The Mullen Group Limited

Third Quarter Earnings Conference Call and Webcast Transcript

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Speakers:

Mr. Murray K. Mullen
Chair & Senior Executive Officer

Carson Urlacher
Senior Financial Officer

Joanna Scott
Senior Corporate Officer

Richard Maloney
President & Senior Operating Officer

Operator:
Welcome to the Mullen Group Limited 2026 Third Quarter Earnings Conference Call and Webcast.

As a reminder, all participants are in a listen-only mode, and the conference call 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, and 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 Mr. Murray Mullen, Chief and Senior Executive Officer. Please go ahead, Mr. Mullen.

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

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

Now, 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, the uncertainties and assumptions can be found in the disclosure documents.

With me this morning, I'm joined in Okotoks by the Senior Executive Team: Carson Urlacher, Senior Financial Officer; Joanna Scott, who's our Senior Corporate Officer; and on the line is Richard Maloney, our President and Senior Operating Officer, and Lee Hellyer, 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 of the prepared remarks by Carson and myself can be found in the third quarter interim report, the financial report, and press release documents, which were released earlier this morning. Truthfully, we have nothing further to add, so we will head straight to the Q&A session as I suspect you will have some interesting questions. But before I hand it over to the operator, I'm going to offer up a few opening comments.

Let's start with the obvious. Our operating performance in Q3 was very good, in fact, some of the best ever. It's a strong validation of the strength of our diversified business model that, truthfully, we've built up over 30-some-plus years as a public company.

Second, the balance sheet is rock solid. It's backstopped by those 10- and 12-year long-term bonds we placed a couple of years ago. Now, this in itself looks pretty timely, given where interest

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rates are trending these days. Furthermore, if you look at the cash position as of September 30, 2026, you're going to see that we had $214 million in cash on hand, $381 million of working capital, and a boatload of untapped bank lines.

This leads to my third comment. You need to consider the Willson International announcement on Monday morning in conjunction with our Q3 MD&A. We used a portion of the $214 million cash on hand to grow the business with another quality acquisition, the backbone of our long-term growth strategy.

So, enough said. Operator, would you please open the lines to the Q&A?

Operator:
Yes, sir. 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 will hear a tone acknowledging your request. If you are on a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We'll pause momentarily as callers join.

The first question will come from Kevin Chiang with CIBC. Please go ahead.

Kevin Chiang:
Good morning everyone. Congrats on the good results here.

Maybe two questions from me, and maybe just first one as we think about how you look to deploy capital for growth. Is there a way to frame how you might think of the investment intensity in 2027 and beyond? Just given maybe the growing optimism in the end markets you're servicing, and you have a Productivity Mega Deduction that looks like it'll be helpful to your free cash flow conversion. Just in terms of an improving free cash flow, does that get deployed towards more growth capital, or does that extra free cash flow get deployed to maybe other initiatives?

Murray K. Mullen:
Good question. Kev, it's one that we debate here all the time.

It's not that we're not going to have to deploy more capital to capitalize on the potential new growth, which is basically, we all know, tied to these huge capital projects.

The question, I think, Kevin, is really timing. Thus far, we've heard all the anecdotal evidence that these projects are going to go, but the only area that we've really seen them going is really in some of the mining projects. Then you can see in our results how we increase CapEx tied to those projects and the corresponding results that we have when there's growth opportunities. So, it's all in the timing.

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Is it going to happen in 2027? Maybe. Maybe not. All I can tell you is, we will probably not get too far ahead on the CapEx until we know it's real. Otherwise, we're just gambling with our shareholders' money.

Remember, this is Canada. It sometimes takes a long time to get these projects off the drawing board into shovels working. We'll just monitor it, Kev. Then when it's time, boom, we'll go and we'll go fast. Of course, we've got the balance sheet to go fast. I think that's the way we're going to look at it.

Until that happens, the economy is pretty good and our business is pretty solid. You can see it from the results. But the outsized growth and the outsized opportunity for us is when these capital projects come to fruition.

Kevin Chiang:
Right. That's great colour.

Maybe just my second question. When I look at your S&I margins, they're the highest, at least I've seen, since maybe during the pandemic when there was a little bit of noise with CEWS in everyone's numbers, I guess. But at the same time, as you mentioned, a lot of optimism in those end markets. Maybe we haven't seen a lot of the FIDs come through yet. Is there a way to frame how these margins could trend as those projects come through? Is this something where you could see a step function improvement in the profitability of S&I given the combination of both maybe increasing activity, which we're all hopeful for, plus it sounds like you're repricing some of the book of business today to capture some of that higher pricing as you improve the quality of the existing book?

