

KLX

Third Quarter 2017

Conference Call

December 6, 2017



Third Quarter 2017 Results

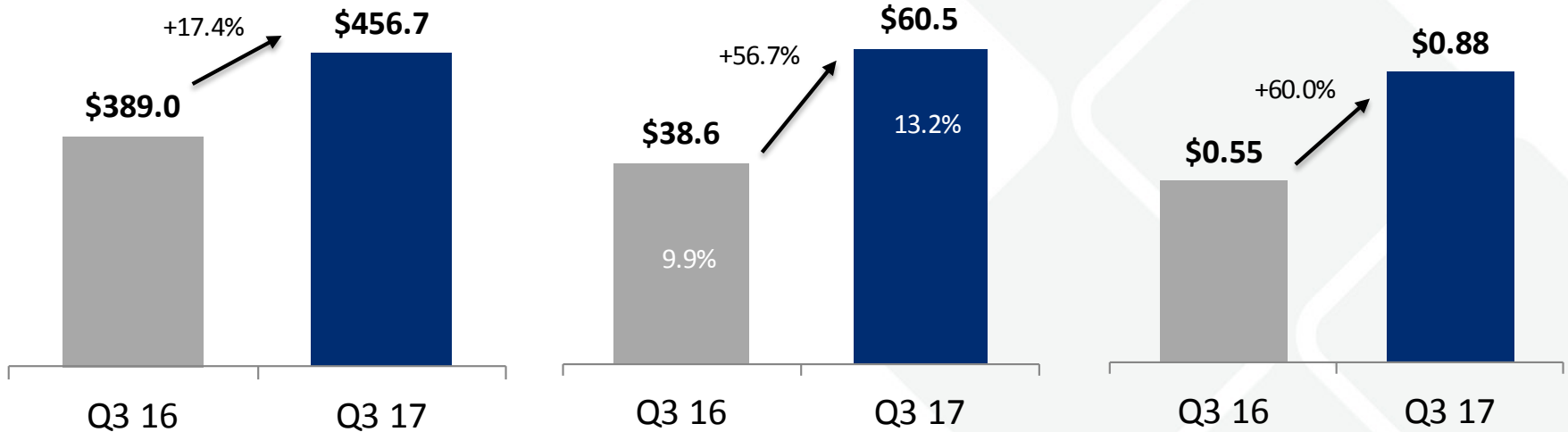


(\$ in millions except EPS amounts)

Revenues

Operating Earnings

Adjusted EPS¹

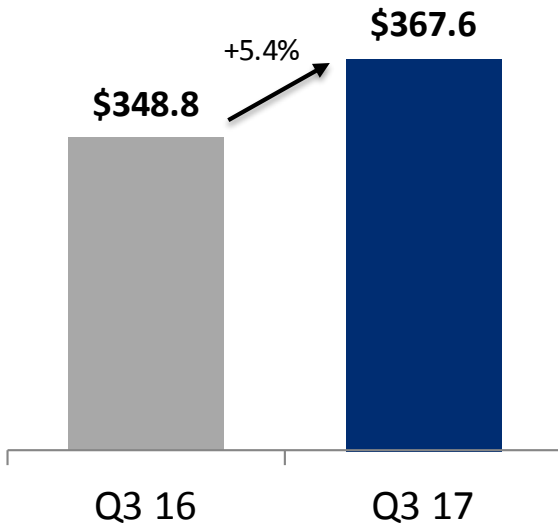


- Third quarter revenues increased 17.4%, reflecting a 5.4% increase in ASG revenues, and a 121.6% increase in ESG revenues
- Third quarter operating earnings of \$60.5 million were driven by a 10.4% increase in operating earnings at ASG and a 89.4% improvement at ESG
- Third quarter Adjusted EPS of \$0.88 per diluted share increased 60.0%

¹ 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).

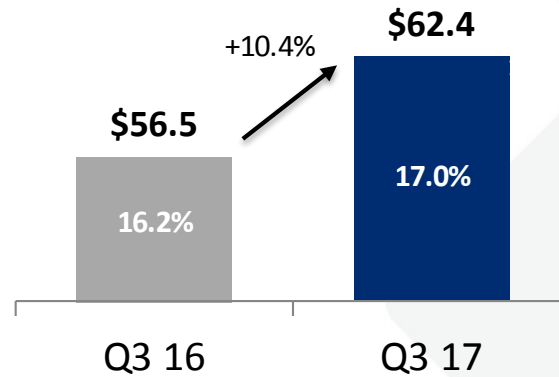
(\$ in millions)

