

# KLX Energy Services

“KLXE” NASDAQ

Non-Deal Road Show  
September 25 - 27



# KLX Energy Services - A New Publicly Traded Company



**Exchange:** NASDAQ  
**Ticker:** KLXE

**FY2018E**  
Revenues: ~\$500MM, Up ~55% Y-O-Y  
Adj. EBITDA: ~\$110MM, Up +300% Y-O-Y

1

Scalable platform, well-positioned to participate in sector consolidation

2

Differentiated services and market position generates superior profit margins

3

Performance continues to accelerate

4

Strong balance sheet, ample liquidity and no funded debt at time of spin-off

5

Intangible assets have substantial basis for tax purposes, and are expected to shelter ~\$34 million per year in taxable income through January 31, 2029

# Management Overview

**Amin Khoury**

*Chairman, Chief Executive Officer*



- Founded B/E Aerospace in 1987
- Spun-off KLX in 2014
- Serves as Chairman, President and CEO of KLX since 2014
- Previously founder, Chairman and CEO of B/E Aerospace until its acquisition by Rockwell Collins in April 2017

**Tom McCaffrey**

*Senior Vice President and Chief Financial Officer*



- President and COO of KLX since 2014
- Previously Senior Vice President and Chief Financial Officer of B/E Aerospace from 1993 to 2014
- Prior to joining B/E in 1993, practiced as a CPA for 17 years

**Gary Roberts**

*Vice President and General Manager*



- Vice President and General Manager of Energy Services business of KLX since 2014
- Over 30 years of experience in Oilfield Services industry, including 6 years at Baker Hughes and 16 years at Weatherford
- Previously CEO of Vision Oil Tools from 2010 until its acquisition by B/E Aerospace in 2014

**Mr. Khoury and Mr. McCaffrey will continue in their current roles with KLX through the consummation of The Boeing/KLX Transaction and have entered into employment contracts with KLX Energy Services. The entire KLX Board of Directors will remain in place as the KLXE Board.**

## 8 highly-qualified directors, of which 7 are independent, bringing with them diverse knowledge and expertise

**Amin J. Khoury**  
*Chairman & CEO*

- Founded B/E Aerospace in 1987
- Chairman of B/E Aerospace since 1987 and CEO until its acquisition by Rockwell Collins
- Serves as Chairman, CEO of KLX since 2014 pending its acquisition by The Boeing Company

**John T. Collins**  
*Director*

- Chairman and Chief Executive Officer of the Collins Group
- Previously served as President & CEO of Quebecor Printing
- Former director of Bank of America and Fleet Bank

**Peter V. Del Presto**  
*Director*

- Adjunct Professor of Finance at the University of Pittsburgh
- Partner with PNC Equity Partners from 1985 until his retirement in 2010

**Richard G. Hamermesh**  
*Director*

- A member of the Board of Directors of B/E Aerospace since July 1987
- Professor of Management Practice at Harvard Business School since July 1, 2002

**Benjamin A. Hardesty**  
*Director*

- Owner of Alta Energy LLC since 2010
- President of Dominion E&P, Inc. until his retirement in May 2010

**Stephen M. Ward, Jr.**  
*Director*

- Previously President and CEO of Lenovo Corporation
- Spent 26 years at IBM Corporation holding various management positions

**Theodore L. Weise**  
*Director*

- Business consultant and a member of the Board of Directors of Hawthorne Global Aviation
- Previously President and CEO of Federal Express Corporation until 2000

**John T. Whates, Esq.**  
*Director*

- A member of the Board of Directors of B/E Aerospace since February 2012
- Partner at Deloitte & Touche until retired in 2005

# Compensation Systems Aligned with Shareholders

- Executive leadership and board member compensation comprised of restricted stock
- Short term and long term incentive compensation for other managers based on operating earnings, operating margin, ROIC and HSE metrics on a relative basis with peers

# Building Businesses: Long History of Successful Strategic Acquisitions and Integrations Leading to Superior Value Creation



Executive Management of KLX Energy Services has a proven track record of building industry-leading businesses through platform acquisitions and selective tuck-ins



**B/E Aerospace (BEAV)** – Founded in 1987, with revenues in that year of approximately \$3 million, BEAV acquired and completely integrated numerous businesses over 30 years to become the world's leading manufacturer of aircraft cabin interior products. The business was sold to Rockwell Collins for \$8.6 billion in 2017, representing a transaction multiple of 14x LTM EBITDA



**KLX Aerospace Solutions Group (“ASG”)** – ASG was spun-off from BEAV in December, 2014. BEAV acquired M&M Fasteners in 2001 with revenues of \$37 million. Over the following 15 years, 8 additional acquisitions were made and completely integrated, creating the world's leader in aerospace consumables distribution with revenues of over \$1.4 billion in 2017. On May 1, 2018 KLX announced the sale of ASG to The Boeing Company for \$4.25 billion, representing a transaction multiple of 15.7x 2017 LTM EBITDA