Is there a way to frame how these margins could trend as hopefully some of these nation-building projects get off the ground here?

Murray K. Mullen:
Tough to frame it, I think. I don't know if that's the right word and not the way we look at it. I can tell you once the projects go, you're going to need new capital. But I'm here to tell our shareholders and everybody, we're not deploying new capital unless we see that the rates are going to go up from our customers, because new capital really implies that we should be making way north of 20% EBITDA margins, up around 25% for new capital. You're only going to get 25% when there's demand exceeds supply in any market and demand will exceed supply when the projects go. When they go, we will put new capital to work when we're going to get 25% EBITDA margins or else we're not deploying the capital. We're not going to take the risk on behalf of shareholders unless we can get 25% for our shareholders.

That's how we look at it here. We're poised to go, but we're not going to go too, too early. Honestly, you're just wasting your bullets.

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Kevin Chiang:
That's super helpful. Again, congrats on a good quarter then. I'll pass it along. Thank you very much.

Murray K. Mullen:
Thanks, Kev.

Operator:
Your next question will come from Konark Gupta with Scotiabank. Please go ahead.

Konark Gupta:
Thanks, Operator. Good morning, Murray and team. Congrats on good results in Q3.

I want to follow up on Kevin's question here as well on the S&I segment. It seems like from the comments you put on the press release, there wasn't everything that was perfectly aligned in the quarter, yet the margin was pretty good. You still had some declines or challenges in the turnaround projects, maybe though drilling was up. But I don't think we are hearing that the drilling activity catching up completely with commodity prices today because producers are not taking the view that these commodity prices are structurally sustainable. My question is, how much more upside you would think the S&I segment might have in terms of both top line and margin if this commodity price environment becomes more structural, becomes more sustainable over the next few years?

Murray K. Mullen:
I think the simple answer is that I agree with you that the energy prices are up. But I'll be honest with you, we haven't seen that turn into a whole bunch of new increased demand yet. Our customers are doing exceptionally well off the backbone of high energy costs. We all know why. They're doing exceptionally well, but I haven't seen where they've really upped their CapEx dramatically yet and I think everybody is waiting for the infrastructure to get built and get going, and then they'll free up their balance sheet to go invest. But right now, they're holding their cards pretty close to the vest, to be honest.

We have to be very picky about where we go. Until demand exceeds supply, as I said on the last call with Kev is that we'll be prudent with our shareholder capital.

Where we have seen nice uptick is, for example, Carson as our Canadian Dewatering group, which there's some really nice projects going on in Canada tied to mining. Those projects have gone and we've had some nice returns there and some really good growth.

In the meantime, I'll just tell you our margin is going up because we're still right-sizing and I'm getting rid of business where the margins aren't high enough. It's in anticipation that I'm not going to go to work for nothing. We're going to go to work where we can make a return for our shareholders and where we can create great jobs for our people.

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We're just waiting. When it does, we'll go back to the margins we used to have when capital was flowing freely back in the last decade and a half ago. It's all about the flow of capital and right now, it hasn't really increased yet. That's why I'm optimistic that once it does, we will do better. Period.

Konark Gupta:
That makes sense. Thanks, Mike.

If I can delve into LNG opportunities, obviously we are seeing some momentum on the LNG side in Canada come back. There's also a big contract you guys were talking about in the last earnings call. Can you provide an update perhaps on what's happening on the LNG side for you guys and how are you preparing for some of those contract opportunities?

Murray K. Mullen:
We've heard the same thing as you and everybody else on the line because it's in the news every day. We've had lots of ceremonies and ceremonial signings and we've had lots of everybody patting themselves on the back that we're going to do it, but we haven't seen the purchase orders yet. We haven't seen this or that. We think maybe we're closer to that in 2027, but I can't commit to what time that is. I don't have any better insight on that than you do.

Konark Gupta:
Okay. Thanks, Murray. Last one before I turn the call over.

On M&A opportunities, maybe you can perhaps explain the rationale behind the Willson deal. Is that the area where you think there's going to be a lot more M&A activity? That seems to be the area where a lot of your competitors have also focused. Recently, we have seen a few transactions in that arena. Are you looking at something more on the S&I side as things evolve in the oil patch over the next couple of years?

