

KLX Energy Services

Third Quarter 2018

Conference Call

December 5, 2018

Disclaimer

Forward-Looking Statements

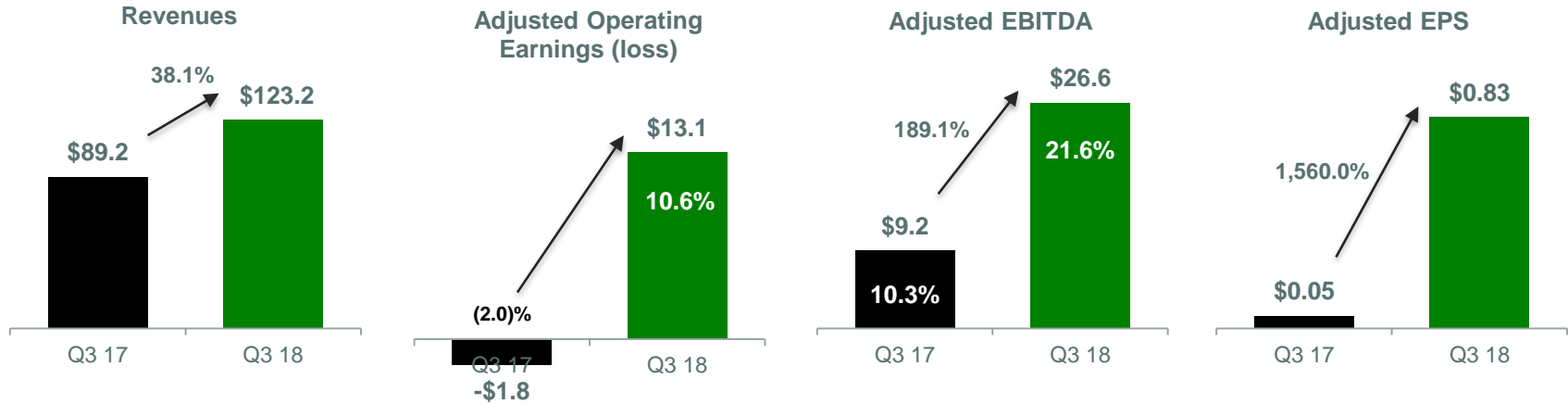
This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Such forward-looking statements involve risks and uncertainties. The Company's actual experience and results may differ materially from 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 Registration Statement on Form 10, 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 Registration Statement on Form 10 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").

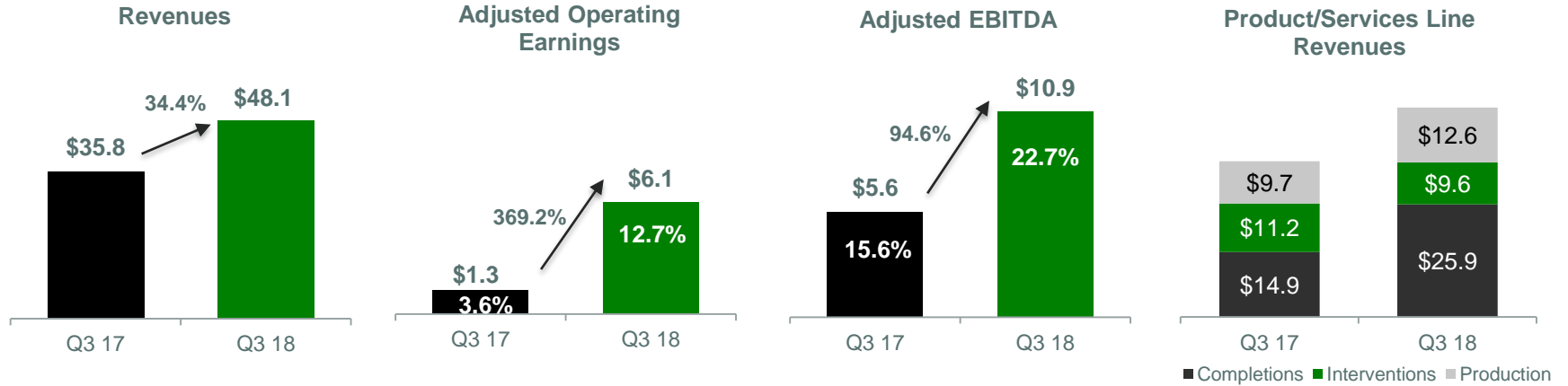
The Company uses the above described adjusted measures to evaluate and assess the operational strength and performance of the business and of particular segments of the business. The Company believes these financial measures are relevant and useful for investors because it allows **investors to have 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.**

