

KLX

Third Quarter 2015

Conference Call

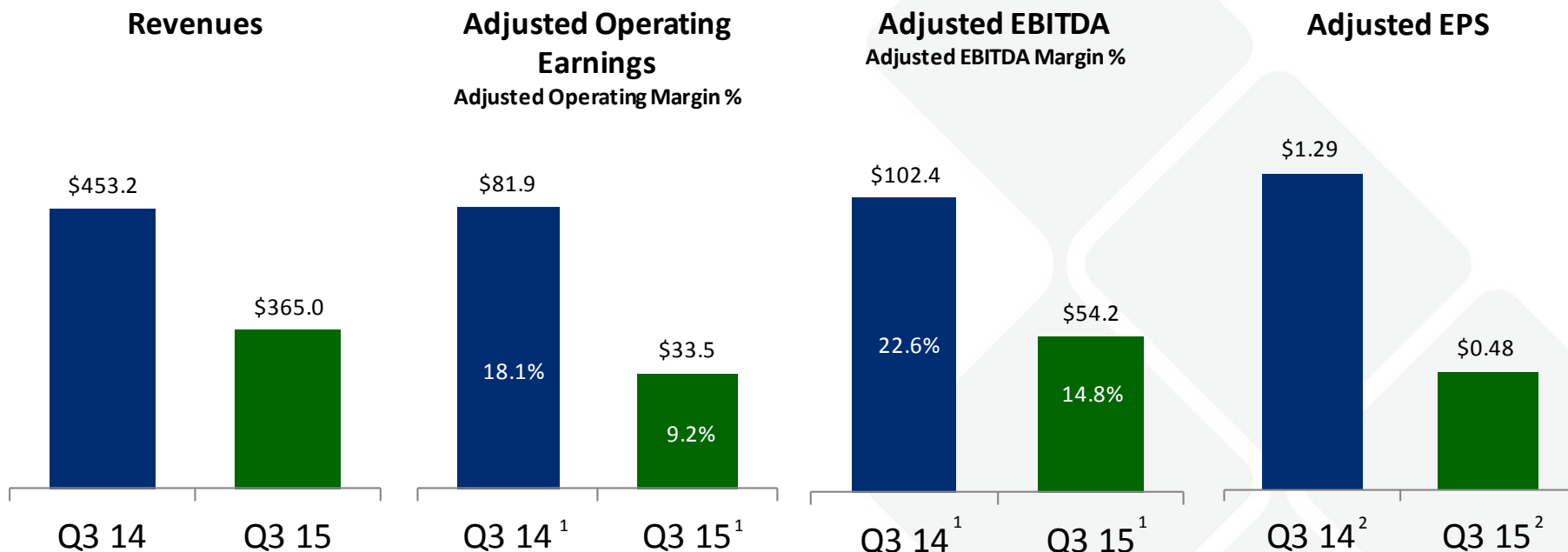
December 1, 2015



Third Quarter 2015 Results



(\$ in millions except EPS amounts)



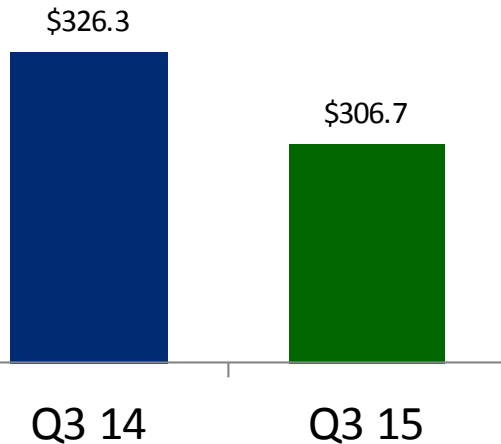
- Revenues declined 19.5%, reflecting a 4.3% constant currency decline in ASG revenues (6.0% decline including currency headwinds), and a 54.1% decline in ESG revenues
- Lower adjusted operating earnings and adjusted EBITDA were primarily driven by a decline in quarterly financial performance in our ESG segment
- Adjusted EPS was \$0.48
- GAAP operating loss was (\$619.3) million

¹ 2015 and 2014 third 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).

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

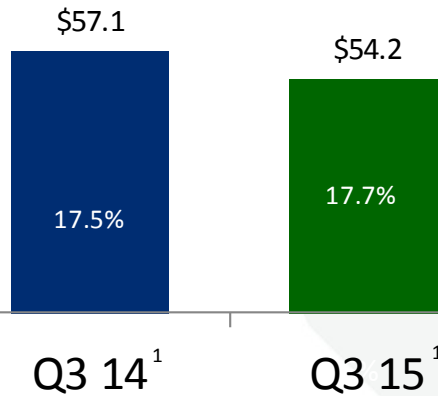
(\$ in millions)