Murray K. Mullen:
Well, Carson, I think what we did—I'll turn this and let Carson—but I think with Willson, first of all, it's a brand-name company and it's in a vertical we like. I think the big thing with Willson is that we were able to use that strong balance sheet and turn making a couple percent, I think, and turned it into a decent return.

Carson Urlacher:
Yes, for sure. (Inaudible 14:59) Konark, you can't really pick your time with respect to when those acquisitions become available. Entrepreneurs are on their own schedule and they pick the time for the liquidity event, not us. We just make sure that we have the balance sheet that we can participate in those transactions, which we did this time.

It's a 100-year-old company in a vertical that we quite like. It's going to complement our Cole acquisition that we did just over a year ago. It's a space that we like and the opportunity came

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available to us. Obviously, we transacted on it, as you know, but that doesn't preclude us from looking elsewhere into different verticals as well too, including S&I.

I would say that the number of opportunities on our desk right now is robust, to say the least. I think Joanna has been working her tail off here, looking at files and such. But I would say that there's lots of opportunities for us on a go-forward basis.

Murray K. Mullen:
Including in the S&I.

S&I, once again, I'm just going to caution everybody it's coming, but when? When we see the right opportunity, Konark, we pounce. But we do not do it to grow to grow. We do it because they're great quality companies and we can see outsized returns and they complement what we're doing in our business model. That's always been in our DNA; not changing today. Happy to do S&I, happy to do in any vertical. That's got to be the right opportunity and a good brand.

Konark Gupta:
That's a great colour, guys. I appreciate the time, as always. Thank you.

Murray K. Mullen:
Thanks, Konark.

Carson Urlacher:
Thank you.

Operator:
Your next question will come from Benoit Poirier with Desjardins Capital Markets. Please go ahead.

Benoit Poirier:
Good morning everyone, and congratulations for the strong quarter.

Maybe, Murray, just in terms of supply/demand, obviously no big recovery in demand yet, but I would be curious to get some of your thoughts about how did you see the supply and demand evolving over the last quarter and whether you still see disconnect between Canada and the U.S.? I'm just curious, especially given the temporary softening in pricing we saw back in July and August.

Murray K. Mullen:
I think basically you can see from our numbers, Benoit, is that the market appears to be in balance. If the market's not in balance it would be really difficult for us to generate the results we do. The market's pretty much in balance.

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The pockets where we saw the growth, primarily, it was where capital went to work. I've highlighted that and that was really in the mining sector, anything to do with that. It just so happens we've got a diversified business model and we've got multiple ways to capitalize on that.

Generally, the overall market, it's in balance. Look at our LTL side. We said there's just no growth. That's the Canadian economy. You know it. Everybody knows that the Canadian economy has got a little bit of growth, a little bit of downside because of the trade issues, but on balance it's about flat. That's what we see. If the capital goes to work, which drives economic growth, then you're going to see margins go up because—I don't want to oversimplify it, but demand exceeds supply and that's the only time you can raise price. Period. Our job here is to predict where we think there's opportunity for demand to exceed supply.

In the meantime, you will see, including on our LTL side where we work on productivity gain, on watching costs, on using new technology tools. I hate the word AI, but I'll use it because everybody talks about it. AI is just another tool to help you improve your productivity. That's not going to change with our group. We're going to continue to employ all the tools available to drive productivity gain.

You need to do that in a flat economy. There's no growth, so we have to improve. And you can see we did a very good job of that. Then, when growth does happen, that's when you're going to have outsized margin improvement. Until then, we just stay in our lane and run as best business as we can.

Benoit Poirier:
Okay, that's great. In terms of CapEx, it seems to be well under control with about $45 million spend so far this year, while the Board approved close to $135 million with the latest round of $50 million. I was just curious about how we should be thinking about Q4, given what you've spent so far and what the Board has approved.

Murray K. Mullen:
I think that's timing. Isn't it, Carson? In our order book for CapEx, it's just when it arrives, but I think there's a fair amount coming in in Q4.

Carson Urlacher:
That's correct. We placed the orders back in July. A lot of that equipment is going through the manufacturing process right now. We're expecting a lot of it to land in November, December, and then early into the new year.

Benoit Poirier:
Okay. Okay. That's great. Maybe in terms of the former question about the tax deduction benefits, I was curious if you could quantify what we could see in terms of free cash flow, given the recent discussion on those benefits.

