

# KLX

Second Quarter 2015

Conference Call

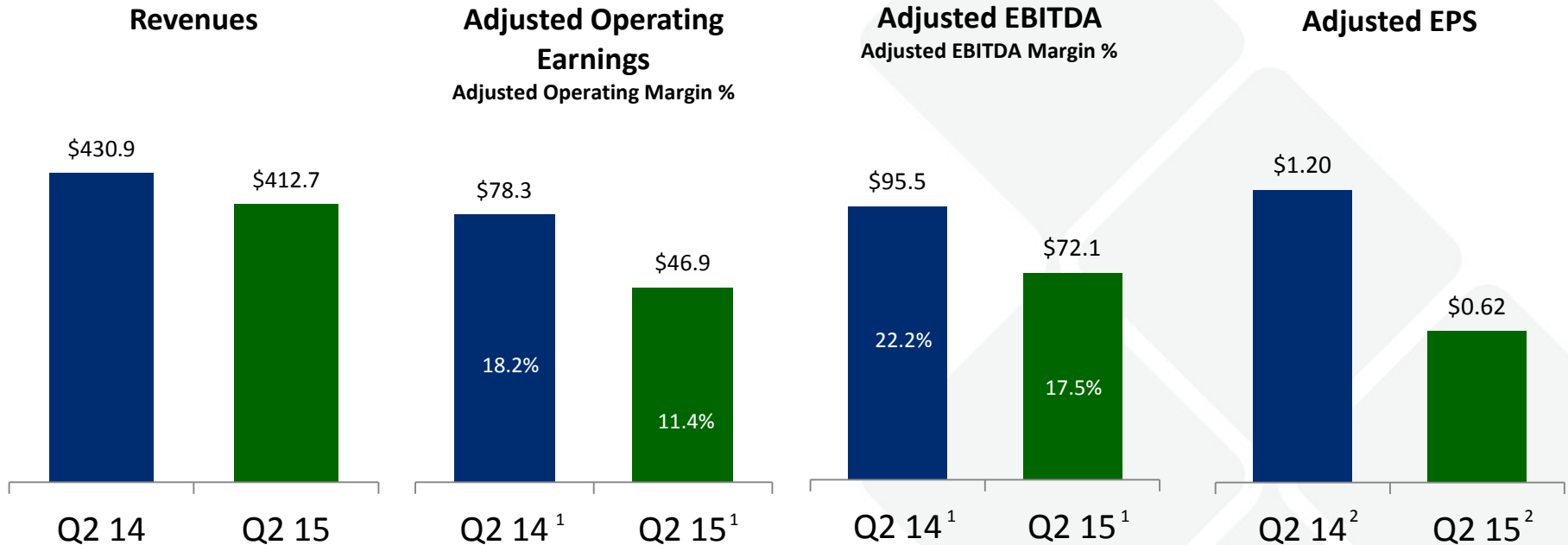
August 25, 2015



# Second Quarter 2015 Results



(\$ in millions except EPS amounts)



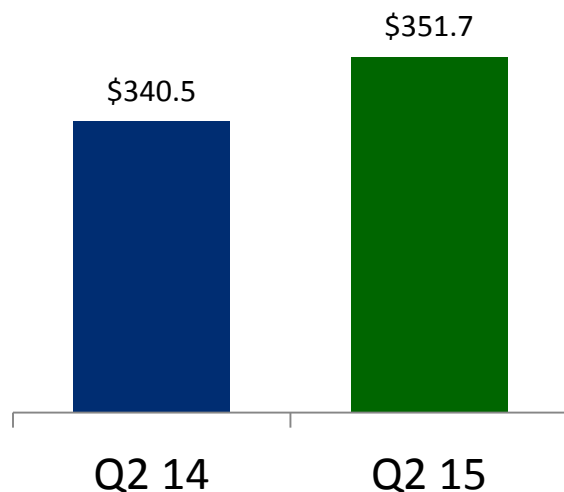
- Revenues declined 4.2%, reflecting a 3.3% increase in ASG revenues, offset by a 32.5% decline in ESG revenues
- Lower adjusted operating earnings and adjusted EBITDA were driven by a decline in quarterly financial performance in our ESG segment
- Adjusted EPS was \$0.62
- GAAP operating earnings and operating margin were \$32.8 million and 7.9%, respectively

<sup>1</sup> 2015 and 2014 second quarter adjusted operating earnings exclude costs as defined. 2015 and 2014 adjusted EBITDA excludes costs as defined and non-cash compensation expense (See Reconciliation of Non-GAAP Measures).