Revenues



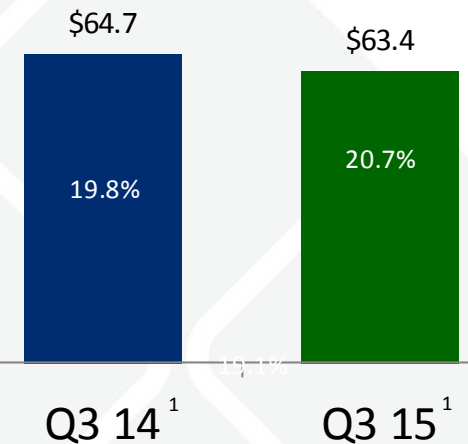
Adjusted Operating Earnings

Adjusted Operating Margin %



Adjusted EBITDA

Adjusted EBITDA Margin %



- Revenues declined 4.3% on a constant currency basis; revenues including foreign exchange headwinds declined 6.0%
- Adjusted operating earnings decreased 5.1% to \$54.2 million and adjusted operating margin increased 20 basis points
- Adjusted EBITDA was \$63.4 million or 20.7% of sales
- GAAP operating earnings and operating margin were \$47.8 million and 15.6%, respectively
- Adjusted operating earnings on a pro forma basis increased 50 basis points²

¹ 2015 and 2014 third 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).

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

Energy Services Group (ESG)

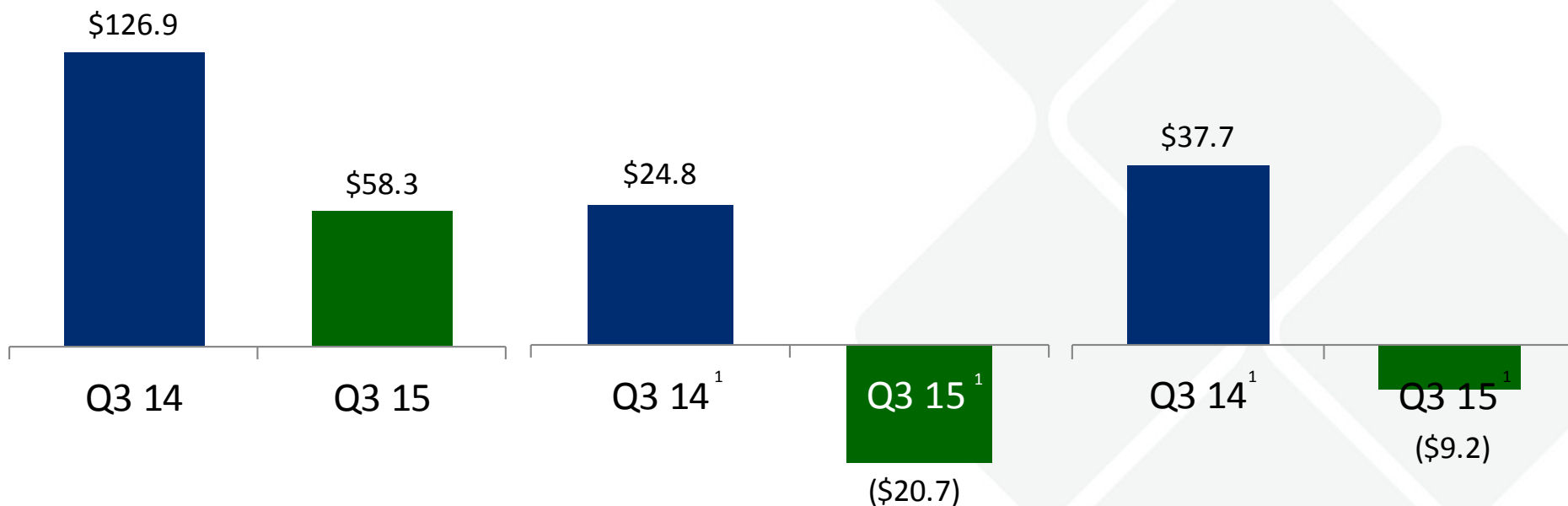


(\$ in millions)

Revenues

Adjusted Operating Earnings (Loss)

Adjusted EBITDA



- Revenues decreased 54.1% to \$58.3 million, reflecting lower capex spend by our oil and gas customers
- Adjusted operating loss of (\$20.7) million, driven by lower volumes and pricing pressures
- Adjusted EBITDA loss of (\$9.2) million
- GAAP operating loss was (\$667.1) million

¹ 2015 and 2014 third 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).

