MRC GLOBAL INC.
Form 10-Q
May 03, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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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 MARCH 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _______ TO _______

Commission file number: 001-35479

MRC Global Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or Other Jurisdiction of<br>Incorporation or Organization) | 20-5956993<br>(I.R.S. Employer<br><br>Identification No.) |
| Fulbright Tower | 77010 |

1301 McKinney Street, Suite 2300

Houston, Texas
(Address of Principal Executive Offices) (Zip Code)

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

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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 [X] 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 and post such files). Yes [X] 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 [ X ] 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 [X]

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 |

There were 83,066,661 shares of the registrant's common stock (excluding 74,508 unvested restricted shares), par value $0.01 per share, issued and outstanding as of April 26, 2019.

Table Of Contents

INDEX TO QUARTERLY REPORT ON FORM 10-Q

Table Of Contents

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

MRC GLOBAL INC.

(in millions, except per share amounts)

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash | $ 27 | $ 43 |
| Accounts receivable, net | 626 | 587 |
| Inventories, net | 839 | 797 |
| Other current assets | 29 | 38 |
| Total current assets | 1,521 | 1,465 |
| | | |
| Long-term assets: | | |
| Operating lease assets | 190 | - |
| Property, plant and equipment, net | 137 | 140 |
| Other assets | 30 | 23 |
| | | |
| Intangible assets: | | |
| Goodwill, net | 484 | 484 |
| Other intangible assets, net | 311 | 322 |
| | | |
| | $ 2,673 | $ 2,434 |
| | | |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Trade accounts payable | $ 462 | $ 435 |
| Accrued expenses and other current liabilities | 97 | 130 |
| Operating lease liabilities | 35 | - |
| Current portion of long-term debt | 4 | 4 |
| Total current liabilities | 598 | 569 |
| | | |
| Long-term liabilities: | | |
| Long-term debt, net | 742 | 680 |
| Operating lease liabilities | 170 | - |
| Deferred income taxes | 98 | 98 |
| Other liabilities | 32 | 40 |

| | | |
|---|---|---|
| Commitments and contingencies | | |
| 6.5% Series A Convertible Perpetual Preferred Stock, $0.01 par value; authorized 363,000 shares; 363,000 shares issued and outstanding | 355 | 355 |
| Stockholders' equity: | | |
| Common stock, $0.01 par value per share: 500 million shares authorized, 105,545,121 and 104,953,693 issued, respectively | 1 | 1 |
| Additional paid-in capital | 1,719 | 1,721 |
| Retained deficit | (486) | (498) |
| Less: Treasury stock at cost: 21,106,376 and 19,347,839 shares, respectively | (325) | (300) |
| Accumulated other comprehensive loss | (231) | (232) |
| | 678 | 692 |
| | $ 2,673 | $ 2,434 |

See notes to condensed consolidated financial statements.

1

Table Of Contents

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

MRC GLOBAL INC.

(in millions, except per share amounts)

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Sales | $ 970 | $ 1,010 |
| Cost of sales | 796 | 841 |
| Gross profit | 174 | 169 |
| Selling, general and administrative expenses | 139 | 138 |
| Operating income | 35 | 31 |
| Other expense: | | |
| Interest expense | (11) | (8) |
| Other, net | - | 2 |
| Income before income taxes | 24 | 25 |
| Income tax expense | 6 | 7 |
| Net income | 18 | 18 |

| | | |
|---|---|---|
| Series A preferred stock dividends | 6 | 6 |
| Net income attributable to common stockholders | $ 12 | $ 12 |
| | | |
| Basic income per common share | $ 0.14 | $ 0.13 |
| Diluted income per common share | $ 0.14 | $ 0.13 |
| Weighted-average common shares, basic | 84.3 | 91.4 |
| Weighted-average common shares, diluted | 85.3 | 92.5 |

See notes to condensed consolidated financial statements.

Table Of Contents

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

MRC GLOBAL INC.

(in millions)

| | Three Months Ended March 31, 2019 | March 31, 2018 |
|---|---|---|
| Net income | $ 18 | $ 18 |
| Other comprehensive income (loss) | | |
| Foreign currency translation adjustments | 3 | (1) |
| Hedge accounting adjustments, net of tax | (2) | (1) |
| Total other comprehensive income (loss), net of tax | 1 | (2) |
| Comprehensive income | $ 19 | $ 16 |

See notes to condensed consolidated financial statements.

