

MRC GLOBAL INC.
Form 10-Q
October 29, 2012
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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 SEPTEMBER 30, 2012

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)

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Delaware
(State or Other Jurisdiction of

20-5956993
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

2 Houston Center, 909 Fannin, Suite 3100

Houston, Texas
(Address of Principal Executive Offices)

77010
(Zip Code)

(877) 294-7574

(Registrant's Telephone Number, including Area Code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☐

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

The Company's common stock is traded on the New York Stock Exchange under the symbol **MRC**. There were 101,497,000 shares of the registrant's common stock, par value \$0.01 per share, issued and outstanding as of October 26, 2012.

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

MRC GLOBAL INC.

	September 30, 2012	December 31, 2011
<i>(In thousands, except per share amounts)</i>		
Assets		
Current assets:		
Cash	\$ 36,839	\$ 46,127
Accounts receivable, net	929,740	791,280
Inventories, net	1,035,861	899,064
Other current assets	17,563	11,437
Total current assets	2,020,003	1,747,908
Other assets	38,569	39,212
Property, plant and equipment, net	120,885	107,430
Intangible assets:		
Goodwill, net	580,367	561,270
Other intangible assets, net	743,418	771,867
	1,323,785	1,333,137
	\$ 3,503,242	\$ 3,227,687
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 521,818	\$ 479,584
Accrued expenses and other current liabilities	134,550	108,973
Income taxes payable	17,936	11,950
Deferred revenue	2,536	4,450
Deferred income taxes	65,699	68,210
Total current liabilities	742,539	673,167
Long-term obligations:		
Long-term debt, net	1,267,971	1,526,740
Deferred income taxes	288,234	288,985
Other liabilities	16,693	17,933
	1,572,898	1,833,658
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value per share; 500,000 shares authorized, 101,493 and 84,427 issued and outstanding, respectively	1,015	844
Preferred stock, \$0.01 par value per share; 100,000 shares authorized, no shares issued and outstanding	1,622,423	1,282,949
Additional paid-in capital	(412,388)	(536,791)
Retained (deficit)	(23,245)	(26,140)
Accumulated other comprehensive loss		
	1,187,805	720,862

\$ 3,503,242 \$ 3,227,687

See notes to the condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

MRC GLOBAL INC.

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<i>(In thousands, except per share amounts)</i>				
Sales	\$ 1,451,114	\$ 1,366,202	\$ 4,264,125	\$ 3,526,054
Cost of sales	1,173,916	1,165,076	3,508,686	3,005,264
Gross profit	277,198	201,126	755,439	520,790
Selling, general and administrative expenses	154,955	134,685	452,528	376,094
Operating income	122,243	66,441	302,911	144,696
Other income (expense):				
Interest expense	(28,177)	(34,348)	(92,621)	(102,372)
Loss on early extinguishment of debt	(10,322)		(21,746)	
Write off of debt issuance costs			(1,685)	(9,450)
Change in fair value of derivative instruments	845	1,768	1,770	5,260
Other, net	1,232	(821)	3,554	241
	(36,422)	(33,401)	(110,728)	(106,321)
Income before income taxes	85,821	33,040	192,183	38,375
Income tax expense	30,280	11,167	67,783	12,952
Net income	\$ 55,541	\$ 21,873	\$ 124,400	\$ 25,423
Basic earnings per common share	\$ 0.55	\$ 0.26	\$ 1.31	\$ 0.30
Diluted earnings per common share	\$ 0.54	\$ 0.26	\$ 1.31	\$ 0.30
Weighted-average common shares, basic	101,490	84,418	94,768	84,417
Weighted-average common shares, diluted	102,029	84,657	95,185	84,619

See notes to the condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

MRC GLOBAL INC.

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net income	\$ 55,541	\$ 21,873	\$ 124,400	\$ 25,423
Other comprehensive income (loss)	12,151	(15,679)	2,895	(2,449)
Comprehensive income	\$ 67,692	\$ 6,194	\$ 127,295	\$ 22,974

See notes to the condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

MRC GLOBAL INC.

	Nine Months Ended	
	September 30,	September 30,
	2012	2011
<i>(In thousands)</i>		
Operating activities		
Net income	\$ 124,400	\$ 25,423
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation and amortization	13,180	12,819
Amortization of intangibles	37,184	37,799
Equity-based compensation expense	5,859	6,264
Deferred income tax benefit	(3,463)	(14,099)
Amortization of debt issuance costs	7,088	8,057
Write off of debt issuance costs	1,685	9,450
Loss on early extinguishment of debt	21,746	
Increase in LIFO reserve	3,080	46,000
Change in fair value of derivative instruments	(1,770)	(5,260)
Provision for uncollectible accounts	3,936	733
Other non-cash items	5,218	3,663
Changes in operating assets and liabilities:		
Accounts receivable	(105,234)	(223,475)
Inventories	(78,889)	(112,100)
Income taxes payable	5,867	