous competitive factors could impair our ability to maintain or improve our profitability. These factors include but are not limited to the following:

- Many of our competitors periodically reduce their rates to gain business, especially during times of reduced oilfield activity or economic recessions. This may make it difficult for us to maintain or increase rates, or may require us to reduce our rates, or lose business. Additionally, it may limit our ability to maintain or expand our business.
- Competition from logistics and brokerage companies may negatively impact our customer relationships and rates.
- Some competitors in certain industries may have specialized equipment, a broader global network or a wider range of services that may result in a loss of business to competitors.
- Higher prices and higher fuel surcharges to our customers may cause some of our customers to consider alternatives, including deciding to transport more of their own product with their own assets or substituting trucking for rail transportation.
- Many customers periodically solicit bids from multiple providers for their transportation needs, which may depress freight rates or result in a loss of business to competitors.

### **Mitigation**

In consideration of this risk we endeavour to use technological change and innovation to remain competitive in our various businesses. Furthermore, the diversity of our Business Units and our decentralized business model may diminish the effect that new competitive forces might have on our organization. In addition, we believe that our Human Resources strategies enable us to retain and attract drivers or qualified Contractors thereby enabling us to service our clients through all business cycles.

In certain aspects of our business, we believe we have competitive advantages such as lower overhead costs and specialized regional strengths including a robust network of LTL terminals.

In addition, from time to time, we acquire competing, complementary or new business lines, which allows us to consolidate a market we serve, expand our geographic footprint or expand our service offerings.

## **FINANCIAL RISKS**

### **Interest Rates:**

***Changes in interest rates may result in fluctuations in our future cash flows.***

### **Risk Description & Trend**

We are susceptible to fluctuations in interest rates. Our Bank Credit Facilities are priced at variable rates. To the extent we utilize our Bank Credit Facilities we incur the risk of interest rates rising. Our Private Placement Debt, the Debentures and our Various Financing Loans are issued at fixed rates. The majority of our long-term debt, specifically \$599.8 million, matures in 2024 and 2026.

**Trend:** At December 31, 2023, we had \$764.0 million (2022 – \$712.3 million) of borrowings at an average interest rate of 4.62 percent. In 2023, Bank of Canada officials have reiterated their one and only policy mandate to hit the 2.0 percent inflation target set back in January 2022. However, over the course of 2023, inflation

continued to sit above this target at 3.4 percent. The Bank of Canada interest rate closed out 2023 at 5.0 percent.

### **Potential Impact**

Borrowings issued at fixed rates, like our Private Placement Debt, expose Mullen Group to fair value interest rate risk. The majority of our borrowings are issued at fixed rates, specifically \$599.8 million of our \$672.8 million are at fixed rates. Therefore, we are exposed to fair value interest rate risk on these borrowings that mature at various tenures. More specifically, we are susceptible to the opportunity costs associated with interest rate decreases on our fixed borrowings. In the event that we refinance our borrowings, there can be no guarantee we can borrow at our current average interest rate of 4.62 percent.

In the event that interest rates increase, the cost of borrowing under our Bank Credit Facilities, to the extent that they are utilized, will increase. As an example, if fully drawn and interest rates increased by 1.0 percent on our \$375.0 million Bank Credit Facilities, we would incur additional annual interest expenses of approximately \$3.8 million.

### **Mitigation**

We do not hedge interest rates or have any interest rate swaps, but we have mitigated the negative risk of rising interest rates by financing most of our debt, specifically \$599.8 million, at fixed rates.



## **Foreign Exchange Rates:**

***Our consolidated financial statements are presented in Canadian dollars, however, a portion of our revenue is derived in U.S. dollars and a portion of our debt is denominated in U.S. currency.***

### **Risk Description & Trend**

Mullen Group has foreign exchange risk relating to the relative value of the Canadian dollar vis-à-vis the U.S. dollar. A stronger Canadian dollar is beneficial as it results in a foreign exchange gain on our U.S. dollar debt recognized on our consolidated income statement, as well as an equivalent reduction in the carrying value of such debt on the balance sheet. However, a stronger Canadian dollar also has the potential to reduce the level of Canadian exports thereby potentially negatively affecting the results of operations in the LTL and L&W segments. Conversely, a weakening Canadian dollar results in a foreign exchange loss and an equivalent increase in the carrying value related to the U.S. dollar debt. A weaker Canadian dollar has the potential to increase the level of Canadian exports and thereby potentially positively affect the results of operations in the LTL and L&W segments. In addition, many of our parts and equipment are built in the U.S. and priced in U.S. dollars. A decrease in the

relative value of the Canadian dollar vis-à-vis the U.S. dollar increases the costs of these parts and equipment.

**Trend:** Foreign exchange rates between the U.S. and Canadian dollar remain volatile. During 2023 the exchange rate fluctuated between \$0.7204 and \$0.7628 closing the year at \$0.7561 as compared to \$0.7383 at December 31, 2022.

### **Potential Impact**

At the end of each reporting period we recognize foreign exchange gains or losses as they relate to financial contracts, assets and liabilities held in foreign currencies. This risk mainly arises from our U.S. \$229.0 million of Senior Guaranteed Unsecured Notes ("U.S. Notes"). Specifically, our U.S. Notes are comprised of Series G (U.S. \$117.0 million) and Series H (U.S. \$112.0 million) Notes that mature in 2024 and 2026, respectively.

At December 31, 2023, we also had U.S. dollar cash of \$4.3 million, U.S. dollar trade

receivables of \$22.1 million and U.S. dollar trade payables and accrued liabilities of \$14.6 million.

### **Mitigation**

We have mitigated a significant portion of the foreign exchange risk by entering into the Cross-Currency Swaps to convert 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 are also exposed to foreign exchange risk related to approximately U.S. \$8.9 million of annual interest payable on our U.S. Notes. This risk is partially offset by the fact that our business generates surplus U.S. funds in our operations, predominately within the L&W segment. This surplus U.S. dollar cash being generated acts as a natural hedge as it is used to repay our annual interest obligation on the U.S. Notes.

## **Investments:**

***Mullen Group invests in both private and public companies. The value of these investments fluctuate.***

### **Risk Description & Trend**

Mullen Group invests in both private and public companies. Fair values of public company investments are based on quoted prices in active markets. There is a risk that the value of an investment may fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, classes of investments or factors affecting all investments traded in the market. As such, there is a risk that a portion of the original investment may be lost.

**Trend:** In 2023 we recorded an increase in the fair value of investments of \$0.3 million as compared to an increase of \$0.1 million in 2022.

### **Potential Impact**

Our investments in public companies are measured at fair value and have an initial cost of \$4.0 million. At December 31, 2023, the fair value of these investments was \$1.0 million.

We use the equity method to account for investments in private companies in which we have significant influence or joint control. At December 31, 2023, the carrying value of these investments totalled \$42.2 million and consisted of the investments in Canol Oilfield Services Inc., Kriska Transportation Group Limited, and Thrive Management Group Ltd.

The timing of future dispositions and the realized share price are uncertain. There is no assurance that the Corporation will realize any benefits from its investment portfolio.

### **Mitigation**

We accept a certain amount of risk and consider the underlying risk and possible market volatility of our investments. We strive to mitigate this risk by investing in areas that we have industry knowledge and expertise and we invest for the long-term. Risk capital is limited to a level that is deemed acceptable to Mullen Group.



## **Access to Financing:**

***We may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to fund acquisitions.***

### **Risk Description & Trend**

We may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to fund acquisitions. There can be no assurance that additional financing will be available when needed or on acceptable terms, which could limit our growth and could have a material adverse effect on our business, results of operations and financial condition. In addition, we have certain financial and other covenants under our Private Placement Debt that are customary for financings of this type including, but not limited to, a maximum leverage ratio and a minimum interest coverage ratio. A breach of a covenant and failure to obtain appropriate amendments to or waivers under the applicable financing arrangement may cause our borrowings under such facilities to be immediately declared due and payable.

**Trend:** At December 31, 2023, our debt covenant leverage ratio was 1.83:1 as compared to 1.67:1 in 2022.

### **Potential Impact**

We may need to incur additional debt, or issue debt or equity securities in the future. We could face constraints on generating sufficient cash from operations, obtaining sufficient financing on favorable terms, or maintaining compliance with financial and other covenants in our financing agreements.

If any of these events occur, then we may face liquidity constraints and it may impair our future ability to secure financing on satisfactory terms, or at all. A liquidity constraint may impair Mullen Group's ability to continue as a going concern. Although we expect that we will be able to obtain additional financing when needed, in the amounts required and on acceptable terms there is no assurance that such would occur.

A decline in the broader credit or equity markets and additional volatility can also make it difficult for Mullen Group to access financing and may lead to an adverse impact on the profitability and operations of Mullen Group.

### **Mitigation**

We manage our cash flows diligently to ensure that we maintain what we believe is a suitable level of liquidity and leverage. Our approach to managing liquidity is to ensure, to the extent possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions. Consistent with others in the industry, we monitor capital on the basis of debt-to-equity. This ratio is calculated as total debt divided by shareholders' equity. Total debt is calculated as the total of: bank indebtedness, current portion of long-term debt, long-term debt, lease liabilities, the debt component of Debentures and various financing loans. Equity is comprised of share capital, convertible debentures – equity component, contributed surplus, accumulated other comprehensive income and retained earnings. The debt-to-equity ratio calculation at December 31, 2023, was 0.78:1 (2022 – 0.73:1).

## **Reliance on Major Customers:**

***There is an inherent risk that arises to all businesses when economic dependence on a major customer hinders a company's ability to maximize profit.***

### **Risk Description & Trend**

Although we do not have a significant customer concentration, the growth of our business could be materially impacted and our results of operations would be adversely affected if we lost all or a portion of the business of some of our large customers because they:

- chose to divert all or a portion of their business with us to one of our competitors;
- demand pricing concessions for our services;
- require us to provide enhanced services that increase our costs; or

- develop their own shipping and distribution capabilities.

**Trend:** In 2023 our top ten customers accounted for 13.3 percent of revenue (2022 – 10.0 percent), and the largest customer accounted for approximately 2.1 percent (2022 – 1.9 percent) of such revenue.

### **Potential Impact**

The loss of one or more major customers, any significant decrease in services provided, decreases in rates charged, or any other changes to the terms of service with customers, could have a material adverse effect on our business, results of operations and financial condition. Furthermore, a concentration of revenue with a major customer, or a small group of

major customers, may lead to an enhanced ability of those customers to influence pricing and other contract terms, which may have a material adverse effect on our results.

### **Mitigation**

We strive to mitigate this risk through a diversification strategy in an attempt to ensure that our organization does not become reliant on any single customer. Furthermore, we operate a decentralized business model whereby we utilize the expertise of management at each Business Unit to negotiate its own contracts that have pricing and terms that are competitive according to their specific market and/or geographic region.



## **Impairment of Goodwill or Intangible Assets:**

***Our total assets include goodwill and intangible assets. If we determine that these assets have become impaired in the future, our net income could be adversely affected.***

### **Risk Description & Trend**

There is also a risk of impairment of acquired goodwill and intangible assets. This risk of impairment of goodwill and intangible assets exists because the assumptions used in the initial valuation of these assets, such as the interest rate or forecasted cash flows, may change when testing for impairment is conducted either annually or upon a triggering event.

Trend: At December 31, 2023, our goodwill and intangible assets accounted for \$458.1 million, or 22.4 percent of our total assets as compared to \$465.6 million, or 23.3 percent of total assets in 2022.

### **Potential Impact**

Our regular review of the carrying value of our goodwill and intangible assets has resulted, from time to time, in significant

impairments, and we may in the future be required to recognize additional impairment charges. Such did occur in 2007 when the Federal government implemented changes to the tax regime governing specified investment flow-through ("SIFT") entities such as Mullen Group's predecessor Mullen Group Income Fund. In addition, the Alberta Government announced changes to the oil and gas royalty regime in Alberta that impacted many of our customers.

Changes in government regulations, or economic or market conditions have resulted and may result in further substantial impairments of our goodwill or intangible assets. In 2018 Mullen Group recognized a \$100.0 million goodwill impairment charge. As at December 31, 2023, we had goodwill of \$367.1 million and intangible assets of \$91.0 million. Our impairment testing in

2023 produced no indication of impairment. The results of our impairment evaluations, assumptions and sensitivities can be found on page 66.

### **Mitigation**

We strive to mitigate this risk through a disciplined acquisition strategy in an attempt to ensure that our organization does not overpay for entities resulting in overvalued goodwill balances. In addition, we use professional skepticism and advisors to value goodwill and intangible assets values upon acquisition, thereby mitigating the risk of misvaluation of goodwill or intangible assets upon initial recognition.

## **Credit Risk:**

***Credit risk is the risk of financial loss to Mullen Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. This risk arises predominately from our trade receivables generated from our customers.***

### **Risk Description & Trend**

A significant portion of our accounts receivable are with customers involved in our S&I segment, whose revenues may be impacted by fluctuations in commodity prices thereby potentially impacting their ability to meet contractual obligations. Although collection of these receivables could be influenced by this and other economic factors affecting the industries we serve, management considers the risk of a significant loss to be remote at this time.

Trend: At December 31, 2023, accounts receivable were \$278.0 million comprised of \$90.1 million within our LTL segment, \$70.9 million within our L&W segment, \$89.6 million within our S&I segment, \$19.3 million within our US 3PL segment, and \$8.1 million within the Corporate Office.

### **Potential Impact**

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. Economic conditions and capital markets may adversely affect our customers and their ability to remain solvent. We transport a wide variety of freight for a broad customer base that spans numerous industries. The financial failure of a customer may impair our ability to collect on all or a portion of the accounts receivable balance. In addition, we have counter-party risk with our Derivatives and other financial assets.

### **Mitigation**

Credit risk related to trade and other receivables is initially managed by each Business Unit. Each Business Unit is responsible for reviewing the credit risk for each of their customers before standard payment and delivery terms and conditions

are offered. The Business Units' review consists of external ratings, when available, and in some cases bank and trade references. Our Corporate Office has established a credit policy under which new customers are analyzed for creditworthiness before credit is extended. Corporate Office monitors its trade and other receivables aging on an ongoing basis and communicates concerns to all of our Business Units as part of its process in managing its credit risk. We also manage credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. We also attend industry forums to assess credit worthiness of customers related predominately to the energy industry. No individual customer accounted for more than ten percent of Mullen Group's consolidated revenue for the fiscal years ended 2023 and 2022.





## OPERATIONAL RISKS

### Senior Management and Employees:

***We depend on our senior management and employees to support our business operations and future growth opportunities. If our relationship with our employees deteriorates, if the health of our employees is impacted or if we have difficulty attracting and retaining employees, we could be faced with labour inefficiencies, disruptions, work stoppages, or delayed growth, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.***

#### **Risk Description & Trend**

The success of Mullen Group is dependent upon attracting and retaining key personnel. Any loss of the services of such persons could have a material adverse effect on our business, results of operations and financial condition. We anticipate that our ability to expand services will be dependent upon attracting additional qualified employees, which is constrained in times of strong industry activity and with the retirement of the older generations.

Further, our senior management team and key employees are an important part of our business and success. A loss of senior management or key employees may result in loss of knowledge or relationships with key customers, which could have a material adverse effect on our business, results of operations and financial condition.

Trend: At December 31, 2023, we employed approximately 7,400 employees, owner operators and dedicated subcontractors as compared to approximately 7,100 in 2022.

#### **Potential Impact**

The failure to attract and retain a sufficient number of qualified personnel could have a material adverse effect on our profitability. The largest components of our overall expenses are salaries, wages, benefits and costs of Contractors. Any significant increase in these expenses could impact our financial performance. In addition, we are at risk if there are any labour disruptions. Some of our Business Units are subject to collective agreements with their employees. Any work stoppages, or unbudgeted or unexpected increases in compensation could have a material adverse effect on our profitability and reduce cash flow from operating activities.

Further, we benefit from and depend on the leadership, experience and continued services of our senior management team and other key employees to successfully implement our business strategy. The unexpected loss of key employees or inability to execute our succession planning strategies could have an adverse effect on

our business, results of operations, and financial condition.

#### **Mitigation**

In order to reasonably mitigate this risk, we aim to be an employer of choice by offering competitive wages and incentive-based pay, establishing superior safety programs and fostering a strong reputation as an ethical company. In addition, the Board reviews its succession plans for the senior executive team on an annual basis. These endeavours are designed to attract the best people at every level of our business, establish them in their roles, manage their development and identify successor candidates for senior roles. In addition to providing specific job-related and safety training, we encourage all of our employees to continue their education, training and skills upgrading and provide employees with the resources required to achieve and maintain our operational excellence including our free business management certificate program.

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## **Cost Escalation and Fuel Costs:**

***Our ability to control our costs is critical to servicing customers at attractive rates and remaining profitable.***

### **Risk Description & Trend**

In 2023 the wholesale rack price of diesel fuel in Canada varied from a low of \$0.93 per litre to \$1.48 per litre and exited the year at \$1.06 per litre. Cost escalations due to rising labour and other costs, the effect of inflation, the price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles, supply chain disruptions and national and regional economic conditions are factors over which we have little or no control. Of these costs, fuel represents a significant operating expense for us. Fuel prices fluctuate greatly due to factors beyond our control, such as global supply and demand for crude oil, political events, war, price and supply decisions by oil producing countries and cartels, terrorist activities, the depreciation of the Canadian dollar relative to other currencies, hurricanes and other natural disasters as well as fuel and carbon taxes.

These events may result in fuel shortages and disruptions in the fuel supply chain, in addition to increased fuel costs. Such

shortages and supply disruptions could have material adverse effects on Mullen Group and its Business Units as a result of lost revenue or increased operational costs.

**Trend:** The average wholesale rack price of diesel fuel in Canada for 2023 was \$1.16 per litre as compared to \$1.40 per litre in 2022.

### **Potential Impact**

GHG regulations are likely to continue to impact the design and cost of equipment utilized in our operations as well as fuel costs. Rising inflation and significant increases in fuel prices, labour costs, equipment prices, other input prices, interest rates or insurance costs, to the extent not offset by increases in rates or fuel surcharges, would reduce profitability and could adversely affect our ability to carry out our strategic plans. We cannot predict the impact of future economic conditions and there is no assurance that our operations will continue to be profitable.

### **Mitigation**

To reasonably mitigate the risk of potential for cost escalation, we focus on operational excellence, rate increases, synergies between our Business Units and cost control. We rely on, among other things, long-term planning, budgeting processes, and internal benchmarking to achieve our profitability targets. Additionally, we mitigate the risk of inflation by owning a large network of terminals. We also mitigate our exposure to rising fuel costs through the implementation of various fuel surcharge programs, which pass the majority of cost increases to our customers and have implemented policies that focus on fuel efficiency, including fuel economy, asset utilization and minimizing dead-head mileage, proper repairs and maintenance of equipment, idling and speed policies.

Our \$85.0 million capital budget also ensures we operate the newest, most efficient equipment available to the transportation industry.

## **Potential Operating Risks and Insurance:**

***Our success is dependent on our ability to manage operational risks. The transportation and other various service sectors that we operate in are subject to inherent risks. Failure to manage these operational risks may have a material adverse effect on our business, results of operations, financial condition, and cash flows.***

### **Risk Description & Trend**

Our transportation operations are subject to risks inherent in the transportation industry, including potential liability that could result from, among other things, personal injury or property damage arising from motor vehicle accidents. Our S&I segment is subject to risks inherent in the oil and gas industry, such as equipment defects, malfunction, failures and natural disasters. These risks could expose Mullen Group to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages.

**Trend:** Our 2023 total recordable injury frequency rate, a leading indicator of operational excellence, was 3.52 as compared to 2.93 in 2022.

### **Potential Impact**

Claims may be asserted against us related to accidents, cargo loss or damage, property

damage, personal injury, employment and environmental or other issues occurring in our operations. Although we have obtained insurance coverage against certain of the risks to which we are exposed, such insurance is subject to deductibles and coverage limits and no assurance can be given that such insurance will be adequate to cover our liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the frequency and/or severity of claims increase, our operating results could be adversely affected. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur such liability at a time when we are not able to obtain liability insurance, our business, results of operations and financial condition may be materially adversely affected.

Additionally, we have two Business Units that self-insure for physical damage to equipment. The total for self-insured

physical damage as at December 31, 2023 as a percentage of revenue was 0.11 percent.

### **Mitigation**

We have insurance and risk management programs in place to protect our assets, operations and employees and also have programs in place to address compliance with current safety and regulatory standards so as to reasonably mitigate against the risks to which we are exposed. Each Business Unit has a health and safety coordinator responsible for maintaining and developing policies and monitoring operations vis-à-vis those policies. The health and safety coordinators are required to report incidents directly to the Corporate Office in a timely manner. Internal and external audits are conducted on a regular basis to ensure the proper functioning of the Health, Safety and Environment program and the reporting systems.



## **Information Technology and Cyber Security:**

***We are dependent on computer and communications systems; and a systems failure or data breach could cause a significant disruption to our business.***

### **Risk Description**

We believe that a well-functioning and efficient IT system is a prerequisite to growth, operational excellence and superior customer service, aids day-to-day operational management and provides accurate financial information. Our business involves high transaction volumes, complex logistics, the tracking of thousands of orders, the geopositioning of trucks and trailers as well as the communication with drivers and field personnel in real time. We are therefore heavily dependent on certain software, communication systems and network infrastructure. A serious prolonged failure in this area may materially affect our business.

