KLX

Fourth Quarter 2017

Conference Call

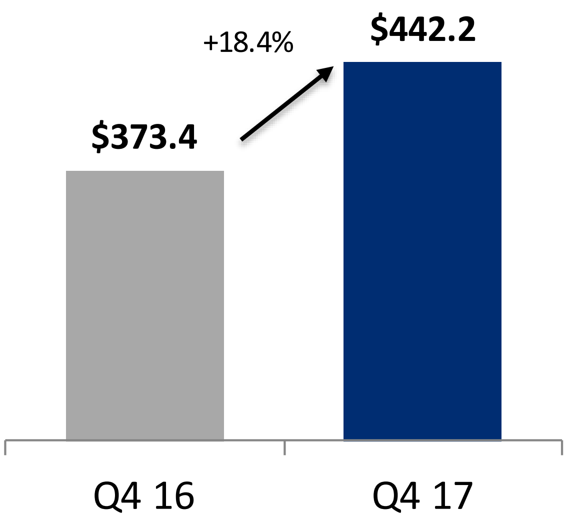
March 6, 2018

KLX

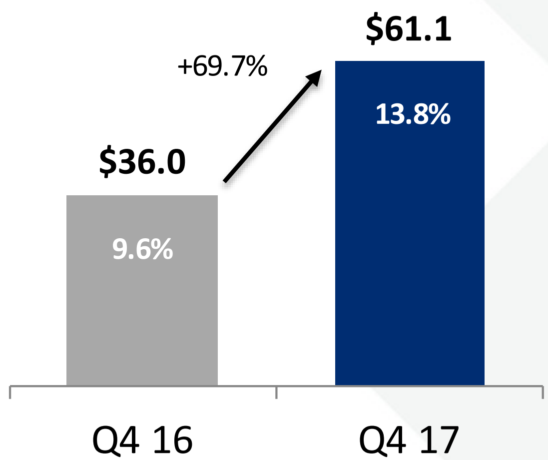
Fourth Quarter 2017 Results

($ in millions except EPS amounts)

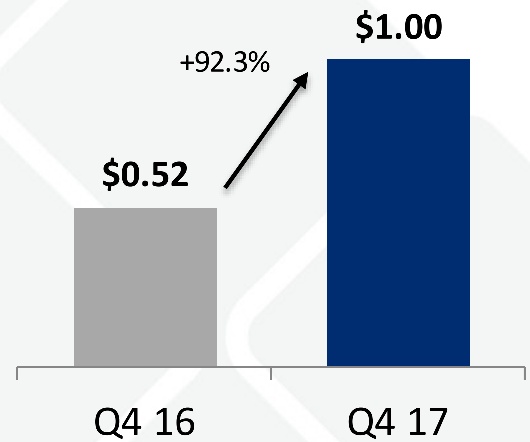
Revenues



Adjusted Operating Earnings[1]



Adjusted EPS[2]



