Risk Factors Comparison 2024-02-16 to 2023-02-14 Form: 10-K

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You should carefully consider the following risk factors as well as the other risks and uncertainties contained in this Annual Report on Form 10- K or in our other SEC filings. The occurrence of one or more of these risks or uncertainties could materially and adversely affect our business, financial condition and operating results. In this Annual Report on Form 10- K, unless the context expressly requires a different reading, when we state that a factor could " adversely affect us, " have a " material adverse effect, " " adversely affect our business " and similar expressions, we mean that the factor could materially and adversely affect our business, financial condition, operating results and cash flows. Information contained in this section may be considered " forward- looking statements. " See " Item 7 — Management' s Discussion and Analysis of Financial Condition and Results of Operations — Cautionary Note Regarding Forward- Looking Statements " for a discussion of certain qualifications regarding forward looking statements. Risks Related to Our Business Decreased capital and other expenditures in the industries that we serve can adversely impact our customers' demand for our products and our revenue. A large portion of our revenue depends upon the level of capital and operating expenditures in the industries that we serve. For instance, demand for our products and services is sensitive to capital expenditures for the addition of distribution capacity and replacement of aging infrastructure in our ~~gas~~ **Gas** ~~utilities~~ **Utilities** business. In our **PTI** ~~upstream production, midstream pipeline~~ and **the** refining portion of our **DIET** ~~downstream, industrial and energy transition~~ sectors, demand for the products we distribute and services we provide is particularly sensitive to the level of exploration, development, production, transportation and refining activity of, and the corresponding capital and operating expenditures by **,** oil and gas companies. Other industrial sectors have various drivers for their capital expenditures. If our customers' capital expenditures decline, our business will suffer. General economic conditions may adversely affect our business. U. S. and global general economic conditions affect many aspects of our business, including demand for the products we distribute. If general economic conditions deteriorate and the business of our customers in one or more of our end market sectors is negatively impacted, our customers may curtail their capital expenditures and demand for our products may suffer. General economic factors beyond our control that affect our business and customers include (among others) interest rates, recession, inflation, deflation, customer credit availability, consumer credit availability, consumer debt levels, performance of housing markets, energy costs, tax rates and policy, unemployment rates, and other economic matters that influence our customers' spending. Geopolitical events may adversely affect our business U. S. and global general geopolitical events and relations among countries affect many aspects of our business as well as general economic conditions. These events could include (among others) the commencement or escalation of war or hostilities, the threat or possibility of war, terrorism or other global or national unrest, political or financial instability or the restriction of the flow of goods, data, people or capital among various countries. Governments in the countries where we do business could impose new taxes, change tax policies, change laws, add protectionist policies for their country, impose tariffs or export quotas, impose embargos or restrict imports or exports or impose economic sanctions. These sorts of actions could adversely impact our suppliers, our prices, our customers' demand for our products and our ability to receive payments. Volatile oil and gas prices affect demand for our products. ~~As evidenced by the decline of oil prices~~ **Prices** ~~from late 2014 through 2016 and again in 2020, prices~~ for oil and natural gas are cyclical and subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of other factors that are beyond our control. A decline in oil and gas prices impacts the capital spending of many of our customers, particularly in our ~~upstream~~ production ~~, midstream pipeline~~ **and transmission infrastructure** and the refining portion of our downstream, industrial and energy transition businesses. Any sustained decrease in capital expenditures in the oil and natural gas industry could have a material adverse effect on us. We may experience unexpected supply shortages. We distribute products from a wide variety of manufacturers and suppliers. Nevertheless, in the future we may have difficulty obtaining the products we need from suppliers and manufacturers as a result of unexpected demand, production difficulties that might extend lead times or a supplier' s decision to sell its products through other distributors ~~. For instance, during various times during the COVID- 19 pandemic starting in 2020, supply chain shortages have resulted from lockdowns and related health measures in various jurisdictions, labor shortages and transportation delays~~ . Our inability to obtain products from suppliers and manufacturers in sufficient quantities to meet customer demand, or at all, could adversely affect our product and service offerings and our business. The loss of third- party transportation providers, or conditions negatively affecting the transportation industry, could increase our costs or cause a disruption in our operations. We depend upon third- party transportation providers for delivery of products to our customers. Strikes, slowdowns, transportation disruptions or other conditions in the transportation industry, including, among others, shortages of truck drivers or dock workers, disruptions in rail service, increases in fuel prices **, hostilities in sea shipping lanes** and adverse weather conditions, could increase our costs and disrupt our operations and our ability to service our customers on a timely basis. We cannot predict whether or to what extent increases or anticipated increases in fuel prices may impact our costs or cause a disruption in our operations going forward. We may experience cost increases from suppliers and transportation providers, which we may be unable to pass on to our customers. Highly inflationary environments may adversely impact our business. We may face supply cost increases due to, among other things, unexpected increases in demand for supplies, decreases in production of supplies, increases in the cost of raw materials, transportation shortages, changes in exchange rates or the imposition of import taxes or tariff on imported products. Any inability to pass supply price increases on to our customers could have a material adverse effect on us. For example, we may be unable to pass increased supply costs on to our customers because significant amounts of our sales are derived from stocking program