The Mullen Group Limited

Year-End and Fourth Quarter Earnings Conference Call Transcript

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Time: 8:00 AM MT

Speakers:

Murray K. Mullen
Senior Executive Officer

Carson Urlacher
Senior Financial Officer

Richard Maloney
Senior Operating Officer

Operator:
Welcome to the Mullen Group Limited Year-End and Fourth Quarter Earnings Conference Call and Webcast.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an operator by pressing star, then zero.

I would now like to turn the conference over to Murray K. Mullen, Chair, Senior Executive Officer, and President. Please go ahead.

Murray K. Mullen:
Thank you. Welcome everyone to the year-end 2025 conference call.

This morning we released our results for 2025 along with the annual financial review and audited financial statements, which is a nice 120-page condensed document that's full of detailed numbers and analysis prepared by our team headed up by Carson Urlacher and Nik Woodworth. We also uploaded the Annual Information Form. That's a 60-page detailed document relating to Mullen Group. Now, these documents contain updated information and are available on SEDAR+ and on our website, www.mullen-group.com.

This morning I'm going to remind everyone that today's presentation and commentary contain forward-looking statements that are based upon current expectations and are subject to a number of risks and uncertainties. As such, actual results may differ materially. Further information identifying the risks, uncertainties, and assumptions can be found in the disclosure documents.

This morning, I'm joined here in Okotoks by the Senior Executive Team. That's Richard Maloney, Senior Operating Officer; Carson Urlacher, Senior Financial Officer; and Joanna Scott, who's the Senior Corporate Officer. My name is Murray Mullen. I'm the Senior Executive Officer.

On today's call, I'm going to change things up. In an effort to make this call as relevant to you as possible, we are going to head straight to the Q&A session because there's nothing new that we can add about 2025 that you haven't already heard, we haven't discussed, or we haven't disclosed. So, why repeat what we previously released on January 19, 2026? Nothing has changed; 2025 was challenging. Across all four segments, no growth, which basically meant pricing came under pressure.

So, what did we do? Well, our business units had no choice but to tighten up, a measure that mitigated the downward pressures that we felt in the market.

In Corporate, we completed two acquisitions. The net result was record revenues. And when the economy rebounds, when Canada and the U.S. come together again as friends and business partners, and when Canada finally lives up to the nation-building commitments, we will achieve record earnings.

Okay, enough about '25. Some of you have joined the queue, and I don't want to keep anybody waiting. And besides, I do not like to waste people's time, especially this morning.

Operator, let's open the Q&A session, please.

Operator:
Thank you. To join the question queue, you may press star, then one on your telephone keypad. You'll hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

The first question comes from Cameron Doerksen with National Bank Financial. Please go ahead.

Cameron Doerksen:
Yes, thanks. Good morning. I guess I wanted to ask about the industry dynamics. One of the things you've kind of highlighted both in your 2026 outlook a few weeks ago, but also today is some industry capacity tightening. I wonder if you can talk a little bit more about what you're actually seeing out there in the market. Are you seeing some actual tangible evidence of this happening with the increased enforcement and maybe some financial difficulties with other players? Just any colour you can provide on what you're seeing in the marketplace.

Murray K. Mullen:
Yes. You know, Cameron, when we were preparing for this meeting, we thought that might be the question, one of the questions that would come from the analyst community is what is really happening out on the ground today? We highlighted that these things have to happen for supply and demand fundamentals to change.

January is really difficult to provide a full measure on, Cameron. First of all, you're coming out of starting the year and everybody's on a diet, a spending diet after spending everything in December, so January is always a difficult month to judge.

Secondly, you had some nasty weather back East that really impacted a lot of business. So, not a good judge. But I don't think we've seen anything up North that would tell us that capacity has tightened in a meaningful way, and we're waiting to see what will happen later.

I think March is more of a telling quarter, Cameron, to be honest with you. January is a difficult, difficult month. February is a short month. We would need to see some meaningful recovery in demand in March. I think everybody's saying the same thing.

Now, let me just pivot for a second because we were down with our Haulistic folks down in the U.S., and it's a different story down there, Cameron, than up in Canada. There's no doubt capacity is tightening in the U.S., and there's no doubt that they have stronger demand fundamentals. So, we've heard evidence already that there's been quite a significant change in the spot market pricing, not on contract pricing yet, but on spot market pricing down in the U.S. I haven't seen that in Canada yet. Hopefully, that helps.

