KLX

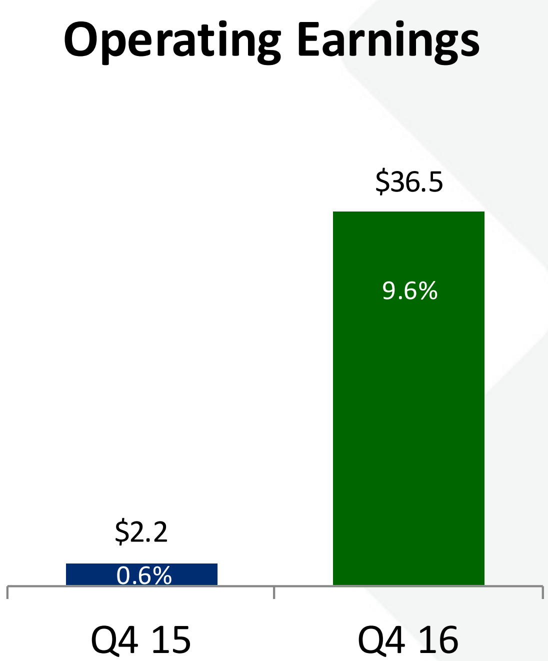
Fourth Quarter 2016

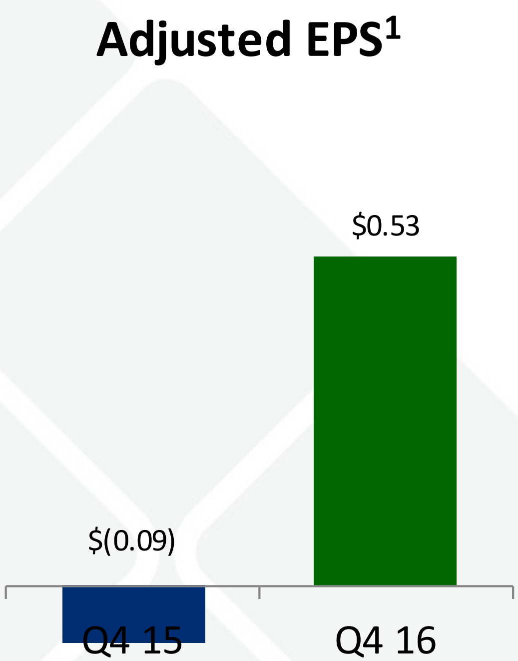
Conference Call

March 7, 2017

Fourth Quarter 2016 Results

($ in millions except EPS amounts)