Third Quarter Consolidated 2018 Results



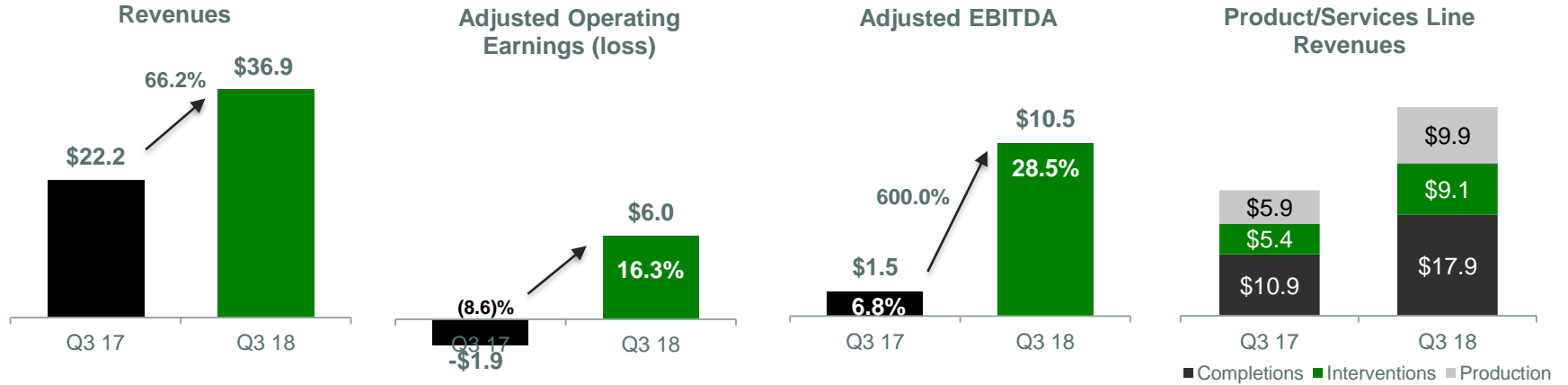
- Third quarter revenues increased 38.1%, driven by a 34.4% increase in Rocky Mountains segment revenue, a 66.2% increase in Northeast/Mid-Con segment revenues and a 22.4% increase in Southwest segment revenues
- Third quarter Adjusted operating earnings increased \$14.9 million to \$13.1 million, or 10.6% of revenues
- Third quarter Adjusted EBITDA increased \$17.4 million to \$26.6 million, or 21.6% of revenues
- Third quarter Adjusted EPS increased \$0.78 per share to \$0.83
- On a sequential basis revenues increased 4.5% and Adjusted EBITDA was down slightly

Segment Results | Rocky Mountains



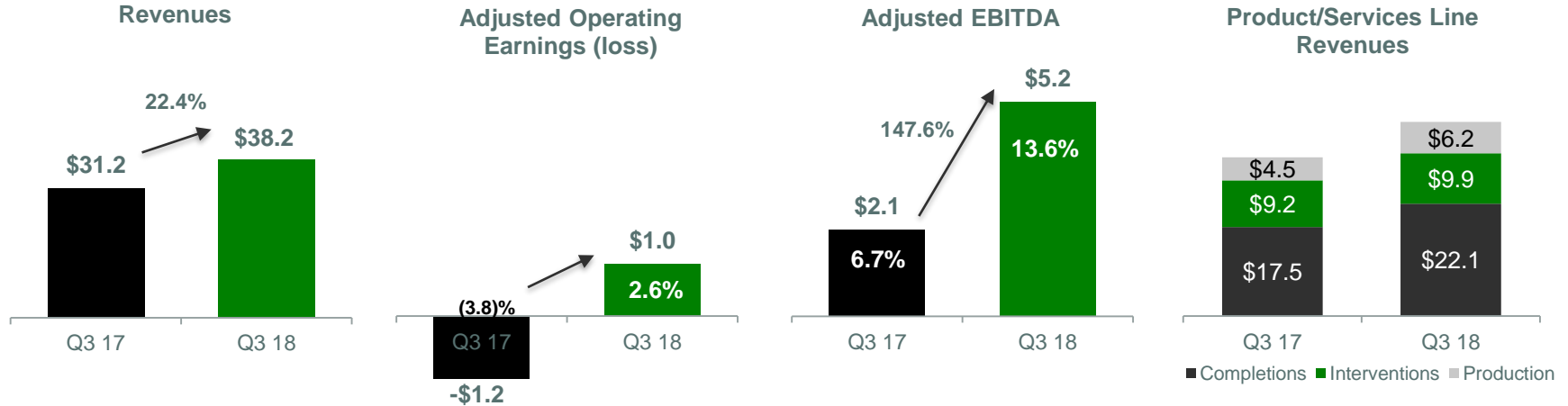
- Revenues increased 34.4% to \$48.1 million, driven by an increase in completion and production activity of approximately 73.8% and 29.9%, respectively
- Adjusted operating earnings increased \$4.8 million to \$6.1 million, reflecting increased operating leverage and strong demand in higher margin PSLs
- Adjusted EBITDA increased \$5.3 million or 94.6% to \$10.9 million, or 22.7% of revenues
- On a sequential quarterly basis, revenues and Adjusted EBITDA were essentially flat