arrangements, contracts and maintenance and repair arrangements, which provide our customers time limited price protection. In addition, if supply costs increase, our customers may elect to purchase smaller amounts of products or may purchase products from other distributors. While we may be able to work with our customers to reduce the effects of unforeseen price increases, we may not be able to reduce the effects of the cost increases. If steel prices rise, we may be unable to pass along the cost increases to our customers. We maintain inventories of steel products to accommodate the lead time requirements of our customers. Accordingly, we purchase steel products in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon historic buying practices, contracts with customers and forecasts of customer demands. Our commitments to purchase steel products are generally at prevailing market prices in effect at the time we place our orders. If steel prices increase between the time we order steel products and the time of delivery of the products to us, our suppliers may impose surcharges that require us to pay for increases in steel prices during the period. Demand for the products we distribute, the actions of our competitors and other factors will influence whether we will be able to pass on steel cost increases and surcharges to our customers, and we may be unsuccessful in doing so. We do not have contracts with most of our suppliers. The loss of a significant supplier would require us to rely more heavily on our other existing suppliers or to develop relationships with new suppliers. Such a loss may have an adverse effect on our product and service offerings and our business. Given the nature of our business, and consistent with industry practice, we do not have contracts with most of our suppliers. We generally make our purchases through purchase orders. Therefore, most of our suppliers have the ability to terminate their relationships with us at any time. Approximately ~~43~~ **44** % of our total purchases during the year ended December 31, ~~2022~~ **2023** , were from our 25 largest suppliers. Although we believe there are numerous manufacturers with the capacity to supply the products we distribute, the loss of one or more of our major suppliers could have an adverse effect on our product and service offerings and our business. Price reductions by suppliers of products that we sell could cause the value of our inventory to decline. Also, these price reductions could cause our customers to demand lower sales prices for these products, possibly decreasing our margins and profitability on sales to the extent that we purchased our inventory of these products at the higher prices prior to supplier price reductions. The value of our inventory could decline as a result of manufacturer price reductions with respect to products that we sell. Such a decline could have an adverse effect. Also, decreases in the market prices of products that we sell could cause customers to demand lower sales prices from us. These price reductions could reduce our margins and profitability on sales with respect to the lower- priced products. Reductions in our margins and profitability on sales could have a material adverse effect on us. A substantial decrease in the price of steel could significantly lower our gross profit or cash flow. We distribute many products manufactured from steel. As a result, the price and supply of steel can affect our business and, in particular, our carbon steel line pipe product category. When steel prices are lower, the prices that we charge customers for products may decline, which affects our gross profit and cash flow. At times pricing and availability of steel can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, labor costs, sales levels, competition, consolidation of steel producers, fluctuations in and the costs of raw materials necessary to produce steel, steel manufacturers' plant utilization levels and capacities, import duties and tariffs and currency exchange rates. Increases in manufacturing capacity for the carbon steel line pipe products could put pressure on the prices we receive for our carbon steel line pipe products. When steel prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sales prices and, consequently, lower gross profit and cash flow. If tariffs, quotas and duties on imports into the U. S. of certain of the products that we sell are lifted or imposed, we could have too many of these products in inventory competing against less expensive imports or conversely pay higher prices for products that we sell. U. S. law currently imposes tariffs and duties on imports from certain foreign countries of line pipe and certain other products that we sell. If these tariffs and duties are lifted or reduced or if the level of these imported products otherwise increase, and our U. S. customers accept these imported products, we could be adversely affected to the extent that we would then have higher- cost products in our inventory or experience lower prices and margins due to increased supplies of these products that could drive down prices and margins. If prices of these products were to decrease significantly, we might not be able to profitably sell these products, and the value of our inventory would decline. In addition, significant price decreases could result in a significantly longer holding period for some of our inventory. Conversely, if tariffs and duties are imposed on imports from certain foreign countries of products that we sell, we could be required to pay higher prices for our products. Demand for the products we distribute, the actions of our competitors and other factors will influence whether we will be able to pass on additional cost increases to our customers, and we may be unsuccessful in doing so. We may be adversely impacted by holding more inventory than can be sold in a commercial time frame. A fundamental aspect of our business is to have inventory available for customers when they need it. If we over- estimate the amount of inventory that can be sold in a commercial time frame or if market demand for a product drops unexpectedly, we may be forced to sell the product at substantially lower prices, scrap the product or write down its carrying value. This can adversely impact our business. A transition to alternative forms of energy could adversely impact our customers, result in lower sales and adversely impact our results and financial condition. If through legislation, treaty or consumer preference, demand for oil and gas is substantially reduced through the use of alternative forms of energy and sales of our products to alternative energy producers are less than sales of our products to existing customers that produce, transport and use hydrocarbons as feedstock as well as sales to other customers, we could experience a reduction in sales, which could adversely impact our results and financial condition. Likewise, to the extent that governments limit the use of oil or gas in various applications, such as in prohibiting natural gas connections to newly constructed homes or buildings, we could also experience a reduction in