

# MRC – Expanding growth

**When in 2009, MRC Global Inc. acquired Transmark Fcx, the message was quite clear: MRC was a company with a new global vision. Over the past three years, MRC kept growing and expanding its range of products and services through key acquisitions and an ever-increasing global network of clients and suppliers. The company has continued this vision by aiming high to become its customers' Global Supplier of Choice® for PVF products. Valve World visited the headquarters of MRC in Houston, TX, where we spoke with Mr Andrew Lane (Chairman, President & CEO), Mr Rory Isaac (Executive VP of Corporate Strategy, Mergers & Acquisitions), Mr Gary Ittner (Executive VP of Corporate Strategy, Mergers & Acquisitions), and Mr Neil Wagstaff (Executive VP International Operations). During our interview, the four gentlemen took us through the history of the past years, explained to us the current status of the company, discussed an important milestone, and shared with us a glimpse into what may happen in the next years.**

By Christian Borrmann

"MRC really started growing internationally after 2005," Mr Lane begins. "At that point we were operating entirely in the U.S. Our customers continued to express the need for our services around the world, so we began building a company that can meet those needs. And now, within seven years, our company's international sales are just over \$1 billion

USD, and we can offer our range of services and products from Australasia to Europe and throughout North America." It is clear that MRC has been busy over the past three years increasing its international presence, expanding upon their North American Shale play infrastructure and growing its overall product offering, most notably in valves.

The company grew its international footprint through key acquisitions such as MRC Transmark and, in June 2011, MRC added Stainless Pipe and Fittings Australia (MRC SPF). The company then acquired One Steel Piping Systems, now known as MRC PSA, in March 2012 to create the largest total PVF solution in Australia. "Australia, to us, was a very attractive market – all our major customers were there. It's a good country in which to do business, with a combination of good oil and gas and mining businesses," said Mr Lane. "When we looked at growing that was the top market for us." "The integration of the PSA valve businesses with the existing MRC Transmark and MRC SPF businesses has also produced a compelling valve offering particularly in the oil and gas and mining sectors," Mr Wagstaff added. "So now, in Australia, we are the largest PVF distributor with a comprehensive market solution for our customers, and it's been a big focus since." MRC is also committed to the activity in the Canadian oil sands. The company's first international move was to acquire the remaining ownership of Midfield Supply

in Canada in 2008. This allowed MRC to offer their customers the same high level of service and products across all of North America. Now, in response to the robust activity in the Canadian oil sands, the company is expanding their regional distribution centre in Edmonton, AB to serve customers throughout western Canada. The planned expansion will add a state of the art valve automation centre and an addition 60,000 sq2 ft2 of warehouse space. They have also added a nearly 40,000 sq2 ft2 dedicated project warehouse.

Mr Ittner points out that although Australia, Canada, Asia and Europe are key areas, the shale gas business throughout North America is an especially interesting and growing market for them. "We acquired three regional companies which enable us to better support the increased drilling activity in the shale plays," Mr Ittner said. "In combination with those acquisitions we built large regional distribution centres, the newest of which are in San Antonio, Texas to serve the Eagle Ford and in Cheyenne, Wyoming, which just opened this year to serve the Niobrara and Bakken."

## The role of automation

"Another important development within MRC is our focus towards the automation business," said Mr Isaac. Last summer, the company demonstrated that focus with the addition of Houston-based Valve Systems (VSC) from CurtissWright in order to build up an even stronger presence within the upstream and downstream sectors.

"If you look at our valve business, you will see a commitment to increasing our valve actuation capabilities," Mr Isaac continued. "The Cheyenne, WY regional distribution center we've just opened to support the Bakken has a very nice actuation shop and our plans for Edmonton are state of the art. We currently have 24 actuation centers globally. I don't think anyone else in the distribution industry can say that." It is important to note that one of the reasons for this focus on automation is MRC's commitment to offer an extensive list of the best valve automation products to compliment the company's already impressive valve product offering, according to Mr Ittner. In short, MRC has created one complete, global valve distribution solution for their customers. Mr Lane put it in a nutshell: "On a high level, valves, valve automation and valve controls is our largest product category at 24% of our revenue in 2011. The VSC acquisition in North America and MRC PSA in Australia added some key product lines, so as we continue to grow, we expect to continue to expand our valve capabilities."

## A key project

In May this year, MRC was awarded a five year, global Enterprise Framework Agreement (EFA) by Shell for the distribution of valves and valve automation services. In addition to this contract, Shell awarded MRC with a PFF distribution EFA for the U.S. and a stainless and alloy PFF contract for Canada. "One can certainly call this a milestone in our company's development," Mr Lane states. "We are pleased with the confidence Shell has shown in MRC and look forward to continuing to support all of their operations around the world."



