UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-35479

MRC GLOBAL INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**20-5956993** **(I.R.S. Employer Identification No.)**
Fulbright Tower **1301 McKinney Street, Suite 2300** **Houston, Texas** **(Address of Principal Executive Offices)**	**77010** **(Zip Code)**

(877) 294-7574
(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock	MRC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The Company's common stock is listed on the New York Stock Exchange under the symbol "MRC". The aggregate market value of voting common stock held by non-affiliates was $1.423 billion as of the close of trading as reported on the New York Stock Exchange on

June 28, 2019. There were 81,408,974 shares of the registrant's common stock (excluding 74,055 unvested restricted shares), par value $0.01 per share, issued and outstanding as of February 7, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement relating to the 2020 Annual Meeting of Stockholders, to be filed within 120 days of the end of the fiscal year covered by this report, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Unless otherwise indicated or the context otherwise requires, all references to the "Company," "MRC Global," "MRC," "we," "us," "our" and the "registrant" refer to MRC Global Inc. and its consolidated subsidiaries.

ITEM 1. BUSINESS

General

We are the largest distributor of pipe, valves and fittings ("PVF") and other infrastructure products and services to the energy industry, based on sales. We provide innovative supply chain solutions and technical product expertise to customers globally through our leading position across each of our diversified end-markets including the upstream (exploration, production and extraction of underground oil and natural gas), midstream (gathering and transmission of oil and natural gas, natural gas utilities and the storage and distribution of oil and natural gas) and downstream (crude oil refining, petrochemical and chemical processing and general industrials) sectors. We offer over 200,000 SKUs, including an extensive array of PVF, oilfield supply, valve automation and modification, measurement, instrumentation and other general and specialty products from our global network of over 10,000 suppliers. With nearly 100 years of history, our 3,200 employees serve our approximately 14,000 customers through approximately 260 service locations including regional distribution centers, branches, corporate offices and third party pipe yards, where we often deploy pipe near customer locations.

Our customers use the PVF and related infrastructure products that we supply in mission critical process applications that require us to provide a high degree of product knowledge, technical expertise and comprehensive value-added services to our customers. We seek to provide best-in-class service and a one-stop shop for our customers by satisfying the most complex, multi-site needs of many of the largest companies in the energy sector as their primary PVF supplier. We provide services such as product testing, manufacturer assessments, multiple daily deliveries, volume purchasing, inventory and zone store management and warehousing, technical support, training, just-in-time delivery, truck stocking, order consolidation, product tagging and system interfaces customized to customer and supplier specifications for tracking and replenishing inventory, engineering of control packages and valve inspection and repair, which we believe result in deeply integrated customer relationships. We believe the critical role we play in our customers' supply chain, together with our extensive product and service offerings, broad global presence, customer-linked scalable information systems and efficient distribution capabilities, serve to solidify our long-standing customer relationships and drive our growth. As a result, we have an average relationship of over 25 years with our 25 largest customers.

The energy industry, and our business in turn, is cyclical in nature. In the short-term, customer spending is ordinarily sensitive to global oil and natural gas prices and general economic conditions. In addition to these normal trends, in recent years, our customers have demonstrated an increased focus on returns on invested capital which has driven a more disciplined approach to capital spending that has negatively impacted each of our business sectors. These drivers can result in periods of volatility for our business. As a result, our sales declined 12% from 2018 to 2019. Notwithstanding these recent developments, we play a critical role in supporting our customers and the energy industry throughout the cycles.

We believe carbon-based energy will continue to play a critical role in supporting economic growth, particularly in developing countries and that oil and gas demand will continue to be significant in the coming decades. The U.S. Energy Information Agency (the "EIA") in its Reference Case (published in the International Energy Outlook 2019) projects world energy consumption of petroleum and other liquids to rise nearly 20% and natural gas to rise more than 40% between 2018 and 2050. We believe these increases would require an increase in oil and gas to meet the rise in demand from current levels, which would continue to provide a robust market for our goods and services.

MRC Global Inc. was incorporated in Delaware on November 20, 2006. Our principal executive office is located at 1301 McKinney Street, Suite 2300, Houston, Texas 77010. Our telephone number is (877) 294-7574. Our website address is www.mrcglobal.com. Information contained on our website is expressly not incorporated by reference into this document.

Business Strategy

As a distributor of PVF and other infrastructure products to the energy industry, our strategy is focused on growth, margin enhancement and the development of long-term customer relationships within the markets we serve. Our strategic objectives are to increase our market share by executing global preferred supplier contracts with new and existing customers, growing organically by maintaining a focus on our managed and targeted growth accounts, enhancing our product and service offerings, extending our global platform to major PVF energy markets through acquisitions and organic investments, investing in technology systems and branch infrastructure to achieve improved operational excellence and customer service and optimizing our working capital.

We believe that global preferred supplier agreements allow us to better serve our customers' needs and provide customers with a global platform in which to procure their products. The agreements vary by customer; however, in most cases, we are the preferred supplier, and while there are no minimum purchase requirements, we generally have a larger proportion of the customer's spending in our product categories. In addition, through system integration, we believe transactions with these customers can be more streamlined.

We strive to add scope to these arrangements in various ways including adding geographies, product lines, inventory management and inventory logistics.

Our approach to expanding existing markets and accessing new markets is multifaceted. We seek to expand our geographic footprint, pursue strategic acquisitions and organic investments and cultivate relationships with our existing customer base. We work with our customers to develop innovative supply chain solutions that enable us to consistently deliver the high-quality products they need when they need them. By being a consistent and reliable supplier, we are able to maintain and grow our market share with both new and existing customers.

We maintain a diverse universe of suppliers that allows us to strategically partner with the largest manufacturers of the products we distribute while simultaneously providing our customers access to alternative sources of supply and high-quality products across the entire spectrum of their PVF needs. We continually broaden our product and service offerings and supplier base. Product expansion opportunities include alloy, chrome, stainless products, gaskets, seals and other industrial supply products. We remain focused on products and value-added services such as valves, valve automation and modification, measurement and instrumentation, as well as, high alloy products that command higher margins.

We also target growth with our midsized customers and diversification of our upstream and midstream customer bases. We do this through detailed account planning and by educating potential customers on the offerings and logistics services we provide.

Although we have not been active with acquisitions in recent years, our acquisition strategy includes focus on those businesses that will broaden our geographic footprint, in certain energy intensive regions, or those that expand our product and service offerings, particularly in valves, valve automation, instrumentation, stainless and alloy or within a particular sector, such as downstream. We also consider "bolt-on" acquisitions that supplement our existing offerings. We strive to capture more of the integrated oil companies' spending and bring our value-added business proposition to their worldwide operations. We also believe that being able to serve our customers globally provides us an advantage in obtaining master service or framework agreements both internationally as well as in North America as international oil company customers, in particular, look for a "one-stop shop" provider for their PVF needs. Where suitable acquisition opportunities are not available in the market, we may choose to grow through organic investment.

We invest in information technology ("IT") systems and branch infrastructure to achieve improved operational excellence and customer service. Our concept of operational excellence leverages standardized business processes to deliver top tier safety performance, a consistent customer experience and a lower overall cost to serve. Our digital transformation strategy is a key component of operational excellence and is designed to add further differentiation to our product and service offerings with an objective to maintain and grow our business with new and existing customers. Through the further development of our digital commerce platform, MRCGO™, we continue to enhance and add to the customer experience. From this single portal, our customers have the ability to shop for material, track and expedite orders, research payment options, search for documents and receive support from MRC Global representatives.

Operations

Our distribution network extends throughout the world with a presence in all major oil and natural gas providing regions in the U.S. and western Canada, as well as Europe, Asia, Australasia, and the Middle East and Caspian region. Our business is segregated into three geographical operating segments: U.S., Canada and International. These segments represent our business of providing PVF and other infrastructure products and services to the energy industry, across each of the upstream, midstream and downstream sectors. Financial information regarding our reportable segments appears in "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 15 of the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

Safety. In our business, safety is of paramount importance to us and to our customers. Unsafe conditions can cause or contribute to injuries, deaths, property damage and pollution that, in turn, can create significant liabilities for which insurance may not always be sufficient. We are also subject to many safety regulatory standards such as those standards that the U.S. Occupational Health and Safety Administration ("OSHA"), the U.S. Environmental Protection Agency and the Department of Transportation or state or foreign agencies of a similar nature may impose and enforce upon us. Failure to meet those standards can result in fines, penalties or agency actions that can impose additional costs upon our business. For all of these reasons, we and our customers demand high safety standards and practices to prevent the occurrence of unsafe conditions and any resulting harm. Our operations, therefore, focus on the safety of our employees and those with whom we do business. Our safety programs are designed to focus on the highest likely safety risks in our business and to build a culture of safe practices and continuous safety improvement for our employees, our customers and others with whom we do business or otherwise come into contact.

Among other safety measures, we track our total recordable incident rate ("TRIR") and our lost work day rate ("LWDR"), both per 200,000 hours worked. Our TRIR was 1.27 in 2019. This compares favorably to the 2018 U.S. Bureau of Labor Statistics ("BLS") average of 3.7 for wholesalers of metal products. Our LWDR was 0.41 in 2019. This also compares favorably to the BLS average of 1.7 for wholesalers of metal products. In addition, our recordable vehicle incident rate ("RVIR") has also remained low at 0.85 compared to a peer group average of 1.66 based on a survey that the National Association of Wholesalers compiled.

Products: We distribute a complete line of PVF products, primarily used in energy infrastructure applications. The products we distribute are used in the construction, maintenance, repair and overhaul of equipment used in extreme operating conditions such as high pressure, high/low temperature and highly corrosive and abrasive environments. We are required to carry significant amounts of inventory to meet the rapid delivery, often same day, requirements of our customers. The breadth and depth of our product and service offerings and our extensive global presence allow us to provide high levels of service to our customers. Due to our broad inventory coverage, we are able to fulfill more orders more quickly, including those with lower volume and specialty items, than we would be able to if we operated on a smaller scale or only at a local or regional level. Key product types are described below:

- *Valves, Automation, Modification, Measurement and Instrumentation*. Our product offering includes ball, butterfly, gate, globe, check, diaphragm, needle and plug valves, which are manufactured from cast steel, stainless/alloy steel, forged steel, carbon steel or cast and ductile iron. Valves are generally used in oilfield and industrial applications to control direction, velocity and pressure of fluids and gases within transmission networks. Other products include lined corrosion resistant piping systems, control valves, valve automation and top work components used for regulating flow and on/off service, measurement products and a wide range of steam and instrumentation products. In addition, we offer a full range of valve modification services to meet customer requirements including valve control extensions, welding, hydrotesting, painting, coating, x-raying and actuation assembly.
- *Carbon Steel Fittings and Flanges*. Carbon steel fittings and flanges include carbon weld fittings, flanges and piping components used primarily to connect piping and valve systems for the transmission of various liquids and gases. Customers use these products across all the industries in which we operate.
- *Stainless Steel and Alloy Fittings, Flanges and Pipe.* Stainless steel and alloy pipe and fittings include stainless, alloy and corrosion resistant pipe, tubing, fittings and flanges. These are used most often in the chemical, refining and power generation industries but are used across all of the sectors in which we operate. Customers principally use alloy products in high-pressure, high-temperature and high-corrosion applications typically seen in process piping applications.
- *Gas Products*. Natural gas distribution products include risers, meters, polyethylene pipe and fittings and various other components and industrial supplies used primarily in the distribution of natural gas to residential and commercial customers.
- *Line Pipe*. Customers typically use carbon line pipe in high-yield, high-stress and abrasive applications such as the gathering and transmission of oil, natural gas and natural gas liquids ("NGL").
- *Other*. Other includes oilfield supplies and other industrial products such as mill and safety and electrical supplies. We offer a comprehensive range of oilfield and industrial supplies and completion equipment, including high density polyethylene pipe, fittings and rods. Additionally, we can supply a wide range of specialized production equipment including tanks and separators used in our upstream sector.

Services: We provide many of our customers with a comprehensive array of services including multiple deliveries each day, zone store management, valve tagging, self-service portal and system interfaces facilitating digital transaction exchange between our customers' and our proprietary IT systems. This allows us to interface with our customers' IT systems with cross-referenced part numbers, customized pricing, customized business to business processes, streamlining the order to cash process making it easier and more efficient to purchase our products. Such services strengthen our position with customers as we become more integrated into their supply chain and we are able to market a "total transaction value" solution rather than individual products.

We continue to invest in and expand our comprehensive IT systems. In North America, we operate an enterprise resource planning ("ERP") system, enhanced with differentiating distribution and service functionality. In 2017, we completed the transition of our International business to a single ERP platform. These systems, which provide for customer and supplier digital integrations optimizing business to business processes, information exchange and e-commerce applications, including our MRCGO™ platform, further strengthen our ability to provide high levels of service to our customers. Our highly specialized implementation group focuses on the integration of our information systems and implementation of improved business processes with customers during the initiation phase. By maintaining a specialized team, we are able to utilize best practices to implement our technology systems and processes, thereby providing solutions to customers in a more organized, efficient and effective manner. This approach is valuable to large, multi-location customers who have demanding service requirements.

As major integrated and large independent energy companies have implemented efficiency initiatives to focus on their core business, many of these companies have begun outsourcing certain of their procurement and inventory management requirements. In response to these initiatives and to satisfy customer service requirements, we offer integrated supply services to customers who wish to outsource all or a part of the administrative burden associated with sourcing and managing PVF and other related products, and we also often have MRC Global employees on-site full-time at many customer locations. Our integrated supply group offers procurement-related services, physical warehousing services, product quality assurance and inventory ownership and analysis services.

For years, in our valve engineering centers, we have designed and constructed assemblies that combine actuators with the valves we sell. In addition, we recently opened a valve engineering and modification center in La Porte, Texas that provides services, primarily to our midstream customers. At this facility, we modify valves for customer requirements, weld segments of pipe to the intake/outtake

openings of large pipeline valves, add extensions to the valve controls while installing actuators to the valve, hydrotest the valves, paint or coat the valves, x-ray the welds and deliver complete valve/actuation assemblies to our customers for field installations.

We have also recently introduced our ValidTorque™ service, whereby we utilize specialized test benches to provide customers with data on the operating characteristics of their valves and actuators. In addition, we have a FastTrack™ service that we provide customers, whereby we supply specified classes of actuated valves in short delivery windows.

Suppliers: We source the products we distribute from a global network of approximately 10,000 suppliers in over 40 countries. We have approximately 100 dedicated supply chain management employees that handle purchasing. Our suppliers benefit from access to our large, diversified customer base and, by consolidating customer orders allowing for manufacturing efficiencies. We benefit from stronger purchasing power and preferred vendor programs. Our purchases from our 25 largest suppliers in 2019 approximated 41% of our total purchases, with our single largest supplier constituting approximately 7%. We are the largest customer for many of our suppliers, and we source the majority of the products we distribute directly from the manufacturer. The remainder of the products we distribute are sourced from manufacturer representatives, trading companies and, in some instances, other distributors.

We believe our customers and suppliers recognize us as an industry leader in part due to the quality of products we supply and for the formal processes we use to evaluate vendor performance. This vendor assessment process is referred to as the MRC Global Supplier Registration Process, which involves employing individuals who specialize in conducting on-site assessments of our manufacturers as well as monitoring and evaluating the quality of goods produced. These assessments are aimed at product quality assurance, including all aspects of the manufacturing processes, steel, alloy and material quality, ethical sourcing, product safety and ethical labor practices. The result of this process is the MRC Global approved manufacturer's listing ("AML"). Products from the manufacturers on this list are supplied across many of the industries we support. Given that many of our largest customers, especially those in our downstream sector, maintain their own formal AML listing, we are recognized as an important source of information sharing with our key customers regarding the results of our on-site assessment. For this reason, together with our commitment to promote high quality products that bring the best overall value to our customers, we often become the preferred provider of AML products to these customers. Many of our customers regularly collaborate with us regarding specific manufacturer performance, our own experience with vendors' products and the results of our on-site manufacturer assessments. The emphasis that both our customers and suppliers place on the MRC Global AML helps secure our central and critical position in the global PVF supply chain.

We utilize a variety of freight carriers in addition to our corporate truck fleet to ensure timely and efficient delivery of our products. With respect to deliveries of products from us to our customers, or our outbound needs, we utilize both our corporate fleet and third-party transportation providers. With respect to shipments of products from suppliers to us, or our inbound needs, we principally use third-party carriers.

Sales and Marketing: We distribute our products to a wide variety of end-users, and we have operations in 20 countries and direct sales into approximately 75 countries around the world. Our broad inventory offering and distribution network allows us to serve large global customers with consistent, high-quality service that is unrivaled in our industry. Local relationships, depth of inventory, responsive service and timely delivery are critical to the sales process in the PVF distribution industry. Our sales efforts are customer and product driven and provide a system that is more responsive to changing customer and product needs than a traditional, fully centralized structure.

Our sales model applies a two-pronged approach to address both regional and national markets. Regional sales teams are based in our core geographic regions and are complemented by a global accounts sales team organized by sector or product expertise and focused on large regional, national or global customers. These sales teams are then supported by groups with additional specific service or product expertise, including integrated supply, valves, valve automation and modification, corrosion resistant products, measurement equipment and implementation. Our overall sales force is then internally divided into outside and inside sales forces.

Our over 380 account managers and external sales representatives develop relationships with prospective and existing customers in an effort to better understand their needs and to increase the number of our products specified or approved by a given customer. Outside sales representatives may be branch outside sales representatives, focused on customer relationships in specific geographies, or technical outside sales representatives, who focus on specific products and provide detailed technical support to customers. Internationally, for valve sales, the majority of our sales force is comprised of qualified engineers who are able to meet complex customer requirements, select optimal solutions from a range of products to increase customers' efficiency and lower total product lifecycle costs.

Our inside sales force of approximately 800 customer service representatives is responsible for processing orders generated by new and existing customers as well as by our outside sales force. The customer service representatives develop order packages based on specific customer needs, interface with manufacturers to determine product availability, ensure on-time delivery and establish pricing of materials and services based on guidelines and predetermined metrics that management establishes.

Seasonality: Our business normally experiences mild seasonal effects in the U.S. as demand for the products we distribute is generally higher during the months of August, September and October. Demand for the products we distribute during the months of November

and December and early in the year generally tends to be lower due to a lower level of activity near the end of the calendar year in the industry sectors we serve and due to winter weather disruptions. In addition, certain exploration and production (“E&P”) activities, primarily in Canada, typically experience a springtime reduction due to seasonal thaws and regulatory restrictions, limiting the ability of drilling rigs to operate effectively during these periods.

Customers: Our principal customers are companies active in the upstream, midstream and downstream sectors of the energy industry. Due to the demanding operating conditions in the energy industry, high costs and safety risks associated with equipment failure, customers prefer highly reliable products and vendors with established qualifications, reputation and experience. As our PVF products typically are mission critical and represent a fraction of the total cost of a given project, our customers often place a premium on service and high reliability given the high cost to them of maintenance or project delays. We strive to build long-term relationships with our customers by maintaining our reputation as a supplier of high-quality, reliable products and value-added services and solutions.

We have a diverse customer base of approximately 14,000 customers. We are not dependent on any one customer or group of customers. A majority of our customers are offered terms of net 30 days (payment is due within 30 days of the date of the invoice). Customers generally have the right to return products we have sold, subject to certain conditions and limitations, although returns have historically been immaterial to our sales. For the year ended December 31, 2019, our 25 largest customers represented approximately 55% of our total sales, with our single largest customer constituting approximately 8%. For many of our largest customers, we are often their primary PVF provider by sector or geography, their largest or second largest supplier in aggregate or, in certain instances, the sole provider for their upstream, midstream and downstream procurement needs. We believe that many customers for which we are not the exclusive or comprehensive sole source PVF provider will continue to reduce their number of suppliers in an effort to reduce costs and administrative burdens and focus on their core operations. As such, we believe these customers will seek to select PVF distributors with the most extensive product and service offerings and broadest geographic presence. Furthermore, we believe our business will benefit as companies in the energy industry continue to consolidate and the larger, resulting companies look to larger distributors such as ourselves as their sole or primary source PVF provider.

Backlog: We determine backlog by the amount of unshipped customer orders, either specific or general in nature, which the customer may revise or cancel in certain instances. The table below details our backlog by segment (in millions):

	Year Ended December 31,		
	2019	**2018**	**2017**
U.S.	**$ 301**	$ 426	$ 559
Canada	**34**	35	40
International	**174**	177	233
	$ 509	$ 638	$ 832

As of December 31, 2018 and 2017, respectively, approximately 7% and 23% of our ending backlog was associated with two customers in our U.S. segment. In addition, approximately 5% and 14% of our ending backlog for 2018 and 2017, respectively, was associated with one customer in our International segment. In each case, these were related to significant ongoing customer projects that were substantially completed by the end of 2018. There were no similar large project amounts included in backlog as of December 31, 2019. Excluding these major projects, backlog in our U.S. segment declined 20% from December 31, 2018 to December 31, 2019 as a result of the overall decline in customer activity while backlog in our International segment increased 19% over that same time period. There can be no assurance that the backlog amounts will ultimately be realized as revenue or that we will earn a profit on the backlog of orders, but we expect that substantially all of the sales in our backlog will be realized within twelve months.

Competition: We are the largest PVF distributor to the energy industry based on sales. The broad PVF distribution industry is fragmented and includes large, nationally recognized distributors, major regional distributors and many smaller local distributors. The principal methods of competition include offering prompt local service, fulfillment capability, breadth of product and service offerings, price and total costs to the customer. Our competitors include large PVF distributors, such as DistributionNOW, Ferguson Enterprises (a subsidiary of Ferguson, plc), Van Leeuwen, FloWorks, Charbonneau Industries, Score Group plc, several regional or product-specific competitors and many local, family-owned and privately held PVF distributors.

Employees: We have approximately 3,200 employees of which 130 employees belong to a union and are covered by collective bargaining agreements. We also have 145 employees in the U.S., Norway and Australia that are not members of a union but are covered by union negotiated agreements. We consider our relationships with our employees to be good.

Sustainability

We believe that oil and gas demand will continue to be significant in the coming decades. The U.S. Energy Information Agency (the “EIA”) in its Reference Case (published in the International Energy Outlook 2019) projects world energy consumption of petroleum

and other liquids to rise nearly 20% and natural gas to rise more than 40% between 2018 and 2050. We believe these increases would require an increase in oil and gas to meet the rise in demand from current levels, which would continue to provide a robust market for our goods and services. As our customers address their sustainability and energy transitions, we strive to operate our business in a sustainable manner to support our customers' needs.

Our Sustainable Business Model. Our distribution capabilities can flex with the needs of customers. Although the primary customers for our PVF products are energy companies, we also distribute PVF to other end users as well. For instance, in our downstream segment, we distribute PVF to companies engaged in metals and mining, fabrication, power generation, chemical production and other general industrial uses. Our distribution platform is capable of supplying product lines to support transitioning energy uses as well as the needs of oil and gas and industrial customers.

MRC Global's Sustainability Initiatives. The primary way that we can reduce our emissions of greenhouse gases in our operations is to create an efficient supply chain. An efficient supply chain reduces the carbon footprint of deliveries to our distribution centers and branches and, ultimately to our customers. Use of our distribution centers and hub and spoke delivery model allow us to aggregate product across multiple suppliers and customers, which, in turn, prevents each customer from separately creating duplicative supply chains that require fuel for deliveries and resources to manage.

As a distributor, we are engaged in a relatively low amount of manufacturing and assembly, mostly through the actuation and valve modification services that we offer our customers. We do not utilize large amounts of water. Our energy inputs are primarily electricity for lighting, heating and office and warehouse equipment, natural gas for heating and gasoline for company sales and delivery vehicles. We are reviewing this usage and seeking efficiencies to reduce use of these resources and resulting emissions. We have recycling programs to minimize waste from used pallets, cardboard, office paper and other recyclables. Even so, our recycling programs are sometimes limited by the unavailability of users, haulers or purchasers for recyclable materials at reasonable costs.

Market Opportunities. As a distributor of PVF, we sell products to existing and new customers that control the flow of liquids and gases in a sustainable manner. Most of the products we provide are used to prevent and minimize accidental leaks of hydrocarbons into the air and spills. In addition, integrated oil and other energy companies, many of which are our customers, have requirements to reduce their methane and other emissions and consider these targets when designing, constructing, upgrading, maintaining and operating their facilities. We sell a number of products that reduce the emissions of gases. In particular, a majority of the valves that we sell are low-emission valves that control methane and other emissions.

Environmental Matters

We are subject to a variety of federal, state, local, foreign and provincial environmental, health and safety laws, regulations and permitting requirements (collectively, "environmental laws"), including those governing the following:

- the discharge of pollutants or hazardous substances into the air, soil or water,
- the generation, handling, use, management, storage and disposal of, or exposure to, hazardous substances and wastes,
- the responsibility to investigate, remediate, monitor and clean up contamination and
- occupational health and safety.

Historically, the costs to comply with environmental laws have not been material to our financial position, results of operations or cash flows. We are not aware of any pending environmental compliance or remediation matters that, in the opinion of management, are reasonably likely to have a material effect on our business, financial position or results of operations or cash flows. However, our failure to comply with applicable environmental laws could result in fines, penalties, enforcement actions, employee, neighbor or other third-party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup or regulatory or judicial orders requiring corrective measures, including the installation of pollution control equipment or remedial actions.

Certain environmental laws, such as the U.S. federal Superfund law or its state or foreign equivalents, may impose the obligation to investigate, remediate, monitor and clean up contamination at a facility on current and former owners, lessees or operators or on persons who may have sent waste to that facility for disposal. These environmental laws may impose liability without regard to fault or to the legality of the activities giving rise to the contamination. Although we are not aware of any active litigation against us under the U.S. federal Superfund law or its state or foreign equivalents, we have identified contamination at several of our current and former facilities, and we have incurred and will continue to incur costs to investigate, remediate, monitor and clean up these conditions. Moreover, we may incur liabilities in connection with environmental conditions currently unknown to us relating to our prior, existing or future owned or leased sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired. We believe that indemnities contained in certain of our acquisition agreements may cover certain environmental conditions existing at the time of the acquisition subject to certain terms, limitations and conditions. However, if these indemnification provisions terminate or if the indemnifying parties do not fulfill their indemnification obligations, we may be subject to liability with respect to the environmental matters that those indemnification provisions address.

Certain governments at the international, national, regional and state level are at various stages of considering or implementing treaties and environmental laws that could limit emissions of greenhouse gases, including carbon dioxide, associated with the burning of fossil fuels. For instance, in September 2016, 175 countries ratified the Paris Agreement, which requires member countries to review and determine their respective goals towards reducing greenhouse gas emissions. Certain states and regions have also adopted or are considering environmental laws that impose overall caps or taxes on greenhouse gas emissions from certain sectors or facility categories or mandate the increased use of electricity from renewable energy sources. It is not possible to predict how new environmental laws to address greenhouse gas emissions would impact our business or that of our customers, but these laws and regulations could impose costs on us or negatively impact the market for the products we distribute and, consequently, our business. The U.S. Energy Information Administration in its International Energy Outlook 2019 report continues to project, in its reference case, increases in world energy consumption for oil and gas through 2050, although this projection could change depending on regulatory developments, technological changes and changes in energy mix.

In addition, the U.S. Environmental Protection Agency ("EPA") has implemented regulations that require permits for and reductions in greenhouse gas emissions for certain categories of emission sources, including (among others) New Source Performance Standards for new power plants and emission guidelines for existing power plants (commonly known as the "Clean Power Plan"). In anticipation of and in response to these regulations, United States electric producers have been switching from coal to natural gas as a cleaner burning fuel source. This replacement of natural gas for coal has benefitted our business as our customers include natural gas producers. There have been various court challenges and regulatory changes to these EPA regulations, such as the EPA's June 2019 repeal of the Clean Power Plan and finalization of a replacement rule (known as the Affordable Clean Energy Rule). Even so, switching from coal to natural gas has continued, in part, driven by low natural gas prices as well as continued regulatory uncertainty regarding coal emissions.

Also, federal, state, local, foreign and provincial governments have adopted, or are considering the adoption of, environmental laws that could impose more stringent permitting; disclosure; wastewater and other waste disposal; greenhouse gas, ethane or volatile organic compound control, leak detection and repair requirements; and well construction and testing requirements on our customers' hydraulic fracturing.

Environmental laws applicable to our business and the business of our customers, including environmental laws regulating the energy industry, and the interpretation or enforcement of these environmental laws, are constantly evolving; it is impossible to predict accurately the effect that changes in these environmental laws, or their interpretation or enforcement, may have upon our business, financial condition or results of operations. Should environmental laws, or their interpretation or enforcement, become more stringent, our costs, or the costs of our customers, could increase, which may have a material adverse effect on our business, financial position, results of operations or cash flows.

Exchange Rate Information

In this report, unless otherwise indicated, foreign currency amounts are converted into U.S. dollar amounts at the exchange rates in effect on December 31, 2019 and 2018 for balance sheet figures. Income statement figures are converted on a monthly basis, using each month's average conversion rate.

Available Information

Our website is located at *www.mrcglobal.com*. We make available free of charge on or through our internet website our annual report on Form 10-K, our quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC. The information contained on the websites referenced in this Form 10-K is not incorporated by reference into this filing. Further, the Company's references to website URLs are intended to be inactive textual references only. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors as well as the other risks and uncertainties contained in this Annual Report on Form 10-K or in our other SEC filings. The occurrence of one or more of these risks or uncertainties could materially and adversely affect our business, financial condition and operating results. In this Annual Report on Form 10-K, unless the context expressly requires a different reading, when we state that a factor could "adversely affect us," have a "material adverse effect," "adversely affect our business" and similar expressions, we mean that the factor could materially and adversely affect our business, financial condition, operating results and cash flows. Information contained in this section may be considered "forward-looking statements." See "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Cautionary Note Regarding Forward-Looking Statements" for a discussion of certain qualifications regarding forward looking statements.

Risks Related to Our Business

Decreased capital and other expenditures in the energy industry, which can result from decreased oil and natural gas prices, among other things, can adversely impact our customers' demand for our products and our revenue.