sales, which could adversely impact our results and financial condition. Adverse weather events or natural disasters could negatively affect our local economies or disrupt our operations. Certain areas in which we operate have been susceptible to more frequent and more severe weather events, such as hurricanes, tornadoes and floods ~~and~~ **. Our operations may also be subject** to natural disasters such as earthquakes, fires, volcanic eruptions and coronal mass ejections (sometimes referred to as solar flares). Weather events, in particular, may be increasing in frequency and severity due to climate change. These events can disrupt our operations, result in damage to our properties and negatively affect the local economies in which we operate. Additionally, we may experience communication disruptions with our customers, vendors and employees. These events can cause physical damage to our service centers and require us to close service centers. Additionally, our sales order backlog and shipments can experience a temporary decline immediately following these events. These adverse events could result in disruption of our purchasing or distribution capabilities, interruption of our business that exceeds our insurance coverage, our inability to collect from customers and increased operating costs. Our business or results of operations may be adversely affected by these and other negative effects of these events. We are subject to strict environmental, health and safety laws and regulations that may lead to significant liabilities and negatively impact the demand for our products. We are subject to a variety of federal, state, local, foreign and provincial environmental, health and safety laws, regulations and permitting requirements (collectively, " environmental laws "), including those governing the following: ● the discharge of pollutants or hazardous substances into the air, soil or water; ● the generation, handling, use, management, storage and disposal of, or exposure to, hazardous substances and wastes; ● the responsibility to investigate, remediate, monitor and clean up contamination; and ● occupational health and safety. Our failure to comply with applicable environmental laws could result in fines, penalties, enforcement actions, employee, neighbor or other third- party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup or regulatory or judicial orders requiring corrective measures, including the installation of pollution control equipment or remedial actions. Environmental laws applicable to our business and the business of our customers, including environmental laws regulating the energy industry, and the interpretation or enforcement of these environmental laws, are constantly evolving; it is impossible to predict accurately the effect that changes in these environmental laws, or their interpretation or enforcement, may have upon our business, financial condition or results of operations. Should environmental laws, or their interpretation or enforcement, become more stringent, our costs, or the costs of our customers, could increase, which may have a material adverse effect on our business, financial position, results of operations or cash flows. Changes in our customer and product mix could cause our gross profit percentage to fluctuate. From time to time, we may experience changes in our customer mix or in our product mix. We must provide the products that our customers need when they need them and provide an appropriate level of service to gain and retain customers. If our customers' experience is negative or our customers require more lower- margin products from us and fewer higher- margin products, our business, results of operations and financial condition may suffer. Demand for the products we distribute could decrease if the manufacturers of those products were to sell a substantial amount of goods directly to end users in the sectors we serve. Historically, users of PVF and related products have purchased certain amounts of these products through distributors and not directly from manufacturers. If customers were to purchase the products that we sell directly from manufacturers, or if manufacturers sought to increase their efforts to sell directly to end users, we could experience a significant decrease in profitability. These or other developments that remove us from, or limit our role in, the distribution chain, may harm our competitive position in the marketplace, reduce our sales and earnings and adversely affect our business. Failure to operate our business in an efficient or optimized manner can adversely impact our business. To make a profit, we must control selling, general and administrative expense. This requires our distribution network structure, our warehouse operations and the cost to serve customers to be diligently controlled for our Company to earn a profit after deducting the cost of goods sold from the price of the products that we sell. We are constantly working to create a more efficient operation and will often review where our service centers and regional distribution centers are located, the transportation patterns and other operations among those centers and the needs and costs to operate our business. Failure to operate our business in an efficient or optimized manner can adversely impact our business. We may be unable to compete successfully with other companies in our industry. We sell products and services in very competitive markets. In some cases, we compete with large companies with substantial resources. In other cases, we compete with smaller regional players that may increasingly be willing to provide similar products and services at lower prices. Competitive actions, such as price reductions, consolidation in the industry, improved delivery and other actions could adversely affect our revenue and earnings. Competition could also cause us to lower our prices, which could reduce our margins and profitability. Furthermore, consolidation of our customers' businesses could heighten the impacts of the competition on our business. Our results of operations could also be impacted, particularly if consolidation results in competitors with stronger financial and strategic resources and greater scale in inventory and purchasing power. We must maintain an appropriate level of inventory and provide a service quality to adequately compete. Our failure to successfully compete and maintain a competitive strategy can adversely affect our business. We do not have long- term contracts or agreements with many of our customers. The contracts and agreements that we do have generally do not commit our customers to any minimum purchase volume. The loss of a significant customer may have a material adverse effect on us. Given the nature of our business, and consistent with industry practice, we do not have long- term contracts with many of our customers. In addition, our contracts, including our maintenance, repair and operations (" MRO ") contracts, generally do not commit our customers to any minimum purchase volume. Therefore, a significant number of our customers, including our MRO customers, may terminate their relationships with