The Mullen Group Limited

Second Quarter Earnings Conference Call Transcript

Date: **Thursday, July 23rd, 2026**

Time: **8:00 AM MT**

Speakers:

Mr. Murray K. Mullen
Chair & Senior Executive Officer

Lee Hellyer
Senior Commercial Officer

Carson Urlacher
Senior Financial Officer

Joanna Scott
Senior Corporate Officer

Operator:
Welcome to the Mullen Group Limited 2026 Second 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 reach an Operator by pressing star, then zero.

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

Murray Mullen:
Welcome, everyone, to Mullen Group's quarterly conference call.

This morning, we released our second quarter interim report. It's a nice 60-page document full of detailed numbers and analysis prepared by our team, headed up by Carson Urlacher and Nik Woodworth. This document contains updated information, is available on SEDAR + and on our website, www.mullen-group.com.

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

With me this morning, I'm joined here in Okotoks by the majority of the senior executive team. Richard Maloney is out traveling this morning, so he's not available, but I have Carson Urlacher. He's our Senior Financial Officer. Joanna Scott, who's our Senior Corporate Officer, and Lee Hellyer, who's our Senior Commercial Officer.

For today's call, we'll follow a similar format as the last few conference calls, all in an effort to make sure that this call is as meaningful and productive for everyone as possible. All prepared remarks by Carson and myself can be found in the second quarter interim report, the financial report, and the press release documents, which were released earlier this morning. We have nothing further to add, so we will head straight to the Q&A session, as I suspect that you will have some interesting questions.

Now, not only was last quarter one of the very best ever for our organization, it appears there are several major projects, all that have a significant logistics component to them. These are actively being contemplated at this time. This bodes very well for the economy, and I think it bodes very well for organization. I see some of you have already joined the queue, but before I hand it back to the Operator, let me just summarize and give you a few opening comments.

Let's start with the discussion on the state of the Canadian economy. From what the data tells us, and what it told us, the demand for freight and related services suggest the economy is doing reasonably well. Not robust by any stretch, but there was just enough economic activity to keep the markets in balance. Just tight enough that we were able to pass through those dreaded fuel surcharges that our customers just really, they push back, but we were able to pass them through. You saw that was a pretty big number last quarter.

But because these surcharges were so high, it just wasn't feasible to pass through general price increases. Our customers can only tolerate so much at one time. They'll come another day when we can negotiate higher general rates, but that was not last quarter. This will happen if, and I reiterate if, the economy can continue to expand. When it does, we will push through higher rates. Until then, and this is basically what we're doing today, is that we will focus on high-grading the freight we handle, demarketing low-paying freight. This in itself helps drive margin improvement.

Moving on to the S&I segment. Results were okay, but they really weren't up last quarter over last year. But this didn't bother me too much because there's a lot of momentum building in terms of major capital projects that will fuel this segment to higher revenues and margins in future years. All good for now.

Enough said. Operator, would you please open the lines?

Operator:
Certainly. We will now begin the question-and-answer session. 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.

Our first question is from Konark Gupta with Scotiabank. Please go ahead.

Konark Gupta:
Thanks, Operator. Good morning, Murray and team. Great results, of course, and glad to hear you're calling off the freight recession here after three years. Maybe just the first one for me on the second quarter. I mean, the second quarter was the first quarter where we saw huge volatility in the fuel price in a long time. We are still seeing some of that volatility continue into July at this point. June was a little bit better. What have you seen from your business perspective? I mean, you have a very diversified portfolio. Some parts of the business might do well in this environment. Some may not do as well. What have you noticed? How has the fuel price or surcharges impacted demand or pricing discussions in different parts of your business?

Murray Mullen:
I can't quantify exactly how it's impacted demand. I think that will play itself out over the next bit, Konark, to be honest with you. What we've seen thus far is that it really doesn't help spur demand. It just reshifts where the demand goes to. I think basically it hurts the general consumer economy because too much of their disposable income has to go to energy related. But I guess maybe

that's the reason why the S&I and our oilfield services business look so productive because obviously the world needs more energy if you're going to keep prices in line.

