



KLX Energy Services

Fourth Quarter 2018

Conference Call

March 12, 2019

Disclaimer

Forward-Looking Statements

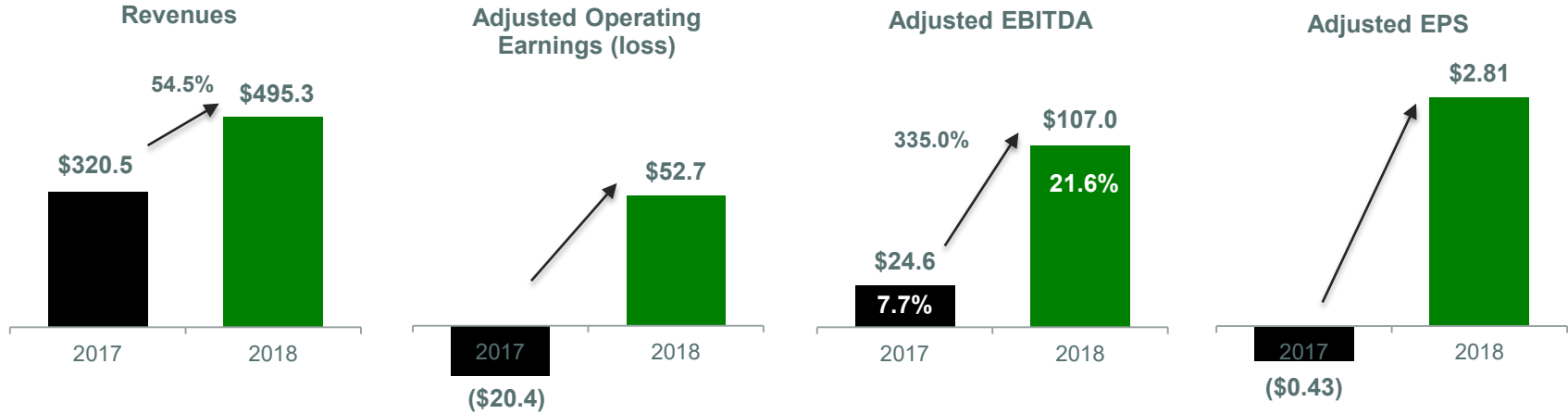
This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Such forward-looking statements involve risks and uncertainties. The Company's actual experience and results may differ materially from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

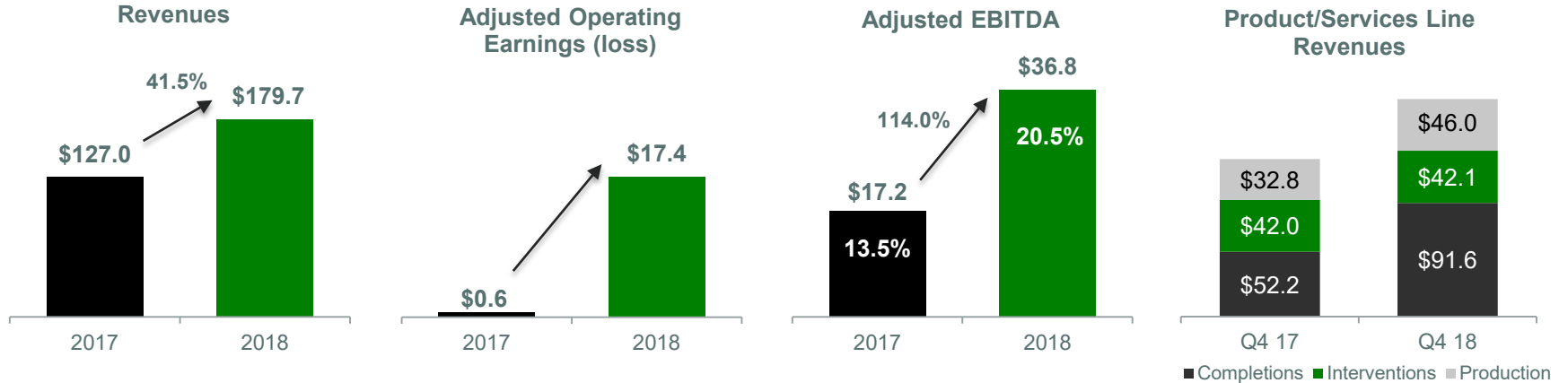
The Company uses the above described adjusted measures to evaluate and assess the operational strength and performance of the business and of particular segments of the business. The Company believes these financial measures are relevant and useful for investors because it allows investors to have a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

