

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) AUGUST 6, 2024:

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 August 6, 2024, MRC Global Inc. (“MRC Global” or the “Company”) issued a press release announcing its financial results for the three and six months ended June 30, 2024. 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 August 6, 2024, MRC Global announced its financial results for the three and six months ended June 30, 2024. 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 Investors 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 August 6, 2024](#)

99.2 [Earnings presentation of MRC Global Inc. dated August 6, 2024](#)

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 August 6, 2024
99.2	Earnings Presentation dated August 6, 2024
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: August 6, 2024

MRC GLOBAL INC.

By: /s/ Kelly Youngblood

Kelly Youngblood

Executive Vice President and Chief Financial Officer



MRC Global Announces Second Quarter 2024 Results

Houston, TX – August 6, 2024 – MRC Global Inc. (NYSE: MRC), the leading global distributor of pipe, valves, fittings and infrastructure products and services to diversified energy, industrial and gas utilities end-markets, today announced second quarter 2024 results.

Net income attributable to common stockholders for the second quarter of 2024 was \$24 million, or \$0.28 per diluted share, as compared to the second quarter of 2023 net income attributable to common stockholders of \$18 million, or \$0.21 per diluted share. Adjusted net income attributable to common stockholders for the second quarter of 2024 was \$27 million, or \$0.31 per diluted share, as compared to the second quarter of 2023 adjusted net income attributable to common stockholders of \$22 million, or \$0.26 per diluted share.

MRC Global's second quarter 2024 gross profit was \$173 million, or 20.8% of sales, as compared to the second quarter 2023 gross profit of \$175 million, or 20.1% of sales. Gross profit for the second quarter of 2024 and 2023 includes \$1 million and \$2 million of expense, respectively, in cost of sales relating to the use of the last-in, first-out (LIFO) method of inventory cost accounting. Adjusted Gross Profit, which excludes (among other items) the impact of LIFO, was \$184 million, or 22.1% of sales, for the second quarter of 2024 and was \$187 million, or 21.5% of sales, for the second quarter of 2023.

Second Quarter 2024 Financial Highlights:

- Cash flow provided by operations of \$63 million for the second quarter and \$101 million in the first half of 2024
- Sales of \$832 million, a 3% improvement compared to the first quarter of 2024
- Adjusted Gross Profit, as a percentage of sales, of 22.1%, and a new MRC Global record
- Adjusted EBITDA of \$65 million, or 7.8% of sales
- Net Debt leverage ratio of 0.4 times, the lowest in MRC Global history

Rob Saltiel, MRC Global's President and CEO stated, "We achieved sequential growth in revenue, adjusted EBITDA and cash flow from operations in the second quarter, despite slowing activity in the US oilfield and project delays in our DIET sector. We have generated \$101 million in operating cash flow through the first half of 2024, and we are tracking well to meet or exceed our annual operating cash flow target of \$200 million.

"During the second quarter we repaid our Term Loan B and reduced our net debt to an all-time low of \$103 million. We expect to generate significant cash over the next few years, which should further strengthen our balance sheet and provide us flexibility to consider various capital allocation alternatives," Mr. Saltiel added.

Selling, general and administrative (SG&A) expenses were \$126 million, or 15.1% of sales, for the second quarter of 2024 compared to \$130 million, or 14.9% of sales, for the same period in 2023. Adjusted SG&A for the second quarter of 2024 was \$124 million, or 14.9% of sales, excluding \$2 million of activism response and facility closure expenses.

Adjusted EBITDA was \$65 million, or 7.8% of sales, in the second quarter of 2024 compared to \$63 million, or 7.2% of sales, for the same period in 2023.

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Gross Profit, Adjusted Net Income, Adjusted SG&A, Net Debt and Leverage Ratio are all non-GAAP measures. Please refer to the reconciliation of each of these measures to the nearest GAAP measure in this release.

An income tax expense of \$12 million was incurred in the second quarter of 2024, with an effective tax rate of 29%, as compared to an income tax expense of \$10 million, with an effective tax rate of 29%, for the second quarter of 2023. Our rates differ from the U.S. federal statutory rate of 21% as a result of state income taxes, non-deductible expenses, and differing foreign income tax rates. In addition, the effective tax rate for the three months ended June 30, 2024, was higher than the U.S. federal statutory rate due to foreign losses with no tax benefit.

Sales

The company's sales were \$832 million for the second quarter of 2024, which was 4% lower than the second quarter of 2023 and 3% higher than the first quarter of 2024. As compared to the same quarter a year ago, the Gas Utilities and Production and Transmission Infrastructure (PTI) sectors declined, partially offset by an increase in the Downstream, Industrial and Energy Transition (DIET) sector. Sequentially, company's sales were up by 3%, due to increases in the Gas Utilities and PTI sectors, partially offset by the DIET sector.

Sales by Segment

U.S. sales in the second quarter of 2024 were \$677 million, down \$50 million, or 7%, from the same quarter in 2023. The Gas Utilities sector revenue decreased \$34 million, or 11%, as customers reduced their own product inventory levels and executed fewer capital projects. PTI sector sales decreased by \$25 million, or 11%, primarily due to lower line pipe sales and reduced customer spending levels. DIET sector sales increased \$9 million, or 5%, due to mining, refining and chemicals customers' projects and turnaround activity.