Segment Results | Northeast/Mid-Con



- Revenues increased 66.2% to \$36.9 million, driven by an increase in intervention, production and completion activity of approximately 68.5%, 67.8% and 64.2%, respectively
- Adjusted operating earnings increased \$7.9 million to \$6.0 million, reflecting increased operating leverage and strong demand in higher margin PSLs
- Adjusted EBITDA increased \$9.0 million or 600.0% to \$10.5 million, or 28.5% of revenues
- On a sequential quarterly basis, revenues increased approximately 25%, while Adjusted EBITDA increased to \$10.5 million, representing a 28.5% Adjusted EBITDA margin

Segment Results | Southwest



- Revenues increased 22.4% to \$38.2 million, driven by an increase in production, completion and intervention activity of approximately 37.8%, 26.3% and 7.6%, respectively. Adjusted operating earnings increased \$2.2 million to \$1.0 million, reflecting increased operating leverage and strong demand in higher margin product services lines (“PSLs”)
- Adjusted EBITDA increased \$3.1 million or 147.6% to \$5.2 million, or 13.6% of revenues
- On a sequential quarterly basis revenues and Adjusted EBITDA declined \$2.4 million and \$1.7 million, respectively
- We are expecting strong fourth quarter organic growth, driven by new proprietary PSL additions, including dissolvable plugs and flotation collars, and proprietary fishing and thru-tubing tools

Financial Position

	October 31, 2018	
	<u>(\$ in millions)</u>	
Cash	\$	313
Cash (Adjusted for Motley Acquisition)¹	\$	174
Long-term debt	\$	243
Stockholders' equity	\$	328

¹ Use of \$139 million in cash to complete Motley acquisition on November 5, 2018

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

Full Year 2018 Guidance

- As compared to the prior year, revenues are expected to increase by approximately 62% to approximately \$520 million
- Fourth quarter organic revenue growth is expected to reflect a high single digit percentage increase, as compared to the third quarter
- Adjusted EBITDA is expected to increase approximately 360% to approximately \$114 million, representing a 21.9% Adjusted EBITDA margin
- Return on Invested Capital is expected to be approximately 18%
- Excludes integration costs associated with the Motley acquisition which we expect to incur in the fourth quarter

2019 Outlook | Assuming Stable Oil and Gas Prices at Current Levels

- Revenues are expected to increase by approximately 45% to approximately \$750 million
- Adjusted EBITDA is expected to increase approximately 65% to approximately \$190 million, representing an approximate 25% Adjusted EBITDA margin
- Adjusted Net Earnings and Adjusted Net Earnings per diluted share are expected to be approximately \$97 million and approximately \$4.50 per diluted share, respectively
- Capital expenditures are expected to be approximately \$100 million
- Free Cash Flow is expected to be approximately \$60 million, or approximately 8% of revenues
- Return on Invested Capital is expected to be approximately 22%

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 (LOSS) PER DILUTED SHARE
(In Millions, Except Per Share Data)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2018	October 31, 2017	October 31, 2018	October 31, 2017
Net (loss) earnings	\$ (9.9)	\$ (1.8)	\$ 9.5	\$ (20.1)
Amortization expense	0.1	0.1	0.2	0.2
Non-cash compensation ¹	3.4	2.8	8.5	8.6
Income taxes	-	-	0.1	0.1
Costs as Defined ²	23.0	-	28.7	-
Adjusted earnings (loss) before tax expense	16.6	1.1	47.0	(11.2)
Income taxes	-	-	0.5	0.1
Adjusted net earnings (loss)	<u>\$ 16.6</u>	<u>\$ 1.1</u>	<u>\$ 46.5</u>	<u>\$ (11.3)</u>
Adjusted net earnings (loss) per diluted share	<u>\$ 0.83</u>	<u>\$ 0.05</u>	<u>\$ 2.30</u>	<u>\$ (0.56)</u>
Diluted weighted average shares	20.1	20.1	20.2	20.1

¹ Excludes non-cash compensation expense which are a part of Costs as Defined.

