



MRC Global Announces First Quarter 2023 Results

Houston, TX – May 8, 2023 – MRC Global Inc. (NYSE: MRC), the leading global distributor of pipe, valves, fittings and infrastructure products and services to diversified energy, industrial and gas utilities end-markets, today announced first quarter 2023 results.

Net income attributable to common stockholders for the first quarter of 2023 was \$28 million, or \$0.33 per diluted share, as compared to the first quarter of 2022 net income of \$10 million, or \$0.12 per diluted share. Adjusted net income attributable to common stockholders for the first quarter of 2023 was \$27 million, or \$0.32 per diluted share, as compared to the first quarter of 2022 adjusted net income of \$15 million, or \$0.17 per diluted share.

MRC Global's first quarter 2023 gross profit was \$179 million, or 20.2% of sales, as compared to the first quarter 2022 gross profit of \$136 million, or 18.3% of sales. Gross profit for the first quarter of 2023 and 2022 includes \$1 million of income and \$6 million of expense, respectively, in cost of sales relating to the use of the last-in, first-out (LIFO) method of inventory cost accounting. Adjusted Gross Profit, which excludes (among other items) the impact of LIFO, was \$188 million, or 21.2% of sales, for the first quarter of 2023 and was \$152 million, or 20.5% of revenue, for the first quarter of 2022.

First Quarter 2023 Financial Highlights:

- Sales of \$885 million, a 2% sequential increase from the fourth quarter of 2022 driven by the Downstream, Industrial and Energy Transition (DIET) sector, and a 19% improvement compared to the same quarter a year ago
- Adjusted Gross Profit, as a percentage of sales, of 21.2%, an increase of 70 basis points compared to the first quarter of 2022
- Adjusted EBITDA of \$69 million, or 7.8% of sales

Rob Saltiel, MRC Global's President and CEO stated, "I am very pleased with our strong performance in the first quarter. The sequential revenue improvement of 2% was higher than anticipated due to robust MRO and project activity, especially with our refining, chemicals, and LNG customers. We also delivered outstanding profitability with adjusted gross margins of 21.2% and adjusted EBITDA margins of 7.8%. Our backlog increased 2% sequentially and has grown 14% compared to March of last year.

"We are very optimistic about the remainder of 2023 bolstered by the strong start to the year and our growing backlog. Our first quarter results make us increasingly confident in our ability to deliver double-digit revenue growth, EBITDA margins exceeding 8%, and operating cash flow of at least \$120 million," added Mr. Saltiel.

Adjusted EBITDA was \$69 million in the first quarter of 2023 compared to \$48 million for the same period in 2022.

Adjusted net income attributable to common stockholders, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Gross Profit, Net Debt and Leverage Ratio are all non-GAAP measures. Please refer to the reconciliation of each of these measures to the nearest GAAP measure in this release.

Selling, general and administrative (SG&A) expenses were \$122 million, or 13.8% of sales, for the first quarter of 2023 compared to \$107 million, or 14.4% of sales, for the same period in 2022.

An income tax expense of \$13 million was incurred in the first quarter of 2023, with an effective tax rate of 28%, as compared to an income tax expense of \$7 million for the first quarter of 2022. Our rates generally differ from the U.S. federal statutory rate of 21% as a result of state income taxes, non-deductible expenses, and differing foreign income tax rates. The effective tax rate for the three months ended March 31, 2023, was higher than the U.S. federal statutory rate due to foreign losses with no tax benefit.

Revised Sector Reporting

This quarter, the company combined the sectors formerly known as Upstream Production and Midstream Pipeline into one sector, Production and Transmission Infrastructure. Prompting this change are the similarity of market drivers, the overlap of customers and the combined management structure.

Sales

The company's sales were \$885 million for the first quarter of 2023, which was 2% higher than the fourth quarter of 2022 and 19% higher than the first quarter of 2022. As compared to the first quarter of 2022, all sectors grew double digits. By sector, the DIET sector led with 23% growth followed by the Production and Transmission Infrastructure (PTI) and Gas Utilities sectors at 22% and 13%, respectively. Sequentially, the DIET sector drove the increase.