**KLX Energy Services (now “KLXE”)** – ESG was part of the spin-off from BEAV in 2014. BEAV entered into the oilfield services market in 2013 with the acquisition of seven businesses over a 10 month period of time. The acquired businesses were consolidated and completely integrated. The business is expected to generate 2018 revenues of approximately \$500 million and Adjusted EBITDA of approximately \$110 million, representing increases of approximately 55 percent and approximately 300 percent, respectively, as compared to the prior year. This performance reflects the peer leading growth rate, superior margins, and free cash flow afforded by the differentiation arising from highly experienced, well trained technical personnel, a broad range of certified tools, and proprietary services arising from successful R&D initiatives

KLX has completely integrated all seven acquisitions into a metrics-driven, scalable platform

# Key Investment Highlights

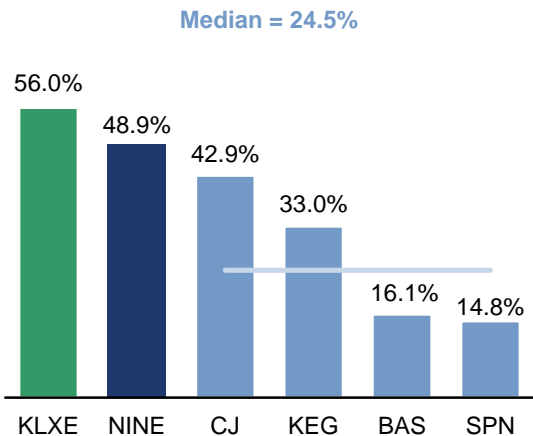
- 1 Attractive Long-Term Financial Growth Prospects with Superior Growth Rate, Margin Profile and Return on Investment**
- 2 Strong Footprint in Key Energy Producing Geographies**
- 3 Totally Integrated, Metrics Driven Business with Highly Effective R&D Group Supports Continuous Improvement and Aligns New Tools with Field Engineers Serving Technically Demanding Wells**
- 4 Highly Trained and Experienced Technical Personnel, Broad Range of Certified Specialized Equipment with Long Lives, and Proprietary Technology Create Competitive Advantage**
- 5 Customer Service Focus and HSE Culture Lead to Deeply Entrenched Relationships with Blue-Chip Customers**
- 6 Well Positioned to Capture Share Resulting from Investments in Equipment, People, and R&D made in Downturn**
- 7 Executive Management Team with Proven Track Record of Building Industry-Leading Businesses and targeting sector consolidation**

# Best-in-Class Trajectory

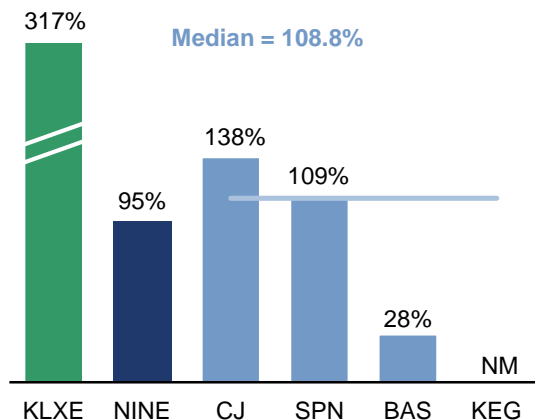
## Year-on-Year Growth and Margin | Liquidity and Capital Structure



