

# Dear MRC Global Shareholders,

**The recovery in commodity markets that began in 2017 gained momentum in 2018 and continues to show improvement going forward. I am pleased to report that MRC Global is capitalizing on this trend, and the gains we made in 2017 were surpassed by our results in 2018.**

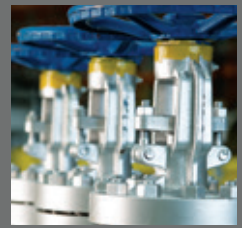
We achieved revenue of \$4.17 billion, an increase of 14% over 2017. Our revenue has now increased by 37% since 2016, the oil and gas cycle low point. Our 2018 gross profit was \$689 million, and we realized \$280 million in adjusted EBITDA, a \$205 million increase over 2016. In 2018, our adjusted gross profit percentage of 19.6% was the highest level since 2008 as we deliver on our strategic valve-centric strategy. Our valve business grew 18% in 2018 over 2017 and is now 37% of our total 2018 revenue. We are excited to see two consecutive years of solid growth, but not surprised. Years ago, we took definitive steps to prepare MRC Global for the recovery. We put in the hard work to control costs and keep our balance sheet strong, while remaining resolutely committed to our long-term strategies. We are increasingly seeing the positive results of those efforts, and we have good reasons to expect our growth to continue.

In 2018, MRC Global strengthened and expanded its capabilities and extended its leadership position in the industry. We became more closely aligned to our customers as our expertise in managing the complexity of the global supply chain continues to be valued. We have also secured nearly 50 collective years' worth of new and extended contract wins, and we continued to migrate our offering toward higher-value, higher-margin products and services. All of these achievements have occurred because we have remained focused on the right priorities for our company, for our customers and for our shareholders.

## **Built for growth**

MRC Global reached an important strategic milestone in 2018. In January, we officially opened our new Houston Operations Complex. This state-of-the-art facility in La Porte, Texas includes a 415,000-square-foot Regional Distribution Center (RDC) with a 40,000-square-foot Valve & Engineering Center, processing more than 1,700 line items per day. The facility also includes a separate 78,000-square-foot office complex and training center.

The new complex allowed us to consolidate the operations of four older facilities, helping us to make great gains in efficiency and placing us at the epicenter of burgeoning refinery and petrochemical capital development along the U.S. Gulf Coast. As much as this strengthens our own operational structure, we see this as an investment in our customers' operations, increasingly making us the one company they count on for everything from quality PVF and advanced specialty products to complex supply chain solutions. Out of 300 locations in 22 countries, the Houston Operations Complex in La Porte is our flagship facility.



We are not finished. We have begun the addition of a 127,000-square-foot Valve Modification Center, slated to be finished in mid-2019, giving us even greater capabilities in serving the growing valve automation markets. This addition will be a premier platform to support our strategy to increase MRC Global's percentage of sales that come from higher-margin and more value-added offerings, which already represents the largest segment of our revenue. When completed, our full strategic investment in the Houston center will encompass a 620,000-square-foot complex, which, we believe, will be one of the largest PVF operations facilities in the world.

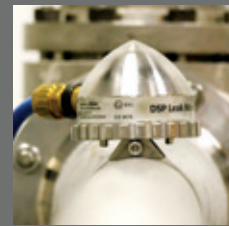
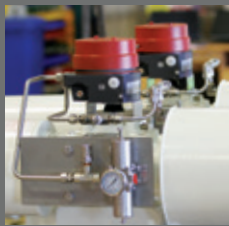
In 2018, we made other strategic moves as well in our RDC network. We closed our Nitro, West Virginia facility and diverted assets and personnel to our expanded Pittsburgh, Pennsylvania and Munster, Indiana RDCs to serve expanding business opportunities in the region including east coast gas utilities and the prolific Marcellus and Utica shale basins. Likewise, we expanded our Odessa RDC in West Texas to better serve the thriving Permian Basin, and we expanded our Baton Rouge facility to better serve the Louisiana downstream refining and petrochemical market. We will continue to make appropriate adjustments to our network to be where our customers need us and pursue the best prospects for new business.

These tactics apply to our international operations as well. We spent 2016 and 2017 restructuring the business to reduce overhead costs, improve efficiencies and position our operations for profitable growth, including an ERP implementation across all international business units. In 2018, we began to harvest the fruits of our labors, returning our international business to positive adjusted EBITDA. We will continue to use our operations abroad as a lever to attract and serve integrated oil companies and large U.S. customers who have projects around the world.

Our global investment also includes the ability for contract customers to search for and order our products from anywhere in the world through MRCGO™, our online catalog. In 2018 we increased our MRCGO™ volume, and the technology continues to gain traction, another testament to MRC Global serving its customers in whatever ways they need us. In total, our e-commerce revenue exceeded \$900 million for the first time in 2018.

