



Dear MRC Global Stockholders,

After two years of steady growth, the markets we serve pulled back in 2019, and MRC Global recorded lower revenue and profits compared to 2018. While we are never happy to deliver news of reduced financial results, I am pleased to report that MRC Global remains strong – in many ways as strong as we've ever been.

In 2019, we achieved revenue of \$3.662 billion, a 12% decrease from 2018. Our gross profit was \$653 million, net income attributable to common stockholders was \$15 million, and we realized \$201 million in adjusted EBITDA¹. Markets slowed primarily in the latter half of the year, as customers were challenged to reduce financial risk and bring more capital efficiency to their projects.

We have been in this position before, even as recently as 2015 and 2016. In spite of the general weakness in the energy sector, MRC Global is built strong. Long ago we adopted a long-term strategy that would allow us to do business and succeed in any market cycle. In 2019, much like we do every year, we strengthened our customer relationships, expanded and improved our product offerings, managed our costs, increased cash flow, and bolstered our balance sheet.

These long-term priorities have proven themselves year after year, perhaps even more in challenging times than in growth cycles. We expect that 2020 will be another challenging year, and we will stay the course, pursuing the right opportunities to bring value to our company, our customers and our stockholders through innovative service offerings and solutions.

Upgrading our product offerings and capturing more business

In 2019, MRC Global reached a momentous milestone in its strategy to migrate the business to higher-margin valve-centric offerings. We opened our 127,000 square-foot Valve Engineering and Modification Center, the final addition to our world class Houston Operations Complex in La Porte, Texas.

The new facility allows us to offer customers valve modifications, as well as valve testing services, coating and complete valve packages – services that previously went to third parties. We now have the capability to offer customers the assurance of a single-source, value-added solution and capture more higher-margin revenue for MRC Global. With the opening of this facility, we established our reputation as a complete valve company. Our goal is to grow our valve business to 45% of MRC Global revenues by 2023, and we are well on our way, achieving the 39% mark in 2019.

¹ Refer to the Company's Annual Report on Form 10-K for reconciliation.



We continued to broaden and improve the capabilities of MRCGO™, our online digital marketplace, in 2019. What began simply as an online product catalog has evolved into a powerful platform with robust functionality that allows customers to do business with us easily. Now our customers can access a customized online experience that lets them search for products, check order status, expedite orders, access technical materials and material test reports, obtain proof of delivery invoices and get support. Our MRCGO™ business in 2019 was \$130 million, and we continue to work on boosting adoption rates and keeping our customers more fully engaged with MRC Global going forward.

Strengthening and expanding our customer relationships

In the face of lower overall activity, MRC Global continued to grow our market share with several significant new contracts and renewals. In 2019 our key wins included CenterPoint, Chevron, ConocoPhillips, Southern California Gas and Atmos. We are proud that many of the best energy providers in the world turn to MRC Global as a vital supply chain expert.

We always seek to increase market share across all our end-markets. In 2019 we continued to advance this strategy by growing our presence in the gas utility business. This also has the added benefit of reducing our commodity price exposure. MRC Global has secured contracts with 18 of the 25 largest gas utilities. We've seen this business grow steadily and consistently year to year with a compound annual growth rate of 7.5%.

Another 2019 highlight is our international business. For the past few years we have streamlined our overseas operations to optimize efficiency and create improved profitability. Our efforts are coming to fruition. Last year we experienced a rebound and began to see growth in the underlying business, especially in our operations supporting customers in the Norwegian Continental Shelf.

We believe that proper management of environmental, social and governance (ESG) factors, ultimately leads to greater returns and contributes to more engaged employees, resulting in a more effective organization. In 2019 we published our second ESG report and took an insightful look at our ESG initiatives and accomplishments. Highlights include our role to help customers reduce fugitive valve emissions, the conversion of 13% of our fleet to more environmentally efficient vehicles since 2016, and our world-class auditing process of customer supply chains to avoid illegal labor practices and violations. I'm proud of the work we've done to improve our industry and help our customers meet their goals in these important initiatives. We have formed a dedicated ESG committee that meets regularly to find more ways to advance responsible initiatives. We are never finished in this endeavor. I look forward to continuing to report on our progress in 2020.



Remaining steadfast in our financial discipline

Despite market headwinds in 2019, we remained committed to our long-term financial strategy and financial discipline. This has served us well in all market conditions. While last year we realized lower revenue, we maintained adjusted gross margins¹, excluding certain items, near 20% levels. We also generated free cash flow of \$200 million², and we ended the year with \$483 million of liquidity.

In 2019, we continued to cut costs and streamline the business and reduced operating costs by \$25 million, excluding certain items, as compared to 2018. We reduced headcount through our voluntary retirement offering and attrition. Many of these retirees were high-level managers, which naturally flattened the organization. We also reduced the U.S. executive management team by one and consolidated the full executive team in Houston.

We continued to manage MRC Global's capital structure, cash flow and resource allocation to meet our various objectives. We completed our capital project at the Houston Operations Complex with our state-of-the-art Valve Engineering and Modification Center. We concluded our multi-year stock buyback program, returning \$75 million to our shareholders in 2019 and \$375 million since we began in 2015. We also reduced outstanding debt by \$133 million in 2019 as compared to 2018, maintaining our net leverage at 2.6 times, near the mid-point of our stated preferred range.

MRC Global is strong from the foundation up, and our plan is to become stronger in the coming year by generating additional cash and paying down more debt, fortifying an already solid balance sheet.

Looking forward into 2020

In the sectors we serve, further economic pressures are forecasted in 2020. We predict that customer spending will be down again. Still, the one certainty is that we will stay the course. Our strategy is sound and we will manage through whatever may come.

We will help our customers gain confidence in the viability of their projects through efficient supply chain solutions. We will continue to increase our emphasis on higher-margin offerings. We will grow our digital presence to better serve customers. We will stay true to our core values and the values of our customers through good corporate stewardship. And, of course, we will practice unwavering financial discipline.

¹ Refer to the Company's Annual Report on Form 10-K for reconciliation.

² Free cash flow is cash provided by operations less capital expenditures and preferred stock dividends.



I would like to acknowledge two significant changes in management. After eight years serving MRC Global as Executive Vice President and Chief Financial Officer, Jim Braun retired effective March 1, 2020. He has been a valuable member of our team and has served the company, our employees, our customers and our shareholders with distinction. I thank Jim for his service and wish him the best in retirement. His duties have been left in capable hands. Kelly Youngblood has joined MRC Global to assume the EVP and CFO position, bringing with him more than 30 years of experience in energy and finance, most recently at BJ Services, Diamond Offshore Drilling and Halliburton. I'm excited to welcome Kelly to the team.

Recently, we had some changes to the board of directors that I would like to acknowledge. Two of our founding family board members, who helped build MRC Global, Craig Ketchum and H.B. Wehrle, III, have decided to retire from the board. Each have served 13 years and were both former Presidents and co-CEOs of the company and former co-Chairmen of our board. They were both instrumental in creating the foundation for what MRC Global is today. I would like to thank each of them for their valued contributions to MRC Global and wish them well.

In closing, I extend my sincere gratitude to the entire MRC Global family. Once again, you have proven your ability to take on challenges to our business. I thank our suppliers for their dedication to quality and service, our customers for continuing to entrust their valuable projects to our team, and our shareholders for their continued confidence in our long-term strategy and success. We are committed to delivering long-term shareholder value.

All of you are the reason that MRC Global is built strong.



Sincerely,

Andrew R. Lane
President and CEO