us or reduce their purchasing volume at any time. Furthermore, the customer contracts that we do have are generally terminable without cause on short notice. Our 25 largest customers represented approximately ~~54~~ **57** % of our sales for the year ended December 31, ~~2022~~ **2023** . The products that we may sell to any particular customer depend in large part on the size of that customer' s capital expenditure budget in a particular year and on the results of competitive bids for major projects. Consequently, a customer that accounts for a significant portion of our sales in one fiscal year may represent an immaterial portion of our sales in subsequent fiscal years. The loss of a significant customer, or a substantial decrease in a significant customer' s orders, may have an adverse effect on our sales and revenue. In addition, we are subject to customer audit clauses in many of our multi- year contracts. If we are not able to provide the proper documentation or support for invoices per the contract terms, we may be subject to negotiated settlements with our major customers. If we are unable to attract and retain our employees or if we lose our key personnel, we may be unable to effectively operate and manage our business or continue our growth. Our future performance depends to a significant degree upon the continued contributions of our employees and management team and our ability to attract, hire, train and retain employees for our workforce and qualified managerial, sales and marketing personnel. If job openings for qualified personnel exceed the available qualified labor pool in a particular location, we may experience difficulty in attracting and retaining our workforce. We may also need to increase our offered compensation and, thus, increase our costs to attract and retain qualified employees. We rely on our sales and marketing teams to create innovative ways to generate demand for the products we distribute. The loss or unavailability to us of any member of our management team or a key sales or marketing employee could have an adverse effect on us to the extent we are unable to timely find adequate replacements. We face competition for these professionals from our competitors, our customers and other companies operating in our industry. We may be unsuccessful in attracting, hiring, training and retaining qualified personnel. Adverse health events, such as a pandemic, could adversely impact our business. From time to time, various diseases have spread across the globe such as COVID- 19, SARS and the avian flu. If a disease spreads sufficiently to cause an epidemic or a pandemic, the ability to operate our business or the businesses of our suppliers, contractors or customers could be reduced due to illness of employees or local restrictions to combat the disease. In addition, our supply chain that spans ~~over~~ 50 countries could be negatively impacted if our suppliers are unable to operate their business. Such an adverse health event could adversely impact our business. Interruptions in the proper functioning of our information systems could disrupt operations and cause increases in costs or decreases in revenue. The proper functioning of our information systems is critical to the successful operation of our business. However, our information systems are vulnerable to natural disasters, power losses, telecommunication failures, cyber incidents and other problems. Many of our systems utilize software as a service or operate on third party " cloud " servers. Likewise, Company data is often stored on these servers. If critical information systems, whether operated by the Company or a contracted third party, fail or are otherwise unavailable, our ability to operate our business could be adversely affected. Our ability to integrate our systems with our customers' systems would also be significantly affected. We maintain information systems controls designed to protect against, among other things, unauthorized program changes and unauthorized access to data on our information systems. If our information systems controls do not function properly, we face increased risks of unexpected errors and unreliable financial data or theft of proprietary Company information. We are constantly upgrading and modifying our information systems and the related software and hardware. We are also implementing new systems and technology **, including a new North American ERP system,** to support and grow our business and increase efficiencies. Finally, we must maintain a number of aging information systems for our Company to operate. A failure to properly upgrade, modify, implement or maintain these systems and technology can have an adverse effect on our Company. The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information or damage to our Company' s image or reputation, all of which could negatively impact our financial results. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our Company' s reputation and image and private data exposure. We have implemented hardware and software solutions, processes, training and procedures to help mitigate this risk, but these measures, as well as our organization' s increased awareness of our risk of a cyber incident, may fail and do not guarantee that our financial results and operations will not be negatively impacted by such an incident. While we also have some insurance to protect against the financial damage that a cyber incident could cause, the insurance may not be adequate for every type of incident to protect against the financial damages that could occur. In some incidents, the Company may be required to shut off its computer systems, reboot them and reestablish its information from back up sources. In other incidents, the Company may be required under various laws to notify any third parties whose data has been compromised. These incidents can adversely affect us. Cyber incidents could include (among others) the following: ● Computer virus software that infects our computer systems to either allow third parties unauthorized access to private, confidential data or denies the Company access from its own information, often for the attacker' s financial gain by demanding a ransom. ● Theft of private information. An unauthorized disclosure of sensitive or confidential supplier, customer or Company information or employee information could cause a theft or unwanted disclosure of data. ● E-mail or other forms of spoofing or " phishing " whereby third parties attempt to trick or induce employees to provide private information, such as passwords, social security numbers or other identifying information, to allow the third party to fraudulently attempt to invoice the Company, tricking employees into making a payment to an unauthorized party or gain access to the Company' s computer systems. ● Intrusion into payment systems. The Company does not generally accept credit cards for payment as most of its customers are industrial and energy companies who provide payment through invoicing processes. Even so, a portion of our payment methods also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems. ● Supplier or customer cyber