



KLX Energy Services

First Quarter 2019
Conference Call
May 22, 2019

Disclaimer

Forward-Looking Statements

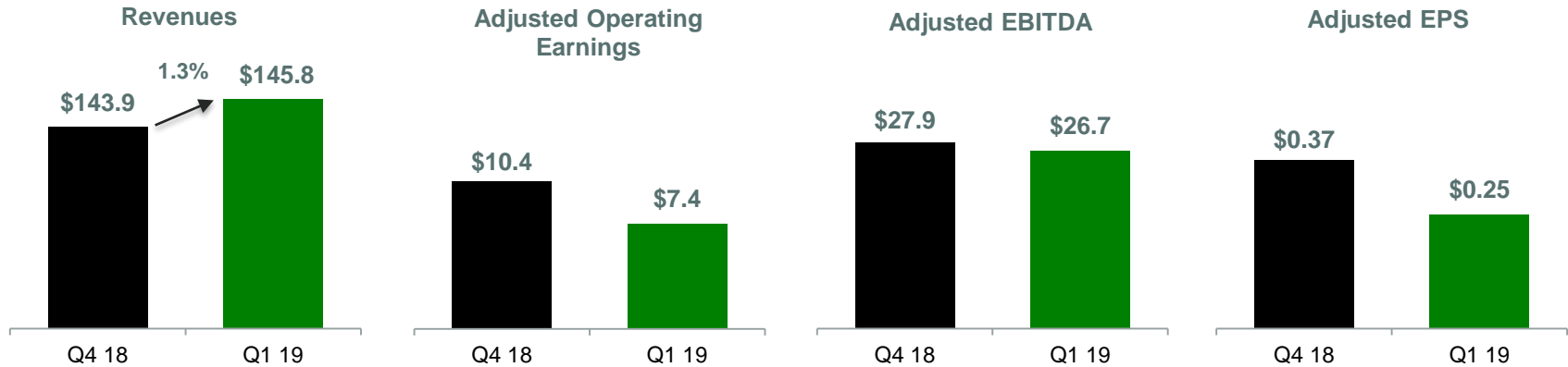
This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Such forward-looking statements involve risks and uncertainties. The Company's actual experience and results may differ materially from the experience and results anticipated in such statements. Factors that might cause such a difference include those discussed in the Company's filings with the SEC, which include its Annual Report on Form 10-K, Quarterly reports on Form 10-Q and Current Reports on Form 8-K. For more information, see the section entitled "Forward-Looking Statements" contained in the Company's Annual Report on Form 10-K and in other filings. The forward-looking statements included in this presentation are made only as of the date of this presentation and, except as required by federal securities laws and rules and regulations of the SEC, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

This presentation includes "Adjusted Net Earnings (loss)" and "Adjusted Net Earnings (loss) per diluted share" to reflect net earnings before Costs as Defined, amortization and non-cash compensation expense. This presentation includes "Adjusted operating earnings," "free cash flow" and "Return on Invested Capital," which excludes Costs as Defined. This release also includes "Adjusted EBITDA," which excludes Costs as Defined and non-cash compensation expense. Each of the aforementioned metrics are "non-GAAP financial measures" as defined in Regulation G of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