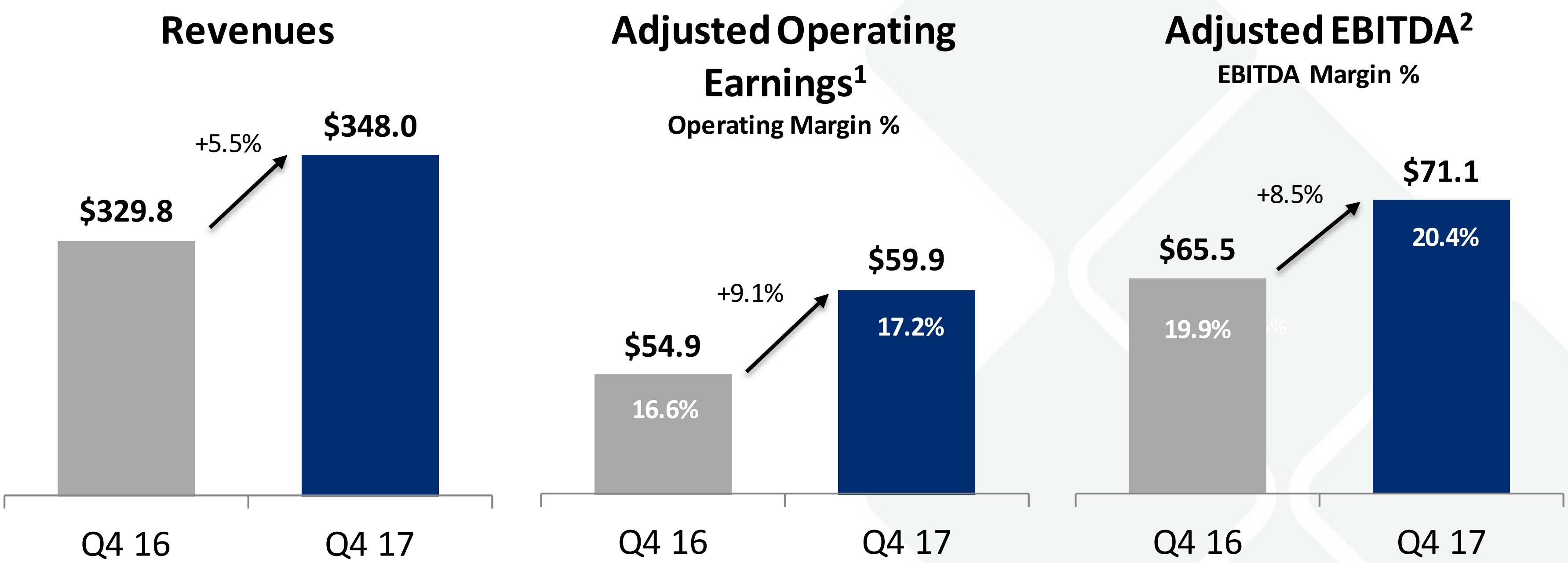
- Fourth quarter revenues increased 18.4%, reflecting a 5.5% increase in ASG revenues, and a 116.1% increase in ESG revenues
- Fourth quarter Adjusted operating earnings[1] of $61.1 million increased 69.7% driven by a 9.1% increase in Adjusted operating earnings[1] at ASG and a $20.1 million improvement at ESG
- Fourth quarter Adjusted EPS[2] of $1.00 per diluted share increased 92.3%

[1] Adjusted Operating Earnings, adjusted to exclude Cost as Defined (See Reconciliation of Non-GAAP Measures)

[2] Adjusted EPS excludes, the revaluation adjustment to the Company's deferred tax assets, Costs as Defined, and amortization and non-cash compensation expense, and includes the tax benefit from amortization of goodwill (See Reconciliation of Non-GAAP Measures)

Aerospace Solutions Group (ASG)

($ in millions)