### **Potential Impact**

Our IT systems may be susceptible to damage, disruptions or shutdowns due to: hardware failures, power outages, fire, natural disasters, telecommunications failure, internet failures, computer viruses, data breaches or attacks by computer hackers or malicious actors (including ransomware attacks), user errors or

catastrophic events. Such failures or unauthorized access could disrupt our business and could result in the loss of confidential information, intellectual property, litigation, remediation costs, damage to our reputation and negatively impact our ability to service our customers. Any such loss, unauthorized access, disclosure of confidential information or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties. In addition, the cost and operational consequences of reinstating our IT systems capabilities or implementing further data or system protection measures could be significant.

### **Mitigation**

Each of our Business Units run separate instances of our Enterprise Resource Planning ("ERP") software package that supports our business processes. As part of our entity wide IT risk mitigation policy, we regularly engage third-party vendors to complete security assessments of our IT systems, consisting of external and internal

penetration tests. At both the corporate level and within the individual Business Units, IT systems are subject to stringent guidelines, standardization, vigorous virus and access protection, back-up systems and replicated data. We employ project management techniques to manage new software developments and/or system implementations. We have a disaster recovery plan in place that is evaluated regularly and portions thereof are tested on a regular basis. Hosted by a reputable third-party, our primary data and back-up data centres have high levels of durability and redundancy built into them. Our back-up data centre allows our organization to continue processing data in the event of a major incident involving our primary data centre. We also conduct regular employee training in respect of cyber security including a series of mandatory online courses completed annually by employees. In addition, we have purchased cyber insurance coverage to assist with mitigating the unlikely risk that an outside threat gains access to our IT systems.

## **Business Continuity, Disaster Recovery and Crisis Management:**

***In the event of a serious incident, the inability to restore or replace critical capacity in a timely manner may impact our business and operations.***

### **Risk Description**

Our operations are widespread and geographically diverse. Severe weather conditions and other natural or manmade disasters, including storms, floods, fires, epidemics or pandemics, conflicts or unrest, terrorist attacks, freedom convoys or other events affecting one of our major facilities, the movement of goods or areas of operations could result in a significant interruption in or disruption of our business.

### **Potential Impact**

A serious event could result in decreased revenue, as our ability to service our customers may be impeded. These events may also result in increased costs to operate our business, as a result of equipment repairs or increased rates of accidents, claims and other factors, which could have an adverse effect on our results of operations. In addition, a serious event may reduce our customers' needs for our services. All of which may have a material

impact on Mullen Group's operational and financial performance.

### **Mitigation**

This risk is mitigated by the development of business continuity arrangements, including disaster recovery plans and back-up delivery systems, to minimize the significance of any business disruption in the event of a major disaster. Insurance coverage may minimize losses in certain circumstances.



## **Environmental, Social and Governance (ESG):**

***Our operations are subject to scrutiny relating to ESG matters, negative performance on ESG and related matters may result in penalties, sanctions or loss of customers which could have a material adverse effect on the performance of Mullen Group.***

### **Risk Description & Trend**

ESG addresses the performance of Mullen Group as it relates to the various stakeholders that we serve in addition to our customers. ESG indirectly impacts all areas of Mullen Group including our board room and all aspects of our operations.

Our performance on ESG related matters is subject to third party rating systems, public perception and changing regulatory requirements. Changes to ESG regulations or expectations may result in higher costs or lower than expected revenue. Further to this, failure to adequately address ESG related matters may result in government penalties or sanctions impacting our ability to meet performance expectations.

Trend: Companies have been facing increasing scrutiny from stakeholders relating to ESG matters, including environmental stewardship, social responsibility and diversity and inclusion.

There are a growing number of third parties that provide information to investors on ESG

related matters and have developed their own rating system to assess ESG performance. Investors are increasingly relying on such rating systems to inform their investments and voting decisions.

Government regulators have also focused their attention on ESG performance and there has been a rise in sanctions against companies for overstating their ESG performance.

### **Potential Impact**

Failure to address changing regulations, satisfy new reporting requirements or failing to meet our ESG performance goals could expose Mullen Group to additional liability or penalties.

Changing public perception and scrutiny regarding GHG emissions in the global supply chain may result in customers' demands for green transportation options or electing for different transportation options.

This may result in higher than expected capital expenditures to address customer demands or result in a loss of revenue.

An adverse rating from a third party may result in shareholder dissatisfaction and reputational harm, which could negatively impact our stock price and revenue.

### **Mitigation**

Mullen Group remains focused on ensuring we meet our obligations relating to ESG matters and have taken steps to refocus our capital investment program to address the changing nature of the global supply chain.

Mullen Group recognizes the importance of transparency and has published an ESG Report, which includes information about our ESG practices and management.

For more information on this, please refer to our ESG Report, which can be found on our website at:

[www.mullen-group.com/corporate-governance/governance-compliance/](http://www.mullen-group.com/corporate-governance/governance-compliance/)

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## **Environmental Liability Risks:**

***Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties. The costs of compliance with existing or future environmental laws and regulations may be significant and could adversely impact our business, results of operations, financial condition, and cash flows.***

### **Risk Description**

The risk of incurring environmental liabilities is inherent in oilfield service and transportation operations. Activities associated with such operations and the ownership, management or control of real estate pose an environmental risk. Some of our Business Units will routinely deal with natural gas, oil and other petroleum products. Our operations are subject to numerous laws, regulations and guidelines governing the management, handling, transportation and disposal of non-regulated and regulated substances and otherwise relating to the protection of the environment. These laws, regulations and guidelines include those relating to the remediation of spills, releases, emissions and discharges of regulated substances into the environment and those requiring removal or remediation of pollutants or contaminants.

Our customers are subject to various laws, regulations, and guidelines that prescribe, among other things, limits on emissions into the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, we cannot predict the nature of the restrictions that may be imposed.

### **Potential Impact**

Failure to comply with an environmental law or regulation without regard to Mullen Group's knowledge of this failure may impose civil and criminal penalties. Certain of our Business Units carry significant volumes of dangerous goods. This involves specific insurance requirements, training

programs and appropriate permits with the various provinces and states in which our Business Units operate.

We may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

We operate out of numerous owned and leased facilities throughout Canada where storage tanks may be used or may have been used at some prior date. Canadian laws generally impose potential liability on the present or former owners or occupants of properties on which contamination has occurred. As at the date hereof, we are not aware of any contamination which, if remediation or clean-up were required, could have a material adverse effect on Mullen Group. Certain facilities have been in operation for many years and, over such time, Mullen Group or the prior owners, operators or custodians of the properties may have generated and disposed of substances which are or may be considered hazardous.

### **Mitigation**

There can be no assurance that we will not be required at some future date to comply with new environmental laws, or that our operations, business or assets will not otherwise be further affected by current or future environmental laws. While we maintain liability insurance, including insurance for certain environmental incidents, the insurance is subject to coverage limits and certain of our policies exclude coverage for damages resulting from environmental contamination. There can be no assurance that insurance will

continue to be available to us on commercially reasonable terms, that the types of liabilities that we may incur will be covered by our insurance, or that the dollar amount of such liabilities will not exceed our policy limits.

In regards to the transportation of dangerous goods, we ensure that strict guidelines are met before a Business Unit and the individual drivers are permitted to manage, handle or transport such dangerous goods.

We have programs to address compliance with current environmental standards and monitor our practices concerning the handling of environmentally hazardous materials. We endorse a formalized quality program and strive to be the best in class in areas of safety and environmental excellence. We believe in a balanced approach to sustainable development and are committed to best in class environmental management systems. In addition, we work with government, industry groups and the public to improve and develop environmental standards and further our understanding of environmental issues. We also promote the participation and certification of our Business Units in the SmartWay Certification Program, a Government of Canada program designed to reduce GHG.

Due diligence procedures in the context of potential acquisitions and appropriate terms in purchase and sale agreements related to acquisitions also assist with reasonably mitigating the risk of environmental liabilities.

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## **Weather and Seasonality:**

***Our operations could be impacted by seasonal fluctuations or harsh weather conditions.***

### **Risk Description & Trend**

Harsh weather conditions can impede the movement of goods and increase operating costs.

Revenue and profitability within our LTL and our L&W segments 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.

The level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns. Typically activity levels are reduced in 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.

Additionally, certain oil and gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain.

**Trend:** In 2023, revenue, excluding the effect of acquisitions, was 25.0 percent of total annual revenue in the first quarter, 24.7 percent in the second quarter, 25.3 percent in the third quarter and 25.0 percent in the fourth quarter.

### **Potential Impact**

An unexpected or harsh weather event could result in decreased revenue, as our ability to service our customer is impeded or we may incur increased costs to operate our business, which could have an adverse effect on our results of operations.

Seasonal factors typically lead to declines in activity levels. In the LTL and the L&W segments, operating expenses tend to increase in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions at a time when demand is seasonally lower.

In the S&I segment, a significant portion of our operations relates to the moving of heavy equipment, drilling rigs and drilling supplies in northern and western Canada.

Activity levels, revenue and earnings are influenced by the seasonal activity pattern of western Canada's oil and gas exploration industry whereby activity peaks in the winter months and declines during the spring.

### **Mitigation**

We mitigate some of this risk by charging standby fees or by positioning equipment in strategic locations in order to take advantage of good weather conditions when they occur. We also manage some of this risk by diversifying our operations and by using subcontractors and owner operators, which requires no investment by Mullen Group, to handle seasonal peaks.

Our growth through acquisition, in the last number of years, into businesses not directly tied to oil and gas drilling activity has lessened the seasonal nature of our overall performance.

## **Access to Parts, Development of New Technology and Relationships with Key Suppliers:**

***We depend on suppliers for fuel, equipment, parts, and services that are critical to our operations. A disruption in the availability of or a significant increase in the cost to obtain these supplies could adversely impact our business and results of operations.***

### **Risk Description & Trend**

Our ability to compete and expand is most directly tied to our having access at a reasonable cost to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors, and to the development and acquisition of new and competitive technologies.

**Trend:** In 2023, we saw supply chain disruptions impacting the availability of parts and materials start to correct itself which has led to an improvement in lead times for the delivery of rolling stock.

### **Potential Impact**

Although we have individual distribution agreements with various key suppliers, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained. If these are not maintained, our ability to compete may be impaired by virtue of diminished availability and/or increased cost of securing certain equipment and parts. We have access to certain distributors and secure discounts on parts and components that would not be available if it were not for our relationships with certain key suppliers. Should the relationships with key suppliers cease the availability and cost

of securing certain equipment and parts may be adversely affected.

### **Mitigation**

In consideration of this risk we assess our suppliers and endeavour to ensure that our suppliers are financially viable or that suitable alternatives exist if relationships with current suppliers were to become compromised. In addition, we also retain what we consider an appropriate level of inventory of critical parts and supplies.





### **Regulation:**

***Various federal, provincial and state agencies exercise broad regulatory powers over the transportation industry, generally governing our activities.***

#### **Risk Description**

Notwithstanding that the transportation industry is largely deregulated in terms of entry into the industry, each carrier must obtain a license from, or register with, provincial regulatory authorities in order to carry goods extra-provincially or to transport goods within any province. Our operations are subject to a variety of Regulations relating to, among other things: safety, equipment weight, equipment dimensions, driver hours-of-service, the transportation of hazardous materials and climate related disclosure. Licensing is also required from regulatory authorities in the United States for the transportation of goods between Canada and the United States. In addition, our operations are subject to hours of

service regulations and electronic logging and, in certain cases, random drug testing.

#### **Potential Impact**

Changes in regulations applicable to Mullen Group could directly or indirectly increase operating costs and have a material adverse effect on our business, results of operations and financial condition. The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and regulations. Although we are committed to compliance and safety through our operational excellence initiatives, there is no assurance that we will be in full compliance at all times with such policies, guidelines and regulations. Consequently, at some future

time, we could be required to incur significant costs to maintain or improve our compliance record.

#### **Mitigation**

In consideration of this risk we monitor regulatory frameworks with a particular focus on hours of service, over-dimensional freight and transportation of fluids and work, in conjunction with industry associations, to advocate our need to regulators and ensure that equipment meets regulations and that sufficient capital is invested to meet current and anticipated regulatory requirements.

### **Litigation:**

***From time to time, Mullen Group or its Business Units may be the subject of litigation, claims, administrative proceedings and regulatory actions ("Claims") arising out of its operations or business in general.***

#### **Risk Description**

Our business is subject to the risk of litigation by employees, customers, vendors, government agencies, shareholders and other parties. Various types of Claims may be made against Mullen Group or its Business Units including but not limited to those pertaining to negligence, breach of contract, environmental, tax, patent infringement, employment matters and safety incidents.

#### **Potential Impact**

The outcome of litigation is difficult to assess or quantify, and the magnitude of potential

loss relating to such Claims made against Mullen Group or its Business Units may be material or may be indeterminate. The outcome of any such Claims cannot be predicted with certainty and may impact our business, financial condition, results of operations or cash flows. Further, unfavourable outcomes of settlements of Claims could encourage the commencement of additional Claims. We may also be subject to negative publicity with respect to such Claims regardless of fault. We may also be required to incur significant expenses and devote significant resources in defence of any such Claims.

#### **Mitigation**

In consideration of this risk we have insurance and risk management programs in place. For Claims that do not fall under such programs, we endorse a formalized quality program and strive to be the best in class in respect of operational excellence so as to reasonably mitigate this risk. When required we retain expert legal counsel to defend Mullen Group or its Business Units so as to reasonably mitigate the risk of an unfavourable outcome of a claim.

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## CRITICAL ACCOUNTING ESTIMATES

This MD&A summarizes Mullen Group's financial condition and results of operations, which are based upon our Annual Financial Statements that have been prepared in accordance with IFRS Accounting Standards. The Annual Financial Statements require management to select significant accounting policies, which are contained within the notes to such statements. These significant accounting policies involve critical accounting estimates regarding matters that are inherently uncertain and require management to make estimates, complex judgements and assumptions. These estimates, complex judgements and assumptions are based on the circumstances that exist at the reporting date and may affect the reported amounts of income and expenses during the reporting periods and the carrying amounts of assets, liabilities, accruals, provisions, contingent liabilities, other financial obligations, as well as the determination of fair values. The following describes critical accounting estimates we used in preparing the Annual Financial Statements and are an important part in understanding such statements:

### Impairment tests

We assess, at the end of each reporting period, whether there is an indication that an asset group may be impaired. We have three significant asset groups that are reviewed for impairment. First, goodwill is reviewed for impairment annually, or more frequently if there are indications that impairment may have occurred. The second and third asset groups consist of intangible assets and long-lived assets. Intangible assets are normally acquired on acquisitions and are mainly comprised of customer relationship values and non-competition agreements, which are amortized over their estimated life from the date of acquisition. Long-lived assets include property, plant and equipment and other assets. These asset groups are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. If any indication of impairment exists we estimate the recoverable amount of the asset group. External triggering events include, for example, changes in customer or industry dynamics, drilling and other technologies and economic declines, including the decline in the value of our Common Share price. Internal triggering events for impairment include lower profitability or planned restructuring.

The impairment tests compare the carrying amount of the asset of the cash generating unit ("CGU") to its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal ("FVLCD") and the determination of value in use ("VIU"). The determination of VIU requires the estimation and discounting of cash flows, which involve key assumptions that consider all information available on the respective testing date. Management uses its judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

### Impairment of Goodwill

In general terms, goodwill represents the excess of the purchase price of a business combination over the net amount of identifiable assets acquired less the liabilities assumed. At December 31, 2023 and 2022 we performed our annual impairment test for goodwill and concluded that there was no impairment of goodwill in any of our CGUs.

The recoverable amount was determined using a discounted cash flow approach for all CGUs. The discounted cash flow model employed by the Corporation reflects the specifics of each CGU and its business environment. The model calculates the present value of the estimated future earnings of each CGU.

Estimating future earnings requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. The calculation of the recoverable amount using the discounted cash flow approach was based on the following key assumptions:

	Discount rate		Terminal value growth rate	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
<b>Cash Generating Unit</b>				
Gardewine Group Limited Partnership	11.0%	11.0%	2.0%	2.0%
Kleysen Group Ltd.	11.0%	11.0%	2.5%	2.5%
HAUListic LLC	10.5%	10.5%	2.5%	2.5%
APPS Cartage Inc.	11.5%	11.5%	2.5%	2.5%
Hi-Way 9 Express Ltd.	11.5%	11.5%	2.5%	2.5%
Heavy Crude Hauling L.P.	12.5%	12.5%	2.0%	2.0%
Tenold Transportation Ltd.	11.5%	11.5%	2.5%	2.5%
APPS Cargo Terminals Inc.	11.5%	11.5%	2.5%	2.5%
E-Can Oilfield Services L.P.	12.5%	12.5%	2.0%	2.0%
Canadian Dewatering L.P.	12.5%	12.5%	2.5%	2.5%
Others	11.5% – 12.5%	11.5% – 12.5%	2.0% – 2.5%	2.0% – 2.5%





- (i) Cash flows were projected based on past experience, actual operating results and the one year business plan for the immediate year. Cash flows for a further four year period were extrapolated using constant growth rates of between 2.0 to 2.5 percent with adjustments reflecting an expectation of changes in the general economy, forecasted changes in drilling activity and the Business Unit's respective markets, and represents the Corporation's best estimate of the set of economic conditions that are expected to exist over the forecast period.
- (ii) The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts.
- (iii) Each CGU's discount rate reflects their individual size, risk profile and circumstance and is based on past experience and industry average weighted average cost of capital.

The Corporation believes that the following changes in the key assumptions would result in a recoverable amount equal to the carrying value of the CGU, with any additional change in the assumptions causing goodwill to become impaired.

	Change in discount rate		Change in terminal value growth rate	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
<b>Cash Generating Unit</b>				
Gardewine Group Limited Partnership	4.6%	6.7%	(7.2)%	(11.5)%
Kleysen Group Ltd.	8.9%	7.2%	(16.5)%	(12.9)%
HAUListic LLC	11.8%	20.0%+	(20.0)%+	(20.0)%+
APPS Cartage Inc.	4.7%	7.6%	(7.7)%	(13.7)%
Hi-Way 9 Express Ltd.	20.0%+	20.0%+	(20.0)%+	(20.0)%+
Heavy Crude Hauling L.P.	2.1%	7.5%	(3.1)%	(14.4)%
Tenold Transportation Ltd.	5.0%	20.0%+	(8.2)%	(20.0)%+
APPS Cargo Terminals Inc.	20.0%+	20.0%+	(20.0)%+	(20.0)%+
E-Can Oilfield Services L.P.	2.6%	1.8%	(3.4)%	(2.7)%
Canadian Dewatering L.P.	6.1%	8.2%	(10.5)%	(15.7)%

## Intangible assets

Intangible assets are mainly comprised of customer relationships and non-competition agreements. The fair value of these assets are calculated when an intangible asset or a business is acquired and then amortized on a straight-line basis over their estimated life. At December 31, 2023, intangible assets totalled \$91.0 million (2022 – \$99.6 million).

Intangible assets are amortized on a straight line basis over a period of five to ten years. Mullen Group determines the length of the amortization period at the date of acquisition. The method used in determining the amortization period is based upon the anticipated present value of future cash flows generated from customer relationships purchased on acquisitions. At December 31, 2023, the LTL segment had a carrying value of intangible assets of \$47.9 million (2022 – \$55.3 million), the L&W segment had a carrying value of \$17.5 million (2022 – \$20.2 million), the S&I segment had a carrying value of \$12.2 million (2022 – \$8.5 million) and the US 3PL segment had a carrying value of \$13.4 million (2022 – \$15.6 million).

## Acquisitions

The acquired assets, assumed liabilities (other than deferred taxes) and contingent consideration are recognized at fair value on the date we effectively obtain control. The measurement of business combinations is based on the information available on the acquisition date. The determination of fair value of the acquired intangible assets (including goodwill), property, plant and equipment and other assets and the liabilities assumed at the date of acquisition, as well as the useful lives of the acquired intangible assets and property, plant and equipment, is based on assumptions. The measurement is largely based on projected cash flows and market conditions at the date of acquisition. Contingent consideration is based on the likelihood of various outcomes of specified future events.

## Property, plant and equipment

Property, plant and equipment are initially recognized at cost and include all expenditures directly attributable to bringing the asset to its intended use. The method and rates used in calculating depreciation of property, plant and equipment is an estimate. We calculate depreciation of property, plant and equipment using the declining balance method for the majority of our assets. No other changes were made to the methods or rates we used to estimate depreciation expense on property, plant and



equipment during the past two years. Property, plant and equipment are mainly comprised of trucks and trailers, land and buildings. The net book value of property, plant and equipment at December 31, 2023, was \$1,035.2 million (2022 – \$981.6 million).

We believe the methods and rates of depreciation reasonably reflect the annual decline in the value of property, plant and equipment. These methods and rates used are validated by the fact that net gains or losses on sale of property, plant and equipment over the last ten years have been minimal, which indicates that the net book value of assets approximates fair market value over an extended period of time. At December 31, 2023, the LTL segment had a carrying value of property, plant, and equipment of \$195.5 million (2022 – \$169.5 million), the L&W segment had a carrying value of \$143.3 million (2022 – \$135.7 million), the S&I segment had a carrying value of \$194.5 million (2022 – \$177.5 million) and the US 3PL segment had a carrying value of nil (2022 – \$1.0 million). The carrying value of property, plant and equipment within the Corporate Office was \$501.9 million at December 31, 2023 (2022 – \$497.9 million).

## Derivative Financial Instruments

We utilize Derivatives such as cross-currency swaps to manage our exposure to foreign currency risks relating to our U.S. dollar debt. The fair value of Derivatives fluctuate depending on the estimate of certain underlying financial measures. The estimated fair value of Derivatives are based on observable market data, including foreign currency curves, interest rates and credit spreads.

