

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) NOVEMBER 8, 2021:

MRC GLOBAL INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-35479
(Commission
File Number)

20-5956993
(I.R.S. Employer
Identification Number)

**1301 McKinney Street, Suite 2300
Houston, Texas 77010
(Address of Principal Executive Offices)**

Registrant's telephone number, including area code: (877) 294-7574

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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, par value \$0.01 | MRC | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition

On November 8, 2021, MRC Global Inc. (“MRC Global” or the “Company”) issued a press release announcing its financial results for the three and nine months ended September 30, 2021. A copy of the press release is furnished as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 7.01 Regulation FD Disclosure

Earnings Presentation

On November 8, 2021, MRC Global announced its financial results for the three and nine months ended September 30, 2021. In conjunction with this release, the Company issued a presentation summarizing the highlights of the financial results (the “Earnings Presentation”). A copy of the Earnings Presentation is furnished as Exhibit 99.2 to this Form 8-K and is incorporated herein by reference.

The information contained in the Earnings Presentation is summary information that should be considered in the context of MRC Global’s filings with the Securities and Exchange Commission and other public announcements that MRC Global may make by press release or otherwise from time to time. The Earnings Presentation speaks as of the date of this Current Report on Form 8-K. While MRC Global may elect to update the Earnings Presentation in the future or reflect events and circumstances occurring or existing after the date of this Current Report on Form 8-K, MRC Global specifically disclaims any obligation to do so. The Earnings Presentation will also be posted in the Investor Relations section of MRC Global’s website, <http://www.mrcglobal.com>.

The information referenced under Item 7.01 (including Exhibit 99.2 referenced under Item 9.01 below) of this Current Report on Form 8-K is being “furnished” under “Item 7.01. Regulation FD Disclosure” and, as such, shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information set forth in this Current Report on Form 8-K (including Exhibit 99.2 referenced under Item 9.01 below) shall not be incorporated by reference into any registration statement, report or other document filed by MRC Global pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

99.1 [Press release of MRC Global Inc. dated November 8, 2021](#)

99.2 [Earnings presentation of MRC Global Inc. dated November 8, 2021](#)

104 Cover Page Interactive Data File – The cover page XBRL tags from this Current Report on Form 8-K are imbedded within the Inline XBRL document

INDEX TO EXHIBITS

| Exhibit No. | Description |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| 99.1 | Press release dated November 8, 2021 |
| 99.2 | Earnings Presentation dated November 8, 2021 |
| 104 | Cover Page Interactive Data File – The cover page XBRL tags from this Current Report on Form 8-K are imbedded within the Inline XBRL document |

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 hereunto duly authorized.

Date: November 8, 2021

MRC GLOBAL INC.

By: /s/ Kelly Youngblood

Kelly Youngblood

Executive Vice President and Chief Financial Officer



MRC Global Announces Third Quarter 2021 Results

Sales of \$685 million

Net loss attributable to common stockholders of (\$17) million

Adjusted net income attributable to common stockholders of \$8 million

Adjusted EBITDA of \$39 million or 5.7%, both the highest in two years

Houston, TX – November 8, 2021 – MRC Global Inc. (NYSE: MRC), the leading global distributor of pipe, valves and fittings and infrastructure products and services to diversified end-markets, today announced third quarter 2021 results.

The company's sales were \$685 million for the third quarter of 2021, which was consistent with the second quarter of 2021 but 17% higher than the third quarter of 2020. Sequentially, the U.S. segment experienced modest growth led by the downstream, industrial and energy transition (DIET) sector offset by the International segment, which declined due to delayed maintenance, repairs and operations (MRO) and project activity. As compared to the third quarter of 2020, broad economic recovery drove improvement in sales across all sectors.

Net loss attributable to common stockholders for the third quarter of 2021 was (\$17) million, or (\$0.21) per diluted share, as compared to the third quarter of 2020 net loss of (\$3) million, or (\$0.04) per diluted share.

Rob Saltiel, MRC Global's president and chief executive officer stated, "Our third quarter results reflect solid execution and good cost control as we achieved adjusted EBITDA margins of 5.7%, the highest for our company in two years. Our U.S. business grew 2% sequentially while our International segment experienced revenue declines due to delayed MRO and project activity. We expect double-digit revenue growth next year based on our growing backlog and increased customer activity."

MRC Global's third quarter of 2021 gross profit was \$95 million, or 13.9% of sales, as compared to the third quarter of 2020 gross profit of \$114 million, or 19.5% of sales. Gross profit for the third quarter of 2021 includes \$32 million of expense in cost of sales relating to the use of the last-in, first-out (LIFO) method of inventory cost accounting as compared to the third quarter of 2020, which reduced cost of sales by \$11 million. Adjusted gross profit, which excludes the impact of LIFO was \$137 million, or 20.0% of revenue, for the third quarter of 2021 and was \$115 million, or 19.7% of revenue, for the third quarter of 2020.

Please refer to the reconciliation of non-GAAP measures (adjusted gross profit, adjusted SG&A, adjusted EBITDA) to GAAP measures (gross profit, SG&A, net income) in this release.

Selling, general and administrative (SG&A) expenses were \$102 million, or 14.9% of sales, for the third quarter of 2021 compared to \$100 million, or 17.1% of sales, for the same period in 2020. Adjusted SG&A of \$97 million for the third quarter of 2020 excludes \$3 million of severance costs and the recovery of supplier bad debt.

An income tax benefit of \$2 million was generated in the third quarter of 2021, with an effective tax rate of 15%, as compared to income tax expense of \$5 million for the third quarter of 2020. The company's rates generally differ from the U.S. federal statutory rate of 21% as a result of state income taxes and differing foreign income tax rates.

Sales by Geographic Segment

U.S. sales in the third quarter of 2021 were \$570 million, up \$107 million, or 23%, from the same quarter in 2020. The gas utilities sector led the U.S. increase followed by the upstream production sector. The gas utilities sector revenue increased \$63 million, or 31%, driven by the implementation of a new customer contract, increased activity levels as pandemic restrictions eased, and continued execution of our customers' integrity upgrade programs. Upstream production sector sales increased by \$21 million, or 34%, primarily due to increased customer spending, recovery from the pandemic and an increase in well completions. DIET sector sales increased \$12 million, or 9%, from additional turnaround project spending and increased activity associated with recovery from the pandemic. Midstream pipeline sector sales improved \$11 million, or 17%, driven by smaller pipeline projects as well as gathering and processing projects from increased completion activity.