Sequentially, as compared to the first quarter of 2024, U.S. sales increased \$10 million, or 1%, driven by the U.S. Gas Utilities sector, which increased \$22 million, or 8%, driven by increased customer spending due to seasonal increases and normalizing buying patterns. The PTI sector increased \$2 million, or 1%, primarily due to a net increase in line pipe shipments for projects. The DIET sector decreased \$14 million, or 7%, as a result of less turnaround buying in the second quarter.

Canada sales in the second quarter of 2024 were \$33 million, down \$5 million, or 13%, from the same quarter in 2023, as a decline in the PTI sector was partially offset by an increase in the DIET sector including a carbon capture project.

Sequentially, Canada sales were up \$4 million, or 14%, from the prior quarter with improvement in both the DIET and PTI sectors.

International sales in the second quarter of 2024 were \$122 million, up \$16 million, or 15%, from the same period in 2023. The increase was driven by the PTI sector primarily in Norway, followed by the DIET sector in Europe including turnaround activity and offshore wind projects.

Sequentially, as compared to the previous quarter, International sales were up \$12 million, or 11%, as the PTI and DIET sectors increased. The PTI sector increased as a result of projects in the North Sea while the DIET sector increased due to project and turnaround activity in Europe including offshore wind projects.

Sales by Sector

Gas Utilities sector sales, which are primarily U.S. based, were \$287 million in the second quarter of 2024, or 35% of total sales, a decrease of \$36 million, or 11%, from the second quarter of 2023.

Sequentially, as compared to the first quarter of 2024, the Gas Utilities sector sales increased \$21 million, or 8%.

DIET sector sales in the second quarter of 2024 were \$268 million, or 32% of total sales, an increase of \$23 million, or 9%, from the second quarter of 2023. The increase in DIET sector sales was across all geographic segments.

Sequentially, as compared to the previous quarter, sales in the DIET sector were down \$8 million, or 3%, due to declines in the U.S. segment partially offset by the International and Canada segments.

PTI sector sales in the second quarter of 2024 were \$277 million, or 33% of total sales, a decline of \$26 million, or 9%, from the second quarter of 2023. The decrease in PTI sales was due to declines in the U.S. and Canada segments partially offset by the International segment.

Sequentially, as compared to the prior quarter, PTI sector sales increased \$13 million, or 5%, as all segments improved, driven by the International segment.

Backlog

As of June 30, 2024, the company's backlog was \$636 million, a 10% decline from the previous quarter due to large project deliveries in the second quarter and project activity delays.

Balance Sheet and Cash Flow

As of June 30, 2024, the cash balance was \$49 million, long-term debt (including current portion) was \$152 million, and Net Debt was \$103 million. Cash provided by operations was \$63 million in the second quarter of 2024. Availability under the company's asset-based lending facility was \$488 million, and available liquidity was \$537 million as of June 30, 2024. The company repaid its Term Loan B in its entirety during the second quarter using a combination of its asset-based lending facility and cash. Please refer to the reconciliation of non-GAAP measures (Net Debt) to GAAP measures (Long-term Debt) in this release.

Conference Call

The company will hold a conference call to discuss its second quarter 2024 results at 10:00 a.m. Eastern Time (9:00 a.m. Central Time) on August 7, 2024. To participate in the call, please dial 201-689-8261 and ask for the MRC Global conference call prior to the start time. To access the conference call, live over the Internet, please log onto the web at www.mrcglobal.com and go to the "Investors" page of the company's website. For those who cannot listen to the live call, a replay will be available through August 21, 2024, and can be accessed by dialing 201-612-7415 and using pass code 13746014#. Also, an archive of the webcast will be available shortly after the call at www.mrcglobal.com for 90 days.

About MRC Global Inc.

Headquartered in Houston, Texas, MRC Global (NYSE: MRC) is the leading global distributor of pipe, valves, fittings (PVF) and other infrastructure products and services to diversified end-markets including the gas utilities, downstream, industrial and energy transition, and production and transmission sectors. With over 100 years of experience, MRC Global has provided customers with innovative supply chain solutions, technical product expertise and a robust digital platform from a worldwide network of 219 locations including valve and engineering centers. The company's unmatched quality assurance program offers over 300,000 SKUs from over 8,500 suppliers, simplifying the supply chain for approximately 10,000 customers. Find out more at www.mrcglobal.com.

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Words such as "will," "expect," "expected," "anticipating," "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, adjusted EBITDA margin, tax rate, capital expenditures, achieving cost savings and cash flow, debt reduction, liquidity, growth in the company's various markets and the company's expectations, beliefs, plans, strategies, objectives, prospects and assumptions are not guarantees of future performance. These statements are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, most of which are difficult to predict and many of which are beyond MRC Global's control, including the factors described in the company's SEC filings that may cause the company's actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements.