## Trade and other receivables

Impairment of trade and other receivables is constantly monitored. Evidence of impairment could, for example, occur when the financial difficulties of a debtor become known or payment delays occur. Impairments are based on historical values, observed customer solvency, the aging of trade and other receivables and customer-specific and industry risks. In addition, we review external credit ratings as well as bank and trade references when available. At December 31, 2023, we recognized a reserve for bad debts of \$9.4 million (2022 – \$10.3 million) against total gross trade and other receivables of \$287.4 million (2022 – \$295.2 million).

## Income Taxes

Mullen Group's deferred income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. We operate in several provincial jurisdictions and are subject to various rates of taxation. The actual amount of tax ultimately paid in these jurisdictions may differ from the estimated amount.

# SIGNIFICANT ACCOUNTING POLICIES

## New Standards and Interpretations Not Yet Adopted

Mullen Group has reviewed new and revised standards and interpretations that have been approved by IFRS Accounting Standards. The following outlines new amendments to IFRS Accounting Standards that are applicable to, or may have a future impact on Mullen Group.

### International Accounting Standards 1 ("IAS 1") – Presentation of Financial Statements

Effective for annual periods beginning on or after January 1, 2024, IAS 1 – Presentation of Financial Statements has been amended to clarify how to classify debt and other liabilities as either current or non-current.

The Corporation has assessed the impact of this amendment on future periods and does not expect a material impact on the consolidated financial statements at the adoption date.

## Changes in Accounting Policies

### International Accounting Standards 12 ("IAS 12") – Income Taxes

On January 1, 2023, Mullen Group adopted deferred tax related to assets and liabilities arising from a single transaction issued by IFRS Accounting Standards, which made amendments to IAS 12 – Income Taxes. The amendments require entities to recognize deferred tax on transactions, on initial recognition, giving rise to equal amounts of taxable and deductible temporary differences.

On January 1, 2023, Mullen Group adopted the measurement aspects of the amendment to IAS 12 – International Tax Reform – Pillar Two Models, which provides an exception to the requirements for income tax accounting that an entity shall neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

There has been no material impact to Mullen Group's consolidated financial statements as a result of these amendments.



## DISCLOSURE AND INTERNAL CONTROLS

### Disclosure Controls and Internal Controls over Financial Reporting

As at December 31, 2023, 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 Senior Executive Officer ("SEO"), acting in the capacity of the Chief Executive Officer and the Senior Accounting Officer ("SAO"), acting in the capacity of the Chief Financial Officer. Based on this evaluation, the SEO and the SAO concluded that, as at December 31, 2023, the design and operation of Mullen Group's disclosure controls and procedures were 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 SEO and SAO, management conducted an evaluation of the effectiveness of its internal control over financial reporting as at December 31, 2023.

Based on this evaluation, the SEO and the SAO concluded that internal control over financial reporting was effective as at December 31, 2023, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. We utilize the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. As at December 31, 2023, there was no change in our design of 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 we expect to be able to replace the Private Placement Debt notes coming due with new private placement notes in 2024, as referred to in the Highlights, 2024 Business Plan and Subsequent Events, Mullen Group At A Glance and the Capital Resources and Liquidity sections beginning on pages 3, 4, 6, and 39, respectively. This forward-looking statement is based on our expectation that we will be able to refinance existing Private Placement Debt coming due in October 2024 with new private placement notes on terms acceptable to Mullen Group.
- Mullen Group's 2024 business plan; to acquire companies that are synergistic and accretive; to request approval from the TSX in 2024 to renew the NCIB; to set the 2024 annual dividend at \$0.72 per Common Share (\$0.06 per Common Share on a monthly basis); to invest \$80.0 million in capital expenditures in 2024 with \$70.0 million allocated towards maintenance capital primarily to invest in trucks, trailers, specialized equipment and technology to improve the operations of the Business Units and \$10.0 million allocated to our sustainability initiatives; to maintain balance sheet flexibility by refinancing the Private Placement Debt notes coming due in October 2024 on terms acceptable to the Corporation; to prioritize margin over market share; to generate consolidated revenue of \$2.0 billion and achieve operating earnings of \$325.0 million, as referred to in the 2024 Business Plan and Subsequent Events section beginning on page 4. These forward-looking statements are based on the assumptions that we will generate sufficient cash in excess of our financial obligations to support our 2024 plan, that we will be successful in refinancing our Private Placement Debt notes, and that Business Units will generate revenue, operating earnings and margins consistent with our 2024 plan.
- Mullen Group's intention to continue paying annual dividends of \$0.72 per Common Share (\$0.06 per Common Share on a monthly basis) for 2024, as referred to in the Mullen Group At A Glance section beginning on page 6. This forward-looking statement assumes that we will generate sufficient cash in excess of our financial obligations in 2024.
- Mullen Group's view that 2024 is similar in many respects to 2023 expecting revenues to match the prior year, that we expect the first half of 2024 to be soft with activity strengthening as the year unfolds and that we expect a significant change to occur on the supply side of our business, as referred to in the Outlook within the Consolidated Financial Results section beginning on page 16. These forward-looking statements assume that central bank authorities will start to lower interest rates providing consumers with more disposable income, and that many of our competitors are struggling under the dual threats of competitive pricing and stretched balance sheets impacting the supply side of our business. Under this scenario we will look to grow our business through acquisitions.
- Mullen Group's comment that we expect to improve future LTL segment margins resulting from implementing a restructuring plan for the B&R business, as referred to in the LTL segment Highlights beginning on page 26. This forward-looking statement assumes that by closing terminals, reducing labour costs and integrating the freight acquired in the B&R acquisition into Grimshaw Trucking and Hi-Way 9 Express will result in improved LTL segment margins.



- Mullen Group's comment that LTL freight demand is not expected to grow in 2024 and pricing increases will be minimal, however, we expect operating margins<sup>1</sup> to improve by 1.0 percent, as referred to in the LTL segment Market Outlook beginning on page 26. This forward-looking statement assumes that our strategy to focus on reducing overall operating costs by introducing new productivity initiatives, enhancements in technology, and ensuring efficient asset utilization will result in improved operating margins<sup>1</sup>. We will also continue to pursue acquisitions in the LTL sector as opportunities arise, especially those that add lane density and the potential to improve margins.
- Mullen Group's comment that we expect to close the ContainerWorld acquisition in the second quarter which will drive revenue growth in 2024 and that our existing 11 Business Units face a challenging year, which we expect will not improve until later in the year, as referred to in the L&W segment Market Outlook beginning on page 29. These forward-looking statements assume that we will obtain approvals from regulatory authorities and close the ContainerWorld acquisition in the second quarter, and the challenging year facing our existing 11 Business Units due to the lingering effects of low demand and excess capacity will not improve until later in the year when demand recovers, as suppliers look to restock depleting inventory levels. We will also consider additional acquisition opportunities that are complementary to our existing Business Units where we can realize synergies that will enhance overall profitability.
- Mullen Group's comment that while we remain cautious on the general economic outlook, it appears that the world still requires multiple forms of energy and Canada is uniquely qualified to support the increasing global demand for responsibly developed energy and minerals, particularly with geopolitical issues escalating globally. Our customers have signaled increased investment in the energy and mining sectors in Canada and we will correspondingly increase our capital investments into our Business Units in this segment, as referred to in the S&I segment Market Outlook beginning on page 32. These forward-looking statements assume that the near completion of large diameter pipeline construction projects in western Canada will have the dual effect of reducing work for Premay Pipeline, however, our drilling related and production services Business Units are well situated to increase activity levels as energy companies increase production to meet the increased pipeline takeaway capacity. We will also consider additional acquisition opportunities that are complementary to our existing Business Units, where we can realize synergies that will enhance overall profitability.
- Mullen Group's expectation that the 3PL space will remain competitive for the first part of 2024 and we will be monitoring consumer spending patterns and carrier capacity levels, two factors that will dictate future activity levels for HAUListic, as referred to in the US 3PL segment Market Outlook beginning on page 36. This forward-looking statement assumes that while consumers are somewhat stretched as they struggle with elevated interest rates and an economy that is facing headwinds, there are signs of a freight demand recovery as retailers initiate inventory rebalancing. There also remains excess carrier capacity particularly in the full truckload space, however, the recent increase in operating authority revocations in the U.S. suggests carrier capacity is shrinking, which generally leads to improved pricing. As well, there are indications of other 3PL operators downsizing, looking to be sold or shutting down. This is creating a market in which 3PL talent is looking for stable work opportunities. HAUListic's independent station agent model is an ideal fit for these would be candidates and adding station agents is a priority for HAUListic in 2024. Finally, HAUListic remains focused on enhancing SilverExpress™, which includes adopting artificial intelligence applications that optimize the operating capabilities of SilverExpress™. This focus on process improvement will allow HAUListic to capitalize on the eventual rebound in the freight market.
- Mullen Group's intention to use the Bank Credit Facilities and the anticipated cash flow from operating activities in 2024 to finance its ongoing working capital requirements, the NCIB program, the 2024 dividend, the 2024 capital budget, as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 39. 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. 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 Corporation's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). 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.

<sup>1</sup> Refer to the section entitled "Other Financial Measures".



## NON-IFRS FINANCIAL MEASURES

The Annual Financial Statements attached and referred to in this MD&A were prepared according to IFRS Accounting Standards. References to net income – adjusted, earnings per share – adjusted, and net revenue are not measures recognized by IFRS Accounting Standards and do not have standardized meanings prescribed by IFRS Accounting Standards. 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-IFRS 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 IFRS Accounting Standards. Investors are cautioned that these indicators should not replace the foregoing IFRS Accounting Standards terms: net income, earnings per share and revenue.

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

The following table illustrates net income and basic earnings per share before considering the impact of the net foreign exchange gains or losses, the change in fair value of investments, the gain or loss on fair value of equity investments and the loss on sale of non-core business. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective.

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended December 31		Years ended December 31	
	2023	2022	2023	2022
Income before income taxes	\$ 41.7	\$ 76.6	\$ 183.1	\$ 210.9
Add (deduct):				
Net foreign exchange (gain) loss	(0.8)	(2.1)	(4.2)	10.8
Change in fair value of investments	(0.3)	(0.4)	(0.3)	(0.1)
Loss (gain) on fair value of equity investments	—	(2.8)	0.6	(2.8)
Loss on sale of non-core business	—	0.1	—	0.1
Income before income taxes – adjusted	40.6	71.4	179.2	218.9
Income tax rate	25%	25%	25%	25%
Computed expected income tax expense	(10.2)	(17.8)	(44.8)	(54.7)
Net income – adjusted	30.4	53.6	134.4	164.2
Weighted average number of Common Shares outstanding – basic	88,423,848	92,930,386	89,931,795	93,351,897
Earnings per share – adjusted	\$ 0.34	\$ 0.58	\$ 1.49	\$ 1.76

### Net Revenue

Net revenue is calculated by subtracting DOE (primarily comprised of expenses associated with the use of Contractors) from revenue. Management calculates and measures net revenue within the US 3PL segment as it provides an important measurement in evaluating our financial performance as well as our ability to generate an appropriate return in the 3PL market.

<i>(unaudited)</i> (\$ millions)	Three month periods ended December 31		Years ended December 31	
	2023	2022	2023	2022
Revenue	\$ 47.7	\$ 52.6	\$ 198.3	\$ 221.8
Direct operating expenses	(43.6)	(48.0)	(180.2)	(202.2)
Net Revenue	\$ 4.1	\$ 4.6	\$ 18.1	\$ 19.6



## OTHER FINANCIAL MEASURES

Other financial measures consist of supplementary financial measures and capital management measures.

### Supplementary Financial Measures

Supplementary financial measures are financial measures disclosed by a company that (a) are, or are intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of a company, (b) are not disclosed in the financial statements of a company, (c) are not non-IFRS financial measures, and (d) are not non-IFRS ratios. The following are supplementary financial measures disclosed by the Corporation.

#### Operating Margin

Operating margin is a supplementary financial measure and is defined as OIBDA divided by revenue. Management relies on operating margin as a measurement since it provides an indication of our ability to generate an appropriate return as compared to the associated risk and the amount of assets employed within our principal business activities.

<i>(unaudited)</i> (\$ millions)	Three month periods ended December 31		Years ended December 31	
	2023	2022	2023	2022
OIBDA	\$ 79.2	\$ 77.6	\$ 328.2	\$ 329.9
Revenue	\$ 498.6	\$ 502.7	\$ 1,994.7	\$ 1,999.5
Operating margin	15.9%	15.4%	16.5%	16.5%

#### 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 December 31		Years ended December 31	
	2023	2022	2023	2022
Purchase of property, plant and equipment	\$ 27.2	\$ 32.3	\$ 101.6	\$ 81.4
Proceeds on sale of property, plant and equipment	(2.4)	(35.8)	(12.8)	(48.6)
Net capital expenditures	\$ 24.8	\$ (3.5)	\$ 88.8	\$ 32.8

#### 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 December 31		Years ended December 31	
	2023	2022	2023	2022
Net cash from operating activities	\$ 105.0	\$ 100.5	\$ 276.8	\$ 263.0
Weighted average number of Common Shares outstanding	88,423,848	92,930,386	89,931,795	93,351,897
Cash flow per share	\$ 1.19	\$ 1.08	\$ 3.08	\$ 2.82





## Capital Management Measures

Capital management measures are financial measures disclosed by a company that (a) are intended to enable users to evaluate a company's objectives, policies and processes for managing the entity's capital, (b) are not a component of a line item disclosed in the primary financial statements of the company, (c) are disclosed in the notes of the financial statements of the company, and (d) are not disclosed in the primary financial statements of the company. The Corporation has disclosed the following capital management measure.

### Total Net Debt

The term "*total net debt*" means all debt excluding the Debentures but includes the Private Placement Debt, lease liabilities, the Bank Credit Facilities and letters of credit less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the consolidated statement of financial position. Total net debt is defined within our Private Placement Debt agreement and is used to calculate our total net debt to operating cash flow covenant. Management calculates and discloses total net debt to provide users of this MD&A with an understanding of how our debt covenant is calculated.

<i>(unaudited)</i> (\$ millions)	December 31, 2023	
Private Placement Debt (including the current portion)	\$	473.6
Lease liabilities (including the current portion)		98.4
Bank indebtedness		73.0
Letters of credit		2.2
Long-term debt (including the current portion)		1.0
Total debt		648.2
Less: unrealized gain on Cross-Currency Swaps		(43.4)
Add: unrealized loss on Cross-Currency Swaps		—
Total net debt	\$	604.8

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**DECEMBER 31, 2023**  
**ANNUAL FINANCIAL REPORT**

# INDEPENDENT AUDITORS' REPORT



## Independent auditor's report

To the Shareholders of Mullen Group Ltd.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mullen Group Ltd. and its subsidiaries (together, the Corporation) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP  
Suncor Energy Centre, 111 5th Avenue South West, Suite 3100, Calgary, Alberta, Canada, T2P 5L3  
T: +1 403 509 7500, F: +1 403 781 1825, ca\_calgary\_main\_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.





## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessment of cash generating units to which goodwill relates</b></p> <p><i>Refer to note 2d – Basis of presentation – Use of estimates and judgments, note 3 – Significant accounting policies and note 11 – Goodwill to the consolidated financial statements.</i></p> <p>The Corporation had a carrying value of \$367 million of goodwill as at December 31, 2023. Goodwill is reviewed for impairment annually at December 31, or more frequently if there are indications that impairment may have occurred. Goodwill impairment is determined based upon the recoverable amount of each cash generating unit (CGU) compared to the CGU's respective carrying amount. The recoverable amount is the higher of fair value less costs of disposal (FVLCD) and value in use. If the carrying amount of a CGU exceeds its recoverable amount, the difference is recognized as an impairment charge. The recoverable amounts were determined by using the FVLCD approach, based on discounted future cash flow models. The discounted future cash flow models reflect the specifics of each CGU and its business environment and calculates the present value of the estimated future earnings of each CGU. Key assumptions used in the discounted future cash flow models included terminal value growth rates, revenue growth rates and discount rates.</p> <p>We considered this a key audit matter due to the judgments made by management in determining the recoverable amounts of CGUs, to which goodwill relates, including the use of key assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"><li>• Evaluated how management determined the recoverable amounts of a sample of CGUs, to which goodwill relates, which included the following:<ul style="list-style-type: none"><li>– Tested the appropriateness of the method and discounted cash flow models and tested the mathematical accuracy thereof.</li><li>– Tested the underlying data used in the discounted cash flow models.</li><li>– Tested the reasonableness of the revenue growth rates by considering management's strategic plans approved by the Board, industry growth rates and available third party published economic data.</li><li>– Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the terminal value growth rates and discount rates applied by management.</li><li>– Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of the terminal value growth rates and discount rates.</li></ul></li></ul>





Key audit matter	How our audit addressed the key audit matter
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performing procedures to test the key assumptions.  
Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.

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### Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's







report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other





matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Scott Don Althen.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Calgary, Alberta  
February 14, 2024



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands)	Note	December 31	
		2023	2022
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	6	\$ 2,295	\$ 8,757
Trade and other receivables	7	278,011	284,899
Inventory	8	47,693	42,035
Derivative financial instruments – current portion	14	24,023	—
Prepaid expenses		22,238	19,107
Current tax receivable		8,991	5,526
		383,251	360,324
Non-current assets:			
Property, plant and equipment	9	1,035,192	981,624
Right-of-use assets	10	92,978	87,756
Goodwill	11	367,084	365,995
Intangible assets	12	91,002	99,624
Investments	13	43,201	45,570
Deferred tax assets	18	7,285	6,699
Derivative financial instruments	14	19,334	46,436
Other assets	15	2,335	2,103
		1,658,411	1,635,807
<b>Total Assets</b>		\$ 2,041,662	\$ 1,996,131
<b>Liabilities and Equity</b>			
Current liabilities:			
Bank indebtedness	21	\$ 73,000	\$ 22,800
Accounts payable and accrued liabilities	16	151,180	151,023
Dividends payable	17	5,284	5,577
Current tax payable		3,757	19,386
Lease liabilities – current portion	19	25,578	20,992
Current portion of long-term debt	21	243,596	213
		502,395	219,991
Non-current liabilities:			
Convertible debentures – debt component	20	118,153	115,806
Long-term debt	21	230,931	481,597
Lease liabilities	19	72,826	70,871
Decommissioning liabilities		1,599	1,549
Deferred tax liabilities	18	140,874	132,920
		564,383	802,743
Equity:			
Share capital	22	801,255	845,267
Convertible debentures – equity component	20	9,116	9,116
Contributed surplus		20,141	18,619
Accumulated other comprehensive income		2,298	2,868
Retained earnings		142,074	97,527
		974,884	973,397
Subsequent events	36		
<b>Total Liabilities and Equity</b>		\$ 2,041,662	\$ 1,996,131

The notes which begin on page 84 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on February 14, 2024, after review by the Audit Committee.