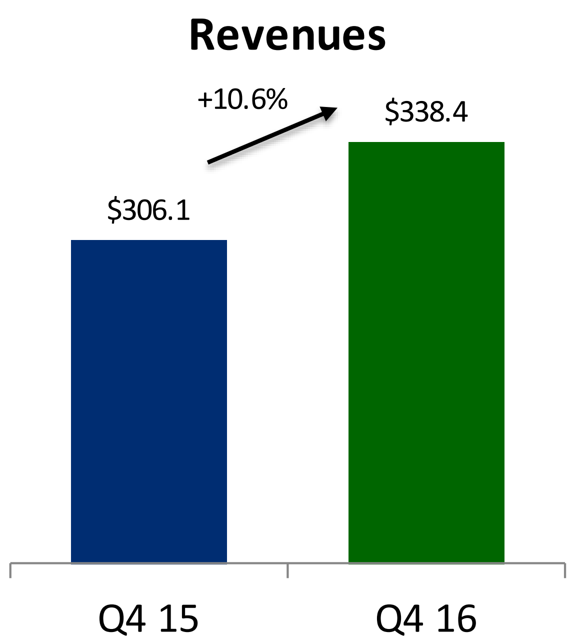


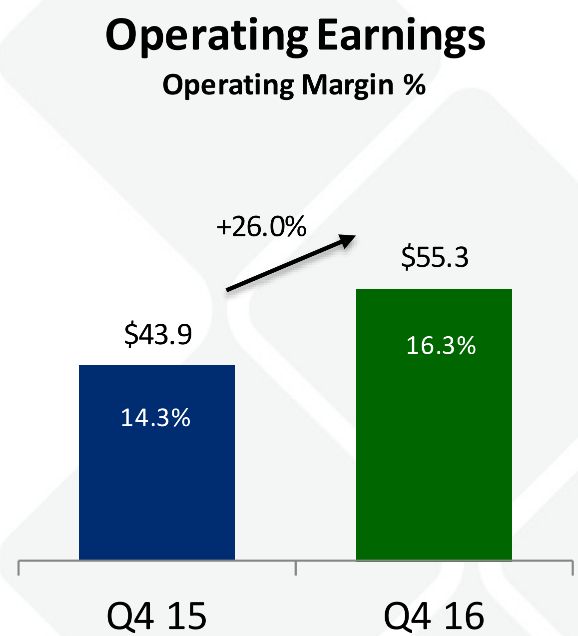
- Fourth quarter revenues increased 6.6%, reflecting a 10.6% increase in ASG revenues, partially offset by 16.3% decrease in ESG revenues
- Fourth quarter operating earnings were primarily driven by a 26.0% increase in operating earnings at ASG and 54.9% improvement in the operating loss at ESG
- Fourth quarter adjusted EPS was $0.53 per share
- Fourth quarter GAAP net earnings and net earnings per diluted share were $19.0 million and $0.36 per share, respectively

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

Aerospace Solutions Group (ASG)

($ in millions)

