KLX Energy Services

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KLX Energy Services

Fourth Quarter 2019
Conference Call
March 9, 2020

Disclaimer

Forward-Looking Statements

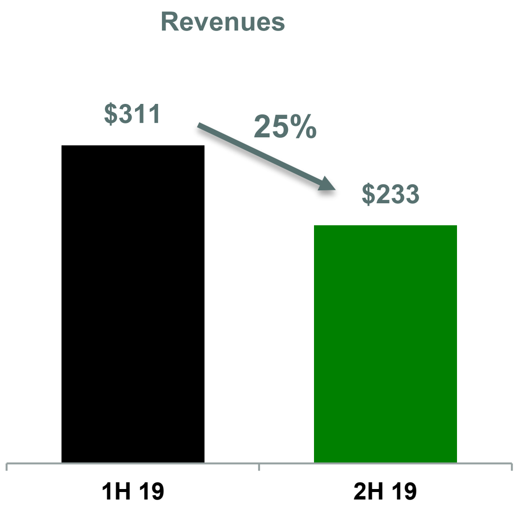
This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Such forward-looking statements involve risks and uncertainties. The Company's actual experience and results may differ materially from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

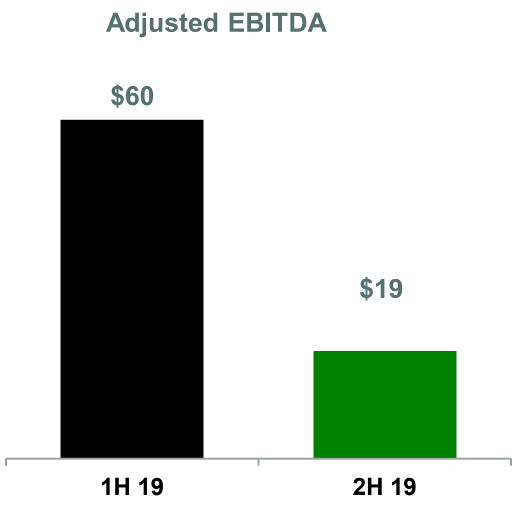
Non-GAAP Financial Measures

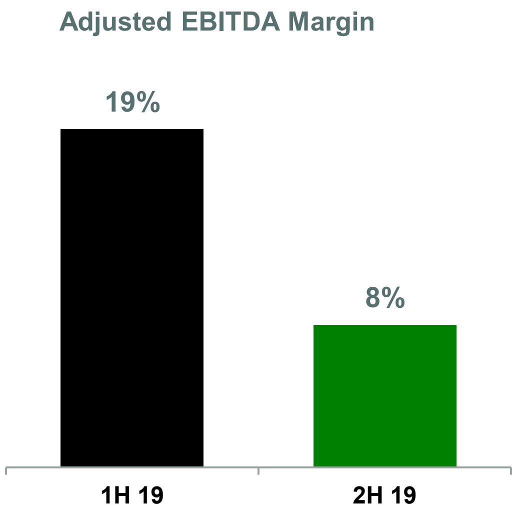
This presentation includes "Adjusted Net Earnings (Loss)" and "Adjusted Net Earnings (Loss) per diluted share" to reflect net earnings before amortization, non-cash compensation expense and Costs as Defined. This presentation includes "Adjusted operating (loss) earnings," which excludes Costs as Defined.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