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

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

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

Contact:

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Assets		
Current assets:		
Cash	\$ 49	\$ 131
Accounts receivable, net	481	430
Inventories, net	509	560
Other current assets	38	34
Total current assets	<u>1,077</u>	<u>1,155</u>
Long-term assets:		
Operating lease assets	195	205
Property, plant and equipment, net	80	78
Other assets	18	21
Intangible assets:		
Goodwill, net	264	264
Other intangible assets, net	153	163
	<u>\$ 1,787</u>	<u>\$ 1,886</u>
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 378	\$ 355
Accrued expenses and other current liabilities	105	102
Operating lease liabilities	34	34
Current portion of debt obligations	-	292
Total current liabilities	<u>517</u>	<u>783</u>
Long-term liabilities:		
Long-term debt	152	9
Operating lease liabilities	175	186
Deferred income taxes	45	45
Other liabilities	20	20
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, 109,450,090 and 108,531,564 issued, respectively	1	1
Additional paid-in capital	1,770	1,768
Retained deficit	(641)	(678)
Less: Treasury stock at cost: 24,216,330 shares	(375)	(375)
Accumulated other comprehensive loss	(232)	(228)
	<u>523</u>	<u>488</u>
	<u>\$ 1,787</u>	<u>\$ 1,886</u>

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Sales	\$ 832	\$ 871	\$ 1,638	\$ 1,756
Cost of sales	659	696	1,302	1,402
Gross profit	173	175	336	354
Selling, general and administrative expenses	126	130	251	252
Operating income	47	45	85	102
Other expense:				
Interest expense	(7)	(10)	(15)	(17)
Other, net	2	(1)	(1)	(4)
Income before income taxes	42	34	69	81
Income tax expense	12	10	20	23
Net income	30	24	49	58
Series A preferred stock dividends	6	6	12	12
Net income attributable to common stockholders	<u>\$ 24</u>	<u>\$ 18</u>	<u>\$ 37</u>	<u>\$ 46</u>
Basic earnings per common share	\$ 0.28	\$ 0.21	\$ 0.44	\$ 0.55
Diluted earnings per common share	\$ 0.28	\$ 0.21	\$ 0.43	\$ 0.54
Weighted-average common shares, basic	85.2	84.3	84.9	84.1
Weighted-average common shares, diluted	86.4	85.3	86.2	85.4

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

	Six Months Ended	
	June 30, 2024	June 30, 2023
Operating activities		
Net income	\$ 49	\$ 58
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation and amortization	10	10
Amortization of intangibles	10	10
Equity-based compensation expense	7	7
Deferred income tax (benefit) expense	1	2
Other non-cash items	7	14
Changes in operating assets and liabilities:		
Accounts receivable	(53)	(19)
Inventories	43	(101)
Other current assets	(3)	(9)
Accounts payable	26	36
Accrued expenses and other current liabilities	4	(18)
Net cash provided by (used in) operations	<u>101</u>	<u>(10)</u>
Investing activities		
Purchases of property, plant and equipment	(14)	(5)
Other investing activities	1	-
Net cash used in investing activities	<u>(13)</u>	<u>(5)</u>
Financing activities		
Payments on revolving credit facilities	(115)	(497)
Proceeds from revolving credit facilities	258	530
Payments on debt obligations	(295)	(2)
Dividends paid on preferred stock	(12)	(12)
Repurchases of shares to satisfy tax withholdings	(5)	(4)
Net cash (used in) provided by financing activities	<u>(169)</u>	<u>15</u>
Decrease in cash	(81)	-
Effect of foreign exchange rate on cash	(1)	(1)
Cash -- beginning of period	131	32
Cash -- end of period	<u>\$ 49</u>	<u>\$ 31</u>

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

Disaggregated Sales by Segment and Sector

Three Months Ended June 30,				
	U.S.	Canada	International	Total
2024				
Gas Utilities	\$ 287	\$ -	\$ -	\$ 287
DIET	188	12	68	268
PTI	202	21	54	277
	<u>\$ 677</u>	<u>\$ 33</u>	<u>\$ 122</u>	<u>\$ 832</u>
2023				
Gas Utilities	\$ 321	\$ 1	\$ 1	\$ 323
DIET	179	4	62	245
PTI	227	33	43	303
	<u>\$ 727</u>	<u>\$ 38</u>	<u>\$ 106</u>	<u>\$ 871</u>

Six Months Ended June 30,				
	U.S.	Canada	International	Total
2024				
Gas Utilities	\$ 552	\$ 1	\$ -	\$ 553
DIET	390	21	133	544
PTI	402	40	99	541
	<u>\$ 1,344</u>	<u>\$ 62</u>	<u>\$ 232</u>	<u>\$ 1,638</u>
2023				
Gas Utilities	\$ 627	\$ 2	\$ 1	\$ 630
DIET	389	9	125	523
PTI	451	69	83	603
	<u>\$ 1,467</u>	<u>\$ 80</u>	<u>\$ 209</u>	<u>\$ 1,756</u>

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

Sales by Product Line

Type	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Line Pipe	\$ 129	\$ 128	\$ 246	\$ 269
Carbon Fittings and Flanges	106	119	206	236
Total Carbon Pipe, Fittings and Flanges	235	247	452	505
Valves, Automation, Measurement and Instrumentation	302	299	593	614
Gas Products	193	214	380	421
Stainless Steel and Alloy Pipe and Fittings	35	36	76	68
General Products	67	75	137	148
	<u>\$ 832</u>	<u>\$ 871</u>	<u>\$ 1,638</u>	<u>\$ 1,756</u>