Andrew Lane – Chairman, President & CEO



Rory Isaac – Executive VP of Corporate Strategy, Mergers & Acquisitions



Gary Ittner – Executive VP of Corporate Strategy, Mergers & Acquisitions



Neil Wagstaff – Executive VP International Operations



This agreement is not only the largest contract in MRC's history, but it is the first of its kind in the distribution industry. "As a distributor, we will consolidate Shell's valve and valve automation supply base and add standardization to their product lines, processes and procedures at all of their operations around the world," Mr Lane said. "It's the first contract that broad."

Mr Ittner adds: "the industry is so big. We source from more than 35 countries, so it's a complex, technical, global supply chain. Shell is one of the two or three largest companies in the industry, and we very much have a strategy of growing with our core customers. This core group knows us well – they already have a central procurement group, standardization desires and they like to consolidate their purchases with a supplier that fits their model and brings them efficiency, which MRC does."

"In addition, our valve actuation services, product quality and inspection, project management capabilities and electronic data management offer significant benefits," adds Mr Wagstaff. "We are particularly excited to be able to supply additional locations in addition to those in the previous agreement and to have the opportunity to work on global projects and with Shell joint ventures."

When asked whether there are any



current plans of signing another award of this size, Mr Isaac replied: "right now, we are focused on getting this award implemented and fully up and running, but, yes, we see this global model as the future of the distribution industry. MRC is built to be a global supplier and a global leader in the valve industry and this award will help us to continue our progress toward that goal."

"Other companies will see what Shell has done and will see value from a leader," explains Mr Wagstaff. "The advantage for Shell is that now they only have to work with one company they can trust, and this enables them, for example, to buy

valves to one spec and if necessary to move valves around between projects – a very efficient model from an end-user perspective."

#### Global and local customers

MRC serves big, global companies like Shell, Chevron and ConocoPhillips, but they also supply smaller, local companies with PVF products and services. And these companies have, to a certain extent, the same issues as the big players. "Obviously the scope of work is not as large as it would be with an international operating company – there is less tagging, marking and invoicing requirements. Even so, we still bring value to their operations through our quality system, product sourcing and distribution network that they would not be able to do on their own."

Mr Ittner added, "smaller customers usually rely much more on us and our approved supplier list for valves. We perform the quality tests, check everything, bring alternative sourcing and assessments in as new companies come to the market. It's a really different way of working. A lot more of the small customers depend on us to connect them with quality valve lines."

#### A flexible way forward

Asked what MRC's clients can expect from them in the next couple of years, Mr Isaac answered, "we will continue to invest in valves and the geographic positioning of



valves. We will continue to look for quality companies who have a similar culture and will add to our capabilities through product lines, facilities or talented people." Says Mr Ittner, "MRC will also continue to focus on our flexibility. That's the challenge for us, to constantly search for new service models. No two projects or awards are the same and so each solution that you agree to with a client has very different needs and requirements. Our ability to be flexible, especially from a system angle, is really important for our future."

"Our global platform is our strength," says



Mr Lane. "We can combine a lot of the ordering that was from all over into bigger orders and bring a lot of efficiency to the supply base too. Overall we will continue to grow, valves being the lead for us. We expect \$5.4 to \$5.6 billion in revenue in 2012, assuming the energy markets remain at their current activity levels for the rest of the year. Valves were 24% of our revenue in 2011, so if that stays the same you can see significant growth in valves as part of our mix in that overall growth." "We know that we serve a thriving energy

industry, we have a global platform, we work with some of the best suppliers in the industry, and we have employees who genuinely care about and devote themselves to the business," concludes Mr Lane. "With all three we have an excellent platform for continuing organic growth and an investment capability that will see us continue to enhance our global PVF footprint. We are a stable, dependable distribution partner that our customers and suppliers can trust to be with them for the long-term."

#### About MRC

Company Name:  
President, CEO and Chairman:  
Number of Employees:  
Locations:

Products & Services:  
Industry Markets:  
Turnover:  
Website:

MRC Global Inc.  
Andrew Lane  
4,500+  
Over 410 service locations (250 branch, service & distribution centers, and 160+ pipe yards in 18 Countries)  
Pipe, Valve, Fittings and related products and services  
Energy and Industrial markets  
\$4.83 billion in 2011  
www.mrcglobal.com

