

KLX

Fourth Quarter 2015

Conference Call

March 8, 2016

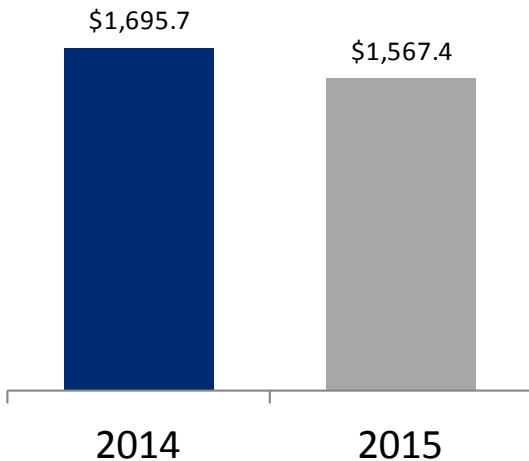


Full Year 2015 Results

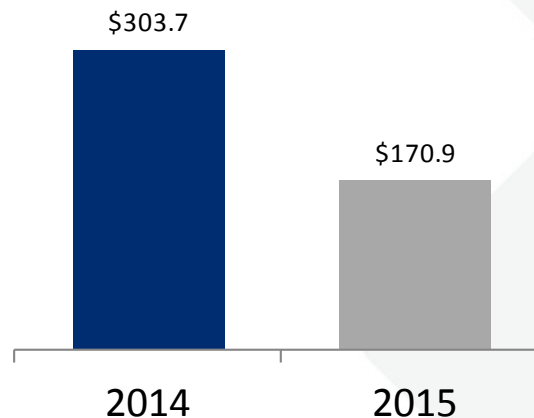


(\$ in millions except EPS amounts)

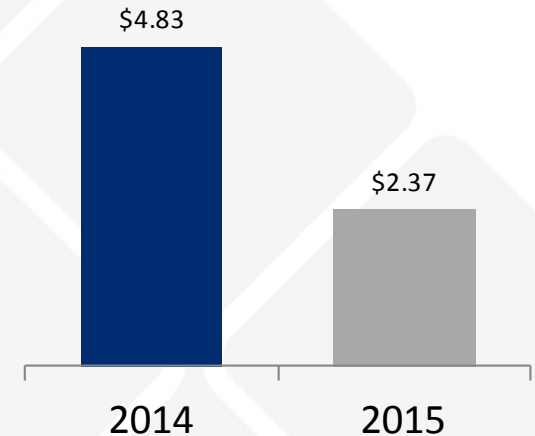
Revenues



Adjusted Operating Earnings¹



Adjusted EPS²



- Full year revenues declined 7.6%, reflecting a 2.2% constant currency increase in ASG revenues (0.2% increase including currency headwinds), offset by a 33.9% decline in ESG revenues
- Full year adjusted operating earnings and adjusted EBITDA were negatively impacted by the financial performance of our ESG segment
- Full year adjusted EPS was \$2.37 per share
- GAAP net loss and EPS, including the \$640 million non cash asset impairment charge, were \$(385.8) million and (\$7.39), respectively

¹ 2015 and 2014 full year adjusted operating earnings exclude costs as defined. 2015 and 2014 full year adjusted EBITDA excludes costs as defined and non-cash compensation expense (See Reconciliation of Non-GAAP Measures).

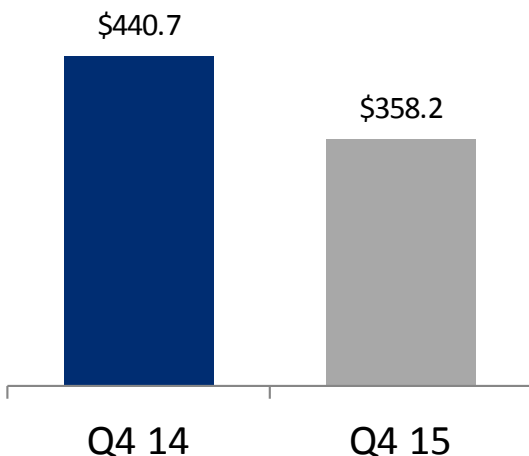
² Adjusted EPS excludes costs as defined, a amortization and non-cash compensation, and includes the tax benefit from a amortization of goodwill (See Reconciliation of Non-GAAP Measures).

