

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number: 001-35479

MRC GLOBAL INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-5956993
(I.R.S. Employer
Identification No.)

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

77010
(Zip Code)

(877) 294-7574

(Registrant's Telephone Number, including Area Code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01	MRC	New York Stock Exchange

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

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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company Emerging Growth Company

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

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

There were 84,011,852 shares of the registrant's common stock (excluding 142,304 unvested restricted shares), par value \$0.01 per share, issued and outstanding as of August 1, 2023.

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

MRC GLOBAL INC.

(in millions, except per share amounts)

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash	\$ 31	\$ 32
Accounts receivable, net	519	501
Inventories, net	674	578
Other current assets	39	31
Total current assets	<u>1,263</u>	<u>1,142</u>
Long-term assets:		
Operating lease assets	206	202
Property, plant and equipment, net	78	82
Other assets	16	22
Intangible assets:		
Goodwill, net	264	264
Other intangible assets, net	173	183
	<u>\$ 2,000</u>	<u>\$ 1,895</u>
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 448	\$ 410
Accrued expenses and other current liabilities	97	115
Operating lease liabilities	37	36
Current portion of long-term debt	3	3
Total current liabilities	<u>585</u>	<u>564</u>
Long-term liabilities:		
Long-term debt, net	368	337
Operating lease liabilities	186	182
Deferred income taxes	51	49
Other liabilities	20	22
Commitments and contingencies		
6.5% Series A Convertible Perpetual Preferred Stock, \$0.01 par value; authorized 363,000 shares; 363,000 shares issued and outstanding	355	355
Stockholders' equity:		
Common stock, \$0.01 par value per share: 500 million shares authorized, 108,490,740 and 107,864,421 issued, respectively	1	1
Additional paid-in capital	1,761	1,758
Retained deficit	(722)	(768)
Less: Treasury stock at cost: 24,216,330 shares	(375)	(375)
Accumulated other comprehensive loss	(230)	(230)
	<u>435</u>	<u>386</u>
	<u>\$ 2,000</u>	<u>\$ 1,895</u>

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

MRC GLOBAL INC.

(in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Sales	\$ 871	\$ 848	\$ 1,756	\$ 1,590
Cost of sales	696	697	1,402	1,303
Gross profit	175	151	354	287
Selling, general and administrative expenses	130	120	252	227
Operating income	45	31	102	60
Other expense:				
Interest expense	(10)	(5)	(17)	(11)
Other, net	(1)	(6)	(4)	(6)
Income before income taxes	34	20	81	43
Income tax expense	10	6	23	13
Net income	24	14	58	30
Series A preferred stock dividends	6	6	12	12
Net income attributable to common stockholders	\$ 18	\$ 8	\$ 46	\$ 18
Basic earnings per common share	\$ 0.21	\$ 0.10	\$ 0.55	\$ 0.22
Diluted earnings per common share	\$ 0.21	\$ 0.09	\$ 0.54	\$ 0.21
Weighted-average common shares, basic	84.3	83.6	84.1	83.4
Weighted-average common shares, diluted	85.3	84.9	85.4	84.6

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

MRC GLOBAL INC.

(in millions)

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income	\$ 24	\$ 14	\$ 58	\$ 30
Other comprehensive income (loss)				
Foreign currency translation adjustments	1	(6)	—	(4)
Hedge accounting adjustments, net of tax	—	3	—	6
Total other comprehensive income (loss), net of tax	1	(3)	—	2
Comprehensive income	<u>\$ 25</u>	<u>\$ 11</u>	<u>\$ 58</u>	<u>\$ 32</u>

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

MRC GLOBAL INC.

(in millions)

	Common Stock		Additional Paid-in Capital	Retained Deficit	Treasury Stock		Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance at December 31, 2022	108	\$ 1	\$ 1,758	\$ (768)	(24)	\$ (375)	\$ (230)	\$ 386
Net income	-	-	-	34	-	-	-	34
Foreign currency translation	-	-	-	-	-	-	(1)	(1)
Shares withheld for taxes	-	-	(4)	-	-	-	-	(4)
Equity-based compensation expense	-	-	3	-	-	-	-	3
Dividends declared on preferred stock	-	-	-	(6)	-	-	-	(6)
Balance at March 31, 2023	<u>108</u>	<u>\$ 1</u>	<u>\$ 1,757</u>	<u>\$ (740)</u>	<u>(24)</u>	<u>\$ (375)</u>	<u>\$ (231)</u>	<u>\$ 412</u>
Net income	-	-	-	24	-	-	-	24
Foreign currency translation	-	-	-	-	-	-	1	1
Equity-based compensation expense	-	-	4	-	-	-	-	4
Dividends declared on preferred stock	-	-	-	(6)	-	-	-	(6)
Balance at June 30, 2023	<u>108</u>	<u>\$ 1</u>	<u>\$ 1,761</u>	<u>\$ (722)</u>	<u>(24)</u>	<u>\$ (375)</u>	<u>\$ (230)</u>	<u>\$ 435</u>

	Common Stock		Additional Paid-in Capital	Retained (Deficit)	Treasury Stock		Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance at December 31, 2021	106	\$ 1	\$ 1,747	\$ (819)	(24)	\$ (375)	\$ (231)	\$ 323
Net income	-	-	-	16	-	-	-	16
Foreign currency translation	-	-	-	-	-	-	2	2
Hedge accounting adjustments	-	-	-	-	-	-	3	3
Shares withheld for taxes	-	-	(2)	-	-	-	-	(2)
Vesting of stock awards	2	-	-	-	-	-	-	-
Equity-based compensation expense	-	-	3	-	-	-	-	3
Dividends declared on preferred stock	-	-	-	(6)	-	-	-	(6)
Balance at March 31, 2022	<u>108</u>	<u>\$ 1</u>	<u>\$ 1,748</u>	<u>\$ (809)</u>	<u>(24)</u>	<u>\$ (375)</u>	<u>\$ (226)</u>	<u>\$ 339</u>
Net income	-	-	-	14	-	-	-	14
Foreign currency translation	-	-	-	-	-	-	(6)	(6)
Hedge accounting adjustments	-	-	-	-	-	-	3	3
Equity-based compensation expense	-	-	3	-	-	-	-	3
Dividends declared on preferred stock	-	-	-	(6)	-	-	-	(6)
Balance at June 30, 2022	<u>108</u>	<u>\$ 1</u>	<u>\$ 1,751</u>	<u>\$ (801)</u>	<u>(24)</u>	<u>\$ (375)</u>	<u>\$ (229)</u>	<u>\$ 347</u>

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

MRC GLOBAL INC.

(in millions)

	Six Months Ended	
	June 30, 2023	June 30, 2022
Operating activities		
Net income	\$ 58	\$ 30
Adjustments to reconcile net income to net cash used in operations:		
Depreciation and amortization	10	9
Amortization of intangibles	10	11
Equity-based compensation expense	7	6
Deferred income tax expense	2	1
Increase in LIFO reserve	1	26
Other, net	13	8
Changes in operating assets and liabilities:		
Accounts receivable	(19)	(116)
Inventories	(101)	(136)
Other current assets	(9)	(18)
Accounts payable	36	116
Accrued expenses and other current liabilities	(18)	-
Net cash used in operations	(10)	(63)
Investing activities		
Purchases of property, plant and equipment	(5)	(5)
Other investing activities	-	(2)
Net cash used in investing activities	(5)	(7)
Financing activities		
Payments on revolving credit facilities	(497)	(275)
Proceeds from revolving credit facilities	530	335
Payments on long-term obligations	(2)	(1)
Dividends paid on preferred stock	(12)	(12)
Repurchases of shares to satisfy tax withholdings	(4)	(2)
Net cash provided by financing activities	15	45
Increase (decrease) in cash	-	(25)
Effect of foreign exchange rate on cash	(1)	(2)
Cash -- beginning of period	32	48
Cash -- end of period	\$ 31	\$ 21
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 16	\$ 10
Cash paid for income taxes	\$ 27	\$ 25

See notes to condensed consolidated financial statements.

NOTE 1 – BACKGROUND AND BASIS OF PRESENTATION

Business Operations: MRC Global Inc. is a holding company headquartered in Houston, Texas. Our wholly owned subsidiaries are global distributors of pipe, valves, fittings (“PVF”) and infrastructure products and services across each of the following sectors:

- Gas Utilities (storage and distribution of natural gas)
- Downstream, Industrial and Energy Transition (crude oil refining, petrochemical and chemical processing, general industrials and energy transition projects)
- Production and Transmission Infrastructure (exploration, production and extraction, gathering, processing and transmission of oil and gas)

We have service centers in industrial, chemical, gas distribution and hydrocarbon producing and refining areas throughout the United States, Canada, Europe, Asia, Australasia and the Middle East. We obtain products from a broad range of suppliers.

Basis of Presentation: We have prepared our unaudited condensed consolidated financial statements in accordance with Rule 10-01 of Regulation S-X for interim financial statements. These statements do not include all information and footnotes that generally accepted accounting principles (“GAAP”) require for complete annual financial statements. However, the information in these statements reflects all normal recurring adjustments that are, in our opinion, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and six months ended June 30, 2023, are not necessarily indicative of the results that will be realized for the fiscal year ending December 31, 2023. We have derived our condensed consolidated balance sheet as of December 31, 2022, from the audited consolidated financial statements for the year ended December 31, 2022. You should read these condensed consolidated financial statements in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2022. Certain prior year amounts have been reclassified to conform to the current year presentation.

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

Adoption of New Accounting Standards: In the fourth quarter of 2022, we adopted early Accounting Standards Update (“ASU”) No. 2020-04, *Reference Rate Reform (Topic 848)*, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that the discontinuation of certain reference rates, including the London Interbank Offered Rate (“LIBOR”), impacts. The adoption of this ASU did not have a material impact on our condensed consolidated financial statements.

NOTE 2 – REVENUE RECOGNITION

We recognize revenue when we transfer control of promised goods or services to our customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. We recognize substantially all of our revenue when products are shipped or delivered to our customers, and payment is due from our customers at the time of billing with a majority of our customers having 30-day terms. We estimate and record returns as a reduction of revenue. Amounts received in advance of shipment are deferred and recognized when the performance obligations are satisfied. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, we exclude these taxes from sales in the accompanying condensed consolidated statements of operations. Cost of sales includes the cost of inventory sold and related items, such as vendor rebates, inventory allowances and reserves and shipping and handling costs associated with inbound and outbound freight, as well as depreciation and amortization of intangible assets. In some cases, particularly with third-party pipe shipments, we consider shipping and handling costs to be separate performance obligations, and as such, we record the revenue and cost of sales when the performance obligation is fulfilled.

Our contracts with customers ordinarily involve performance obligations that are one year or less. Therefore, we have applied the optional exemption that permits the omission of information about our unfulfilled performance obligations as of the balance sheet dates.

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

Generally, revenue recognition and invoicing occur simultaneously as we transfer control of promised goods or services to our customers. We consider contract assets to be accounts receivable when we have an unconditional right to consideration and only the passage of time is required before payment is due. In certain cases, particularly those involving customer-specific documentation requirements, we delay invoicing until we are able to meet the documentation requirements. In these cases, we recognize a contract asset separate from accounts receivable until those requirements are met, and we are able to invoice the customer. Our contract asset balance associated with these requirements as of June 30, 2023, and December 31, 2022, was \$9 million and \$24 million, respectively. These contract asset balances are included within accounts receivable in the accompanying condensed consolidated balance sheets.

We record contract liabilities, or deferred revenue, when we receive cash payments from customers in advance of our performance, including amounts that are refundable. The deferred revenue balance at June 30, 2023 and December 31, 2022 was \$8 million and \$9 million, respectively. During the three and six months ended June 30, 2023, we recognized \$3 million and \$5 million of revenue that was deferred as of December 31, 2022. During the three and six months ended June 30, 2022, we recognized \$1 million and \$3 million of revenue that was deferred as of December 31, 2021. Deferred revenue balances are included within accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheets.

Disaggregated Revenue:

In the first quarter of 2023, the Company combined the sectors formerly known as Upstream Production and Midstream Pipeline into one sector, Production and Transmission Infrastructure. The similarity of market drivers, the overlap of customers and the combined management structure of both sectors was the primary basis for the change.

Our disaggregated revenue represents our business of selling PVF to energy and industrial end uses across each of the Gas Utilities (storage and distribution of natural gas), Downstream, Industrial and Energy Transition (crude oil refining, petrochemical and chemical processing, general industrials and energy transition projects), and Production and Transmission Infrastructure (exploration, production and extraction, gathering, processing and transmission of oil and gas) sectors, in each of our reportable segments. Varying factors, including macroeconomic environment, commodity prices, maintenance and capital spending and exploration and production activity influence each of our end market sectors and geographical reportable segments. As such, we believe that this information is important in depicting the nature, amount, timing and uncertainty of our contracts with customers.

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

**Three Months Ended
June 30,**

	U.S.	Canada	International	Total
2023:				
Gas Utilities	\$ 321	\$ 1	\$ 1	\$ 323
Downstream, Industrial & Energy Transition	179	4	62	245
Production & Transmission Infrastructure	227	33	43	303
	<u>\$ 727</u>	<u>\$ 38</u>	<u>\$ 106</u>	<u>\$ 871</u>
2022:				
Gas Utilities	\$ 311	\$ 3	\$ —	\$ 314
Downstream, Industrial & Energy Transition	198	7	54	259
Production & Transmission Infrastructure	208	30	37	275
	<u>\$ 717</u>	<u>\$ 40</u>	<u>\$ 91</u>	<u>\$ 848</u>

**Six Months Ended
June 30,**

	U.S.	Canada	International	Total
2023:				
Gas Utilities	\$ 627	\$ 2	\$ 1	\$ 630
Downstream, Industrial & Energy Transition	389	9	125	523
Production & Transmission Infrastructure	451	69	83	603
	<u>\$ 1,467</u>	<u>\$ 80</u>	<u>\$ 209</u>	<u>\$ 1,756</u>
2022:				
Gas Utilities	\$ 579	\$ 6	\$ —	\$ 585
Downstream, Industrial & Energy Transition	367	14	104	485
Production & Transmission Infrastructure	389	63	68	520
	<u>\$ 1,335</u>	<u>\$ 83</u>	<u>\$ 172</u>	<u>\$ 1,590</u>

NOTE 3 – INVENTORIES

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

	June 30, 2023	December 31, 2022
Finished goods inventory at average cost:		
Valves, automation, measurement and instrumentation	\$ 298	\$ 271
Carbon steel pipe, fittings and flanges	233	201
Gas products	279	257
All other products	168	147
	<u>978</u>	<u>876</u>
Less: Excess of average cost over LIFO cost (LIFO reserve)	(280)	(279)
Less: Other inventory reserves	(24)	(19)
	<u>\$ 674</u>	<u>\$ 578</u>

The Company uses the last-in, first-out (“LIFO”) method of valuing U.S. inventories. The use of the LIFO method has the effect of reducing net income during periods of rising inventory costs (inflationary periods) and increasing net income during periods of falling inventory costs (deflationary periods). Valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, we base interim LIFO calculations on management’s estimates of expected year-end inventory levels and costs and these estimates are subject to the final year-end LIFO inventory determination.

NOTE 4 – LEASES

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

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

As most of our leases do not provide an implicit rate, we use an incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments using a portfolio approach. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Expense associated with our operating leases was \$10 million and \$20 million for the three and six months ended June 30, 2023, and \$10 million and \$20 million for the three and six months ended June 30, 2022, which we have classified in selling, general and administrative expenses. Cash paid for leases recognized as liabilities was \$10 million and \$20 million for the three and six months ended June 30, 2023, and \$11 million and \$21 million for the three and six months ended June 30, 2022.

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

Maturity of Operating Lease Liabilities

Remainder of 2023	\$ 22
2024	41
2025	34
2026	29
2027	26
After 2027	182
Total lease payments	<u>334</u>
Less: Interest	(111)
Present value of lease liabilities	<u>\$ 223</u>

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

	June 30, 2023
Operating Lease Term and Discount Rate	
Weighted-average remaining lease term (years)	12
Weighted-average discount rate	6.6%

Amounts maturing after 2027 include expected renewals for leases of regional distribution centers and certain corporate offices through dates up to 2048. Excluding these optional renewals, our weighted-average remaining lease term is 7 years.

NOTE 5 – LONG-TERM DEBT

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

	June 30, 2023	December 31, 2022
Senior Secured Term Loan B, net of discount and issuance costs of \$1	\$ 294	\$ 295
Global ABL Facility	77	45
	371	340
Less: current portion	3	3
	\$ 368	\$ 337

Senior Secured Term Loan B: We have a Senior Secured Term Loan B (the “Term Loan”) with an original principal amount of \$400 million, which amortizes in equal quarterly installments of 1% per year with the balance payable in September 2024, when the facility matures. The Term Loan has an applicable interest rate margin of 300 basis points in the case of loans incurring interest based on LIBOR, and 200 basis points in the case of loans incurring interest based on the base rate. Beginning July 1, 2023, the interest rate is calculated as the aggregate Chicago Mercantile Exchange (“CME”) Term SOFR plus the International Swaps and Derivatives Association (ISDA) credit adjustment spread. “Term SOFR” is the forward-looking, per annum secured overnight financing rate administered by CME Group Benchmark Administration Limited and published on the applicable Thompson Reuters Corporation website page for each of 1-month, 3-month, and 6-month maturities. The Term Loan allows for incremental increases in facility size by up to an aggregate of \$200 million, plus an additional amount such that the Company’s first lien leverage ratio (as defined under the Term Loan) would not exceed 4.00 to 1.00. MRC Global (US) Inc. is the borrower under this facility, which MRC Global Inc. as well as all of its wholly owned U.S. subsidiaries guarantees. In addition, the Term Loan is secured by a second lien on the assets securing our Global ABL Facility, defined below (which includes accounts receivable and inventory) and a first lien on substantially all of the other assets of MRC Global Inc. and those of its U.S. subsidiaries as well as a pledge of all of the capital stock of our domestic subsidiaries and 65% of the capital stock of first tier, non-U.S. subsidiaries. In addition, the Term Loan contains a number of customary restrictive covenants. We are required to repay the Term Loan with the proceeds from certain asset sales and certain insurance proceeds. In addition, on an annual basis, we are required to repay an amount equal to 50% of excess cash flow, as defined in the Term Loan, reducing to 25% if our first lien leverage ratio is no more than 2.75 to 1.00. No payment of excess cash flow is required if the first lien leverage ratio is less than or equal 2.50 to 1.00. The amount of cash used in the determination of the senior secured leverage ratio is limited to \$75 million.

Global ABL Facility: The Company is a party to a multi-currency, global asset-based lending facility (the “Global ABL Facility”), including certain of its subsidiaries, its lenders and Bank of America, N.A. as administrative agent, security trustee and collateral agent. The Global ABL Facility is a revolving credit facility of \$750 million, which matures in September 2026. The Global ABL Facility is comprised of \$705 million in revolver commitments in the United States, which includes a \$30 million sub-limit for Canada, \$12 million in Norway, \$10 million in Australia, \$10.5 million in the Netherlands, \$7.5 million in the United Kingdom and \$5 million in Belgium. The Global ABL Facility contains an accordion feature that allows us to increase the principal amount of the facility by up to \$250 million, subject to securing additional lender commitments. MRC Global Inc. and each of its current and future wholly owned material U.S. subsidiaries guarantee the obligations of our borrower subsidiaries under the Global ABL Facility. Additionally, each of our non-U.S. borrower subsidiaries guarantees the obligations of our other non-U.S. borrower subsidiaries under the Global ABL Facility. Outstanding obligations are generally secured by a first priority security interest in accounts receivable, inventory and related assets. In December 2022, the Company and Administrative Agent entered into an amendment to the Global ABL Facility to replace the London Interbank Offered Rate with a new prevailing benchmark interest rate known as Term SOFR for all U.S. dollar borrowings. U.S. borrowings under the amended facility bear interest at the Term SOFR plus a margin varying between 1.25% and 1.75% based on our fixed charge coverage ratio. Canadian borrowings under the facility bear interest at the Canadian Dollar Bankers' Acceptances Rate (“BA Rate”) plus a margin varying between 1.25% and 1.75% based on our fixed charge coverage ratio. Borrowings under our foreign borrower subsidiaries bear interest at a benchmark rate, which varies based on the currency in which such borrowings are made, plus a margin varying between 1.25% and 1.75% based on our fixed charge coverage ratio. Availability is dependent on a borrowing base comprised of a percentage of eligible accounts receivable and inventory, which is subject to redetermination from time to time. Excess Availability, as defined under our Global ABL Facility, was \$599 million as of June 30, 2023.

Interest on Borrowings: The interest rates on our outstanding borrowings at June 30, 2023, including a floating to fixed interest rate swap at December 31, 2022, are set forth below:

	June 30, 2023	December 31, 2022
Senior Secured Term Loan B	8.36%	6.05%
Global ABL Facility	7.09%	5.20%
Weighted average interest rate	8.10%	5.94%

NOTE 6 – REDEEMABLE PREFERRED STOCK**Preferred Stock Issuance**

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

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

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

MRC Global Inc. may not enter into any new, or amend, or modify any existing agreement or arrangement that by its terms restricts, limits, prohibits or prevents the Company from paying dividends on the Preferred Stock, redeeming or repurchasing the Preferred Stock or effecting the conversion of the Preferred Stock. Any such agreement, amendment or modification would require the consent of the holder of the Preferred Stock.

NOTE 7 – STOCKHOLDERS’ EQUITY**Equity Compensation Plans**

The Company’s Omnibus Incentive Plan permits the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other stock-based and cash-based awards. Since the adoption of the Plan, the Company’s board of directors has periodically granted stock options, restricted stock awards, restricted stock units and performance share units to directors and employees, but no other types of awards have been granted under the plan. Options and stock appreciation rights may not be granted at prices less than the fair market value of our common stock on the date of the grant, nor for a term exceeding ten years. For employees, vesting generally occurs over a three-year period on the anniversaries of the date specified in the employees’ respective agreements, subject to accelerated vesting under certain circumstances set forth in the agreements, and in any event, no less than one year. Vesting for directors generally occurs on the one-year anniversary of the grant date. A Black-Scholes option-pricing model is used to estimate the fair value of the stock options. A Monte Carlo simulation is completed to estimate the fair value of performance share unit awards with a stock price performance component. We expense the fair value of all equity grants, including performance share unit awards, on a straight-line basis over the vesting period. In 2023, 169,020 performance share unit awards, 135,019 restricted stock awards, and 745,039 shares of restricted stock units have been granted to executive management, members of our Board of Directors and employees.

