

MRC GLOBAL INC.
Form 10-Q
May 03, 2016

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 MARCH 31, 2016

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

20-5956993
(I.R.S. Employer)

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(State or Other Jurisdiction of Identification No.)
Incorporation or Organization)

Fulbright Tower

1301 McKinney Street, Suite 2300

Houston, Texas 77010
(Address of Principal Executive Offices) (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 98,650,627 shares of the registrant's common stock (excluding 585,492 unvested restricted shares), par value \$0.01 per share, issued and outstanding as of April 22, 2016.

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

MRC GLOBAL INC.

(in millions)

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash	\$ 121	\$ 69
Accounts receivable, net	470	533
Inventories, net	720	781
Other current assets	35	22
Total current assets	1,346	1,405
Other assets	22	22
Property, plant and equipment, net	134	127
Intangible assets:		
Goodwill, net	484	484
Other intangible assets, net	448	459
	\$ 2,434	\$ 2,497
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 309	\$ 327
Accrued expenses and other current liabilities	100	110
Current portion of long-term debt	8	8
Total current liabilities	417	445
Long-term obligations:		
Long-term debt, net	510	511
Deferred income taxes	208	208
Other liabilities	22	22
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, 102,345,890 and 102,202,599 issued, respectively	1		1	
Additional paid-in capital	1,668		1,666	
Retained deficit	(481)		(467)	
Less: Treasury stock at cost: 3,695,263 and 816,389 shares, respectively	(50)		(12)	
Accumulated other comprehensive loss	(216)		(232)	
	922		956	
	\$	2,434	\$	2,497

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

MRC GLOBAL INC.

(in millions, except per share amounts)

	Three Months Ended	
	March 31, 2016	March 31, 2015
Sales	\$ 783	\$ 1,292
Cost of sales	650	1,072
Gross profit	133	220
Selling, general and administrative expenses	137	159
Operating (loss) income	(4)	61
Other expense:		
Interest expense	(8)	(15)
Other, net	(1)	(4)
(Loss) income before income taxes	(13)	42
Income tax (benefit) expense	(5)	13
Net (loss) income	(8)	29
Series A preferred stock dividends	6	-
Net (loss) income attributable to common stockholders	\$ (14)	\$ 29
Basic (loss) earnings per common share	\$ (0.14)	\$ 0.28
Diluted (loss) earnings per common share	\$ (0.14)	\$ 0.28
Weighted-average common shares, basic	100.7	102.1
Weighted-average common shares, diluted	100.7	102.2

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

MRC GLOBAL INC.

(in millions)

	Three Months Ended	
	March 31, 2016	March 31, 2015
Net (loss) income	\$ (8)	\$ 29
Other comprehensive income (loss)		
Foreign currency translation adjustments	16	(53)
Comprehensive income (loss)	\$ 8	\$ (24)

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

MRC GLOBAL INC.

(in millions)

	Three Months Ended	
	March 31, 2016	March 31, 2015
Operating activities		
Net (loss) income	\$ (8)	\$ 29
Adjustments to reconcile net (loss) income to net cash provided by operations:		
Depreciation and amortization	5	5
Amortization of intangibles	12	16
Equity-based compensation expense	3	2
Deferred income tax benefit	-	(8)
Decrease in LIFO reserve	(3)	-
Provision for uncollectible accounts	1	1
Foreign currency losses	1	4
Other non-cash items	2	3
Changes in operating assets and liabilities:		
Accounts receivable	67	103
Inventories	24	(9)
Other current assets	(6)	(4)
Income taxes payable	(5)	11
Accounts payable	(22)	(6)
Accrued expenses and other current liabilities	(13)	(32)
Net cash provided by operations	58	115
Investing activities		
Purchases of property, plant and equipment	(10)	(4)
Proceeds from the disposition of non-core product line	48	-
Other investing activities	-	(3)
Net cash provided by (used in) investing activities	38	(7)
Financing activities		
Payments on revolving credit facilities	(23)	(321)

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Proceeds from revolving credit facilities	23		243	
Payments on long-term obligations	(2)		(2)	
Purchase of common stock	(38)		-	
Dividends paid on preferred stock	(6)		-	
Net cash used in financing activities	(46)		(80)	
Increase in cash	50		28	
Effect of foreign exchange rate on cash	2		(4)	
Cash -- beginning of period	69		25	
Cash -- end of period	\$	121	\$	49
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$	8	\$	14
Cash paid for income taxes				