² Excludes Costs as Defined, which includes costs associated with the merger of KLX Inc.'s ASG business with The Boeing Company, including \$10.7 million of non-cash compensation expense related to the acceleration of unvested shares held by KLX Energy employees, the spin-off of the KLX Energy Services business, the amendment of the ABL facility, the issuance of the \$250 million senior secured notes due 2025 and the acquisition of Motley (completed on November 5, 2018).

Reconciliation of Non-GAAP Measures

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2018	October 31, 2017	October 31, 2018	October 31, 2017
Operating (loss) earnings	\$ (9.9)	\$ (1.8)	\$ 9.6	\$ (20.0)
Costs as defined ⁽¹⁾	23.0	-	28.7	-
Adjusted operating earnings (loss)	13.1	(1.8)	38.3	(20.0)
Depreciation and amortization	10.1	8.2	28.3	25.1
Non-cash compensation ⁽²⁾	3.4	2.8	8.5	8.6
Adjusted EBITDA	<u>\$ 26.6</u>	<u>\$ 9.2</u>	<u>\$ 75.1</u>	<u>\$ 13.7</u>

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2018	October 31, 2017	October 31, 2018	October 31, 2017
Rocky Mountains operating (loss) earnings	\$ (3.2)	\$ 1.3	\$ 3.3	\$ (0.5)
Costs as defined ⁽¹⁾	9.3	-	11.5	-
Adjusted Rockies operating earnings (loss)	6.1	1.3	14.8	(0.5)
Depreciation and amortization	3.9	3.1	11.3	8.9
Non-cash compensation ⁽²⁾	0.9	1.2	2.9	3.5
Rocky Mountains Adjusted EBITDA	<u>\$ 10.9</u>	<u>\$ 5.6</u>	<u>\$ 29.0</u>	<u>\$ 11.9</u>

⁽¹⁾ Excludes Costs as Defined, which includes costs associated with the merger of KLX Inc.'s ASG business with The Boeing Company, the spin-off of the KLX Energy Services business, the amendment of the ABL facility, the issuance of the \$250 million senior secured notes due 2025 and the acquisition of Motley (completed on November 5, 2018)

⁽²⁾ Excludes one-time costs associated with non-cash compensation expense, which is included in Costs as Defined

Reconciliation of Non-GAAP Measures

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2018	October 31, 2017	October 31, 2018	October 31, 2017
Northeast/Mid-Con operating (loss) earnings	\$ (0.7)	\$ (1.9)	\$ 7.1	\$ (9.1)
Costs as defined ⁽¹⁾	6.7	-	8.2	-
Adjusted Northeast operating earnings (loss)	6.0	(1.9)	15.3	(9.1)
Depreciation and amortization	3.5	2.7	9.7	8.4
Non-cash compensation ⁽²⁾	1.0	0.7	2.3	2.2
Northeast Adjusted EBITDA	\$ 10.5	\$ 1.5	\$ 27.3	\$ 1.5

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2018	October 31, 2017	October 31, 2018	October 31, 2017
Southwest operating loss	\$ (6.0)	\$ (1.2)	\$ (0.8)	\$ (10.4)
Costs as defined ⁽¹⁾	7.0	-	9.0	-
Adjusted Southwest operating earnings (loss)	1.0	(1.2)	8.2	(10.4)
Depreciation and amortization	2.7	2.4	7.3	7.8
Non-cash compensation ⁽²⁾	1.5	0.9	3.3	2.9
Southwest Adjusted EBITDA	\$ 5.2	\$ 2.1	\$ 18.8	\$ 0.3

⁽¹⁾ Excludes Costs as Defined, which includes costs associated with the merger of KLX Inc.'s ASG business with The Boeing Company, the spin-off of the KLX Energy Services business, the amendment of the ABL facility, the issuance of the \$250 million senior secured notes due 2025 and the acquisition of Motley (completed on November 5, 2018)