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Carson Urlacher:
Benoit, there's a lot of variables that are at play on that, ie., the timing of when equipment comes in, the class that it sits in, and those things.

Just to give you a ballpark, we did the back of the napkin as to our best guess as to when things are going to show up, but you're probably looking at about a $10 million cash tax savings.

Murray K. Mullen:
Immediately.

Carson Urlacher:
Immediately. But you've got to remember that that's a one-time savings. Going forward in Q2, Q3, and Q4, there's no tax deductibility now. You're getting that benefit up front, but it doesn't help you long term. Ten million is (cross-talking 22:42).

Murray K. Mullen:
At the end of the day, truthfully, Benoit, I think it's a bit of smoke and mirrors. It helps with your cash taxes now and your cash flow, but it punishes you after Year 1.

Carson Urlacher:
Correct.

Murray K. Mullen:
It's not—it's just a temporary cash flow situation. We don't have that problem here. We've got a strong balance sheet that might help some smaller business with some immediate tax deduction, but you pay the price in Years 2, 3, 4, 5, 6, 7, 8.

Carson Urlacher:
Yes.

Murray K. Mullen:
So, it's a one-timer. Yes, it'll save us on tax this year and then it will catch us in the back. We'll never make a decision based upon maybe we save a couple bucks on tax right now. It's got to make economic sense.

Benoit Poirier:
That's great colour. Thank you very much and congrats again.

Murray K. Mullen:
Thanks, Benoit.

Operator:
Your next question will come from Walter Spracklin with RBC Capital Markets. Please go ahead.

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Walter Spracklin:
Thanks very much, Operator. Hi everyone.

Murray K. Mullen:
Morning, Walter.

Walter Spracklin:
I'd like to go back to the point you were making, Murray, that you need rates to go higher. I've been speaking to a couple of your Canadian peers and they're really saying that the tax application now on the Driver Inc. model is indeed leading to some outflow of labour. Some of it was migrant workers and that, and that's not available anymore. The driver pool is tightening up a bit and that's allowing for the start of some nice price activity in Canada. I know it has been prevalent in the U.S.

Are you seeing that, Murray? Are you seeing that driver availability affecting supply and is that giving you the opportunity to raise rates to the levels that you need to? Is it something you expect to happen? Is it happening now or do you not see it in the cards for Canada?

Murray K. Mullen:
It's a really good headline, a newsworthy story, but I haven't seen it actually show up yet. I think it's a long-term trend that is happening. I think you're going to still have more immigrants in our business, but I think you're going to have tighter standards now in terms of training, in terms of certification, and that will end up as being a much better safety result for the motoring public. The facts are over the last bit it's not that we have immigrants come in, it's the fact that they just weren't trained properly before they went out there, so they weren't certified.

But I think the standard is going up. I think that there's more enforcement, which is raising the bar, but thus far I haven't seen where it gives us enough freedom, if you will, to tighten the market substantially to raise rates.

It's different than in the U.S. That has happened in the U.S., but in Canada it's just a little bit slower. I think the trend is there, but it hasn't given us enough leeway to go and raise prices to the customers right now. I haven't seen that yet.

Walter Spracklin:
Okay. On the large project pipeline, I was wondering if you could rank order for us, both in terms of size and expected announcements or decisions on any RFPs you have out there. I know the Alaska pipeline, you've got a few in the works on that one. Have any of those been decided on yet, and when do you expect those specific to Alaska, the Alaska pipeline, to come across your table?

Murray K. Mullen:
The easy answer is I expect those decisions to come in the future. The more difficult part of that is when in the future. I have no idea. But when they do, and it moves from us talking with our

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customers about what's the potential to we've got a contract, we will press release it. Until then, all we're doing is the same thing as everybody else. We're talking. We're debating. Everybody's waiting for final approval from the government authorities and, truthfully, that we've got First Nations on side. And you've got offtake agreements.

So, it's coming in the future. I'm convinced of that. But the timing, I have no idea.

Walter Spracklin:
When you say convinced of it coming in the future, do you mean you're convinced—well, I guess I'll leave that question as to whether you're going to win it or not. Are you convinced of your positioning to win it?

Murray K. Mullen:
We're in good position to win our fair share, guaranteed. We're not going to win it all. That's being too cocky. We will get more than our fair share and we'll do quite well when those projects start going. We've proven it. Once those mining projects went and capital went to work and people got employed, that very same thing will happen. For example, we really haven't—there's not enough activity yet for us to increase our headcount, Jo. In fact, we did well. We did more revenue, but Jo, our overall headcount is down year over year.