Canada sales in the third quarter of 2021 were \$30 million, up \$3 million, or 11%, from the same quarter in 2020, driven by a stronger Canadian dollar and an improvement in the DIET sector as scheduled maintenance activity increased.

International sales in the third quarter of 2021 were \$85 million, down \$10 million, or 11%, from the same period in 2020 driven by the net effect of non-recurring projects primarily in the upstream sector, partially offset by stronger foreign currencies.

Sales by End-Market Sector

Gas utilities sector sales in the third quarter of 2021 were \$271 million, or 40% of total sales, an increase of \$63 million, or 30%, from the third quarter of 2020, driven by the U.S. segment. Sequentially, the gas utilities sector grew \$2 million, or 1%, primarily related to a general increase in activity, integrity and modernization projects and continued growth with a new customer.

Downstream, industrial and energy transition sector sales in the third quarter of 2021 were \$197 million, or 29% of total sales, an increase of \$12 million, or 6%, from the third quarter of 2020. The increase in DIET sector sales was driven by the U.S. segment. Sequentially, sales in this sector were up \$6 million, or 3% on increased refinery turnarounds and biodiesel projects in the U.S.

Upstream production sector sales in the third quarter of 2021 were \$132 million, or 19% of total sales, an improvement of \$14 million, or 12%, from the third quarter of 2020. The increase in upstream production sales was led by the U.S. segment, partially offset by the International segment. Sequentially, upstream production sector sales decreased \$11 million, or 8%, driven by the International segment.

Midstream pipeline sector sales in the third quarter of 2021 were \$85 million, or 12% of total sales, an increase of \$11 million, or 15%, from the third quarter of 2020, driven by the U.S. segment. Sequentially, midstream pipeline sector sales increased \$2 million, or 2%, due to maintenance and small projects.

Balance Sheet

Cash used by operations was \$31 million in the third quarter of 2021. As of September 30, 2021, the cash balance was \$47 million, long-term debt (including current portion) was \$325 million, and net debt was \$278 million. Availability under the company's asset-based lending facility was \$445 million and available liquidity was \$492 million as of September 30, 2021. In September, the company refinanced the asset-based lending facility with similar interest rates and terms to the previous credit agreement and extended the maturity date to 2026.

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

End-Market Sector Change

Beginning in the third quarter, the Downstream and Industrial end-market sector will be known as the Downstream, Industrial and Energy Transition, or DIET, end-market sector and the company will classify all energy transition MRO and project sales in this sector. This change reflects the growing importance of energy transition and MRC Global's commitment to serve customers in their transition efforts. Currently, this represents a relatively small portion of the company's total revenue, but it is expected to grow with our customer's increasing commitments.

Conference Call

The company will hold a conference call to discuss its third quarter 2021 results at 10:00 a.m. Eastern Time (9:00 a.m. Central Time) on November 9, 2021. To participate in the call, please dial 201-689-8261 and ask for the MRC Global conference call at least 10 minutes prior to the start time. To access the conference call, live over the Internet, please log onto the web at www.mrcglobal.com and go to the "Investor Relations" page of the company's website at least fifteen minutes early to register, download and install any necessary audio software. For those who cannot listen to the live call, a replay will be available through November 23, 2021 and can be accessed by dialing 201-612-7415 and using pass code 13722130#. Also, an archive of the webcast will be available shortly after the call at www.mrcglobal.com for 90 days.

About MRC Global Inc.

Headquartered in Houston, Texas, MRC Global (NYSE: MRC) is the leading global distributor of pipe, valves, fittings (PVF) and infrastructure products and services to diversified end-markets including the gas utilities, downstream, industrial and energy transition, upstream production and midstream pipeline sectors. With over 100 years of experience, MRC Global has provided customers with innovative supply chain solutions, technical product expertise and a robust digital platform from a worldwide network of 220 locations including valve and engineering centers. The company's unmatched quality assurance program offers 200,000 SKUs from 10,000 suppliers, simplifying the supply chain for over 12,000 customers. Find out more at www.mrcglobal.com

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

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

These risks and uncertainties include (among others) decreases in 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; the company's ability to compete successfully with other companies in MRC Global's industry; the risk that manufacturers of the products the company distributes will sell a substantial amount of goods directly to end users in the industry sectors the company serves; unexpected supply shortages; cost increases by the company's suppliers; the company's lack of long-term contracts with most of its suppliers; suppliers' price reductions of products that the company sells, which could cause the value of the company's inventory to decline; decreases in steel prices, which could significantly lower MRC Global's profit; increases in steel prices, which the company may be unable to pass along to its customers which could significantly lower its profit; the company's lack of long-term contracts with many of its customers and the company's lack of contracts with customers that require minimum purchase volumes; changes in the company's customer and product mix; risks related to the company's customers' creditworthiness; the success of the company's acquisition strategies; the potential adverse effects associated with integrating acquisitions into the company's business and whether these acquisitions will yield their intended benefits; the company's significant indebtedness; the dependence on the company's subsidiaries for cash to meet its obligations; changes in the company's credit profile; a decline in demand for certain of the products the company distributes if import restrictions on these products are lifted or imposed; 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 the company's insurance policies to cover losses, including liabilities arising from litigation; product liability claims against the company; pending or future asbestos-related claims against the company; the potential loss of key personnel; adverse health events such as a pandemic; interruption in the proper functioning of the company's information systems and the occurrence of cyber security incidents; loss of third-party transportation providers; potential inability to obtain necessary capital; risks related to adverse weather events or natural disasters; impairment of the company's goodwill or other intangible assets; adverse changes in political or economic conditions in the countries in which the company operates; exposure to U.S. and international laws and regulations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act and other economic sanction programs; risks associated with international stability and geopolitical developments; risks relating to ongoing evaluations of internal controls required by Section 404 of the Sarbanes-Oxley Act; risks related to the company's intention not to pay dividends; and risks arising from compliance with and changes in law in the countries in which we operate, including (among others) changes in tax law, tax rates and interpretation in tax laws.

