

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from February 1, 2021 to December 31, 2021

Commission File Number: 01-38609

KLX Energy Services Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

36-4904146

(State of incorporation)

(I.R.S. Employer Identification No.)

3040 Post Oak Boulevard, 15th Floor,
Houston, TX 77056
(832) 844-1015

(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common stock, par value \$0.01 per share | KLXE | The Nasdaq Global Select Market |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input checked="" type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2021, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$54.9 million. Shares of common stock held by executive officers and directors have been excluded since such persons may be deemed affiliates. This determination of affiliate status is not a determination for any other purpose. The registrant has one class of common stock, \$0.01 par value, of which 10,478,887 shares were outstanding as of March 9, 2022.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's proxy statement for its annual meeting of stockholders to be held on June 1, 2022, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2021, are incorporated by reference in Part III.

KLX Energy Services Holdings, Inc.
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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information to investors. This Transition Report on Form 10-K (this “Form 10-K”) includes forward-looking statements that reflect our current expectations and projections about our future results, performance and prospects. Forward-looking statements include all statements that are not historical in nature or are not current facts. When used in this Transition Report on Form 10-K, the words “believe,” “expect,” “plan,” “intend,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “may,” “might,” “should,” “could,” “will” or the negative of these terms or similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause our actual results, performance and prospects to differ materially from those expressed in, or implied by, these forward-looking statements. Factors that might cause such a difference include those discussed in our filings with the Securities and Exchange Commission (the “SEC”), in particular those discussed under “Item 1A. Risk Factors,” as well as “Item 1. Business”, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Transition Report on Form 10-K, including the following factors:

- the extraordinary market environment and impacts resulting from the novel coronavirus (“COVID-19”) pandemic;
- increased volatility in national and global crude oil demand and crude oil prices;
- the possibility of inefficiencies, curtailments or shutdowns in our customers’ operations, whether due to COVID-19 repercussions in the workforce or in response to reductions in demand;
- uncertainty regarding our future operating results;
- regulation of and dependence upon the energy industry;
- the cyclical nature of the energy industry;
- fluctuations in market prices for fuel, oil and natural gas;
- our ability to maintain acceptable pricing for our services;
- competitive conditions within the industry;
- the loss of or interruption in operations of one or more key suppliers;
- legislative or regulatory changes and potential liability under federal and state laws and regulations;
- decreases in the rate at which oil and/or natural gas reserves are discovered and/or developed;
- the impact of technological advances on the demand for our products and services;
- customers’ delays in obtaining permits for their operations;
- hazards and operational risks that may not be fully covered by insurance;
- the write-off of a significant portion of intangible assets;
- the need to obtain additional capital or financing, and the availability and/or cost of obtaining such capital or financing;
- limitations originating from our organizational documents, debt instruments and U.S. federal income tax obligations may impact our financial flexibility, our ability to engage in strategic transactions or our ability to declare and pay cash dividends on our common stock;
- general economic conditions;
- our credit profile and our ability to renew or refinance our indebtedness;
- changes in supply, demand and costs of equipment;
- oilfield anti-indemnity provisions;
- seasonal and adverse weather conditions that can affect oil and natural gas operations;
- reliance on information technology resources and the inability to implement new technology and services;
- the possibility of terrorist or cyberattacks and the consequences of any such attacks;
- increased labor costs or our ability to employ, or maintain the employment of, a sufficient number of key employees, technical personnel, and other skilled and qualified workers;
- the inability to successfully consummate acquisitions or inability to manage potential growth; and

- our ability to remediate any material weakness in, or to maintain effective, internal controls over financial reporting and disclosure controls and procedures.

In light of these risks and uncertainties, you are cautioned not to put undue reliance on any forward-looking statements in this Transition Report on Form 10-K. These statements should be considered only after carefully reading this entire Transition Report on Form 10-K. Except as required under the federal securities laws and rules and regulations of the SEC, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additional risks that we may currently deem immaterial or that are not presently known to us could also cause the forward-looking events discussed in this Transition Report on Form 10-K not to occur.

All forward-looking statements, expressed or implied, included in this Transition Report on Form 10-K are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statement that we or persons acting on our behalf may issue.

RISK FACTOR SUMMARY

Below is a summary of the material risk factors that make an investment in our common stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found in Item 1A “Risk Factors” and should be carefully considered, together with other information in this Transition Report on Form 10-K, before making investment decisions regarding our common stock.

- Our business depends on domestic capital spending by the oil and natural gas industry and reductions in capital spending could have a material adverse effect on our business, financial condition and results of operations.
- The volatility of oil and natural gas prices may adversely affect the demand for our services and negatively impact our results of operations.
- The COVID-19 pandemic has had, and may continue to have, a material adverse effect on our financial condition, results of operations and cash flows.
- Our business may be adversely affected by a deterioration in general economic conditions or a weakening of the broader energy industry.
- We may be unable to maintain existing prices or implement price increases on our services.
- We have been expanding our available products and services in recent periods. Our inability to properly manage or support future expansion of our business may have a material adverse effect on our business, financial condition, and results of operations and could cause the market value of our common stock to decline.
- If we lose significant customers, significant customers materially reduce their purchase orders or significant programs on which we rely are delayed, scaled back or eliminated, our business, financial condition and results of operations may be adversely affected.
- Our past acquisition activity, including the merger with Quintana Energy Services Inc. (“QES”), and any future acquisitions may not be successful in delivering expected performance post-acquisition, which could have a material adverse effect on our business, financial condition and results of operations.
- Conservation measures and technological advances could reduce demand for oil and natural gas.
- Our business involves many hazards and operational risks that could adversely affect our business, financial condition and results of operations.
- Increased labor costs, the unavailability of skilled workers or labor-related litigation could hurt our business, financial condition and results of operations.
- We operate in highly competitive markets and our failure to compete effectively may negatively impact our business, financial condition and results of operations.
- We have operated at a loss, and there is no assurance of our profitability in the future.
- We may need to obtain additional capital or financing to fund expansion of our asset base, which could increase our financial leverage, or we may not be able to finance our capital needs.

- Our assets require capital for maintenance, upgrades and refurbishment, and we may require capital expenditures for new equipment.
- We have substantial indebtedness, and efforts to refinance our indebtedness may or may not be successful, which could adversely impact our business, financial condition and results of operations.
- Our significant level of indebtedness may limit our ability to borrow additional funds or capitalize on acquisition or other business opportunities. The indenture that governs the Senior Notes and the credit agreement that governs the ABL Facility have significant financial and operating restrictions that may have an adverse effect on our business, financial condition and results of operations.
- We may experience future impairment charges.
- Customer payment delays of outstanding receivables and customer bankruptcies could have a material adverse effect on our liquidity, results of operations, and consolidated financial condition.
- Shortages or increases in the costs of the equipment we use in our operations could adversely affect our operations in the future.
- We are dependent on a small number of suppliers for key goods and services that we use in our operations.
- If suppliers are unable to supply us with the products used in our operations in a timely manner, in adequate quantities and/or at a reasonable cost, we may be unable to meet the demands of our customers, which could have a material adverse effect on our business, financial condition and results of operations.
- Our inability to develop, obtain, maintain or implement new technology may cause us to become less competitive.
- Our success may be affected by our ability to use and protect our proprietary technology as well as our ability to enter into license agreements.
- Our operations rely on an extensive network of information technology resources and a failure to maintain, upgrade and protect such systems could adversely impact our business, financial condition and results of operations. Our operations are subject to cyber security risks that could have a material adverse effect on our business, financial condition and results of operations.
- Oilfield anti-indemnity provisions enacted by many states may restrict or prohibit a party's indemnification of us.
- Changes in trucking regulations may increase our transportation costs and negatively impact our business, financial condition and results of operations.
- Legal requirements relating to hydraulic fracturing could increase our customers' costs of doing business, limit the areas in which our customers can operate and reduce oil and natural gas production by our customers, which could adversely impact our business, financial condition and results of operations.
- We and our customers are subject to environmental and occupational health and safety laws and regulations that could increase our or our customers' costs of doing business and adversely impact our business, financial condition and results of operations.
- Our and our customers' operations are subject to a number of risks arising out of the threat of climate change, energy conservation measures, or initiatives that stimulate demand for alternative forms of energy, which could result in increased operating and capital costs for us and our customers, limit the areas in which oil and gas production may occur and reduce demand for the products and services we provide.
- Increasing attention to environmental, social and governance ("ESG") matters may impact our business.
- The Endangered Species Act (the "ESA") and comparable laws intended to protect certain species of wildlife govern our and our oil and natural gas exploration and production customers' operations, which constraints could have an adverse impact on our ability to expand some of our existing operations or limit our customers' ability to develop new oil and natural gas wells.

PART I

ITEM 1. BUSINESS

Transition Period

On September 3, 2021, our Board of Directors ("Board" or "Board of Directors") approved a change in our fiscal year end from January 31 to December 31, effective beginning with the eleven-month period ended December 31, 2021. In this Transition Report on Form 10-K, references to "fiscal year" refer to twelve-month years ending January 31. References in this report to "transition period" refer to the eleven-month period ended December 31, 2021.

Company Overview

Except as otherwise indicated or unless the context otherwise requires, "KLX Energy Services," "KLXE," "we," "us" and "our" refer to KLX Energy Services Holdings, Inc. and its consolidated subsidiaries.

KLX Energy Services is a growth-oriented provider of diversified oilfield services to leading onshore oil and natural gas exploration and production companies operating in both conventional and unconventional plays in all of the active major basins throughout the United States. KLXE was initially formed from the combination and integration of seven private oilfield service companies acquired during 2013 and 2014. Each of the acquired businesses was regional in nature and brought one or two specific service capabilities to KLX Energy Services. We were incorporated in Delaware on June 28, 2018, and on September 14, 2018, we completed our spin-off from KLX Inc. and became an independent, publicly traded company. See Item 7. "Management Discussion and Analysis of Financial Condition and Results of Operations" for more details of our acquisitions since becoming a publicly traded company, including our 2020 acquisition of QES.

We deliver mission critical oilfield services to primarily independent major oil and gas companies focused on drilling, completion, production and intervention activities for the most technically demanding wells from over 60 service facilities located in the United States. Our primary services include directional drilling, coiled tubing, thru tubing, hydraulic frac rentals, fishing, pressure control, wireline, rig-assisted snubbing, fluid pumping, flowback, testing, pressure pumping and well control services. Our primary rentals and products include hydraulic fracturing stacks, blow out preventers, tubulars, downhole tools, dissolvable plugs, composite plugs and accommodation units. We operate in three segments on a geographic basis, including the Southwest Region (the Permian Basin and the Eagle Ford), the Rocky Mountains Region (the Bakken, Williston, DJ, Uinta, Powder River, Piceance and Niobrara basins) and the Northeast/Mid-Con Region (the Marcellus and Utica as well as the Mid-Continent STACK and SCOOP and Haynesville).

Our proprietary products and specialized services are supported by technically skilled personnel and a broad portfolio of innovative in-house research and development ("R&D"), manufacturing, repair and maintenance capabilities. We work with our customers to provide engineered solutions across the entire lifecycle of the well, by streamlining operations, reducing non-productive time and developing cost-effective solutions and customized tools for our customers' most challenging service needs, which include technically complex unconventional wells requiring extended reach horizontal laterals with greater completion intensity per well. We believe long-term revenue growth opportunities will continue to be driven by increases in the number of new customers served and the breadth of services we offer to existing and prospective customers. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more details about our complementary suite of our targeted services and engineered solutions.

We endeavor to create a "next generation" oilfield services company in terms of management controls, processes and operating metrics and have driven these processes down through the operating management structure in every region. We believe this differentiates us from many of our competitors. This allows us to offer our customers in all of our geographic regions discrete, comprehensive and differentiated services that leverage both the technical expertise of our skilled engineers and our in-house R&D team.

Industry Overview

The oil and gas industry has historically been both cyclical and seasonal. Activity levels are driven primarily by drilling rig counts, technological advances, well completions, workover activity, the geological characteristics of the producing wells and their effect on the services required to commence and maintain production levels and our customers' capital and operating budgets. All of these indicators are driven by commodity prices, which are affected by both domestic and global supply and demand factors. In particular, while U.S. natural gas prices are correlated with global oil price movements, they are also affected by local weather, transportation and consumption patterns. Global supply and demand factors will likely continue to result in commodity price volatility, similar to that experienced in 2021.

During the first quarter of 2020, the emergence of COVID-19, and the global pandemic caused thereby, placed significant downward pressure on the global economy and oil demand and prices, leading North American operators to announce significant cuts to planned 2020 capital expenditures and causing the continued acceleration of upstream oil and gas bankruptcies. In response, OPEC, coupled with production curtailment and a drop in hydraulic fracturing activity amongst North America operators, removed significant oil supply from and eased pressure on the market. During the second half of 2021, measures to prevent the spread of COVID-19 were relaxed and economic activity started increasing, albeit at an uneven pace. This led to an increase in activity for the industry, as evidenced by a higher rig count and WTI prices through the end of our transition period. The industry has seen a significant rebound since the emergence of the pandemic, including in early 2022, as a result of the ongoing conflict in Ukraine. For more information, see "Risk Factors" in Item 1A of Part I and in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Trends and Outlook" in Item 7 of Part II of this Transition Report on Form 10-K.

Products and Services

The principal high value-added services and related tools and equipment we offer to support our customers throughout the lifecycle of the well include drilling, completions, production and well intervention services and products in each of our geographic reporting segments.

Drilling: We provide directional drilling and associated drilling support services, including accommodations packages, to exploration and production ("E&P") companies in many of the most active areas of onshore oil and natural gas developments in the United States, including all active U.S. oil and natural gas basins with level 1 facilities in Appalachian Mountain, Gulf Coast, Mid-Continent, West Texas and Rocky Mountain regions.

Our drilling activities are comprised of directional drilling services, downhole navigational and rental tools businesses and support services, including well planning, site supervision, accommodation rentals and other drilling rentals, which assist customers in the drilling and placement of complex directional and horizontal wellbores. These directional drilling activities utilize in-house positive pulse and electromagnetic measurement-while-drilling ("MWD") communication options to ensure accurate and timely delivery of data transmission for all real-time drilling applications as well as logging-while-drilling capabilities.

In addition to navigation, our systems offer various technologies, including gamma ray, azimuthal gamma ray, real-time continuous inclination and azimuth, rotary steerable, pressure-while-drilling, mode shifting, stick-slip and destructive dynamics, dynamic sequencing and real-time shock and vibration modules. KLXE utilizes modern well planning and anti-collision software to assist our well planners in providing accurate real-time information to our customers. Additionally, KLXE offers our K-series mud motor fleet that features a proprietary transmission-mandrel to deliver strong build rates, fights fatigue on extended laterals and is available to service all known well profiles. The demand for these services tend to be influenced primarily by customer drilling-related activity levels.

As of December 31, 2021, our market share of the U.S. onshore drilling market was 8.4%, as compared to 8.2% as of January 31, 2021. We intend to continue to re-deploy additional directional drilling capacity into 2022, as market conditions warrant.

Completion: Our completions activities are focused on services that help our customers complete and stimulate extended reach horizontal laterals and more technical wellbores. We are highly experienced in safely servicing deep, high-pressure, high-temperature wells in all of the most active onshore basins in the United States and provide premium perforating services for both wireline and tubing-conveyed applications. We believe we offer best-in-class service execution at the wellsite and innovative downhole technologies, positioning us to benefit from our ability to service technically complex wells where the potential for increased operating leverage is high due to the large number of stages per well. This is in addition to our customer-centered focus on execution rather than price.

Our completions activities include a wide range of services:

- coiled tubing and nitrogen services;
- pressure control products and services;
- wellhead and hydraulic fracturing rental products and services;
- flowback and testing services;
- wireline services (including pump down perforating, logging, pipe recovery and slickline);
- downhole completion tools, including:
 - toe sleeves;
 - wet shoe cementing bypass subs;
 - composite plugs;
 - dissolvable plugs;
 - liner hangers;
 - stage cementing tools, inflatables, float and casing equipment; and
 - retrievable completion tools;
- cementing products and services;
- thru-tubing technologies and services;
- rig assist snubbing services; and
- acidizing and pressure pumping services.

Our coiled tubing units are used in the provision of completion services or in support of well-servicing and workover applications. Our rig-assisted snubbing units are used in conjunction with a workover rig to insert or remove downhole tools or in support of other well services while maintaining pressure in the well, or in support of unconventional completions. Our nitrogen pumping units provide a non-combustible environment downhole and are used in support of other pressure control or well-servicing applications. We also offer highly-technical and specialized well control services, which are typically required in response to emergencies at the well site, requiring a variety of solutions including freezing, hot tapping and gate valve drilling services, as well as critical well control and containment operations. Our team is comprised of oilfield services veterans with extensive domestic and international experience in well control operations.

As of December 31, 2021, we had a fleet of 39 coiled tubing units, 24 of which are large diameter coiled tubing units, across our geographical regions. Over time, when the industry recovers, we anticipate that our investments in large diameter coil tubing spreads will allow us to increase our share of spend as the large diameter coil tubing pulls through asset light services such as flowback and testing services, thru-tubing and pressure control services, while leveraging our recently enhanced cost structure.

Last year we continued to optimize the quality and performance of our magnesium alloy based line of dissolvable hydraulic fracturing plugs. Our proprietary dissolvable plugs deliver all the benefits of a traditional hydraulic fracturing plug but without the need for bottom hole intervention for removal. KLXE dissolvable plugs have been deployed successfully across all major U.S. oil and natural gas basins in now more than 870 wells by more than 60 customers. Our plugs dissolve quickly and reliably, resulting in faster time to production, are effective in a wide range of operating temperatures and salinity, including temperatures ranging from 80 to 300 degrees Fahrenheit, and do not require mill out, thus saving time and cost.

The Company has 83 wireline units in the fleet and 38, or 46%, are configured to run pump down or plug-and-perf operations. Our R&D organization also enables our operations to support our customers with cutting edge pump down operations that include greaseless wireline, addressable gun systems and addressable release tools, to provide our customers with high quality pump down services. We also maintain a full line of radial cement bond tools, compensated neutron porosity tools and casing evaluation tools to provide well evaluation services to our clients. We also utilize greaseless line and quiet truck wireline technology to meet the environmental concerns of our customers.

We offer a full line of valves and corresponding services to assist clients with their pressure control needs during hydraulic fracturing operations. These valves are assembled in predetermined configurations based on customer preference and installed on the wellhead to control flow and pressure during hydraulic fracturing operations. We own a large, young line of valves serving the North American onshore oil and gas market. We have enhanced our hydraulic fracturing valve fleet line through the internal development of next generation technology, including our proprietary, patent pending hydraulic fracturing relief valve ("FRV"). Introduced in 2016, the FRV was built and designed to replace older "pop-off" systems. When tied into a hydraulic fracturing core (pumps), the FRV gives customers a safer and more reliable method for relieving surface pressure in the event of an unforeseen overpressure event. By doing this, we believe we minimize operational risk, as well as greatly reduce health, safety and environmental ("HSE") concerns that are associated with hydraulic fracturing operations.

Additional technologies that we currently deploy on behalf of our customers include our (i) patented flotation collar, which assists customers in getting completion casing to the bottom of extended reach wells when friction prevents getting casing to depth, (ii) proprietary internal pressure actuated ("IPA") toe sleeve, which allows customers a consistent and reliable hydraulic fracturing initiation sleeve at the toe of the completion, (iii) composite hydraulic fracturing plug, a flow control device that is set in the wellbore at given intervals to divert fluid into the formation, and (iv) dissolvable plugs.

Production: We also provide services to enhance and maintain oil and gas production throughout the productive lives of our customers' wells. Our production services include maintenance-related intervention services as well as the provision of specifically required products and equipment. As with our completion and intervention service offerings, we have developed a portfolio of proprietary tools that we believe differentiates our production solutions service offering. The principal services and equipment we provide across the production lifecycle of the well include (i) production blow out preventers, (ii) mechanical wireline services, (iii) slick line services, (iv) hydro-testing, (v) premium tubulars and (vi) other specialized production tools.

We believe our proprietary production tool portfolio creates a distinct competitive advantage for us in selling our production services. Key downhole production tools that we have developed and deployed with strong customer adoption include:

Punch Ram Tool—The punch ram tool gives customers the ability to safely and repeatedly release trapped pressure inside production tubulars during pulling operations. The alternative is to "hot-tap" the tubing, which is a high-risk operation that most operators are not willing to employ.

Hydraulic Fracturing Protect Rod Hang Off Tool—This tool is developed to give customers the ability to "hang off" a rod string rather than tripping it out of the hole and laying it down. The associated costs of tripping rods out of the hole coupled with the damage of laying them down and picking the string back, we believe, make this tool an excellent alternative option for customers. The hang off tool allows an operator to easily hang the rod string in the wellhead and still gives them the ability to tie into the tubing if need be to monitor pressure or pump fluid.

Intervention: Our intervention services consist of best-in-class technicians and equipment that are focused on providing customers engineered solutions to downhole complications. Intervention involves the application of specialized tools and procedures to retrieve lost equipment and remove other obstructions that either interfere with the completion of the well or are causing diminished production. The principal services we provide to remediate these complications include fishing, thru-tubing and pipe recovery. Given the unique

geology and operating characteristics of each well, no two complications are the same, yet each complication our customers experience results in substantial disruption to their well operation and economics. As a result, resolution is “mission critical” to our customers and superior outcomes can support premium pricing. Those outcomes rely principally on the skill and experience of the technicians dedicated to resolving the issues and the availability of exactly the right tools for every eventuality. We believe we have one of the leading teams of intervention specialists in the industry, supported by a comprehensive portfolio of intervention tools and equipment. Each of our geographic regions is fully staffed with top technicians and fully equipped with a comprehensive range and quantity of equipment given the wellbore profiles for the region.

We support our intervention group with a portfolio of tools consisting of patented and other proprietary technologies. Recent innovations currently deployed in the field include our: (i) DXD Venturi Tool; (ii) HAVOK PDC Bearing Section; (iii) Hydraulic By-Pass Tool; and (iv) Drill Mate (Mechanical By-Pass Valve). These tools were designed to improve upon conventional technology used by our competitors.

DXD Venturi Tool—The patent pending DXD (Debris Extraction Device) is an internally developed downhole tool that assists customers in removing unwanted debris from the wellbore. Utilizing fluid dynamics, the tool consists of a jet section that accelerates fluid across a nozzle. This increase in fluid velocity creates a pressure drop inside the tool, which draws fluid through an inlet. As the fluid is drawn into the system through the inlet, it picks up unwanted debris in the fluid flow, which is then caught in a series of chambers installed below the tool. The chambers then carry the debris out of the hole when the system is brought back to surface.

Hydraulic By-Pass Tool—The patented hydraulic by-pass tool allows us to run our conventional motor assemblies and achieve substantially higher circulation rates without reducing the expected life of our conventional power section. The additional fluid being pumped and by-passed optimizes the downhole hydraulics for the operation and assists with proper debris removal.

Drill Mate (Mechanical By-Pass Valve)—The patented Drill Mate is a downhole tool that was developed to give customers a way to mechanically by-pass fluid during drill out or clean out operations. The tool is a two-piece system that opens and closes based upon the amount of weight being set on the mill or bit. During bottom milling with the tool, the tool is in the closed position, putting 100% of the flow through the motor bottomhole assembly (“BHA”). As weight is removed from the mill or bit either by milling through the obstruction or picking up off bottom, the tool strokes open, thereby exposing by-pass ports that divert fluid through them. At this point, a customer can increase the amount of fluid being pumped through the BHA to assist in debris removal. This increase in fluid rate does not affect the life of the motor as the additional fluid is by-passed through the Drill Mate tool.

Customers and Marketing

Substantially all of our customers are engaged in the energy industry. Most of our sales are to major, large independent and regional oil and natural gas companies, and these sales have resulted in a diversified and geographically balanced portfolio of more than 740 customers within North America. Revenues from our five largest customers collectively represented approximately 19% of our revenues for the transition period ended December 31, 2021. No single customer accounted for more than 10% of our revenues during the transition period.

Our sales activities are conducted through a network of sales representatives and business development personnel, which provide coverage on a product-line and geographical basis. Sales representatives work closely with local operations managers to target potential opportunities through strategic focus and planning. Customers are identified as targets based on their drilling and completion activity, geographic location and economic viability. Direction of the sales team is conducted through weekly meetings and daily communication. Our marketing activities are performed internally. Our strategy is based on building a strong North American brand through multiple media outlets including our website, select social media accounts, print, billboard advertisements, press releases and various industry-specific conferences, publications and lectures. We have a technical sales organization with expertise and focus within their specific service line. Our

strategy is to sell our services using data to demonstrate safety and service quality. We accomplish this through communication across sales regions and operations departments to share best practices and leverage existing customer relationships.

Competition

The markets in which we operate are highly competitive. We compete on a number of factors including performance, safety, quality, reliability, service, price, response time and, a growing breadth of services and products. Additionally, projects are often awarded on a bid basis, which tends to create a highly competitive environment. To be successful, a company must provide services that meet the specific needs of oil and natural gas E&P companies and drilling, completions, production and intervention service contractors at competitive prices. We provide our services across the United States and we compete against different companies in each service and product line we offer. Our competition includes many large and small oilfield service companies, including the largest integrated oilfield services companies.

Our major competitors include Schlumberger, Baker Hughes, Halliburton, RPC, Nine Energy Services, Phoenix Technology Services, Scientific Drilling International, NexTier, Liberty Oilfield Services, Ranger Energy Services, Key Energy Services, and STEP Energy Services.

We differentiate our company from our competitors by delivering a broad range of drilling, completion, production and intervention services safely with high quality equipment and highly competent personnel, which we believe enables us to deliver superior execution while operating an efficient and safe working environment. While we must be competitive in our pricing, we believe our customers select our services based on the local leadership, relationships and expertise that our field management and operating personnel use to deliver quality services. We maintain and develop new business through corporate, regional, safety, quality and discrete product/service specialist sales teams throughout the United States.

We believe our focus on cultivating our existing customer relationships as well as developing new relationships, while maintaining our high standard of customer service, technology, safety, performance and quality of crews, equipped us to effectively compete and succeed in a competitive market.

Suppliers and Procurement

We purchase a wide variety of materials, components and partially completed and finished products from manufacturers and suppliers for our use. We are not dependent on any single source of supply for those parts, supplies, materials or equipment and, as of December 31, 2021, no single supplier accounted for more than 10% of our total supply and procurement costs. To date, we have generally been able to obtain the equipment, parts and supplies necessary to support our operations on a timely basis. While we believe that we will be able to make satisfactory alternative arrangements in the event of any interruption in the supply of these materials and/or products by one of our suppliers, we may not always be able to make alternative arrangements. In addition, certain materials for which we do not currently have long-term supply agreements could experience shortages and significant price increases in the future. As a result, we may be unable to mitigate any future supply shortages and our results of operations, prospects and financial condition could be adversely affected.

Customer Service

We are highly differentiated in each of the geographic markets that we serve with our services and associated product offerings. This is achieved by providing targeted, complementary services and related products and being responsive to our customers with both quality, as measured by the industry-standard non-productive time ("NPT"), and timely responses to requests. The key elements include:

- 24-hours a day, seven days a week operations;
- recognized industry leading technicians in our principal service and product lines;

- responsiveness to our customers' requirements for ready-to-deploy American Petroleum Institute ("API") certified equipment and a "can do" philosophy;
- technical interface with customers via product line management personnel; and
- client relationship building.

Technology and Intellectual Property

Our engineering and technology efforts are focused on providing efficient and cost-effective solutions to maximize production for our customers across major North American onshore basins. We have dedicated resources focused on the internal development of new technology and equipment, as well as resources focused on sourcing and commercializing new technologies through strategic relationships. Our sales and earnings are influenced by our ability to successfully introduce new or improved products and services to the market.

Although in the aggregate our patents and licenses are important to us, we do not regard any single patent, license or strategic relationship as critical or essential to our business as a whole. In general, we depend on our technological capabilities, customer service oriented culture and application of our know-how to distinguish ourselves from our competitors, rather than our right to exclude others through patents or exclusive licenses. We also consider the quality and timely delivery of our products, the service we provide to our customers, and the technical knowledge and skill of our personnel to be more important than our registered intellectual property in our ability to compete.

We believe we have become a "go-to" service provider for piloting certain new technologies across North America because of our service quality, execution at the wellsite and scale. These strategic relationships provide us and our customers with access to unique technology from independent innovators. This also allows us to minimize exposure to potential technology adoption risks and the significant costs associated with developing and implementing R&D internally. Our internal resources are focused on evolving our existing proprietary tools to stay on trend and ensure quicker, lower completion and production costs for our customers.

Risk Management and Insurance

The provision of technical services or use of certain of our tools and equipment in connection therewith could involve operational risk and thereby expose us to liabilities. An accident involving our services or equipment, or the failure of a product, could result in personal injury, loss of life and damage to property, equipment or the environment. Damages from a catastrophic occurrence, such as a fire or explosion, could result in substantial claims for damages. We generally attempt to negotiate the terms of our Master Services Agreements ("MSAs") consistent with industry practice. In general, we attempt to take responsibility for our own personnel and property, while our customers, such as the E&P companies and well operators, take responsibility for their own personnel, property and all liabilities arising from well and subsurface operations.

In addition, claims for loss of oil and gas production and damage to formations can occur in the oilfield services industry. If a serious accident were to occur at a location where our equipment and services are being used, it could result in us being named as a defendant in lawsuits asserting large claims. Because our business involves the transportation of heavy equipment and materials, we may also experience traffic accidents, which may result in spills, property damage and personal injury.

Oilfield services companies, despite efforts to maintain high safety standards, from time to time, have suffered accidents. Our business is subject to the same risks and, as a result, there is a risk that we will experience accidents in the future. In addition to the property and personal losses from these accidents, the frequency and severity of these incidents affect our operating costs and insurability, and our relationship with customers, employees and regulatory agencies. In particular, in recent years many of our large customers have placed an increased emphasis on the safety records of their service providers. Any significant increase in the frequency or severity of these incidents, or the general level of compensatory payments, could adversely

affect the cost of, or our ability to obtain, workers' compensation and other forms of insurance, and could have other material adverse effects on our financial condition and results of operations.

We maintain a risk management program that covers operating hazards, including products and completed operations, property damage and personal injury claims as well as certain limited environmental claims. Our risk management program includes primary, umbrella and excess umbrella liability policies in excess of \$75.0 per occurrence, including sudden and accidental pollution claims. We believe that our insurance is sufficient to cover property and casualty liability claims.

We endeavor to allocate potential liabilities and risks between the parties in our MSAs. We retain the risk for any liability not indemnified by our customers and in excess of our insurance coverage. These MSAs delineate our and our customers' respective warranty and indemnification obligations with respect to the services we provide. We endeavor to negotiate MSAs with our customers that provide, among other things, that we and our customers assume (without regard to fault) liability for damages to our respective personnel and property. For catastrophic losses, we endeavor to negotiate MSAs that include industry-standard carve-outs from the knock-for-knock indemnities. Additionally, our MSAs often provide carve-outs to the "without regard to fault" concept that would permit, for example, us to be held responsible for events of catastrophic loss only if they arise as a result of our gross negligence or willful misconduct. Our MSAs typically provide for industry-standard pollution indemnities, pursuant to which we assume liability for surface pollution associated with our equipment and originating above the surface (without regard to fault), and our customer assumes (without regard to fault) liability arising from all other pollution, including, without limitation, underground pollution and pollution emanating from the wellbore as a result of an explosion, fire or blowout. The summary of MSAs set forth above is a summary of the material terms of the typical MSA that we have in place and does not reflect every MSA that we have entered into or may enter into in the future, some of which may contain indemnity structures and risk allocations between our customers and us that are different than those described here.

Information Technology

Our IT systems provide us with a scalable integrated platform that facilitates efficient operations, consolidated invoicing and optimal equipment utilization on both a site and segment basis. Our operating strategy is based upon balancing high asset and personnel utilization levels with consistently superior customer service. As such, our IT systems are integral to effectively managing our business.

Government Regulation and Environmental, Health and Safety Matters

Our operations are subject to extensive and changing federal, state and local laws and regulations establishing health, safety and environmental quality standards, including those governing discharges of pollutants into the air and water and the management and disposal of hazardous substances and wastes. We may be subject to liabilities or penalties for violations of those regulations. We are also subject to laws and regulations, such as the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and similar state statutes, governing remediation of contamination, which could occur or might have occurred at facilities that we own or operate, or which we formerly owned or operated, or to which we send or have sent hazardous substances or wastes for treatment, recycling or disposal. Historically, our environmental compliance costs have not had a material adverse effect on our operations. However, we could become subject to future liabilities or obligations as a result of new or more stringent interpretations of existing laws and regulations. In addition, we may have liabilities or obligations in the future if we discover any environmental contamination or liability relating to our facilities or operations.

The following is a summary of some of the existing laws, rules and regulations, as amended from time to time, to which we are subject.

Hazardous Substances and Waste Handling

The Resource Conservation and Recovery Act ("RCRA") and comparable state statutes, regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. Under the guidance issued by the Environmental Protection Agency (the "EPA"), individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. We are required to manage the disposal of hazardous and non-hazardous wastes in compliance with RCRA and analogous state laws. RCRA currently exempts many E&P wastes from classification as hazardous waste. Specifically, RCRA excludes from the definition of hazardous waste produced waters and other wastes intrinsically associated with the exploration, development, or production of crude oil and natural gas. However, efforts have been made from time to time to remove this exclusion and thus it is possible that certain E&P waste now classified as non-hazardous waste and excluded from treatment as hazardous wastes may in the future be designated as "hazardous wastes" under RCRA or other applicable statutes. Stricter regulation of wastes generated during our or our customers' operations could result in increased costs for our operations or the operations of our customers, which could in turn reduce demand for our products and services and adversely affect our business.

Comprehensive Environmental Response, Compensation, and Liability Act

CERCLA, also known as the Superfund law, imposes joint and several liability, without regard to fault or legality of conduct, on classes of persons who are considered to be responsible for the release of a hazardous substance into the environment. These persons include the current and former owner or operator of the site where the release occurred, and anyone who transported or disposed or arranged for the transport or disposal of a hazardous substance released at the site. Persons who are or were responsible for releases of hazardous substances under CERCLA and any state analogs may be subject to joint and several, strict liability for the costs of cleaning up the hazardous substances that have been released into the environment, and for damages to natural resources and for the costs of certain health studies. We currently own, lease, or operate numerous properties that have been used for manufacturing and other operations for many years. These properties and the substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to remove previously disposed substances and wastes, remediate contaminated property, or perform remedial operations to prevent future contamination. In addition, it is not uncommon for neighboring landowners and other third-parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

Worker Health and Safety

We are subject to a number of federal and state laws and regulations, including the federal Occupational Safety and Health Act, which establishes requirements to protect the health and safety of workers. The U.S. Occupational Safety and Health Administration ("OSHA") hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require maintenance of information about hazardous materials used or produced in operations and provision of this information to employees, state and local government authorities and citizens. The Federal Motor Carrier Safety Administration regulates and provides safety oversight of commercial motor vehicles, the EPA establishes requirements to protect human health and the environment, the federal Bureau of Alcohol, Tobacco, Firearms and Explosives ("ATF") establishes requirements for the safe use and storage of explosives, and the federal Nuclear Regulatory Commission establishes requirements for the protection against ionizing radiation. Substantial fines and penalties can be imposed and orders or injunctions limiting or prohibiting certain operations may be issued in connection with any failure to comply with these laws and regulations.