<sup>2</sup> Adjusted EPS excludes costs as defined, amortization and non-cash compensation, and includes the tax benefit from amortization of goodwill (See Reconciliation of Non-GAAP Measures).

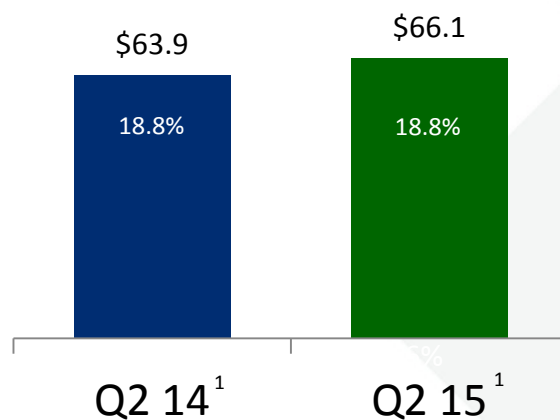
(\$ in millions)

## Revenues



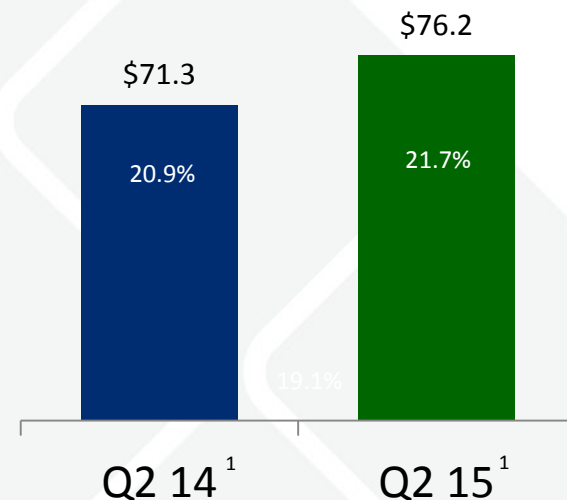
## Adjusted Operating Earnings

Adjusted Operating Margin %



## Adjusted EBITDA

Adjusted EBITDA Margin %



- Revenues increased 3.3%; revenues increased 5.7% on a constant currency basis
- Adjusted operating earnings increased 3.4% to \$66.1 million; on a pro forma basis, adjusted operating margin expanded by 190 basis points<sup>2</sup>
- Adjusted EBITDA was \$76.2 million or 21.7% of sales
- GAAP operating earnings and operating margin were \$59.1 million and 16.8%, respectively

<sup>1</sup> 2015 and 2014 second quarter adjusted operating earnings exclude costs as defined. 2015 and 2014 adjusted EBITDA excludes costs as defined and non-cash compensation expense (See Reconciliation of Non-GAAP Measures).