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

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

Contact:

Monica Broughton
Investor Relations
MRC Global Inc.
Monica.Broughton@mrcglobal.com
832-308-2847

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

| | <u>September 30,</u> <u>2021</u> | <u>December 31,</u> <u>2020</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 47 | \$ 119 |
| Accounts receivable, net | 399 | 319 |
| Inventories, net | 471 | 509 |
| Other current assets | 28 | 19 |
| Total current assets | 945 | 966 |
| Long-term assets: | | |
| Operating lease assets | 186 | 200 |
| Property, plant and equipment, net | 92 | 103 |
| Other assets | 22 | 19 |
| Intangible assets: | | |
| Goodwill, net | 264 | 264 |
| Other intangible assets, net | 210 | 229 |
| | <u>\$ 1,719</u> | <u>\$ 1,781</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 329 | \$ 264 |
| Accrued expenses and other current liabilities | 76 | 94 |
| Operating lease liabilities | 33 | 37 |
| Current portion of long-term debt | 2 | 4 |
| Total current liabilities | 440 | 399 |
| Long-term liabilities: | | |
| Long-term debt, net | 323 | 379 |
| Operating lease liabilities | 173 | 187 |
| Deferred income taxes | 65 | 70 |
| Other liabilities | 32 | 41 |
| 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, 106,882,401 and 106,315,296 issued, respectively | 1 | 1 |
| Additional paid-in capital | 1,747 | 1,739 |
| Retained deficit | (809) | (781) |
| Less: Treasury stock at cost: 24,216,330 shares | (375) | (375) |
| Accumulated other comprehensive loss | (233) | (234) |
| | <u>331</u> | <u>350</u> |
| | <u>\$ 1,719</u> | <u>\$ 1,781</u> |

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

| | Three Months Ended | | Nine Months Ended | |
|----------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| Sales | \$ 685 | \$ 585 | \$ 1,980 | \$ 1,981 |
| Cost of sales | 590 | 471 | 1,670 | 1,640 |
| Gross profit | 95 | 114 | 310 | 341 |
| Selling, general and administrative expenses | 102 | 100 | 304 | 352 |
| Goodwill and intangibles impairment | - | - | - | 242 |
| Operating (loss) income | (7) | 14 | 6 | (253) |
| Other (expense) income: | | | | |
| Interest expense | (6) | (7) | (18) | (22) |
| Other, net | - | 1 | 1 | (1) |
| (Loss) income before income taxes | (13) | 8 | (11) | (276) |
| Income tax (benefit) expense | (2) | 5 | (1) | (7) |
| Net (loss) income | (11) | 3 | (10) | (269) |
| Series A preferred stock dividends | 6 | 6 | 18 | 18 |
| Net loss attributable to common stockholders | \$ (17) | \$ (3) | \$ (28) | \$ (287) |
| Basic loss per common share | \$ (0.21) | \$ (0.04) | \$ (0.34) | \$ (3.50) |
| Diluted loss per common share | \$ (0.21) | \$ (0.04) | \$ (0.34) | \$ (3.50) |
| Weighted-average common shares, basic | 82.7 | 82.1 | 82.5 | 81.9 |
| Weighted-average common shares, diluted | 82.7 | 82.1 | 82.5 | 81.9 |

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

| | Nine Months Ended | |
|-----------------------------------------------------------------------|-------------------------------|-------------------------------|
| | September 30, 2021 | September 30, 2020 |
| Operating activities | | |
| Net loss | \$ (10) | \$ (269) |
| Adjustments to reconcile net loss to net cash provided by operations: | | |
| Depreciation and amortization | 14 | 15 |
| Amortization of intangibles | 18 | 20 |
| Equity-based compensation expense | 10 | 8 |
| Deferred income tax benefit | (7) | (10) |
| Amortization of debt issuance costs | 1 | - |
| Increase (decrease) in LIFO reserve | 47 | (20) |
| Goodwill and intangible asset impairment | - | 242 |
| Lease impairment and abandonment | - | 15 |
| Inventory-related charges | - | 34 |
| Provision for credit losses | - | 3 |
| Other | 3 | 3 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (81) | 110 |
| Inventories | (15) | 102 |
| Other current assets | (11) | (3) |
| Accounts payable | 68 | (63) |
| Accrued expenses and other current liabilities | (21) | (9) |
| Net cash provided by operations | <u>16</u> | <u>178</u> |
| Investing activities | | |
| Purchases of property, plant and equipment | (6) | (8) |
| Other investing activities | 2 | 1 |
| Net cash used in investing activities | <u>(4)</u> | <u>(7)</u> |
| Financing activities | | |
| Payments on revolving credit facilities | (262) | (655) |
| Proceeds from revolving credit facilities | 290 | 519 |
| Payments on long-term obligations | (87) | (5) |
| Debt issuance costs paid | (3) | - |
| Dividends paid on preferred stock | (18) | (18) |
| Repurchases of shares to satisfy tax withholdings | (2) | (3) |
| Net cash used in financing activities | <u>(82)</u> | <u>(162)</u> |
| (Decrease) increase in cash | (70) | 9 |
| Effect of foreign exchange rate on cash | (2) | (1) |
| Cash -- beginning of period | 119 | 32 |
| Cash -- end of period | <u>\$ 47</u> | <u>\$ 40</u> |

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

Disaggregated Sales by Segment and Sector

| Three Months Ended | | | | |
|--------------------------------------------|-----------------|---------------|----------------------|-----------------|
| September 30, | | | | |
| | U.S. | Canada | International | Total |
| 2021 | | | | |
| Gas utilities | \$ 269 | \$ 2 | \$ - | \$ 271 |
| Downstream, industrial & energy transition | 143 | 6 | 48 | 197 |
| Upstream production | 82 | 18 | 32 | 132 |
| Midstream pipeline | 76 | 4 | 5 | 85 |
| | <u>\$ 570</u> | <u>\$ 30</u> | <u>\$ 85</u> | <u>\$ 685</u> |
| 2020 | | | | |
| Gas utilities | \$ 206 | \$ 2 | \$ - | \$ 208 |
| Downstream, industrial & energy transition | 131 | 4 | 50 | 185 |
| Upstream production | 61 | 17 | 40 | 118 |
| Midstream pipeline | 65 | 4 | 5 | 74 |
| | <u>\$ 463</u> | <u>\$ 27</u> | <u>\$ 95</u> | <u>\$ 585</u> |
| Nine Months Ended | | | | |
| September 30, | | | | |
| | U.S. | Canada | International | Total |
| 2021 | | | | |
| Gas utilities | \$ 745 | \$ 5 | \$ - | \$ 750 |
| Downstream, industrial & energy transition | 417 | 15 | 150 | 582 |
| Upstream production | 231 | 62 | 109 | 402 |
| Midstream pipeline | 219 | 10 | 17 | 246 |
| | <u>\$ 1,612</u> | <u>\$ 92</u> | <u>\$ 276</u> | <u>\$ 1,980</u> |
| 2020 | | | | |
| Gas utilities | \$ 605 | \$ 10 | \$ - | \$ 615 |
| Downstream, industrial & energy transition | 447 | 12 | 153 | 612 |
| Upstream production | 266 | 72 | 136 | 474 |
| Midstream pipeline | 257 | 11 | 12 | 280 |
| | <u>\$ 1,575</u> | <u>\$ 105</u> | <u>\$ 301</u> | <u>\$ 1,981</u> |