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

2019 – 1H 2019 versus 2H 2019 Performance

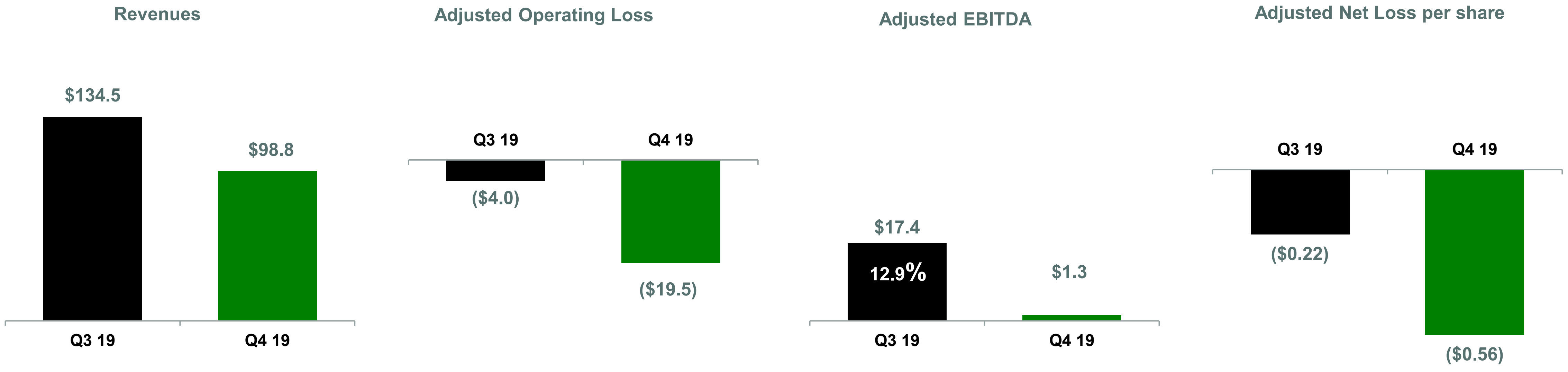






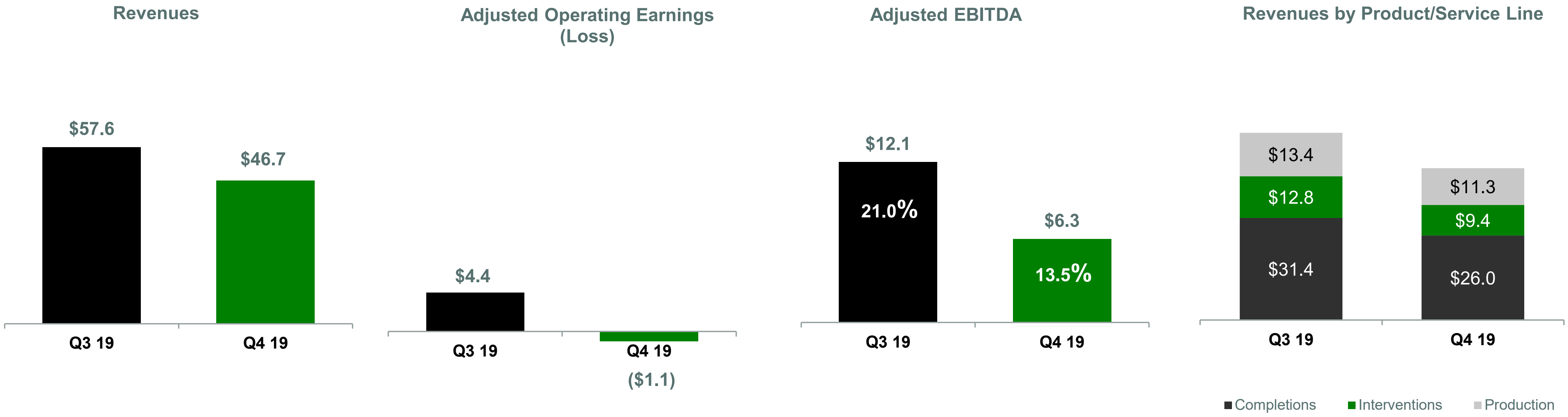
- Second half 2019 revenues of approximately $233 million decreased by approximately $78 million from approximately $311 million in the first half of 2019, reflecting sequential quarterly declines in completion activity, rig counts and frac spread counts across all major U.S. shale basins as many E&P's scaled back or completely shut down operations during the fourth quarter.
- Adjusted EBITDA was approximately $19 million in 2H '19, as compared to 1H '19 Adjusted EBITDA of approximately $60 million.
- Adjusted EBITDA margin was approximately 8 percent in the second half of 2019 as compared to approximately 19 percent in the first half of 2019.