incidents. Our suppliers and customers also rely upon computer information systems to operate their respective businesses. If any of them experience a cyber incident, this could adversely impact their operations. Suppliers could delay providing product to us for our distribution to our customers. Customers, especially those who do business with us through electronic data interchanges, could be negatively impacted by cyber incidents applicable to them, which, could slow order processing from them or payments to us. ● Cyber incidents applicable to outsourced information systems. We outsource the operations of a significant portion of our computer information systems to third party service providers, which store our information on hosted or cloud systems. Although we review their security precautions with them and attempt to hold them contractually responsible for cyber incidents applicable to our information on their systems these vendors may not maintain adequate security to stop an incident, inform us of an incident in a timely manner or perform as required in their agreements. ●

Supply chain attacks. These attacks occur when software that the Company utilizes is compromised without the Company' s knowledge. Attackers may use this software to access our systems without the Company' s knowledge or permission to obtain data or impede Company operations. Customer credit risks could result in losses. Concentration of our customers in our various industry sectors may impact our overall exposure to credit risk as customers in a sector may be similarly affected by prolonged changes in economic and industry conditions. Further, laws in some jurisdictions in which we operate could make collection difficult or time consuming. In times when commodity prices are low, particularly in our ~~upstream~~ production **and transmission infrastructure** sector, our customers with higher debt levels may not have the ability to pay their debts. Other customers may have specific issues regarding their ability to pay their indebtedness. We perform ongoing credit evaluations of our customers and do not generally require collateral in support of our trade receivables. While we maintain reserves for expected credit losses, these reserves may not be sufficient to meet write- offs of uncollectible receivables or that our losses from such receivables will be consistent with our expectations. We may be unable to successfully execute or effectively integrate acquisitions. From time to time, we may selectively pursue acquisitions, including large scale acquisitions, to continue to grow and increase profitability. However, acquisitions, particularly of a significant scale, involve numerous risks and uncertainties, including intense competition for suitable acquisition targets, the potential unavailability of financial resources necessary to consummate acquisitions in the future, increased leverage due to additional debt financing that may be required to complete an acquisition, dilution of our stockholders' net current book value per share if we issue additional equity securities to finance an acquisition, difficulties in identifying suitable acquisition targets or in completing any transactions identified on sufficiently favorable terms, assumption of undisclosed or unknown liabilities and the need to obtain regulatory or other governmental approvals that may be necessary to complete acquisitions. In addition, any future acquisitions may entail significant transaction costs and risks associated with entry into new markets. Even when acquisitions are completed, integration of acquired entities can involve significant difficulties, such as: ● failure to achieve cost savings or other financial or operating objectives with respect to an acquisition; ● strain on the operational and managerial controls and procedures of our business, and the need to modify systems or to add management resources; ● difficulties in the integration and retention of customers, suppliers or personnel and the integration and effective deployment of operations or technologies; ● amortization of acquired assets, which would reduce future reported earnings; ● possible adverse short- term effects on our cash flows or operating results; ● diversion of management' s attention from the ongoing operations of our business; ● integrating personnel with diverse backgrounds and organizational cultures; ● coordinating sales and marketing functions; ● failure to obtain and retain key personnel of an acquired business; and ● assumption of known or unknown material liabilities or regulatory non- compliance issues. Failure to manage these acquisition risks could have an adverse effect on us. We have a substantial amount of goodwill and other intangible assets recorded on our balance sheet, partly because of acquisitions and business combination transactions. The amortization of acquired intangible assets will reduce our future reported earnings. Furthermore, if our goodwill or other intangible assets become impaired, we may be required to recognize non- cash charges that would reduce our income. As of December 31, ~~2022~~ **2023** , we had $ ~~447~~ **427** million of goodwill and other intangibles recorded on our consolidated balance sheet. A substantial portion of these intangible assets results from acquisitions we have made over the past several years. The excess of the cost of an acquisition over the fair value of identifiable tangible and intangible assets is assigned to goodwill. The amortization expense associated with our identifiable intangible assets will have a negative effect on our future reported earnings. Many other companies, including many of our competitors, may not have the significant acquired intangible assets that we have because they may not have participated in recent acquisitions and business combination transactions similar to ours. Thus, the amortization of identifiable intangible assets may not negatively affect their reported earnings to the same degree as ours. Additionally, under U. S. generally accepted accounting principles, goodwill and certain other indefinite- lived intangible assets are not amortized, but must be reviewed for possible impairment annually, or more often in certain circumstances where events indicate that the asset values are not recoverable. These reviews could result in an earnings charge for impairment, which would reduce our net income even though there would be no impact on our underlying cash flow. We face risks associated with conducting business in markets outside of North America. We currently conduct substantial business in countries outside of North America, and we are subject to geopolitical events and risks related to international instability. We could be materially and adversely affected by economic, legal, political and regulatory developments in the countries in which we do business in the future or in which we expand our business, particularly those countries which have historically experienced a high degree of political or economic instability. Examples of risks inherent in such non- North American activities include: ● changes in the political and economic conditions in the