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

Sales by Product Line

| Type | Three Months Ended | | Nine Months Ended | |
|-----------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| Line pipe | \$ 103 | \$ 63 | \$ 268 | \$ 243 |
| Carbon fittings and flanges | 96 | 76 | 269 | 264 |
| Total carbon pipe, fittings and flanges | 199 | 139 | 537 | 507 |
| Valves, automation, measurement and instrumentation | 230 | 230 | 714 | 802 |
| Gas products | 169 | 131 | 465 | 379 |
| Stainless steel and alloy pipe and fittings | 35 | 29 | 100 | 96 |
| General products | 52 | 56 | 164 | 197 |
| | <u>\$ 685</u> | <u>\$ 585</u> | <u>\$ 1,980</u> | <u>\$ 1,981</u> |

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

| | Three Months Ended | | | |
|-------------------------------------|-------------------------------|-----------------------------------|-------------------------------|----------------------------------|
| | September 30, 2021 | Percentage of Revenue* | September 30, 2020 | Percentage of Revenue |
| Gross profit, as reported | \$ 95 | 13.9% | \$ 114 | 19.5% |
| Depreciation and amortization | 4 | 0.6% | 5 | 0.9% |
| Amortization of intangibles | 6 | 0.9% | 7 | 1.2% |
| Increase (decrease) in LIFO reserve | 32 | 4.7% | (11) | (1.9)% |
| Adjusted Gross Profit | \$ 137 | 20.0% | \$ 115 | 19.7% |

| | Nine Months Ended | | | |
|-------------------------------------|-------------------------------|-----------------------------------|-------------------------------|----------------------------------|
| | September 30, 2021 | Percentage of Revenue* | September 30, 2020 | Percentage of Revenue |
| Gross profit, as reported | \$ 310 | 15.7% | \$ 341 | 17.2% |
| Depreciation and amortization | 14 | 0.7% | 15 | 0.8% |
| Amortization of intangibles | 18 | 0.9% | 20 | 1.0% |
| Increase (decrease) in LIFO reserve | 47 | 2.4% | (20) | (1.0)% |
| Inventory-related charges (1) | - | 0.0% | 34 | 1.7% |
| Adjusted Gross Profit | \$ 389 | 19.6% | \$ 390 | 19.7% |

Notes to above:

* Does not foot due to rounding

(1) Non-cash charges (pre-tax) for inventory recorded in cost of goods sold. Charges of \$19 million in the U.S. and \$1 million in Canada relate to excess and obsolete inventory as a result of the market outlook for certain products. International segment charges of \$14 million relate to increased reserves for excess and obsolete inventory as well as the exit of the Thailand business.

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

MRC Global Inc.
Supplemental Information (Unaudited)
Reconciliation of Selling, General and Administrative Expenses to
Adjusted Selling, General and Administrative Expenses (a non-GAAP measure)
(in millions)

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|-------------------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | <u>September 30,</u> <u>2021</u> | <u>September 30,</u> <u>2020</u> | <u>September 30,</u> <u>2021</u> | <u>September 30,</u> <u>2020</u> |
| Selling, general and administrative expenses | \$ 102 | \$ 100 | \$ 304 | \$ 352 |
| Severance and restructuring (1) | - | (5) | - | (12) |
| Facility closures (2) | - | - | (1) | (15) |
| Recovery of supplier bad debt (3) | - | 2 | - | 2 |
| Employee separation (4) | - | - | (2) | - |
| Adjusted Selling, general and administrative expenses | <u>\$ 102</u> | <u>\$ 97</u> | <u>\$ 301</u> | <u>\$ 327</u> |

Notes to above:

(1) Charges (pre-tax) related to employee severance and restructuring charges associated with the company's cost reduction initiatives in 2020 recorded in SG&A. Charges of \$5 million were recorded in the third quarter of 2020 with \$3 million in the International segment, \$1 million in the U.S. segment and \$1 million in the Canada segment. Charges of \$7 million were recorded in the second quarter 2020 with \$6 million in the U.S. segment and \$1 million in the International segment.

(2) 2021: Charges (pre-tax) \$1 million associated with the exit of the Korea business recorded in the International segment. 2020: Charges (pre-tax) of \$15 million for lease impairments and abandonments related to facility closures, substantially non-cash, recorded in SG&A. \$12 million is recorded in the International segment, \$2 million in the U.S. segment and \$1 million in the Canada segment.

(3) Income (pre-tax) related to the collection of a product claim from a foreign supplier.

(4) Charges (pre-tax) related to employee separation of which \$1 million is non-cash share-based compensation.

The company defines Adjusted Selling, general and administrative (SG&A) expenses as SG&A, less severance and restructuring expenses, employee separation costs, facility closures plus the recovery of supplier bad debt. The company presents Adjusted SG&A because the company believes it is a useful indicator of the company's operating performance without regard to items that can vary substantially from company to company. Among other things, Adjusted SG&A measures the company's operating performance without regard to certain non-recurring, non-cash or transaction-related expenses. The company uses Adjusted SG&A as a key performance indicator in managing its business. The company believes that SG&A is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted SG&A.