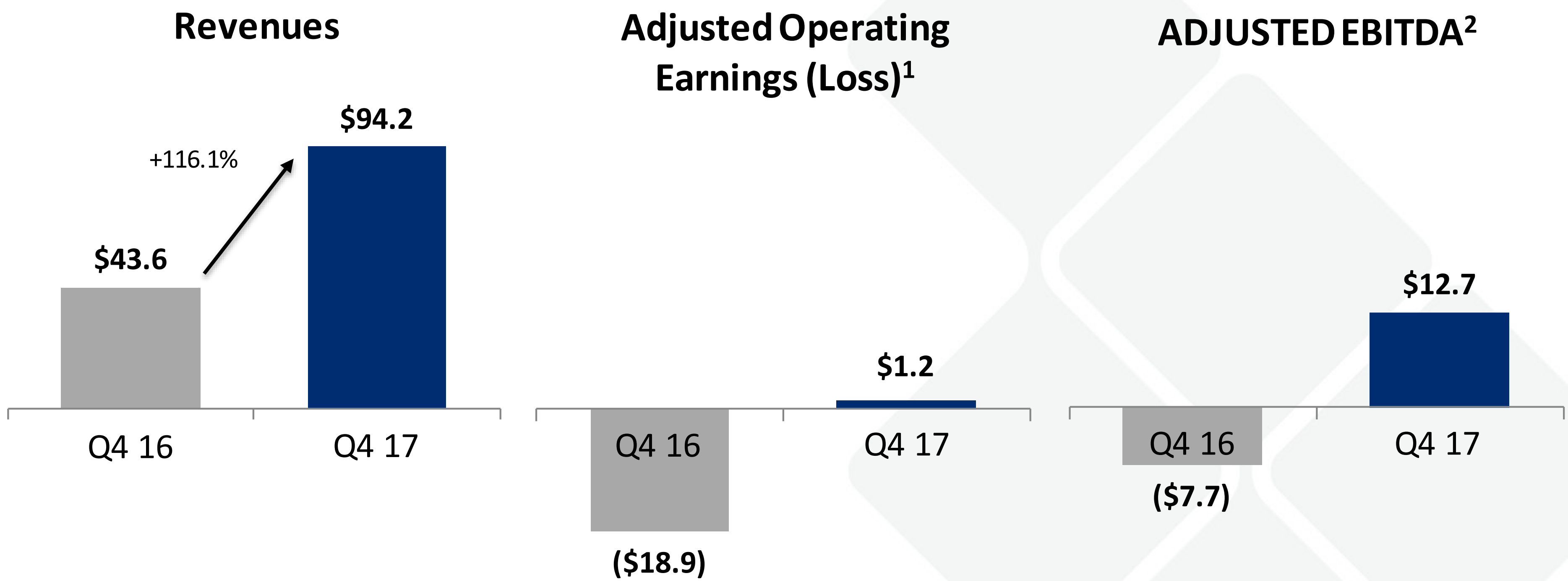


- Fourth quarter revenues increased approximately 5.5%, driven by an approximate 7% increase in sales to commercial aerospace manufacturing customers, partially offset by a double digit percentage decline in revenues from business jet manufacturing customers. Aftermarket revenues were up approximately 5.3%
- Adjusted operating earnings[1] of $59.9 million were up 9.1%
- Adjusted operating margin[1] of 17.2% expanded approximately 60 basis points
- Adjusted EBITDA[2] of $71.1 million was 20.4% of revenues and increased 8.5%

[1] Adjusted Operating Earnings, adjusted to exclude Cost as Defined (See Reconciliation of Non-GAAP Measures)
[2] Adjusted EBITDA excludes Costs as Defined and non-cash compensation expense (See Reconciliation of Non-GAAP Measures)

Energy Services Group (ESG)

($ in millions)

