

KLX

First Quarter 2016

Conference Call

May 23, 2016

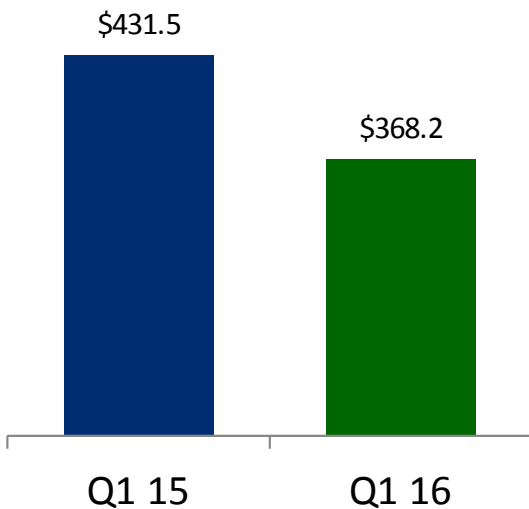


First Quarter 2016 Results

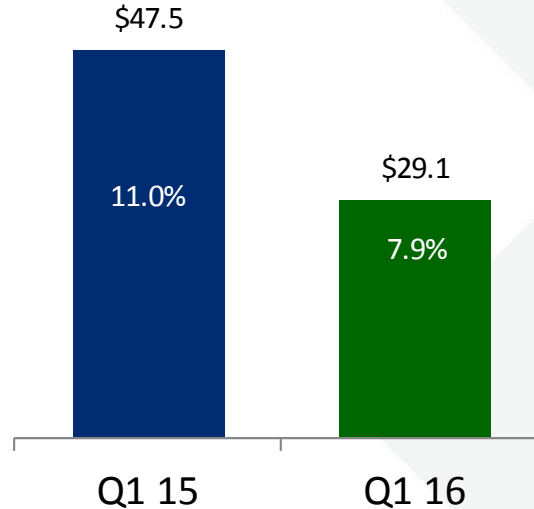


(\$ in millions except EPS amounts)

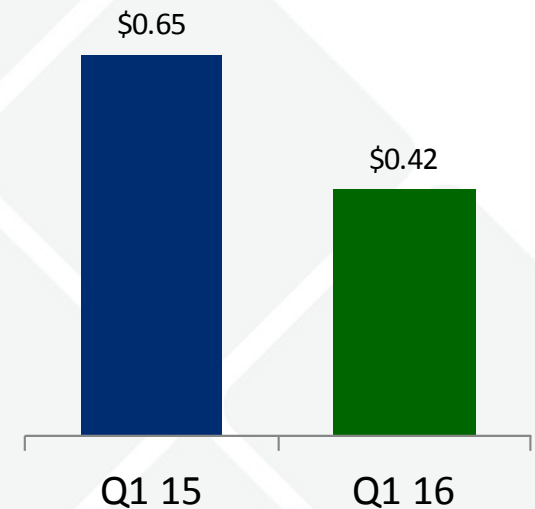
Revenues



Operating Earnings



Adjusted EPS ¹

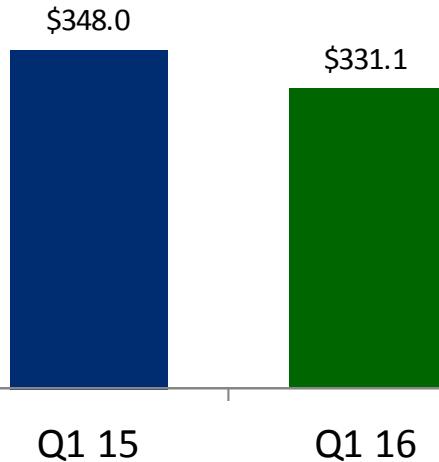


- First quarter revenues declined 14.7%, reflecting a 55.6% decline in ESG revenues, and a 4.9% decrease in ASG revenues
- First quarter operating earnings were primarily driven by a decline in quarterly financial performance in our ESG segment
- First quarter Adjusted EPS was \$0.42 per share
- First quarter GAAP net earnings and earnings per diluted share were \$6.2 million and \$0.12 per share, respectively