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

**"Signed: Richard Whitley"**  
Richard Whitley, Director





## CONSOLIDATED STATEMENT OF INCOME

<i>(thousands, except per share amounts)</i>	Note	Years ended December 31	
		2023	2022
Revenue	24	\$ 1,994,721	\$ 1,999,453
Direct operating expenses		1,404,956	1,427,939
Selling and administrative expenses		261,580	241,625
Operating income before depreciation and amortization		328,185	329,889
Depreciation of property, plant and equipment	9	73,223	71,122
Depreciation of right-of-use assets	10	29,133	24,189
Amortization of intangible assets	12	13,533	17,202
Finance costs	26	37,055	35,043
Net foreign exchange (gain) loss	14	(4,203)	10,787
Other (income) expense	28	(3,696)	(39,335)
Income before income taxes		183,140	210,881
Income tax expense	18	46,421	52,262
Net income		\$ 136,719	\$ 158,619
Earnings per share:	23		
Basic		\$ 1.52	\$ 1.70
Diluted		\$ 1.45	\$ 1.62
Weighted average number of Common Shares outstanding:	23		
Basic		89,932	93,352
Diluted		99,100	102,407

*The notes which begin on page 84 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands)</i>	Years ended December 31	
	2023	2022
Net income	\$ 136,719	\$ 158,619
Other comprehensive income		
<i>Items that may be reclassified subsequently to statement of income</i>		
Exchange differences from translating foreign operations	(570)	1,780
Other comprehensive (loss) income, net of tax	(570)	1,780
Total comprehensive income	\$ 136,149	\$ 160,399

*The notes which begin on page 84 are an integral part of these consolidated financial statements.*



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands)	Note	Share capital	Convertible debentures – equity component	Contributed surplus	Accumulated Other Comprehensive Income	Retained earnings	Total
Balance at January 1, 2023		\$ 845,267	\$ 9,116	\$ 18,619	\$ 2,868	\$ 97,527	\$ 973,397
Net income for the period		—	—	—	—	136,719	136,719
Other comprehensive income (loss), net of tax		—	—	—	(570)	—	(570)
Common Shares repurchased	22	(44,824)	—	468	—	(27,692)	(72,048)
Common Shares issued on acquisition	5	812	—	—	—	—	812
Stock-based compensation expense		—	—	1,054	—	—	1,054
Dividends declared to common shareholders	17	—	—	—	—	(64,480)	(64,480)
Balance at December 31, 2023		\$ 801,255	\$ 9,116	\$ 20,141	\$ 2,298	\$ 142,074	\$ 974,884

(thousands)	Note	Share capital	Convertible debentures – equity component	Contributed surplus	Accumulated Other Comprehensive Income	Retained earnings	Total
Balance at January 1, 2022		\$ 853,614	\$ 9,116	\$ 22,578	\$ 1,088	\$ 2,268	\$ 888,664
Net income for the period		—	—	—	—	158,619	158,619
Other comprehensive income, net of tax		—	—	—	1,780	—	1,780
Common Shares repurchased	22	(12,219)	—	(4,702)	—	—	(16,921)
Common Shares issued on acquisition	5	3,872	—	—	—	—	3,872
Stock-based compensation expense		—	—	743	—	—	743
Dividends declared to common shareholders	17	—	—	—	—	(63,360)	(63,360)
Balance at December 31, 2022		\$ 845,267	\$ 9,116	\$ 18,619	\$ 2,868	\$ 97,527	\$ 973,397

The notes which begin on page 84 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(thousands)</i>	Note	Years ended December 31	
		2023	2022
Cash provided by (used in):			
<b>Cash flows from operating activities:</b>			
Net income		\$ 136,719	\$ 158,619
Adjustments for:			
Depreciation and amortization		115,889	112,513
Finance costs	26	37,055	35,043
Stock-based compensation expense		1,054	743
Foreign exchange loss (gain) on cross-currency swaps	14	3,079	(9,044)
Foreign exchange (gain) loss		(7,458)	20,498
Other (income) expense	28	(3,696)	(39,335)
Income tax expense	18	46,421	52,262
Cash flows from operating activities before non-cash working capital items		329,063	331,299
Changes in non-cash working capital items from operating activities		13,916	(28,854)
Cash generated from operating activities		342,979	302,445
Income tax paid		(66,232)	(39,475)
Net cash from operating activities		276,747	262,970
<b>Cash flows from financing activities:</b>			
Bank indebtedness	21	50,200	(66,245)
Repurchase of Common Shares	22	(72,048)	(22,921)
Cash dividends paid to common shareholders		(64,773)	(61,564)
Interest paid		(35,373)	(32,759)
Repayment of long-term debt and loans	21	(23,912)	(8,532)
Repayment of lease liabilities	19	(28,086)	(23,264)
Changes in non-cash working capital items from financing activities	33	(54)	148
Net cash used in financing activities		(174,046)	(215,137)
<b>Cash flows from investing activities:</b>			
Acquisitions net of cash (bank indebtedness) acquired	5	(25,628)	(25,573)
Purchase of property, plant and equipment		(101,598)	(81,410)
Proceeds on sale of property, plant and equipment		12,785	48,604
Proceeds on sale of non-core business	28	—	16,500
Interest received		794	395
Proceeds on sale of investments	13	1,868	—
Net investment in finance leases		192	255
Other assets		(213)	3,422
Dividends from equity investees		1,150	490
Changes in non-cash working capital items from investing activities	33	756	324
Net cash used in investing activities		(109,894)	(36,993)
Change in cash and cash equivalents		(7,193)	10,840
Cash and cash equivalents at January 1		8,757	—
Effect of exchange rate fluctuations on cash held		731	(2,083)
Cash and cash equivalents at December 31		6 \$ 2,295	\$ 8,757

*The notes which begin on page 84 are an integral part of these consolidated financial statements.*



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

(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. The Corporation also operates as a third-party logistics provider in the U.S. 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 consolidated financial statements ("**Annual Financial Statements**") include the accounts of the Corporation, its subsidiaries and its limited partnerships.

## 2. Basis of Presentation

### (a) Statement of Compliance

These Annual Financial Statements have been prepared in accordance to and comply with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**").

### (b) Basis of Measurement

These Annual 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 ("**FVTPL**").

### (c) Functional and Presentation Currency

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

### (d) Use of Estimates and Judgements

The preparation of these Annual Financial Statements in accordance with IFRS Accounting Standards requires the use of certain critical accounting estimates, judgements and assumptions. The carrying amount of assets, liabilities, accruals, provisions, other financial obligations, as well as the determination of fair values, contingent liabilities, reported income and expense in these Annual Financial Statements depends on the use of estimates, judgements and assumptions. In the process of applying the Corporation's accounting policies management takes into consideration existing circumstances and estimates at the date of these Annual Financial Statements, which affects the reported amounts of income and expenses during the reporting periods. Given the uncertainty inherent in determining these factors, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements and, if not, whether they are sufficiently material to warrant separate presentation in the notes to the financial statements.

This section contains the Corporation's estimates and judgements that relate to the financial statements as a whole. When an estimate, judgement or accounting policy is acceptable to a specific note to the financial statements, the estimate, judgement or policy and related disclosures are provided within that note as identified in the table below:

Note	Topic	Page	Note	Topic	Page
6	Cash and cash equivalents	93	16	Accounts payable and accrued liabilities	101
7	Trade and other receivables	93	18	Income taxes	101
8	Inventory	94	19	Lease Liabilities	104
9	Property, plant and equipment	94	20	Convertible Unsecured Subordinated Debentures	106
10	Right-of-Use-Assets	96	23	Earnings per share	108
11	Goodwill	96	27	Share-based compensation plans	112
12	Intangible assets	99	34	Operating segments	120
14	Derivative Financial Instruments	99			

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant items impacted by such estimates and judgements are outlined below. Readers are cautioned that the foregoing list is not exhaustive and other items may also be affected by estimates and judgements.

### Judgements

#### (i) Impairment Tests

Mullen Group assesses, at the end of each reporting period, whether there is an indication that an asset or cash generating unit ("**CGU**") may be impaired. If any indication of impairment exists, Mullen Group determines the recoverable amount of the asset or CGU. External triggering events include, for example, changes in customer or industry dynamics, drilling and other technologies and economic declines, including the decline in the value of Mullen Group's Common Share price. Internal triggering events for impairment include, for example, lower profitability or planned restructuring.



### Estimates

#### (i) *Acquisitions*

The acquired assets, assumed liabilities (other than deferred taxes) and contingent consideration are recognized at fair value on the date Mullen Group effectively obtains control. The measurement of the assets and liabilities acquired in each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property, plant and equipment and other assets and the liabilities assumed at the date of acquisition as well as the useful lives of the acquired intangible assets and property, plant and equipment is based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition. Contingent consideration is based on the likelihood of various outcomes of specified future events. ► **For more information, refer to Note 5.**

#### (ii) *Impairment Tests*

Mullen Group's impairment tests compare the carrying amount of the asset or CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("**FVLCD**") and value in use ("**VIU**"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses estimates, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows. ► **For more information, refer to Notes 11 and 12.**

### **3. Material Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these Annual Financial Statements.

#### (a) *Basis of Consolidation*

These Annual Financial Statements include the accounts of Mullen Group, its subsidiaries and its limited partnerships. The financial statements of such subsidiaries and limited partnerships controlled by Mullen Group are included in these Annual Financial Statements from the date that control commenced until the date that control ceases. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from its subsidiaries and limited partnerships and has the ability to affect those returns through its power to direct their activities. The accounting policies of subsidiaries and limited partnerships are the same as those of the Corporation. For the year ended December 31, 2023, the scope of consolidation for these Annual Financial Statements encompassed 97 entities, of which two were a first time consolidation. The first time consolidations were a result of the acquisitions of B. & R. Eckel's Transport Ltd. ("**B&R**") and Butler Ridge Energy Services (2011) Ltd. ("**Butler Ridge**"). During 2023, four entities ceased existence due to internal corporate reorganizations.

#### (b) *Changes in Accounting Policies*

##### International Accounting Standards 12 - Income Taxes

On January 1, 2023, Mullen Group adopted deferred tax related to assets and liabilities arising from a single transaction issued by the International Accounting Standards Board ("**IASB**"), which made amendments to International Accounting Standards 12 – Income Taxes. The amendments require entities to recognize deferred tax on transactions, on initial recognition, giving rise to equal amounts of taxable and deductible temporary differences.

On January 1, 2023, Mullen Group adopted the measurement aspects of the amendment to International Accounting Standards 12 – International Tax Reform – Pillar Two Models, which provides an exception to the requirements for income tax accounting that an entity shall neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

There has been no material impact to Mullen Group's consolidated financial statements as a result of these amendments.

#### (c) *New Standards and Interpretations not yet adopted*

Mullen Group has reviewed new and revised standards and interpretations that have been approved by IFRS Accounting Standards. The following outlines new amendments to IFRS Accounting Standards that are applicable to, or may have a future impact on Mullen Group.

##### International Accounting Standards 1 – Presentation of Financial Statements

Effective for annual periods beginning on or after January 1, 2024, International Accounting Standards 1 – Presentation of Financial Statements has been amended to clarify how to classify debt and other liabilities as either current or non-current.

The Corporation has assessed the impact of this amendment on future periods and does not expect a material impact on the consolidated financial statements at the adoption date.

#### (d) *Investment Properties*

Investment properties consist of real property that are held to earn rental income and are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition or the development of real property held to earn rental income. Subsequent to initial measurement, investment properties are measured using the cost model and are recorded at cost less accumulated depreciation.



Depreciation is recorded annually on the buildings included within real property held to earn rental income on the declining balance basis at a rate of 2.5 percent per annum.

(e) Foreign Currency

Transactions in foreign currencies are translated to Canadian dollars, Mullen Group's functional currency, at the exchange rate on the date of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The financial statements for each of the Business Units are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of Mullen Group is Canadian dollars. The functional currency of HAUListic LLC ("HAUListic"), a U.S. based third-party logistics provider is U.S. dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates prevailing at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of income.

(f) Impairment of Assets

Assets are assessed at the end of each reporting period to determine if any indication of impairment exists. If any such indication exists, Mullen Group estimates the recoverable amount of the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets. Recoverability is measured by comparing the carrying amount of the asset or the CGU to which the asset belongs to the higher of its FVLCD and its VIU. VIU and FVLCD are calculated using the estimated discounted future cash flows expected to be generated by the asset or its CGU. If the carrying amount of the asset, or its respective CGU, exceeds its estimated recoverable amount, the difference is recognized as an impairment charge.

Impairment losses are recognized in net income. An impairment loss in respect of goodwill is irreversible. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amounts of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU on a pro rata basis.

Mullen Group's corporate assets, which do not generate separate cash inflows, are allocated to the CGUs on a reasonable basis for impairment testing purposes.

(g) Financial Instruments

(i) Mullen Group has adopted International Financial Reporting Standards ("IFRS") 9 Financial Instruments as it relates to classification and measurement of financial assets and financial liabilities. Mullen Group adopted IFRS 9 as it is consistent with Mullen Group's objective and approach to managing its financial assets and financial liabilities.

(ii) *Non-Derivative Financial Assets*

<b>Financial Assets</b>	<b>Initial Measurement</b>	<b>Subsequent Measurement</b>
Cash and cash equivalents	Fair value	Amortized cost
Trade and other receivables	Fair value	Amortized cost
Investments	Fair value	FVTPL
Investments – equity method	Fair value	Equity method
Other assets	Fair value	Amortized cost

Cash and cash equivalents are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial assets are measured at amortized cost using the effective interest method.

Mullen Group initially recognizes trade and other receivables and other assets on the date that they originate. Impairment of trade and other receivables is recognized in selling and administrative expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized



impairment loss, or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Mullen Group initially measures investments at fair value. Subsequent to initial recognition these financial assets are measured at FVTPL at the end of each reporting period. The purchase and sale of investments are recognized at the trade date of such transaction. When control of a Business Unit is lost, any retained interest is re-measured to its fair value with any resulting gain or loss being recognized within the statement of comprehensive income. As such, a gain or loss is recognized on the portion retained in addition to the gain or loss on the portion no longer owned.

Mullen Group initially recognizes equity investments at fair value. Subsequent to initial recognition these financial assets are measured using the equity method. Mullen Group uses the equity method to account for investments in which it has significant influence or joint control. Under the equity method, Mullen Group recognizes its share of profits or losses of the investee within the statement of comprehensive income. Dividends received from equity investments are recognized as a reduction in the carrying amount of the investment.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, Mullen Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Mullen Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Mullen Group is recognized as a separate asset or liability.

(iii) *Non-Derivative Financial Liabilities*

<b>Financial Liabilities</b>	<b>Initial Measurement</b>	<b>Subsequent Measurement</b>
Accounts payable and accrued liabilities	Fair value	Amortized cost
Dividends payable	Fair value	Amortized cost
Long-term debt	Fair value	Amortized cost
Convertible debentures – debt component	Fair value	Amortized cost

Financial liabilities are recognized initially on the trade date at which Mullen Group becomes a party to the contractual provisions of the instrument. Financial liabilities that are not designated at FVTPL are initially measured at fair value plus or minus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, Mullen Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Mullen Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Accounts payable and accrued liabilities and dividends payable are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Mullen Group initially recognizes debt securities issued and subordinated liabilities on the date that they originate. Mullen Group's long-term debt is comprised of a series of unsecured debt as follows: U.S. \$117.0 million of Series G Notes, U.S. \$112.0 million of Series H Notes, CDN. \$30.0 million of Series I Notes, CDN. \$3.0 million of Series J Notes, CDN. \$58.0 million of Series K Notes and CDN. \$80.0 million of Series L Notes (collectively, the "**Private Placement Debt**").

In June 2019, Mullen Group issued an aggregate principal amount of \$125.0 million of convertible unsecured subordinated debentures (the "**Debentures**"). The component parts of the Debentures issued by the Corporation were classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the debt component was estimated using the prevailing market interest rate for similar non-convertible instruments. This amount was recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The fair value of the conversion option (labelled Convertible debentures – equity component) was determined at issue date by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This conversion option is recognized net of income tax effects as equity and is not subsequently re-measured. In addition, the conversion option remains in equity until the conversion option is exercised, in which case, the balance recognized in equity is transferred to share capital. No gain or loss is recognized in the statement of comprehensive income upon conversion or expiration of the conversion option. As such, a proportionate amount of any unamortized debt issuance costs and accretion related to the Debentures converted into Common Shares is transferred to share capital on the conversion date.

(iv) *Derivative Financial Instruments*

Derivatives consist of financial contracts that derive their value from underlying changes in foreign exchange rates, interest rates, credit spreads or other financial measures. Mullen Group uses Derivatives such as Cross-Currency Swaps (refer to Note 14) as part of its foreign exchange risk management strategy. Derivatives are measured initially at fair value. Subsequent to initial recognition, Derivatives are





measured at FVTPL and are recorded in the statement of comprehensive income. Mullen Group has not designated any Derivatives as hedges for accounting purposes.

(v) *Decommissioning liabilities*

Decommissioning liabilities are measured at the present value of the expenditures expected to be incurred to remediate, reclaim and abandon the Corporation's disposal wells and related facilities in future periods. The Corporation uses an estimated inflation rate and a risk-free interest rate in the measurement of the present value of its decommissioning liabilities. The corresponding asset cost associated with the decommissioning liabilities are capitalized within property, plant and equipment and are amortized over their estimated useful life. Any revisions to the estimated timing, amount of cash flows, inflation rate or risk-free interest rate are recognized as a change in the decommissioning liabilities and the corresponding asset cost. Accretion expense is recognized in the consolidated statement of comprehensive income within other (income) expense. The estimated future costs of the Corporation's decommissioning liabilities are reviewed and adjusted as required at the end of each reporting period.

(vi) *Equity*

Common Shares are presented in share capital within equity. Incremental costs directly attributable to the issue of Common Shares and share options are recognized as a deduction from share capital, net of any tax effects. When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs net of any tax effects, is recognized as a deduction from share capital. When Common Shares are repurchased and cancelled, the stated value is deducted from share capital and the resulting surplus or deficit on the transaction is recorded against contributed surplus or retained earnings within equity.

(h) *Provisions*

A provision is recognized in the financial statements when Mullen Group has an material obligation, whether existing or potential, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to exist, then the estimated amount of the provision is determined by discounting the expected future cash outflows.

(i) *Finance costs*

Finance costs encompass interest expense on financial liabilities and accretion expense on debt and are recognized as an expense in the period in which they are incurred. Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that purchase.

(j) *Employee Benefits*

(i) *Short-Term Employee Benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under Mullen Group's profit share plans when a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

(k) *Acquisitions*

Acquisitions of businesses are accounted for using the acquisition method. Acquired assets and assumed liabilities are recognized at their fair values at the acquisition date. For those acquisitions that include a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and subsequent changes in such fair value amounts are recognized in net income. Acquisition-related costs are recognized in net income as incurred.

If the initial accounting for a business combination has not been finalized by the end of the reporting period in which the combination occurs, Mullen Group reports estimated amounts. These estimated amounts are adjusted retrospectively during the measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

#### 4. Determination of Fair Values

A number of Mullen Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in Note 2 and in notes specific to that asset or liability.

Financial instruments measured at fair value on the statement of financial position require classification into one of the following levels of the fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.



The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

(a) Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(b) Property, Plant and Equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on fair values at date of acquisition. The fair value of items of property, plant and equipment is based on market or cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(c) Intangible Assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(d) Investments

The fair value of financial assets designated as measured at fair value, is determined by reference to their quoted closing price at the reporting date. Other than investments accounted for by the equity method, the fair value of all of Mullen Group's investments were determined using Level 1 of the fair value hierarchy.

(e) Derivative Financial Instruments

The fair value of Derivatives 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. Transaction costs are recognized in net income as incurred.

(f) Accounts Payable and Accrued Liabilities

The fair value of accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(g) Non-Derivative Financial Liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(h) Private Placement Debt

The fair value of Private Placement Debt is determined using Level 2 of the fair value hierarchy. Level 2 values are determined by referencing observable market data, including changes to interest rates and foreign exchange fluctuations.

(i) Convertible debentures – debt component

The fair value of convertible debentures – debt component is determined using Level 1 of the fair value hierarchy. Level 1 values are determined using quoted prices in active markets.



Fair Values Versus Carrying Amounts

The following tables compare the fair value of financial assets and financial liabilities to its corresponding carrying amount as presented in the consolidated statement of financial position:

<b>December 31, 2023</b>		
<b>Financial Instrument</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 2,295	\$ 2,295
Trade and other receivables	278,011	278,011
Investments (excluding investments accounted for by using the equity method)	1,027	1,027
Other assets	2,335	2,335
<b>Total financial assets</b>	<b>\$ 283,668</b>	<b>\$ 283,668</b>
Bank indebtedness	\$ 73,000	\$ 73,000
Accounts payable and accrued liabilities	151,180	151,180
Dividends payable	5,284	5,284
Private Placement Debt	473,576	460,269
Convertible debentures - debt component	118,153	116,050
<b>Total financial liabilities</b>	<b>\$ 821,193</b>	<b>\$ 805,783</b>
<b>December 31, 2022</b>		
<b>Financial Instrument</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 8,757	\$ 8,757
Trade and other receivables	284,899	284,899
Investments (excluding investments accounted for by using the equity method)	2,515	2,515
Other assets	2,103	2,103
<b>Total financial assets</b>	<b>\$ 298,274</b>	<b>\$ 298,274</b>
Bank indebtedness	\$ 22,800	\$ 22,800
Accounts payable and accrued liabilities	151,023	151,023
Dividends payable	5,577	5,577
Private Placement Debt	480,675	440,174
Convertible debentures – debt component	115,806	118,021
<b>Total financial liabilities</b>	<b>\$ 775,881</b>	<b>\$ 737,595</b>



## 5. Acquisitions

### 2023 Acquisitions

R. Dufour Enterprises Ltd. – On October 2, 2023, Mullen Group acquired the assets and business of R. Dufour Enterprises Ltd. ("**R. Dufour**") for total cash consideration of \$3.2 million. R. Dufour is a privately held company headquartered in Dawson Creek, British Columbia. The financial results of the assets and business acquired were integrated into Bandstra Transportation Systems Ltd. which is included within the Logistics & Warehousing segment.

B. & R. Eckel's Transport Ltd. – On May 1, 2023, Mullen Group acquired all of the issued and outstanding shares of B&R for total cash consideration of \$20.4 million. Mullen Group recognized \$20.4 million of cash used to acquire B&R on its consolidated statement of cash flows within cash flows from investing activities, which consists of \$19.9 million of cash consideration and \$0.5 million of bank indebtedness acquired. In conjunction with the acquisition of B&R, Mullen Group also repaid \$23.6 million of debt on closing, consisting of both related party and third party debt, which was recognized within repayment of long-term debt and loans on its consolidated statement of cash flows under cash flows from financing activities. B&R is a privately held company headquartered in Bonnyville, Alberta and provides three primary service offerings to a diverse group of customers in the greater Northeastern Alberta region: less-than-truckload ("**LTL**"), full truckload and general oilfield hauling. The acquisition of B&R aligns with Mullen Group's strategy of acquiring transportation companies that have a strong regional presence as well as investing in the energy sector. The financial results of B&R are split between the Less-Than-Truckload segment and the Specialized & Industrial Services segment.

Butler Ridge Energy Services (2011) Ltd. – On July 1, 2015, Mullen Group acquired approximately 32.0 percent of the issued and outstanding shares of Butler Ridge for \$1.0 million. Mullen Group used the equity method to account for this investment and recognized \$1.0 million of earnings from July 1, 2015 until March 1, 2023. On March 1, 2023, Mullen Group acquired all of the remaining issued and outstanding shares of Butler Ridge for total consideration of \$3.1 million. Mullen Group recorded \$2.0 million of cash used to acquire Butler Ridge on its consolidated statement of cash flows, which consists of \$2.2 million of cash consideration net of \$0.2 million of cash and cash equivalents acquired. The Corporation also issued 57,180 Common Shares of Mullen Group to the vendors. The fair value of Butler Ridge was \$4.5 million on the date control was obtained resulting in a \$0.6 million loss on this equity investment being recognized within other (income) expense on the consolidated statement of comprehensive income. Butler Ridge is based in Hudson's Hope, British Columbia and offers a complete package of fluid management services to the energy sector in the Peace River region. We acquired Butler Ridge as part of our strategy to invest in the energy sector. The financial results of Butler Ridge are included within the Specialized & Industrial Services segment.