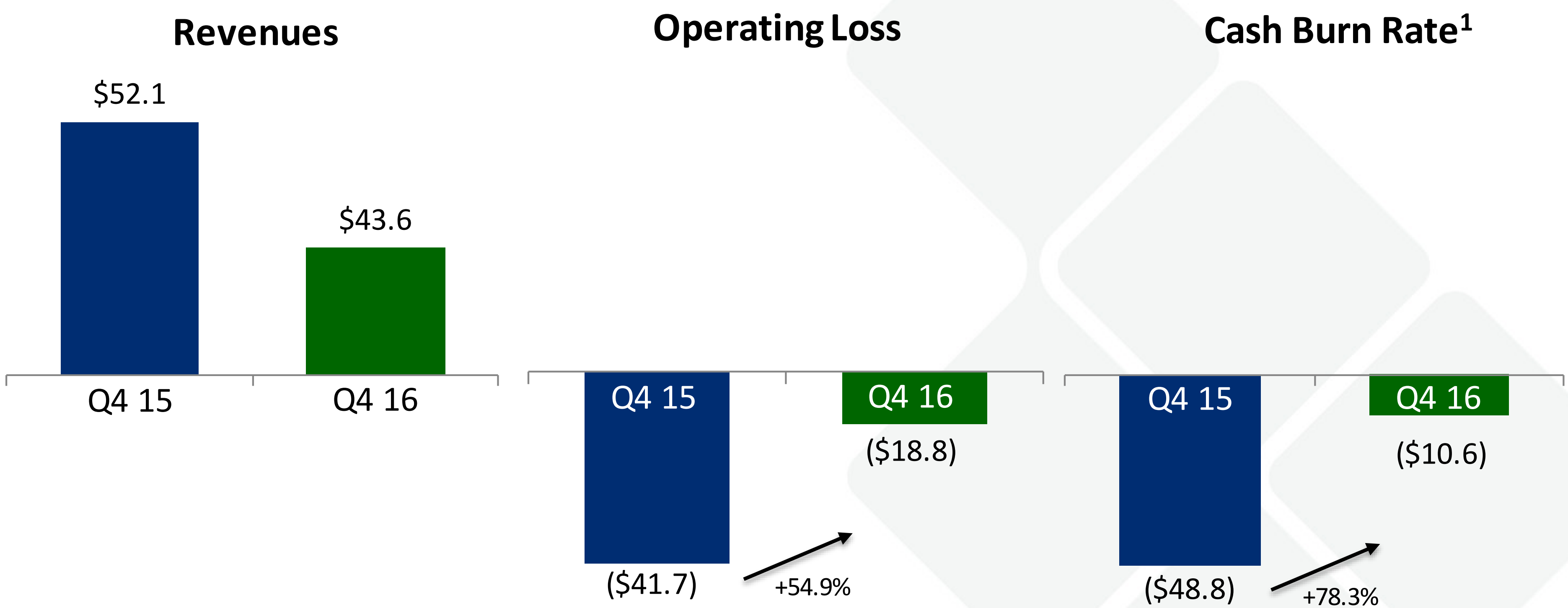




- Fourth quarter revenues increased 10.6% driven by approximately an 18% increase in aftermarket revenues, primarily due to the contribution of the military aftermarket portion of revenues from the recent Herndon acquisition and increased aircraft maintenance activity
- Operating margin of 16.3% was negatively impacted by the margin dilutive impact of the Herndon acquisition and operating earnings of $55.3 million were negatively impacted by approximately $1 million of integration related costs and expenses

Energy Services Group (ESG)

($ in millions)

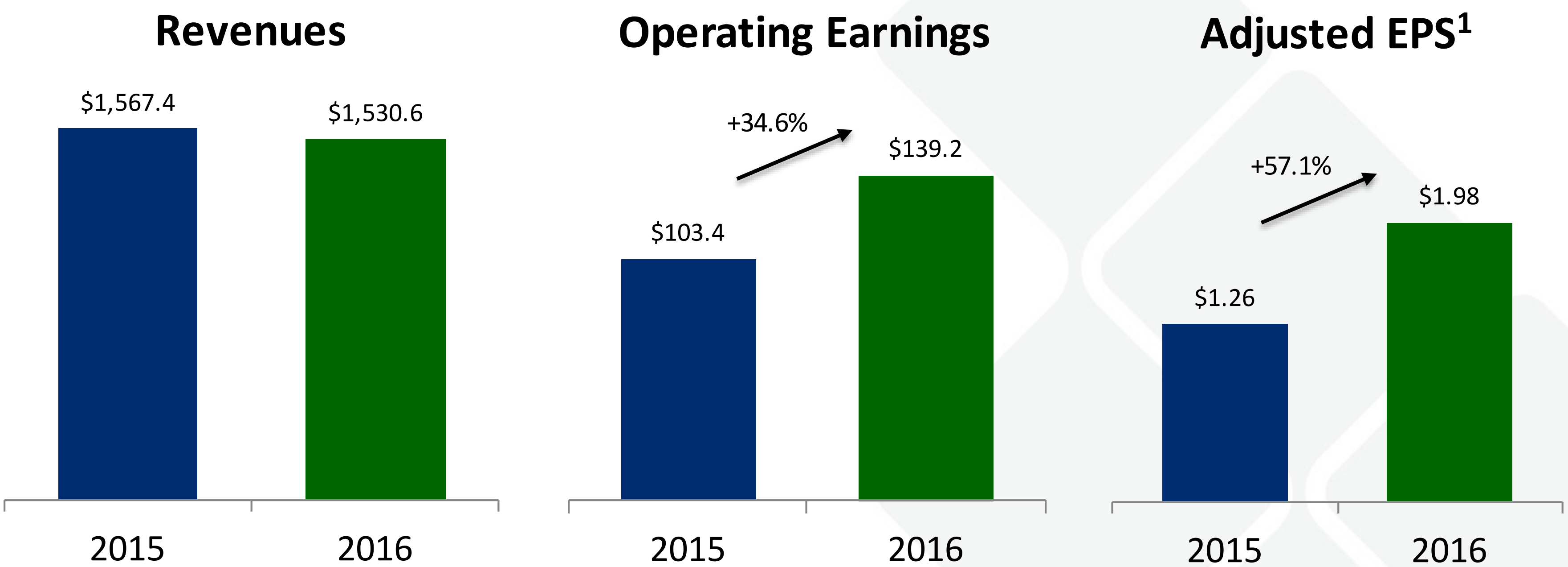


- Revenues decreased 16.3% as compared to the fourth quarter of 2015, but increased 8.5% sequentially
- Operating loss improved by $22.9 million or 54.9% as compared to the prior year
- Cash burn rate improved by $38.2 million or 78.3% as compared to the prior year