I think that's the beauty of our diversified portfolio. I would suspect the general economy will continue to do okay, but not super good. There's just not enough impetus for a huge increase. But anything to do with capital projects and with the building of these others, I think we're probably in the right space in terms of that.

The markets are pretty much in balance from our perspective, but not growing. I don't see it. The growth opportunity is, if it's anywhere, it's related to capital projects. As I said, they're required to address this high-energy cost environment that we're putting in now. Part of its risk, there's no doubt, with the war, and part of it is driven by just increased demand for energy all over the world.

Konark Gupta:
I understood. Thanks. On your CapEx budget, you guys are increasing it by $50 million. That happens this year, but it sounds like that will support your volume or demand growth in 2027. Where is that incremental CapEx going? Is that in anticipation of some of the contracts that you were bidding on, like Alaska LNG, or even a new pipeline that's being contemplated between Alberta and Ontario, or something else?

Murray Mullen:
Yeah, I think the majority of it, Lee is on top of this file more than anybody. The majority of it that we're allocating is for major projects. The reason is, is let's just assume that all the projects that are being planned, that some of them start to go, well, the industry is short of capital equipment, particularly let's take the Alaska LNG project. There is no capacity in the system right now to be able to execute on that project excess capacity in the trucking. It has to be new, additional assets.

We said, look, just to make sure we can execute that contract, we got to make sure we got the equipment. I asked Lee to take a look at it and make sure that we could make sure we were prepared. Lo and behold, the Class A truck market got very tight. Lee, you might just want to comment on that, just how much it's changed and why we had to move quickly on that front.

Lee Hellyer:
Yeah, Konark, it's Lee. You know, certainly the Class A truck order board tightened very, very quickly. A lot of discussion around pre-buys for 2027, of course, with the new emissions change coming. It is our full intention to fully deploy the 85 that we had initially budgeted for. Then to Murray's point, the 50 million directed more towards nation building projects, whether that's here in Canada, or as he stated, possibly the Alaska LNG project.

The order board did tighten. As Murray said, we wanted to make sure that we're in a good position that when those projects hit the ground running, that we are in a position to hit the ground running with it. If you wait, we were fearful that the trucks would not be here in time. We were in a good position.

Murray Mullen:
Konark, these projects are extremely large. I've got lots of B's involved with them. By that I mean billions. But they're extremely complex. There's lots of parties at the table and lots of things. There's been nothing formally announced, but we have to make a call. Do we get prepared for them, or do we sit and not be prepared? But if you're not prepared, and it comes your way, you can't execute.

We're taking a measured approach to this. That's on the assumption that we think they're going to go, because the world needs energy. That's our thesis. I think the majority of our Shareholders will buy into that strategy that we've employed here. We're going to make sure we're prepared. We can say to the customer, we can do it, don't worry, we got you covered. We can execute when it goes.

Lee Hellyer:
Konark, I'd just add that they've been spec'd so that they can be deployed across many of our business units, not just any one in particular. We've made sure that if one project does or does not go, we can redeploy assets.

Murray Mullen:
Yeah, we've hedged our bets on that to make sure that it's not all in. We've got options, but primarily, we're getting ready for the Alaska LNG project. Then if that goes, we're ready. If it doesn't go, we'll redeploy in the rest of our business. That's a good hedge in my book.

Konark Gupta:
That makes sense. Thanks, I'll drop the line and get back in the queue. Thank you.

Murray Mullen:
Thank you.

Operator:
The next question is from Benoit Poirier with Desjardins Securities. Please go ahead.

Benoit Poirier:
Hey, good morning, gentlemen, and congratulations for the quarter. Just to come back on the previous question about the $50 million increase in CapEx and those national building projects, could you maybe, Murray, give us more colour about the timing and the potential revenue contribution that could be coming from this increase in CapEx that we see?