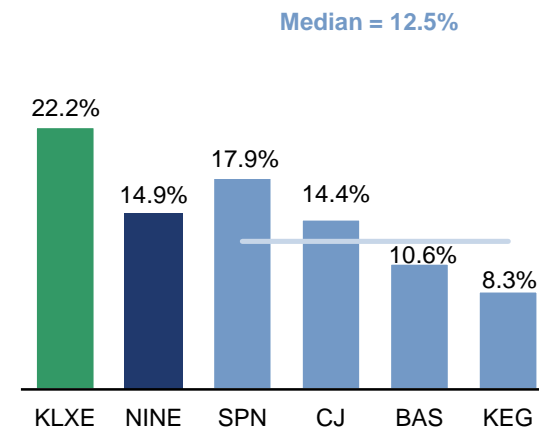
### 2017A – 2018E Revenue Growth



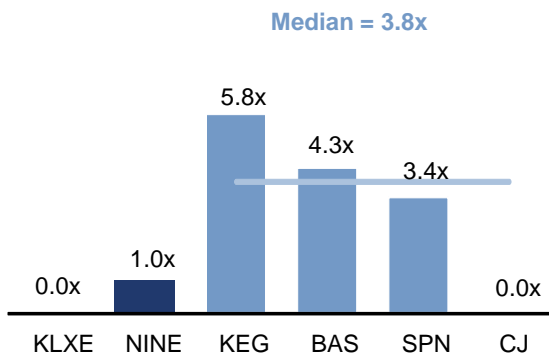
### 2017A – 2018E EBITDA Growth



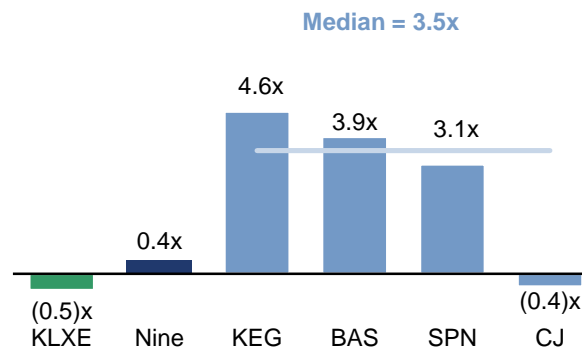
### FY Q2 2018A EBITDA Margin



### Total Debt / 2018E EBITDA



### Net Debt / 2018E EBITDA



Source: Company filings, IBES median estimates as of 17-Sep-2018

Note: C&J underwent restructuring in 2016 and wiped out ~\$1.4bn in debt

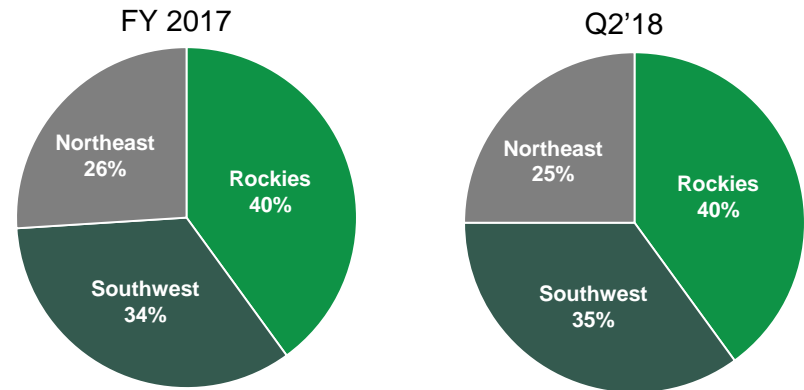


## Business Overview

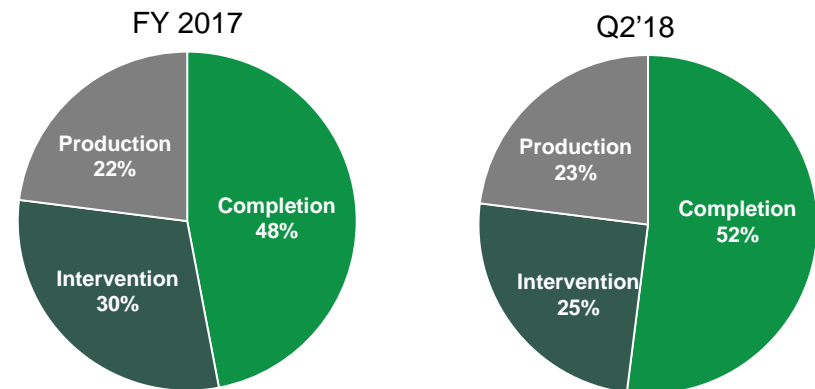
- Leading provider of completion, intervention and production services and products in the major onshore oil and gas producing regions of the United States
- Superior organic growth rate, profit margins, return on investment and free cash flow
- Offers a range of differentiated, complementary technical services and related asset light tools and equipment in challenging environments
- Provides technology-based just-in-time “JIT” solutions for customers throughout the life cycle of the well
- Differentiated service offering through in-house R&D team
  - 11 registered patents, 26 patents applied for, and 21 proprietary tools
- Supports customer operations from 36 service facilities located in the key major shale basins
- ~1,100 non-unionized employees

## Revenue Breakdown by

### Region



### Product Service Line (PSL)



# Broad Range of KLX Services and Certified Specialized Equipment Create Competitive Advantage



## Completion

(52% of Q2'18 revenues)

- Pump Down Wireline Services
- FRAC Stack Services (*proprietary*)
- Down Hole Completion Tools (*proprietary*)
- Tubulars
- Cementation
- Logging Wireline Services
- Air Packages
- Torque and Testing - Rental
- Tubing Conveyed Perforating
- Drilling Pumps and Tanks
- Pressure Control
- Torque and Testing Wireline



## Intervention

(25% of Q2'18 revenues)

- Fishing Tools (*proprietary*)
- Reverse Units
- Thru Tubing (*proprietary*)
- Pipe Recovery
- Nitrogen Services