Fourth Quarter Consolidated 2019 Results



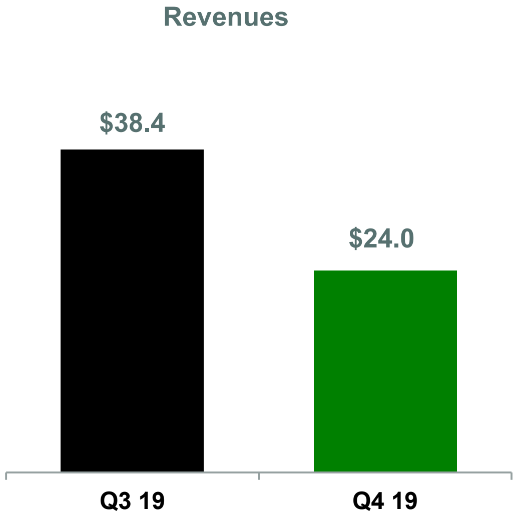
- Revenues of $98.8 million decreased 26.5%, reflecting an approximate 19% decrease in Rocky Mountains segment revenues, an approximate 38% decrease in Northeast/Mid-Con segment revenues and an approximate 27% decline in Southwest segment revenues
- Adjusted operating loss was $(19.5) million, as compared to third quarter Adjusted operating loss of $(4.0) million
- Adjusted EBITDA was $1.3 million, as compared to third quarter Adjusted EBITDA of $17.4 million, or 12.9% of revenues
- Adjusted Net Loss per share was $(0.56) as compared to third quarter Adjusted Net Loss per share of $(0.22)