Murray Mullen:
The timing is we're deploying the capital, it'll be later this year, right Lee? That the trucks come in?

Lee Hellyer:

That's correct.

Murray Mullen:
What we had to do already, you had to get ahead to get the build slots. We're committing the capital this year. Any of the revenue that will be generated, Benoit I think what we'll do is we'll wait to see if we get the contract. If we do, we'll press release that and we'll say, here's the quantum and here's what we've signed and whatever. It's premature to talk about how much we're going to do and whatever. All I can tell you is, folks, Shareholders, investors, we're planning and I think that's what we're doing.

As soon as we know, Benoit, we will press release that out and say, here's what we've signed. Either we got it or we didn't get it. If we didn't get it, we'll redeploy those assets and the rest of our business and that'll be our 2027 CapEx.

Benoit Poirier:
Okay. Looking at the margin performance, LTL segment was quite strong, and you call out the greater land density demarketing, lower margin freight, but also cost recovery efforts. Is it fair to believe that this is a sustainable margin going forward for LTL or could we even see greater benefits and more upside from the LTL segment?

Murray Mullen:
Yeah, that's a good comment, Benoit. LTL, I think we hit pretty good stride last quarter and that's a function of, as we say, really, it's three things. I think our business units are generally doing a great job on the cost side. We did get full cost recovery on fuel surcharge. That helped bring the margin up. Then the third is there's just enough freight in the system, Benoit, that we don't have to take some of that other low paying freight to fill the trucks. We're demarketing that because it's just not adding any value. Even though revenues didn't really go that much higher, the quality of the revenue improved and that's what helped drive our margin improvement.

Now, if you get any growth in the Canadian economy, any, as the market has tightened, that will give us the go sign to maybe raise some prices. We're already seeing that happen in the United States. We haven't quite seen that happen up here in Canada yet, but hopefully that happens, but that'll probably be a ‘27 situation. I don't think that's going to happen later this year. There's too many headwinds with trade issues and with people just not investing the capital in the general economy at this moment. It's in pretty good balance. I think we can maintain that margin. That's our expectation for the balance of the year.

Benoit Poirier:
Okay. Maybe last one for me, in terms of M&A, you mentioned some words in the press release around the interest to look at the tuk-ins and confidence that you could close some by the end of the year. Could you maybe provide some details about the size of those tuck-ins that you're looking at these days, the business segments also that you're looking at and whether valuation is still reasonable given the seller expectation in the more favorable trucking market? Thanks.

Murray Mullen:
Yeah, I think on the expectation side, it's kind of a tale of two worlds here. Clearly, every seller wants to get the best price, and every buyer wants to get the lowest price. I mean, that's the game that is played. It's kind of a tale of two worlds here. Eastern Canada, it's a little bit better Benoit, but it hasn't improved substantially. Expectations are still reasonable. Truthfully, there's a lot of people of our peers that have got their balance sheets stretched. We'll take a look whether we think that those business units fit into our network where we can find synergy. Those are really the only ones that we're really contemplating at this time, because we don't think the economy is strong enough to justify just getting a bigger entity.

Where we might kind of stretch out is in the S&I segment, because we expect that in future years that there could be a lot of activity. That's what we're telegraphing. We'll continue to look on the S&I side. You've got to invest for the next cycle, not for the next week or quarter. If we do them, you know that we're optimistic about the future for S&I. The rest of it, it's got to be tuck in so that we can find synergy. Without synergy, we're really not that interested.

Benoit Poirier:
Okay, that's great colour.

Murray Mullen:
I can't give you the size and which ones we're looking at, but I can tell you we're looking at a number. We do a lot of smaller ones that are real tuck-ins. Joanna, you're working on a number of files on those. Those individually are not really that significant, but when you layer them in, I expect it's going to help our margin.