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

| | Three Months Ended | | Nine Months Ended | |
|----------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| Net (loss) income | \$ (11) | \$ 3 | \$ (10) | \$ (269) |
| Income tax (benefit) expense | (2) | 5 | (1) | (7) |
| Interest expense | 6 | 7 | 18 | 22 |
| Depreciation and amortization | 4 | 5 | 14 | 15 |
| Amortization of intangibles | 6 | 7 | 18 | 20 |
| Goodwill and intangible asset impairment (1) | - | - | - | 242 |
| Inventory-related charges (2) | - | - | - | 34 |
| Facility closures (3) | - | - | - | 18 |
| Severance and restructuring (4) | - | 5 | - | 12 |
| Employee separation (5) | - | - | 1 | - |
| Increase (decrease) in LIFO reserve | 32 | (11) | 47 | (20) |
| Equity-based compensation expense (6) | 3 | 3 | 10 | 8 |
| Gain on early extinguishment of debt (7) | - | - | - | (1) |
| Recovery of supplier bad debt (8) | - | (2) | - | (2) |
| Foreign currency losses | 1 | 2 | 2 | 3 |
| Adjusted EBITDA | <u>\$ 39</u> | <u>\$ 24</u> | <u>\$ 99</u> | <u>\$ 75</u> |

Notes to above:

- (1) Non-cash charges (pre-tax) for the impairment of \$217 million for goodwill and \$25 million for the U.S. intangible, indefinite-lived tradename asset. The goodwill impairment consisted of \$177 million for the U.S. segment and \$40 million for the International segment, resulting in a \$0 balance for the International segment.
- (2) Non-cash charges (pre-tax) for inventory recorded in cost of goods sold. Charges of \$19 million in the U.S. and \$1 million in Canada relate to excess and obsolete inventory as a result of the current market outlook for certain products. International segment charges of \$14 million relate to increased reserves for excess and obsolete inventory as well as the exit of the Thailand business.
- (3) 2021: Charges (pre-tax) \$1 million associated with the exit of the Korea business recorded in the International segment. 2020: Charges (pre-tax) of \$15 million for lease impairments and abandonments related to facility closures, substantially non-cash, recorded in SG&A. \$12 million is recorded in the International segment, \$2 million in the U.S. segment and \$1 million in the Canada segment. Also included are \$3 million of non-cash (pre-tax) charges for the write-down of assets for facilities in Canada (\$2 million) and International, recorded in Other expense.
- (4) Charges (pre-tax) related to employee severance and restructuring charges associated with the company's cost reduction initiatives recorded in SG&A. Charges of \$5 million were recorded in the third quarter of 2020 with \$3 million in the International segment, \$1 million in the U.S. segment and \$1 million in the Canada segment. Charges of \$7 million were recorded in the second quarter 2020 with \$6 million in the U.S. segment and \$1 million in the International segment.
- (5) Charges (pre-tax) recorded in SG&A. \$2 million relates to employee separation, of which, \$1 million is recorded in equity-based compensation expense, in the first quarter of 2021.
- (6) Recorded in SG&A
- (7) Gain (pre-tax) related to the purchase of the Term Loan recorded in Other, net.
- (8) Income (pre-tax) recorded in SG&A related to the collection of a product claim from a foreign supplier.

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

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

| | September 30, 2021 | | | |
|---------------------------------------------------------|--------------------|-----------|-------------------|-----------|
| | Three Months Ended | | Nine Months Ended | |
| | Amount | Per Share | Amount | Per Share |
| Net loss attributable to common stockholders | \$ (17) | \$ (0.21) | \$ (28) | \$ (0.34) |
| Increase in LIFO reserve, net of tax | 25 | 0.30 | 36 | 0.43 |
| Adjusted net income attributable to common stockholders | \$ 8 | \$ 0.09 | \$ 8 | \$ 0.09 |

| | September 30, 2020 | | | |
|----------------------------------------------------------|--------------------|-----------|-------------------|------------|
| | Three Months Ended | | Nine Months Ended | |
| | Amount | Per Share | Amount | Per Share* |
| Net loss attributable to common stockholders | \$ (3) | \$ (0.04) | \$ (287) | \$ (3.50) |
| Goodwill and intangible asset impairment, net of tax (1) | - | - | 234 | 2.86 |
| Inventory-related charges, net of tax (2) | - | - | 29 | 0.35 |
| Facility closures, net of tax (3) | - | - | 16 | 0.20 |
| Severance and restructuring, net of tax (4) | 5 | 0.06 | 10 | 0.12 |
| Recovery of supplier bad debt, net of tax (5) | (2) | (0.02) | (2) | (0.02) |
| Decrease in LIFO reserve, net of tax | (8) | (0.10) | (15) | (0.18) |
| Adjusted net loss attributable to common stockholders | \$ (8) | \$ (0.10) | \$ (15) | \$ (0.18) |

Notes to above:

* Does not foot due to rounding

- (1) Non-cash charges (after-tax) for the impairment of \$215 million for goodwill and \$19 million for the U.S. intangible, indefinite-lived tradename asset. The after-tax goodwill impairment consisted of \$175 million for the U.S. segment and \$40 million for the International segment, resulting in a \$0 balance for the International segment.
- (2) Charges (after-tax) for inventory recorded in cost of goods sold. Charges (after-tax) of \$15 million in the U.S. relate to excess and obsolete inventory as a result of the current market outlook for certain products. International segment charges (after-tax) of \$14 million relate to increased reserves for excess and obsolete inventory as well as the exit of the Thailand business.
- (3) Charges (after-tax) of \$14 million for lease impairments and abandonments related to facility closures, substantially non-cash, recorded in SG&A. \$11 million is recorded in the International segment, \$2 million in the U.S. segment and \$1 million in Canada segment, each after-tax. Also includes \$2 million of non-cash (after-tax) charges for the write-down of assets for facilities in Canada (\$2 million) and International, recorded in Other expense.
- (4) Charges (after-tax) related to employee severance and restructuring charges associated with the company's cost reduction initiatives recorded in SG&A. Charges of \$5 million were recorded in the third quarter 2020 with \$3 million in the International segment, \$1 million in the U.S. segment and \$1 million in the Canada segment. Charges of \$5 million were recorded in the second quarter 2020 with \$4 million in the U.S. segment and \$1 million in the International segment.
- (5) Income (after-tax) recorded in SG&A related to the collection of a product claim from a foreign supplier.

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

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

| | September 30, 2021 |
|-----------------------------------------|-------------------------------|
| Long-term debt, net | \$ 323 |
| Plus: current portion of long-term debt | 2 |
| Long-term debt | 325 |
| Less: cash | 47 |
| Net Debt | \$ 278 |
| Net Debt | \$ 278 |
| Trailing twelve months adjusted EBITDA | 121 |
| Leverage ratio | 2.3 |

Notes to above:

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

#

MRC Global

3Q 2021 Earnings Presentation

November 8, 2021

Rob Saltiel
President & CEO

Kelly Youngblood
Executive Vice President & CFO



Forward Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Words such as "will," "expect," "look forward," "guidance," "targeted", "goals", and similar expressions are intended to identify forward-looking statements. Statements about the company's business, including its strategy, its industry, the company's future profitability, the company's guidance on its sales, adjusted EBITDA, adjusted net income, adjusted diluted EPS, adjusted SG&A, gross profit, gross profit percentage, adjusted gross profit, adjusted gross profit percentage, net debt, tax rate, capital expenditures and cash from operations, free cash flow, free cash flow after dividends, growth in the company's various markets and the company's expectations, beliefs, plans, strategies, objectives, prospects and assumptions are not guarantees of future performance. These statements are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, most of which are difficult to predict and many of which are beyond our control, including the factors described in the company's SEC filings 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, including the company's Current Report on Form 8-K dated November 8, 2021.