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

	Three Months Ended			
	June 30, 2024	Percentage of Revenue	June 30, 2023	Percentage of Revenue
Gross profit, as reported	\$ 173	20.8%	\$ 175	20.1%
Depreciation and amortization	5	0.6%	5	0.6%
Amortization of intangibles	5	0.6%	5	0.6%
Increase in LIFO reserve	1	0.1%	2	0.2%
Adjusted Gross Profit	\$ 184	22.1%	\$ 187	21.5%

	Six Months Ended			
	June 30, 2024	Percentage of Revenue*	June 30, 2023	Percentage of Revenue*
Gross profit, as reported	\$ 336	20.5%	\$ 354	20.2%
Depreciation and amortization	10	0.6%	10	0.6%
Amortization of intangibles	10	0.6%	10	0.6%
Increase in LIFO reserve	2	0.1%	1	0.1%
Adjusted Gross Profit	\$ 358	21.9%	\$ 375	21.4%

Notes to above:

* Does not foot due to rounding

The company defines Adjusted Gross Profit as sales, less cost of sales, plus depreciation and amortization, plus amortization of intangibles, plus inventory-related charges incremental to normal operations and plus or minus the impact of its LIFO inventory costing methodology. The company presents Adjusted Gross Profit because the company believes it is a useful indicator of the company's operating performance without regard to items, such as amortization of intangibles, that can vary substantially from company to company depending upon the nature and extent of acquisitions of which they have been involved. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon which costing 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 (SG&A) to Adjusted SG&A (a non-GAAP measure)
(in millions)

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Selling, general and administrative expenses	\$ 126	\$ 130	\$ 251	\$ 252
Facility closures (1)	(1)	-	(1)	-
Non-recurring IT related professional fees	-	(1)	-	(1)
Activism response legal and consulting costs	(1)	-	(4)	-
Adjusted Selling, general and administrative expenses	\$ 124	\$ 129	\$ 246	\$ 251

Notes to above:

(1) Charge (pre-tax) associated with a facility closure in our International segment.

The company defines adjusted selling, general and administrative (SG&A) expenses as SG&A, restructuring expenses and other unusual items. The company presents adjusted SG&A because the company believes it is a useful indicator of the company's operating performance. 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 Income to Adjusted EBITDA (a non-GAAP measure)
(in millions)

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net income	\$ 30	\$ 24	\$ 49	\$ 58
Income tax expense	12	10	20	23
Interest expense	7	10	15	17
Depreciation and amortization	5	5	10	10
Amortization of intangibles	5	5	10	10
Facility closures (1)	1	-	1	-
Non-recurring IT related professional fees	-	1	-	1
Increase in LIFO reserve	1	2	2	1
Equity-based compensation expense (2)	3	4	7	7
Activism response legal and consulting costs	1	-	4	-
Write off of debt issuance costs	-	-	1	-
Asset disposal (3)	-	1	1	1
Foreign currency losses	-	1	2	4
Adjusted EBITDA	<u>\$ 65</u>	<u>\$ 63</u>	<u>\$ 122</u>	<u>\$ 132</u>

Notes to above:

- (1) Charges (pre-tax) associated with a facility closure in our International segment.
(2) Charges (pre-tax) recorded in SG&A.
(3) Charge (pre-tax) for an asset disposal in our International segment.

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2024		June 30, 2024	
	Amount	Per Share	Amount	Per Share*
Net income attributable to common stockholders	\$ 24	\$ 0.28	\$ 37	\$ 0.43
Facility closures, net of tax (1)	1	0.01	1	0.01
Asset disposal, net of tax (2)	-	-	1	0.01
Activism response legal and consulting costs, net of tax	1	0.01	3	0.03
Increase in LIFO reserve, net of tax	1	0.01	2	0.02
Adjusted net income attributable to common stockholders	<u>\$ 27</u>	<u>\$ 0.31</u>	<u>\$ 44</u>	<u>\$ 0.51</u>

Notes to above:

* Does not foot due to rounding

(1) An after-tax charge associated with a facility closure in our International segment.

(2) An after-tax charge for an asset disposal in our International segment.

	Three Months Ended		Six Months Ended	
	June 30, 2023		June 30, 2023	
	Amount	Per Share*	Amount	Per Share
Net income attributable to common stockholders	\$ 18	\$ 0.21	\$ 46	\$ 0.54
Non-recurring IT related professional fees, net of tax	1	0.01	1	0.01
Asset disposal, net of tax (1)	1	0.01	1	0.01
Increase in LIFO reserve, net of tax	2	0.02	1	0.01
Adjusted net income attributable to common stockholders	<u>\$ 22</u>	<u>\$ 0.26</u>	<u>\$ 49</u>	<u>\$ 0.57</u>

Notes to above:

* Does not foot due to rounding

(1) An after-tax charge for an asset disposal in our International segment.

