The Perfect Storm
Navigating Through the Turbulence of Risk and Change
Gary Ittner
Executive Vice President – Supply Chain
McJunkin Red Man Corporation
Prices for oil and natural gas spiked last year...

As prices rose, demand increased

Source: Energy Information Agency
And though prices for some product groups followed

Raw material comprises high percentage of production costs

Source: Market and MRC proprietary data; MRC internal analysis
Others rose only modestly

Raw material comprises high percentage of production costs

Raw material comprises low percentage of production costs

Source: Market and MRC proprietary data; MRC internal analysis
Conclusions

- Pricing for piping trends seem to follow energy curve
  - Oil and gas prices drive OCTG demand
  - Standard and line pipe tend to follow OCTG
  - Other products tend to follow

- PVF has not fully retraced the reduction in energy pricing

- Influence of ongoing market dynamics is X-factor
  - Impact of excess for selected items
  - Tightly managed production output
  - Anti-dumping and countervailing duties
  - Limited number of manufactures for certain product types