### 2022 Acquisitions

Cordova Oilfield Services Ltd. – On April 17, 2015, Mullen Group acquired approximately 34.0 percent of the issued and outstanding shares of Cordova Oilfield Services Ltd. ("**Cordova**") for \$0.6 million. Mullen Group used the equity method to account for this investment and recognized \$0.5 million of earnings from April 17, 2015 until November 1, 2022. On November 1, 2022, Mullen Group acquired all of the remaining issued and outstanding shares of Cordova for total consideration of \$8.1 million. Mullen Group recorded \$4.2 million of cash used to acquire Cordova in our consolidated statement of cash flows and issued 284,078 Common Shares of Mullen Group to the vendors. The fair value of Cordova was \$12.0 million on the date control was obtained resulting in a \$2.8 million gain on this equity investment being recognized within other (income) expense on the consolidated statement of comprehensive income. Cordova is an oilfield fluid storage and transportation company and provides specialized warehousing, inventory management and transportation of oil country tubular goods to the Peace River region in northeastern British Columbia. Mullen Group acquired Cordova as part of its strategy to invest in the energy sector. The financial results of Cordova are included within the Specialized & Industrial Services segment.

Willy's Trucking Service – On May 1, 2022, Mullen Group acquired all of the issued and outstanding shares of 1297683 Alberta Ltd., which operates as Willy's Trucking Service ("**Willy's**") for total cash consideration of \$18.9 million, including three owned facilities. Mullen Group recognized \$17.8 million of cash used to acquire Willy's on its consolidated statement of cash flows, which consists of \$18.9 million of cash consideration paid on closing net of \$1.1 million of cash acquired. Mullen Group also repaid \$8.4 million of long-term debt and shareholder loans on the closing date. Willy's is a privately held company headquartered in Edmonton, Alberta and provides regional LTL, general freight and logistic services across northern Alberta and northeastern British Columbia. Mullen Group acquired Willy's as part of its strategy to invest in the transportation sector by acquiring companies that have a strong regional presence. The financial results of Willy's are included within the Less-Than-Truckload segment.

Monarch Messenger Services Ltd. – On January 1, 2022, Mullen Group acquired the assets and business of Monarch Messenger Services Ltd. ("**Monarch**") for total cash consideration of \$3.7 million. Monarch is a privately held company headquartered in Calgary, Alberta and provides courier and small package delivery transportation services as well as ambient temperature controlled freight in Alberta. The acquisition of the assets and business of Monarch aligns with Mullen Group's strategy of acquiring transportation and logistics companies that have a strong regional presence. The financial results of Monarch were integrated into West Direct Express Ltd. which is included within the Less-Than-Truckload segment and Caneda Transport Ltd., which is included within the Logistics & Warehousing segment.



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These acquisitions have been accounted for by the acquisition method, and results of operations have been included in these Annual Financial Statements from the date of acquisition. The goodwill acquired in these acquisitions primarily relates to the assembled workforce and the synergies from the integration of the acquired businesses.

	R. Dufour		B&R		Butler Ridge		2023
Assets:							
Non-cash working capital items	\$	59	\$	12,964	\$	101	\$ 13,124
Property, plant and equipment		3,148		30,965		2,142	36,255
Right-of-use assets		—		9,334		170	9,504
Intangible assets		—		2,410		2,830	5,240
Goodwill <sup>(1)</sup>		—		1,538		290	1,828
Other		—		70		—	70
		3,207		57,281		5,533	66,021
Assumed liabilities:							
Lease liabilities (long-term portion)		—		6,586		131	6,717
Deferred income taxes		—		6,632		1,066	7,698
Due to related party		—		17,494		—	17,494
Long-term debt		—		6,164		69	6,233
		—		36,876		1,266	38,142
Net assets before cash and cash equivalents		3,207		20,405		4,267	27,879
Cash and cash equivalents (bank indebtedness)		—		(517)		234	(283)
Net assets		3,207		19,888		4,501	27,596
Consideration:							
Cash		3,207		19,888		2,250	25,345
Share consideration		—		—		812	812
Fair value of equity investment		—		—		1,439	1,439
	\$	3,207	\$	19,888	\$	4,501	\$ 27,596

<sup>(1)</sup> Goodwill is not deductible for tax purposes

	Cordova		Willy's		Monarch		2022
Assets:							
Non-cash working capital items	\$	2,249	\$	(809)	\$	—	\$ 1,440
Property, plant and equipment		1,227		8,921		1,994	12,142
Right-of-use assets		—		2,122		—	2,122
Intangible assets		7,200		8,970		460	16,630
Goodwill		3,768 <sup>(1)</sup>		10,686 <sup>(1)</sup>		1,235	15,689
		14,444		29,890		3,689	48,023
Assumed liabilities:							
Lease liabilities (long-term portion)		—		1,250		—	1,250
Deferred income taxes		2,153		2,456		—	4,609
Due to shareholder		—		3,400		—	3,400
Long-term debt		330		5,039		—	5,369
		2,483		12,145		—	14,628
Net assets before cash and cash equivalents		11,961		17,745		3,689	33,395
Cash and cash equivalents acquired		48		1,118		—	1,166
Net assets		12,009		18,863		3,689	34,561
Consideration:							
Cash		4,187		18,863		3,689	26,739
Share consideration		3,872		—		—	3,872
Fair value of equity investment		3,950		—		—	3,950
	\$	12,009	\$	18,863	\$	3,689	\$ 34,561

<sup>(1)</sup> Goodwill is not deductible for tax purposes



## 6. Cash and Cash Equivalents

**Policy:** Cash and cash equivalents are comprised of cash and highly liquid short-term investments originally maturing within three months or less.

### Supporting information:

	December 31 2023	December 31 2022
Cash	\$ 2,295	\$ 8,757
Short-term investments	—	—
Cash and cash equivalents	\$ 2,295	\$ 8,757

Cash and cash equivalents are comprised of cash held at Canadian financial institutions that are rated AA- and A-1 and at U.S. financial institutions rated A-1 and AA- by S&P Credit Rating as at December 31, 2023.

## 7. Trade and Other Receivables

**Policy:** The Corporation applies an expected credit loss approach in determining provisions for financial assets (other than equity instruments) carried at amortized cost or fair value through net income and total comprehensive income. The approach that the Corporation has taken for trade receivables is a provision matrix approach whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's expected credit losses has increased.

**Estimates:** The Corporation calculates the expected credit losses on accounts receivable using a provision matrix which is based on the Corporation's historical credit loss experience for accounts receivable to estimate the lifetime expected credit losses. The provision matrix specifies fixed provision rates depending on the number of days that a trade receivable is past due.

### Supporting information:

	December 31 2023	December 31 2022
Trade receivables	\$ 245,424	\$ 256,995
Other receivables <sup>(1)</sup>	29,983	25,358
Net investment in finance leases <sup>(2)</sup>	169	155
Contract assets	2,435	2,391
	\$ 278,011	\$ 284,899

<sup>(1)</sup> Includes \$1.2 million (2022 – \$1.8 million) of amounts due from related parties.

<sup>(2)</sup> Net investment in finance leases includes amounts owing within 12 months or less and mainly consisted of the net investment in subleases on real property where the Business Unit has entered into the head lease.

A contract asset is recognition of Mullen Group's right to consideration in exchange for goods or services we have transferred to a customer that is conditional on something other than the passage of time. For Mullen Group, the majority of the contract assets consists of amounts recognized on a transportation contract that has been partially transported but not yet delivered to destination at period end.

The classification between current and non-current assets in respect of trade and other receivables was as follows:

	December 31 2023	December 31 2022
Current	\$ 278,011	\$ 284,899
Non-current	\$ —	\$ —



The aging of trade receivables and allowance for doubtful accounts was as follows:

	December 31 2023	December 31 2022
Current 0-30 days	\$ 146,143	\$ 149,662
Past due 31-60 days	68,740	71,082
Past due 61-90 days	21,959	26,528
More than 90 days	18,002	20,035
	254,844	267,307
Allowance for doubtful accounts	(9,420)	(10,312)
Total trade receivables (net of impairment)	\$ 245,424	\$ 256,995

The change in the allowance for doubtful accounts in respect of trade and other receivables during the year was as follows:

	2023	2022
Balance at January 1	\$ 10,312	\$ 5,844
Acquired during the year	220	349
Bad debts recognized	(841)	(818)
Allowance for doubtful accounts recorded	2,436	6,369
Allowance for doubtful accounts reversed	(2,707)	(1,432)
Balance at December 31	\$ 9,420	\$ 10,312

The expected credit loss allowance calculated as at December 31, 2023, was \$9.4 million, which represents a decrease of \$0.9 million as compared to the allowance calculated in the prior year.

## 8. Inventory

Inventory consists primarily of repair parts, fuel and items for resale.

**Policy:** Inventory is stated at the lower of cost or net realizable value. The cost of inventory is accounted for on a weighted average basis and includes expenditures incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

### Supporting information:

	December 31 2023	December 31 2022
Inventory of repair parts and fuel	\$ 30,745	\$ 26,025
Inventory for resale	16,948	16,010
	\$ 47,693	\$ 42,035

## 9. Property, Plant and Equipment

**Estimates:** Depreciation and amortization are calculated using a systematic and rational basis, which are based upon an estimate of each asset's useful life and residual value. The estimated useful life and residual value chosen are Mullen Group's best estimate of such and are based on industry norms, historical experience, market conditions and other estimates that consider the period and distribution of future cash inflows.

**Judgements:** Mullen Group's depreciation and amortization methods for trucks and trailers as well as other property, plant and equipment and intangible assets are based on management's judgement in selecting methods that most accurately match the pattern of economic benefits consumed by the Corporation from the use of such assets. These judgements are based upon industry norms and Mullen Group's historical experience.

**Policy:** Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.





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When the cost of a part of an item of property, plant and equipment is significant in relation to the total cost of an item and the parts have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The costs of day-to-day servicing of property, plant and equipment are recognized in direct operating expenses. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other (income) expense. Depreciation of additions and disposals is prorated from the month of purchase or disposal. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate. Except for Leasehold improvements, depreciation is recorded annually over the estimated useful lives of the assets on the declining balance basis at the following depreciation rates:

Buildings	2.5 - 8%
Trucks and trailers	10 - 20%
Equipment, satellite communication equipment, furniture and fixtures, automobiles, computer hardware, drilling equipment and systems software ("Miscellaneous Equipment")	20 - 50%

Supporting information:

	Land and buildings	Trucks and trailers	Miscellaneous Equipment	Total
Cost				
Balance at January 1, 2023	\$ 637,411	\$ 797,249	\$ 339,022	\$ 1,773,682
Additions <sup>(1)</sup>	17,151	94,653	26,449	138,253
Disposals	(2,751)	(39,463)	(8,965)	(51,179)
Balance at December 31, 2023	651,811	852,439	356,506	1,860,756
Accumulated Depreciation				
Balance at January 1, 2023	94,336	457,304	240,418	792,058
Depreciation expense	9,302	41,908	22,013	73,223
Disposals	(1,444)	(30,730)	(7,543)	(39,717)
Balance at December 31, 2023	102,194	468,482	254,888	825,564
Net book value at December 31, 2023	\$ 549,617	\$ 383,957	\$ 101,618	\$ 1,035,192

	Land and buildings	Trucks and trailers	Miscellaneous Equipment	Total
Cost				
Balance at January 1, 2022	\$ 630,722	\$ 795,761	\$ 338,884	\$ 1,765,367
Additions <sup>(1)</sup>	24,785	53,764	15,402	93,951
Disposals	(18,096)	(52,276)	(15,264)	(85,636)
Balance at December 31, 2022	637,411	797,249	339,022	1,773,682
Accumulated Depreciation				
Balance at January 1, 2022	92,237	452,383	234,776	779,396
Depreciation expense	9,287	42,990	18,845	71,122
Disposals	(7,188)	(38,069)	(13,203)	(58,460)
Balance at December 31, 2022	94,336	457,304	240,418	792,058
Net book value at December 31, 2022	\$ 543,075	\$ 339,945	\$ 98,604	\$ 981,624

<sup>(1)</sup> Additions include property, plant, and equipment purchased by way of business acquisitions of \$36.3 million (2022 – \$12.1 million).

► For more information, refer to Note 5.

At December 31, 2023, land and buildings include \$47.2 million (2022 – \$50.3 million) of investment properties held to earn rental income. The total cost and accumulated depreciation associated with investment properties was \$55.3 million (2022 – \$58.5 million) and \$8.1 million (2022 – \$8.2 million), respectively. Mullen Group generated \$3.7 million of rental income (2022 – \$3.6 million) from investment properties. At December 31, 2023, the fair market value of investment properties was \$95.8 million (2022 – \$94.9 million).

Property, plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. In 2023 and 2022, the Corporation did not record an impairment loss on property, plant and equipment.



## 10. Right-of-Use Assets

**Estimates:** Right-of-Use-Assets involves estimating each asset's useful life. The estimated useful life chosen is Mullen Group's best estimate and is based on historical experience.

**Policy:** As lease liabilities are recognized, there is a corresponding right-of-use asset recorded at the date of which the asset becomes available for use. Right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight line basis. ► **For more information, refer to Note 19.**

### Supporting information:

	Real Property	Operating Equipment	Total
Cost			
Balance at January 1, 2023	\$ 99,854	\$ 29,932	\$ 129,786
Additions	33,182	1,100	34,282
Subleases <sup>(1)</sup>	(225)	—	(225)
Disposals	(5,364)	(983)	(6,347)
Balance at December 31, 2023	127,447	30,049	157,496
Accumulated Depreciation			
Balance at January 1, 2023	26,572	15,458	42,030
Depreciation expense	21,471	7,662	29,133
Disposals	(5,662)	(983)	(6,645)
Balance at December 31, 2023	42,381	22,137	64,518
Net book value at December 31, 2023	\$ 85,066	\$ 7,912	\$ 92,978

<sup>(1)</sup> Net investment in finance leases mainly related to subleases on real property.

	Real Property	Operating Equipment	Total
Cost			
Balance at January 1, 2022	\$ 81,284	\$ 27,999	\$ 109,283
Additions	32,572	3,053	35,625
Subleases <sup>(1)</sup>	—	—	—
Disposals	(14,002)	(1,120)	(15,122)
Balance at December 31, 2022	99,854	29,932	129,786
Accumulated Depreciation			
Balance at January 1, 2022	22,810	8,441	31,251
Depreciation expense	16,160	8,029	24,189
Disposals	(12,398)	(1,012)	(13,410)
Balance at December 31, 2022	26,572	15,458	42,030
Net book value at December 31, 2022	\$ 73,282	\$ 14,474	\$ 87,756

<sup>(1)</sup> Net investment in finance leases mainly related to subleases on real property.

## 11. Goodwill

In general terms, goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

**Estimates:** The recoverability of Goodwill that involves estimating future cash flows involving Mullen Group's best estimate of the set of economic conditions that are expected to exist over the forecast period, considering past and actual performance as well as expected developments in the perspective markets and in the overall macro-economic environment, forecasted changes in drilling activity and the Business Unit's respective markets. The fair value of each CGU was determined using Level 3 of the fair value hierarchy.

**Judgements:** Estimating future cash flows requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. In addition, the allocation of shared corporate and administrative assets to our CGU's requires certain judgements. Key assumptions are detailed below.

**Policy:** Mullen Group measures goodwill as the fair value of the consideration transferred, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that Mullen Group incurs in connection with a business combination are expensed as incurred.



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For the purpose of calculating goodwill, fair values of acquired assets, assumed liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk free interest rates and risk adjusted expected future cash flows.

Goodwill is reviewed for impairment annually at December 31, or more frequently if there are indications that impairment may have occurred. Goodwill impairment is tested at the CGU level and is determined based upon the recoverable amount of each CGU compared to the CGU's respective carrying amount. At Mullen Group, the CGUs consist of each of its Business Units. The recoverable amount is the higher of FVLCD and the VIU. If the impairment loss exceeds the carrying amount of goodwill, the goodwill is written off completely. Any impairment loss left over is allocated to the remaining assets of the CGU. Impairment losses in respect of goodwill are irreversible.

**Supporting information:**

The changes in the carrying amount of goodwill are shown below:

	2023	2022
Gross amount of goodwill	\$ 1,363,995	\$ 1,356,726
Accumulated impairment	998,000	998,000
Balance at January 1	\$ 365,995	\$ 358,726
Goodwill acquired during the year <sup>(1)</sup>	1,089	17,703
Goodwill disposed on sale of non-core business	—	(10,434)
Impairment of goodwill	—	—
<b>Balance at December 31</b>	<b>\$ 367,084</b>	<b>\$ 365,995</b>

<sup>(1)</sup> Includes \$(0.7) million (2022 - \$2.0 million) of exchange rate fluctuations on the goodwill at HAUListic.

At December 31, 2023, the Less-Than-Truckload segment had a carrying value of \$178.2 million of goodwill, which is consistent with the \$178.2 million of goodwill as at December 31, 2022. The Logistics & Warehousing segment had a carrying value of \$83.4 million of goodwill in 2023, which is consistent with the \$83.4 million in 2022. The U.S. & International Logistics segment had a carrying value of \$30.8 million of goodwill in 2023 as compared to \$31.5 million in 2022. The \$0.7 million change in goodwill was due to the year over year variance in foreign exchange rates and its impact on the goodwill at HAUListic. The Specialized & Industrial Services segment had a carrying value of \$74.6 million of goodwill in 2023 as compared to \$72.8 million in 2022. This \$1.8 million increase was a result of recognizing goodwill on the acquisitions of B&R and Butler Ridge.

► For more information, refer to Note 5.

The following table summarizes the significant carrying amounts of goodwill:

	December 31 2023	December 31 2022
Cash Generating Unit		
Gardewine Group Limited Partnership	\$ 88,768	\$ 88,768
Kleysen Group Ltd.	34,099	34,099
HAUListic LLC	30,771	31,510
APPS Cartage Inc.	28,670	28,670
Hi-Way 9 Express Ltd.	23,902	23,902
Heavy Crude Hauling L.P.	16,989	16,989
Tenold Transportation Ltd.	16,580	16,580
APPS Cargo Terminals Inc.	12,251	12,251
E-Can Oilfield Services L.P.	12,094	12,094
Canadian Dewatering L.P.	11,674	11,674
Other CGUs	91,286	89,458
<b>Total Goodwill</b>	<b>\$ 367,084</b>	<b>\$ 365,995</b>

(a) Impairment Testing for Cash Generating Units Containing Goodwill

At December 31, 2023 and 2022 ("**Valuation Dates**"), Mullen Group performed its annual impairment test for goodwill and concluded that there was no impairment of goodwill in any of its CGUs as the recoverable amount for these CGUs was higher than their respective carrying amount. Recognition of any impairment of goodwill would be recognized as an expense and reduce book equity and net income but it would not impact cash flows.



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(b) Recoverable Amount

The recoverable amounts were determined using the FVLCD approach. The FVLCD methodology is based on discounted future cash flows. Management believes that the discounted future cash flows method is appropriate as it allows more precise valuation of the specific future cash flows. The recoverable amount was determined using a discounted cash flow approach for all CGUs. The recoverable value was determined by discounting the future cash flows generated from Mullen Group's continuing use of the CGU. The discounted cash flow model employed by the Corporation reflects the specifics of each CGU and its business environment. The model calculates the present value of the estimated future earnings of each CGU.

Estimating future earnings requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. The calculation of the recoverable amount using the discounted cash flow approach was based on the following key assumptions:

	Discount rate		Terminal value growth rate	
	December 31	December 31	December 31	December 31
	2023	2022	2023	2022
Cash Generating Unit				
Gardewine Group Limited Partnership	11.0%	11.0%	2.0%	2.0%
Kleysen Group Ltd.	11.0%	11.0%	2.5%	2.5%
HAUListic LLC	10.5%	10.5%	2.5%	2.5%
APPS Cartage Inc.	11.5%	11.5%	2.5%	2.5%
Hi-Way 9 Express Ltd.	11.5%	11.5%	2.5%	2.5%
Heavy Crude Hauling L.P.	12.5%	12.5%	2.0%	2.0%
Tenold Transportation Ltd.	11.5%	11.5%	2.5%	2.5%
APPS Cargo Terminals Inc.	11.5%	11.5%	2.5%	2.5%
E-Can Oilfield Services L.P.	12.5%	12.5%	2.0%	2.0%
Canadian Dewatering L.P.	12.5%	12.5%	2.5%	2.5%
Other	11.5% - 12.5%	11.5% - 12.5%	2.0% - 2.5%	2.0% - 2.5%

- (i) Cash flows were projected based on past experience, actual operating results and the one year business plan for the immediate year. Cash flows for a further four year period were extrapolated using constant revenue growth rates of between 2.0 to 2.5 percent with adjustments reflecting an expectation of changes in the general economy, forecasted changes in drilling activity and the Business Unit's respective markets, and represents the Corporation's best estimate of the set of economic conditions that are expected to exist over the forecast period.
- (ii) The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts.
- (iii) Each CGU's discount rate reflects their individual size, risk profile and circumstance and is based on past experience and industry average weighted average cost of capital.

The Corporation believes that the following changes in the key assumptions would result in a recoverable amount equal to the carrying value of the CGU, with any additional change in the assumptions causing goodwill to become impaired.