Revenues



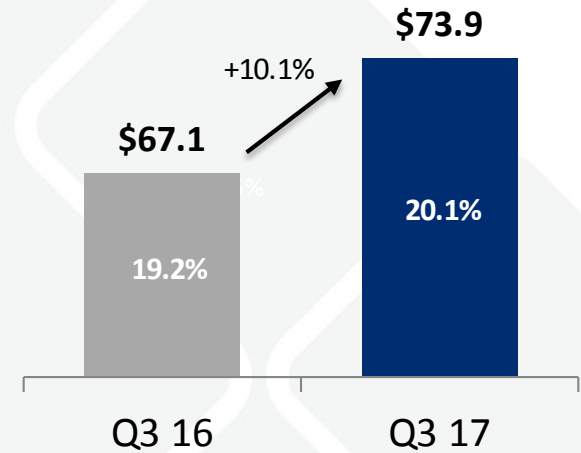
Operating Earnings

Operating Margin %



EBITDA¹

EBITDA Margin %



- Third quarter revenues increased 5.4%, driven by a mid-single digit percentage increase in commercial aerospace manufacturing revenues, partially offset by a decrease in business jet manufacturing demand. Aftermarket revenues were up 3.6%
- Operating earnings of \$62.4 million were up 10.4%
- Operating margin of 17.0% expanded approximately 80 basis points
- EBITDA¹ of \$73.9 million was 20.1% of revenues and increased 10.1%

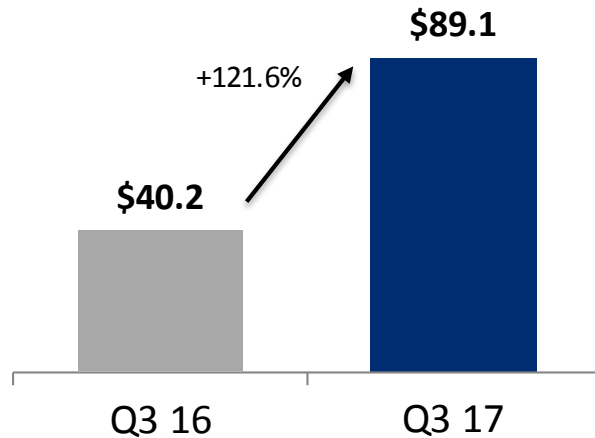
¹ EBITDA, adjusted to exclude non-cash compensation expense (See Reconciliation of Non-GAAP Measures)

Energy Services Group (ESG)

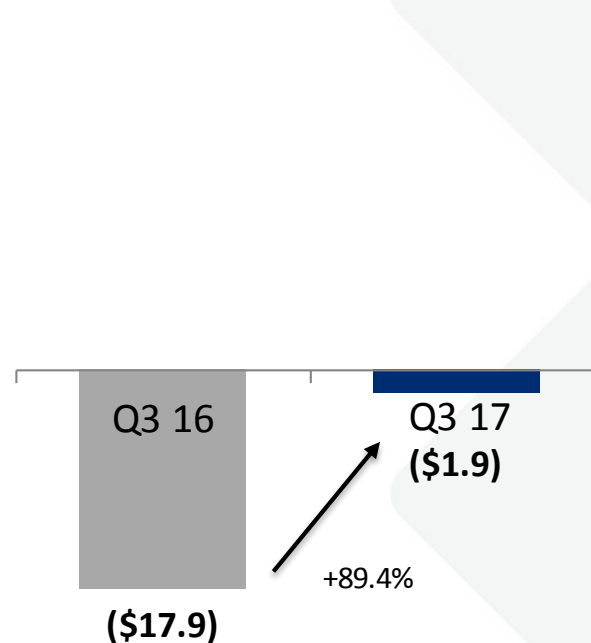


(\$ in millions)

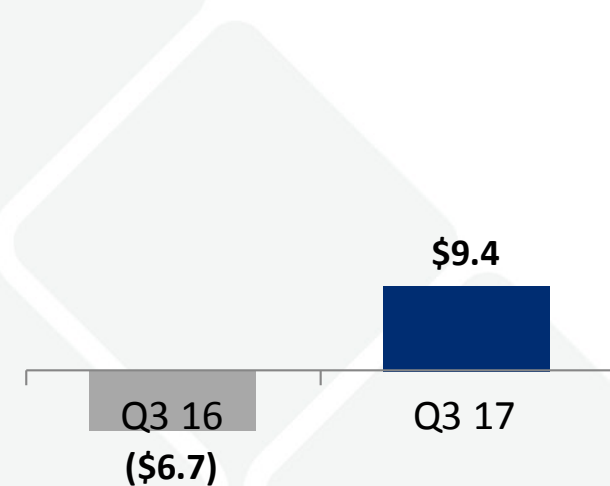
Revenues



Operating Loss



EBITDA¹



- Third quarter revenues increased 121.6% as compared to the same period in the prior year, and increased 21.2% as compared to the second quarter of 2017
- Operating loss decreased by \$16.0 million or 89.4% to \$(1.9) million as compared to same period in the prior year, and increased 75.6% as compared to the second quarter of 2017
- EBITDA¹ improved by \$16.1 million to \$9.4 million as compared to the same period in the prior year, and increased 147.4% as compared to the second quarter of 2017

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

	October 31, 2017
	<u>(\$ in millions)</u>
Cash	\$ 288
Long-term debt, net of cash	\$ 912
Stockholders' equity	\$ 2,258
Net-debt-to-net-capital ratio	29%