A large portion of our revenue depends upon the level of capital and operating expenditures in the oil and natural gas industry, including capital and other expenditures in connection with exploration, drilling, production, gathering, transportation, refining and processing operations. Demand for the products we distribute and services we provide is particularly sensitive to the level of exploration, development and production activity of, and the corresponding capital and other expenditures by, oil and natural gas companies. A material decline in oil or natural gas prices, inability to access capital, and consolidation within the industry could all depress levels of exploration, development and production activity and, therefore, could lead to a decrease in our customers' capital and other expenditures. This is especially the case in the upstream sector and, to some extent, in the midstream sector. If our customers' expenditures decline, our business will suffer.

Volatile oil and gas prices affect demand for our products.

As evidenced by the decline of oil prices from late 2014 through 2016, prices for oil and natural gas are cyclical and subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of other factors that are beyond our control. Any sustained decrease in capital expenditures in the oil and natural gas industry could have a material adverse effect on us.

Many factors affect the supply of and demand for energy and, therefore, influence oil and natural gas prices, including:

- the level of domestic and worldwide oil and natural gas production and inventories;
- the level of drilling activity and the availability of attractive oil and natural gas field prospects, which governmental actions may affect, such as regulatory actions or legislation, or other restrictions on drilling, including those related to environmental concerns;
- the discovery rate of new oil and natural gas reserves and the expected cost of developing new reserves;
- the actual cost of finding and producing oil and natural gas;
- depletion rates;
- domestic and worldwide refinery overcapacity or undercapacity and utilization rates;
- the availability of transportation infrastructure and refining capacity;
- increases in the cost of products and services that the oil and gas industry uses, such as those that we provide, which may result from increases in the cost of raw materials such as steel;
- any impacts of climate change;
- increases in usage of alternative fuels and fuel technology to increase energy efficiency;
- the economic or political attractiveness of alternative fuels, such as wind, solar energy, hydrogen and biomass-based fuels;
- increases in oil and natural gas prices or historically high oil and natural gas prices, which could lower demand for oil and natural gas products;
- worldwide economic activity including growth or decline in non-Organization for Economic Cooperation and Development ("OECD") member countries, including (among others) China and India;
- interest rates and the cost of capital;
- national government policies, including government policies that could nationalize or expropriate oil and natural gas exploration, production, refining or transportation assets;

- the ability of the Organization of Petroleum Exporting Countries ("OPEC") along with other countries, such as Russia, to set and maintain production levels and prices for oil;
- the impact of armed hostilities, or the threat or perception of armed hostilities;
- environmental regulation and policies;
- technological advances;
- global weather conditions and natural disasters;
- adverse health events, such as a pandemic;
- currency fluctuations; and
- tax policies.

Oil and natural gas prices have been and are expected to remain volatile. This volatility has historically caused oil and natural gas companies to change their strategies and expenditure levels from year to year. We have experienced in the past, and we will likely experience in the future, significant fluctuations in operating results based on these changes. In particular, volatility in the oil and natural gas sectors could adversely affect our business.

General economic conditions may adversely affect our business.

U.S. and global general economic conditions affect many aspects of our business, including demand for the products we distribute and the pricing and availability of supplies. General economic conditions and predictions regarding future economic conditions also affect our forecasts. A decrease in demand for the products we distribute or other adverse effects resulting from an economic downturn may cause us to fail to achieve our anticipated financial results. General economic factors beyond our control that affect our business and customers include interest rates, recession, inflation, deflation, customer credit availability, consumer credit availability, consumer debt levels, performance of housing markets, energy costs, tax rates and policy, unemployment rates, commencement or escalation of war or hostilities, the threat or possibility of war, terrorism or other global or national unrest, political or financial instability and other matters that influence our customers' spending. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency or increase in magnitude. In addition, worldwide economic conditions could have an adverse effect on our business, prospects, operating results, financial condition, and cash flows going forward. Continued adverse economic conditions would have an adverse effect on us.

We may be unable to compete successfully with other companies in our industry.

We sell products and services in very competitive markets. In some cases, we compete with large companies with substantial resources. In other cases, we compete with smaller regional players that may increasingly be willing to provide similar products and services at lower prices. Competitive actions, such as price reductions, consolidation in the industry, improved delivery and other actions, could adversely affect our revenue and earnings. We could experience a material adverse effect to the extent that our competitors are successful in reducing our customers' purchases of products and services from us. Competition could also cause us to lower our prices, which could reduce our margins and profitability. Furthermore, consolidation in our industry could heighten the impacts of the competition on our business. Our results of operations, discussed above, could be impacted, particularly if consolidation results in competitors with stronger financial and strategic resources, which could also result in increases to the prices we are required to pay for acquisitions we may make in the future.

Demand for the products we distribute could decrease if the manufacturers of those products were to sell a substantial amount of goods directly to end users in the sectors we serve.

Historically, users of PVF and related products have purchased certain amounts of these products through distributors and not directly from manufacturers. If customers were to purchase the products that we sell directly from manufacturers, or if manufacturers sought to increase their efforts to sell directly to end users, we could experience a significant decrease in profitability. These or other developments that remove us from, or limit our role in, the distribution chain, may harm our competitive position in the marketplace, reduce our sales and earnings and adversely affect our business.

We may experience unexpected supply shortages.

We distribute products from a wide variety of manufacturers and suppliers. Nevertheless, in the future we may have difficulty obtaining the products we need from suppliers and manufacturers as a result of unexpected demand or production difficulties that might extend lead times. Also, products may not be available to us in quantities sufficient to meet our customer demand. Our inability to obtain products from suppliers and manufacturers in sufficient quantities, or at all, could adversely affect our product and service offerings and our business.

We may experience cost increases from suppliers, which we may be unable to pass on to our customers.

In the future, we may face supply cost increases due to, among other things, unexpected increases in demand for supplies, decreases in production of supplies, increases in the cost of raw materials, transportation, changes in exchange rates or the imposition of import taxes or tariff on imported products. Any inability to pass supply price increases on to our customers could have a material adverse effect on us. For example, we may be unable to pass increased supply costs on to our customers because significant amounts of our sales are derived from stocking program arrangements, contracts and maintenance and repair arrangements, which provide our customers time limited price protection, which may obligate us to sell products at a set price for a specific period. In addition, if supply costs increase, our customers may elect to purchase smaller amounts of products or may purchase products from other distributors. While we may be able to work with our customers to reduce the effects of unforeseen price increases because of our relationships with them, we may not be able to reduce the effects of the cost increases. In addition, to the extent that competition leads to reduced purchases of products or services from us or a reduction of our prices, and these reductions occur concurrently with increases in the prices for selected commodities which we use in our operations, including steel, nickel and molybdenum, the adverse effects described above would likely be exacerbated and could result in a prolonged downturn in profitability.

We do not have contracts with most of our suppliers. The loss of a significant supplier would require us to rely more heavily on our other existing suppliers or to develop relationships with new suppliers. Such a loss may have an adverse effect on our product and service offerings and our business.

Given the nature of our business, and consistent with industry practice, we do not have contracts with most of our suppliers. We generally make our purchases through purchase orders. Therefore, most of our suppliers have the ability to terminate their relationships with us at any time. Approximately 41% of our total purchases during the year ended December 31, 2019 were from our 25 largest suppliers. Although we believe there are numerous manufacturers with the capacity to supply the products we distribute, the loss of one or more of our major suppliers could have an adverse effect on our product and service offerings and our business. Such a loss would require us to rely more heavily on our other existing suppliers or develop relationships with new suppliers, which may cause us to pay higher prices for products due to, among other things, a loss of volume discount benefits currently obtained from our major suppliers.

Price reductions by suppliers of products that we sell could cause the value of our inventory to decline. Also, these price reductions could cause our customers to demand lower sales prices for these products, possibly decreasing our margins and profitability on sales to the extent that we purchased our inventory of these products at the higher prices prior to supplier price reductions.

The value of our inventory could decline as a result of manufacturer price reductions with respect to products that we sell. A substantial decline in product prices may result in a write-down of our inventory value. Such a write-down could have an adverse effect on our financial condition.

Also, decreases in the market prices of products that we sell could cause customers to demand lower sales prices from us. These price reductions could reduce our margins and profitability on sales with respect to the lower-priced products. Reductions in our margins and profitability on sales could have a material adverse effect on us.

A substantial decrease in the price of steel could significantly lower our gross profit or cash flow.

We distribute many products manufactured from steel. As a result, the price and supply of steel can affect our business and, in particular, our carbon steel line pipe product category. When steel prices are lower, the prices that we charge customers for products may decline, which affects our gross profit and cash flow. At times pricing and availability of steel can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, labor costs, sales levels, competition, consolidation of steel producers, fluctuations in and the costs of raw materials necessary to produce steel, steel manufacturers' plant utilization levels and capacities, import duties and tariffs and currency exchange rates. Increases in manufacturing capacity for the carbon steel line pipe products could put pressure on the prices we receive for our carbon steel line pipe products. When steel prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sales prices and, consequently, lower gross profit and cash flow.

If steel prices rise, we may be unable to pass along the cost increases to our customers.

We maintain inventories of steel products to accommodate the lead time requirements of our customers. Accordingly, we purchase steel products in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon historic buying practices, contracts with customers and market conditions. Our commitments to purchase steel products are generally at prevailing market prices in effect at the time we place our orders. If steel prices increase between the time we order steel products and the time of delivery of the products to us, our suppliers may impose surcharges that require us to pay for increases in steel prices during the period. Demand for the products we distribute, the actions of our competitors and other factors will influence whether we will be able to pass on steel cost increases and surcharges to our customers, and we may be unsuccessful in doing so.

We do not have long-term contracts or agreements with many of our customers. The contracts and agreements that we do have generally do not commit our customers to any minimum purchase volume. The loss of a significant customer may have a material adverse effect on us.

Given the nature of our business, and consistent with industry practice, we do not have long-term contracts with many of our customers. In addition, our contracts, including our maintenance, repair and operations ("MRO") contracts, generally do not commit our customers to any minimum purchase volume. Therefore, a significant number of our customers, including our MRO customers, may terminate their relationships with us or reduce their purchasing volume at any time. Furthermore, the customer contracts that we do have are generally terminable without cause on short notice. Our 25 largest customers represented approximately 55% of our sales for the year ended December 31, 2019. The products that we may sell to any particular customer depend in large part on the size of that customer's capital expenditure budget in a particular year and on the results of competitive bids for major projects. Consequently, a customer that accounts for a significant portion of our sales in one fiscal year may represent an immaterial portion of our sales in subsequent fiscal years. The loss of a significant customer, or a substantial decrease in a significant customer's orders, may have an adverse effect on our sales and revenue. In addition, we are subject to customer audit clauses in many of our multi-year contracts. If we are not able to provide the proper documentation or support for invoices per the contract terms, we may be subject to negotiated settlements with our major customers.

Changes in our customer and product mix could cause our gross profit percentage to fluctuate.

From time to time, we may experience changes in our customer mix or in our product mix. Changes in our customer mix may result from geographic expansion, daily selling activities within current geographic markets and targeted selling activities to new customer segments. Changes in our product mix may result from marketing activities to existing customers and needs communicated to us from existing and prospective customers. If customers begin to require more lower-margin products from us and fewer higher-margin products, our business, results of operations and financial condition may suffer.

Customer credit risks could result in losses.

The concentration of our customers in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. Further, laws in some jurisdictions in which we operate could make collection difficult or time consuming. In addition, in times when commodity prices are low, our customers with higher debt levels may not have the ability to pay their debts. Other customers may have specific issues regarding their ability to pay their indebtedness. We perform ongoing credit evaluations of our customers and do not generally require collateral in support of our trade receivables. While we maintain reserves for expected credit losses, these reserves may not be sufficient to meet write-offs of uncollectible receivables or that our losses from such receivables will be consistent with our expectations.

We may be unable to successfully execute or effectively integrate acquisitions.

From time to time, we may selectively pursue acquisitions, including large scale acquisitions, to continue to grow and increase profitability. However, acquisitions, particularly of a significant scale, involve numerous risks and uncertainties, including intense competition for suitable acquisition targets, the potential unavailability of financial resources necessary to consummate acquisitions in the future, increased leverage due to additional debt financing that may be required to complete an acquisition, dilution of our stockholders' net current book value per share if we issue additional equity securities to finance an acquisition, difficulties in identifying suitable acquisition targets or in completing any transactions identified on sufficiently favorable terms, assumption of undisclosed or unknown liabilities and the need to obtain regulatory or other governmental approvals that may be necessary to complete acquisitions. In addition, any future acquisitions may entail significant transaction costs and risks associated with entry into new markets.

Even when acquisitions are completed, integration of acquired entities can involve significant difficulties, such as:

- failure to achieve cost savings or other financial or operating objectives with respect to an acquisition;
- strain on the operational and managerial controls and procedures of our business, and the need to modify systems or to add management resources;
- difficulties in the integration and retention of customers or personnel and the integration and effective deployment of operations or technologies;
- amortization of acquired assets, which would reduce future reported earnings;
- possible adverse short-term effects on our cash flows or operating results;
- diversion of management's attention from the ongoing operations of our business;
- integrating personnel with diverse backgrounds and organizational cultures;
- coordinating sales and marketing functions;

- failure to obtain and retain key personnel of an acquired business; and
- assumption of known or unknown material liabilities or regulatory non-compliance issues.

Failure to manage these acquisition risks could have an adverse effect on us.

Our indebtedness may affect our ability to operate our business, and this could have a material adverse effect on us.

We have now and will likely continue to have indebtedness. As of December 31, 2019, we had total debt outstanding of $551 million and excess availability of $451 million under our credit facilities. We may incur significant additional indebtedness in the future. If new indebtedness is added to our current indebtedness, the risks described below could increase. Our significant level of indebtedness could have important consequences, such as:

- limiting our ability to obtain additional financing to fund our working capital, acquisitions, expenditures, debt service requirements or other general corporate purposes;
- limiting our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to service debt;
- limiting our ability to compete with other companies who are not as highly leveraged;
- subjecting us to restrictive financial and operating covenants in the agreements governing our and our subsidiaries' long-term indebtedness;
- exposing us to potential events of default (if not cured or waived) under financial and operating covenants contained in our or our subsidiaries' debt instruments that could have a material adverse effect on our business, results of operations and financial condition;
- increasing our vulnerability to a downturn in general economic conditions or in pricing of our products; and
- limiting our ability to react to changing market conditions in our industry and in our customers' industries.

In addition, borrowings under our credit facilities bear interest at variable rates. If market interest rates increase, the variable-rate debt will create higher debt service requirements, which could adversely affect our cash flow. In March 2018, we entered into a five-year $250 million interest rate swap to fix a portion of our variable interest rate exposure. Our interest expense for the year ended December 31, 2019 was $40 million.

Our ability to make scheduled debt payments, to refinance our obligations with respect to our indebtedness and to fund capital and non-capital expenditures necessary to maintain the condition of our operating assets, properties and systems software, as well as to provide capacity for the growth of our business, depends on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and financial, business, competitive, legal and other factors. Our business may not generate sufficient cash flow from operations, and future borrowings may not be available to us under our credit facilities in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may seek to sell assets to fund our liquidity needs but may not be able to do so. We may also need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all.

In addition, we are and will be subject to covenants contained in agreements governing our present and future indebtedness. These covenants include and will likely include restrictions on:

- investments, including acquisitions;
- prepayment of certain indebtedness;
- the granting of liens;
- the incurrence of additional indebtedness;
- asset sales;
- the making of fundamental changes to our business;
- transactions with affiliates; and
- the payment of dividends.

In addition, any defaults under our credit facilities, including our global asset-based lending facility ("Global ABL Facility"), our senior secured term loan B ("Term Loan") or our other debt could trigger cross defaults under other or future credit agreements and may permit acceleration of our other indebtedness. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. For a description of our credit facilities and indebtedness, see "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources".

We are a holding company and depend upon our subsidiaries for our cash flow.

We are a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Consequently, our cash flow and our ability to meet our obligations or to pay dividends or make other distributions in the future will depend upon the cash flow of our subsidiaries and our subsidiaries' payment of funds to us in the form of dividends, tax sharing payments or otherwise.

The ability of our subsidiaries to make any payments to us will depend on their earnings, the terms of their current and future indebtedness, tax considerations and legal and contractual restrictions on the ability to make distributions. In particular, our subsidiaries' credit facilities currently impose limitations on the ability of our subsidiaries to make distributions to us and consequently our ability to pay dividends to our stockholders. Subject to limitations in our credit facilities, our subsidiaries may also enter into additional agreements that contain covenants prohibiting them from distributing or advancing funds or transferring assets to us under certain circumstances, including to pay dividends.

Our subsidiaries are separate and distinct legal entities. Any right that we have to receive any assets of or distributions from any of our subsidiaries upon the bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of their assets, will be junior to the claims of that subsidiary's creditors, including trade creditors and holders of debt that the subsidiary issued.

Changes in our credit profile may affect our relationship with our suppliers, which could have a material adverse effect on our liquidity.

Changes in our credit profile may affect the way our suppliers view our ability to make payments and may induce them to shorten the payment terms of their invoices if they perceive our indebtedness to be high. Given the large dollar amounts and volume of our purchases from suppliers, a change in payment terms may have a material adverse effect on our liquidity and our ability to make payments to our suppliers and, consequently, may have a material adverse effect on us.

If tariffs, quotas and duties on imports into the U.S. of certain of the products that we sell are lifted or imposed, we could have too many of these products in inventory competing against less expensive imports or conversely pay higher prices for products that we sell.

U.S. law currently imposes tariffs and duties on imports from certain foreign countries of line pipe and certain other products that we sell. If these tariffs and duties are lifted or reduced or if the level of these imported products otherwise increase, and our U.S. customers accept these imported products, we could be materially and adversely affected to the extent that we would then have higher-cost products in our inventory or experience lower prices and margins due to increased supplies of these products that could drive down prices and margins. If prices of these products were to decrease significantly, we might not be able to profitably sell these products, and the value of our inventory would decline. In addition, significant price decreases could result in a significantly longer holding period for some of our inventory. Conversely, if tariffs and duties are imposed on imports from certain foreign countries of products that we sell, we could be required to pay higher prices for our products. Demand for the products we distribute, the actions of our competitors and other factors will influence whether we will be able to pass on additional cost increases to our customers, and we may be unsuccessful in doing so.

A transition to alternative forms of energy could adversely impact our customers, result in lower sales and adversely impact our results and financial condition.

If through legislation, treaty or consumer preference demand for oil and gas is substantially reduced through the use of alternative forms of energy, we could experience a reduction in sales to our existing customers, which could adversely impact our results and financial condition.

We are subject to strict environmental, health and safety laws and regulations that may lead to significant liabilities and negatively impact the demand for our products.

We are subject to a variety of federal, state, local, foreign and provincial environmental, health and safety laws, regulations and permitting requirements (collectively, "environmental laws"), including those governing the following:

- the discharge of pollutants or hazardous substances into the air, soil or water;
- the generation, handling, use, management, storage and disposal of, or exposure to, hazardous substances and wastes;
- the responsibility to investigate, remediate, monitor and clean up contamination and
- occupational health and safety.

Our failure to comply with applicable environmental laws could result in fines, penalties, enforcement actions, employee, neighbor or other third-party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup

or regulatory or judicial orders requiring corrective measures, including the installation of pollution control equipment or remedial actions.

Certain environmental laws, such as the U.S. federal Superfund law or its state or foreign equivalents, may impose the obligation to investigate, remediate, monitor and clean up contamination at a facility on current and former owners, lessees or operators or on persons who may have sent waste to that facility for disposal. These environmental laws may impose liability without regard to fault or to the legality of the activities giving rise to the contamination. Although we are not aware of any active litigation against us under the U.S. federal Superfund law or its state or foreign equivalents, we have identified contamination at several of our current and former facilities, and we have incurred and will continue to incur costs to investigate, remediate, monitor and clean up these conditions. Moreover, we may incur liabilities in connection with environmental conditions currently unknown to us relating to our prior, existing or future owned or leased sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired. If indemnification provisions in acquisition agreements that may cover environmental conditions existing at the time of the acquisition terminate or if the indemnifying parties do not fulfill their indemnification obligations, we may be subject to liability with respect to the environmental matters that those indemnification provisions address. Although our responsibility for the clean-up of contamination or pollution to date has not been material, were there to be a significant release of contamination or pollution related to our operations, our obligation to clean up that contamination or pollution could have a material adverse effect on our business, financial position, results of operations or cash flows.

Certain governments at the international, national, regional and state level are at various stages of considering or implementing treaties and environmental laws that could limit emissions of greenhouse gases, including carbon dioxide, associated with the burning of fossil fuels. It is not possible to predict how new environmental laws to address greenhouse gas emissions would impact our business or that of our customers, but these laws and regulations could impose costs on us or negatively impact the market for the products we distribute and, consequently, our business.

In addition, federal, state, local, foreign and provincial governments have adopted, or are considering the adoption of, environmental laws that could impose more stringent permitting; disclosure; wastewater and other waste disposal; greenhouse gas, ethane or volatile organic compound control, leak detection and repair requirements; and well construction and testing requirements on our customers' hydraulic fracturing.

Environmental laws applicable to our business and the business of our customers, including environmental laws regulating the energy industry, and the interpretation or enforcement of these environmental laws, are constantly evolving; it is impossible to predict accurately the effect that changes in these environmental laws, or their interpretation or enforcement, may have upon our business, financial condition or results of operations. Should environmental laws, or their interpretation or enforcement, become more stringent, our costs, or the costs of our customers, could increase, which may have a material adverse effect on our business, financial position, results of operations or cash flows.

We may not have adequate insurance for potential liabilities, including liabilities arising from litigation.

In the ordinary course of business, we have, and in the future, may become the subject of various claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, the products we distribute, employees and other matters, including potential claims by individuals alleging exposure to hazardous materials as a result of the products we distribute or our operations. Some of these claims may relate to the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of the businesses. The products we distribute are sold primarily for use in the energy industry, which is subject to inherent risks that could result in death, personal injury, property damage, pollution, release of hazardous substances or loss of production. In addition, defects in the products we distribute could result in death, personal injury, property damage, pollution, release of hazardous substances or damage to equipment and facilities. Actual or claimed defects in the products we distribute may give rise to claims against us for losses and expose us to claims for damages.

We maintain insurance to cover certain of our potential losses, and we are subject to various self-insured retentions, deductibles and caps under our insurance. It is possible, however, that judgments could be rendered against us in cases in which we would be uninsured and beyond the amounts of insurance we have or beyond the amounts that we currently have reserved or anticipate incurring for these matters. Even a partially uninsured claim, if successful and of significant size, could have a material adverse effect on us. Furthermore, we may not be able to continue to obtain insurance on commercially reasonable terms in the future, and we may incur losses from interruption of our business that exceed our insurance coverage. Even in cases where we maintain insurance coverage, our insurers may raise various objections and exceptions to coverage that could make uncertain the timing and amount of any possible insurance recovery. Finally, while we may have insurance coverage, we cannot guarantee that the insurance carrier will have the financial wherewithal to pay a claim otherwise covered by insurance, and as a result we may be responsible for any such claims.

Due to our position as a distributor, we are subject to personal injury, product liability and environmental claims involving allegedly defective products.

Our customers use certain of the products we distribute in potentially hazardous applications that can result in personal injury, product liability and environmental claims. A catastrophic occurrence at a location where end users use the products we distribute may result in us being named as a defendant in lawsuits asserting potentially large claims, even though we did not manufacture the products. Applicable law may render us liable for damages without regard to negligence or fault. In particular, certain environmental laws provide for joint and several and strict liability for remediation of spills and releases of hazardous substances. Certain of these risks are reduced by the fact that we are a distributor of products that third-party manufacturers produce, and, thus, in certain circumstances, we may have third-party warranty or other claims against the manufacturer of products alleged to have been defective. However, there is no assurance that these claims could fully protect us or that the manufacturer would be able financially to provide protection. There is no assurance that our insurance coverage will cover or be adequate to cover the underlying claims. Our insurance does not provide coverage for all liabilities (including but not limited to liability for certain events involving pollution or other environmental claims). Our insurance does not cover damages from breach of contract by us or based on alleged fraud or deceptive trade practices.

We are a defendant in asbestos-related lawsuits. Exposure to these and any future lawsuits could have a material adverse effect on us.

We are a defendant in lawsuits involving approximately 1,173 claims, arising from exposure to asbestos-containing materials included in products that we are alleged to have distributed. Each claim involves allegations of exposure to asbestos-containing materials by a single individual, his or her spouse or family members. The complaints in these lawsuits typically name many other defendants. In the majority of these lawsuits, little or no information is known regarding the nature of the plaintiffs' alleged injuries or their connection with the products we distributed. The potential liability associated with asbestos claims is subject to many uncertainties, including negative trends with respect to settlement payments, dismissal rates and the types of medical conditions alleged in pending or future claims, negative developments in the claims pending against us, the current or future insolvency of co-defendants, adverse changes in relevant laws or the interpretation of those laws and the extent to which insurance will be available to pay for defense costs, judgments or settlements. In addition, applicable insurance policies are subject to overall caps on limits, which coverage may exhaust the amount available from insurers under those limits. In those cases, the Company would seek indemnity payments from excess insurance policies, but the insurers that issued those policies may not be solvent or may not make payments under the policies without contesting their liability. Further, while we anticipate that additional claims will be filed against us in the future, we are unable to predict with any certainty the number, timing and magnitude of future claims. Therefore, pending or future asbestos litigation may ultimately have a material adverse effect on us. See "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations, Commitments and Contingencies—Legal Proceedings" and "Item 3—Legal Proceedings" for more information.

If we lose any of our key personnel, we may be unable to effectively manage our business or continue our growth.

Our future performance depends to a significant degree upon the continued contributions of our management team and our ability to attract, hire, train and retain qualified managerial, sales and marketing personnel. In particular, we rely on our sales and marketing teams to create innovative ways to generate demand for the products we distribute. The loss or unavailability to us of any member of our management team or a key sales or marketing employee could have a material adverse effect on us to the extent we are unable to timely find adequate replacements. We face competition for these professionals from our competitors, our customers and other companies operating in our industry. We may be unsuccessful in attracting, hiring, training and retaining qualified personnel.

Adverse health events, such as a pandemic, could adversely impact our business.

From time to time, various diseases have spread across the globe such as SARS, avian flu and the coronavirus. If a disease spreads sufficiently to cause an epidemic or a pandemic, the ability to operate our business or the businesses of our suppliers, contractors or customers could be reduced. In addition, our supply chain that spans over 40 countries could be negatively impacted. Such an adverse health event could adversely impact our business.

Interruptions in the proper functioning of our information systems could disrupt operations and cause increases in costs or decreases in revenue.

The proper functioning of our information systems is critical to the successful operation of our business. We depend on our information management systems to process orders, track credit risk, purchase, and manage inventory and monitor accounts receivable collections. Our information systems also allow us to efficiently purchase products from our vendors and ship products to our customers on a timely basis, maintain cost-effective operations and provide superior service to our customers. However, our information systems are vulnerable to natural disasters, power losses, telecommunication failures, cyber incidents and other problems. If critical information systems fail or are otherwise unavailable, our ability to procure products to sell, process and ship customer orders, identify business opportunities, maintain proper levels of inventories, collect accounts receivable and pay accounts payable and expenses could be adversely affected. In addition, the cost to repair, modify or replace all or part of our information systems or

consolidate one or more systems onto one information technology platform, whether by necessity or choice, would require a significant cash investment on the part of the Company. Our ability to integrate our systems with our customers' systems would also be significantly affected. We maintain information systems controls designed to protect against, among other things, unauthorized program changes and unauthorized access to data on our information systems. If our information systems controls do not function properly, we face increased risks of unexpected errors and unreliable financial data or theft of proprietary Company information.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information or damage to our Company's image or reputation, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our Company's reputation and image and private data exposure. We have implemented hardware and software solutions, processes, training and procedures to help mitigate this risk, but these measures, as well as our organization's increased awareness of our risk of a cyber incident, such measures may fail and do not guarantee that our financial results and operations will not be negatively impacted by such an incident. While we also have some insurance to protect against the financial damage that a cyber incident could cause, the insurance may not be adequate for every type of incident to protect against the financial damages that could occur. In some incidents, the Company may be required to shut off its computer systems, reboot them and reestablish its information from back up sources. In other incidents, the Company may be required under various laws to notify any third parties whose data has been compromised. These incidents can adversely affect us.

Among others, cyber incidents could include the following:

- Denial of service attacks, whereby third parties attempt to slow down or shut down our computer systems by overloading information interfaces, which in turn, could interrupt our operations.
- Computer virus software that infects our computer systems to either allow third parties unauthorized access to private, confidential data or denies the Company access from its own information, often for the attacker's financial gain by demanding a ransom.
- Theft of private information. An unauthorized disclosure of sensitive or confidential supplier, customer or Company information or employee information could cause a theft or unwanted disclosure of data.
- E-mail or other forms of spoofing or "phishing" whereby third parties attempt to trick or induce employees to provide private information, such as passwords, social security numbers or other identifying information, to allow the third party to fraudulently attempt to invoice the Company or gain access to the Company's computer systems.
- Intrusion into payment systems. The Company does not generally accept credit cards for payment as most of its customers are industrial and energy companies who provide payment through invoicing processes. Even so, a portion of our payment methods also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems.
- Supplier or customer cyber incidents. Our suppliers and customers also rely upon computer information systems to operate their respective businesses. If any of them experience a cyber incident, this could adversely impact their operations. Suppliers could delay providing product to us for our distribution to our customers. Customers, especially those who do business with us through electronic data interchanges, could be negatively impacted by cyber incidents applicable to them, which, could slow order processing from them or payments to us.
- Cyber incidents applicable to outsourced information systems. We outsource the operations of a significant portion of our computer information systems to third party service providers, which store our information on hosted or cloud systems. Although we review their security precautions with them and attempt to hold them contractually responsible for cyber incidents applicable to our information on their systems these vendors may not maintain adequate security to stop an incident, inform us of an incident in a timely manner or perform as required in their agreements.

The loss of third-party transportation providers upon whom we depend, or conditions negatively affecting the transportation industry, could increase our costs or cause a disruption in our operations.