Additionally, OSHA has implemented rules establishing a more stringent permissible exposure limit for exposure to respirable crystalline silica and other provisions to protect employees. These rules require compliance with engineering control obligations to limit exposures to respirable crystalline silica in connection with hydraulic fracturing activities. OSHA and analogous state agencies may continue to propose changes in their regulations regarding workplace exposure to crystalline silica, such as permissible exposure limits and

required controls and personal protective equipment. Additionally, the inhalation of respirable crystalline silica is associated with health risks, including the lung disease silicosis. These health risks have been, and may continue to be, a significant issue confronting the hydraulic fracturing industry. Concerns over silicosis and other potential adverse health effects, as well as concerns regarding potential liability from the use of hydraulic fracturing sand, may have the effect of discouraging our customers' use of hydraulic fracturing sand.

Transportation Safety and Compliance

Operating a fleet of over 1,400 vehicles, we are subject to regulation as a motor carrier by the U.S. Department of Transportation (the "DOT") and analogous state agencies, which requires us to comply with a number of federal and state laws and regulations, including the Federal Motor Carrier Safety Regulations and Hazardous Material Regulations for interstate travel, and comparable state regulations for intrastate travel. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations, regulatory safety, equipment testing, driver requirements and specifications, and insurance requirements. The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices (including for example, changes in fuel emissions limits, hours of service regulations that govern the amount of time a driver may drive or work in any specific period and limits on vehicle weight and size) or by reducing the demand for common or contract carrier services or the cost of providing truckload services. Additional regulatory initiatives may be pursued relating to fuel quality, engine efficiency and greenhouse gas ("GHG") emissions, which could further increase our costs due to truck purchases and maintenance, impairment of equipment productivity, decreases in the residual value of vehicles, unpredictable fluctuations in fuel prices and increases in operating expenses. Our operations, including routing and weight restrictions, could be affected by road construction, road repairs, detours and state and local regulations and ordinances restricting access to certain roads and our increased truck traffic could contribute to deteriorating road conditions in some areas. Also, state and local regulation of permitted routes and times on specific roadways could adversely affect our operations. We cannot predict whether, or in what form, any legislative or regulatory changes or municipal ordinances applicable to our logistics operations will be enacted and to what extent any such legislation or regulations could increase our costs or otherwise adversely affect our business or operations. Moreover, substantial fines and penalties can be imposed and orders or injunctions limiting or prohibiting certain operations may be issued in connection with any failure to comply with laws and regulations relating to the safe operation of commercial motor vehicles.

Water Discharges

The Federal Water Pollution Control Act (the "Clean Water Act") and analogous state laws impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the United States. The discharge of pollutants into regulated waters, including jurisdictional wetlands, is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency.

There continues to be uncertainty on the federal government's applicable jurisdictional reach under the CWA over waters of the United States, including wetlands, as the EPA and the U.S. Army Corps of Engineers ("Corps") under the Obama, Trump and Biden Administrations have pursued multiple rulemakings since 2015 in an attempt to determine the scope of such reach. While the EPA and Corps under the Trump Administration issued a final rule in January 2021 narrowing federal jurisdictional reach over waters of the United States, President Biden issued an executive order to further review and assess these regulations consistent with the new administration's policy objectives, following which the EPA and Corps announced plans in June 2021 to initiate a new rulemaking process that would repeal the 2020 rule and restore protections that were in place prior to 2015. Although the EPA and Corps did not seek to vacate the 2020 rule on an interim basis, two federal district courts in Arizona and New Mexico have vacated the 2020 rule in decisions announced during the third quarter of 2021. While these district court decisions may be appealed, it is clear that the EPA and Corps intend to adopt a more expansive definition for waters of the United States. As an initial step, the agencies published on December 7, 2021 a proposed rulemaking that would put back into place the pre-2015 definition of "waters of the United States." The proposed rule, if adopted would serve as an interim approach

to "waters of the United States" and provide the agency with time to develop a subsequent rule that builds upon the currently proposed rule based, in part, on additional stakeholder involvement. To the extent that any new final rule or rules issued by the EPA and Corps under the Biden Administration expands the scope of the CWA's jurisdiction in areas where we or our customers conduct operations, such developments could delay, restrict or halt the development of projects, result in longer permitting timelines, or increased compliance expenditures or mitigation costs for the Company's operations, which may reduce our customers' rate of production of oil and gas and reduce the demand for our products and services.

In other Clean Water Act matters, spill prevention, control and countermeasure requirements of federal laws require appropriate containment berms and similar structures to help prevent the contamination of navigable waters by a petroleum hydrocarbon tank spill, rupture or leak. In addition, the Clean Water Act and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. Federal and state regulatory agencies can impose administrative, civil and criminal penalties as well as other enforcement mechanisms for non-compliance with discharge permits or other requirements of the Clean Water Act and analogous state laws and regulations. The Clean Water Act and analogous state laws provide for administrative, civil and criminal penalties for unauthorized discharges and, together with the Oil Pollution Act of 1990, impose rigorous requirements for spill prevention and response planning, as well as substantial potential liability for the costs of removal, remediation, and damages in connection with any unauthorized discharges.

Air Emissions

The federal Clean Air Act ("CAA"), and comparable state laws, regulate emissions of various air pollutants through air emissions permitting programs and the imposition of other requirements. In addition, the EPA has developed, and continues to develop, stringent regulations governing emissions of toxic air pollutants at specified sources. These regulations change frequently. These laws and regulations may require us to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and strictly comply with stringent air permit requirements or utilize specific equipment or technologies to control emissions of certain pollutants. For example in 2015, the EPA lowered the National Ambient Air Quality Standard ("NAAQS") for ground level ozone from 75 to 70 parts per billion. Since that time, the EPA has issued area designations with respect to ground-level ozone and, on December 31, 2020, published notice of a final action that, upon conducting a periodic review of the ozone standard in accord with CAA requirements, elected to retain the 2015 ozone NAAQS without revision on a going-forward basis. However, this December 2020 final action is subject to legal challenge, and the Biden administration has announced plans to reconsider the December 2020 final action in favor of a more stringent ground-level ozone NAAQS. State implementation of the revised NAAQS could result in stricter permitting requirements, which in turn could delay or impair our or our customers' ability to obtain air emission permits, and result in increased expenditures for pollution control equipment, the costs of which could be significant. Federal and state regulatory agencies can impose administrative, civil and criminal penalties, as well as injunctive relief, for non-compliance with air permits or other requirements of the CAA and associated state laws and regulations.

Climate Change

The threat of climate change continues to attract considerable attention in the United States and around the world. Numerous proposals have been made and could continue to be made at the international, national, regional and state levels of government to monitor and limit existing emissions of GHGs as well as to restrict or eliminate such future emissions.

The U.S. Congress has not adopted comprehensive climate change legislation but President Biden has made combating climate change arising from GHG emissions a priority under his Administration and has issued, and may continue to issue, executive orders or other regulatory initiatives in pursuit of his regulatory agenda. At the federal level, the EPA has adopted rules that, among other things, establish construction and operating permit reviews for GHG emissions from certain large stationary sources, require the monitoring and annual reporting of GHG emissions from certain petroleum and natural gas system sources, and impose new

standards reducing methane emissions from oil and gas operations through limitations on venting and flaring and the implementation of enhanced emission leak detection and repair requirements.

In recent years, there has been considerable uncertainty surrounding regulation of methane emissions. During 2020, the Trump Administration revised performance standards for methane established in 2016 to lessen the impact of those standards and removed the transmission and storage segments from the source category for certain regulations. However, shortly after taking office in 2021, President Biden issued an executive order calling on the EPA to revisit federal regulations regarding methane and establish new or more stringent standards for existing or new sources in the oil and gas sector, including the transmission and storage segments. The U.S. Congress also passed, and President Biden signed into law, a revocation of the 2020 rulemaking, effectively reinstating the 2016 standards. In response to President Biden's executive order, in November 2021, the EPA issued a proposed rule that, if finalized, would establish Quad Ob new source and Quad Oc first-time existing source standards of performance for methane and volatile organic compound ("VOC") emissions in the oil and gas source category. This proposed rule would apply to upstream and midstream facilities at oil and natural gas well sites, natural gas gathering and boosting compressor stations, natural gas processing plants, and transmission and storage facilities. The EPA plans to issue a supplemental proposal enhancing this proposed rulemaking in 2022 that will contain additional requirements that were not included in the November 2021 proposed rule. The EPA anticipates issuing a final rule before end-of-year 2022.

Additionally, various states and groups of states have adopted or are considering adopting legislation, regulations or other regulatory initiatives that are focused on such areas as GHG cap and trade programs, carbon taxes, reporting and tracking programs, and restriction of emissions. At the international level, there exists the United Nations-sponsored Paris Agreement, which is a non-binding agreement for nations to limit their GHG emissions through individually-determined reduction goals every five years after 2020. President Biden announced in April 2021 a new, more rigorous nationally determined emissions reduction level of 50 percent to 52 percent from 2005 levels in economy-wide net GHG emissions by 2030. Moreover, the international community gathered again in Glasgow in November 2021 at the 26th Conference of the Parties ("COP26"), during which multiple announcements (not having the effect of law) were made, including a call for parties to eliminate certain fossil fuel subsidies and pursue further action on non-CO2 GHGs. Relatedly, the United States and European Union jointly announced at COP26 the launch of a Global Methane Pledge, an initiative which over 100 countries joined, committing to a collective goal of reducing global methane emissions by at least 30 percent from 2020 levels by 2030, including "all feasible reductions" in the energy sector. The impacts of these orders, pledges, agreements and any legislation or regulation promulgated to fulfill the United States' commitments under the Paris Agreement, COP26, or other international conventions cannot be predicted at this time.

Governmental, scientific, and public concern over the threat of climate change arising from GHG emissions has resulted in federal political risks in the United States. President Biden has issued several executive orders calling for more expansive action to address climate change and suspend new oil and gas operations on federal lands and waters. The suspension of the federal leasing activities prompted legal action by several states against the Biden Administration, resulting in issuance of a nationwide preliminary injunction by a federal district judge in Louisiana in June 2021, effectively halting implementation of the leasing suspension. The federal government is appealing the district court decision. Other actions adversely affecting the oil and gas industry that may be pursued by the Biden Administration include limiting hydraulic fracturing by banning new oil and gas permitting on federal lands and waters, potentially eliminating certain tax rules (referred to as subsidies) that benefit the oil and gas industry, and imposing restrictions on pipeline infrastructure. Litigation risks are also increasing as a number of states, municipalities and other plaintiffs have sought to bring suit against the largest oil and natural gas exploration and production companies in state or federal court alleging, among other things, that such energy companies created public nuisances by producing fuels that contributed to global warming effects, such as rising sea levels, and therefore, are responsible for roadway and infrastructure damages as a result, or alleging that the companies have been aware of the adverse effects of climate change for some time but defrauded their investors by failing to adequately disclose those impacts.

Additionally, the Company's access to capital may be impacted by climate change policies. Shareholders and bondholders currently invested in fossil-fuel energy companies are concerned about the potential effects of climate change and may elect in the future to shift some or all of their investments into non-fossil fuel energy related sectors. Institutional lenders who provide financing to fossil-fuel energy companies also have become more attentive to sustainable lending and investment practices that favor "clean" power sources, such as wind and solar, making those sources more attractive, and some of them may elect not to provide funding for fossil fuel energy companies. Many of the largest U.S. banks have made "net zero" carbon emission commitments and have announced that they will be assessing financed emissions across their portfolios and taking steps to quantify and reduce those emissions. At COP26, the Glasgow Financial Alliance for Net Zero ("GFANZ") announced that commitments from over 450 firms across 45 countries had resulted in over \$130 trillion in capital committed to net zero goals. The various sub-alliances of GFANZ generally require participants to set short-term, sector-specific targets to transition their financing, investing, and/or underwriting activities to net zero emissions by 2050. These and other developments in the financial sector could lead to some lenders restricting access to capital for or divesting from certain industries or companies, including the oil and gas sector, or requiring that borrowers take additional steps to reduce their GHG emissions. Additionally, there is the possibility that financial institutions will be pressured or required to adopt policies that limit funding for fossil fuel energy companies. In late 2020, the Federal Reserve announced that it had joined the Network for Greening the Financial System ("NGFS"), a consortium of financial regulators focused on addressing climate-related risks in the financial sector. More recently, in November 2021, the Federal Reserve issued a statement in support of the efforts of the NGFS to identify key issues and potential solutions for the climate-related challenges most relevant to central banks and supervisory authorities. While we cannot predict what policies may result from these announcements, a material reduction in the capital available to us or our fossil fuel-related customers could make it more difficult to secure funding for exploration, development, production, transportation, and processing activities, which could reduce the demand for our products and services. Furthermore, the SEC has announced that it will propose rules that, amongst other matters, will establish a framework for the reporting of climate risks. However, no such rules have been proposed to date and we cannot predict what any such rules may require. Separately, the SEC has also announced that is scrutinizing existing climate-change related disclosures in public filings, increasing the potential for enforcement if the SEC were to allege an issuer's existing climate disclosures misleading or deficient.

Finally, increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that could have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events, as well as chronic shifts in temperature and precipitation patterns. These climatic developments have the potential to cause physical damage to our and our customers' assets and thus could have an adverse effect on each of our operations. Additionally, changing meteorological conditions, particularly temperature, may result in changes to the amount, timing, or location of demand for energy or its production. While our consideration of changing climatic conditions and inclusion of safety factors in design is intended to reduce the uncertainties that climate change and other events may potentially introduce, our ability to mitigate the adverse impacts of these events depends in part on the effectiveness of our facilities and our disaster preparedness and response and business continuity planning, which may not have considered or be prepared for every eventuality.

Hydraulic Fracturing

Our businesses are dependent on our customers' hydraulic fracturing and horizontal drilling activities. Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons, particularly natural gas, from tight formations, including shales. The process, which involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production, is typically regulated by state oil and natural gas commissions.

At the federal level, the EPA has asserted federal regulatory authority over certain hydraulic fracturing activities involving the use of diesel fuels and regarding certain wastewater discharges from onshore unconventional oil and gas extraction facilities. Also, the federal Bureau of Land Management under both the Obama and Trump Administrations has in the recent past pursued final rules governing hydraulic fracturing activities on federal lands, but legal action challenging those rules is on-going and their outcome remains

uncertain. In late 2016 the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that "water cycle" activities associated with hydraulic fracturing may impact drinking water resources under certain circumstances.

While the U.S. Congress has from time to time considered but refused to adopt federal regulation of hydraulic fracturing, the Biden Administration has issued executive orders, could issue additional executive orders, and could pursue other legislative and regulatory initiatives that restrict hydraulic fracturing activities on federal lands. For example, President Biden issued an order in January 2021 suspending the issuance of new leases and authorizations, including drilling permits on federal lands and waters for a period of 60 days, and subsequently issued a second order on January 27, 2021 suspending the issuance of new leases on federal lands and waters pending completion of a study of current oil and gas practices. The suspension of these federal leasing activities prompted legal action by several states against the Biden Administration, resulting in issuance of a nationwide preliminary injunction by a federal district judge in Louisiana in June 2021, effectively halting implementation of the leasing suspension but the federal government is appealing the district court decision. Although this suspension, which did not limit existing operations under valid leases and were not applicable to tribal lands that the federal government holds in trust, do not directly affect our operations, they could impose additional hydraulic fracturing limitations on our customers that could ultimately result in decreased demand for our products and services.

At the state level, many states have adopted legal requirements that have imposed new or more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities, including states where our customers operate. States could also elect to place prohibitions on hydraulic fracturing and local governments may seek to adopt ordinances within their jurisdictions regulating the time, place or manner of drilling activities in general or hydraulic fracturing activities in particular.

Seismic Events and Water Availability

In recent years, wells used for the disposal by injection of flowback water or certain other oilfield fluids below ground into non-producing formations have been associated with an increased number of seismic events, with research suggesting that the link between seismic events and wastewater disposal may vary by region and local geology. The U.S. geological survey has in the recent past identified six states with the most significant hazards from induced seismicity, which includes Oklahoma, Kansas, Texas, Colorado, New Mexico, and Arkansas. In response to these concerns, regulators in some states have adopted additional requirements related to seismicity and its potential association with hydraulic fracturing. For example, Texas and Oklahoma have issued rules for wastewater disposal wells that impose certain permitting and operating restrictions and reporting requirements on disposal wells in proximity to faults. Other states, such as Texas and Oklahoma, have also issued orders or other directives, from time to time, requesting or even compelling operators of certain wells where seismic incidents have occurred to restrict or suspend disposal well operations. Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal.

Finally, water is an essential component of shale oil and natural gas production during both the drilling and hydraulic fracturing processes. Our customers' access to water to be used in these processes may be adversely affected due to reasons such as periods of extended drought, private, third party competition for water in localized areas or the implementation of local or state governmental programs to monitor or restrict the beneficial use of water subject to their jurisdiction for hydraulic fracturing to assure adequate local water supplies.

Employees

As of December 31, 2021, we had approximately 1,520 employees. Approximately 89% of our employees are engaged in operations, quality and purchasing, 4% in sales and marketing and 7% in finance, human

resources, IT and general administration. Our employees are not unionized, and we consider our employee relations to be good.

Available Information

Our filings with the SEC, including this Transition Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Proxy Statement, Current Reports on Form 8-K and amendments to any of those reports are available free of charge on our website, <http://www.klxenergy.com>, as soon as reasonably practicable after they are filed with, or furnished to, the SEC. These reports may also be obtained on the SEC's website, www.sec.gov, which contains reports, proxy statements, information statements, and other information regarding SEC registrants, including KLX Energy Services Holdings, Inc. Information included in or connected to our website is not incorporated by reference in this Transition Report on Form 10-K.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the information in this Transition Report on Form 10-K, including the matters addressed under "Cautionary Note Regarding Forward-Looking Statements" and the following risks before making an investment decision. If any of the following risks or uncertainties or any other risks or uncertainties of which we are currently unaware actually occur, or if any of our underlying assumptions prove to be incorrect, our business, financial condition and results of operations could be materially adversely affected. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

Risks Relating to Our Business

Our business depends on domestic capital spending by the oil and natural gas industry, and reductions in capital spending could have a material adverse effect on our business, financial condition and results of operations.

Our revenues are generated primarily from customers who are engaged in drilling for and production of oil and natural gas. Demand for services in the oil and natural gas industry is cyclical and subject to sudden and significant volatility, and we depend on our customers' willingness to make capital and operating expenditures to explore for, develop and produce oil and natural gas in the United States. In recent years, the oil and gas industry has experienced significant downturns and volatility. For example, in 2020, low oil and natural gas prices due, in part, to the COVID-19 pandemic, caused a reduction in cash flows for our customers, which had a significant adverse effect on the financial condition of some of our customers. This has resulted in, and may continue to result in, lower capital expenditures, project modifications, delays or cancellations, general business disruptions, and delays in payment of, or nonpayment of, amounts that are owed to us. These effects have had, and may continue to have, a material adverse effect on our financial condition, results of operations and cash flows. While oil and gas prices have increased significantly during the transition period and in early 2022, we anticipate oil and natural gas prices will continue to be volatile.

Factors over which we have no control that could affect our customers' willingness to undertake drilling, completion, production, and intervention spending activities include:

- the level of prices, and expectations about prices, for oil and natural gas;
- the level of domestic and global oil and natural gas production;
- the level of domestic and global oil and natural gas inventories;
- the availability, pricing and perceived safety of pipeline, trucking, train storage and other transportation capacity;
- the supply of and demand for oilfield services and equipment;
- lead times associated with acquiring equipment and availability of qualified personnel;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- the expected rates of decline in production from existing and prospective wells;
- the discovery rates of new oil and natural gas reserves;

- any prolonged reduction in the overall level of oil and natural gas E&P activities, whether resulting from changes in oil and natural gas prices or otherwise;
- uncertainty in capital and commodities markets and the ability of oil and natural gas E&P companies to raise equity capital and debt financing;
- federal, state and local regulation of hydraulic fracturing and other oilfield service activities, as well as E&P activities, including public pressure on governmental bodies and regulatory agencies to regulate our industry;
- moratoriums on drilling activity resulting in a cessation of operation or a failure to expand operations;
- adverse weather conditions, including rain, tropical storms, hurricanes and severe cold weather, that can affect oil and natural gas operations over a wide area;
- oil refining capacity;
- merger and divestiture activity among oil and gas producers;
- the availability of water resources and suitable proppants in sufficient quantities and on acceptable terms for use in hydraulic fracturing operations;
- the availability, capacity and cost of disposal and recycling services for used hydraulic fracturing fluids;
- the political environment in oil and natural gas producing regions, including uncertainty or instability resulting from civil disorder, terrorism or war, such as the recent conflict between Russia and Ukraine;
- worldwide political, military and economic conditions;
- global or national health pandemics, epidemics or concerns, such as the ongoing COVID-19 pandemic, which reduced and may further reduce demand for oil and natural gas and related products due to reduced global or national economic activity;
- actions of OPEC, its members and other state controlled oil companies relating to oil and natural gas price and production levels, including announcements of potential changes to such levels;
- advances in exploration, development and production technologies or in technologies affecting energy consumption;
- stockholder activism or activities by non-governmental organizations to restrict the exploration, development and production of oil and natural gas;
- the potential acceleration of development of alternative fuels; and
- the price and availability of alternative fuels and energy sources.

The volatility of oil and natural gas prices may adversely affect the demand for our services and negatively impact our results of operations.

The demand for our services is primarily determined by current and anticipated oil and natural gas prices and the related levels of capital spending and drilling activity in the areas in which we have operations. Volatility or weakness in oil prices or natural gas prices (or the perception that oil prices or natural gas prices will decrease) affects the spending patterns of our customers and may result in the drilling of fewer new wells. This, in turn, could lead to lower demand for our services and may cause lower utilization of our assets. We have experienced, and may in the future experience, significant fluctuations in operating results as a result of the reactions of our customers to changes in oil and natural gas prices.

Historically, prices for oil and natural gas have been extremely volatile and are expected to continue to be volatile. During the past five years, West Texas Intermediate ("WTI") has ranged from a low of \$(36.98) per Bbl in April 2020 to a high of \$119.26 per Bbl in March 2022. As of December 31, 2021, WTI closed at \$75.33 per Bbl, a 44.4% increase compared to WTI on January 29, 2021. On March 7, 2022, WTI closed at \$119.26 per Bbl.

Significant factors that are likely to affect commodity prices in current and future periods include, but are not limited to, price reductions or increased production by OPEC members and other oil exporting nations, the effect of U.S. energy, monetary and trade policies, U.S. and global economic conditions, U.S. and global political and economic developments, including initiatives introduced by the Biden Administration and resulting energy and environmental policies, war or other military conflict, including an escalation of the conflict between Russia and Ukraine, the impact of the ongoing COVID-19 pandemic, and conditions in the U.S. oil and gas industry and the resulting demand for domestic land oilfield services.

If the prices of oil and natural gas continue to be volatile or decline, our business, financial condition and results of operations may be materially and adversely affected.

The COVID-19 pandemic has had, and is likely to continue to have, a material adverse effect on our financial condition, results of operations and cash flows.

The COVID-19 pandemic in the United States and globally, together with significant volatility in commodity prices adversely affected, and may continue to adversely affect, both the price of and demand for crude oil and the continuity of our business operations. In 2020, oil demand significantly deteriorated as a result of the COVID-19 pandemic and corresponding preventative measures taken around the world to mitigate its spread, including “shelter-in-place” orders, quarantines, executive orders and similar government orders and restrictions for their residents to control the spread of COVID-19. The reduction in oil prices and the ongoing effects of the global COVID-19 pandemic resulted in numerous bankruptcies and consolidations of E&P and oilfield services companies and a significant decline in demand and prices for oilfield services during 2020. In response, we have taken, and, despite the recent increase in oil prices in early 2022, are continuing to take, steps to reduce costs, including reductions in capital expenditures, as well as other workforce adjustments and ongoing cost savings initiatives.

Additionally, in an effort to minimize the spread of COVID-19, we and our customers have implemented various worksite restrictions in order to minimize contact among personnel. Certain travel restrictions and flight cancellations have also slowed personnel travel and equipment delivery to certain customer locations.

A recession or long-term market correction resulting from the COVID-19 pandemic could in the future further materially affect the value of our common stock, affect our access to capital and affect our business in the near and long-term. The borrowing base of our \$100.0 senior secured asset-based lending facility (the “ABL Facility”) is dependent upon our receivables, which may be significantly lower in the future due to reduced activity levels or decreases in pricing for our services. In addition, if our customers experience financial distress due to the current market conditions, they could default on their payments owed to us and create a credit risk on collecting receivables.

The COVID-19 pandemic and its related effects continue to evolve. The ultimate extent of the impact of the COVID-19 pandemic and any other future pandemic on our business will depend on future developments, including, but not limited to, the nature, duration and spread of the disease, the vaccination rollout and responsive actions to stop its spread or address its effects and the duration, timing and the severity of the related consequences on commodity prices and the economy more generally, including any recession resulting from the pandemic. Any extended period of depressed commodity prices or general economic disruption as a result of a pandemic would adversely affect our business, financial condition and results of operations.

Our business may be adversely affected by a deterioration in general economic conditions or a weakening of the broader energy industry.

The reduction in oil prices in 2020 and the ongoing effects of the global COVID-19 pandemic created a significant decline in demand and prices for oilfield services during the fiscal year ended January 31, 2021. During the transition period and in early 2022, oil prices experienced a significant increase; however, the industry still has not fully recovered, and is currently still at a lower rig count than before the COVID-19 pandemic. We cannot assure you these conditions will not continue to exist throughout 2022. The risks associated with our business are more acute during periods of economic slowdown or recession because such periods may be accompanied by decreased spending by our customers. A prolonged period of economic slowdown and/or recession in the United States, particularly if coupled with a prolonged slowdown in the E&P industry, would materially and adversely impact our business, financial condition and results of operations.

The oil and gas industry has historically been both cyclical and seasonal. Activity levels historically have been driven primarily by E&P company capital spending, well completions and workover activity, the geological characteristics of the producing wells and their effect on the services required to commence and maintain

production levels, and our customers' capital and operating budgets. All of these indicators are generally driven by commodity prices, which are affected by both domestic and global supply and demand factors. In particular, while U.S. oil and natural gas prices are correlated with global oil price movements, they are also affected by local markets, weather and consumption patterns.

Our future results may be impacted by the uncertainty caused by an economic downturn, public health crises, geopolitical issues, including the recent conflict between Russia and Ukraine, volatility or deterioration in the debt and equity capital markets, inflation, deflation or other adverse economic conditions that may negatively affect us or parties with whom we do business resulting in a reduction in our customers' spending and their non-payment or inability to perform obligations owed to us, such as the failure of customers to honor their commitments or the failure of major suppliers to complete orders.

Over the past several years, an increasing number of E&P companies increased their focus on generating free cash flow; as a result, if oil prices drop or spending for activities exceeds amounts budgeted earlier in their fiscal years, many E&P companies will sharply curtail spending, which negatively impacts demand for our services. This practice has been commonly referred to as "budget exhaustion" in the industry. The lack of notice of budget exhaustion negatively impacts our hiring practices and operating efficiencies.

We may be unable to maintain existing prices or implement price increases on our services.

Our ability to maintain our existing prices or to implement price increases depends on our customers' ability and willingness to pay such prices. As a result, and given the volatility in the market, we may not be successful in maintaining our existing prices or, in the future, implementing price increases. An increase in commodity prices and the ongoing recovery from the COVID-19 pandemic resulted in a significant increase in demand and prices for our services in the transition period ended December 31, 2021, however, we cannot predict the ultimate magnitude or duration of the volatility in oil and gas prices and the ongoing COVID-19 pandemic on the prices we charge. Any inability to maintain our pricing or to increase our pricing from reduced levels could have a material adverse effect on our business, financial condition and results of operations.

There could also be pressure on our pricing and limitations on our ability to increase prices during future periods of increased market demand when a significant amount of new service capacity, including new well service rigs, wireline units and coiled tubing units, may enter the market. In periods of high demand for oilfield services, a tighter labor market may result in higher labor costs. During such periods, our labor costs could increase at a greater rate than our ability to raise prices. Also, we may not be able to successfully increase prices without adversely affecting our activity levels. Even if we are able to increase our prices in future periods, we may not be able to do so at a rate that is sufficient to offset any rising costs, which could have a material adverse effect on our business, financial condition and results of operations.

We have been expanding our available products and services in recent periods. Our inability to properly manage or support future expansion of our business may have a material adverse effect on our business, financial condition, and results of operations and could cause the market value of our common stock to decline.

We have been expanding our available products and services in recent periods and may continue to expand over time through the internal expansion of products and services and potential acquisitions. Any such expansion, if achieved, could place significant demands on our management team and our operational, administrative and financial resources. We may not be able to expand effectively or manage our expansion successfully, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations and could cause the market value of our common stock to decline.

If we lose significant customers, significant customers materially reduce their purchase orders or significant programs on which we rely are delayed, scaled back or eliminated, our business, financial condition and results of operations may be adversely affected.

Our significant customers change from year to year, depending on the level of E&P activity and the use of our services. For the transition period ended December 31, 2021, no single customer accounted for more than 10% of our revenues. Our top five customers for the transition period ended December 31, 2021 together accounted for approximately 19% of our revenues. A reduction in purchases of our products and services by, or the loss of, one of our larger customers for any reason, such as the current industry conditions and economic downturn, insolvency of a customer, decreased production, changes in drilling practices, loss of a customer as a result of the acquisition of such customer by a purchaser who uses a competitor, in-sourcing by customers, a transfer of business to a competitor, or failure to adequately service our clients, could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to effectively and efficiently manage our equipment fleet as we expand our business, which could have an adverse effect on our business, financial condition and results of operations.

We have substantially expanded the size, scope and nature of our business through past mergers and acquisitions, resulting in an increase in the breadth of our product offerings and an expansion of our business geographically. Business expansion places increasing demands on us to increase the inventories that we carry and/or our equipment fleet. We must anticipate demand well into the future in order to service our extensive customer base. The inability to effectively and efficiently manage our assets to meet the current and future needs of our customers, which may vary widely from what is originally forecast due to a number of factors beyond our control, including periods of adverse weather, difficult market conditions or slowdowns in oil and natural gas exploration in the various regions in which we operate, could have an adverse effect on our business, financial condition and results of operations.

Possible decreased revenues, difficulty in obtaining access to financing and increased funding costs we experience may be exacerbated by the geographic concentrations of our completion and production operations. We could experience any of these conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have more geographically diversified operations. Such delays or interruptions could have a material adverse effect on our business, financial condition and results of operations.

Our past acquisition activity, including the merger with QES, and any future acquisitions may not be successful in delivering expected performance post-acquisition, which could have a material adverse effect on our business, financial condition and results of operations.

Our business was created largely through a series of acquisitions. We regularly evaluate acquisition opportunities, frequently engage in acquisition discussions and conduct due diligence activities and, where appropriate, engage in acquisition negotiations, some of which could be material to us. Our ability to continue to achieve our goals may depend upon our ability to effectively identify attractive businesses, access financing sources on acceptable terms, negotiate favorable transaction terms and successfully integrate any businesses we acquire, achieve cost efficiencies and manage these businesses as part of our company.

Our acquisition and merger activities may involve unanticipated delays, costs and other problems. If we encounter unanticipated problems with one of our acquisitions, our senior management may be required to divert attention away from other aspects of our business. We may lose key employees and customers of the acquired and merged businesses, and we may be unable to commercially develop acquired technologies. With any future acquisition or merger, we may also risk entering markets in which we have limited prior experience. Additionally, we may fail to consummate proposed acquisitions or divestitures, after incurring expenses and devoting substantial resources, including management time, to such transactions. Acquisitions also pose the risk that we may be exposed to successor liability relating to actions by an acquired company and its management before the acquisition. The due diligence we conduct in connection with an acquisition, and any contractual guarantees or indemnities that we receive from the sellers of acquired companies, may not be sufficient to protect us from, or compensate us for, actual liabilities that we assume or incur in connection with acquisitions we complete. Additionally, depending upon the acquisition opportunities available, we also may need to raise additional funds through the capital markets or arrange for additional

bank financing in order to consummate such acquisitions or to fund capital expenditures necessary to integrate such acquired businesses. We also may not be able to raise the substantial capital required for acquisitions and integrations on satisfactory terms, if at all. In addition, if we elect to utilize shares of common stock or other equity securities as consideration for one or more acquisitions or business combinations, or if we issue common stock or other equity securities in order to finance one or more acquisitions, existing stockholders of our company could experience dilution in the value of their securities, which could be material.

The process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties and may require a disproportionate amount of management attention and financial and other resources. Our failure to achieve consolidation savings, to incorporate the acquired businesses and assets into our existing operations successfully or to minimize any unforeseen operational difficulties could have a material adverse effect on our business, financial condition and results of operations. Furthermore, there is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions.

Risks Relating to Our Industry

Conservation measures and technological advances could reduce demand for oil and natural gas.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices could reduce demand for oil and natural gas. We cannot predict the impact of the changing demand for oil and natural gas services, and any major changes may have a material adverse effect on our business, financial condition and results of operations.

Our business involves many hazards and operational risks that could adversely affect our business, financial condition and results of operations.

Conditions inherent in the oil and natural gas industry can cause personal injury or loss of life, disruption or suspension in operations, damage to geological formations, damage to facilities, substantial revenue loss, business interruption and damage to, or destruction of, property, equipment and the environment. Our operations are subject to many hazards and risks, including the following:

- equipment defects;
- accidents resulting in serious bodily injury and the loss of life or property;
- damaged or lost equipment;
- liabilities from accidents or damage by our operators or equipment;
- pollution and other damage to the environment;
- well blowouts and the uncontrolled flow of natural gas, oil or other well fluids into or through the environment, including onto or into the ground or into the atmosphere, groundwater, surface water or an underground formation;
- fires, explosions and cratering;
- mechanical or technological failures;
- loss of well control;
- spillage handling and disposing of materials;
- collapse of the boreholes;
- adverse weather conditions; and
- failure of our employees to comply with our internal environmental, health and safety guidelines.

If any of these hazards materialize, they could result in the suspension of operations, termination of contracts without compensation, damage to or destruction of our equipment and the property of others, or injury or death to our personnel or third parties and could expose us to substantial liability or losses. Although we customarily include a waiver of consequential damages in our customer contracts, defects or other performance problems in the services or products we offer could result in our customers seeking to invalidate such waiver and seek damages from us for losses associated with these defects or other performance

problems. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators. Our customers may elect not to purchase our services if they view our safety record as unacceptable or otherwise experience material defects in our products or performance problems, which could cause us to lose customers and substantial revenue, and any litigation or claims, even if fully indemnified or insured, could negatively affect our reputation with our customers and the public and make it more difficult for us to compete effectively or obtain adequate insurance in the future. In addition, these risks may be greater for us upon the acquisition of another company that has not allocated significant resources and management focus to safety and has a poor safety record.