Table Of Contents

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

MRC GLOBAL INC.

(in millions)

| | Three Months Ended March 31, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in | Retained | Treasury Stock | | Accumulated Other Comprehensive | Total Stockholders' |
| | Shares | Amount | Capital | (Deficit) | Shares | Amount | (Loss) | Equity |
| Balance at December 31, 2018 | 105 | $ 1 | $ 1,721 | $ (498) | (19) | $ (300) | $ (232) | $ 692 |
| Net income | - | - | - | 18 | - | - | - | 18 |
| Foreign currency translation | - | - | - | - | - | - | 3 | 3 |
| Hedge accounting adjustments | - | - | - | - | - | - | (2) | (2) |
| Shares withheld for taxes | - | - | (6) | - | - | - | - | (6) |
| Equity-based compensation expense | - | - | 4 | - | - | - | - | 4 |
| Dividends declared on preferred stock | - | - | - | (6) | - | - | - | (6) |
| Purchase of common stock | - | - | - | - | (2) | (25) | - | (25) |
| Balance at March 31, 2019 | 105 | $ 1 | $ 1,719 | $ (486) | (21) | $ (325) | $ (231) | $ 678 |

| | Three Months Ended March 31, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in | Retained | Treasury Stock | | Accumulated Other Comprehensive | Total Stockholders' |
| | Shares | Amount | Capital | (Deficit) | Shares | Amount | (Loss) | Equity |
| Balance at December 31, 2017 | 103 | $ 1 | $ 1,691 | $ (548) | (12) | $ (175) | $ (210) | $ 759 |
| Net income | - | - | - | 18 | - | - | - | 18 |
| Foreign currency translation | - | - | - | - | - | - | (1) | (1) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Hedge accounting adjustments | - | - | - | - | - | - | (1) | (1) |
| Shares withheld for taxes | - | - | (5) | - | - | - | - | (5) |
| Equity-based compensation expense | - | - | 4 | - | - | - | - | 4 |
| Exercise and vesting of stock awards | 1 | - | 5 | - | - | - | - | 5 |
| Dividends declared on preferred stock | - | - | - | (6) | - | - | - | (6) |
| Purchase of common stock | - | - | - | - | (1) | (30) | - | (30) |
| Balance at March 31, 2018 | 104 | $ 1 | $ 1,695 | $ (536) | (13) | $ (205) | $ (212) | $ 743 |

Table Of Contents

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

MRC GLOBAL INC.

(in millions)

| | Three Months Ended March 31, 2019 | March 31, 2018 |
|---|---|---|
| Operating activities | | |
| Net income | $ 18 | $ 18 |
| Adjustments to reconcile net income to net cash used in operations: | | |
| Depreciation and amortization | 5 | 6 |
| Amortization of intangibles | 11 | 11 |
| Equity-based compensation expense | 4 | 4 |
| Deferred income tax benefit | 1 | - |
| Increase in LIFO reserve | - | 7 |
| Other | 4 | 2 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (47) | (98) |
| Inventories | (42) | (117) |
| Other current assets | 8 | - |
| Accounts payable | 27 | 106 |
| Accrued expenses and other current liabilities | (29) | (13) |
| Net cash used in operations | (40) | (74) |
| | | |
| Investing activities | | |
| Purchases of property, plant and equipment | (2) | (5) |
| Net cash used in investing activities | (2) | (5) |
| | | |
| Financing activities | | |
| Payments on revolving credit facilities | (256) | (194) |
| Proceeds from revolving credit facilities | 319 | 307 |

| | | |
|---|---|---|
| Payments on long-term obligations | (1) | (1) |
| Purchase of common stock | (25) | (30) |
| Dividends paid on preferred stock | (6) | (6) |
| Repurchases of shares to satisfy tax withholdings | (6) | (5) |
| Proceeds from exercise of stock options | - | 5 |
| Other | 1 | - |
| Net cash provided by financing activities | 26 | 76 |
| | | |
| Decrease in cash | (16) | (3) |
| Effect of foreign exchange rate on cash | - | - |
| Cash -- beginning of period | 43 | 48 |
| Cash -- end of period | $ 27 | $ 45 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $ 10 | $ 8 |
| Cash paid for income taxes | $ 5 | $ 1 |

See notes to condensed consolidated financial statements.