Cameron Doerksen:
No, that does. I'm just wondering about maybe on the pricing front in Canada. I mean, obviously, still under pressure in the fourth quarter and it sounds like you're not seeing any major change yet. But I mean, I guess any conversations you're having with some of your customers about what their expectation is for pricing in 2026. Does it feel like it's potentially going to get better, or are we, at this point sort of thinking that it's going to be more flattish?

Murray K. Mullen:
No, Cameron, I honestly think that everybody's still kind of like the deer in the headlights scenario. We just don't know what to do because there's no clarity. And so, I'm concerned about that. We can't get anything from our customers, Richard, Joe.

Richard Maloney:
Everybody's just sitting on their...

Murray K. Mullen:
Yes, everybody's just sitting and waiting. We're waiting for something to happen rather than making things happen in this country. And I can understand why. I think everybody knows all the dynamics that are going on. We don't have to beat that one to death.

But I can say to you, in discussions with our peers and with our customers and whatever, there's more optimism that's going to change, and maybe that's hope by midyear that that changes. But for right now, it hasn't changed yet. Everybody's still sitting on their hands. That's in Canada.

It is significantly different down in the U.S. market. And of course, most of the data that we all look at, all of this comes from the U.S. market, you know (inaudible 08:00) and everything. But up here, it's still pretty loose up in Canada, Cameron.

Cameron Doerksen:
Okay. That's great. I appreciate the colour. I'll pass the line.

Operator:
Once again, if you have a question, please press star, then one.

The next question comes from Konark Gupta with Scotiabank. Please go ahead.

Konark Gupta:
Thanks. Good morning, Murray and team. You mentioned, Murray, about the capacity situation in Canada and U.S. I mean, I understand obviously U.S. had moved a little bit faster, maybe because they also saw the big surges in capacity over the last few years. So it's a bigger peak

and a deeper trough in that sense. But for Canada, the driving situation, it seems like the government is trying to address that. I don't know how far they got there. But what's really the sticking point in Canada on the capacity side? Did we not increase capacity so much that we don't have to decrease a lot, or is it something else?

Murray K. Mullen:
I would think that the U.S. system is, it's more geared toward animalistic instincts. I mean, if you're not surviving—there's been a lot more bankruptcies down in the U.S. than there has been in Canada. Now, I mean, it's a bigger market, so you would expect that there would be more bankruptcies and more consolidation. But it's happening quite regularly and quite frequently in the U.S., that tightening of capacity, just because it's been very, very competitive. And there have been a lot of failures down in the U.S., that tightens capacity.

At the same time, they're addressing the English proficiency test and some other things that we're not going to do that in Canada. That's not the way we do it. So I suspect the capacity won't tighten quite as fast in Canada as it will in the U.S. That's my expectation.

But you need capacity to tighten to get rates up, Konark; that's just the reality. So is capacity going to tighten because we have a really strong economic growth in Canada? I don't think your firm or any firm that I've seen is predicting huge economic growth in Canada in 2026. So is it going to tighten on the supply side? We've seen some failure.

Richard Maloney:
Not many, but a few. Not like down in the States. Then it gets recycled, right?

Murray K. Mullen:
They come in and see us and they talk to us when they get into trouble, but you know, we haven't seen enough. I think that capacity—we need to see a lot of tightening. If we're waiting for the federal government and the governments to tighten the capacity, I'm not holding my breath on that.

But it's going to tighten this year. There's no doubt about it. I can't predict exactly when, but it is going to tighten because it is tough as nails out there in a lot of our competitors.

Konark Gupta:
Makes sense. Thanks, Murray.

Then on your 2026 outlook that you guys put out last month, I just want to understand how you're parsing out the top line growth drivers there. I think you're assuming about, call it 10% top line growth give or take, in 2026. I think a good chunk of that, maybe, 400 basis point or so is coming from the acquisitions that you have done last year, right? So the remainder, about 6 points of growth this year, is it more dependent on new M&A or it's a market recovery that you're betting on?

Murray K. Mullen:
Well, Carson, I think, yes. We've got to do some M&A, and on that note, we've already started with that. There's no doubt, Konark, we've said for the last little bit the only viable way to grow when the economy is not growing until capacity tightens is you've got to do acquisitions, which we did last year.