We maintain what we believe is customary and reasonable insurance to protect our business against most potential losses, but we are not fully insured against all risks inherent in our business and such insurance may not be adequate to cover our liabilities, especially as the inherent risks in our operations increase with increasing well complexity. For example, although we are insured for environmental pollution resulting from certain environmental accidents that occur on a sudden and accidental basis, we may not be insured against all environmental accidents or events that might occur, some of which may result in toxic tort claims. If a significant accident or event occurs for which we are not adequately insured, it could adversely affect our financial condition and results of operations. Furthermore, we may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies may substantially increase. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage.

Our insurance has deductibles or self-insured retentions and contains certain coverage exclusions. The current trend in the insurance industry is towards larger deductibles and self-insured retentions. In addition, insurance may not be available in the future at rates that we consider reasonable and commercially justifiable, compelling us to have larger deductibles or self-insured retentions to effectively manage expenses. As a result, we could become subject to material uninsured liabilities or situations where we have high deductibles or self-insured retentions that expose us to liabilities that could have a material adverse effect on our business, financial condition and results of operations.

Competition among oilfield service and equipment providers is affected by each provider's reputation for safety and quality.

Our activities are subject to a wide range of national, state and local occupational health and safety laws and regulations. In addition, customers maintain their own compliance and reporting requirements. Failure to comply with these health and safety laws and regulations, or failure to comply with our customers' compliance or reporting requirements, could tarnish our reputation for safety and quality and have a material adverse effect on our competitive position, business, financial condition and results of operations.

Increased labor costs, the unavailability of skilled workers or labor-related litigation could hurt our business, financial condition and results of operations.

We are dependent upon a pool of available skilled employees to operate and maintain our business. We compete with other oilfield services businesses and other similar employers to attract and retain qualified personnel with the technical skills and experience required to provide the highest quality service. The demand for skilled workers is high and the supply is limited, and a shortage in the labor pool of skilled workers or other general inflationary pressures or changes in applicable laws and regulations could make it more difficult for us to attract and retain personnel and could require us to enhance our wage and benefits packages, which could increase our operating costs.

Although our employees are not covered by a collective bargaining agreement, union organizational efforts could occur and, if successful, could increase our labor costs. A significant increase in the wages paid by competing employers or the unionization of groups of our employees could result in increases in the wage rates that we must pay. Likewise, laws and regulations to which we are subject, such as the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions, can increase our labor costs or subject us to liabilities to our employees. Our operations are also exposed to risks

of claims for alleged employment-related liabilities, including risks of claims related to alleged wrongful termination or discrimination, wage payment practices, retaliation claims and other human resource related matters. We cannot assure you that labor costs will not increase. Increases in our labor costs or unavailability of skilled workers could impair our capacity, diminish our profitability and have a material adverse effect on our business, financial condition and results of operations.

In recent years, oilfield services companies have been the subject of a significant volume of wage and hour-related litigation, including claims brought under the Fair Labor Standards Act, in which employee pay practices have been challenged. We have previously been named as defendants in these lawsuits, and we do not maintain insurance for alleged wage and hour-related litigation. The frequency and significance of wage or other employment-related claims may affect expenses, costs and relationships with employees and regulators. Additionally, we could become subject to material uninsured liabilities that could have a material adverse effect on our business, financial condition and results of operations.

We operate in highly competitive markets and our failure to compete effectively may negatively impact our business, financial condition and results of operations.

The markets in which we operate are highly competitive. Price competition, equipment availability, location and suitability, experience of the workforce, safety records, reputation, operating integrity and the condition of equipment are all factors used by customers in awarding contracts. Our competitors are numerous and may have greater financial and technological resources than we do. Contracts are traditionally awarded on the basis of competitive bids or direct negotiations with customers. The competitive environment has intensified as recent mergers among E&P companies have reduced the number of available customers and may further increase if E&P company bankruptcies further reduce the number of available customers or our existing and potential customers may develop their own service businesses. The fact that certain oilfield services equipment is mobile and can be moved from one market to another in response to market conditions heightens the competition in the industry. In addition, any increase in the supply of hydraulic fracturing fleets could have a material adverse impact on market prices. This increased supply could also require higher capital investment to keep our services competitive.

Some of our competitors may have greater financial, technical, marketing and personnel resources than we do. The larger size of many of our competitors provides them with cost advantages as a result of their economies of scale and their ability to obtain volume discounts and purchase raw materials at lower prices. As a result, such competitors may have stronger bargaining power with their suppliers and have an advantage over us in pricing as well as securing a sufficient supply of raw materials during times of shortage. Many of our competitors also have better brand name recognition, stronger presence in certain geographic markets, more established distribution networks, larger customer bases, more in-depth knowledge of the target markets, and the ability to provide a much broader array of services. Some of our competitors may also be able to devote greater resources to the R&D, promotion and sale of their services and products and better withstand the evolving industry standards and changes in market conditions as compared to us. Our operations may be adversely affected if our competitors introduce new products or services with better features, performance, prices or other characteristics than our products and services or expand into service areas where we operate. Our operations may also be adversely affected if our competitors are able to respond more quickly to new or emerging technologies and services and changes in customer requirements. Our future success and profitability will partly depend upon our ability to keep pace with our customers' demands for awarding contracts.

The competitive pressures described herein, and any others we may not currently be aware of, could reduce our market share or require us to reduce the price of our services and products, particularly during industry downturns, either of which could harm our business, financial condition and results of operations. Significant increases in overall market capacity have also caused active price competition and led to lower pricing and utilization levels for our services and products. The competitive environment has intensified since the industry downturn in the fiscal year ended January 31, 2021, which caused an oversupply of, and reduced demand for, oilfield services, and we have seen substantial reductions in the prices we can charge for our services. Any

significant future increase in overall market capacity for completion, intervention and production services may adversely affect our business, financial condition and results of operations.

Seasonal and adverse weather conditions adversely affect demand for services and operations.

Weather can have a significant impact on demand as consumption of energy is seasonal, and any variation from normal weather patterns, such as cooler or warmer summers and winters, can have a significant impact on demand. Adverse weather conditions, including rain, tropical storms, hurricanes, tornadoes and severe cold weather, may interrupt or curtail operations, our customers' operations, cause supply disruptions and result in a loss of revenue and damage to our equipment and facilities, which may or may not be insured. Specifically, we typically have experienced a pause by our customers around the holiday season in the fourth quarter, which may be compounded as our customers exhaust their annual capital spending budgets towards year end. Additionally, our operations are directly affected by weather conditions, which can severely disrupt the normal operation of our business and adversely impact our financial condition and results of operations. During the winter months (first and fourth quarters) and periods of heavy snow, ice or rain, particularly in the northeastern U.S., Colorado, North Dakota and Wyoming, our customers may delay operations or we may not be able to operate or move our equipment between locations. Also, during the spring thaw, which normally starts in late March and continues through June, some areas impose transportation restrictions to prevent damage. In addition, throughout the year heavy rains adversely affect activity levels, as dirt access roads can become impassible in wet conditions and well locations become inaccessible.

In February of 2021, we experienced a material slow down due to the unprecedented North American Winter Storm Uri, one of the costliest winter storms in U.S. history. As a result of the storm conditions, our customers shut in wells and delayed work causing us at least seven days of lost revenue, primarily in the Permian and the Mid-continent regions.

Risks Relating to Financial Considerations

We have operated at a loss, and there is no assurance of our profitability in the future.

We have experienced periods of low demand for our services and have incurred operating losses. As discussed above, lower commodity prices and the effects of the COVID-19 pandemic resulted in a global recession with numerous E&P and oilfield services companies filing bankruptcy and a significant decline in demand and prices for our services in the fiscal year ended January 31, 2021. Although there have been improvements in profitability, we still had a net loss during the Transition Period. We serve customers who are involved in drilling for and production of oil and natural gas. Demand for services in the oil and natural gas industry is cyclical, experienced a significant downturn in 2020 due to COVID-19 and has experienced additional significant downturns in recent years, which are currently significantly affecting, and have in recent years significantly affected, the performance of our business. Additional adverse developments affecting this industry could have a material adverse effect on our business, financial condition and results of operations. We may not be able to sufficiently reduce our costs or increase our revenues to achieve profitability and generate positive operating income. We may incur further operating losses and experience negative operating cash flow, which may be significant.

We may need to obtain additional capital or financing to fund expansion of our asset base, which could increase our financial leverage, or we may not be able to finance our capital needs.

In order to expand our asset base, we may need to make significant capital expenditures. If we do not make sufficient or effective capital expenditures, we will be unable to organically expand our business operations.

We intend to fund our future capital expenditures primarily with cash flows from operating activities and existing cash balances. To the extent our cash and cash flows from operating activities are not sufficient, we could borrow under our ABL Facility. Availability under the ABL Facility is determined primarily by a borrowing base formula calculated based on a percentage of our accounts receivable and inventory. As of December 31,

2021, total availability under the ABL Facility was \$42.4, and net availability was \$32.4, net of a springing fixed charge coverage ratio (“FCCR”) holdback of \$10.0.

If our cash flows, existing cash balances, and borrowings under our ABL Facility are insufficient to fund future capital expenditures, we may consider additional financing or refinancing alternatives. The terms of the indenture that governs our 11.5% senior secured notes due 2025 (the “Senior Notes”), the credit agreement that governs the ABL Facility, and the agreements that will govern any future debt and equity instruments may restrict us from adopting some of these alternatives. If debt and equity capital or alternative financing plans are not available on favorable terms or at all, we would be required to either get the necessary consents to amend the terms of our debt to allow us to pursue additional financing alternatives or curtail our capital spending, and our ability to sustain or improve our profits may be adversely affected. Our ability to refinance or restructure our debt will depend on the condition of the capital markets and our financial condition at such time, among other things.

Our assets require capital for maintenance, upgrades and refurbishment, and we may require capital expenditures for new equipment.

Our equipment requires periodic capital investment in maintenance, upgrades and refurbishment to maintain its competitiveness. The costs of components and labor have increased in the past and may increase in the future with increases in demand, which will require us to incur additional costs to upgrade any equipment we may acquire in the future. Our equipment typically does not generate revenue while it is undergoing maintenance, refurbishment or upgrades. Any maintenance, upgrade or refurbishment project for our assets could increase our indebtedness or reduce cash available for other opportunities. Further, such projects may require proportionally greater capital investments as a percentage of total asset value, which may make such projects difficult to finance on acceptable terms. To the extent we are unable to fund such projects, we may have less equipment available for service or our equipment may not be attractive to potential or current customers. Moreover, if challenging business conditions in the energy sector occur for a prolonged period, we may be unable to make capital investments. Additionally, competition or advances in technology within our industry may require us to update our products and services. Such demands on our capital or reductions in demand and the increase in cost to maintain labor necessary for such maintenance and improvement, in each case, could have a material adverse effect on our business, financial condition and results of operations.

We have substantial indebtedness, and efforts to refinance our indebtedness may or may not be successful, which could adversely impact our business, financial condition and results of operations.

We have substantial indebtedness. As of December 31, 2021, we had total outstanding long-term indebtedness of \$274.8 million under our ABL Facility and Senior Notes as described in greater detail in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below. Our ability to pay the principal and interest on our long-term debt and to satisfy our other liabilities will depend on our future operating performance and ability to refinance our debt as it becomes due. Our future operating performance and ability to refinance such indebtedness will be affected by prevailing economic and political conditions, the level of drilling, completion, production and intervention services activity for North American onshore oil and natural gas resources, the continuation of the COVID-19 pandemic, the willingness of capital providers to lend to our industry and other financial and business factors, many of which are beyond our control.

Our ability to refinance our debt will depend on the condition of the public and private debt markets and our financial condition at such time, among other things. Any refinancing of our debt could be at higher interest rates and may require us to comply with covenants, which could further restrict our business operations. A rising interest rate environment could have an adverse impact on the price of our shares, or our ability to issue equity or incur debt to refinance our existing indebtedness, for acquisitions or other purposes. In addition, incurring additional debt in excess of our existing outstanding indebtedness would result in increased interest expense and financial leverage, and issuing common stock may result in dilution to our current stockholders.

Our ABL Facility matures in September 2023 and we intend to work with our existing lenders or other sources of capital to seek to refinance the ABL Facility. If we are unable to refinance the ABL Facility over the next twelve months and uncertainty around our ability to refinance our existing long-term debt still exists, that could result in our auditors issuing a “going concern” or like qualification or exception as early as our audit opinion with respect to the fiscal year ending December 31, 2022. The delivery of an audit opinion with such a qualification would result in an event of default under our ABL Facility. If an event of default occurs, the lenders under the ABL Facility would be entitled to accelerate any outstanding indebtedness, terminate all undrawn commitments and enforce liens securing our obligations under the ABL Facility. Further, the acceleration of indebtedness under our ABL Facility could cause an event of default under our Senior Notes, entitling the requisite holders of the Senior Notes to accelerate our indebtedness in respect thereof and enforce liens securing our obligations under the Senior Notes. If our lenders or noteholders accelerate our obligations under the affected debt agreements, we may not have sufficient liquidity to repay all of our outstanding indebtedness then due and payable.

In light of our substantial leverage position, as market conditions warrant and subject to our contractual restrictions, liquidity position and other factors, we may access the public or private debt and equity markets or seek to recapitalize, refinance or otherwise restructure our capital structure. Some of these alternatives may require the consent of current lenders, stockholders or noteholders, and there is no assurance that we will be able to execute any of these alternatives on acceptable terms or at all.

If we cannot service our debt or repay or refinance our debt as it becomes due, we may be forced to sell assets or take other disadvantageous actions, including (1) reducing financing in the future for working capital, capital expenditures and other general corporate purposes or (2) dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness. The lenders or other investors who hold debt that we fail to service or on which we otherwise default could also accelerate amounts due, which could in such an instance potentially trigger a default or acceleration of other debt we may incur.

Our significant level of indebtedness may limit our ability to borrow additional funds or capitalize on acquisition or other business opportunities. The indenture that governs the Senior Notes and the credit agreement that governs the ABL Facility have significant financial and operating restrictions that may have an adverse effect on our business, financial condition and results of operations.

As of December 31, 2021, we had total outstanding long-term indebtedness of \$274.8 million under our ABL Facility and Senior Notes. Our leverage and the current and future restrictions contained in the agreements governing our indebtedness may reduce our ability to incur additional indebtedness, engage in certain transactions or capitalize on acquisition or other business opportunities. Our indebtedness and other financial obligations and restrictions could have financial consequences. For example, they could:

- increase our vulnerability to adverse economic and industry conditions;
- require us to dedicate a substantial portion of cash from operations to the payment of debt service, thereby reducing the availability of cash to fund working capital, capital expenditures and other general corporate purposes;
- limit our ability to obtain additional financing for working capital, capital expenditures, general corporate purposes or acquisitions;
- place us at a disadvantage compared to our competitors that are less leveraged;
- limit our flexibility in planning for, or reacting to, changes in our business and in our industry; and
- make us vulnerable to increases in interest rates if we borrow under our ABL Facility, as any such borrowings would be made at variable interest rates.

Despite our current level of indebtedness, we may incur more debt in the future, which could further exacerbate the risks described above.

The ABL Facility includes financial, operating and negative covenants that limit our ability to incur indebtedness, to create liens or other encumbrances, to make certain payments and investments, including dividend payments, to engage in transactions with affiliates, to engage in sale/leaseback transactions, to guarantee indebtedness and to sell or otherwise dispose of assets and merge or consolidate with other entities. It also includes a covenant to deliver annual audited financial statements that are not qualified by a “going concern” or like qualification or exception. A failure to comply with the obligations contained in the ABL Facility could result in an event of default, which could permit acceleration of the debt, termination of undrawn commitments and enforcement against any liens securing the debt.

The indenture governing the Notes contains customary affirmative and negative covenants restricting, among other things, the Company’s ability to incur indebtedness and liens, pay dividends or make other distributions, make certain other restricted payments or investments, sell assets, enter into restrictive agreements, enter into transactions with the Company’s affiliates, and merge or consolidate with other entities or sell substantially all of the Company’s assets. The indenture also contains customary events of default including, among other things, the failure to pay interest for 30 days, failure to pay principal when due, failure to observe or perform any other covenants or agreement in the Indenture subject to grace periods, cross-acceleration to indebtedness with an aggregate principal amount in excess of \$50 million, material impairment of liens, failure to pay certain material judgments and certain events of bankruptcy.

Agreements governing our future indebtedness could also contain significant financial and operating restrictions. A failure to comply with the obligations contained in any such agreement governing our indebtedness could result in an event of default under such agreement, which could permit acceleration of the related debt, enforcement against any liens securing the related debt and acceleration of debt under other instruments that may contain cross acceleration or cross default provisions. We may not have, or may not be able to obtain, sufficient funds to make any required accelerated payments.

We may experience future impairment charges.

To conduct our business operations and execute our strategy, we acquire tangible and intangible assets, which affect the amount of future period amortization expense and possible impairment expense that we may incur. The risk of impairment may be heightened for the duration of the current industry conditions, which may persist for a prolonged period. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our financial statements. As part of our strategy, we may make additional acquisitions, which may result in the addition of duplicative assets. In the event such an acquisition results in the combined assets of our Company and the acquired assets being in excess of any reasonable forecast of future need, the excess portion of the book value of these assets may be judged to be impaired. In accordance with Accounting Standards Codification (“ASC”) 360, Property, Plant, and Equipment, we assess potential impairment to long-lived assets (property and equipment and amortized intangible assets) when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Our judgment regarding the existence of impairment indicators and future cash flows related to intangible assets is based on operational performance of our acquired businesses, expected changes in the global economy, oil and gas price and industry projections, discount rates and other judgmental factors. We would be required to record any such impairment losses resulting from any such test as a charge to operating results. To perform the annual assessment, we utilize a combination of income and market-based approaches to value the reporting units. The income approach to valuation relies on a discounted cash flow analysis to determine the fair value of each reporting unit, which considers forecasted cash flows discounted at an appropriate discount rate. The annual goodwill impairment test requires us to make a number of assumptions and estimates concerning future levels of revenue growth, operating margins and working capital requirements, which are based upon our long-term strategic plan. The discount rate is an estimate of the overall after-tax rate of return required by a market participant, whose weighted average cost of capital includes both equity and debt, including a risk premium. Any future impairment loss could have a material non-cash adverse impact on our results of operations.

The oilfield service industry experienced an abrupt deterioration in demand during the fiscal year ended January 31, 2021. During the first quarter of that year, the COVID-19 pandemic emerged and applied

significant downward pressure on the global economy and oil demand and prices, leading North American operators to announce significant cuts to planned capital expenditures. The combination of the COVID-19 pandemic and supply concerns drove a steep drop in oil prices, which led to decreases in demand for the Company's services and lower current and expected revenues for the Company.

The Company performed a goodwill and long-lived asset impairment analysis as of April 30, 2020. The results of the impairment analysis concluded that the carrying amount of the long-lived assets exceeded the relative fair values of two of the reporting units asset groups. As a result, the Company recorded a \$180.4 long-lived asset impairment charge, \$39.2 related to intangible assets and \$141.2 related to property and equipment, which is included in the consolidated statement of operations for the fiscal year ended January 31, 2021. This charge reflects \$91.3 and \$89.1 of the long-lived assets attributable to the Southwest and Northeast/Mid-Con segments, respectively.

The results of the goodwill impairment test as of April 30, 2020 indicated that goodwill was impaired because the carrying value of the Rocky Mountains reporting unit exceeded its relative fair value. Accordingly, the Company recorded a \$28.3 goodwill impairment charge, which is included in the consolidated statement of operations for the fiscal year ended January 31, 2021. This charge reflects the full value of the goodwill attributable to the Rocky Mountains segment, leaving the Company with no goodwill as of December 31, 2021.

Customer payment delays of outstanding receivables and customer bankruptcies could have a material adverse effect on our liquidity, results of operations, and consolidated financial condition.

We often provide credit to our customers for our services and we are, therefore, subject to the risk of our customers delaying or failing to pay outstanding invoices. Although we monitor individual customer financial viability in granting such credit arrangements and maintain reserves we believe are adequate to cover exposure for doubtful accounts, in weak economic environments, customers' delays and failures to pay often increase due to, among other reasons, a reduction in our customers' cash flow from operations and their access to credit markets. If our customers delay or fail to pay a significant amount of outstanding receivables, it could reduce our availability under our revolving credit facility or otherwise have a material adverse effect on our liquidity, financial condition, results of operations and cash flows.

Some of our customers have entered bankruptcy proceedings in the past, and certain of our customers' businesses face financial challenges that put them at risk of future bankruptcies. Customer bankruptcies could delay or in some cases eliminate our ability to collect accounts receivable that are outstanding at the time the customer enters bankruptcy proceedings. We are also at risk that we may be required to refund amounts collected from a customer during the period immediately prior to that customer's bankruptcy filing, and the amount we ultimately collect from the customer's bankruptcy estate may be significantly less. Customer bankruptcies may also reduce our availability under our revolving credit facility. Although we maintain reserves for potential customer credit losses, customer bankruptcies could result in unanticipated credit losses. As a result, if one or more of our customers enter bankruptcy proceedings, particularly our larger customers or those to whom we have greater credit exposure, it could have a material adverse impact on our liquidity, operating results and financial condition.

On March 9, 2021, the Company filed claims in the District Court of Harris County, Texas against Magellan E&P Holdings, Inc. ("Magellan"), Redmon-Keys Insurance Group, Inc. and certain underwriters at Lloyd's ("Underwriters") to recover \$4.6 owed on invoices duly issued by the Company for services rendered on behalf of the defendants in response to an offshore well blowout near Bob Hall Pier in Corpus Christi, Texas. Magellan did not dispute the invoices but alleged an inability to pay prior to obtaining funding from Underwriters under Magellan's Owner's Extra Expense Policy. On March 19, 2021, Underwriters filed a declaratory judgment action in the United States District Court for the Southern District of Texas seeking a declaration that certain blowout related expenses fall outside of policy coverage. On March 30, 2021, Magellan filed for bankruptcy pursuant to Chapter 7 of the U.S. bankruptcy code. The bankruptcy proceedings are ongoing. We expect that the trustee will continue to pursue claims against Underwriters as well as preference and other claims to maximize the value of the Chapter 7 estate for the benefit of trade creditors.

During the fiscal year ended January 31, 2021, the Company reserved the full amount of its invoices totaling \$4.6 as a prudent action in light of the Chapter 7 filing.

Risks Relating to Third Parties

Shortages or increases in the costs of the equipment we use in our operations could adversely affect our operations in the future.

We generally do not have specialized tools, trucks or long-term contracts in place that provide for the delivery of equipment, including, but not limited to, replacement parts and other equipment. We could experience delays in the delivery of the equipment that we have ordered and its placement into service due to factors that are beyond our control. Demand by other oilfield services companies and numerous other factors beyond our control could either adversely affect our ability to procure equipment that we have not yet ordered or cause the prices of such equipment to increase. Price increases, delays in delivery and interruptions in supply may require us to increase capital and repair expenditures and incur higher operating costs. Each of these could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on a small number of suppliers for key goods and services that we use in our operations.

We do not have long-term contracts with third-party suppliers of many of the goods and services used in large volumes in our operations, including manufacturers of technical services equipment and fishing tools, chargers and other tools and equipment used in our operations. If demand for goods and services exceeds supply, such as from disruptions to the supply chain or supplier bankruptcies, the availability of certain goods and services used in our industry decreases and the price of such goods and services increases. We are dependent on a small number of suppliers for key goods and services. During the transition period ended December 31, 2021, based on total purchase cost, our ten largest suppliers of goods and services represented approximately 24% of all such purchases. Our reliance on such suppliers could increase the difficulty of obtaining such goods and services in the event of a disruption to the supply chain or upon a bankruptcy of one or more of these suppliers or upon a shortage in our industry. Price increases, delays in delivery and interruptions in supply may require us to incur higher operating costs. Each of these could have a material adverse effect on our business, financial condition and results of operations.

We rely on a limited number of third parties for sand, proppant and chemicals, and delays in deliveries of such materials, increases in the cost of such materials or our contractual obligations to pay for materials that we ultimately do not require could harm our business, results of operations and financial condition.

We have established relationships with a limited number of suppliers of our raw materials (such as sand, proppant and chemical additives). Should any of our current suppliers be unable to provide the necessary materials or otherwise fail to deliver the materials in a timely manner and in the quantities required, any resulting delays in our ability to provide our services could have a material adverse effect on our ability to compete, business, financial condition and results of operations. While we believe that we will be able to make satisfactory alternative arrangements in the event of any interruption in the supply of these materials and/or products by one of our suppliers, we may not always be able to make alternative arrangements. In addition, certain materials for which we do not currently have long-term supply agreements could experience shortages and significant price increases in the future. Increasing costs of such materials may negatively impact demand for our services or the profitability of our business operations. In the past, our industry faced sporadic proppant shortages associated with hydraulic fracturing operations requiring work stoppages, which adversely impacted the operating results of several competitors. We may not be able to mitigate any future shortages of materials, including proppant, and our results of operations, prospects and financial condition could be adversely affected. Furthermore, to the extent our contracts require us to purchase more materials, including proppant, than we ultimately require, we may be forced to pay for the excess amount under “take or pay” contract provisions.

An increase in the cost of proppant as a result of increased demand or a decrease in the number of proppant providers as a result of consolidation could increase our cost of an essential raw material in hydraulic stimulation and have a material adverse effect on our business, financial condition and results of operations.

If suppliers are unable to supply us with the products used in our operations in a timely manner, in adequate quantities and/or at a reasonable cost, we may be unable to meet the demands of our customers, which could have a material adverse effect on our business, financial condition and results of operations.

We depend on third-party companies to support our operations through the timely supply of products. Our suppliers may experience capacity constraints that may result in their inability to supply us with products in a timely fashion, with adequate quantities or at a desired price. Factors affecting suppliers can include labor disputes, general economic issues, and changes in raw material and energy costs. Natural disasters such as earthquakes or hurricanes, as well as political instability, global or national health pandemics, epidemics or concerns, such as the ongoing COVID-19 pandemic, and terrorist activities, may negatively impact the production or delivery capabilities of our suppliers as well. These factors could lead to increased prices and/or the unfavorable allocation of products by our suppliers, which could reduce our revenues and profit margins and harm our customer relations. Significant disruptions in our supply chain could negatively impact our business, financial condition and results of operations.

Risks Relating to Technology and Intellectual Property

Our inability to develop, obtain, maintain or implement new technology may cause us to become less competitive.

The energy services industry is subject to the introduction of new drilling, completion and well intervention techniques using new technologies, some of which may be subject to patent protection or costly to obtain. As our competitors and others use or develop new technologies in the future, we may be placed at a competitive disadvantage if we fail to keep pace with technological advancements within our industry. If we cannot obtain patents or other protections for the intellectual property rights in our technology, it may not be economical for us to continue to develop systems, services, and technologies to meet evolving industry requirements at prices acceptable to our customers. Furthermore, we may face competitive pressure to implement or acquire certain new technologies at a substantial cost. Some of our competitors are large national and multinational companies that may have greater financial, technical, manufacturing, marketing and personnel resources which may allow them to develop technological advantages and implement new systems, services and technologies before we can. These large national and multinational companies may also have a larger number of manufacturers for their products or ability to manufacture their own products. We may not be able to implement these new technologies on a timely basis or at an acceptable cost, and as our competitors and others use or develop new or comparable technologies in the future, we may lose market share or be placed at a competitive disadvantage. New technology could also make it easier for our oil and natural gas E&P customers to vertically integrate their operations, thereby reducing or eliminating their need for our services. Thus, limits on our ability to effectively use and implement new and emerging technologies may have a material adverse effect on our business, financial condition and results of operations.

We currently rely on a limited number of manufacturers for production of the proprietary products used in the provision of our products and services. Termination of the manufacturing relationship with any of these manufacturers could affect our ability to provide such products and services to our customers. Although we believe other alternate sources of supply for our proprietary products exist, we would need to establish relationships with new manufacturers, which could potentially involve significant expense, delay, and potential changes to certain product components. Any protracted curtailment or interruptions of the supply of any of our key products, whether or not as a result of termination of our manufacturing relationships or patent infringement claims, could have a material adverse effect on our financial condition, business, and results of operations.

Our success may be affected by our ability to use and protect our proprietary technology as well as our ability to enter into license agreements.

Our success may be affected by our development and implementation of new product designs and improvements and by our ability to protect, obtain and maintain intellectual property assets related to these developments. We rely on a combination of patents and trade secret laws to establish and protect our proprietary technology. We have received patents and have filed patent applications with respect to certain aspects of our technology in the U.S. and international jurisdictions, as well as a combination of trade secrets, employee and third-party non-disclosure agreements and other protective measures to protect intellectual property rights pertaining to our products and technologies. We cannot assure you that our competitors or other third parties will not infringe upon, misappropriate, violate or challenge our intellectual property rights in the future. Further, we cannot assure you that our intellectual property rights will deter or prevent competitors from creating similar purpose products for our customers. Any failure to adequately protect or enforce our intellectual property rights could have a material adverse effect to our business, financial condition and results of operations.

Moreover, our rights in our confidential information, trade secrets and confidential know-how cannot prevent third parties from independently developing similar technologies or duplicating such technologies. Publicly available information (e.g., information in issued patents, published patent applications and scientific literature) may be used by third parties to independently develop similar technology, and we cannot provide assurance that this independently developed technology will not be equivalent or superior to our proprietary technology. In addition, while we have patented some of our key technologies, we do not seek patent protection for all of our proprietary technology, even if such technology is patentable. The process of maintaining, monitoring and enforcing patent protection can be long and expensive. There also can be no assurance that patents will be issued from our currently pending or future applications or that, if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to us. Further, with respect to exclusive third-party intellectual property arrangements, existing arrangements could be terminated and future arrangements may not be available on commercially acceptable terms, if at all, which could result in a material adverse effect on our financial condition, business, and results of operations.

We may be adversely affected by disputes regarding intellectual property rights and the value of our intellectual property rights is uncertain.

We may become involved in claims, litigation or dispute resolution proceedings from time to time to maintain, protect and enforce our intellectual property rights against potential third-party infringers, which could be costly and time-consuming. Moreover, in these dispute resolution proceedings, a defendant or opposing third party may assert claims, defenses, counterclaims and countersuits that attack the validity and enforceability of our intellectual property rights, and/or allege that that our business, services, or products infringe, impair, misappropriate, dilute or otherwise violate their intellectual property rights. We may not prevail in any such dispute resolution proceedings, and our intellectual property rights may be found invalid or unenforceable, or our products and services may be found to infringe, impair, misappropriate, dilute or otherwise violate the intellectual property rights of others. The results or costs of any such dispute resolution proceedings may have an adverse effect on our business, financial condition and results of operations. Any dispute resolution proceeding concerning intellectual property could be protracted and costly, is inherently unpredictable and could have an adverse effect on our business, financial condition and results of operations, regardless of its outcome.

Additionally, if we discover or a legal authority finds that our technologies infringe intellectual property rights of third parties, we may need to obtain licenses from these parties or substantially re-engineer our technologies in order to avoid infringement. We may not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to re-engineer our technologies successfully. Also, as a part of resolving such disputes, we may need to enter into cross-licenses, which could reduce the value of our intellectual property rights. If our inability to obtain required licenses for certain technologies or products prevents us from using the infringed

technologies or products, our business, financial condition and results of operations could be materially adversely impacted.

Our operations rely on an extensive network of information technology resources and a failure to maintain, upgrade and protect such systems could adversely impact our business, financial condition and results of operations. Our operations are subject to cyber security risks that could have a material adverse effect on our business, financial condition and results of operations.

Information technology plays a crucial role in all of our operations. To remain competitive, our hardware, software and related services must properly and efficiently interact with our suppliers' and customers' products, services and technology, record and process our financial transactions accurately, and obtain accurate and timely data and information to enable our analysis of trends and plans and the execution of our strategies. At the same time, cyber incidents have increased in frequency and severity. A cyber incident could be caused by malicious insiders or third parties using sophisticated, targeted methods to circumvent firewalls, encryption, and other cyber security defenses, including hacking, fraud, trickery, or other forms of deception. The U.S. government has issued public warnings that indicate that energy assets might be specific targets of cyber security threats. Our information technology systems, and networks, and those of our vendors, suppliers and other business partners, are subject to possible breaches and other threats that could cause us harm. The implementation of social distancing measures and other limitations on our employees, service providers and other third parties in response to the COVID-19 pandemic have necessitated in certain cases to switching to remote work arrangements on less secure systems and environments. The increase in companies and individuals working remotely has increased the risk of cyberattacks and potential cyber security incidents, both deliberate attacks and unintentional events. Despite our security measures, our information technology systems may become the target of cyberattacks or security breaches (including employee error, malfeasance or other breaches), which could result in the theft or loss of sensitive data, misappropriation of assets, disruption of transactions and reporting functions, our ability to protect confidential information and our financial reporting.

Moreover, we may not be able to anticipate, detect or prevent cyberattacks or security breaches, particularly because the methodologies used by attackers change frequently or may not be recognized until such attack is underway, and because attackers are increasingly using technologies specifically designed to circumvent cyber security measures and avoid detection. In addition, as technologies evolve, and cyberattacks become increasingly sophisticated, we may incur significant costs to modify, upgrade or enhance our security measures to protect against such cyberattacks and we may face difficulties in fully anticipating or implementing adequate security measures or mitigating potential harm. To date, we have not experienced any material losses relating to cyberattacks; however, there can be no assurance that we will not suffer such losses in the future. If our information technology systems for protecting against cyber security risks are inadequate, we could be adversely affected by, among other things, loss or damage of intellectual property, proprietary information, or customer data; interruption of business operations; reputational harm; or additional costs to prevent, respond to, or mitigate cyber security attacks.

We are subject to various laws related to cyber security requirements, which are continuing to develop and evolve at a rapid pace. We may not be able to monitor and react to all legal developments in a timely manner. As legislation continues to develop and cyber incidents continue to evolve, we will likely be required to expend additional resources to continue to modify or enhance our protective measures, or to investigate and remediate any vulnerability to cyber incidents in order to comply with such laws. Likewise, our business involves the collection, use, and processing of personal data of our employees, contractors, suppliers, and service providers, and such collection, use and processing is subject to a changing landscape of data privacy laws, rules and regulations. These data privacy laws are not uniform and as the privacy legal landscape continues to develop, we will likely be required to expend significant resources to continue to modify or enhance our compliance measures to comply with such laws, rules and regulations. Any failure or perceived failure by us or our third-party service providers to comply with such data privacy laws, rules and regulations, or any security compromise that results in the unauthorized access, improper disclosure, or misappropriation of personal data or other customer data, could result in significant liabilities, negative publicity and reputational harm. Our systems and insurance coverage for cyber incidents, including deliberate attacks, may

not be sufficient to cover all of the losses we may experience as a result of such cyberattacks. These risks could have a material adverse effect on our business, financial condition, reputation, and results of operations.

Risks Relating to Government Regulation and Legal Matters

Oilfield anti-indemnity provisions enacted by many states may restrict or prohibit a party's indemnification of us.