Table Of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MRC GLOBAL INC

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 other infrastructure products and services across each of the upstream (exploration, production and extraction of underground oil and gas), midstream (gathering and transmission of oil and gas, gas utilities, and the storage and distribution of oil and gas) and downstream (crude oil refining and petrochemical and chemical processing and general industrials) sectors. We have branches in principal industrial, hydrocarbon producing and refining areas throughout the United States, Canada, Europe, Asia, Australasia, the Middle East and Caspian. 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 require for complete annual financial statements. However, the information in these statements reflects all normal recurring adjustments which are, in our opinion, necessary for a fair presentation of the results for the interim periods. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the results that will be realized for the fiscal year ending December 31, 2019. We have derived our condensed consolidated balance sheet as of December 31, 2018 from the audited consolidated financial statements for the year ended December 31, 2018. 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, 2018.

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

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

Adoption of New Accounting Standards: On January 1, 2019, we adopted ASU 2016-02, Leases, which requires the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous guidance in Accounting Standards Codification 840. We adopted ASU 2016-02 using the modified retrospective approach. The guidance for this approach included an option to not restate comparative periods in transition and elect to use the effective date as the initial application of transition, which we elected. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classifications. On January 1, 2019, we recorded an operating lease asset of $192 million and an operating lease liability of $208 million. The standard did not impact our consolidated net earnings or cash flows. Adoption of the new standard is more fully described in Note 4.

NOTE 2 – REVENUE RECOGNITION

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

Table Of Contents

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 consolidated balance sheets.

Generally, revenue recognition and invoicing occur simultaneously as we transfer control of promised goods or services to our customers. We consider contract assets to be accounts receivable when we have an unconditional right to consideration and only the passage of time is required before payment is due. In certain cases, particularly those involving customer-specific documentation requirements, invoicing is delayed until we are able to meet the documentation requirements. In these cases, we recognize a contract asset separate from accounts receivable until those requirements are met, and we are able to invoice the customer. Our contract asset balance associated with these requirements, as of March 31, 2019 and December 31, 2018, was $41 million and $38 million, respectively. These contract asset balances are included within accounts receivable in the accompanying consolidated balance sheets.

We record contract liabilities, or deferred revenue, when cash payments are received from customers in advance of our performance, including amounts which are refundable. The deferred revenue balance at March 31, 2019 and December 31, 2018 was $9 million and $6 million, respectively. During the three months ended March 31, 2019, we recognized $5 million of revenue that was deferred as of December 31, 2018. Deferred revenue balances are included within accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

On January 29, 2019, PG&E Corporation, a large public utility company in California, filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code. At the time of the filing, our accounts receivable for PG&E totaled $16 million. As of March 31, 2019, pre-petition accounts receivable for PG&E totaled $11 million. During the three months ended March 31, 2019, we recognized a charge of $2 million to write-off accounts receivable we do not expect to collect.

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

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

Three Months Ended
March 31,

| | U.S. | Canada | International | Total |
|---|---|---|---|---|
| 2019: | | | | |
| Upstream | $ 206 | $ 46 | $ 60 | $ 312 |
| Midstream | 337 | 16 | 8 | 361 |
| Downstream | 236 | 6 | 55 | 297 |
| | $ 779 | $ 68 | $ 123 | $ 970 |
| 2018: | | | | |
| Upstream | $ 178 | $ 57 | $ 67 | $ 302 |
| Midstream | 393 | 14 | 3 | 410 |
| Downstream | 235 | 7 | 56 | 298 |
| | $ 806 | $ 78 | $ 126 | $ 1,010 |

Table Of Contents

NOTE 3 – INVENTORIES

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Finished goods inventory at average cost: | | |
| Valves, automation, measurement and instrumentation | $ 401 | $ 366 |
| Carbon steel pipe, fittings and flanges | 355 | 346 |
| All other products | 281 | 282 |
| | 1,037 | 994 |
| Less: Excess of average cost over LIFO cost (LIFO reserve) | (157) | (157) |
| Less: Other inventory reserves | (41) | (40) |
| | $ 839 | $ 797 |

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, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs and 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 for these leases 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 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 and projected based on the total lease obligation ratably over the life of the lease. The depreciable life of assets and leasehold improvements are limited by the expected lease term. Non-lease components, such as payment of real estate taxes, maintenance, insurance and other operating expenses have been excluded from the determination of our lease liability.