Full Year Consolidated 2018 Results



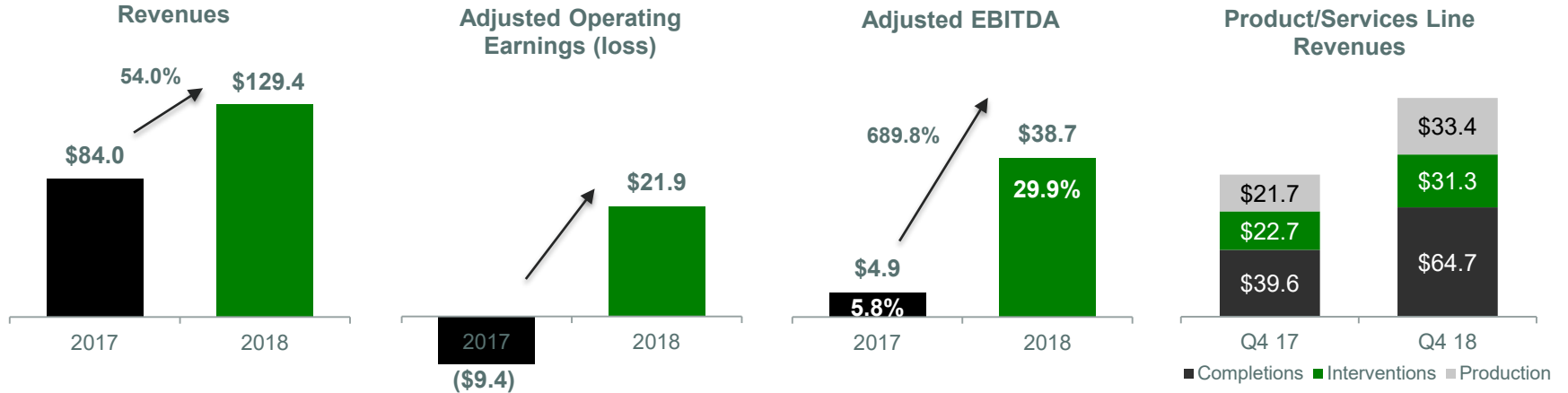
- Full year 2018 revenues increased 54.5%, driven by an approximate 41.5% increase in Rocky Mountains segment revenue, an approximate 54.0% increase in Northeast/Mid-Con segment revenues and a 70.0% increase in Southwest segment revenues
- Full year 2018 Adjusted operating earnings increased \$73.1 million to \$52.7 million, or 10.6% of revenues
- Full year 2018 Adjusted EBITDA increased \$82.4 million to \$107.0 million, or 21.6% of revenues
- Full year 2018 Adjusted EPS increased \$3.24 per share to \$2.81

