

2023/24 MESSAGE FROM THE CHAIR

Fellow Shareholders,

*Each year, for the past 30 years, I have penned an annual message to shareholders, stakeholders, and potential new investors, with the express purpose of informing those interested with information that is not contained in the statutory filings. I like to take you, the reader, beyond the numbers, highlighting the non-financial attributes of the Mullen Group, because at the end of the day I am fully aware this is **Your Company**. And in my discussions with many of you, I know that how we manage the business, the values we covet, are very important to you, not just the absolute return on your invested dollars. Of course, you expect a return on your investment, which the Senior Executives are entrusted with delivering, but there is more to a company than just financial performance. There is culture, safety, and building a sustainable organization, where anyone that desires to build a career has the opportunity. We have nearly 7,500 dedicated, hardworking associates that rely upon a steady hand to ensure that, “their future, their families future” is not compromised. This is a responsibility we take seriously. If this isn’t the ultimate purpose of the ESG movement, I don’t know what is?*

2023 WAS AN EXCELLENT YEAR!

For the second consecutive year we generated nearly \$2 billion in annual revenues, operating earnings (“OIBDA” is the Financial Standard term) of nearly \$330 million and strong net income of \$137 million. For those interested in the detail as to how we delivered these impressive numbers, I refer you to the [Annual Financial Review](#) for 2023, with over 125 pages in graphs, numbers, and detailed analysis. Our accounting team at corporate office, led by one of the best, Carson Urlacher – Senior Financial and Accounting Officer, produced another gem in terms of financial disclosure. But let’s remember, that at the corporate office we do not actually generate the results. What we do is “INVEST IN QUALITY COMPANIES”, that generate the results. It is these 40 independently managed Business Units that do the work. And from my vantage point they did an excellent job in 2023, managing through some pretty stiff headwinds. As the Senior Executive Officer, I can honestly say – we couldn’t do it without you. Thank You All.

3-Year Financial Performance

	2023	2022	2021
Consolidated Revenue	\$2.0 billion	\$2.0 billion	\$1.5 billion
OIBDA	\$328 million	\$330 million	\$236 million
Net Income	\$137 million	\$159 million	\$72 million
Net Income per share	\$1.52	\$1.70	\$0.75

We currently generate close to \$8 million each working day in revenue.


As I mentioned earlier, financial performance is very important. However, **Safety and Loss Performance** are also important, and safety is never sacrificed in the pursuit of financial results. In saying this, mistakes still happen, people still get hurt, and freight can get damaged. We operate in a risky business where many workers work in an unsupervised capacity, like field workers or professional truck drivers. These jobs are difficult, which is precisely why we focus on loss prevention. And even though we produce industry leading results, we can never let our guard down. The risks are simply too high.

Below are the safety statistics for our 40 Business Units in 2023 with comparison to 2022 and 2021. In nearly every category we rank near or at the top of the class as measured against our peers. I take no credit for these results because safety is for our people. My role in terms of safety is to support our Business Units and every associate, provide the safety equipment and training as required, and most importantly, ensure that our Business Unit Leaders make safety and loss prevention a priority. When we do this, excellence in safety can be achieved. We are close, but when it comes to safety – close isn't good enough!

3-Year Safety Performance

INJURIES		CLAIMS, as a % of Revenue
Lost Time Claim Frequency (LTCF)	Total Recordable Injury Frequency (TRIF)	
Target = <1.00	Target = <4.00	Target = <1.00%
2023 = 0.79	2023 = 3.53	2023 = 0.51%
2022 = 1.30	2022 = 2.93	2022 = 0.65%
2021 = 1.00	2021 = 3.02	2021 = 0.73%

Grand Prize Safety Award



The Grand Prize Safety Award (“**GPSA**”) audit process is a yearly internal audit of all Business Units. Mullen Group verifies that each Business Unit is working on the appropriate Health, Safety and Environment (“**HSE**”) initiatives that align with our corporate HSE Guidelines. The SAFETY BEAR is awarded to the Business Unit that sets the standard in safety performance.