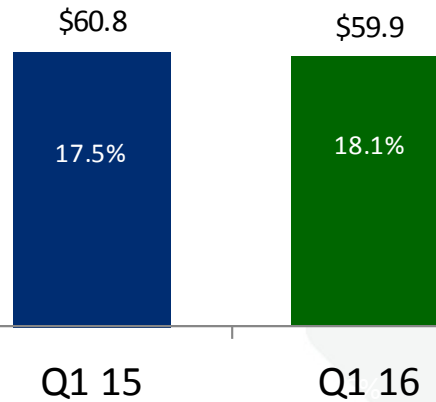
¹ Adjusted EPS excludes amortization, non-cash compensation, and includes the tax benefit from amortization of goodwill (See Reconciliation of Non-GAAP Measures).

(\$ in millions)

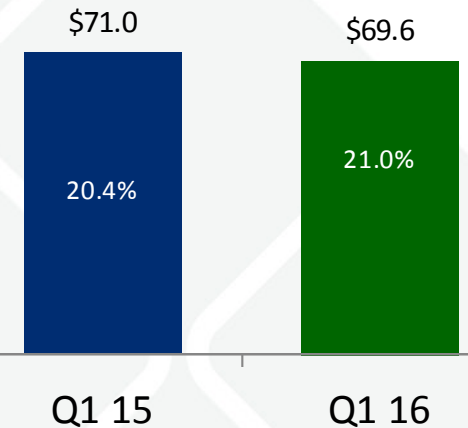
Revenues



Operating Earnings Operating Margin %



EBITDA¹ EBITDA Margin %



- Revenues declined 4.9% due to a 24% decline in sales to our military and business jet customers, and essentially flat activity among our commercial aerospace manufacturing and aftermarket customers. On a sequential quarterly basis, ASG revenues increased 8.2%
- Operating earnings were \$59.9 million; operating margin increased approximately 60 bps to 18.1%
- First quarter EBITDA was \$69.6 million; EBITDA margin expanded by 60 basis points to 21.0%¹

¹ 2016 and 2015 first quarter EBITDA excludes non-cash compensation expense (See Reconciliation of Non-GAAP Measures).

Energy Services Group (ESG)