Segment Results | Rocky Mountains



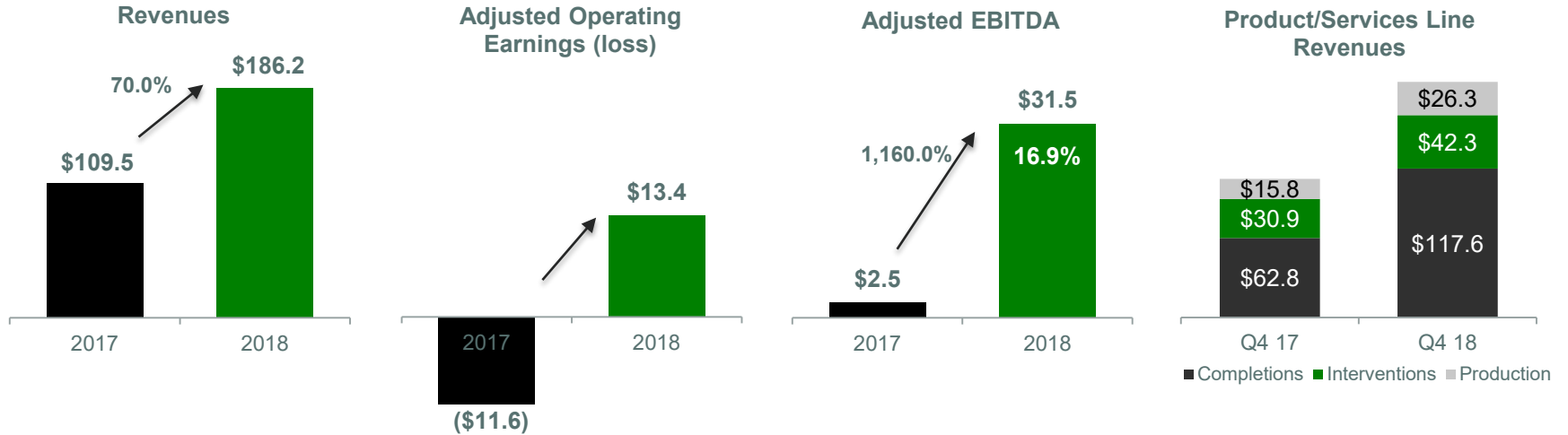
- Full year 2018 revenues increased 41.5%, driven primarily by significant increases in both the number of active customers and the breadth of services provided to existing customers
- Full year 2018 Adjusted operating earnings increased \$16.8 million to \$17.4 million, or 9.7% of revenues
- Full year 2018 Adjusted EBITDA increased \$19.6 million or 114.0% to \$36.8 million, or 20.5% of revenues

Segment Results | Northeast/Mid-Con



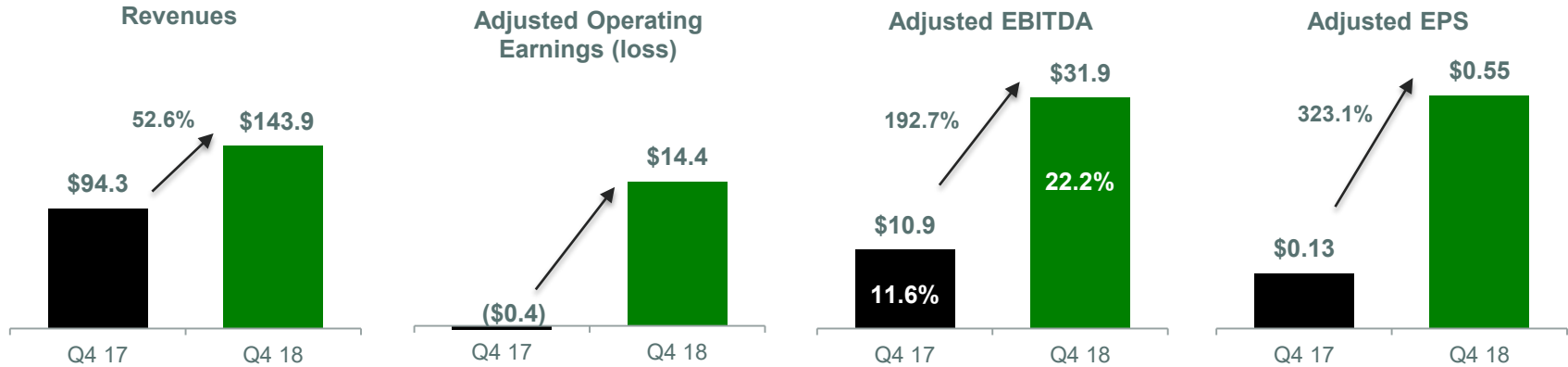
- Full year 2018 revenues increased approximately 54.0%, driven primarily by significant increases in both the number of active customers and the breadth of services provided to existing customers
- Full year 2018 Adjusted operating earnings increased \$31.3 million to \$21.9 million, or 16.9% of revenues
- Full year 2018 Adjusted EBITDA increased \$33.8 million to \$38.7 million, or 29.9% of revenues

