

# MRC Global<sup>®</sup>

## 3Q 2021 Earnings Presentation

November 8, 2021

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President & CEO

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Executive Vice President & CFO



## Forward Looking Statements

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

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

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

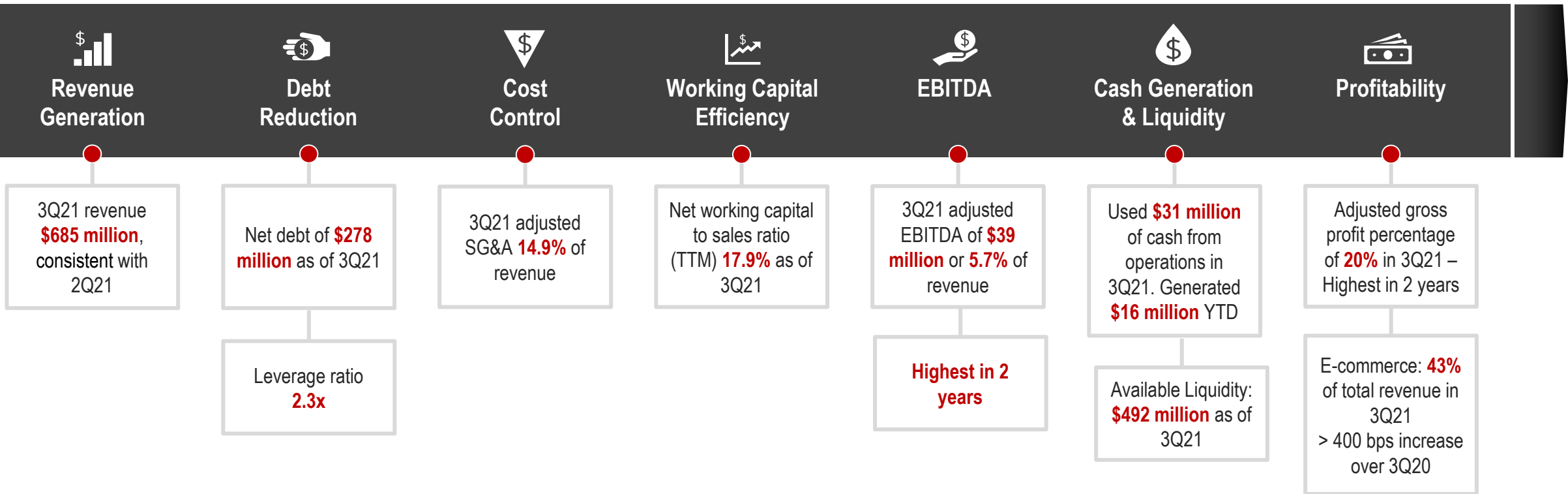