Sales by Segment

U.S. sales in the first quarter of 2023 were \$740 million, up \$122 million, or 20%, from the same quarter in 2022. PTI sector sales increased by \$43 million, or 24%, primarily due to increased activity levels in the Permian. DIET sector sales increased \$41 million, or 24% from LNG projects, increased turnaround and maintenance spending for refining, chemicals and mining customers. The Gas Utilities sector revenue increased \$38 million, or 14%, driven by increased activity levels related to our customers' integrity upgrade and smart meter replacement programs.

Sequentially, as compared to the fourth quarter of 2022, U.S. sales increased \$20 million, or 3%, driven by the DIET sector, which increased \$28 million, or 15%, as LNG project and turnaround maintenance activity increased. The U.S. Gas Utilities sector was down 2% primarily due to the timing of deliveries and projects. PTI was nearly unchanged.

Canada sales in the first quarter of 2023 were \$42 million, down \$1 million, or 2%, from the same quarter in 2022, as declines in the DIET and Gas Utilities sectors offset an improvement in the PTI sector. Canada sales also include a \$3 million unfavorable impact from weaker foreign currencies.

Sequentially, as compared to the prior quarter, Canada sales declined \$4 million, or 9%, due to the timing of line pipe orders.

International sales in the first quarter of 2023 were \$103 million, up \$22 million, or 27%, from the same period in 2022 including an \$8 million unfavorable impact from weaker foreign currencies. The increase was driven by the DIET sector primarily in the Netherlands, U.A.E., Singapore and U.K. followed by the PTI sector in the U.K., Norway, Singapore and Australia.

Sequentially, as compared to the previous quarter, International sales were unchanged after taking into account a \$3 million favorable impact from stronger foreign currencies.

Sales by Sector

Gas utilities sector sales, which are primarily U.S. based, were \$307 million, in the first quarter of 2023, or 35% of total sales, an increase of \$36 million, or 13%, from the first quarter of 2022.

Sequentially, as compared to the fourth quarter of 2022, the Gas Utilities sector declined \$12 million, or 4%, driven by the U.S. segment.

Downstream, Industrial and Energy Transition sector sales in the first quarter of 2023 were \$278 million, or 31% of total sales, an increase of \$52 million, or 23%, from the first quarter of 2022. The increase in DIET sector sales was driven by the U.S. segment followed by the International segment.

Sequentially, as compared to the previous quarter, sales in the DIET sector were up \$30 million, or 12%, driven by the U.S. segment.

PTI sector sales in the first quarter of 2023 were \$300 million, or 34% of total sales, an improvement of \$55 million, or 22%, from the first quarter of 2022. The increase in PTI sales was led by the U.S. segment, followed by International and Canada segments.

Sequentially, as compared to the prior quarter, PTI sector sales declined \$2 million, or 1%, as small declines in the International and U.S. segments were partially offset by an increase in the Canada segment.

Backlog

As of March 31, 2023, the company's backlog was \$758 million, up 2% sequentially from December 31, 2022, and 14% since March 31, 2022.

Balance Sheet and Cash Flow

Cash used in operations was \$30 million in the first quarter of 2023. As of March 31, 2023, the cash balance was \$39 million, long-term debt (including current portion) was \$390 million, and Net Debt was \$351 million. Availability under the company's asset-based lending facility was \$601 million and available liquidity was \$640 million as of March 31, 2023.

Please refer to the reconciliation of non-GAAP measures (Net Debt) to GAAP measures (Long-term Debt) in this release.

Conference Call

The company will hold a conference call to discuss its first quarter 2023 results at 10:00 a.m. Eastern Time (9:00 a.m. Central Time) on May 9, 2023. To participate in the call, please dial 201-689-8261 and ask for the MRC Global conference call at least 10 minutes prior to the start time. To access the conference call, live over the Internet, please log onto the web at www.mrcglobal.com and go to the "Investors" page of the company's website at least fifteen minutes early to register, download and install any necessary audio software. For those who cannot listen to the live call, a replay will be available through May 23, 2023, and can be accessed by dialing 201-612-7415 and using pass code 13737072#. Also, an archive of the webcast will be available shortly after the call at www.mrcglobal.com for 90 days.