That is what I've got to keep telling everybody. That's what we're focused on. We're not really focused on the top line. We're focused on how do we improve the margin. We've got to make some smart business decisions on that, put capital work so we can get our margin up. We're not comfortable with, even though we had a good quarter, we are still focused on how do we keep getting that margin going up. That's our primary focus Benoit. Not so much the top line. How do we drive great acquisitions to improve our margin? That's our focus.

Benoit Poirier:
That's great. Keep it up.

Murray Mullen:
Thank you.

Operator:
The next question is from Kevin Chiang with CIBC. Please go ahead.

Murray Mullen:
Good morning.

Kevin Chiang:
Good morning, Murray and team. Thanks for taking my questions this morning. Not to beat a dead horse, I'll reiterate the congrats on the good quarter here. Maybe if I, on the back of Benoit's question on LTL margins, just over 20% in Q2. If I look back even before the pandemic, when you started disclosing this as a standalone segment, I think the only other time we saw margins this high was back in 2022, when we were a year into that freight upcycle. It feels like we're in the early innings of this current freight upcycle.

Looking at that trend, it seemed like you were able to expand margins, let's call it 200-300 basis points, as we worked through the innings of that ballgame. Is there any reason why we shouldn't be able to think of Mullen doing something similar just at a higher base? Could this not be a low 20s or maybe low to even mid-20 EBITDA margin segment, just given where you're starting from here at 20.2% in Q2?

Murray Mullen:
Carson, I think that Kevin has been sitting in some of our executive meetings where we talk about that's our objective and our goal. That is a topic that we talk about around our senior executive table. Is the market just getting tight enough that will help support that thesis to get back up to 20? Are we doing the right things to get us to 20? Of course, we're pretty close on saying we should be able to meet those targets, right?

Carson Urlacher:
Yes, for sure. I would say that you've done your homework, Kevin. When you look back the last 10 years, once we start getting into that 20% margin range on LTL, that's a top end that we would have seen over our last decade. I would say that we budgeted at the beginning of the year to come in around 17% for fiscal 2026, and I'd say that we're ahead of that. I think the trend that we saw in Q2 is consistent into early innings, what we've seen in July so far. Nothing's really changed from that perspective. I would say that by the end of the year, we're looking at being able to beat what we originally budgeted for back in January.

Murray Mullen:
Once again, not so much because there's huge growth, Kevin. We've got all the business units focused. Take the business that is higher valued freight, higher margin, that's how we're going to drive margin. Less lower margin, a little bit higher margin doesn't mean that we're really increasing the revenue significantly. Once again, focus on margin and our business units. We're high fiving them. We're saying, folks, not only did they listen, they actually executed.

Once we start that trend, they don't want to go back either. They want to see high margin because we reward our business units based upon performance. I can tell you, they're liking the performance as much as we are at corporate. I don't know why we wouldn't keep working towards that. Some of it's going to be market-driven, but a lot of it's going to be because we make some good business decisions.

Kevin Chiang:

That's very helpful colour. Just my second question, following up on some of the previous questions on your M&A pipeline and the increased capital spend that you've budgeted for. If I think back to last year, you divested of your Hydrovac business, and I think the narrative was you just couldn't get scale there, so it's better to redeploy capital into areas that you have a competitive moat or advantage.

When you think of preparing for the next cycle, is it spending capital on areas that you currently already have a strong position in? Is it looking at services you don't have a great position in and thinking that the next cycle might give you the opportunity to maybe deepen that expertise? Just trying to get a sense of, is this doing more of what you do already, or is it part of maybe a product or service expansion plan here, just given the optimism around a lot of these nation-building projects?

Murray Mullen:
I think our primary focus, we're open to look at everything if the margins are correct and if we can get the appropriate returns on it. But the best way, and our primary focus, is building on those verticals that we're already in. If we can get stronger, bigger, gain market share, put new capital to work on those verticals that we've already got a position in, we know that's probably the easiest path towards not only growth but higher margins, so that'll be our primary focus on that.