The company defines adjusted net income attributable to common stockholders (a non-GAAP measure) as net income attributable to common stockholders plus or minus the after-tax impact of items deemed non-standard and plus or minus the after-tax impact of its LIFO inventory costing methodology. After-tax impacts were determined using the company's blended statutory rate. The company presents adjusted net income attributable to common stockholders and related per share amounts because the company believes it provides useful comparisons of the company's operating results to other companies, including those companies with whom we compete in the distribution of pipe, valves, and fittings to the energy industry, without regard to the irregular variations from certain restructuring events not indicative of the on-going business. Those items include goodwill and intangible asset impairments, inventory-related charges, facility closures, severance and restructuring as well as the LIFO inventory costing methodology. The impact of the LIFO inventory costing methodology can cause results to vary substantially from company to company depending upon which costing 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)

		June 30, 2024
Long-term debt	\$	152
Plus: current portion of debt obligations		-
Total debt		152
Less: cash		49
Net Debt	\$	103
Net Debt	\$	103
Trailing twelve months adjusted EBITDA		240
Leverage ratio		0.4

Notes to above:

Net Debt and related leverage metrics may be considered non-GAAP measures. The company defines Net Debt as total long-term debt, including current portion, minus cash. The company defines its leverage ratio as Net Debt divided by trailing twelve months Adjusted EBITDA. The company believes 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. The company believes the leverage ratio is a commonly used metric that management and investors use to assess the borrowing capacity of the company. The company believes total long-term debt (including the current portion) is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Net Debt.

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MRC Global

2Q 2024 Earnings Presentation

August 6, 2024

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 August 6, 2024.

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)**
- **Return on Invested Capital (ROIC), Adjusted for LIFO**

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.

Executive Summary - Financial Highlights

2Q 2024

Strengthening Balance Sheet

- Cash flow from operations of \$63 million in 2Q24 and \$101 million in the first half of 2024
- Net debt leverage of 0.4x, (including the preferred stock 1.9x) the lowest in MRC Global's public company history – a *new record*.
- Solid liquidity position of \$537 million
- Repaid Term Loan B in 2Q24

Superb Working Capital Efficiency

- Net working capital to sales ratio of 15.5%

Strong Margins

- Adjusted EBITDA of \$65 million – 14% improvement over 1Q24
- Adjusted EBITDA margin % of 7.8%, a 70-basis point improvement over 1Q24
- Adjusted Gross Profit percentage of 22.1% in 2Q24 - a public company record

Higher Revenue

- Revenue of \$832 million, up 3% over 1Q24
- Gas Utilities and PTI sectors up sequentially

Note: See reconciliations of GAAP to non-GAAP measures in our appendix. Also see our Current Report on Form 8-K dated August 6, 2024, for a reconciliation of non-GAAP measures to their closest GAAP measures and for a discussion of forward-looking statements and the factors that might impact the various items in the 2024 Outlook.

Second Quarter 2024 Results – Key Metrics



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

Second Quarter 2024 Results – Sequential Changes

SEGMENT: Revenue Highlights 2Q24 vs. 1Q24



U.S.: Increased **\$10 million**, or **1%**, driven by the U.S. Gas Utilities sector, which increased \$22 million, or 8%, driven by increased customer spending due to seasonal increases and normalizing buying patterns. The PTI sector increased \$2 million, or 1%, primarily due to a net increase in line pipe shipments for projects. The DIET sector decreased \$14 million, or 7%, as a result of less turnaround buying in the second quarter.



Canada: Sales increased by **\$4 million** with improvement in both the DIET and PTI sectors.



International: Increased **\$12 million**, or **11%**, from growth in both the PTI and DIET sectors. The PTI sector increased as a result of projects in the North Sea while the DIET sector increased due to project and turnaround activity in Europe including offshore wind projects.

SECTOR: Revenue Highlights 2Q24 vs. 1Q24



Gas Utilities: Increased **\$21 million**, or **8%**, driven by the U.S. segment.



Downstream, Industrial & Energy Transition: Decreased **\$8 million**, or **3%**, due to declines in the U.S. segment partially offset by the International and Canada segments.

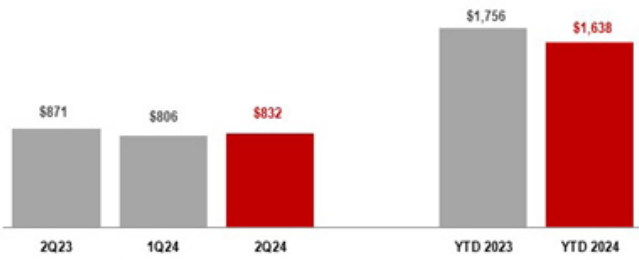


Production & Transmission Infrastructure: Increased **\$13 million**, or **5%**, as all segments improved, driven by the International segment.

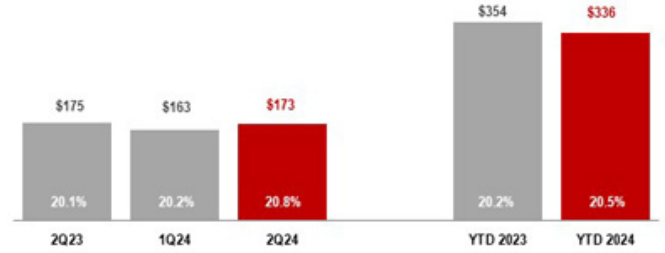
Quarterly Financial Performance - GAAP

(\$ millions, except per share data)

