



## Mullen Group Ltd.: Better Options Out There

### Description

Mr. Market has not been very friendly to **Mullen Group Ltd.** ([TSX:MTL](#)) over the past two years. The company has lost approximately 50% of its market capitalization, and despite a rebound last year which saw the company end the year at the \$20 level, the stock price has since slipped over 20% year-to-date.

I'll take a look at a few of the catalysts driving the recent slide for Mullen Group, looking specifically at the company's Q1 2017 earnings release Wednesday.

### Canadian oil exposure hurting bottom line

Mullen Group is an interesting example of a company with indirect exposure to the Canadian oil industry; it has felt the pain of lower commodity prices and reduced capital-expenditure budgets across the entire industry. Mullen Group operates in two segments: oilfield services and trucking/logistics. Both segments have been hurt by the widespread decline of oil-dependent Alberta; however, the oilfield services segment has been hit particularly hard.

That said, both segments have seen marginal improvements in revenue since the first quarter of last year. In Q1 2017, Mullen Group reported increased revenues in the oilfield services segment of 4.8% and trucking/logistic revenues 4% higher than the same quarter last year.

Operating income before depreciation and amortization also ended the quarter significantly higher compared with last year — up 7.2% year over year.

Despite finally posting growth for the first time since the bottom fell out of global oil prices, Mullen Group's stock price ended 6% lower Thursday on lower than expected earnings. Analysts covering Mullen Group were expecting earnings to come in around the \$0.20 per share level; however, the company reported first-quarter earnings substantially lower at \$0.14 per share.

With the price of oil taking a series of blows over the past few days due to higher than expected production numbers and excess global supply hampering price-increase expectations, the rebound in oil prices which has been so hotly anticipated may be a ways out.

### **Dividend not what it used to be**

One reason for the significant run-up in Mullen Group's stock price until 2014 was the impressive dividend income the company returned to shareholders. In 2013, Mullen Group initiated monthly dividend distributions instead of the quarterly distributions it previously doled out. In 2015, the company distributed \$0.10 per share, per month to shareholders, resulting in a yield which hovered around 6%. In 2016, Mullen Group cut the dividend twice to today's level: it's currently sitting at \$0.03 per share, per month.

At this level, the dividend yield sits at 2.3%; this yield certainly isn't something to write home about, and many income investors who bought into Mullen Group previously have exited this name in favour of other higher-yielding options available in less volatile industries.

### **Bottom line**

Mullen Group's long-term prospects do not seem to be getting any better, despite posting growth numbers in the most recent quarterly report. This is a company with a business model that may see continued headwinds moving forward, providing significant downward pressure on earnings and revenues in the mid to near term. As such, I will continue to be an observer on this stock.

Stay Foolish, my friends.

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1. Energy Stocks
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