	Change in discount rate		Change in terminal value growth rate	
	December 31	December 31	December 31	December 31
	2023	2022	2023	2022
Cash Generating Unit				
Gardewine Group Limited Partnership	4.6%	6.7%	(7.2)%	(11.5)%
Kleysen Group Ltd.	8.9%	7.2%	(16.5)%	(12.9)%
HAUListic LLC	11.8%	20.0%+	(20.0)%+	(20.0)%+
APPS Cartage Inc.	4.7%	7.6%	(7.7)%	(13.7)%
Hi-Way 9 Express Ltd.	20.0%+	20.0%+	(20.0)%+	(20.0)%+
Heavy Crude Hauling L.P.	2.1%	7.5%	(3.1)%	(14.4)%
Tenold Transportation Ltd.	5.0%	20.0%+	(8.2)%	(20.0)%+
APPS Cargo Terminals Inc.	20.0%+	20.0%+	(20.0)%+	(20.0)%+
E-Can Oilfield Services L.P.	2.6%	1.8%	(3.4)%	(2.7)%
Canadian Dewatering L.P.	6.1%	8.2%	(10.5)%	(15.7)%



## 12. Intangible Assets

Intangible assets are mainly comprised of customer relationships and non-competition agreements acquired through business combinations. In 2023, Mullen Group acquired \$5.2 million of intangible assets by virtue of acquisitions. Intangible assets are amortized over their estimated useful lives on a straight line basis over a period of five to ten years.

**Policy:** Intangible assets acquired as part of acquisitions are capitalized at fair value as determined at the date of acquisition and are subsequently stated at that capitalized cost less accumulated amortization and impairment losses.

**Judgements:** Estimating future cash flows and earnings requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. Management uses its judgement to initially record and measure intangible assets acquired on acquisitions with key assumptions related to future revenue projections, gross margin forecasts, customer attrition rates and discount rates.

### Supporting information:

	Opening balance at January 1 2022		Additions (Amortization)		Closing balance at December 31 2022		Additions (Amortization)		Closing balance at December 31 2023	
Cost	\$	398,410	\$	17,671 <sup>(1)</sup>	\$	416,081	\$	4,911 <sup>(1)</sup>	\$	420,992
Amortization		(299,255)		(17,202)		(316,457)		(13,533)		(329,990)
Carrying amount	\$	99,155	\$		\$	99,624	\$		\$	91,002

<sup>(1)</sup> Includes \$(0.3) million (2022 - \$1.0 million) of exchange rate fluctuations on the intangible assets at HAUListic.

## 13. Investments

	December 31 2023		December 31 2022	
Investments	\$	1,027	\$	2,515
Investments – equity method		42,174		43,055
	\$	43,201	\$	45,570

### (a) Investments

Mullen Group periodically invests in certain private and public corporations. Mullen Group did not purchase any investments in 2023 or 2022. During 2023, Mullen Group sold \$1.8 million of investments related to common shares it held in public companies that were listed on the TSX.

### (b) Investments accounted for by the equity method

In 2015 Mullen Group invested \$1.0 million to acquire approximately a 32.0 percent equity interest in Butler Ridge, a fluid management company operating out of Hudson's Hope, British Columbia. Mullen Group made this equity investment as part of its strategy to invest in the energy sector in western Canada. On March 1, 2023, Mullen Group acquired all of the remaining issued and outstanding shares of Butler Ridge. In 2015 Mullen Group invested \$0.6 million to acquire approximately a 34.0 percent equity interest in Cordova, a specialized energy services company operating out of Fort St. John, British Columbia. Mullen Group made this equity investment as part of its strategy to invest in the energy sector in western Canada. On November 1, 2022, Mullen Group acquired all of the remaining issued and outstanding shares of Cordova. ► **For more information, refer to Note 5.** In 2017, Mullen Group invested \$0.2 million to acquire a 30.0 percent equity interest in Thrive Management Group Ltd. ("**Thrive**"), a fluid management company operating in the Grande Prairie, Alberta region. Mullen Group made this equity investment as part of its strategy to invest in the energy sector. In 2014, Mullen Group acquired a 30.0 percent interest in Kriska Transportation Group Limited ("**Kriska Transportation**"). Kriska Transportation is a growth oriented transportation and logistics company based in Prescott, Ontario. At December 31, 2023, the Corporation had a carrying value of \$39.1 million (2022 – \$37.8 million) related to its equity investment in Kriska Transportation. Mullen Group uses the equity method to account for investments from the date in which it obtains significant influence. In 2023, the aggregate amount of Mullen Group's share of net income and total comprehensive income from its investments accounted for by the equity method was \$2.3 million (2022 – \$8.6 million). In 2023, revenue and operating income before depreciation and amortization ("**OIBDA**") on the Corporation's equity investments was \$354.3 million (2022 – \$388.5 million) and \$55.3 million (2022 – \$76.7 million), respectively. ► **For more information, refer to Note 28.**

## 14. 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 hedge the principal amount of the Series G and Series H Notes. At December 31, 2023, the carrying value of these Cross-Currency Swaps was \$43.4 million (2022 – \$46.4 million) and was recorded in the consolidated statement of financial position within derivative financial instruments. As at December 31, 2023, the value of the Cross-Currency Swap that matures on October 22, 2024, has been classified within current assets.



**Estimates:** Mullen Group utilizes Derivatives such as Cross-Currency Swaps to manage its exposure to foreign currency risks relating to its U.S. dollar debt. The fair value of Derivatives fluctuate depending on the estimate of certain underlying financial measures. The estimated fair value of Derivatives are based on observable market data, including foreign currency curves, interest rates and credit spreads.

**Policy:** Mullen Group adopted IFRS 9 – Financial Instruments as it relates to classification and measurement of financial assets and financial liabilities in advance of its effective date. ► **For more information, refer to Note 3(g).**

**Supporting information:** For the year ended December 31, 2023, Mullen Group recorded a net foreign exchange (gain) loss of \$(4.2) million (2022 – \$10.8 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	CDN. \$ Equivalent	
	Years ended December 31	
	2023	2022
Foreign exchange (gain) loss on U.S. \$ debt	\$ (7,282)	\$ 19,831
Foreign exchange loss (gain) on Cross-Currency Swaps	3,079	(9,044)
Net foreign exchange (gain) loss	\$ (4,203)	\$ 10,787

For the year ended December 31, 2023, Mullen Group recorded a foreign exchange (gain) loss on U.S. dollar debt of \$(7.3) million (2022 – \$19.8 million) as summarized in the table below:

Foreign Exchange (Gain) Loss on U.S. \$ Debt	Years ended December 31					
	2023			2022		
	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent
Ending – December 31	229,000	1.3226	302,875	229,000	1.3544	310,157
Beginning – January 1	229,000	1.3544	310,157	229,000	1.2678	290,326
Foreign exchange (gain) loss on U.S. \$ debt			(7,282)			19,831

For the year ended December 31, 2023, Mullen Group recorded a foreign exchange loss (gain) on its Cross-Currency Swaps of \$3.1 million (2022 – \$(9.0) 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	Years ended December 31			
	2023		2022	
	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	1,668	117,000	(5,893)
Cross-Currency Swap maturing October 22, 2026	112,000	1,411	112,000	(3,151)
Foreign exchange loss (gain) on Cross-Currency Swaps		3,079		(9,044)

## 15. Other Assets

	December 31		December 31	
	2023		2022	
Net investment in finance leases <sup>(1)</sup>	\$	170	\$	151
Other		2,165		1,952
	\$	2,335	\$	2,103

<sup>(1)</sup> Net investment in finance leases includes amounts owing after 12 months and mainly consists of the net investment in subleases on real property where the Business Unit has entered into the head lease.





## 16. Accounts Payable and Accrued Liabilities

**Policy:** Accounts payable and accrued liabilities are obligations to pay for goods or services that have been purchased in the normal course of business and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### Supporting information:

	December 31 2023	December 31 2022
Trade payables	\$ 55,165	\$ 53,637
Amounts due to related parties	—	30
Non-trade payables and accrued liabilities	96,015	97,356
	\$ 151,180	\$ 151,023

## 17. Dividends Payable

For the year ended December 31, 2023, Mullen Group declared dividends totalling \$0.72 per Common Share (2022 – \$0.68 per Common Share). On January 16, 2023, Mullen Group announced its intention to pay annual dividends of \$0.72 per Common Share (\$0.06 per Common Share on a monthly basis) for 2023. At December 31, 2023, Mullen Group had 88,074,042 Common Shares outstanding and a dividend payable of \$5.3 million (December 31, 2022 – \$5.6 million), which was paid on January 15, 2024. Mullen Group also declared a dividend of \$0.06 per Common Share on January 24, 2024, to the holders of record at the close of business on January 31, 2024.

## 18. Income Taxes

**Estimates:** The realization of deferred tax assets depends on the future taxable income of the respective Mullen Group subsidiaries. The continued recognition of deferred tax assets is based on estimates of internal projections of future earnings, tax deductions and anticipated income tax rates.

**Policy:** Income tax expense for the period consists of current and deferred tax. Tax is recognized in net income, except to the extent that it relates to a business combination or items recognized in other comprehensive income or directly in equity.

Taxable income differs from net income as reported in the consolidated statement of comprehensive income. As a result, current tax is the expected tax due on taxable income less adjustments to prior periods using tax rates enacted, or substantively enacted as at the reporting date in jurisdictions where Mullen Group operates.

In general, deferred income taxes are recognized based on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the Annual Financial Statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income taxes are calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date and apply to when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent it is probable that future taxable income will be generated and available to use against the deductible temporary differences, unused tax losses and unused tax credits. Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right to settle on a net basis and when such assets and liabilities relate to income taxes imposed by the same taxation authority.

The provision for income tax expense differs from the amounts that would be obtained by applying the expected Canadian statutory tax rates enacted or substantively enacted as at the respective reporting dates.



**Supporting information:**

Deferred tax assets totalling \$7.3 million (2022 – \$6.7 million) consist mainly of the temporary differences arising from the purchase of goodwill on asset acquisitions, intangible assets and from loss carry forward balances. Recognized deferred tax assets and liabilities consist of the following:

December 31, 2023	Assets	Liabilities	Net
Property, plant and equipment	\$ 4	\$ (115,377)	\$ (115,373)
Goodwill – asset acquisitions	4,467	(1,010)	3,457
Intangible assets	1,799	(18,137)	(16,338)
Investments	—	(4,254)	(4,254)
Loss carry-forwards	579	—	579
Financing fees	—	(435)	(435)
Holdbacks and deferred interest	13	(277)	(264)
Debentures	—	(1,109)	(1,109)
Unrealized foreign exchange gain	—	(246)	(246)
Right-of-use assets	423	(29)	394
	\$ 7,285	\$ (140,874)	\$ (133,589)

December 31, 2022	Assets	Liabilities	Net
Property, plant and equipment	\$ 9	\$ (106,792)	\$ (106,783)
Goodwill – asset acquisitions	4,831	(895)	3,936
Intangible assets	1,390	(19,255)	(17,865)
Investments	—	(3,294)	(3,294)
Loss carry-forwards	390	—	390
Financing fees	—	(397)	(397)
Holdbacks and deferred interest	62	(327)	(265)
Debentures	—	(1,490)	(1,490)
Right-of-use-assets	17	(470)	(453)
	\$ 6,699	\$ (132,920)	\$ (126,221)

The analysis of the components of net deferred tax is as follows:

	Years ended December 31	
	2023	2022
Deferred tax to be settled within 12 months	\$ (6,979)	\$ (8,015)
Deferred tax to be settled after more than 12 months	(126,610)	(118,206)
	\$ (133,589)	\$ (126,221)



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The following tables summarize the movement of temporary differences during the period:

	Balance January 1 2023	Recognized in net income	Acquired in business combinations	Recognized directly in equity	Balance December 31 2023
Property, plant and equipment	\$ (106,783)	\$ (2,222)	\$ (6,368)	\$ —	\$ (115,373)
Goodwill – asset acquisitions	3,936	(479)	—	—	3,457
Intangible assets	(17,864)	2,855	(1,329)	—	(16,338)
Investments	(3,294)	(960)	—	—	(4,254)
Loss carry-forwards	390	189	—	—	579
Financing fees	(397)	(38)	—	—	(435)
Holdbacks and deferred interest	(266)	2	—	—	(264)
Debentures	(1,490)	381	—	—	(1,109)
Unrealized foreign exchange (gain) loss	—	(246)	—	—	(246)
Right-of-use assets	(453)	847	—	—	394
	\$ (126,221)	\$ 329	\$ (7,697)	\$ —	\$ (133,589)

	Balance January 1 2022	Recognized in net income	Acquired in business combinations	Recognized directly in equity	Balance December 31 2022
Property, plant and equipment	\$ (106,245)	\$ 297	\$ (835)	\$ —	\$ (106,783)
Goodwill – asset acquisitions	3,058	878	—	—	3,936
Intangible assets	(18,721)	4,631	(3,774)	—	(17,864)
Investments	(2,255)	(1,039)	—	—	(3,294)
Loss carry-forwards	2,532	(2,142)	—	—	390
Financing fees	(359)	(38)	—	—	(397)
Holdbacks and deferred interest	(239)	(27)	—	—	(266)
Debentures	(1,870)	380	—	—	(1,490)
Unrealized foreign exchange (gain) loss	(1,004)	1,004	—	—	—
Right-of-use-assets	(351)	(102)	—	—	(453)
	\$ (125,454)	\$ 3,842	\$ (4,609)	\$ —	\$ (126,221)

Income tax expense of \$46.4 million (2022 – \$52.3 million) is comprised of current and deferred tax as follows:

	Years ended December 31	
	2023	2022
Current	\$ 46,756	\$ 56,119
Deferred	(335)	(3,857)
	\$ 46,421	\$ 52,262



The combined statutory tax rate was approximately 25.0 percent in 2023 (2022 – 25.0 percent). The reconciliation of the effective tax rate is as follows:

	Years ended December 31	
	2023	2022
Income before income taxes	\$ 183,140	\$ 210,881
Combined statutory tax rate	25%	25%
Expected income tax	45,785	52,720
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange (gain) loss	(483)	1,241
Non-deductible (taxable) portion of the change in fair value of investments	30	(342)
Stock-based compensation expense	243	171
Changes in unrecognized deferred tax asset	1,399	1,241
Non-taxable portion of capital gain on the sale of lands	—	(3,443)
Other	(553)	674
Income tax expense	\$ 46,421	\$ 52,262

## 19. Lease Liabilities

**Estimates:** The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Mullen Group's incremental borrowing rate. Generally, Mullen Group uses its incremental borrowing rate as the discount rate, which is estimated at the inception of the lease. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Mullen Group's incremental borrowing rate. Mullen Group's incremental borrowing rate is estimated using prevailing interest rates, market precedents and Mullen Group's credit rating.

**Judgements:** Mullen Group assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether Mullen Group obtains substantially all the economic benefits from the use of that asset, and whether Mullen Group has the right to direct the use of the asset. Furthermore, Mullen Group assesses and reassesses the likelihood of it exercising renewal options.

**Policy:** The Corporation has recognized lease liabilities in relation to leases. Mullen Group assesses whether a contract is or contains a lease at inception of the contract. As lease liabilities are recognized, there is a corresponding right-of-use asset recorded at the date of which the asset becomes available for use. As lease payments are made there is a reduction to the principal portion of the lease liability as well as an amount allocated to finance costs. Finance costs are expensed within the consolidated statement of comprehensive income over the lease term. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. The Corporation uses a single discount rate for a portfolio of leases with reasonably similar characteristics. ► **For more information, refer to Note 10.**



**Supporting information:**

	Year ended December 31, 2023	
Beginning – January 1, 2023	\$	91,863
Additions <sup>(1)</sup>		34,852
Disposals		(225)
Lease payments		(31,389)
Interest expense		3,303
Ending balance – December 31, 2023		98,404
Less:		
Lease liabilities – current portion		25,578
Lease liabilities	\$	72,826

	Year ended December 31, 2022	
Beginning – January 1, 2022	\$	81,253
Additions <sup>(1)</sup>		35,161
Disposals		(1,287)
Lease payments		(25,863)
Interest expense		2,599
Ending balance – December 31, 2022		91,863
Less:		
Lease liabilities – current portion		20,992
Lease liabilities	\$	70,871

<sup>(1)</sup> Additions include lease liabilities assumed by way of business acquisitions of \$9.5 million (2022 - \$2.1 million).

The following are the contractual maturities of lease liabilities, including the value of any options to extend a lease where Mullen Group is reasonably certain to do so:

	December 31, 2023	
Twelve months or less	\$	27,807
2025 – 2026		39,718
2027 – 2028		17,408
Thereafter		27,304
Contractual cash flows	\$	112,237
Carrying amount	\$	98,404

Mullen Group's lease liabilities mainly relate to real property leases that are utilized by the Business Units within their operations. Certain Business Units have also entered into leases pertaining to various pieces of operating equipment including rail cars, trucks and trailers. Leases are entered into and terminated when they meet specific business requirements. The Corporation has recognized these lease liabilities, which are measured at the present value of the remaining lease payments at an average incremental borrowing rate of 3.2 percent.

For the year ended December 31, 2023, Mullen Group incurred variable lease payments, short-term and low dollar value lease expense of \$5.3 million (2022 – \$3.8 million), \$3.5 million (2022 – \$3.4 million) and \$26,744 (2022 – \$0.1 million), respectively. The Corporation also recognized \$8,012 (2022 – \$0.1 million) of sublease income during the period.



## 20. Convertible Unsecured Subordinated Debentures

In June 2019, Mullen Group issued Debentures at a price of \$1,000 per Debenture. The Debentures mature on November 30, 2026 and are publicly-traded and listed on the TSX under the symbol 'MTL.DB'. The Debentures bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on May 31 and November 30 of each year, with the first interest payment on November 30, 2019. Mullen Group may elect to satisfy its interest obligation on any interest payment date by issuing and delivering, subject to regulatory approval, Common Shares to debenture holders. Each \$1,000 Debenture is convertible into 71.4286 Common Shares of Mullen Group (or a conversion price of \$14.00) at any time at the option of the holders of the Debentures. As at the date of issuance, an aggregate of 8,928,575 Common Shares would be issued if all holders converted their principal amount. In the event that a holder of the Debentures exercises their conversion right, such holder will be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the date of the last interest payment to the date of conversion.

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 Debentures are comprised of both a debt and equity component. The debt component represents the total discounted present value of both the semi-annual interest obligations and the principal payment due at maturity, using the rate of interest that would have been applicable to a non-convertible debt instrument of comparable term and risk at the date of issue. In the event the Debentures are converted prior to maturity, the difference between the carrying amount of such Debentures and their face value would be charged to interest expense. The remaining equity component of the Debentures represents the difference between the face value of the Debentures (namely, \$125.0 million) and the accounting value assigned to the debt component of the Debentures at the date of issue (namely, \$112.6 million). Subject to the impact of the Debentures being converted, this equity component amount will remain constant over the term of the Debentures. Upon conversion of the Debentures into common shares, a proportionate amount of both the debt and equity components are transferred to Shareholders' capital. Accretion and interest expense on the Debentures are reflected as finance costs in the consolidated statement of comprehensive income.

The transaction costs associated with the Debentures were \$5.2 million and are being amortized over the term of the Debentures. If the holders of the Debentures convert the principal portion to Common Shares prior to maturity, the unamortized transaction costs would be expensed at that time.

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.

The details of the Debentures are as follows:

Year of Maturity	Interest Rate	December 31, 2023		December 31, 2022	
		Face Value	Carrying Amount	Face Value	Carrying Amount
2026	5.75%	\$ 125,000	\$ 118,153	\$ 125,000	\$ 115,806

The cumulative carrying amount of the Debentures is as follows:

	Cumulative as at	
	December 31, 2023	December 31, 2022
Proceeds from issue of the Debentures	\$ 125,000	\$ 125,000
Debt issuance costs	(5,203)	(5,203)
Net proceeds	119,797	119,797
Amount classified as equity	(12,403)	(12,403)
Accretion on debt	10,759	8,412
Carrying amount of the Debentures	\$ 118,153	\$ 115,806

## 21. Long-Term Debt and Credit Facilities

As at December 31, 2023, Mullen Group has two unsecured credit facilities to borrow an aggregate of up to \$250.0 million with its \$150.0 million Royal Bank of Canada ("**RBC Credit Facility**") and its \$100.0 million Canadian Imperial Bank of Canada ("**CIBC Credit Facility**") (collectively, the "**Credit Facilities**"). Interest on the RBC 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. Interest on the CIBC Credit Facility is based on either the Canadian bank prime rate plus 0.50 percent or the U.S. bank base rate plus 0.50 percent, in each case payable monthly in arrears or bankers' acceptance rates plus an acceptance fee of 1.50 percent payable upon acceptance. As at December 31, 2023, there was \$73.0 million drawn on the Credit Facilities, which was included within bank indebtedness on the consolidated statement of financial position. These Credit Facilities are unsecured although the Corporation's wholly-owned



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subsidiary, MT Investments Inc. ("MT"), has granted an unlimited guarantee of any indebtedness owing on the Credit Facilities. These Credit Facilities do 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.

On January 5, 2024, the Corporation entered into a \$125.0 million revolving demand unsecured credit facility with PNC Bank Canada Branch ("PNC") the ("PNC Credit Facility") under the same material terms as the Credit Facilities. ► **For more information, refer to Note 36.**

Mullen Group has \$2.2 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 RBC Credit Facility.