⁽²⁾ Excludes one-time costs associated with non-cash compensation expense, which is included in Costs as Defined

Reconciliation of Non-GAAP Measures

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

	Three Months Ended	
	October 31, 2018	
Net loss	\$	(10)
Amortization		0
Non-Cash Compensation Expense	\$	3
Costs as Defined ¹		23
Adjusted Net Earnings	\$	17
Adjusted Net Earnings	\$	17
Amortization		0
Non-Cash Compensation Expense		(3)
Interest Expense		-
Adjusted operating earnings	\$	13
Adjusted operating earnings		13
Income tax expense		-
After-tax net operating profit	\$	13
Average Capital	\$	236
Return on invested capital²		23%

¹ Excludes Costs as Defined

² Excludes \$243 million of net proceeds from the issuance of the \$250 million senior secured notes. Annualized third quarter after-tax net operating profit.

Reconciliation of Non-GAAP Measures

KLX ENERGY SERVICES HOLDINGS, INC.
RECONCILIATION OF 2018 GUIDANCE; OPERATING EARNINGS
TO ADJUSTED OPERATING EARNINGS AND ADJUSTED EBITDA
(In Millions)

	2018 Guidance	
	(Approximate Amounts)	
Operating earnings	\$	31
Costs as Defined ¹		29
Adjusted operating earnings		60
Depreciation and amortization		41
Non-cash compensation		13
Adjusted EBITDA	\$	114

¹ Excludes Costs as Defined, which includes costs associated with the merger of KLX Inc.'s ASG business with The Boeing Company, the spin-off of the KLX Energy Services business, the amendment of the ABL facility, the issuance of the \$250 million senior secured notes due 2025 and the acquisition of Motley (completed on November 5, 2018)

Reconciliation of Non-GAAP Measures

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

		FY 2018 Guidance
Net Earnings	\$	24
Amortization		1
Non-Cash Compensation Expense		13
Costs as Defined ¹		29
Adjusted Net Earnings	\$	66
Adjusted Net Earnings	\$	66
Amortization		(1)
Non-Cash Compensation Expense		(13)
Interest Expense		7
Adjusted operating earnings	\$	60
Adjusted operating earnings		60
Income tax expense		-
After-tax net operating profit	\$	60
Average total capital	\$	339
Return on invested capital		18%

¹ Excludes Costs as Defined, which includes costs associated with the merger of KLX Inc.'s ASG business with The Boeing Company, the spin-off of the KLX Energy Services business, the amendment of the ABL facility, the issuance of the \$250 million senior secured notes due 2025 and the acquisition of Motley (completed on November 5,

Reconciliation of Non-GAAP Measures

KLX ENERGY SERVICES HOLDINGS, INC.
RECONCILIATION OF 2019 OUTLOOK; OPERATING EARNINGS
TO ADJUSTED EBITDA
(In Millions)

	2019 Outlook	
	(Approximate Amounts)	
Operating earnings	\$	115
Depreciation and amortization		56
Non-cash compensation		19
Adjusted EBITDA	\$	190
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Net cash flows provided by operating activities		160
Capital expenditures		(100)
Free cash flow	\$	60

Reconciliation of Non-GAAP Measures

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

	2019 Outlook (Approximate Amounts)	
Net earnings	\$	78
Amortization expense		2
Non-cash compensation		19
Income taxes		9
Adjusted earnings before tax expense		108
Income taxes		11
Adjusted Net Earnings	\$	97
Adjusted Net Earnings per diluted share	\$	4.50
Diluted weighted average shares		21.5

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	\$ 78
Amortization	2
Non-cash compensation expense	19
Income taxes	9
Adjusted earnings before tax expense	<u>\$ 108</u>
Income taxes	11
Adjusted Net Earnings	<u>\$ 97</u>
Adjusted Net Earnings	\$ 97
Amortization	(2)
Non-cash compensation expense	(19)
Interest expense	30
Income tax expense	9
Operating earnings	<u>\$ 115</u>
Operating earnings	115
Income tax expense	11
After-tax net operating profit	<u>\$ 104</u>
Average total capital	\$ 464
Return on invested capital	22%

A black and white photograph of an oil drilling rig at night. The rig is illuminated by bright lights, creating a high-contrast scene against a dark sky. The rig's structure is complex, with many vertical and horizontal beams. In the foreground, there are some dark silhouettes of buildings and equipment. The overall atmosphere is industrial and dramatic.

KLX Energy Services

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