Joanna Scott:
A hundred and sixty people. We're down 160 people despite being able to knock out the results we did.

Murray K. Mullen:
This economy, if we're going to look after Canadians and give jobs, we've got to get capital going to work. That's my primary message to Canadians and the government. Get going so we can employ people. Until then, we're still on a productivity hunt. How do we get better and smarter? Using all the tools in the toolbox to make sure that we're as productive as we can be. We're poised to grow. We're poised to get new capital and we want to desperately hire more people, but not until the projects go. Period.

Walter Spracklin:
Related to that, what do you think is the ramp time once a contract decision is made, and when you start booking revenue and getting to work on that?

Murray K. Mullen:
Six to 12 months. Yes, 6 to 12 months, I think, once you get go. They're not going to happen in two days. There's just so many logistical issues to get going. Once you get going, then the meter starts going. Start positioning, start getting capital, start hiring people, and those kinds of things. We'll have a 6- to 12-month lead time.

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Walter Spracklin:
Okay. The last question is: Am I rank ordering it right? You already mentioned the mining work, so that's ongoing. That you're capitalizing on now. The pipeline is still TBD in the future, but still TBD. Are you going to be involved in the data centre construction? Have you done any work on isolating of all the large projects that you see possible in your area? What kind of—how many or how much of that you're ready and willing to bid on?

Murray K. Mullen:
Carson?

Carson Urlacher:
I would say with the data centres that we're well positioned to participate in the construction of those. One of the leading products that goes into constructing those facilities is cement. As you know, we have a couple of business units that are directly involved in that line of business. The data centre that's projected for North Edmonton is well situated by our transload facility that is serviced by both CP and CN. So, we would be in a very good position to be able to be moving steel and various products that are required in that construction of that facility.

Then on the offtake of it after, you need energy to run those facilities, which means natural gas and drilling activity. We like to participate in major projects right from cradle to grave, where we're involved in the construction piece, and then that ongoing annuity at the end where we're involved in helping generate or provide the power source to those facilities.

Walter Spracklin:
Are you still expected to give your typical update? Are you targeting December, Murray, for the following year? Can I ask if you'll be putting anything out on project potential, or is it really on base business that you'll be giving your business plan?

Murray K. Mullen:
Carson, I think that we're going to be presenting to the Board early December.

Carson Urlacher:
Early December, yes.

Murray K. Mullen:
We'll present our base case to the Board, and then we'll come up with our business plan that will articulate to all investors of what we think will happen in 2027.

Will we have any more clarity in the next six weeks on nation-building projects and whatever? I wouldn't hold my breath on that, and we will not factor in to our business plan that the projects are going to go. We'll factor in what we think is our base case, and this year our base case thus far looks to be—we are trending above what we said our base case was going to be for this year. But, Walter, I don't remember when we did our outlining of our base case that there was going to

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be a war in Iran and fuel prices were going to go up to where they went. Anything to do with increase in fuel surcharge, we didn't put that into our base case.

What we did is – and I give all the credit to our business units – we had these uncomfortable discussions and say to our customers, "You've got to pay because we're not paying," and those are called fuel surcharges.

But that's where we're really off, Walter, in terms of revenue is on that side. But, generally, our base case was pretty close, Carson?

Carson Urlacher:
Pretty spot on.

Murray K. Mullen:
Pretty spot on ex of the fact that I just didn't count—I don't know what I missed on that. I didn't see that in December of last year.

So, there'll be something that comes up next year that I had no frickin' idea was going to happen, but I can tell you our business model and our structure allows us to move very quickly whatever happens there.

Walter Spracklin:
Awesome. Appreciate the time and colour as always, Murray. Thank you.

Murray K. Mullen:
Always, Walter. Thanks, appreciate it.

Operator:
The next question will come from Tim James with TD Cowen. Please go ahead.

Tim James:
Thank you. Thanks very much. Good morning. Great quarter.

My first question, I just wondered if you could elaborate a little bit on the demarketing of lower-margin contracts. I'm thinking of the S&I segment in particular. Your runway with respect to demarketing, is it dependent on new opportunities coming in one side of the door or do you have your sights set on a particular number of contracts or revenue where you want those to roll off and it's irrespective of the new opportunities, or do more opportunities mean more demarketing?