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

- 2017 revenues are expected to increase approximately 17% to approximately \$1.75 billion
- Operating earnings are expected to increase approximately 72% to approximately \$222 million
- Adjusted Net Earnings are expected to increase approximately 70% to approximately \$159 million
- Adjusted Net Earnings per share is expected to increase approximately 70% to approximately \$3.10 per diluted share

- 2018 revenues are expected to increase approximately 10% to approximately \$1.95 billion
- Operating earnings are expected to increase approximately 30% to approximately \$290 million
- Adjusted EBITDA is expected to increase approximately 23% to approximately \$385 million
- Adjusted Net Earnings are expected to increase approximately 23% to approximately \$194 million
- Adjusted Net Earnings per diluted share is expected to increase approximately 23% to approximately \$3.80 per diluted share
- ASG revenues are expected to increase by a approximately 5% to approximately \$1.5 billion, as new program wins and market share gains contribute to the growth rate
- ESG revenues are expected to increase by approximately 40% to approximately \$450 million

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2017	October 31, 2016	October 31, 2017	October 31, 2016
Net earnings	\$ 25.8	\$ 19.8	\$ 64.9	\$ 30.3
Amortization expense	4.9	4.8	14.5	14.7
Non-cash compensation	6.3	4.9	19.3	14.7
Income taxes	15.7	-	39.5	7.1
Adjusted earnings before tax expense	52.7	29.5	138.2	66.8
Income taxes at the current effective tax rate	19.9	5.6	52.2	12.7
Less: impact of goodwill deduction *	12.1	4.9	31.5	12.7
Adjusted income taxes	7.8	0.7	20.7	-
Adjusted net earnings	\$ 44.9	\$ 28.8	\$ 117.5	\$ 66.8
Adjusted net earnings per diluted share	\$ 0.88	\$ 0.55	\$ 2.28	\$ 1.28
Diluted weighted average shares	51.0	52.2	51.5	52.2

* For purposes of this calculation, tax benefit of goodwill deduction is limited to income tax at current effective rate

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2017	October 31, 2016	October 31, 2017	October 31, 2016
Operating earnings	\$ 60.5	\$ 38.6	\$ 161.4	\$ 94.2
Depreciation and amortization	16.5	16.9	49.5	50.6
Non-cash compensation	6.3	4.9	19.3	14.7
Adjusted EBITDA	\$ 83.3	\$ 60.4	\$ 230.2	\$ 159.5

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2017	October 31, 2016	October 31, 2017	October 31, 2016
ASG operating earnings	\$ 62.4	\$ 56.5	\$ 181.2	\$ 166.5
Depreciation and amortization	8.0	7.9	23.8	22.8
Non-cash compensation	3.5	2.7	10.7	8.2
Adjusted EBITDA	\$ 73.9	\$ 67.1	\$ 215.7	\$ 197.5

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2017	October 31, 2016	October 31, 2017	October 31, 2016
ESG operating loss	\$ (1.9)	\$ (17.9)	\$ (19.8)	\$ (72.3)
Depreciation and amortization	8.5	9.0	25.7	27.8
Non-cash compensation	2.8	2.2	8.6	6.5
Adjusted EBITDA (loss)	\$ 9.4	\$ (6.7)	\$ 14.5	\$ (38.0)

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31, 2017	October 31, 2016	October 31, 2017	October 31, 2016
Net cash flow provided by operating activities	\$ 87.2	\$ 61.7	\$ 140.5	\$ 139.1
Capital expenditures	(25.0)	(8.6)	(57.6)	(33.9)
Free cash flow	\$ 62.2	\$ 53.1	\$ 82.9	\$ 105.2

KLX INC.
RECONCILIATION OF 2017 OUTLOOK; NET EARNINGS
TO ADJUSTED NET EARNINGS AND ADJUSTED NET EARNINGS PER DILUTED SHARE
(In Millions, Except Per Share Data)

	2017 Outlook (Approximate Amounts)
Net earnings	\$ 88
Amortization expense	19
Non-cash compensation	26
Income taxes	55
Adjusted earnings before tax expense	188
Income taxes at the current effective tax rate	71
Less: impact of goodwill deduction *	42
Adjusted income taxes	29
Adjusted net earnings	\$ 159
Adjusted net earnings per diluted share	\$ 3.10
Diluted weighted average shares	51.2

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

KLX INC.
RECONCILIATION OF 2018 OUTLOOK; NET EARNINGS
TO ADJUSTED NET EARNINGS AND ADJUSTED NET EARNINGS PER DILUTED SHARE
(In Millions, Except Per Share Data)

	2018 Outlook (Approximate Amounts)
Net earnings	\$ 115
Amortization expense	19
Non-cash compensation	21
Income taxes	70
New facility transition costs	20
Adjusted earnings before tax expense	245
Income taxes at the current effective tax rate	93
Less: impact of goodwill deduction *	42
Adjusted income taxes	51
Adjusted net earnings	\$ 194
Adjusted net earnings per diluted share	\$ 3.80
Diluted weighted average shares	51.2

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

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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