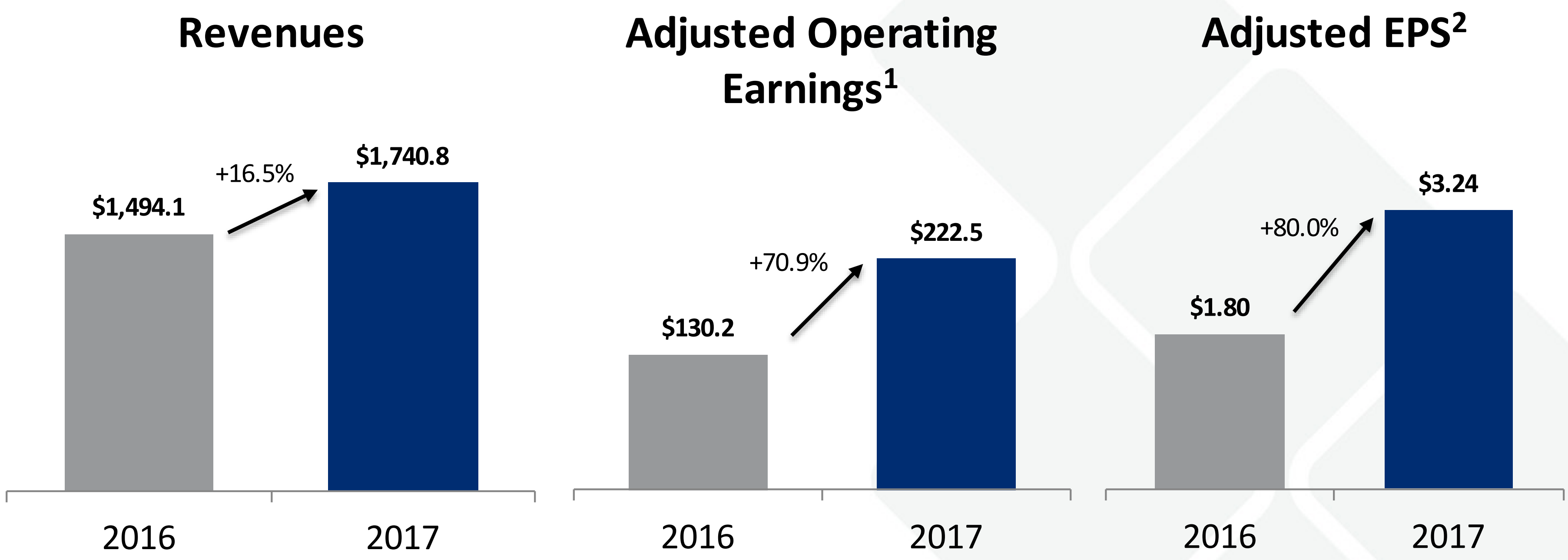


- Fourth quarter revenues increased 116.1% as compared to the same period in the prior year, and increased 5.7% as compared to the third quarter of 2017
- Adjusted operating earnings[1] improved by $20.1 million to $1.2 million as compared to same period in the prior year, and improved by $3.1 million as compared to the third quarter of 2017
- Adjusted EBITDA[2] improved by $20.4 million to $12.7 million as compared to the same period in the prior year, and increased $3.3 million as compared to the third quarter of 2017

[1] Adjusted Operating Earnings, adjusted to exclude Cost as Defined (See Reconciliation of Non-GAAP Measures)
[2] Adjusted EBITDA excludes Costs as Defined and non-cash compensation expense (See Reconciliation of Non-GAAP Measures)

Full Year 2017 Results

($ in millions except EPS amounts)



- Full year revenues increased 16.5%, reflecting a 5.9% increase in ASG revenues, and a 109.3% increase in ESG revenues
- Full year Adjusted operating earnings[1] of $222.5 million increased $92.3 million or 70.9%, compared to the prior year
- Full year Adjusted EPS[2] was $3.24 per share, an increase of 80.0% compared to the prior year

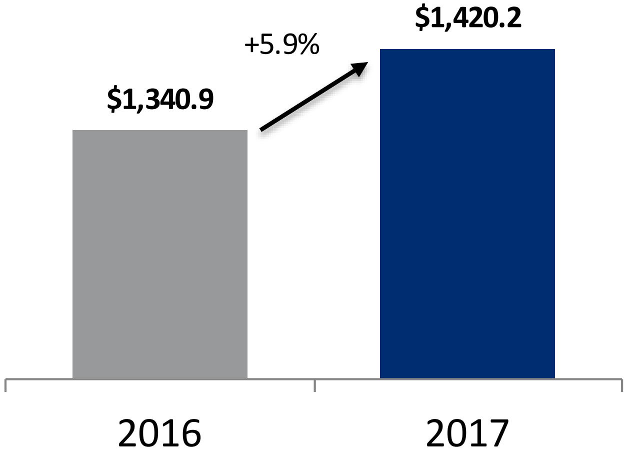
[1] Adjusted Operating Earnings, adjusted to exclude Cost as Defined (See Reconciliation of Non-GAAP Measures)

[2] Adjusted EPS excludes, the revaluation adjustment to the Company's deferred tax asset, Costs as Defined, and amortization and non-cash compensation expense, and includes the tax benefit from amortization of goodwill (See Reconciliation of Non-GAAP Measures)

Aerospace Solutions Group (ASG)