Fourth Quarter 2015 Results

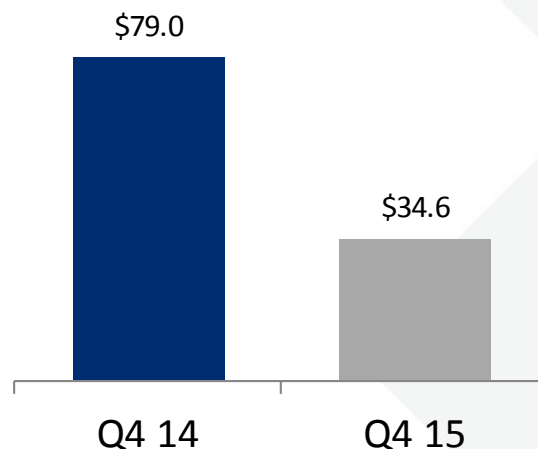


(\$ in millions except EPS amounts)

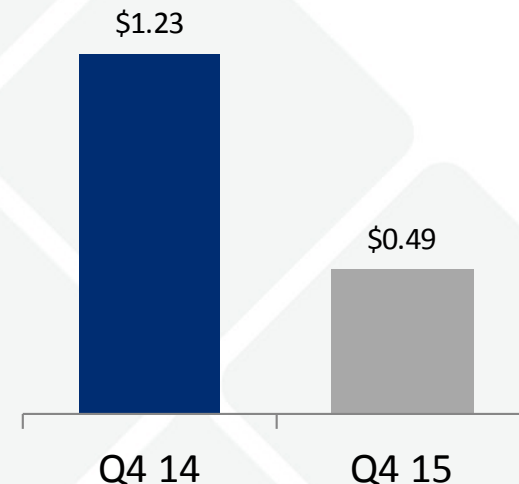
Revenues



Adjusted Operating Earnings¹



Adjusted EPS²



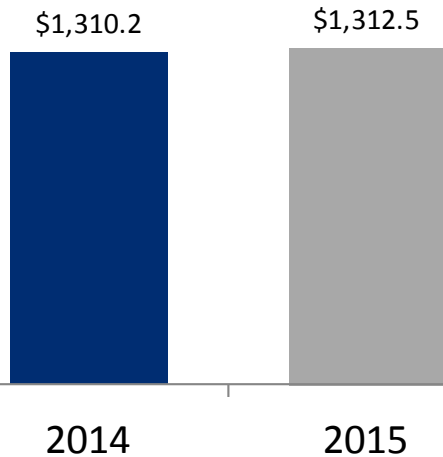
- Fourth quarter revenues declined 18.7%, reflecting a 2.0% constant currency decrease in ASG revenues (3.4% decrease including currency headwinds), and a 57.9% decline in ESG revenues
- Fourth quarter adjusted operating earnings and adjusted EBITDA were primarily driven by a decline in quarterly financial performance in our ESG segment
- Fourth quarter adjusted EPS was \$0.49 per share
- Fourth quarter GAAP net loss and loss per diluted share were \$(10.3) million and \$(0.20) per share, respectively

¹ 2015 and 2014 fourth quarter adjusted operating earnings exclude costs as defined. 2015 and 2014 fourth quarter 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).