We depend upon third-party transportation providers for delivery of products to our customers. Strikes, slowdowns, transportation disruptions or other conditions in the transportation industry, including, among others, shortages of truck drivers, disruptions in rail service, increases in fuel prices and adverse weather conditions, could increase our costs and disrupt our operations and our ability to service our customers on a timely basis. We cannot predict whether or to what extent increases or anticipated increases in fuel prices may impact our costs or cause a disruption in our operations going forward.

We may need additional capital in the future, and it may not be available on acceptable terms, or at all.

We may require more capital in the future to:

- fund our operations;
- finance investments in equipment and infrastructure needed to maintain and expand our distribution capabilities;
- enhance and expand the range of products we offer; and
- respond to potential strategic opportunities, such as investments, acquisitions and international expansion.

Additional financing may not be available on terms favorable to us, or at all. The terms of available financing may place limits on our financial and operating flexibility. If adequate funds are not available on acceptable terms, we may be forced to reduce our operations or delay, limit or abandon expansion opportunities. Moreover, even if we are able to continue our operations, the failure to obtain additional financing could reduce our competitiveness.

Adverse weather events or natural disasters could negatively affect our local economies or disrupt our operations.

Certain areas in which we operate have been susceptible to more frequent and more severe weather events, such as hurricanes, tornadoes and floods and to natural disasters such as earthquakes. These events can disrupt our operations, result in damage to our properties and negatively affect the local economies in which we operate. Additionally, we may experience communication disruptions with our customers, vendors and employees. These events can cause physical damage to our branches and require us to close branches. Additionally, our sales order backlog and shipments can experience a temporary decline immediately following these events.

We cannot predict whether or to what extent damage caused by these events will affect our operations or the economies in regions where we operate. These adverse events could result in disruption of our purchasing or distribution capabilities, interruption of our business that exceeds our insurance coverage, our inability to collect from customers and increased operating costs. Our business or results of operations may be adversely affected by these and other negative effects of these events.

We have a substantial amount of goodwill and other intangible assets recorded on our balance sheet, partly because of acquisitions and business combination transactions. The amortization of acquired intangible assets will reduce our future reported earnings. Furthermore, if our goodwill or other intangible assets become impaired, we may be required to recognize non-cash charges that would reduce our income.

As of December 31, 2019, we had $764 million of goodwill and other intangibles recorded on our consolidated balance sheet. A substantial portion of these intangible assets results from our use of purchase accounting in connection with the acquisitions we have made over the past several years. In accordance with the purchase accounting method, the excess of the cost of an acquisition over the fair value of identifiable tangible and intangible assets is assigned to goodwill. The amortization expense associated with our identifiable intangible assets will have a negative effect on our future reported earnings. Many other companies, including many of our competitors, may not have the significant acquired intangible assets that we have because they may not have participated in recent acquisitions and business combination transactions similar to ours. Thus, the amortization of identifiable intangible assets may not negatively affect their reported earnings to the same degree as ours.

Additionally, under U.S. generally accepted accounting principles, goodwill and certain other indefinite-lived intangible assets are not amortized, but must be reviewed for possible impairment annually, or more often in certain circumstances where events indicate that the asset values are not recoverable. These reviews could result in an earnings charge for impairment, which would reduce our net income even though there would be no impact on our underlying cash flow.

We face risks associated with conducting business in markets outside of North America.

We currently conduct substantial business in countries outside of North America. We could be materially and adversely affected by economic, legal, political and regulatory developments in the countries in which we do business in the future or in which we expand our business, particularly those countries which have historically experienced a high degree of political or economic instability. Examples of risks inherent in such non-North American activities include:

- changes in the political and economic conditions in the countries in which we operate, including civil uprisings and terrorist acts;
- unexpected changes in regulatory requirements;
- changes in tariffs;
- the adoption of foreign or domestic laws limiting exports to or imports from certain foreign countries;
- fluctuations in currency exchange rates and the value of the U.S. dollar;

- restrictions on repatriation of earnings;
- expropriation of property without fair compensation;
- governmental actions that result in the deprivation of contract or proprietary rights; and
- the acceptance of business practices which are not consistent with or are antithetical to prevailing business practices we are accustomed to in North America including export compliance and anti-bribery practices and governmental sanctions.

If we begin doing business in a foreign country in which we do not presently operate, we may also face difficulties in operations and diversion of management time in connection with establishing our business there.

We are subject to U.S. and other anti-corruption laws, trade controls, economic sanctions, and similar laws and regulations, including those in the jurisdictions where we operate. Our failure to comply with these laws and regulations could subject us to civil, criminal and administrative penalties and harm our reputation.

Doing business on a worldwide basis requires us to comply with the laws and regulations of the U.S. government and various foreign jurisdictions. These laws and regulations place restrictions on our operations, trade practices, partners and investment decisions. In particular, our operations are subject to U.S. and foreign anti-corruption and trade control laws and regulations, such as the Foreign Corrupt Practices Act ("FCPA"), export controls and economic sanctions programs, including those administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). As a result of doing business in foreign countries and with foreign partners, we are exposed to a heightened risk of violating anti-corruption and trade control laws and sanctions regulations.

The FCPA prohibits us from providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. It also requires us to keep books and records that accurately and fairly reflect the Company's transactions. As part of our business, we may deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. In addition, the provisions of the United Kingdom Bribery Act (the "Bribery Act") extend beyond bribery of foreign public officials and also apply to transactions with individuals that a government does not employ. The provisions of the Bribery Act are also more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties. Some of the international locations in which we operate lack a developed legal system and have higher than normal levels of corruption. Our continued expansion outside the U.S., including in developing countries, and our development of new partnerships and joint venture relationships worldwide, could increase the risk of FCPA, OFAC or Bribery Act violations in the future.

Economic sanctions programs restrict our business dealings with certain sanctioned countries, persons and entities. In addition, because we act as a distributor, we face the risk that our customers might further distribute our products to a sanctioned person or entity, or an ultimate end-user in a sanctioned country, which might subject us to an investigation concerning compliance with OFAC or other sanctions regulations.

Violations of anti-corruption and trade control laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment. We have established policies and procedures designed to assist our compliance with applicable U.S. and international anti-corruption and trade control laws and regulations, including the FCPA, the Bribery Act and trade controls and sanctions programs that OFAC administers, and have trained our employees to comply with these laws and regulations. However, our employees, consultants, agents or other associated persons may take actions in violation of our policies and these laws and regulations, and that our policies and procedures may not effectively prevent us from violating these regulations in every transaction in which we may engage or provide a defense to any alleged violation. In particular, we may be held liable for the actions that our local, strategic or joint venture partners take inside or outside of the United States, even though our partners may not be subject to these laws. Such a violation, even if our policies prohibit it, could have a material adverse effect on our reputation, business, financial condition and results of operations. In addition, various state and municipal governments, universities and other investors maintain prohibitions or restrictions on investments in companies that do business with sanctioned countries, persons and entities, which could adversely affect the market for our common stock and other securities.

We face risks associated with international instability and geopolitical developments.

In some countries, there is an increased chance for economic, legal or political changes that may adversely affect the performance of our services, sale of our products or repatriation of our profits. We do not know the impact that these regulatory, geopolitical and other factors may have on our business in the future and any of these factors could adversely affect us. In addition, war, terrorist acts, civil wars or armed hostilities, or the public anticipation of these events, could negatively impact our business.

We are exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act").

Section 404 of the Sarbanes-Oxley Act requires us to annually evaluate our internal controls systems over financial reporting. This is not a static process as we may change our processes each year or acquire new companies that have different controls than our existing controls. Upon completion of this process each year, we may identify control deficiencies of varying degrees of severity under applicable U.S. Securities and Exchange Commission ("SEC") and Public Company Accounting Oversight Board ("PCAOB") rules and regulations that remain unremediated. We are required to report, among other things, control deficiencies that constitute a "material weakness" or changes in internal controls that, or that are reasonably likely to, materially affect internal controls over financial reporting. A "material weakness" is a significant deficiency or combination of significant deficiencies in internal control over financial reporting that results in a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected and corrected on a timely basis.

We could suffer a loss of confidence in the reliability of our financial statements if we or our independent registered public accounting firm reports a material weakness in our internal controls, if we do not develop and maintain effective controls and procedures or if we are otherwise unable to deliver timely and reliable financial information. Any loss of confidence in the reliability of our financial statements or other negative reaction to our failure to develop timely or adequate disclosure controls and procedures or internal controls could result in a decline in the price of our common stock. In addition, if we fail to remedy any material weakness, our financial statements may be inaccurate, we may face restricted access to the capital markets and our stock price may be adversely affected.

We do not currently intend to pay dividends to our common stockholders in the foreseeable future.

It is uncertain when, if ever, we will declare dividends to our common stockholders. We do not currently intend to pay dividends to our common stockholders in the foreseeable future. Our ability to pay dividends to our common stockholders is constrained by our holding company structure under which we are dependent on our subsidiaries for payments. Additionally, we and our subsidiaries are parties to credit agreements which restrict our ability and their ability to pay dividends. See "Item 5—Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" and "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources".

Compliance with and changes in laws and regulations in the countries in which we operate could have a significant financial impact and affect how and where we conduct our operations.

We have operations in the U.S. and in 19 other countries. Expected and unexpected changes in the business and legal environments in the countries in which we operate can impact us. Compliance with and changes in laws, regulations and other legal and business issues could impact our ability to manage our costs and to meet our earnings goals. Compliance related matters could also limit our ability to do business in certain countries. Changes that could have a significant cost to us include new legislation, new regulations, or a differing interpretation of existing laws and regulations, changes in tax law or tax rates, the unfavorable resolution of tax assessments or audits by various taxing authorities, changes in trade and other treaties that lead to differing tariffs and trade rules, the expansion of currency exchange controls, export controls or additional restrictions on doing business in countries subject to sanctions in which we operate or intend to operate.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

In North America, we operate a hub and spoke model that is centered around our seven distribution centers in the U.S. and Canada with 118 branch locations which have inventory and local employees and house 13 valve and engineering service centers. Our U.S. network is comprised of 99 branch locations and six distribution centers. We own our Charleston, West Virginia corporate office. In Canada, we have 19 branch locations, and we own our one distribution center in Nisku, Alberta, Canada. We own less than 10% of our branch locations as we primarily lease these facilities. With the exception of Nisku, Alberta, all of our distribution centers are leased.

Outside North America, we operate through a network of 24 branch locations located throughout Europe, Asia, Australasia, the Middle East and Caspian, including six distribution centers in the United Kingdom, Norway, Singapore, the Netherlands, the United Arab Emirates and Australia. Twelve valve and engineering service centers are housed within our distribution centers and branch locations. We own our Brussels, Belgium location, and the remainder of our locations are leased.

Our Company maintains its principal executive office at 1301 McKinney Street, Suite 2300, Houston, Texas, 77010 and also maintains corporate offices in Charleston, West Virginia and La Porte, Texas. These locations have corporate functions such as

executive management, accounting, human resources, legal, marketing, supply chain management, business development and information technology.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we have been subject to various claims and involved in legal proceedings incidental to the nature of our businesses. We maintain insurance coverage to reduce financial risk associated with certain of these claims and proceedings. It is not possible to predict the outcome of these claims and proceedings. However, in our opinion, there are no pending legal proceedings that upon resolution are likely to have a material effect on our business, financial condition, results of operations or cash flows.

Also, from time to time, in the ordinary course of our business, our customers may claim that the products that we distribute are either defective or require repair or replacement under warranties that either we or the manufacturer may provide to the customer. These proceedings are, in the opinion of management, ordinary and routine matters incidental to our normal business. Our purchase orders with our suppliers generally require the manufacturer to indemnify us against any product liability claims, leaving the manufacturer ultimately responsible for these claims. In many cases, state, provincial or foreign law provides protection to distributors for these sorts of claims, shifting the responsibility to the manufacturer. In some cases, we could be required to repair or replace the products for the benefit of our customer and seek our recovery from the manufacturer for our expense. In the opinion of management, the ultimate disposition of these claims and proceedings are not expected to have a material adverse effect on our financial position, results of operations or cash flows.

For information regarding asbestos cases in which we are a defendant and other claims and proceedings, see “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations, Commitments and Contingencies—Legal Proceedings” and “Note 17—Commitments and Contingencies” to our audited consolidated financial statements included elsewhere in this report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The name, age, period of service and the title of each of our executive officers as of February 14, 2020 are listed below.

Andrew R. Lane, age 60, has served as our president and chief executive officer ("CEO") since September 2008. He has also served as a director of MRC Global Inc. since September 2008 and was chairman of the board from December 2009 to April 2016. From December 2004 to December 2007, he served as executive vice president and chief operating officer of Halliburton Company, a global oilfield services company. Prior to that, he held a variety of leadership roles within Halliburton. Mr. Lane received a B.S. in mechanical engineering from Southern Methodist University in 1981 (cum laude). He also completed the Advanced Management Program at Harvard Business School in 2000.

James E. Braun, age 60, has served as our executive vice president and chief financial officer since November 2011. He will retire from MRC Global on March 1, 2020. In addition to financial functions, since January 2019, Mr. Braun oversees our information technology function. Prior to joining the Company, Mr. Braun served as chief financial officer of Newpark Resources, Inc. since 2006. Newpark provides drilling fluids and other products and services to the oil and gas exploration and production industry, both inside and outside of the U.S. Before joining Newpark, Mr. Braun was chief financial officer of Baker Oil Tools, one of the largest divisions of Baker Hughes Company, a leading provider of drilling, formation evaluation, completion and production products and services to the worldwide oil and gas industry. From 1998 until 2002, he was vice president, finance and administration of Baker Petrolite, the oilfield specialty chemical business division of Baker Hughes. Previously, he served as vice president and controller of Baker Hughes. Mr. Braun is a CPA and was formerly a partner with Deloitte & Touche. Mr. Braun received a B.A. in accounting from the University of Illinois at Urbana-Champaign.

Kelly Youngblood, age 54, has served as our executive vice president since November 2019 and will assume the role of executive vice president and chief financial officer on March 1, 2020, upon the retirement of James E. Braun. Mr. Youngblood brings more than 30 years of extensive energy and finance expertise to MRC Global. Prior to joining the Company, Mr. Youngblood served as executive vice president and chief financial officer of BJ Services, a leading pressure pumping services provider in North America, from December 2017 to November 2019 and prior to that was the senior vice president and chief financial officer at Diamond Offshore Drilling, Inc. from 2016 to 2017. He has also held a variety of finance and accounting positions of increasing responsibility at Halliburton, including vice president of investor relations. Mr. Youngblood is a CPA and received a B.A. in Accounting from Cameron University.

Daniel J. Churay, age 57, has served as our executive vice president – corporate affairs, general counsel and corporate secretary since May 2012. In his current role, Mr. Churay manages the Company's human resources, legal, risk and compliance, cyber security, external and government affairs and certain shared services functions. He also acts as corporate secretary to the Company's board of directors. Prior to May 2012, Mr. Churay served as executive vice president and general counsel since August 2011 and as our corporate secretary since November 2011. From 2010 to 2011, he served as president and CEO of Rex Energy Corporation, an independent oil and gas company. From 2002 to 2010, Mr. Churay served as executive vice president, general counsel and secretary of YRC Worldwide Inc., a transportation and logistics company. From 1985, he served in various legal roles with increasing responsibility with Baker Hughes Company. Mr. Churay received a bachelor's degree in economics from the University of Texas and a juris doctorate from the University of Houston Law Center, where he was a member of the Law Review.

Grant Bates, age 48, is our senior vice president of operations, International and Canada, and operational excellence since January 2019. In this role, in addition to International and Canada operations, he is responsible for our global quality, safety, health and environment (QHSE) and our transportation, warehouse operations and business processes teams. Prior to January 2019, Mr. Bates was our senior vice president and chief information officer led our information systems and operational excellence functions since April 2016. Mr. Bates previously led our Canada region since March 2014 and prior to that served as regional vice president of the Australasian region since March 2012. Mr. Bates holds a B.E. in mechanical engineering from the University of Newcastle, a graduate diploma in management and a Master of Business Administration from Deakin University.

John L. Bowhay, age 54, is our senior vice president – supply chain management, valve and technical product sales since August 2015. He previously served as senior vice president of Asia Pacific and Middle East operations since August 2014. Before that, Mr. Bowhay served as vice president of European operations since August 2013. Prior to this role, Mr. Bowhay served as the managing director for our United Kingdom operations and prior to that role, he was the vice president of sales in the U.K. He brings more than 31 years of industry experience and valve expertise to the MRC Global team. Mr. Bowhay attended the London Business School.

Robert W. Stein, age 61, is our senior vice president of business development since April 2016. He previously led our downstream and integrated supply teams. Prior to that, Mr. Stein led our U.S. Southwestern region operations since 2014. He has served MRC Global since 1984 in a variety of roles including regional and branch management, downstream business development, project services and integrated supply. Mr. Stein received a B.B.A. in business management from Sam Houston State University.

Karl W. Witt, age, 59, is our senior vice president of U.S. Operations since April 2016. Prior to that, he served in a variety of roles including seven years as regional vice president of the Eastern and Gulf Coast regions since 2013 and seven years as regional vice president of the Midwest sub-region as well as warehouse manager, outside sales representative, branch manager and vice president of operations with Joliet Valves, which was acquired by the Company in 2001. Mr. Witt attended South Suburban College in Chicago.

Elton Bond, age 44, has served as our senior vice president and chief accounting officer since May 2011. From September 2009 to May 2011, he served as senior vice president and treasurer. Prior to that, he served as vice president of finance and compliance. Before that, Mr. Bond was the director of finance and compliance. He started his career with MRC Global as the acquisition development manager in April 2006. Prior to joining MRC Global, Mr. Bond was employed with Ernst & Young LLP from 1997 to 2006, serving in a variety of roles, including senior manager of assurance and advisory business services. Mr. Bond received a B.B.A. from Marshall University in 1997. He is a C.P.A., a chartered global management accountant and is a member of the American Institute of Certified Public Accountants as well as the West Virginia Society of Certified Public Accountants.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

As of February 7, 2020, there were 153 holders of record of the Company's common stock.

The Company's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "MRC".

Our board of directors has not declared any dividends on common stock during 2019 or 2018 and currently has no intention to declare any dividends on common stock.

The Company's Global ABL Facility, Term Loan and our 6.5% Series A Convertible Perpetual Preferred Stock restrict our ability to declare cash dividends under certain circumstances. Any future dividends declared would be at the discretion of our board of directors and would depend on our financial condition, results of operations, cash flows, contractual obligations, the terms of our financing agreements at the time a dividend is considered, and other relevant factors.

Issuer Purchases of Securities

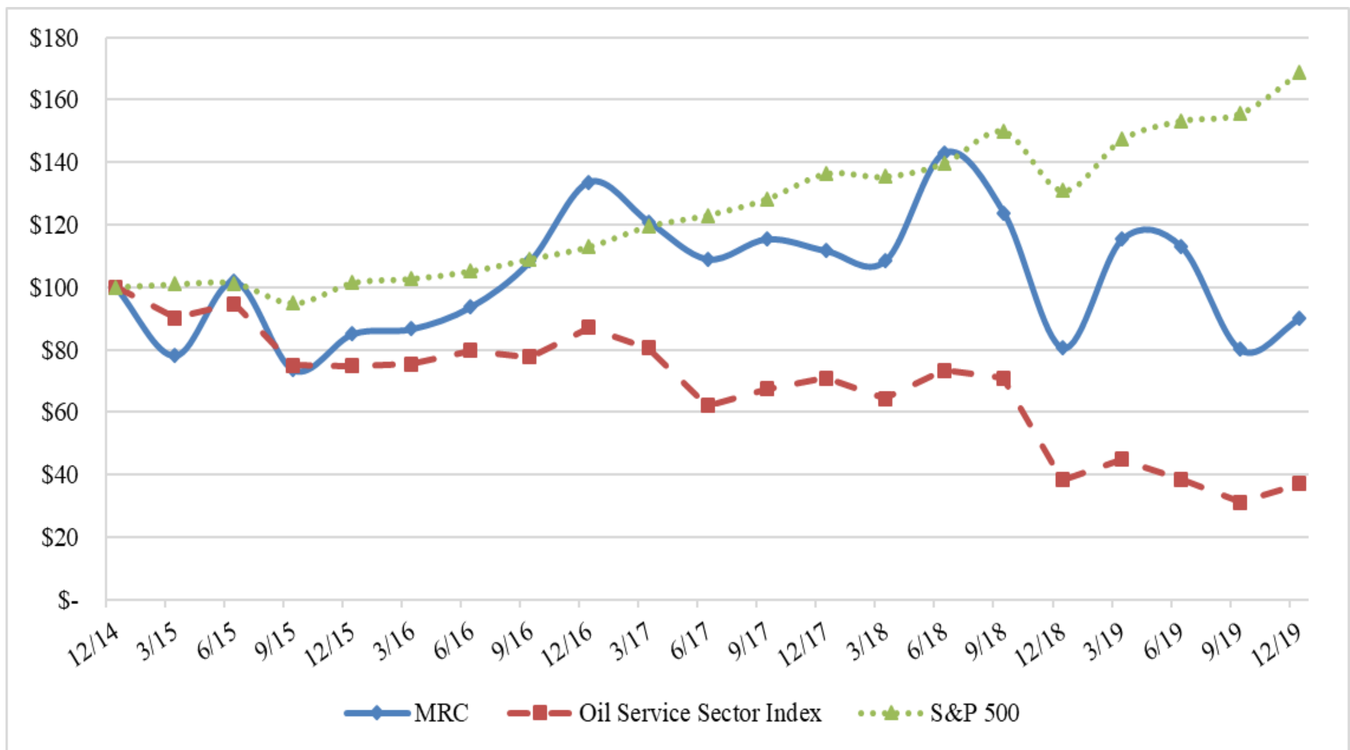
A summary of our purchases of MRC Global Inc. common stock during the fourth quarter of fiscal year 2019 is as follows:

	Total Number of Shares Purchased	Average Price Paid per Share	Total number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - October 31	-	$ -	-	$ 11,826,718
November 1 - November 30	780,001	$ 15.15	780,001	$ -
December 1 - December 31	-	$ -	-	$ -
	780,001			

PERFORMANCE GRAPH

The graph below compares the cumulative total shareholder return on our common stock to the S&P 500 Index and the Philadelphia Oil Service Sector Index. The total shareholder return assumes $100 invested on December 31, 2014, in MRC Global Inc., the S&P 500 Index and the Philadelphia Oil Service Sector Index. It also assumes reinvestment of all dividends. The results shown in the graph below are not necessarily indicative of future performance.

Comparison of Cumulative Total Return



This information shall not be deemed to be ''soliciting material'' or to be ''filed'' with the SEC or subject to Regulation 14A (17 CFR 240.14a-1-240.14a-104), other than as provided in Item 201(e) of Regulation S-K, or to the liabilities of Section 18 of the Exchange Act (15 U.S.C. 78r).

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below have been derived from the consolidated financial statements of MRC Global Inc. that have been prepared using accounting principles generally accepted in the United States of America. Ernst & Young LLP, our independent registered public accounting firm, has audited these statements. This data should be read in conjunction with "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, related notes and other financial information included elsewhere in this report.

	Year Ended December 31,				
	2019	**2018**	**2017**	**2016**	**2015**
	(in millions, except per share amounts)				
Statement of Operations Data:					
Sales	**$ 3,662**	$ 4,172	$ 3,646	$ 3,041	$ 4,529
Cost of sales	**3,009**	3,483	3,064	2,573	3,743
Gross profit	**653**	689	582	468	786
Selling, general and administrative expenses	**550**	562	536	524	606
Goodwill and intangible asset impairment	**-**	-	-	-	462
Operating income (loss)	**103**	127	46	(56)	(282)
Other expenses:					
Interest expense	**(40)**	(38)	(31)	(35)	(48)
Other, net	**3**	6	(8)	-	(12)
Income (loss) before income taxes	**66**	95	7	(91)	(342)
Income tax expense (benefit)	**27**	21	(43)	(8)	(11)
Net income (loss)	**39**	74	50	(83)	(331)
Series A preferred stock dividends	**24**	24	24	24	13
Net income (loss) attributable to common	**$ 15**	$ 50	$ 26	$ (107)	$ (344)
Earnings (loss) per share amounts:					
Basic	**$ 0.18**	$ 0.55	$ 0.28	$ (1.10)	$ (3.38)
Diluted	**$ 0.18**	$ 0.54	$ 0.27	$ (1.10)	$ (3.38)
Weighted-average shares, basic	**83.0**	90.1	94.3	97.3	102.1
Weighted-average shares, diluted	**83.9**	91.8	95.6	97.3	102.1
Dividends (common)	**-**	-	-	-	-

	Year Ended December 31,				
	2019	**2018**	**2017**	**2016**	**2015**
Balance Sheet Data:					
Cash	**$ 32**	$ 43	$ 48	$ 109	$ 69
Working capital (1)	**732**	896	756	684	960
Total assets	**2,325**	2,434	2,340	2,164	2,497
Long-term debt (2)	**551**	684	526	414	519
Redeemable preferred stock	**355**	355	355	355	355
Stockholders' equity	**642**	692	759	763	956

	Year Ended December 31,				
	2019	**2018**	**2017**	**2016**	**2015**
Other Financial Data:					
Net cash flow:					
Operating activities	**$ 242**	$ (11)	$ (48)	$ 253	$ 690
Investing activities	**(16)**	(14)	(27)	16	(41)
Financing activities	**(238)**	24	9	(226)	(599)

(1) Working capital is defined as current assets less current liabilities.

(2) Includes current portion of long-term debt.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our financial statements and related notes included elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including, but not limited to, those set forth under "Cautionary Note Regarding Forward-Looking Statements" and "Item 1A—Risk Factors" and elsewhere in this report.

Cautionary Note Regarding Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations (as well as other sections of this Annual Report on Form 10-K) contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include those preceded by, followed by or including the words "will," "expect," "intended," "anticipated," "believe," "project," "forecast," "propose," "plan," "estimate," "enable," and similar expressions, including, for example, statements about our business strategy, our industry, our future profitability, growth in the industry sectors we serve, our expectations, beliefs, plans, strategies, objectives, prospects and assumptions, and estimates and projections of future activity and trends in the oil and natural gas industry. These forward-looking statements 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 our control, including the factors described under "Item 1A. Risk Factors," that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. Such risks and uncertainties include, among other things:

- decreases in oil and natural gas prices;
- decreases in oil and natural gas industry expenditure levels, which may result from decreased oil and natural gas prices or other factors;
- U.S. and international general economic conditions;
- our ability to compete successfully with other companies in our industry;
- the risk that manufacturers of the products we distribute will sell a substantial amount of goods directly to end users in the industry sectors we serve;
- unexpected supply shortages;
- cost increases by our suppliers;
- our lack of long-term contracts with most of our suppliers;
- suppliers' price reductions of products that we sell, which could cause the value of our inventory to decline;
- decreases in steel prices, which could significantly lower our profit;
- increases in steel prices, which we may be unable to pass along to our customers which could significantly lower our profit;
- our lack of long-term contracts with many of our customers and our lack of contracts with customers that require minimum purchase volumes;
- changes in our customer and product mix;
- risks related to our customers' creditworthiness;
- the success of our acquisition strategies;
- the potential adverse effects associated with integrating acquisitions into our business and whether these acquisitions will yield their intended benefits;
- our significant indebtedness;
- the dependence on our subsidiaries for cash to meet our obligations;
- changes in our credit profile;
- a decline in demand for or adverse change in the value of certain of the products we distribute if tariffs and duties on these products are imposed or lifted;

- significant substitution of alternative fuels for oil and gas;
- environmental, health and safety laws and regulations and the interpretation or implementation thereof;
- the sufficiency of our insurance policies to cover losses, including liabilities arising from litigation;
- product liability claims against us;
- pending or future asbestos-related claims against us;
- the potential loss of key personnel;
- adverse health events, such as a pandemic;
- interruption in the proper functioning of our information systems;
- the occurrence of cybersecurity incidents;
- loss of third-party transportation providers;
- potential inability to obtain necessary capital;
- risks related to adverse weather events or natural disasters;
- impairment of our goodwill or other intangible assets;
- adverse changes in political or economic conditions in the countries in which we operate;
- exposure to U.S. and international laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act and other economic sanctions programs;
- risks associated with international instability and geopolitical developments, including armed conflicts and terrorism;
- risks relating to ongoing evaluations of internal controls required by Section 404 of the Sarbanes-Oxley Act;
- our intention not to pay dividends; and
- risks related to changing laws and regulations including trade policies and tariffs.

Undue reliance should not be placed on our forward-looking statements. Although forward-looking statements reflect our 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 our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake 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 law requires.

Overview

We are the largest distributor of pipe, valves, and fittings ("PVF") and other infrastructure products and services to the energy industry, based on sales. We provide innovative supply chain solutions and technical product expertise to customers globally through our leading position across each of our diversified end-markets including the upstream (exploration, production and extraction of underground oil and natural gas), midstream (gathering and transmission of oil and natural gas, natural gas utilities and the storage and distribution of oil and natural gas) and downstream (crude oil refining, petrochemical and chemical, processing and general industrials) sectors. We offer over 200,000 SKUs, including an extensive array of PVF, oilfield supply, valve automation and modification, measurement, instrumentation and other general and specialty products from our global network of over 10,000 suppliers. With nearly 100 years of history, our 3,200 employees serve our approximately 14,000 customers through approximately 260 service locations including regional distribution centers, branches, corporate offices and third party pipe yards, where we often deploy pipe near customer locations. We seek to provide best-in-class service to our customers by satisfying the most complex, multi-site needs of many of the largest companies in the energy sector as their primary PVF supplier. We believe the critical role we play in our customers' supply chain, together with our extensive product and service offerings, broad global presence, customer-linked scalable information systems and efficient distribution capabilities, serve to solidify our long-standing customer relationships and drive our growth. As a result, we have an average relationship of over 25 years with our 25 largest customers.