We typically enter into agreements with our customers governing the provision of our services, which usually include certain indemnification provisions for losses resulting from operations. These agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party; however, many states place limitations on contractual indemnity provisions, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Louisiana, New Mexico, Texas and Wyoming, have enacted statutes generally referred to as "oilfield anti-indemnity acts" expressly prohibiting certain indemnity agreements contained in or related to oilfield services agreements. Such oilfield anti-indemnity acts may restrict or void a party's indemnification of us, which could have a material adverse effect on our business, financial condition and results of operations.

Changes in trucking regulations may increase our transportation costs and negatively impact our business, financial condition and results of operations.

We operate trucks and other heavy equipment for the transportation and relocation of our oilfield services equipment and are therefore subject to regulation as a motor carrier by the Department of Transportation ("DOT") and analogous state agencies, whose regulations include authorizations to engage in motor carrier operations and regulatory safety. In addition, regulations issued by environmental and highway safety regulators can have an adverse impact on our trucking costs, and therefore, on our results of operations. See Part I, Item 1. "Business – Government Regulation and Environmental, Health and Safety Matters" for more discussion on the DOT and analogous state legal requirements relating to trucking matters. While we cannot predict whether, or in what form, any legislation or regulatory and executive actions that change existing trucking legal requirements will occur, we may incur increased expenses associated with new or changed trucking laws, regulatory and executive actions, or other restrictions, which could negatively impact our business, financial condition and results of operations.

Legal requirements relating to hydraulic fracturing could increase our customers' costs of doing business, limit the areas in which our customers can operate and reduce oil and natural gas production by our customers, which could adversely impact our business, financial condition and results of operations.

We do not directly engage in hydraulic fracturing but provide products and services in support of our customers' fracturing activities. The practice is controversial in certain parts of the country and there remains increased scrutiny and government regulation of the hydraulic fracturing process. Additionally, with concerns about seismic activity resulting from injection of produced wastewaters into underground disposal wells, certain regulators are also considering additional requirements related to seismic safety. Our customers' inability to locate or contractually acquire and sustain the receipt of sufficient amounts of water could also adversely impact their operations. See Part I, Item 1. "Business – Government Regulation and Environmental, Health and Safety Matters" for more discussion on these hydraulic fracturing, seismicity and water availability matters. One or more of these developments could decrease completion of our customers' oil and gas wells, increase our and our customers' compliance costs and reduce demand for our products and services, which could have a material adverse effect on our business, results of operations, and financial condition.

We and our customers are subject to environmental and occupational health and safety laws and regulations that could increase our or our customers' costs of doing business and adversely impact our business, financial condition and results of operations.

Our operations and our customers' operations are subject to stringent federal, tribal, state and local laws and regulations governing worker health and safety, protection of the environment, including natural resources, and management, transportation and disposal of wastes, explosives and other materials. See Part I, Item 1. "Business – Government Regulation and Environmental, Health and Safety Matters" for more discussion on these matters. One or more of these developments could adversely impact our customers' operations, increase our and our customers' compliance costs and reduce demand for our products and services, any of which could have a material adverse effect on our business, results of operations and financial condition.

Our and our customers' operations are subject to a number of risks arising out of the threat of climate change, energy conservation measures, or initiatives that stimulate demand for alternative forms of energy, which could result in increased operating and capital costs for us and our customers, limit the areas in which oil and gas production may occur and reduce demand for the products and services we provide.

The threat of climate change continues to attract considerable attention in the United States and foreign countries and, as a result, our and our customers' operations are subject to regulatory, political, litigation and financial risks associated with the production and processing of fossil fuels and emission of GHGs. See Part I, Item 1. "Business – Government Regulation and Environmental, Health and Safety Matters" for more discussion on the risks associated with attention to the threat of climate change and restriction of GHG emissions. New or amended legislation, executive actions, regulations or other regulatory initiatives that impose more stringent oil and gas sector standards for GHG emissions or restrict the areas in which this sector may produce oil and natural gas or generate GHG emissions could result in increased compliance costs or costs of consuming fossil fuels. Additionally, political, financial and litigation risks may result in our or our customers restricting, delaying or canceling operational or production activities, incurring liability for infrastructure damages as a result of climatic changes, restricting access to capital, or impairing the ability to continue to operate in an economic manner, which could reduce demand for our products and services. Fuel conservation measures, alternative fuel requirements and increasing consumer demand for alternatives energy sources (such as wind, solar, geothermal and tidal) could also reduce demand for oil and natural gas. The occurrence of one or more of these developments could have a material adverse effect on our business, financial condition and results of operations.

Increasing attention to environmental, social and governance ("ESG") matters may impact our business.

Increasing attention to climate change, increasing societal expectations on companies to address climate change, and potential consumer use of substitutes to fossil-fuel energy commodities may result in increased costs, reduced demand for our customers' hydrocarbon products and our products and services, reduced profits, increased governmental investigations and private litigation against us, and negative impacts on our stock price and access to capital markets. Increasing attention to climate change and environmental conservation, for example, may result in demand shifts for our customers' hydrocarbon products and additional governmental investigations and private litigation against those customers. To the extent that societal pressures or political or other factors are involved, it is possible that such liability could be imposed without regard to our causation of or contribution to the asserted damage, or to other mitigating factors.

We may be required to assume responsibility for environmental and other liabilities of companies we have acquired or will acquire.

We may incur liabilities in connection with environmental conditions currently unknown to us relating to our existing, prior or future operations or those of predecessor companies whose liabilities we may have assumed or acquired. We also could be subject to third-party and governmental claims with respect to environmental matters, including claims under CERCLA in instances where we are identified as a potentially responsible party. We believe that indemnities provided to us in certain of our pre-existing acquisition agreements may cover certain environmental conditions existing at the time of the acquisition, subject to certain terms, limitations and conditions. However, if these indemnification provisions terminate or if the indemnifying parties

do not fulfill their indemnification obligations, we may be subject to liability with respect to the environmental matters that those indemnification provisions address.

We face risks from increasing activism against, and negative investor sentiment towards the oil and gas industry, which may adversely impact our business.

Opposition towards oil and gas drilling and development activity has been growing globally and is particularly pronounced in the United States. Companies in the oil and gas industry have frequently been the target of activist efforts regarding environmental and safety matters as well as business practices but, in recent years, have been facing increasing scrutiny on its ESG practices, which include such areas as sustainability, human rights and environmental social justice. Furthermore, certain segments of the investor community have developed negative sentiment towards investing in the oil and gas industry, with some investors (including certain investment advisers, sovereign wealth funds, pension funds, university endowments and family foundations) having introduced policies to disinvest in the oil and gas sector for stated social and environmental considerations. Commercial and investment banks have also faced pressure to stop financing oil and gas production and related projects. Companies which do not adapt to or comply with investor or stakeholder expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition, and/or stock price of such a company could be materially and adversely affected. Increasing attention to climate change, increasing societal expectations on companies to address climate change, and potential consumer use of substitutes to energy commodities may result in increased costs, reduced demand for our customers' hydrocarbon products and our products and services, reduced profits, increased investigations and litigation, and negative impacts on our stock price and access to capital markets.

In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Currently, there are no universal standards for such scores or ratings, but the importance of sustainability evaluations is becoming more broadly accepted by investors and shareholders. Such ratings are used by some investors to inform their investment and voting decisions. Additionally, certain investors use these scores to benchmark companies against their peers and, if a company is perceived as lagging, these investors may engage with companies to require improved ESG disclosure or performance. Moreover, certain members of the broader investment community may consider a company's sustainability score as a reputational or other factor in making an investment decision. Consequently, a low sustainability score could result in exclusion of our stock from consideration by certain investment funds, engagement by investors seeking to improve such scores and a negative perception of our operations by certain investors.

Restrictions, delays or cancellations imposed by governmental authorities in issuing permits or leases for our or our customers' operations could impair our business.

We and our customers are required to obtain permits from one or more governmental agencies in order to perform certain activities. Such permits are typically required by state agencies but can also be required by federal and local governmental agencies. Moreover, some of our customers' drilling and completion activities may take place on federal land or Native American lands, requiring leases and other approvals from the federal government or Native American tribes to conduct such drilling and completion activities. The requirements for such permits vary depending on the type of operations, including the location where our customers' drilling and completion activities will be conducted. As with all governmental permitting processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit to be issued and the conditions that may be imposed in connection with the granting of the permit. Certain regulatory authorities have delayed or suspended the issuance of permits while the potential environmental impacts associated with issuing such permits can be studied and appropriate mitigation measures evaluated. Also, in some cases, federal agencies have sought to cancel proposed leases for federal lands and refused or delayed required approvals. Permitting or lease delays, an inability to obtain or renew permits or leases, or revocation of our or our customers' current permits could cause a loss of revenue and could materially and adversely affect our business, financial condition and results of operations. See Part I, Item 1. "Business –

Government Regulation and Environmental, Health and Safety Matters” for more discussion on permitting and leasing matters, including actions under the Biden Administration that may adversely affect oil and natural gas leasing and permitting activities. Consequently, our customers’ operations in certain areas of the United States may be interrupted or suspended for varying lengths of time, resulting in reduced demand for our products and services and a corresponding loss of revenue to us as well as adversely affecting our results of operations in support of those customers.

Silica-related legal requirements, including compliance with OSHA regulations relating to respirable crystalline silica or litigation, could have a material adverse effect on our business, financial condition, results of operation and reputation.

We are subject to laws and regulations relating to human exposure to crystalline silica. See Part I, Item 1. “Business – Government Regulation and Environmental, Health and Safety Matters” for more discussion on exposure to crystalline silica and other occupational health and safety matters. If we are unable to satisfy these exposure requirements, or are not able to do so in a manner that is cost effective or attractive to our customers, availability or demand for our products and services could be significantly affected and we can provide no assurance that we will be able to comply with any future laws and regulations relating to exposure to crystalline silica that are adopted, or that the costs of complying with such future laws and regulations would not have a material adverse effect on our operating results by requiring us to modify or cease our operations. Moreover, the actual or perceived health risks of handling hydraulic fracturing sand could materially and adversely affect hydraulic fracturing service providers, including us, through reduced use of hydraulic fracturing sand, the threat of product liability or employee or third-party lawsuits, increased scrutiny by federal, state and local regulatory authorities of us and our E&P customers or reduced financing sources available to the hydraulic fracturing industry.

Explosive incidents arising out of dangerous materials used in our business could disrupt operations and result in bodily injuries and property damages, which occurrences could have a material adverse effect our business, results of operations and financial conditions.

Our operations include the licensing, storage and handling of explosive materials that are subject to regulation by the ATF and analogous state agencies. Despite our use of specialized facilities to store and handle dangerous materials and our performance of employee training programs, the storage and handling of explosive materials could result in explosive incidents that temporarily shut down or otherwise disrupt our or our customers’ operations or could cause restrictions, delays or cancellations in the delivery of our products and services. It is possible that such incidents could result in death or significant injuries to employees and other persons. Material property damage to us, our customers and third parties arising from an explosion or resulting fire could also occur. Any explosion could expose us to adverse publicity and liability for damages and injuries or cause production restrictions, delays or cancellations, any of which occurrences could have a material adverse effect on our operating results, financial condition and cash flows. Moreover, failure to comply with applicable requirements or the occurrence of an explosive incident may also result in the loss of our ATF or analogous state license to store and handle explosives, which would have a material adverse effect on our business, results of operations and financial conditions.

The ESA and comparable laws intended to protect certain species of wildlife govern our and our oil and natural gas exploration and production customers’ operations, which constraints could have an adverse impact on our ability to expand some of our existing operations or limit our customers’ ability to develop new oil and natural gas wells.

The federal ESA and comparable state laws were established to protect endangered and threatened species. Under the ESA, if a species is listed as threatened or endangered, restrictions may be imposed on activities adversely affecting that species habitat. Similar protections are offered to migratory birds under the Migratory Bird Treaty Act (“MBTA”). The U.S. Fish and Wildlife Service (“FWS”) under former President Trump issued a final rule in January 2021, which clarified that criminal liability under the MBTA would apply only to actions “directed at” migratory birds, its nests, or its eggs; however, the FWS under the Biden Administration has since published a final rule in October 2021 revoking the January 2021 rule and affirmatively stating that the

MBTA prohibits incidental takes of migratory birds. Customer oil and natural gas operations may be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect various wildlife, which may limit their ability to operate in protected areas. Permanent restrictions imposed to protect endangered and threatened species could prohibit drilling in certain areas or require the implementation of expensive mitigation measures. Moreover, the FWS may make determinations on the listing of numerous species as endangered or threatened under the ESA, which listings could indirectly cause our customers to incur additional costs, become subject to operating restrictions or bans, and limit future development activity in affected areas, which could reduce demand for our products and services to those customers.

We may be subject to claims for personal injury and property damage or other litigation, which could materially adversely affect our business, financial condition and results of operations.

Our services are subject to inherent risks that can cause personal injury or loss of life, damage to or destruction of property, equipment or the environment or the suspension of our operations. As the wells we service continue to become more complex, our exposure to such inherent risks becomes greater as downhole risks increase exponentially with an increase in complexity and lateral length. Litigation arising from operations where our facilities are located, or our services are provided, may cause us to be named as a defendant in lawsuits asserting potentially large claims including claims for exemplary damages. For example, transportation of heavy equipment creates the potential for our trucks to become involved in roadway accidents, which in turn could result in personal injury or property damages lawsuits being filed against us.

Generally, our oil and natural gas E&P customers agree to indemnify us against claims arising from their employees' personal injury or death to the extent that, in the case of our well site services, their employees are injured or their properties are damaged by such operations, unless, in most instances, resulting from our gross negligence or willful misconduct. Similarly, we generally agree to indemnify our E&P customers for liabilities arising from personal injury to or death of any of our employees, unless, in most instances, resulting from gross negligence or willful misconduct of the E&P customer. In addition, our E&P customers generally agree to indemnify us for loss or destruction of customer-owned property or equipment and in turn, we agree to indemnify our customers for loss or destruction of property or equipment we own. Losses due to catastrophic events, such as blowouts, are generally the responsibility of the E&P customer. However, despite this general allocation of risk, we might not succeed in enforcing such contractual allocation, might incur an unforeseen liability falling outside the scope of such allocation or may be required to enter into a service agreement with terms that vary from the above allocations of risk. As a result, we may incur substantial losses which could materially and adversely affect our business, financial condition and results of operations.

Although either we or our affiliates expect to maintain insurance at a level that we believe is consistent with that of similarly situated companies in our industry, we cannot guarantee that this insurance will be adequate to cover all liabilities. Further, insurance may not be generally available in the future or, if available, insurance premiums may make such insurance commercially unjustifiable.

Risks Relating to Our Common Stock

Future sales of our common stock in the public market could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us.

We may sell shares of common stock in the future. We may also issue additional shares of common stock, including as employee compensation or as consideration in one or more acquisitions or other business combination transactions. As of December 31, 2021, we had outstanding approximately 10.5 million shares of our common stock. We also have registered 1,277,051 shares of common stock reserved for issuance under our LTIP, 340,000 registered shares of common stock are reserved for issuance under our Employee Stock Purchase Plan and 60,000 registered shares are reserved for issuance under our Non-Employee Directors Stock and Deferred Compensation Plan. Of those shares initially registered and reserved for issuance, as of December 31, 2021, approximately 980,998 restricted shares of common stock were granted in connection with equity awards to management, directors and employees and approximately 296,053 shares remain

available for future issuance. An amendment to the LTIP was approved by stockholders on February 12, 2021 to increase the total number of shares reserved for issuance by 632,051 shares.

Subject to the satisfaction of vesting conditions and the requirements of Rule 144, the registered restricted shares of our common stock will be available for resale immediately in the public market without restriction. With respect to shares of restricted stock granted to certain members of our management, we have filed a resale prospectus in order to allow such members of our management to freely resell their restricted stock once it has vested. In addition, (i) certain former members of our management are entitled to registration rights with respect to their shares of restricted stock, and (ii) certain former QES stockholders are entitled to registration rights with respect to the shares of common stock they received in the Merger.

On June 14, 2021, we entered into an Equity Distribution Agreement (the “Equity Distribution Agreement”) with Piper Sandler & Co. as sales agent (the “Agent”). Pursuant to the terms of the Equity Distribution Agreement, we may sell from time to time through the Agent (the “Offering”) the Company’s common stock, par value \$0.01 per share, having an aggregate offering price of up to \$50.0. During the two and eleven months ended December 31, 2021, the Company sold 250,289 and 1,380,505 shares of Common Stock, respectively, in exchange for gross proceeds of approximately \$1.1 and \$6.6, respectively, and paid fees to the sales agent and other legal and accounting fees to establish the Offering of \$0.1 and \$0.8, respectively.

Any common stock offered and sold in the Offering will be issued pursuant to our shelf registration statement on Form S-3 (Registration No. 333-256149) filed with the SEC on May 14, 2021 and declared effective on June 11, 2021 (the “Registration Statement”), the prospectus supplement relating to the Offering filed with the SEC on June 14, 2021 and any applicable additional prospectus supplements related to the Offering that form a part of the Registration Statement. Sales of common stock under the Equity Distribution Agreement may be made in any transactions that are deemed to be “at the market offerings” as defined in Rule 415 under the Securities Act of 1933, as amended (the “Securities Act”).

We cannot predict the size of future issuances of our common stock or securities convertible into common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition or shares held by stockholders with registration rights), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock. Sales of or other transactions relating to shares of our common stock by our significant stockholders, directors, officers or employees could cause a perception in the market place that adverse events or trends have occurred or may be occurring at our company or that it is otherwise an advantageous time to sell shares of our common stock.

We cannot assure you that we will pay dividends on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock.

We do not currently intend to pay dividends. Our dividend policy will be established by our Board based on our financial condition, results of operations and capital requirements, as well as applicable law, regulatory constraints, industry practice and other business considerations that our Board considers relevant. In addition, the terms of the agreements governing our debt limit, and the terms of the agreements governing any future debt may limit or prohibit, the payments of dividends. We cannot assure you that we will pay dividends in the future or continue to pay any dividends if we do commence the payment of dividends.

Additionally, our indebtedness could have important consequences for holders of our common stock. If we cannot generate sufficient cash flow from operations to meet our debt payment obligations, then our Board’s ability to declare dividends on our common stock will be impaired and we may be required to attempt to restructure or refinance our debt, raise additional capital or take other actions such as selling assets, reducing or delaying capital expenditures or reducing any proposed dividends. We cannot assure you that we will be able to effect any such actions or do so on satisfactory terms, if at all, or that such actions would be permitted by the terms of our debt or our other credit and contractual arrangements.

Certain provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, and certain provisions of Delaware law may prevent or delay an acquisition of our company or other strategic transactions, which could decrease the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids and to encourage prospective acquirers to negotiate with our Board rather than to attempt a hostile takeover. Some of these provisions include:

- prohibiting cumulative voting by our stockholders on all matters;
- establishing advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders;
- granting our Board the ability to authorize undesignated preferred stock; and
- expressly authorizing our Board to adopt, alter or repeal our bylaws.

In addition, because we have not chosen to be exempt from Section 203 of the Delaware General Corporation Law (the "DGCL"), this provision could also delay or effectively prevent a change of control that some stockholders may favor. In general, Section 203 provides that, subject to limited exceptions, persons that, together with their affiliates and associates, acquire ownership of 15% or more of the outstanding voting stock of a Delaware corporation shall not engage in any "business combination" with that corporation or its subsidiaries, including any merger or various other transactions, for a three-year period following the date on which that person became the owner of 15% or more of the corporation's outstanding voting stock.

We believe these provisions will protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board and by providing our Board with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some stockholders and could delay or effectively prevent an acquisition that our Board determines is not in the best interests of our company and our stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

Our amended and restated bylaws designate courts in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a different judicial forum for intra-corporate disputes with us or our directors, officers, employees or agents.

Our amended and restated bylaws provide that, unless we otherwise consent in writing to selection of an alternative forum, the Court of Chancery in the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of KLX Energy Services, any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of KLX Energy Services to KLX Energy Services or KLX Energy Services' stockholders, any action asserting a claim arising pursuant to any provision of the DGCL, KLX Energy Services' certificate of incorporation or the bylaws, or any action asserting a claim governed by the internal affairs doctrine. This provision may limit a stockholder's ability to bring a claim in a different judicial forum, including one that it may find favorable or convenient for intra-corporate disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our amended and restated bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions.

Utilizing the reduced disclosure requirements applicable to "emerging growth companies" may make our common stock less attractive to investors.

We qualify as an “emerging growth company” and are therefore eligible to utilize certain reduced reporting and other requirements that are otherwise applicable generally to public companies. For as long as we are an emerging growth company, which may be up to five full fiscal years, unlike other public companies, we will not be required to, among other things: (i) provide an auditor’s attestation report on management’s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of Sarbanes-Oxley; (ii) comply with any new requirements adopted by the Public Company Accounting Oversight Board (“PCAOB”) requiring a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer; (iii) provide certain disclosures regarding executive compensation required of larger public companies; or (iv) hold nonbinding advisory votes on executive compensation. We will remain in an emerging growth company for up to five years, although we would cease to be an emerging growth company if we have more than \$1.07 billion in annual revenue, have more than \$700 in market value of our common stock held by non-affiliates or issue more than \$1.0 billion of non-convertible debt over a three-year period.

We intend to utilize certain of the reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards, until we are no longer an emerging growth company. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable.

We cannot predict if investors will find our common stock less attractive if we elect to rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our common stock price may be more volatile.

If securities or industry analysts do not publish research reports or publish unfavorable research about our business, the price and trading volume of our common stock could decline.

The trading market for our common stock depends in part on the research reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our securities, the price of our securities would likely decline. If one or more of these analysts ceases to cover us or fails to publish regular reports on us, interest in the purchase of our securities could decrease, which could cause the price of our common stock and its trading volume to decline.

General Risks

We may be unable to attract or retain personnel who are key to our operations.

Our success, among other things, is dependent on our ability to attract, develop and retain highly qualified senior management and other key personnel. Competition for key personnel is intense, and our ability to attract and retain key personnel is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. The inability to hire, develop and retain these key employees may adversely affect our business, financial condition and results of operations.

Many key responsibilities within our business have been assigned to a small number of employees. The loss of their services could adversely affect our business. In particular, the loss of the services of one or more members of our management team, including our Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer, Chief Accounting Officer and certain of our Vice Presidents, could disrupt our operations. We do not maintain “key person” life insurance policies on any of our employees. As a result, we are not insured against any losses resulting from the death of our key employees.

We engage in transactions with related parties and such transactions present possible conflicts of interest that could have an adverse effect on us.

We may enter into transactions with related parties. The details of certain of these transactions are set forth in the section “Certain Relationships and Related Transactions, and Director Independence.” Related-party transactions create the possibility of conflicts of interest with regard to our management, including that:

- we may enter into contracts between us, on the one hand, and related parties, on the other, that are not a result of arm’s-length transactions;
- our executive officers and directors that hold positions of responsibility with related parties may be aware of certain business opportunities that are appropriate for presentation to us as well as to such other related parties and may present such business opportunities to such other parties; and
- our executive officers and directors that hold positions of responsibility with related parties may have significant duties with, and spend significant time serving, other entities and may have conflicts of interest in allocating time.

Such conflicts could cause an individual in our management to seek to advance his or her economic interests or the economic interests of certain related parties above ours. Further, the appearance of conflicts of interest created by related-party transactions could impair the confidence of our investors. Our Board regularly reviews these transactions. Notwithstanding this, it is possible that a conflict of interest could have a material adverse effect on our business, financial condition and results of operations.

Uncertainty related to the London Inter-bank Offered Rate (“LIBOR”) calculation process and potential phasing out of LIBOR after 2021 may adversely affect the market value of our future debt obligations.

Any borrowings under our ABL Facility will bear interest based on a base rate or a LIBOR based rate. LIBOR is calculated by reference to a market for interbank lending, and it is based on increasingly fewer actual transactions. This reduction increases the subjectivity of the LIBOR calculation process and increases the risk of manipulation. Actions by regulators or law enforcement agencies, as well as the ICE Benchmark Administration (the current LIBOR administrator), may result in changes to how LIBOR is determined or the establishment of alternative reference rates. For example, in 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. U.S. dollar LIBOR is likely to be replaced by the Secured Overnight Financing Rate (“SOFR”) published by the Federal Reserve Bank of New York, but the timing of this change is unknown. SOFR is an overnight rate rather than a term rate, making it an inexact replacement for LIBOR, and there is not currently an established process for creating robust, forward-looking, SOFR term rates.

Changing the benchmark rate for LIBOR loans from LIBOR to SOFR will require calculations of a spread. Industry organizations are attempting to structure the spread calculation in a manner that minimizes the possibility of value transfer between borrowers, lenders and contractual counterparties as a result of the switch to SOFR, but there can be no assurance that the calculated spread will be fair and accurate. We cannot predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be implemented. If LIBOR ceases to exist, we may need to renegotiate our ABL Facility to determine a replacement interest rate for LIBOR with the new standard that is established. If we were unable to agree to an amendment to our ABL Facility to replace LIBOR, any borrowings under our ABL Facility would bear interest at the base rate, which has historically been higher than the LIBOR based rate. The potential effect of any such event or our future borrowing costs for any borrowings under our ABL Facility cannot yet be determined.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We currently lease our corporate headquarters, which is located at 3040 Post Oak Boulevard, 15th Floor, Houston, Texas 77056. We currently own or lease the following additional material facilities:

| | Leased or Owned | Expiration of Lease |
|--------------------------|-----------------|---------------------|
| Rocky Mountains | | |
| Casper, WY | Lease | 7/31/2025 |
| Dickinson, ND | Lease | 12/31/2025 |
| Gillette, WY | Lease | 3/1/2023 |
| Johnstown, CO | Own | N/A |
| LaSalle, CO | Lease | 11/2/2022 |
| Mills, WY | Lease | 10/31/2026 |
| Platteville, CO | Lease | 11/2/2022 |
| Riverton, WY | Own | N/A |
| Rock Springs, WY | Lease | 6/30/2022 |
| Williston, ND | Own | N/A |
| Southwest | | |
| Cotulla, TX | Own | N/A |
| Hobbs, NM | Lease | 7/31/2026 |
| Midland, TX | Lease | 9/30/2022 |
| Midland, TX | Lease | 8/31/2023 |
| Midland, TX | Lease | 9/30/2023 |
| Odessa, TX | Lease | 6/30/2028 |
| Pleasanton, TX | Lease | 3/31/2022 |
| Rosharon, TX | Lease | 1/31/2023 |
| Victoria, TX | Own | N/A |
| Willis, TX | Own | N/A |
| Northeast/Mid-Con | | |
| Bossier City, LA | Lease | 12/30/2024 |
| Bridgeport, WV | Lease | 8/31/2024 |
| Bridgeport, WV | Lease | 8/31/2024 |
| El Reno, OK | Lease | 6/18/2022 |
| Elk City, OK | Own | N/A |
| Longview, TX | Own | N/A |
| Oklahoma City, OK | Lease | 7/31/2023 |
| Oklahoma City, OK | Lease | 6/30/2026 |
| Tioga, PA | Lease | Month-to-Month |
| Union City, OK | Own | N/A |

We believe that our facilities are adequate for our current operations and allow us to efficiently serve our customers. We do not believe that any single facility is material to our operations and, if necessary, we could obtain a replacement facility.

ITEM 3. LEGAL PROCEEDINGS

The Company is at times either a plaintiff or a defendant in various legal actions arising in the normal course of business, the outcomes of which, in the opinion of management, neither individually nor in the aggregate are likely to result in a material adverse effect on the Company's consolidated financial statements, except as noted herein.

On March 9, 2021, the Company filed claims in the District Court of Harris County, Texas against Magellan E&P Holdings, Inc. ("Magellan"), Redmon-Keys Insurance Group, Inc. and certain underwriters at Lloyd's

("Underwriters") to recover \$4.6 owed on invoices duly issued by the Company for services rendered on behalf of the defendants in response to an offshore well blowout near Bob Hall Pier in Corpus Christi, Texas. Magellan did not dispute the invoices but alleged an inability to pay prior to obtaining funding from Underwriters under Magellan's Owner's Extra Expense Policy. On March 19, 2021, Underwriters filed a declaratory judgment action in the United States District Court for the Southern District of Texas seeking a declaration that certain blowout-related expenses fall outside of policy coverage. On March 30, 2021, Magellan filed for bankruptcy pursuant to Chapter 7 of the U.S. bankruptcy code. The bankruptcy proceedings are ongoing. We expect that the trustee will continue to pursue claims against Underwriters as well as preference and other claims to maximize the value of the Chapter 7 estate for the benefit of trade creditors. During the fiscal year ended January 31, 2021, the Company reserved the full amount of its invoices totaling \$4.6 as a prudent action in light of the Chapter 7 filing.

See Note 12. "Commitments, Contingencies and Off-Balance Sheet Arrangements" to our audited consolidated financial statements included elsewhere in this Transition Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is quoted on the Nasdaq Global Select Market under the symbol "KLXE".

On March 9, 2022, the last reported sale price of our common stock as reported by Nasdaq was \$9.57 per share. As of such date, based on information provided to us by Computershare, our transfer agent, we had 824 registered holders, and because many of these shares are held by brokers and other institutions on behalf of the beneficial holders, we are unable to estimate the number of beneficial stockholders represented by these holders of record.

Dividend Policy

We do not currently intend to pay dividends. Our Board will establish our dividend policy based on our financial condition, results of operations and capital requirements, as well as applicable law, regulatory constraints, industry practice and other business considerations that our Board considers relevant. The terms of our debt agreements contain restrictions on our ability to pay dividends. The terms of agreements governing debt that we may incur in the future may also limit or prohibit dividend payments. Accordingly, we cannot assure you that we will either pay dividends in the future or continue to pay any dividend that we may commence in the future.

Recent Sales of Unregistered Equity Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table presents the total number of shares of our common stock that we repurchased during the two months ended December 31, 2021:

| Period | Total number of shares purchased ⁽¹⁾ | Average price paid per share ⁽²⁾ | Total number of shares purchased as part of publicly announced plans or programs ⁽³⁾ | Approximate dollar value of shares that may yet be purchased under the plans or programs |
|--|---|---|---|--|
| November 1, 2021 - November 30, 2021 | 0 | \$ — | — | \$ — |
| December 1, 2021 - December 31, 2021 | 0 | \$ — | — | \$ — |
| Total | <u>—</u> | | <u>—</u> | |

⁽¹⁾ Includes shares purchased from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting of restricted stock grants under the Company's Long-Term Incentive Plan.

⁽²⁾ The average price paid per share of common stock repurchased under the share repurchase program includes commissions paid to the brokers.

⁽³⁾ In August 2019, our board of directors authorized a share repurchase program for the repurchase of outstanding shares of the Company's common stock having an aggregate purchase price up to \$50.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (In millions of U.S. dollars and shares)

You should read the following discussion of our results of operations and financial condition together with our audited consolidated financial statements and accompanying notes included elsewhere in this Transition Report on Form 10-K as well as the discussion in "Item 1. Business." This discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on our current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those we discuss in "Item 1A. Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements."

The following discussion and analysis addresses the results of our operations for the eleven months ended December 31, 2021, as compared to the eleven months ended December 31, 2020. In addition, the discussion and analysis addresses our liquidity, financial condition and other matters for these periods. The previously announced merger of Krypton Merger Sub, Inc., an indirect wholly owned subsidiary of KLXE ("Merger Sub"), with and into Quintana Energy Services Inc. ("QES"), with QES surviving the merger as a subsidiary of KLXE (the "Merger") closed on July 28, 2020. Unless otherwise noted or the context requires otherwise, references herein to KLX Energy Services with respect to time periods prior to July 28, 2020 include KLX Energy Services and its consolidated subsidiaries and do not include QES and its consolidated subsidiaries, while references herein to KLX Energy Services with respect to time periods from and after July 28, 2020 include QES and its consolidated subsidiaries.

Company History

KLX Energy Services was initially formed from the combination of seven private oilfield service companies acquired during 2013 and 2014. Each of the acquired businesses was regional in nature and brought one or two specific service capabilities to KLX Energy Services. Once the acquisitions were completed, we undertook a comprehensive integration of these businesses to align our services, our people and our assets across all the geographic regions where we maintain a presence. In November 2018, we expanded our completion and intervention service offerings through the acquisition of Motley Services, LLC ("Motley"), a premier provider of large diameter coiled tubing services, further enhancing our completions business. We successfully completed the integration of the Motley business during Fiscal 2018. On March 15, 2019, the Company acquired Tecton Energy Services ("Tecton"), a leading provider of flowback, drill-out and production testing services, operating primarily in the greater Rocky Mountains. In March 2019, the Company acquired Red Bone Services LLC ("Red Bone"), a premier provider of oilfield services primarily in the Mid-Continent, providing fishing, non-hydraulic fracturing high pressure pumping, thru-tubing and certain other services. We successfully completed the integration of the Tecton and Red Bone businesses during Fiscal 2019. We acquired QES during the second quarter of 2020 and, by doing so, helped establish KLXE as an industry leading provider of asset-light oilfield solutions across the full well lifecycle to the major onshore oil and gas producing regions of the United States.

On July 26, 2020, the Company's Board approved a 1-for-5 reverse stock split to stockholders that became effective at 12:01 a.m. on July 28, 2020 (the "Reverse Stock Split"). On July 28, 2020, we successfully completed the all-stock Merger with QES.

The Merger of KLXE and QES provided increased scale to serve a blue-chip customer base across the onshore oil and gas basins in the United States. The Merger combined two strong company cultures comprised of highly talented teams with shared commitments to safety, performance, customer service and profitability. The combination leveraged two of the largest fleets of coiled tubing and wireline assets, with KLXE becoming a leading provider of large diameter coiled tubing and wireline services and one of the largest independent providers of directional drilling to the U.S. market.

After closing the Merger, the Company has been focused on integrating personnel, facilities, processes and systems across all functional areas of the organization.

As of December 31, 2021, the Company implemented approximately \$50.4 of annualized cost savings. We are diligently focused on generating additional cost savings from the Merger and to date have realized such savings through eliminating KLXE's legacy corporate headquarters in Wellington, Florida, rationalizing associated corporate functions to Houston, and capturing operational synergies in the areas of personnel, facilities and rolling stock. Additional synergies may be realized as management continues to rationalize operational facilities and align common roles, processes and systems throughout each function and region. The Merger also enhanced the Company's ability to effect further industry consolidation. Looking ahead, the Company expects to pursue strategic, accretive consolidation opportunities that further strengthen the Company's competitive positioning and capital structure and drive efficiencies, accelerate growth and create long-term stockholder value.

Company Overview

We serve many of the leading companies engaged in the exploration and development of onshore conventional and unconventional oil and natural gas reserves in the United States. Our customers are primarily large independent and major oil and gas companies. We currently support these customer operations from over 60 service facilities located in the key major shale basins. We operate in three segments on a geographic basis, including the Southwest Region (the Permian Basin, Eagle Ford Shale and the Gulf Coast as well as in industrial and petrochemical facilities), the Rocky Mountains Region (the Bakken, Williston, DJ, Uinta, Powder River, Piceance and Niobrara basins) and the Northeast/Mid-Con Region (the Marcellus and Utica Shale as well as the Mid-Continent STACK and SCOOP and Haynesville Shale). Our revenues, operating earnings and identifiable assets are primarily attributable to these three reportable geographic segments. While we manage our business based upon these geographic groupings, our assets and our technical personnel are deployed on a dynamic basis across all of our service facilities to optimize utilization and profitability.