[1] Cash burn rate defined as EBITDA, adjusted to exclude non-cash compensation expense, less capital expenditures (See Reconciliation of Non-GAAP Measures)

Full Year 2016 Results

($ in millions except EPS amounts)

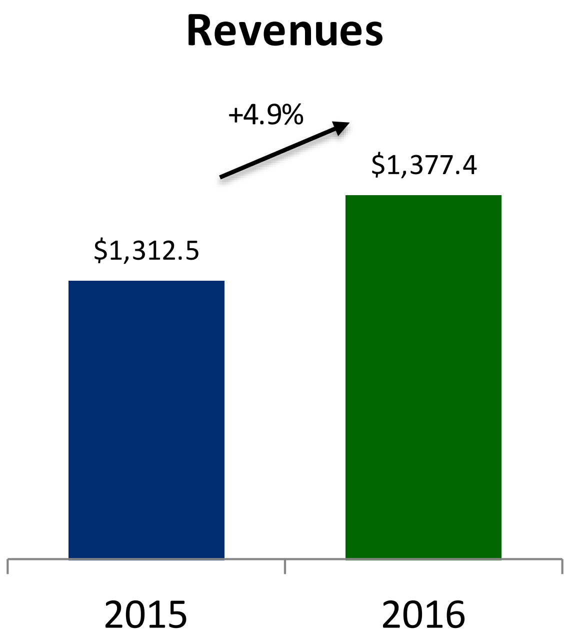


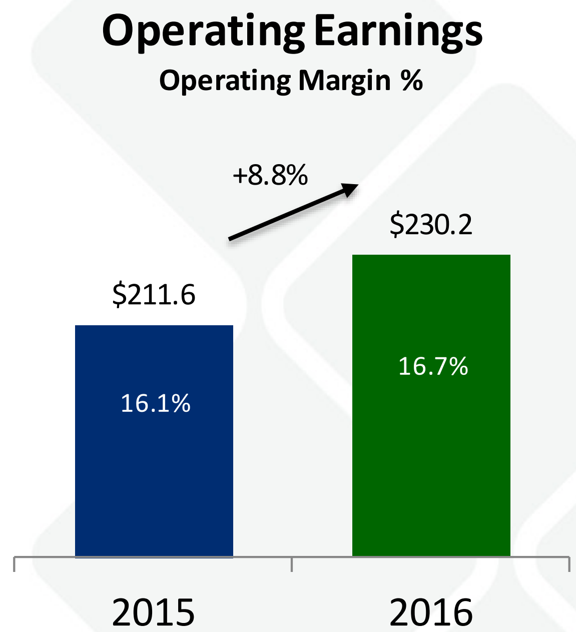
- Full year revenues declined 2.3%, reflecting a 4.9% increase in ASG revenues, offset by a 39.9% decline in ESG revenues
- Full year operating earnings of $139.2 million increased $35.8 million or 34.6%, compared to the prior year
- Full year adjusted EPS was $1.98 per share, an increase of 57.1% compared to the prior year
- GAAP net earnings and EPS, increased $440.4 million and $8.44 per diluted share, respectively

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

Aerospace Solutions Group (ASG)

($ in millions)