Key Drivers of Our Business

Our revenue is predominantly derived from the sale of PVF and other oilfield and industrial supplies to the energy sector globally. Our business is, therefore, dependent upon both the current conditions and future prospects in the energy industry and, in particular, maintenance and expansionary operating and capital expenditures by our customers in the upstream, midstream and downstream sectors of the industry. Long-term growth in spending has been driven by several factors, including demand growth for petroleum and

petroleum derived products, underinvestment in global energy infrastructure, growth in shale and unconventional exploration and production ("E&P") activity, and anticipated strength in the oil, natural gas, refined products and petrochemical sectors. The outlook for future oil, natural gas, refined products and petrochemical PVF spending is influenced by numerous factors, including the following:

- *Oil and Natural Gas Prices*. Sales of PVF and related products to the oil and natural gas industry constitute over 90% of our sales. As a result, we depend upon the oil and natural gas industry and its ability and willingness to make maintenance and capital expenditures to explore for, produce and process oil, natural gas and refined products. Oil and natural gas prices, both current and projected, along with the costs necessary to produce oil and gas, impact other drivers of our business, including capital spending by customers, additions to and maintenance of pipelines, refinery utilization and petrochemical processing activity.
- *Economic Conditions*. The demand for the products we distribute is dependent on the general economy, the energy sector and other factors. Changes in the general economy or in the energy sector (domestically or internationally) can cause demand for the products we distribute to materially change.
- *Manufacturer and Distributor Inventory Levels of PVF and Related Products*. Manufacturer and distributor inventory levels of PVF and related products can change significantly from period to period. Increased inventory levels by manufacturers or other distributors can cause an oversupply of PVF and related products in the industry sectors we serve and reduce the prices that we are able to charge for the products we distribute. Reduced prices, in turn, would likely reduce our profitability. Conversely, decreased manufacturer inventory levels may ultimately lead to increased demand for our products and would likely result in increased sales volumes and overall profitability.
- *Steel Prices, Availability and Supply and Demand*. Fluctuations in steel prices can lead to volatility in the pricing of the products we distribute, especially carbon steel line pipe products, which can influence the buying patterns of our customers. A majority of the products we distribute contain various types of steel. The worldwide supply and demand for these products, or other steel products that we do not supply, impacts the pricing and availability of our products and, ultimately, our sales and operating profitability.

Recent Trends and Outlook

During 2019, the average oil price of West Texas Intermediate ("WTI") decreased to $56.98 per barrel from $65.23 per barrel in 2018. Natural gas prices decreased to an average price of $2.56/Mcf (Henry Hub) for 2019 compared to $3.15/Mcf (Henry Hub) for 2018. North American drilling rig activity decreased 12% in 2019 compared to 2018. U.S. well completions were up 7% in 2019 as compared to 2018.

The energy industry, and our business in turn, is cyclical in nature. Following two years of growth, in 2019, our customers demonstrated an increased focus on returns on invested capital, which drove a more disciplined approach to spending that has impacted each of our business sectors. Although commodity prices have been relatively stable, with oil moderating around the $50-$60 per barrel level during 2019, global spending surveys are projecting further contraction in 2020, particularly in the North America market. Recent spending plan estimates by sell-side research analysts indicate a 7%-12% decrease in upstream spending in the U.S. in 2020 offset by a 3%-5% increase internationally. In addition, low natural gas prices, which are currently around $2.00/MMBtu (Henry Hub), are also contributing to lower spending expectations. Given the continuing focus on capital discipline by E&P operators and low natural gas prices, we expect revenue in 2020 will be lower than 2019.

Because we expect further contraction in 2020, we have taken steps in 2019 to reduce our operating costs. We implemented a hiring freeze and have reduced our headcount by approximately 250 in the second half of 2019. As a result of these actions, we recorded pre-tax severance and restructuring charges of approximately $9 million during in 2019. Since the end of 2018, we have reduced our headcount by 360, or 10%, and closed six service locations. Additionally, we announced that two of our U.S. regional distribution centers will close in 2020. We will continue to monitor the business outlook, manage our cost structure, including hiring limitations, and adjust our distribution network as required. In addition to these efforts, we are actively managing our investment in working capital to an appropriate level, which will allow us to generate cash and reduce our indebtedness.

In 2018, the United States imposed tariffs ranging from 7%-25% on imports of some products that we distribute. Although these actions generally cause the price we pay for products to increase, we are generally able to leverage long-standing relationships with our suppliers and the volume of our purchases to receive market competitive pricing. In addition, our contracts with customers generally allow us to react quickly to price increases through mechanisms that enable us to pass those increases along to customers as they occur. These issues are dynamic and continue to evolve. To the extent our products are further impacted by higher prices caused by tariffs and quotas, the ultimate impact on our revenue and cost of sales, which is determined using the last-in, first-out ("LIFO") inventory costing methodology, remains subject to uncertainty and volatility.

Effective January 31, 2020, the United Kingdom formally exited the European Union ("EU"). Following the exit, there will be a transition period until December 31, 2020. During the transition period, the UK's trading relationship with the EU will remain the same while the two sides negotiate a free trade deal. At the same time, many other aspects of the UK's future relationship with the EU - including law enforcement, data sharing and security - will also be negotiated. If a trade agreement is timely completed, the UK's new trading relationship with the EU can begin immediately after the transition. If not, there would be no trade agreement, which could negatively impact our business, including any commodity pricing, transfer pricing, and other cross border issues. However, we have a physical presence in both the U.K. and EU member states that would allow us to continue to operate and to serve our customers as needed. In 2019, 2.4% of our revenue has been derived from our U.K. business.

We determine backlog by the amount of unshipped customer orders, either specific or general in nature, which the customer may revise or cancel in certain instances. The table below details our backlog by segment (in millions):

	Year Ended December 31,		
	2019	**2018**	**2017**
U.S.	**$ 301**	$ 426	$ 559
Canada	**34**	35	40
International	**174**	177	233
	$ 509	$ 638	$ 832

As of December 31, 2018 and 2017, respectively, approximately 7% and 23% of our ending backlog was associated with two customers in our U.S. segment. In addition, approximately 5% and 14% of our ending backlog for 2018 and 2017, respectively, was associated with one customer in our International segment. In each case, these were related to significant ongoing customer projects that were substantially completed by the end of 2018. There were no similar large project amounts included in backlog as of December 31, 2019. Excluding these major projects, backlog in our U.S. segment declined 20% from December 31, 2018 to December 31, 2019 as a result of the overall decline in customer activity while backlog in our International segment increased 19% over that same time period. There can be no assurance that the backlog amounts will ultimately be realized as revenue or that we will earn a profit on the backlog of orders, but we expect that substantially all of the sales in our backlog will be realized within twelve months.

The following table sets forth key industry indicators for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	**2018**	**2017**
Average Rig Count (1):			
United States	**943**	1,032	876
Canada	**134**	191	206
Total North America	**1,077**	1,223	1,082
International	**1,098**	988	948
Total Worldwide	**2,175**	2,211	2,030
Average Commodity Prices (2):			
WTI crude oil (per barrel)	**$ 56.98**	$ 65.23	$ 50.80
Brent crude oil (per barrel)	**$ 64.28**	$ 71.34	$ 54.12
Natural gas ($/Mcf)	**$ 2.56**	$ 3.15	$ 2.99
Average Monthly U.S. Well Permits (3)	**4,494**	4,652	3,602
U.S. Wells Completed (2)	**15,807**	14,715	11,779
3:2:1 Crack Spread (4)	**$ 18.23**	$ 18.09	$ 17.87

(1) Source-Baker Hughes (www.bakerhughes.com) (Total rig count includes oil, natural gas and other rigs.)

(2) Source-Department of Energy, EIA (www.eia.gov) (As revised)

(3) Source-Evercore ISI Research

(4) Source-Bloomberg

Results of Operations for the Years Ended December 31, 2019, 2018 and 2017

The breakdown of our sales by sector for the years ended December 31, 2019, 2018 and 2017 was as follows (in millions):

	Year Ended December 31,					
	2019		2018		2017	
Upstream	$ **1,107**	**30%**	$ 1,286	31%	$ 1,049	29%
Midstream	**1,450**	**40%**	1,677	40%	1,603	44%
Downstream	**1,105**	**30%**	1,209	29%	994	27%
	$ **3,662**	**100%**	$ 4,172	100%	$ 3,646	100%

Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

For the years ended December 31, 2019 and 2018, the following table summarizes our results of operations (in millions):

	Year Ended December 31,			
	2019	2018	$ Change	% Change
Sales:				
U.S.	**$ 2,956**	$ 3,321	$ (365)	(11%)
Canada	**226**	315	(89)	(28%)
International	**480**	536	(56)	(10%)
Consolidated	**$ 3,662**	$ 4,172	$ (510)	(12%)
Operating income (loss):				
U.S.	**$ 104**	$ 112	$ (8)	(7%)
Canada	**(1)**	9	(10)	N/M
International	**-**	6	(6)	N/M
Consolidated	**103**	127	(24)	(19%)
Interest expense	**(40)**	(38)	(2)	5%
Other income	**3**	6	(3)	(50%)
Income tax expense	**(27)**	(21)	(6)	29%
Net income	**39**	74	(35)	(47%)
Series A preferred stock dividends	**24**	24	-	0%
Net income attributable to common stockholders	**$ 15**	$ 50	$ (35)	(70%)
Gross Profit	**$ 653**	$ 689	$ (36)	(5%)
Adjusted Gross Profit (1)	**$ 714**	$ 819	$ (105)	(13%)
Adjusted EBITDA (1)	**$ 201**	$ 280	$ (79)	(28%)

(1) Adjusted Gross Profit and Adjusted EBITDA are non-GAAP financial measures. For a reconciliation of these measures to an equivalent GAAP measure, see pages 31-33 herein.

Sales. Sales reflect consideration we are entitled to for goods and services when control of those goods and services is transferred to our customers. Our sales were $3,662 million for the year ended December 31, 2019 as compared to $4,172 million for the year ended December 31, 2018. The $510 million, or 12%, decrease included a $32 million unfavorable impact from the weakening of foreign currencies in areas where we operate relative to the U.S. dollar.

U.S. Segment—Our U.S. sales decreased $365 million to $2,956 million for 2019 from $3,321 million for 2018. This 11% decrease reflected a $54 million decrease in the upstream sector, a $229 million decrease in the midstream sector and a $82 million decrease in the downstream sector. The decrease in the upstream sector is related to reduced customer spending and the resulting 9% decrease in rig count. The decrease in the midstream sector is the result of a 32% reduction in the transmission and gathering sub-sector. The decline in the transmission and gathering sub-sector is attributable to increased capital discipline by our customers as well as the timing of project activity, including the 2018 completion of a project with one of our customers resulting in a $100 million decline in sales. Declines in transmission and gathering have been partially offset by an increase in the gas utilities business. In the downstream sector, the winding down of a project with one of our chemical customers resulted in a $68 million decrease in sales.

Canadian Segment—Our Canadian sales decreased $89 million to $226 million for 2019 from $315 million for 2018. This 28% decrease was driven by a $77 million decrease in the upstream business where the rig count has declined 30% as a result of low Canadian oil prices and production limitations the government of Alberta imposed. Canadian sales were unfavorably impacted by $6 million, or 2%, as a result of the weaker Canadian dollar relative to the U.S. dollar.

International Segment—Our International sales decreased $56 million to $480 million for 2019 from $536 million for 2018. The 10% decrease is attributable to the concluding of a long-running project in Kazakhstan as well as the weakening of foreign currencies in areas where we operate relative to the U.S. dollar, which unfavorably impacted sales by $26 million, or 5%. Excluding the impact of foreign currencies and the Kazakhstan project, sales increased $58 million, or 14%, due to improving conditions in our international markets, particularly in Norway and the U.K. where offshore E&P spending has increased in 2019.

Gross Profit. Our gross profit was $653 million (17.8% of sales) for the year ended December 31, 2019 as compared to $689 million (16.5% of sales) for the year ended December 31, 2018. The $36 million decrease was primarily attributable to the decrease in sales volumes. As compared to average cost, our last-in first-out ("LIFO") inventory costing methodology reduced cost of sales by $2 million in 2019 compared to increasing cost of sales by $62 million in 2018, when we experienced inflation across most product groups, including line pipe in particular. Excluding the impact of LIFO, gross profit percentages were comparable in 2019 and 2018. In addition, gross profit for 2019 was negatively impacted by $5 million of inventory-related charges to reduce the carrying value of certain excess and obsolete inventory items to their realizable value.

Adjusted Gross Profit. Adjusted Gross Profit decreased to $714 million (19.5% of sales) for 2019 from $819 million (19.6% of sales) for 2018, a decrease of $105 million. Adjusted Gross Profit is a non-GAAP financial measure. We define Adjusted Gross Profit as sales, less cost of sales, plus depreciation and amortization, plus amortization of intangibles, and plus or minus the impact of our LIFO inventory costing methodology. We present Adjusted Gross Profit because we believe it is a useful indicator of our 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. 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. We use Adjusted Gross Profit as a key performance indicator in managing our business. We believe 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.

The following table reconciles gross profit, as derived from our consolidated financial statements, with Adjusted Gross Profit, a non-GAAP financial measure (in millions):

	Year Ended December 31,			
	2019	**Percentage of Revenue***	**2018**	**Percentage of Revenue***
Gross profit, as reported	**$ 653**	**17.8%**	$ 689	16.5%
Depreciation and amortization	**21**	**0.6%**	23	0.6%
Amortization of intangibles	**42**	**1.1%**	45	1.1%
(Decrease) increase in LIFO reserve	**(2)**	**(0.1%)**	62	1.5%
Adjusted Gross Profit	**$ 714**	**19.5%**	$ 819	19.6%

**Does not foot due to rounding*

Selling, General and Administrative ("SG&A") Expenses. Costs such as salaries, wages, employee benefits, rent, utilities, communications, insurance, fuel and taxes (other than state and federal income taxes) that are necessary to operate our branch and corporate operations are included in SG&A. Also contained in this category are certain items that are non-operational in nature, including certain costs of acquiring and integrating other businesses. Our SG&A expenses were $550 million (15.0% of sales) for the year ended December 31, 2019 as compared to $562 million (13.5% of sales) for the year ended December 31, 2018. SG&A for 2019 and 2018 included $9 million and $4 million, respectively, of severance and restructuring charges from cost reduction efforts. SG&A for 2019 also included a $5 million charge associated with the doubtful collection of a product claim against a foreign supplier as well as a $3 million unfavorable adjustment to asbestos insurance receivables. Excluding the impact of these charges, SG&A decreased $25 million, which was driven by lower employee-related costs, including incentive and benefits, resulting from the decline in business activity. The weakening of foreign currencies in areas where we operate relative to the U.S. dollar favorably impacted SG&A by $6 million.

Operating Income (Loss). Operating income was $103 million for the year ended December 31, 2019, as compared to $127 million for the year ended December 31, 2018, a decline of $24 million.

U.S. Segment—Our U.S. segment had operating income of $104 million for 2019 as compared to $112 million for 2018. The $8 million decrease was primarily driven by lower sales partially offset by the reduction in SG&A expenses.

Canadian Segment—Our Canadian segment had an operating loss of $1 million for 2019 as compared to operating income of $9 million for 2018. The $10 million decline was primarily a result of lower sales offset by a decline in SG&A expenses.

International Segment—Our International segment had operating income of $0 million for 2019 as compared to $6 million in 2018. The $6 million decline in operating income was primarily attributable to certain unusual charges. We recorded $5 million of inventory-related charges to reduce the carrying value of certain obsolete and excess inventory items to their net realizable value in 2019 and a $5 million charge associated with a supplier bad debt. Severance costs included in operating expenses were $2 million and $1 million for the years ended December 31, 2019 and 2018, respectively.

Interest Expense. Our interest expense was $40 million for the year ended December 31, 2019 as compared to $38 million for the year ended December 31, 2018. The increase in interest expense was primarily attributable to higher average debt levels in 2019 as compared to 2018.

Other Income. Our other income was $3 million for the year ended December 31, 2019 as compared to $6 million for the year ended December 31, 2018. In 2018, other income included, among other things, $1 million of income related to the change in the fair value of derivatives and a $1 million gain related to the sale of an asset.

Income Tax (Expense). Our income tax expense was $27 million for the year ended December 31, 2019, as compared to $21 million for the year ended December 31, 2018. Our effective tax rates were 41% and 22% for the years ended December 31, 2019 and 2018, respectively. Our rates generally differ from the U.S. federal statutory rates of 21% as a result of state income taxes and differing foreign income tax rates. In the fourth quarter of 2019, we incurred charges in certain foreign jurisdictions with no corresponding tax benefit and additional taxes related to recent changes in tax regulations that impacted our 2019 effective tax rate. Excluding the impact of these items, our effective tax rate would have been 26%.

Net Income. Our net income was $39 million for the year ended December 31, 2019 as compared to $74 million for the year ended December 31, 2018, a decrease of $35 million, reflecting a decline in income before taxes for the reasons noted above.

Adjusted EBITDA. Adjusted EBITDA, a non-GAAP financial measure, was $201 million for the year ended December 31, 2019, as compared to $280 million for the year ended December 31, 2018. Our Adjusted EBITDA decreased $79 million over that period primarily as a result of the factors noted above.

We define 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 and asset impairments, including inventory) and plus or minus the impact of our LIFO inventory costing methodology.

We believe Adjusted EBITDA provides investors a helpful measure for comparing our operating performance with the performance of other companies that have different financing and capital structures or tax rates. We believe that net income is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted EBITDA.

The following table reconciles net income, as derived from our consolidated financial statements, with Adjusted EBITDA, a non-GAAP financial measure (in millions):

	Year Ended December 31,	
	2019	**2018**
Net income	**$ 39**	$ 74
Income tax expense	**27**	21
Interest expense	**40**	38
Depreciation and amortization	**21**	23
Amortization of intangibles	**42**	45
(Decrease) increase in LIFO reserve	**(2)**	62
Inventory-related charges	**5**	-
Equity-based compensation expense	**16**	14
Severance and restructuring charges	**9**	4
Foreign currency gains	**(1)**	(1)
Write off of debt issuance costs	**-**	1
Supplier bad debt	**5**	-
Change in fair value of derivative instruments	**-**	(1)
Adjusted EBITDA	**$ 201**	$ 280

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

For discussion and analysis of fiscal year 2018 compared to fiscal year 2017, please refer to Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, which was filed with the Securities and Exchange Commission ("SEC") on February 15, 2019 and is incorporated herein by reference.

Financial Condition and Cash Flows

Cash Flows

The following table sets forth our cash flows for the periods indicated below (in millions):

	Year Ended December 31,	
	2019	**2018**
Net cash provided by (used in):		
Operating activities	**$ 242**	$ (11)
Investing activities	**(16)**	(14)
Financing activities	**(238)**	24
Net cash used:	**$ (12)**	$ (1)

Operating Activities

Net cash provided by operating activities was $242 million in 2019 compared to $11 million used in operating activities in 2018. The change in operating cash flows was primarily the result of lower working capital requirements due to declining sales in 2019 as compared to 2018. A reduction in working capital provided cash of $118 million in 2019 compared to $231 million used to grow working capital in 2018. In particular, the decline in accounts receivable generated $127 million of cash in 2019 as compared to $74 million utilized by a growth in accounts receivable in 2018. In addition, because of the decline in sales, we have reduced inventory resulting in $95 million of cash provided from inventory in 2019 as compared to the utilization of cash of $175 million in 2018. These reductions in the use of cash were offset by $79 million of cash utilized from a reduction in accounts payable in 2019 as compared to $27 million of cash provided from accounts payable in 2018.

Investing Activities

Net cash used in investing activities was $16 million in 2019 compared to $14 million in 2018. Purchases of property, plant and equipment utilized cash of $18 million and $20 million in 2019 and 2018, respectively. In 2018, we had $6 million of proceeds from the sale of property.

Financing Activities

Net cash used in financing activities was $238 million in 2019, compared to net cash provided by financing activities of $24 million in 2018. Net payments on our Global ABL Facility totaled $129 million in 2019 compared to proceeds of $162 million in 2018. In 2019 and 2018, we used $75 million and $125 million to fund purchases of our common stock, respectively. We used $24 million to fund dividends on our preferred stock in each of 2019 and 2018. In addition, we received no proceeds from stock option exercises in 2019 as compared to $21 million in 2018.

Liquidity and Capital Resources

Our primary sources of liquidity consist of cash generated from our operating activities, existing cash balances and borrowings under our existing Global ABL Facility. At December 31, 2019, our total liquidity, consisting of cash on hand and amounts available under our Global ABL Facility, was $483 million. Our ability to generate sufficient cash flows from our operating activities is primarily dependent on our sales of products to our customers at profits sufficient to cover our fixed and variable expenses. As of December 31, 2019 and 2018, we had cash and cash equivalents of $32 million and $43 million, respectively. As of December 31, 2019 and 2018, $32 million and $41 million of our cash and cash equivalents were maintained in the accounts of our various foreign subsidiaries and, if those amounts were transferred among countries or repatriated to the U.S., those amounts may be subject to additional tax liabilities, which would be recognized in our financial statements in the period during which the transfer decision was made. During 2019, we repatriated $21 million of cash from our Canadian subsidiaries.

Our primary credit facilities consist of a seven-year Term Loan maturing in September 2024 with an original principal amount of $400 million and a five-year $800 million Global ABL Facility that provides $675 million in revolver commitments in the United States, $65 million in Canada, $18 million in Norway, $15 million in Australia, $13 million in the Netherlands, $7 million in the United Kingdom and $7 million in Belgium. As of December 31, 2019, the outstanding balance on our Term Loan, net of original issue discount and issuance costs, was $390 million. The Global ABL Facility matures in September 2022. The Global ABL Facility contains an accordion feature that allows us to increase the principal amount of the facility by up to $200 million, subject to securing additional lender commitments. As of December 31, 2019, we had $161 million of borrowings outstanding and $451 million of Excess Availability, as defined under our Global ABL Facility. Availability is dependent on a borrowing base comprised of a percentage of eligible accounts receivable and inventory which is subject to redetermination from time to time.

Our credit ratings are below "investment grade" and, as such, could impact both our ability to raise new funds as well as the interest rates on our future borrowings. Our existing obligations restrict our ability to incur additional debt. We were in compliance with the covenants contained in our various credit facilities as of and during the year ended December 31, 2019. The 2019 implementation of the new lease accounting standard did not impact our compliance with debt covenants, as our credit facilities contain provisions that grandfather our previous method of accounting for leases for debt compliance purposes. In addition, our credit facilities contain provisions that address the potential need to transition away from LIBOR if LIBOR is discontinued or replaced.

We believe our sources of liquidity will be sufficient to satisfy the anticipated cash requirements associated with our existing operations for at least the next twelve months. However, our future cash requirements could be higher than we currently expect as a result of various factors. Additionally, our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control. We may, from time to time, seek to raise additional debt or equity financing or re-price or refinance existing debt in the public or private markets, based on market conditions. Any such capital markets activities would be subject to market conditions, reaching final agreement with lenders or investors, and other factors, and there can be no assurance that we would successfully consummate any such transactions.

Our board of directors has authorized share repurchase programs for our common stock between 2015 and 2019. The shares were repurchased at management's discretion in the open market. Under these plans, between the fourth quarter of 2015 and the end of 2019 we purchased 24,216,330 shares of the Company's common stock at an average price per share of $15.48 for a total cost of $375 million. As of December 31, 2019, all previous share repurchase programs had expired.

Contractual Obligations, Commitments and Contingencies

Contractual Obligations

The following table summarizes our minimum payment obligations as of December 31, 2019 relating to long-term debt, interest payments, capital leases, operating leases, purchase obligations and other long-term liabilities for the periods indicated (in millions):

	Total	2020	2021-2022	2023-2024	More Than 5 Years
Long-term debt (1)	$ 551	$ 4	$ 169	$ 378	-
Interest payments (2)	102	25	46	31	-
Operating leases	332	40	62	38	192
Purchase obligations (3)	501	501	-	-	-
Foreign exchange forward contracts	-	-	-	-	-
Other long-term liabilities	37	-	-	-	37
Total	$ 1,523	$ 570	$ 277	$ 447	$ 229

(1) Long-term debt is based on debt outstanding at December 31, 2019.

(2) Interest payments are based on interest rates in effect at December 31, 2019 and assume contractual amortization payments.

(3) Purchase obligations reflect our commitments to purchase PVF products in the ordinary course of business. While our vendors often allow us to cancel these purchase orders without penalty, in certain cases cancellations may subject us to cancellation fees or penalties, depending on the terms of the contract.

We historically have been an acquisitive company. We expect to fund future acquisitions primarily from (i) borrowings, either the unused portion of our facilities or new debt issuances, (ii) cash provided by operations or (iii) the issuance of additional equity in connection with the acquisitions.

Other Commitments

In the normal course of business with customers, vendors and others, we are contingently liable for performance under standby letters of credit and bid, performance and surety bonds. We were contingently liable for approximately $39 million of standby letters of credit, trade guarantees that banks issue and bid, and performance and surety bonds at December 31, 2019. Management does not expect any material amounts to be drawn on these instruments.

Legal Proceedings

Asbestos Claims. We are one of many defendants in lawsuits that plaintiffs have brought seeking damages for personal injuries that exposure to asbestos allegedly caused. Plaintiffs and their family members have brought these lawsuits against a large volume of defendant entities as a result of the various defendants' manufacture, distribution, supply or other involvement with asbestos, asbestos-containing products or equipment or activities that allegedly caused plaintiffs to be exposed to asbestos. These plaintiffs typically assert exposure to asbestos as a consequence of third-party manufactured products that the Company's subsidiary, MRC Global (US) Inc., purportedly distributed. As of December 31, 2019, we are a named defendant in approximately 597 lawsuits involving approximately 1,173 claims. No asbestos lawsuit has resulted in a judgment against us to date, with the majority being settled, dismissed or otherwise resolved. Applicable third-party insurance has substantially covered these claims, and insurance should continue to cover a substantial majority of existing and anticipated future claims. Accordingly, we have recorded a liability for our estimate of the most likely settlement of asserted claims and a related receivable from insurers for our estimated recovery, to the extent we believe that the amounts of recovery are probable.

We annually conduct analyses of our asbestos-related litigation to estimate the adequacy of the reserve for pending and probable asbestos-related claims. Given these estimated reserves and existing insurance coverage that has been available to cover substantial portions of these claims, we believe that our current accruals and associated estimates relating to pending and probable asbestos-related litigation likely to be asserted over the next 15 years are currently adequate. This belief, however, relies on a number of assumptions, including:

- That our future settlement payments, disease mix and dismissal rates will be materially consistent with historic experience;
- That future incidences of asbestos-related diseases in the U.S. will be materially consistent with current public health estimates;

- That the rates at which future asbestos-related mesothelioma incidences result in compensable claims filings against us will be materially consistent with its historic experience;
- That insurance recoveries for settlement payments and defense costs will be materially consistent with historic experience;
- That legal standards (and the interpretation of these standards) applicable to asbestos litigation will not change in material respects;
- That there are no materially negative developments in the claims pending against us; and
- That key co-defendants in current and future claims remain solvent.

If any of these assumptions prove to be materially different in light of future developments, liabilities related to asbestos-related litigation may be materially different than amounts accrued or estimated. Further, while we anticipate that additional claims will be filed in the future, we are unable to predict with any certainty the number, timing and magnitude of such future claims. In addition, applicable insurance policies are subject to overall caps on limits, which coverage may exhaust the amount available from insurers under those limits. In those cases, the Company would seek indemnity payments from excess insurance policies, but the insurers that issued those policies may not be solvent or may not make payments under the policies without contesting their liability. In our opinion, there are no pending legal proceedings that are likely to have a material adverse effect on our consolidated financial statements.

Other Legal Claims and Proceedings. From time to time, we have been subject to various claims and involved in legal proceedings incidental to the nature of our businesses. We maintain insurance coverage to reduce financial risk associated with certain of these claims and proceedings. It is not possible to predict the outcome of these claims and proceedings. However, in our opinion, there are no pending legal proceedings that are likely to have a material adverse effect on our consolidated financial statements. See also “Note 17—Commitments and Contingencies” to the audited consolidated financial statements as of December 31, 2019.

Off-Balance Sheet Arrangements

We do not have any material “off-balance sheet arrangements” as such term is defined within the rules and regulations of the SEC.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles. To apply these principles, management must make judgments and assumptions and develop estimates based on the best available information at the time. Actual results may differ based on the accuracy of the information utilized and subsequent events. The notes to our audited financial statements included elsewhere in this report describe our accounting policies. These critical accounting policies could materially affect the amounts recorded in our financial statements. We believe the following describes significant judgments and estimates used in the preparation of our consolidated financial statements:

Inventories: Our U.S. inventories are valued at the lower of cost (principally using the LIFO method) or market. We record an estimate each quarter, if necessary, for the expected annual effect of inflation (using period to date inflation rates) and estimated year-end inventory balances. These estimates are adjusted to actual results determined at year-end. Our inventories that are held outside of the U.S., totaling $181 million and $187 million at December 31, 2019 and 2018, respectively, were valued at the lower of weighted-average cost or estimated net realizable value.

Under the LIFO inventory valuation method, changes in the cost of inventory are recognized in cost of sales in the current period even though these costs may have been incurred at significantly different values. Since the Company values most of its inventory using the LIFO inventory costing methodology, a rise in inventory costs has a negative effect on operating results, while, conversely, a fall in inventory costs results in a benefit to operating results.

We determine reserves for inventory based on historical usage of inventory on-hand, assumptions about future demand and market conditions. Customers rely on the company to stock specialized items for certain projects and other needs. Therefore, the estimated carrying value of inventory depends upon demand driven by oil and gas spending activity, which in turn depends on oil and gas prices, the general outlook for economic growth worldwide, political stability in major oil and gas producing areas, and the potential obsolescence of various inventory items we sell.

Goodwill and Intangible Assets: We record goodwill and intangible assets in conjunction with acquisitions that we make. These assets comprise 33% of our total assets as of December 31, 2019. We record goodwill as the excess of cost over the fair value of net assets that we acquire. We record intangible assets at fair value at the date of acquisition and amortize the value of intangible assets over the assets’ estimated useful lives unless we determine that an asset has an indefinite life. We make significant judgments and estimates in

both calculating the fair value of these assets and determining their estimated useful lives. The carrying values of our goodwill and intangible assets, by reporting unit, were as follows as of December 31, 2019 (in millions):

	U.S.	Canada	International	Total
Customer base intangibles	$ 138	$ 2	$ 9	$ 149
Indefinite lived trade name	132	-	-	132
Goodwill	441	-	42	483

Impairment of Long-Lived Assets:

Our long-lived assets consist primarily of:

- customer base intangibles; and
- property, plant and equipment.