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

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

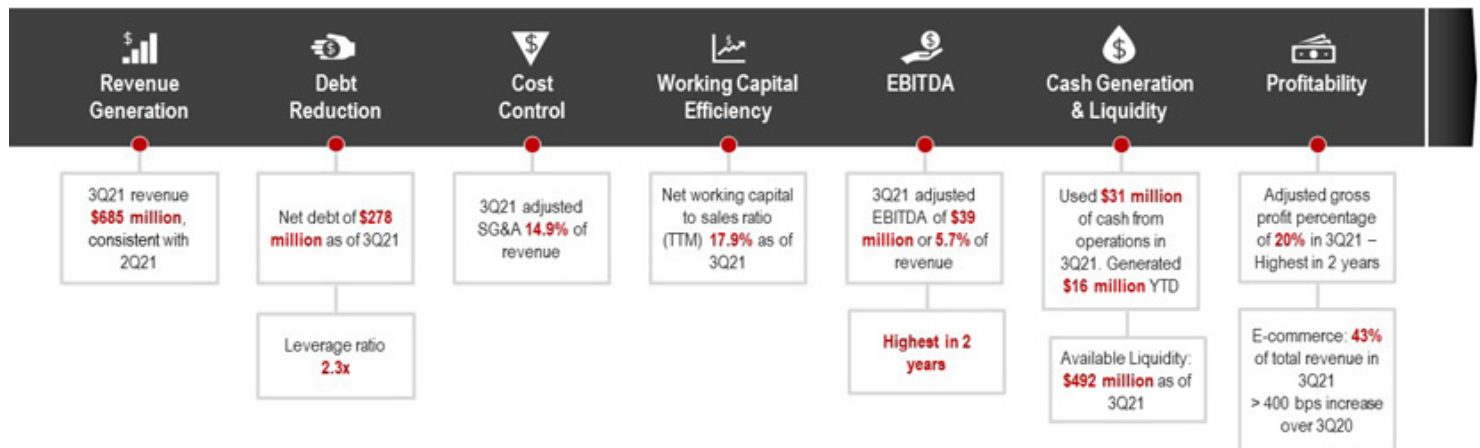
Non-GAAP Disclaimer

In this presentation, the company is providing certain non-GAAP financial measures. These are not measures of financial performance calculated in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and should not be considered as alternatives. The following GAAP measures have the following non-GAAP measures presented and derived from the respective GAAP measures:

- **net income (adjusted EBITDA)**
- **net income margin (adjusted EBITDA margin)**
- **gross profit (adjusted gross profit)**
- **gross profit percentage (adjusted gross profit percentage)**
- **net income (adjusted net income)**
- **diluted earnings per share (adjusted diluted EPS)**
- **selling, general and administrative expense (adjusted SG&A)**
- **net cash provided by operations (free cash flow and free cash flow after dividends)**
- **long-term debt, net (net debt)**

They should be viewed in addition to, and not as a substitute for, analysis of our results reported in accordance with GAAP. Management believes that these non-GAAP financial measures provide investors a view to measures similar to those used in evaluating our compliance with certain financial covenants under our credit facilities and provide meaningful comparisons between current and prior year period results. They are also used as a metric to determine certain components of performance-based compensation. They are not necessarily indicative of future results of operations that may be obtained by the company.

Third Quarter 2021 Results – Key Metrics



Third Quarter 2021 Results

REGION: Revenue Highlights 3Q21 vs 2Q21



U.S.: Increased **2%**, across all sectors, led by the downstream, industrial and energy transition (DIET) sector followed by the midstream pipeline and gas utilities sectors



Canada: was **consistent** with the second quarter due to a stronger Canadian dollar and an increase in line pipe sales offset by non-recurring projects



International: Decreased **13%** driven by the upstream production sector, primarily due to the net effect of delayed MRO and project activity in the upstream sector and non-recurring projects in the downstream sector, partially offset by stronger foreign currencies

INDUSTRY SECTOR: Revenue Highlights 3Q21 vs 2Q21



Gas Utilities: Increased **1%** as customers continued executing integrity upgrade plans on their natural gas distribution networks



Downstream, Industrial & Energy Transition: Increased **3%** due to increased refinery turnarounds and biodiesel projects in the U.S.