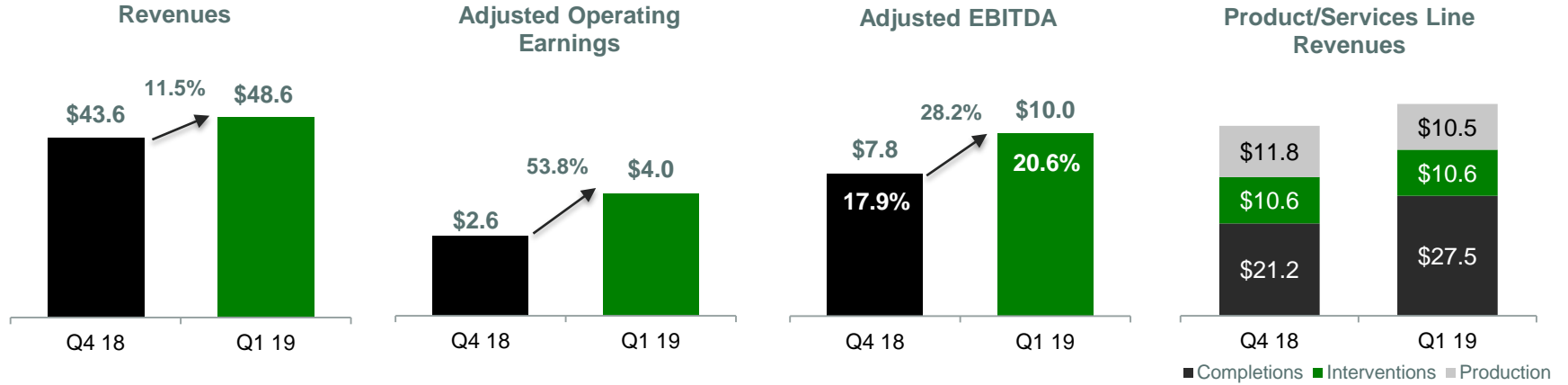
The Company uses the above described adjusted measures to evaluate and assess the operational strength and performance of the business and of particular segments of the business. The Company believes these financial measures are relevant and useful for investors because it allows investors to have a better understanding of the Company's actual operating performance unaffected by the impact of the Costs as Defined. These financial measures should not be viewed as a substitute for, or superior to, operating earnings, net earnings or net cash flows provided by operating activities (each as defined under GAAP), the most directly comparable GAAP measures, as a measure of the Company's operating performance.

First Quarter Consolidated 2019 Results



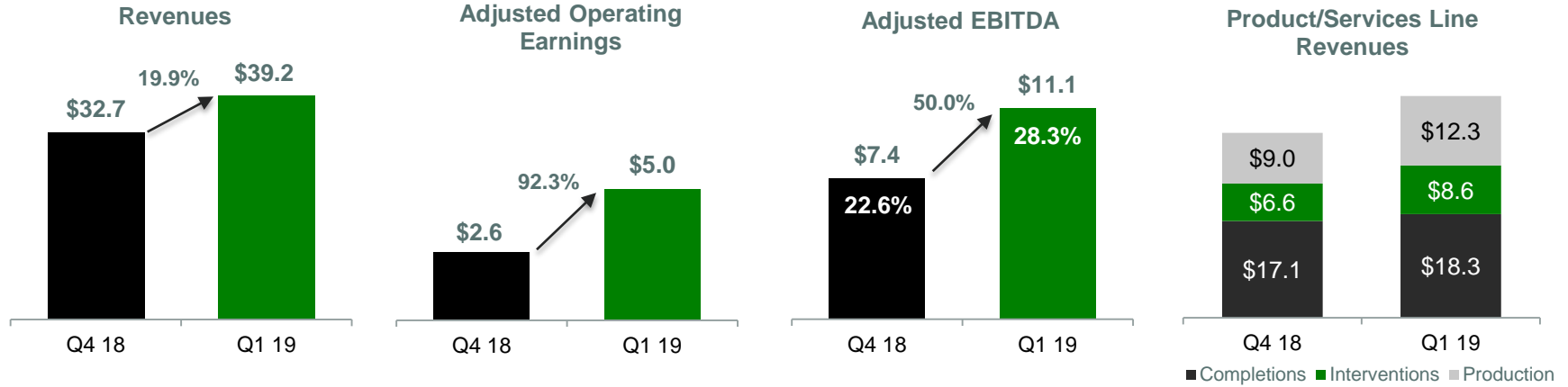
- Revenues of \$145.8 million increased 1.3%, reflecting an 11.5% increase in Rocky Mountains segment revenue and a 19.9% increase in Northeast/Mid-Con segment revenues, mostly offset by a 14.2% decline in Southwest segment revenues
- Adjusted operating earnings were \$7.4 million, or 5.1% of revenues
- Adjusted EBITDA was \$26.7 million, or 18.3% of revenues
- Adjusted EPS was \$0.25 per share