The carrying value of these assets is subject to an impairment test when circumstances indicate a possible impairment. These circumstances would include significant decreases in our operating results and significant changes in market demand for our products and services. When events and circumstances indicate a possible impairment, we assess recoverability from future operations using an undiscounted cash flow analysis, derived from the lowest appropriate asset group. If the carrying value exceeds the undiscounted cash flows, we would recognize an impairment charge to the extent that the carrying value exceeds the fair value.

We group customer base intangible assets on a basis consistent with our reporting units. We determine the fair value of customer base intangibles using a discounted cash flow analysis. The most significant factor in the determination of the fair value of our customer base intangibles is forecasted sales to our customers including, in particular, our largest customers. Possible indicators of impairment could include the following:

- prolonged decline in commodity oil and natural gas prices;
- the resulting decline in activity levels of many of our major customers;
- significant reductions in capital spending budgets of our customers; and
- a pessimistic outlook for the price of oil and natural gas.

Although we determined there were no impairments in 2019 and 2018, significant decreases in our forecasted sales, particularly with our largest customers, could result in future impairments of our customer base intangible assets.

The carrying value of property, plant and equipment as of December 31, 2019 was $138 million, or 6% of total assets. This amount was comprised of $108 million, $14 million and $16 million in our U.S., Canada and International segments, respectively. We group property, plant and equipment and evaluate it for recoverability at a country or regional level. We determine the fair value of property, plant and equipment based on appraisal procedures which involve both market and cost techniques depending on the nature of the specific assets and the availability of market information. In 2019, no indicators of property, plant and equipment impairment were present. Based on the nature of our property, plant and equipment and the reduction in carrying value each year through depreciation, we believe future impairments are not likely.

When testing for the impairment of the value of long-lived assets, we make forecasts of:

- our future operating results;
- the extent and timing of future cash flows;
- working capital;
- profitability; and
- sales growth trends.

We make these forecasts using the best available information at the time, including information regarding current market conditions and customer spending forecasts. While we believe our assumptions and estimates are reasonable, because of the volatile nature of the energy industry, actual results may differ materially from the projected results which could result in the recognition of additional impairment charges. Factors that could lead to actual results differing materially from projected results include, among other things, further reductions of oil and natural gas prices and changes in projected sales growth rates.

Impairment of Goodwill and Other Indefinite-Lived Intangible Assets: We test goodwill and intangible assets with indefinite useful lives for impairment annually, or more frequently if events and circumstances indicate that impairment may exist. We evaluate goodwill for impairment at the reporting unit level. Within each reporting unit, we have elected to aggregate the component countries

and regions into a single reporting unit based on their similar economic characteristics, products, customers, suppliers, methods of distribution and the manner in which we operate each segment. We perform our annual tests for goodwill impairment as of October 1st of each year, updating on an interim basis should indications of impairment exist.

When we perform the goodwill impairment test, we compare the carrying value of the reporting unit that has the goodwill with the estimated fair value of that reporting unit. To the extent the carrying value of a reporting unit is greater than its estimated fair value, a goodwill impairment charge is recorded for the difference, up to the carrying value of goodwill. Our impairment methodology uses discounted cash flow and multiples of cash earnings valuation techniques, acquisition control premium and valuation comparisons to similar businesses to determine the fair value of a reporting unit. Each of these methods involves Level 3 unobservable market inputs and require us to make certain assumptions and estimates regarding:

- future operating results,
- the extent and timing of future cash flows,
- working capital,
- sales prices,
- profitability,
- discount rates; and
- sales growth trends.

We make these forecasts using the best available information at the time including information regarding current market conditions and customer spending forecasts. While we believe that these assumptions and estimates are reasonable, because of the volatile nature of the energy industry, actual results may differ materially from the projected results which could result in the recognition of additional impairment charges. Factors that could lead to actual results differing materially from projected results include, among other things:

- reduction of oil and natural gas prices,
- changes in projected sales growth rate; and
- changes in factors affecting our discount rate including risk premiums, risk free interest rates and costs of capital.

In connection with our annual goodwill impairment test as of October 1, 2019, we tested the carrying value of goodwill for our U.S. and International reporting units. Our Canada reporting unit has no goodwill. No goodwill impairments were indicated as a result of those tests as the estimated fair value of each of our reporting units substantially exceeded their carrying value.

Intangible assets with indefinite useful lives are recorded in our U.S. segment. We test these assets for impairment annually or more frequently if events and circumstances indicate that impairment may exist. This test compares the carrying value of the indefinite-lived intangible assets with their estimated fair value. If the carrying value is more than the estimated fair value, we recognize impairment losses in an amount equal to the excess of the carrying value over the estimated fair value. Our impairment methodology uses discounted cash flow and estimated royalty rate valuation techniques. Utilizing these valuation methods, we make certain assumptions and estimates regarding:

- future operating results,
- sales prices,
- discount rates; and
- sales growth trends.

As with the goodwill impairment test described above, while we believe that our assumptions and estimates are reasonable, because of the volatile nature of the energy industry, actual results may differ materially from the projected results which could result in the recognition of additional impairment charges. The estimated fair value of our indefinite-lived intangible assets substantially exceeded their carrying value.

Income Taxes: We use the liability method for determining our income taxes, under which current and deferred tax assets and liabilities are recorded in accordance with enacted tax laws and rates. Under this method, deferred tax assets and liabilities are recorded for differences between the financial reporting and tax bases of assets and liabilities using the tax rate expected to be in effect when the taxes will actually be paid or refunds received. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. A valuation allowance to reduce deferred tax assets is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In determining the need for valuation allowances and our ability to utilize our deferred tax assets, we consider and make judgments regarding all the available positive and negative evidence, including the timing of the reversal of deferred tax liabilities, estimated future taxable income, ongoing, prudent and feasible tax planning strategies and recent financial results of operations. The amount of valuation allowances, however, could be adjusted in the future if objective negative evidence in the form of cumulative losses is no longer present in certain jurisdictions and additional weight may be given to subjective evidence such as our projections for growth.

Our tax provision is based upon our expected taxable income and statutory rates in effect in each country in which we operate. We are subject to the jurisdiction of numerous domestic and foreign tax authorities, as well as to tax agreements and treaties among these governments. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events such as the amount, timing and character of deductions, permissible revenue recognition methods under the tax law and the sources and character of income and tax credits. Changes in tax laws, regulations, agreements and treaties, foreign currency exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact on the amount of income taxes we provide during any given year.

A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including any related appeals or litigation processes, on the basis of the technical merits. We adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which the new information is available.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of December 31, 2019, all of our outstanding debt was at floating rates. These facilities prescribe the percentage point spreads from U.S. prime, LIBOR, Canadian prime and EURIBOR. Our facilities generally allow us to fix the interest rate, at our option, for a period of 30 to 180 days.

As of December 31, 2019, a 1% increase in the LIBOR rate would result in an increase in our interest expense of approximately $3 million per year if the amounts outstanding under our Term Loan and Global ABL Facility remained the same for an entire year.

We are currently party to a $250 million interest rate swap to fix a portion of our variable rate exposure that matures in March 2023.

Foreign Currency Exchange Rates

Our operations outside of the U.S. expose us to foreign currency exchange rate risk, as these transactions are primarily denominated in currencies other than the U.S. dollar, our functional currency. Our exposure to changes in foreign exchange rates is managed primarily through the use of forward foreign exchange contracts. These contracts increase or decrease in value as foreign exchange rates change, protecting the value of the underlying transactions denominated in foreign currencies. All currency contracts are entered into for the sole purpose of hedging existing or anticipated currency exposure; we do not use foreign currency contracts for trading or speculative purposes. The terms of these contracts generally do not exceed one year. We record all changes in the fair market value of forward foreign exchange contracts in income. We recorded losses related to foreign currency contracts of $0 million in the year ended December 31, 2019, gains of $1 million in the year ended December 31, 2018 and losses of $1 million in the year ended December 31, 2017.

Steel Prices

Our business is sensitive to steel prices, which can impact our product pricing, with carbon steel line pipe prices generally having the highest degree of sensitivity. While we cannot predict steel prices, we manage this risk by managing our inventory levels, including maintaining sufficient quantity on hand to meet demand, while reducing the risk of overstocking.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by the Exchange Act, we maintain disclosure controls and procedures designed to provide assurance that information we are required to disclose in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive and financial officers, has evaluated our disclosure controls and procedures as of December 31, 2019 and has concluded that our disclosure controls and procedures were effective as of December 31, 2019.

Pursuant to section 302 of the Sarbanes-Oxley Act of 2002, our Chief Executive Officer and Chief Financial Officer have provided certain certifications to the Securities and Exchange Commission. These certifications are included herein as Exhibits 31.1 and 31.2.

Management's Report on Internal Control Over Financial Reporting

The Company's management report on internal control over financial reporting is set forth on page F-1 of this annual report and is incorporated herein by reference.

Attestation Report of our Registered Public Accounting Firm

The Company's registered public accounting firm's attestation report on our internal control over financial reporting is set forth on page F-2 of this annual report and is incorporated herein by reference.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December, 31 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding our directors and nominees for director required by Item 401 of Regulation S-K will be presented under the heading “PROPOSAL I: ELECTION OF DIRECTORS” in our Proxy Statement prepared for the solicitation of proxies in connection with our annual Meeting of Stockholders to be held in 2020 (“Proxy Statement”), which information is incorporated by reference herein.

Information required by Item 405 of Regulation S-K to the extent required, will be included under the heading “Delinquent Section 16(a) Reports” in our Proxy Statement, which information is incorporated by reference herein.

Information regarding our executive officers required by Item 401(b) of Regulation S-K is presented at the end of Part I herein and captioned “Executive Officers of the Registrant” as permitted by General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K.

Information required by paragraphs (c)(3), (d)(4) and (d)(5) of Item 407 of Regulation S-K will be included under the heading “QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING” and “CORPORATE GOVERNANCE MATTERS” in our Proxy Statement, which information is incorporated by reference herein.

We have adopted a Code of Ethics for Principal Executive and Senior Financial Officers (“Code of Ethics for Senior Officers”) that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and Controller, or persons performing similar functions. The Code of Ethics for Senior Officers, together with our Corporate Governance Guidelines, the charters for each of our board committees, and our Code of Ethics applicable to all employees are available on our Internet website at *www.mrcglobal.com*. We will provide, free of charge, a copy of our Code of Ethics or any of our other corporate documents listed above upon written request to our Corporate Secretary at 1301 McKinney Street, Suite 2300, Houston, Texas, 77010. We intend to disclose any amendments to or waivers of the Code of Ethics for Senior Officers on behalf of our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and Controller, and persons performing similar functions on our Internet website at *www.mrcglobal.com* under the Investor Relations page, promptly following the date of any such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 and paragraphs (e)(4) and (e)(5) of Item 407 of Regulations S-K regarding executive compensation will be presented under the headings “COMPENSATION DISCUSSION AND ANALYSIS,” “Employment and Other Agreements,” “Summary Compensation Table for 2019,” “Grants of Plan-Based Awards in Fiscal Year 2019,” “Outstanding Equity Awards at 2019 Fiscal Year-End,” “Option Exercises and Stock Vested During 2019,” “Potential Payments upon Termination or Change in Control,” “Non-Employee Director Compensation Table,” “Compensation Committee Report,” and “Compensation Committee Interlocks and Insider Participation” in our Proxy Statement, which information is incorporated by reference herein. Notwithstanding the foregoing, the information provided under the heading “Compensation Committee Report” in our Proxy Statement is furnished and shall not be deemed to be filed for purposes of Section 18 of the Exchange Act is not subject to the liabilities of that section and is not deemed incorporated by reference in any filing under the Securities Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information regarding the security ownership of certain beneficial owners and management required by Item 403 of Regulation S-K will be presented under the headings “SECURITY OWNERSHIP – Directors and Executive Owners” and “SECURITY OWNERSHIP – Certain Beneficial Owners” in our Proxy Statement, which information is incorporated by reference herein.

The following table summarizes information, as of December 31, 2019, relating to our equity compensation plans pursuant to which grants of options, restricted stock, or certain other rights to acquire our shares may be granted from time to time.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders:			
Stock options, restricted stock awards, restricted stock unit awards, and performance share unit awards	4,226,392	$23.99	3,322,413
Equity compensation plans not approved by security holders	None	N/A	None
Total	4,226,392	$23.99	3,322,413

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information regarding certain relationships and related transactions required by Item 404 and Item 407(a) of Regulation S-K will be presented under the headings “Certain Relationships and Related Transactions”, “Related Party Transaction Policy” and “Director Independence” in our Proxy Statement, which information is incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information regarding our principal accounting fees and services required by Item 9(e) of Schedule 14A will be presented under the headings “Principal Accounting Fees and Services” and “Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditors” in our Proxy Statement, which information is incorporated by reference herein.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed as Part of this Annual Report:

1. *Financial Statements*.

   See "Item 8—Financial Statements and Supplementary Data."

2. *Financial Statement Schedules*.

All schedules are omitted because they are not applicable, not required or the information is included in the financial statements or the notes thereto.

3. *List of Exhibits*.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of MRC Global Inc. dated April 11, 2012. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on April 17, 2012, File No. 001-35479).
3.2	Amended and Restated Bylaws of MRC Global Inc. dated November 7, 2013. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on November 13, 2013, File No. 001-35479).
3.3	Certificate of Designations, Preferences, Rights and Limitations of Series A Convertible Perpetual Preferred Stock of MRC Global Inc. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on June 11, 2015, File No. 001-35479).
4.1*	Description of Securities of Registrant.
10.1	Third Amended and Restated Loan, Security and Guarantee Agreement, dated as of September 22, 2017, among MRC Global (US) Inc., Greenbrier Petroleum Corporation, McJunkin Red Man Development Corporation, Midway-Tristate Corporation, Milton Oil & Gas Company, MRC Management Company, MRC Services Company LLC, Ruffner Realty Company and The South Texas Supply Company, Inc., as U.S. Borrowers and Guarantors, MRC Global Inc., as a guarantor, MRC Global Australia Pty Ltd., as Australian Borrower, MRC Global (Belgium) NV, as Belgian Borrower, MRC Global (Canada) ULC, as Canadian Borrower, MRC Global (Netherlands) B.V., as Dutch Borrower, MRC Global Norway AS, as Norwegian Borrower, MRC Transmark Limited, as UK Borrower, the other borrowers from time to time party thereto, certain financial institutions as lenders and Bank of America, N.A., as Administrative Agent, Security Trustee and Collateral Agent. (Incorporated by reference to Exhibit 10.1.2 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on September 26, 2017, File No. 001-35479).
10.2	Refinancing Amendment and Successor Administrative Agent Agreement, dated as of September 22, 2017, among MRC Global (US) Inc., as borrower, MRC Global Inc., as a guarantor, the subsidiary guarantors party thereto, the lenders party thereto, U.S. Bank National Association, as the Collateral Trustee, JPMorgan Chase Bank, N.A., as the Successor Administrative Agent, and Bank of America, N.A., as Prior Administrative Agent. (Incorporated by reference to Exhibit 10.1.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on September 26, 2017, File No. 001-35479).
10.2.1	Refinancing Amendment No. 2, dated as of May 22, 2018, among MRC Global (US) Inc., as borrower, MRC Global Inc. as guarantor, the subsidiary guarantors party thereto, the lenders party thereto, U.S. Bank National Association, as the Collateral Trustee, and JP Morgan Chase Bank, N.A. as the Administrative Agent. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on May 25, 2018, File No. 001-35479).
10.2.2	Term Loan Guarantee and Acknowledgment, dated as of November 9, 2012, by each of the signatories listed on the signature pages thereto and each of the other entities that becomes a party thereto, in favor of the Administrative Agent (as defined therein) for the benefit of the Guaranteed Parties (as defined therein). (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on November 9, 2012, File No. 001-35479).

Exhibit Number	Description
10.2.3	Security Agreement, dated as of November 9, 2012, among MRC Global (US) Inc., MRC Global Inc., each of the subsidiaries of MRC Global Inc. listed on the signature pages thereto and U.S. Bank National Association, as Collateral Trustee for the benefit of the Secured Parties (as defined therein). (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on November 9, 2012, File No. 001-35479).
10.2.4	Term Loan Pledge Agreement, dated as of November 9, 2012, among MRC Global (US) Inc., MRC Global Inc., each of the subsidiaries of MRC Global Inc. listed on the signature pages thereto and U.S. Bank National Association, as Collateral Trustee, for the benefit of the Secured Parties (as defined therein). (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on November 9, 2012, File No. 001-35479).
10.2.5	Refinancing Amendment and Incremental Joinder Agreement, dated as of November 19, 2013, among MRC Global (US) Inc., MRC Global Inc., subsidiary guarantors party thereto and Bank of America, N.A. as Administrative Agent and Lender, for the benefit of the Secured Parties (as defined therein). (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on November 20, 2013, File No. 001-35479).
10.2.6	Second Amendment, dated as of June 11, 2015, by and among MRC Global (US) Inc., as the borrower, MRC Global Inc., as guarantor, the subsidiary guarantors party thereto, the lenders party thereto, Bank of America, N.A., as Administrative Agent, and U.S. Bank National Association, as Collateral Trustee. (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on June 11, 2015, File No. 001-35479).
10.2.7	Notice of Amendment and Confirmation of Intercreditor Agreement, dated September 22, 2017, by and between Bank of America, N.A., in its capacity as administrative agent and collateral agent for the Revolving Credit Lenders under the Revolving Credit Agreement, JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Term Lenders as of the date hereof, U.S. Bank National Association, in its capacity as collateral trustee for the Term Secured Parties, the Additional Term Secured Parties, if any, and the Subordinated Lien Secured Parties, if any, MRC Global Inc. and certain of its subsidiaries. (Incorporated by reference to Exhibit 10.1.3 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on September 26, 2017, File No. 001-35479).
10.2.8	Notice of Amendment and Confirmation of Intercreditor Agreement, dated September 22, 2017, by and between Bank of America, N.A., in its capacity as administrative agent and collateral agent for the Revolving Credit Lenders under the Revolving Credit Agreement, U.S. Bank National Association, in its capacity as collateral trustee for the Term Secured Parties, the Additional Term Secured Parties, if any, and the Subordinated Lien Secured Parties, if any, MRC Global Inc. and certain of its subsidiaries. (Incorporated by reference to Exhibit 10.1.4 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on September 26, 2017, File No. 001-35479).
10.3†	Employment Agreement, dated as of May 16, 2013, between MRC Global Inc. and Andrew R. Lane. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on May 17, 2013, File No. 001-35479).
10.3.1†	First Amendment to Employment Agreement between MRC Global Inc. and Andrew R. Lane. (Incorporated by reference to Exhibit 10.4.2 to the Annual Report on Form 10-K of MRC Global Inc., filed with the SEC on February 17, 2017, File No. 001-35479).
10.3.2†	Second Amendment to Employment Agreement, dated as of October 29, 2019, between MRC Global Inc. and Andrew R. Lane (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on October 30, 2019, File No. 001-35479).

Exhibit Number	Description
10.4†	Form of Employment Agreement by and among MRC Global Inc. and each of James E. Braun and Daniel J. Churay (Incorporated by reference to Exhibit 10.5 to Form 10-K of MRC Global Inc. for the year ended December 31, 2013, filed with the SEC on February 21, 2014, File No. 001-35479).
10.4.1†	First Amendment to Employment Agreement, dated as of October 29, 2019, between MRC Global Inc. and Daniel Churay (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on October 30, 2019, File No. 001-35479).
10.4.2†	First Amendment to Employment Agreement, dated as of July 30, 2019, between MRC Global Inc. and James E. Braun (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on August 1, 2019, File No. 001-35479).
10.5†	Form of Employment Agreement by and between MRC Global Inc. and Kelly Youngblood (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on September 27, 2019, File No. 001-35479).
10.6†	Letter Agreement, dated as of September 24, 2008, by and among H.B. Wehrle, III, PVF Holdings LLC (now dissolved) and MRC Global (US) Inc. (f/k/a McJunkin Red Man Corporation). (Incorporated by reference to Exhibit 10.11 to Amendment No. 1 of the Registration Statement on Form S-1 of MRC Global Inc. (f/k/a McJunkin Red Man Holding Corporation) (No. 333-153091), filed with the SEC on September 26, 2008, File No. 001-35479).
10.7†	Letter Agreement, dated as of December 22, 2008, by and among MRC Global Inc. (f/k/a McJunkin Red Man Holding Corporation) and Craig Ketchum. (Incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-4 of McJunkin Red Man Corporation (No. 333-173035), filed with the SEC on March 24, 2011, File No. 001-35479).
10.8†	2007 Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.13.1 to the Registration Statement on Form S-4 of McJunkin Red Man Corporation (No. 333-173035), filed with the SEC on March 24, 2011, File No. 001-35479).
10.8.1†	Form of MRC Global Inc. (f/k/a McJunkin Red Man Holding Corporation) Nonqualified Stock Option Agreement. (Incorporated by reference to Exhibit 10.17.1 to Amendment No. 1 to the Registration Statement on Form S-1 of MRC Global Inc (No. 333-153091), filed with the SEC on September 26, 2008, File No. 001-35479).
10.8.2†	Form of MRC Global Inc. (f/k/a as McJunkin Red Man Holding Corporation) Nonqualified Stock Option Agreement (Director Grant May 2010—Dutch residents). (Incorporated by reference to Exhibit 10.9.1 to the Registration Statement on Form S-4 of McJunkin Red Man Corporation (No. 333-173035), filed with the SEC on March 24, 2011, File No. 001-35479).
10.8.3†	Form of MRC Global Inc. (f/k/a McJunkin Red Man Holding Corporation) Nonqualified Stock Option Agreement (Director Grant May 2010—US residents). (Incorporated by reference to Exhibit 10.9.1 to the Registration Statement on Form S-4 of McJunkin Red Man Corporation (No. 333-173035), filed with the SEC on March 24, 2011, File No. 001-35479).
10.9†	MRC Global Inc. 2011 Omnibus Incentive Plan. (Incorporated by reference to Exhibit 10.27 to the Annual Report on Form 10-K of MRC Global Inc., filed with the SEC on March 5, 2012, File No. 001-35479).
10.9.1†	Amendment to the MRC Global Inc. Omnibus Incentive Plan (Incorporated by reference to Annex A to the Schedule 14A Definitive Proxy Statement of MRC Global Inc. filed with the SEC on March 25, 2015, File No. 001-35479).
10.9.2†	Amendment to the MRC Global Inc. Omnibus Incentive Plan (Incorporated by reference to Annex A to the Schedule 14A Definitive Proxy Statement of MRC Global Inc. filed with the SEC on March 18, 2019, File No. 001-35479).

Exhibit Number	Description
10.9.3†	Form of MRC Global Inc. (f/k/a McJunkin Red Man Holding Corporation) Director Option Agreement. (Incorporated by reference to Exhibit 10.28.1 to the Registration Statement on Form S-1 of MRC Global Inc. (No. 333-178980), filed with the SEC on January 12, 2012, File No. 001-35479).
10.9.4†	Form of MRC Global Inc. (f/k/a McJunkin Red Man Holding Corporation) Nonqualified Stock Option Agreement (for awards prior to 2013). (Incorporated by reference to Exhibit 10.28.2 to the Registration Statement on Form S-1 of MRC Global Inc. (No. 333-178980), filed with the SEC on January 12, 2012, File No. 001-35479).
10.9.5†	Form of MRC Global Inc. Nonqualified Stock Option Agreement (for awards in 2013). (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of MRC Global Inc. for the quarter ended March 31, 2013, filed with the SEC on May 3, 2013, File No. 001-35479).
10.9.6†	Form of MRC Global Inc. Nonqualified Stock Option Agreement (for awards in 2014). (Incorporated by reference to Exhibit 10.13.7 to Form 10-K of MRC Global Inc. for the year ended December 31, 2013, filed with the SEC on February 21, 2014, File No. 001-35479).
10.9.7†	Form of MRC Global Inc. Director Restricted Stock Award Agreement. (Incorporated by reference to Exhibit 10.13.9 to Form 10-K of MRC Global Inc. for the year ended December 31, 2013, filed with the SEC on February 21, 2014, File No. 001-35479).
10.9.8†	Form of MRC Global Inc. Restricted Stock Award Agreement (for 2015 awards) (Incorporated by reference to Exhibit 10.12.11 to Form 10-K of MRC Global Inc. for the year ended December 31, 2014 filed with the SEC on February 20, 2015, File No. 001-35479).
10.9.9†	Form of MRC Global Inc. Performance Share Unit Award Agreement. (Incorporated by reference to Exhibit 10.8.10 to Form 10-K of MRC Global Inc. for the year ended December 31, 2018, filed with the SEC on February 15, 2019, File No. 001-35479).
10.9.10†	Form of MRC Global Inc. Restricted Stock Unit Award Agreement. (Incorporated by reference to Exhibit 10.8.11 to Form 10-K of MRC Global Inc. for the year ended December 31, 2018, filed with the SEC on February 15, 2019, File No. 001-35479).
10.10†	MRC Global Director Compensation Plan (Incorporated by reference to Exhibit 10.11 to Form 10-K of MRC Global Inc. for the year ended December 31, 2017 filed with the SEC on February 16, 2018, File No. 001-35479).
10.11†	MRC Global Inc. (f/k/a McJunkin Red Man Holding Corporation) Nonqualified Stock Option Agreement, dated as of December 3, 2009, by and among MRC Global Inc., PVF Holdings LLC (now dissolved), and John A. Perkins. (Incorporated by reference to Exhibit 10.29 to the Registration Statement on Form S-4 of McJunkin Red Man Corporation (No. 333-173035), filed with the SEC on March 24, 2011, File No. 001-35479).
10.12	Indemnity Agreement, dated as of December 4, 2006, by and among MRC Global Inc. (f/k/a McJunkin Red Man Holding Corporation), Hg Acquisition Corp., MRC Global (US) Inc. (f/k/a McJunkin Red Man Corporation), and certain shareholders of MRC Global (US) Inc. named therein. (Incorporated by reference to Exhibit 10.21 to Amendment No. 1 of the Registration Statement on Form S-1 of MRC Global Inc. (f/k/a McJunkin Red Man Holding Corporation) (No. 333-153091), filed with the SEC on September 26, 2008, File No. 001-35479).
10.13	Form of Indemnification Agreement between MRC Global Inc. and Officers, Directors and Certain Employees. (Incorporated by reference to Exhibit 10.19 to Form 10-K of MRC Global Inc. for the year ended December 31, 2014, filed with the SEC on February 20, 2015, File No. 001-35479).

Exhibit Number	Description
10.14	Shareholders' Agreement, dated June 10, 2015, by and between MRC Global Inc. and Mario Investments LLC. (Incorporated by reference to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on June 11, 2015, File No. 001-35479).
21.1*	List of Subsidiaries of MRC Global Inc.
23.1*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1*	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities and Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities and Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
100*	The following financial information from MRC Global Inc.'s Annual Report on Form 10-K for the period ended December 31, 2019, formatted in Extensible Business Reporting Language ("XBRL"): (i) the Consolidated Balance Sheets at December 31, 2019 and December 31, 2018, (ii) the Consolidated Statements of Operations for the twelve-month periods ended December 31, 2019, 2018 and 2017, (iii) the Consolidated Statements of Comprehensive Income for the twelve-month periods ended December 31, 2019, 2018 and 2017, (iv) the Consolidated Statements of Cash Flows for the twelve-month periods ended December 31, 2019, 2018 and 2017, (v) the Consolidated Statements of Stockholders' Equity for the twelve-month periods ended December 31, 2019, 2018 and 2017 and (vi) Notes to Consolidated Financial Statements.
101*	Interactive data file.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	XBRL Taxonomy Extension Label Linkbase.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.
104	The cover page from the Company's Quarterly Report on Form 10-K for the year ended December 31, 2019 formatted in Inline XBRL

† Management contract or compensatory plan or arrangement required to be posted as an exhibit to this report.
* Filed herewith.
** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MRC GLOBAL INC.

By: /s/ ANDREW R. LANE

Andrew R. Lane
President and Chief Executive Officer

Date: February 14, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

Signature	Title	Date
/s/ ANDREW R. LANE **Andrew R. Lane**	President and Chief Executive Officer (principal executive officer)	February 14, 2020
/s/ JAMES E. BRAUN **James E. Braun**	Executive Vice President and Chief Financial Officer (principal financial officer)	February 14, 2020
/s/ ELTON BOND **Elton Bond**	Senior Vice President and Chief Accounting Officer (principal accounting officer)	February 14, 2020
/s/ RHYS J. BEST **Rhys J. Best**	Chairman	February 14, 2020
/s/ DEBORAH G. ADAMS **Deborah G. Adams**	Director	February 14, 2020
/s/ LEONARD M. ANTHONY **Leonard M. Anthony**	Director	February 14, 2020
/s/ HENRY CORNELL **Henry Cornell**	Director	February 14, 2020
/s/ BARBARA J. DUGANIER **Barbara J. Duganier**	Director	February 14, 2020
/s/ CRAIG KETCHUM **Craig Ketchum**	Director	February 14, 2020
/s/ DR. CORNELIS ADRIANUS LINSE **Dr. Cornelis Adrianus Linse**	Director	February 14, 2020
/s/ JOHN A. PERKINS **John A. Perkins**	Director	February 14, 2020
/s/ H.B. WEHRLE, III **H.B. Wehrle, III**	Director	February 14, 2020
/s/ ROBERT L. WOOD **Robert L. Wood**	Director	February 14, 2020

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

MRC Global Inc.'s management is responsible for establishing and maintaining adequate internal control over financial reporting. MRC Global Inc.'s internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected and corrected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management has used the framework set forth in the report entitled "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission (2013 framework) to evaluate the effectiveness of the Company's internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2019.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this Form 10-K, has issued an attestation report on the Company's internal control over financial reporting. Ernst & Young LLP's attestation report on the Company's internal control over financial reporting is included in this Form 10-K.

/s/ ANDREW R. LANE

Andrew R. Lane
President and Chief Executive Officer

/s/ JAMES E. BRAUN

James E. Braun
Executive Vice President and Chief Financial Officer

Houston, Texas
February 14, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of MRC Global Inc.