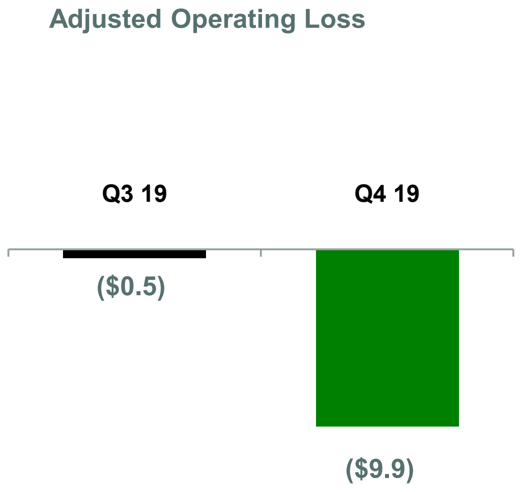
Segment Results | Rocky Mountains

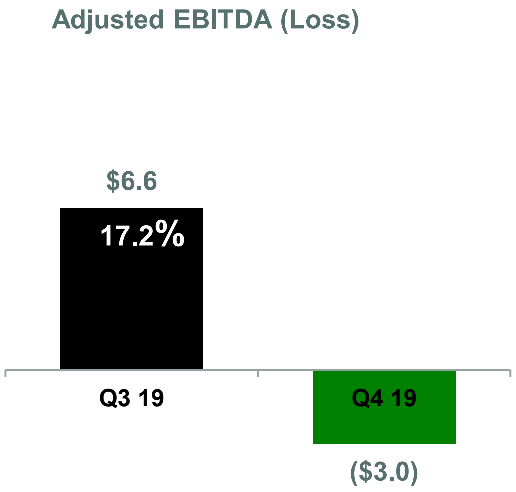


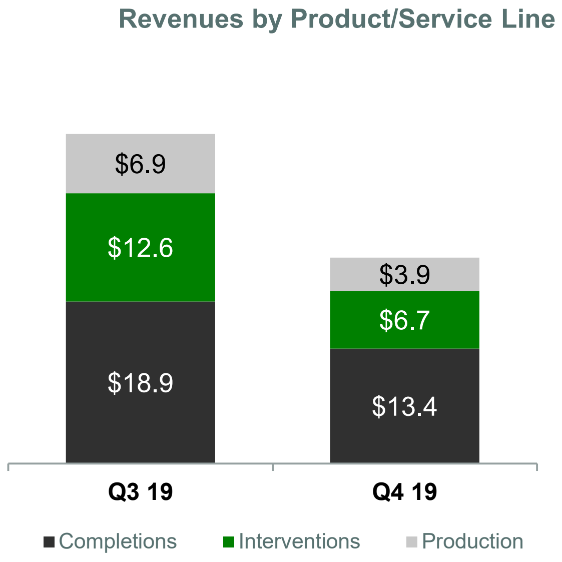
- Revenues decreased 18.9% to $46.7 million, driven by a number of customers suspending operations for the balance of the year and lower activity levels among other certain customers
- Adjusted operating loss was $(1.1) million, as compared to third quarter Adjusted operating earnings of $4.4 million
- Adjusted EBITDA was $6.3 million, or 13.5% of revenues, as compared to third quarter Adjusted EBITDA of $12.1 million, or 21.0% of revenues