Segment Results | Rocky Mountains



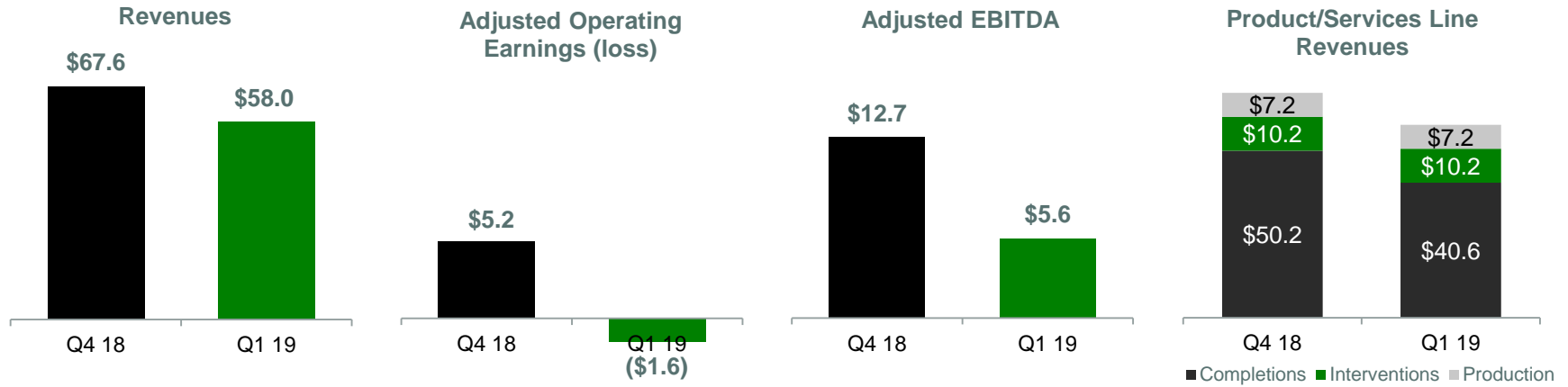
- Revenues increased 11.5% to \$48.6 million, driven primarily by market share gains, including significant increases in both the number of active customers and the breadth of services provided to existing customers, and initial contributions from recent acquisitions
- Adjusted operating earnings increased \$1.4 million or 53.8% to \$4.0 million
- Adjusted EBITDA increased \$2.2 million or 28.2% to \$10.0 million, or 20.6% of revenues

Segment Results | Northeast/Mid-Con



- Revenues increased 19.9% to \$39.2 million, driven primarily by market share gains, including significant increases in both the number of active customers and the breadth of services provided to existing customers, and initial contributions from recent acquisitions
- Adjusted operating earnings increased \$2.4 million or 92.3% to \$5.0 million
- Adjusted EBITDA increased \$3.7 million or 50.0% to \$11.1 million, or 28.3% of revenues

Segment Results | Southwest



- Revenues of \$58.0 million, declined 14.2% driven primarily by the slow ramp-up of completion activities in February and early March, and a weak pricing environment at the beginning of the quarter
- Adjusted operating loss was \$(1.6) million
- Adjusted EBITDA was \$5.6 million, or 9.7% of revenues, and decreased \$7.1 million

Financial Position

	April 30, 2019	
	<u>(\$ in millions)</u>	
Cash	\$	111
Long-term debt, net of cash	\$	139
Stockholders' equity	\$	387
Net-debt-to-net-capital ratio		26%

No debt maturities until 2025
\$100 Million undrawn credit facility

Second Quarter 2019 Guidance

- Revenues are expected to be approximately \$180 million, an increase of approximately 25 percent as compared to the first quarter of 2019
- EBITDA, adjusted to exclude non-cash compensation expense, is expected to be approximately \$41 million, or approximately 23 percent, an increase of approximately 55 percent and 500 basis points as compared to the first quarter of 2019
- Net Earnings and Net Earnings per diluted share, adjusted to exclude non-cash compensation and amortization expense, are expected to be approximately \$18 million and approximately \$0.80 per diluted share
- Return on invested capital is expected to be approximately 19 percent