Accumulated Other Comprehensive Loss

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

	June 30, 2023	December 31, 2022
Currency translation adjustments	\$ (230)	\$ (230)
Hedge accounting adjustments	1	1
Other adjustments	(1)	(1)
Accumulated other comprehensive loss	<u>\$ (230)</u>	<u>\$ (230)</u>

Earnings per Share

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

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income	\$ 24	\$ 14	\$ 58	\$ 30
Less: Dividends on Series A Preferred Stock	6	6	12	12
Net income attributable to common stockholders	\$ 18	\$ 8	\$ 46	\$ 18
Weighted average basic shares outstanding	84.3	83.6	84.1	83.4
Effect of dilutive securities	1.0	1.3	1.3	1.2
Weighted average diluted shares outstanding	85.3	84.9	85.4	84.6
Net income per share:				
Basic	\$ 0.21	\$ 0.10	\$ 0.55	\$ 0.22
Diluted	\$ 0.21	\$ 0.09	\$ 0.54	\$ 0.21

Equity awards and shares of Preferred Stock are disregarded in the calculation of diluted earnings per share if they are determined to be anti-dilutive. For the three and six months ended June 30, 2023 and 2022, all of the shares of the Preferred Stock were anti-dilutive. For the three and six months ended June 30, 2023, we had approximately 1.3 million anti-dilutive stock options, restricted stock units, and performance units. For the three and six months ended June 30, 2022, we had approximately 1.3 million and 1.6 million anti-dilutive stock options, restricted stock units, and performance units.

NOTE 8 – SEGMENT INFORMATION

Our business is comprised of three operating and reportable segments: U.S., Canada and International. Our International segment consists of our operations outside of the U.S. and Canada. These segments represent our business of selling PVF to the energy sector across each of the Gas Utilities, Downstream, Industrial and Energy Transition, and Production and Transmission Infrastructure sectors.

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

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Sales				
U.S.	\$ 727	\$ 717	\$ 1,467	\$ 1,335
Canada	38	40	80	83
International	106	91	209	172
Consolidated sales	\$ 871	\$ 848	\$ 1,756	\$ 1,590
Operating income (loss)				
U.S.	\$ 42	\$ 30	\$ 95	\$ 59
Canada	(2)	(1)	(4)	(1)
International	5	2	11	2
Total operating income	45	31	102	60
Interest expense	(10)	(5)	(17)	(11)
Other, net	(1)	(6)	(4)	(6)
Income before income taxes	\$ 34	\$ 20	\$ 81	\$ 43
			June 30, 2023	December 31, 2022
Total assets				
U.S.			\$ 1,613	\$ 1,518
Canada			101	101
International			286	276
Total assets			\$ 2,000	\$ 1,895

Our sales by product line are as follows (in millions):

Type	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Line Pipe	\$ 128	\$ 132	\$ 269	\$ 244
Carbon Fittings and Flanges	119	116	236	216
Total Carbon Pipe, Fittings and Flanges	247	248	505	460
Valves, Automation, Measurement and Instrumentation	299	280	614	531
Gas Products	214	198	421	382
Stainless Steel and Alloy Pipe and Fittings	36	58	68	94
General Products	75	64	148	123
	<u>\$ 871</u>	<u>\$ 848</u>	<u>\$ 1,756</u>	<u>\$ 1,590</u>

NOTE 9 – FAIR VALUE MEASUREMENTS

From time to time, we use derivative financial instruments to help manage our exposure to interest rate risk and fluctuations in foreign currencies.

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

We designated the interest rate swap as an effective cash flow hedge utilizing the guidance under ASU 2017-12. As such, the valuation of the interest rate swap was recorded as an asset or liability, and the gain or loss on the derivative was recorded as a component of other comprehensive income (loss). Interest rate swap agreements are reported on the accompanying balance sheets at fair value utilizing observable Level 2 inputs such as yield curves and other market-based factors. We obtain dealer quotations to value our interest rate swap agreements. The fair value of our interest rate swap was estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows at current market interest rates. The fair value of the interest rate swap was an asset of \$1 million as of December 31, 2022.

On March 31, 2023, the interest rate swap agreement expired and was not extended with any new agreements or amendments. An immaterial net gain recorded as a component of other comprehensive loss was reclassified to interest expense as of March 31, 2023.

Foreign Exchange Forward Contracts: Foreign exchange forward contracts are reported at fair value utilizing Level 2 inputs, as the fair value is based on broker quotes for the same or similar derivative instruments. Our foreign exchange derivative instruments are freestanding, and we have not designated them as hedges; accordingly, we have recorded changes in their fair market value in earnings. There were no outstanding forward foreign exchange contracts as of June 30, 2023. The total notional amount of our forward foreign exchange contracts and options was approximately \$3 million at December 31, 2022. We had approximately \$0 million recorded as liabilities on our condensed consolidated balance sheets as of December 31, 2022.

With the exception of long-term debt, the fair values of our financial instruments, including cash and cash equivalents, accounts receivable, trade accounts payable and accrued liabilities, approximate carrying value. The carrying value of our debt was \$371 million and \$340 million at June 30, 2023 and December 31, 2022, respectively. We estimate the fair value of the Term Loan using Level 2 inputs or quoted market prices. The fair value of our debt was \$369 million and \$337 million at June 30, 2023 and December 31, 2022, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation

Asbestos Claims. We are one of many defendants in lawsuits that plaintiffs have brought seeking damages for personal injuries that exposure to asbestos allegedly caused. Plaintiffs and their family members have brought these lawsuits against a large volume of defendant entities as a result of the defendants' manufacture, distribution, supply or other involvement with asbestos, asbestos containing-products or equipment or activities that allegedly caused plaintiffs to be exposed to asbestos. These plaintiffs typically assert exposure to asbestos as a consequence of third-party manufactured products that our MRC Global (US) Inc. subsidiary purportedly distributed. As of June 30, 2023, we are named a defendant in approximately 512 lawsuits involving approximately 1,077 claims. No asbestos lawsuit has resulted in a judgment against us to date, with a majority being settled, dismissed or otherwise resolved. Applicable third-party insurance has substantially covered these claims, and insurance should continue to cover a substantial majority of existing and anticipated future claims. Accordingly, we have recorded a liability for our estimate of the most likely settlement of asserted claims and a related receivable from insurers for our estimated recovery, to the extent we believe that the amounts of recovery are probable. It is not possible to predict the outcome of these claims and proceedings. However, in our opinion, the likelihood that the ultimate disposition of any of these claims and legal proceedings will have a material adverse effect on our condensed consolidated financial statements is remote.

Other Legal Claims and Proceedings. From time to time, we have been subject to various claims and involved in legal proceedings incidental to the nature of our businesses. We maintain insurance coverage to reduce financial risk associated with certain of these claims and proceedings. It is not possible to predict the outcome of these claims and proceedings. However, in our opinion, the likelihood that the ultimate disposition of any of these claims and legal proceedings will have a material adverse effect on our condensed consolidated financial statements is remote.

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

Customer Contracts

We have contracts and agreements with many of our customers that dictate certain terms of our sales arrangements (pricing, deliverables, etc.). While we make every effort to abide by the terms of these contracts, certain provisions are complex and often subject to varying interpretations. Under the terms of these contracts, our customers have the right to audit our adherence to the contract terms. Historically, any settlements that have resulted from these customer audits have not been material to our condensed consolidated financial statements.

Purchase Commitments

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our financial statements and related notes included elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. As used in this Form 10-Q, unless otherwise indicated or the context otherwise requires, all references to the "Company," "MRC Global," "we," "our" or "us" refer to MRC Global Inc. and its consolidated subsidiaries.

Cautionary Note Regarding Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations (as well as other sections of this Quarterly Report on Form 10-Q) contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include those preceded by, followed by or including the words "will," "expect," "intended," "anticipated," "believe," "project," "forecast," "propose," "plan," "estimate," "enable" and similar expressions, including, for example, statements about our business strategy, our industry, our future profitability, growth in the industry sectors we serve, our expectations, beliefs, plans, strategies, objectives, prospects and assumptions, and estimates and projections of future activity and trends in the oil and natural gas industry. These forward-looking statements are not guarantees of future performance. These statements are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, most of which are difficult to predict and many of which are beyond our control, including the factors described under "Risk Factors," that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. Such risks and uncertainties include, among other things:

- decreases in capital and other expenditure levels in the industries that we serve;
- U.S. and international general economic conditions;
- global geopolitical events;
- decreases in oil and natural gas prices;
- unexpected supply shortages;
- loss of third-party transportation providers;
- cost increases by our suppliers and transportation providers;
- increases in steel prices, which we may be unable to pass along to our customers which could significantly lower our profit;
- our lack of long-term contracts with most of our suppliers;
- suppliers' price reductions of products that we sell, which could cause the value of our inventory to decline;
- decreases in steel prices, which could significantly lower our profit;
- a decline in demand for certain of the products we distribute 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 our 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 our customer and product mix;
- the risk that manufacturers of the products we distribute will sell a substantial amount of goods directly to end users in the industry sectors we serve;
- failure to operate our business in an efficient or optimized manner;
- our ability to compete successfully with other companies in our industry;
- our lack of long-term contracts with many of our customers and our lack of contracts with customers that require minimum purchase volumes;

- inability to attract and retain our employees or the potential loss of key personnel;
- adverse health events, such as a pandemic;
- interruption in the proper functioning of our information systems;
- the occurrence of cybersecurity incidents;
- risks related to our customers' creditworthiness;
- the success of our acquisition strategies;
- the potential adverse effects associated with integrating acquisitions into our business and whether these acquisitions will yield their intended benefits;
- impairment of our goodwill or other intangible assets;
- adverse changes in political or economic conditions in the countries in which we operate;
- our significant indebtedness;
- the dependence on our subsidiaries for cash to meet our parent company's obligations;
- changes in our credit profile;
- potential inability to obtain necessary capital;
- the sufficiency of our insurance policies to cover losses, including liabilities arising from litigation;
- product liability claims against us;
- pending or future asbestos-related claims against us;
- exposure to U.S. and international laws and regulations, regulating corruption, limiting imports or exports or imposing economic sanctions;
- risks relating to ongoing evaluations of internal controls required by Section 404 of the Sarbanes-Oxley Act; and
- risks related to changing laws and regulations, including trade policies and tariffs.

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

Overview

We are the leading global distributor of pipe, valves, fittings ("PVF") and other infrastructure products and services to diversified energy, industrial and gas utility end-markets. We provide innovative supply chain solutions, technical product expertise and a robust digital platform to customers globally through our leading position across each of our diversified end-markets including the following sectors:

- Gas Utilities (storage and distribution of natural gas)
- Downstream, Industrial and Energy Transition (crude oil refining, petrochemical and chemical processing, general industrials and energy transition projects)
- Production and Transmission Infrastructure (exploration, production and extraction, gathering, processing and transmission of oil and gas)

We offer over 250,000 SKUs, including an extensive array of PVF, oilfield supply, valve automation and modification, measurement, instrumentation and other general and specialty products from our global network of over 9,000 suppliers. With over 100 years of experience, our approximately 2,900 employees serve approximately 10,000 customers through 216 service locations including regional distribution centers, branches, corporate offices and third-party pipe yards, where we often deploy pipe near customer locations.

Key Drivers of Our Business

We derive our revenue predominantly from the sale of PVF and other supplies to energy, industrial and gas utility customers globally. Our business is dependent upon both the current conditions and future prospects in these industries and, in particular, our customers' maintenance and expansionary operating and capital expenditures. The outlook for PVF spending is influenced by numerous factors, including the following:

- *Gas Utility and Energy Infrastructure Integrity and Modernization.* Ongoing maintenance and upgrading of existing energy facilities, pipelines and other infrastructure equipment is a meaningful driver for business across the sectors we serve. This is particularly true for Gas Utilities, which is currently our largest sector by sales. Activity with customers in this sector is driven by upgrades and replacement of existing infrastructure as well as new residential and commercial development. Continual maintenance of an aging network of pipelines and local distribution networks is a critical requirement for these customers irrespective of broader economic conditions. As a result, this business tends to be more stable over time than our traditional oilfield-dependent businesses and moves independently of commodity prices.
- *Oil and Natural Gas Demand and Prices.* Sales of PVF and infrastructure products to the oil and natural gas industry constitute a significant portion of our sales. As a result, we depend upon the maintenance and capital expenditures of oil and natural gas companies to explore for, produce and process oil, natural gas and refined products. Demand for oil and natural gas, current and projected commodity prices and the costs necessary to produce oil and gas impact customer capital spending, additions to and maintenance of pipelines, refinery utilization and petrochemical processing activity. Additionally, as these participants rebalance their capital investment away from traditional, carbon-based energy toward alternative sources, we expect to continue to supply them and enhance our product and service offerings to support their changing requirements, including in areas such as carbon capture utilization and storage, biofuels, offshore wind and hydrogen processing.
- *Economic Conditions.* Changes in the general economy or in the energy sector (domestically or internationally) can cause demand for fuels, feedstocks and petroleum-derived products to vary, thereby causing demand for the products we distribute to materially change.
- *Manufacturer and Distributor Inventory Levels of PVF and Related Products.* Manufacturer and distributor inventory levels of PVF and related products can change significantly from period to period. Increased inventory levels by manufacturers or other distributors can cause an oversupply of PVF and related products in the industry sectors we serve and reduce the prices that we are able to charge for the products we distribute. Reduced prices, in turn, would likely reduce our profitability. Conversely, decreased manufacturer inventory levels may ultimately lead to increased demand for our products and often result in increased revenue, higher PVF pricing and improved profitability.
- *Steel Prices, Availability and Supply and Demand.* Fluctuations in steel prices can lead to volatility in the pricing of the products we distribute, especially carbon steel line pipe products, which can influence the buying patterns of our customers. A majority of the products we distribute contain various types of steel. The worldwide supply and demand for these products and other steel products that we do not supply, impact the pricing and availability of our products and, ultimately, our sales and operating profitability. Additionally, supply chain disruptions with key manufacturers or in markets in which we source products can impact the availability of inventory we require to support our customers. Furthermore, logistical challenges, including inflation and availability of freight providers and containers for shipping can also significantly impact our profitability and inventory lead-times. These constraints can also present an opportunity, as our supply chain expertise allows us to meet customer expectations when the competition may not.

Recent Trends and Outlook

During the three months ended June 30, 2023, revenue decreased 2% sequentially from the three months ended March 31, 2023, and increased 3% from the three months ended June 30, 2022. Despite near-term risk related to a potential global economic slowdown, market fundamentals in the industries we support remain resilient, as evidenced by the 3% improvement in our backlog position as compared to December 31, 2022. However, we are anticipating lower growth in the second half of 2023 for our U.S. segment than we previously anticipated primarily due to a slower ramp-up in our gas utilities sector sales during the current construction season. Although the long-term growth fundamentals of this sector remain intact, several key gas utilities customers are currently focused on reducing product inventory levels over the next few quarters due to more certainty in the supply chain and associated lead times.

Gas Utilities

Our gas utility business continues to be our largest sector, making up 36% of our total company revenue with an 8% increase in sales compared to the six months ended June 30, 2022. This sector is expected to have continued growth due to long-term market drivers including distribution integrity upgrade programs as well as new home construction in certain U.S. states. The majority of the work we perform with our gas utility customers are multi-year programs where they continually evaluate, monitor and implement measures to improve their pipeline distribution networks, ensuring the safety and the integrity of their system. As of 2022, which is the most recently available information, the U.S. Pipeline and Hazardous Materials Safety Administration (PHMSA) estimates approximately 35% of the gas distribution main and service line miles are over 40 years old or of unknown origin. This infrastructure requires continuous replacement and maintenance as these gas distribution networks continue to age. We supply many of the replacement products including valves, line pipe, smart meters, risers and other gas products. A large percentage of the line pipe we sell is sold to our gas utilities customers for line replacement and new sections of their distribution network. Additionally, as our gas utility customers connect new homes and businesses to their gas distribution network, the growth in the housing market creates new revenue opportunities for our business to supply the related infrastructure products. While new housing market starts have started to decline with interest rate increases, we do not anticipate this to have a significant impact, as customers will generally reallocate their budgets towards integrity upgrade projects. The compound annual growth rate since 2016 for this sector is 12% and based on market fundamentals and new market share opportunities, we expect this area of our business to continue to have steady growth. Additionally, this sector has proven historically to be less sensitive to a scenario of economic slowdown due to its reduced dependency on energy demand and commodity prices.

Downstream, Industrial and Energy Transition (DIET)

DIET generated 30% of our total company revenue and grew 8% from the first six months of 2022. We continue to expect this sector to deliver strong growth in 2023 driven by increased customer activity levels related to new energy transition related projects, liquified natural gas ("LNG") projects, maintenance, repair and operations ("MRO") activities, and project turnaround activity in refineries and chemical plants. This sector has a significant amount of project activity, which can create substantial variability between quarters.

The energy transition portion of our business is growing rapidly, particularly for biofuel refinery projects. The outlook for energy transition projects in the coming years is robust as pressure to decarbonize the economy rises and government incentives and policy such as those in the Inflation Reduction Act of 2022 begin to support the development of carbon energy alternatives. Also, many of our customers have made commitments to net zero emissions to address climate change. Our customer base represents many of the primary leaders in the energy transition movement and is positioned to lead the effort to decarbonize through nearer-term efforts such as renewable or biodiesel refineries and offshore wind power generation as well as longer-term efforts such as carbon capture and storage and hydrogen. These types of projects require similar products that we currently provide today to these customers. We also sell low-emission valves, which represent 96% of the valves we currently sell. Low-emission valves restrict the release of methane and other greenhouse gases into the environment. We are well positioned to grow our energy transition business as we supply products for these projects through our long-standing customer relationships and our product and global supply chain expertise.

Production and Transmission Infrastructure (PTI)

The PTI sector of our business is the most cyclical, and in the first six months of 2023 this sector represented 34% of our company revenues with a 16% increase from the six months ended June 30, 2022. During the first half of 2023, Brent crude oil price averaged \$80 per barrel and West Texas Intermediate ("WTI") oil prices averaged approximately \$75 per barrel. Recent OPEC+ production cuts have maintained prices at levels that support continued growth in drilling and completion activity by our customers. Natural gas prices also drive customer activity and have experienced recent volatility and declines, which if this remains sustainably low, could negatively impact our business.

To the extent completion activity and related production increases, this could improve our revenue opportunities in our PTI sector. New well completions and higher production levels drive the need for additional surface equipment and gathering and processing infrastructure, benefitting this sector's revenue. The majority of the revenue in this sector is driven by large independents and major exploration and production companies, which are expected to strongly influence the increase in capital spending this year and the coming years for this sector. This group of customers make up the majority of our sales within the PTI sector.

Russia-Ukraine War

On February 24, 2022, Russia invaded Ukraine, which has had several consequences to the broader economy, global attitudes toward energy security and the pace of the energy transition. Government actions to reduce dependency on Russian fuels through embargoes and encourage an end to the conflict through sanctions on Russia have spurred a commodity price spike, supply constraints and various policy changes to address energy security. While we have no operations or sales in Ukraine, Belarus or Russia, the conflict has impacted several macro energy trends.

As Europe looks to replace Russian natural gas with more stable sources, LNG with its related infrastructure, is being considered as an alternative to Russian gas supplies, with new projects being considered in the U.S. and Europe. To the extent new LNG infrastructure is built, our PTI and DIET sectors are well-positioned to benefit from this growth.

Supply Chain and Labor

Our strong inventory position has allowed us to navigate supply chain disruptions caused by the COVID-19 pandemic. For the majority of our products, lead times have returned to pre-pandemic levels. Transportation costs are also generally in-line with pre-pandemic rates.

Inflation for the majority of our products has eased and we do not expect to see significant increases for the rest of the year. To the extent further pricing fluctuations impact our products, the impact on our revenue and cost of goods sold, which is determined using the last-in, first-out ("LIFO") inventory costing methodology, remains subject to uncertainty and volatility. However, our supply chain expertise, relationships with our key suppliers and inventory position has allowed us to manage the supply chain for both inflationary and deflationary pressures. In addition, our contracts with customers generally allow us to pass price increases along to customers within a reasonable time after they occur.

There has been little impact to our supply chain directly from the conflict in Ukraine. However, despite the relaxed COVID-19 restrictions in China, recent geopolitical conflicts could have the potential to further constrain the global supply chain and impact the availability of component parts, particularly for valves and meters.

Globally, we are being impacted by labor constraints as the post-pandemic recovery has lowered unemployment rates and created increased competition among companies to attract and retain personnel, which has increased our selling, general and administrative expense. We proactively monitor market trends in the areas where we have operations and, due to our efficient sourcing practices, have experienced little to no disruption supporting our customers.

Backlog

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

	June 30, 2023	December 31, 2022	June 30, 2022
U.S.	\$ 521	\$ 539	\$ 526
Canada	37	45	54
International	206	158	166
	<u>\$ 764</u>	<u>\$ 742</u>	<u>\$ 746</u>

There can be no assurance that the backlog amounts will ultimately be realized as revenue or that we will earn a profit on the backlog of orders, but we expect that substantially all of the sales in our backlog will be realized within twelve months.

Key Industry Indicators

The following table shows key industry indicators for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Average Rig Count (1):				
United States	719	713	740	675
Canada	117	113	169	154
Total North America	836	826	909	829
International	960	816	938	819
Total	<u>1,796</u>	<u>1,642</u>	<u>1,847</u>	<u>1,648</u>
Average Commodity Prices (2):				
WTI crude oil (per barrel)	\$ 73.54	\$ 108.83	\$ 74.73	\$ 102.01
Brent crude oil (per barrel)	\$ 77.99	\$ 113.84	\$ 79.58	\$ 107.20
Henry Hub natural gas (\$/MMBtu)	\$ 2.16	\$ 7.50	\$ 2.40	\$ 6.08
Average Monthly U.S. Well Permits (3)				
	3,147	3,499	3,254	3,201
U.S. Wells Completed (2)				
	3,039	2,767	6,343	5,236
3:2:1 Crack Spread (4)				
	\$ 32.64	\$ 49.02	\$ 34.07	\$ 37.73

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

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

(3) Source-Evercore ISI Research

(4) Source-Bloomberg

Results of Operations

Three Months Ended June 30, 2023 Compared to the Three Months Ended June 30, 2022

The breakdown of our sales by sector for the three months ended June 30, 2023 and 2022 was as follows (in millions):

	Three Months Ended					
	June 30, 2023		June 30, 2022			
Gas Utilities	\$	323	37%	\$	314	37%
Downstream, Industrial and Energy Transition		245	28%		259	31%
Production & Transmission Infrastructure		303	35%		275	32%
	\$	871	100%	\$	848	100%

For the three months ended June 30, 2023 and 2022, the following table summarizes our results of operations (in millions):

	Three Months Ended						
	June 30, 2023	June 30, 2022	\$ Change	% Change			
<i>Sales:</i>							
U.S.	\$	727	\$	717	\$	10	1%
Canada		38		40		(2)	(5)%
International		106		91		15	16%
Consolidated	\$	871	\$	848	\$	23	3%
<i>Operating income (loss):</i>							
U.S.	\$	42	\$	30	\$	12	40%
Canada		(2)		(1)		(1)	N/M
International		5		2		3	N/M
Consolidated		45		31		14	45%
Interest expense		(10)		(5)		(5)	N/M
Other, net		(1)		(6)		5	(83)%
Income tax expense		(10)		(6)		(4)	67%
Net income		24		14		10	71%
Series A preferred stock dividends		6		6		-	N/M
Net income attributable to common stockholders	\$	18	\$	8	\$	10	N/M
Gross profit	\$	175	\$	151	\$	24	16%
Adjusted Gross Profit (1)	\$	187	\$	181	\$	6	3%
Adjusted EBITDA (1)	\$	63	\$	65	\$	(2)	(3)%

(1) Adjusted Gross Profit and Adjusted EBITDA are non-GAAP financial measures. For a reconciliation of these measures to an equivalent GAAP measure, see pages 23-24 herein.