Segment Results | Northeast/Mid-Con



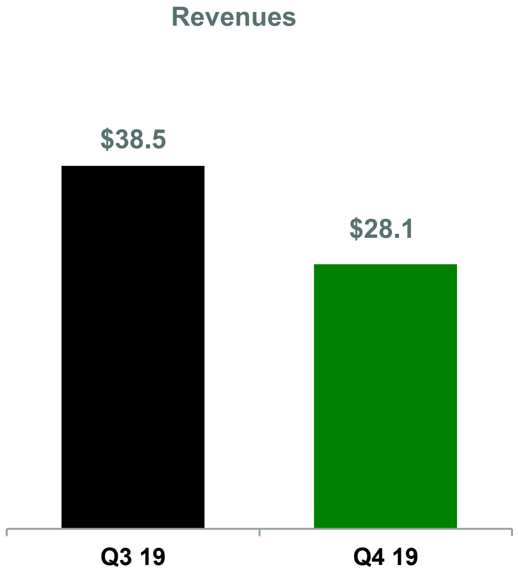


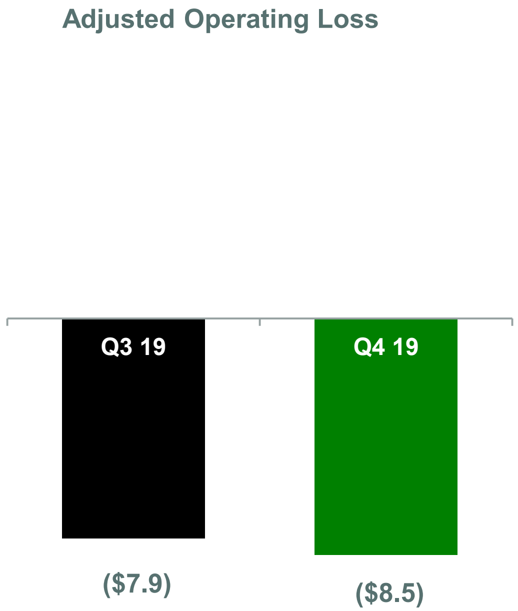


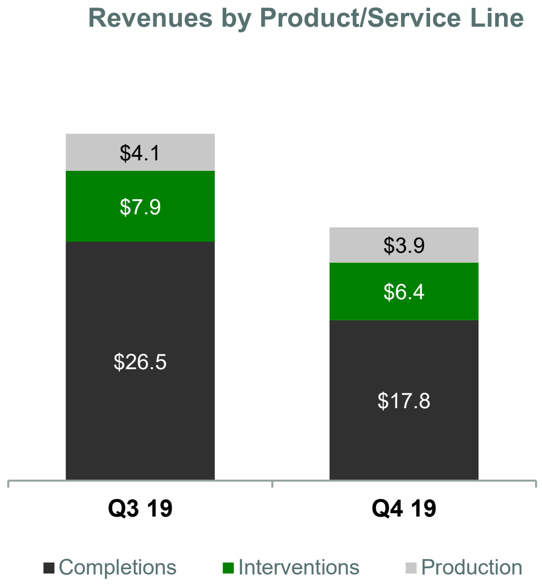


- Revenues decreased 37.5% to $24.0 million, driven primarily by a number of customers suspending operations for the balance of the year, together with a substantial decline in completion activity and weaker pricing
- Adjusted operating loss was $(9.9) million, as compared to third quarter Adjusted operating loss of $0.5 million
- Adjusted EBITDA (loss) was $(3.0) million, as compared to third quarter Adjusted EBITDA of $6.6 million, or 17.2% of revenues

Segment Results | Southwest







- Revenues of $28.1 million, declined 27% driven primarily by lower activity levels by existing customers and a decline in wireline revenues as the Company elected to warm stack the vast majority of its wireline assets due to the weak pricing environment
- Adjusted operating loss was $(8.5) million, as compared to a third quarter Adjusted operating loss of $(7.9) million
- Adjusted EBITDA (Loss) was $(2.0) million, as compared to a third quarter Adjusted EBITDA (Loss) of $(1.3) million

Financial Position

	January 31, 2020 ($ in millions)
Cash	$ 124
Long-term debt, net of cash	$ 126
Stockholders' equity	$ 312
Net-debt-to-net-captial ratio	29%
LTM Leverage Ratio[1]	1.6X

[1] Net debt to trailing four quarters of Adjusted EBITDA, excluding Costs as Defined of approximately $72 million.

No debt maturities until November 2025
$100 million undrawn credit facility

Reconciliation of Non-GAAP Financial Measures

Reconciliation of Non-GAAP Measures

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2020	October 31, 2019	January 31, 2020	January 31, 2019
Net (loss) earnings	$ (25.1)	$ (69.8)	$ (96.4)	$ 14.4
Amortization expense	1.0	1.0	3.9	0.8
Non-cash compensation	4.7	4.7	18.5	12.8
Income taxes	(8.4)	(0.5)	(8.5)	0.6
Costs as Defined[1]	6.5	59.1	71.5	30.6
Adjusted (loss) earnings before income taxes	(21.3)	(5.5)	(11.0)	59.2
Income taxes	(8.4)	(0.5)	(8.5)	0.6
Adjusted net (loss) earnings	$ (12.9)	$ (5.0)	$ (2.5)	$ 58.6
Adjusted net (loss) earnings per diluted share	$ (0.56)	$ (0.22)	$ (0.11)	$ 2.90
Diluted weighted average shares	23.1	22.5	22.3	20.2

[1] Costs as Defined in the fourth quarter relate to goodwill impairment charge of $1.2 ($45.8 in the third quarter), business alignment costs of $3.0 ($13.3 in the third quarter) and new product and service line start-up costs of $2.3 (none in the third quarter). Full year Costs as Defined in Fiscal 2019 relate to goodwill impairment charge of $47.0, business alignment costs of $18.8 and new product and service line start-up costs of $5.7. Full year Costs as Defined in Fiscal 2018 are primarily related to Spin-off of the Company from its former parent, KLX Inc. in 2018.