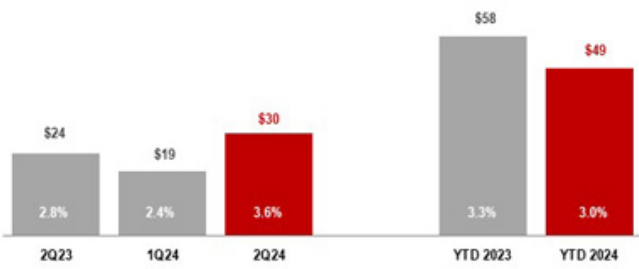
SALES



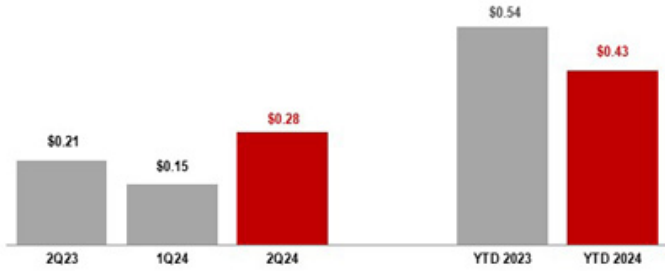
GROSS PROFIT & % MARGIN



NET INCOME & % MARGIN

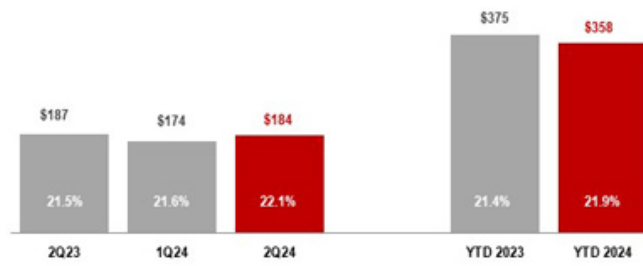


DILUTED EPS

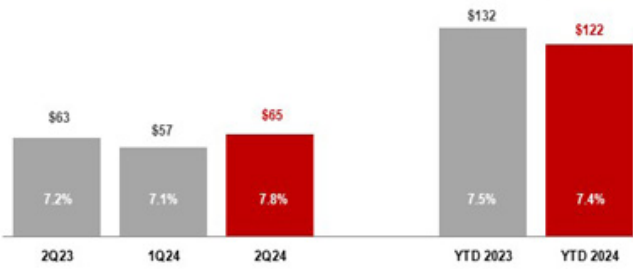


Quarterly Financial Performance - Adjusted (\$ millions, except per share data)

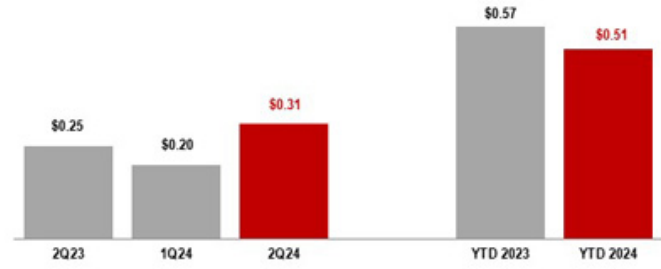
ADJUSTED GROSS PROFIT & % MARGIN¹



ADJUSTED EBITDA & % MARGIN¹



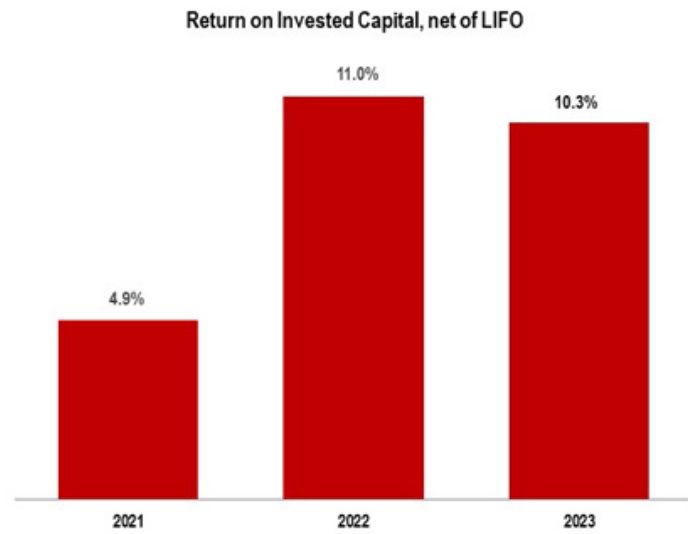
ADJUSTED DILUTED EPS¹



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

Focused on Returns – Creating More Value for Shareholders

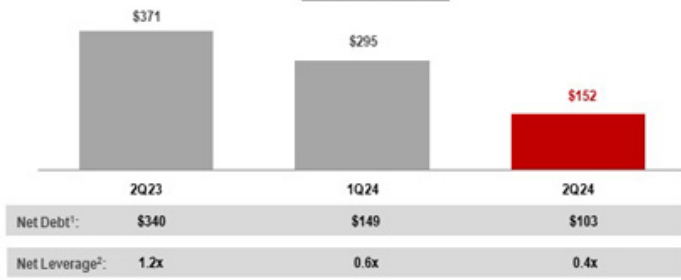
- ROIC is a key metric for capital stewardship and shareholder value creation
- Improvement in ROIC is enabled by increased profitability and enhanced efficiency of inventory and financial working capital