Segment Results | Southwest



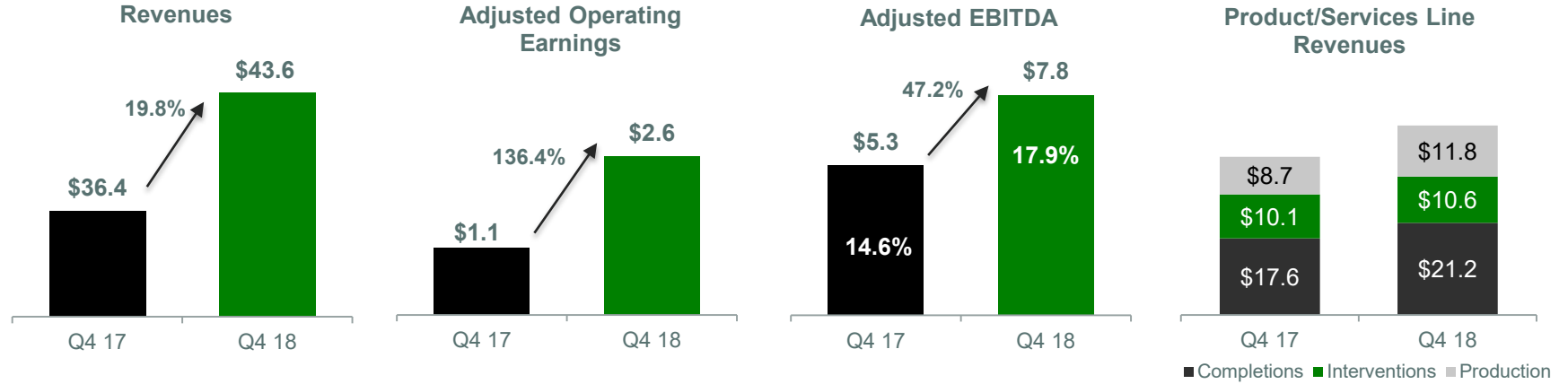
- Full year 2018 revenues increased 70.0%, driven primarily by significant increases in both the number of active customers and the breadth of services provided to existing customers, and the addition of Motley's coiled tubing business
- Full year 2018 Adjusted operating earnings increased \$25.0 million to \$13.4 million, or 7.2% of revenues
- Full year 2018 Adjusted EBITDA increased \$29.0 million to \$31.5 million, or 16.9% of revenues

Fourth Quarter Consolidated 2018 Results



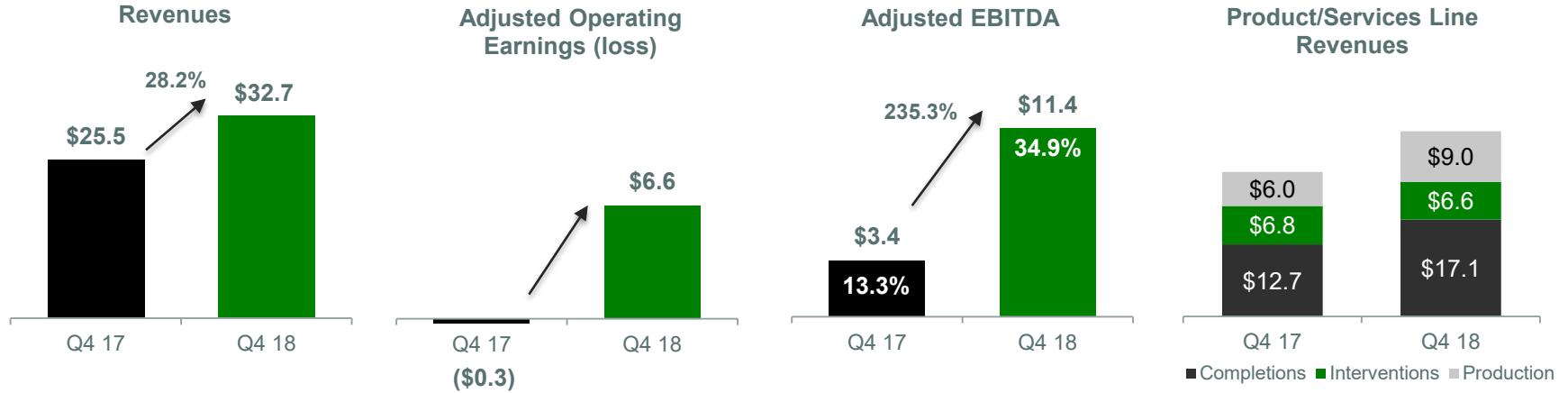
- Fourth quarter revenues increased 52.6%, driven by a 19.8% increase in Rocky Mountains segment revenue, a 28.2% increase in Northeast/Mid-Con segment revenues and a 108.6% increase in Southwest segment revenues
- Fourth quarter Adjusted operating earnings increased \$14.8 million to \$14.4 million, or 10.0% of revenues
- Fourth quarter Adjusted EBITDA increased \$21.0 million to \$31.9 million, or 22.2% of revenues
- Fourth quarter Adjusted EPS increased \$0.42 per share to \$0.55

