Business Strategies in a Dynamic Market

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JOURNEY INTO UNCHARTED TERRITORIES
PLENARY SESSION 2

REPOSITIONING THE PROJECTS BUSINESS IN A WORLD WITH CHANGING BOUNDARIES
Global Supplier of Choice®
MRC is the Largest Distributor of PVF Products Globally

• Provide Pipe, Valves, Fittings and related products and services to the energy and industrial markets
• Valve Actuation, Valve Modification, Specialty Products
• Global company based in Houston, TX
• Over 400 MRC Global Service Locations
• 2010 Sales = $3.96 Billion (Global Sales)
• ~$785 Million Inventory Value (On the Ground)
• 3,800 Employees

MRC Locations

Australia  Kazakhstan
Belgium  Korea
Canada  Netherlands
China  New Zealand
Finland  Singapore
France  Thailand
Germany  United Arab Emirates
Indonesia  United Kingdom
Italy  United States

Includes MRC Midfield, MRC Transmark and MRC SPF
Economy is recovering and/or expanding worldwide

Source: Dismal Scientist / Moody’s Analytics
The North America Shale Plays are expanding

1. U.S. Shale Plays

(trillion cubic feet per year)

Source: US Energy Information Administration

Source: Dismal Scientist / Moody’s Analytics
The Oil Sands Project activity is expanding in Canada

2. Canadian Oil Sands

Source: Spears and Associates
Australia LNG project activity is very active

3. Australia LNG

(Million tonnes per year)

Forecasted Growth = 770%

Source: Australian Petroleum Production and Exploration Association

Source: Dismal Scientist / Moody’s Analytics
Positioning MRC for Shale Projects in N. America

- **South Texas Supply**
  - Acquisition: May 2010
  - *Eagle Ford Shale*

- **Midfield Supply**
  - Acquired Full Interest: July 2008

- **Dresser Oil Tools**
  - Acquisition: August 2010
  - *Bakken Shale*

- **LaBarge**
  - Acquisition: October 2008
MRC’s Focus on North American Shale Plays

Shale Support
MRC has a full range of capabilities to service shale development from rig to distribution

- Bakken
- Marcellus
- Fayetteville
- Woodford
- Haynesville
- Barnett
- Eagle Ford
Positioning MRC for Projects in Australasia & M.E.

Transmark FCX
Acquisition - October 2009

Asia
Energy & Chemical

Middle East
Oil & Gas

SPF
Acquisition - June 2011
Managing supply challenges in the marketplace

**Sourcing Challenges**

- On time delivery / supply interruptions
- Country of origin may be misleading due to outsourced components
- Government regulations can restrict materials from certain countries entering their market
- Price impact due to currency fluctuations through project lifecycle
Managing Materials Logistical Challenges

Fabrication - Construction – Site Erection

• Low Complexity – Local Logistics
  • Spool fabrication close to jobsite
  • Spools shipped to field for erection
  • Local/Regional supply partner strategy

• Medium Complexity – Regional Logistics
  • One or more pipe spool fabricators
  • Spools shipped to one or more regional module fabricators
  • Modules shipped to field for erection
  • Regional supply partner strategy with materials management capabilities

• High Complexity – Global Logistics
  • Spool fabrication at multiple locations/countries
  • Module fabrication at multiple locations/countries
  • Modules shipped to field for erection
  • Global supply partner strategy with materials management in multiple regions
Maintaining product integrity

Risk Mitigation Strategies

• Counterfeit materials – typically found in higher value products
  • Don’t over rely on product certifications
  • Deal with reputable Supply Partners

• Know your Supply Partners channels
  • Avoid suppliers who buy/resell surplus or reconditioned materials
  • Choose supply partners who purchase directly from manufacturers

• Support Supply Partners who have:
  • A robust Supplier Qualification/Audit Process
  • Regional Surveillance Teams
  • Formal Response Program
Investment casting molds are designed to be filled completely.
Short pouring molds can increase yield by 5-10% at the expense of quality.
Cast Valve Machining

Good Quality
Cast Valve Machining

Poor Quality
Valve Seat Polishing

Good Quality
Valve Seat Polishing

Poor Quality
Forging Operation

Good Quality
Forging Operation

Poor Quality
1. Supplier Qualification Process / Approved Supplier List
   - Regular Assessments
   - On-Site Audits
   - Monitor Quality Issues

2. Product Quality Process
   - Material randomly selected for inspection and testing to industry standards and specifications

3. Response Program
   - Problem Recognition
   - Core Value: Operational Excellence
   - Identify Cause
   - Limit Impact
   - Resolve & Correct

Managing Product Quality - Critical in a Global Environment
Global Supply Partner can support project objectives

Owner/EPC Manage Total Cost of Ownership Through Project Lifecycle

- Cost Management
- Quality Products & Processes
- Delivery Assurance

Convey Market Intelligence and Lead Times
Leverage Manufacturer Strengths
Product/Process Standardization
Flexibility/Inventory Position
Supply Partner Leverage
Technical/Commercial Advisement

Project Lifecycle

FEED
Detail Engineering
Execution
Operations
What should a Global Supply Partner look like?

• Ability to provide **Local Content**
• Supply **Reliable Products** at a low cost
• **Technical Expertise** to support Engineering
• Dedicated **Execution** Resources
• **Leverage** with major approved manufacturers
• Available **Inventory** to support “Top Offs”
• **Supplier Qualification Process** to qualify new/existing suppliers/sub-suppliers
• Regional **Surveillance** Teams
• **Strong** Balance Sheet
• **Experience**
Journey Into Uncharted Territories

How are owners, contractors and suppliers adapting to successfully execute projects and reposition their businesses in the ever evolving project environment?

Repositioning the Projects Business in a World With Changing Boundaries