These expansive operating areas provide us with access to a number of nearby unconventional crude oil and natural gas basins, both with existing customers expanding their production footprint and third parties acquiring new acreage. Our proximity to existing and prospective customer activities allows us to anticipate or respond quickly to such customers' needs and efficiently deploy our assets. We believe that our strategic geographic positioning will benefit us as activity increases in our core operating areas. Our broad geographic footprint provides us with exposure to the ongoing recovery in drilling, completion, production and intervention related service activity and will allow us to opportunistically pursue new business in basins with the most active drilling environments.

We work with our customers to provide engineered solutions across the lifecycle of the well by streamlining operations, reducing non-productive time and developing cost effective solutions and customized tools for our customers' most challenging service needs, including their most technically complex extended reach horizontal wells. We believe future revenue growth opportunities will continue to be driven by increases in the number of new customers served and the breadth of services we offer to existing and prospective customers.

We offer a variety of targeted services that are differentiated by the technical competence and experience of our field service engineers and their deployment of a broad portfolio of specialized tools and proprietary equipment. Our innovative and adaptive approach to proprietary tool design has been employed by our in-house R&D organization and, in selected instances, by our technology partners to develop tools covered by 28 patents and 7 pending patent applications, which we believe differentiates us from our regional competitors and also allows us to deliver more focused service and better outcomes in our specialized services than larger national competitors that do not discretely dedicate their resources to the services we provide.

We utilize contract manufacturers to produce our products, which, in many cases, our engineers have developed from input and requests from our customers and customer-facing managers, thereby maintaining the integrity of our intellectual property while avoiding manufacturing startup and maintenance costs. This approach leverages our technical strengths, as well as those of our technology partners. These services and related products are modest in cost to the customer relative to other well construction expenditures but have a

high cost of failure and are, therefore, mission critical to our customers' outcomes. We believe our customers have come to depend on our decades of field experience to execute on some of the most challenging problems they face. We believe we are well positioned as a company to service customers when they are drilling and completing complex wells, and remediating both newer and older legacy wells.

We invest in innovative technology and equipment designed for modern production techniques that increase efficiencies and production for our customers. North American unconventional onshore wells are increasingly characterized by extended lateral lengths, tighter spacing between hydraulic fracturing stages, increased cluster density and heightened proppant loads. Drilling and completion activities for wells in unconventional resource plays are extremely complex, and downhole challenges and operating costs increase as the complexity and lateral length of these wells increase. For these reasons, E&P companies with complex wells increasingly prefer service providers with the scale and resources to deliver best-in-class solutions that evolve in real-time with the technology used for extraction. We believe we offer best-in-class service execution at the wellsite and innovative downhole technologies, positioning us to benefit from our ability to service the most technically complex wells where the potential for increased operating leverage is high due to the large number of stages per well.

We endeavor to create a next generation oilfield services company in terms of management controls, processes and operating metrics, and have driven these processes down through the operating management structure in every region, which we believe differentiates us from many of our competitors. This allows us to offer our customers in all of our geographic regions discrete, comprehensive and differentiated services that leverage both the technical expertise of our skilled engineers and our in-house R&D team.

Depreciation and Amortization

The Company changed its presentation of depreciation and amortization expense in the first quarter of 2021. Depreciation and amortization expense is presented separately from cost of sales and selling, general, and administrative expenses. Prior period results have been reclassified to conform with current presentation.

During the quarter ended October 31, 2021, as a result of increased usage from improving drilling activity levels and changes in the manner and conditions in which various types of our small tools are used, we updated the estimated useful lives of such tools to one to three years, resulting in approximately \$0.2 of incremental monthly depreciation on a prospective basis.

Segment Reporting

The Company changed its presentation of reportable segments related to the allocation of corporate overhead costs to reflect the presentation used by the Company's chief operational decision-making group ("CODM") to make decisions about resources to be allocated to the Company's reportable segments and to assess segment performance. Historically, and through July 31, 2020, the Company's total corporate overhead costs were allocated and reported within each reportable segment. During the third quarter of 2020, the Company changed the corporate overhead allocation methodology to only include corporate costs incurred on behalf of its operating segments, which includes accounts payable, accounts receivable, insurance, audit, supply chain, health, safety and environmental and others. The remaining unallocated corporate costs are reported as a reconciling item in the Company's segment reporting disclosures. The change is reflected retroactively in the accompanying financial statements, which resulted in a decrease to the total corporate overhead costs allocated to our three reportable segments for the eleven months ended December 31, 2020 of \$20.2.

In conjunction with the change in presentation of reportable segments, the Company also changed its presentation of segment assets. Historically, and through July 31, 2020, the Company's corporate assets were allocated and reported within each reportable segment. During the third quarter of 2020, the Company changed the presentation of total assets to present corporate assets separately as a reconciling item in its segment reporting disclosures. As a result of the change in presentation, the total corporate assets allocated

to the Company's three reportable segments decreased by \$56.2 as of the eleven months ended December 31, 2020.

The Company also changed its presentation of service offering revenues. Historically, and through July 31, 2020, the Company's service offering revenues included revenues from the completion, production and intervention market types within segment reporting. During the third quarter of 2020, the Company changed the presentation of its service offering revenues by separately reporting a drilling market type revenue, which includes directional drilling, drilling accommodation units and related drilling support services. The reclassifications are retroactively reported in the Company's segment reporting disclosures to reflect the drilling revenue change and use of the information by the Company's CODM. For the eleven months ended December 31, 2020, the total drilling revenues reported within segment reporting was \$39.1.

These current period changes in the Company's corporate allocation method and service offering revenue disclosures have no net impact to the consolidated financial statements. The change better reflects the CODM's philosophy on assessing performance and allocating resources as well as improves the Company's comparability to its peer group.

On September 3, 2021, the Board of the Company adopted the Fourth Amended and Restated Bylaws of the Company, effective as of such date, to change the Company's fiscal year-end from January 31 to December 31, effective beginning with the year ended December 31, 2021. As a result, the Company's current fiscal year 2021 was shortened from 12 months to 11 months and ended on December 31, 2021. The Company has undertaken this change in an effort to normalize our fiscal year-end and improve comparability with our peers.

See Note 16. "Segment Reporting" to our audited consolidated financial statements included elsewhere in this Transition Report on Form 10-K.

Recent Trends and Outlook

Demand for services in the oil and natural gas industry is cyclical and subject to sudden and significant volatility. During the first quarter of 2020, the emergence of COVID-19, and the global pandemic caused thereby, placed significant downward pressure on the global economy and oil demand and prices, leading North American operators to announce significant cuts to planned 2020 capital expenditures and causing the continued acceleration of upstream oil and gas bankruptcies. Market demand for our services during 2021 was challenged due to the COVID-19 pandemic and macro supply and demand concerns. The oilfield service industry continued to experience a deterioration in demand during early 2021. However, WTI's average daily price per barrel increased by approximately \$31.92, or 85.1%, to \$69.41 per barrel ("Bbl") during the eleven months ended December 31, 2021, compared to the eleven months ended December 31, 2020's average daily price per barrel of \$37.49. As of December 31, 2021, U.S. rig count had reached 586, an increase of 52.6% since January 31, 2021.

Despite the market headwinds experienced in the fiscal year ended January 31, 2021, the Company remained focused on building a leaner and more profitable set of service offerings, which allowed us to make meaningful positive impacts to our revenue, operating margins, cash flows and Adjusted EBITDA. We have taken, and are continuing to take, steps to reduce costs, including reductions in capital expenditures, as well as other workforce rightsizing and ongoing cost initiatives.

The extent and duration of the continued global impact of the COVID-19 pandemic remains unknown but is improving as we enter 2022. While economic activity has increased from the April 2020 lows, and signs of a potential global economic recovery have emerged, driven by the rollout of COVID-19 vaccines, fiscal and monetary stimulus policies, and pent-up demand for goods and services, concerns about a COVID-19 resurgence, and the appearance of new variants, have hindered the pace of a full return of social and commercial activity.

In February of 2021, we experienced a material slow down due to the unprecedented North American Winter Storm Uri, one of the costliest winter storms in U.S. history. As a result of the storm conditions, our customers

shut in wells and delayed work causing us at least seven days of lost revenue, primarily in the Permian and the Mid-continent regions.

Looking ahead to the year ending December 31, 2022, provided that the impact of the COVID-19 pandemic lessens, economic activity continues to increase, and commodity prices remain strong but volatile, we anticipate that our customers will sustain activity in order to hold their production flat to 2021 exit levels, with capital and operating expense spending expected to outpace 2021 levels. So far in the year ending December 31, 2022, WTI prices have increased an incremental 36.0% from January 1 to March 1 and market uncertainty has increased due to the conflict between Russia and Ukraine. In response, U.S. operators have continued to increase drilling and completion activity levels relative to where the market exited 2021. As of March 1, 2022, U.S. rig count was up to 650, an increase of 10.9% since December 31, 2021. Additionally, we have continued to see U.S. shale operators consolidate within certain basins, particularly the Permian and Rockies, and many operators announced that they were targeting oil and gas production at the end of 2021 to be consistent with production levels at year end 2020.

How We Generate Revenue and the Costs of Conducting Our Business

Our business strategy seeks to generate attractive returns on capital by providing differentiated services and prudently applying our cash flow to select targeted opportunities, with the potential to deliver high returns that we believe offer superior margins over the long-term and short payback periods. Our services generally require equipment that is less expensive to maintain and is operated by a smaller staff than many other oilfield service providers. As part of our returns-focused approach to capital spending, we are focused on efficiently utilizing capital to develop new products. We support our existing asset base with targeted investments in R&D, which we believe allows us to maintain a technical advantage over our competitors providing similar services using standard equipment.

Demand for services in the oil and natural gas industry is cyclical and subject to sudden and significant volatility. We remain focused on serving the needs of our customers by providing a broad portfolio of product service lines across all major basins, while preserving a solid balance sheet, maintaining sufficient operating liquidity and prudently managing our capital expenditures.

We believe our operating cost structure is now materially lower than during historical financial reporting periods and the realization of the \$50.4 of expected cost synergies associated with the Merger will only further reduce our cost structure and afford us greater flexibility to respond to changing industry conditions. The implementation of integrated, company-wide management information systems and processes provides more transparency to current operating performance and trends within each market where we compete and help us more acutely scale our cost structure and pricing strategies on a market-by-market basis. As of December 31, 2021, the QES integration and the implementation of all synergies was complete. The potential for further cost savings remains as we continue to refine and optimize the business. We believe our ability to differentiate ourselves on the basis of quality provides an opportunity for us to gain market share and increase our share of business with existing customers.

We believe we have strong management systems in place, which will allow us to manage our operating resources and associated expenses relative to market conditions. Historically, we believe our services generated margins superior to our competitors based upon the differential quality of our performance, and that these margins would contribute to future cash flow generation. The required investment in our business includes both working capital (principally for accounts receivable, inventory and accounts payable growth tied to increasing activity) and capital expenditures for both maintenance of existing assets and ultimately growth when economic returns justify the spending. Our required maintenance capital expenditures tend to be lower than other oilfield service providers due to the generally asset-light nature of our services, the lower average age of our assets and our ability to charge back a portion of asset maintenance to customers for a number of our assets.

Results of Operations

Eleven Months Ended December 31, 2021 Compared to Eleven Months Ended December 31, 2020

Revenue. The following table provides revenues by segment for the periods indicated:

| | Eleven Months Ended | | |
|-------------------------|---------------------|-------------------|----------|
| | December 31, 2021 | December 31, 2020 | % Change |
| Revenue: | | | |
| Rocky Mountains | \$ 118.2 | \$ 88.8 | 33.1 % |
| Southwest | 160.9 | 72.7 | 121.3 % |
| Northeast/Mid-Con | 157.0 | 85.9 | 82.8 % |
| Total revenue | <u>\$ 436.1</u> | <u>\$ 247.4</u> | 76.3 % |

For the eleven months ended December 31, 2021, revenues of \$436.1 increased by \$188.7, or 76.3%, as compared with the same period of the prior year. Southwest segment revenue increased by \$88.2, or 121.3%, Rocky Mountains segment revenue increased by \$29.4, or 33.1%, and Northeast/Mid-Con segment revenue increased by \$71.1, or 82.8%. On a product line basis, drilling, completion, production and intervention services contributed approximately \$123.2, \$210.3, \$59.7, and \$42.9, respectively, to the revenues for the eleven months ended December 31, 2021 and \$39.1, \$128.9, \$41.6 and \$37.8, respectively, for the same period of the prior year. The overall increase in revenues reflects the recovery in economic activity and increase in WTI prices during the transition period.

Cost of sales. For the eleven months ended December 31, 2021, cost of sales was \$389.9, or 89.4% of sales, as compared to the same period in the prior year of \$230.5, or 93.2% of sales. Cost of sales as a percentage of revenues decreased primarily due to the increase in revenues from an increase in activity which was larger than the corresponding increase in costs.

Selling, general and administrative expenses ("SG&A"). SG&A expenses during the eleven months ended December 31, 2021, were \$54.6, or 13% of revenues, as compared with \$78.2, or 31.6% of revenues, in the same period of the prior year. SG&A decreased primarily due to merger and integration costs being included in the prior period. R&D costs during the eleven months ended December 31, 2021 were \$0.6, as compared to the same period of the prior year of \$0.7, reflecting our continued focus on maintaining an in-house R&D function while scaling costs to adjust to current levels of customer demand. Eleven months ended December 31, 2020 SG&A expenses include six months of incremental activity related to the Merger, that wasn't included in prior fiscal year results.

Operating loss. The following is a summary of operating loss by segment:

| | Eleven Months Ended | | |
|---|---------------------|-------------------|----------|
| | December 31, 2021 | December 31, 2020 | % Change |
| Operating loss: | | | |
| Rocky Mountains | \$ (13.4) | \$ (44.2) | 69.7 % |
| Southwest | (15.4) | (118.8) | 87.0 % |
| Northeast/Mid-Con | (8.7) | (109.2) | 92.0 % |
| Corporate and other | (26.6) | (20.2) | (31.7)% |
| Total operating loss ⁽¹⁾ | <u>\$ (64.1)</u> | <u>\$ (292.4)</u> | 78.1 % |

⁽¹⁾ Includes bargain purchase gain of \$38.8 during the eleven months ended December 31, 2020.

For the eleven months ended December 31, 2021, operating loss was \$64.1, as compared to operating loss of \$292.4 in the same period of the prior year, largely driven by an improvement in revenues due to increased activity during the transition period and a favorable comparison with the eleven months ended December 31, 2020, due to this period including the initial economic contraction caused by the COVID-19 pandemic as well as non-recurring items related to the Merger and impairment charges. For the eleven months ended December 31, 2021 and December 31, 2020, there were \$0.8 and \$213.5 in impairments of long-lived assets.

For the eleven months ended December 31, 2021 and December 31, 2020, the Company recorded goodwill impairment charges of \$0.0 and \$28.3, respectively.

For the eleven months ended December 31, 2021, Rocky Mountains segment operating loss was \$(13.4), Northeast/Mid-Con segment operating loss was \$(8.7) and Southwest segment operating loss was \$(15.4), in each case primarily driven by increasing revenues being outpaced by increasing costs to provide the Company's products and services.

Income tax expense. Income tax expense was \$0.3 for the eleven months ended December 31, 2021, as compared to income tax expense of \$0.3 in the prior eleven-month period, and was comprised primarily of state and local taxes. The Company did not recognize a tax benefit on its year-to-date losses because it has a valuation allowance against its deferred tax balances.

Net loss. Net loss for the eleven months ended December 31, 2021 was \$93.8, as compared to \$320.5 in the prior eleven-month period, primarily due to increased demand and one-off items in prior period related to the Merger and Integration.

Liquidity and Capital Resources

Overview

We require capital to fund ongoing operations, including maintenance expenditures on our existing fleet and equipment, organic growth initiatives, debt service obligations, investments and acquisitions. Our primary sources of liquidity to date have been capital contributions from our equity and note holders, borrowings under the Company's ABL Facility and cash flows from operations. At December 31, 2021, we had \$28.0 million of cash and cash equivalents and \$32.4 million available on the ABL Facility, net of \$10.0 FCCR holdback, which resulted in a total liquidity position of \$60.4 million.

We recently have taken several actions to continue to improve our liquidity position, including closing our Florida legacy corporate headquarters and relocating all key functions to Houston, elimination of redundancies and duplicative functions throughout our operations following the merger with QES, equity issuances under our ATM program and monetized non-core and obsolete assets. We actively manage our capital spending and are focused primarily on required maintenance spending. Additionally, despite the continuing COVID-19 pandemic, increasing oil prices have resulted in an increase in demand for our services and a slight improvement in our operating cash flow in each of the third and fourth quarters of 2021. We believe based on our current forecasts, our cash on hand, the ABL Facility availability, together with our cash flows, will provide us with the ability to fund our operations, including planned capital expenditures, for at least the next twelve months.

We have substantial indebtedness. As of December 31, 2021, we had total outstanding long-term indebtedness of \$274.8 million under our ABL Facility and Senior Notes as described in greater detail under "— ABL Facility" and "—Senior Notes" below. Our ability to pay the principal and interest on our long-term debt and to satisfy our other liabilities will depend on our future operating performance and ability to refinance our debt as it becomes due. Our future operating performance and ability to refinance such indebtedness will be affected by prevailing economic and political conditions, the level of drilling, completion, production and intervention services activity for North American onshore oil and natural gas resources, the continuation of the COVID-19 pandemic, the willingness of capital providers to lend to our industry and other financial and business factors, many of which are beyond our control.

Our ability to refinance our debt will depend on the condition of the public and private debt markets and our financial condition at such time, among other things. Any refinancing of our debt could be at higher interest rates and may require us to comply with covenants, which could further restrict our business operations. A rising interest rate environment could have an adverse impact on the price of our shares, or our ability to issue equity or incur debt to refinance our existing indebtedness, for acquisitions or other purposes. In addition, incurring additional debt in excess of our existing outstanding indebtedness would result in increased

interest expense and financial leverage, and issuing common stock may result in dilution to our current stockholders.

Our ABL Facility matures in September 2023 and we intend to work with our existing lenders or other sources of capital to seek to refinance the ABL Facility. If we are unable to refinance the ABL Facility over the next twelve months and uncertainty around our ability to refinance our existing long-term debt still exists, that could result in our auditors issuing a “going concern” or like qualification or exception as early as our audit opinion with respect to the fiscal year ending December 31, 2022. The delivery of an audit opinion with such a qualification would result in an event of default under our ABL Facility. If an event of default occurs, the lenders under the ABL Facility would be entitled to accelerate any outstanding indebtedness, terminate all undrawn commitments and enforce liens securing our obligations under the ABL Facility. Further, the acceleration of indebtedness under our ABL Facility could cause an event of default under our Senior Notes, entitling the requisite holders of the Senior Notes to accelerate our indebtedness in respect thereof and enforce liens securing our obligations under the Senior Notes. If our lenders or noteholders accelerate our obligations under the affected debt agreements, we may not have sufficient liquidity to repay all of our outstanding indebtedness then due and payable.

In light of our substantial leverage position, as market conditions warrant and subject to our contractual restrictions, liquidity position and other factors, we may access the public or private debt and equity markets or seek to recapitalize, refinance or otherwise restructure our capital structure. Some of these alternatives may require the consent of current lenders, stockholders or noteholders, and there is no assurance that we will be able to execute any of these alternatives on acceptable terms or at all.

ABL Facility

We entered into a \$100.0 ABL Facility on August 10, 2018. The ABL Facility became effective on September 14, 2018 and is scheduled to mature in September 2023. Borrowings under the ABL Facility bear interest at a rate equal to LIBOR (as defined in the ABL Facility) plus the applicable margin (as defined). Availability under the ABL Facility is tied to a borrowing base formula and the ABL Facility has no maintenance financial covenants as long as we maintain a minimum level of borrowing availability. During the third quarter of 2020, the Company included the acquired QES current asset collateral into the borrowing base formula used to calculate the KLXE borrowing availability. The ABL Facility is secured by, among other things, a first priority lien on our accounts receivable and inventory and contains customary conditions precedent to borrowing and affirmative and negative covenants. \$30.0 was outstanding under the ABL Facility as of December 31, 2021. The effective interest rate under the ABL Facility was approximately 4.75% on December 31, 2021.

The financial services industry and market participants continue to work towards transitioning away from interbank offered rates (“IBOR”), including the LIBOR, which are in the process of being phased out. This phasing out will have an impact on the ABL Facility (defined below) that utilizes LIBOR as a benchmark. To transition from IBOR Reference Rate, the ABL Facility agreement between the Company and JP Morgan Chase & Co. (“JP Morgan”), which currently has borrowings outstanding of \$30.0, will be amended to adopt an alternate rate effective on or before June 30, 2023. Until the ABL Facility agreement is amended to allow for Secured Overnight Financing Rate (“SOFR”) as the replacement to LIBOR, the Alternate Base Rate (“ABR”), is the default rate that JP Morgan has agreed to use as the LIBOR replacement.

The ABL Facility includes a financial covenant which requires the Company’s consolidated FCCR to be at least 1.0 to 1.0 if availability falls below the greater of \$10.0 or 15% of the borrowing base. At all times during the eleven months ended December 31, 2021, availability exceeded this threshold, and the Company was not subject to this financial covenant. As of December 31, 2021, the FCCR was below 1.0 to 1.0. The Company was in full compliance with its credit facility as of December 31, 2021.

The ABL Facility includes financial, operating and negative covenants that limit our ability to incur indebtedness, to create liens or other encumbrances, to make certain payments and investments, including dividend payments, to engage in transactions with affiliates, to engage in sale/leaseback transactions, to guarantee indebtedness and to sell or otherwise dispose of assets and merge or consolidate with other entities. It also includes a covenant to deliver annual audited financial statements that are not qualified by a “going concern” or like qualification or exception. A failure to comply with the obligations contained in the ABL Facility could result in an event of default, which could permit acceleration of the debt, termination of undrawn commitments and enforcement against any liens securing the debt.

Senior Notes

In conjunction with the acquisition of Motley in 2018, we issued \$250.0 principal amount of 11.5% senior secured notes due 2025 (the “Notes”) offered pursuant to Rule 144A under the Securities Act of 1933 (as amended, the “Securities Act”) and to certain non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. On a net basis, after taking into consideration the debt issuance costs for the Notes, total debt as of December 31, 2021 was \$244.8. The Notes bear interest at an annual rate of 11.5%, payable semi-annually in arrears on May 1 and November 1. Accrued interest as of December 31, 2021 was \$4.8.

The Indenture contains customary affirmative and negative covenants restricting, among other things, the Company’s ability to incur indebtedness and liens, pay dividends or make other distributions, make certain other restricted payments or investments, sell assets, enter into restrictive agreements, enter into transactions with the Company’s affiliates, and merge or consolidate with other entities or sell substantially all of the Company’s assets.

The Indenture also contains customary events of default including, among other things, the failure to pay interest for 30 days, failure to pay principal when due, failure to observe or perform any other covenants or agreement in the Indenture subject to grace periods, cross-acceleration to indebtedness with an aggregate principal amount in excess of \$50 million, material impairment of liens, failure to pay certain material judgments and certain events of bankruptcy.

Capital Expenditures

Our capital expenditures were \$11.0 during the eleven months ended December 31, 2021, compared to \$11.8 in the eleven months ended December 31, 2020. We expect to incur between \$25.0 and \$30.0 in capital expenditures for the year ending December 31, 2022, based on current industry conditions and our significant investments in capital expenditures over the past several years. The nature of our capital expenditures is comprised of a base level of investment required to support our current operations and amounts related to growth and Company initiatives. Capital expenditures for growth and Company initiatives are discretionary. We continually evaluate our capital expenditures, and the amount we ultimately spend will depend on a number of factors, including expected industry activity levels and Company initiatives.

Equity Distribution Agreement

On June 14, 2021, the Company entered into an Equity Distribution Agreement (the “Equity Distribution Agreement”) with Piper Sandler & Co. as sales agent (the “Agent”). Pursuant to the terms of the Equity Distribution Agreement, the Company may sell from time to time through the Agent (the “ATM Offering”) the Company’s common stock, par value \$0.01 per share, having an aggregate offering price of up to \$50.0 (the “Common Stock”).

Any Common Stock offered and sold in the ATM Offering will be issued pursuant to the Company’s shelf registration statement on Form S-3 (Registration No. 333-256149) filed with the SEC on May 14, 2021 and declared effective on June 11, 2021 (the “Registration Statement”), the prospectus supplement relating to the ATM Offering filed with the SEC on June 14, 2021 and any applicable additional prospectus supplements

related to the ATM Offering that form a part of the Registration Statement. Sales of Common Stock under the Equity Distribution Agreement may be made in any transactions that are deemed to be “at the market offerings” as defined in Rule 415 under the Securities Act.

The Equity Distribution Agreement contains customary representations, warranties and agreements by the Company, indemnification obligations of the Company and the Agent, including for liabilities under the Securities Act, other obligations of the parties and termination provisions. Under the terms of the Equity Distribution Agreement, the Company will pay the Agent a commission equal to 3% of the gross sales price of the Common Stock sold.

The Company plans to use the net proceeds from the ATM Offering, after deducting the Agent’s commissions and the Company’s offering expenses, for general corporate purposes, which may include, among other things, paying or refinancing all or a portion of the Company’s then-outstanding indebtedness, and funding acquisitions, capital expenditures and working capital.

During the eleven months ended December 31, 2021, the Company sold 1,380,505 shares of Common Stock for gross proceeds of approximately \$6.6 and paid legal and administrative fees of \$0.8.

Cash Flows

At December 31, 2021, we had \$28.0 of cash and cash equivalents. Cash on hand at December 31, 2021 decreased by \$19.1 during the transition period, mainly due to \$55.6 of cash flows used by operating activities, partially offset by \$4.5 of cash flows provided by investing activities and \$30.0 provided by borrowings on ABL. Our liquidity requirements consist of working capital needs, debt service obligations and ongoing capital expenditure requirements. Our primary requirements for working capital are directly related to the activity level of our operations.

Net working capital as of December 31, 2021 was \$40.5, an increase of \$5.5 during the transition period. Net working capital is calculated as current assets, excluding cash, less current liabilities, excluding accrued interest, operating lease obligations and finance lease obligations. As of December 31, 2021, total current assets excluding cash increased by \$33.1 and total current liabilities increased by \$27.6. The increase in current assets was primarily related to accounts receivable-trade, net increase of \$36.2, and inventory, increase of \$1.6, partially offset by a \$4.7 decrease in other current assets. The increase in total current liabilities was due to a \$32.7 increase in accounts payable, offset by a \$5.1 decrease in accrued liabilities.

The following table sets forth our cash flows for the periods presented below:

| | Eleven Months Ended | |
|---|----------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Net cash used in operating activities | \$ (55.6) | \$ (62.0) |
| Net cash provided by (used in) investing activities | 4.5 | (12.1) |
| Net cash provided by financing activities | 32.0 | 0.9 |
| Net change in cash | (19.1) | (73.2) |
| Cash balance end of period | <u>\$ 28.0</u> | <u>\$ 46.3</u> |

Net cash used in operating activities

Net cash used in operating activities was \$55.6 for the eleven months ended December 31, 2021, as compared to net cash used in operating activities of \$62.0 for the eleven months ended December 31, 2020. The increase in operating cash flows was primarily attributable to the increase in revenues across all operating segments and most service and related product lines driven by a broader recovery in industry activity. However, our negative operating margin for the transition period, combined with the above-mentioned decrease in net working capital, contributed to an operating loss for the eleven months ended December 31, 2021.

Net cash provided by (used in) investing activities

Net cash provided by investing activities was \$4.5 for the eleven months ended December 31, 2021, as compared to net cash used in investing activities of \$12.1 for the eleven months ended December 31, 2020. The cash flow provided by investing activities for the eleven months ended December 31, 2021 was primarily driven by proceeds from sale of property and equipment driven by cost reduction initiatives, partially offset by maintenance capital spending tied to the operation of our existing asset base.

Net cash provided by financing activities

Net cash provided by financing activities was \$32.0 for the eleven months ended December 31, 2021, compared to net cash provided by financing activities of \$0.9 for the eleven months ended December 31, 2020. During the eleven months ended December 31, 2021, the Company borrowed \$30.0 under the ABL facility and sold stock as part of its Equity Distribution Agreement for proceeds of \$5.8, partially offset by payments on capital lease obligations and repayment of a note, at \$2.6 and \$0.9, respectively.

Off-Balance Sheet Arrangements

Indemnities, Commitments and Guarantees

In the normal course of our business, we make certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These include indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease and indemnities to other parties to certain acquisition agreements. The duration of these indemnities, commitments and guarantees varies and, in certain cases, is indefinite. Many of these indemnities, commitments and guarantees provide for limitations on the maximum potential future payments we could be obligated to make. However, we are unable to estimate the maximum amount of liability related to our indemnities, commitments and guarantees because such liabilities are contingent upon the occurrence of events that are not reasonably determinable. Our management believes that any liability for these indemnities, commitments and guarantees would not be material to our financial statements. Accordingly, no significant amounts have been accrued for indemnities, commitments and guarantees.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of our financial statements.

Emerging Growth Company Status

We are an “emerging growth company” and are entitled to take advantage of certain relaxed disclosure requirements. We intend to operate under certain reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards, until we are no longer an emerging growth company. Our election to use the phase-in periods permitted by this election may make it difficult to compare our consolidated financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the longer phase-in periods and who will comply

with new or revised financial accounting standards. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable.

Accounts Receivable

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer's current creditworthiness, as determined by our review of their current credit information. We continuously monitor collections and payments from our customers and maintain an allowance for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. The allowance for doubtful accounts at December 31, 2021 and December 31, 2020 was \$6.2 and \$2.9, respectively.

Business Combinations

We completed our acquisition of QES on July 28, 2020. QES's results of operations have been included in our financial results for the period subsequent to the acquisition date.

Under the acquisition method of accounting, we allocate the fair value of purchase consideration transferred to the tangible assets and intangible assets acquired, if any, and liabilities assumed based on their estimated fair values on the date of the acquisition. The fair values assigned, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants, are based on estimates and assumptions determined by management. The estimated fair value of the assets acquired, net of liabilities assumed, exceeds the purchase consideration, resulting in a bargain purchase gain.

When determining the fair value of assets acquired and liabilities assumed, we make significant estimates and assumptions. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

During the measurement period, not to exceed one year from the date of acquisition, we may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to bargain purchase gain if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the consolidated statements of operations. Acquisition costs, such as legal and consulting fees, are expensed as incurred.

Goodwill and Intangible Assets, Net

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, Intangibles—Goodwill and Other, goodwill and indefinite-lived intangible assets are reviewed at least annually for impairment. Acquired intangible assets with definite lives are amortized over their individual useful lives.

As of December 31, 2021, the Company had three reporting units, which were determined based on the guidelines contained in FASB ASC Topic 350, Subtopic 20, Section 35. Each reporting unit constitutes a business, for which there is discrete financial information available that is regularly reviewed by the CODM.

Goodwill is tested at least annually as of December 31, and the Company's management assesses whether there has been any impairment in the value of goodwill by comparing the fair value of the reporting unit to its net carrying value. If the carrying value exceeds its estimated fair value, an impairment loss is recognized for the difference up to the carrying value of goodwill. In this event, the asset is written down accordingly. The fair value is determined using valuation techniques based on estimates, judgments and assumptions that the Company's management believes are appropriate in the circumstances.

For the eleven months ended December 31, 2021 and December 31, 2020, the Company recorded goodwill impairment charges of \$0.0 and \$28.3, respectively. See Note 7 for additional information.

Leases

The Company adopted Accounting Standards Update (“ASU”) No. 2016-02, Leases ASC Topic 842 effective February 1, 2021. We elected the modified retrospective transition method under ASC Topic 842 and as such information prior to February 1, 2021 has not been restated and continues to be reported under the accounting standards in effect for the period (ASC Topic 840-Leases). We carried forward the historical lease classifications and assessment of initial direct costs, account for lease and non-lease components as a single component, and exclude leases with an initial term of less than 12 months in the lease assets and liabilities. For leases entered into after February 1, 2021, the Company determines if an arrangement is a lease at inception and evaluates identified leases for operating or finance lease treatment. Operating or finance lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. We use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease terms may include options to renew; however, we typically cannot determine our intent to renew a lease with reasonable certainty at inception.

Long-Lived Assets

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are tested for impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. Any required impairment loss is measured as the amount by which the asset’s carrying value exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. For the eleven months ended December 31, 2021 and December 31, 2020, there were \$0.5 and \$180.4 impairments of long lived assets. See Note 7 for additional information.

Revenue Recognition

Revenue is recognized upon the customer obtaining control of promised goods or services, in an amount that reflects the consideration which is expected to be received in exchange for those goods or services. To determine revenue recognition for arrangements within the scope of ASC Topic 606, the following five steps are performed: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. Revenue is recognized in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Service revenues are recorded over time throughout and for the duration of the service period pursuant to a master services agreement (“MSA”) combined with a completed field ticket or a work order. Revenues from product sales are recognized when the customer obtains control of the product, which occurs at a point in time, typically upon delivery in accordance with the terms of the field ticket or work order.

Recent Accounting Pronouncements

See Note 2 “Recent Accounting Pronouncements” to our consolidated financial statements for a discussion of recently issued accounting pronouncements. As an “emerging growth company” under the Jumpstart Our Business Startups Act (the “JOBS Act”), we are offered an opportunity to use an extended transition period for the adoption of new or revised financial accounting standards. We operate under the reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards, until we are no longer an emerging growth company. Our election to use the phase-in periods permitted by this election may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the longer phase-in periods under Section 107 of the JOBS Act and who will comply with new or revised financial accounting standards. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

How We Evaluate Our Operations

Key Financial Performance Indicators

We recognize the highly cyclical nature of our business and the need for metrics to (1) best measure the trends in our operations and (2) provide baselines and targets to assess the performance of our managers.

The measures we believe most effective to achieve the above stated goals include:

- *Revenue*
- *Adjusted Earnings before interest, taxes, depreciation and amortization ("EBITDA")*: Adjusted EBITDA is a supplemental non-Generally Accepted Accounting Principles ("GAAP") financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. Adjusted EBITDA is not a measure of net earnings or cash flows as determined by GAAP. We define Adjusted EBITDA as net earnings (loss) before interest, taxes, depreciation and amortization, further adjusted for (i) goodwill and/or long-lived asset impairment charges, (ii) stock-based compensation expense, (iii) restructuring charges, (iv) transaction and integration costs related to acquisitions and (v) other expenses or charges to exclude certain items that we believe are not reflective of ongoing performance of our business.
- *Adjusted EBITDA Margin*: Adjusted EBITDA Margin is defined as Adjusted EBITDA, as defined above, as a percentage of revenue.

We believe Adjusted EBITDA is useful because it allows us to supplement the GAAP measures in order to evaluate our operating performance and compare the results of our operations from period to period without regard to our financing methods or capital structure. We exclude the items listed above in arriving at Adjusted EBITDA (Loss) because these amounts can vary substantially from company to company within our industry depending upon accounting methods, book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net (loss) earnings as determined in accordance with GAAP, or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by Item 305 of Regulation S-K.