countries in which we operate, including civil uprisings, terrorist acts, wars, civil insurrections and armed uprisings; ● unexpected changes in regulatory requirements; ● changes in tariffs and duties; ● the adoption of foreign or domestic laws limiting exports to or imports from certain foreign countries; ● fluctuations in currency exchange rates and the value of the U. S. dollar; ● restrictions on repatriation of earnings; ● expropriation of property without fair compensation; ● governmental actions that result in the deprivation of contract or proprietary rights; and ● the acceptance of business practices which are not consistent with or are antithetical to prevailing business practices we are accustomed to in North America including export compliance and anti- bribery practices and governmental sanctions. If we begin doing business in a foreign country in which we do not presently operate, we may also face difficulties in operations and diversion of management time in connection with establishing our business there. Risks Related to Our Capital Structure Our indebtedness may affect our ability to operate our business, and this could have a material adverse effect on us. We have now and will likely continue to have indebtedness. As of December 31, ~~2022~~ **2023** , we had total debt outstanding of $ ~~340~~ **301** million and excess availability of $ ~~606~~ **610** million under our credit facilities. We may incur significant additional indebtedness in the future. If new indebtedness is added to our current indebtedness, the risks described below could increase. Our significant level of indebtedness could have important consequences, such as: ● limiting our ability to obtain additional financing to fund our working capital, acquisitions, expenditures, debt service requirements or other general corporate purposes; ● limiting our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to service debt; ● limiting our ability to compete with other companies who are not as highly leveraged; ● subjecting us to restrictive financial and operating covenants in the agreements governing our and our subsidiaries' long- term indebtedness; ● exposing us to potential events of default (if not cured or waived) under financial and operating covenants contained in our or our subsidiaries' debt instruments that could have a material adverse effect on our business, results of operations and financial condition; ● increasing our vulnerability to a downturn in general economic conditions or in pricing of our products; and ● limiting our ability to react to changing market conditions in our industry and in our customers' industries. Our ability to make scheduled debt payments, to refinance our obligations with respect to our indebtedness and to fund capital and non- capital expenditures necessary to maintain the condition of our operating assets, properties and systems software, as well as to provide capacity for the growth of our business, depends on our financial and operating performance. Our business may not generate sufficient cash flow from operations, and future borrowings may not be available to us under our credit facilities in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may seek to sell assets to fund our liquidity needs but may not be able to do so. We may also need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. In addition, we are and will be subject to covenants contained in agreements governing our present and future indebtedness. These covenants include and will likely include restrictions on operations, business and capital flexibility. Any defaults under our credit facilities, including our global asset- based lending facility (" Global ABL Facility "), our senior secured term loan B (" Term Loan ") or our other debt could trigger cross defaults under other or future credit agreements and may permit acceleration of our other indebtedness. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. For a description of our credit facilities and indebtedness, see " Item 7 — Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources ". We are a holding company and depend upon our subsidiaries for our cash flow. We are a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Consequently, our parent company' s cash flow and its ability to meet its obligations or to pay dividends or make other distributions in the future will depend upon the cash flow of our subsidiaries and our subsidiaries' payment of funds to MRC Global Inc. in the form of dividends, tax sharing payments or otherwise. The ability of our subsidiaries to make any payments to us will depend on their earnings, the terms of their current and future indebtedness, tax considerations and legal and contractual restrictions on the ability to make distributions. In particular, our subsidiaries' credit facilities currently impose limitations on the ability of our subsidiaries to make distributions to us and consequently our ability to pay dividends to our stockholders. Subject to limitations in our credit facilities, our subsidiaries may also enter into additional agreements that contain covenants prohibiting them from distributing or advancing funds or transferring assets to us under certain circumstances, including to pay dividends. Our subsidiaries are separate and distinct legal entities. Any right that we have to receive any assets of or distributions from any of our subsidiaries upon the bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of their assets, will be junior to the claims of that subsidiary' s creditors, including trade creditors and holders of debt that the subsidiary issued. Changes in our credit profile may affect our relationship with our suppliers, which could have a material adverse effect on our liquidity. Changes in our credit profile may affect the way our suppliers view our ability to make payments and may induce them to shorten the payment terms of their invoices if they perceive our indebtedness to be high. Given the large dollar amounts and volume of our purchases from suppliers, a change in payment terms may have a material adverse effect on our liquidity and our ability to make payments to our suppliers and, consequently, may have a material adverse effect on us. We may need additional capital in the future, and it may not be available on acceptable terms, or at all. We may require more capital in the future to: ● fund our operations; ● finance investments in equipment and infrastructure needed to maintain and expand our distribution capabilities; ● enhance and expand the range of products we offer; and ● respond to potential strategic opportunities, such as investments, acquisitions and international expansion. Additional financing may not be available on terms favorable to us, or at all. The terms of available financing may place limits on our financial and operating flexibility. If adequate funds are not available on acceptable terms, we may be forced to reduce our operations or delay, limit or abandon expansion opportunities. Moreover, even if we are able to continue our operations, the failure to obtain additional financing could reduce our competitiveness. **Our business and