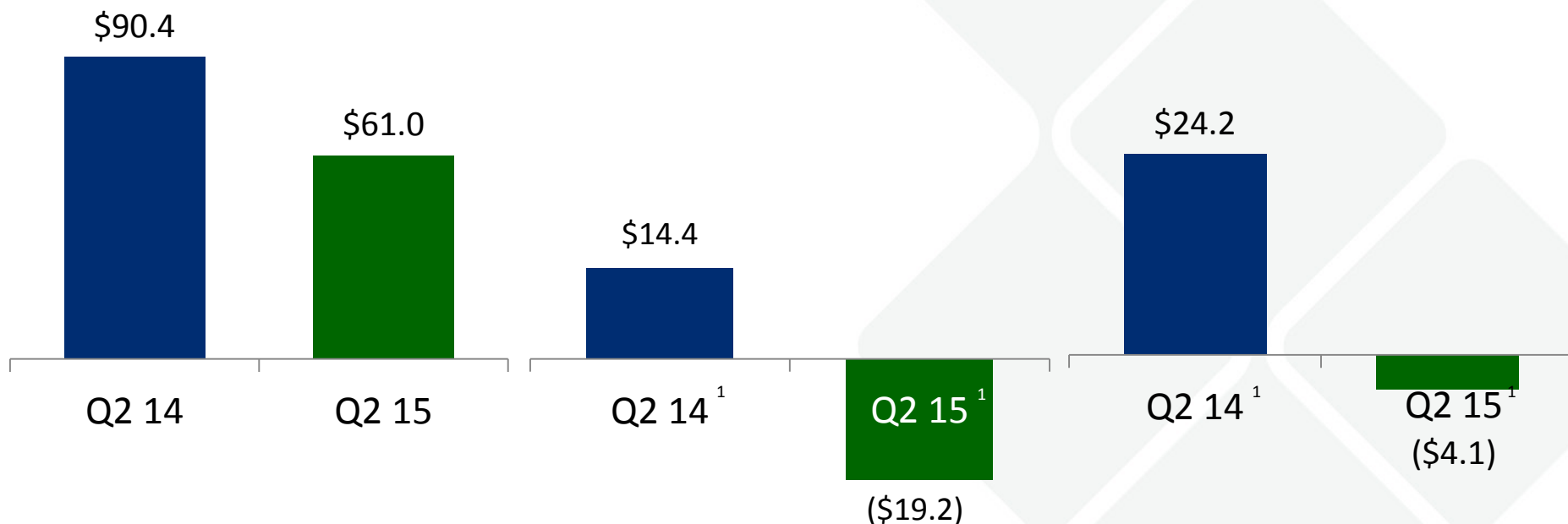
<sup>2</sup> Pro forma adjustments include ongoing public company costs in both periods as if the spin-off had occurred on January 1, 2014

(\$ in millions)

## Revenues

## Adjusted Operating Earnings

## Adjusted EBITDA



- Revenues decreased 32.5% to \$61 million, reflecting lower capex spend by our oil and gas customers
- Adjusted operating loss of \$19.2 million, driven by lower volumes and pricing pressures
- Adjusted EBITDA loss of \$4.1 million
- GAAP operating loss was \$26.3 million

<sup>1</sup> 2015 and 2014 second quarter adjusted operating earnings exclude costs as defined. 2015 and 2014 adjusted EBITDA excludes costs as defined and non-cash compensation expense (See Reconciliation of Non-GAAP Measures).

	<b>July 31, 2015</b>
	<u>(\$ in millions)</u>
<b>Cash</b>	<b>\$ 418</b>
<b>Long-term debt, net of cash</b>	<b>782</b>
<b>Stockholders' equity</b>	<b>\$ 2,629</b>
<b>Net-debt-to-net-capital ratio</b>	<b>23%</b>

No debt maturities until 2022;  
\$750 million undrawn revolver

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

	<b>THREE MONTHS ENDED</b>	
	<b>July 31, 2015</b>	<b>June 30, 2014</b>
Net earnings	\$ 7.4	\$ 45.4
Amortization expense	6.7	7.5
Non-cash compensation	3.5	0.8
Income taxes	4.8	25.7
Costs as defined*	14.1	7.3
Adjusted earnings before tax expense	<u>36.5</u>	<u>86.7</u>
Income taxes at normalized rate	14.2	33.8
Less: impact of goodwill deduction **	<u>10.0</u>	<u>10.0</u>
Adjusted income taxes	4.2	23.8
Adjusted net earnings	<u>\$ 32.3</u>	<u>\$ 62.9</u>
Adjusted net earnings per diluted share	<u>\$0.62</u>	<u>\$1.20</u>
Diluted weighted average shares	52.4	52.3

\* Costs and expenses related to one-time post spin-off related activities and start-up costs in connection with our ESG geographical and service line expansion activities

\*\* Tax benefit of goodwill deduction calculated at an assumed benefit of approximately 39%