Sales. Our sales were \$871 million for the three months ended June 30, 2023, as compared to \$848 million for the three months ended June 30, 2022, an increase of \$23 million, or 3%.

U.S. Segment—Our U.S. sales increased to \$727 million for the three months ended June 30, 2023, from \$717 million for the three months ended June 30, 2022. This \$10 million, or 1%, increase reflected an improvement in the Production and Transmission Infrastructure sector of \$19 million primarily due to increased customer facility infrastructure activity and increased pipeline activity. Gas Utilities sales improved \$10 million driven by increased customer spending for modernization and replacement activity. Downstream, Industrial and Energy Transition sales decreased \$19 million due to the culmination of biofuel refinery projects.

Canada Segment—Our Canada sales decreased to \$38 million for the three months ended June 30, 2023, from \$40 million for the three months ended June 30, 2022 primarily driven by declines in the Downstream, Industrial and Energy Transition and Gas Utilities sectors offset by an improvement in the Production and Transmission Infrastructure sector. The weakening of the Canadian dollar relative to the U.S. dollar unfavorably impacted sales by \$2 million, or 5%.

International Segment—Our International sales increased to \$106 million for the three months ended June 30, 2023, from \$91 million for the same period in 2022. Excluding the impact of foreign exchange, sales increased \$18 million and was primarily driven by the Downstream, Industrial and Energy Transition sector followed by the Production and Transmission Infrastructure sector. The increase was offset by the weakening of foreign currencies in areas where we operate relative to the U.S. dollar, unfavorably impacting sales by \$3 million, or 3%.

Gross Profit. Our gross profit was \$175 million (20.1% of sales) for the three months ended June 30, 2023, as compared to \$151 million (17.8% of sales) for the three months ended June 30, 2022, an increase of \$24 million primarily attributable to improved margins on our general products, line pipe and stainless steel and alloy pipe and fittings sales. As compared to average cost, our LIFO inventory costing methodology increased cost of sales by \$2 million for the second quarter of 2023 compared to a \$20 million increase in cost of sales in the three months ended June 30, 2022.

Adjusted Gross Profit. Adjusted Gross Profit increased to \$187 million (21.5% of sales) for the three months ended June 30, 2023, from \$181 million (21.3% of sales) for the three months ended June 30, 2022, an increase of \$6 million. Adjusted Gross Profit is a non-GAAP financial measure. We define Adjusted Gross Profit as sales, less cost of sales, plus depreciation and amortization, plus amortization of intangibles, plus inventory-related charges incremental to normal operations and plus or minus the impact of our LIFO inventory costing methodology. We present Adjusted Gross Profit because we believe it is a useful indicator of our operating performance without regard to items, such as amortization of intangibles that can vary substantially from company to company depending upon the nature and extent of acquisitions. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether they elect to utilize LIFO and depending upon which method they may elect. We use Adjusted Gross Profit as a key performance indicator in managing our business. We believe that gross profit is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted Gross Profit.

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

	Three Months Ended			
	June 30, 2023	Percentage of Revenue	June 30, 2022	Percentage of Revenue*
Gross profit, as reported	\$ 175	20.1%	\$ 151	17.8%
Depreciation and amortization	5	0.6%	4	0.5%
Amortization of intangibles	5	0.6%	6	0.7%
Increase in LIFO reserve	2	0.2%	20	2.4%
Adjusted Gross Profit	<u>\$ 187</u>	<u>21.5%</u>	<u>\$ 181</u>	<u>21.3%</u>

*Does not foot due to rounding

Selling, General and Administrative (“SG&A”) Expenses. Our SG&A expenses were \$130 million (14.9% of sales) for the three months ended June 30, 2023, as compared to \$120 million (14.2% of sales) for the three months ended June 30, 2022. The \$10 million increase in SG&A was driven by higher employee-related costs resulting from an overall improvement in business activity, as well as hiring additional resources to support the growth in our business. We also incurred non-recurring IT-related professional fees that contributed to the higher SG&A expense for the quarter.

Operating Income. Operating income was \$45 million for the three months ended June 30, 2023, as compared to an operating income of \$31 million for the three months ended June 30, 2022, an increase of \$14 million.

U.S. Segment—Operating income for our U.S. segment was \$42 million for the three months ended June 30, 2023, compared to an operating income of \$30 million for the three months ended June 30, 2022, a \$12 million increase. The \$12 million increase was primarily attributable to higher revenues and lower LIFO expense.

Canada Segment—Operating loss for our Canada segment was \$2 million for the three months ended June 30, 2023, as compared to an operating loss of \$1 million for the three months ended June 30, 2022, primarily due to unfavorable foreign exchange impacts.

International Segment—Operating income for our International segment was \$5 million for the three months ended June 30, 2023, as compared to operating income of \$2 million for the three months ended June 30, 2022. The \$3 million increase was primarily due to higher revenues.

Interest Expense. Our interest expense was \$10 million and \$5 million for the three months ended June 30, 2023 and 2022, respectively. The increase of \$5 million was primarily due to higher benchmark interest rates.

Other, net. Other, net was \$1 million expense for the three months ended June 30, 2023 compared to \$6 million expense for the three months ended June 30, 2022. The decrease in other expense was primarily related to foreign exchange rate impacts.

Income Tax Expense. Our income tax expense was \$10 million for the three months ended June 30, 2023, as compared to \$6 million expense for the three months ended June 30, 2022, primarily due to increased profitability. Our effective tax rates were 29% and 30% for the three months ended June 30, 2023 and 2022, respectively. 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, 2023 was higher than the U.S. federal statutory rate due to foreign losses with no tax benefit.

Net Income. Our net income was \$24 million for the three months ended June 30, 2023, as compared to net income of \$14 million for the three months ended June 30, 2022.

Adjusted EBITDA. Adjusted EBITDA, a non-GAAP financial measure, was \$63 million (7.2% of sales) for the three months ended June 30, 2023, as compared to \$65 million (7.7% of sales) for the three months ended June 30, 2022.

We define Adjusted EBITDA as net income plus interest, income taxes, depreciation and amortization, amortization of intangibles and certain other expenses, including non-cash expenses such as equity-based compensation, severance and restructuring, changes in the fair value of derivative instruments, long-lived asset impairments (including goodwill and intangible assets), inventory-related charges incremental to normal operations and plus or minus the impact of our LIFO inventory costing methodology.

We believe Adjusted EBITDA provides investors a helpful measure for comparing our operating performance with the performance of other companies that may have different financing and capital structures or tax rates. We believe it is a useful indicator of our operating performance without regard to items, such as amortization of intangibles, which can vary substantially from company to company depending upon the nature and extent of acquisitions. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether they elect to utilize LIFO and depending upon which method they may elect. We use Adjusted EBITDA as a key performance indicator in managing our business. We believe that net income is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted EBITDA.

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

	Three Months Ended	
	June 30, 2023	June 30, 2022
Net income	\$ 24	\$ 14
Income tax expense	10	6
Interest expense	10	5
Depreciation and amortization	5	4
Amortization of intangibles	5	6
Non-recurring IT related professional fees	1	-
Increase in LIFO reserve	2	20
Equity-based compensation expense	4	3
Asset disposal	1	-
Foreign currency losses	1	7
Adjusted EBITDA	<u>\$ 63</u>	<u>\$ 65</u>

Six Months Ended June 30, 2023 Compared to the Six Months Ended June 30, 2022

The breakdown of our sales by sector for the six months ended June 30, 2023 and 2022 was as follows (in millions):

	Six Months Ended			
	June 30, 2023		June 30, 2022	
Gas Utilities	\$ 630	36%	\$ 585	37%
Downstream, Industrial and Energy Transition	523	30%	485	31%
Production & Transmission Infrastructure	603	34%	520	32%
	<u>\$ 1,756</u>	<u>100%</u>	<u>\$ 1,590</u>	<u>100%</u>

For the six months ended June 30, 2023 and 2022, the following table summarizes our results of operations (in millions):

	Six Months Ended			
	June 30, 2023	June 30, 2022	\$ Change	% Change
Sales:				
U.S.	\$ 1,467	\$ 1,335	\$ 132	10%
Canada	80	83	(3)	(4)%
International	209	172	37	22%
Consolidated	<u>\$ 1,756</u>	<u>\$ 1,590</u>	<u>\$ 166</u>	<u>10%</u>
Operating income (loss):				
U.S.	\$ 95	\$ 59	\$ 36	61%
Canada	(4)	(1)	(3)	N/M
International	11	2	9	N/M
Consolidated	<u>102</u>	<u>60</u>	<u>42</u>	<u>70%</u>
Interest expense	(17)	(11)	(6)	55%
Other, net	(4)	(6)	2	(33)%
Income tax expense	(23)	(13)	(10)	77%
Net income	<u>58</u>	<u>30</u>	<u>28</u>	<u>93%</u>
Series A preferred stock dividends	12	12	-	N/M
Net income attributable to common stockholders	<u>\$ 46</u>	<u>\$ 18</u>	<u>\$ 28</u>	<u>N/M</u>
Gross profit	<u>\$ 354</u>	<u>\$ 287</u>	<u>\$ 67</u>	<u>23%</u>
Adjusted Gross Profit (1)	<u>\$ 375</u>	<u>\$ 333</u>	<u>\$ 42</u>	<u>13%</u>
Adjusted EBITDA (1)	<u>\$ 132</u>	<u>\$ 113</u>	<u>\$ 19</u>	<u>17%</u>

(1) Adjusted Gross Profit and Adjusted EBITDA are non-GAAP financial measures. For a reconciliation of these measures to an equivalent GAAP measure, see pages 26-27 herein.

Sales. Our sales were \$1,756 million for the six months ended June 30, 2023, as compared to \$1,590 million for the six months ended June 30, 2022, an increase of \$166 million, or 10%.

U.S. Segment—Our U.S. sales increased to \$1,467 million for the six months ended June 30, 2023, from \$1,335 million for the six months ended June 30, 2022. This \$132 million, or 10%, increase reflected an improvement in the Production and Transmission Infrastructure sector of \$62 million primarily due to increased customer facility infrastructure and pipeline activity. Gas Utilities sales improved \$48 million driven by increased activity levels related to our customers' integrity upgrade and smart meter replacement programs. Downstream, Industrial and Energy Transition sales increased \$22 million from LNG projects, increased turnaround and maintenance spending for refining, chemicals and mining customers.

Canada Segment—Our Canada sales decreased to \$80 million for the six months ended June 30, 2023, from \$83 million for the six months ended June 30, 2022. Excluding the impact of foreign exchange, sales increased \$2 million and was primarily driven by an improvement in the Production and Transmission Infrastructure sector offset by declines in the Downstream, Industrial and Energy Transition and Gas Utilities sectors. The increase was offset by the weakening of the Canadian dollar relative to the U.S. dollar unfavorably impacting sales by \$5 million, or 6%.

International Segment—Our International sales increased to \$209 million for the six months ended June 30, 2023, from \$172 million for the same period in 2022. Excluding the impact of foreign exchange, sales increased \$48 million and was primarily driven by the Downstream, Industrial and Energy Transition sector followed by the Production and Transmission Infrastructure sector. The increase was offset by the weakening of foreign currencies in areas where we operate relative to the U.S. dollar, unfavorably impacting sales by \$11 million, or 6%.

Gross Profit. Our gross profit was \$354 million (20.2% of sales) for the six months ended June 30, 2023, as compared to \$287 million (18.1% of sales) for the six months ended June 30, 2022, an increase of \$67 million primarily attributable to improved margins on our general products, valves, automation, measurement and instrumentation and stainless steel and alloy pipe and fittings sales. As compared to average cost, our LIFO inventory costing methodology increased cost of sales by \$1 million for the first half of 2023 compared to a \$26 million increase in cost of sales in the six months ended June 30, 2022.

Adjusted Gross Profit. Adjusted Gross Profit increased to \$375 million (21.4% of sales) for the six months ended June 30, 2023, from \$333 million (20.9% of sales) for the six months ended June 30, 2022, an increase of \$42 million. Adjusted Gross Profit is a non-GAAP financial measure. We define Adjusted Gross Profit as sales, less cost of sales, plus depreciation and amortization, plus amortization of intangibles, plus inventory-related charges incremental to normal operations and plus or minus the impact of our LIFO inventory costing methodology. We present Adjusted Gross Profit because we believe it is a useful indicator of our operating performance without regard to items, such as amortization of intangibles that can vary substantially from company to company depending upon the nature and extent of acquisitions. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether they elect to utilize LIFO and depending upon which method they may elect. We use Adjusted Gross Profit as a key performance indicator in managing our business. We believe that gross profit is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted Gross Profit.

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

	Six Months Ended			
	June 30, 2023	Percentage of Revenue*	June 30, 2022	Percentage of Revenue*
Gross profit, as reported	\$ 354	20.2%	\$ 287	18.1%
Depreciation and amortization	10	0.6%	9	0.6%
Amortization of intangibles	10	0.6%	11	0.7%
Increase in LIFO reserve	1	0.1%	26	1.6%
Adjusted Gross Profit	<u>\$ 375</u>	<u>21.4%</u>	<u>\$ 333</u>	<u>20.9%</u>

*Does not foot due to rounding

Selling, General and Administrative ("SG&A") Expenses. Our SG&A expenses were \$252 million (14.4% of sales) for the six months ended June 30, 2023, as compared to \$227 million (14.3% of sales) for the six months ended June 30, 2022. The \$25 million increase in SG&A was driven by higher employee-related costs resulting from an overall improvement in business activity, as well as hiring additional resources to support the growth in our business. We also incurred non-recurring IT-related professional fees that contributed to the higher SG&A expense.

Operating Income. Operating income was \$102 million for the six months ended June 30, 2023, as compared to an operating income of \$60 million for the six months ended June 30, 2022, an increase of \$42 million.

U.S. Segment—Operating income for our U.S. segment was \$95 million for the six months ended June 30, 2023, compared to an operating income of \$59 million for the six months ended June 30, 2022. The \$36 million increase was primarily attributable to higher revenues and lower LIFO expense.

Canada Segment—Operating loss for our Canada segment was \$4 million for the six months ended June 30, 2023, as compared to \$1 million operating loss for the six months ended June 30, 2022, primarily due to unfavorable foreign exchange impacts.

International Segment—Operating income for our International segment was \$11 million for the six months ended June 30, 2023, as compared to operating income of \$2 million for the six months ended June 30, 2022. The \$9 million increase was primarily due to higher revenues.

Interest Expense. Our interest expense was \$17 million and \$11 million for the six months ended June 30, 2023 and 2022, respectively. The increase of \$6 million was primarily due to higher benchmark interest rates.

Other, net. Other, net was \$4 million expense for the six months ended June 30, 2023 compared to \$6 million for the six months ended June 30, 2022. The decrease in other expense was primarily related to foreign exchange rate impacts.

Income Tax Expense. Our income tax expense was \$23 million for the six months ended June 30, 2023, as compared to \$13 million expense for the six months ended June 30, 2022, primarily due to increased profitability. Our effective tax rates were 28% and 30% for the six months ended June 30, 2023 and 2022, respectively. 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 six months ended June 30, 2023 was higher than the U.S. federal statutory rate due to foreign losses with no tax benefit.

Net Income. Our net income was \$58 million for the six months ended June 30, 2023, as compared to a net income of \$30 million for the six months ended June 30, 2022.

Adjusted EBITDA. Adjusted EBITDA, a non-GAAP financial measure, was \$132 million (7.5% of sales) for the six months ended June 30, 2023, as compared to \$113 million (7.1% of sales) for the six months ended June 30, 2022.

We define Adjusted EBITDA as net income plus interest, income taxes, depreciation and amortization, amortization of intangibles and certain other expenses, including non-cash expenses such as equity-based compensation, severance and restructuring, changes in the fair value of derivative instruments, long-lived asset impairments (including goodwill and intangible assets), inventory-related charges incremental to normal operations and plus or minus the impact of our LIFO inventory costing methodology.

We believe Adjusted EBITDA provides investors a helpful measure for comparing our operating performance with the performance of other companies that may have different financing and capital structures or tax rates. We believe it is a useful indicator of our operating performance without regard to items, such as amortization of intangibles, which can vary substantially from company to company depending upon the nature and extent of acquisitions. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether they elect to utilize LIFO and depending upon which method they may elect. We use Adjusted EBITDA as a key performance indicator in managing our business. We believe that net income is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted EBITDA.

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

	Six Months Ended	
	June 30, 2023	June 30, 2022
Net income	\$ 58	\$ 30
Income tax expense	23	13
Interest expense	17	11
Depreciation and amortization	10	9
Amortization of intangibles	10	11
Non-recurring IT related professional fees	1	-
Increase in LIFO reserve	1	26
Equity-based compensation expense	7	6
Asset disposal	1	-
Foreign currency losses	4	7
Adjusted EBITDA	<u>\$ 132</u>	<u>\$ 113</u>

Liquidity and Capital Resources

Our primary credit facilities consist of a Term Loan maturing in September 2024 with an original principal amount of \$400 million and a \$750 million Global ABL Facility.

As of June 30, 2023, the outstanding balance on our Term Loan, net of original issue discount and issuance costs, was \$294 million. On an annual basis, we are required to repay an amount equal to 50% of excess cash flow, as defined in the Term Loan agreement, reducing to 25% if the Company's senior secured leverage ratio is no more than 2.75 to 1.00. No payment of excess cash flow is required if the Company's senior secured leverage ratio is less than or equal to 2.50 to 1.00. Under the terms of the Term Loan, the amount of cash used in the determination of the senior secured leverage ratio is limited to \$75 million. Based on our senior secured leverage ratio at the end of 2022, we are not required to make an excess cash flow payment for 2022 in 2023. The Term Loan has an applicable interest rate margin of 300 basis points in the case of loans incurring interest based on LIBOR, and 200 basis points in the case of loans incurring interest based on the base rate. Beginning July 1, 2023, the interest rate is calculated as the aggregate Chicago Mercantile Exchange ("CME") Term SOFR plus the International Swaps and Derivatives Association (ISDA) credit adjustment spread.

Our Global ABL Facility matures in September 2026 and provides \$705 million in revolver commitments in the United States (with a \$30 million sublimit in Canada), \$12 million in Norway, \$10 million in Australia, \$10.5 million in the Netherlands, \$7.5 million in the United Kingdom and \$5 million in Belgium. The Global ABL Facility contains an accordion feature that allows us to increase the principal amount of the facility by up to \$250 million, subject to securing additional lender commitments. On December 6, 2022, the Company amended the Global ABL Facility to replace LIBOR with a new prevailing benchmark interest rate known as Term SOFR for all U.S. dollar borrowings. U.S. borrowings now bear interest at Term SOFR plus a margin varying between 1.25% and 1.75% based on our fixed charge coverage ratio. Canadian borrowings under the facility bear interest at the Canadian Dollar Bankers' Acceptances Rate ("BA Rate") plus a margin varying between 1.25% and 1.75% based on our fixed charge coverage ratio. Borrowings under our foreign borrower subsidiaries bear interest at a benchmark rate, which varies based on the currency in which such borrowings are made, plus a margin varying between 1.25% and 1.75% based on our fixed charge coverage ratio. Availability is dependent on a borrowing base comprised of a percentage of eligible accounts receivable and inventory which is subject to redetermination from time to time. As of June 30, 2023, we had \$77 million borrowings outstanding and \$599 million of Excess Availability, as defined under our Global ABL Facility.

In April 2023, we began a process to refinance the Term Loan long before its maturity to take advantage of relatively favorable market conditions at that time. The holder of the Preferred Stock filed a lawsuit with the Delaware Court of Chancery to obtain a temporary restraining order to prevent this refinancing. The holder claimed that the holder has a right to consent to the terms of the refinancing transaction. Pursuant to an amendment that the holder filed on its Schedule 13D, the holder suggested that "a resolution [with the Company] could ... involve the [Company] repurchasing the preferred stock." Although we were prepared to defend the lawsuit, the lawsuit complicated the execution of the refinancing on favorable terms. Therefore, we postponed the refinancing efforts before their conclusion, and the lawsuit was dismissed without prejudice. The holder of the Preferred Stock is controlled by Henry Cornell, one of the Company's directors that the holder of the Preferred Stock has designated as a director pursuant the terms of the Preferred Stock transaction.

We anticipate higher interest expense resulting from recent debt market volatility and rate increases by the Federal Reserve, that has negatively impacted interest rates. Additionally, we anticipate repaying or refinancing our Term Loan before its maturity in September 2024. This may include (among other things) amending and restating the existing Term Loan, entering into a new term loan, utilizing cash from operations, borrowings from our Global ABL Facility or a combination of those actions. Should we determine to amend and restate the existing Term Loan or enter into a new term loan, we would expect financing terms that are less favorable than our current credit agreement, which could result in a higher cost of capital to the Company.

Our primary sources of liquidity consist of cash generated from our operating activities, existing cash balances and borrowings under our Global ABL Facility. Our ability to generate sufficient cash flows from our operating activities will continue to be primarily dependent on our sales of products and services to our customers at margins sufficient to cover our fixed and variable expenses. At June 30, 2023, our total liquidity, consisting of cash on hand and amounts available under our Global ABL Facility, was \$630 million. As of June 30, 2023 and December 31, 2022, we had cash of \$31 million and \$32 million, respectively, a significant portion of which was maintained in the accounts of our various foreign subsidiaries and, if transferred among countries or repatriated to the U.S., may be subject to additional tax liabilities, which would be recognized in our financial statements in the period during which the transfer decision was made.

Our credit ratings are below "investment grade" and, as such, could impact both our ability to raise new funds as well as the interest rates on our future borrowings. In the first quarter of 2023, our Moody's Investor Services corporate family rating was B2 with a stable outlook. Additionally, on April 24, 2023, Standard & Poor's (S&P) Global Ratings upgraded our issuer credit rating from B- to B, with a stable outlook and on May 3, 2023, S&P Global Ratings placed us on CreditWatch Negative. Our existing obligations restrict our ability to incur additional debt. We were in compliance with the covenants contained in our various credit facilities as of and during the six months ended June 30, 2023, and based on our current forecasts, we expect to remain in compliance.

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

Cash Flows

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

	Six Months Ended	
	June 30, 2023	June 30, 2022
Net cash (used in) provided by:		
Operating activities	\$ (10)	\$ (63)
Investing activities	(5)	(7)
Financing activities	15	45
Net increase (decrease) in cash and cash equivalents	<u>\$ -</u>	<u>\$ (25)</u>

Operating Activities

Net cash used in operating activities was \$10 million during the six months ended June 30, 2023, compared to \$63 million used during the six months ended June 30, 2022. The change in operating cash flows was primarily the result of a decrease in working capital and improved profitability.

Investing Activities

Net cash used in investing activities comprised of capital expenditures totaling \$5 for the six months ended June 30, 2023 and 2022.

