



## Mullen Stock Is a Strong Buy as Profit Surges 117%

### Description

The inflation reading in Canada began to climb in 2022, rising to as high as 8.1% in June from 5.1% in January. High inflation is a significant concern that business expectations in many companies across various sectors in the third quarter of this year weren't favourable.

According to Statistics Canada, rising inflation is the common obstacle to the earnings growth of about 60% of businesses. Supply chain disruptions compound the problem and add to inflationary pressures on the prices of goods — domestic and international.

However, one of North America's largest logistics providers bucked the odds. It produced stellar results in the third quarter (Q3) of 2022 and made investors very happy. If you have the [appetite to invest](#) in a challenging environment, **Mullen Group** ([TSX:MTL](#)) is the a safer choice right now.

### Business overview

Mullen over seven decades old and owns a network of independently operated businesses today. The four business segments contributing to revenues are Less-Than-Truckload, Logistics & Warehousing, Specialized & Industrial Services, and U.S. & International Logistics.

Besides the wide range of service offerings in trucking, warehousing, and third-party logistics, Mullen provides specialized services to other industries, such as construction, energy, and mining.

### Profit surge

In Q3 2022, Mullen's profit soared 117.1% to \$38 million versus Q3 2021. On a year-to-date basis or after three quarters this year, net income grew 86% year over year to \$97.1 million. Its working capital increased 62.8% to \$94.6 million compared to the same quarter in 2021.

Management was more than pleased with the \$518.4 million revenue in Q3 2022, as it was second consecutive quarter that consolidated revenues exceeded \$500 million.

Its chairman and president Murray K. Mullen said the impressive top-line results were due to [strong customer demand](#) across all operating segments and increased pricing year over year. Small acquisitions also added new revenues.

## Adjusting to constantly changing markets

For Mr. Mullen, it was the best operating environment he has seen in his career. He said, “The strong economy provides our business with the lane and load density our business units need to be profitable. And inflation translates into higher pricing, which is very consistent with an economy operating near peak capacity.”

Mullen agrees with economists’ predictions that future results will moderate, although the business should remain steady. He has yet to see the demand for freight, logistics, and warehousing services waning. While Mullen is unsure of the economy’s direction in 2023, management will adjust, as it did in the past when business activity was slow.

## Investment thesis

Mullen Group believes that its proven business strategy of entrepreneurship and strong capital management are competitive advantages. Management grows the business through diversified operations and markets with solid margins and strong cash flows.

As of this writing, the industrial stock trades at \$14.53 per share and is beating the market year to date (+30.45% versus -5.79%). The total return in the last 3.01 years is 94.25%, representing a 24.72% compound annual growth rate (CAGR). If you invest today, the dividend yield is an attractive 4.96%.

Since Mullen pays a monthly dividend, an investment of \$20,167.64 (1,388 shares) will generate \$250.08 in passive income every month. The 51.24% payout ratio should give you the confidence to include this income stock in your investment portfolio.

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1. Dividend Stocks
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