

# KLX

First Quarter 2017

Conference Call

May 24, 2017

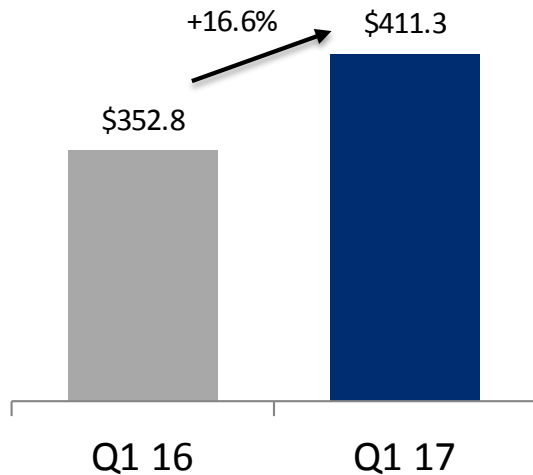


# First Quarter 2017 Results

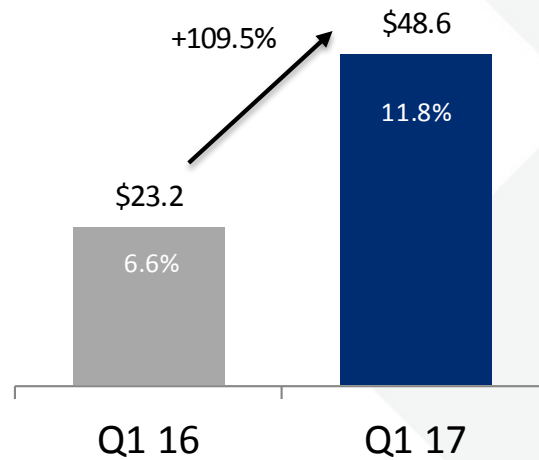


(\$ in millions except EPS amounts)

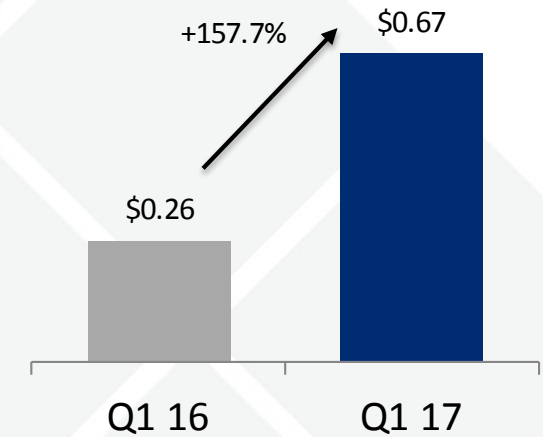
## Revenues



## Operating Earnings



## Adjusted EPS<sup>1</sup>

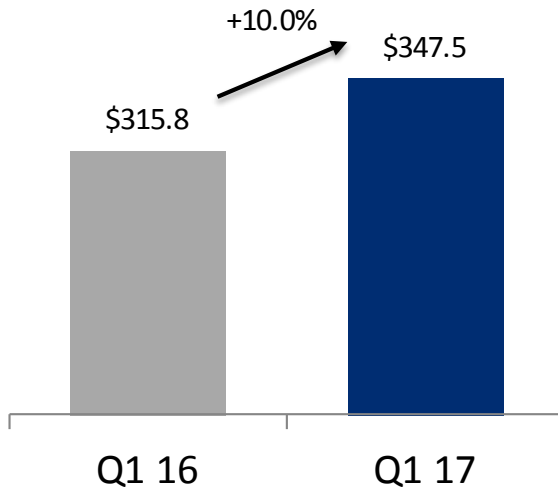


- First quarter revenues increased 16.6%, reflecting a 10.0% increase in ASG revenues, and a 72.4% increase in ESG revenues
- First quarter operating earnings of \$48.6 million were primarily driven by an 8.5% increase in operating earnings at ASG and a 67.3% reduction in operating loss at ESG
- First quarter Adjusted EPS was \$0.67 per diluted share
- First quarter GAAP net earnings and net earnings per diluted share were \$18.4 million and \$0.36 per diluted share, respectively