Mullen Group's long-term debt is mainly comprised of 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 \$0.3 million related to its Private Placement Debt have been netted against its carrying value at December 31, 2023 (December 31, 2022 – \$0.5 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 consolidated statement of financial position but includes Private Placement Debt, lease liabilities, the Credit Facilities 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 14.**

During 2023, the Corporation repaid \$23.9 million of long-term debt and loans, which mainly consisted of \$23.6 million of debt repaid on closing of the acquisition of B&R. ► **For more information, refer to Note 5.**

The following table summarizes the Corporation's long-term debt and Credit Facilities:

	December 31, 2023	December 31, 2022
Current liabilities:		
Private Placement Debt – current portion	\$ 242,744	\$ —
Lease liabilities – current portion	25,578	20,992
Current portion of long-term debt	852	213
Bank indebtedness	73,000	22,800
	<b>342,174</b>	<b>44,005</b>
Non-current liabilities:		
Private Placement Debt	230,832	480,675
Lease liabilities	72,826	70,871
Long-term debt	99	922
	<b>303,757</b>	<b>552,468</b>
	<b>\$ 645,931</b>	<b>\$ 596,473</b>





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

	Year of Maturity	Interest Rate	December 31, 2023		December 31, 2022	
			Face Value	Carrying Amount	Face Value	Carrying Amount
			\$	\$	\$	\$
Bank indebtedness	—	Variable	73,000	73,000	22,800	22,800
Lease liabilities	2024 – 2059	3.20%	112,237	98,404	107,229	91,863
Private Placement Debt	2024 – 2026	3.84% - 4.07%	473,876	473,576	481,158	480,675
Various financing loans	2024 – 2027	3.31% - 5.99%	951	951	1,135	1,135
			<b>660,064</b>	<b>645,931</b>	612,322	596,473

## 22. 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	
	2023	2022
Issued Common Shares at January 1	92,953,005	94,532,178
Common Shares repurchased and cancelled	(4,936,143)	(1,863,251)
Common Shares issued on acquisition	57,180	284,078
Issued Common Shares at December 31	<b>88,074,042</b>	92,953,005

Mullen Group had a normal course issuer bid ("**NCIB**"), commencing March 10, 2022, to purchase for cancellation up to 8,828,623 Common Shares in the open market on or before March 9, 2023. On March 8, 2023, Mullen Group announced the renewal of its NCIB commencing March 10, 2023, to purchase for cancellation up to 8,644,508 Common Shares in the open market on or before March 9, 2024. As at December 31, 2023, Mullen Group had purchased and cancelled 4,936,143 Common Shares for \$72.0 million under its NCIB programs. There were 56,608 Common Shares repurchased and cancelled in January 2024.

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

In the first quarter of 2023, Mullen Group issued 57,180 Common Shares as partial consideration for the acquisition of Butler Ridge. In the fourth quarter of 2022, Mullen Group issued 284,078 Common Shares as partial consideration for the acquisition of Cordova. ► **For more information, refer to Note 5.**

## 23. Earnings per Share

**Policy:** Basic per share amounts are calculated using the weighted average number of Common Shares outstanding during the period. Diluted per share amounts are calculated considering the effects of all dilutive potential ordinary shares. Mullen Group's dilutive potential ordinary shares assumes dilutive stock options are exercised and that the proceeds obtained on the exercise of dilutive stock options would be used to purchase Common Shares at the average market price during the period. The weighted average number of Common Shares outstanding is then adjusted accordingly.



**Supporting information:**

(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 year ended December 31, 2023, was \$136.7 million (2022 – \$158.6 million). The weighted average number of Common Shares outstanding for the years ended December 31, 2023 and 2022 was calculated as follows:

	Note	Years ended December 31	
		2023	2022
Issued Common Shares at beginning of period	22	92,953,005	94,532,178
Effect of Common Shares repurchased and cancelled	22	(3,069,147)	(1,226,979)
Effect of Common Shares issued on acquisitions	5	47,937	46,698
Weighted average number of Common Shares at end of period – basic		89,931,795	93,351,897

(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:

		Years ended December 31	
		2023	2022
Net income	\$	136,719	\$ 158,619
Effect of the Debentures		7,151	7,151
Net income – adjusted	\$	143,870	\$ 165,770

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

	Years ended December 31	
	2023	2022
Weighted average number of Common Shares – basic	89,931,795	93,351,897
Effect of "in the money" stock options	239,539	126,392
Effect of the Debentures	8,928,571	8,928,571
Weighted average number of Common Shares at end of period – diluted	99,099,905	102,406,860

For the year ended December 31, 2023, 2,757,500 stock options (2022 – 2,740,000) 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 December 31, 2023 and 2022. For the years ended December 31, 2023 and 2022, the Common Shares that would be issued upon conversion of the Debentures were included in the diluted weighted average calculation as their effect was dilutive. ► **For more information on Debentures and stock options, refer to Notes 20 and 27, respectively.**



## 24. Revenue

**Policy:** Mullen Group's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision of post-service obligations. Mullen Group recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services or goods to customers. Revenue is measured based on the consideration specified in a contract with a customer on either an "over time" or "point in time" basis.

Mullen Group's primary service offering is the transportation of goods. The transportation of goods involves the physical process of transporting commodities and goods from point of origin to destination using company equipment and contracted owner operators. Each individual Business Unit offers published rates or signed master service agreements with specific customers that dictate future services it is to perform for a customer at the time a bill of lading or service request is received. Each bill of lading represents a separate distinct performance obligation that the company is obligated to satisfy. The transaction price is generally in the form of a fixed fee determined at the inception of the bill of lading. Transportation services revenue is recognized using the "over time" method.

Mullen Group's second highest revenue stream is logistics services. Logistics services involves the planning, implementing, and controlling the efficient, effective forward and reverse transport of goods. These services are governed by contract law. Mullen Group uses Subcontractors to perform the work. Subcontractors have their own insurance and operating authorities. When Mullen Group hires a Subcontractor, it remains the primary obligor, has the ability to set prices, retains the risk of loss in the event of a cargo claim and bears the credit risk of customer default. As such, Mullen Group acts as the principal of the arrangement and recognize revenue on a gross basis. Logistics services revenue is recognized using the "point in time" method.

The business of Mullen Group is operated through its Business Units, which are divided into four distinct operating segments for reporting purposes – Less-Than-Truckload, Logistics & Warehousing, Specialized & Industrial Services and U.S. & International Logistics. 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, 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.

At December 31, 2023, the Less-Than-Truckload segment consisted of 12 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 December 31, 2023, the Logistics & Warehousing segment consisted of 11 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 December 31, 2023, the Specialized & Industrial Services segment consisted of 17 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.

At December 31, 2023, the U.S. & International Logistics segment consisted of one Business Unit, being a global technology enabled, non-asset based third-party logistics service provider focused on freight brokerage services across multiple modes of transportation. The operations and customer service are provided through its proprietary transportation management system technology platform known as SilverExpress™, which aligns customer shipments with transportation carriers.



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:

Year ended December 31, 2023	Less-Than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	U.S. & International Logistics	Corporate	Intersegment eliminations	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue by service line							
Transportation	756,212	345,834	222,691	—	—	—	1,324,737
Logistics	28,752	118,264	31,519	198,269	—	—	376,804
Other <sup>(1)</sup>	5,415	104,854	218,192	—	5,480	—	333,941
Eliminations	(19,933)	(4,003)	(4,422)	—	—	(12,403)	(40,761)
	770,446	564,949	467,980	198,269	5,480	(12,403)	1,994,721
Timing of revenue recognition							
Over time	756,464	352,239	311,074	—	3,678	—	1,423,455
Point in time	33,915	216,713	161,328	198,269	1,802	—	612,027
Eliminations	(19,933)	(4,003)	(4,422)	—	—	(12,403)	(40,761)
	770,446	564,949	467,980	198,269	5,480	(12,403)	1,994,721

<sup>(1)</sup> Included within other revenue is \$52.0 million of rental revenue comprised of \$0.2 million, \$6.4 million, \$41.7 million, nil and \$3.7 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment, the U.S. & International Logistics segment and Corporate, respectively.

Year ended December 31, 2022	Less-Than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	U.S. & International Logistics	Corporate	Intersegment eliminations	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue by service line							
Transportation	769,791	373,744	181,814	—	—	—	1,325,349
Logistics	25,619	132,088	27,728	221,844	—	—	407,279
Other <sup>(1)</sup>	6,058	108,246	193,553	—	4,452	—	312,309
Eliminations	(22,740)	(4,790)	(2,490)	—	—	(15,464)	(45,484)
	778,728	609,288	400,605	221,844	4,452	(15,464)	1,999,453
Timing of revenue recognition							
Over time	769,921	379,676	254,271	—	3,588	—	1,407,456
Point in time	31,547	234,402	148,824	221,844	864	—	637,481
Eliminations	(22,740)	(4,790)	(2,490)	—	—	(15,464)	(45,484)
	778,728	609,288	400,605	221,844	4,452	(15,464)	1,999,453

<sup>(1)</sup> Included within other revenue is \$48.7 million of rental revenue comprised of \$0.1 million, \$5.9 million, \$39.1 million, nil and \$3.6 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment, the U.S. & International Logistics segment and Corporate, respectively.

During the year, 92.1 percent of revenue was from the rendering of services, 4.4 percent of revenue was from the sale of goods and 3.5 percent was from construction contracts as compared to 93.4 percent, 3.7 percent, and 2.9 percent, respectively, for the year ended December 31, 2022.

## 25. Personnel Costs

	Years ended December 31	
	2023	2022
Wages, salaries and benefits	\$ 523,929	\$ 481,890
Stock-based compensation expense	1,054	743
	\$ 524,983	\$ 482,633

In 2023 personnel costs of \$347.7 million (2022 – \$318.5 million) were recognized within direct operating expenses and \$177.3 million (2022 – \$164.1 million) were recognized within selling and administrative expenses.



## 26. Finance Costs

	Years ended December 31	
	2023	2022
Interest expense on financial liabilities measured at amortized cost	\$ 35,318	\$ 32,907
Accretion on debt	2,531	2,531
Finance expense	37,849	35,438
Less: Interest income from cash and cash equivalents	(794)	(395)
Finance costs	\$ 37,055	\$ 35,043

## 27. Share-Based Compensation Plans

Mullen Group is permitted to grant stock options to directors, officers, employees and consultants of Mullen Group or its affiliates under its stock option plan ("**Stock Option Plan**"). Options under the Stock Option Plan are normally granted at the weighted average trading price of the Common Shares of Mullen Group for the five consecutive trading days immediately preceding the day of grant of the stock option. Stock options vest in the manner determined by the Board at the time of the grant. The term of an option is five to ten years from the date of grant.

**Estimates:** Mullen Group estimates the fair value of its stock options using the Black-Scholes option pricing model. This requires the estimation of certain variables including: the expected risk-free interest rate, the expected life of the stock option, the forfeiture rate, the expected dividend yield of Mullen Group's Common Shares and expected share price volatility.

**Judgements:** The estimation of certain variables within the Black-Scholes model require judgement. The risk-free interest rates used were the Canadian Treasury zero-coupon rates for bonds matching the expected term of the option on the date of grant. In determining the expected term of the option grants, Mullen Group has observed the actual terms of prior grants with similar characteristics and the actual vesting schedule of the grant. The expected forfeiture rate was determined based on the Corporation's prior historical forfeiture rates on the date of grant. This estimate is adjusted to reflect the actual experience. The expected dividend yield of Mullen Group's Common Shares over the expected term of the option was determined based on the Corporation's dividend policy on the date of grant. The expected stock price volatility at the time of the particular stock option grant, Mullen Group relies on observations of historical volatility trends.

**Policy:** Mullen Group accounts for stock-based compensation using the fair-value method of valuing any stock options granted using the Black-Scholes model. Under the fair value method, the fair value of options is calculated at the date of grant and that value is recorded as compensation expense over the vesting periods of those grants, with a corresponding increase to contributed surplus less an estimated forfeiture rate. The forfeiture rate is based on past experience of actual forfeitures. When options are exercised, the proceeds received by Mullen Group, along with the amount in contributed surplus, will be credited to share capital.

### Supporting information:

Mullen Group is authorized to issue 8,000,000 stock options. As such 2,865,000 (2022 – 3,012,500) options are available to be issued under the Stock Option Plan as at December 31, 2023. Each stock option will entitle the option-holder to acquire one Common Share of Mullen Group. Under the Stock Option Plan, the exercise price of a stock option granted shall be as determined by the Board when the stock option is granted subject to any limitations imposed by any relevant stock exchange or regulatory authority, and shall be an amount at least equal to the weighted average trading price of the Common Shares of Mullen Group for the five consecutive trading days immediately preceding the day of grant of the stock option. These options vest in one to five years and expire in five to ten years.

Volatility was determined on the basis of the daily closing prices over a historical period corresponding to the expected term of the options.

Stock Option Plan:	Options		Weighted average exercise price
Outstanding December 31, 2021	3,755,000	\$	16.89
Granted	345,000		13.42
Exercised	—		—
Expired	(205,000)		(21.48)
Forfeited	(140,000)		(13.12)
Outstanding December 31, 2022	3,755,000	\$	16.47
Granted	507,500		14.03
Exercised	—		—
Expired	(205,000)		(24.26)
Forfeited	(155,000)		(16.35)
Outstanding December 31, 2023	3,902,500	\$	15.74
Stock options exercisable December 31, 2022	2,400,000	\$	19.29
Stock options exercisable December 31, 2023	2,090,000	\$	18.86



The range of exercise prices for options outstanding at December 31, 2023 was as follows:

Range of Exercise Prices	Options Outstanding			Exercisable Options	
	Number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
\$10.15 to \$14.27	1,607,500	8.14	\$ 11.81	—	\$ —
\$14.28 to \$16.72	1,390,000	4.60	16.44	1,185,000	16.72
\$16.73 to \$28.07	905,000	1.24	21.66	905,000	21.66
\$10.15 to \$28.07	3,902,500	5.28	\$ 15.74	2,090,000	\$ 18.86

In 2023 there were 507,500 (2022 – 345,000) stock options issued. The following weighted average assumptions were used to determine the fair value of options issued in 2023 and 2022 under the Stock Option Plan on the date of grant:

	2023	2022
Fair value	\$3.33	\$3.21
Risk-free interest rate	3.00%	3.00%
Expected life	5 years	5 years
Forfeiture rate	5.0% per annum	5.0% per annum
Expected dividend	\$0.72 per share per annum	\$0.66 per share per annum
Expected share price volatility	38.3	37.0

## 28. Other (Income) Expense

	Years ended December 31	
	2023	2022
Change in fair value of investments	\$ (310) <sup>(1)</sup>	\$ (136)
Gain on sale of property, plant and equipment	(1,701)	(27,948)
Loss (gain) on fair value of equity investments	562	(2,806)
Loss on sale of non-core business	—	81
Earnings from equity investments	(2,270)	(8,550)
Accretion on decommissioning liabilities	23	24
Other (income) expense	\$ (3,696)	\$ (39,335)

<sup>(1)</sup> During 2023, the Corporation recognized a \$0.3 million gain on its investments. In 2023 the Corporation sold an investment realizing a \$5.7 million cumulative loss on investments. The \$5.7 million realized loss resulted from selling common shares of a public company that was listed on the TSX.

### ► For more information on the loss (gain) on fair value of equity investments, refer to Note 5.

In 2022 the Corporation disposed of its hydrovac assets and business to a third party for \$16.5 million and recorded a loss on sale of non-core business of \$0.1 million.

## 29. Contingent Liabilities

Mullen Group is involved in various claims and actions arising in the course of its operations and is subject to various legal actions and possible claims. Although the outcome of these claims cannot be predicted with certainty, Mullen Group does not expect these matters to have a material adverse effect on its financial position, cash flows or results from operations. Accruals for litigation, claims and assessments are recognized if Mullen Group determines that the loss is probable and the amount can be reasonably estimated. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on Mullen Group's consolidated net earnings in the period in which the outcome is determined.

## 30. Capital Commitments

Capital expenditures approved and committed to but not provided for in these accounts at December 31, 2023, amounted to \$25.1 million. These capital expenditure commitments are expected to be completed in fiscal 2024.



### 31. Financial Instruments

Mullen Group's operating activities expose it to a variety of financial risks. These financial risks consist of certain credit, liquidity, and market risks associated with Mullen Group's financial assets and financial liabilities. Mullen Group has established and follows certain policies and procedures to mitigate these risks and continually monitors its exposure to all significant risks to assess the impact on its operating activities. Mullen Group does not hold or use any derivative financial instruments for trading or speculative purposes. The following details Mullen Group's exposure to credit, liquidity, and market risks.

#### (a) Credit Risk

Credit risk is the possibility of a financial loss to Mullen Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. This risk arises predominately from Mullen Group's trade and other receivables from its customers. The carrying amount of financial assets represents Mullen Group's maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

Carrying amount	Note	December 31	
		2023	2022
Cash and cash equivalents	6	\$ 2,295	\$ 8,757
Trade and other receivables	7	278,011	284,899
Derivative financial instruments	14	43,357	46,436
Other assets	15	2,335	2,103
		\$ 325,998	\$ 342,195

Credit risk related to trade and other receivables is initially managed by each Business Unit. Each Business Unit is responsible for reviewing the credit risk for each of their customers before standard payment and delivery terms and conditions are offered. The Business Units review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before Mullen Group extends credit. Mullen Group monitors its trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk. Mullen Group also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. In the unlikely event of default by its customers, Mullen Group secures a security interest for items in possession prior to commencing work and registers liens when appropriate. Further, the federal *Bill of Lading Act*, its provincial counterparts and various other acts afford Mullen Group further protection in the event of default. Mullen Group also attends industry forums to assess credit worthiness of customers related predominately to the oil and natural gas industry. No customer accounted for more than ten percent of Mullen Group's consolidated revenue for the fiscal years ended 2023 and 2022.

Impairment losses arise when trade receivables are written off directly against the financial asset, which results from customers who cannot pay their outstanding balance. In 2023 an impairment loss of \$0.8 million (2022 – \$0.8 million) was recognized which related to customers that were not able to pay their outstanding balances, mainly due to the customer having insufficient cash or other financial assets. During the period, the impairment loss as a percentage of consolidated revenue was an insignificant amount at 0.04 percent (2022 – 0.07 percent). Mullen Group establishes, on a specific account basis, an allowance for impairment loss that represents its estimate of potential losses in respect of trade receivables. ► **For more information, refer to Note 7.**

#### (b) Liquidity Risk

Liquidity risk is the risk that Mullen Group will not be able to satisfy its obligations associated with its financial liabilities that are to be settled by delivering cash as they become due. Mullen Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to satisfy its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Mullen Group's reputation. Typically, Mullen Group ensures that it has sufficient cash or available credit facilities to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Mullen Group manages liquidity risk by preparing, monitoring and approving annual operating budgets to ensure it has sufficient cash to meet operational requirements, and to ensure its ongoing compliance with its Private Placement Debt covenants. The Board also considers liquidity risk when approving Mullen Group's annual net capital expenditure budget and when declaring dividends to shareholders. Mullen Group's surplus cash is invested in short-term highly liquid term deposits. At December 31, 2023, Mullen Group had \$73.0 million drawn on its Credit Facilities. ► **For more information, refer to Note 21.**





NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

(Tabular amounts in thousands, except share and per share amounts)

The following are the contractual maturities of financial liabilities, excluding the impact of any option to purchase equipment at the end of the term:

December 31, 2023	Carrying amount	Contractual cash flows	Twelve months or less	2025 - 2026	2027 - 2028	Thereafter
Private Placement Debt*	\$ 473,576	\$ 473,875	\$ 242,744	\$ 231,131	\$ —	\$ —
Interest on Private Placement Debt*	3,567	37,034	18,610	18,424	—	—
Debentures	118,153	125,000	—	125,000	—	—
Interest on the Debentures	599	21,563	7,188	14,375	—	—
Lease liabilities	98,404	112,237	27,807	39,718	17,408	27,304
Various financing loans	951	951	852	51	48	—
Accounts payable and accrued liabilities <sup>(1)</sup>	147,014	147,014	147,014	—	—	—
Dividends payable	5,284	5,284	5,284	—	—	—
Total	\$ 847,548	\$ 922,958	\$ 449,499	\$ 428,699	\$ 17,456	\$ 27,304

\* Assumes a U.S. dollar foreign exchange rate of \$1.3226.

<sup>(1)</sup> Accounts payable and accrued liabilities of \$147,014 plus \$3,567 of interest on Private Placement Debt and \$599 of interest on the Debentures agrees to the \$151,180 of accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

December 31, 2022	Carrying amount	Contractual cash flows	Twelve months or less	2024 - 2025	2026 - 2027	Thereafter
Private Placement Debt*	\$ 480,675	\$ 481,158	\$ —	\$ 246,465	\$ 234,693	\$ —
Interest on Private Placement Debt*	3,621	52,868	18,893	26,416	7,559	—
Debentures	115,806	125,000	—	—	125,000	—
Interest on the Debentures	599	28,159	7,188	14,375	6,596	—
Lease liabilities	91,863	107,229	25,178	36,018	19,790	26,243
Various financing loans	1,135	1,135	213	922	—	—
Accounts payable and accrued liabilities <sup>(1)</sup>	146,803	146,803	146,803	—	—	—
Dividends payable	5,577	5,577	5,577	—	—	—
Total	\$ 846,079	\$ 947,929	\$ 203,852	\$ 324,196	\$ 393,638	\$ 26,243

\* Assumes a U.S. dollar foreign exchange rate of \$1.3544.

<sup>(1)</sup> Accounts payable and accrued liabilities of \$146,803 plus \$3,621 of interest on Private Placement Debt and \$599 of interest on the Debentures agrees to the \$151,023 of accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

All of the above amounts relate to non-derivative financial instruments.