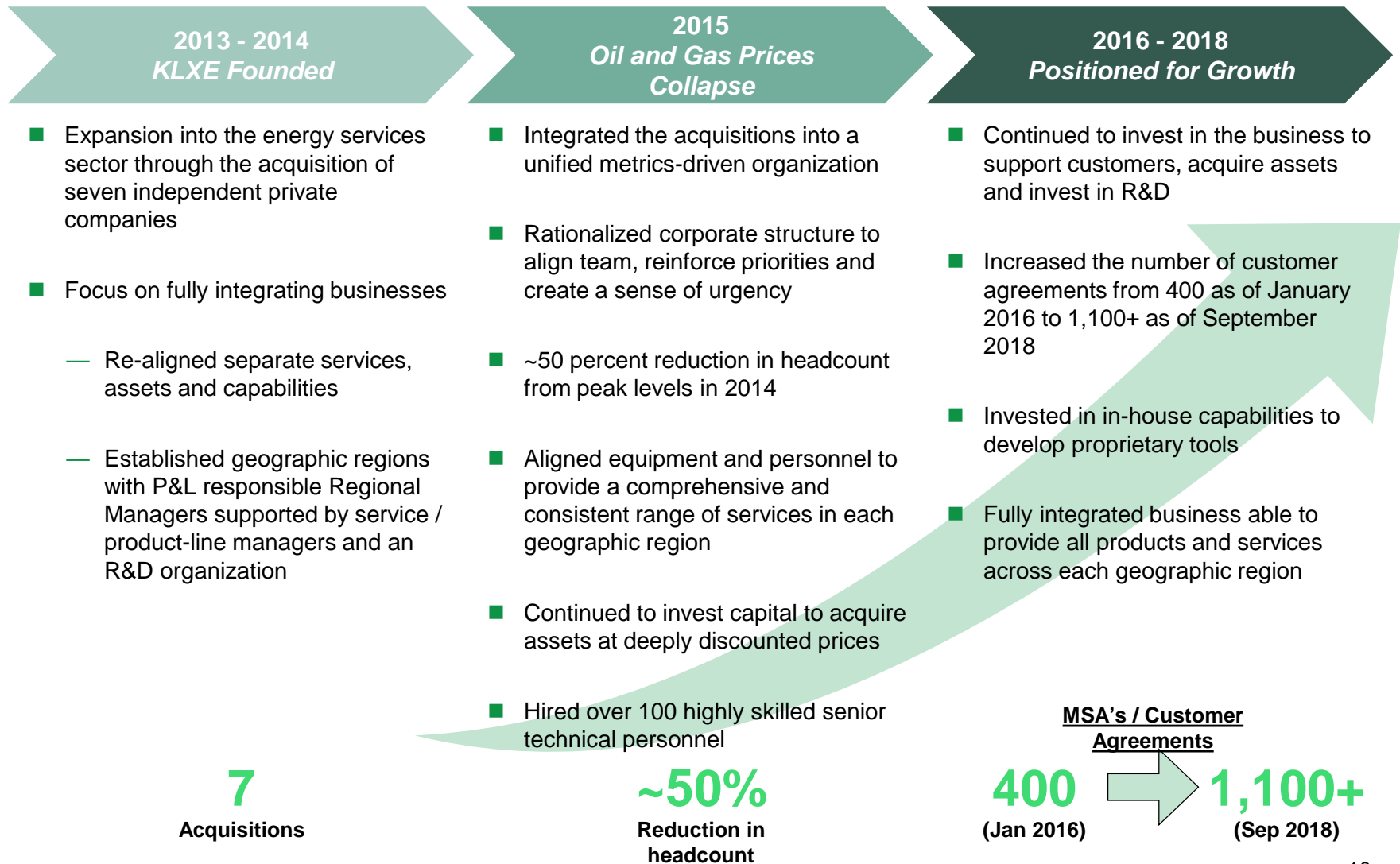
## Production

(23% of Q2'18 revenues)

- Certified Pressure Control Services
- Conventional Wireline
- Rental Tools
- Machine Shops
- Power Swivels
- Slick Line
- Hydro-Testing
- Portfolio of Down Hole Tools (*proprietary*)