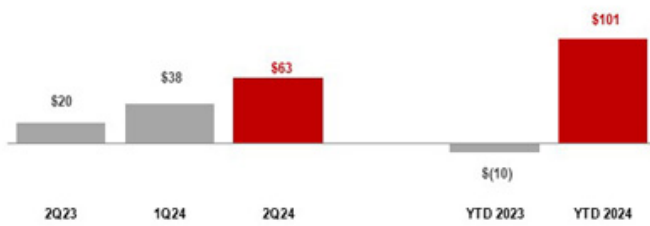
1. See reconciliation of non-GAAP measures to GAAP measures in the appendix

Strong Balance Sheet & Financial Flexibility (\$ millions)

TOTAL DEBT



CASH FLOW PROVIDED BY (USED IN) OPERATIONS



1. Net debt is calculated as total debt less Cash. See reconciliation in the appendix.

2. Net leverage multiples represent net debt / trailing twelve months adjusted EBITDA. Net debt is total debt less cash.

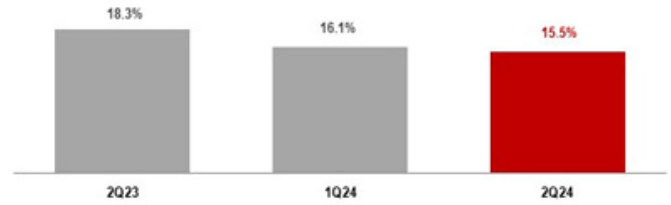
3. Working capital to sales ratio is defined as working capital (excluding debt), net of cash divided by trailing twelve months sales. Calculated with GAAP figures.

CAPITAL STRUCTURE

June 30, 2024

Cash and Cash Equivalents	\$ 49
Total Debt (including current portion):	
Global ABL Facility due 2026	152
Total Debt	\$ 152
Preferred stock	355
Common stockholders' equity	523
Total Capitalization	\$ 1,030
Liquidity	\$ 537

WORKING CAPITAL TO SALES RATIO³



Financial Outlook

2024 Targets – 2Q24 Update

Profitability

- Revenue – second half of 2024 down low single digits compared to the first half of 2024
- Adjusted Gross Profit – second half of 2024 to average 21%
- SG&A - second half of 2024 expected to be at similar quarterly levels to 2Q24

Cash Flow

- Capital expenditures – \$36 - \$40 million for 2024 – includes ERP system
- Cash flow from operations – \$200 million or better for full year 2024

Note: See our Current Report on Form 8-K dated August 6, 2024, for a reconciliation of non-GAAP measures to their closest GAAP measures and for a discussion of forward-looking statements and the factors that might impact the various items in the 2024 Outlook.

Well Positioned for Long Term Growth, Underpinned by Strong Fundamentals



- Gas Utilities remains a strong growth engine due to customer capital expenditure drivers relating to safety and integrity, emissions reduction and meter modernization despite near-term destocking
- DIET fundamentals supported by increased maintenance spend on downstream assets and new energy transition projects enabled by government stimulus and energy security considerations
- Expanding project management expertise provides new growth opportunities in multiple sectors, complementing our traditional MRO capabilities
- Strong long-term traditional energy fundamentals stemming from demand growth and underinvestment indicate a multi-year upcycle, benefiting our Production and Transmission Infrastructure sector
- Diligent working capital management enables unlocking cash from the balance sheet



APPENDIX

Adjusted Gross Profit Reconciliation

(\$ millions)	THREE MONTHS ENDED						SIX MONTHS ENDED			
	June 30, 2024		March 31, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	Amount	% of Sales	Amount	% of Sales*	Amount	% of Sales	Amount	% of Sales*	Amount	% of Sales*
Sales	\$ 832		\$ 806		\$ 871		\$ 1,638		\$ 1,756	
Gross profit	173	20.8%	\$ 163	20.2%	\$ 175	20.1%	336	20.5%	\$ 354	20.2%
Depreciation and amortization	5	0.6%	5	0.6%	5	0.6%	10	0.6%	10	0.6%
Amortization of intangibles	5	0.6%	5	0.6%	5	0.6%	10	0.6%	10	0.6%
Increase in LIFO reserve	1	0.1%	1	0.1%	2	0.2%	2	0.1%	1	0.1%
Adjusted Gross Profit	\$ 184	22.1%	\$ 174	21.6%	\$ 187	21.5%	\$ 358	21.9%	\$ 375	21.4%

* Does not foot due to rounding.

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 August 5, 2024.

Adjusted SG&A Reconciliation

(\$ millions)	THREE MONTHS ENDED					
	June 30, 2024		March 31, 2024		June 30, 2023	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
Sales	\$ 832		\$ 806		\$ 871	
SG&A	\$ 126	15.1%	\$ 125	15.5%	\$ 130	14.9%
Facility closures	(1)		-		-	
Activism response, legal and consulting fees	(1)		(3)		-	
Non-recurring IT related professional fees	-		-		(1)	
Adjusted SG&A	\$ 124	14.9%	\$ 122	15.1%	\$ 129	14.8%

Note: Adjusted SG&A is a non-GAAP measure. For a discussion of the use of adjusted SG&A, see our Current Report on Form 8-K dated August 6, 2024.