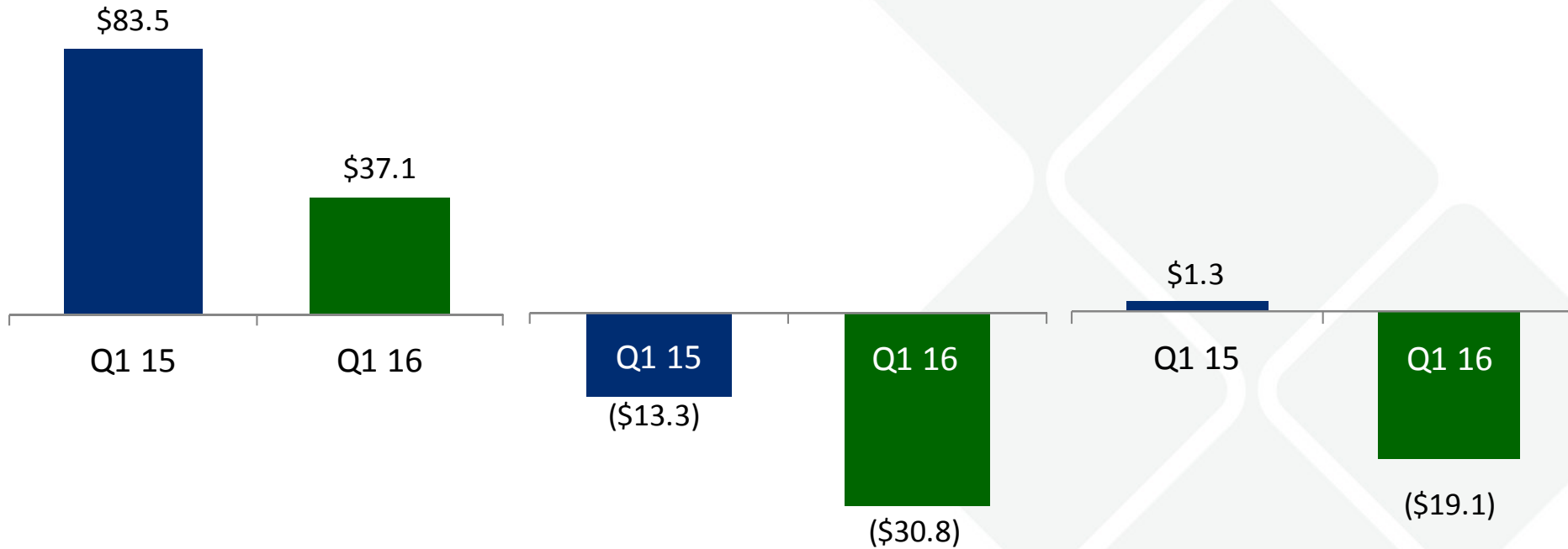


(\$ in millions)

Revenues

Operating Loss

EBITDA (Loss) ¹



- First quarter revenues decreased 55.6% to \$37.1 million, reflecting the dramatically lower capex spending by our oil and gas customers, resulting in the approximate 75% reduction in rig count
- First quarter operating loss of \$(30.8) million was driven by lower volumes and pricing
- First quarter EBITDA loss was \$(19.1) million

¹ First quarter 2016 and 2015 EBITDA excludes non-cash compensation expense (See Reconciliation of Non-GAAP Measures).

	April 30, 2016
	<u>(\$ in millions)</u>
Cash	\$ 449
Long-term debt, net of cash	\$ 751
Stockholders' equity	\$ 2,234
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	
	April 30, 2016	April 30, 2015
Net earnings	\$ 6.2	\$ 17.9
Amortization expense	4.7	6.6
Non-cash compensation	4.8	3.9
Income taxes	4.0	11.0
Adjusted earnings before tax expense	19.7	39.4
Income taxes at normalized rate	7.8	15.6
Less: impact of goodwill deduction *	10.0	10.0
Adjusted income taxes	(2.2)	5.6
Adjusted net earnings	\$ 21.9	\$ 33.8
Adjusted net earnings per diluted share	\$ 0.42	\$ 0.65
Diluted weighted average shares	52.2	52.3

* Tax benefit of goodwill deduction calculated at an assumed benefit of approximately 39.5%

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

	THREE MONTHS ENDED	
	<u>April 30, 2016</u>	<u>April 30, 2015</u>
Operating earnings	\$ 29.1	\$ 47.5
Depreciation and amortization	16.6	20.9
Non-cash compensation	4.8	3.9
Adjusted EBITDA	<u>\$ 50.5</u>	<u>\$ 72.3</u>

RECONCILIATION OF AEROSPACE SOLUTIONS GROUP OPERATING EARNINGS
TO ADJUSTED EBITDA
(In Millions)

	THREE MONTHS ENDED	
	<u>April 30, 2016</u>	<u>April 30, 2015</u>
ASG operating earnings	\$ 59.9	\$ 60.8
Depreciation and amortization	7.0	7.1
Non-cash compensation	2.7	3.1
Adjusted EBITDA	<u>\$ 69.6</u>	<u>\$ 71.0</u>

RECONCILIATION OF ENERGY SERVICES GROUP OPERATING (LOSS) EARNINGS
TO ADJUSTED EBITDA
(In Millions)

	THREE MONTHS ENDED	
	<u>April 30, 2016</u>	<u>April 30, 2015</u>
ESG operating loss	\$ (30.8)	\$ (13.3)
Depreciation and amortization	9.6	13.8
Non-cash compensation	2.1	0.8
Adjusted EBITDA	<u>\$ (19.1)</u>	<u>\$ 1.3</u>

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

	THREE MONTHS ENDED	
	April 30, 2016	April 30, 2015
Net cash flows provided by operating activities	\$ 41.4	\$ 106.6
Capital expenditures	(19.2)	(35.6)
Free cash flow	<u>\$ 22.2</u>	<u>\$ 71.0</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.

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