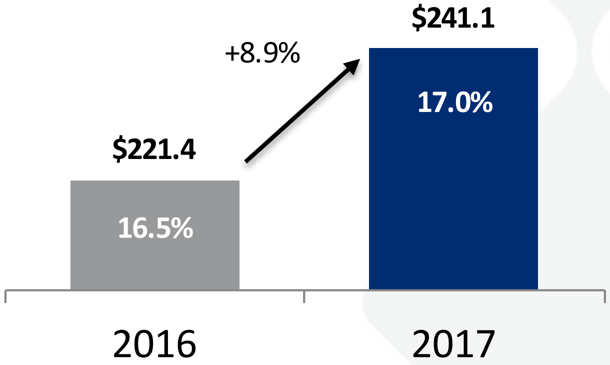
($ in millions)

Revenues



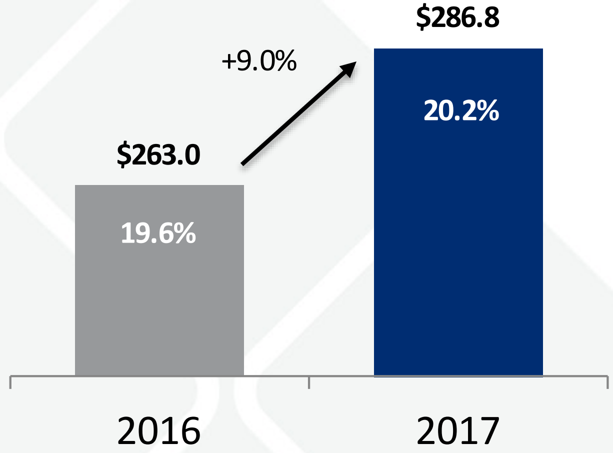
Adjusted Operating Earnings[1]

Operating Margin %



Adjusted EBITDA[2]

EBITDA Margin %



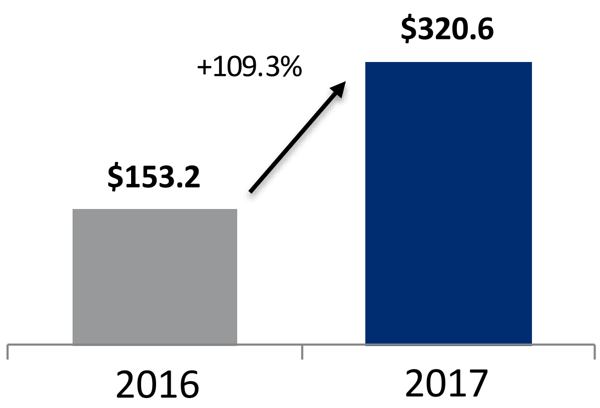
- Full year revenues increased 5.9% to $1.4 billion, primarily driven by an approximate 6% increase in both commercial aerospace manufacturing and aftermarket revenues
- Adjusted operating earnings[1] of $241.1 million increased 8.9% and Adjusted operating margin increased approximately 50 basis points to 17.0%
- ASG's Adjusted EBITDA of $286.8 million and Adjusted EBITDA margin of 20.2% increased approximately 9.0% and approximately 60 basis points, respectively

[1] Adjusted Operating Earnings, adjusted to exclude Cost as Defined (See Reconciliation of Non-GAAP Measures)
[2] Adjusted EBITDA excludes Costs as Defined, non-cash compensation expense (See Reconciliation of Non-GAAP Measures)

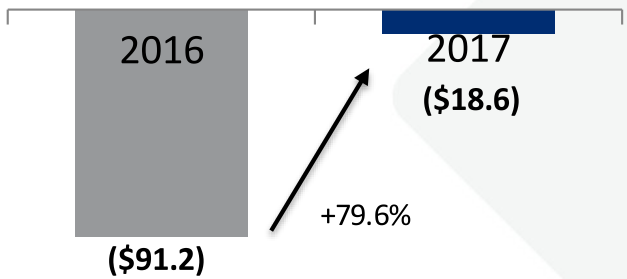
Energy Services Group (ESG)