About MRC Global Inc.

Headquartered in Houston, Texas, MRC Global (NYSE: MRC) is the leading global distributor of pipe, valves, fittings (PVF) and other infrastructure products and services to diversified end-markets including the gas utilities, downstream, industrial and energy transition, and production and transmission sectors. With over 100 years of experience, MRC Global has provided customers with innovative supply chain solutions, technical product expertise and a robust digital platform from a worldwide network of 216 locations including valve and engineering centers. The company's unmatched quality assurance program offers over 250,000 SKUs from over 9,000 suppliers, simplifying the supply chain for approximately 10,000 customers. Find out more at www.mrcglobal.com

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Words such as "will," "expect," "expected," "intend," "believes," "on-track," "well positioned," "strong position," "looking forward," "guidance," "plans," "can," "target," "targeted" and similar expressions are intended to identify forward-looking statements.

Statements about the company's business, including its strategy, its industry, the company's future profitability, the company's guidance on its sales, adjusted EBITDA, EBITDA margin, tax rate, capital expenditures, achieving cost savings and cash flow, debt reduction, liquidity, growth in the company's various markets and the company's expectations, beliefs, plans, strategies, objectives, prospects and assumptions are not guarantees of future performance. These statements are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, most of which are difficult to predict and many of which are beyond MRC Global's control, including the factors described in the company's SEC filings that may cause the company's actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements.

These risks and uncertainties include (among others) decreases in capital and other expenditure levels in the industries that the company serves; U.S. and international general economic conditions; geopolitical events; decreases in oil and natural gas prices; unexpected supply shortages; loss of third-party transportation providers; cost increases by the company's suppliers and transportation providers; increases in steel prices, which the company may be unable to pass along to its customers which could significantly lower the company's profit; the company's lack of long-term contracts with most of its suppliers; suppliers' price reductions of products that the company sells, which could cause the value of its inventory to decline; decreases in steel prices, which could significantly lower the company's profit; a decline in demand for certain of the products the company distributes if tariffs and duties on these products are imposed or lifted; holding more inventory than can be sold in a commercial time frame; significant substitution of renewables and low-carbon fuels for oil and gas, impacting demand for the company's products; risks related to adverse weather events or natural disasters; environmental, health and safety laws and regulations and the interpretation or implementation thereof; changes in the company's customer and product mix; the risk that manufacturers of the products that the company distributes will sell a substantial amount of goods directly to end users in the industry sectors that the company serves; failure to operate the company's business in an efficient or optimized manner; the company's ability to compete successfully with other companies; the company's lack of long-term contracts with many of its customers and the company's lack of contracts with customers that require minimum purchase volumes; inability to attract and retain employees or the potential loss of key personnel; adverse health events, such as a pandemic; interruption in the proper functioning of the company's information systems; the occurrence of cybersecurity incidents; risks related to the company's customers' creditworthiness; the success of acquisition strategies; the potential adverse effects associated with integrating acquisitions and whether these acquisitions will yield their intended benefits; impairment of the company's goodwill or other intangible assets; adverse changes in political or economic conditions in the countries in which the company operates; the company's significant indebtedness; the dependence on the company's subsidiaries for cash to meet parent company obligations; changes in the company's credit profile; potential inability to obtain necessary capital; the sufficiency of the company's insurance policies to cover losses, including liabilities arising from litigation; product liability claims against the company; pending or future asbestos-related claims against the company; exposure to U.S. and international laws and regulations, regulating corruption, limiting imports or exports or imposing economic sanctions; risks relating to ongoing evaluations of internal controls required by Section 404 of the Sarbanes-Oxley Act; and risks related to changing laws and regulations including trade policies and tariffs.

For a discussion of key risk factors, please see the risk factors disclosed in the company's SEC filings, which are available on the SEC's website at www.sec.gov and on the company's website, www.mrcglobal.com. MRC Global's filings and other important information are also available on the Investors page of the company's website at www.mrcglobal.com.