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

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

Expense associated with our operating leases was $10 million for the three months ended March 31, 2019 which is classified in selling, general and administrative expenses. Cash paid for amounts included in the measurement of operating lease liabilities was $11 million for the three months ended March 31, 2019.

Table Of Contents

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

| Maturity of Operating Lease Liabilities | |
|---|---|
| 2019 | $ 33 |
| 2020 | 37 |
| 2021 | 31 |
| 2022 | 23 |
| 2023 | 19 |
| After 2023 | 192 |
| Total lease payments | 335 |
| Less: Interest | (130) |
| Present value of lease liabilities | $ 205 |

Amounts maturing after 2023 include expected renewals for leases of regional distribution centers and certain corporate offices through dates up to 2049.

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

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

NOTE 5 – LONG-TERM DEBT

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Senior Secured Term Loan B, net of discount and issuance costs of $2 and $3, respectively | $ 392 | $ 393 |
| Global ABL Facility | 354 | 291 |
| | 746 | 684 |
| Less: current portion | 4 | 4 |
| | $ 742 | $ 680 |

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 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 is guaranteed by MRC Global Inc. as well as all of its wholly owned U.S. subsidiaries. In addition, it is secured by a second lien on the assets securing our Global ABL Facility, defined below, (which includes accounts receivable, inventory and related assets) 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. We are required to repay the Term Loan with certain asset sales and insurance proceeds, certain debt proceeds and 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 and 0% if our first lien leverage ratio is no more than 2.50 to 1.00). In addition, the Term Loan contains a number of customary restrictive covenants.

In May 2018, the Company entered into Refinancing Amendment No. 2 relating to the Term Loan. Pursuant to this amendment, the Company and the other parties thereto agreed to reduce the interest rate margin applicable to term loans, in the case of loans incurring interest based on the base rate, from 250 basis points to 200 basis points, and in the case of loans incurring interest based on LIBOR, from 350 basis points to 300 basis points. The parties to the amendment also agreed to reduce the base rate ‘floor’ from 2.00% to 1.00% and to reduce the LIBOR ‘floor’ from 1.00% to 0.00%. The parties also reset

9

Table Of Contents

the prepayment premium applicable to voluntary prepayments of the term loans such that repayments made in connection with certain re-pricing transactions will be subject to a 1% premium if made during the first six-months following the date of the amendment. Except as described above, the terms of the Term Loan Agreement generally were not modified as a result of the amendment.

Global ABL Facility: We have an $800 million multi-currency asset-based revolving credit (the "Global ABL Facility") that matures in September 2022. This facility is comprised of revolver commitments of $675 million in the United States, $65 million in Canada, $18 million in Norway, $15 million in Australia, $13 million in the Netherlands, $7 million in the United Kingdom and $7 million in Belgium. It contains an accordion feature that allows us to increase the principal amount of the facility by up to $200 million, subject to securing additional lender commitments. 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. Excess Availability, as defined under our Global ABL Facility, was $382 million as of March 31, 2019.

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Senior Secured Term Loan B | 5.75% | 5.76% |
| Global ABL Facility | 3.70% | 3.95% |
| Weighted average interest rate | 4.78% | 4.99% |

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 a separate class vote of the common stockholders is required by law. Holders of Preferred Stock have certain limited special approval rights, including with respect to the issuance of pari passu or senior equity securities of the Company.

The Preferred Stock is convertible at the option of the holders into shares of common stock at an initial conversion rate of 55.9284 shares of common stock for each share of Preferred Stock, which represents an initial conversion price of $17.88 per share of common stock, subject to adjustment. On or after June 10, 2020, the Company will have the option to redeem, in whole but not in part, all the outstanding shares of Preferred Stock at 105% of par value, subject to certain redemption price adjustments. After the seventh anniversary of the initial issuance of Preferred Stock, the Company will have the option to redeem, in whole but not in part, all of the outstanding shares of Preferred Stock at par value. We may elect to convert the Preferred Stock, in whole but not in part, into the relevant number of shares of common stock on or after the 54th month after the initial issuance of the Preferred Stock if the last reported sale price of the common stock has been at least 150% of the conversion price then in effect for a specified period. The conversion rate is subject to customary anti-dilution and other adjustments.

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

Table Of Contents

NOTE 7 – STOCKHOLDERS' EQUITY

Share Repurchase Program

In October 2017, the Company's board of directors authorized a share repurchase program for common stock of up to $100 million. In the second quarter of 2018, the Company completed the repurchases of all shares authorized under this program.