Murray K. Mullen:
That one is—first of all, that's a really good question, but here's our thesis on that.

Right now, on some of this production services, the customers for all intents and purposes are trying to trick you into signing a long-term contract and fix the price right now. We won't get sucked

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into that because we think it's going to get busier. The biggest delta you're going to have in the future when it gets busier is going to be labour, so we will not fix a contract right now.

When we didn't see opportunity, we accepted lower margin and a lower return just to keep our people employed. But in the future, we think we're going to have to redeploy our capital into higher-margin business and we will need to move the people to where we can pay them more.

So, we're just not going to get tricked by any big oil company. Not happening. If our little competitors want to sign on to that, fill your boots, but we're not doing it.

Tim James:
Okay, thank you.

My second question, just getting into a little bit of detail here, I noticed within the L&W segment, you called out in the MD&A greater demand for cross-border shipments. I'm just wondering if you could elaborate on that. Maybe surprising might be a strong word, but it just caught my attention given the kind of trade environment we're in. What was the driver of the stronger cross-border shipments for that business?

Murray K. Mullen:
Just supply constraint. The U.S. has tightened labour standards, entrance standards, and we just have fewer competitors that can cross the border because you've got to comply with—when you cross that border, you've got to comply with U.S. rules. A number of the ones that are doing it just can't—they can't comply. So, that's why even though the demand hasn't increased, the supply has shrunk and that's why we've done well because we comply.

Tim James:
Okay, I got it. Okay, that's helpful. Thanks, Murray.

Carson Urlacher:
Now, cross-border is not a significant piece of our business within L&W, but I would say that, to Murray's point, the trend is showing that supply is constricting and the business units that we have in that vertical are benefitting from a reduction in supply.

Tim James:
Great. Thank you.

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

Cameron Doerksen:
Thanks very much. Good morning.

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Apologize if I missed this, but just hoping for a couple of more details on the Willson International acquisition. I know that the revenue is going to be split between L&W and the U.S. International Logistics. Are you able to provide a split of the revenue for Willson between those two segments?

Carson Urlacher:
Cameron, it's Carson here. I would say in the U.S. 3PL, in terms of revenue you're probably looking at about $25 million to $30 million going into the U.S. 3PL segment. In terms of the L&W segment, that would be the remainder, call it $55 million in revenue going into that segment.

Cameron Doerksen:
Okay, that's helpful. Maybe we'll get more details when the acquisition closes, but just on acquisition price, any colour you can provide there?

Murray K. Mullen:
Oh, we paid way too much. I told that to the seller. I said, "We're paying way too much." But it's a great quality company. It generates free cash. It's in a vertical we like. It's complementary to our Cole business unit, and we were comfortable with the price. That's the art of the deal. But it's a great quality company. We just happen to have a great balance sheet in cash. So we just turned the 2% money into 10+, and then we'll work with that team and with our Cole team to make it 10+++.

Joanna Scott:
We haven't closed yet. So we're a little sensitive right now to…

Murray K. Mullen:
But that will all be disclosed at year end of what it all is. Until then, I told the seller, "I'm paying you way too much money, but you've got a great company, so."

Cameron Doerksen:
Fair enough. I'll stay tuned on that.

Maybe just secondly, in the MD&A, there's I guess a mention of a leasing of a facility in Vancouver related to some logistics opportunities. A fairly sizable building. I'm just wondering if there's any specific opportunity that you're eyeing there, or what can we read into that?

Murray K. Mullen:
I'll tell you about that facility. Everybody on the line might recall this great Canadian company called Hudson's Bay. Hudson's Bay could not make it in this ultra-competitive world. They vacated this wonderful facility, and it sat empty for a couple of years. We think we're going to be able to, for our vast network, is we're going to use that as our logistics hub out in Vancouver area.

As we think, as Canada grows and as Canada pivots to new markets and Asian markets and offshore, you've got to bring it in through Vancouver. We just happened to say, we used our

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balance sheet to get that long-term lease on that facility. That sets us up wonderfully to be able to service our clients, and away it goes.

It's a great facility in a great area, and we got it. That's what we're calling it: the MTL Logistics Park. We're going to put all of our businesses that we got out in Vancouver under one roof and become more efficient.

Cameron Doerksen:
Okay. That makes a lot of sense. Appreciate the colour. Thanks very much.

Murray K. Mullen:
Thanks.