Financing Activities

Net cash provided by financing activities was \$15 million for the six months ended June 30, 2023, compared to \$45 million provided by financing activities for the six months ended June 30, 2022, primarily due to net proceeds from revolving credit facilities of \$33 million in the first half of 2023 compared to \$60 million in the first half of 2022. We used \$12 million to pay dividends on preferred stock for the six months ended June 30, 2023 and 2022.

Critical Accounting Policies

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expense in the financial statements. Management bases its estimates on historical experience and other assumptions, which it believes are reasonable. If actual amounts are ultimately different from these estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

Accounting policies are considered critical when they require management to make assumptions about matters that are highly uncertain at the time the estimates are made and when there are different estimates that management reasonably could have made, which would have a material impact on the presentation of our financial condition, changes in our financial condition or results of operations. For a description of our critical accounting policies, see "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are primarily exposed to the market risk associated with unfavorable movements in interest rates, foreign currencies and steel price volatility. There have been no material changes to our market risk policies or our market risk sensitive instruments and positions as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

As of June 30, 2023, we have reviewed, under the direction of our Chief Executive Officer and Chief Financial Officer, the Company's disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e). Based upon and as of the date of that review, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the second quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

For information regarding asbestos cases in which we are a defendant and other claims and proceedings, see “Note 10-Commitments and Contingencies” to our unaudited condensed consolidated financial statements.

In April 2023, the holder of the Company’s Preferred Stock brought a proceeding to obtain a temporary restraining order to prevent the Company from refinancing its Term Loan. This proceeding was dismissed without prejudice. For more information see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources”.

ITEM 1A. RISK FACTORS

We are affected by risks specific to us as well as factors that affect all businesses operating in a global market. The significant factors known to us that could materially adversely affect our business, financial condition or operating results are described in Part I, Item 2 of this Quarterly Report on Form 10-Q and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 under “Risk Factors”.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINING SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

On August 3, 2023, our Compensation & Human Capital Committee (the “Committee”) of the Board of Directors (the “Board”) of the Company approved changes to our Executive Separation Policy (as amended, the “Policy”) and related amendments to the employment agreements of Robert J. Saltiel, Jr., our President and Chief Executive Officer (“Amended CEO Employment Agreement”), and Kelly Youngblood, our Executive Vice President and Chief Financial Officer. The Committee also recommended that the full Board approve the Amended CEO Employment Agreement and the changes in the Policy that impact the CEO. On August 4, 2023, the Board approved the Amended CEO Employment Agreement and changes in the Executive Separation Policy that impact the CEO.

For the purposes of this description in this Item 5 – Other Information, an executive is “Involuntarily Terminated” when an executive is terminated without Cause or leaves for Good Reason (as those terms are defined in each of the applicable Policy, Amended CEO Employment Agreement or Amended CFO Employment Agreement), and a “Change in Control Termination” means the Involuntary Termination of an executive upon or within 24 months following a Change in Control (as defined in the applicable Policy or agreement).

Executives, such as the CEO and CFO, who have employment agreements that provide separation benefits, do not participate in the benefits of the Policy so long as they have those employment agreements. Pursuant to the amendments to the Policy, the separation benefits were changed as follows with respect to a Change in Control Termination:

Title	Prior Benefit	Revised Benefit
Chief Executive Office	2 times salary	3 times salary plus target bonus
Executive Vice President	1.5 times salary	2 times salary plus target bonus
Senior Vice President	1 times salary	1.5 times salary plus target bonus

Prior separation benefits outside of a Change in Control Termination remained unchanged. The Policy was also changed to allow for the modification of benefits to the extent payments under the policy constitute “parachute payments” as defined in and under Section 280G of the United States Internal Revenue Code. Finally, the length of time that each executive can participate in medical benefits was changed in the Policy to be 36 months for the CEO, 2 months for Executive Vice Presidents and 18 months for Senior Vice Presidents.

Pursuant to the Amended CEO Employment Agreement, Mr. Saltiel’s prior employment agreement was amended to reflect the increase in his base salary from \$825,000 to \$860,000 and his target annual bonus from 100% to 125% of his base salary. His prior employment agreement was further amended to provide for a pro rata bonus for the fiscal year of termination in the event of a Change in Control Termination, calculated at the greater of actual or target performance and prorated for the number of days that have elapsed in the fiscal year through the date of his termination. Finally, amendments were made in line with the Policy above, changing Mr. Saltiel’s severance payment upon a Change in Control Termination to three times salary plus target bonus from two times salary plus target bonus and extending medical coverage from 24 months to 36 months.

Pursuant to the Amended CFO Employment Agreement, Mr. Youngblood’s prior employment agreement was similarly amended to reflect the increase in his base salary from \$500,000 to \$530,000 and his target annual bonus from 80% to 90% of his base salary. His prior employment agreement was further amended to provide for a pro rata bonus for the fiscal year of termination upon a Change in Control Termination, calculated in the same manner as Mr. Saltiel’s similar bonus.

See our comprehensive summary of the benefits under the Executive Separation Policy and the terms of Messrs. Saltiel and Youngblood’s employment agreements under “*Employment and Other Agreements*” and “*Potential Payments upon Termination or Change in Control*” in our most recent proxy statement filed with the SEC. The summaries herein and in our proxy statement are qualified in all respects by the actual text of the Executive Separation Policy and the terms of Messrs. Saltiel and Youngblood’s employment agreements, which are attached as exhibits hereto and incorporated herein by reference.

ITEM 6. EXHIBITS

Number	Description
3.1	Amended and Restated Certificate of Incorporation of MRC Global Inc. dated April 11, 2012. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on April 17, 2012, File No. 001-35479).
3.2	Amended and Restated Bylaws of MRC Global Inc. dated November 7, 2013. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on November 13, 2013, File No. 001-35479).
3.3	Certificate of Designations, Preferences, Rights and Limitations of Series A Convertible Perpetual Preferred Stock of MRC Global Inc. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of MRC Global Inc. filed with the SEC on June 11, 2015, File No. 001-35479).
10.1 †*	Amended and Restated Employment Agreement, dated as of August 4, 2023, between MRC Global Inc. and Robert James Saltiel, Jr.
10.2 †*	Amended and Restated Employment Agreement, dated as of August 4, 2023, between MRC Global Inc. and Kelly Youngblood.
10.3 †*	Executive Separation Policy.
31.1*	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following financial information from MRC Global Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2023, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Condensed Consolidated Balance Sheets at June 30, 2023 and December 31, 2022, (ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2023 and 2022, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2023 and 2022, (iv) the Condensed Statements of Stockholders' Equity for the six months ended June 30, 2023 and 2022, (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023 and 2022 and (vi) Notes to Condensed Consolidated Financial Statements.
104*	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 formatted in Inline XBRL.

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

Date: August 8, 2023

MRC GLOBAL INC.

By: /s/ Kelly Youngblood
Kelly Youngblood
Executive Vice President and Chief
Financial Officer

AMENDED & RESTATED EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement"), is dated and effective as of August 4, 2023 (the "Effective Date"), by MRC Global, Inc., a Delaware corporation (the "Company"), and Robert James Saltiel, Jr. (the "Executive") and amends, restates and supersedes the prior Employment Agreement, effective as of March 15, 2021, in its entirety.

WHEREAS, the Company desires to continue to employ the Executive as President and Chief Executive Officer and to utilize his management services as indicated herein, and the Executive has agreed to provide such management services to the Company;

WHEREAS, the Executive desires to continue the Executive's employment as set forth herein to be effective on the Effective Date;

WHEREAS, the Company and the Executive desire to enter into this Agreement to be effective as of the Effective Date;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other valid consideration, the sufficiency of which is acknowledged, the parties hereto agree as follows:

1. Employment

1.1. Term. The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, in each case, pursuant to this Agreement, for a period commencing on the Effective Date and ending on the earlier of:

- (i) the first anniversary of the Effective Date; and
- (ii) the termination of the Executive's employment in accordance with Section 3 (the "Term");

provided, that on the first anniversary of the Effective Date and each subsequent anniversary of the Effective Date, the Term shall automatically be extended for one year unless 90 days' written notice of non-renewal is given by the Executive or the Company to the other party.

1.2. Duties. During the Term, the Executive shall serve as President and Chief Executive Officer of the Company and in such other positions as an officer or director of the Company or its affiliates as the Executive and the Board of Directors of the Company (the "Board") shall mutually agree from time to time. In addition, the Executive shall be nominated to serve as a member of the Board during the Term. The Executive shall perform such duties, functions and responsibilities commensurate with the Executive's positions as the Board reasonably directs.

1.3. Exclusivity. During the Term, the Executive shall devote his full time and attention to the business and affairs of the Company, shall faithfully serve the Company and shall, in all material respects, conform to and comply with the lawful and reasonable directions and instructions that the Board gives him, consistent with Section 1.2. During the Term, the Executive shall use his best efforts to promote and serve the interests of the Company and shall not engage in any other business activity, whether or not the activity shall be engaged in for pecuniary profit, except that the Executive may:

- (i) sit on one board or similar governing body of other another for-profit company with the consent of the Environmental, Social, Governance and Enterprise Risk Committee of the Board, which shall not be unreasonably withheld;
-

- (ii) subject to Executive's obligations in Section 5, participate in any company that manages investments in which Executive or his family has an interest; and
- (iii) participate in industry or charitable endeavors that either support the Company's interests or otherwise do not interfere with Executive's duties pursuant to this Agreement.

2. Compensation

- 2.1. Salary. As compensation for the performance of the Executive's services under this Agreement, during the Term, the Company shall pay to the Executive a salary at an annual rate of \$860,000 (the "Base Salary"), payable in installments in accordance with the Company's standard payroll policies and prorated for a period of service less than a year. The Board (or a committee of the Board) shall review the Executive's Base Salary annually and may increase the Base Salary (but may not decrease it) in the discretion of the Board (or a committee of the Board), based on competitive data and the Executive's performance. No increase in the Base Salary shall limit or reduce any other right or obligation of the Executive under this Agreement and the Base Salary shall not be reduced at any time (including after any increase).
- 2.2. Annual Bonus. Beginning with the fiscal year of the Company that commences on January 1, 2023, for each completed fiscal year during the Term, the Executive shall be eligible to receive additional cash incentive compensation pursuant to the annual bonus plan of the Company in effect at the time (the "Annual Bonus"). The target Annual Bonus shall be 125% of the Executive's Base Salary as in effect at the beginning of the fiscal year for which the bonus may be earned with the actual Annual Bonus to be based upon such individual or Company performance criteria established for such fiscal year by the Board in consultation with the Executive. The Board (or a committee of the Board) shall review the Executive's Annual Bonus target percentage annually and may adjust the Annual Bonus target percentage upward (but not downward) in the discretion of the Board (or a committee of the Board), based on competitive data and the Executive's performance.
- 2.3. Long-Term Incentive Plan Participation. Beginning with the fiscal year that commences on January 1, 2023, for each fiscal year during the Term, the Executive shall be eligible to receive long-term incentive compensation awards pursuant to the Company's Omnibus Incentive Plan or any replacement or successor plan (the "Long-Term Incentive Awards") in such amounts as the Board (or a committee of the Board) determines in its discretion on terms and conditions (including time and performance based vesting conditions) that are generally applicable to other senior executives of the Company; *provided*, that the mix of types of Long-Term Incentive Awards awarded to the Executive may differ from those awarded to other senior executives to address limitations on the amount and types of awards permitted by the Omnibus Incentive Plan or any replacement or successor plan. The Executive acknowledges that the Executive has already received his Long-Term Incentive Award for the 2023 calendar year as of the Effective Date.
- 2.4. Employee Benefits. During the Term, the Executive shall be eligible to participate in such health and other group insurance and employee benefit plans and programs of the Company and its U.S. affiliates as in effect from time to time on the same basis as other senior executives of the Company.

- 2.5. Vacation. During the Term, the Executive shall be entitled to 25 days per calendar year of paid vacation.
- 2.6. Business Expenses. The Company shall pay or reimburse the Executive for all commercially reasonable business out-of-pocket expenses that the Executive incurs during the Term in performing his duties under this Agreement upon presentation of documentation and in accordance with the expense reimbursement policy of the Company generally applicable to all senior executives as in effect from time to time.
- 2.7. Retirement. If Executive remains employed by the Company on or after March 15, 2026 (the "Target Date"), the Company terminates Executive's employment other than for Cause, death or Disability prior to the Target Date or the Executive terminates employment for Good Reason prior to the Target Date, Executive shall be deemed "Retired" and to have satisfied any requirement that the Participant's age plus years of service equal to at least 80 for the purposes of any equity award agreement granted pursuant to the Company's Omnibus Incentive Plan, as amended, including (without limitation) any Restricted Stock Agreement, Restricted Stock Unit Award Agreement, Performance Share Unit Award Agreement or Stock Option Agreement and Executive shall be entitled to continued vesting pursuant to the retirement provisions of each such agreement and any requirement under the award agreement that Executive must remain employed with the Company for any period of time prior to such Retirement for the award to vest shall be waived; *provided*, that in the case of any Performance Share Unit Award Agreement the amount payable under the award shall be prorated as provided in the provision concerning "Termination under an Employment Agreement" set forth in Section 5.4 of the applicable Performance Share Unit Award Agreement (notwithstanding the provisions in the "Retirement" provision of the award set forth in Section 5.3) and in the case of any Restricted Stock Unit Award Agreement the amount payable under the award shall be payable within 30 days following the date the award becomes vested. Notwithstanding the foregoing in this Section 2.7, Executive shall only be entitled to the retirement treatment that this Section 2.7 provides if Executive meets the Company's Equity Ownership Guidelines measured as of the Target Date; *provided* that this requirement only applies if Executive's employment is not otherwise terminated prior to the Target Date.

3. Termination of Employment

- 3.1. Generally. The Company may terminate the Executive's employment for any reason during the Term, and the Executive may voluntarily terminate his employment for any reason during the Term, in each case (other than a termination by the Company for Cause (defined below)) at any time upon not less than 30 days' written notice to the other party. Upon the termination of the Executive's employment with the Company for any reason, the Executive shall be entitled to any portion of the Base Salary earned but unpaid through the date of termination, any earned but unpaid Annual Bonus for completed fiscal years, any unreimbursed expenses in accordance with Section 2.6 and, to the extent not yet paid or provided, any other amounts or benefits required to be paid or provided at such time under any plan, program, policy or practice or other contract or agreement of the Company and its affiliates through the date of termination of employment (collectively, the "Accrued Amounts"). The Accrued Amounts will be paid within 30 days of the date of termination.

3.2. Certain Terminations

- a) Termination by the Company other than for Cause, death or Disability; Termination by the Executive for Good Reason. If the Executive's employment is terminated during the Term by the Company other than for Cause, death or Disability (defined below), or by the Executive for Good Reason (defined below), the Executive shall be entitled to:
- (i) the Accrued Amounts,
 - (ii) a pro-rata bonus for the fiscal year of termination, based on actual performance through the end of the applicable fiscal year and the number of days that have elapsed in the fiscal year through the date of termination (a "Pro-Rata Bonus"),
 - (iii) payment of an amount equal to the sum of 1/12 of Base Salary and 1/12 of the target Annual Bonus (each in effect on his date of termination) each month for 24 months following termination (the "Severance Payments"), and
 - (iv) continuation of medical, dental and vision benefits on the same terms as active senior executives ("Medical Continuation") for 24 months following termination. For the period of time during which the Executive is entitled to Medical Continuation under this Section 3.2(a)(iv) (or Section 3.2(c)(iii), if applicable), the Executive shall timely pay the full cost of the benefits as determined under the then-current practices of the Company on a monthly basis, *provided* that the Company shall reimburse the Executive the amounts timely paid for the coverage. The Company shall pay all reimbursements to the Executive as required under this Section 3.2(a)(iv) on a regular, periodic basis within 30 days after the reimbursable amounts are paid by the Executive; *provided* that, prior to any reimbursement, the Company must possess the applicable and appropriate evidence of the reimbursable amount. Any reimbursements provided during one taxable year of the Executive shall not affect the expenses eligible for reimbursement in any other taxable year of the Executive (with the exception of applicable lifetime maximums applicable to medical expenses or medical benefits described in Section 105(b) of the Internal Revenue Code of 1986, as amended (the "Code") and the right to reimbursement under this Section 3.2(a)(iv) shall not be subject to liquidation or exchange for another benefit or payment. Following the Medical Continuation period, Executive shall be eligible to elect COBRA payable at Executive's expense in accordance with the Company's standard procedures.

If, the Executive does not receive the "retirement" treatment set forth in Section 2.7, and prior to a Change in Control (defined below) or after the 24-month period following a Change in Control, the Executive's employment is terminated during the Term by the Company other than for Cause, death or Disability, or by the Executive for Good Reason, all outstanding options, restricted stock awards and other long-term equity awards will continue to vest for the next 24-month period as if Executive remained an active employee. Effective as of the end of this 24-month period, any non-vested options will be immediately forfeited.

Receipt of the Severance Payments, Medical Continuation and extended vesting period shall be conditioned on:

- (x) the Executive's continued compliance with his obligations under Section 5, and
- (y) the Executive's execution, delivery and non-revocation of an effective, valid and enforceable general release of claims (the "Release") in the form attached as Exhibit A within 45 days of the effective date of the Executive's termination.

If the Executive breaches any of the covenants set forth in Section 5, the Executive shall immediately return to the Company that portion of the Severance Payments that have been paid to the Executive pursuant to this Section 3.2(a), the Medical Continuation (and the Medical Continuation period) shall immediately terminate and any options that became vested pursuant to this Section 3.2(a) shall immediately terminate. Subject to Section 3.2(d) and the provision of a valid Release as required under this Section 3.2(a), the Company will commence paying or providing the Severance Payments (other than the Pro-Rata Bonus) and Medical Continuation on the 60th day following the effective date of Executive's termination of employment. Executive shall forfeit any and all payments, benefits and extended vesting rights payable or due under this Agreement if Executive does not provide the Company with an effective Release within 45 days of the effective date of the Executive's termination or revokes any such release provided. The Pro-Rata Bonus will be paid at the time the Company ordinarily pays incentive bonuses to its executives with respect to the fiscal year in which the termination occurs (but in no case later than March 15 of the calendar year following the calendar year in which Executive's termination of employment occurs).

- b) Termination upon Death or Disability. If the Executive's employment is terminated due to the Executive's death or Disability, the Executive (or the Executive's estate, if applicable) will receive (i) the Accrued Amounts, and (ii) a Pro-Rata Bonus which will be paid at the time the Company ordinarily pays incentive bonuses to its executives with respect to the fiscal year in which the termination occurs (but in no case later than March 15 of the calendar year following the calendar year in which Executive's termination of employment occurs).
- c) Termination following a Change in Control. If, during the Term and within 24 months following a Section 409A Change in Ownership (defined below), the Executive's employment is terminated by the Company other than for Cause, death or Disability, or by the Executive for Good Reason, the Executive shall be entitled to:
 - (i) the Accrued Amounts,
 - (ii) a pro-rata bonus for the fiscal year of termination, calculated at the greater of actual or target performance through the end of the applicable fiscal year and the number of days that have elapsed in the fiscal year through the date of termination (a "Pro-Rated CiC Bonus")
 - (iii) payment of an amount equal to the sum of 36 months' of Base Salary, and three times the target Annual Bonus, each in effect on his date of termination (the "Change in Control Severance Payments"), and

- (iv) Medical Continuation for 36 months. Premiums for Medical Continuation shall be paid and reimbursed in accordance with the provisions contained in Section 3.2(a)(iv). Following the Medical Continuation period, Executive shall be eligible to elect COBRA in accordance with the Company's standard procedures.

Receipt of the Change in Control Severance Payments and Medical Continuation shall be conditioned on the Executive's execution, delivery and non-revocation of an effective and valid Release in the form attached as Exhibit A within 45 days of Executive's termination of employment. Subject to Section 3.2(d) and the provision of a valid Release as required under this Section 3.2(c), the Company will pay the Change in Control Severance Payments in a single lump sum payment and commence providing Medical Continuation on the 60th day following the effective date of Executive's termination of employment. Executive shall forfeit any and all payments and benefits payable under this Agreement if Executive does not provide the Company with an effective Release within 45 days of the effective date of the Executive's termination or revokes any such release provided.

- d) Section 409A Specified Employee. Notwithstanding anything to the contrary contained in this Agreement, if the Executive is a "specified employee" for purposes of Section 409A of the Code and regulations and other interpretive guidance issued under the Code ("Section 409A"), the Company shall not commence payment of the Severance Payments, the Change in Control Severance Payments or Pro-Rated CiC Bonus to the Executive until one day after the day which is six months after the Executive's termination date (the "Delay Period"), with the first payment equaling the total of all payments that would have been paid during the Delay Period but for the application of Section 409A to those payments. For purposes of this Agreement, the Executive's employment with the Company shall be considered to have terminated for purposes of any provision of this Agreement providing for the payment or provision of any amounts or benefits following a termination of employment when, and only if, the Executive has incurred a "separation from service" with the Company and its controlled subsidiaries and affiliates within the meaning of Section 409A(a)(2)(A)(i) of the Code, and applicable administrative guidance issued under the Code.
 - e) Exclusive Remedy. The foregoing payments upon termination of the Executive's employment described in Section 3.2 shall constitute the exclusive severance payments due the Executive upon a termination of his employment under this Agreement.
- 3.3. Resignation from All Positions. Upon the termination of the Executive's employment with the Company for any reason, the Executive shall be deemed to have resigned, as of the date of such termination, from all positions he then holds as an officer, director, employee and member of the Board (and any committee of the Board) and the board of directors or similar governing positions (and any committees of those bodies) of any of the Company's affiliates.
- 3.4. Cooperation. Following the termination of the Executive's employment with the Company for any reason, the Executive agrees to reasonably cooperate with the Company upon reasonable request of the Board and to be reasonably available to the Company with respect to matters arising out of the Executive's services to the Company and its subsidiaries and affiliates. The Company shall pay the Executive a reasonable fee for those services and promptly reimburse the Executive for expenses reasonably incurred in connection with those matters.

4. Section 280G.

- (i) If the aggregate of all amounts and benefits due to the Executive under this Agreement and under all other arrangements with the Company would, if received by the Executive in full and valued under Section 280G of the Code, constitute “parachute payments” as defined in and under Section 280G of the Code (collectively, “280G Compensation”), and
- (ii) if such aggregate would, if reduced by all federal, state and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Code, be less than the amount the Executive would receive, after all taxes, if the Executive received aggregate 280G Compensation equal (as valued under Section 280G of the Code) to only three times the Executive’s “base amount” as defined in and under Section 280G of the Code, less \$1.00,

then the 280G Compensation shall (to the extent that the reduction of the 280G Compensation can achieve the intended result) be reduced or eliminated to the extent necessary so that the aggregate 280G Compensation received by the Executive will not constitute parachute payments. For the avoidance of doubt, to the extent reasonable value is attributed to Executive’s obligations pursuant to Section 5.2 such that the value so attributed is not a parachute payment included in 280G Compensation, such value shall be so allocated. An independent auditor (the “Auditor”) that the Company pays shall make the determinations with respect to this Section 4. The Auditor shall be the Company’s regular independent auditor unless the Executive reasonably objects to the use of that firm, in which event the Auditor will be a nationally recognized United States public accounting firm that the parties choose.