Opinion on Internal Control over Financial Reporting

We have audited MRC Global Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control— Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, MRC Global Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated financial statements of the Company, and our report dated February 14, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Houston, Texas
February 14, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of MRC Global Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of MRC Global Inc. (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income**,** stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework and our report dated February 14, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

	Valuation of International Goodwill
Description of the Matter	As described in Note 6 to the consolidated financial statements, the Company's goodwill in its international reporting unit was $42 million as of December 31, 2019. The Company's goodwill is tested for impairment at least annually at the reporting unit level. The Company's goodwill is attributable to past acquisitions and is assigned to reporting units as of the acquisition date. Auditing management's annual goodwill impairment test for the international reporting unit involved especially challenging auditor judgment due to the significant estimation required in the determination of the fair value of the reporting unit. In particular, the fair value estimate was sensitive to significant assumptions, such as the revenue growth rate, gross margin percentage, terminal value and weighted average cost of capital, which are affected by expectations about future market and economic conditions, as well as Company specific strategic initiatives.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process, including controls over management's review of the significant assumptions described above. To test the estimated fair value of the Company's international reporting unit, we performed audit procedures that included, among others, assessing and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. In addition, we assessed the appropriateness of the fair value methodologies used by the Company in its analysis. We compared the significant assumptions used by management to current industry and economic trends, historical results and other relevant factors, as well as evaluated whether changes to the Company's business model, product mix and other factors would affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting unit that would result from changes in the assumptions. We also involved a specialist to assist in our evaluation of the valuation methodologies applied by the Company and the significant assumptions used by management in estimating the fair value of the reporting unit. We also tested management's reconciliation of the fair value of the reporting units to the market capitalization of the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2007.

Houston, Texas
February 14, 2020

CONSOLIDATED BALANCE SHEETS
MRC GLOBAL INC.
(in millions, except shares)

	December 31,	
	2019	2018
Assets		
Current assets:		
Cash	**$ 32**	$ 43
Accounts receivable, net	**459**	587
Inventories, net	**701**	797
Other current assets	**26**	38
Total current assets	**1,218**	1,465
Long-term assets:		
Operating lease assets	**186**	-
Property, plant and equipment, net	**138**	140
Other assets	**19**	23
Intangible assets:		
Goodwill, net	**483**	484
Other intangible assets, net	**281**	322
	$ 2,325	$ 2,434
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	**$ 357**	$ 435
Accrued expenses and other current liabilities	**91**	130
Operating lease liabilities	**34**	-
Current portion of long-term debt	**4**	4
Total current liabilities	**486**	569
Long-term obligations:		
Long-term debt, net	**547**	680
Operating lease liabilities	**167**	-
Deferred income taxes	**91**	98
Other liabilities	**37**	40
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, 105,624,750 and 104,953,693 issued, respectively	**1**	1
Additional paid-in capital	**1,731**	1,721
Retained deficit	**(483)**	(498)
Treasury stock at cost: 24,216,330 and 19,347,839 shares, respectively	**(375)**	(300)
Accumulated other comprehensive loss	**(232)**	(232)
	642	692
	$ 2,325	$ 2,434

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
MRC GLOBAL INC.
(in millions, except per share amounts)

	Year Ended December 31,		
	2019	2018	2017
Sales	**$ 3,662**	$ 4,172	$ 3,646
Cost of sales	**3,009**	3,483	3,064
Gross profit	**653**	689	582
Selling, general and administrative expenses	**550**	562	536
Operating income	**103**	127	46
Other (expense) income:			
Interest expense	**(40)**	(38)	(31)
Write off of debt issuance costs	**-**	(1)	(8)
Other, net	**3**	7	-
Income before income taxes	**66**	95	7
Income tax expense (benefit)	**27**	21	(43)
Net income	**39**	74	50
Series A preferred stock dividends	**24**	24	24
Net income attributable to common stockholders	**$ 15**	$ 50	$ 26
Basic earnings per common share	**$ 0.18**	$ 0.55	$ 0.28
Diluted earnings per common share	**$ 0.18**	$ 0.54	$ 0.27
Weighted-average common shares, basic	**83.0**	90.1	94.3
Weighted-average common shares, diluted	**83.9**	91.8	95.6

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
MRC GLOBAL INC.
(in millions)

	Year Ended December 31,		
	2019	**2018**	**2017**
Net income	$ **39**	$ 74	$ 50
Other comprehensive income (loss):			
Foreign currency translation adjustments	**5**	(20)	24
Hedge accounting adjustments, net of tax	**(5)**	(2)	-
Total other comprehensive income (loss), net of tax	**-**	(22)	24
Comprehensive income	$ **39**	$ 52	$ 74

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
MRC GLOBAL INC.
(in millions)

	Common Stock		Additional	Retained	Treasury Stock		Accumulated Other	Total
	Shares	Amount	Paid-in Capital	(Deficit)	Shares	Amount	Comprehensive (Loss)	Stockholders' Equity
Balance at December 31, 2016	102	$ 1	$ 1,677	$ (574)	(8)	$ (107)	$ (234)	$ 763
Net income	-	-	-	50	-	-	-	50
Foreign currency translation	-	-	-	-	-	-	24	24
Shares withheld for taxes	-	-	(3)	-	-	-	-	(3)
Equity-based compensation expense	-	-	16	-	-	-	-	16
Exercise of stock options	1	-	1	-	-	-	-	1
Dividends declared on preferred stock	-	-	-	(24)	-	-	-	(24)
Purchase of common stock	-	-	-	-	(4)	(68)	-	(68)
Balance at December 31, 2017	103	1	1,691	(548)	(12)	(175)	(210)	759
Net income	-	-	-	74	-	-	-	74
Foreign currency translation	-	-	-	-	-	-	(20)	(20)
Hedge accounting adjustments	-	-	-	-	-	-	(2)	(2)
Shares withheld for taxes	-	-	(5)	-	-	-	-	(5)
Equity-based compensation expense	-	-	14	-	-	-	-	14
Exercise and vesting of stock awards	2	-	21	-	-	-	-	21
Dividends declared on preferred stock	-	-	-	(24)	-	-	-	(24)
Purchase of common stock	-	-	-	-	(7)	(125)	-	(125)
Balance at December 31, 2018	105	1	1,721	(498)	(19)	(300)	(232)	692
Net income	**-**	-	**-**	**39**				**39**
Foreign currency translation	**-**	-	**-**	-	-	-	**5**	**5**
Hedge accounting adjustments	**-**	-	**-**	-	-	-	**(5)**	**(5)**
Shares withheld for taxes	**-**	-	**(6)**	-	-	-	-	**(6)**
Equity-based compensation expense	**1**	-	**16**	-	-	-	-	**16**
Dividends declared on preferred stock	**-**	-	**-**	**(24)**	-	-	-	**(24)**
Purchase of common stock	**-**	**-**	**-**	**-**	**(5)**	**(75)**	**-**	**(75)**
Balance at December 31, 2019	**106**	**$ 1**	**$ 1,731**	**$ (483)**	**(24)**	**$ (375)**	**$ (232)**	**$ 642**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
MRC GLOBAL INC.

(in millions)	Year Ended December 31,		
	2019	**2018**	**2017**
Operating activities			
Net income	**$ 39**	$ 74	$ 50
Adjustments to reconcile net income to net cash provided by (used in) operations:			
Depreciation and amortization	**21**	23	22
Amortization of intangibles	**42**	45	45
Equity-based compensation expense	**16**	14	16
Deferred income tax benefit	**(5)**	(9)	(78)
Amortization of debt issuance costs	**1**	1	3
Inventory-related charges	**5**	-	6
Write off of debt issuance costs	**-**	1	8
(Decrease) increase in LIFO reserve	**(2)**	62	28
Change in fair value of derivative instruments	**-**	(1)	1
Provision for uncollectible accounts	**2**	1	1
Other non-cash items	**5**	9	2
Changes in operating assets and liabilities:			
Accounts receivable	**127**	(74)	(118)
Inventories	**95**	(175)	(168)
Other current assets	**10**	8	8
Accounts payable	**(79)**	27	93
Accrued expenses and other current liabilities	**(35)**	(17)	33
Net cash provided by (used in) operations	**242**	(11)	(48)
Investing activities			
Purchases of property, plant and equipment	**(18)**	(20)	(30)
Proceeds from the disposition of property, plant and equipment	**1**	6	3
Other investing activities	**1**	-	-
Net cash used in investing activities	**(16)**	(14)	(27)
Financing activities			
Payments on revolving credit facilities	**(1,145)**	(1,118)	(696)
Proceeds from revolving credit facilities	**1,016**	1,280	825
Payments on long-term obligations	**(4)**	(4)	(18)
Debt issuance costs paid	**-**	(1)	(8)
Purchases of common stock	**(75)**	(125)	(68)
Dividends paid on preferred stock	**(24)**	(24)	(24)
Proceeds from exercise of stock options	**-**	21	1
Repurchases of shares to satisfy tax withholdings	**(6)**	(5)	(3)
Net cash (used in) provided by financing activities	**(238)**	24	9
Decrease in cash	**(12)**	(1)	(66)
Effect of foreign exchange rate on cash	**1**	(4)	5
Cash beginning of year	**43**	48	109
Cash end of year	**$ 32**	$ 43	$ 48
Supplemental disclosures of cash flow information:			
Cash paid for interest	**$ 39**	$ 37	$ 27
Cash paid for income taxes	**$ 34**	$ 39	$ 35

See notes to consolidated financial statements.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

Business Operations: MRC Global Inc. is a holding company headquartered in Houston, Texas. Our wholly owned subsidiaries are global distributors of pipe, valves, fittings ("PVF") and other infrastructure products and services across each of the upstream (exploration, production and extraction of underground oil and gas), midstream (gathering and transmission of oil and gas, gas utilities, and the storage and distribution of oil and gas) and downstream (crude oil refining and petrochemical processing) sectors. We have branches in principal industrial, hydrocarbon producing and refining areas throughout the United States, Canada, Europe, Asia, Australasia, the Middle East and Caspian. Our products are obtained from a broad range of suppliers.

Basis of Presentation: The accompanying consolidated financial statements include the accounts of MRC Global Inc. and its wholly owned and majority owned subsidiaries (collectively referred to as the "Company" or by such terms as "we," "our" or "us"). All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. We believe that our most significant estimates and assumptions are related to estimated losses on accounts receivable, the last-in, first-out ("LIFO") inventory costing methodology, estimated net realizable value on excess and obsolete inventories, goodwill, intangible assets, deferred taxes and self-insurance programs. Actual results could differ materially from those estimates.

Cash Equivalents: We consider all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

Allowance for Doubtful Accounts: We evaluate the adequacy of the allowance for losses on receivables based upon periodic evaluation of accounts that may have a higher credit risk using information available about the customer and other relevant data. This formal analysis is inherently subjective and requires us to make significant estimates of factors affecting doubtful accounts including customer specific information, current economic conditions, volume, growth and composition of the account, and other factors such as financial statements, news reports and published credit ratings. The amount of the allowance for the remainder of the trade balance is not evaluated individually but is based upon historical loss experience. Because this process is subjective and based on estimates, ultimate losses may differ from those estimates. Receivable balances are written off when we determine that the balance is uncollectible. Subsequent recoveries, if any, are credited to the allowance when received. The provision for losses on receivables is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Inventories: Our inventories are valued at the lower of cost, principally LIFO, or market. We believe that the use of LIFO results in a better matching of costs and revenue. This practice excludes certain inventories, which are held outside of the United States, approximating $181 million and $187 million at December 31, 2019 and 2018, respectively, which are valued at the lower of weighted-average cost or net realizable value. Our inventory is substantially comprised of finished goods.

Reserves for excess and obsolete inventories are determined based on analyses comparing inventories on hand to sales activity over time. The reserve, which totaled $35 million and $40 million at December 31, 2019 and 2018, respectively, is the amount deemed necessary to reduce the cost of the inventory to its estimated net realizable value.

Debt Issuance Costs: We defer costs directly related to obtaining financing and amortize them over the term of the indebtedness on a straight-line basis. The use of the straight-line method does not produce results that are materially different from those which would result from the use of the effective interest method. These amounts are reflected in the consolidated statement of operations as a component of interest expense. Debt issuance costs associated with our Global ABL Facility are presented in other assets and totaled $2 million and $3 million at December 31, 2019 and 2018, respectively. Debt issuance costs associated with our Term Loan are presented as a reduction of the carrying amount of the debt liability and totaled $2 million at December 31, 2019 and 2018.

Property, Plant and Equipment: Land, buildings and equipment are stated on the basis of cost. For financial statement purposes, depreciation is computed over the estimated useful lives of such assets principally by the straight-line method; accelerated depreciation and cost recovery methods are used for income tax purposes. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvements. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income for the period. Maintenance and repairs are charged to expense as incurred.

Certain systems development costs related to the purchase, development and installation of computer software are capitalized and amortized over the estimated useful life of the related asset. Costs incurred prior to the development stage, as well as maintenance, training costs and general and administrative expenses are expensed as incurred.

Goodwill and Other Intangible Assets: Goodwill represents the excess of acquisition cost over the fair value of net assets acquired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if circumstances indicate that impairment may exist. We evaluate goodwill for impairment at the reporting unit level. Within each reporting unit, we have elected to aggregate the component countries and regions into a single reporting unit based on their similar economic characteristics, products, customers, suppliers, methods of distribution and the manner in which we operate each reporting unit. We perform our annual tests for goodwill impairment as of October 1st of each year, updating on an interim basis should indications of impairment exist.

The goodwill impairment test compares the carrying value of the reporting unit that has the goodwill with the estimated fair value of that reporting unit. To the extent the carrying value of a reporting unit is greater than its estimated fair value, a goodwill impairment charge is recorded for the difference, up to the carrying value of goodwill. Our impairment methodology uses discounted cash flow and multiples of cash earnings valuation techniques, acquisition control premium and valuation comparisons to similar businesses. Each of these methods involves Level 3 unobservable market inputs and require us to make certain assumptions and estimates regarding future operating results, the extent and timing of future cash flows, working capital, sales prices, profitability, discount rates and growth trends. While we believe that such assumptions and estimates are reasonable, the actual results may differ materially from the projected results.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if circumstances indicate that impairment may exist. This test compares the carrying value of the indefinite-lived intangible assets with their estimated fair value. If the carrying value is more than the estimated fair value, impairment losses are recognized in an amount equal to the excess of the carrying value over the estimated fair value. Our impairment methodology uses discounted cash flow and estimated royalty rate valuation techniques. Each of these methods involves Level 3 unobservable market inputs and requires us to make certain assumptions and estimates regarding future operating results, sales prices, discount rates and growth trends. While we believe that such assumptions and estimates are reasonable, the actual results may differ materially from the projected results.

Other intangible assets primarily include trade names, customer bases and noncompetition agreements resulting from business acquisitions. Other intangible assets are recorded at fair value at the date of acquisition. Amortization is provided using the straight-line method over their estimated useful lives, ranging from two years to twenty years.

The carrying value of amortizable intangible assets is subject to an impairment test when events or circumstances indicate a possible impairment. When events or circumstances indicate a possible impairment, we assess recoverability from future operations using undiscounted cash flows derived from the lowest appropriate asset group. If the carrying value exceeds the undiscounted cash flows, an impairment charge would be recognized to the extent that the carrying value exceeds the fair value, which is determined based on a discounted cash flow analysis. While we believe that assumptions and estimates utilized in the impairment analysis are reasonable, the actual results may differ materially from the projected results. These impairments are determined prior to performing our goodwill impairment test.

Derivatives and Hedging: From time to time, we utilize interest rate swaps to reduce our exposure to potential interest rate increases. We have designated our interest rate swap as an effective cash flow hedge utilizing the guidance under ASU 2017-12. As such, the valuation of the interest rate swap is recorded as an asset or liability, and the gain or loss on the derivative is recorded as a component of other comprehensive income. Interest rate swap agreements are reported on the accompanying balance sheets at fair value utilizing observable Level 2 inputs such as yield curves and other market-based factors. We obtain dealer quotations to value our interest rate swap agreements. The fair value of our interest rate swap is estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows at current market interest rates.

We utilize foreign exchange forward contracts (exchange contracts) and options to manage our foreign exchange rate risks resulting from purchase commitments and sales orders. Changes in the fair values of our exchange contracts are based upon independent market quotes. We do not designate our exchange contracts as hedging instruments; therefore, we record our exchange contracts on the consolidated balance sheets at fair value, with the gains and losses recognized in earnings in the period of change.

Fair Value: We measure certain of our assets and liabilities at fair value on a recurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants

would use in pricing an asset or a liability. A three-tier fair value hierarchy is established as a basis for considering such assumptions for inputs used in the valuation methodologies to measuring fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2: Significant observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs for the asset or liability. Unobservable inputs reflect our own assumptions about the assumptions that market participants would use in pricing an asset or liability (including all assumptions about risk).

Certain assets and liabilities are measured at fair value on a nonrecurring basis. Our assets and liabilities measured at fair value on a nonrecurring basis include property, plant and equipment, goodwill and other intangible assets. We do not measure these assets at fair value on an ongoing basis; however, these assets are subject to fair value adjustments in certain circumstances, such as when we recognize an impairment.

Our impairment methodology for goodwill and other indefinite-lived intangible assets uses both (i) a discounted cash flow analysis requiring certain assumptions and estimates to be made regarding the extent and timing of future cash flows, discount rates and growth trends and (ii) valuation based on our publicly traded common stock. As all of the assumptions employed to measure these assets and liabilities on a nonrecurring basis are based on management's judgment using internal and external data, these fair value determinations are classified as Level 3. We have not elected to apply the fair value option to any of our eligible financial assets and liabilities.

Insurance: We are self-insured for employee healthcare as well as physical damage to automobiles that we own, lease or rent, and product warranty and recall liabilities. In addition, we maintain a deductible/retention program as it relates to insurance for property, inventory, workers' compensation, automobile liability, asbestos claims, general liability claims (including, among others, certain product liability claims for property damage, death or injury) and cybersecurity claims. These programs have deductibles and self-insured retentions ranging up to $4 million and are secured by various letters of credit totaling $6 million. Our estimated liability and related expenses for claims are based in part upon estimates that insurance carriers, third-party administrators and actuaries provide. We believe that insurance reserves are sufficient to cover outstanding claims, including those incurred but not reported as of the estimation date. Further, we maintain commercially reasonable umbrella/excess policy coverage in excess of the primary limits. We do not have excess coverage for physical damage to automobiles that we own, lease or rent, and product warranty and recall liabilities. Our accrued liabilities related to deductibles/retentions under insurance programs (other than employee healthcare) were $11 million and $7 million as of December 31, 2019 and 2018. In the area of employee healthcare, we have a commercially reasonable excess stop loss protection on a per person per year basis. Reserves for self-insurance accrued liabilities for employee healthcare were $2 million as of December 31, 2019 and 2018.

Income Taxes: We use the liability method for determining our income taxes, under which current and deferred tax assets and liabilities are recorded in accordance with enacted tax laws and rates. Under this method, deferred tax assets and liabilities are recorded for differences between the financial reporting and tax bases of assets and liabilities using the tax rate expected to be in effect when the taxes will actually be paid or refunds received. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. A valuation allowance to reduce deferred tax assets is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In determining the need for valuation allowances and our ability to utilize our deferred tax assets, we consider and make judgments regarding all the available positive and negative evidence, including the timing of the reversal of deferred tax liabilities, estimated future taxable income, ongoing, prudent and feasible tax planning strategies and recent financial results of operations. The amount of valuation allowances, however, could be adjusted in the future if objective negative evidence in the form of cumulative losses is no longer present in certain jurisdictions and additional weight may be given to subjective evidence such as our projections for growth.

Our tax provision is based upon our expected taxable income and statutory rates in effect in each country in which we operate. We are subject to the jurisdiction of numerous domestic and foreign tax authorities, as well as to tax agreements and treaties among these governments. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events such as the amount, timing and character of deductions, permissible revenue recognition methods under the tax law and the sources and character of income and tax credits. Changes in tax laws, regulations, agreements and treaties, foreign currency exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact on the amount of income taxes we provide during any given year.

A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including any related appeals or litigation processes, on the basis of the technical merits. We adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which the new information is available. We classify interest and penalties related to unrecognized tax positions as income taxes in our financial statements.

Foreign Currency Translation and Transactions: The functional currency of our foreign operations is the applicable local currency. The cumulative effects of translating the balance sheet accounts from the functional currency into the U.S. dollar at current exchange rates are included in accumulated other comprehensive income. The balance sheet accounts (with the exception of stockholders' equity) are translated using current exchange rates as of the balance sheet date. Stockholders' equity is translated at historical exchange rates and revenue and expense accounts are translated using a weighted-average exchange rate during the year. Gains or losses resulting from foreign currency transactions are recognized in the consolidated statements of operations.

Equity-Based Compensation: Our equity-based compensation consisted and consists of restricted stock, restricted unit awards, performance share unit awards and nonqualified stock options. The cost of employee services received in exchange for an award of an equity instrument is measured based on the grant-date fair value of the award. Our policy is to expense equity-based compensation using the fair-value of awards granted, modified or settled. Restricted units and restricted stock are credited to equity as they are expensed over their vesting periods based on the grant date value of the shares vested. The fair value of nonqualified stock options is measured on the grant date of the related equity instrument using the Black-Scholes option-pricing model. A Monte Carlo simulation is completed to estimate the fair value of performance share unit awards with a stock price performance component. We expense the fair value of all equity grants, including performance share unit awards, on a straight-line basis over the vesting period.

Revenue Recognition: Revenue is recognized when control of promised goods or services is transferred to our customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Substantially all of our revenue is recognized when products are shipped or delivered to our customers, and payment is due from our customers at the time of billing with a majority of our customers having 30-day terms. Returns are estimated and recorded as a reduction of revenue. Amounts received in advance of shipment are deferred and recognized when the performance obligations are satisfied. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from sales in the accompanying consolidated statements of operations. In some cases, particularly with third party pipe shipments, shipping and handling costs are considered separate performance obligations, and as such, the revenue and cost of sales are recorded when the performance obligation is fulfilled. Our contracts with customers ordinarily involve performance obligations that are one year or less. Therefore, we have applied the optional exemption that permits the omission of information about our unfulfilled performance obligations as of the balance sheet dates.

Cost of Sales: Cost of sales includes the cost of inventory sold and related items, such as vendor rebates, inventory allowances and reserves, and shipping and handling costs associated with inbound and outbound freight, as well as depreciation and amortization and amortization of intangible assets. Certain purchasing costs and warehousing activities (including receiving, inspection and stocking costs), as well as general warehousing expenses, are included in selling, general and administrative expenses and not in cost of sales. As such, our gross profit may not be comparable to others that may include these expenses as a component of cost of sales.

Earnings per Share: Basic earnings per share are computed based on the weighted-average number of common shares outstanding, excluding any dilutive effects of unexercised stock options, unvested restricted stock awards, unvested restricted stock unit awards, unvested performance share unit awards, and shares of preferred stock. Diluted earnings per share are computed based on the weighted-average number of common shares outstanding including any dilutive effect of unexercised stock options, unvested restricted stock awards, unvested restricted stock unit awards, unvested performance share unit awards, and shares of preferred stock. The dilutive effect of unexercised stock options is calculated under the treasury stock method. Equity awards and shares of preferred stock are disregarded in the calculations of diluted earnings per share if they are determined to be anti-dilutive.

Concentration of Credit Risk: Most of our business activity is with customers in the energy sector. In the normal course of business, we grant credit to these customers in the form of trade accounts receivable. These receivables could potentially subject us to concentrations of credit risk; however, we minimize this risk by closely monitoring extensions of trade credit. We generally do not require collateral on trade receivables. We have a broad customer base doing business in many regions of the world. During 2019, 2018 and 2017, we did not have sales to any one customer in excess of 10% of sales. At those respective year-ends, no individual customer balances exceeded 10% of accounts receivable.

We have a broad supplier base, sourcing our products in most regions of the world. During 2019, 2018 and 2017, we did not have purchases from any one vendor in excess of 10% of our inventory purchases. At those respective year-ends no individual vendor balance exceeded 10% of accounts payable.

We maintain the majority of our cash and cash equivalents with several financial institutions. These financial institutions are located in many different geographical regions with varying economic characteristics and risks. Deposits held with banks may exceed insurance limits. We believe the risk of loss associated with our cash equivalents to be remote.

Adoption of New Accounting Standards: On January 1, 2019, we adopted ASU 2016-02, *Leases*, which requires the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous guidance in Accounting Standards Codification 840. We adopted ASU 2016-02 using the modified retrospective approach. The guidance for this approach included an option to not restate comparative periods in transition and elect to use the effective date as the initial application of transition, which we elected. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classifications. On January 1, 2019, we recorded an operating lease asset of $192 million and an operating lease liability of $208 million. The standard did not impact our consolidated net earnings or cash flows. Adoption of the new standard is more fully described in Note 7.

Recently Issued Accounting Standards: In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which requires that an entity measure impairment of certain financial instruments, including trade receivables, based on expected losses rather than incurred losses. This update is effective for annual and interim financial statement periods beginning after December 15, 2019, with early adoption permitted for financial statement periods beginning after December 15, 2018. In November 2018, the FASB issued ASU 2018-19 which clarifies guidance in ASU 2016-13. We do not expect the adoption of this standard to materially impact our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, an update intended to simplify various aspects related to accounting for income taxes. This guidance removes certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance to improve consistent application. This accounting standards update will be effective for annual and interim financial statement periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of this accounting standards update, but do not expect the adoption to materially impact our consolidated financial statements.

NOTE 2—REVENUE RECOGNITION

Contract Balances: Variations in the timing of revenue recognition, invoicing and receipt of payment result in categories of assets and liabilities that include invoiced accounts receivable, uninvoiced accounts receivable, contract assets and deferred revenue (contract liabilities) on the consolidated balance sheets.

Generally, revenue recognition and invoicing occur simultaneously as we transfer control of promised goods or services to our customers. We consider contract assets to be accounts receivable when we have an unconditional right to consideration and only the passage of time is required before payment is due. In certain cases, particularly those involving customer-specific documentation requirements, invoicing is delayed until we are able to meet the documentation requirements. In these cases, we recognize a contract asset separate from accounts receivable until those requirements are met, and we are able to invoice the customer. Our contract asset balance associated with these requirements, as of December 31, 2019 and December 31, 2018, was $26 million and $38 million, respectively. These contract asset balances are included within accounts receivable in the accompanying consolidated balance sheets.

We record contract liabilities, or deferred revenue, when cash payments are received from customers in advance of our performance, including amounts which are refundable. The deferred revenue balance at December 31, 2019 and December 31, 2018 was $4 million and $6 million, respectively. During the year ended December 31, 2019, we recognized all of the revenue that was deferred as of December 31, 2018. Deferred revenue balances are included within accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

Disaggregated Revenue: Our disaggregated revenue represents our business of selling PVF and other infrastructure products to the energy sector across each of the upstream (exploration, production and extraction of underground oil and gas), midstream (gathering and transmission of oil and gas, gas utilities, and the storage and distribution of oil and gas) and downstream (crude oil refining and petrochemical and chemical processing and general industrials) markets in each of our reportable segments. Each of our end markets and geographical reportable segments are impacted and influenced by varying factors, including macroeconomic environment, commodity prices, maintenance and capital spending, and exploration and production activity. As such, we believe that this information is important in depicting the nature, amount, timing and uncertainty of our contracts with customers.

The following table presents our revenue disaggregated by revenue source (in millions):

	Year Ended December 31,			
	U.S.	Canada	International	Total
2019:				
Upstream	**$ 723**	**$ 162**	**$ 222**	**$ 1,107**
Midstream	**1,379**	**42**	**29**	**1,450**
Downstream	**854**	**22**	**229**	**1,105**
	$ 2,956	**$ 226**	**$ 480**	**$ 3,662**
2018:				
Upstream	$ 777	$ 239	$ 270	$ 1,286
Midstream	1,608	48	21	1,677
Downstream	936	28	245	1,209
	$ 3,321	$ 315	$ 536	$ 4,172

NOTE 3—ACCOUNTS RECEIVABLE

The rollforward of our allowance for doubtful accounts is as follows (in millions):

	December 31,		
	2019	2018	2017
Beginning balance	**$ 4**	$ 4	$ 3
Net charge-offs	**(2)**	(1)	-
Provision	**2**	1	1
Ending balance	**$ 4**	$ 4	$ 4

Our accounts receivable is also presented net of sales returns and allowances. Those allowances approximated $1 million at December 31, 2019 and 2018.

NOTE 4—INVENTORIES

The composition of our inventory is as follows (in millions):

	December 31,	
	2019	2018
Finished goods inventory at average cost:		
Valves, automation, measurement and instrumentation	**$ 355**	$ 366
Carbon steel pipe, fittings and flanges	**268**	346
All other products	**268**	282
	891	994
Less: Excess of average cost over LIFO cost (LIFO reserve)	**(155)**	(157)
Less: Other inventory reserves	**(35)**	(40)
	$ 701	$ 797

Our inventory quantities were reduced during 2019, resulting in a liquidation of a last-in, first out (“LIFO”) inventory layer that was carried at a lower cost prevailing from a prior year, as compared with current costs in the current year (a “LIFO decrement”). A LIFO decrement results in the erosion of layers created in earlier years, and, therefore, a LIFO layer is not created for years that have decrements. For the years ended December 31, 2019, the effect of this LIFO decreased cost of sales by $5 million. There was no LIFO decrement for the years ended December 31, 2018 and 2017.

In the fourth quarter of 2019, we incurred an inventory charge of $5 million associated with excess and obsolete inventory in our International segment. This charge reflected adjustments necessary to reduce the carrying value of these products to their net realizable value.

NOTE 5—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (in millions):

		December 31,	
	Depreciable Life	**2019**	**2018**
Land and improvements	-	**$ 12**	$ 11
Building and building improvements	40 years	**70**	64
Machinery and equipment	3 to 10 years	**155**	150
Enterprise resource planning software	10 years	**56**	56
		293	281
Allowances for depreciation and amortization		**(155)**	(141)
		$ 138	$ 140

Building and building improvements include $10 million of non-cash leasehold improvements representing lease incentives as of December 31, 2019 and December 31, 2018.