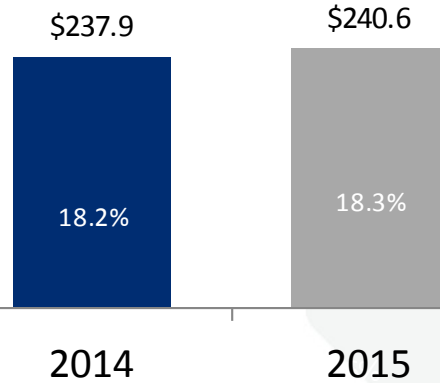
(\$ in millions)

Revenues



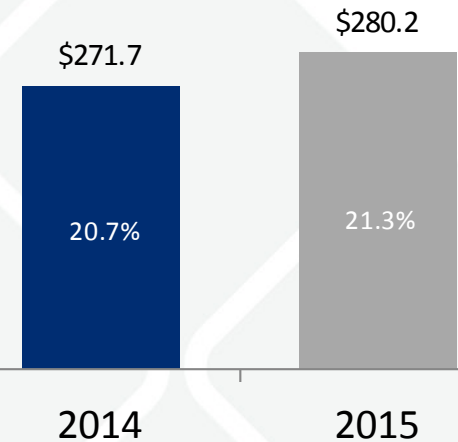
Adjusted Operating Earnings¹

Adjusted Operating Margin %



Adjusted EBITDA²

Adjusted EBITDA Margin %



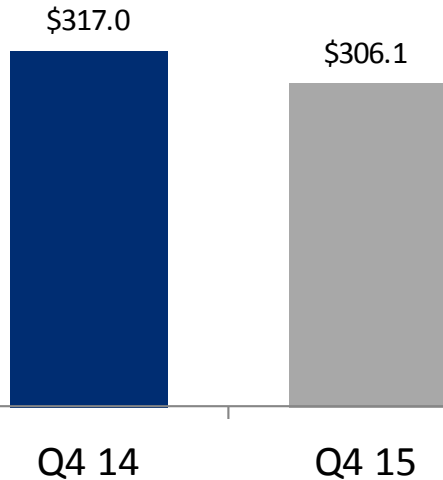
- Full year revenues increased 2.2% on a constant currency basis; revenues including foreign exchange headwinds increased 0.2%
- Full year adjusted operating earnings were \$240.6 million; adjusted operating margin increased 10 bps
- Full year adjusted EBITDA was \$280.2 million or 21.3% of revenues
- Full year GAAP operating earnings and operating margin were \$211.6 million and 16.1%, respectively
- Full year adjusted operating earnings on a pro forma basis increased 120 bps³

¹ 2015 and 2014 full year adjusted operating earnings exclude costs as defined. ² 2015 and 2014 full year adjusted EBITDA excludes costs as defined and non-cash compensation expense (See Reconciliation of Non-GAAP Measures).

³ Pro forma adjustments include ongoing public company costs in both periods as if the spin-off had occurred on January 1, 2014

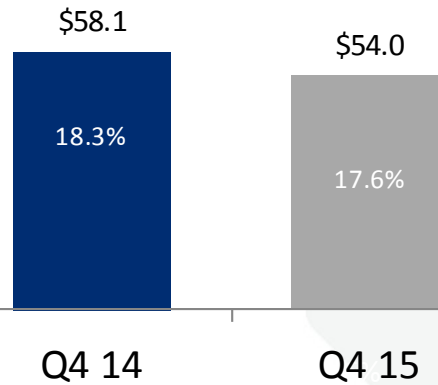
(\$ in millions)