Item 8. FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of KLX Energy Services Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of KLX Energy Services Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2021 and January 31, 2021, the related consolidated statements of operations, stockholders' equity, and cash flows, for the eleven-month period ended December 31, 2021 and the year ended January 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and January 31, 2021, and the results of its operations and its cash flows for the eleven-month period ended December 31, 2021 and the year ended January 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 and Note 10 to the financial statements, the Company has changed its method of accounting for leases effective February 1, 2021 due to adoption of Accounting Standards Codification Topic 842 — Leases.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Houston, Texas
March 11, 2022

We have served as the Company's auditor since 2018.

KLX Energy Services Holdings, Inc.
Consolidated Balance Sheets
(In millions of U.S. dollars and shares, except per share data)

| | December 31, 2021 | January 31, 2021 |
|--|-------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 28.0 | \$ 47.1 |
| Accounts receivable—trade, net of allowance of \$6.2 and \$6.5 | 103.2 | 67.0 |
| Inventories, net | 22.4 | 20.8 |
| Other current assets | 11.1 | 15.8 |
| Total current assets | 164.7 | 150.7 |
| Property and equipment, net | 171.0 | 203.7 |
| Operating lease assets | 47.4 | — |
| Intangible assets, net | 2.2 | 2.5 |
| Other assets | 2.4 | 5.8 |
| Total assets | <u>\$ 387.7</u> | <u>\$ 362.7</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 72.1 | \$ 39.4 |
| Accrued interest | 5.0 | 7.2 |
| Accrued liabilities | 24.1 | 29.2 |
| Current portion of operating lease obligations | 15.9 | — |
| Current portion of finance lease obligations | 5.6 | 1.9 |
| Total current liabilities | 122.7 | 77.7 |
| Long-term debt | 274.8 | 243.9 |
| Long-term operating lease obligations | 31.5 | — |
| Long-term finance lease obligations | 9.1 | 4.4 |
| Other non-current liabilities | 1.0 | 4.6 |
| Commitments, contingencies and off-balance sheet arrangements (Note 12) | | |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value; 110.0 authorized; 10.5 and 8.6 issued ⁽¹⁾ | 0.1 | 0.1 |
| Additional paid-in capital | 478.1 | 469.1 |
| Treasury stock, at cost, 0.3 shares and 0.3 shares ⁽¹⁾ | (4.3) | (4.0) |
| Accumulated deficit | (525.3) | (433.1) |
| Total stockholders' equity | (51.4) | 32.1 |
| Total liabilities and stockholders' equity | <u>\$ 387.7</u> | <u>\$ 362.7</u> |

⁽¹⁾ Common stock and treasury stock were retroactively adjusted for the Company's 1-for-5 Reverse Stock Split effective July 28, 2020. See Note 1.

See accompanying notes to consolidated financial statements.

KLX Energy Services Holdings, Inc.
Consolidated Statements of Operations
(In millions of U.S. dollars, except per share amounts)

| | Eleven-month Transition Period Ended | Fiscal Year Ended |
|--|---|-------------------|
| | December 31, 2021 | January 31, 2021 |
| Revenues | \$ 436.1 | \$ 276.8 |
| Costs and expenses: | | |
| Cost of sales | 389.9 | 257.0 |
| Depreciation and amortization | 53.8 | 61.7 |
| Selling, general and administrative expenses | 54.6 | 84.9 |
| Research and development costs | 0.6 | 0.7 |
| Impairment and other charges | 0.8 | 213.9 |
| Bargain purchase gain | 0.5 | (40.3) |
| Operating loss | (64.1) | (301.1) |
| Non-operating expense: | | |
| Interest expense, net | 29.4 | 30.7 |
| Loss before income tax | (93.5) | (331.8) |
| Income tax expense | 0.3 | 0.4 |
| Net loss | \$ (93.8) | \$ (332.2) |
| Net loss per share-basic ⁽¹⁾ | \$ (10.83) | \$ (50.86) |
| Net loss per share-diluted ⁽¹⁾ | \$ (10.83) | \$ (50.86) |

⁽¹⁾ Basic and diluted net loss per share were retroactively adjusted for the Company's 1-for-5 Reverse Stock Split effective July 28, 2020. See Note 1.

See accompanying notes to consolidated financial statements.

KLX Energy Services Holdings, Inc.
Consolidated Statements of Stockholders' Equity
Eleven-month Transition Period Ended December 31, 2021 and Fiscal Year Ended January 31, 2021
(In millions of U.S. dollars and shares)

| | Common Stock | | Additional Paid-in Capital | Treasury Stock | Accumulated Deficit | Total Stockholders' Equity |
|--|--------------|--------|----------------------------------|-------------------|------------------------|----------------------------------|
| | Shares | Amount | | | | |
| Balance at January 31, 2020 | 5.0 | \$ 0.1 | \$ 416.6 | \$ (3.6) | \$ (100.9) | \$ 312.2 |
| Restricted stock, net of forfeitures | — | — | 17.8 | (0.1) | — | 17.7 |
| Purchase of treasury stock | — | — | — | (0.3) | — | (0.3) |
| Red Bone acquisition price shares reserved | 0.2 | — | — | — | — | — |
| QES acquisition price shares issuance | 3.4 | — | 34.7 | — | — | 34.7 |
| Net loss | — | — | — | — | (332.2) | (332.2) |
| Balance at January 31, 2021 | 8.6 | \$ 0.1 | \$ 469.1 | \$ (4.0) | \$ (433.1) | \$ 32.1 |
| Adjustment to beginning period Retained Earnings as a result of ASC 842 adoption | — | — | — | — | 1.6 | 1.6 |
| Restricted stock, net of forfeitures | 0.5 | — | 3.2 | (0.3) | — | 2.9 |
| Purchase of treasury stock | — | — | — | — | — | — |
| Issuance of common stock, net of cost | 1.4 | — | 5.8 | — | — | 5.8 |
| Net loss | — | — | — | — | (93.8) | (93.8) |
| Balance at December 31, 2021 | 10.5 | \$ 0.1 | \$ 478.1 | \$ (4.3) | \$ (525.3) | \$ (51.4) |

See accompanying notes to consolidated financial statements.

KLX Energy Services Holdings, Inc.
Consolidated Statements of Cash Flows
(In millions of U.S. dollars)

| | <u>Eleven-month Transition Period Ended</u> | <u>Fiscal Year Ended</u> |
|--|---|--------------------------|
| | <u>December 31, 2021</u> | <u>January 31, 2021</u> |
| Cash flows from operating activities: | | |
| Net loss | \$ (93.8) | \$ (332.2) |
| Adjustments to reconcile net loss to net cash flows used in operating activities | | |
| Depreciation and amortization | 53.8 | 61.7 |
| Deferred income taxes | — | (0.1) |
| Impairment and other charges | 0.8 | 213.9 |
| Non-cash lease expense | 0.1 | — |
| Non-cash compensation | 3.2 | 17.8 |
| Amortization of deferred financing fees | 1.2 | 1.3 |
| Provision for inventory obsolescence reserve | 0.8 | 3.0 |
| Change in allowance for doubtful accounts | 0.4 | (6.9) |
| Gain on disposal of property, equipment and other | (7.9) | (1.7) |
| Bargain purchase gain | 0.5 | (40.3) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (36.6) | 31.4 |
| Inventories | (2.4) | (0.1) |
| Other current and non-current assets | 6.8 | 7.4 |
| Accounts payable | 29.1 | (16.1) |
| Other current and non-current liabilities | (11.6) | (4.0) |
| Net cash flows used in operating activities | <u>(55.6)</u> | <u>(64.9)</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (11.0) | (12.2) |
| Proceeds from sale of property and equipment | 15.5 | 4.3 |
| Acquisitions, net of cash acquired | — | (4.0) |
| Net cash flows provided by (used in) investing activities | <u>4.5</u> | <u>(11.9)</u> |
| Cash flows from financing activities: | | |
| Purchase of treasury stock | (0.3) | (0.4) |
| Borrowings on ABL | 30.0 | — |
| Proceeds from stock issuance, net of costs | 5.8 | — |
| Payments on finance lease obligations | (2.6) | (1.1) |
| Change to financed payables | (0.9) | 1.9 |
| Net cash flows provided by financing activities | <u>32.0</u> | <u>0.4</u> |
| Net decrease in cash and cash equivalents | <u>(19.1)</u> | <u>(76.4)</u> |
| Cash and cash equivalents, beginning of period | 47.1 | 123.5 |
| Cash and cash equivalents, end of period | <u><u>\$ 28.0</u></u> | <u><u>\$ 47.1</u></u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during period for: | | |
| Income taxes paid, net of refunds | \$ 0.3 | \$ (0.5) |
| Interest | 30.5 | 29.4 |
| Supplemental schedule of non-cash activities: | | |
| Change in deposits on capital expenditures | \$ — | \$ (5.6) |
| Accrued capital expenditures | 5.3 | 1.7 |

See accompanying notes to consolidated financial statements.

KLX Energy Services Holdings, Inc.
Notes to Consolidated Financial Statements
(In millions of U.S. dollars)

NOTE 1 - Description of Business and Significant Accounting Policies

Description of Business

KLX Energy Services Holdings, Inc. (the “Company”, “KLXE” or “KLX Energy Services”) is a growth-oriented provider of diversified oilfield services to leading onshore oil and natural gas exploration and production (“E&P”) companies operating in both conventional and unconventional plays in all of the active major basins throughout the United States. The Company delivers mission critical oilfield services focused on drilling, completion, production and intervention activities for the most technically demanding wells in over 60 service and support facilities located throughout the United States.

The Company offers a complementary suite of proprietary products and specialized services that is supported by technically skilled personnel and a broad portfolio of innovative in-house manufacturing, repair and maintenance capabilities. KLXE’s primary services include coiled tubing, directional drilling, hydraulic fracturing rentals, fishing, pressure control, wireline, rig-assisted snubbing, fluid pumping, flowback, testing and well control services. KLXE’s primary rentals and products include hydraulic fracturing stacks, blow out preventers, tubulars, downhole tools, dissolvable plugs, composite plugs and accommodation units.

On July 24, 2020, KLXE stockholders approved an amendment to the amended and restated certificate of incorporation of KLXE (the “Reverse Stock Split Amendment”) to effect a reverse stock split of KLXE common stock at a ratio within a range of 1-for-5 and 1-for-10 (the “Reverse Stock Split”), as determined by KLXE’s board of directors (the “Board” or “Board of Directors”). The Board subsequently resolved to implement the Reverse Stock Split at a ratio of 1-for-5.

On July 28, 2020, KLX Energy Services, Krypton Intermediate, LLC, an indirect wholly owned subsidiary of KLXE, Krypton Merger Sub, Inc., an indirect wholly owned subsidiary of KLXE (“Merger Sub”), and Quintana Energy Services Inc. (“QES”) completed the previously announced acquisition of QES, by means of a merger of Merger Sub with and into QES, with QES surviving the merger as a subsidiary of KLXE (the “Merger”). On July 28, 2020, immediately prior to the consummation of the Merger, the Reverse Stock Split Amendment became effective and thereby effectuated the 1-for-5 Reverse Stock Split of the Company’s issued and outstanding common stock.

Basis of Presentation

The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements include all accounts of KLXE and its subsidiaries. All intercompany transactions and account balances have been eliminated upon consolidation.

The consolidated financial statements for the period from February 1, 2020 to July 28, 2020 reflect only the historical results of the Company prior to the completion of the Merger. The prior year consolidated financial statements present the consolidated KLXE and QES financial position as of January 31, 2021. The consolidated statement of operations and the consolidated statement of cash flows for the fiscal year ended January 31, 2021 include QES’s results for the period July 29, 2020 through January 31, 2021. The consolidated financial statements for the transition period from February 1, 2021 to December 31, 2021 reflect the consolidated KLXE and QES results and the consolidated KLXE and QES financial position as of December 31, 2021.

Following the end of the Company’s fiscal year ended January 31, 2021, the Company transitioned to a December 31 fiscal year-end date. As a result, this Form 10-KT is a transition report and includes financial

information for the eleven-month period from February 1, 2021 to December 31, 2021 (the "Transition Period").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

Depreciation and Amortization

The Company changed its presentation of depreciation and amortization expense in the first quarter of 2021. Depreciation and amortization expense is presented separately from cost of sales and selling, general, and administrative expenses. Prior period results have been reclassified to conform with current presentation.

Segment Reporting

The Company changed its presentation of reportable segments related to the allocation of corporate overhead costs to reflect the presentation used by the company's chief operational decision-making group ("CODM") to make decisions about resources to be allocated to the Company's reportable segments and to assess segment performance. Historically, and through July 31, 2020, the Company's total corporate overhead costs were allocated and reported within each reportable segment. During the third quarter of 2020, the Company changed the corporate overhead allocation methodology to only include corporate costs incurred on behalf of its operating segments, which includes accounts payable, accounts receivable, insurance, audit, supply chain, health, safety and environmental and others. The remaining unallocated corporate costs are reported as a reconciling item in the Company's segment reporting disclosures. See Note 16 for additional information. The change is reflected retroactively in the accompanying financial statements which resulted in a decrease to the total corporate overhead costs allocated to our three reportable segments for the fiscal year ended January 31, 2021 of \$62.0.

The Company also changed its presentation of service offering revenues. Historically, and through July 31, 2020, the Company's service offering revenues included revenues from the completion, production and intervention market types within segment reporting. During the third quarter of 2020, the Company changed the presentation of its service offering revenues by separately reporting a drilling market type revenue, which includes directional drilling, drilling accommodation units and related drilling support services. The reclassifications are retroactively reported in the Company's segment reporting disclosures to reflect the drilling revenue change and use of the information by the Company's CODM. For the fiscal year ended January 31, 2021, the total drilling revenues reported within segment reporting was \$46.7.

These prior period changes in the Company's corporate allocation method and service offering revenue disclosures have no net impact to the consolidated financial statements. The change better reflects the CODM's philosophy on assessing performance and allocating resources as well as improves the Company's comparability to its peer group.

Business Combinations

We completed our acquisition of QES on July 28, 2020. QES's results of operations have been included in our financial results for the period subsequent to the acquisition date.

Under the acquisition method of accounting, we allocate the fair value of purchase consideration transferred to the tangible assets and intangible assets acquired, if any, and liabilities assumed based on their estimated fair values on the date of the acquisition. The fair values assigned, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants, are based on estimates and assumptions determined by management. The estimated fair value of the assets

acquired, net of liabilities assumed, exceeded the purchase consideration, resulting in a bargain purchase gain.

When determining the fair value of assets acquired and liabilities assumed, we make significant estimates and assumptions. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

During the measurement period, not to exceed one year from the date of acquisition, we may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to bargain purchase gain if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the consolidated statements of operations. Acquisition costs, such as legal and consulting fees, are expensed as incurred.

Revenue Recognition

Revenue is recognized upon the customer obtaining control of promised goods or services, in an amount that reflects the consideration which is expected to be received in exchange for those goods or services. To determine revenue recognition for arrangements within the scope of ASC Topic 606, the following five steps are performed: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. Revenue is recognized in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Service revenues are recorded over time throughout and for the duration of the service period pursuant to a master services agreement (“MSA”) combined with a completed field ticket or a work order. Revenues from product sales are recognized when the customer obtains control of the product, which occurs at a point in time, typically upon delivery in accordance with the terms of the field ticket or work order.

Income Taxes

The Company accounts for deferred income taxes through the asset and liability method. Under this method, a deferred tax liability or asset is recognized for the expected future tax consequences resulting from the differences in financial reporting bases and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is recorded if it is more likely than not that some or all of the deferred tax assets will not be realized. The Company recognizes accrued interest and penalties related to uncertain tax positions, if any, as a component of income tax expense.

Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents consist of cash on hand, and certificates of deposits. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Company maintains its cash and cash equivalents in various financial institutions, which at times may exceed federally insured amounts. Management believes that this risk is not significant.

Accounts Receivable, Net

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer’s current creditworthiness, as determined by review of their current credit information. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. The allowance for doubtful accounts at December 31, 2021 and January 31, 2021 was \$6.2 and \$6.5, respectively.

Activity in our allowance for doubtful accounts during the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021 is set forth in the table below:

| Allowance for doubtful accounts | Balance at beginning of period | Charged (credited) to costs and expenses | Deductions ⁽¹⁾ | Balance at end of period |
|--|---------------------------------------|---|----------------------------------|---------------------------------|
| December 31, 2021 | \$ 6.5 | \$ 0.3 | \$ (0.6) | \$ 6.2 |
| January 31, 2021 | \$ 12.9 | \$ 2.0 | \$ (8.4) | \$ 6.5 |

⁽¹⁾ Accounts receivable balances written off during the period, net of recoveries.

Inventories

Inventories, made up primarily of dissolvable plugs, supplies, finished goods and other consumables used to perform services for customers. The Company values inventories at the lower of cost or net realizable value. Reserves for excess and obsolete inventory were approximately \$2.7 and \$2.4 as of Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, respectively.

Property and Equipment, Net

Property and equipment are stated at cost and depreciated generally under the straight-line method over their estimated useful lives of one to forty years (or the lesser of the term of the lease for leasehold improvements, as appropriate). During the quarter ended October 31, 2021, as a result of increased usage from improving drilling activity levels and changes in the manner and conditions in which various types of our small tools are used, we updated the estimated useful lives of such tools to one to three years, resulting in approximately \$0.2 of incremental monthly depreciation on a prospective basis.

Goodwill and Intangible Assets, Net

Under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 350, Intangibles—Goodwill and Other, goodwill and indefinite-lived intangible assets are reviewed at least annually for impairment. Acquired intangible assets with definite lives are amortized over their individual useful lives.

As of December 31, 2021, the Company had three reporting units, which were determined based on the guidelines contained in FASB ASC Topic 350, Subtopic 20, Section 35. Each reporting unit constitutes a business, for which there is discrete financial information available that is regularly reviewed by the CODM.

Goodwill is tested at least annually as of December 31, and the Company’s management assesses whether there has been any impairment in the value of goodwill by comparing the fair value of the reporting unit to its net carrying value. If the carrying value exceeds its estimated fair value, an impairment loss is recognized for the difference up to the carrying value of goodwill. In this event, the asset is written down accordingly. The fair value is determined using valuation techniques based on estimates, judgments and assumptions that the Company’s management believes are appropriate in the circumstances.

For the fiscal year ended January 31, 2021, the Company determined goodwill was impaired and recorded goodwill impairment charges of \$28.3. See Note 7 for additional information.

Leases

The Company adopted Accounting Standards Update (“ASU”) No. 2016-02, Leases ASC Topic 842 effective February 1, 2021. We elected the modified retrospective transition method under ASC Topic 842 and as such information prior to February 1, 2021 has not been restated and continues to be reported under the accounting standards in effect for the period (ASC Topic 840-Leases). We carried forward the historical lease classifications and assessment of initial direct costs, account for lease and non-lease components as a single component, and exclude leases with an initial term of less than twelve months in the lease assets and liabilities. For leases entered into after February 1, 2021, the Company determines if an arrangement is a

lease at inception and evaluates identified leases for operating or finance lease treatment. Operating or finance lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. We use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease terms may include options to renew; however, we typically cannot determine our intent to renew a lease with reasonable certainty at inception.

Long-Lived Assets

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are tested for impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. Any required impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. For the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, there were \$0.5 and \$180.4 in impairments of long lived assets, respectively. See Note 7 for additional information.

Debt Issuance Costs

The Company capitalizes certain third-party fees directly related to the issuance of debt and amortizes these costs over the life of the debt using the effective interest method. Debt issuance costs related to the Company's \$100.0 senior secured asset-based lending facility are presented net of amortization as a non-current asset. Debt issuance costs related to the Company's \$250.0 principal amount of 11.5% senior secured notes due 2025 is presented net of amortization as an offset to the liability. Amortized debt issuance costs are included in interest expense and totaled \$0.9 and \$1.3 for the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, respectively.

Common Stock Equivalents

The Company has potential common stock equivalents related to its outstanding restricted stock awards and restricted stock units. These potential common stock equivalents are not included in diluted loss per share for any period presented in which there is a net loss because the effect would have been anti-dilutive.

Stock-Based Compensation

The Company accounts for share-based compensation arrangements in accordance with the provisions of FASB ASC 718, whereby share-based compensation cost is measured on the date of grant, based on the calculated fair value of the award and recognized as selling, general and administrative expenses in the consolidated statement of operations over the requisite service period. Compensation cost recognized during the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021 primarily related to grants of restricted stock and restricted stock units granted or approved by the Company's Compensation Committee. See "Note 14 - Stock-Based Compensation" for additional information related to stock-based compensation.

Concentration of Risk

The Company provides products and services to energy industry customers who focus on developing and producing oil and gas onshore in North America. The Company's management performs ongoing credit evaluations on the financial condition of all of its customers and maintains allowances for uncollectible accounts receivable based on expected collectability. Credit losses have historically been within management's expectations and the provisions established.

Significant customers change from year to year depending on the level of E&P activity and the use of the Company's services. During the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, no single customer accounted for more than 10% of the Company's revenues.

NOTE 2 - Recent Accounting Pronouncements

In March 2020, FASB issued accounting standard update, ("ASU") 2020-04, *Reference Rate Reform ("Topic 848"): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting and, particularly, the risk of cessation of the London Interbank Offered Rate ("LIBOR"). The amendments in this ASU are elective and apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments in this ASU are effective for all entities, if elected, through December 31, 2022. While the exact impact of this standard is not known, the guidance is not expected to have a material impact on the Company's consolidated financial statements.

The financial services industry and market participants continue to work towards transitioning away from interbank offered rates ("IBOR"), including the LIBOR, which are in the process of being phased out. This phasing out will have an impact on the ABL Facility (defined below) that utilizes LIBOR as a benchmark. To transition from IBOR Reference Rate, the ABL Facility agreement between the Company and JP Morgan Chase & Co. ("JP Morgan"), which currently has borrowings outstanding of \$30.0, will be amended to adopt an alternate rate effective on or before June 30, 2023. Until the ABL Facility agreement is amended to allow for Secured Overnight Financing Rate ("SOFR") as the replacement to LIBOR, the Alternate Base Rate ("ABR"), is the default rate that JP Morgan has agreed to use as the LIBOR replacement.

In December 2019, FASB issued ASU 2019-12, *Income Taxes ("Topic 740"): Simplifying the Accounting for Income Taxes*. This ASU is intended to simplify aspects of income tax approach for intra-period tax allocations when there is a loss from continuing operations and income or a gain from other items, and to provide a general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. Topic 740 also provides guidance to simplify how an entity recognizes a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, and evaluations of when step ups in the tax basis of goodwill should be considered part of a business combination. Companies should also reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The guidance is effective for the Company for the fiscal year beginning January 1, 2022. While the exact impact of this standard is not known, the guidance is not expected to have a material impact on the Company's consolidated financial statements.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses ("Topic 326"): Measurement of Credit Losses on Financial Instruments*. This ASU is intended to update the measurement of credit losses on financial instruments. This update improves financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope by using the Current Expected Credit Losses ("CECL") model. This guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. The new accounting standard introduces the CECL methodology for estimating allowances for credit losses. The Company is an oilfield service company and as of December 31, 2021 had a third-party accounts receivable balance, net of allowance, of \$103.2. Topic 326 is not expected to have a material impact on the Company's consolidated financial statements.

Recently Adopted Accounting Standard Update

Leases

In February 2016, FASB issued ASU 2016-02, *Leases ("Topic 842")*, which supersedes Topic 840, *Leases*. The ASU and subsequent amendments are designed to increase transparency and comparability among

organizations with leasing activities. Topic 842 requires lessees to recognize, in its balance sheet, lease liabilities and right-of-use assets for all leases with a term greater than twelve months. Topic 842 also expands the required quantitative and qualitative disclosures surrounding leases. KLXE early adopted Topic 842 in the fourth quarter of fiscal 2021, with this new guidance effective as of February 1, 2021. The Company adopted Topic 842 using the modified retrospective approach codified in ASU 2018-11 under which the effective date of the requirements was the application date, with the comparative periods presented and disclosed in accordance with the legacy lease accounting requirements in Topic 840.

While the standard had a material impact on our consolidated balance sheets, it did not have a material impact on our consolidated statements of operations, consolidated statements of retained earnings and consolidated statements of cash flows. The most significant impact was the recognition of right-of-use ("ROU") assets and lease liabilities for operating leases totaling \$66.2 and \$64, respectively, while our accounting for finance leases remained substantially unchanged. The adoption of Topic 842 had no impact on the Company's opening equity balance. The Company does not have any material leases where it serves in the role as a lessor.

The Company elected the following practical expedients upon the adoption of Topic 842:

- Transitional practical expedients package: An entity may elect to apply the listed practical expedients as a package to all the leases that commenced before the effective date. The practical expedients are:
 - The entity need not reassess whether any expired or existing contracts are or contain leases;
 - The entity need not reassess the lease classification for expired or existing contracts;
 - The entity need not reassess initial direct costs for any existing leases.
- Short-term lease recognition exemption: Leases with a term of twelve months or less constitute short-term leases and will not be recognized on the balance sheet for all classes of assets. The Company has elected the short-term lease recognition exemption for all classes of assets. The impact of this exemption is that short-term lease cost will be recognized on a straight-line basis over the term.
- Practical expedient to not separate lease and nonlease components: As an accounting policy election by class of underlying asset, a lessee can choose not to separate nonlease components from lease components, accounting for each separate lease component and the associated lease components as a single lease component. The Company has elected this practical expedient for all classes of assets.

The Company did not elect the use-of-hindsight practical expedient.

NOTE 3 - Business Combinations

QES Merger

On July 28, 2020, the Company completed the Merger with QES, a diversified provider of oilfield services to onshore oil and natural gas E&P companies operating in the United States. The Merger purchase price was approximately \$44.4 inclusive of cash paid to settle QES debt, comprised of 3.4 million shares of the Company's common stock. Based on the Company's preliminary purchase price allocation, the purchase price was less than the fair value of the identifiable assets acquired, which resulted in a \$40.3 bargain purchase gain being recorded on the consolidated statements of operations for the year ended January 31, 2021. Based on the finalization of the purchase price allocation in the second quarter of 2021, the Company recorded a reduction in bargain purchase gain of \$0.5 during the Transition Period ended December 31, 2021. In connection with the closing of the Merger, \$9.7 in outstanding borrowings and associated fees and expenses of QES's five-year asset-based revolving credit agreement (the "QES ABL Facility") were paid off. In addition, the Company assumed certain QES compensation agreements, including restricted stock units ("RSU"), with an estimated fair value of \$2.0. Based on the service period related to the period prior to the acquisition date, \$0.4 was allocated to the purchase price, and \$1.6 relating to post-acquisition services will be recorded as operating expenses over the remaining requisite service periods. As of the Merger date, each

unvested QES RSU was converted into a replacement KLXE RSU award at a conversion rate of 0.0969 and valued on July 28, 2020.

The Merger was accounted for as a purchase under FASB ASC 805, Business Combinations (“ASC 805”). The results of operations for the acquisition are included in the accompanying consolidated statements of operations from the respective date of acquisition.

The following table summarizes the final fair values of assets acquired and liabilities assumed in the Merger in accordance with ASC 805:

| | QES |
|---|----------------|
| Cash | \$ 8.7 |
| Accounts receivable-trade | 12.2 |
| Inventories | 11.8 |
| Other current and non-current assets | 7.4 |
| Property and equipment | 84.2 |
| Accounts payable | (27.1) |
| Other current and non-current liabilities | (13.0) |
| Bargain purchase | (39.8) |
| Total purchase price ⁽¹⁾ | <u>\$ 44.4</u> |

⁽¹⁾ The total consideration the Merger was approximately \$44.4, which was comprised of 3.4 million shares of the Company’s common stock and cash paid to settle QES debt.

The Company has substantially integrated portions of the QES business and, as a result, it is not practicable to report stand-alone revenues and operating (loss) earnings of the QES business since the Merger date.

NOTE 4 - Merger and Integration Costs

Merger and integration costs were recorded separately from the acquisition of assets and assumptions of liabilities in the Merger. Merger costs consist of legal and professional fees and accelerated stock compensation expense incurred in connection with the Merger (“Merger costs”). Integration costs consist of expenses to relocate corporate headquarters, integrate the QES business, reduce headcount, and consolidate service and support facilities following the Merger (“Integration costs”).

The following table presents merger and integration costs that were recorded for the eleven months ended December 31, 2021 and twelve months ended January 31, 2021 in the consolidated statements of operations by line item:

| | Transition Period Ended | | Fiscal Year Ended | |
|--|--------------------------------|------------|--------------------------|-------------|
| | December 31, 2021 | | January 31, 2021 | |
| Cost of sales | \$ | 1.2 | \$ | 3.4 |
| Selling, general and administrative expenses | | 0.5 | | 31.0 |
| Lease termination costs (part of impairment and other charges) | | 0.6 | | 5.3 |
| Total merger and integration costs | <u>\$</u> | <u>2.3</u> | <u>\$</u> | <u>39.7</u> |

As of December 31, 2021 and January 31, 2021 accrued lease termination costs were:

| | | |
|--|----|------------|
| Beginning balance as of January 31, 2020 | \$ | — |
| Charged to costs and expenses | | 5.3 |
| Deductions | | (1.9) |
| Beginning balance as of January 31, 2021 | | 3.4 |
| Charged to costs and expenses | | 0.6 |
| Deductions | | (3.9) |
| Ending balance as of December 31, 2021 | \$ | <u>0.1</u> |

The following table presents Merger and Integration costs that were recorded for the Transition Period ended December 31, 2021 in the consolidated statement of operations:

| | Transition Period Ended | Fiscal Year Ended |
|------------------------------------|--------------------------------|--------------------------|
| | December 31, 2021 | January 31, 2021 |
| Merger costs | \$ — | \$ 27.8 |
| Integration costs | 2.3 | 11.9 |
| Total Merger and Integration Costs | <u>\$ 2.3</u> | <u>\$ 39.7</u> |

NOTE 5 - Inventories, net

Inventories consisted of the following:

| | December 31, 2021 | January 31, 2021 |
|--|--------------------------|-------------------------|
| Spare parts | \$ 14.7 | \$ 13.5 |
| Plugs | 6.0 | 4.6 |
| Consumables | 2.4 | 2.8 |
| Other | 2.0 | 2.3 |
| Subtotal | <u>25.1</u> | <u>23.2</u> |
| Provision for inventory obsolescence reserve | (2.7) | (2.4) |
| Total inventories, net | <u>\$ 22.4</u> | <u>\$ 20.8</u> |

Inventories are made up primarily of composite and dissolvable plugs, supplies and consumables used to perform services for customers. The Company values inventories at the lower of cost or net realizable value. Inventory reserves were approximately \$2.7 and \$2.4 as of December 31, 2021 and January 31, 2021, respectively.

During the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, the Company identified certain excess inventory of \$0.7 and \$1.2, respectively, which was written off to cost of sales in the consolidated statement of operations.

Activity in the reserve for inventory accounts during the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021 is set forth in the table below:

| Reserve for inventory | Balance at beginning of period | Charged to costs and expenses | Deductions ⁽¹⁾ | Balance at end of period |
|------------------------------|---------------------------------------|--------------------------------------|----------------------------------|---------------------------------|
| December 31, 2021 | \$ 2.4 | \$ 2.2 | \$ (1.9) | \$ 2.7 |
| January 31, 2021 | \$ 1.5 | \$ 1.8 | \$ (0.9) | \$ 2.4 |

⁽¹⁾ Reserve for inventory balances written off during the period, net of recoveries.

NOTE 6 - Property and Equipment, Net

Property and equipment consisted of the following:

| | Useful Life (Years) | | | December 31, 2021 | January 31, 2021 |
|--|---------------------|---|----|-------------------|------------------|
| Land, buildings and leasehold improvements | 1 | — | 40 | \$ 38.9 | \$ 43.7 |
| Machinery | 1 | — | 20 | 211.4 | 221.8 |
| Furniture and equipment | 1 | — | 15 | 179.9 | 183.2 |
| ROU assets - finance leases | 1 | — | 20 | 16.5 | — |
| Property and equipment | | | | 446.7 | 448.7 |
| Less accumulated depreciation | | | | 280.1 | 245.0 |
| | | | | 166.6 | 203.7 |
| Construction in progress | | | | 4.4 | — |
| Total property and equipment, net | | | | \$ 171.0 | \$ 203.7 |

Depreciation of assets is computed using the straight-line method over the lesser of the estimated useful lives of the respective assets or the lease term, if shorter. Depreciation expense was \$51.9 and \$57.7 for the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, respectively. Finance lease amortization expense was \$3.4 and \$1.4 for the Transition Period ended December 31, 2021 and the fiscal year ended January 31, 2021. During the quarter ended October 31, 2021, as a result of increased usage from improving drilling activity levels and changes in the manner and conditions in which various types of our small tools are used, we updated the estimated useful lives of such tools to one to three years, resulting in approximately \$0.2 of incremental monthly depreciation on a prospective basis.

Property, plant and equipment under finance leases included in the above are as follows:

| | Useful Life (Years) | | | December 31, 2021 |
|--|---------------------|---|----|-------------------|
| Land, buildings and leasehold improvements | 20 | — | 20 | \$ 0.7 |
| Machinery | 1 | — | 8 | 15.8 |
| Furniture and equipment | | | | 0.0 |
| Property and equipment | | | | 16.5 |
| Less accumulated amortization | | | | 4.0 |
| Total property and equipment, net | | | | \$ 12.5 |

Assets Held for Sale

As of December 31, 2021, the Company's consolidated balance sheet includes assets classified as held for sale of \$1.9. The assets held for sale are reported within other current assets on the consolidated balance sheet and represent the value of two facilities. In light of the current market environment and as part of the ongoing integration of the QES business, the Company has consolidated operations within certain geographies rendering these locations unnecessary to support the efficient operations of the Company. These assets are being actively marketed for sale as of December 31, 2021 and are recorded at the lower of their carrying value or fair value less costs to sell.

NOTE 7 - Goodwill and Intangible Assets, Net

The following sets forth the intangible assets by major asset class, all of which were acquired through business purchase transactions:

| | Useful Life (Years) | December 31, 2021 | | | January 31, 2021 | | |
|---|---------------------|-------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| | | Original Cost | Accumulated Amortization | Net Book Value | Original Cost | Accumulated Amortization | Net Book Value |
| Customer contracts and relationships ⁽¹⁾ | 10 | \$ 5.7 | \$ 3.5 | \$ 2.2 | \$ 5.7 | \$ 3.2 | \$ 2.5 |
| Covenants not to compete | 1.5 - 3 | — | — | — | 0.5 | 0.5 | — |
| Total intangible assets | | \$ 5.7 | \$ 3.5 | \$ 2.2 | \$ 6.2 | \$ 3.7 | \$ 2.5 |

⁽¹⁾ The customer contracts and relationships intangible asset's useful life was reduced from 20 to 10 years as of July 31, 2020.