Reconciliation of Non-GAAP Measures

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2020	**October 31, 2019**	**January 31, 2020**	**January 31, 2019**
Net (loss) earnings	$ (25.1)	$ (69.8)	$ (96.4)	$ 14.4
Income tax (benefit) expense	(8.4)	(0.5)	(8.5)	0.6
Interest expense, net	7.5	7.2	29.2	7.1
Operating (loss) earnings	(26.0)	(63.1)	(75.7)	22.1
Costs as Defined[1]	6.5	59.1	71.5	30.6
Adjusted operating (loss) earnings	(19.5)	(4.0)	(4.2)	52.7
Depreciation and amortization	16.1	16.7	64.1	41.5
Non-cash compensation	4.7	4.7	18.5	12.8
Adjusted EBITDA	$ 1.3	$ 17.4	$ 78.4	$ 107.0

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2020	**October 31, 2019**	**January 31, 2020**	**January 31, 2019**
Rocky Mountains operating (loss) earnings	$ (4.1)	$ 2.6	$ 10.1	$ 5.5
Costs as Defined[1]	3.0	1.8	6.1	11.9
Adjusted Rocky Mountains operating (loss) earnings	(1.1)	4.4	16.2	17.4
Depreciation and amortization	5.3	5.7	21.0	15.4
Non-cash compensation	2.1	2.0	7.4	4.0
Rocky Mountains adjusted EBITDA	$ 6.3	$ 12.1	$ 44.6	$ 36.8

1 Costs as Defined in the fourth quarter relate to goodwill impairment charge of $1.2 ($45.8 in the third quarter), business alignment costs of $3.0 ($13.3 in the third quarter) and new product and service line start-up costs of $2.3 (none in the third quarter). Full year Costs as Defined in Fiscal 2019 relate to goodwill impairment charge of $47.0, business alignment costs of $18.8 and new product and service line start-up costs of $5.7. Full year Costs as Defined in Fiscal 2018 are primarily related to Spin-off of the Company from its former parent, KLX Inc. in 2018.

Reconciliation of Non-GAAP Measures

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2020	October 31, 2019	January 31, 2020	January 31, 2019
Northeast/Mid-Con operating (loss) earnings	$ (12.8)	$ (26.1)	$ (31.5)	$ 13.4
Costs as Defined[1]	2.9	25.6	30.2	8.5
Adjusted Northeast/Mid-Con operating (loss) earnings	(9.9)	(0.5)	(1.3)	21.9
Depreciation and amortization	5.7	5.7	22.1	13.6
Non-cash compensation	1.2	1.4	5.1	3.2
Northeast/Mid-Con adjusted EBITDA (loss)	$ (3.0)	$ 6.6	$ 25.9	$ 38.7

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2020	October 31, 2019	January 31, 2020	January 31, 2019
Southwest operating (loss) earnings	$ (9.1)	$ (39.6)	$ (54.3)	$ 3.2
Costs as Defined[1]	0.6	31.7	35.2	10.2
Adjusted Southwest operating (loss) earnings	(8.5)	(7.9)	(19.1)	13.4
Depreciation and amortization	5.1	5.3	21.0	12.5
Non-cash compensation	1.4	1.3	6.0	5.6
Southwest adjusted EBITDA (loss)	$ (2.0)	$ (1.3)	$ 7.9	$ 31.5

1 Costs as Defined in the fourth quarter relate to goodwill impairment charge of $1.2 ($45.8 in the third quarter), business alignment costs of $3.0 ($13.3 in the third quarter) and new product and service line start-up costs of $2.3 (none in the third quarter). Full year Costs as Defined in Fiscal 2019 relate to goodwill impairment charge of $47.0, business alignment costs of $18.8 and new product and service line start-up costs of $5.7. Full year Costs as Defined in Fiscal 2018 are primarily related to Spin-off of the Company from its former parent, KLX Inc. in 2018.

Reconciliation of Non-GAAP Measures

RECONCILIATION OF NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW (In Millions)

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2020	**October 31, 2019**	**January 31, 2020**	**January 31, 2019**
Net cash flow provided by operating activities	$ 4.9	$ 41.3	$ 58.1	$ 62.0
Capital expenditures	(3.4)	(10.6)	(70.8)	(84.0)
Free cash flow	$ 1.5	$ 30.7	$ (12.7)	$ (22.0)

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