Carson Urlacher:
Thank you.

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

Our next question will come from Trevor Reynolds with Acumen Capital. Please go ahead.

Trevor Reynolds:
Hey, guys. I think most of my questions have been asked. Just in terms of the Alaska project, I was just curious where that will fall, assuming it goes ahead, in terms of U.S. 3PL and S&I.

Murray K. Mullen:
That one's coming in the future. What day? I don't know. Probably nothing. You're going to hear anything until U.S. elections are over, Trev. Then we'll see what happens after that. It's such a political hot potato, I can't answer that. I'll be meeting with our business partners next week and positioning and make sure that when it is finally announced that we're ready to pounce and go.

If—now, I'm qualifying this—if the customer will pay us appropriately. We're not doing it for practice and I'm not doing it for free. We're going to put capital to work, we're going to employ people, and we expect to make a profit for our shareholders. So we'll be positioned, but if they want it done for free, don't call us.

Trevor Reynolds:
Got it. Does that fall under the U.S. 3PL division or under S&I?

Carson Urlacher:
I think, Trevor, our plan is to include those results within the U.S. segment. We're differentiating—our U.S.-based business goes into the U.S. 3PL segment, which is dedicated for that.

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Trevor Reynolds:
Perfect. Then just in terms of the truck build-out, do you guys think you ordered enough trucks there? Maybe just some insight, as you mentioned that you wouldn't be investing ahead of approvals, yet you did invest in these 100 trucks, so just some insight there.

Murray K. Mullen:
We ordered 100. We're optimistic that there's going to be projects going on a go-forward basis, whether that's in Alaska or Canada, the timing of which is obviously uncertain. If they don't go, well, (cross-talking 45:00) next year CapEx. So we hedged our bets on that, Trev.

It's a perfect hedge because if it goes, we're ready. If it doesn't go, well, we just cut our CapEx for next year because we've got trucks ordered for our existing network. So really no risk to our shareholders.

Carson Urlacher:
We really wanted to get ahead of the order book to be able to get access to that equipment.

Trevor Reynolds:
Perfect. Thanks for providing clarity there.

Murray K. Mullen:
Okay.

Operator:
The next question is a follow-up from Tim James with TD Cowen. Please go ahead.

Tim James:
Thank you. Just a quick follow-up question here that was triggered by that last discussion.

Murray, do you think there's any way that the supply and availability of trucks over the next couple of years could be an actual bottleneck in terms of some of these major projects if a lot of them go forward at once? Therefore, you obviously moved ahead on 100. Do you try and stay ahead of the game so that you are not impacted by that? Or as you look at the long-term truck supply, do you think that that is not going to be an issue given what's on the drawing board?

Murray K. Mullen:
It is a little bit of an art or a science. I'm not sure which one it is, to be honest with you, Tim. But in this case, we saw a couple of things happening.

One is we needed to get prepared because the U.S.—it really was all about how much capital is going to be employed in the U.S. The U.S. truckers are making more money now and they're upgrading their fleets quickly. Nobody's adding any more capacity, but the trucking industry down in the U.S. is making more money and they're upgrading their fleets. That hogs the order book and leaves very little for the Canadian market.

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We do not manufacture anything in Canada. We have to import it, so we get allocated, if you will. We just took a prudent move. But with our scale and size, we have more pull than a little guy. Let's just put it that way.

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

Richard Maloney:
Thanks, Tim. It's also important to point out—it's Richard talking. At the end of the day, you can have all the equipment in the world if you don't have drivers, but our focus will be to continue to get operators. At the end of the day, if there's only so many drivers and we charge accordingly. This gets to a fundamental principle of we've got to get the right return for what we're doing.

The last 10 years have been lost because of the lack of investments in the energy space. We've got to rebuild that space. So, we're going to do it. We'll do it safely, properly, retrain our people, and then be able to have the right equipment at the right time. This is part of the overall way in which we run a good business. It's important to point that out.

Murray K. Mullen:
Good colour, Rich.

Operator:
This will conclude our 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:
Thanks for joining us, folks.

I sit here and I'm pinching myself that our team did such a great job over the last quarter, that things are doing as well as they are. But we're not going to get too ahead of our skis. We're just going to go back to work and make sure we're positioned to take advantage of whatever the market is and what it will give us. Thanks for joining us. We'll be talking, I guess pretty soon.

Thanks so much. Have a great day. Cheers.

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

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