operations could be negatively affected by shareholder activism, which could cause us to incur significant expenses, hinder execution of our business strategy and impact our share price. We value constructive input from investors and regularly engage in dialogue with our shareholders regarding strategy and performance. In recent years, shareholder activism involving corporate governance, fiduciary duties of directors and officers, strategic direction and operations has become increasingly prevalent. In October 2023, it was publicly reported in the press that Engine Capital LP (" Engine ") had privately published a letter to its investors communicating its opinions regarding actions that it believes we should take. While our board of directors (our " Board ") and management team welcome Engine' s views and opinions with the goal of enhancing value for all shareholders, we may be subject to actions or proposals from Engine or other activist shareholders that may not align with our business strategies or the best interests of all of our shareholders. In the event of such shareholder activism- particularly with respect to matters that our Board, in exercising its fiduciary duties, disagrees with, or has determined not to pursue- our business could be adversely affected because responding to activist shareholders actions can be costly and time- consuming, disruptive to our operations and divert the attention of management, our Board and our employees. Our ability to execute our strategic plan could also be impaired as a result. Such an activist campaign could require us to incur substantial legal, public relations and other advisory fees and proxy solicitation expenses. Further, we may become subject to, or we may initiate, litigation as a result of proposals by activist shareholders or matters relating thereto, which could be a further distraction to our Board and management and could**

require us to incur significant additional costs. In addition, perceived uncertainties as to our future direction, strategy or leadership created as a consequence of activist shareholders may result in the loss of potential business opportunities, harm our ability to attract new or retain existing investors, lenders, customers, directors, employees, collaborators or other partners, and the market price of our ordinary shares could also experience periods of increased volatility as a result. Legal and Liability Risks We may not have adequate insurance for potential liabilities, including liabilities arising from litigation. In the ordinary course of business, we have, and in the future, may become the subject of various claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, the products we distribute, employees and other matters, including potential claims by individuals alleging exposure to hazardous materials as a result of the products we distribute or our operations. Some of these claims may relate to the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of the businesses. The products we distribute are sold primarily for use in the energy, industrial **and** gas utility sectors, which are subject to inherent risks that could result in death, personal injury, property damage, pollution, release of hazardous substances or loss of production. In addition, defects in the products we distribute could result in death, personal injury, property damage, pollution, release of hazardous substances or damage to equipment and facilities. Actual or claimed defects in the products we distribute may give rise to claims against us for losses and expose us to claims for damages. We maintain insurance to cover certain of our potential losses, and we are subject to various self- insured retentions, deductibles and caps under our insurance. It is possible, however, that judgments could be rendered against us in cases in which we would be uninsured and beyond the amounts of insurance we have or beyond the amounts that we currently have reserved or anticipate incurring for these matters. Even a partially uninsured claim, if successful and of significant size, could have a material adverse effect on us. Furthermore, we may not be able to continue to obtain insurance on commercially reasonable terms in the future, and we may incur losses from interruption of our business that exceed our insurance coverage. Even in cases where we maintain insurance coverage, our insurers may raise various objections and exceptions to coverage that could make uncertain the timing and amount of any possible insurance recovery. Finally, while we may have insurance coverage, we cannot guarantee that the insurance carrier will have the financial wherewithal to pay a claim otherwise covered by insurance, and as a result we may be responsible for any such claims. Due to our position as a distributor, we are subject to personal injury, product liability and environmental claims involving allegedly defective products. Our customers use certain of the products we distribute in potentially hazardous applications that can result in personal injury, product liability and environmental claims. A catastrophic occurrence at a location where end users use the products we distribute may result in us being named as a defendant in lawsuits asserting potentially large claims, even though we did not manufacture the products. Applicable law may render us liable for damages without regard to negligence or fault. In particular, certain environmental laws provide for joint and several and strict liability for remediation of spills and releases of hazardous substances. Certain of these risks are reduced by the fact that we are a distributor of products that third- party manufacturers produce, and, thus, in certain circumstances, we may have third- party warranty or other claims against the manufacturer of products alleged to have been defective. However, there is no assurance that these claims could fully protect us or that the manufacturer would be able financially to provide protection. There is no assurance that our insurance coverage will cover or be adequate to cover the underlying claims. Our insurance does not provide coverage for all liabilities (including ~~but not limited to~~ **, among others,** liability for certain events involving pollution or other environmental claims). Our insurance does not cover damages from breach of contract by us or based on alleged fraud or deceptive trade practices. We are a defendant in asbestos- related lawsuits. Exposure to these and any future lawsuits could have a material adverse effect on us. We are a defendant in lawsuits involving approximately 1, ~~112~~ **088** claims, arising from exposure to asbestos- containing materials included in products that we are alleged to have distributed. Each claim involves allegations of exposure to asbestos- containing materials by a single individual, his or her spouse or family members. The complaints in these lawsuits typically name many other defendants. In the majority of these lawsuits, little or no information is known regarding the nature of the plaintiffs' alleged injuries or their connection with the products we distributed. The potential liability associated