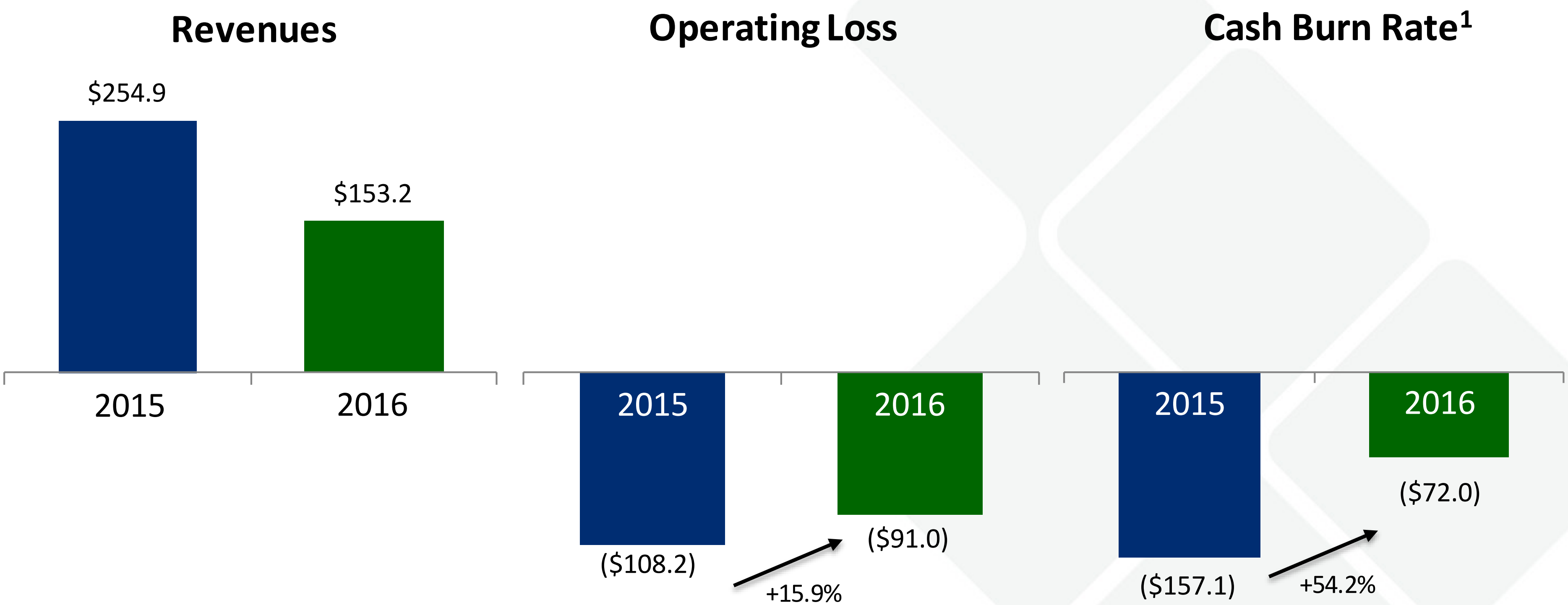




- Full year revenues increased 4.9% to $1.4 billion, primarily due to the contribution of the military aftermarket portion of revenues from the recent Herndon acquisition and increased aircraft maintenance activity
- Operating earnings of $230.2 million increased 8.8% and were negatively impacted by the margin dilutive impact of the Herndon acquisition and approximately $6 million of integration related costs and expenses

Energy Services Group (ESG)

($ in millions)



- Revenues decreased 39.9% to $153.2 million as compared to the prior year
- Operating loss improved by $17.2 million or 15.9% as compared to the prior year
- Cash burn rate improved by $85.1 million or 54.2% as compared to the prior year

[1] Cash burn rate defined as EBITDA, adjusted to exclude non-cash compensation expense, less capital expenditures (See Reconciliation of Non-GAAP Measures)

Financial Position

	January 31, 2017
	($ in millions)
Cash	**$ 277**
Long-term debt, net of cash	**$ 923**
Stockholders' equity	**$ 2,228**
Net-debt-to-net-capital ratio	**29%**