# Actively Managed KLXE Through the Cycle and Now Ideally Positioned to Fully Benefit from Recovery



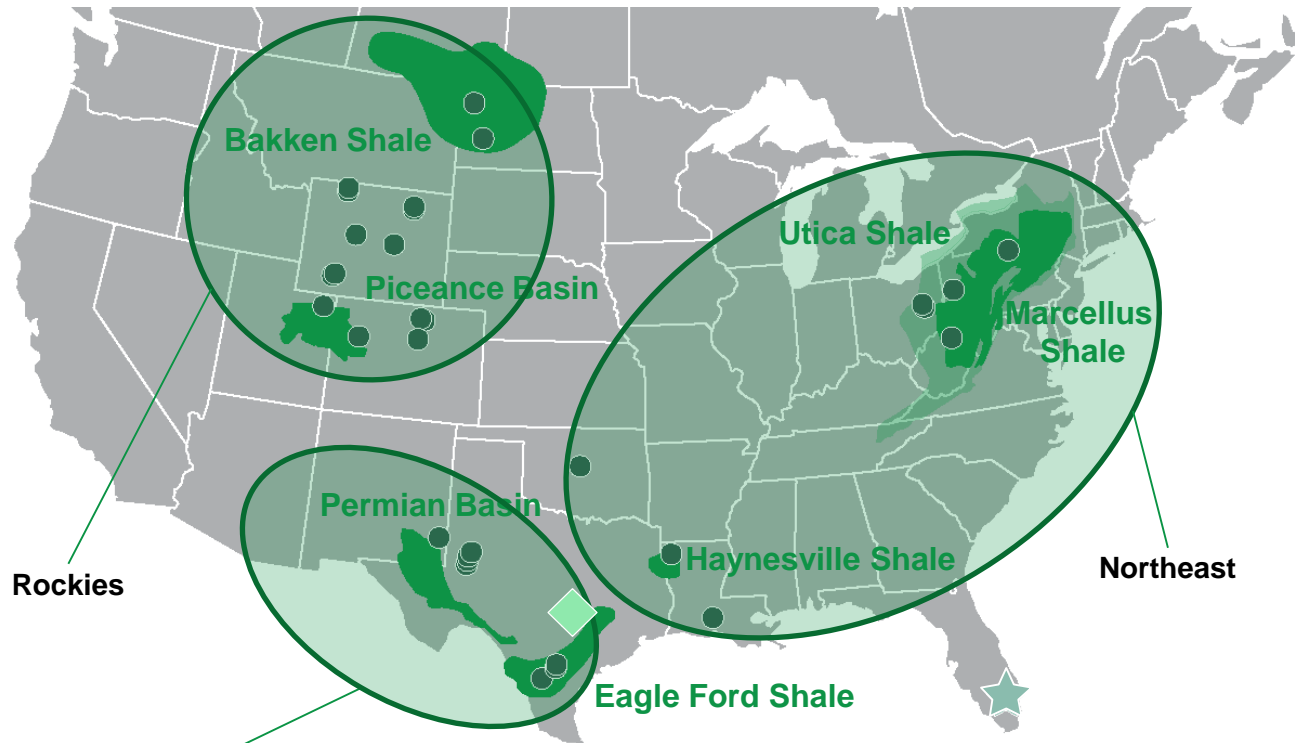
# Acquisitions Have Been Fully Integrated, Driving Efficiencies Across the Business



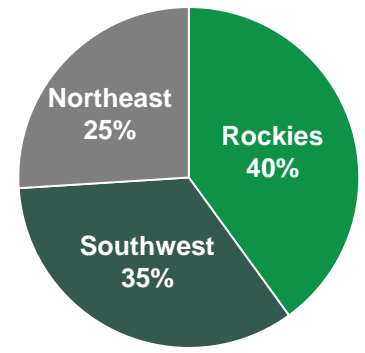
- The seven acquired companies have been completely integrated
  - One operational control system, with company-wide KPI's to drive business performance
  - Company-wide consistent IT tools for operational management, financial management, and asset tracking
  - One financial reporting system
- Above actions have resulted in a leaner, more efficient and more profitable business
- All of the services acquired have been rolled out to each geo region where appropriate
- Matrix Management Structure
  - Three Geo Region Managers with direct P&L responsibility
  - Product Line Managers support Geo Region Managers and are responsible for employee technical and operational training, maintenance of consistent standards, and KPI reporting to Geo Region Managers regarding asset-revenue generation (price and utilization)
- Metrics-driven organization drives financial accountability and transparency down to field level

# Strong Footprint in Key Energy Producing Regions

Full product and service offering focused on well completion, intervention and production with a presence in major North American onshore energy producing shale basins