The recipient of the 2023 GPSA is – CANEDA TRANSPORT LTD.

Their leadership and commitment towards nurturing a world class safety culture has been embedded in every employee and has produced continuous improvement in Caneda's HSE.

CONGRATULATIONS TO HEATHER MATHIESEN and all 120 Caneda team members.

SUCCESS IS SHARED!

On our income statement is a line item known as Profit Share. For years, we have shared our success with those that help our organization achieve superior profitability and excellence in safety, one of the founding principles of the independent self-managed Business Unit model. It is how we reward our senior leaders for producing great results. The basic underlying concept is “the better the business does, the more we can share with you”. It is predicated on maintaining an entrepreneurial culture by incentivizing our associates and leaders to produce the best results they can. And since each Business Unit has its own Profit Share Plan, generally funded by allocating 5% of pre-profit share OIBDA, generated by the respective Business Unit to the Plan, each Business Unit accumulates Profit Share based upon the results achieved. It also encourages growth, because the bigger the Business Unit is the more Profit Share that can be earned. In other words, superior performance is rewarded. This is our way of incentivizing every Business Unit. There is also an element of risk to Profit Share because there are



occasions when the markets are difficult, and profitability is slim. During these times, Profit Share declines. Conversely, there are times when the markets are strong, and Profit Share is bountiful. Everyone on the Plan understands this risk/reward scenario, just as business owners understand that there are no certainties and it takes profits to build a business. This is the entrepreneurial way.

In 2023 we had another excellent year in terms of financial performance, similar in many respects to 2022, one of the strongest in our history. Profit Share, not surprisingly, was also strong coming in at \$20 million again in 2023. And, since the safety performance of our Business Units was best-in-class, we paid out the full amount of the Profit Share to our Business Units, Corporate Office associates, Senior Leaders, and Executives.

Profit Share Summary

Business Unit Payouts	\$16.6 million
Corporate Office Payouts	\$1.0 million
<u>Senior Executive Payouts</u>	<u>\$2.4 million</u>
TOTAL PROFIT SHARE	\$20.0 million

ACQUISITIONS ARE AN IMPORTANT ELEMENT OF MULLEN’S GROWTH STRATEGY!

Long time investors know that we have acquired many companies in our 30-year public company history, driving growth throughout the years. But the primary goal has never been growth for the sake of growth. We have always strived for profitable growth, implying that we need to invest in the right verticals and in quality companies. The objective is to invest in companies that are very hard to replicate and the integration into the Mullen Group is seamless. Occasionally, however, we venture into the unknown, acquiring companies that are underperformers, but only if they are in verticals that we believe the fundamentals support long term growth. We do so carefully, knowing full well that we cannot fix bad businesses, only bad management, which is precisely why we pass on most acquisition opportunities.

**ACQUISITIONS
REQUIRE PATIENCE
AND A STRONG
BALANCE SHEET.**

82+ Acquisitions Since 1993

In 2023 we acquired B. & R. Eckel’s Transport Ltd., an Alberta based company with a long history, dating back to 1965, of serving northeastern Alberta. They were strong competitors, but as the years went by they were slow to invest in technology, a flaw we see in many privately owned businesses. Under our ownership we have restructured the business and are in the process of realigning the business into Business Units that have best-in-class technologies. Our plan is to have the refocused B. & R. Eckel’s group profitable in 2024.



WHAT IS NEXT FOR MULLEN GROUP?

Each year brings a new set of challenges that must be managed, and opportunities that need to be evaluated. 2024 will be no different than any other year from this perspective. The North American economy has held up extremely well the last two years, despite inflationary pressures along with higher interest rates, primarily, I believe, due to the strong employment numbers. When virtually everyone that wants a job is employed, consumer activity generally remains robust. But this may be changing. Each week brings a new round of layoff notices. So, I will be watching the employment numbers carefully to determine if consumer spending will, and can, be maintained. Plus, the combination of high interest rates and inflation means that the consumer dollar doesn't go as far as it once did. They still spend, it's just that they cannot buy as much as they once could. Under this scenario, I believe overall freight demand will not grow in 2024. This means, acquisitions will be how to grow in the short term.