	October 31, 2015
	<u>(\$ in millions)</u>
Cash	\$ 449
Long-term debt, net of cash	\$ 751
Stockholders' equity	\$ 2,233
Net-debt-to-net-capital ratio	25%

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)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2015	September 30, 2014	October 31, 2015	September 30, 2014
Net (loss) earnings	\$ (400.8)	\$ 31.3	\$ (375.5)	\$ 120.7
Amortization expense	5.8	8.4	19.1	22.2
Non-cash compensation	3.5	0.9	10.9	2.7
Income taxes	(237.5)	43.8	(221.7)	94.5
Costs as defined*	652.8	6.9	675.3	16.3
Adjusted earnings before tax expense	23.8	91.3	108.1	256.4
Income taxes at normalized rate	8.8	33.9	40.1	95.1
Less: impact of goodwill deduction **	10.0	10.0	30.0	30.0
Adjusted income taxes	(1.2)	23.9	10.1	65.1
Adjusted net earnings	<u>\$ 25.0</u>	<u>\$ 67.4</u>	<u>\$ 98.0</u>	<u>\$ 191.3</u>
Adjusted net earnings per diluted share	<u>\$ 0.48</u>	<u>\$ 1.29</u>	<u>\$ 1.88</u>	<u>\$ 3.66</u>
Diluted weighted average shares	52.2	52.3	52.2	52.3

* Costs and expenses related to one-time post spin-off related activities, \$640.2 of non-cash asset impairment charges at ESG, 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 37.1%

Reconciliation of Non-GAAP Measures



REVENUES THREE MONTHS ENDED

<u>Segment</u>	<u>October 31, 2015</u>	<u>September 30, 2014</u>	<u>% Change</u>
Aerospace Solutions Group	\$ 306.7	\$ 326.3	-6.0%
Energy Services Group	58.3	126.9	-54.1%
Total	<u>\$ 365.0</u>	<u>\$ 453.2</u>	-19.5%

ADJUSTED OPERATING EARNINGS (LOSS) THREE MONTHS ENDED

<u>Segment</u>	<u>October 31, 2015</u>	<u>September 30, 2014</u>	<u>% Change</u>
Aerospace Solutions Group	\$ 54.2	\$ 57.1	(5.1%)
Energy Services Group	(20.7)	24.8	(183.5%)
Total	<u>\$ 33.5</u>	<u>\$ 81.9</u>	(59.1%)

ADJUSTED EBITDA THREE MONTHS ENDED

<u>Segment</u>	<u>October 31, 2015</u>	<u>September 30, 2014</u>	<u>% Change</u>
Aerospace Solutions Group	\$ 63.4	\$ 64.7	-2.0%
Energy Services Group	(9.2)	37.7	(124.4%)
Total	<u>\$ 54.2</u>	<u>\$ 102.4</u>	(47.1%)

Reconciliation of Non-GAAP Measures



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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2015	September 30, 2014	October 31, 2015	September 30, 2014
Operating (loss) earnings	\$ (619.3)	\$ 75.0	\$ (539.0)	\$ 214.9
Costs as defined (1)	652.8	6.9	675.3	16.3
Adjusted operating earnings	33.5	81.9	136.3	231.2
Depreciation and amortization	17.2	19.6	59.8	47.3
Non-cash compensation	3.5	0.9	10.9	2.7
Adjusted EBITDA	<u>\$ 54.2</u>	<u>\$ 102.4</u>	<u>\$ 207.0</u>	<u>\$ 281.2</u>

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2015	September 30, 2014	October 31, 2015	September 30, 2014
ASG operating earnings	\$ 47.8	\$ 51.4	\$ 167.7	\$ 174.7
Costs as defined (1)	6.4	5.7	18.9	9.9
Adjusted ASG operating earnings	54.2	57.1	186.6	184.6
Depreciation and amortization	6.9	7.0	21.1	20.8
Non-cash compensation	2.3	0.6	8.4	2.1
Adjusted EBITDA	<u>\$ 63.4</u>	<u>\$ 64.7</u>	<u>\$ 216.1</u>	<u>\$ 207.5</u>

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2015	September 30, 2014	October 31, 2015	September 30, 2014
ESG operating (loss) earnings	\$ (667.1)	\$ 23.6	\$ (706.7)	\$ 40.2
Costs as defined (1)	646.4	1.2	656.4	6.4
Adjusted ESG operating earnings	(20.7)	24.8	(50.3)	46.6
Depreciation and amortization	10.3	12.6	38.7	26.5
Non-cash compensation	1.2	0.3	2.5	0.6
Adjusted EBITDA	<u>\$ (9.2)</u>	<u>\$ 37.7</u>	<u>\$ (9.1)</u>	<u>\$ 73.7</u>

(1) Costs and expenses related to one-time post spin-off and start-up related activities, non-cash asset impairment charges and start up costs in connection within our ESG geographical and service line expansion activities

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2015	September 30, 2014	October 31, 2015	September 30, 2014
Net cash flow provided by operating activities	\$ 67.1	\$ 102.9	\$ 197.5	\$ 124.1
Capital expenditures	(36.3)	(32.9)	(106.4)	(89.3)
Free cash flow	<u>\$ 30.8</u>	<u>\$ 70.0</u>	<u>\$ 91.1</u>	<u>\$ 34.8</u>
Free cash flow per diluted share	<u>\$ 0.59</u>	<u>\$ 1.34</u>	<u>\$ 1.75</u>	<u>\$ 0.67</u>
Diluted weighted average shares	52.2	52.3	52.2	52.3

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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Conference Call

December 1, 2015