Amortization expense associated with intangible assets was \$0.3 and \$4.0 for the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, respectively. During the year ended January 31, 2021, accelerated amortization of \$2.7 was recognized related to the Company's customer contracts and relationships long-lived intangible. Due to the accelerated amortization of intangible assets, the Company does not expect to recognize future material amortization expense related to intangible assets. Actual future amortization expense may be different due to future acquisitions, impairments, changes in amortization periods or other factors.

During the second quarter 2020 review of the customer relationship intangible assets, an analysis of the future contributions to revenue from these customers resulted in forecast declines of approximately 50%. As a result of the review, the Company recognized a charge of \$2.7 reflecting accelerated amortization to reduce the carrying value of its customer relationships intangible. The accelerated amortization charge is included in the consolidated statement of operations for the fiscal year ended January 31, 2021.

Goodwill and indefinite life intangible assets are tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of the asset has decreased below its carrying value. The oilfield service industry continued to experience a deterioration in demand during the fiscal year ended January 31, 2021. During the first quarter of 2020, the novel coronavirus ("COVID-19") pandemic emerged and applied significant downward pressure on the global economy and oil demand and prices, leading North American operators to announce significant cuts to planned 2020 capital expenditures. The combination of the COVID-19 pandemic and supply concerns drove a steep drop in oil prices, which led to decreases in demand for the Company's services and lower current and expected revenues for the Company.

Based on the impairment indicators above, the Company performed a goodwill and long-lived asset impairment analysis as of the April 30, 2020. The results of the impairment analysis concluded that the carrying amount of the long-lived assets exceeded the relative fair values of two of the reporting units asset groups. As a result, the Company recorded a \$180.4 long-lived asset impairment charge, \$39.2 related to intangible assets and \$141.2 related to property and equipment, which is included in the consolidated statement of operations for the fiscal year ended January 31, 2021. This charge reflects \$91.3 and \$89.1 of the long-lived assets attributable to the Southwest and Northeast/Mid-Con segments, respectively. As part of its normal course of operations, the Company identified and recorded \$0.5 of long-lived asset impairment in the Transition Period ended December 31, 2021.

Determining fair value requires the use of estimates and assumptions. Such estimates and assumptions include revenue growth rates, operating profit margins, weighted average cost of capital, terminal growth rates, future market share and future market conditions, among others. The Company's cash flow projections were a significant input into the April 30, 2020 fair values. See Note 11 for additional information regarding the fair value determination. If the Company continues to be unable to achieve projected results or long-term projections are adjusted downward, it could negatively impact future valuations of the Company's long-lived assets.

The valuation of the Company and its reportable segments' goodwill impairment test was estimated using the guideline public company analysis and the discounted cash flow analysis, which were equally weighted in the fair value analysis. See Note 11 for additional information regarding the fair value determination. The results of the goodwill impairment test as of April 30, 2020 indicated that goodwill was impaired because the carrying value of the Rocky Mountains reporting unit exceeded its relative fair value. Accordingly, the Company recorded a \$28.3 goodwill impairment charge, which is included in the consolidated statement of operations for the fiscal year ended January 31, 2021. This charge reflects the full value of the goodwill attributable to the Rocky Mountains segment, leaving the Company with no goodwill as of January 31, 2021. As the Company did not close any acquisitions during the Transition Period, there is no goodwill as of December 31, 2021.

The Company recorded a \$28.3 goodwill impairment charge during the fiscal year ended January 31, 2021, which is included in the consolidated statements of operations. The charges reflect the full value of the goodwill attributable to the Rocky Mountains segment.

The changes in the carrying amount of goodwill for the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021 are as follows:

| | | |
|----------------------------------|----|--------|
| Balance, January 31, 2020 | \$ | 28.3 |
| Goodwill impairment | | (28.3) |
| Balance, January 31, 2021 | | — |
| Acquisitions | | — |
| Balance, December 31, 2021 | \$ | — |

NOTE 8 - Accrued Liabilities

Accrued liabilities consisted of the following:

| | December 31, 2021 | January 31, 2021 |
|---|-------------------|------------------|
| Accrued salaries, vacation and related benefits | \$ 13.9 | \$ 14.3 |
| Accrued property taxes | 2.8 | 1.8 |
| Accrued taxes other than property | 3.0 | 2.6 |
| Accrued lease termination costs | 0.1 | 3.4 |
| Accrued incentive compensation | 1.5 | 1.9 |
| Other accrued liabilities | 2.8 | 5.2 |
| Total accrued liabilities | <u>\$ 24.1</u> | <u>\$ 29.2</u> |

NOTE 9 - Long-Term Debt

Outstanding long-term debt consisted of the following:

| | December 31, 2021 | January 31, 2021 |
|---------------------------------|-------------------|------------------|
| Senior Secured Notes | \$ 250.0 | \$ 250.0 |
| ABL Facility | 30.0 | — |
| Total principal outstanding | 280.0 | 250.0 |
| Unamortized debt issuance costs | 5.2 | 6.1 |
| Total debt, net | <u>\$ 274.8</u> | <u>\$ 243.9</u> |

As of December 31, 2021, long-term debt included \$250.0 principal amount of 11.5% senior secured notes due 2025 (the "Notes") offered pursuant to Rule 144A under the Securities Act of 1933 (as amended, the "Securities Act") and to certain non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. On a net basis, after taking into consideration the debt issuance costs for the Notes, long-term debt related to the Notes as of December 31, 2021 was \$244.8. The Notes bear interest at an annual rate of 11.5%, payable semi-annually in arrears on May 1 and November 1. Interest expense amounted to \$28.6 and \$30.7 for the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, respectively. Accrued interest related to the Notes as of December 31, 2021 and January 31, 2021 was \$4.8 and \$7.2, respectively.

As of December 31, 2021, the Company also had a \$100.0 asset-based revolving credit facility pursuant to a senior secured credit agreement dated August 10, 2018 (the "ABL Facility"). The ABL Facility became effective on September 14, 2018 and matures in September 2023. On October 22, 2018, the ABL Facility was amended primarily to permit the Company to issue the Notes and acquire Motley and the definition of the required ratio (as defined in the ABL Facility) was also amended as a result of the Notes issuance. Unamortized deferred costs for the ABL Facility of \$0.4 and \$0.7 were recorded in other non-current assets as of December 31, 2021 and January 31, 2021, respectively.

Borrowings outstanding under the ABL Facility were \$30.0 and \$0.0 as of December 31, 2021 and January 31, 2021, respectively, and bear interest at a rate equal to LIBOR plus the applicable margin (as defined in the ABL Facility). The effective interest rate under the ABL Facility was approximately 4.75% on December 31, 2021. Interest expense amounted to \$0.8 for the Transition Period ended December 31, 2021. Accrued interest under the ABL Facility was \$0.2 as of December 31, 2021.

The financial services industry and market participants continue to work towards transitioning away from interbank offered rates ("IBOR"), including the LIBOR, which are in the process of being phased out. This phasing out will have an impact on the ABL Facility (defined below) that utilizes LIBOR as a benchmark. To transition from IBOR Reference Rate, the ABL Facility agreement between the Company and JP Morgan Chase & Co. ("JP Morgan"), which currently has borrowings outstanding of \$30.0, will be amended to adopt an alternate rate effective on or before June 30, 2023. Until the ABL Facility agreement is amended to allow for Secured Overnight Financing Rate ("SOFR") as the replacement to LIBOR, the Alternate Base Rate ("ABR"), is the default rate that JP Morgan has agreed to use as the LIBOR replacement.

The ABL Facility is tied to a borrowing base formula and has no maintenance financial covenants as long as the minimum level of borrowing availability is maintained. During the third quarter of 2020, the Company included the acquired QES current asset collateral into the borrowing base formula used to calculate the Company's borrowing availability. Availability under the ABL Facility is determined by the borrowing base formula calculated based on a percentage of our accounts receivable and inventory, net of a springing fixed charge coverage ratio ("FCCR") holdback of \$10.0. The ABL Facility is secured by, among other things, a first priority lien on the Company's accounts receivable and inventory and contains customary conditions precedent to borrowing and affirmative and negative covenants. As of December 31, 2021, total availability under the ABL Facility was \$42.4, and net availability was \$32.4, after \$10.0 FCCR holdback.

The ABL Facility includes a springing financial covenant which requires the Company's springing fixed charge coverage ratio ("FCCR") to be at least 1.0 to 1.0 if availability falls below the greater of \$10.0 or 15% of the borrowing base. At all times during the Transition Period ended December 31, 2021, availability exceeded this threshold, and the Company was not subject to this financial covenant. As of December 31, 2021, the FCCR was below 1.0 to 1.0. The Company was in full compliance with its credit facility as of December 31, 2021.

The Company uses standby letters of credit to facilitate commercial transactions with third parties and to secure our performance to certain vendors. Total letters of credit outstanding under the ABL Facility were \$5.0 at December 31, 2021. To the extent liabilities are incurred as a result of the activities covered by the letters of credit, such liabilities are included on the accompanying consolidated balance sheets.

Maturities of long-term debt are as follows:

| Years ending December 31, | Amount |
|------------------------------------|----------|
| 2022 | \$ — |
| 2023 | 30.0 |
| 2024 | — |
| 2025 | 250.0 |
| 2026 | — |
| Thereafter | — |
| Total maturities of long-term debt | \$ 280.0 |

NOTE 10 - Leases

The Company, as part of its normal business operations, leases certain equipment, vehicles, manufacturing facilities, and office space under various operating and finance leases. We determine if an arrangement is or contains a lease at the lease inception date by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits and has the ability to direct the use of the underlying asset. Leases with an initial term of twelve months or less meet the definition of a short-term lease and are not recorded on the balance sheet.

At the lease commencement date, the Company recognized a lease liability and an ROU asset representing its right to use the underlying asset over the lease term. The initial measurement of the lease liability is calculated on the basis of the present value of the remaining lease payments and the ROU asset is measured on the basis of this liability, adjusted by prepaid and accrued rent, lease incentives, and initial direct costs. The subsequent measurement of a lease is dependent on whether the lease is classified as an operating lease or a finance lease. Operating lease cost is recognized on a straight-line basis over the lease term, with the cost presented as a component of the Selling, general and administrative expenses line item in the Consolidated Statement of Operations. Finance lease cost is comprised of a separate interest component and amortization component and is presented as a component of the Interest expense, net and Depreciation and amortization line items, respectively, in the Consolidated Statement of Operations.

Certain of our leases require other payments such as costs related to service components, real estate taxes, common area maintenance, and insurance. These costs are generally variable in nature and based on the actual costs incurred and required by the lease. As the Company has elected to not separate lease and nonlease components for all classes of underlying asset, all variable costs associated with the lease are expensed in the period incurred and presented and disclosed as variable lease costs. The Company's lease agreements do not contain any material residual value guarantees or material restrictive financial covenants.

As of the application date of Topic 842, our leases have remaining lease terms of one year to eight years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year. Options to extend a lease term are considered within the lease term when the lessee is reasonably certain to exercise the option while termination options are considered within the lease term when they are reasonably certain not to be exercised.

Topic ASC 842 requires that a lessee use the rate implicit in the lease when measuring the lease liability and ROU asset, when available. Alternatively, the Company is permitted to use its incremental borrowing rate which is defined as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Since the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate when measuring its leases. We estimate our incremental borrowing rate to discount the lease payments based on information available at the lease commencement date.

The Company does not have any material leases that have not yet commenced that would create significant rights and obligations, nor does it have any leases with related parties. Additionally, the Company's leases do not impose any restrictions or covenants on us.

The components of lease expense were as follows:

| | December 31, 2021 |
|---|--------------------------|
| Operating lease fixed cost: | \$ 9.2 |
| Operating lease variable cost: | \$ 4.9 |
| Finance lease cost: | |
| Amortization of ROU assets | \$ 3.4 |
| Interest on lease liabilities | 0.5 |
| Total finance lease cost | \$ 3.9 |

Supplemental cash flow information related to leases was as follows:

| | December 31, 2021 |
|--|--------------------------|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows for operating leases | \$ 19.9 |
| Operating cash flows for finance leases | 2.6 |
| Financing cash flows for finance leases | 0.5 |
| ROU assets obtained in exchange for lease obligations: | |
| Operating leases ⁽¹⁾ | \$ 1.3 |
| Finance leases | 2.6 |

⁽¹⁾ Amount excludes the impact of adopting ASC 842 - See Note 2 for additional details.

Supplemental balance sheet information related to leases was as follows:

| | December 31, 2021 |
|--|--------------------------|
| Operating Leases | |
| Operating lease assets | \$ 47.4 |
| Current portion of operating lease obligations | \$ 15.9 |
| Long-term operating lease obligations | 31.5 |
| Total operating lease liabilities | \$ 47.4 |
| Finance leases | |
| Property and equipment, net | \$ 12.5 |
| Total finance lease assets | \$ 12.5 |
| Current portion of finance lease obligations | \$ 5.6 |
| Long-term finance lease obligations | 9.1 |
| Total finance lease liabilities | \$ 14.7 |
| Weighted Average Remaining Lease Term | |
| Operating leases (in years) | 3.4 |
| Finance leases (in years) | 2.2 |
| Weighted Average Discount Rate | |
| Operating leases | 5.0 % |
| Finance leases | 6.0 % |

Maturities of lease liabilities were as follows:

| Years ending December 31, | Operating Leases | Finance Leases |
|----------------------------------|-------------------------|-----------------------|
| 2022 | \$ 18.7 | \$ 7.9 |
| 2023 | 14.9 | 6.3 |
| 2024 | 13.0 | 3.8 |
| 2025 | 3.6 | 0.7 |
| 2026 | 2.3 | 0.6 |
| Thereafter | 1.1 | 0.0 |
| Total lease payments | 53.6 | 19.3 |
| Less: imputed interest | 6.2 | 4.6 |
| Total | <u>\$ 47.4</u> | <u>\$ 14.7</u> |

In accordance with the prior guidance, ASC 840, *Leases*, our leases were previously designated as either capital or operating. Previously designated capital leases are now considered finance leases under the new

guidance, ASC 842, *Leases*, while the designation of operating leases remains substantially unchanged under the new guidance. The future minimum lease payments by fiscal year as determined prior to the adoption of ASC 842, *Leases*, under our previously designated capital and operating leases as disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021, were as follows:

| Years ending January 31, | Operating Leases | Capital Leases |
|--------------------------|------------------|----------------|
| 2022 | \$ 22.6 | \$ 2.3 |
| 2023 | 19.7 | 2.1 |
| 2024 | 16.0 | 1.1 |
| 2025 | 10.3 | 0.6 |
| 2026 | 2.4 | 0.6 |
| Thereafter | 1.1 | 0.6 |
| Total lease payments | \$ 72.1 | 7.3 |
| Less: imputed interest | | 1.0 |
| Total | | \$ 6.3 |

NOTE 11 - Fair Value Information

All financial instruments are carried at amounts that approximate estimated fair value. The fair value is the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. Assets measured at fair value are categorized based upon the lowest level of significant input to the valuations.

Level 1 – quoted prices in active markets for identical assets and liabilities.

Level 2 – quoted prices for identical assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 – unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The carrying amounts of cash and cash equivalents, accounts receivable-trade and accounts payable represent their respective fair values due to their short-term nature. There was \$30.0 debt outstanding under the ABL Facility as of December 31, 2021. The fair value of the ABL Facility approximates its carrying value as of December 31, 2021.

The following tables present the placement in the fair value hierarchy of the Notes, based on market prices for publicly traded debt, as of December 31, 2021 and January 31, 2021:

| | December 31, 2021 | Fair value measurements at reporting date using | | |
|---|----------------------|---|----------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Senior Secured Notes, 11.5 Percent Due 2025 | \$ 136.3 | \$ — | \$ 136.3 | \$ — |
| Total Senior Secured Notes | \$ 136.3 | \$ — | \$ 136.3 | \$ — |

| | January 31, 2021 | Fair value measurements at reporting date using | | |
|---|---------------------|---|----------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Senior Secured Notes, 11.5 Percent Due 2025 | \$ 132.5 | \$ — | \$ 132.5 | \$ — |
| Total Senior Secured Notes | \$ 132.5 | \$ — | \$ 132.5 | \$ — |

During the fiscal year ended January 31, 2021, goodwill and long-lived assets, including certain property and equipment and purchased intangibles subject to amortization, were impaired as a result of the interim goodwill

and long-lived asset impairment tests performed as of April 30, 2020. The goodwill Level 3 fair value was determined using the average of the guideline public company analysis and the discounted cash flow analysis, both of which were unobservable. The long-lived asset Level 3 fair value was determined using the discounted cash flow analysis using the market and income approaches, both of which were unobservable.

Fair value is measured as of the impairment date. The carrying value and fair values of the impaired assets as of April 30, 2020 was \$194.0 and \$52.8 for property and equipment, net, \$28.3 and nil for goodwill, and \$39.2 and nil for intangible assets, net, respectively. See Note 7 for a discussion of the changes in goodwill and long-lived asset values due to impairment charges recorded during the fiscal year ended January 31, 2021.

NOTE 12 - Commitments, Contingencies and Off-Balance-Sheet Arrangements

Environmental Regulations & Liabilities

The Company is subject to various federal, state and local environmental laws and regulations that establish standards and requirements for the protection of the environment. The Company continues to monitor the status of these laws and regulations. However, the Company cannot predict the future impact of such laws and regulations, as well as standards and requirements, on its business, which are subject to change and can have retroactive effectiveness. Currently, the Company has not been fined, cited or notified of any environmental violations or liabilities that would have a material adverse effect on its consolidated financial statement position, results of operations, liquidity or capital resources. However, management does recognize that by the very nature of its business, material costs could be incurred in the future to maintain compliance. The amount of such future expenditures is not determinable due to several factors, including the unknown magnitude of possible regulation or liabilities, the unknown timing and extent of the corrective actions that may be required, the determination of the Company's liability in proportion to other responsible parties and the extent to which such expenditures are recoverable from insurance or indemnification.

Litigation

The Company is at times either a plaintiff or a defendant in various legal actions arising in the normal course of business, the outcomes of which, in the opinion of management, neither individually nor in the aggregate are likely to result in a material adverse effect on the Company's consolidated financial statements, except as noted herein.

On March 9, 2021, the Company filed claims in the District Court of Harris County, Texas against Magellan E&P Holdings, Inc. ("Magellan"), Redmon-Keys Insurance Group, Inc. and certain underwriters at Lloyd's ("Underwriters") to recover \$4.6 owed on invoices duly issued by the Company for services rendered on behalf of the defendants in response to an offshore well blowout near Bob Hall Pier in Corpus Christi, Texas. Magellan did not dispute the invoices but alleged an inability to pay prior to obtaining funding from Underwriters under Magellan's Owner's Extra Expense Policy. On March 19, 2021, Underwriters filed a declaratory judgment action in the United States District Court for the Southern District of Texas seeking a declaration that certain blowout related expenses fall outside of policy coverage. On March 30, 2021, Magellan filed for bankruptcy pursuant to Chapter 7 of the U.S. bankruptcy code. The bankruptcy proceedings are ongoing. We expect that the trustee will continue to pursue claims against Underwriters as well as preference and other claims to maximize the value of the Chapter 7 estate for the benefit of trade creditors. During the fiscal year ended January 31, 2021, the Company reserved the full amount of its invoices totaling \$4.6 as a prudent action in light of the Chapter 7 filing.

Indemnities, Commitments and Guarantees

During its ordinary course of business, the Company has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, as well as indemnities to other parties to certain acquisition agreements. The duration of these indemnities, commitments and guarantees varies and, in certain cases, is indefinite. Many of

these indemnities, commitments and guarantees provide for limitations on the maximum potential future payments the Company could be obligated to make. However, the Company is unable to estimate the maximum amount of liability related to its indemnities, commitments and guarantees because such liabilities are contingent upon the occurrence of events that are not reasonably determinable. Management believes that any liability for these indemnities, commitments and guarantees would not be material to the accompanying consolidated financial statements. Accordingly, no significant amounts have been accrued for indemnities, commitments and guarantees.

NOTE 13 - Employee Retirement Plans

The Company sponsors a qualified, defined contribution savings and investment plan, covering substantially all employees. The KLX Energy Services Holdings, Inc. Retirement Plan ("KLX 401(k) Plan") was established pursuant to Section 401(k) of the Internal Revenue Code. Under the terms of this plan, covered employees may contribute up to 100% of their annual compensation, limited to certain statutory maximum contributions. Following the Merger, the Company continued to sponsor the legacy QES 401(k) Plan and the KLX 401(k) Plan through the end of their respective Plan year – December 31, 2020. Pursuant to the KLX 401(k) Plan, the Company had a non-discretionary match with a matching percentage of 100% of the first 3% of employee contributions and 50% on the next 2% of employee contributions, and the matching contribution vested immediately. Pursuant to the QES 401(k) Plan, the Company's matching was discretionary with a matching percentage of 50% of the first 6% of employee contributions. Given the QES match was discretionary, it was suspended prior to the Merger through August 7, 2020.

On December 31, 2020, the KLX 401(k) Plan was terminated and its assets were transferred to the QES 401(k) Plan, which was renamed the KLX Energy Services Holdings, Inc. 401(k) Plan. After that date, participants would vest in discretionary matching contributions in an amount equal to 50% of the first 6% of an employee's eligible compensation that is contributed to the 401(k) Plan based on a 3-year vesting schedule. Note that in the second quarter of 2021, the Company suspended the 401(k) Plan match, and then in the fourth quarter of 2021 reinstated it at a rate of 50% for the first 4%. Total expense for the Plans was \$0.7 and \$1.9 for the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, respectively.

NOTE 14 - Stock-Based Compensation

Equity Distribution Agreement

On June 14, 2021, the Company entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") with Piper Sandler & Co. as sales agent (the "Agent"). Pursuant to the terms of the Equity Distribution Agreement, the Company may sell from time to time through the Agent (the "Offering") the Company's common stock, par value \$0.01 per share, having an aggregate offering price of up to \$50.0 (the "Common Stock").

Any Common Stock offered and sold in the Offering will be issued pursuant to the Company's shelf registration statement on Form S-3 (Registration No. 333-256149) filed with the SEC on May 14, 2021 and declared effective on June 11, 2021 (the "Registration Statement"), the prospectus supplement relating to the Offering filed with the SEC on June 14, 2021 and any applicable additional prospectus supplements related to the Offering that form a part of the Registration Statement. Sales of Common Stock under the Equity Distribution Agreement may be made in any transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act").

The Equity Distribution Agreement contains customary representations, warranties and agreements by the Company, indemnification obligations of the Company and the Agent, including for liabilities under the Securities Act, other obligations of the parties and termination provisions. Under the terms of the Equity Distribution Agreement, the Company will pay the Agent a commission equal to 3.0% of the gross sales price of the Common Stock sold.

The Company plans to use the net proceeds from the Offering, after deducting the Agent's commissions and the Company's offering expenses, for general corporate purposes, which may include, among other things, paying or refinancing all or a portion of the Company's then-outstanding indebtedness, and funding acquisitions, capital expenditures and working capital.

During the two and eleven months ended December 31, 2021, the Company sold 250,289 and 1,380,505 shares of Common Stock, respectively, in exchange for gross proceeds of approximately \$1.1 and \$6.6, respectively, through its at-the-market offering and paid fees to the sales agent and other legal and accounting fees to establish the Offering of \$0.1 and \$0.8, respectively.

The Company has a Long-Term Incentive Plan ("LTIP") under which the compensation committee of the Board (the "Compensation Committee") has the authority to grant stock options, stock appreciation rights, restricted stock, restricted stock units or other forms of equity-based or equity-related awards. Compensation cost for the LTIP grants is generally recorded on a straight-line basis over the vesting term of the shares based on the grant date value using the closing trading price.

On February 12, 2021, the stockholders of KLXE approved the KLX Energy Services Holdings, Inc. Long-Term Incentive Plan (Amended and Restated as of December 2, 2020) (the "Amended and Restated LTIP"), which, among other things, increased the total number of shares of Company Common Stock, par value \$0.01 per share, and reserved for issuance under the Amended and Restated LTIP by 632,051 shares. A description of the Amended and Restated LTIP is included in the Company's proxy statement, filed with the SEC on January 11, 2021.

Compensation cost recognized during the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021 related to grants of restricted stock granted by or approved by the Compensation Committee. Certain grants of restricted stock to directors and management accelerated in connection with the Merger on July 28, 2020, resulting in approximately \$15.1 of stock-based compensation expense during the fiscal year ended January 31, 2021. As a result, stock-based compensation was \$3.2 and \$17.8 for the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, respectively. Unrecognized compensation cost related to restricted stock awards made by the Company was \$6.8 at December 31, 2021 and \$3.7 at January 31, 2021.

As of the date of the QES acquisition, each unvested QES restricted stock unit award was converted into a replacement KLXE restricted stock unit award at a conversion rate of 0.0969. Approximately 2.0 million shares of QES common stock subject to awards outstanding were converted to 0.2 million shares of common stock assumed by KLXE.

The Company also has a qualified Employee Stock Purchase Plan, the terms of which allow for qualified employees (as defined in the ESPP) to participate in the purchase of designated shares of the Company's common stock at a price equal to 85% of the closing price on the last business day of each semi-annual stock purchase period. The fair value of the employee purchase rights represents the difference between the closing price of the Company's shares on the date of purchase and the purchase price of the shares. Because the ESPP did not have enough shares reserved to satisfy outstanding options to purchase during the offering period ended June 30, 2020, the Company refunded participants' contributions. In addition, the Company agreed with QES to temporarily suspend the ESPP due to the Merger. As a result, compensation cost was nil for both the Transition Period ended December 31, 2021 and the fiscal year ended January 31, 2021. The Company's stockholders approved an amendment to the ESPP at the Company's annual meeting on July 24, 2020, for an increase of 0.3 million shares to the ESPP's share reserve. As of December 31, 2021, the ESPP plan remained suspended.

The following table summarizes shares of restricted stock awards that were granted, vested, forfeited and outstanding.

| | Transition Period Ended | | | Fiscal Year Ended | | |
|----------------------------------|---------------------------------------|---|---|---------------------------------------|---|---|
| | December 31, 2021 | | | January 31, 2021 | | |
| | Number of Shares (in thousands) | Weighted Average Grant Date Fair Value per Share | Weighted Average Remaining vesting Period (in years) | Number of Shares (in thousands) | Weighted Average Grant Date Fair Value per Share | Weighted Average Remaining vesting Period (in years) |
| Outstanding, beginning of period | 248 | \$ 20.14 | 1.61 | 473 | \$ 118.75 | 2.63 |
| Shares granted including QES | 444 | 14.97 | | 401 | 7.39 | |
| Shares vested | (106) | 22.17 | | (398) | 58.61 | |
| Shares forfeited | (46) | 27.85 | | (228) | 134.91 | |
| Outstanding, end of period | 540 | \$ 14.95 | 2.50 | 248 | \$ 20.14 | 1.61 |

NOTE 15 - Income Taxes

Income tax expense consisted of the following:

| | <u>Transition Period Ended</u> <u>December 31, 2021</u> | <u>Fiscal Year Ended</u> <u>January 31, 2021</u> |
|---|--|---|
| Current: | | |
| Federal | \$ — | \$ — |
| State | 0.3 | 0.5 |
| Total current income tax expense | <u>\$ 0.3</u> | <u>\$ 0.5</u> |
| Deferred: | | |
| Federal | \$ — | \$ — |
| State | — | (0.1) |
| Total deferred income tax expense (benefit) | <u>—</u> | <u>(0.1)</u> |
| Total income tax expense | <u>\$ 0.3</u> | <u>\$ 0.4</u> |

A reconciliation of income tax expense using the federal statutory income tax rate to the actual income tax consists of the following:

| | <u>Transition Period Ended</u> <u>December 31, 2021</u> | <u>Fiscal Year Ended</u> <u>January 31, 2021</u> |
|--|--|---|
| Income tax provision computed at the statutory federal rate | \$ (19.6) | \$ (69.7) |
| State income taxes, net of federal tax benefit | (2.8) | (12.0) |
| Change in valuation allowance | 22.0 | 71.2 |
| Non-taxable/non-deductible items | — | 0.1 |
| Stock based compensation | 0.3 | 4.8 |
| Non-deductible meals and entertainment | 0.4 | 0.5 |
| Officer compensation | — | 1.6 |
| Goodwill impairment | — | 3.5 |
| Acquisition costs | — | 0.4 |
| Total income tax expense | <u>\$ 0.3</u> | <u>\$ 0.4</u> |

Income tax expense was \$0.3 for the Transition Period ended December 31, 2021, relating to the Texas franchise tax, which reflects an effective tax rate of approximately (0.32)%. The Company did not recognize a tax benefit on its year-to-date losses due to the full valuation allowance recorded against its net deferred tax assets. The prior year income tax expense of \$0.4 relates to the Texas franchise tax.

The tax effects of temporary differences and carryforwards that give rise to deferred income tax assets and liabilities consisted of the following:

| | <u>Transition Period Ended</u> <u>December 31, 2021</u> | <u>Fiscal Year Ended</u> <u>January 31, 2021</u> |
|---|--|---|
| Deferred tax assets: | | |
| Accrued liabilities | \$ 5.4 | \$ 6.7 |
| Intangible assets | 110.7 | 126.4 |
| Net operating loss carryforward | 153.4 | 128.4 |
| Operating lease liabilities | 11.5 | — |
| Inventory capitalization | 0.7 | 0.6 |
| Interest expense limitation | 7.1 | — |
| | <u>288.8</u> | <u>262.1</u> |
| Deferred tax liabilities: | | |
| Bargain purchase gain | \$ (9.6) | \$ (9.7) |
| Operating lease assets | (10.7) | — |
| Other | (1.3) | (1.2) |
| Depreciation | (9.6) | (17.6) |
| | <u>(31.2)</u> | <u>(28.5)</u> |
| Net deferred tax asset before valuation allowance | \$ 257.6 | \$ 233.6 |
| Valuation allowance | (257.5) | (233.5) |
| Net deferred tax asset | <u>\$ 0.1</u> | <u>\$ 0.1</u> |

Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance, the Company looked to the future reversal of existing taxable temporary differences, taxable income in carryback years and the feasibility of tax planning strategies and estimated future taxable income. The need for a valuation allowance can be affected by changes to tax laws, changes to statutory tax rates and changes to future taxable income estimates.

The Company's cumulative loss position was significant negative evidence in assessing the need for a valuation allowance on its deferred tax assets. As of December 31, 2021, the Company determined that it could not sustain a conclusion that it was more likely than not that it would realize any of its deferred tax assets as a result of historical losses, the difficulty of forecasting future taxable income, and other factors. Given the weight of objectively verifiable historical losses from the Company's operations, it has recorded a full valuation allowance on its deferred tax assets, exclusive of \$0.1 relating to the Texas franchise tax to which the Company expects to fully realize. The Company intends to maintain a full valuation allowance until sufficient positive evidence exists to support its reversal. As of December 31, 2021 and January 31, 2021, the Company recorded valuation allowances of \$257.5 and \$233.5, respectively. The change in the valuation allowance from January 31, 2021 was an increase of \$24.0, which is comprised of \$22.0 current year activity and \$2.0 from other activity.

Internal Revenue Code (IRC) Section 382 provides an annual limitation with respect to the ability of a corporation to utilize its tax attributes, as well as certain built-in-losses, against future U.S. taxable income in the event of a change in ownership. The Company had an ownership change during 2020 and the Company's annual limitation of tax-effected federal net operating loss utilization under Section 382, is approximately \$0.1. In addition, on July 28, 2020, the Company completed the all stock merger with QES, in which QES became a wholly owned subsidiary of the Company, triggering an ownership change under IRC Section 382. The ownership change resulted in an annual limitation of tax-effected federal net operating loss utilization of approximately \$0.1 under Section 382 on QES tax attributes generated prior to the ownership change date, which begin to expire in 2029.

As of the transition period ended December 31, 2021, the Company had tax-effected U.S. federal net operating loss carryforwards of \$137.5, which includes \$106.5 of net operating losses subject to an IRC Section 382 limitation. For the fiscal year ended January 31, 2021, the Company had tax-effected U.S. federal net operating loss carryforwards of \$117.1, which includes \$105.3 of net operating losses subject to an IRC

Section 382 limitation. The Company also had tax-effected state net operating loss carryforwards of \$15.9 for the transition period ended December 31, 2021, and \$11.3 for the fiscal year ended January 31, 2021, which begin to expire for tax years ending in 2024.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based not only on the technical merits of the tax position based on tax law, but also the past administrative practices and precedents of the taxing authority. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company had no unrecognized tax benefits for the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021.

The Company is subject to taxation in the United States and various states. Tax years that remain subject to examinations by major tax jurisdictions are generally open for tax years ending in 2019 and after.

In response to the COVID-19 pandemic, many governments have enacted measures to provide aid and economic stimulus. These measures include deferring the due dates of tax payments or other changes to their income and non-income-based tax laws. The Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020 in the United States, includes measures to assist companies, including temporary changes to income and non-income-based tax laws. The Company has deferred the employer portion of FICA tax payments of \$1.5 through December 31, 2021. This deferral is included on the consolidated balance sheet in accrued liabilities. The payment is due on December 31, 2022. The Company continues to monitor additional guidance issued by the U.S. Treasury Department, the Internal Revenue Service and others.

NOTE 16 - Segment Reporting

The Company is organized on a geographic basis. The Company's reportable segments, which are also its operating segments, are comprised of the Southwest Region (the Permian Basin and the Eagle Ford Shale), the Rocky Mountains Region (the Bakken, Williston, DJ, Uinta, Powder River, Piceance and Niobrara basins) and the Northeast/Mid-Con Region (the Marcellus and Utica Shale as well as the Mid-Continent STACK and SCOOP and Haynesville Shale). The segments regularly report their results of operations and make requests for capital expenditures and acquisition funding to the CODM. As a result, Company has three reportable segments.

The following table presents revenues and operating (loss) earnings by reportable segment:

| | Transition Period Ended | Fiscal Year Ended |
|--|--------------------------------|--------------------------|
| | December 31, 2021 | January 31, 2021 |
| Revenues | | |
| Rocky Mountains | \$ 118.2 | \$ 99.3 |
| Southwest | 160.9 | 83.6 |
| Northeast/Mid-Con | 157.0 | 93.9 |
| Total revenues | <u>436.1</u> | <u>276.8</u> |
| Operating (loss) earnings ⁽¹⁾⁽²⁾ | | |
| Rocky Mountains | (13.4) | (43.4) |
| Southwest | (15.4) | (120.0) |
| Northeast/Mid-Con | (8.7) | (116.0) |
| Corporate and other ⁽¹⁾⁽³⁾ | (26.6) | (21.7) |
| Total operating loss | <u>(64.1)</u> | <u>(301.1)</u> |
| Interest expense, net | 29.4 | 30.7 |
| Loss before income tax | <u>\$ (93.5)</u> | <u>\$ (331.8)</u> |

⁽¹⁾ Historically, and through July 31, 2020, the Company's total corporate overhead costs were allocated and reported within each reportable segment. During the third quarter of 2020, the Company changed the corporate overhead allocation methodology to include corporate costs incurred on behalf of its operating segments, which includes accounts payable, accounts receivable,

insurance, audit, supply chain, health, safety and environmental and others. The remaining unallocated corporate costs are reported as a reconciling item. The change better reflects the CODM's philosophy on assessing performance and allocating resources, as well as improve comparability to the Company's peer group.