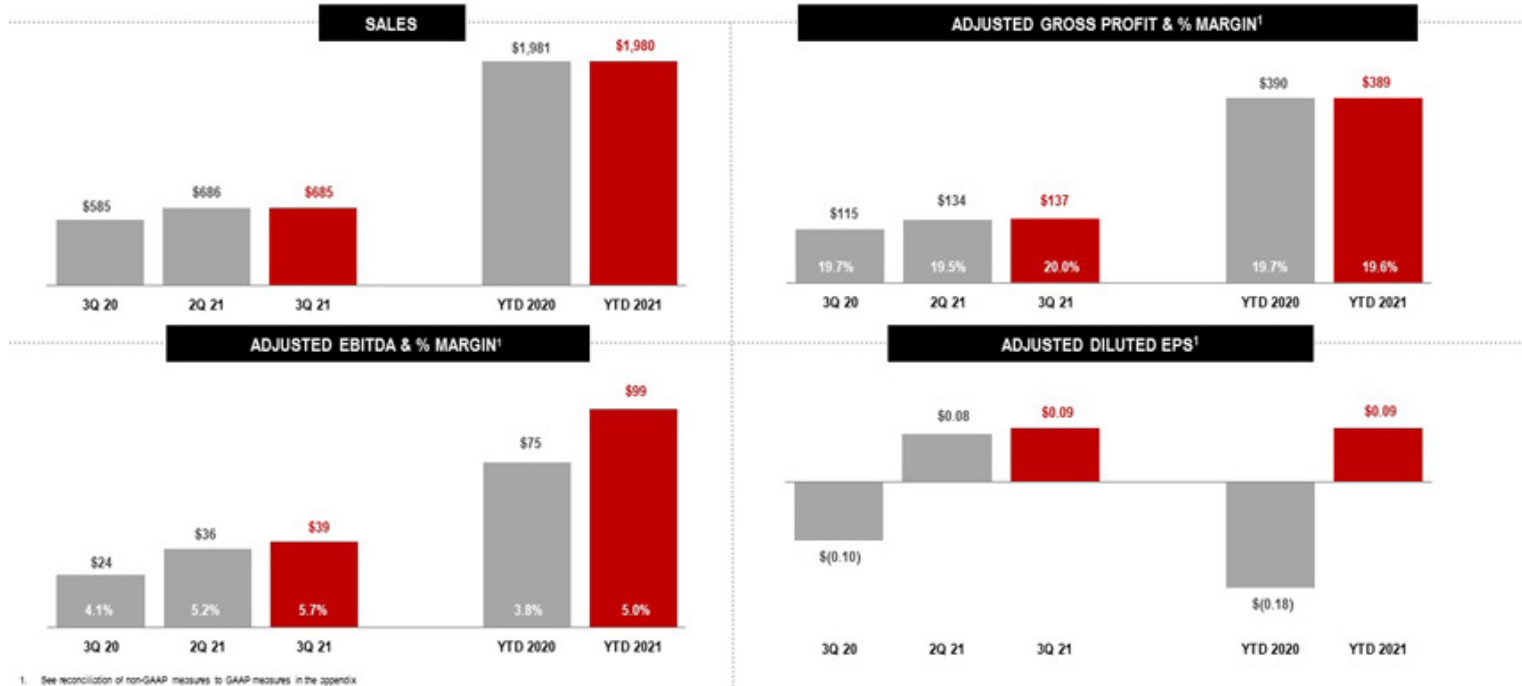


Upstream Production: Decreased **8%** primarily due to the International segment as a result of lower MRO and project activity in Europe and APAC followed by the Canada segment, due to non-recurring projects.



Midstream Pipeline: Increased **2%** due to maintenance and small projects

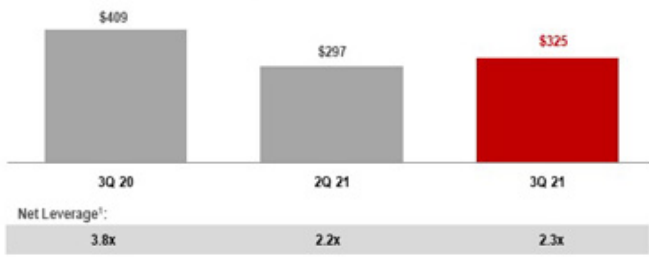
Quarterly Financial Performance YTD (S millions, except per share data)



1. See reconciliation of non-GAAP measures to GAAP measures in the appendix

Strong Balance Sheet & Financial Flexibility (\$ millions)

TOTAL DEBT

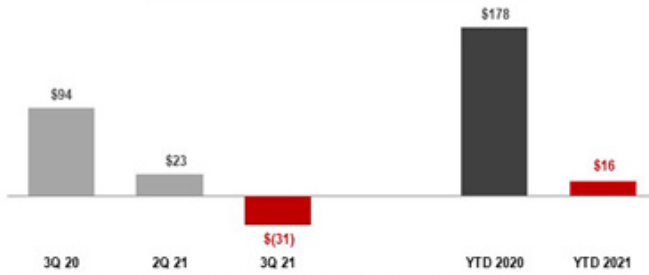


CAPITAL STRUCTURE

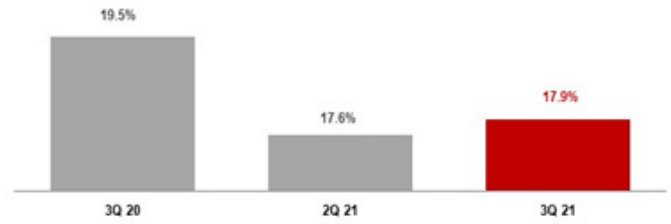
Sept 30, 2021

| | |
|----------------------------------------------------------------------|-----------------|
| Cash and Cash Equivalents | \$ 47 |
| Total Debt (including current portion): | |
| Term Loan B due 2024 (net of discount & deferred financing costs) | \$ 325 |
| Global ABL Facility due 2026 | - |
| Total Debt | \$ 325 |
| Preferred stock | 355 |
| Common stockholders' equity | 331 |
| Total Capitalization | \$ 1,011 |
| Liquidity | \$ 492 |

CASH FLOW FROM OPERATIONS



WORKING CAPITAL TO SALES RATIO²



1. Net leverage multiples represent net debt / trailing twelve months adjusted EBITDA. Net debt is total debt less cash.
 2. Working capital to sales ratio is defined as working capital, net of cash divided by trailing twelve months sales. Calculated with GAAP figures.

Concluding Key Points



Focused on Growth, Operating Cost Discipline & Financial Flexibility

- Revenue growth – **consistent** with 2Q 21
- Adjusted EBITDA – **5.7%** for 3Q 21 - best in two years
- Adjusted SG&A – **14.9%** of total revenue
- Liquidity **\$492 million**
- Leverage ratio – **2.3x**
- Net debt **\$278 million**
- October backlog **up 20%** since 2Q 21 – across all sectors



APPENDIX

Adjusted Gross Profit Reconciliation

| (\$ millions) | THREE MONTHS ENDED | | | | | | NINE MONTHS ENDED | | | |
|-------------------------------------|--------------------|--------------|---------------|--------------|---------------|--------------|-------------------|--------------|---------------|--------------|
| | Sept 30, 2021 | | June 30, 2021 | | Sept 30, 2020 | | Sept 30, 2021 | | Sept 30, 2020 | |
| | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales |
| Sales | \$ 685 | | \$ 686 | | \$ 585 | | \$ 1,980 | | \$ 1,981 | |
| Gross profit | \$ 95 | 13.9% | \$ 112 | 16.3% | \$ 114 | 19.5% | \$ 310 | 15.7% | \$ 341 | 17.2% |
| Depreciation and amortization | 4 | | 5 | | 5 | | 14 | | 15 | |
| Amortization of intangibles | 6 | | 6 | | 7 | | 18 | | 20 | |
| Increase (decrease) in LIFO reserve | 32 | | 11 | | (11) | | 47 | | (20) | |
| Inventory charges and other | - | | - | | - | | - | | 34 | |
| Adjusted Gross Profit | \$ 137 | 20.0% | \$ 134 | 19.5% | \$ 115 | 19.7% | \$ 389 | 19.6% | \$ 390 | 19.7% |

Note: Adjusted gross profit is a non-GAAP measure. For a discussion of the use of adjusted gross profit, see our Current Report on Form 8-K dated November 8, 2021.