Q2'18 Revenue Breakdown by Region



● KLXE Locations    ★ KLXE Headquarters    ◆ KLXE Operations Center

# Southwest Region

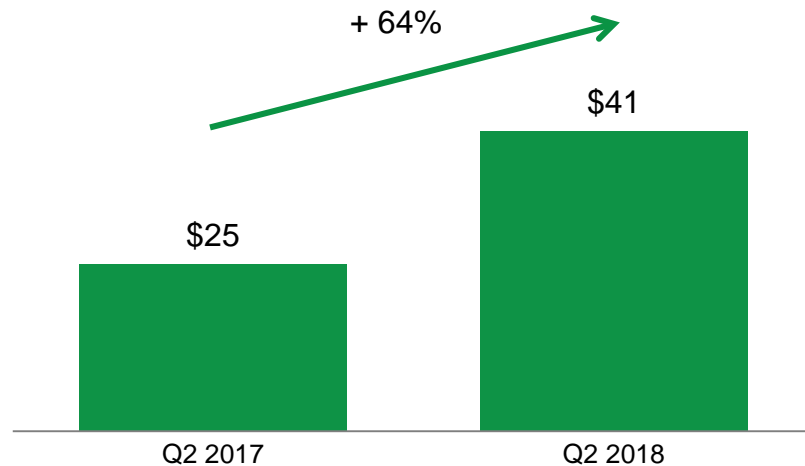
## Region Overview

- Generated 35% of Q2 2018 revenues
- Comprised of Permian Basin and Eagle Ford Shale
- High quality, state of the art assets
- Client focus aligned toward high growth
- Data driven focus on both pricing and utilization

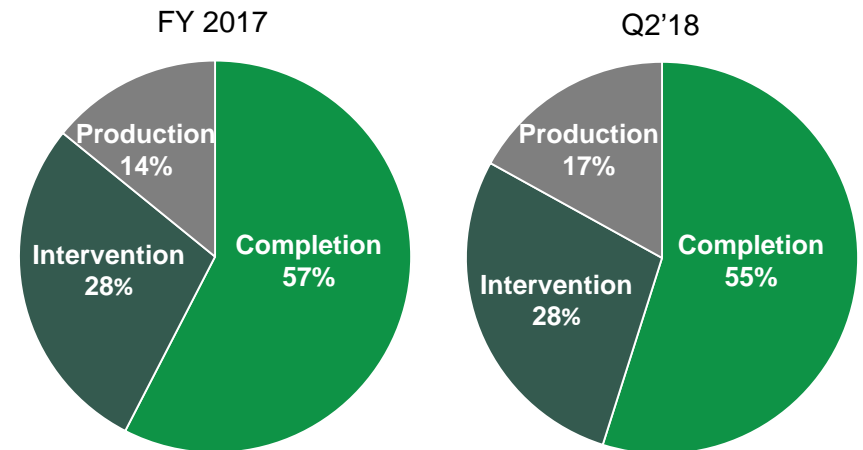
## Top Clients



## Revenues (\$ in millions)



## Revenues



# Rocky Mountains Region

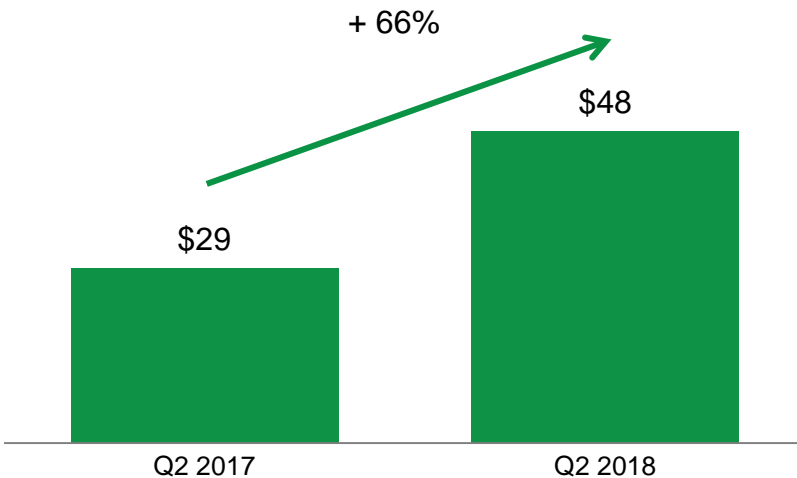
## Region Overview

- Generated 40% of Q2 2018 revenues
- Comprised of the Bakken formation, Williston, DJ, Uinta and Piceance Basins and Niobrara Shale
- Strong brand recognition
- Leading market position across technical services, pressure control, frac stack and DHPS
- Strong client intimacy – serves as R&D test ground
- High barriers to entry in the Bakken formation