In terms of the CapEx, look, it's really going to be focused on, the first is probably going to be pipeline business, because you've got to build the infrastructure before we build the business behind it. You've got to build the highway before you put the cars on it. Pipelines, that's all you're doing, is you're building the highway for the oil and gas business, and that's got to go. Our first objective and the first leg of this uptick is pipelines. We've got to be prepared, and what we're seeing in the pipeline business around the world is they have to build new pipelines.

It doesn't matter whether it's in Alaska, whether it's in Canada, whether it's in the Middle East, in the United States, there's going to be a build-out of infrastructure over the next bit. That's the first leg of this, and we've got to have the capital for that, and then we'll redeploy that capital once the pipelines are built into filling the lines, and that's the thesis. We think we're in a good long-term trend here. It's not a one-and-done. Pipelines is one-and-done, but not the behind to fill the pipelines is not one-and-done. That's where your sustainable business comes in long-term.

Carson Urlacher:
Our diversity as well, too. We don't want to participate in a large capital project just on one phase of it. We look to be able to participate in every phase of those large capital projects, right from the construction of them to delivering LTL freight to the support staff that need to build it. Then, like Murray's point, after you get it built, it requires drilling activity. We can move those assets around quite nicely, and that's why we've diversified our business model the way we have.

Kevin Chiang:

That's super helpful. Thank you for taking my questions, and again, congrats on the good quarter there.

Murray Mullen:
Thank you.

Operator:
The next question is from Cameron Doerksen with National Bank. Please go ahead.

Cameron Doerksen:
Good morning. I guess, certainly, a very strong Q2. It sounds like the trends you saw in June have continued into July, so pretty optimistic outlook for the back half of the year. I guess, what's your level of confidence that the original EBITDA guidance that you put out at the beginning of the year, $365 million, that you're going to be able to exceed that? It sort of sounds like you're trending towards that.

Murray Mullen:
I think if you extrapolate out second quarter, you could probably buy into that thesis. But for us, the way that we manage the business and we articulate it, we come out at the first of the year and say, here's what we think the year's shaping up to look like. So far, it looks like we were pretty close to our thesis, and it looks like it's maybe gaining a little momentum because we did say that our numbers that we said early in the year did not include any nation-building projects. To the extent that they start to accelerate, Cameron, then yes, it's a reasonable conclusion to say that we'll do better than what we originally published.

But look, so far, a lot of talk, but I haven't seen all the action, but the talk is getting louder, and it looks like it's getting closer. I suspect that the majority of the real momentum that's building is going to carry into 2027. You know what, we'll build our budgets and talk to everybody in October and November timeframe once we get through this quarter to make sure that that trend that we started to see happen in the second quarter is maintainable. Lots of moving parts, as you know, in this economy, but let's make sure that the trend is well entrenched before we get too ahead of ourselves.

Cameron Doerksen:
Okay, that's fair enough. Maybe second question, just on the logistics and warehousing segment. It seems to me that maybe that's the segment that would be more positively impacted by some of the regulatory enforcement actions that we're seeing across Canada, which presumably would help pricing. Have you seen any, I guess, evidence that pricing in some of the sort of truckload businesses are starting to improve? I guess, maybe has your level of confidence increased from the last quarter that we're going to see some pricing improvement there just due to some of this enforcement action?

Murray Mullen:

I would say that it's—so there's different markets, and I can't just lump it all together, but let's just, let's start with the U.S. The enforcement action in the United States is very aggressive. That's tightened the U.S. market dramatically, and you've seen all those reports, and you've seen what the public companies are articulating. You've seen a lot of the headlines come out of there. There's been some enforcement in Canada, but not to the same degree as the United States, period.

The Ontario market, Quebec market, it's a little, it's okay, but it hasn't tightened enough. Not much has happened on Ontario. Back West, out here where we have a very strong platform, we're seeing it tighten a little bit more because there's more capital going to work out here. That's tightening the market a little bit quicker. We have a pretty sizable market share in Western Canada.