### **Delivering excellence and capturing new business**

Customer activity was high in 2018 with three major projects substantially and successfully completed. MRC Global supported Shell Polymers in building a major downstream ethylene cracker and polyethylene derivatives petrochemical complex in Pennsylvania. We delivered to Chevron Tengizchevroil (TCO) in Kazakhstan, a major upstream capital project for Chevron and the largest valve order in MRC Global history. We also completed a group of major midstream projects for TransCanada.



While we successfully delivered on these commitments, MRC Global was also hard at work filling its pipeline with new contracts, securing ongoing activity for many years to come. We continued to expand our business with small-capital expenditure fabricators, which in 2018 included over 200 fabricator customers and \$395 million in revenue. We also continued to pursue and win maintenance, repair and operations (MRO) work with many of the largest and best customers across the global energy markets. In 2018, we secured new and renewed multi-year agreements with Valero, Husky, Enterprise Products, Pioneer Natural Resources, Dominion, Marathon Petroleum, BP's downstream business, TransCanada and more. Collectively these new awards represent nearly 50 contract years for MRC Global.

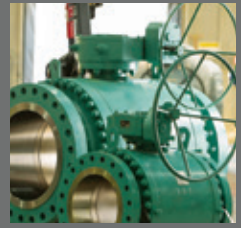
It's worth noting that our ongoing contract business continues to thrive and serve as an example of our market leadership position, especially on the most stable end of the energy spectrum, downstream, where all 10 of the largest refining companies choose to work with MRC Global. In the gas utilities sector, eight of the 10 largest gas distribution companies in the U.S. choose to work with MRC Global. They trust us because we are highly capable, committed and focused on delivering what they need, so they can focus on delivering for their customers. In 2018, 55% of our revenues came from these top 25 strategic customers and their multi-year MRO framework agreements.

### **Protecting and building our financial foundation**

As we had in previous years, MRC Global continued to control costs, manage our working capital and strengthen our already solid balance sheet. We refinanced and extended debt maturities to improve our liquidity and better manage our working capital. We also executed an interest rate swap to lock in lower interest rates – a prudent move as interest rates are now on the rise. In 2018, we returned value to our shareholders through share repurchases of \$125 million, a total of \$300 million since the fourth quarter of 2015, and we will do more in 2019.

In 2018, we also successfully managed MRC Global through the new tariff and quota regulations that went into effect. We worked proactively with our suppliers and customers to be able to access the products needed to service our customers. We also strategically acquired additional inventory at favorable prices before the new regulations commenced, contributing to our improved profitability in 2018.

As we do every year, in 2018, we looked for opportunities to improve our operational efficiency through cash management and cost control. We reduced MRC Global's executive management team by one position and appropriately reassigned the officer's responsibilities and re-positioned all of the executive team to Houston to further improve teamwork, communication and speed of execution. Going forward it is a given that we will continue to apply the highest standards of corporate governance to our stewardship. MRC Global has always been focused on governance, as well as social and environmental practices, and, in 2018, we formally published our first Environmental, Social Responsibility and Corporate Governance (ESG) report, which is available on our website.



### Looking forward into 2019

MRC Global enters 2019 with two years of positive momentum. We have achieved two consecutive years of growth, and while there are still some uncertainties in global oil and gas commodity markets that may temper customer spending, we expect the positive trend to continue. Regardless of current conditions, our customers and shareholders can be assured that MRC Global will remain focused on the most important priorities. We have structured our business to prosper in all market cycles. We have built stability into MRC Global, so our customers can build certainty into their operations, something they are demanding more and more from their supply chain partners. While we will always make necessary tactical adjustments along the way to protect our foundation, our strategic outlook and actions will remain resolutely long-term.

I'd like to acknowledge two changes to our board of directors. After ten years of service to MRC Global, Gerard P. Krans retired from the board. Gerry has been a valuable member of the board, bringing a wealth of experience to bear on helping set our international expansion strategy and direction. We thank him for his decade of service and wish him well.

I am pleased to welcome Henry Cornell back to our board this year. Henry is the founder and senior partner of Cornell Capital LLC, a private investment firm and previously spent nearly 30 years at Goldman, Sachs & Co. He was instrumental in the creation of MRC Global in 2006 and his deep understanding of the business as well as his years in global finance are a welcome addition. I am proud to have Henry back on our board.

In closing, I would like to thank everyone in the MRC Global family. I am constantly impressed by your dedication to our company and customers. I thank our suppliers for bringing the highest level of quality to our offering and our customers for their ongoing confidence in our company. Finally, I thank our shareholders for their continued support and investment in MRC Global.



Sincerely,

Andrew R. Lane  
President and CEO