## Non-GAAP Disclaimer

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

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




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

# Third Quarter 2021 Results – Key Metrics







# Third Quarter 2021 Results

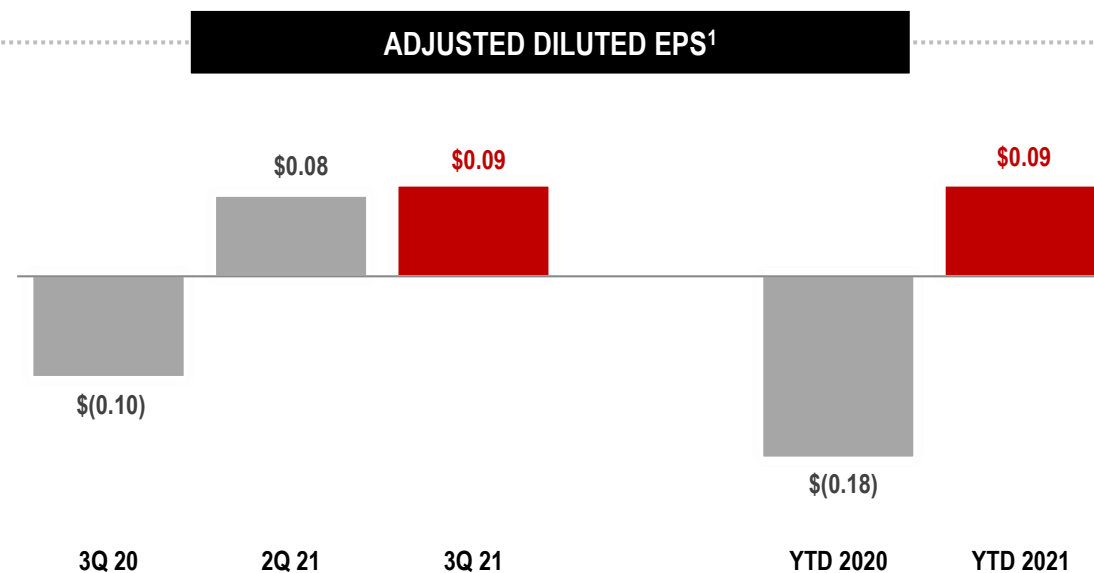
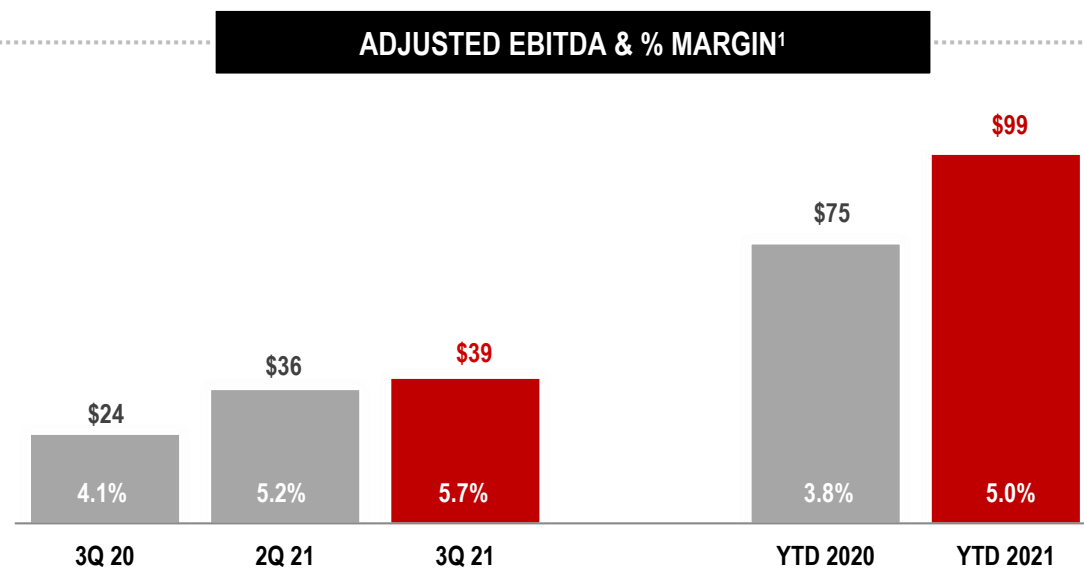
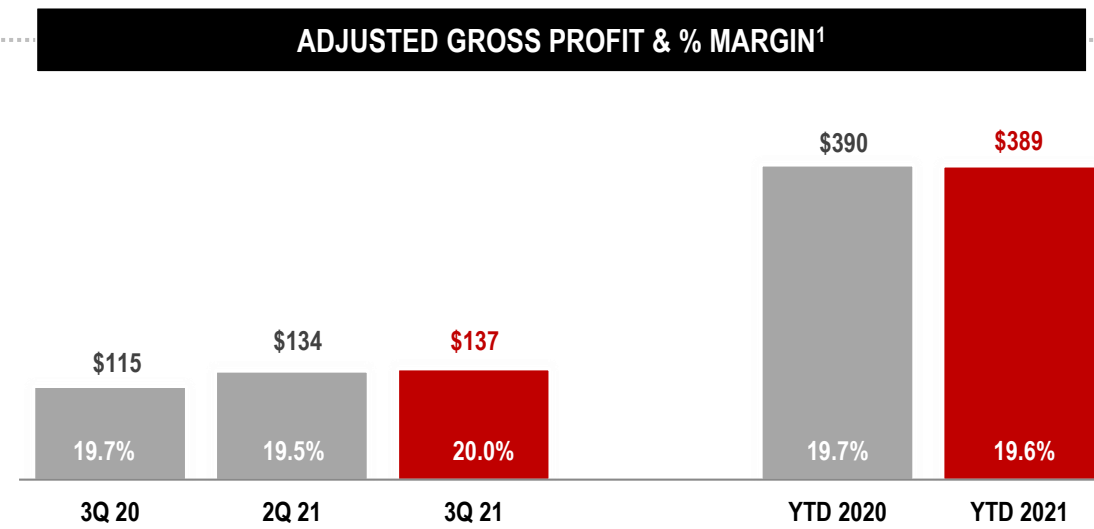
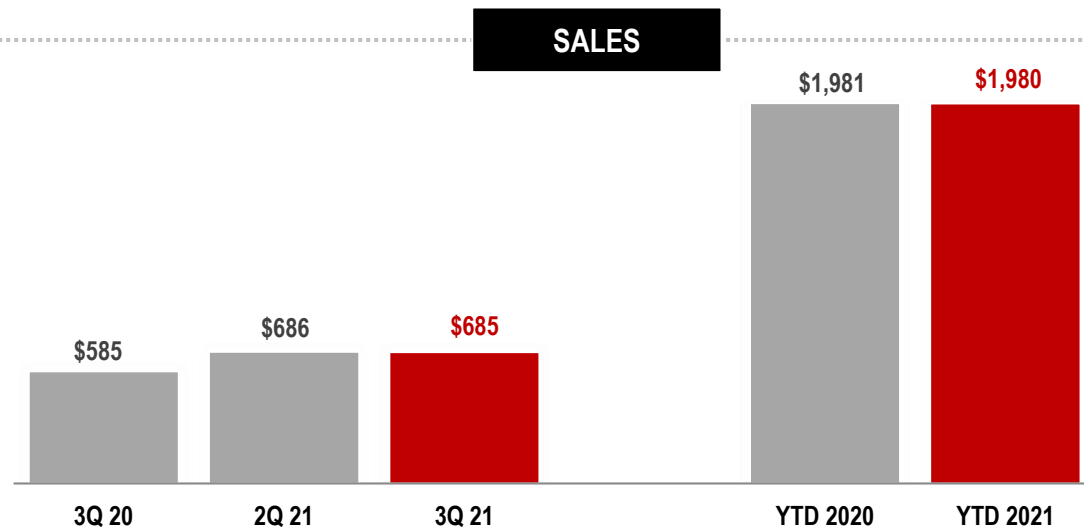
## REGION: Revenue Highlights 3Q21 vs.2Q21