NOTE 6—GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by segment for the years ended December 31, 2019, 2018 and 2017 are as follows (in millions):

	US	**Canada**	**International**	**Total**
Goodwill at December 31, 2016 (1)	$ 441	$ -	$ 41	$ 482
Effect of foreign currency translation	-	-	4	4
Goodwill at December 31, 2017	441	-	45	486
Effect of foreign currency translation	-	-	(2)	(2)
Goodwill at December 31, 2018	441	-	43	484
Effect of foreign currency translation	**-**	**-**	**(1)**	**(1)**
Goodwill at December 31, 2019	**$ 441**	$ **-**	$ **42**	$ **483**

(1) Net of prior years' accumulated impairment losses of $350 million, $69 million and $183 million in the U.S., Canadian and International segments, respectively.

Other intangible assets by major classification consist of the following (in millions):

	Gross	Accumulated Amortization	Net Book Value
December 31, 2019			
Customer base (1)	**$ 449**	**$ (300)**	**$ 149**
Indefinite lived trade names (2)	**132**	**-**	**132**
	$ 581	**$ (300)**	**$ 281**
December 31, 2018			
Customer base (1)	$ 661	$ (471)	$ 190
Indefinite lived trade names (2)	132	-	132
	$ 793	$ (471)	$ 322

(1) Net of accumulated impairment losses of $42 million as of December 31, 2019 and 2018. In the year ended December 31, 2019, a customer base intangible with an original value of $212 million was fully amortized. These amounts were removed from the gross values and accumulated amortization presented here.

(2) Net of accumulated impairment losses of $204 million as of December 31, 2019 and 2018.

Amortization of Intangible Assets

Total amortization of intangible assets for each of the years ending December 31, 2020 to 2024 is currently estimated as follows (in millions):

2020	$ 27
2021	24
2022	21
2023	21
2024	20

NOTE 7 – LEASES

We lease certain distribution centers, warehouses, office space, land and equipment. Substantially all of these leases are classified as operating leases. We recognize lease expense on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

Many of our facility leases include one or more options to renew, with renewal terms that can extend the lease term from one year to 15 years with a maximum lease term of 30 years, including renewals. The exercise of lease renewal options is at our sole discretion; therefore, renewals to extend the terms of most leases are not included in our right of use ("ROU") assets and lease liabilities as they are not reasonably certain of exercise. In the case of our regional distribution centers and certain corporate offices, where the renewal is reasonably certain of exercise, we include the renewal period in our lease term. Leases with escalation adjustments based on an index, such as the consumer price index, are expensed based on current rates. Leases with specified escalation steps are expensed based on the total lease obligation ratably over the life of the lease. The depreciable life of assets and leasehold improvements are limited by the expected lease term. Non-lease components, such as payment of real estate taxes, maintenance, insurance and other operating expenses, have been excluded from the determination of our lease liability.

As most of our leases do not provide an implicit rate, we use an incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments using a portfolio approach. For leases that commenced prior to the transition date, we used the incremental borrowing rates as of the beginning of the period of adoption, or January 1, 2019.

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Expense associated with our operating leases was $42 million for the year ended December 31, 2019, which is classified in selling, general and administrative expenses. Cash paid for leases recognized as liabilities was $46 million for the year ended December 31, 2019.

The maturity of lease liabilities is as follows (in millions):

Maturity of Operating Lease Liabilities		
2020	**$**	**40**
2021		**35**
2022		**27**
2023		**21**
2024		**17**
After 2024		**192**
Total lease payments		**332**
Less: Interest		**(131)**
Present value of lease liabilities	**$**	**201**

Amounts maturing after 2024 include expected renewals for leases of regional distribution centers and certain corporate offices through dates up to 2049.

The term and discount rate associated with leases are as follows:

Operating Lease Term and Discount Rate	December 31, 2019
Weighted-average remaining lease term (years)	**14**
Weighted-average discount rate	**7.0%**

NOTE 8—LONG-TERM DEBT

The components of our long-term debt are as follows (in millions):

	December 31,			
	2019		2018	
Senior Secured Term Loan B, net of discount and issuance costs of $2 and $3, respectively	**$**	**390**	$	393
Global ABL Facility		**161**		291
		551		684
Less: current portion		**4**		4
	$	**547**	$	680

Senior Secured Term Loan B: In May 2018, we entered into Refinancing Amendment No. 2 relating to the Term Loan Credit Agreement, dated as of November 9, 2012, by and among the Company, MRC Global (US) Inc., as the borrower, the other subsidiaries of the Company from time to time party thereto as guarantors, the several lenders from time to time party thereto, Bank of America, N.A., as administrative agent, and U.S. Bank National Association, as collateral trustee. Pursuant to the amendment, the parties agreed to appoint JPMorgan Chase Bank, N.A. as the new administrative agent for the lenders. As amended, the Term Loan Agreement provides for a $400 million seven year Term Loan B (the "Term Loan"), which matures September 22, 2024. Pursuant to this amendment, the Company and the other parties thereto agreed to reduce the interest rate margin applicable to term loans, in the case of loans incurring interest based on the base rate, from 250 basis points to 200 basis points, and in the case of loans incurring interest based on LIBOR, from 350 basis points to 300 basis points. The parties to the amendment also agreed to reduce the base rate 'floor' from 2.00% to 1.00% and to reduce the LIBOR 'floor' from 1.00% to 0.00%. The parties also reset the prepayment premium applicable to voluntary prepayments of the term loans such that repayments made in connection with certain re-pricing transactions will be subject to a 1% premium if made during the first six months following the date of the amendment. Except as described above, the terms of the Term Loan Agreement generally were not modified as a result of the amendment.

Accordion. The Term Loan allows for incremental increases up to an aggregate of $200 million, plus an additional amount such that the Company's first lien leverage ratio (the ratio of the Company's Consolidated EBITDA (as defined under the Term Loan Agreement) to senior secured debt), net of up to $75 million of unrestricted cash, would not exceed 4.00 to 1.00.

Maturity. The scheduled maturity date of the Term Loan is September 22, 2024. The Term Loan will amortize in equal quarterly installments at 1% a year with the payment of the balance at maturity.

Guarantees. The Company and all of the U.S. borrower's current and future wholly owned material U.S. subsidiaries guaranteed the Term Loan subject to certain exceptions.

Security. The Term Loan is secured by a first lien on all of the Company's assets and the assets of its domestic subsidiaries, subject to certain exceptions and other than the collateral securing the Global ABL Facility (which includes accounts receivable, inventory and related assets, collectively, the "ABL collateral"), and by a second lien on the ABL collateral. In addition, a pledge secures the Term Loan of all the capital stock of the Company's domestic subsidiaries and 65% of the capital stock of its first tier foreign subsidiaries, subject to certain exceptions.

Interest Rates and Fees. The Company has the option to pay interest at a base rate, subject to a floor of 1.00%, plus an applicable margin, or at a rate based on LIBOR, subject to a floor of 0.00%, plus an applicable margin. The applicable margin for base rate loans is 200 basis points, and the applicable margin for LIBOR loans is 300 basis points.

Mandatory Prepayment. The Company is required to repay the Term Loan with certain asset sale, insurance and debt proceeds. In addition, on an annual basis, the Company is required to repay an amount equal to 50% of excess cash flow, as defined in the Term Loan agreement, reducing to 25% if the Company's senior secured leverage ratio is no more than 2.75 to 1.00. No payment of excess cash flow is required if the Company's senior secured leverage ratio is less than or equal to 2.50 to 1.00.

Restrictive Covenants. The Term Loan does not include any financial maintenance covenants.

The Term Loan contains restrictive covenants (in each case, subject to exclusions) that limit, among other things, the ability of the Company and its restricted subsidiaries to:

- make investments, including acquisitions;
- prepay certain indebtedness;
- grant liens;
- incur additional indebtedness;
- sell assets;
- make fundamental changes to our business;
- enter into transactions with affiliates; and
- pay dividends.

The Term Loan also contains other customary restrictive covenants. The covenants are subject to various baskets and materiality thresholds, with certain of the baskets permitted by the restrictions on the repayment of subordinated indebtedness, restricted payments and investments being available only when the senior secured leverage ratio of the Company and its restricted subsidiaries is less than 3.75 to 1.00.

The Term Loan provides that the Company and its restricted subsidiaries may incur any first lien indebtedness that is *pari passu* to the Term Loan so long as the pro forma senior secured leverage ratio of the Company and its restricted subsidiaries is less than or equal to 4.00 to 1.00. The Company and its restricted subsidiaries may incur any second lien indebtedness so long as the pro forma junior secured leverage ratio of the Company and its restricted subsidiaries is less than or equal to 4.75 to 1.00. The Company and its restricted subsidiaries may incur any unsecured indebtedness so long as the total leverage ratio of the Company and its restricted subsidiaries is less than or equal to 5.00 to1.00 or the pro forma consolidated interest coverage ratio of the Company and its restricted subsidiaries is greater than or equal to 2.00 to 1.00. Additionally, under the Term Loan, the Company and its restricted subsidiaries may incur indebtedness under the Global ABL Facility (or any replacement facility) in an amount not to exceed the greater of $1.3 billion and a borrowing base (equal to, subject to certain exceptions, 85% of all accounts receivable and 65% of the book value of all inventory owned by the Company and its restricted subsidiaries).

The Term Loan contains certain customary representations and warranties, affirmative covenants and events of default, including, among other things, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy, certain events under ERISA, judgment defaults, actual or asserted failure of any material guaranty or security documents supporting the Term Loan to be in full force and effect and change of control. If such an event of default occurs, the Agent under the Term Loan is entitled to take various actions, including the acceleration of amounts due under the Term Loan and all other actions that a secured creditor is permitted to take following a default.

Global ABL Credit Facility: : In September 2017, the Company entered into a Third Amended and Restated Loan, Security and Guarantee Agreement (the "Global ABL Facility") by and among the Company, the subsidiaries of the Company from time to time party thereto as borrowers and guarantors, the several lenders from time to time party thereto and Bank of America, N.A. as administrative agent, security trustee and collateral agent. As part of the amendment, the multi-currency global asset-based revolving credit facility was re-sized to $800 million from $1.05 billion and the maturity was extended to September 2022 from July 2019. This facility is comprised of $675 million in revolver commitments in the United States, $65 million in Canada, $18 million in Norway, $15 million in Australia, $13 million in the Netherlands, $7 million in the United Kingdom and $7 million in Belgium. It contains an accordion feature that allows us to increase the principal amount of the facility by up to $200 million, subject to securing additional lender commitments.

Guarantees. Each of our current and future wholly owned material U.S. subsidiaries and MRC Global Inc. guarantees the obligations of our borrower subsidiaries under the Global ABL Facility. Additionally, each of our non-U.S. borrower subsidiaries guarantees the obligations of our other non-U.S. borrower subsidiaries under the Global ABL Facility. No non-U.S. subsidiary guarantees the U.S. tranche, and no property of our non-U.S. subsidiaries secures the U.S. tranche.

Security. Obligations under the U.S. tranche are primarily secured, subject to certain exceptions, by a first-priority security interest in the accounts receivable, inventory and related assets of our wholly owned, material U.S. subsidiaries. The security interest in accounts receivable, inventory and related assets of the U.S. borrower subsidiaries ranks prior to the security interest in this collateral which secures the Term Loan. The obligations of any of our non-U.S. borrower subsidiaries are primarily secured, subject to certain exceptions, by a first-priority security interest in the accounts receivable, inventory and related assets of the non-U.S. subsidiary and our wholly owned material U.S. subsidiaries.

Borrowing Bases. Each of our non-U.S. borrower subsidiaries has a separate standalone borrowing base that limits the non-U.S. subsidiary's ability to borrow under its respective tranche, provided that the non-U.S. subsidiaries may utilize excess availability under the U.S. tranche to borrow amounts in excess of their respective borrowing bases (but not to exceed the applicable commitment amount for the foreign subsidiary's jurisdiction), which utilization will reduce availability under the U.S. tranche dollar for dollar.

Subject to the foregoing, our ability to borrow in each jurisdiction, other than Belgium, under the Global ABL Facility is limited by a borrowing base in that jurisdiction equal to 85% of eligible receivables, plus the lesser of 70% of eligible inventory and 85% of appraised net orderly liquidation value of the inventory. In Belgium, our borrowing is limited by a borrowing base determined under Belgian law.

Interest Rates. U.S. borrowings under the facility bear interest at LIBOR plus a margin varying between 1.25% and 1.75% based on our fixed charge coverage ratio. Canadian borrowings under the facility bear interest at the Canadian Dollar Bankers' Acceptances Rate ("BA Rate") plus a margin varying between 1.25% and 1.75% based on our fixed charge coverage ratio. Borrowings by our foreign borrower subsidiaries bear interest at a benchmark rate, which varies based on the currency in which such borrowings are made, plus a margin varying between 1.25% and 1.75% based on our fixed charge coverage ratio.

Excess Availability. At December 31, 2019, availability under our revolving credit facilities was $451 million.

Interest on Borrowings: The interest rates on our borrowings outstanding at December 31, 2019 and 2018, including a floating to fixed interest rate swap and amortization of debt issuance costs, were as follows:

	December 31,	
	2019	**2018**
Senior Secured Term Loan B	**5.50%**	5.76%
Global ABL Facility	**3.47%**	3.95%
Weighted average interest rate	**4.91%**	4.99%

Maturities of Long-Term Debt: At December 31, 2019, annual maturities of long-term debt during the next five years are as follows (in millions):

2020	$ 4
2021	4
2022	165
2023	4
2024	374
Thereafter	-

NOTE 9—DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative financial instruments to help manage our exposure to interest rate risk and fluctuations in foreign currencies.

Interest Rate Swap: In March 2018, we entered into a five year interest rate swap that became effective on March 31, 2018, with a notional amount of $250 million from which we receive payments at 1-month LIBOR and make monthly payments at a fixed rate of 2.7145% with settlement and reset dates on or near the last business day of each month until maturity. The fair value of the swap at inception was zero. The fair value of the interest rate swap was a liability of $9 million and $3 million as of December 31, 2019 and December 31, 2018, respectively.

Foreign Exchange Forward and Option Contracts: All of our foreign exchange derivative instruments are freestanding. We have not designated our foreign exchange derivatives as hedges and, accordingly, changes in their fair market value are recorded in earnings. Foreign exchange forward contracts are reported at fair value utilizing the Level 2 inputs, as the fair value is based on broker quotes for the same or similar derivative instruments. The fair value of foreign exchange derivative instruments recorded in our consolidated balance sheets at December 31, 2019 and 2018 was not material. The total notional amount of outstanding forward foreign exchange contracts was approximately $21 million and $22 million at December 31, 2019 and 2018, respectively.

We recognized a loss of $0 million in the year ended December 31, 2019, a gain of $1 million in the year ended December 31, 2018 and a loss of $1 million in the year ended December 31, 2017 in our consolidated statements of operations related to our derivative instruments.

NOTE 10—INCOME TAXES

The components of our income (loss) before income taxes were (in millions):

	Year Ended December 31,		
	2019	**2018**	**2017**
United States	**$ 86**	$ 95	$ 49
Foreign	**(20)**	-	(42)
	$ 66	$ 95	$ 7

Income taxes included in the consolidated statements of operations consist of (in millions):

	Year Ended December 31,		
	2019	**2018**	**2017**
Current:			
Federal	**$ 22**	$ 21	$ 26
State	**6**	1	5
Foreign	**4**	8	4
	32	30	35
Deferred:			
Federal	**(4)**	(6)	(73)
State	**-**	(1)	(4)
Foreign	**(1)**	(2)	(1)
	(5)	(9)	(78)
Income tax expense (benefit)	**$ 27**	$ 21	$ (43)

Our effective tax rate varied from the statutory federal income tax rate for the following reasons (in millions):

	Year Ended December 31,		
	2019	**2018**	**2017**
Federal tax expense at statutory rates	**$ 14**	$ 20	$ 2
State taxes	**4**	2	2
Effects of tax rate changes on existing temporary differences	**-**	-	(59)
Transition tax	**-**	(4)	7
Nondeductible expenses and other	**3**	2	-
Foreign operations taxed at different rates	**-**	-	(2)
Change in valuation allowance related to foreign losses	**6**	1	7
Income tax expense (benefit)	**$ 27**	$ 21	$ (43)
Effective tax rate	**41%**	22%	(614%)

Significant components of our deferred tax assets and liabilities are as follows (in millions):

	December 31,	
	2019	**2018**
Deferred tax assets:		
Allowance for doubtful accounts	**$ 1**	$ 1
Accruals and reserves	**20**	21
Net operating loss and tax credit carryforwards	**58**	54
Other	**1**	2
Subtotal	**80**	78
Valuation allowance	**(64)**	(60)
Total	**16**	18
Deferred tax liabilities:		
Inventory valuation	**(29)**	(30)
Property, plant and equipment	**(13)**	(13)
Intangible assets	**(63)**	(70)
Total	**(105)**	(113)
Net deferred tax liability	**$ (89)**	$ (95)

We record a valuation allowance when it is more likely than not that some portion or all of our deferred tax assets will not be realized. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. If we were to determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

In the United States, we had approximately $18 million of state net operating loss ("NOL") carryforwards as of December 31, 2019, which will expire in future years through 2032 and foreign tax credit ("FTC") carryforwards of $5 million, which will expire in future years through 2027. In certain non-U.S. jurisdictions, we had $189 million of NOL carryforwards, of which $166 million have no expiration and $23 million will expire in future years through 2027. We believe that it is more likely than not that the benefit from U.S. state NOL and FTC carryforwards and non-U.S. jurisdiction NOL carryforwards will not be realized. As such, we have recorded full valuation allowance on the deferred tax assets related to these NOL and FTC carryforwards.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was enacted. Among the significant changes to the U.S. Internal Revenue Code, the Tax Act reduced the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018 and created a new dividend-exemption territorial system with a one-time transition tax on foreign earnings which were previously not taxed in the U.S. We applied the guidance in Staff Accounting Bulletin ("SAB") 118 when accounting for the enactment-date effects of the Tax Act in 2017 and throughout 2018. As of December 31, 2017, we remeasured our U.S. deferred tax assets and liabilities based on the rates at which they were expected to reverse in the future (which was generally 21%) and recorded a provisional tax benefit of $57 million. Upon further analysis of certain aspects of the Tax Act and refinement of our calculations in 2018, we reduced our provisional tax benefit amount by $1 million. The one-time transition tax, calculated as of December 31, 2017, is based on the

total post-1986 earnings and profits of our foreign subsidiaries. We recorded a provisional expense of $7 million for the one-time transition tax liability during 2017. Upon further analyses of the Tax Act and notices and regulations issued and proposed by the U.S. Department of the Treasury and the Internal Revenue Service, we finalized our calculations of the transition tax liability during 2018 and decreased our provisional expense by $4 million. As of December 31, 2019, our transition tax liability had been paid.

The pre-2018 earnings of our foreign subsidiaries were taxed as part of the transition tax described above. Dividends from the earnings of our foreign subsidiaries subsequent to 2017 are eligible for a 100% dividend exclusion in determining our U.S. federal taxes. As such, we do not expect future dividends, if any, from the earnings of our foreign subsidiaries to result in U.S. federal income taxes. Deferred tax liabilities arising from the difference between the financial reporting and income tax bases inherent in these foreign subsidiaries, referred to as outside basis differences, have not been provided for U.S. income tax purposes because we do not intend to sell, liquidate or otherwise trigger the recognition of U.S. taxable income with regard to our investment in these foreign subsidiaries. Determining the amount of U.S. deferred tax liabilities associated with outside basis differences is not practicable at this time.

Our tax filings for various periods are subject to audit by the tax authorities in most jurisdictions where we conduct business. We are no longer subject to U.S. federal income tax examination for all years through 2015 and the statute of limitations at our international locations is generally six years or seven years.

At December 31, 2019 and 2018, our unrecognized tax benefits totaled $4 million and $5 million, respectively, of which it is reasonably possible that $2 million could be settled during the next twelve month period as a result of the conclusion of a state audit.

NOTE 11—REDEEMABLE PREFERRED STOCK

Preferred Stock Issuance

In June 2015, we issued 363,000 shares of Series A Convertible Perpetual Preferred Stock (the "Preferred Stock") and received gross proceeds of $363 million. The Preferred Stock ranks senior to our common stock with respect to dividend rights and rights on liquidation, winding-up and dissolution. The Preferred Stock has a stated value of $1,000 per share, and holders of Preferred Stock are entitled to cumulative dividends payable quarterly in cash at a rate of 6.50% per annum. In June 2018, the holders of Preferred Stock designated one member to our Board of Directors. If we fail to declare and pay the quarterly dividend for an amount equal to six or more dividend periods, the holders of the Preferred Stock would be entitled to designate an additional member to our Board of Directors. Holders of Preferred Stock are entitled to vote together with the holders of the common stock as a single class, in each case, on an as-converted basis, except where a separate class vote of the common stockholders is required by law. Holders of Preferred Stock have certain limited special approval rights, including with respect to the issuance of *pari passu* or senior equity securities of the Company.

The Preferred Stock is convertible at the option of the holders into shares of common stock at an initial conversion rate of 55.9284 shares of common stock for each share of Preferred Stock, which represents an initial conversion price of $17.88 per share of common stock, subject to adjustment. On or after June 10, 2020, the Company will have the option to redeem, in whole but not in part, all the outstanding shares of Preferred Stock at 105% of par value, subject to certain redemption price adjustments. On or after June 10, 2022, the Company will have the option to redeem, in whole but not in part, all of the outstanding shares of Preferred Stock at par value, subject to certain redemption price adjustments. We may elect to convert the Preferred Stock, in whole but not in part, into the relevant number of shares of common stock if the last reported sale price of the common stock has been at least 150% of the conversion price then in effect for a specified period. The conversion rate is subject to customary anti-dilution and other adjustments.

Holders of the Preferred Stock may, at their option, require the Company to repurchase their shares in the event of a fundamental change, as defined in the agreement. The repurchase price is based on the original $1,000 per share purchase price except in the case of a liquidation in which case they would receive the greater of $1,000 per share and the amount that would be received if they held common stock converted at the conversion rate in effect at the time of the fundamental change. Because this feature could require redemption as a result of the occurrence of an event not solely within the control of the Company, the Preferred Stock is classified as temporary equity on our balance sheet.

NOTE 12—STOCKHOLDERS' EQUITY

Preferred Stock

We have authorized 100,000,000 shares of preferred stock. Our Board of Directors has the authority to issue shares of the preferred stock. As of December 31, 2019 and 2018, the 363,000 shares of preferred stock described in Note 11 were issued and outstanding.

Share Repurchase Programs

From time to time, the Company's board of directors has authorized repurchase programs for shares of the Company's common stock. Under these plans, we have repurchased 24,216,330 shares of common stock at an average price per share of $15.48 for a total cost of $375 million. As of December 31, 2019, there were no remaining authorizations outstanding under these programs. There were 81,408,420 shares of common stock outstanding as of December 31, 2019.

The following table summarizes the share repurchase activity:

	2019	2018	2017
Number of shares acquired on the open market	**4,868,491**	7,596,113	4,074,146
Average price per share	**$ 15.38**	$ 16.46	$ 16.62
Total cost of acquired shares (in millions)	**$ 75**	$ 125	$ 68

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss in the accompanying consolidated balance sheets consists of the following (in millions):

	December 31,	
	2019	2018
Currency translation adjustments	**$ (224)**	$ (229)
Hedge accounting adjustments	**(7)**	(2)
Other adjustments	**(1)**	(1)
Accumulated other comprehensive loss	**$ (232)**	$ (232)

Earnings per Share

Earnings per share are calculated in the table below (in millions, except per share amounts):

	Year Ended December 31,		
	2019	2018	2017
Net income attributable to common stockholders	**$ 15**	$ 50	$ 26
Average basic shares outstanding	**83.0**	90.1	94.3
Effect of dilutive securities	**0.9**	1.7	1.3
Average diluted shares outstanding	**83.9**	91.8	95.6
Net income per share:			
Basic	**$ 0.18**	$ 0.55	$ 0.28
Diluted	**$ 0.18**	$ 0.54	$ 0.27

Equity awards and shares of Preferred Stock are disregarded in this calculation if they are determined to be anti-dilutive. For the years ended December 31, 2019, 2018 and 2017, our anti-dilutive stock options were 2.5 million, 3.1 million and 3.6 million, respectively.

NOTE 13—EMPLOYEE BENEFIT PLANS

Equity Compensation Plans: Our 2007 Stock Option Plan (prior to its replacement) permitted the grant of stock options to our employees, directors and consultants for up to 3,750,000 shares of common stock. The options were not to be granted with an exercise price less than the fair market value of the Company's common stock on the date of the grant, nor for a term exceeding ten years. Vesting generally occurred over a five year period on the anniversaries of the date specified in the employees' respective option agreements, subject to accelerated vesting under certain circumstances set forth in the option agreements. During 2019, 1,104 stock options were exercised, and no stock options were granted under this plan.

In April 2012, we replaced our 2007 Stock Option Plan and our 2007 Restricted Stock Plan with the 2011 Omnibus Incentive Plan. No additional shares or other equity interests will be awarded under the prior plans. The 2011 Omnibus Incentive Plan originally had 3,250,000 shares reserved for issuance pursuant to the plan. In both April 2015 and 2019, our shareholders approved an additional 4,250,000 shares and 2,500,000 shares, respectively, for reservation for issuance under the plan. The plan permits the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other stock-based and cash-based awards. Since the adoption of the 2011 Omnibus Incentive Plan, the Company's Board of Directors has periodically granted stock options, restricted stock awards, restricted stock units and performance share units to directors and employees, but no other types of awards have been granted under the plan. Options and stock appreciation rights may not be granted at prices less than their fair market value on the date of the grant, nor for a term exceeding ten years. For employees, vesting generally occurs over a three year to five year period on the anniversaries of the date specified in the employees' respective agreements, subject to accelerated vesting under certain circumstances set forth in the agreements. Vesting for directors generally occurs on the one year anniversary of the grant date. In 2019, 74,055 shares of restricted stock, 242,290 performance share units and 712,600 restricted units were granted to executive management, members of our Board of Directors and employees under this plan. During 2018, 81,542 shares of restricted stock, 222,435 performance share units and 507,507 restricted units were granted to executive management, members of our Board of Directors and employees under this plan. To date, 7,711,359 shares have been granted under this plan. A Black-Scholes option pricing model is used to estimate the fair value of the stock options. A Monte Carlo simulation is completed to estimate the fair value of performance share unit awards with a stock price performance component. We expense the fair value of all equity grants, including performance share unit awards, on a straight line basis over the vesting period.

Stock Options

The following tables summarize award activity for stock options:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Stock Options			*(years)*	*(millions)*
Balance at December 31, 2018	**2,450,373**	**$ 23.81**	**3.5**	**$ -**
Exercised	**(1,104)**	**18.10**		
Forfeited	**(230,363)**	**22.11**		
Expired	**-**	**-**		
Balance at December 31, 2019	**2,218,906**	**$ 23.99**	**2.7**	**$ -**
At December 31, 2019				
Options outstanding, vested and exercisable	**2,218,906**	**$ 23.99**	**2.7**	**$**
Options outstanding, vested and expected to vest	**2,218,906**	**23.99**	**2.7**	

	Year Ended December 31,		
	2019	2018	2017
Stock Options			
Weighted-average, grant-date fair value of awards granted	$ **-**	$ -	$ -
Total intrinsic value of stock options exercised	**767**	1,722,539	633,244
Total fair value of stock options vested	**-**	-	10,738,309

Restricted Stock Awards

The following tables summarizes award activity for restricted stock awards:

	Shares	Weighted Average Grant-Date Fair Value
Restricted Stock Awards		
Nonvested at December 31, 2018	**83,391**	**$ 19.05**
Granted	**74,055**	**18.05**
Vested	**(81,984)**	**19.05**
Forfeited	**(1,407)**	**19.15**
Nonvested at December 31, 2019	**74,055**	**$ 18.05**

	Year Ended December 31,		
	2019	2018	2017
Restricted Stock Awards			
Weighted-average, grant-date fair value of awards granted	$ **18.05**	$ 19.28	$ 18.31
Total fair value of restricted stock vested	**1,461,431**	4,986,620	6,473,330

Restricted Stock Unit Awards

The following table summarizes award activity for restricted unit awards:

	Shares	Weighted Average Grant-Date Fair Value
Restricted Stock Unit Awards		
Nonvested at December 31, 2018	**1,246,109**	**$ 15.49**
Granted	**712,600**	**15.25**
Vested	**(568,156)**	**14.01**
Forfeited	**(69,171)**	**16.20**
Nonvested at December 31, 2019	**1,321,382**	**$ 15.96**

	Year Ended December 31,		
	2019	2018	2017
Restricted Stock Unit Awards			
Weighted-average, grant-date fair value of awards granted	$ **15.25**	$ 16.08	$ 20.55
Total fair value of restricted stock units vested	**9,619,773**	9,187,360	6,672,405

Performance Share Unit Awards

Performance share units have been granted to certain executive officers. The performance unit awards will be earned only to the extent that MRC Global attains specified performance goals over a three year period relating to MRC Global's total shareholder return compared to companies within the Philadelphia Oil Service Index and specified return on average net capital employed calculation ("RANCE") goals established on the date in which the award was granted. The number of shares awarded at the end of the three year period could vary from zero, if performance goals are not met, to as much as 200% of target, if performance goals are exceeded.

The following tables summarizes award activity for performance unit awards:

	Shares	Weighted Average Grant-Date Fair Value
Performance Share Unit Awards		
Nonvested at December 31, 2018	**714,681**	**$ 15.80**
Granted	**242,290**	**19.40**
Vested (1)	**(185,393)**	**10.45**
Forfeited	**(159,529)**	**9.69**
Nonvested at December 31, 2019	**612,049**	**$ 20.60**

(1) Excludes 158,661 shares awarded for performance above goals.