Undue reliance should not be placed on the company's forward-looking statements. Although forward-looking statements reflect the company's good faith beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the company's actual results, performance or achievements or future events to differ materially from anticipated future results, performance or achievements or future events expressed or implied by such forward-looking statements. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except to the extent required by law.

Contact:

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MRC Global Inc.
Condensed Consolidated Balance Sheets (Unaudited)
(in millions, except shares)

	March 31, 2023	December 31, 2022
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash	\$ 39	\$ 32
Accounts receivable, net	529	501
Inventories, net	672	578
Other current assets	30	31
Total current assets	<u>1,270</u>	<u>1,142</u>
Long-term assets:		
Operating lease assets	207	202
Property, plant and equipment, net	81	82
Other assets	21	22
Intangible assets:		
Goodwill, net	264	264
Other intangible assets, net	178	183
	<u>\$ 2,021</u>	<u>\$ 1,895</u>
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 467	\$ 410
Accrued expenses and other current liabilities	99	115
Operating lease liabilities	36	36
Current portion of long-term debt	3	3
Total current liabilities	<u>605</u>	<u>564</u>
Long-term liabilities:		
Long-term debt, net	387	337
Operating lease liabilities	187	182
Deferred income taxes	54	49
Other liabilities	21	22
Commitments and contingencies		
6.5% Series A Convertible Perpetual Preferred Stock, \$0.01 par value; authorized 363,000 shares; 363,000 shares issued and outstanding	355	355
Stockholders' equity:		
Common stock, \$0.01 par value per share: 500 million shares authorized, 108,428,765 and 107,864,421 issued, respectively	1	1
Additional paid-in capital	1,757	1,758
Retained deficit	(740)	(768)
Less: Treasury stock at cost: 24,216,330 shares	(375)	(375)
Accumulated other comprehensive loss	(231)	(230)
	<u>412</u>	<u>386</u>
	<u>\$ 2,021</u>	<u>\$ 1,895</u>

MRC Global Inc.
Condensed Consolidated Statements of Operations (Unaudited)
(in millions, except per share amounts)

	Three Months Ended	
	March 31, 2023	March 31, 2022
Sales	\$ 885	\$ 742
Cost of sales	<u>706</u>	<u>606</u>
Gross profit	<u>179</u>	136
Selling, general and administrative expenses	<u>122</u>	<u>107</u>
Operating income	57	29
Other expense:		
Interest expense	(7)	(6)
Other, net	<u>(3)</u>	<u>-</u>
Income before income taxes	47	23
Income tax expense	<u>13</u>	<u>7</u>
Net income	<u>34</u>	16
Series A preferred stock dividends	<u>6</u>	<u>6</u>
Net income attributable to common stockholders	<u>\$ 28</u>	<u>\$ 10</u>
Basic earnings per common share	\$ 0.33	\$ 0.12
Diluted earnings per common share	\$ 0.33	\$ 0.12
Weighted-average common shares, basic	84.0	83.3
Weighted-average common shares, diluted	85.4	84.3

MRC Global Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in millions)

	Three Months Ended	
	March 31, 2023	March 31, 2022
Operating activities		
Net income	\$ 34	\$ 16
Adjustments to reconcile net income to net cash used in operations:		
Depreciation and amortization	5	5
Amortization of intangibles	5	5
Equity-based compensation expense	3	3
Deferred income tax expense	5	1
(Decrease) increase in LIFO reserve	(1)	6
Other, net	5	-
Changes in operating assets and liabilities:		
Accounts receivable	(28)	(74)
Inventories	(96)	(52)
Other current assets	(1)	(9)
Accounts payable	54	78
Accrued expenses and other current liabilities	(15)	8
Net cash used in operations	<u>(30)</u>	<u>(13)</u>
Investing activities		
Purchases of property, plant and equipment	<u>(3)</u>	<u>(2)</u>
Net cash used in investing activities	<u>(3)</u>	<u>(2)</u>
Financing activities		
Payments on revolving credit facilities	(211)	(107)
Proceeds from revolving credit facilities	262	113
Payments on long-term obligations	(1)	-
Dividends paid on preferred stock	(6)	(6)
Repurchases of shares to satisfy tax withholdings	(4)	(2)
Net cash provided by (used in) financing activities	<u>40</u>	<u>(2)</u>
Increase (decrease) in cash	7	(17)
Cash -- beginning of period	32	48
Cash -- end of period	<u>\$ 39</u>	<u>\$ 31</u>