- (2) Operating loss for the fiscal year ended January 31, 2021 includes impairment and other charges of \$213.9 of which \$92.3 was attributable to the Southwest segment, \$28.3 was attributable to the Rocky Mountains segment, \$90.9 was attributable to the Northeast/Mid-Con segment and \$2.4 was attributable to Corporate and other.
- (3) Includes reduction to bargain purchase gain of \$0.5 during the Transition Period ended December 31, 2021. Includes bargain purchase gain of \$40.3 during the fiscal year ended January 31, 2021.

The following table presents revenues by service offering by reportable segment:

| | Transition Period Ended | | | | Fiscal Year Ended | | | |
|----------------------|-------------------------|-----------------|--------------------|-----------------|-------------------|----------------|--------------------|-----------------|
| | December 31, 2021 | | | | January 31, 2021 | | | |
| | Rocky Mountains | Southwest | Northeast /Mid-Con | Total | Rocky Mountains | Southwest | Northeast /Mid-Con | Total |
| Drilling | \$ 9.5 | \$ 67.2 | \$ 46.6 | \$ 123.3 | \$ 3.2 | \$ 19.9 | \$ 23.6 | \$ 46.7 |
| Completion | 64.0 | 58.7 | 87.7 | 210.4 | 56.7 | 44.7 | 42.6 | 144.0 |
| Production | 29.3 | 20.1 | 10.2 | 59.6 | 25.9 | 7.9 | 11.6 | 45.4 |
| Intervention | 15.4 | 14.9 | 12.5 | 42.8 | 13.5 | 11.1 | 16.1 | 40.7 |
| Total revenues | <u>\$ 118.2</u> | <u>\$ 160.9</u> | <u>\$ 157.0</u> | <u>\$ 436.1</u> | <u>\$ 99.3</u> | <u>\$ 83.6</u> | <u>\$ 93.9</u> | <u>\$ 276.8</u> |

The following table presents total assets by segment:

| | December 31, 2021 | January 31, 2021 ⁽¹⁾ |
|---------------------------|-------------------|---------------------------------|
| Rocky Mountains | \$ 127.7 | \$ 121.1 |
| Southwest | 134.4 | 91.6 |
| Northeast/Mid-Con | 97.6 | 98.1 |
| Total | 359.7 | 310.8 |
| Corporate and other | 28.0 | 51.9 |
| Total assets | <u>\$ 387.7</u> | <u>\$ 362.7</u> |

- (1) See Note 7 for a discussion of the goodwill and long-lived asset impairment charge recorded during the fiscal year ended January 31, 2021.

The following table presents capital expenditures by reportable segment:

| | Transition Period Ended | Fiscal Year Ended |
|----------------------------------|-------------------------|-------------------|
| | December 31, 2021 | January 31, 2021 |
| Rocky Mountains | \$ 2.4 | \$ 4.2 |
| Southwest | 3.6 | 3.5 |
| Northeast/Mid-Con | 4.5 | 2.9 |
| Corporate and other | 0.5 | 1.6 |
| Total capital expenditures | <u>\$ 11.0</u> | <u>\$ 12.2</u> |

NOTE 17 - Net Loss Per Common Share

Basic net loss per common share is computed using the weighted average common shares outstanding during the period. Diluted net loss per common share is computed by using the weighted average common shares outstanding, including the dilutive effect of restricted shares based on an average share price during the period. For the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021, 0.0 and 0.3 million shares of the Company's common stock, respectively, were excluded from the determination of diluted net loss per common share because their effect would have been anti-dilutive. The computations of basic and diluted net loss per share for the Transition Period ended December 31, 2021 and fiscal year ended January 31, 2021 are as follows:

| | Transition Period Ended | Fiscal Year Ended |
|---|--------------------------------|--------------------------|
| | December 31, 2021 | January 31, 2021 |
| Net loss | \$ (93.8) | \$ (332.2) |
| (Shares in millions) ⁽²⁾ | | |
| Basic weighted average common shares | 8.7 | 6.5 |
| Effect of dilutive securities - dilutive securities | — | — |
| Diluted weighted average common shares | 8.7 | 6.5 |
| Basic net loss per common share ⁽¹⁾⁽²⁾ | \$ (10.83) | \$ (50.86) |
| Diluted net loss per common share ⁽¹⁾⁽²⁾ | \$ (10.83) | \$ (50.86) |

⁽¹⁾ On July 28, 2020, each issued and outstanding share of QES common stock was automatically converted into the right to receive 0.0969 shares of KLXE common stock, which reflects adjustment for the 1-for-5 Reverse Stock Split of the KLXE common stock effected immediately prior to the consummation of the Merger.

⁽²⁾ Shares and per share data have been retroactively adjusted to reflect the Company's 1-for-5 Reverse Stock Split effective July 28, 2020.

Note 18 - Transition Period Comparative Data (Unaudited)

The following table presents certain comparative financial information for the eleven months ended December 31, 2020.

| | Eleven Months Ended |
|---|----------------------------|
| | December 31, 2020 |
| Consolidated Statement of Operations Data (in millions of U.S. dollars, except per share amounts): | |
| Revenues | \$ 247.4 |
| Costs and expenses: | |
| Cost of sales | 230.5 |
| Depreciation and amortization | 55.6 |
| Selling, general and administrative | 78.2 |
| Research and development costs | 0.7 |
| Impairment and other charges | 213.5 |
| Bargain purchase gain | (38.8) |
| Operating loss | (292.3) |
| Non-operating expense: | |
| Interest expense, net | 27.9 |
| Loss before income tax | (320.2) |
| Income tax expense | 0.3 |
| Net loss | \$ (320.5) |
| Net loss per share-basic ⁽¹⁾ | \$ (50.31) |
| Net loss per share-diluted ⁽¹⁾ | \$ (50.31) |

⁽¹⁾ Basic and diluted net loss per share were retroactively adjusted for the Company's 1-for-5 Reverse Stock Split effective July 28, 2020. See Note 1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures that are designed to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions (who are our Chief Executive Officer and Chief Financial Officer, respectively) as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met.

In connection with the preparation of this Transition Report on Form 10-K for the Transition Period ended December 31, 2021, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness, as of December 31, 2021, of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2021.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including our principal executive officer and principal financial officers, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making the assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on its assessment, management believes that, as of December 31, 2021, the Company's internal control over financial reporting is effective.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Our Executive Officers**

The following table sets forth information regarding our executive officers.

| Officer | Age | Biography |
|---|------------|--|
| Christopher J. Baker, President and Chief Executive Officer | 49 | Christopher J. Baker became the President and Chief Executive Officer of KLXE upon completion of the Merger in July 2020. Additionally, since the completion of the Merger in July 2020, Mr. Baker has served as: (i) President, Treasurer and Director of Krypton Intermediate, LLC, Krypton Holdco, LLC, and KLX Energy Services Inc.; (ii) President and Director of KLX Energy Services LLC; and (iii) Vice President of KLX Directional Drilling LLC, Centerline Trucking LLC, KLX Pressure Pumping LLC and KLX Wireline LLC. Previously, Mr. Baker served as President and Chief Executive Officer and as a member of the board of directors of QES from August 2019 through July 2020. Mr. Baker previously served as Executive Vice President and Chief Operating Officer of QES from its formation in 2017 until August 2019 and has served in the same role at Quintana Energy Services LP ("QES LP") from November 2014 to July 2020. Mr. Baker previously served as Managing Director-Oilfield Services of the Quintana private equity funds, where he was responsible for sourcing, evaluating and executing oilfield service investments, as well as overseeing the growth of and managing and monitoring the activities of Quintana's oilfield service portfolio companies beginning in 2008. Prior to joining Quintana, Mr. Baker served as an Associate with Citigroup Global Markets Inc.'s ("Citi") Corporate and Investment Bank where he conducted corporate finance and valuation activities focused on structuring non-investment grade debt transactions in the energy sector. Prior to his time at Citi, Mr. Baker was Vice President of Operations for Theta II Enterprises, Inc. where he focused on project management of complex subsea and inland marine pipeline construction projects. Mr. Baker attended Louisiana State University, where he earned a B.S. in Mechanical Engineering, and Rice University, where he earned an M.B.A. |

Max L. Bouthillette,
Executive Vice
President, General
Counsel, Chief
Compliance Officer
and Secretary

53 Max L. Bouthillette became the Executive Vice President, General Counsel, Chief Compliance Officer and Secretary of KLXE upon completion of the Merger in July 2020. Additionally, since the completion of the Merger in July 2020, Mr. Bouthillette has served as: (i) Vice President, Secretary and Director (or Manager, as applicable) of Krypton Intermediate, LLC, Krypton Holdco, LLC, KLX Energy Services LLC and KLX Energy Services Inc.; and (ii) Vice President and Secretary of KLX Directional Drilling LLC, Centerline Trucking LLC, KLX Pressure Pumping LLC and KLX Wireline LLC. Previously, Mr. Bouthillette served as Executive Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary of QES since its formation in 2017 through July 2020. Mr. Bouthillette served on QES LP’s board of directors from April 2016 until July 2017 and Mr. Bouthillette served as QES LP’s Executive Vice President, General Counsel, Chief Compliance Officer and Secretary from July 2017 until February 2018. Prior to joining QES, Mr. Bouthillette was with Archer Limited, one of the QES principal stockholders, where he served as Executive Vice President and General Counsel from 2010 to 2017, as President of Archer’s operations in South and North America since 2016 and as a Director of several of its affiliates. Mr. Bouthillette has more than 24 years of legal experience for oilfield services companies, and previously served as Chief Compliance Officer and Deputy General Counsel for BJ Services from 2006 to 2010, as a partner with Baker Hostetler LLP from 2004 to 2006 and with Schlumberger in North America (Litigation Counsel), Asia (OFS Counsel) and Europe (General Counsel Products) from 1998 to 2003. Mr. Bouthillette holds a B.B.A in Accounting from Texas A&M University and a Juris Doctor from the University of Houston Law Center.

Keefer M. Lehner,
Executive Vice
President and Chief
Financial Officer

36 Keefer M. Lehner became the Executive Vice President and Chief Financial Officer of KLXE upon completion of the Merger in July 2020. Additionally, since the completion of the Merger in July 2020, Mr. Lehner has served as: (i) Vice President and Director of Krypton Intermediate, LLC, Krypton Holdco, LLC, KLX Energy Services LLC and KLX Energy Services Inc; and (ii) Vice President of KLX Directional Drilling LLC, Centerline Trucking LLC, KLX Pressure Pumping LLC and KLX Wireline LLC. Previously, Mr. Lehner served as Executive Vice President and Chief Financial Officer of QES since its formation in 2017 through July 2020. Mr. Lehner served in that same role at QES LP from January 2017 to July 2020 and previously served as the Vice President, Finance and Corporate Development of QES LP’s general partner from November 2014 to July 2020. Mr. Lehner previously served in various positions at the Quintana private equity funds (“Quintana”), including Vice President, from 2010 to 2014, where he was responsible for sourcing, evaluating and executing investments, as well as managing and monitoring the activities of Quintana’s portfolio companies. During his tenure at Quintana, Mr. Lehner monitored and advised the growth of the predecessors to QES. Prior to joining Quintana in 2010, Mr. Lehner worked in the investment banking division of Simmons & Company International, where he focused on mergers, acquisitions and capital raises for public and private clients engaged in all facets of the energy industry. Mr. Lehner attended Villanova University, where he earned a B.S.B.A. in Finance.

Our Board of Directors

The following table sets forth information regarding our directors.

| Director | Age | Biography |
|-----------------|------------|------------------|
|-----------------|------------|------------------|

| | | |
|-----------------|----|---|
| John T. Collins | 75 | <p>John T. Collins has been a Director of KLXE since September 2018 and served as the non-Executive Chairman of the Board upon the completion of the Merger in July 2020 until June 2021. Previously, Mr. Collins served as the Chairman of the Board from May 2020 to July 2020. He served on the board of directors of KLX Inc. from December 2014 until its sale to The Boeing Company in October 2018. From 1986 to 1992, Mr. Collins served as the President and Chief Executive Officer of Quebecor Printing (USA) Inc., which was formed in 1986 by a merger with Semline Inc., where he had served in various positions since 1968, including since 1973 as President. During his term, Mr. Collins guided Quebecor Printing (USA) Inc. through several large acquisitions and situated the company to become one of the leaders in the industry. From 1992 to 2017, Mr. Collins was the Chairman and Chief Executive Officer of The Collins Group, Inc., a manager of a private securities portfolio and minority interest holder in several privately held companies. Mr. Collins currently serves on the board of directors for Federated Funds, Inc., and has done so since 2011, and he has also served on the board of directors for several public companies, including Bank of America Corp. and FleetBoston Financial. In addition, Mr. Collins has served as Chairman of the Board of Trustees of his alma mater, Bentley University. Our Board benefits from Mr. Collins's many years of experience in the management, acquisition and development of several companies.</p> |
| Gunnar Eliassen | 36 | <p>Gunnar Eliassen became a Director of KLXE upon the completion of the Merger in July 2020. Previously, Mr. Eliassen served on the QES Board since the company's formation in 2017 through July 2020. Mr. Eliassen served on the board of directors of the general partner of QES LP from January 2017 until July 2020. Mr. Eliassen serves on the board of directors of and has been employed by Seatankers Services (UK) LLP, an affiliated company of Geveran Investment Limited and its affiliates ("Geveran"), since 2016, where he is responsible for overseeing and managing various public and private investments. Mr. Eliassen is also currently a director and restructuring steering committee member of Seadrill Limited and a director at Seadrill Partners LLC. Mr. Eliassen's past experience includes his role as Partner at Pareto Securities (New York), where he worked from 2011 to 2015 and was responsible for execution of public and private capital markets transactions with emphasis on the energy sector. Mr. Eliassen received a Master in Finance from the Norwegian School of Economics. Our Board benefits from Mr. Eliassen's extensive experience with public and private investments, including investments in the oil and natural gas industry.</p> |

Richard G.
Hamermesh

74 Richard G. Hamermesh has been the non-Executive Chairman of the Board since June 2021 and a Director since September 2018. He served on the board of directors of KLX Inc. from December 2014 until its sale to The Boeing Company in October 2018. From July 2015 until June 2020, Dr. Hamermesh was a Senior Fellow at the Harvard Business School, where he additionally was the M.B.A. Class of 1961 Professor of Management Practice from 2002 to 2015. From 1987 to 2001, he was a co-founder and a Managing Partner of The Center for Executive Development, an executive education and development consulting firm. From 1976 to 1987, Dr. Hamermesh was a member of the faculty of Harvard Business School. He is also an active investor and entrepreneur, having participated as a principal, director and investor in the founding and early stages of more than 15 organizations. Dr. Hamermesh has served as a member of the board of directors of SmartCloud, Inc. since 2014. Additionally, Dr. Hamermesh has served as a director and Chairman of the board of Qtection LLC since April 2020 and has served as director and Chairman of the board of Rhinostics, Inc. since September 2020. Dr. Hamermesh was a director of B/E Aerospace, Inc. until its sale to Rockwell Collins in April 2017, and a director of Rockwell Collins from April 2017 until its sale to United Technologies Corporation in November 2018. Our Board benefits from Dr. Hamermesh's education and business experience as co-founder of a leading executive education and consulting firm, as president, founder, director and co-investor in over 15 early stage businesses, and his 28 years as a Professor of Management Practice at Harvard Business School, where he has led M.B.A. candidates through thousands of business case studies, as well as his intimate knowledge of our business and industry.

Thomas P. McCaffrey

67 Thomas P. McCaffrey has served as a member of the Board since May 2020. Mr. McCaffrey served as Chairman of the Integration Committee of the Board upon completion of the Merger until the Committee was disbanded in December 2020. From May 1, 2020 until July 28, 2020, Mr. McCaffrey served as President and Director of KLX RE Holdings LLC. Mr. McCaffrey previously served as President, Chief Executive Officer and Chief Financial Officer of KLXE, from April 30, 2020 through the completion of the Merger. Previously, Mr. McCaffrey served as Senior Vice President and Chief Financial Officer of KLXE from September 2018 until April 30, 2020. Prior to that, Mr. McCaffrey served as President and Chief Operating Officer of KLX Inc. from December 2014 until its sale to The Boeing Company in October 2018 and as Senior Vice President and Chief Financial Officer of B/E Aerospace from May 1993 until December 2014. Prior to joining B/E Aerospace, Mr. McCaffrey practiced as a Certified Public Accountant for 17 years with a large international accounting firm and a regional accounting firm based in California. Since 2016, Mr. McCaffrey has served as a member of the Board of Trustees of Palm Beach Atlantic University and served as a member of various committees and is currently Chairman of its Audit Committee and as a member of several of its committees. Our Board benefits from Mr. McCaffrey's extensive leadership experience, thorough knowledge of the Company's business and industry, and strategic planning experience.

- Corbin J. Robertson, Jr. 74 Corbin J. Robertson, Jr. became a Director upon the completion of the Merger in July 2020. Previously, Mr. Robertson served as Chairman of the QES Board since the company's formation in 2017 through July 2020. Mr. Robertson has served as Chairman of the board of directors of the general partner of QES LP since the board was established. Mr. Robertson has also served as Chief Executive Officer and Chairman of the board of directors of GP Natural Resource Partners LLC since 2002. He has served as the Chief Executive Officer and Chairman of the board of directors of the general partners of Western Pocahontas Properties Limited Partnership since 1986, Great Northern Properties Limited Partnership since 1992, Quintana Minerals Corporation since 1978 and as Chairman of the board of directors of New Gauley Coal Corporation since 1986. He also serves as a Principal with Quintana Capital Group, L.P. ("Quintana"), Chairman of the board of the Cullen Trust for Higher Education and on the boards of the American Petroleum Institute, the National Petroleum Council, Baylor College of Medicine and the World Health and Golf Association. In 2006, Mr. Robertson was inducted into the Texas Business Hall of Fame. Mr. Robertson attended the University of Texas at Austin where he earned a B.B.A. from the Business Honors Program. Our Board benefits from Mr. Robertson's extensive industry experience, his extensive experience with oil and gas investments and his board service for several companies in the oil and natural gas industry.
- Dag Skindlo 53 Dag Skindlo has been a Director since the completion of the Merger in July 2020. Previously, Mr. Skindlo served on the QES Board since its formation in 2017 and served on the board of directors of the general partner of QES LP since April 2016. Mr. Skindlo has served as member of the board of directors and as the Chief Executive Officer for Archer Limited, one of our Principal Stockholders, since March 2020, and he previously served as a director and the Chief Financial Officer of Archer Limited from April 2016 until March 2020. Mr. Skindlo is a business-oriented executive with 25 years of oil and natural gas industry experience. Mr. Skindlo joined Schlumberger in 1992 where he held various financial and operational positions. Mr. Skindlo then joined the Aker Group of companies in 2005, where his experience from Aker Kvaerner, Aker Solutions and Kvaerner includes both global CFO roles and Managing Director roles for several large industrial business divisions. Prior to joining Archer Well Company Inc. in 2016, Mr. Skindlo was with private equity group HitecVision, where he served as CEO for Aquamarine Subsea. Mr. Skindlo earned a Master of Science in Economics and Business Administration from the Norwegian School of Economics and Business Administration (NHH). We believe Mr. Skindlo is qualified to continue serve on the Board due to his vast business experience, having founded and served as a director and as an officer of multiple companies, both private and public, and his service on the boards of numerous non-profit organizations.
- John T. Whates, Esq. 74 John T. Whates, Esq. has served as a member of the Board since September 2018. He served on the board of directors of KLX Inc. from December 2014 until its sale to The Boeing Company in October 2018. Mr. Whates has been an independent tax advisor and involved in venture capital and private investing since 2005. He is a member of the board of directors of Dynamic Healthcare Systems, Inc., was a member of the board of directors of Rockwell Collins from April 2017 until February 2018 and was the Chairman of the Compensation Committee of B/E Aerospace until its sale to Rockwell Collins in April 2017. From 1994 to 2011, Mr. Whates was a tax and financial advisor to B/E Aerospace, providing business and tax advice on essentially all of its significant strategic acquisitions. Previously, Mr. Whates was a tax partner in several of the largest public accounting firms, most recently leading the High Technology Group Tax Practice of Deloitte LLP in Orange County, California. He has extensive experience working with aerospace and other public companies in the fields of tax, equity financing and mergers and acquisitions. Mr. Whates is an attorney licensed to practice in California and was an Adjunct Professor of Taxation at Golden Gate University. Our Board benefits from Mr. Whates's extensive experience, multi-dimensional educational background, and thorough knowledge of the Company's business and industry.

Code of Business Conduct

Our Board has adopted a code of business conduct that applies to all our directors, officers and employees worldwide, including our principal executive officer, principal financial officer, controller, treasurer and all other employees performing a similar function. We maintain a copy of our code of business conduct, including any amendments thereto and any waivers applicable to any of our directors and officers, on our website at www.klxenergy.com.

The remaining information required by this item is incorporated by reference to our definitive proxy statement for our 2022 Annual Meeting of Stockholders pursuant to Regulation 14A under the Exchange Act, which we expect to file with the SEC within 120 days after the close of the transition period ended December 31, 2021.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our definitive proxy statement for our 2022 Annual Meeting of Stockholders pursuant to Regulation 14A under the Exchange Act, which we expect to file with the SEC within 120 days after the close of the transition period ended December 31, 2021.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to our definitive proxy statement for our 2022 Annual Meeting of Stockholders pursuant to Regulation 14A under the Exchange Act, which we expect to file with the SEC within 120 days after the close of the transition period ended December 31, 2021.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to our definitive proxy statement for our 2022 Annual Meeting of Stockholders pursuant to Regulation 14A under the Exchange Act, which we expect to file with the SEC within 120 days after the close of the transition period ended December 31, 2021.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm is Deloitte & Touche LLP, Houston, Texas, PCAOB ID No 34.

The information required by this item is incorporated by reference to our definitive proxy statement for our 2022 Annual Meeting of Stockholders pursuant to Regulation 14A under the Exchange Act, which we expect to file with the SEC within 120 days after the close of the transition period ended December 31, 2021.

PART IV

ITEM 15. EXHIBITS

- 1.1 [Equity Distribution Agreement, dated June 14, 2021, by and between the Company and Piper Sandler & Co. \(incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K \(File No. 001-38609\) filed with the SEC on June 14, 2021\).](#)
- 2.1 [Agreement and Plan of Merger, dated May 3, 2020, by and among KLX Energy Services Holdings, Inc., Quintana Energy Services Inc., Krypton Intermediate LLC and Krypton Merger Sub Inc. \(incorporated by reference to Exhibit 2.1 of Company's Current Report on Form 8-K, filed on May 4, 2020, File No. 001-38609\).](#)

- 2.2 Distribution Agreement, dated as of July 13, 2018, by and among KLX Inc., KLX Energy Services Holdings, Inc. and KLX Energy Services LLC (incorporated by reference to Exhibit 2.1 to KLX Inc.'s Current Report on Form 8-K (File No. 001-36610) filed with the SEC on July 17, 2018).
- 2.3 Employee Matters Agreement, dated as of July 13, 2018, by and among KLX Inc., KLX Energy Services Holdings, Inc. and KLX Energy Services LLC (incorporated by reference to Exhibit 2.2 to KLX Inc.'s Current Report on Form 8-K (File No. 001-36610) filed with the SEC on July 17, 2018).
- 2.4 IP Matters Agreement, dated as of July 13, 2018, by and among KLX Inc. and KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 2.3 to KLX Inc.'s Current Report on Form 8-K (File No. 001-36610) filed with the SEC on July 17, 2018).
- 3.1 Amended and Restated Certificate of Incorporation of KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q, filed on September 8, 2020, File No. 001-38609).
- 3.2 Fourth Amended and Restated Bylaws of KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed on September 9, 2021, File No. 001-38609).
- 4.1 Indenture, dated October 31, 2018, among KLX Energy Services Holdings, Inc., as the issuer, KLX Energy Services LLC, KLX RE Holdings LLC and Wilmington Trust, National Association, as trustee and collateral agent (incorporated by reference to the Company's Current Report on Form 8-K, filed on November 1, 2018, File No. 001-38609).
- 4.1.1 First Supplemental Indenture, dated November 16, 2018, among KLX Energy Services Holdings, Inc., as the issuer, the Guaranteeing Subsidiaries named therein and Wilmington Trust, National Association, as trustee and collateral agent (incorporated by reference to the Company's Annual Report on Form 10-K, filed on March 21, 2019, File No. 001-38609).
- 4.1.2 Second Supplemental Indenture, dated May 13, 2019, among KLX Energy Services Holdings, Inc., as the issuer, the Guaranteeing Subsidiaries named therein and Wilmington Trust, National Association, as trustee and collateral agent (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q, filed on August 22, 2019, File No. 001-38609).
- 4.1.3 Third Supplemental Indenture, dated August 25, 2020, among KLX Energy Services Holdings, Inc., as the issuer, the Guaranteeing Subsidiaries named therein and Wilmington Trust, National Association, as trustee and collateral agent (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q, filed on June 11, 2021, File No. 001-38609).
- 4.2 Form of 11.500% Senior Secured Notes due 2025 (included in Exhibit 4.1).
- 4.3 Description of Securities registered pursuant to Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K, filed on April 28, 2021, File No. 001-38609).
- 10.1 Credit Agreement, dated as of August 10, 2018, by and among KLX Energy Services Holdings, Inc., the several Lenders and JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.10 to Amendment No. 1 to the Company's Registration Statement on Form 10, filed on August 15, 2018, File No. 001-38609).
- 10.1.1 First Amendment, dated as of October 22, 2018, to Credit Agreement, dated as of August 10, 2018, by and among KLX Energy Services Holdings, Inc., the Subsidiary Guarantors party thereto, the several Lenders and JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on October 22, 2018, File No. 001-38609).
- 10.1.2 Second Amendment, dated as of June 10, 2019, to Credit Agreement, dated as of August 10, 2018, by and among KLX Energy Services Holdings, Inc., the Subsidiary Guarantors party thereto, the several Lenders and JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed on August 22, 2019, File No. 001-38609).

- 10.2† KLX Energy Services Holdings, Inc. Long-Term Incentive Plan (Amended and Restated as of December 2, 2020) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on February 16, 2021, File No. 001-38609).
- 10.3† Form of KLX Energy Services Holdings, Inc. Long-Term Incentive Plan Restricted Stock Award Agreement (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8, filed on September 13, 2018, File No. 333-227321).
- 10.4† Form of KLX Energy Services Holdings, Inc. Long-Term Incentive Plan Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8, filed on September 13, 2018, File No. 333-227321).
- 10.5† KLX Energy Services Holdings, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8, filed on September 13, 2018, File No. 333-227321).
- 10.6† Amendment No. 1 to the KLX Energy Services Holdings, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.8 of KLXE Energy Services Holdings, Inc.'s Current Report on Form 8-K, filed on July 28, 2020, File No. 001-38609).
- 10.7† KLX Energy Services Holdings, Inc. Non-Employee Directors Stock and Deferred Compensation Plan (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8, filed on September 13, 2018, File No. 333-227321).
- 10.8† KLX Energy Services Holdings, Inc. 2018 Deferred Compensation Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, filed on September 13, 2018, File No. 333-227327).
- 10.9† Medical Care Reimbursement Plan for Executives of KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K, filed on September 19, 2018, File No. 001-38609).
- 10.10† KLX Energy Services Holdings, Inc. Executive Retiree Medical and Dental Plan (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K, filed on September 19, 2018, File No. 001-38609).
- 10.11 Guaranty, dated September 14, 2018, of KLX Energy Services LLC and KLX RE Holdings LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on September 19, 2018, File No. 001-38609).
- 10.12† Separation and Mutual Release, dated as of April 19, 2020, between Amin J. Khoury and KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-4, filed on June 2, 2020, File No. 333-238870).
- 10.13† Amended and Restated Consulting Agreement, dated as of April 19, 2020, between Amin J. Khoury and KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-4, filed on June 2, 2020, File No. 333-238870).
- 10.14† Separation and General Release Agreement, dated as of April 11, 2020, between Gary J. Roberts and KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-4, filed on June 2, 2020, (File No. 333-238870).
- 10.15† Letter Agreement, dated as of April 27, 2020, between KLX Energy Services Holdings, Inc. and John T. Collins (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-4, filed on June 2, 2020, File No. 333-238870).
- 10.16† Executive Employment Agreement, dated as of May 3, 2020, between Christopher J. Baker and KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 10.2 of KLXE Energy Services Holdings, Inc.'s Current Report on Form 8-K, filed on July 28, 2020, File No. 001-38609).
- 10.17† Executive Employment Agreement, dated as of May 3, 2020, between Max L. Bouthillette and KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 10.3 of KLXE Energy Services Holdings, Inc.'s Current Report on Form 8-K, filed on July 28, 2020, File No. 001-38609).

- 10.18† [Executive Employment Agreement, dated as of May 3, 2020, between Keefer M. Lehner and KLX Energy Services Holdings, Inc. \(incorporated by reference to Exhibit 10.4 of KLXE Energy Services Holdings, Inc.'s Current Report on Form 8-K, filed on July 28, 2020, File No. 001-38609\).](#)
- 10.19† [Separation Agreement and Mutual Release, dated as of July 28, 2020, by and between KLX Energy Services Holdings, Inc. and Thomas P. McCaffrey \(incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed on July 28, 2020, File No. 001-38609\).](#)
- 10.20† [Letter Agreement, dated as of July 28, 2020, between John T. Collins and KLX Energy Services Holdings, Inc. \(incorporated by reference to Exhibit 10.1 of KLXE Energy Services Holdings, Inc.'s Current Report on Form 8-K, filed on July 28, 2020, File No. 001-38609\).](#)
- 10.21† [Separation Agreement and Mutual Release, dated as of July 28, 2020, by and between KLX Energy Services Holdings, Inc. and Heather Floyd \(incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K \(File No. 001-38609\) filed with the SEC on July 28, 2020\).](#)
- 10.22† [Independent Contractor Services Agreement, dated as of July 28, 2020, by and between KLX Energy Services LLC and Heather Floyd \(incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K \(File No. 001-38609\) filed with the SEC on July 28, 2020\).](#)
- 10.23 [Registration Rights Agreement, dated May 3, 2020, by and among KLX Energy Services Holdings, Inc., Archer Holdco LLC, Geveran Investments Limited, Famatown Finance Limited Robertson QES Investment LLC, Quintana Energy Partners—QES Holdings LLC, Quintana Energy Fund – TE, L.P. and Quintana Energy Fund – FI, L.P. \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on May 4, 2020, File No. 001-38609\).](#)
- 10.24 [Registration Rights Agreement, dated September 14, 2018, between KLX Energy Services Holdings, Inc. and Amin J. Khoury \(incorporated by reference to Exhibit 10.15 to the Company's Current Report on Form 8-K, filed on September 19, 2018, File No. 001-38609\).](#)
- 10.25 [Registration Rights Agreement, dated September 14, 2018, between KLX Energy Services Holdings, Inc. and Thomas P. McCaffrey \(incorporated by reference to Exhibit 10.16 to the Company's Current Report on Form 8-K, filed on September 19, 2018, File No. 001-38609\).](#)
- 10.26† [Quintana Energy Services Inc. 2018 Long Term Incentive Plan \(incorporated by reference to Exhibit 10.1 of Quintana Energy Services Inc.'s Current Report on Form 8-K, filed on February 14, 2018, File No. 001-38383\).](#)
- 10.27† [Quintana Energy Services Inc. Amended and Restated Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2 of Quintana Energy Services Inc.'s Current Report on Form 8-K, filed on February 14, 2018, File No. 001-383830\).](#)
- 10.28† [Form of Performance Share Unit Agreement \(Executive Officers - 2018 Form\) under the Quintana Energy Services Inc. 2018 Long-Term Incentive Plan \(Incorporated by reference to Exhibit 10.27 of Quintana Energy Services Inc.'s Annual Report on Form 10-K filed on March 6, 2020\).](#)
- 10.29† [Form of Performance Share Unit Agreement \(Employees - 2018 Form\) under the Quintana Energy Services Inc. 2018 Long-Term Incentive Plan \(Incorporated by reference to Exhibit 10.28 of Quintana Energy Services Inc.'s Annual Report on Form 10-K filed on March 6, 2020\).](#)
- 10.30† [Form of Performance Share Unit Agreement \(Executive Officers - 2019 Form\) under the Quintana Energy Services Inc. 2018 Long-Term Incentive Plan \(Incorporated by reference to Exhibit 10.29 of Quintana Energy Services Inc.'s Annual Report on Form 10-K filed on March 6, 2020\).](#)
- 10.31† [Form of Performance Share Unit Agreement \(Employees-2019 Form\) under the Quintana Energy Services 2019 Long-Term Incentive Plan \(Incorporated by reference to Exhibit 10.30 of Quintana Energy Services Inc.'s Annual Report on Form 10-K filed on March 6, 2020\).](#)
- 10.32† [Form of Restricted Stock Unit Agreement \(Executive Officers\) under the Quintana Energy Services Inc. 2018 Long-Term Incentive Plan \(Incorporated by reference to Exhibit 10.31 of Quintana Energy Services Inc.'s Annual Report on Form 10-K filed on March 6, 2020\).](#)

- 10.33† Form of Restricted Stock Unit Agreement (Employees) under the Quintana Energy Services Inc. 2018 Long-Term Incentive Plan (Incorporated by reference to Exhibit 10.32 of Quintana Energy Services Inc.'s Annual Report on Form 10-K filed on March 6, 2020).
- 21.1* List of subsidiaries of KLX Energy Services Holdings, Inc.
- 23.1* Consent of Independent Registered Public Accounting Firm – Deloitte & Touche LLP.
- 31.1* Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1** Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2** Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement

ITEM 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KLX ENERGY SERVICES HOLDINGS, INC.

By: /s/ Christopher J. Baker
Christopher J. Baker
President and Chief Executive Officer
Date: March 11, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 11, 2022.

Signature

| | |
|---|--|
| <u>/s/ Christopher J. Baker</u> Christopher J. Baker | President and Chief Executive Officer (Principal Executive Officer) |
| <u>/s/ Keefer M. Lehner</u> Keefer M. Lehner | Executive Vice President and Chief Financial Officer (Principal Financial Officer) |
| <u>/s/ Geoffrey C. Stanford</u> Geoffrey C. Stanford | Senior Vice President and Chief Accounting Officer (Principal Accounting Officer) |
| <u>/s/ Richard G. Hamermesh</u> Richard G. Hamermesh | Chairman of the Board of Directors |
| <u>/s/ John T. Whates</u> John T. Whates | Director and Chairman of the Audit Committee |
| <u>/s/ Gunnar Eliassen</u> Gunnar Eliassen | Director and Chairman of the Nominating and Corporate Governance Committee |
| <u>/s/ Corbin J. Robertson, Jr.</u> Corbin J. Robertson, Jr. | Director and Chairman of the Compensation Committee |
| <u>/s/ Dag Skindlo</u> Dag Skindlo | Director |
| <u>/s/ John T. Collins</u> John T. Collins | Director |
| <u>/s/ Thomas P. McCaffrey</u> Thomas P. McCaffrey | Director |