Full Year 2019 Guidance

- Revenues are expected to increase by approximately 60% to approximately \$800 million
- EBITDA, adjusted to exclude non-cash compensation expense, is expected to increase approximately 85% to approximately \$200 million, representing an approximate 25% Adjusted EBITDA margin
- Net Earnings and Net Earnings per diluted share, adjusted to exclude non-cash compensation and amortization expense, are expected to increase approximately 75 percent and approximately 60 percent, respectively, to approximately \$101 million and approximately \$4.50 per diluted share
- Capital expenditures are expected to be approximately \$100 million, reflecting investments to roll out new PSLs and related services to relevant geographic regions, thereby enabling each geographic segment to offer the broader range of services required by our customers. The Company expects to complete the investment phase of its strategic plan by end of the third quarter and expect substantially reduced capital expenditures and substantial positive free cash flow beginning in the fourth quarter and for all of fiscal year 2020
- Return on Invested Capital is expected to be approximately 20%

Reconciliation of Non-GAAP Financial Measures

Reconciliation of Non-GAAP Measures

KLX ENERGY SERVICES HOLDINGS, INC.
RECONCILIATION OF NET (LOSS) EARNINGS
TO ADJUSTED NET EARNINGS PER DILUTED SHARE
(In Millions, Except Per Share Data)

	THREE MONTHS ENDED	
	April 30, 2019	January 30, 2019
Net (loss) earnings	\$ (5.0)	\$ 4.9
Amortization expense	0.8	0.7
Non-cash compensation	4.5	4.3
Income taxes	0.3	0.5
One-time expenses ¹	5.0	(2.1)
Adjusted earnings before tax expense	5.6	8.3
Income taxes ²	0.3	0.8
Adjusted Net Earnings	\$ 5.3	\$ 7.5
Adjusted Net Earnings per diluted share	\$ 0.25	\$ 0.37
Diluted weighted average shares	21.2	20.2

¹ One-time expenses include: Q1 2019 Activities Costs principally associated with recent Red Bone and Tecton acquisitions, including onboarding and training of 70 operating personnel prior to rolling out the new services in additional geographic regions. Q4 2018 one-time expenses associated with the spin-off of its Energy Service Group business, offset by an approximate \$4.0 million gain on asset sale.

² Prior period income taxes are calculated at the effective tax rate.

Reconciliation of Non-GAAP Measures

KLX ENERGY SERVICES HOLDINGS, INC.
RECONCILIATION OF CONSOLIDATED OPERATING EARNINGS
TO ADJUSTED EBITDA
(In Millions)

	THREE MONTHS ENDED	
	April 30, 2019	January 31, 2019
Operating earnings	\$ 2.4	\$ 12.5
One-time expenses ¹	5.0	(2.1)
Adjusted operating earnings	7.4	10.4
Depreciation and amortization	14.8	13.2
Non-cash compensation	4.5	4.3
Adjusted EBITDA	\$ 26.7	\$ 27.9

RECONCILIATION OF ROCKY MOUNTAINS OPERATING EARNINGS
TO ADJUSTED EBITDA
(In Millions)

	THREE MONTHS ENDED	
	April 30, 2019	January 31, 2019
Rocky Mountains operating earnings	\$ 2.9	\$ 2.2
One-time expenses ¹	1.1	0.4
Adjusted Rocky Mountains operating earnings	4.0	2.6
Depreciation and amortization	4.5	4.1
Non-cash compensation	1.5	1.1
Rocky Mountains Adjusted EBITDA	\$ 10.0	\$ 7.8

Reconciliation of Non-GAAP Measures

RECONCILIATION OF NORTHEAST/MID-CON OPERATING EARNINGS TO ADJUSTED EBITDA (In Millions)

	THREE MONTHS ENDED	
	April 30, 2019	January 31, 2019
Northeast/Mid-Con operating earnings	\$ 3.5	\$ 6.3
One-time expenses ¹	1.5	(3.7)
Adjusted Northeast/Mid-Con operating earnings	5.0	2.6
Depreciation and amortization	4.9	3.9
Non-cash compensation	1.2	0.9
Northeast/Mid-Con Adjusted EBITDA	<u>\$ 11.1</u>	<u>\$ 7.4</u>