Revenues



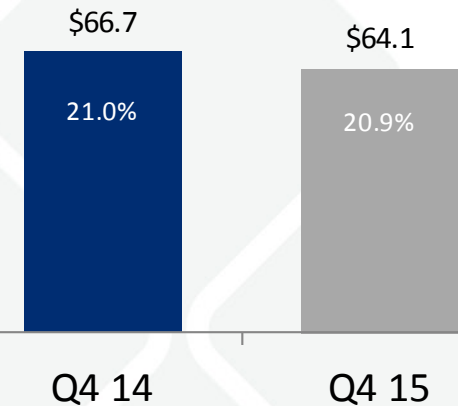
Adjusted Operating Earnings¹

Adjusted Operating Margin %



Adjusted EBITDA²

Adjusted EBITDA Margin %



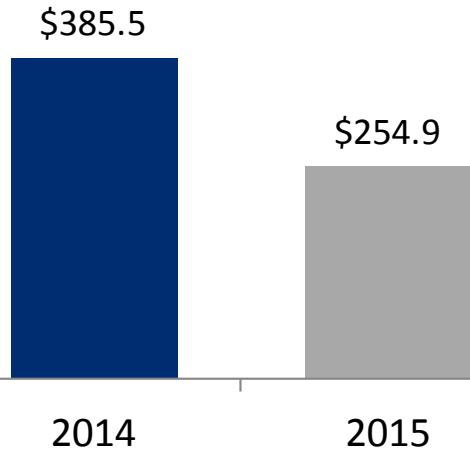
- Fourth quarter revenues decreased 3.4% due to lower demand from our military and business jet customers; on a constant currency basis, ASG revenues decreased 2.0%
- Fourth quarter adjusted operating earnings were \$54.0 million; adjusted operating margin decreased approximately 70 bps to 17.6%
- Fourth quarter adjusted EBITDA was \$64.1 million or 20.9% of sales
- Fourth quarter GAAP operating earnings were \$43.9 million
- Fourth quarter adjusted operating earnings on a pro forma basis increased 30 bps³

¹ 2015 and 2014 fourth quarter adjusted operating earnings exclude costs as defined. ² 2015 and 2014 fourth quarter adjusted EBITDA excludes costs as defined and non-cash compensation expense (See Reconciliation of Non-GAAP Measures).

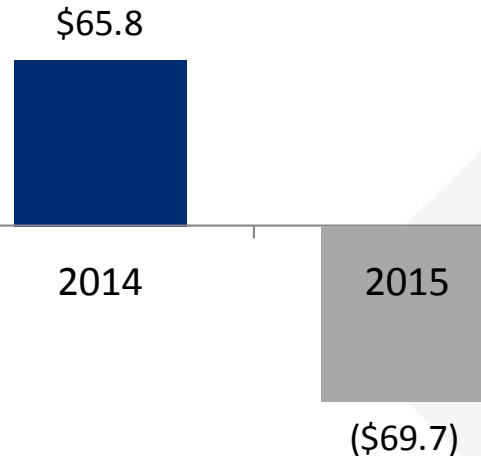
³ Pro forma adjustments include ongoing public company costs in both periods as if the spin-off had occurred on January 1, 2014

(\$ in millions)