Cross-border, when you're doing cross-border, actually U.S. rules apply. That market's tight for drivers because not all Canadian drivers can go to the U.S. That's tightened the cross-border market, and that's helped. Some of our logistics warehousing, particularly back West, is doing better. Back East, it's okay, but it really hasn't changed a whole bunch yet, Cameron.

Cameron Doerksen:
Okay, no, that's helpful. I'll pass the line. Thanks very much.

Murray Mullen:
Thank you. Appreciate it.

Operator:
The next question is from Walter Spracklin with RBC Capital Markets. Please go ahead.

Walter Spracklin:
Yeah, thanks very much. Good morning, everyone. I just want to go back to large project investment. Understanding you can't give us dollar values, but maybe can you give us timing on are any of them formal RFPs that have announcement dates associated with them and what they are? I know you mentioned Alaska is met as an Alberta data center. Is that something you're bidding on, or is that just something that if there's services required and it's not part of a formal bid? Just curious how your outlook is on each one of those.

Murray Mullen:
Yeah, so there's a lot in that that you just spoke about, and we were on top of it every day. Look, even the month of July, there were two announcements already that pipeline activity are going. And those were in the billion dollar ranges. It's starting to happen already, and we're involved in those projects.

The elephant in the room is the Alaska LNG project. We're at the final table. We think we're in an excellent position. We've done everything we can. We know that we're one of the very few that can do that project in conjunction with our partner up in Alaska to be able to execute. But that's a very complex file, and it's hung up in the Alaska legislature right now. I have no idea how that's going to play out, but typical of most political situations, it's kind of kick the can down the road, those kind of things.

Not going as fast as what we'd anticipated. The issue that's happening is the longer they delay that one, the more it gets closer that we in Canada are getting close to some of the major projects that are on the books in Canada. Those could be doubling up. Nothing formalized, but I can tell you we know our market position. We know the teams we've got, and we're one of the very few that has the balance sheet to be able to have all the capital committed so we can say to the client, we can look after you. We're doing everything we can to make sure our business units were chosen and we can execute to a high level.

Nothing formal. As soon as anything's formalized, we will press release it.

Walter Spracklin:
Okay. When I look at your...

Murray Mullen:
Until then, Walter, your guess is as good as our guess.

Walter Spracklin:
When I look at your plan, when you published it originally, you had Q1 results that were in line with kind of that plan. I would say Q2 now is coming ahead of that plan, and you're giving us an outlook now saying that, look, things are looking better in the back half than they did when you made your plan. I know you're keeping your guidance intact, but I think expectations are that it—I think if you look forward to analyst estimates for tomorrow, they're going to be somewhat higher than what you'd originally planned.

What my question is, to the extent that people don't get ahead of their skis, I think what you'd said is that your revenue guide of 2.3 to 2.4 is less about growth and more about better business. Maybe that doesn't go much higher because you're replacing perhaps or demarketing, as you mentioned, some of the lower quality business with some better quality business. But if you're doing that, then your EBITDA must be going higher. I'm just trying to get a sense of, as you look forward on a more optimistic scenario than you did when you first wrote your plan, is this $20 million higher? Again, it's something that we don't want to get expectations too high and just wanted to get properly sized when we look at how you're trending for the back half of the year.

Murray Mullen:
I can't give you the number because it's—I can tell you it looks positive. But like I said, I think certainly we're on target. It looks like the trend is looking more positive. But it really is dependent upon these projects, Walter. If the projects come, then yes, clearly, we're going to be above what the plan was because we didn't include in the plans the projects.

But there's some...

Walter Spracklin:
Right, but I'm talking excluding the projects. The 2.3 to 2.4...

Murray Mullen:
Excluding the projects, I don't think any growth and we've kind of slowed M&A over the last bit. Last quarter, we did maybe one or two little insignificant little things. But generally, all we did is evaluate opportunities less. The growth from acquisitions is nearly over, Carson. Don't count on significant revenue growth unless a big project's coming. If a big project's coming, that's incremental and those are very high margin.