RECONCILIATION OF SOUTHWEST OPERATING (LOSS) EARNINGS TO ADJUSTED EBITDA (In Millions)

	THREE MONTHS ENDED	
	April 30, 2019	January 31, 2019
Southwest operating (loss) earnings	\$ (4.0)	\$ 4.0
One-time expenses ¹	2.4	1.2
Adjusted Southwest operating (loss) earnings	(1.6)	5.2
Depreciation and amortization	5.4	5.2
Non-cash compensation	1.8	2.3
Southwest Adjusted EBITDA	<u>\$ 5.6</u>	<u>\$ 12.7</u>

Reconciliation of Non-GAAP Measures

KLX ENERGY SERVICES HOLDINGS, INC.
RECONCILIATION OF Q2 2019 AND FULL YEAR 2019 GUIDANCE; NET EARNINGS
TO ADJUSTED NET EARNINGS AND ADJUSTED NET EARNINGS PER DILUTED SHARE
(In Millions, Except Per Share Data)

	Q2 2019 Guidance	2019 Guidance
	(Approximate Amounts)	(Approximate Amounts)
Net earnings	\$ 13	\$ 75
Amortization	1	4
Non-cash compensation	5	19
One-time costs	-	5
Income taxes	1	9
Adjusted earnings before tax expense	\$ 20	\$ 112
Income taxes	(2)	(11)
Adjusted Net Earnings	\$ 18	\$ 101
Adjusted Net Earnings per diluted share	\$ 0.80	\$ 4.50
Diluted weighted average shares	22.5	22.4

Reconciliation of Non-GAAP Measures

KLX ENERGY SERVICES HOLDINGS, INC.
RECONCILIATION OF Q2 2019 AND FULL YEAR 2019 GUIDANCE; OPERATING EARNINGS
TO ADJUSTED EBITDA
(In Millions)

	Q2 2019 Guidance	2019 Guidance
	(Approximate Amounts)	(Approximate Amounts)
Operating earnings	\$ 20	\$ 112
Depreciation and amortization	16	64
Non-cash compensation	5	19
One-time costs	-	5
Adjusted EBITDA	<u>\$ 41</u>	<u>\$ 200</u>

Reconciliation of Non-GAAP Measures

KLX ENERGY SERVICES HOLDINGS, INC.
RECONCILIATION OF ROIC CALCULATIONS
(In Millions)

	<u>Q2 2019 (Annualized)</u> <u>(Approximate Amounts)</u>
Net earnings	52
Amortization	4
Non-cash compensation expense	20
Income taxes	<u>4</u>
Adjusted earnings before tax expense	\$ 80
Income taxes	<u>(8)</u>
Adjusted Net Earnings	<u>\$ 72</u>
Adjusted Net Earnings	72
Amortization	(4)
Non-cash compensation expense	(20)
Interest expense	28
Income tax expense	8
Adjusted operating earnings	<u>\$ 84</u>
Adjusted operating earnings	84
Income tax expense	(8)
After-tax net operating earnings	<u>\$ 76</u>
Average total capital	\$ 411
Return on invested capital	<u>19%</u>

Reconciliation of Non-GAAP Measures

KLX ENERGY SERVICES HOLDINGS, INC.
RECONCILIATION OF ROIC CALCULATIONS
(In Millions)

		<u>FY 2019 Outlook</u> <u>(Approximate Amounts)</u>
Net earnings	\$	75
Amortization		4
Non-cash compensation expense		19
One-time costs		5
Income taxes		9
Adjusted earnings before tax expense		<u>112</u>
Income taxes		(11)
Adjusted Net Earnings	\$	<u>101</u>
Adjusted Net Earnings	\$	101
Amortization		(4)
Non-cash compensation expense		(19)
Interest expense		28
Income tax expense		11
Adjusted operating earnings	\$	<u>117</u>
Adjusted operating earnings	\$	117
Income tax expense		(11)
After-tax net Adjusted operating earnings	\$	<u>106</u>
Average total capital	\$	464
Return on invested capital		<u>22%</u>



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