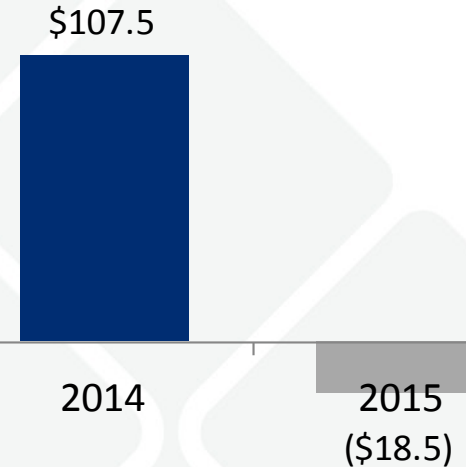
Revenues



Adjusted Operating Earnings (Loss)¹



Adjusted EBITDA²

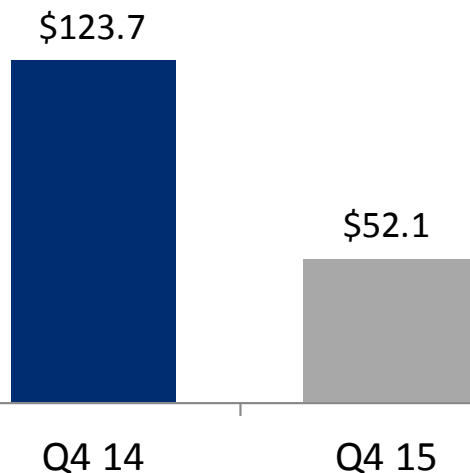


- Full year revenues decreased 33.9% to \$254.9 million, reflecting the approximate 70% decline in oil prices and the approximate 75% reduction in rig count, which has resulted in dramatically lower capex spending by our oil and gas customers
- Full year adjusted operating loss of \$(69.7) million
- Full year adjusted EBITDA loss of \$(18.5) million
- Full year GAAP operating loss, to include the approximate \$640 million pre-tax, non-cash, asset impairment charge, was \$(748.4) million

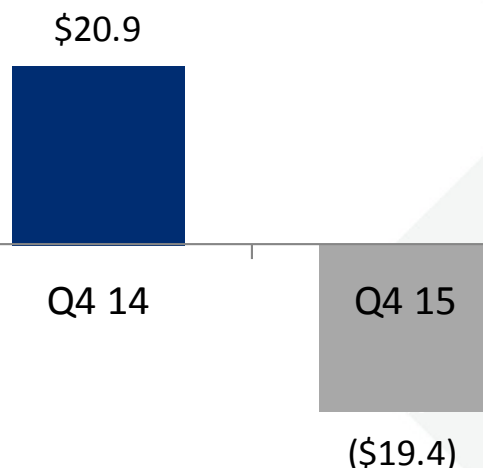
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(\$ in millions)

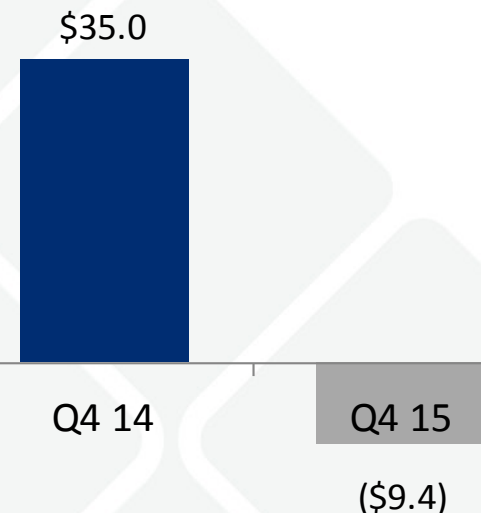
Revenues



Adjusted Operating Earnings (Loss)¹



Adjusted EBITDA²



- Fourth quarter revenues decreased 57.9% to \$52.1 million, reflecting the approximate 70% decline in oil prices and the approximate 75% reduction in rig count, which has resulted in dramatically lower capex spending by our oil and gas customers
- Fourth quarter adjusted operating loss of \$(19.4) million was driven by lower volumes and pricing
- Fourth quarter adjusted EBITDA loss of \$(9.4) million
- Fourth quarter GAAP operating loss, including the fourth quarter cost reduction charge and other costs as defined, was \$(41.7) million

¹ 2015 and 2014 fourth quarter adjusted operating earnings exclude costs as defined. ² 2015 and 2014 adjusted EBITDA excludes costs as defined and non-cash compensation expense (See Reconciliation of Non-GAAP Measures).

CAPITAL ALLOCATION STRATEGY

Share Repurchase

- Share repurchases represent excellent value
- Plan to repurchase up to \$100 million in shares.