Acquisitions, we haven't done any for a little bit. Q3 revenue growth will slow, but our margins is—we're focused 100% on margins. Reasonable to assume that we are going to continue to focus on maintaining that margin. If all goes as planned, we expect to improve the margin. But it's all focused on margin. Margin is cash. That's what—then I think what we're telegraphing to our investors is that, look, there's opportunity for us to put cash to work, both internal growth, which will be high margin, and acquisitions as we find the right fits.

Nothing's really changed with us, Walter. We continue to stick with our game plan and away it goes. But I can tell you the opportunities in Western Canada with some of these big—where the capital's going, we're probably as well positioned as anybody.

Walter Spracklin:
Okay. Congrats on a great quarter. Thanks, guys.

Murray Mullen:
Thank you very much. Appreciate it.

Operator:
The next question is from Trevor Reynolds with Acumen Capital. Please go ahead.

Murray Mullen:
Hey, Trevor.

Trevor Reynolds:
Hey, guys. Good morning. Most of my stuff's been answered, but just on the S&I side of things, can you guys touch on where you're positioned to get to in S&I relative to where you've been at peak historically, just with the demarketing and everything you've done over the past number of years?

Murray Mullen:
That's a tough question. Oh, yeah. I give all the tough questions, so there you go.

Carson Urlacher:

Back in our peak, we'd be up in around that $900 million revenue mark annually for the S&I segment. You know, we're budgeting $450 million for 2026, which is a nice little increase that we've seen over the past five years. The trend is definitely more positive than it has been over the last decade. We don't see it as a headwind as we would've five years ago. I would say it's more of a tailwind now. I'd be apprehensive to say that we would get back to $900 million anytime soon. You're going to need a lot of these nation-building projects to take off.

Murray Mullen:
And further M&A.

Carson Urlacher:
And further M&A to get back to those levels for sure. But the trend is definitely more of a tailwind now than a headwind for sure.

Murray Mullen:
What I can say, Trevor, and I'll add to that, is that's what we used to do. It looks like the opportunities are building back towards the way we used to be. Not because of pie in the sky. It looks like the capital is coming back into these projects. Capital implies growth. Growth means we've got to be prepared. That'll be both on internal CapEx that we've already started. We can get back to where we were, but we probably have to do some M&A to get back up to that $900 million on an annual basis. But it's on our radar.

I would say, when we sit around our senior team and we talk to the Board, that's our objective. That's our goal, but we've got a lot of stuff to do to get back to that. But it's a good goal to set. Why not? We've done it before. Just give us the opportunity. I tell you, we'll be in as good a position as anybody to get back.

Trevor Reynolds:
Great. Then just on Alaska and your investment in 100 trucks there, does that satisfy basically what you think your requirement is to participate in that? Or will there be further investments if you guys get the deal?

Murray Mullen:
It depends on the size of the award. We've taken the first initial step to make sure we could meet the minimum threshold, but it depends on the actual size of the award when the formal bid comes out. But it could be significantly higher. It depends on the size of the bid. We've kind of just pegged it at middle of the ground so we can execute. But we will not sign a contract. I've told the team that we will not sign a contract unless I know and I'm comfortable that we can execute to a high level. Otherwise, it's not worth it. We've kind of picked the middle of the road on this and we'll leave it up to the customer to tell us how much they want to give us. That's up to them.

Trevor Reynolds:

Got it. Then in terms of the overall dollar value of the Alaska project, what does the staging and transport of the pipe represent in your view of that?

Murray Mullen:
The size of that project is somewhere between $250 million and $500 million, and that's total. Remember, we've got a partner, so a partnership means 50-50. It's somewhere between over a two-year period, somewhere between $250 million and $500 million U.S. That's a pretty big range. But all you can do is position yourself to be chosen by the customer. But it's up to the customer how they're going to allocate it. But the minimum we will do if that project's goal is around $250 million. That's the minimum.

Trevor Reynolds:
Great. Then just on Alaska being included with U.S. 3PL, is that just for simplification of accounting, I'm guessing?