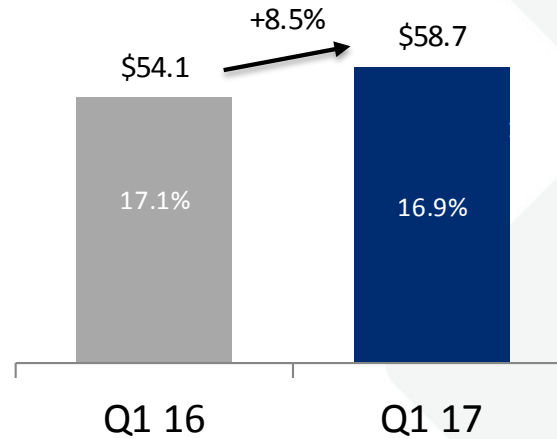
<sup>1</sup> Adjusted EPS excludes a amortization and non-cash compensation, and includes the tax benefit from a amortization of goodwill (See Reconciliation of Non-GAAP Measures).

(\$ in millions)

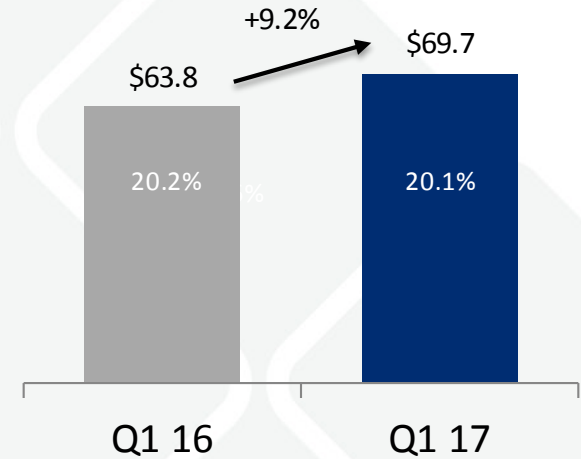
## Revenues



## Operating Earnings Operating Margin %



## EBITDA<sup>1</sup> EBITDA Margin %



- First quarter revenues increased 10.0%, driven primarily by an increase in military aftermarket demand
- Operating earnings of \$58.7 million were up 8.5%
- Operating margin of 16.9% declined by approximately 20 basis points, reflecting the lower, but improving margins associated with the Herndon business, along with integration related expenses

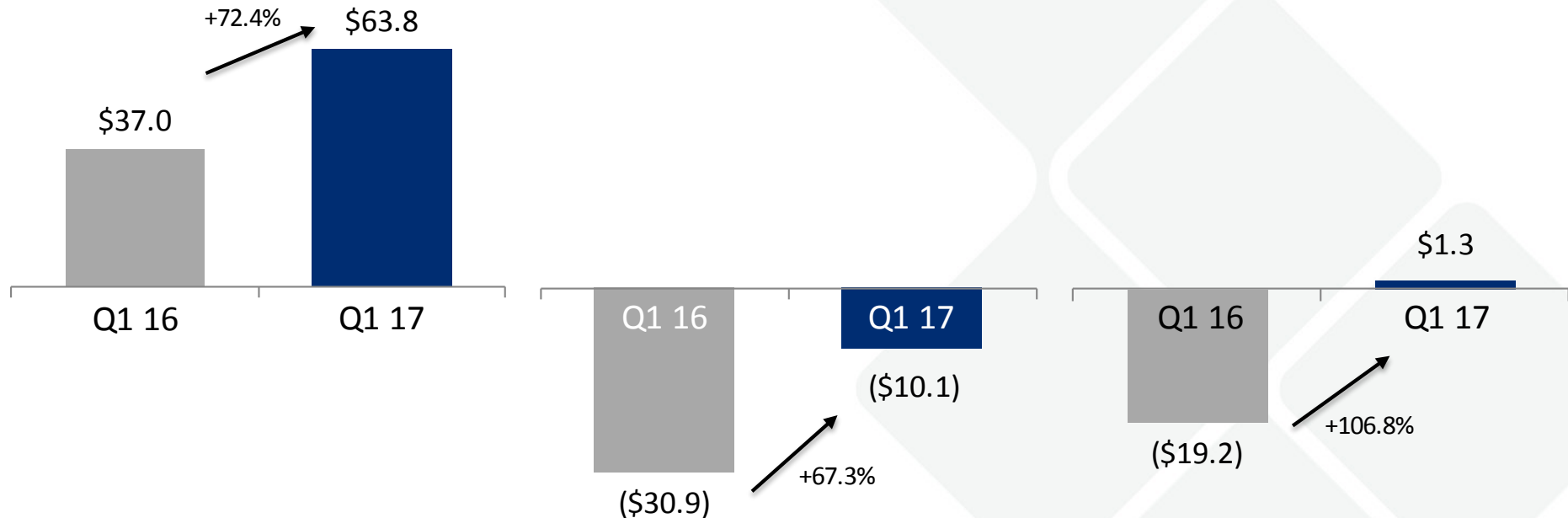
<sup>1</sup> EBITDA, adjusted to exclude non-cash compensation expense (See Reconciliation of Non-GAAP Measures)