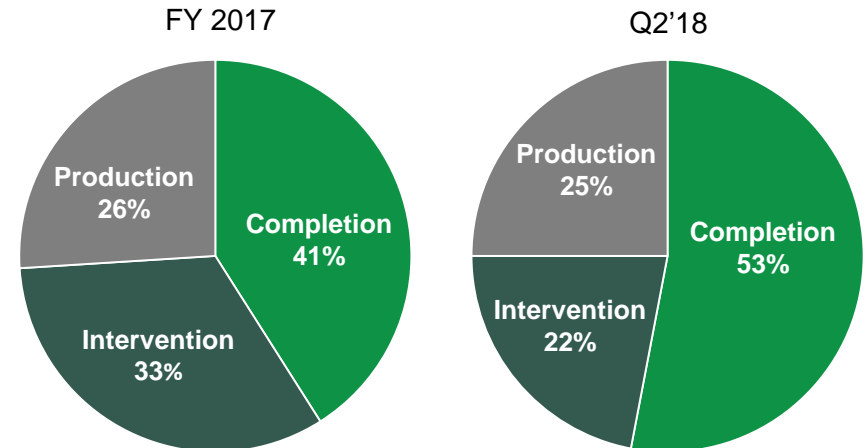
## Top Clients



## Revenues (\$ in millions)



## Revenues



# Northeast Region

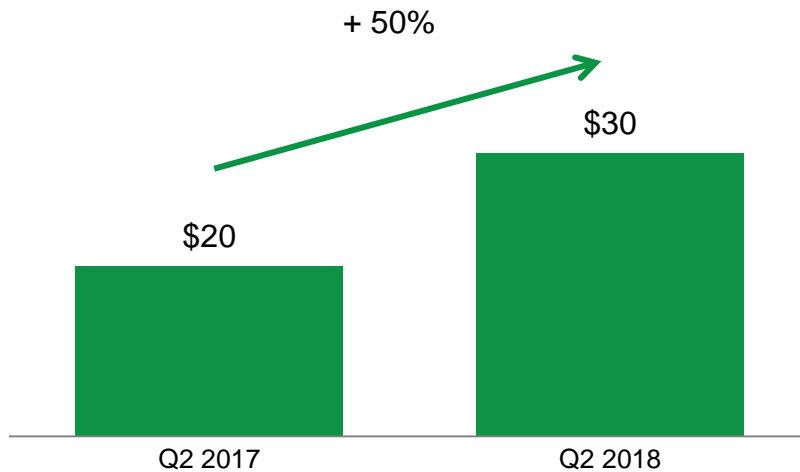
## Region Overview

- Generated 25% of 2018 revenues
- Comprised of the Marcellus and Utica shales as well as the Mid-Continent STACK and SCOOP and Haynesville
- Strong brand recognition
- High barriers to entry
- Strong market position for technical services and pressure control

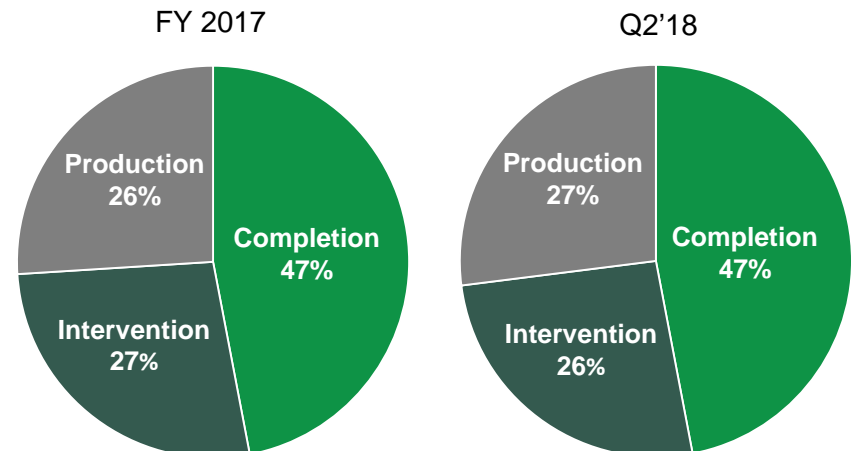
## Top Clients



## Revenues (\$ in millions)



## Revenues

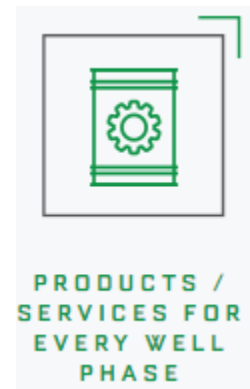
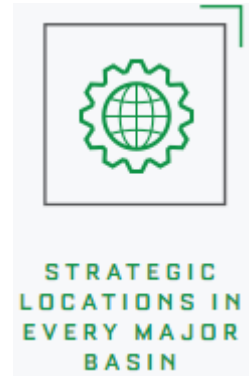
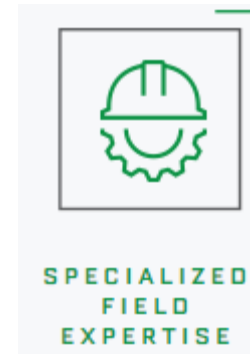




# Differentiated Technical Experience and Aptitude Creates Competitive Advantages

Next level readiness brought to every project driven by dedicated 24 / 7 experienced field professionals