	Year Ended December 31,		
	2019	2018	2017
Performance Share Unit Awards			
Weighted-average, grant-date fair value of awards granted	$ **19.40**	$ 18.87	$ 24.18
Total fair value of performance share units vested	**5,921,169**	2,349,749	-

Recognized compensation expense and related income tax benefits under our equity-based compensation plans are set forth in the table below (in millions):

	Year Ended December 31,		
	2019	**2018**	**2017**
Equity-based compensation expense:			
Stock options	**$ -**	$ -	$ 2
Restricted stock awards	**1**	2	4
Restricted stock unit awards	**10**	9	8
Performance share unit awards	**5**	3	2
Total equity-based compensation expense	**$ 16**	$ 14	$ 16
Income tax benefits related to equity-based compensation	**$ 4**	$ 3	$ 6

Unrecognized compensation expense under our equity-based compensation plans is set forth in the table below (in millions):

	Weighted-Average Vesting Period (in years)	**December 31, 2019**
Unrecognized equity-based compensation expense:		
Restricted stock awards	0.3	**$ 1**
Restricted stock unit awards	0.8	**8**
Performance share unit awards	1.3	**3**
Total unrecognized equity-based compensation expense		**$ 12**

Defined Contribution Employee Benefit Plans: We maintain defined contribution employee benefit plans in a number of countries in which we operate including the U.S. and Canada. These plans generally allow employees the option to defer a percentage of their compensation in accordance with local tax laws. In addition, we make contributions under these plans ranging from 1% to 10% of eligible compensation. Expense under defined contribution plans were $9 million, $10 million and $9 million for the years ended December 31, 2019, 2018 and 2017.

NOTE 14—RELATED PARTY TRANSACTIONS

Leases

We lease land and buildings at various locations from Hansford Associates Limited Partnership (“Hansford Associates”) and Prideco LLC (“Prideco”). Certain of our directors participate in ownership of Hansford Associates and Prideco. Most of these leases are renewable for various periods through 2024 and are renewable at our option. The renewal options are subject to escalation clauses. These leases contain clauses for payment of real estate taxes, maintenance, insurance and certain other operating expenses of the properties.

Rent expense attributable to related parties was $1 million for the year ended December 31, 2019 and $2 million for each of the years ended December 31, 2018 and 2017.

Future minimum rental payments required under operating leases with related parties that have initial or remaining non-cancelable lease terms in excess of one year are $1 million per year from 2020 to 2023.

Customers

Certain members of our Board of Directors are also on the board of directors of certain of our customers with which we do business in the ordinary course. We recognized revenue of $18 million, $34 million and $5 million from these customers for the years ended December 31, 2019, 2018 and 2017, respectively. There was $1 million and $5 million of accounts receivable with these customers outstanding as of December 31, 2019 and 2018.

NOTE 15—SEGMENT, GEOGRAPHIC AND PRODUCT LINE INFORMATION

In 2019, as a result of changes in our management structure, we combined our U.S. Eastern Region and Gulf Coast and our U.S. Western region into one operating segment. Previously, the two separate U.S. operating segments were combined for reporting purposes as a result of their economic similarity. Following this change, our business is comprised of three operating and reportable segments: U.S., Canada and International. Our International segment consists of our operations outside of the U.S. and Canada. These segments represent our business of selling PVF and other infrastructure products and services to the energy sector across each of the upstream (exploration, production and extraction of underground oil and gas), midstream (gathering and transmission of oil and gas, gas utilities, and the storage and distribution of oil and gas) and downstream (crude oil refining, petrochemical and chemical processing and general industrials) markets.

The following table presents financial information for each segment (in millions):

	Year Ended December 31,		
	2019	2018	2017
Sales			
U.S.	**$ 2,956**	$ 3,321	$ 2,860
Canada	**226**	315	294
International	**480**	536	492
Consolidated sales	**$ 3,662**	$ 4,172	$ 3,646
Depreciation and amortization			
U.S.	**$ 15**	$ 16	$ 15
Canada	**1**	1	1
International	**5**	6	6
Total depreciation and amortization expense	**$ 21**	$ 23	$ 22
Amortization of intangibles			
U.S.	**$ 39**	$ 42	$ 41
Canada	**1**	1	2
International	**2**	2	2
Total amortization of intangibles expense	**$ 42**	$ 45	$ 45
Operating income (loss)			
U.S.	**$ 104**	$ 112	$ 67
Canada	**(1)**	9	11
International	**-**	6	(32)
Total operating income	**103**	127	46
Interest expense	**(40)**	(38)	(31)
Other income (expense)	**3**	6	(8)
Income before income taxes	**$ 66**	$ 95	$ 7

Total assets by segment are as follows (in millions):

	December 31,	
	2019	2018
Total assets		
United States	**$ 1,915**	$ 2,088
Canada	**91**	124
International	**319**	222
Total assets	**$ 2,325**	$ 2,434

The percentages of our property, plant and equipment relating to the following geographic areas are as follows:

	December 31,	
	2019	**2018**
Property, plant and equipment		
United States	**78%**	77%
Canada	**10%**	10%
International	**12%**	13%
Total property, plant and equipment	**100%**	100%

Our net sales and percentage of total sales by product line are as follows (in millions):

	Year Ended December 31,					
	2019		**2018**		**2017**	
Line pipe	**$ 560**	**15%**	$ 728	18%	$ 685	19%
Carbon steel fittings and flanges	**565**	**16%**	683	16%	548	15%
Total carbon steel pipe, fittings and flanges	**1,125**	**31%**	1,411	34%	1,233	34%
Valves, automation, measurement and instrumentation	**1,434**	**39%**	1,553	37%	1,319	36%
Gas products	**551**	**15%**	561	13%	485	13%
Stainless steel alloy pipe and fittings	**177**	**5%**	196	5%	183	5%
General oilfield products	**375**	**10%**	451	11%	426	12%
	$ 3,662		$ 4,172		$ 3,646	

NOTE 16—FAIR VALUE MEASUREMENTS

With the exception of long-term debt, the fair values of our financial instruments, including cash and cash equivalents, accounts receivable, trade accounts payable and accrued liabilities approximate carrying value. The carrying value of our debt was $551 million and $684 million at December 31, 2019 and 2018, respectively. The fair value of our debt was $554 million and $675 million at December 31, 2019 and 2018, respectively. The carrying values of amounts outstanding under our Global ABL Facility approximate fair value. We estimate the fair value of the Term Loan using Level 2 inputs, or quoted market prices as of December 31, 2019 and 2018, respectively.

Goodwill and other intangible assets are subject to annual impairment testing, which requires a significant degree of management judgment. If the testing results in impairment, we would measure goodwill and other intangible assets using level 3 non-recurring inputs.

NOTE 17—COMMITMENTS AND CONTINGENCIES

Legal Proceedings

Asbestos Claims. We are one of many defendants in lawsuits that plaintiffs have brought seeking damages for personal injuries that exposure to asbestos allegedly caused. Plaintiffs and their family members have brought these lawsuits against a large volume of defendant entities as a result of the various defendants' manufacture, distribution, supply or other involvement with asbestos, asbestos-containing products or equipment or activities that allegedly caused plaintiffs to be exposed to asbestos. These plaintiffs typically assert exposure to asbestos as a consequence of third-party manufactured products that the Company's subsidiary, MRC Global (US) Inc., purportedly distributed. As of December 31, 2019, we are a named defendant in approximately 597 lawsuits involving approximately 1,173 claims. No asbestos lawsuit has resulted in a judgment against us to date, with the majority being settled, dismissed or otherwise resolved. Applicable third-party insurance has substantially covered these claims, and insurance should continue to cover a substantial majority of existing and anticipated future claims. Accordingly, we have recorded a liability for our estimate of the most likely settlement of asserted claims and a related receivable from insurers for our estimated recovery, to the extent we believe that the amounts of recovery are probable.

We annually conduct analyses of our asbestos-related litigation to estimate the adequacy of the reserve for pending and probable asbestos-related claims. Given these estimated reserves and existing insurance coverage that has been available to cover substantial portions of these claims, we believe that our current accruals and associated estimates relating to pending and probable asbestos-related litigation likely to be asserted over the next 15 years are currently adequate. This belief, however, relies on a number of assumptions, including:

- That our future settlement payments, disease mix and dismissal rates will be materially consistent with historic experience;
- That future incidences of asbestos-related diseases in the U.S. will be materially consistent with current public health estimates;
- That the rates at which future asbestos-related mesothelioma incidences result in compensable claims filings against us will be materially consistent with its historic experience;
- That insurance recoveries for settlement payments and defense costs will be materially consistent with historic experience;
- That legal standards (and the interpretation of these standards) applicable to asbestos litigation will not change in material respects;
- That there are no materially negative developments in the claims pending against us; and
- That key co-defendants in current and future claims remain solvent.

If any of these assumptions prove to be materially different in light of future developments, liabilities related to asbestos-related litigation may be materially different than amounts accrued or estimated. Further, while we anticipate that additional claims will be filed in the future, we are unable to predict with any certainty the number, timing and magnitude of such future claims. In addition, applicable insurance policies are subject to overall caps on limits, which coverage may exhaust the amount available from insurers under those limits. In those cases, the Company would seek indemnity payments from excess insurance policies, but the insurers that issued those policies may not be solvent or may not make payments under the policies without contesting their liability. In our opinion, there are no pending legal proceedings that are likely to have a material adverse effect on our consolidated financial statements.

Other Legal Claims and Proceedings. From time to time, we have been subject to various claims and involved in legal proceedings incidental to the nature of our businesses. We maintain insurance coverage to reduce financial risk associated with certain of these claims and proceedings. It is not possible to predict the outcome of these claims and proceedings. However, in our opinion, there are no pending legal proceedings that are likely to have a material adverse effect on our consolidated financial statements.

Product Claims. From time to time, in the ordinary course of our business, our customers may claim that the products we distribute are either defective or require repair or replacement under warranties that either we or the manufacturer may provide to the customer. These proceedings are, in the opinion of management, ordinary and routine matters incidental to our normal business. Our purchase orders with our suppliers generally require the manufacturer to indemnify us against any product liability claims, leaving the manufacturer ultimately responsible for these claims, although we did incur a charge of $5 million related to the doubtful collection of a product claim against a foreign supplier in the year ended December 31, 2019. In many cases, state, provincial or foreign law provides protection to distributors for these sorts of claims, shifting the responsibility to the manufacturer. In some cases, we could be required to repair or replace the products for the benefit of our customer and seek our recovery from the manufacturer for our expense. In our opinion, the likelihood that the ultimate disposition of any of these claims and legal proceedings would have a material adverse effect on our consolidated financial statements is remote.

Customer Contracts

We have contracts and agreements with many of our customers that dictate certain terms of our sales arrangements (pricing, deliverables, etc.). While we make every effort to abide by the terms of these contracts, certain provisions are complex and may be subject to varying interpretations. Under the terms of these contracts, our customers have the right to audit our adherence to the contract terms. Historically, any settlements that have resulted from these customer audits have been immaterial to our consolidated financial statements.

Letters of Credit

Our letters of credit outstanding at December 31, 2019 approximated $33 million.

Bank Guarantees

Certain of our international subsidiaries have trade guarantees that banks have issued on their behalf. The amount of these guarantees at December 31, 2019 was approximately $6 million.

Purchase Commitments

We have purchase obligations consisting primarily of inventory purchases made in the normal course of business to meet operating needs. While our vendors often allow us to cancel these purchase orders without penalty, in certain cases, cancellations may subject us to cancellation fees or penalties depending on the terms of the contract.

Warranty Claims

We are involved from time to time in various warranty claims, which arise in the ordinary course of business. Historically, any settlements that have resulted from these warranty claims have been immaterial to our consolidated financial statements.

NOTE 18—QUARTERLY INFORMATION (UNAUDITED)

Our quarterly financial information is presented in the table below (in millions, except per share amounts):

	First	Second	Third	Fourth	Year
2019					
Revenue	**$ 970**	**$ 984**	**$ 942**	**$ 766**	**$ 3,662**
Gross profit	**174**	**174**	**174**	**131**	**653**
Net income (loss) attributable to common stockholders	**12**	**18**	**15**	**(30)**	**15**
Earnings per share:					
Basic (1)	**$ 0.14**	**$ 0.22**	**$ 0.18**	**$ (0.37)**	**$ 0.18**
Diluted (1)	**$ 0.14**	**$ 0.21**	**$ 0.18**	**$ (0.37)**	**$ 0.18**
2018					
Revenue	$ 1,010	$ 1,082	$ 1,071	$ 1,009	$ 4,172
Gross profit	169	177	172	171	689
Net income attributable to common stockholders	12	16	18	4	50
Earnings per share:					
Basic (1)	$ 0.13	$ 0.18	$ 0.20	$ 0.05	$ 0.55
Diluted	$ 0.13	$ 0.17	$ 0.20	$ 0.04	$ 0.54

(1) Earnings per share does not add across due to rounding and equity-related transactions resulting in differing weighted average shares outstanding on a quarterly basis.

Exhibit 4.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of February 7, 2020, MRC Global Inc. ("MRC Global", the "Company"," "we," "us," and "our") has 81,408,974 shares of common stock, $0.01 par value per share ("Common Stock") registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Description of Common Stock

The following description of our Common Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and our Amended and Restated Bylaws ("Bylaws"), each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part, and certain applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL").

Authorized Capital Stock

Our authorized capital stock consist of 500,000,000 shares of Common Stock and 100,000,000 shares of preferred stock, $0.01 par value per share ("Preferred Stock").

Common Stock

Voting Rights

Holders of Common Stock are entitled to one vote per share on all matters upon which the shareholders vote, including the election of directors. Our Common Stock does not have cumulative voting rights.

In general, any action requiring the approval of our stockholders may be authorized by the vote of the holders of a majority of the voting power of our issued and outstanding stock entitled to vote, present and voting, in person or represented by proxy. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specific circumstances, directors shall be elected by a plurality of the votes cast at a meeting of stockholders.

Dividend Rights

Subject to the rights of holders of any then outstanding shares of our Preferred Stock, our common stockholders are entitled to receive dividends when, as and if the Board of Directors declares, payable either in cash, in property or in shares of capital stock.

Liquidation Rights

Subject to the rights of holders of outstanding shares of Preferred Stock, if any, holders of Common Stock will share ratably in all assets legally available for distribution to our shareholders in the event of our liquidation, dissolution or winding up.

Other Rights and Preferences

Our Common Stock has no sinking fund or redemption provisions or preemptive, conversion or exchange rights.

Certain Anti-Takeover Effects

General. Certain provisions of our Certificate of Incorporation, our Bylaws and the DGCL may have the effect of impeding the acquisition of control of us. These provisions are designed to reduce, or have the effect of reducing, our vulnerability to unsolicited, coercive takeover attempts.

Stockholder Action by Written Consent. Our Certificate of Incorporation and Bylaws require that all stockholder action be taken at a duly called meeting of the stockholders and prohibit taking action by written consent of stockholders.

Additional Authorized Shares of Capital Stock. The additional shares of authorized Common Stock and Preferred Stock available for issuance under our Certificate of Incorporation could be issued at such times, under such circumstances and with such terms and conditions as to impede a change in control.

Business Combinations with Interested Stockholders. We have elected in our Certificate of Incorporation not to be subject to Section 203 of the DGCL, an antitakeover law. In general, Section 203 prohibits a Delaware corporation, the shares of which are publicly held, from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's voting stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Accordingly, we are not subject to any antitakeover effects of Section 203. However, our Certificate of Incorporation contains provisions that have the same effect as Section 203.

Removal of Directors; Vacancies. Subject to the rights of holders of our Series A Preferred Stock (as defined below), our Certificate of Incorporation and Bylaws provide that any director or our entire Board of Directors may be removed with or without cause by the affirmative vote of at least 75% of all shares then entitled to vote at an election of directors. Subject to the rights of holders of our Series A Preferred Stock (as defined below), our Certificate of Incorporation and Bylaws also provide that any vacancies on our Board of Directors will be filed by the affirmative vote of a majority of our Board of Directors then in office, even if less than a quorum, or by a sole remaining director.

Advance Notice Provisions for Stockholders. To nominate directors to our Board of Directors or bring other business before an annual meeting of our stockholders, a stockholder's notice must be delivered to the Secretary of the Company at the principal executive offices of the Company not earlier than 120 calendar days and not later than 90 calendar days before the first anniversary of the previous year's annual meeting of stockholders, subject to certain exceptions contained in our Bylaws. If the date of the applicable annual meeting is more than 30 days before or more than 30 days after the anniversary date of the meeting, notice by a stockholder to be timely must be delivered not earlier than 120 calendar days before the date of the annual meeting and not later than 90 calendar days before the date of the annual meeting or, if the first public announcement of the date of the annual meeting is less than 100 days prior to the date of the annual meeting, the tenth day following the date on which public announcement of the date of the meeting is first made by the Company. The adjournment or postponement of an annual meeting or the announcement shall not commence a new time period for the giving of a stockholder's notice as described above.

Ability to Call Special Meetings. Our Certificate of Incorporation and Bylaws provide that special meetings of our stockholders can only be called pursuant to a resolution adopted by a majority of our Board of Directors or by the chairman of our Board of Directors.

Description of Preferred Stock

In June 2015, we filed with the Secretary of State of the State of Delaware a Certificate of Designations, Preferences, Rights and Limitations of Series A Convertible Perpetual Preferred Stock (the “Certificate of Designations”) creating the Series A Convertible Perpetual Preferred Stock, par value $0.01 per share (the “Series A Preferred Stock”), and establishing the designations, preferences, and other rights of the Series A Preferred Stock. On June 10, 2015, we issued 363,000 shares of Series A Preferred Stock. In connection with the issuance, we entered into a shareholders’ agreement (the “Shareholders’ Agreement”) with Mario Investments LLC, the initial holder of the Series A Preferred Stock (the “Initial Holder”). The following description is qualified in its entirety by reference to the full text of the Certificate of Designations and the Shareholders’ Agreement, each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part.

Voting and Other Rights

The Series A Preferred Stock ranks senior to our Common Stock with respect to dividend rights and rights on liquidation, winding-up and dissolution. The Series A Preferred Stock has a stated value of $1,000 per share, and holders of the Series A Preferred Stock are entitled to cumulative dividends payable quarterly in cash at a rate of 6.50% per annum. Holders of the Series A Preferred Stock are entitled to vote together with the holders of the Common Stock as a single class, in each case, on an as-converted basis, except when the law requires a separate class vote of the common stockholders. Pursuant to the Shareholders’ Agreement, the Initial Holder and certain related parties (if the Series A Preferred Stock is transferred to those parties (collectively, the “Original Holder’s Group”)) are entitled to vote their shares in their discretion, except that they have agreed to vote their shares in favor of director nominees that the Board of Directors nominates until June 10, 2020. Holders of the Series A Preferred Stock also have certain limited special approval rights, including with respect to the issuance of *pari passu* or senior equity securities of the Company.

Sunset Provisions

Series A Preferred Stock is convertible at the option of the holders of the Series A Preferred Stock into shares of Common Stock at an initial conversion rate of 55.9284 shares of Common Stock for each share of Series A Preferred Stock, which represents an initial conversion price of $17.88 per share of Common Stock, subject to adjustment. On or after June 10, 2020, the Company will have the option to redeem, in whole but not in part, all the outstanding shares of Series A Preferred Stock at 105% of par value, subject to certain redemption price adjustments on the basis of the date of the conversion. On or after June 10, 2022, the Company will have the option to redeem, in whole but not in part, at 100% of par value, all of the outstanding shares of the Series A Preferred Stock, subject to certain redemption price adjustments. We may elect to convert the Series A Preferred Stock, in whole but not in part, into the relevant number of shares of Common Stock on or after December 10, 2019 if the last reported sale price of the Common Stock has been at least 150% of the conversion price then in effect for a specified period. The conversion rate is subject to customary anti-dilution and other adjustments.

Board Representation Rights

Pursuant to the Certificate of Designations and the Shareholders’ Agreement, the Original Holders Group has the right to designate one person to serve as a director on the Board of Directors, so long as the Original Holders Group maintains at least 33% of their original investment and any shares of the Series A Preferred Stock remain outstanding. The Series A Preferred Stock holders also have certain Board of Directors representation rights if dividends payable on the Series A Preferred Stock are in arrears for six or more quarterly periods, but in no event may the Series A Preferred Stock holders appoint more than two directors.

Pursuant to the Shareholders’ Agreement, for so long as the Original Holders Group maintains at least 33% of their original investment (whether in Series A Preferred Stock or common stock received upon conversion of the

Series A Preferred Stock), the Original Holders Group has the right to appoint a single representative, in a non-voting observer capacity, to attend all meetings of the Board of Directors, subject to certain exceptions.

Also, pursuant to the Shareholders' Agreement, if no shares of the Series A Preferred Stock remain outstanding but the Original Holders Group maintains at least 33% of their original investment through their shares of common stock received upon conversion of the Series A Preferred Stock, the Original Holders Group may designate one nominee to serve as a director on the Board of Directors (the "Investor Designee"), subject to the Investor Designee's satisfaction of all applicable requirements regarding service as a director of the Company under applicable law, regulation or stock exchange rules and such other criteria and qualifications the Company maintains that are applicable to all directors as of the date of the issuance of the Series A Preferred Stock. Assuming the satisfaction of these criteria and procedures, the Company is required to increase the size of the Board of Directors by one director and fill the vacancy with the Investor Designee. Thereafter, the Company is required to nominate the Investor Designee for election by the Company's stockholders and recommend that the Company's stockholders vote in favor of the election of the Investor Designee.

If for any reason the director that the Original Holders Group appointed or designated is no longer serving as a director, the Original Holders Group may appoint or designate a new person to fill the vacancy, subject to the continuing threshold set forth above. At such time as the Original Holders Group owns less than 33% of the their original investment, pursuant to the Shareholders' Agreement, the rights of the Original Holders Group terminate and the Investor Designee must resign.

Registration Rights

Pursuant to the Shareholders' Agreement, the Original Holder's Group has certain registration rights, including customary demand and piggyback registration rights in respect of the shares of Series A Preferred Stock and any shares of Common Stock issued upon conversion of the Series A Preferred Stock.

Preemptive Rights

Pursuant to the Shareholders' Agreement, for so long as the Original Holder's Group maintains at least 33% of their original investment (whether in Series A Preferred Stock or shares of Common Stock issued upon conversion of the Series A Preferred Stock), the Company is required to, prior to the issuance of equity securities to a third party (subject to certain exceptions), offer the Original Holder's Group the right to acquire its pro rata portion of such equity securities.

Standstill Obligations

Pursuant to the Shareholders' Agreement, until June 10, 2020, members of the Original Holder's Group may not:

- with limited exceptions, acquire, or facilitate the acquisition or ownership of, any securities of the Company or assets of the Company and its subsidiaries;
- enter into any transaction with respect to, or facilitate, any merger, business combination, recapitalization, restructuring or other extraordinary transaction involving the Company or any of its subsidiaries; or
- participate in any solicitation of proxies to vote or seek to advise or influence any person with respect to the voting of, any securities of the Company or form, join or in any way participate in a group with respect to the voting of any securities of the Company.

Notwithstanding the foregoing standstill obligations, members of the Original Holder's Group may vote their shares as they desire, including for or against one of the transactions subject to the standstill obligations (subject to the requirement to vote for the Company's nominees for the Board of Directors until June 10, 2020). The foregoing standstill provisions will terminate early if a Change of Control (defined in the Shareholders' Agreement) of the Company has occurred, the Company has entered into an agreement providing for a Change of Control or a third

party has made a public offer or proposal that would, if consummated, result in a Change in Control and the Board of Directors has not recommended against the offer or proposal within 10 days from the offer or proposal becoming public. The standstill provisions will also not apply to the Original Holder's Group if they hold less than 10% of the Common Stock on an as-converted basis. Under the Shareholders' Agreement, certain other exceptions apply.

Amending Our Certificate of Incorporation and Bylaws

Subject to the rights of holders of our Series A Preferred Stock, our Certificate of Incorporation provides that our Certificate of Incorporation may generally be amended by the affirmative vote of a majority of our Board of Directors and by the affirmative vote of the majority of all shares of our stock then entitled to vote at any annual or special meeting of stockholders. However, our Certificate of Incorporation also provides that the affirmative vote of at least 75% of the outstanding shares of our Common Stock is required to amend the provisions in our Certificate of Incorporation relating to business opportunities, business combinations with significant shareholders, amendments to the Certificate of Incorporation, and Bylaws, and limitation on liability, and indemnification of officers and directors.

In addition, our Certificate of Incorporation and Bylaws provide that our Bylaws may be amended or repealed or new Bylaws may be adopted by the affirmative vote of a majority of our Board of Directors, or, when a quorum is present at a stockholder meeting, by the affirmative vote of at least 75% of the voting power of our stock entitled to vote thereon.

Notwithstanding anything to the contrary in the two prior paragraphs, pursuant to the Certificate of Designations, in addition to any other vote or consent of stockholders required by law or by our Certificate of Incorporation, the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock is necessary for effecting or validating:

- any amendment of the Certificate of Incorporation authorizing or creating, or increasing the authorized amount of, any class or series of stock that ranks on parity with or senior to the Series A Preferred Stock;

- any amendment of the Certificate of Incorporation adversely affecting the rights, preferences, privileges or voting powers of the Series A Preferred Stock; or

- any consummation of a binding share exchange or reclassification involving the Series A Preferred Stock, or of a merger or consolidation of us with or into another person, subject to certain exceptions.

Listing

Our Common Stock is listed on the New York Stock Exchange under the symbol "MRC."

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Computershare Trust Company, N. A.

Exhibit 21.1

Subsidiaries for 2019 Form 10-K

1.	Greenbrier Petroleum Corporation	U.S. (WV)
2.	McJunkin de Angola, LDA	Angola (inactive)
3.	McJunkin Red Man de Mexico S. de R.L. de C.V.	Mexico
4.	McJunkin Red Man Development Corporation	U.S. (Delaware) (inactive)
5.	McJunkin Red Man International Corp.	BVI
6.	McJunkin Red Man International Services Corp.	BVI
7.	McJunkin Red Man Servicios S. de R.L. de C.V.	Mexico
8.	McJunkin Red Man UK Ltd	UK
9.	McJunkin Venezuela	Venezuela (inactive)
10.	Midway-Tristate Corporation	U.S. (New York) (inactive)
11.	Milton Oil & Gas Company	U.S. (WV)
12.	MRC Canada Holdings LLC	U.S. (Delaware)
13.	MRC Flangefitt Limited	UK
14.	MRC Global Australia Pty Ltd	Australia
15.	MRC Global (Belgium) NV	Belgium
16.	MRC Global (Canada) Ltd.	Canada
17.	MRC Global (Caspian) LLP	Kazakhstan
18.	MRC Global Coöperatief B.A.	Netherlands
19.	MRC Global Cooperative Management LLC	U.S. (Delaware)
20.	MRC Global Distribution (Nigeria) Limited	Nigeria
21.	MRC Global (Finland) Oy	Finland
22.	MRC Global (France) SAS	France
23.	MRC Global (Germany) GmbH	Germany
24.	MRC Global (Italy) Srl	Italy
25.	MRC Global (Korea) Limited	Korea
26.	MRC Global Middle East FZE	UAE
27.	MRC Global Middle East Trading L.L.C.[1]	UAE
28.	MRC Global (Netherlands) B.V.	Netherlands
29.	MRC Global (New Zealand) Limited	New Zealand
30.	MRC Global Norway AS	Norway
31.	MRC Global (Saudi Arabia) LLC[2]	Saudi Arabia
32.	MRC Global (Singapore) Pte. Ltd.	Singapore
33.	MRC Global (Sweden) AB	Sweden
34.	MRC Global (Thailand) Company Limited	Thailand
35.	MRC Global (US) Inc.	U.S. (Delaware)
36.	MRC Management Company	U.S. (Delaware)
37.	MRC Services Company LLC	U.S. (Delaware)
38.	MRC (Shanghai) Trading Co., Ltd.	China
39.	MRC SPF Pty Ltd.	Australia
40.	MRC Stream AS	Norway
41.	MRC Transmark Group B.V.	Netherlands
42.	MRC Transmark Holdings UK Limited	UK
43.	MRC Transmark International B.V.	Netherlands

44.	MRC Transmark Limited	UK
45.	PT MRC Global Indonesia	Indonesia
46.	PT SPF Indonesia	Indonesia
47.	Red Man Pipe & Supply International Limited	Jamaica (inactive)
48.	Ruffner Realty Company	U.S. (WV)
49.	The South Texas Supply Company, Inc.	U.S. (inactive)

[1] MRC Global Middle East Trading L.L.C. is owned 49% by MRC Transmark Holdings UK Ltd. and 51% by Professional Partnership Investments L.L.C., a local corporate sponsor in Abu Dhabi, UAE.

[2] MRC Global (Saudi Arabia) LLC is owned 75% by MRC Transmark Group B.V., 12.5% by Saudi Trading & Research Co Ltd, and 12.5% by Unique Effort Trading Co.,

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (Form S-3 No. 333-187034) of MRC Global Inc.;
- (Form S-8 No. 333-180777) pertaining to the MCJ Holding Corporation 2007 Stock Option Plan and MRC Global Inc. 2011 Omnibus Incentive Plan;
- (Form S-3 No. 333-206456) of MRC Global Inc.;
- (Form S-8 No. 333-206455) pertaining to the MRC Global Inc. 2011 Omnibus Incentive Plan, as amended, and related prospectus;
- (Form S-3 No. 333-226883) of MRC Global, Inc.; and
- (Form S-8 No. 333-231222) pertaining to the MRC Global Inc. 2011 Omnibus Incentive Plan, as amended, and related prospectus

of our reports dated February 14, 2020, with respect to the consolidated financial statements of MRC Global Inc., and the effectiveness of internal control over financial reporting of MRC Global Inc., included in this Annual Report (Form 10-K) of MRC Global Inc. for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Houston, Texas
February 14, 2020

Exhibit 31.1

CERTIFICATION

I, Andrew R. Lane, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2019 of MRC Global Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2020

/s/ Andrew R. Lane

Name: Andrew R. Lane
Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, James E. Braun, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2019 of MRC Global Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2020

/s/ James E. Braun

Name: James E. Braun
Title: Executive Vice President and
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Annual Report on Form 10-K of MRC Global Inc., a Delaware corporation (the "Company"), for the year ended December 31, 2019 (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2020

/s/ Andrew R. Lane

Name: Andrew R. Lane
Title: President and Chief Executive Officer

/s/ James E. Braun

Name: James E. Braun
Title: Executive Vice President and Chief Financial Officer

This certification is not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification is not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.