MRC Global Inc.
Supplemental Sales Information (Unaudited)
(in millions)

Disaggregated Sales by Segment and Sector

Three Months Ended				
March 31,				
	U.S.	Canada	International	Total
2023				
Gas Utilities	\$ 306	\$ 1	\$ -	\$ 307
Downstream, Industrial & Energy Transition	210	5	63	278
Production & Transmission Infrastructure	224	36	40	300
	\$ 740	\$ 42	\$ 103	\$ 885
2022				
Gas Utilities	\$ 268	\$ 3	\$ -	\$ 271
Downstream, Industrial & Energy Transition	169	7	50	226
Production & Transmission Infrastructure	181	33	31	245
	\$ 618	\$ 43	\$ 81	\$ 742

MRC Global Inc.
Supplemental Sales Information (Unaudited)
(in millions)

Sales by Product Line

Type	Three Months Ended	
	March 31, 2023	March 31, 2022
Line Pipe	\$ 141	\$ 112
Carbon Fittings and Flanges	117	100
Total Carbon Pipe, Fittings and Flanges	258	212
Valves, Automation, Measurement and Instrumentation	315	251
Gas Products	207	184
Stainless Steel and Alloy Pipe and Fittings	32	36
General Products	73	59
	\$ 885	\$ 742

MRC Global Inc.
Supplemental Information (Unaudited)
Reconciliation of Gross Profit to Adjusted Gross Profit (a non-GAAP measure)
(in millions)

	Three Months Ended			
	March 31, 2023	Percentage of Revenue*	March 31, 2022	Percentage of Revenue
Gross profit, as reported	\$ 179	20.2%	\$ 136	18.3%
Depreciation and amortization	5	0.6%	5	0.7%
Amortization of intangibles	5	0.6%	5	0.7%
(Decrease) increase in LIFO reserve	(1)	(0.1)%	6	0.8%
Adjusted Gross Profit	\$ 188	21.2%	\$ 152	20.5%

Notes to above:

* Does not foot due to rounding

The company defines Adjusted Gross Profit as sales, less cost of sales, plus depreciation and amortization, plus amortization of intangibles, plus inventory-related charges incremental to normal operations and plus or minus the impact of its LIFO inventory costing methodology. The company presents Adjusted Gross Profit because the company believes it is a useful indicator of the company's operating performance without regard to items, such as amortization of intangibles, that can vary substantially from company to company depending upon the nature and extent of acquisitions of which they have been involved. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether they elect to utilize LIFO and depending upon which method they may elect. The company uses Adjusted Gross Profit as a key performance indicator in managing its business. The company believes that gross profit is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted Gross Profit.

MRC Global Inc.
Supplemental Information (Unaudited)
Reconciliation of Net Income to Adjusted EBITDA (a non-GAAP measure)
(in millions)

	Three Months Ended	
	March 31, 2023	March 31, 2022
Net income	\$ 34	\$ 16
Income tax expense	13	7
Interest expense	7	6
Depreciation and amortization	5	5
Amortization of intangibles	5	5
(Decrease) increase in LIFO reserve	(1)	6
Equity-based compensation expense (1)	3	3
Foreign currency losses	3	-
Adjusted EBITDA	\$ 69	\$ 48

Notes to above:

(1) Charges (pre-tax) recorded in SG&A.