- ✓ **Experienced operating management team** (averaging > 20 years of experience) across all geographic regions and PSLs with deeply entrenched customer relationships and local knowledge
- ✓ **Empowered and technically competent operators** (averaging > 15 years of experience) help customers get ahead of problems and streamline operations
- ✓ Broad offering suite, supported by **proprietary tools and technology**, and **consistent offering of services** across all major basins
- ✓ Approximately **1,100 employees** provide **mission-critical oilfield services, tools, technologies and equipment**
- ✓ Company-wide focus on **HSE and R&D**



# In-House R&D Capability Supports Continuous Improvement by Aligning New Tools with Field Engineers Requirements



## Applications Group

- Engineering support for PSLs & sales teams
- Production of technical documents for sales and operations
- Communications of technology & incidents



## Market Monitoring

- Embedded local relationships with customers allow for firm grasp on trends
- Alignments with smaller "think tank" groups



## Next Generation Products

- Minimize non-productive time and maximize production
- Longer laterals
- Additional stage counts
- Larger volumes of proppant
- Educated customer base

**~15 Years**

Average Engineer Experience

**800**

Field Specialists

**Dedicated R&D Facilities**

**11 & 26**

Registered & Pending Patents

**21**

Proprietary Tools

# Disciplined Approach to Capital Deployment to Drive Growth and a Solid Balance Sheet

## Financial Results

- FY 2018 forecasted revenues and Adj. EBITDA are expected to increase approximately 50% and approximately 300% to approximately \$500 million and approximately \$110 million, respectively

## Disciplined Approach to Capital Investment and Growth

- Expand existing portfolio of services and product lines to further penetrate existing customer accounts
- Actively pursuing accretive acquisitions that would enhance the services provided and are additive to the existing portfolio
- Develop next generation products and services focused on minimizing customers' "NPT"
- Maintain, upgrade and refurbish existing equipment to maintain competitiveness
- Targeted ROIC in the mid-to-high teens; capital expenditure payback period of 2 to 2.5 years

## Solid Balance Sheet & Ample Operating Liquidity

- \$50 million of cash
- Undrawn \$100 million ABL Facility
- Planned augmentation of liquidity with additional debt and/or equity financing

# Key Elements of KLXE Business Strategy



**1 Capitalize on the Large, Highly Fragmented and Rapidly Growing Energy Technical Services Market**

**2 Increase Penetration of Services and Product Line Offerings within each Geographic Region**

**3 Grow Product and Service Offerings Through Internal Development, Strategic Partnerships and Accretive Acquisitions**

**4 Continue to Innovate and Enhance Technology-Driven Offerings**

**5 Extend Market Leadership Through Operational Excellence**

**6 Maintain a Strong Balance Sheet to Preserve Operational and Strategic Flexibility**

# Appendix



# Non-GAAP Adjusted EBITDA Reconciliation



## KLX Energy Services – FY 2018E (In millions)

	<b>2018 Guidance (Approximate Amounts)</b>	
Operating earnings	\$	59
One-time costs (to date)		6
Adjusted operating earnings		65
Depreciation and amortization		35
Non-cash compensation		10
Adjusted EBITDA	\$	110

# Non-GAAP Free Cash Flow Reconciliation



## KLX Energy Services – FY 2018E (In millions)

	<b>2018 Outlook</b>	
	<b>(Approximate Amounts)</b>	
Net cash flows provided by operating activities	\$	85
Capital expenditures		(68)
Free cash flow	\$	17

# Income Tax Attributes



- Upon the spin, KLX Energy will have approximately \$386 million of tax deductible goodwill that will be utilized to reduce the cash taxes owed by the Company
- The tax goodwill will provide a tax deduction of approximately \$34 million per annum through the first eleven years, which would increase cash flow by approximately \$8 million per annum for that respective time frame<sup>1</sup>

(\$ millions)	Total	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Approx. Annual Tax Deductible Amortization	\$386	\$34	\$34	\$34	\$34	\$34	\$34	\$34	\$34	\$34	\$34	\$33	\$10
Cash Tax Savings <sup>1</sup>	93	8	8	8	8	8	8	8	8	8	8	8	2

**Present Value of Cash Tax Savings: \$60 - \$64 million<sup>2</sup>**



These materials contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements involve risks and uncertainties. KLX Energy Services 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 related to the realization of the expected benefits from completed, pending and future acquisitions, changes in market and industry conditions and those discussed in KLX Energy Services' filings with the Securities and Exchange Commission, which include its Annual Report on Form 10, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. For more information, see the section entitled "Forward-Looking Statements" contained in KLX Energy Services Annual Report on Form 10 and in other filings. The forward-looking statements included in these materials are made only as of today's date and, except as required by federal securities laws, we do not intend to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances.

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