Adjusted SG&A Reconciliation

| (\$ millions) | THREE MONTHS ENDED | | | | | |
|-------------------------------|--------------------|------------|---------------|------------|---------------|------------|
| | Sept 30, 2021 | | June 30, 2021 | | Sept 30, 2020 | |
| | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales |
| Sales | \$685 | | \$686 | | \$585 | |
| SG&A | \$ 102 | 14.9% | \$ 102 | 14.9% | \$ 100 | 17.1% |
| Severance and restructuring | - | | - | | (5) | |
| Facility closures | - | | (1) | | - | |
| Recovery of supplier bad debt | - | | - | | 2 | |
| Adjusted SG&A | \$ 102 | 14.9% | \$ 101 | 14.7% | \$ 97 | 16.6% |

Adjusted EBITDA Reconciliation

| (\$ millions) | THREE MONTHS ENDED | | | | | | NINE MONTHS ENDED | | | |
|----------------------------------------|--------------------|------------|---------------|------------|---------------|------------|-------------------|------------|---------------|------------|
| | Sept 30, 2021 | | June 30, 2021 | | Sept 30, 2020 | | Sept 30, 2021 | | Sept 30, 2020 | |
| | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales |
| Sales | \$ 685 | | \$ 686 | | \$ 585 | | \$1,980 | | \$ 1,981 | |
| Net (loss) income | \$ (11) | (1.6)% | \$ 4 | 0.6% | \$ 3 | 0.5% | \$ (10) | (0.05)% | \$ (269) | (13.6)% |
| Income tax (benefit) expense | (2) | | 1 | | 5 | | (1) | | (7) | |
| Interest expense | 6 | | 6 | | 7 | | 18 | | 22 | |
| Depreciation and amortization | 4 | | 5 | | 5 | | 14 | | 15 | |
| Amortization of intangibles | 6 | | 6 | | 7 | | 18 | | 20 | |
| Increase (decrease) in LIFO reserve | 32 | | 11 | | (11) | | 47 | | (20) | |
| Equity-based compensation expense | 3 | | 2 | | 3 | | 10 | | 8 | |
| Foreign currency losses (gains) | 1 | | 1 | | 2 | | 2 | | 3 | |
| Employee separation | - | | - | | - | | 1 | | - | |
| Inventory-related charges | - | | - | | - | | - | | 34 | |
| Facility closures | - | | - | | - | | - | | 18 | |
| Goodwill & intangible asset impairment | - | | - | | - | | - | | 242 | |
| Severance & restructuring charges | - | | - | | 5 | | - | | 12 | |
| Gain on early extinguishment of debt | - | | - | | - | | - | | (1) | |
| Recovery of supplier bad debt | - | | - | | (2) | | - | | (2) | |
| Adjusted EBITDA | \$ 39 | 5.7% | \$ 36 | 5.2% | \$ 24 | 4.1% | \$ 99 | 5.0% | \$ 75 | 3.8% |

Note: Adjusted EBITDA is a non-GAAP measure. For a discussion of the use of adjusted EBITDA, see our Current Report on Form 8-K dated November 8, 2021.

Adjusted Net Income (Loss) Reconciliation

| (\$ millions) | THREE MONTHS ENDED | | | | | | NINE MONTHS ENDED | | | |
|-----------------------------------------------------------------------|--------------------|------------------|---------------|------------------|---------------|------------------|-------------------|------------------|-----------------|------------------|
| | Sept 30, 2021 | | June 30, 2021 | | Sept 30, 2020 | | Sept 30, 2021 | | Sept 30, 2020 | |
| | Amount | Per Share | Amount | Per Share | Amount | Per Share | Amount | Per Share | Amount | Per Share* |
| Net loss attributable to common stockholders | \$ (17) | \$ (0.21) | \$ (2) | \$ (0.02) | \$ (3) | \$ (0.04) | \$ (28) | \$ (0.34) | \$ (287) | \$ (3.50) |
| Goodwill and intangible asset impairment, net of tax | - | - | - | - | - | - | - | - | 234 | 2.86 |
| Inventory-related charges, net of tax | - | - | - | - | - | - | - | - | 29 | 0.35 |
| Facility closures, net of tax | - | - | - | - | - | - | - | - | 16 | 0.20 |
| Severance and restructuring, net of tax | - | - | - | - | 5 | 0.06 | - | - | 10 | 0.12 |
| Increase (decrease) in LIFO reserve, net of tax | 25 | 0.30 | 8 | 0.10 | (8) | (0.10) | 36 | 0.43 | (15) | (0.18) |
| Recovery of supplier bad debt, net of tax | - | - | - | - | (2) | (0.02) | - | - | (2) | (0.02) |
| Adjusted net income (loss) attributable to common stockholders | \$ 8 | \$ 0.09 | \$ 6 | \$ 0.08 | \$ (8) | \$ (0.10) | \$ 8 | \$ 0.09 | \$ (15) | \$ (0.18) |

Note: Adjusted net income is a non-GAAP measure. For a discussion of the use of adjusted net income, see our Current Report on Form 8-K dated November 8, 2021.

* Does not foot due to rounding.

Net Debt & Leverage Ratio Calculation

| (\$ millions) | Sept 30, 2021 | June 30, 2021 | Sept 30, 2020 |
|-----------------------------------------|---------------|---------------|---------------|
| Long-term debt, net | \$ 323 | \$ 296 | \$ 405 |
| Plus: current portion of long-term debt | 2 | 1 | 4 |
| Long-term debt | 325 | 297 | 409 |
| Less: cash | 47 | 63 | 40 |
| Net debt | \$ 278 | \$ 234 | \$ 369 |
| Net debt | \$ 278 | \$ 234 | \$ 369 |
| Trailing twelve months adjusted EBITDA | 121 | 106 | 98 |
| Leverage ratio | 2.3 | 2.2 | 3.8 |

Note: Net debt and leverage ratio may be non-GAAP measures. For a discussion of the use of net debt, see our Current Report on Form 8-K dated November 8, 2021.