5. Unauthorized Disclosure; Non-Competition; Non-Solicitation; Interference with Business Relationships; Proprietary Rights

- 5.1. Unauthorized Disclosure. The Executive agrees and understands that in the Executive’s position with the Company, the Executive has been and will continue to be exposed to and has and will receive information relating to the confidential affairs of the Company and its affiliates, including technical information, intellectual property, business and marketing plans, strategies, customer information, software, other information concerning the products, promotions, development, financing, expansion plans, business policies and practices of the Company and its affiliates and other forms of information that the Company and its affiliates consider to be confidential or in the nature of trade secrets (including, ideas, research and development, know-how, formulas, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information and business and marketing plans and proposals) (collectively, the “Confidential Information”). “Confidential Information” does not include any information that becomes generally available to the public other than as a result of the Executive’s public use, disclosure, or fault. The Executive agrees that at all times during the Executive’s employment with the Company and thereafter, the Executive shall not disclose such Confidential Information, either directly or indirectly, to any person or entity other than in connection with the Executive’s employment with the Company without the prior written consent of the Company and shall not use or attempt to use any such Confidential Information in any manner other than in connection with his employment with the Company, unless required by law to disclose the Confidential Information, in which case the Executive shall provide the Company with written notice of the requirement as far in advance of the anticipated disclosure as possible. This confidentiality covenant has no temporal, geographical or territorial restriction. Upon termination of the Executive’s employment with the Company, the Executive shall promptly supply to the Company all property, keys, notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, surveys, maps, logs, machines, technical data and any other tangible product or document that has been produced by, received by or otherwise submitted to the Executive during the Executive’s employment with the Company, and any copies thereof in his (or capable of being reduced to his) possession; *provided*, that the Executive may retain his full rolodex or similar address and telephone directories.

5.2. Non-Competition. By and in consideration of the Company entering into this Agreement and the payments made and the benefits that this Agreement provides, and in further consideration of the Executive's exposure to the Confidential Information of the Company and its affiliates, the Executive agrees that the Executive shall not, during the Executive's employment with the Company and for 24 months thereafter (or 36 months thereafter if Executive is entitled to receive the benefits of Section 3.2(c)) (in the applicable case, the "Restriction Period"), directly or indirectly, own, manage, operate, join, control, be employed by, or participate in the ownership, management, operation or control of, or be connected in any manner with, including, without limitation, holding any position as a stockholder, director, officer, consultant, independent contractor, employee, partner, or investor in, any Restricted Enterprise (defined below); *provided*, that in no event shall ownership of one percent or less of the outstanding securities of any class of any issuer whose securities are registered under the Securities Exchange Act of 1934, as amended, standing alone, be prohibited by this Section 5.2, so long as the Executive does not have, or exercise, any rights to manage or operate the business of the issuer other than rights as an equity or stock holder of the issuer. "Restricted Enterprise" means any person or entity that is actively engaged in any geographic area in any business which is either:

- (i) in competition with the business of the Company or any of its subsidiaries or affiliates or
- (ii) proposed to be conducted by the Company or any of its subsidiaries or affiliates in their respective business plans as in effect at that time;

provided, that a Restricted Enterprise shall not include:

- (x) an investment company, private equity company, hedge fund or similar investment vehicle that owns a Restricted Enterprise among other investments if the Executive does not provide the Executive's services to Restricted Enterprise during the Restriction Period even though the Executive is providing services to the investment company, private equity company, hedge fund or similar investment vehicle, and the Executive does not own directly or indirectly more than 10% of the equity value of the Restricted Enterprise or make any other investment in the Restricted Enterprise; or
- (y) a professional or advisory services firm that provides services to a Restricted Enterprise (among other clients) if the Executive does not provide Executive's services to Restricted Enterprise during the Restriction Period even though Executive is providing services to other clients of the firm.

For the purposes of this Section 5.2, a person or entity shall only be in competition with the business of the Company or any of its subsidiaries or affiliates if the person or entity has more than \$50 million in revenue, or 20% or more of its revenue, in each case, in its last completed four quarters from business that is competitive with the Company or any of its subsidiaries or affiliates. Notwithstanding any other provision of this Section 5.2 to the contrary, the Executive will not create in a "start-up" any business that competes with the business of the Company or any of its subsidiaries or affiliates.

During the Restriction Period, upon request of the Company, the Executive shall notify the Company of the Executive's then-current employment status. To the extent that any equity award agreement provided to the Executive as of the Effective Date or in the future, provides a restriction on the Executive similar to the restrictions contained in this Section 5, the provisions of this Section 5 shall apply to the award agreement (including Section 8 of the Performance Share Unit Award Agreement and Section 7 of the Restricted Stock Unit Award Agreements provided to the Executive on the Effective Date) in lieu of the restrictions in the award agreement, *mutatis mutandis*, and this Section 5 shall so govern.

- 5.3. Non-Solicitation of Employees. During the Restriction Period, the Executive shall not directly or indirectly contact, induce or solicit (or assist any person or entity to contact, induce or solicit) for employment any person who is an employee of the Company or any of its subsidiaries or affiliates.
- 5.4. Interference with Business Relationships. During the Restriction Period (other than in connection with carrying out his responsibilities for the Company and its affiliates), the Executive shall not directly or indirectly contact, induce or solicit (or assist any person or entity to contact, induce or solicit) any customer or client of the Company or its subsidiaries or affiliates to terminate its relationship or otherwise cease doing business in whole or in part with the Company or its subsidiaries or affiliates, or directly or indirectly interfere with (or assist any person or entity to interfere with) any material relationship between the Company or its subsidiaries or affiliates and any of its or their customers or clients so as to cause harm to the Company or its affiliates.
- 5.5. Extension of Restriction Period. The Restriction Period shall be tolled for any period during which the Executive is in breach of any of Sections 5.2, 5.3 or 5.4.
- 5.6. Proprietary Rights. The Executive shall disclose promptly to the Company any and all inventions, discoveries, and improvements (whether or not patentable or registrable under copyright or similar statutes), and all patentable or copyrightable works, initiated, conceived, discovered, reduced to practice, or made by him, either alone or in conjunction with others, during the Executive's employment with the Company and related to the business or activities of the Company and its affiliates (the "Developments"). Except to the extent any rights in any Developments constitute a work made for hire under the U.S. Copyright Act, 17 U.S.C. § 101, *et seq.*, that are owned *ab initio* by the Company or its applicable affiliate, the Executive assigns all of his right, title and interest in all Developments (including all intellectual property rights therein) to the Company or its nominee without further compensation, including all rights or benefits therefor, including without limitation the right to sue and recover for past and future infringement. The Executive acknowledges that any rights in any Developments constituting a work made for hire under the U.S. Copyright Act, 17 U.S.C. § 101, *et seq.*, are owned upon creation by the Company or its applicable affiliate as the Executive's employer. Whenever requested to do so by the Company, the Executive shall execute any and all applications, assignments or other instruments which the Company shall deem necessary to apply for and obtain trademarks, patents or copyrights of the United States or any foreign country or otherwise protect the interests of the Company and its affiliates therein. These obligations shall continue beyond the end of the Executive's employment with the Company with respect to inventions, discoveries, improvements or copyrightable works initiated, conceived or made by the Executive while employed by the Company, and shall be binding upon the Executive's employers, assigns, executors, administrators and other legal representatives. In connection with his execution of this Agreement, the Executive has informed the Company in writing of any interest in any inventions or intellectual property rights that he holds as of the date hereof as set forth on Exhibit B (the "Existing Inventions"). Notwithstanding anything to the contrary in this Agreement, the Developments shall not include any Existing Inventions. If the Company is unable for any reason, after reasonable effort, to obtain the Executive's signature on any document needed in connection with the actions described in this Section 5.6, the Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as the Executive's agent and attorney-in-fact to act for and on the Executive's behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section 5.6 with the same legal force and effect as if executed by the Executive.

- 5.7. Remedies. The Executive agrees that any breach of the terms of this Section 5 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law. The Executive, therefore, also agrees that in the event of a breach of this Section 5 or any threat of such a breach, the Company shall be entitled to an immediate injunction and restraining order to prevent the breach, threatened breach or continued breach by the Executive or any and all persons acting for or with the Executive, without having to prove damages, in addition to any other remedies to which the Company may be entitled at law or in equity, in each case, without the necessity of posting a bond or other security with the applicable court or body. The terms of this Section 5.8 shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach of this Agreement, including, the recovery of damages from the Executive. The Executive and the Company further agree that the provisions of the covenants contained in this Section 5 are reasonable and necessary to protect the businesses of the Company and its affiliates because of the Executive's access to Confidential Information and his material participation in the operation of such businesses.
6. Representation. The Executive and the Company each represents and warrants that:
- a) he or it is not subject to any contract, arrangement, policy or understanding, or to any statute, governmental rule or regulation, that in any way limits his or its ability to enter into and fully perform his or its obligations under this Agreement, and
 - b) he or it is not otherwise unable to enter into and fully perform his or its obligations under this Agreement.
7. Non-Disparagement. From and after the Effective Date and following termination of the Executive's employment with the Company, the Executive agrees not to make any statement (other than statements made in connection with carrying out his responsibilities for the Company and its subsidiaries and affiliates) that is intended to become public, or that should reasonably be expected to become public, and that criticizes, ridicules, disparages or is otherwise derogatory of the Company or any of its subsidiaries, affiliates, employees, officers, directors or stockholders. The Company and its affiliates shall cause their officers and directors not to make any such statement regarding the Executive.

8. Withholding. The Company may withhold from any amounts payable under this Agreement such United States federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation. The Executive shall be solely responsible for the payment of all taxes relating to the payment or provision of any amounts or benefits under this Agreement.

9. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

9.1. "Cause" means the Executive's:

- a) continuing failure, for more than ten days after the Company's written notice to the Executive of the failure, to perform such duties as the Company reasonably requests,
- b) failure to observe material policies generally applicable to officers or employees of the Company unless the failure is capable of being cured and is cured within ten days of the Executive receiving written notice of the failure,
- c) failure to cooperate with any internal investigation of the Company or any of its affiliates;
- d) commission of any act of fraud, theft or financial dishonesty with respect to the Company or any of its affiliates or indictment or conviction of any felony; or
- e) material violation of the provisions of this Agreement unless the violation is capable of being cured and is cured within ten days of the Executive receiving written notice of the violation;

provided that it shall not be Cause if a failure in Sections 9.1(a), (b) or (c) is a result of the Executive's Disability or a violation in Section 9.1(e) occurs because the Executive's Disability frustrates the Executive's ability to perform.

9.2. "Change in Control" means:

- a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (for purposes of this Section 9.2, as the term "person" is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent of:
 - (i) the then-outstanding shares of common stock, par value \$.01 per share, of the Company and any other securities into which those shares are changed or for which those shares are exchanged ("Shares") or
 - (ii) the combined voting power of the Company's then-outstanding Voting Securities;

provided, that in determining whether a Change in Control has occurred pursuant to this Section 9.2(a), the acquisition of Shares or Voting Securities in a Non-Control Acquisition (defined below) shall not constitute a Change in Control. A "Non-Control Acquisition" means an acquisition by:

- (i) an employee benefit plan (or a trust forming a part thereof) maintained by:

(A) the Company or

(B) any corporation or other Person the majority of the voting power, voting equity securities or equity interest of which is owned, directly or indirectly, by the Company

(for purposes of this definition, a “Related Entity”),

(ii) the Company or any Related Entity, or

(iii) any Person in connection with a Non-Control Transaction (defined below); or

b) The consummation of:

(i) A merger, consolidation or reorganization (x) with or into the Company or (y) in which securities of the Company are issued (a “Merger”), unless the Merger is a “Non-Control Transaction.”

A “Non-Control Transaction” means a Merger in which:

(A) the shareholders of the Company immediately before the Merger own directly or indirectly immediately following the Merger at least a majority of the combined voting power of the outstanding voting securities of:

(I) the corporation resulting from the Merger (the “Surviving Corporation”), if there is no Person that Beneficially Owns, directly or indirectly, 50% or more of the combined voting power of the then-outstanding voting securities of the Surviving Corporation (a “Parent Corporation”), or

(II) if there is one or more than one Parent Corporation, the ultimate Parent Corporation;

(B) the individuals who were members of the Board immediately prior to the execution of the agreement providing for the Merger constitute at least a majority of the members of the board of directors of:

(I) the Surviving Corporation, if there is no Parent Corporation, or

(II) if there is one or more than one Parent Corporation, the ultimate Parent Corporation; and

(C) no Person other than:

(I) the Company or another corporation that is a party to the agreement of Merger,

(II) any Related Entity,

(III) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to the Merger, was maintained by the Company or any Related Entity, or

(IV) any Person who, immediately prior to the Merger had Beneficial Ownership of 50% or more of the then outstanding Shares or Voting Securities,

has Beneficial Ownership, directly or indirectly, of 50% or more of the combined voting power of the outstanding voting securities or common stock of:

(x) the Surviving Corporation, if there is no Parent Corporation, or

(y) if there is one or more than one Parent Corporation, the ultimate Parent Corporation.

c) A complete liquidation or dissolution of the Company; or

d) The sale or other disposition of all or substantially all of the assets of the Company and its subsidiaries taken as a whole to any Person (other than (x) a transfer to a Related Entity or (y) the distribution to the Company's shareholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons; *provided* that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Shares or Voting Securities by the Company and, after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities and such Beneficial Ownership increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

9.3. "Disability" means the Executive is entitled to receive long-term disability benefits under the long-term disability plan of the Company or its affiliates in which Executive participates, or, if there is no such plan, the Executive's inability, due to physical or mental ill health, to perform the essential functions of the Executive's job, with or without a reasonable accommodation, for 180 days during any 365 day period irrespective of whether such days are consecutive. For the purpose of any Long-Term Incentive Award, the foregoing definition of Disability in this Section 9.3 shall apply in lieu of any definition of Disability in the award agreement or the Omnibus Incentive Plan, as amended.

9.4. "Good Reason" means

a) a material and adverse change in the Executive's duties or responsibilities; *provided* that a separation of the role of Chairman of the Board from Executive's duties or responsibilities shall not be a material and adverse change;

- c) a reduction in the Executive's Base Salary or target Annual Bonus percentage;
- d) a failure during any one calendar year of the Company to grant the Executive Long-Term Incentive Awards in stated value of at least 475% of Base Salary; *provided* that if the Company determines not to provide a grant to the Executive and his direct reports due to extenuating circumstances such as dramatic downturn in the Company's share price, a failure shall not have occurred; *provided further*, that beginning in 2022, if the Company grants to the Executive Long-Term Incentive Awards that are intended to cover annual grants for multiple years, the stated value of any such multi-year grants shall be credited to the appropriate future years. For the purposes of this Section 9.4(d), stated value is determined at the date of grant of a Long-Term Incentive Award and, in the case of equity awards, the number of shares or units to determine the stated value shall be done on a basis consistent with all other executives of the Company (such as the Company's practice as of the Effective Date that utilizes a 20-day volume weighted average trading price to determine the number of restricted stock or performance share units equal to that stated value or a Black-Scholes valuation to determine a number of stock options equal to that stated value);
- e) breach by the Company of any material provision of this Agreement; or
- f) relocation of Executive's principal place of employment by more than 50 miles from Executive's then current principal place of employment;

provided, that the Executive must give notice of termination for Good Reason within 60 days of the occurrence of the first event giving rise to Good Reason.

10. Miscellaneous.

- 10.1. Indemnification. The Company shall indemnify the Executive to the fullest extent provided under the Company's By-Laws. The Company shall also maintain director and officer liability insurance in such amounts and subject to such limitations as the Board shall, in good faith, deem appropriate for coverage of directors and officers of the Company.
- 10.2. Amendments and Waivers. This Agreement and any of the provisions of this Agreement may be amended, waived (either generally or in a particular instance and either retroactively or prospectively), modified or supplemented, in whole or in part, only by written agreement signed by the Executive and the Company (by an officer other than the Executive); *provided*, that, the observance of any provision of this Agreement may be waived in writing by the party that will lose the benefit of such provision as a result of such waiver. The waiver by any party of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of the breach or as a waiver of any other or subsequent breach, except as otherwise explicitly provided for in the waiver. Except as otherwise expressly provided in this Agreement, no failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect thereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by the party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

- 10.3. Assignment; No Third-Party Beneficiaries. This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive, and any purported assignment by the Executive in violation of this Agreement shall be null and void. Nothing in this Agreement shall confer upon any person not a party to this Agreement, or the legal representatives of the person, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.
- 10.4. Notices. Unless otherwise provided in this Agreement, all notices, requests, demands, claims and other communications provided for under the terms of this Agreement shall be in writing. Any notice, request, demand, claim or other communication under this Agreement shall be sent by
- a) personal delivery (including receipted courier service) or overnight delivery service,
 - b) registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below or
 - c) e-mail delivery, with confirmation of receipt, to the Company's General Counsel:

If to the Company: MRC Global, Inc.
1301 McKinney, Suite 2300
Houston, TX 77010

Attention: General Counsel
e-mail: gc@mrcglobal.com

If to the Executive: c/o MRC Global Inc
1301 McKinney, Suite 2300
Houston, TX 77010,

at his principal office at the Company (e-mail: rob.saltiel@mrcglobal.com (during the Term),

and at all times to his principal residence and personal e-mail as reflected in the records of the Company, which initially reflect the following:

[redacted]

e-mail: XXXXXX

All such notices, requests, consents and other communications shall be deemed to have been given when received. Either party may change its address to which notices, requests, demands, claims and other communications under this Agreement are to be delivered by giving the other parties notice in the manner then set forth.

- 10.5. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights and obligations of the parties shall be governed by, the laws of the State of Texas, without giving effect to the conflicts of law principles thereof.

- 10.6. Severability. Whenever possible, each provision or portion of any provision of this Agreement, including those contained in Section 5, will be interpreted in such manner as to be effective and valid under applicable law but the invalidity or unenforceability of any provision or portion of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision or portion of any provision, in any other jurisdiction. In addition, should a court or arbitrator determine that any provision or portion of any provision of this Agreement, including those contained in Section 5, is not reasonable or valid, either in period of time, geographical area, or otherwise, the parties hereto agree that such provision should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable or valid.
- 10.7. Entire Agreement. From and after the Effective Date this Agreement shall constitute the entire agreement between the parties hereto, and supersede all prior representations, agreements and understandings (including any prior course of dealings), both written and oral, between the parties hereto with respect to the subject matter hereof.
- 10.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument. This Agreement may be delivered through the means of e-mail delivery of a portable document format (.pdf) file of the signed Agreement.
- 10.9. Binding Effect. This Agreement shall inure to the benefit of and be binding on, the successors of each of the parties, including, without limitation, the Executive's heirs and the personal representatives of the Executive's estate and any successor to all or substantially all of the business and/or assets of the Company.
- 10.10. General Interpretive Principles. The name assigned this Agreement and headings of the sections, paragraphs, subparagraphs, clauses and subclauses of this Agreement are for convenience of reference only and shall not in any way affect the meaning or interpretation of any of the provisions hereof. Words of inclusion shall not be construed as terms of limitation herein, so that references to "include," "includes" and "including" shall not be limiting and shall be regarded as references to non-exclusive and non-characterizing illustrations. In this Agreement, references to a "party" mean either of the Company or the Executive and to the "parties" mean both of them; references to a "person" mean any individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof; references to "Sections" mean the sections and subsections of this Agreement; references to "Exhibits" mean the exhibits to this Agreement; references to the singular include the plural and *vice versa*, in each case, unless the context expressly requires the contrary.
- 10.11. Mitigation. Notwithstanding any other provision of this Agreement,
- a) the Executive will have no obligation to mitigate damages for any breach or termination of this Agreement by the Company, whether by seeking employment or otherwise and
 - b) the amount of any payment or benefit due the Executive after the date of such breach or termination will not be reduced or offset by any payment or benefit that the Executive may receive from any other source.

10.12. Section 409A Compliance. This Agreement is intended to comply with Section 409A (to the extent applicable) and, to the extent it would not adversely impact the Company, the Company agrees to interpret, apply and administer this Agreement in the least restrictive manner necessary to comply with such requirements and without resulting in any diminution in the value of payments or benefits to the Executive. Each payment made under this Agreement will be treated as a separate payment and the right to a series of monthly payments under this Agreement will be treated as a right to a series of separate and distinct payments. Notwithstanding anything herein to the contrary, this Agreement will be interpreted, operated and administered in a manner consistent with such intentions; provided, that in no event will the Company or any affiliate be liable for any additional tax, interest or penalty that may be imposed on the Executive pursuant to Section 409A or for any damages incurred by the Executive as a result of this Agreement (or the payments or benefits hereunder) failing to comply with, or be exempt from, Section 409A.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

MRC GLOBAL, INC.

By: _____
Name:
Title:

EXECUTIVE

Robert J. Sattiel, Jr.