with asbestos claims is subject to many uncertainties, including negative trends with respect to settlement payments, dismissal rates and the types of medical conditions alleged in pending or future claims, negative developments in the claims pending against us, the current or future insolvency of co- defendants, adverse changes in relevant laws or the interpretation of those laws and the extent to which insurance will be available to pay for defense costs, judgments or settlements. In addition, applicable insurance policies are subject to overall caps on limits, which coverage may exhaust the amount available from insurers under those limits. In those cases, the Company is seeking indemnity payments from responsive excess insurance policies, but other insurers may not be solvent or may not make payments under the policies without contesting their liability. Further, while we anticipate that additional claims will be filed against us in the future, we are unable to predict with any certainty the number, timing and magnitude of future claims. Therefore, pending or future asbestos litigation may ultimately have a material adverse effect on us. See " Item 7 — Management' s Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations, Commitments and Contingencies — Legal Proceedings " and " Item 3 — Legal Proceedings " for more information. We are subject to U. S. and other anti- corruption laws, trade controls, economic sanctions, and similar laws and regulations, including those in the jurisdictions where we operate. Our failure to comply with these laws and regulations could subject us to civil, criminal and administrative penalties and harm our reputation. Doing business on a worldwide basis requires us to comply with the laws and regulations of the U. S. government and various foreign jurisdictions. These laws and regulations place restrictions on our operations, trade practices, partners and investment decisions. In particular, our operations are subject to U. S. and foreign anti- corruption, anti- bribery and trade control laws and regulations, such as the Foreign Corrupt Practices Act (" FCPA "), export controls and economic sanctions programs, including those administered by the U. S. Treasury Department' s Office of Foreign Assets Control (" OFAC "). As a result of doing business in foreign countries and with foreign partners, we are exposed to a heightened risk of violating anti- corruption, anti- bribery and trade control laws and sanctions regulations. The FCPA prohibits us from providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. It also requires us to keep books and records that accurately and fairly reflect the Company' s transactions. As part of our business, we may deal with state- owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. In addition, the provisions of the United Kingdom Bribery Act ~~(the " Bribery Act ")~~ and other laws extend beyond bribery of foreign public officials and also apply to transactions with individuals that a government does not employ. Economic sanctions programs restrict our business dealings with certain sanctioned countries, persons and entities. In addition, because we act as a distributor, we face the risk that our customers might further distribute our products to a sanctioned person or entity, or an ultimate end- user in a sanctioned country, which might subject us to an investigation concerning compliance with OFAC or other sanctions regulations. Violations of anti-corruption and trade control laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment. Such a violation could have a material adverse effect on our reputation, business, financial condition and results of operations. In addition, various state and municipal governments, universities and other investors maintain prohibitions or restrictions on investments in companies that do business with sanctioned countries, persons and entities, which could adversely affect the market for our common stock and other securities. We are exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes- Oxley Act of 2002 (the " Sarbanes- Oxley Act "). Section 404 of the Sarbanes- Oxley Act requires us to annually evaluate our internal controls systems over financial reporting. This is not a static process as we may change our processes each year or acquire new companies that have different controls than our existing controls. Upon completion of this process each year, we may identify control deficiencies of varying degrees of severity under applicable U. S. Securities and Exchange Commission (" SEC ") and Public Company Accounting Oversight Board ~~(" PCAOB ")~~ rules and regulations that remain unremediated. We are required to report, among other things, control deficiencies that constitute a " material weakness " or changes in internal controls that, or that are reasonably likely to, materially affect internal controls over financial reporting. A " material weakness " is a significant deficiency or combination of significant deficiencies in internal control over financial reporting that results in a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected and corrected on a timely basis. We could suffer a loss of confidence in the reliability of our financial statements if we or our independent registered public accounting firm reports a material weakness in our internal controls, if we do not develop and maintain effective controls and procedures or if we are otherwise unable to deliver timely and reliable financial information. Any loss of confidence in the reliability of our financial statements or other negative reaction to our failure to develop timely or adequate disclosure controls and procedures or internal controls could result in a decline in the price of our common stock. In addition, if we fail to remedy any material weakness, our financial statements may be inaccurate, we may face restricted access to the capital markets and our stock price may be adversely affected. Compliance with and changes in laws and regulations in the countries in which we operate could have a significant financial impact and affect how and where we conduct our operations. We have operations in the U. S. and in ~~14~~ **15** other countries. Expected and unexpected changes in the business and legal environments in the countries in which we operate can impact us. Compliance with and changes in laws, regulations and other legal and business issues could impact our ability to manage our costs and to meet our earnings goals. Compliance related matters could also limit our ability to do business in certain countries. Changes that could have a significant cost to us include new legislation, new regulations, or a differing interpretation of existing laws and regulations, changes in tax law or tax rates, the unfavorable resolution of tax assessments or audits by various taxing authorities, changes in trade and other treaties that lead to differing tariffs and trade rules, the expansion of currency exchange controls, export controls or additional restrictions on doing business in countries subject to sanctions in which we operate or intend to operate. ITEM 1B. UNRESOLVED STAFF COMMENTS