Carson Urlacher:
No. I think the rationale behind that, Trevor, is that we want to keep U.S.-based business in the U.S. 3PL segment. Whether we rebrand that a little bit, because right now we call it asset light, obviously the Alaska LNG project would not be asset light. But I think our main focus and our original thought is U.S.-based business stays in the U.S. 3PL segment.

Trevor Reynolds:
Perfect. That answers my questions. Thanks, guys.

Carson Urlacher:
Thank you.

Speaker:
Thank you.

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

The next question is from Tim James with TD Cowen. Please go ahead.

Tim James:
No, thanks very much. Good morning, everyone. First question is returning to LTL, and I think you as much as said that business is running ahead of budget for the year. Then we were talking about the margin potential. Looking beyond 2026, wherever you end up for 2026 in terms of EBITDA margin, would it be unreasonable to assume that there is more upside then to that number as the economy improves, major projects pick up that I assume could kind of incrementally help LTL? We don't want to sort of take 2026 and if this replicates your historically high margin for LTL, say, okay, that's it. Is it reasonable to assume there's more upside beyond that, or are there some headwinds maybe that'll prevent that from happening?

Murray Mullen:
I 100% agree with that thesis is to the extent that the Canadian economy grows from its current level, we'll continue to have the opportunity to grow expansion both through execution and through pricing leverage. You get any pricing leverage whatsoever, Tim, I tell you the margin goes up and it would go up nicely.

We've got excellent, excellent companies. We continue to build out and help them with their capacity on facilities, Lee, to make sure that they can handle increased business. Smaller competitors have a difficult time keeping up with us because we have such a coverage. Honestly, our business units are just really working hard on the technology front. Those are tough to replicate. Yes, others can drive a truck, but boy, its technology, process improvement, making sure you're at the right facilities. That gives you a really good opportunity. Then if you get pricing leverage on top, easy to see how margin can go up.

Tim James:
Okay, that's helpful. My second question, Murray, I'm just interested, you've shown here incremental confidence that nation building projects are going to move forward. Is that additional confidence a function of something that is surprising you or is it really just the fact that the government is taking the necessary steps, the steps they said they would, time is passing and they're doing what they said, or is it because you've been surprised by something?

Murray Mullen:
I think I'm pleasantly surprised that from what we're seeing from our elected officials and their approach to some very complex issues to get major projects done. We're taking, we have a higher level confidence today than we did at the start of the year. There's still complex files and they have not been all acted upon yet, but it sure feels like the, that the powers to be the elected officials understand that to access the world markets or what Canada has a competitive advantage in, which is energy, raw materials, minerals, metals, critical minerals, you have to have the infrastructure to be able to get to the world market.

Whether that's bigger ports or whether that's pipelines, LNG facilities, new oil sands plants, that all has to be built to access the markets. The markets there, Tim, you know it as well as I do. Everybody knows the market is begging for Canadian, what we have, get it done, get it to market and Canadians will benefit from that demand. I think the thesis is correct, but this is Canada. It takes a while to get things approved. You've got a lot of; you've got a lot of people at the table that all want a piece of the action. That may be the biggest thing that's holding up the projects right now. Who gets what of the project?

Tim James:
Okay, that's very helpful. Thank you.

Murray Mullen:
We're not on those files. I can just, it looks more positive than in the first of the year.

Tim James:
Great, thank you.

Murray Mullen:
Operator, I think that's it.

Operator:
Certainly. I'd like to hand the call back over to you, Mr. Mullen, for any closing remarks.

Murray Mullen:
Hey, thanks folks for joining us. I hope we addressed a number of the issues there and questions that you had. Really good interactive discussion and hopefully that gave everybody a good playbook to go from for the back half of the year. We're 100% focused here as a senior team. Our business units are well positioned and we're giving them a little bit more capital and we're telling them stay on your game plan. Margin first, growth second. Take care. Thank you very much. Enjoy your summer.