The company defines Adjusted EBITDA as net income plus interest, income taxes, depreciation and amortization, amortization of intangibles, and certain other expenses, including non-cash expenses, (such as equity-based compensation, severance and restructuring, changes in the fair value of derivative instruments, long-lived asset impairments (including goodwill and intangible assets), inventory-related charges incremental to normal operations, and plus or minus the impact of its LIFO inventory costing methodology. The company presents Adjusted EBITDA because the company believes Adjusted EBITDA is a useful indicator of the company's operating performance. Among other things, Adjusted EBITDA measures the company's operating performance without regard to certain non-recurring, non-cash or transaction-related expenses. Adjusted EBITDA, however, does not represent and should not be considered as an alternative to net income, cash flow from operations or any other measure of financial performance calculated and presented in accordance with GAAP. Because Adjusted EBITDA does not account for certain expenses, its utility as a measure of the company's operating performance has material limitations. Because of these limitations, the company does not view Adjusted EBITDA in isolation or as a primary performance measure and also uses other measures, such as net income and sales, to measure operating performance. See the company's Annual Report filed on Form 10-K for a more thorough discussion of the use of Adjusted EBITDA.

MRC Global Inc.
Supplemental Information (Unaudited)
Reconciliation of Net Income (Loss) Attributable to Common Stockholders to
Adjusted Net Income (Loss) Attributable to Common Stockholders (a non-GAAP measure)
(in millions, except per share amounts)

	Three Months Ended	
	March 31, 2023	
	Amount	Per Share
Net income attributable to common stockholders	\$ 28	\$ 0.33
Decrease in LIFO reserve, net of tax	(1)	(0.01)
Adjusted net income attributable to common stockholders	\$ 27	\$ 0.32

	Three Months Ended	
	March 31, 2022	
	Amount	Per Share
Net income attributable to common stockholders	\$ 10	\$ 0.12
Increase in LIFO reserve, net of tax	5	0.05
Adjusted net income attributable to common stockholders	\$ 15	\$ 0.17

Notes to above:

The company defines Adjusted Net Income Attributable to Common Stockholders (a non-GAAP measure) as Net Income Attributable to Common Stockholders less after-tax goodwill and intangible impairment, inventory-related charges, facility closures, severance and restructuring, plus or minus the after-tax impact of its LIFO inventory costing methodology. After-tax impacts were determined using the Company's U.S. blended statutory rate. The company presents Adjusted Net Income Attributable to Common Stockholders and related per share amounts because the company believes it provides useful comparisons of the company's operating results to other companies, including those companies with whom we compete in the distribution of pipe, valves and fittings to the energy industry, without regard to the irregular variations from certain restructuring events not indicative of the on-going business. Those items include goodwill and intangible asset impairments, inventory-related charges, facility closures, severance and restructuring as well as the LIFO inventory costing methodology. The impact of the LIFO inventory costing methodology can cause results to vary substantially from company to company depending upon whether they elect to utilize LIFO and depending upon which method they may elect. The company believes that Net Income Attributable to Common Stockholders is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly compared to Adjusted Net Income Attributable to Common Stockholders.

MRC Global Inc.
Supplemental Information (Unaudited)
Reconciliation of Long-term Debt to Net Debt (a non-GAAP measure) and the Leverage Ratio Calculation
(in millions)

	<u>March 31,</u> <u>2023</u>
Long-term debt, net	\$ 387
Plus: current portion of long-term debt	<u>3</u>
Long-term debt	<u>390</u>
Less: cash	<u>39</u>
Net Debt	<u>\$ 351</u>
Net Debt	\$ 351
Trailing twelve months adjusted EBITDA	282
Leverage ratio	1.2

Notes to above:

Net Debt and related leverage metrics may be considered non-GAAP measures. We define Net Debt as total long-term debt, including current portion, minus cash. We define our leverage ratio as Net Debt divided by trailing twelve months Adjusted EBITDA. We believe Net Debt is an indicator of the extent to which the company's outstanding debt obligations could be satisfied by cash on hand and a useful metric for investors to evaluate the company's leverage position. We believe the leverage ratio is a commonly used metric that management and investors use to assess the borrowing capacity of the company. We believe total long-term debt (including the current portion) is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Net Debt.

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