Adjusted EBITDA Reconciliation

(\$ millions)	THREE MONTHS ENDED						SIX MONTHS ENDED			
	June 30, 2024		March 31, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
Sales	\$832		\$ 806		\$ 871		\$ 1,638		\$ 1,756	
Net income	30	3.6%	\$ 19	2.4%	\$ 24	2.8%	49	3.0%	\$ 58	3.3%
Income tax expense	12		8		10		20		23	
Interest expense	7		8		10		15		17	
Depreciation and amortization	5		5		5		10		10	
Amortization of intangibles	5		5		5		10		10	
Facility closures	1		-		-		1		-	
Non-recurring IT related professional fees	-		-		1		-		1	
Increase in LIFO reserve	1		1		2		2		1	
Equity-based compensation expense	3		4		4		7		7	
Activism response, legal and consulting costs	1		3		-		4		-	
Write-off of debt issuance costs	-		1		-		1		1	
Asset disposal	-		1		1		1		1	
Foreign currency losses	-		2		1		2		4	
Adjusted EBITDA	\$ 65	7.8%	\$ 57	7.1%	\$ 63	7.2%	\$ 122	7.4%	\$ 132	7.5%

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 August 6, 2024.

Adjusted Net Income Attributable to Common Stockholders Reconciliation

(\$ millions)	THREE MONTHS ENDED						SIX MONTHS ENDED			
	June 30, 2024		March 31, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	Amount	Per Share	Amount	Per Share	Amount	Per Share *	Amount	Per Share*	Amount	Per Share
Net income attributable to common stockholders	\$ 24	\$ 0.28	\$ 13	\$ 0.15	\$ 18	\$ 0.21	\$ 37	\$ 0.43	\$ 46	\$ 0.54
Facility closures, net of tax	1	0.01	-	-	-	-	1	0.01	-	-
Asset disposal, net of tax	-	-	1	0.01	1	0.01	1	0.01	1	0.01
Activism response, legal and consulting costs, net of tax	1	0.01	2	0.03	-	-	3	0.03	-	-
Increase in LIFO reserve, net of tax	1	0.01	1	0.01	2	0.02	2	0.02	1	0.01
Non-recurring IT related professional fees, net of tax	-	-	-	-	1	0.01	-	-	1	0.01
Adjusted net income attributable to common stockholders	\$ 27	\$ 0.31	\$ 17	\$ 0.20	\$ 22	\$ 0.26	\$ 44	\$ 0.51	\$ 49	\$ 0.57

* Does not foot due to rounding

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 August 6, 2024.

Net Debt & Leverage Ratio Calculation

(\$ millions)	June 30, 2024	March 31, 2024	June 30, 2023
Long-term debt	\$ 152	\$ 3	\$ 368
Plus: current portion of debt obligations	-	292	3
Total debt	\$ 152	\$ 295	\$ 371
Less: cash	49	146	31
Net debt	\$ 103	\$ 149	\$ 340
Net debt	\$ 103	\$ 149	\$ 340
Trailing twelve months adjusted EBITDA	240	238	280
Leverage ratio	0.4x	0.6x	1.2x
Preferred stock	355	355	355
Net debt including preferred stock	458	504	695
Trailing twelve months adjusted EBITDA	240	238	280
Leverage ratio including preferred stock	1.9x	2.1x	2.5x

Note: Net debt and leverage ratio are non-GAAP measures. For a discussion of the use of net debt, see our Current Report on Form 8-K dated August 6, 2024.

Return on Invested Capital (ROIC), Adjusted for LIFO

(\$ millions)	2023	2022	2021
Net Income (loss)	\$ 114	\$ 75	\$ (14)
Interest expense, net of tax	24	18	17
Net Operating Profit After Tax (NOPAT)	\$ 138	\$ 93	\$ 3
LIFO expense, net of tax	2	50	58
NOPAT, net of LIFO	\$ 140	\$ 143	\$ 61
Long-term debt	\$ 301	\$ 340	\$ 297
Shareholders' equity	488	386	323
Preferred stock	355	355	355
Operating lease liabilities (short and long-term)	220	218	210
Invested Capital	\$ 1,364	\$ 1,299	\$ 1,185
Average Invested Capital	\$ 1,332	\$ 1,242	\$ 1,249
Average Invested Capital, net of LIFO	\$ 1,358	\$ 1,296	\$ 1,270
ROIC, including LIFO	10.4%	7.5%	0.2%
ROIC, Adjusted for LIFO	10.3%	11.0%	4.9%

Note: ROIC, including LIFO, was calculated from GAAP measures by dividing Invested Capital by NOPAT. ROIC, Adjusted for LIFO, was calculated from non-GAAP adjusted measures by dividing Invested Capital, net of LIFO, by NOPAT, net of LIFO. Utilizing ROIC calculated using the non-GAAP measures is not better than ROIC calculated using the GAAP measures. However, the company presents ROIC, Adjusted for LIFO, because the company believes it provides useful comparisons of the company's ROIC to other distribution companies, including those companies with whom we compete in the distribution of pipe, valves and fittings, many of which do not utilize 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 NOPAT and Invested Capital are the financial measures calculated and presented in accordance with U.S. GAAP that is most directly compared to NOPAT, net of LIFO, and Invested Capital, Net of LIFO, used in the calculation of ROIC, Adjusted for LIFO.