Segment Results | Rocky Mountains



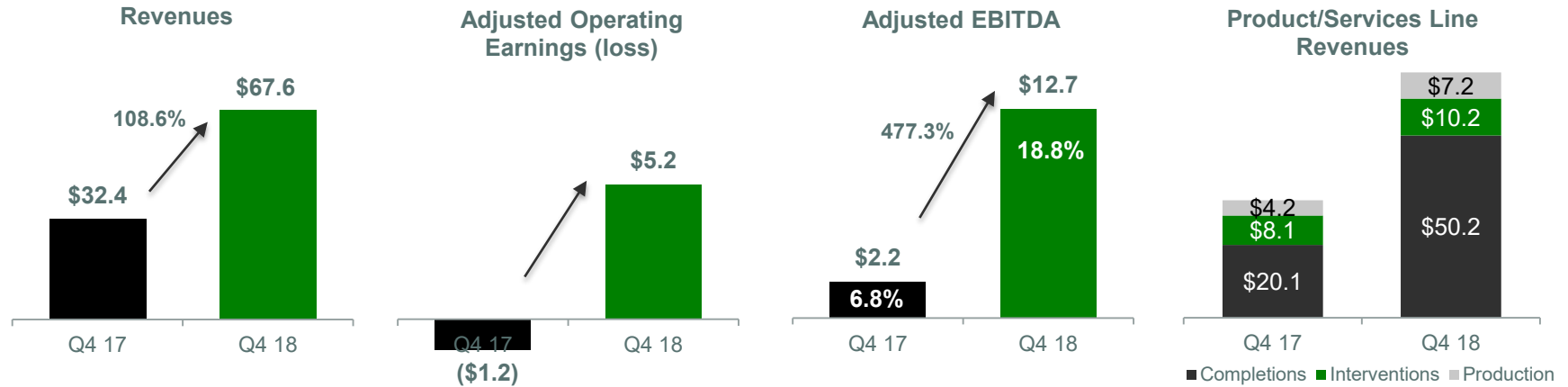
- Revenues increased 19.8% to \$43.6 million, driven primarily by significant increases in both the number of active customers and the breadth of services provided to existing customers
- Adjusted operating earnings increased \$1.5 million to \$2.6 million
- Adjusted EBITDA increased \$2.5 million or 47.2% to \$7.8 million, or 17.9% of revenues.

Segment Results | Northeast/Mid-Con



- Revenues increased 28.2% to \$32.7 million, driven primarily by significant increases in both the number of active customers and the breadth of services provided to existing customers
- Adjusted operating earnings increased \$6.9 million to \$6.6 million
- Adjusted EBITDA increased \$8.0 million or 235.3% to \$11.4 million, or 34.9% of revenues.