-  **U.S.:** Increased **2%**, across all sectors, led by the downstream, industrial and energy transition (DIET) sector followed by the midstream pipeline and gas utilities sectors
-  **Canada:** was **consistent** with the second quarter due to a stronger Canadian dollar and an increase in line pipe sales offset by non-recurring projects
-  **International:** Decreased **13%** driven by the upstream production sector, primarily due to the net effect of delayed MRO and project activity in the upstream sector and non-recurring projects in the downstream sector, partially offset by stronger foreign currencies

## INDUSTRY SECTOR: Revenue Highlights 3Q21 vs.2Q21

-  **Gas Utilities:** Increased **1%** as customers continued executing integrity upgrade plans on their natural gas distribution networks
-  **Downstream, Industrial & Energy Transition:** Increased **3%** due to increased refinery turnarounds and biodiesel projects in the U.S.
-  **Upstream Production:** Decreased **8%** primarily due to the International segment as a result of lower MRO and project activity in Europe and APAC followed by the Canada segment, due to non-recurring projects.
-  **Midstream Pipeline:** Increased **2%** due to maintenance and small projects

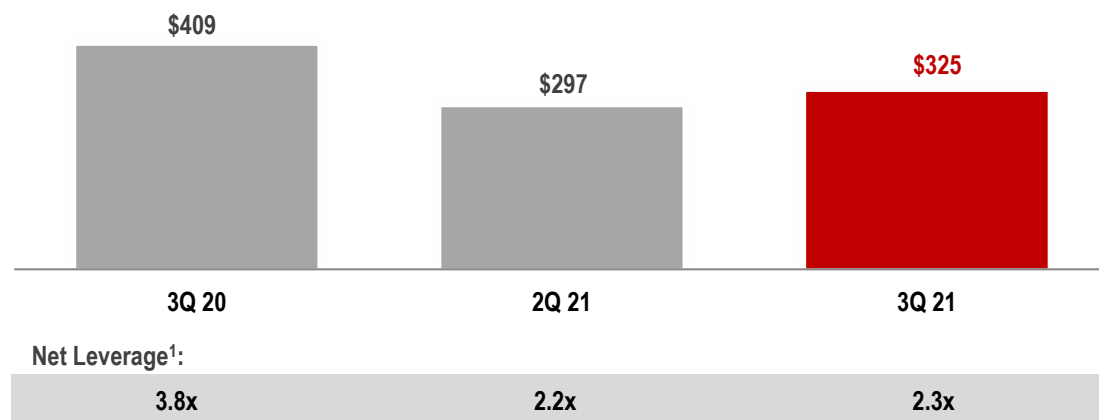
# Quarterly Financial Performance YTD (\$ millions, except per share data)