No debt maturities until 2022;
$750 million undrawn revolver

Outlook

- Revenues are expected to increase approximately 10%
- Operating earnings are expected to increase approximately 45%
- 2017 earnings, before income taxes, are expected to more than double
- Adjusted Net Earnings are expected to increase approximately 40%
- Free cash flow conversion ratio is expected to be approximately 230% of net earnings and 125% of Adjusted Net Earnings
- ASG revenues are expected to increase by a mid-single digit percentage, reflecting slower growth in the first half of the year, followed by an acceleration in growth in the second half of the year, as new programs won during 2016 begin to materially contribute to the growth rate
- ESG revenues are expected to increase approximately 30%
- ESG EBITDA is expected to reach breakeven on a quarterly basis in the third or fourth quarter of 2017

Reconciliation of Non-GAAP Measures

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2017	**January 31, 2016**	**January 31, 2017**	**January 31, 2016**
Net earnings (loss)	$ 19.0	$ (10.3)	$ 54.6	$ (385.8)
Amortization expense	4.9	4.6	19.6	23.7
Non-cash compensation	5.5	4.9	20.2	15.8
Income taxes	(1.5)	(6.6)	8.8	(228.3)
Asset impairment	-	-	-	640.2
Adjusted earnings (loss) before tax expense	27.9	(7.4)	103.2	65.6
Income taxes at normalized rate *	3.9	(2.8)	14.3	24.4
Less: impact of goodwill deduction *	3.6	-	14.3	24.4
Adjusted income taxes	0.3	(2.8)	-	-
Adjusted net earnings (loss)	$ 27.6	$ (4.6)	$ 103.2	$ 65.6
Adjusted net earnings (loss) per diluted share	$ 0.53	$ (0.09)	$ 1.98	$ 1.26
Diluted weighted average shares	52.2	52.3	52.2	52.2

* For purposes of this calculation, tax benefit of goodwill deduction is limited to income taxes at the normalized rate.

Reconciliation of Non-GAAP Measures

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2017	January 31, 2016	January 31, 2017	January 31, 2016
Operating earnings (loss)	$ 36.5	$ 2.2	$ 139.2	$ (536.8)
Asset impairment	-	-	-	640.2
Adjusted operating earnings	$ 36.5	$ 2.2	$ 139.2	$ 103.4

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2017	January 31, 2016	January 31, 2017	January 31, 2016
ESG operating loss	$ (18.8)	$ (41.7)	$ (91.0)	$ (748.4)
Asset impairment	-	-	-	640.2
Adjusted ESG operating loss	$ (18.8)	$ (41.7)	$ (91.0)	$ (108.2)

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2017	January 31, 2016	January 31, 2017	January 31, 2016
Net cash flow provided by operating activities	$ 13.8	$ 19.7	$ 152.9	$ 217.2
Capital expenditures	(3.6)	(24.1)	(37.5)	(130.5)
Free cash flow	$ 10.2	$ (4.4)	$ 115.4	$ 86.7

Reconciliation of Non-GAAP Measures

ENERGY SERVICES GROUP
RECONCILIATION OF OPERATING LOSS
TO CASH BURN RATE
(In Millions)

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2017	January 31, 2016	January 31, 2017	January 31, 2016
Operating loss	$ (18.8)	$ (41.7)	$ (91.0)	$ (748.4)
Asset impairment	-	-	-	640.2
Adjusted operating loss	(18.8)	(41.7)	(91.0)	(108.2)
Depreciation and amortization	8.7	8.2	36.5	46.9
Non-cash compensation	2.5	1.8	9.0	4.3
Adjusted EBITDA (loss)	(7.6)	(31.7)	(45.5)	(57.0)
Capital expenditures	(3.0)	(17.1)	(26.5)	(100.1)
Cash burn rate	$ (10.6)	$ (48.8)	$ (72.0)	$ (157.1)

KLX: Safe Harbor Statement

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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