I suspect we'll have to do some more in 2026. And guess what? We put the balance sheet in a really good position, Carson, to make sure that we could grow at the corporate level, even though the economy is not giving us anything. And we did a couple already this year, Carson?

Carson Urlacher:
Yes, we did. Both of those being in the S&I segment, whereas we were not aggressive with doing acquisitions in the S&I segment in 2025.

I think with respect to the guide that we came out with, Konark, that was really based on same-store sales. If you kind of go division-by-division or segment-by-segment, LTLs, we're projecting relatively flat here, 2026 versus 2025. Logistics and warehousing is going to be up and that's really due to the timing of when we acquired Cole, the Cole Group.

Specialized, we’re showing a little bit of growth going into 2026 versus 2025 for a couple reasons. You'll see there's a lot of CapEx that we put into that segment in the latter part of 2025 with our Envolve Energy Group to increase the capacity of our disposal facility. In 2026, we're projecting that there's going to be some additional turnaround work that was non-existent in 2025 that producers basically pushed off.

Our Canadian Dewatering group within the S&I segment, we're also positive with them on mining projects and the like going into 2026.

So those are types of the differences that we're seeing. Our US 3PL segment, obviously some growth in there as well too, and that again is due to the timing of the acquisition of Cole.

Most of it is growth that we're not seeing from new acquisitions. We've done a couple. We've done some tuck-ins in verticals that we like with fluid management with our Thrive group and a nice tuck-in in an area that we see is conducive to greater drilling activity going forward.

Murray K. Mullen:
On Thrive, I think investors, shareholders will recall that we were an investor in Thrive and we completed the rest of that transaction with Brian Erick, and the rest of the team and the shareholder group and they joined our group, so we're now 100% owner of that business. They're in the water management business, primarily tied to some industrial but to the oil and gas sector.

Richard Maloney:
More upstream related.

Murray K. Mullen:
Yes, so we really liked—these folks did a fantastic job of growing that business. That was one of our better private investments that we've ever done. Just a great team.

In fact on that note, Brian is going to join our corporate team and he's going to head up all of our water and fluid initiatives that we've got going on because that is a vertical that we think is investable and has good fundamentals to it. We want to accelerate our investments in that sector. So we welcome the Thrive team and we welcome Brian…

Richard Maloney:
Brian Erick.

Murray K. Mullen:
… to head up those initiatives on behalf of our organization.

He's a pure—he's an entrepreneur because he built it from nothing. We like he joined us so we were really happy with that.

If you look back at last year, we said, “Okay, you got to…”

The segments that we have, we held our own in LTL. I think we'll hold our own again this year in LTL. L&W acquisitions drove that growth. US3PL acquisitions drove that growth.

In the S&I segment, we didn't do any acquisitions and guess what? It was tough as nails, and it was down. Well, this year we've already done two acquisitions in S&I.

Carson Urlacher:
Correct.

Murray K. Mullen:
So we know that acquisitions is the way to position for the future. The key to acquisitions is it backfills revenue. As I said. It gives us revenue growth, but you're positioning for the future when it does tighten, when it does turn, when capital, nation building projects go to work capital. That's when our shareholders will really benefit and they'll see the wisdom of why we did the acquisitions we did.

So that's coming, but you've got to get ahead of the curve and we have it. Thankfully we have the balance sheet to do it.

So we'll continue to do really thoughtful acquisitions this year and that will drive our growth. Our business units that we've got existing, 42. We’re up to 44 now. They'll be out there and they're going to grind it out. We're in contact with them all the time. They know what the game plan is for this year until the market gives us a little bit of a better lift. Until then, you just got to grind it out, Konark.

Konark Gupta:
That’s great for the team and all the best for ’26. Thanks.

Murray K. Mullen:
Thank you very much.

Operator:
This concludes the question-and-answer session. I would like to turn the conference back over to Mr. Mullen for any closing remarks. Please go ahead.

Murray K. Mullen:
Okay, thanks folks for joining us. It was a quick meeting today, but as I said, everybody's—we've debated the issues for too long. Everybody knows what's going on. We're 100% focused on what we have to do this year and we look forward to chatting with everybody and giving an update in April as to how the first quarter worked out and how the rest of the year does. Until then, thank you very much for joining us.

Operator:
This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.