# Reconciliation of Non-GAAP Measures



**KLX INC.**  
**RECONCILIATION OF OPERATING EARNINGS**  
**TO ADJUSTED OPERATING EARNINGS AND ADJUSTED EBITDA**  
(In Millions)

	<b>THREE MONTHS ENDED</b>		<b>SIX MONTHS ENDED</b>	
	<b>July 31, 2015</b>	<b>June 30, 2014</b>	<b>July 31, 2015</b>	<b>June 30, 2014</b>
Operating earnings	\$ 32.8	\$ 71.0	\$ 80.3	\$ 139.9
Costs as defined (1)	14.1	7.3	22.5	9.4
Adjusted operating earnings	46.9	78.3	\$ 102.8	\$ 149.3
Depreciation and amortization	21.7	16.4	42.6	27.7
Non-cash compensation	3.5	0.8	7.4	1.8
Adjusted EBITDA	<u>\$ 72.1</u>	<u>\$ 95.5</u>	<u>\$ 152.8</u>	<u>\$ 178.8</u>

**KLX INC.**  
**RECONCILIATION OF AEROSPACE SOLUTIONS GROUP OPERATING EARNINGS**  
**TO ADJUSTED OPERATING EARNINGS AND ADJUSTED EBITDA**  
(In Millions)

	<b>THREE MONTHS ENDED</b>		<b>SIX MONTHS ENDED</b>	
	<b>July 31, 2015</b>	<b>June 30, 2014</b>	<b>July 31, 2015</b>	<b>June 30, 2014</b>
ASG operating earnings	\$ 59.1	\$ 59.7	\$ 119.9	\$ 123.3
Costs as defined (1)	7.0	4.2	12.5	4.2
Adjusted ASG operating earnings	66.1	63.9	\$ 132.4	\$ 127.5
Depreciation and amortization	7.1	6.9	14.2	13.8
Non-cash compensation	3.0	0.5	6.1	1.5
Adjusted EBITDA	<u>\$ 76.2</u>	<u>\$ 71.3</u>	<u>\$ 152.7</u>	<u>\$ 142.8</u>

**KLX INC.**  
**RECONCILIATION OF ENERGY SERVICES GROUP OPERATING EARNINGS**  
**TO ADJUSTED OPERATING EARNINGS AND ADJUSTED EBITDA**  
(In Millions)

	<b>THREE MONTHS ENDED</b>		<b>SIX MONTHS ENDED</b>	
	<b>July 31, 2015</b>	<b>June 30, 2014</b>	<b>July 31, 2015</b>	<b>June 30, 2014</b>
ESG operating earnings	\$ (26.3)	\$ 11.3	\$ (39.6)	\$ 16.6
Costs as defined (1)	7.1	3.1	10.0	5.2
Adjusted ESG operating earnings	(19.2)	14.4	\$ (29.6)	\$ 21.8
Depreciation and amortization	14.6	9.5	28.4	13.9
Non-cash compensation	0.5	0.3	1.3	0.3
Adjusted EBITDA	<u>\$ (4.1)</u>	<u>\$ 24.2</u>	<u>\$ 0.1</u>	<u>\$ 36.0</u>

(1) Costs and expenses related to one-time post spin-off related activities and start-up costs in connection with our ESG geographical and service line expansion activities

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

	<b>THREE MONTHS ENDED</b>		<b>SIX MONTHS ENDED</b>	
	<b>July 31, 2015</b>	<b>June 30, 2014</b>	<b>July 31, 2015</b>	<b>June 30, 2014</b>
Net cash flow provided by operating activities	\$ 23.8	\$ 20.1	\$ 130.4	\$ 21.2
Capital expenditures	(34.5)	(35.4)	(70.1)	(56.4)
Free cash flow	<u>\$ (10.7)</u>	<u>\$ (15.3)</u>	<u>\$ 60.3</u>	<u>\$ (35.2)</u>



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'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 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's filings with the Securities and Exchange Commission, which include its Proxy Statement, 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 KLX's Annual Report on Form 10-K 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.

# KLX

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August 25, 2015