(c) Market Risk

Market risk is the potential for adverse changes associated with fluctuations in foreign exchanges rates, interest rates and equity prices and their corresponding impact on the fair value or future cash flows of Mullen Group's financial instruments. The objective of management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Foreign Exchange Risk

Foreign exchange risk arises as Mullen Group enters into commercial transactions that are not denominated in its functional currency. Mullen Group is exposed to foreign exchange risk, primarily with respect to the U.S. dollar which mainly arises from its U.S. \$229.0 million Senior Guaranteed Unsecured Notes ("U.S. Notes"). These U.S. Notes mature in 2024 (U.S. \$117.0 million) and in 2026 (U.S. \$112.0 million). Mullen Group has mitigated its foreign exchange risk with respect to the principal portion of its U.S. Notes by entering into the Cross-Currency Swaps. Annual interest of U.S. \$8.9 million is payable on these U.S. Notes which also exposes Mullen Group to foreign exchange risk. This foreign exchange risk is mitigated as some of Mullen Group's Business Units generate a portion of their revenue in U.S. dollars in excess of their U.S. dollar expenses. At December 31, 2023, Mullen Group had U.S. dollar cash of \$4.3 million (2022 – \$9.6 million), U.S. dollar trade receivables of \$22.1 million (2022 – \$22.1 million) and U.S. dollar accounts payable and accrued liabilities of \$14.6 million (2022 – \$16.3 million). Mullen Group does not hedge any of its U.S. dollar denominated commercial and financing transactions.



All of the amounts expressed in the following table are in U.S. dollars and set forth Mullen Group's exposure to foreign currency risk:

	December 31		December 31	
	2023		2022	
Cash	\$	4,315	\$	9,618
Trade and other receivables		22,101		22,147
Derivative financial instruments		32,782		34,285
Private Placement Debt		(229,000)		(229,000)
Accounts payable and accrued liabilities		(14,612)		(16,251)
Net exposure	\$	(184,414)	\$	(179,201)

At December 31, 2023, assuming all other variables were held constant, a \$0.01 strengthening of the Canadian dollar relative to the U.S. dollar would have increased income before income taxes by approximately \$1.8 million. Similarly, a \$0.01 weakening of the Canadian dollar relative to the U.S. dollar at December 31, 2023 would have had the equal but opposite effect on income before income taxes.

(ii) *Interest Rate Risk and Fair Value Sensitivity Analysis for Fixed Rate Instruments*

Interest rate risk arises on borrowings issued at variable rates which exposes risk to future cash flows if interest rates were to rise. This risk would be partially offset by cash held at variable rates. Mullen Group's Private Placement Debt and the Debentures are issued at fixed rates while the RBC Credit Facility and CIBC Credit Facility are issued at variable rates. Borrowings issued at fixed rates expose Mullen Group to fair value interest rate risk. Mullen Group is susceptible to the opportunity costs associated with interest rate decreases as the interest rate on the majority of its borrowings is at fixed interest rates. Assuming all other variables were held constant, if interest rates increase by 1.0 percent on the contractual cash flows of \$598.9 million of Mullen Group's Private Placement Debt and the Debentures, Mullen Group would incur additional annual interest expense of approximately \$6.0 million. Mullen Group does not account for any fixed rate financial assets and liabilities at FVTPL. Mullen Group does not hedge interest rates or have any interest rate swaps.

(iii) *Price Risk*

Price risk arises from changes in quoted prices on investments in equity securities that impact the underlying value of investments. Mullen Group has an investment measured at fair value with an initial cost of \$3.5 million. A \$0.2 million increase in the fair value of this investment was recorded in 2023 as compared to a \$0.1 million increase in 2022. Mullen Group recorded a \$2.6 million decrease in the fair value of this investment on a cumulative basis. Assuming all other variables were held constant, a 1.0 percent increase in the value of the investments would have increased income before income taxes by approximately \$35,000. Similarly, a 1.0 percent decrease in the value of investments would have an equal but opposite effect on income before income taxes.

(d) *Capital Management*

Mullen Group's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern, and manage capital that will maintain compliance with its financial covenants so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. Mullen Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Mullen Group may adjust the amount of dividends paid to shareholders, issue new debt, sell assets to reduce debt, or issue new shares.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Consistent with others in the industry, Mullen Group also monitors capital on the basis of debt-to-equity and total debt to operating cash flow. The debt-to-equity ratio is calculated as total debt divided by equity. Total debt is calculated as the total of bank indebtedness, lease liabilities, current portion of long-term debt, long-term debt and the debt component of Debentures. Equity comprises all of the components of equity (i.e. share capital, Debentures – equity component, contributed surplus, accumulated other comprehensive income and retained earnings). Mullen Group's strategy is to maintain its debt-to-equity ratio below 1:1. The debt-to-equity ratio calculations at December 31, 2023 and at December 31, 2022 were as follows:

	December 31 2023		December 31 2022
Bank indebtedness	\$ 73,000	\$	22,800
Lease liabilities	98,404		91,863
Long-term debt	230,931		481,597
Debentures – debt component	118,153		115,806
Current portion of long-term debt	243,596		213
<b>Total debt</b>	<b>764,084</b>		<b>712,279</b>
Share capital	801,255		845,267
Debentures – equity component	9,116		9,116
Contributed surplus	20,141		18,619
Accumulated other comprehensive income	2,298		2,868
Retained earnings	142,074		97,527
<b>Equity</b>	<b>\$ 974,884</b>	<b>\$</b>	<b>973,397</b>
<b>Debt to equity</b>	<b>0.78:1</b>		<b>0.73:1</b>

Mullen Group also monitors capital on the basis of total debt to operating cash flow. The total debt to operating cash flow ratio is calculated as per the Private Placement Debt agreements. Other than the financial covenants under its Private Placement Debt, Mullen Group is not subject to externally imposed capital requirements. ► **For more information, refer to Note 21.**

### 32. Subsidiaries

The tables set forth below provide information relative to Mullen Group's significant subsidiaries and its Business Units, including each entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by Mullen Group, a brief description of the entity, and the market areas served, if applicable. The percentages of ownership set forth below include the approximate one percent interest owned by the general partner of each limited partnership.

Significant Subsidiaries:			
Company (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (directly / indirectly)	Overview	Primary Market Area
MT Investments Inc. (Alberta)	100%	Wholly-owned subsidiary of Mullen Group Ltd. It was formed on July 1, 2005, when Mullen Transportation Inc. was amalgamated with certain other corporations pursuant to a plan of arrangement under the <i>Business Corporations Act</i> (Alberta) to form a corporation known as MT Investments Inc.	N/A
MGL Holding Co. Ltd. (Alberta)	100%	Wholly-owned subsidiary of MT Investments Inc., which was incorporated in Alberta on December 22, 2016. It is the limited partner of various Business Units.	N/A
MTL US Corp. (Delaware)	100%	Wholly-owned subsidiary of Mullen Group.	N/A



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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(Tabular amounts in thousands, except share and per share amounts)

Less-Than-Truckload Segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (indirectly)	Primary Market Area
APPS Cargo Terminals Inc. <sup>(1)</sup> (British Columbia)	100%	Western Canada
APPS Cartage Inc. (Ontario)	100%	Ontario
Argus Carriers Ltd. (British Columbia)	100%	Lower Mainland British Columbia
Gardewine Group Limited Partnership <sup>(2)</sup> (Manitoba)	100%	Manitoba and Ontario
Grimshaw Trucking L.P. (Alberta)	100%	Northern Alberta
Hi-Way 9 Express Ltd. (Alberta)	100%	Alberta
Jay's Transportation Group Ltd. (Saskatchewan)	100%	Saskatchewan
Number 8 Freight Ltd. (British Columbia)	100%	Lower Mainland British Columbia
Pacific Coast Express Limited (Alberta)	100%	Western Canada
West Direct Express Ltd. (Alberta)	100%	Southern Alberta
Willy's Trucking Service <sup>(3)</sup> (Alberta)	100%	Northern Alberta and Northeastern British Columbia

<sup>(1)</sup> On January 1, 2023, the operations of 24/7 The Storehouse (2015) Ltd. were integrated into APPS Cargo Terminals Inc.

<sup>(2)</sup> On January 1, 2022, the operations of Courtesy Freight Systems Ltd. and R.S. Harris Transport Ltd., were integrated into Gardewine Group Limited Partnership.

<sup>(3)</sup> Acquired May 1, 2022.

Logistics & Warehousing Segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (indirectly)	Primary Market Area
Bandstra Transportation Systems Ltd. (British Columbia)	100%	British Columbia
Caneda Transport Ltd. (Alberta)	100%	Canada and U.S.
Cascade Carriers L.P. (Alberta)	100%	Western Canada
DWS Logistics Inc. (Ontario)	100%	Ontario
International Warehousing & Distribution Inc. (Ontario)	100%	Ontario
Kleysen Group Ltd. (Alberta)	100%	Western Canada
Mullen Trucking Corp. <sup>(1)</sup> (Alberta)	100%	Canada and U.S.
Payne Transportation Ltd. <sup>(2)</sup> (Alberta)	100%	Canada and U.S.
RDK Transportation Co. Inc. <sup>(2)</sup> (Saskatchewan)	100%	Canada and U.S.
Tenold Transportation Ltd. <sup>(3)</sup> (Alberta)	100%	Canada and U.S.



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(Tabular amounts in thousands, except share and per share amounts)

<b>Logistics &amp; Warehousing Segment:</b>		
<b>Business Unit (Jurisdiction of Incorporation / Formation)</b>	<b>Percentage owned by Mullen Group (indirectly)</b>	<b>Primary Market Area</b>
Tri Point Intermodal Services Inc. (Ontario)	100%	Greater Toronto Area

<sup>(1)</sup> On January 1, 2022, the operations of Canadian Hydrovac Ltd. were integrated into Mullen Trucking Corp.

<sup>(2)</sup> On January 1, 2024, the operations of RDK Transportation Co. Inc. were integrated into Payne Transportation Ltd.

<sup>(3)</sup> On January 1, 2022, the operations of Inter-Urban Delivery Service Ltd. were integrated into Tenold Transportation Ltd.

<b>Specialized &amp; Industrial Services Segment:</b>		
<b>Business Unit (Jurisdiction of Incorporation / Formation)</b>	<b>Percentage owned by Mullen Group (indirectly)</b>	<b>Primary Market Area</b>
B. & R. Eckel's Transport Ltd. <sup>(1)</sup> (Alberta)	100%	Northeastern Alberta
Babine Truck & Equipment Ltd. (British Columbia)	100%	Western Canada
Butler Ridge Energy Services (2011) Ltd. <sup>(2)</sup> (British Columbia)	100%	British Columbia
Canadian Dewatering L.P. (Alberta)	100%	Western Canada
Cascade Energy Services L.P. (Alberta)	100%	Western Canada
Cordova Oilfield Services Ltd. <sup>(3)</sup> (British Columbia)	100%	Western Canada
E-Can Oilfield Services L.P. (Alberta)	100%	Western Canada
Envolve Energy Services Corp. (Alberta)	100%	Western Canada
Formula Powell L.P. (Alberta)	100%	Western Canada
Heavy Crude Hauling L.P. (Alberta)	100%	Western Canada
Mullen Oilfield Services L.P. (Alberta)	100%	Western Canada
OK Drilling Services L.P. (Alberta)	100%	Western Canada
Premay Equipment L.P. (Alberta)	100%	Western Canada
Premay Pipeline Hauling L.P. (Alberta)	100%	Western Canada
Smook Contractors Ltd. (Manitoba)	100%	Northern Manitoba
Spearing Service L.P. (Alberta)	100%	Western Canada
TREO Drilling Services L.P. (Alberta)	100%	Western Canada

<sup>(1)</sup> Acquired May 1, 2023.

<sup>(2)</sup> Acquired March 1, 2023.

<sup>(3)</sup> Acquired November 1, 2022.



U.S. & International Logistics Segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (indirectly)	Primary Market Area
HAUListic LLC (Delaware)	100%	North America

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

	Years ended December 31	
	2023	2022
Trade and other receivables	\$ 28,845	\$ (30,060)
Inventory	(3,912)	(6,884)
Prepaid expenses	(2,138)	333
Accounts payable and accrued liabilities	(8,177)	8,229
	\$ 14,618	\$ (28,382)

	Years ended December 31	
	2023	2022
Changes in non-cash working capital items from:		
Operating activities	\$ 13,916	\$ (28,854)
Financing activities	(54)	148
Investing activities	756	324
	\$ 14,618	\$ (28,382)

### 34. Operating Segments

**Judgements:** Judgements are made by management in applying the aggregation criteria to allow two or more operating segments to be aggregated based upon similar economic characteristics and other similarities.

**Policy:** Business Units are grouped into four distinct operating segments: Less-Than-Truckload segment, Logistics & Warehousing segment, Specialized & Industrial Services segment, and U.S. & International Logistics segment (the "Operating Segments"), all of which are supported by a Corporate segment. The Business Units within each of the Operating Segments share common economic characteristics and are differentiated by the type of service provided, equipment requirements and customer needs. The Operating Segments' financial results are reviewed regularly by the Corporation's chief operating decision-maker who makes decisions about resource allocation and assess segment performance based on the internally prepared segment information.

**Supporting information:** Mullen Group reports its financial results in four operating segments. These four 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. The U.S. & International Logistics segment provides third-party logistics services focused on freight brokerage across multiple modes of transportation.



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(Tabular amounts in thousands, except share and per share amounts)

The following tables provide financial results by segment:

Year ended December 31, 2023	Intersegment eliminations									Total
	Less- Than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	U.S. & International Logistics	Corporate	Less- Than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	U.S. & International Logistics	
Revenue	770,446	564,949	467,980	198,269	5,480	(2,208)	(4,230)	(5,965)	—	1,994,721
Income (loss) before income taxes	61,324	79,307	57,153	(1,551)	(13,093)	—	—	—	—	183,140
Depreciation of property, plant and equipment	22,966	14,622	27,579	1,011	7,045	—	—	—	—	73,223
Amortization of intangible assets	7,631	2,685	1,393	1,824	—	—	—	—	—	13,533
Capital expenditures <sup>(1)</sup>	49,387	22,410	24,344	—	12,688	(6,426)	(264)	(541)	—	101,598
Total assets at December 31, 2023	566,671	386,003	422,594	65,024	601,370	—	—	—	—	2,041,662

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

Year ended December 31, 2022	Intersegment eliminations									Total
	Less- Than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	U.S. & International Logistics	Corporate	Less- Than- Truckload	Logistics & Warehousing	Specialized & Industrial Services	U.S. & International Logistics	
Revenue	778,728	609,288	400,605	221,844	4,452	(2,411)	(4,818)	(8,235)	—	1,999,453
Income (loss) before income taxes	77,588	114,807	33,213	(448)	(14,279)	—	—	—	—	210,881
Depreciation of property, plant and equipment	20,641	15,868	26,493	1,953	6,167	—	—	—	—	71,122
Amortization of intangible assets	8,251	6,266	925	1,760	—	—	—	—	—	17,202
Capital expenditures <sup>(1)</sup>	31,309	22,487	11,374	—	17,495	(166)	(951)	(138)	—	81,410
Total assets at December 31, 2022	544,792	397,865	383,443	69,471	600,560	—	—	—	—	1,996,131

<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 Senior Executive Officer 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.





The following geographical information is based upon the Business Unit's head office location for the years ended December 31, 2023 and 2022.

2023	Revenue	Operating Income Before Depreciation and Amortization	Property, Plant and Equipment	Total Non- Current Assets	Total Assets
Canada	\$ 1,796,452	\$ 324,593	\$ 1,035,192	\$ 1,612,655	\$ 1,976,638
United States	198,269	3,592	—	45,756	65,024
Total	\$ 1,994,721	\$ 328,185	\$ 1,035,192	\$ 1,658,411	\$ 2,041,662

2022	Revenue	Operating Income Before Depreciation and Amortization	Property, Plant and Equipment	Total Non- Current Assets	Total Assets
Canada	\$ 1,777,609	\$ 324,147	\$ 980,608	\$ 1,587,359	\$ 1,926,660
United States	221,844	5,742	1,016	48,448	69,471
Total	\$ 1,999,453	\$ 329,889	\$ 981,624	\$ 1,635,807	\$ 1,996,131

### 35. Related Party Disclosures

#### (a) Key Management Personnel Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of Mullen Group, including all of its directors along with certain executives. Directors are remunerated for services rendered in their capacity as directors by way of a flat annual retainer fee. The overall compensation program for executives is comprised of base salary and benefits, annual profit share and share-based compensation payments. Executives of Mullen Group do not have formal employment contracts. Similar to the employment processes established for all Mullen Group employees, each executive's personnel file contains a memorandum outlining the basic terms of an executive's employment relationship with Mullen Group. Mullen Group has no agreement or arrangement with any executive for the payment of compensation in the case of resignation, retirement, or termination of employment, a change of control of Mullen Group or its Business Units or a change in an executive's responsibilities following a change of control. Key management personnel do not participate in a defined benefit or actuarial pension plan, however, key management personnel do participate in the Stock Option Plan. Total remuneration to key management personnel including directors' fees, salaries and benefits, annual profit share, and the value attributable to stock-based compensation expense was as follows: ► **For more information, refer to Note 27.**

Category	Years Ended December 31	
	2023	2022
Salaries and benefits (including profit share)	\$ 2,258	\$ 2,223
Share-based payments	70	49
Total	\$ 2,328	\$ 2,272

Mullen Group had no outstanding amounts owing to or amounts receivable from directors or officers at December 31, 2023, and 2022, with respect to the overall compensation program for executives. As at December 31, 2023, directors and officers of Mullen Group collectively held 5,812,839 Common Shares (2022 – 5,704,999) representing 6.6 percent (2022 – 6.1 percent) of all Common Shares of the Corporation. As at December 31, 2023, directors and officers of Mullen Group held \$4.9 million (2022 – \$4.9 million) of Debentures under the same terms and conditions as those issued to unrelated third parties. The majority of the Debentures outstanding at December 31, 2023 were held by Murray K. Mullen (\$4.4 million). Other than these \$4.9 million of Debentures, Mullen Group has no contracts with its key management personnel.

#### (b) Related Party Transactions

During the year, Mullen Group generated revenue of \$1,337 (2022 – \$7,367) and incurred expenses of \$13,230 (2022 – \$6,000) with entities that are related by virtue of David E. Mullen, a Board member having control or joint control over the other entities. There was \$383 (2022 – nil) of accounts receivable amounts due from these related parties as at December 31, 2023.

During the year, Mullen Group generated revenue of \$6.6 million (2022 – \$4.9 million), and incurred expenses of \$0.1 million (2022 – \$0.3 million) with its equity investees, which are accounted for by the equity method of accounting. As at December 31, 2023, there was \$1.2 million (2022 – \$1.8 million) of accounts receivable amounts due from equity investees, including debentures owing from Thrive at an interest rate of 10.0 percent per annum calculated and payable semi-annually that mature in 2024. There was nil (2022 – \$30,225) accounts payable amounts due to equity investees.

All related party transactions were provided in the normal course of business materially under the same commercial terms and conditions as transactions with unrelated companies and recorded at the exchange amount.



### 36. Subsequent Events

NCIB – Subsequent to December 31, 2023, until the date of this report, the Corporation repurchased 43,956 Common Shares at a total cost of \$0.6 million.

New Credit Facility – On January 5, 2024, Mullen Group entered into the PNC Credit Facility with PNC. All of the material terms of the PNC Credit Facility are consistent with those under the CIBC Credit Facility and the RBC Credit Facility. The PNC Credit Facility is a \$125.0 million revolving demand credit facility to finance the Corporation's general operating requirements including acquisition transactions. Interest on the PNC Credit Facility is based on either the Canadian bank prime rate plus 0.50 percent or U.S. bank base rate plus 0.50 percent, in each case payable in arrears or banker's acceptance rates plus an acceptance fee of 1.50 percent payable upon acceptance. The PNC Credit Facility is unsecured although the Corporation's wholly-owned subsidiary, MT, has granted an unlimited guarantee of any indebtedness owing on the PNC Credit Facility.

On February 2, 2024, Mullen Group entered into a share purchase agreement to acquire Richmond, British Columbia based ContainerWorld Forwarding Services Inc. and its operating subsidiaries ("**ContainerWorld**"). The transaction is scheduled to close in the second quarter of 2024, subject to regulatory approval and final closing conditions, both of which have been initiated. ContainerWorld is a Canadian logistics company that offers integrated supply chain solutions to the alcoholic beverage and hospitality industries. Through a network of customs and sufferance bonded warehouses, ContainerWorld provides inventory management, freight forwarding, warehousing, and distribution services to international and domestic customers in the provinces of British Columbia and Ontario. The financial results of ContainerWorld will be included in the Logistics & Warehousing segment.



## CORPORATE INFORMATION

### DIRECTORS | OFFICERS

**Murray K. Mullen**

Chair of the Board, Senior Executive Officer,  
President and Director

**Sonia Tibbatts, MBA**

Lead Director

**Benoit Durand, CFA, ICD.D**

Director

**Stephen H. Lockwood, LLB**

Director

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

Director

**David E. Mullen**

Director

**Jamil Murji, CFA**

Director

**Richard Whitley, FCPA, FCA**

Director

**Richard J. Maloney**

Senior Operating Officer

**Joanna K. Scott**

Senior Corporate Officer

**Carson Urlacher, CPA, CA**

Senior Accounting Officer

### CORPORATE OFFICE

**Mullen Group Ltd.**

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121A, 31 Southridge Drive  
Okotoks, Alberta T1S 2N3

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**Canada/U.S.:** 1-866-995-7711

**Facsimile:** 403-995-5296

**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

*To receive news releases by email,  
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please visit Mullen Group's website at  
[www.mullen-group.com](http://www.mullen-group.com).*

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