(\$ in millions)

## Revenues

## Operating Loss

## EBITDA (Loss)<sup>1</sup>



- First quarter revenues increased 72.4% as compared to the same period in the prior year and increased 46.3%, as compared to the fourth quarter of 2016
- Operating loss decreased by \$20.8 million or 67.3% to \$(10.1) million, as compared to same period in the prior year
- EBITDA<sup>1</sup> improved by \$20.5 million to \$1.3 million, as compared to the same period in the prior year

<sup>1</sup> EBITDA, adjusted to exclude non-cash compensation expense (See Reconciliation of Non-GAAP Measures)

	<b>April 30, 2017</b>
	<u>(\$ in millions)</u>
<b>Cash</b>	<b>\$ 269</b>
<b>Long-term debt, net of cash</b>	<b>\$ 931</b>
<b>Stockholders' equity</b>	<b>\$ 2,237</b>
<b>Net-debt-to-net-capital ratio</b>	<b>29%</b>

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

- 2017 revenues are expected to increase approximately 17% to \$1.75 billion
- Operating earnings are expected to increase approximately 72% to \$222 million
- Adjusted Net Earnings are expected to increase approximately 68% to \$157 million
- Adjusted Net Earnings per share is expected to increase approximately 68% to \$3.00 per diluted share
- ASG revenues are expected to increase by a high-single digit percentage, reflecting slower organic 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 by more than 70%
- ESG operating earnings are expected to reach breakeven on a quarterly basis in the third or fourth quarter of 2017

**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>April 30, 2017</b>	<b>April 30, 2016</b>
Net earnings	\$ 18.4	\$ 2.5
Amortization expense	4.8	4.7
Non-cash compensation	5.9	4.8
Income taxes	11.2	1.8
Adjusted earnings before tax expense	40.3	13.8
Income taxes at normalized rate	15.2	5.8
Less: impact of goodwill deduction *	9.7	5.8
Adjusted income taxes	5.5	-
Adjusted net earnings	\$ 34.8	\$ 13.8
Adjusted net earnings per diluted share	\$ 0.67	\$ 0.26
 Diluted weighted average shares	51.8	52.2

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

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

	<b>THREE MONTHS ENDED</b>	
	<b>April 30, 2017</b>	<b>April 30, 2016</b>
Operating earnings	\$ 48.6	\$ 23.2
Depreciation and amortization	16.5	16.6
Non-cash compensation	5.9	4.8
Adjusted EBITDA	\$ 71.0	\$ 44.6

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

	<b>THREE MONTHS ENDED</b>	
	<b>April 30, 2017</b>	<b>April 30, 2016</b>
ASG operating earnings	\$ 58.7	\$ 54.1
Depreciation and amortization	7.9	7.0
Non-cash compensation	3.1	2.7
Adjusted EBITDA	\$ 69.7	\$ 63.8

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

	<b>THREE MONTHS ENDED</b>	
	<b>April 30, 2017</b>	<b>April 30, 2016</b>
ESG operating loss	\$ (10.1)	\$ (30.9)
Depreciation and amortization	8.6	9.6
Non-cash compensation	2.8	2.1
Adjusted EBITDA (loss)	\$ 1.3	\$ (19.2)



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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