Segment Results | Southwest



- Revenues increased 108.6% to \$67.6 million, driven primarily by the Motley acquisition
- Adjusted operating earnings increased \$6.4 million to \$5.2 million
- Adjusted EBITDA increased \$10.5 million or 477.3% to \$12.7 million, or 18.8% of revenues

Financial Position

	January 31, 2019	
	<u>(\$ in millions)</u>	
Cash	\$	164
Long-term debt, net of cash	\$	86
Stockholders' equity	\$	341
Net-debt-to-net-capital ratio		20%

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

Full Year 2019 Guidance

- Revenues are expected to increase by approximately 50% to approximately \$750 million
- EBITDA, adjusted to exclude non-cash compensation expense, is expected to increase approximately 75% to approximately \$190 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 70 percent and approximately 60 percent, respectively, to approximately \$97 million and approximately \$4.50 per diluted share
- Capital expenditures are expected to be approximately \$100 million, reflecting investments to roll out large diameter coiled tubing and related services to the Mid-Con and Rockies geographic regions, thereby enabling each geographic segment to fulfill its commitment to specific customers including the delivery of the broader range of services required by our customers
- 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 EARNINGS (LOSS)
TO ADJUSTED NET EARNINGS (LOSS) PER DILUTED SHARE
(In Millions, Except Per Share Data)

	<u>THREE MONTHS ENDED</u>		<u>YEAR ENDED</u>	
	<u>January 31, 2019</u>	<u>January 31, 2018</u>	<u>January 31, 2019</u>	<u>January 31, 2018</u>
Net earnings (loss)	\$ 4.9	\$ (4.0)	\$ 14.4	\$ (24.1)
Amortization expense	0.7	0.2	0.8	0.3
Non-cash compensation ¹	4.3	2.9	12.8	11.5
Income taxes	0.5	-	0.6	0.1
Costs as Defined ²	1.9	3.6	30.6	3.6
Adjusted earnings (loss) before tax expense	12.3	2.7	59.2	(8.6)
Income taxes ³	1.1	-	2.4	-
Adjusted Net Earnings (loss)	<u>\$ 11.2</u>	<u>\$ 2.7</u>	<u>\$ 56.8</u>	<u>\$ (8.6)</u>
Adjusted Net Earnings (loss) per diluted share	<u>\$ 0.55</u>	<u>\$ 0.13</u>	<u>\$ 2.81</u>	<u>\$ (0.43)</u>
Diluted weighted average shares	20.2	20.1	20.2	20.1

¹ Adjusted to exclude one-time costs associated with non-cash compensation expense, which are included in Costs as Defined.

² Costs as Defined 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 credit facility, the issuance of \$250 million senior secured notes due 2025 and the acquisition of Motley.

³ Income taxes are calculated at each respective periods effective tax rate.

Reconciliation of Non-GAAP Measures

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2019	January 31, 2018	January 31, 2019	January 31, 2018
Operating earnings (loss)	\$ 12.5	\$ (4.0)	\$ 22.1	\$ (24.0)
Costs as Defined ¹	1.9	3.6	30.6	3.6
Adjusted operating earnings (loss)	14.4	(0.4)	52.7	(20.4)
Depreciation and amortization	13.2	8.4	41.5	33.5
Non-cash compensation ²	4.3	2.9	12.8	11.5
Adjusted EBITDA	<u>\$ 31.9</u>	<u>\$ 10.9</u>	<u>\$ 107.0</u>	<u>\$ 24.6</u>

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2019	January 31, 2018	January 31, 2019	January 31, 2018
Rocky Mountains operating earnings (loss)	\$ 2.2	\$ (0.3)	\$ 5.5	\$ (0.8)
Costs as Defined ¹	0.4	1.4	11.9	1.4
Adjusted Rockies operating earnings	2.6	1.1	17.4	0.6
Depreciation and amortization	4.1	3.2	15.4	12.1
Non-cash compensation ²	1.1	1.0	4.0	4.5
Rocky Mountains Adjusted EBITDA	<u>\$ 7.8</u>	<u>\$ 5.3</u>	<u>\$ 36.8</u>	<u>\$ 17.2</u>