Challenging markets, however, also create opportunity for those that are prepared. My belief is that many competitors will struggle to survive under the weight of competitive markets, higher interest rates, and extended loan facilities that were accumulated to expand their fleets and operating capacities during the last business cycle. At the Mullen Group we did not succumb to this strategy, preferring to follow the road less travelled. History has taught us to be careful when others underestimate risk. So, we sold assets and did not add any debt over the course of the last few years. In other words, WE WERE VERY DISCIPLINED, leaving our organization in a strong position to take advantage as competitors fail or struggle. It might take a few quarters for this scenario to play out, but experience tells me it will happen.

Given this backdrop we have established a set of priorities to manage the challenges and to take advantage of opportunities that arise.

FIRSTLY: Ensure Maximum Performance at our 40 Business Units

Our existing Business Units are the “bread and butter” of our business. They generate roughly \$2 billion a year in annual revenues, so it makes sense that we work closely with them. We will focus on reducing costs, realigning some of our current Business Units, and we will limit capital expenditures.

SECONDLY: Identify Acquisitions

In January we announced an intent to acquire ContainerWorld Forwarding Services Inc. ([News Release – January 17, 2024](#)), a leader in the handling and distribution of beverages, subject to regulatory approvals, which we expect sometime in the second quarter. This is the type of strategic acquisition we pursue when the right company, operating in verticals we believe have the potential to generate solid long-term returns for our shareholders, is available.

We will also actively look to acquire “tuck-in” opportunities. These are generally smaller in nature that are easily integrated into our existing Business Units. The less-than-truckload sector remains our top priority. And, we will always invest when we identify opportunities that have competitive advantages.

THIRDLY: Reducing Costs, Longer Term, Requires Investment In New Technologies

We are actively working with technology providers to identify new technologies that will drive efficiency gains and reduce costs. AI offers exciting new opportunities, especially as it relates to streamlining the transfer of data. In addition, we are actively looking at robotics to enhance our warehousing competitiveness. Lastly, in terms of minimizing carbon emissions, we will continue to invest in new environmentally friendly equipment.



SO MANY TO THANK!

There are a lot of individuals to thank, which I do humbly each year. But this year there is a special thanks that I want to share with you. My brother, David, is retiring from the Board of Directors, making room for a new Board member. David started his career with the family business, starting, like all the family members, doing every job. Knowing that David was an integral part in building the family business and that he understood the nuances of the transportation and logistics business, of our business, I asked him to join the Board in 2011. David, thank you for being a part of this great journey.

Today's publicly traded companies are held to different standards than when Mullen went public in 1993. There are new rules and expectations in terms of Board diversity and independence. Every public company is beset with these new corporate governance standards, and we have listened to our shareholders. We have made changes to Board Committees. And I am very pleased to announce Laura Hartwell as a new Board nominee. Like all Board members, Laura has achieved much in her career and has an impressive set of credentials. There is no doubt that these skills and knowledge will prove invaluable to our organization in this ever changing, and data dependent era. Welcome aboard Laura.

THE LAST WORD!

“NO ONE
WINS ALONE”

~ Mark Messier (accomplished NHL player and great leader)

I work alongside the most talented, hardworking Senior Executive Team anywhere. Richard, Joanna, Carson, you are the best and the passion you bring to the Mullen Group is so infectious. On behalf of all of nearly 7,500 associates – **THANK YOU**. To every shareholder I say this – ***Your Company is in good hands***.

Sincerely,



Murray Mullen
Chair and Senior Executive Officer
April 2, 2024

WE THINK
about tomorrow