Exhibit A

Release

1. In consideration of the payments and benefits to be made under the Amended and Restated Employment Agreement, effective as of August 4, 2023 (the "Employment Agreement"), to which Robert J. Saltiel, Jr. (the "Executive") and MRC Global, Inc. (the "Company") (each of the Executive and the Company, a "Party" and collectively, the "Parties") are parties, the sufficiency of which the Executive acknowledges, the Executive, with the intention of binding himself and his heirs, executors, administrators and assigns, does hereby release, remise, acquit and forever discharge the Company and each of its subsidiaries and affiliates (the "Company Affiliated Group"), their present and former officers, directors, executives, shareholders, agents, attorneys, employees and employee benefit plans (and the fiduciaries thereof), and the successors, predecessors and assigns of each of the foregoing (collectively, the "Company Released Parties"), of and from any and all claims, actions, causes of action, complaints, charges, demands, rights, damages, debts, sums of money, accounts, financial obligations, suits, expenses, attorneys' fees and liabilities of whatever kind or nature in law, equity or otherwise, whether accrued, absolute, contingent, unliquidated or otherwise and whether now known or unknown, suspected or unsuspected, which the Executive, individually or as a member of a class, now has, owns or holds, or has at any time heretofore had, owned or held, arising on or prior to the date hereof, against any Company Released Party that arises out of or relates to, the Employment Agreement, the Executive's employment with the Company or any of its subsidiaries and affiliates, or any termination of such employment, including claims
 - (i) for severance or vacation benefits, unpaid wages, salary or incentive payments,
 - (ii) for breach of contract, wrongful discharge, impairment of economic opportunity, defamation, intentional infliction of emotional harm or other tort,
 - (iii) for any violation of applicable state and local labor and employment laws (including, without limitation, all laws concerning unlawful and unfair labor and employment practices) and
 - (iv) for employment discrimination under any applicable federal, state or local statute, provision, order or regulation, and including, without limitation, any claim under Title VII of the Civil Rights Act of 1964 ("Title VII"), the Civil Rights Act of 1988, the Fair Labor Standards Act, the Americans with Disabilities Act ("ADA"), the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Age Discrimination in Employment Act ("ADEA"), and any similar or analogous state statute, excepting only:
 - 1.1. rights of the Executive arising under, or preserved by, this Release or Section 3 of the Employment Agreement;
 - 1.2. the right of the Executive to receive COBRA continuation coverage in accordance with applicable law;
 - 1.3. claims for benefits under any health, disability, retirement, life insurance or other similar employee benefit plan (within the meaning of Section 3(3) of ERISA) of the Company Affiliated Group; and
-

- 1.4. rights to indemnification the Executive has or may have under the by-laws or certificate of incorporation of any member of the Company Affiliated Group or as an insured under any director's and officer's liability insurance policy or other insurance policy of the Company and its subsidiaries that benefits the Executive now or previously in force.
2. The Executive acknowledges and agrees that the release of claims set forth in this Release is not to be construed in any way as an admission of any liability whatsoever by any Company Released Party, any such liability being expressly denied.
3. The release of claims set forth in this Release applies to any relief no matter how called, including, without limitation, wages, back pay, front pay, compensatory damages, liquidated damages, punitive damages, damages for pain or suffering, costs, and attorneys' fees and expenses.
4. The Executive specifically acknowledges that his acceptance of the terms of the release of claims set forth in this Release is, among other things, a specific waiver of his rights, claims and causes of action under Title VII, ADEA, ADA and any state or local law or regulation in respect of discrimination of any kind; *provided*, that nothing in this Release shall be deemed, nor does anything contained herein purport, to be a waiver of any right or claim or cause of action which by law the Executive is not permitted to waive.
5. As to rights, claims and causes of action arising under the ADEA, the Executive acknowledges that he has been given but not utilized a period of 45 days to consider whether to execute this Release. If the Executive accepts the terms hereof and executes this Release, he may thereafter, for a period of seven days following (and not including) the date of execution, revoke this Release as it relates to the release of claims arising under the ADEA. If no such revocation occurs, this Release shall become irrevocable in its entirety, and binding and enforceable against the Executive, on the day next following the day on which the foregoing seven-day period has elapsed. If such a revocation occurs, the Executive shall irrevocably forfeit any right to payment of the Severance Payments (as defined in the Employment Agreement) or payment or receipt of the other applicable benefits, but the remainder of the Employment Agreement shall continue in full force.
6. Other than as to rights, claims and causes of action arising under the ADEA, the release of claims set forth in this Release shall be immediately effective upon execution by the Executive.
7. The Executive acknowledges and agrees that he has not, with respect to any transaction or state of facts existing prior to the date hereof, filed any complaints, charges or lawsuits against any Company Released Party with any governmental agency, court or tribunal.
8. The Executive acknowledges that he has been advised to seek, and has had the opportunity to seek, the advice and assistance of an attorney with regard to the release of claims set forth in this Release, and has been given a sufficient period within which to consider the release of claims set forth in this Release.
9. The Executive acknowledges that the release of claims set forth in this Release relates only to claims which exist as of the date of this Release.

10. The Executive acknowledges that the Severance Payments, Change in Control Severance Payments, Medical Continuation and extended vesting period of options, as applicable, he is receiving in connection with the release of claims set forth in this Release and his obligations under this Release are in addition to anything of value to which the Executive is entitled from the Company and any of its affiliates.
11. Each provision of this Release is severable from this Release, and if one or more provisions hereof are declared invalid, the remaining provisions shall nevertheless remain in full force and effect. If any provision of this Release is so broad, in scope, or duration or otherwise, as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.
12. This Release constitutes the complete agreement of the Parties in respect of the subject matter hereof and shall supersede all prior agreements between the Parties in respect of the subject matter hereof except to the extent set forth in this Release or the Employment Agreement.
13. The failure to enforce at any time any of the provisions of this Release or to require at any time performance by another party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect the validity of this Release, or any part hereof, or the right of any party thereafter to enforce each and every such provision in accordance with the terms of this Release.
14. This Release may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Signatures delivered by facsimile shall be deemed effective for all purposes.
15. This Release shall be binding upon any and all successors and assigns of the Executive and the Company.
16. Except for issues or matters as to which federal law is applicable, this Release shall be governed by and construed and enforced in accordance with the laws of the State of Texas without giving effect to the conflicts of law principles thereof.

[Signature page follows]

IN WITNESS WHEREOF, this Release has been signed by or on behalf of the Executive as of _____.

EXECUTIVE

Robert J. Satiel, Jr.

Exhibit B

Existing Inventions

[None.]

AMENDED & RESTATED EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement"), is dated and effective as of August 4, 2023 (the "Effective Date"), by MRC Global, Inc., a Delaware corporation (the "Company"), and Kelly D. Youngblood (the "Executive") and amends, restates and supersedes the prior Employment Agreement, effective as of November 18, 2019, in its entirety.

WHEREAS, the Company desires to continue to employ the Executive as Executive Vice President and Chief Financial Officer and to utilize his management services as indicated herein, and the Executive has agreed to provide such management services to the Company;

WHEREAS, the Executive desires to continue the Executive's employment as set forth herein to be effective on the Effective Date;

WHEREAS, the Company and the Executive desire to enter into this Agreement to be effective as of the Effective Date;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other valid consideration, the sufficiency of which is acknowledged, the parties hereto agree as follows:

1. Employment

1.1. Term. The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, in each case, pursuant to this Agreement, for a period commencing on the Effective Date and ending on the earlier of:

- (i) the first anniversary of the Effective Date; and
- (ii) the termination of the Executive's employment in accordance with Section 3 (the "Term");

provided, that on the first anniversary of the Effective Date and each subsequent anniversary of the Effective Date, the Term shall automatically be extended for one year unless 90 days' written notice of non-renewal is given by the Executive or the Company to the other party.

1.2. Duties. During the Term, the Executive shall serve as Executive Vice President and Chief Financial Officer of the Company and in such other positions as an officer or director of the Company or its affiliates as the Executive and Chief Executive Officer ("CEO") or the Board of Directors of the Company (the "Board") shall mutually agree from time to time. The Executive shall perform such duties, functions and responsibilities commensurate with the Executive's positions as the CEO or Board reasonably directs.

- 1.3. Exclusivity. During the Term, the Executive shall devote his full time and attention to the business and affairs of the Company, shall faithfully serve the Company and shall, in all material respects, conform to and comply with the lawful and reasonable directions and instructions that the Board gives him, consistent with Section 1.2. During the Term, the Executive shall use his best efforts to promote and serve the interests of the Company and shall not engage in any other business activity, whether or not the activity shall be engaged in for pecuniary profit, except that the Executive may:
- (i) sit on one board or similar governing body of other another for-profit company with the consent of the Environmental, Social, Governance and Enterprise Risk Committee of the Board, which shall not be unreasonably withheld;
 - (ii) subject to Executive's obligations in Section 5, participate in any company that manages investments in which Executive or his family has an interest; and
 - (iii) participate in industry or charitable endeavors that either support the Company's interests or otherwise do not interfere with Executive's duties pursuant to this Agreement.

2. Compensation

- 2.1. Salary. As compensation for the performance of the Executive's services under this Agreement, during the Term, the Company shall pay to the Executive a salary at an annual rate of \$530,000 (the "Base Salary"), payable in installments in accordance with the Company's standard payroll policies and prorated for a period of service less than a year. The Board (or a committee of the Board) shall review the Executive's Base Salary annually and may increase the Base Salary (but may not decrease it) in the discretion of the Board (or a committee of the Board), based on competitive data and the Executive's performance. No increase in the Base Salary shall limit or reduce any other right or obligation of the Executive under this Agreement and the Base Salary shall not be reduced at any time (including after any increase).
- 2.2. Annual Bonus. Beginning with the fiscal year of the Company that commences on January 1, 2023, for each completed fiscal year during the Term, the Executive shall be eligible to receive additional cash incentive compensation pursuant to the annual bonus plan of the Company in effect at the time (the "Annual Bonus"). The target Annual Bonus shall be 90% of the Executive's Base Salary as in effect at the beginning of the fiscal year for which the bonus may be earned with the actual Annual Bonus to be based upon such individual or Company performance criteria established for such fiscal year by the Board in consultation with the CEO. The Board (or a committee of the Board) shall review the Executive's Annual Bonus target percentage annually and may adjust the Annual Bonus target percentage upward (but not downward) in the discretion of the Board (or a committee of the Board), based on competitive data and the Executive's performance.
- 2.3. Long-Term Incentive Plan Participation. Beginning with the fiscal year that commences on January 1, 2023, for each fiscal year during the Term, the Executive shall be eligible to receive long-term incentive compensation awards pursuant to the Company's Omnibus Incentive Plan or any replacement or successor plan (the "Long-Term Incentive Awards") in such amounts as the Board (or a committee of the Board) determines in its discretion on terms and conditions (including time and performance based vesting conditions) that are generally applicable to other senior executives of the Company; *provided*, that the mix of types of Long-Term Incentive Awards awarded to the Executive may differ from those awarded to other senior executives to address limitations on the amount and types of awards permitted by the Omnibus Incentive Plan or any replacement or successor plan. The Executive acknowledges that the Executive has already received his Long-Term Incentive Award for the 2023 calendar year as of the Effective Date.
- 2.4. Employee Benefits. During the Term, the Executive shall be eligible to participate in such health and other group insurance and employee benefit plans and programs of the Company and its U.S. affiliates as in effect from time to time on the same basis as other senior executives of the Company.

- 2.5. Vacation. During the Term, the Executive shall be entitled to 25 days per calendar year of paid vacation.
- 2.6. Business Expenses. The Company shall pay or reimburse the Executive for all commercially reasonable business out-of-pocket expenses that the Executive incurs during the Term in performing his duties under this Agreement upon presentation of documentation and in accordance with the expense reimbursement policy of the Company generally applicable to all senior executives as in effect from time to time.
- 2.7. Retirement. If Executive remains employed by the Company on or after November 18, 2024 (the "Target Date"), the Company terminates Executive's employment other than for Cause, death or Disability prior to the Target Date or the Executive terminates employment for Good Reason prior to the Target Date, Executive shall be deemed "Retired" and to have satisfied any requirement that the Participant's age plus years of service equal to at least 80 for the purposes of any equity award agreement granted pursuant to the Company's Omnibus Incentive Plan, as amended, including (without limitation) any Restricted Stock Agreement, Restricted Stock Unit Award Agreement, Performance Share Unit Award Agreement or Stock Option Agreement and Executive shall be entitled to continued vesting pursuant to the retirement provisions of each such agreement and any requirement under the award agreement that Executive must remain employed with the Company for any period of time prior to such Retirement for the award to vest shall be waived; *provided*, that in the case of any Performance Share Unit Award Agreement the amount payable under the award shall be prorated as provided in the provision concerning "Termination under an Employment Agreement" set forth in Section 5.4 of the applicable Performance Share Unit Award Agreement (notwithstanding the provisions in the "Retirement" provision of the award set forth in Section 5.3) and in the case of any Restricted Stock Unit Award Agreement the amount payable under the award shall be payable within 30 days following the date the award becomes vested. Notwithstanding the foregoing in this Section 2.7, Executive shall only be entitled to the retirement treatment that this Section 2.7 provides if Executive meets the Company's Equity Ownership Guidelines measured as of the Target Date; *provided* that this requirement only applies if Executive's employment is not otherwise terminated prior to the Target Date.

3. Termination of Employment

- 3.1. Generally. The Company may terminate the Executive's employment for any reason during the Term, and the Executive may voluntarily terminate his employment for any reason during the Term, in each case (other than a termination by the Company for Cause (defined below)) at any time upon not less than 30 days' written notice to the other party. Upon the termination of the Executive's employment with the Company for any reason, the Executive shall be entitled to any portion of the Base Salary earned but unpaid through the date of termination, any earned but unpaid Annual Bonus for completed fiscal years, any unreimbursed expenses in accordance with Section 2.6 and, to the extent not yet paid or provided, any other amounts or benefits required to be paid or provided at such time under any plan, program, policy or practice or other contract or agreement of the Company and its affiliates through the date of termination of employment (collectively, the "Accrued Amounts"). The Accrued Amounts will be paid within 30 days of the date of termination.

3.2. Certain Terminations

- a) Termination by the Company other than for Cause, death or Disability; Termination by the Executive for Good Reason. If the Executive's employment is terminated during the Term by the Company other than for Cause, death or Disability (defined below), or by the Executive for Good Reason (defined below), the Executive shall be entitled to:
- (i) the Accrued Amounts,
 - (ii) a pro-rata bonus for the fiscal year of termination, based on actual performance through the end of the applicable fiscal year and the number of days that have elapsed in the fiscal year through the date of termination (a "Pro-Rata Bonus"),
 - (iii) payment of an amount equal to the sum of 1/12 of Base Salary and 1/12 of the target Annual Bonus (each in effect on his date of termination) each month for 18 months following termination (the "Severance Payments"), and
 - (iv) continuation of medical, dental and vision benefits on the same terms as active senior executives ("Medical Continuation") for 18 months following termination. For the period of time during which the Executive is entitled to Medical Continuation under this Section 3.2(a)(iv) (or Section 3.2(c)(iii), if applicable), the Executive shall timely pay the full cost of the benefits as determined under the then-current practices of the Company on a monthly basis, *provided* that the Company shall reimburse the Executive the amounts timely paid for the coverage. The Company shall pay all reimbursements to the Executive as required under this Section 3.2(a)(iv) on a regular, periodic basis within 30 days after the reimbursable amounts are paid by the Executive; *provided* that, prior to any reimbursement, the Company must possess the applicable and appropriate evidence of the reimbursable amount. Any reimbursements provided during one taxable year of the Executive shall not affect the expenses eligible for reimbursement in any other taxable year of the Executive (with the exception of applicable lifetime maximums applicable to medical expenses or medical benefits described in Section 105(b) of the Internal Revenue Code of 1986, as amended (the "Code") and the right to reimbursement under this Section 3.2(a)(iv) shall not be subject to liquidation or exchange for another benefit or payment. Following the Medical Continuation period, Executive shall be eligible to elect COBRA payable at Executive's expense in accordance with the Company's standard procedures.

If, the Executive does not receive the "retirement" treatment set forth in Section 2.7, and prior to a Change in Control (defined below) or after the 24-month period following a Change in Control, the Executive's employment is terminated during the Term by the Company other than for Cause, death or Disability, or by the Executive for Good Reason, all outstanding options, restricted stock awards and other long-term equity awards will continue to vest for the next 18-month period as if Executive remained an active employee. Effective as of the end of this 18-month period, any non-vested options will be immediately forfeited.

Receipt of the Severance Payments, Medical Continuation and extended vesting period shall be conditioned on:

- (x) the Executive's continued compliance with his obligations under Section 5, and
- (y) the Executive's execution, delivery and non-revocation of an effective, valid and enforceable general release of claims (the "Release") in the form attached as Exhibit A within 45 days of the effective date of the Executive's termination.

If the Executive breaches any of the covenants set forth in Section 5, the Executive shall immediately return to the Company that portion of the Severance Payments that have been paid to the Executive pursuant to this Section 3.2(a), the Medical Continuation (and the Medical Continuation period) shall immediately terminate and any options that became vested pursuant to this Section 3.2(a) shall immediately terminate. Subject to Section 3.2(d) and the provision of a valid Release as required under this Section 3.2(a), the Company will commence paying or providing the Severance Payments (other than the Pro-Rata Bonus) and Medical Continuation on the 60th day following the effective date of Executive's termination of employment. Executive shall forfeit any and all payments, benefits and extended vesting rights payable or due under this Agreement if Executive does not provide the Company with an effective Release within 45 days of the effective date of the Executive's termination or revokes any such release provided. The Pro-Rata Bonus will be paid at the time the Company ordinarily pays incentive bonuses to its executives with respect to the fiscal year in which the termination occurs (but in no case later than March 15 of the calendar year following the calendar year in which Executive's termination of employment occurs).

- b) Termination upon Death or Disability. If the Executive's employment is terminated due to the Executive's death or Disability, the Executive (or the Executive's estate, if applicable) will receive (i) the Accrued Amounts, and (ii) a Pro-Rata Bonus which will be paid at the time the Company ordinarily pays incentive bonuses to its executives with respect to the fiscal year in which the termination occurs (but in no case later than March 15 of the calendar year following the calendar year in which Executive's termination of employment occurs).
- c) Termination following a Change in Control. If, during the Term and within 24 months following a Section 409A Change in Ownership (defined below), the Executive's employment is terminated by the Company other than for Cause, death or Disability, or by the Executive for Good Reason, the Executive shall be entitled to:
 - (i) the Accrued Amounts,
 - (ii) a pro-rata bonus for the fiscal year of termination, calculated at the greater of target or actual performance through the end of the applicable fiscal year and the number of days that have elapsed in the fiscal year through the date of termination (a "Pro-Rated CiC Bonus")
 - (iii) payment of an amount equal to the sum of 24 months' of Base Salary, and two times the target Annual Bonus, each in effect on his date of termination (the "Change in Control Severance Payments"), and
 - (iv) Medical Continuation for 24 months. Premiums for Medical Continuation shall be paid and reimbursed in accordance with the provisions contained in Section 3.2(a)(iv). Following the Medical Continuation period, Executive shall be eligible to elect COBRA in accordance with the Company's standard procedures.

Receipt of the Change in Control Severance Payments and Medical Continuation shall be conditioned on the Executive's execution, delivery and non-revocation of an effective and valid Release in the form attached as Exhibit A within 45 days of Executive's termination of employment. Subject to Section 3.2(d) and the provision of a valid Release as required under this Section 3.2(c), the Company will pay the Change in Control Severance Payments in a single lump sum payment and commence providing Medical Continuation on the 60th day following the effective date of Executive's termination of employment. Executive shall forfeit any and all payments and benefits payable under this Agreement if Executive does not provide the Company with an effective Release within 45 days of the effective date of the Executive's termination or revokes any such release provided.

- d) Section 409A Specified Employee. Notwithstanding anything to the contrary contained in this Agreement, if the Executive is a "specified employee" for purposes of Section 409A of the Code and regulations and other interpretive guidance issued under the Code ("Section 409A"), the Company shall not commence payment of the Severance Payments, the Change in Control Severance Payments or Pro-Rated CiC Bonus to the Executive until one day after the day which is six months after the Executive's termination date (the "Delay Period"), with the first payment equaling the total of all payments that would have been paid during the Delay Period but for the application of Section 409A to those payments. For purposes of this Agreement, the Executive's employment with the Company shall be considered to have terminated for purposes of any provision of this Agreement providing for the payment or provision of any amounts or benefits following a termination of employment when, and only if, the Executive has incurred a "separation from service" with the Company and its controlled subsidiaries and affiliates within the meaning of Section 409A(a)(2)(A)(i) of the Code, and applicable administrative guidance issued under the Code.
 - e) Exclusive Remedy. The foregoing payments upon termination of the Executive's employment described in Section 3.2 shall constitute the exclusive severance payments due the Executive upon a termination of his employment under this Agreement.
- 3.3. Resignation from All Positions. Upon the termination of the Executive's employment with the Company for any reason, the Executive shall be deemed to have resigned, as of the date of such termination, from all positions he then holds as an officer, director, employee and member of the Board (and any committee of the Board) and the board of directors or similar governing positions (and any committees of those bodies) of any of the Company's affiliates.
- 3.4. Cooperation. Following the termination of the Executive's employment with the Company for any reason, the Executive agrees to reasonably cooperate with the Company upon reasonable request of the Board and to be reasonably available to the Company with respect to matters arising out of the Executive's services to the Company and its subsidiaries and affiliates. The Company shall pay the Executive a reasonable fee for those services and promptly reimburse the Executive for expenses reasonably incurred in connection with those matters.

4. Section 280G.

- (i) If the aggregate of all amounts and benefits due to the Executive under this Agreement and under all other arrangements with the Company would, if received by the Executive in full and valued under Section 280G of the Code, constitute “parachute payments” as defined in and under Section 280G of the Code (collectively, “280G Compensation”), and
- (ii) if such aggregate would, if reduced by all federal, state and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Code, be less than the amount the Executive would receive, after all taxes, if the Executive received aggregate 280G Compensation equal (as valued under Section 280G of the Code) to only three times the Executive’s “base amount” as defined in and under Section 280G of the Code, less \$1.00,

then the 280G Compensation shall (to the extent that the reduction of the 280G Compensation can achieve the intended result) be reduced or eliminated to the extent necessary so that the aggregate 280G Compensation received by the Executive will not constitute parachute payments. For the avoidance of doubt, to the extent reasonable value is attributed to Executive’s obligations pursuant to Section 5.2 such that the value so attributed is not a parachute payment included in 280G Compensation, such value shall be so allocated. An independent auditor (the “Auditor”) that the Company pays shall make the determinations with respect to this Section 4. The Auditor shall be the Company’s regular independent auditor unless the Executive reasonably objects to the use of that firm, in which event the Auditor will be a nationally recognized United States public accounting firm that the parties choose.

5. Unauthorized Disclosure; Non-Competition; Non-Solicitation; Interference with Business Relationships; Proprietary Rights

- 5.1. Unauthorized Disclosure. The Executive agrees and understands that in the Executive’s position with the Company, the Executive has been and will continue to be exposed to and has and will receive information relating to the confidential affairs of the Company and its affiliates, including technical information, intellectual property, business and marketing plans, strategies, customer information, software, other information concerning the products, promotions, development, financing, expansion plans, business policies and practices of the Company and its affiliates and other forms of information that the Company and its affiliates consider to be confidential or in the nature of trade secrets (including, ideas, research and development, know-how, formulas, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information and business and marketing plans and proposals) (collectively, the “Confidential Information”). “Confidential Information” does not include any information that becomes generally available to the public other than as a result of the Executive’s public use, disclosure, or fault. The Executive agrees that at all times during the Executive’s employment with the Company and thereafter, the Executive shall not disclose such Confidential Information, either directly or indirectly, to any person or entity other than in connection with the Executive’s employment with the Company without the prior written consent of the Company and shall not use or attempt to use any such Confidential Information in any manner other than in connection with his employment with the Company, unless required by law to disclose the Confidential Information, in which case the Executive shall provide the Company with written notice of the requirement as far in advance of the anticipated disclosure as possible. This confidentiality covenant has no temporal, geographical or territorial restriction. Upon termination of the Executive’s employment with the Company, the Executive shall promptly supply to the Company all property, keys, notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, surveys, maps, logs, machines, technical data and any other tangible product or document that has been produced by, received by or otherwise submitted to the Executive during the Executive’s employment with the Company, and any copies thereof in his (or capable of being reduced to his) possession; *provided*, that the Executive may retain his full rolodex or similar address and telephone directories.