¹ Costs as Defined 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 credit facility, the issuance of \$250 million senior secured notes due 2025 and the acquisition of Motley (completed on November 5, 2018)

² Adjusted to exclude one-time costs associated with non-cash compensation expense, which are included in Costs as Defined

Reconciliation of Non-GAAP Measures

RECONCILIATION OF NORTHEAST/MID-CON OPERATING EARNINGS (LOSS)

TO ADJUSTED EBITDA

(In Millions)

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2019	January 31, 2018	January 31, 2019	January 31, 2018
Northeast/Mid-Con operating earnings (loss)	\$ 6.3	\$ (1.3)	\$ 13.4	\$ (10.4)
Costs as Defined ¹	0.3	1.0	8.5	1.0
Adjusted Northeast operating earnings (loss)	6.6	(0.3)	21.9	(9.4)
Depreciation and amortization	3.9	2.9	13.6	11.3
Non-cash compensation ²	0.9	0.8	3.2	3.0
Northeast Adjusted EBITDA	\$ 11.4	\$ 3.4	\$ 38.7	\$ 4.9

RECONCILIATION OF SOUTHWEST OPERATING EARNINGS (LOSS)

TO ADJUSTED EBITDA

(In Millions)

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2019	January 31, 2018	January 31, 2019	January 31, 2018
Southwest operating earnings (loss)	\$ 4.0	\$ (2.4)	\$ 3.2	\$ (12.8)
Costs as Defined ¹	1.2	1.2	10.2	1.2
Adjusted Southwest operating earnings (loss)	5.2	(1.2)	13.4	(11.6)
Depreciation and amortization	5.2	2.3	12.5	10.1
Non-cash compensation ²	2.3	1.1	5.6	4.0
Southwest Adjusted EBITDA	\$ 12.7	\$ 2.2	\$ 31.5	\$ 2.5

¹ Costs as Defined 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 credit facility, the issuance of \$250 million senior secured notes due 2025 and the acquisition of Motley (completed on November 5, 2018)

² Adjusted to exclude one-time costs associated with non-cash compensation expense, which are included in Costs as Defined

Reconciliation of Non-GAAP Measures

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

	FY 2018
Net earnings	\$ 14
Amortization	1
Costs as Defined ¹	31
Non-cash compensation expense ²	13
Income taxes	1
Adjusted earnings before tax expense	59
Income taxes	(2)
Adjusted Net Earnings	\$ 57
Adjusted Net Earnings	\$ 57
Amortization	(1)
Non-cash compensation expense	(13)
Interest expense	7
Income tax expense	2
Adjusted operating earnings	\$ 53
Adjusted operating earnings	\$ 53
Income tax expense	(1)
After-tax net operating earnings	\$ 52
Average total capital	\$ 326
Return on invested capital	16%

¹ Costs as Defined 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 credit facility, the issuance of \$250 million senior secured notes due 2025 and the acquisition of Motley (completed on November 5, 2018)

² Adjusted to exclude one-time costs associated with non-cash compensation expense, which are included in Costs as Defined

Reconciliation of Non-GAAP Measures

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

	2019 Guidance	
	(Approximate Amounts)	
Operating earnings	\$	117
Depreciation and amortization		54
Non-cash compensation		19
Adjusted EBITDA	\$	190

Reconciliation of Non-GAAP Measures

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

	2019 Guidance	
	(Approximate Amounts)	
Net earnings	\$	78
Amortization		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)

		FY 2019 Outlook (Approximate Amounts)
Net earnings	\$	78
Amortization		2
Non-cash compensation expense		19
Income taxes		9
Adjusted earnings before tax expense	\$	108
Income taxes		(11)
Adjusted Net Earnings	\$	97
Adjusted Net Earnings	\$	97
Amortization		(2)
Non-cash compensation expense		(19)
Interest expense		30
Income tax expense		11
Operating earnings	\$	117
Operating earnings	\$	117
Income tax expense		(11)
After-tax net operating earnings	\$	106
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. A crane is visible on the right side of the rig. In the background, there are silhouettes of trees and a building.

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