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

# Strong Balance Sheet & Financial Flexibility (\$ millions)

## TOTAL DEBT

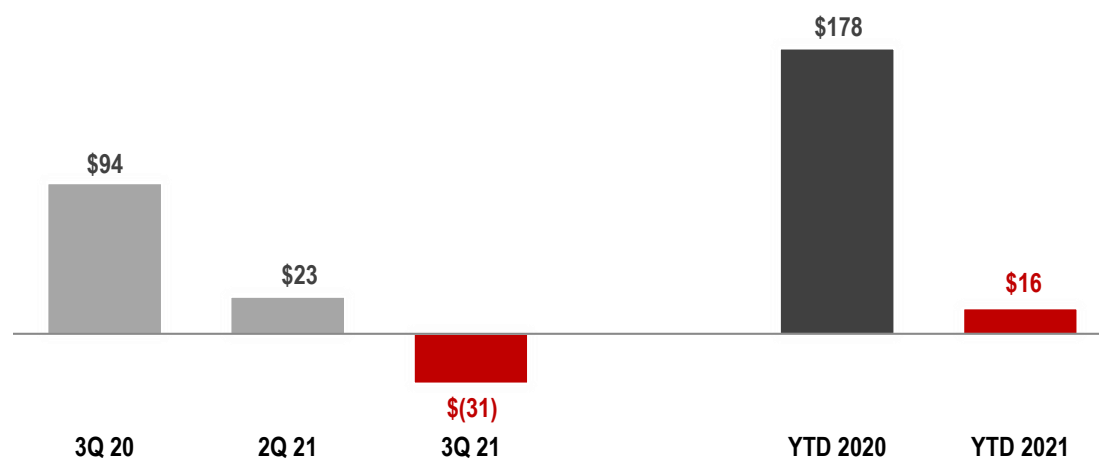


## CAPITAL STRUCTURE

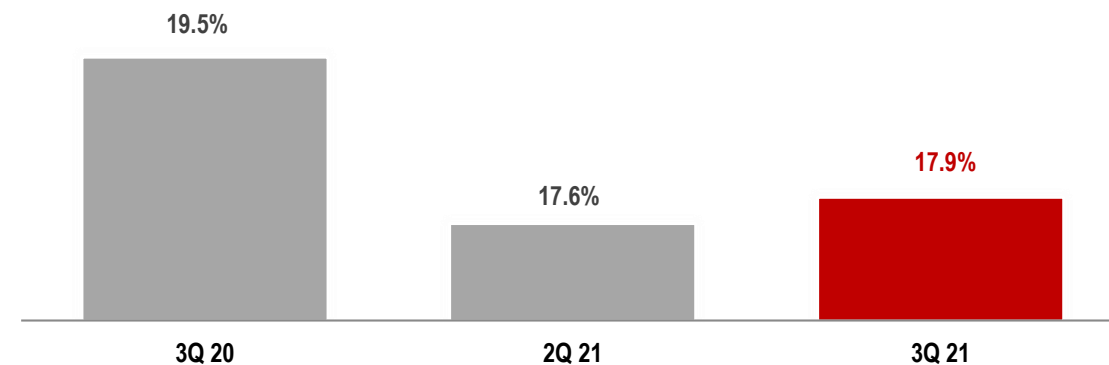
Sept 30, 2021

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

## CASH FLOW FROM OPERATIONS



## WORKING CAPITAL TO SALES RATIO<sup>2</sup>



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

## Concluding Key Points

### Focused on Growth, Operating Cost Discipline & Financial Flexibility

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



# APPENDIX



# Adjusted Gross Profit Reconciliation

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

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

# Adjusted SG&A Reconciliation

## THREE MONTHS ENDED

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

# Adjusted EBITDA Reconciliation

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

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

# Adjusted Net Income (Loss) Reconciliation

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

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

\* Does not foot due to rounding

# Net Debt & Leverage Ratio Calculation

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

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