5.2. Non-Competition. By and in consideration of the Company entering into this Agreement and the payments made and the benefits that this Agreement provides, and in further consideration of the Executive's exposure to the Confidential Information of the Company and its affiliates, the Executive agrees that the Executive shall not, during the Executive's employment with the Company and for 18 months thereafter (or 24 months thereafter if Executive is entitled to receive the benefits of Section 3.2(c)) (in the applicable case, the "Restriction Period"), directly or indirectly, own, manage, operate, join, control, be employed by, or participate in the ownership, management, operation or control of, or be connected in any manner with, including, without limitation, holding any position as a stockholder, director, officer, consultant, independent contractor, employee, partner, or investor in, any Restricted Enterprise (defined below); *provided*, that in no event shall ownership of one percent or less of the outstanding securities of any class of any issuer whose securities are registered under the Securities Exchange Act of 1934, as amended, standing alone, be prohibited by this Section 5.2, so long as the Executive does not have, or exercise, any rights to manage or operate the business of the issuer other than rights as an equity or stock holder of the issuer. "Restricted Enterprise" means any person or entity that is actively engaged in any geographic area in any business which is either:

- (i) in competition with the business of the Company or any of its subsidiaries or affiliates or
- (ii) proposed to be conducted by the Company or any of its subsidiaries or affiliates in their respective business plans as in effect at that time;

provided, that a Restricted Enterprise shall not include:

- (x) an investment company, private equity company, hedge fund or similar investment vehicle that owns a Restricted Enterprise among other investments if the Executive does not provide the Executive's services to Restricted Enterprise during the Restriction Period even though the Executive is providing services to the investment company, private equity company, hedge fund or similar investment vehicle, and the Executive does not own directly or indirectly more than 10% of the equity value of the Restricted Enterprise or make any other investment in the Restricted Enterprise; or
- (y) a professional or advisory services firm that provides services to a Restricted Enterprise (among other clients) if the Executive does not provide Executive's services to Restricted Enterprise during the Restriction Period even though Executive is providing services to other clients of the firm.

For the purposes of this Section 5.2, a person or entity shall only be in competition with the business of the Company or any of its subsidiaries or affiliates if the person or entity has more than \$50 million in revenue, or 20% or more of its revenue, in each case, in its last completed four quarters from business that is competitive with the Company or any of its subsidiaries or affiliates. Notwithstanding any other provision of this Section 5.2 to the contrary, the Executive will not create in a "start-up" any business that competes with the business of the Company or any of its subsidiaries or affiliates.

During the Restriction Period, upon request of the Company, the Executive shall notify the Company of the Executive's then-current employment status. To the extent that any equity award agreement provided to the Executive as of the Effective Date or in the future, provides a restriction on the Executive similar to the restrictions contained in this Section 5, the provisions of this Section 5 shall apply to the award agreement (including Section 8 of the Performance Share Unit Award Agreement and Section 7 of the Restricted Stock Unit Award Agreements provided to the Executive on the Effective Date) in lieu of the restrictions in the award agreement, *mutatis mutandis*, and this Section 5 shall so govern.

- 5.3. Non-Solicitation of Employees. During the Restriction Period, the Executive shall not directly or indirectly contact, induce or solicit (or assist any person or entity to contact, induce or solicit) for employment any person who is an employee of the Company or any of its subsidiaries or affiliates.
- 5.4. Interference with Business Relationships. During the Restriction Period (other than in connection with carrying out his responsibilities for the Company and its affiliates), the Executive shall not directly or indirectly contact, induce or solicit (or assist any person or entity to contact, induce or solicit) any customer or client of the Company or its subsidiaries or affiliates to terminate its relationship or otherwise cease doing business in whole or in part with the Company or its subsidiaries or affiliates, or directly or indirectly interfere with (or assist any person or entity to interfere with) any material relationship between the Company or its subsidiaries or affiliates and any of its or their customers or clients so as to cause harm to the Company or its affiliates.
- 5.5. Extension of Restriction Period. The Restriction Period shall be tolled for any period during which the Executive is in breach of any of Sections 5.2, 5.3 or 5.4.
- 5.6. Proprietary Rights. The Executive shall disclose promptly to the Company any and all inventions, discoveries, and improvements (whether or not patentable or registrable under copyright or similar statutes), and all patentable or copyrightable works, initiated, conceived, discovered, reduced to practice, or made by him, either alone or in conjunction with others, during the Executive's employment with the Company and related to the business or activities of the Company and its affiliates (the "Developments"). Except to the extent any rights in any Developments constitute a work made for hire under the U.S. Copyright Act, 17 U.S.C. § 101, *et seq.*, that are owned *ab initio* by the Company or its applicable affiliate, the Executive assigns all of his right, title and interest in all Developments (including all intellectual property rights therein) to the Company or its nominee without further compensation, including all rights or benefits therefor, including without limitation the right to sue and recover for past and future infringement. The Executive acknowledges that any rights in any Developments constituting a work made for hire under the U.S. Copyright Act, 17 U.S.C. § 101, *et seq.*, are owned upon creation by the Company or its applicable affiliate as the Executive's employer. Whenever requested to do so by the Company, the Executive shall execute any and all applications, assignments or other instruments which the Company shall deem necessary to apply for and obtain trademarks, patents or copyrights of the United States or any foreign country or otherwise protect the interests of the Company and its affiliates therein. These obligations shall continue beyond the end of the Executive's employment with the Company with respect to inventions, discoveries, improvements or copyrightable works initiated, conceived or made by the Executive while employed by the Company, and shall be binding upon the Executive's employers, assigns, executors, administrators and other legal representatives. In connection with his execution of this Agreement, the Executive has informed the Company in writing of any interest in any inventions or intellectual property rights that he holds as of the date hereof as set forth on Exhibit B (the "Existing Inventions"). Notwithstanding anything to the contrary in this Agreement, the Developments shall not include any Existing Inventions. If the Company is unable for any reason, after reasonable effort, to obtain the Executive's signature on any document needed in connection with the actions described in this Section 5.6, the Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as the Executive's agent and attorney-in-fact to act for and on the Executive's behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section 5.6 with the same legal force and effect as if executed by the Executive.

- 5.7. Remedies. The Executive agrees that any breach of the terms of this Section 5 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law. The Executive, therefore, also agrees that in the event of a breach of this Section 5 or any threat of such a breach, the Company shall be entitled to an immediate injunction and restraining order to prevent the breach, threatened breach or continued breach by the Executive or any and all persons acting for or with the Executive, without having to prove damages, in addition to any other remedies to which the Company may be entitled at law or in equity, in each case, without the necessity of posting a bond or other security with the applicable court or body. The terms of this Section 5.8 shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach of this Agreement, including, the recovery of damages from the Executive. The Executive and the Company further agree that the provisions of the covenants contained in this Section 5 are reasonable and necessary to protect the businesses of the Company and its affiliates because of the Executive's access to Confidential Information and his material participation in the operation of such businesses.
6. Representation. The Executive and the Company each represents and warrants that:
- a) he or it is not subject to any contract, arrangement, policy or understanding, or to any statute, governmental rule or regulation, that in any way limits his or its ability to enter into and fully perform his or its obligations under this Agreement, and
 - b) he or it is not otherwise unable to enter into and fully perform his or its obligations under this Agreement.
7. Non-Disparagement. From and after the Effective Date and following termination of the Executive's employment with the Company, the Executive agrees not to make any statement (other than statements made in connection with carrying out his responsibilities for the Company and its subsidiaries and affiliates) that is intended to become public, or that should reasonably be expected to become public, and that criticizes, ridicules, disparages or is otherwise derogatory of the Company or any of its subsidiaries, affiliates, employees, officers, directors or stockholders. The Company and its affiliates shall cause their officers and directors not to make any such statement regarding the Executive.

8. Withholding. The Company may withhold from any amounts payable under this Agreement such United States federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation. The Executive shall be solely responsible for the payment of all taxes relating to the payment or provision of any amounts or benefits under this Agreement.

9. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

9.1. "Cause" means the Executive's:

- a) continuing failure, for more than ten days after the Company's written notice to the Executive of the failure, to perform such duties as the Company reasonably requests,
- b) failure to observe material policies generally applicable to officers or employees of the Company unless the failure is capable of being cured and is cured within ten days of the Executive receiving written notice of the failure,
- c) failure to cooperate with any internal investigation of the Company or any of its affiliates;
- d) commission of any act of fraud, theft or financial dishonesty with respect to the Company or any of its affiliates or indictment or conviction of any felony; or
- e) material violation of the provisions of this Agreement unless the violation is capable of being cured and is cured within ten days of the Executive receiving written notice of the violation;

provided that it shall not be Cause if a failure in Sections 9.1(a), (b) or (c) is a result of the Executive's Disability or a violation in Section 9.1(e) occurs because the Executive's Disability frustrates the Executive's ability to perform.

9.2. "Change in Control" means:

- a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (for purposes of this Section 9.2, as the term "person" is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent of:
 - (i) the then-outstanding shares of common stock, par value \$.01 per share, of the Company and any other securities into which those shares are changed or for which those shares are exchanged ("Shares") or
 - (ii) the combined voting power of the Company's then-outstanding Voting Securities;

provided, that in determining whether a Change in Control has occurred pursuant to this Section 9.2(a), the acquisition of Shares or Voting Securities in a Non-Control Acquisition (defined below) shall not constitute a Change in Control. A "Non-Control Acquisition" means an acquisition by:

- (i) an employee benefit plan (or a trust forming a part thereof) maintained by:
 - (A) the Company or

(B) any corporation or other Person the majority of the voting power, voting equity securities or equity interest of which is owned, directly or indirectly, by the Company

(for purposes of this definition, a “Related Entity”),

- (ii) the Company or any Related Entity, or
- (iii) any Person in connection with a Non-Control Transaction (defined below); or

b) The consummation of:

- (i) A merger, consolidation or reorganization (x) with or into the Company or (y) in which securities of the Company are issued (a “Merger”), unless the Merger is a “Non-Control Transaction.”

A “Non-Control Transaction” means a Merger in which:

(A) the shareholders of the Company immediately before the Merger own directly or indirectly immediately following the Merger at least a majority of the combined voting power of the outstanding voting securities of:

(I) the corporation resulting from the Merger (the “Surviving Corporation”), if there is no Person that Beneficially Owns, directly or indirectly, 50% or more of the combined voting power of the then-outstanding voting securities of the Surviving Corporation (a “Parent Corporation”), or

(II) if there is one or more than one Parent Corporation, the ultimate Parent Corporation;

(B) the individuals who were members of the Board immediately prior to the execution of the agreement providing for the Merger constitute at least a majority of the members of the board of directors of:

(I) the Surviving Corporation, if there is no Parent Corporation, or

(II) if there is one or more than one Parent Corporation, the ultimate Parent Corporation; and

(C) no Person other than:

(I) the Company or another corporation that is a party to the agreement of Merger,

(II) any Related Entity,

(III) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to the Merger, was maintained by the Company or any Related Entity, or

(IV) any Person who, immediately prior to the Merger had Beneficial Ownership of 50% or more of the then outstanding Shares or Voting Securities,

has Beneficial Ownership, directly or indirectly, of 50% or more of the combined voting power of the outstanding voting securities or common stock of:

(x) the Surviving Corporation, if there is no Parent Corporation, or

(y) if there is one or more than one Parent Corporation, the ultimate Parent Corporation.

c) A complete liquidation or dissolution of the Company; or

d) The sale or other disposition of all or substantially all of the assets of the Company and its subsidiaries taken as a whole to any Person (other than (x) a transfer to a Related Entity or (y) the distribution to the Company's shareholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons; *provided* that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Shares or Voting Securities by the Company and, after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities and such Beneficial Ownership increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

9.3. "Disability" means the Executive is entitled to receive long-term disability benefits under the long-term disability plan of the Company or its affiliates in which Executive participates, or, if there is no such plan, the Executive's inability, due to physical or mental ill health, to perform the essential functions of the Executive's job, with or without a reasonable accommodation, for 180 days during any 365 day period irrespective of whether such days are consecutive. For the purpose of any Long-Term Incentive Award, the foregoing definition of Disability in this Section 9.3 shall apply in lieu of any definition of Disability in the award agreement or the Omnibus Incentive Plan, as amended.

9.4. "Good Reason" means

a) a material and adverse change in the Executive's duties or responsibilities; *provided* that an assignment to the President if the duties of CEO are split between the CEO and the President or to the Chief Operating Officer shall not be a material and adverse change;

- b) a reduction in the Executive's Base Salary or target Annual Bonus percentage; however, for those terminations that are not in connection with a Change in Control, reductions that are equal in percentage and applicable to all Executive Vice Presidents under this Policy are excluded;
 - c) solely in connection with a Change in Control, a failure during any one calendar year of the Company to grant the Participant long-term incentive awards in stated value equal to 275% of Participant's annual base salary; *provided* that if the Company grants to the Participant long-term incentive awards that are intended to cover annual grants for multiple years, the stated value of any such multi-year grants shall be credited to the appropriate future years;
 - d) breach by the Company of any material provision of this Agreement; or
 - e) relocation of Executive's principal place of employment by more than 50 miles from Executive's then current principal place of employment;
- provided*, that the Executive must give notice of termination for Good Reason within 60 days of the occurrence of the first event giving rise to Good Reason.

10. Miscellaneous.

- 10.1. Indemnification. The Company shall indemnify the Executive to the fullest extent provided under the Company's By-Laws. The Company shall also maintain director and officer liability insurance in such amounts and subject to such limitations as the Board shall, in good faith, deem appropriate for coverage of directors and officers of the Company.
- 10.2. Amendments and Waivers. This Agreement and any of the provisions of this Agreement may be amended, waived (either generally or in a particular instance and either retroactively or prospectively), modified or supplemented, in whole or in part, only by written agreement signed by the Executive and the Company (by an officer other than the Executive); *provided*, that, the observance of any provision of this Agreement may be waived in writing by the party that will lose the benefit of such provision as a result of such waiver. The waiver by any party of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of the breach or as a waiver of any other or subsequent breach, except as otherwise explicitly provided for in the waiver. Except as otherwise expressly provided in this Agreement, no failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect thereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by the party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.
- 10.3. Assignment; No Third-Party Beneficiaries. This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive, and any purported assignment by the Executive in violation of this Agreement shall be null and void. Nothing in this Agreement shall confer upon any person not a party to this Agreement, or the legal representatives of the person, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement. Executive acknowledges that for administrative convenience or other good business reasons, the Company may administer this Agreement directly or through a wholly owned, direct or indirect subsidiary.

10.4. Notices. Unless otherwise provided in this Agreement, all notices, requests, demands, claims and other communications provided for under the terms of this Agreement shall be in writing. Any notice, request, demand, claim or other communication under this Agreement shall be sent by

- a) personal delivery (including receipted courier service) or overnight delivery service,
- b) registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below or
- c) e-mail delivery, with confirmation of receipt, to the Company's General Counsel:

If to the Company: MRC Global, Inc.
1301 McKinney, Suite 2300
Houston, TX 77010

Attention: General Counsel
e-mail: gc@mrcglobal.com

If to the Executive: Kelly Youngblood
c/o MRC Global Inc.
1301 McKinney, Suite 2300
Houston, TX 77010,

at his principal office at the Company (e-mail: kelly.youngblood@mrcglobal.com (during the Term),

and at all times to his principal residence and personal e-mail as reflected in the records of the Company, which initially reflect the following:

[redacted]

e-mail: XXXXXX

All such notices, requests, consents and other communications shall be deemed to have been given when received. Either party may change its address to which notices, requests, demands, claims and other communications under this Agreement are to be delivered by giving the other parties notice in the manner then set forth.

10.5. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights and obligations of the parties shall be governed by, the laws of the State of Texas, without giving effect to the conflicts of law principles thereof.

10.6. Severability. Whenever possible, each provision or portion of any provision of this Agreement, including those contained in Section 5, will be interpreted in such manner as to be effective and valid under applicable law but the invalidity or unenforceability of any provision or portion of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision or portion of any provision, in any other jurisdiction. In addition, should a court or arbitrator determine that any provision or portion of any provision of this Agreement, including those contained in Section 5, is not reasonable or valid, either in period of time, geographical area, or otherwise, the parties hereto agree that such provision should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable or valid.

- 10.7. Entire Agreement. From and after the Effective Date this Agreement shall constitute the entire agreement between the parties hereto, and supersede all prior representations, agreements and understandings (including any prior course of dealings), both written and oral, between the parties hereto with respect to the subject matter hereof.
- 10.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument. This Agreement may be delivered through the means of e-mail delivery of a portable document format (.pdf) file of the signed Agreement.
- 10.9. Binding Effect. This Agreement shall inure to the benefit of and be binding on, the successors of each of the parties, including, without limitation, the Executive's heirs and the personal representatives of the Executive's estate and any successor to all or substantially all of the business and/or assets of the Company.
- 10.10. General Interpretive Principles. The name assigned this Agreement and headings of the sections, paragraphs, subparagraphs, clauses and subclauses of this Agreement are for convenience of reference only and shall not in any way affect the meaning or interpretation of any of the provisions hereof. Words of inclusion shall not be construed as terms of limitation herein, so that references to "include," "includes" and "including" shall not be limiting and shall be regarded as references to non-exclusive and non-characterizing illustrations. In this Agreement, references to a "party" mean either of the Company or the Executive and to the "parties" mean both of them; references to a "person" mean any individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof; references to "Sections" mean the sections and subsections of this Agreement; references to "Exhibits" mean the exhibits to this Agreement; references to the singular include the plural and *vice versa*, in each case, unless the context expressly requires the contrary.
- 10.11. Mitigation. Notwithstanding any other provision of this Agreement,
- a) the Executive will have no obligation to mitigate damages for any breach or termination of this Agreement by the Company, whether by seeking employment or otherwise and
 - b) the amount of any payment or benefit due the Executive after the date of such breach or termination will not be reduced or offset by any payment or benefit that the Executive may receive from any other source.
- 10.12. Section 409A Compliance. This Agreement is intended to comply with Section 409A (to the extent applicable) and, to the extent it would not adversely impact the Company, the Company agrees to interpret, apply and administer this Agreement in the least restrictive manner necessary to comply with such requirements and without resulting in any diminution in the value of payments or benefits to the Executive. Each payment made under this Agreement will be treated as a separate payment and the right to a series of monthly payments under this Agreement will be treated as a right to a series of separate and distinct payments. Notwithstanding anything herein to the contrary, this Agreement will be interpreted, operated and administered in a manner consistent with such intentions; provided, that in no event will the Company or any affiliate be liable for any additional tax, interest or penalty that may be imposed on the Executive pursuant to Section 409A or for any damages incurred by the Executive as a result of this Agreement (or the payments or benefits hereunder) failing to comply with, or be exempt from, Section 409A.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

MRC GLOBAL, INC.

By: _____
Name:
Title:

EXECUTIVE

Kelly D. Youngblood

Exhibit A

Release

1. In consideration of the payments and benefits to be made under the Amended and Restated Employment Agreement, effective as of August 4, 2023 (the "Employment Agreement"), to which Kelly D. Youngblood. (the "Executive") and MRC Global, Inc. (the "Company") (each of the Executive and the Company, a "Party" and collectively, the "Parties") are parties, the sufficiency of which the Executive acknowledges, the Executive, with the intention of binding himself and his heirs, executors, administrators and assigns, does hereby release, remise, acquit and forever discharge the Company and each of its subsidiaries and affiliates (the "Company Affiliated Group"), their present and former officers, directors, executives, shareholders, agents, attorneys, employees and employee benefit plans (and the fiduciaries thereof), and the successors, predecessors and assigns of each of the foregoing (collectively, the "Company Released Parties"), of and from any and all claims, actions, causes of action, complaints, charges, demands, rights, damages, debts, sums of money, accounts, financial obligations, suits, expenses, attorneys' fees and liabilities of whatever kind or nature in law, equity or otherwise, whether accrued, absolute, contingent, unliquidated or otherwise and whether now known or unknown, suspected or unsuspected, which the Executive, individually or as a member of a class, now has, owns or holds, or has at any time heretofore had, owned or held, arising on or prior to the date hereof, against any Company Released Party that arises out of or relates to, the Employment Agreement, the Executive's employment with the Company or any of its subsidiaries and affiliates, or any termination of such employment, including claims
 - (i) for severance or vacation benefits, unpaid wages, salary or incentive payments,
 - (ii) for breach of contract, wrongful discharge, impairment of economic opportunity, defamation, intentional infliction of emotional harm or other tort,
 - (iii) for any violation of applicable state and local labor and employment laws (including, without limitation, all laws concerning unlawful and unfair labor and employment practices) and
 - (iv) for employment discrimination under any applicable federal, state or local statute, provision, order or regulation, and including, without limitation, any claim under Title VII of the Civil Rights Act of 1964 ("Title VII"), the Civil Rights Act of 1988, the Fair Labor Standards Act, the Americans with Disabilities Act ("ADA"), the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Age Discrimination in Employment Act ("ADEA"), and any similar or analogous state statute, excepting only:
 - 1.1. rights of the Executive arising under, or preserved by, this Release or Section 3 of the Employment Agreement;
 - 1.2. the right of the Executive to receive COBRA continuation coverage in accordance with applicable law;
 - 1.3. claims for benefits under any health, disability, retirement, life insurance or other similar employee benefit plan (within the meaning of Section 3(3) of ERISA) of the Company Affiliated Group; and
-

- 1.4. rights to indemnification the Executive has or may have under the by-laws or certificate of incorporation of any member of the Company Affiliated Group or as an insured under any director's and officer's liability insurance policy or other insurance policy of the Company and its subsidiaries that benefits the Executive now or previously in force.
2. The Executive acknowledges and agrees that the release of claims set forth in this Release is not to be construed in any way as an admission of any liability whatsoever by any Company Released Party, any such liability being expressly denied.
3. The release of claims set forth in this Release applies to any relief no matter how called, including, without limitation, wages, back pay, front pay, compensatory damages, liquidated damages, punitive damages, damages for pain or suffering, costs, and attorneys' fees and expenses.
4. The Executive specifically acknowledges that his acceptance of the terms of the release of claims set forth in this Release is, among other things, a specific waiver of his rights, claims and causes of action under Title VII, ADEA, ADA and any state or local law or regulation in respect of discrimination of any kind; *provided*, that nothing in this Release shall be deemed, nor does anything contained herein purport, to be a waiver of any right or claim or cause of action which by law the Executive is not permitted to waive.
5. As to rights, claims and causes of action arising under the ADEA, the Executive acknowledges that he has been given but not utilized a period of 45 days to consider whether to execute this Release. If the Executive accepts the terms hereof and executes this Release, he may thereafter, for a period of seven days following (and not including) the date of execution, revoke this Release as it relates to the release of claims arising under the ADEA. If no such revocation occurs, this Release shall become irrevocable in its entirety, and binding and enforceable against the Executive, on the day next following the day on which the foregoing seven-day period has elapsed. If such a revocation occurs, the Executive shall irrevocably forfeit any right to payment of the Severance Payments (as defined in the Employment Agreement) or payment or receipt of the other applicable benefits, but the remainder of the Employment Agreement shall continue in full force.
6. Other than as to rights, claims and causes of action arising under the ADEA, the release of claims set forth in this Release shall be immediately effective upon execution by the Executive.
7. The Executive acknowledges and agrees that he has not, with respect to any transaction or state of facts existing prior to the date hereof, filed any complaints, charges or lawsuits against any Company Released Party with any governmental agency, court or tribunal.
8. The Executive acknowledges that he has been advised to seek, and has had the opportunity to seek, the advice and assistance of an attorney with regard to the release of claims set forth in this Release, and has been given a sufficient period within which to consider the release of claims set forth in this Release.
9. The Executive acknowledges that the release of claims set forth in this Release relates only to claims which exist as of the date of this Release.