Aerospace Solutions Group Acquisitions

- Value additive to existing Aerospace platform
- Near-term accretive

Energy Services Group

- Deeply discounted equipment purchases
- Internal development of differentiated technologies
- Market share expansion while competitors falter

Maintain Sufficient Liquidity

January 31, 2016

(\$ in millions)

Cash	\$ 428
Long-term debt, net of cash	\$ 772
Stockholders' equity	\$ 2,203
Net-debt-to-net-capital ratio	26%

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		YEAR ENDED	
	January 31, 2016	December 31, 2014	January 31, 2016	December 31, 2014
Net (loss) earnings	\$ (10.3)	\$ (32.6)	\$ (385.8)	\$ 88.1
Amortization expense	4.6	8.3	23.7	30.5
Non-cash compensation	4.9	2.1	15.8	7.5
Income taxes	(6.6)	61.2	(228.3)	155.7
Costs as defined*	32.4	47.1	707.7	56.9
Adjusted earnings before tax expense	<u>25.0</u>	<u>86.1</u>	<u>133.1</u>	<u>338.7</u>
Income taxes at normalized rate	9.3	32.0	49.5	126.0
Less: impact of goodwill deduction **	<u>10.0</u>	<u>10.0</u>	<u>40.0</u>	<u>40.0</u>
Adjusted income taxes	(0.7)	22.0	9.5	86.0
Adjusted net earnings	<u>\$ 25.7</u>	<u>\$ 64.1</u>	<u>\$ 123.6</u>	<u>\$ 252.7</u>
Adjusted net earnings per diluted share	<u>\$ 0.49</u>	<u>\$ 1.23</u>	<u>\$ 2.37</u>	<u>\$ 4.83</u>
Diluted weighted average shares	52.3	52.2	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, business repositioning costs including facility consolidations, severance and related items, 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 37.2%

Reconciliation of Non-GAAP Measures



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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2016	December 31, 2014	January 31, 2016	December 31, 2014
Operating (loss) earnings	\$ 2.2	\$ 31.9	\$ (536.8)	\$ 246.8
Costs as defined (1)	32.4	47.1	707.7	56.9
Adjusted operating earnings	34.6	79.0	170.9	303.7
Depreciation and amortization	15.2	20.6	75.0	68.0
Non-cash compensation	4.9	2.1	15.8	7.5
Adjusted EBITDA	\$ 54.7	\$ 101.7	\$ 261.7	\$ 379.2

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2016	December 31, 2014	January 31, 2016	December 31, 2014
ASG operating earnings	\$ 43.9	\$ 17.3	\$ 211.6	\$ 192.0
Costs as defined (1)	10.1	40.8	29.0	45.9
Adjusted ASG operating earnings	54.0	58.1	240.6	237.9
Depreciation and amortization	7.0	7.1	28.1	28.0
Non-cash compensation	3.1	1.5	11.5	5.8
Adjusted EBITDA	\$ 64.1	\$ 66.7	\$ 280.2	\$ 271.7

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2016	December 31, 2014	January 31, 2016	December 31, 2014
ESG operating (loss) earnings	\$ (41.7)	\$ 14.6	\$ (748.4)	\$ 54.8
Costs as defined (1)	22.3	6.3	678.7	11.0
Adjusted ESG operating (loss) earnings	(19.4)	20.9	(69.7)	65.8
Depreciation and amortization	8.2	13.5	46.9	40.0
Non-cash compensation	1.8	0.6	4.3	1.7
Adjusted EBITDA	\$ (9.4)	\$ 35.0	\$ (18.5)	\$ 107.5

(1) Costs and expenses related to one-time post spin-off related activities, \$640.2 of non-cash asset impairment charges at ESG, business repositioning costs including facility consolidations, severance and related items, 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)**

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2016	December 31, 2014	January 31, 2016	December 31, 2014
Net cash flow provided by operating activities	\$ 19.7	\$ (16.6)	\$ 217.2	\$ 107.5
Capital expenditures	(24.1)	(47.5)	(130.5)	(136.8)
Free cash flow	<u>\$ (4.4)</u>	<u>\$ (64.1)</u>	<u>\$ 86.7</u>	<u>\$ (29.3)</u>
Free cash flow per diluted share	<u>\$ (0.08)</u>	<u>\$ (1.23)</u>	<u>\$ 1.66</u>	<u>\$ (0.56)</u>
Diluted weighted average shares	52.3	52.2	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.

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