In October 2018, the Company's board of directors authorized another share repurchase program for common stock of up to $150 million. The program is scheduled to expire December 31, 2019. The shares may be repurchased at management's discretion in the open market. Depending on market conditions and other factors, these repurchases may be commenced or suspended from time to time without prior notice.

Summary of share repurchase activity under the repurchase program:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Number of shares acquired on the open market | 1,758,537 | 1,726,825 |
| Average price per share | $ 14.24 | $ 17.39 |
| Total cost of acquired shares (in millions) | $ 25 | $ 30 |

Subsequent to March 31, 2019, we repurchased an additional 1,372,084 shares for $25 million under the October 2018 program. In total, under all programs, we have acquired 22,478,460 shares at an average price per share of $15.58 for a total cost of $350 million. As of April 26, 2019, we had 83,066,661 shares of common stock outstanding.

Equity Compensation Plans

Our 2011 Omnibus Incentive Plan originally had 3,250,000 shares reserved for issuance under the plan. In both April 2015 and 2019, our shareholders approved an additional 4,250,000 and 2,500,000 shares, respectively, for reservation for issuance under the plan. The plan permits the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other stock-based and cash-based awards. Since the adoption of the 2011 Omnibus Incentive Plan, the Company's Board of Directors has periodically granted stock options, restricted stock awards, restricted stock units and performance share units to directors and employees. 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 to five year period on the anniversaries of the date specified in the employees' respective stock option, restricted stock award, restricted stock unit and performance share unit award agreements, subject to accelerated vesting under certain circumstances set forth in the agreements. Vesting for directors generally occurs on the one-year anniversary of the grant date. In 2019, 242,290 performance share unit awards and 581,343 shares of restricted stock units have been granted to employees. To date, since the plan's inception in 2011, before consideration of forfeitures, 7,506,047 shares have been granted to management, members of our board of directors and key employees under this plan. A Black-Scholes option-pricing model is used to estimate the fair value of the stock options. A Monte Carlo simulation is completed to estimate the fair value of performance share unit awards with a stock price performance component. We expense the fair value of all equity grants, including performance share unit awards, on a straight-line basis over the vesting period.

Table Of Contents

Accumulated Other Comprehensive Loss

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Currency translation adjustments | $ (226) | $ (229) |
| Hedge accounting adjustments | (4) | (2) |
| Pension related adjustments | (1) | (1) |
| Accumulated other comprehensive loss | $ (231) | $ (232) |

Earnings per Share

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

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Net income | $ 18 | $ 18 |
| Less: Dividends on Series A Preferred Stock | 6 | 6 |
| Net income attributable to common stockholders | $ 12 | $ 12 |
| | | |
| Weighted average basic shares outstanding | 84.3 | 91.4 |
| Effect of dilutive securities | 1.0 | 1.1 |
| Weighted average diluted shares outstanding | 85.3 | 92.5 |
| | | |
| Net income per share: | | |
| Basic | $ 0.14 | $ 0.13 |
| Diluted | $ 0.14 | $ 0.13 |

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 months ended March 31, 2019 and March 31, 2018, all of the shares of the Preferred Stock were anti-dilutive. For the three months ended March 31, 2019, we had approximately 2.6 million anti-dilutive stock options. For the three months ended March 31, 2018, we had approximately 3.4 million anti-dilutive stock options. There were no anti-dilutive restricted stock, restricted units or performance stock unit awards for the three months ended March 31, 2019 and 2018.

NOTE 8 – SEGMENT INFORMATION

Our business is comprised of four operating segments: U.S. Eastern Region and Gulf Coast, U.S. Western Region, 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 upstream (exploration, production and extraction of underground oil and gas), midstream (gathering and transmission of oil and gas, gas utilities, and the storage and distribution of oil and gas) and downstream (crude oil refining and petrochemical and chemical processing and general industrials) sectors. Our two U.S. operating segments have been aggregated into a single reportable segment based on their economic similarities. As a result, we report segment information for the U.S., Canada and International.

Table Of Contents

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

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Sales | | |
| U.S. | $ 779 | $ 806 |
| Canada | 68 | 78 |
| International | 123 | 126 |
| Consolidated sales | $ 970 | $ 1,010 |
| | | |
| Operating income | | |
| U.S. | $ 32 | $ 28 |
| Canada | | |