10. The Executive acknowledges that the Severance Payments, Change in Control Severance Payments, Medical Continuation and extended vesting period of options, as applicable, he is receiving in connection with the release of claims set forth in this Release and his obligations under this Release are in addition to anything of value to which the Executive is entitled from the Company and any of its affiliates.
11. Each provision of this Release is severable from this Release, and if one or more provisions hereof are declared invalid, the remaining provisions shall nevertheless remain in full force and effect. If any provision of this Release is so broad, in scope, or duration or otherwise, as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.
12. This Release constitutes the complete agreement of the Parties in respect of the subject matter hereof and shall supersede all prior agreements between the Parties in respect of the subject matter hereof except to the extent set forth in this Release or the Employment Agreement.
13. The failure to enforce at any time any of the provisions of this Release or to require at any time performance by another party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect the validity of this Release, or any part hereof, or the right of any party thereafter to enforce each and every such provision in accordance with the terms of this Release.
14. This Release may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Signatures delivered by facsimile shall be deemed effective for all purposes.
15. This Release shall be binding upon any and all successors and assigns of the Executive and the Company.
16. Except for issues or matters as to which federal law is applicable, this Release shall be governed by and construed and enforced in accordance with the laws of the State of Texas without giving effect to the conflicts of law principles thereof.

[Signature page follows]

IN WITNESS WHEREOF, this Release has been signed by or on behalf of the Executive as of _____.

EXECUTIVE

Kelly Youngblood

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Exhibit B

Existing Inventions

[None.]

EXECUTIVE SEPARATION POLICY

This Executive Separation Policy (this “Policy”) applies to participating executives (“Executives”) of MRC Global Inc. and its subsidiaries (the “Company”) beginning as of August 4, 2023 (the “Effective Date”). Capitalized terms used but not otherwise defined in this Policy have the meanings ascribed to them in Exhibit A. This Policy amends, restates and supersedes the Executive Separation Policy dated as of February 8, 2021 in its entirety.

Purpose

The purposes of this Policy are to:

- provide the participating Executives with a separation benefit if the Company, in its sole discretion, terminates an Executive’s employment with the Company without Cause or the Executive terminates employment for Good Reason for actions the Company takes, in its sole discretion
- provide a retention incentive for each Executive to continue the Executive’s service with the Company during transitional periods such as internal re-organizations, changes in Company leadership, potential or actual Changes in Control of the Company or similar circumstances
- provide each Executive with further comfort to discharge the Executive’s duties to raise and debate ideas for the benefit of the Company and its shareholders
- provide a benefit to each Executive in exchange for a release of any potential claims upon termination of the Executive’s employment and to obtain from each Executive confirmation of the Executive’s obligations under post-employment restrictive covenants
- continue to align each Executive’s interests for the benefit of the Company and its shareholders during the period following the Executive’s separation through the Executive’s stake in equity or other long-term incentive awards the Executive received prior to the Executive’s termination of employment
- clarify, document and codify the Company’s existing practices or policies with respect to separation payments for Company executives prior to the Effective Date

Participating Executives and Applicability

This Policy provides a benefit to the following participating Executives:

Title	Multiplier	Change in Control Multiplier
Chief Executive Officer (“CEO”)	2.00	3.00
President	2.00	3.00
Executive Vice Presidents (“EVPs”)	1.50	2.00
Senior Vice Presidents (“SVPs”)	1.00	1.50

If an Executive has an employment agreement with the Company that provides a current obligation for the Company to pay a separation benefit for Company’s termination of the Executive without cause or for the Executive’s termination of employment for good reason, this Policy is not applicable to that Executive. For the avoidance of doubt, if the same Executive holds more than one title, such as the titles of CEO and President, the Executive will only be entitled to one benefit under this Policy, if applicable, and no Executive shall be entitled to claim more than one separation payment under this Policy or another policy or agreement.

The Company may terminate any Executive’s employment for any reason, and the Executive may voluntarily terminate the Executive’s employment for any reason. Upon the termination of the Executive’s employment with the Company for any reason other than Cause, the Executive will be entitled to the Accrued Amounts.

Separation Benefits Outside a Change in Control

Except in circumstances described in “Separation Benefits in connection with a Change in Control” below, if the Company terminates an Executive’s employment other than for Cause, death or Disability, or if the Executive terminates the Executive’s own employment for Good Reason, in addition to any Accrued Amounts that the Company owes to the Executive, the Company shall provide the Executive the following “Separation Benefits”:

- (i) a pro-rata portion of the STI during the fiscal period of termination (which is usually a calendar year), based on the number of days that have elapsed in the fiscal period through the date of termination of the Executive’s employment; the Company shall pay this pro-rated STI at the same time the Company pays other Company executives their STI payments for the period, and the STI payment amount shall be based on actual performance through the end of the applicable fiscal period against the metrics and goals that had been previously approved for the performance period;
- (ii) a “Separation Payment” equal to the Executive’s annual base salary in effect immediately prior to the Executive’s termination (and prior to any reduction of salary or STI percentage giving rise to Good Reason) multiplied by the Executive’s Multiplier.

For terminations that are not in connection with a Change in Control, the Company shall pay this Separation Payment in equal installments at the same time the Executive would have received the Executive's base salary during normal payroll cycles.

- (iii) Outstanding, unvested long-term incentive ("LTI") or equity award agreements shall be treated as follows:
- a. If pursuant to an LTI award agreement, equity award agreement, employment agreement or similar agreement, the Company has deemed the Executive to be "retired" for the purposes of an LTI or equity award, the Executive shall be treated as so retired under this Policy and the applicable agreements regarding the LTI or equity award shall govern the Executive's treatment under the "retirement" provisions of the agreements;
 - b. If the Executive does not meet the "retirement" treatment of the provisions of the agreements, the Executive shall be deemed to remain employed for the purposes of any LTI or equity award agreement for an additional time period equal to one year multiplied by the Executive's Multiplier and any amounts that may vest pursuant to the provisions of each award agreement shall continue to vest during this additional period; and
 - c. For the purposes of PSU awards, Section 5.4 of the PSU award agreements shall govern the proration of any PSU awards; and
- (iv) Medical Continuation for one year multiplied by the Executive's Multiplier; the Company shall provide Medical Continuation on a continuing basis during this period from the date of Executive's termination.

Each participating Executive's Multiplier is set forth beside each participating Executive's title above. With the exception of Accrued Amounts, the Company is not required to make any payments to the Executive earlier than the 60th day after the Executive's termination to allow the Executive's consideration, execution and delivery of the documentation required in the immediately following section, the Company's receipt of which is a condition to the receipt of Separation Benefits.

Separation Benefits in connection with a Change in Control

If, upon or within 24 months following a Change in Control, the Company terminates an Executive's employment other than for Cause, death or Disability, or if the Executive terminates the Executive's own employment for Good Reason, in addition to any Accrued Amounts that the Company owes to the Executive, the Company shall provide the Executive the following "Separation Benefits":

- (v) a pro-rata portion (the "Pro-Rated STI") of the STI calculated at the greater of target and actual payout during the fiscal period of termination (which is usually a calendar year), based on the number of days that have elapsed in the fiscal period through the date of termination of the Executive's employment; this pro-rated STI payment shall be due, subject to the Delay Period (defined and described below), upon the closing of the Change in Control transaction;
- (vi) a "Separation Payment" equal to the sum of Executive's annual base salary plus target STI amount in effect immediately prior to the Executive's termination (and prior to any reduction of salary or STI percentage giving rise to Good Reason) multiplied by the Executive's Change in Control Multiplier.

(vii) For the avoidance of doubt, notwithstanding any other provision of this Policy to the contrary, the provisions of any LTI or equity award agreement regarding a change in control shall govern upon a Change in Control.

(viii) Medical Continuation for one year multiplied by the Executive's Change in Control Multiplier; the Company shall provide Medical Continuation on a continuing basis during this period from the date of Executive's termination.

Each participating Executive's Change in Control Multiplier is set forth beside each participating Executive's title above. With the exception of Accrued Amounts, the Company is not required to make any payments to the Executive earlier than the 60th day after the Executive's termination to allow the Executive's consideration, execution and delivery of the documentation required in the immediately following section, the Company's receipt of which is a condition to the receipt of Separation Benefits.

Conditions to an Executive's Receipt of the Separation Benefits

An Executive's receipt of the Separation Benefits is conditioned on:

- (i) *Restrictive Covenants*. the Executive's continued compliance with the covenants contained in any LTI or equity award agreement, and any other agreements between the Company and the Executive (collectively, the "Covenants"),
- (ii) *Release of Claims*. the Executive's execution, delivery and non-revocation of an effective, valid and enforceable general release of claims generally in form and substance reasonably satisfactory to the Company (the "Release") within 60 days of the effective date of the Executive's termination; *provided* that the Executive shall not be required pursuant to any such Release to waive or release the following:
 - a. the Executive's right, if any, to vested pension or Retirement Savings Plan benefits under the Company's standard programs, plans and policies;
 - b. claims that the Executive may have against the Company or its insurers for indemnification under corporate charters or by-laws, indemnification agreements, director and officer insurance, or other similar protection afforded Company officers or directors to provide them with protection;
 - c. claims the Executive may have against the Company where the events in dispute first arise after execution of the Release; and
 - d. rights of the Executive arising under, or preserved by, any subsequent separation agreement, including any separation agreement that further describes the Executive's obligations or benefits under this Policy;

A release in the form of the release attached to the most recent employment agreement between the CEO and the Company, which is filed with as an exhibit to a Company filing with the Securities and Exchange Commission, shall be deemed to be reasonably satisfactory to the Company.

- (iii) *Duties of Confidentiality.* the Executive's execution and delivery of an acknowledgment of the Executive's duties to maintain after the Executive's termination of employment the confidentiality of non-public information of the Company that the Executive learned while in the Company's employment; and
- (iv) *Cooperation.* the Executive's execution and delivery of an agreement to cooperate with the Company after the Executive's termination of employment in any investigation of matters that occurred during the Executive's employment, answer questions regarding matters that occurred during the Executive's employment and provide the Company with support in any disputes that arise out of matters for which the Executive had familiarity during the Executive's employment, including, if necessary, providing court testimony, depositions or the like. Any request by the Company must be reasonable, reasonably accommodate the Executive's obligations to others, including new employers, or the Executive's health conditions and is subject to renumeration to the Executive no less than the same rate of renumeration the Executive received while employed.

If the Company determines that the Executive has breached any of the Covenants (after any investigation or notices provided in the Covenants) or has engaged in activities prior to termination of employment that constitute Cause and notifies the Executive of the same in writing, the Executive will immediately return to the Company any portion of the Separation Benefits that the Executive has received, and any further Separation Benefits shall cease.

Required Delay in Timing of Separation Payments

Notwithstanding any other provision of this Policy to the contrary, for the purposes of Section 409A, the Company will not commence payment of the Separation Payments or the Pro-Rated STI, as the case may be, until one day after the day which is six months after the Executive incurs a separation from service (the "Delay Period"), with the first payment equaling the total of all payments that would have been paid during the Delay Period. The Company makes no representations that the payments and benefits provided under this Policy will comply with the requirements Section 409A, and in no event shall the Company be liable for any portion of any taxes, penalties, interest or other expenses that may be incurred by an Executive as a result of any failure to satisfy or otherwise comply with Section 409A. Each installment of the Separation Payment shall be considered and treated as a separate payment for purposes of Section 409A. An Executive may not assign the Separation Benefits.

With regard to Medical Continuation or other reimbursement or in-kind benefit provided under this Policy,

- (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any calendar year will not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year,
- (ii) such reimbursements will be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and

(iii) the right to reimbursement or in-kind benefits will not be subject to liquidation or exchange for another benefit.

Intervening Death of an Executive

If an Executive becomes eligible for the Separation Benefits but the Executive dies before the Executive receives all of the Separation Benefits, the Company shall provide any remaining Accrued Amounts or amounts under clauses (i) and (ii) under “Separation Benefits” to the Executive’s estate at the same time that the Company would have otherwise paid the Executive, the LTI awards shall cease continued vesting and the provisions applicable to death under each of the LTI award agreements shall be followed, and the Company shall continue to provide Medical Continuation for the remaining period under “Separation Benefits” to any dependents that the Executive has declared under the Company’s medical, dental and vision plans.

Parachute Payments for Certain Executives

- If the aggregate of all amounts and benefits due to the Executive under this Policy and under all other arrangements with the Company would, if received by the Executive in full and valued under Section 280G constitute “parachute payments” as defined in and under Section 280G (collectively, “280G Compensation”), and
- if such aggregate would, if reduced by all federal, state and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Code, be less than the amount the Executive would receive, after all taxes, if the Executive received aggregate 280G Compensation equal (as valued under Section 280G) to only three times the Executive’s “base amount” as defined in and under Section 280G, less \$1.00,

then the 280G Compensation shall (to the extent that the reduction of the 280G Compensation can achieve the intended result) be reduced or eliminated to the extent necessary so that the aggregate 280G Compensation received by the Executive will not constitute parachute payments. For the avoidance of doubt, to the extent reasonable value is attributed to Executive’s obligations pursuant to restrictive covenants such that the value so attributed is not a parachute payment included in 280G Compensation, such value shall be so allocated. An independent auditor (the “Auditor”) that the Company pays shall make the determinations with respect to these parachute payment calculations. The Auditor shall be the Company’s regular independent auditor unless the Executive reasonably objects to the use of that firm, in which event the Auditor will be a nationally recognized United States public accounting firm that the Executive and the Company choose.

Changes, Governing Law & Interpretation

The board of directors of the Company (the “Board”) and the Compensation & Human Capital Committee of the Board may, each in its sole discretion, amend, change or terminate this Policy, designate additional Executive’s to participate in the benefits of the Policy, remove Executives from participation in the Policy or waive or alter its implementation or requirements (each, a “Policy Change”); *provided* that any such Policy Change that is adverse to an Executive’s interests shall be made only after providing the impacted Executive with at least six months’ written notice of the effectiveness of the Policy Change; *provided* that no such Policy Change may be made in connection with a Change in Control until the 24th month following the closing of the Change of Control transaction or until the Change in Control transaction agreement is terminated or the transaction is abandoned. If the Company enters into an agreement that would result in a Change in Control prior to the end of any notice period for a Policy Change, the notice shall be void and the Executive may receive any applicable benefits of this Policy (excluding the Policy Change) upon the closing of the Change of Control transaction or until the Change in Control transaction agreement is terminated or the transaction is abandoned.

This Policy shall be governed by the laws of the State of Texas, without reference to its law of conflicts of law. Participating Executives in this Policy are provided enforceable rights under this Policy upon which they may rely. Notwithstanding any provision of this Policy to the contrary, it is not intended that any Executive receive duplicate benefits under this Policy and any other separation law, agreement or benefit.

The Compensation and Human Capital Committee of the Board, or if one does not exist, the Board, shall construe and interpret this Policy to the extent there are matters that this Policy has not addressed.

EXHIBIT A**DEFINITIONS**

“Accrued Amounts” means any base salary earned but unpaid through the date of termination, any unpaid STI for completed fiscal periods (which are usually calendar years) and, to the extent not yet paid or provided, any other amounts or benefits, including (among others) unused vacation, required to be paid or provided under any plan, program, policy or practice or other contract or agreement of the Company and its affiliates through the date of termination of employment.

“Cause” means an Executive’s:

- continuing failure, for more than ten days after the Company’s written notice to the Executive of the failure, to perform such duties as the Company reasonably requests;
- failure to observe material policies generally applicable to officers or Executives of the Company unless the failure is capable of being cured and is cured within ten days of the Executive receiving written notice of the failure;
- failure to cooperate with any internal investigation of the Company or any of its affiliates;
- commission of any act of fraud, theft or financial dishonesty with respect to the Company or any of its affiliates or indictment or conviction of any felony; or
- material violation of the provisions of any agreement with the Company by the Executive unless the violation is capable of being cured and is cured within ten days of the Executive receiving written notice of the violation.

“Disability” means a disability that entitles the Executive to receive long-term disability benefits under the long-term disability plan of the Company or its affiliates in which the Executive participates, or, if there is no such plan, the Executive’s inability, due to physical or mental ill health, to perform the essential functions of the Executive’s job, with or without a reasonable accommodation, for 180 days during any 365-day period irrespective of whether such days are consecutive.

“Change in Control” shall be a “Change of Control”, as that term is given in the Company’s Omnibus Incentive Plan, as amended through the date of this Policy, that is also a Section 409A Change in Ownership;

“Code” means the Internal Revenue Code of 1986, as amended, and regulations and other interpretive guidance issued thereunder;

“Good Reason” means:

- solely in connection with a Change in Control, a material and adverse change in the Executive’s duties and responsibilities;

- a reduction in an Executive's base salary or target STI percentage; however, for those terminations that are not in connection with a Change in Control, reductions that are equal in percentage and applicable to all participating Executives under this Policy are excluded;
- solely in connection with a Change in Control, a failure during any one calendar year of the Company to grant the Participant long-term incentive awards in stated value as a percentage of Participant's annual base salary at least equal to the percentage that the Participant received prior to the Change in Control; *provided* that if the Company grants to the Participant long-term incentive awards that are intended to cover annual grants for multiple years, the stated value of any such multi-year grants shall be credited to the appropriate future years;
- relocation of an Executive's principal place of employment by more than 50 miles from the Executive's then current principal place of employment; *provided* that relocation shall not be "Good Reason" for the CEO;

provided, that the Executive must give written notice of termination for Good Reason within

60 days of the occurrence of the first event giving rise to Good Reason and the Company shall have not reinstated the Executive's base salary or target STI percentage or rescinded Executive's relocation, in each case, in writing to Executive within 10 days of receipt of the notice.

"Medical Continuation" means continuation of medical, dental and vision benefits on the same terms as then in effect for active senior executives of the Company and the Executive's then declared dependents, subject to each dependent's continued eligibility under the appropriate plan, for a period for each Executive equal to one year multiplied by the Executive's Multiplier; *provided*, that during the period, the Executive must pay the full cost of the medical, dental or vision benefit premiums on a monthly basis, and the Company will reimburse the Executive the amounts paid for the coverage (less that portion of Executive's payment that Executive would have paid as the "employee portion" under the plan) on a regular, periodic basis within 30 days after the reimbursable amounts are incurred by the Executive; *provided* further that, prior to any reimbursement, the Executive must have provided the Company appropriate written evidence of the reimbursable amount; and *provided*, further that the Executive may remove but not add eligible dependents, must remove ineligible dependents and will receive a reduction in expense commensurate with coverage under the Company's then existing plans upon removal.

"Section 280G" means section 280G of the Code;

"Section 409A" means section 409A of the Code;

"Section 409A Change in Ownership" means a "change in ownership of the corporation" within the meaning of the Department of Treasury Regulation §1.409A-3(i)(5)(v)(A) or "a change in the ownership of a substantial portion of the assets of the corporation" within the meaning of the Department of Treasury Regulation §1.409A-3(i)(5)(vii);

"STI" means the additional cash incentive compensation that the Executive will be eligible to receive for each completed fiscal period of a year or less during the Executive's employment with the Company pursuant to the short-term incentive plan of the Company in effect at the time.

EXECUTIVE SEPARATION POLICY ERISA CLAIMS PROCEDURES SUPPLEMENT

This supplement to the Executive Separation Policy of MRC Global Inc. and its subsidiaries (the "Policy") sets forth the Policy's claims and appeals procedures required under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Capitalized terms used but not otherwise defined in this supplement have the meanings ascribed to them in the Policy.

Claim for Benefits

It shall not be necessary for an Executive who has become entitled to receive Separation Benefits under the Policy to file a claim for those benefits with any person as a condition precedent to receiving payment of those benefits. However, an Executive who believes that he or she has become entitled to Separation Benefits under the Policy and who has not received, or commenced receiving, those benefits, or who believes that he or she is entitled to a benefit in excess of the benefit that he or she has received, or commenced receiving, may file a written claim for such benefit with any member of the Compensation Committee of the Board at any time on or prior to the end of the fiscal year next following the fiscal year in which he or she allegedly became entitled to receive payment of the benefit in question. Such written claim shall set forth the Executive's name, address and e-mail address and a statement of the facts and a reference to the pertinent provisions of the Policy upon which such claim is based.

The Compensation Committee of the Board shall, within 30 calendar days after such written claim is delivered, provide the claimant with written notice of its decision with respect to such claim. If such claim is denied in whole or in part, the Compensation Committee of the Board shall, in such written notice to the claimant, set forth in a manner calculated to be understood by the claimant the specific reason or reasons for denial; specific references to pertinent provisions of the Policy upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect his or her claim and an explanation of why such material or information is necessary; and an explanation of the provisions for review of claims set forth in below.

Appeal of Denied Claim for Benefits

An Executive who has filed a written claim for benefits with the Compensation Committee of the Board that has been denied may appeal the denial to the Compensation Committee of the Board and receive a full and fair review of his or her claim by filing with any member of the Compensation Committee of the Board a written application for review at any time within 60 calendar days after receipt from the Compensation Committee of the Board of the written notice of denial of his or her claim described above. An Executive who submits a timely written application for review shall be entitled to review any and all documents pertinent to his or her claim and may submit issues and comments to the Compensation Committee of the Board in writing. Not later than 30 calendar days after receipt of a written application for review, the Compensation Committee of the Board shall give the claimant written notice of its decision on review, which written notice shall set forth in a manner calculated to be understood by the claimant specific reasons for its decision and specific references to the pertinent provisions of the Policy upon which the decision is based.

Any act permitted or required to be taken by an Executive under this supplement may be taken for and on behalf of such Executive by the Executive's duly authorized representative or by the Compensation Committee or the Board by their duly authorized representative, which, in the absence of a designation shall be the Company's general counsel. Any claim, notice, application or other writing permitted or required to be filed with or given to a person under this supplement is considered to have been filed or given when:

- deposited in the U.S. mail, postage prepaid, certified, return receipt requested, or via a reputable courier service such as Federal Express, UPS or DHL, delivery confirmed by the service, and, in each case, properly addressed to the person to whom it is to be given or with whom it is to be filed or
- sent via e-mail, if to the Compensation Committee or the Board, to gc@mrcglobal.com, or if to the Executive, to the e-mail address that Executive provides, provided that the sender receives a return e-mail acknowledging acceptance.

Any such claim, notice, application, or other writing deemed filed or given pursuant to the preceding sentence shall in the absence of clear and convincing evidence to the contrary, be deemed to have been received upon confirmation of delivery. Any such notice, application, or other writing directed to an Executive shall be deemed properly addressed if directed to the address or e-mail address set forth in the written claim filed by such Executive.

CERTIFICATION

I, Robert J. Saltiel, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2023 of MRC Global Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ Robert J. Saltiel, Jr.

Name: Robert J. Saltiel, Jr.

Title: President and Chief Executive Officer

CERTIFICATION

I, Kelly Youngblood, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2023 of MRC Global Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ Kelly Youngblood

Name: Kelly Youngblood
Title: Executive Vice President and Chief Financial Officer

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

In connection with the filing of the Quarterly Report on Form 10-Q of MRC Global Inc., a Delaware corporation (the "Company"), for the period ended June 30, 2023 (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2023

/s/ Robert J. Saltiel, Jr.

Name: Robert J. Saltiel, Jr.
Title: President and Chief Executive Officer

/s/ Kelly Youngblood

Name: Kelly Youngblood
Title: Executive Vice President and Chief Financial Officer