($ in millions)

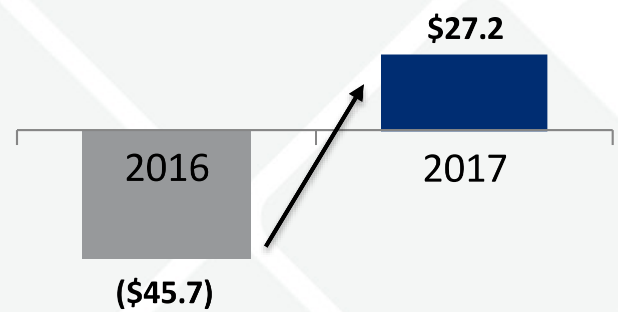
Revenues



Adjusted Operating Loss[1]



Adjusted EBITDA[2]



- Revenues increased 109.3% to $320.6 million as compared to the same period in the prior year
- Adjusted operating loss[1] improved by $72.6 million or 79.6% to $(18.6) million as compared to the same period in the prior year
- Adjusted EBITDA[2] improved by $72.9 million to $27.2 million as compared to the same period in the prior year

[1] Adjusted Operating Earnings, adjusted to exclude Cost as Defined (See Reconciliation of Non-GAAP Measures)
[2] Adjusted EBITDA excludes Costs as Defined and non-cash compensation expense (See Reconciliation of Non-GAAP Measures)

Financial Position

	January 31, 2018 ($ in millions)
Cash	$ 255
Long-term debt, net of cash	$ 945
Stockholders' equity	$ 2,270
Net-debt-to-net-capital ratio	29%

No debt maturities until 2022;
$750 million undrawn revolver

2018 Outlook

- 2018 revenues are expected to increase approximately 15% to approximately $2.0 billion
- Adjusted operating earnings are expected to increase approximately 32% to approximately $293 million
- Adjusted EBITDA is expected to increase approximately 24% to approximately $390 million
- Adjusted Net Earnings are expected to increase approximately 32% to approximately $220 million
- Adjusted Net Earnings per diluted share is expected to increase approximately 33% to approximately $4.30 per diluted share
- ASG revenues are expected to increase approximately 8% to approximately $1.540 billion, as new program wins and market share gains contribute to the growth rate
- ESG revenues are expected to increase approximately 44% to approximately $450 - $475 million

Reconciliation of Non-GAAP Measures

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2018	January 31, 2017	January 31, 2018	January 31, 2017
Net earnings (loss)	$ (11.5)	$ 17.9	$ 53.4	$ 48.2
Amortization expense	4.8	4.9	19.3	19.6
Non-cash compensation [1]	6.1	5.5	25.4	20.2
Income taxes (benefit) [2]	47.6	(1.8)	87.1	5.3
Costs as Defined [3]	6.2	0.8	6.2	0.8
Adjusted earnings before tax expense	53.2	27.3	191.4	94.1
Income taxes [4]	6.3	2.7	59.7	9.3
Less: impact of goodwill deduction [5]	3.2	2.5	34.7	9.3
Adjusted income taxes	3.1	0.2	25.0	-
Adjusted net earnings	$ 50.1	$ 27.1	$ 166.4	$ 94.1
Adjusted net earnings per diluted share	$ 1.00	$ 0.52	$ 3.24	$ 1.80
Diluted weighted average shares	49.9	52.2	51.3	52.2

[1] Excludes approximately $1 million of ESG restructuring costs that are included in Costs as Defined

[2] Includes an approximate $43 million non-cash tax charge resulting from a revaluation of the Company's deferred tax asset in response to recent tax legislation for the three and twelve month periods ended January 31, 2018

[3] Costs and expenses related to review of strategic alternatives, transitioning to ASG's global distribution and operations center, and a restructuring of ESG's Eagle Ford Geo region

[4] Income taxes are calculated at each respective periods effective tax rate, with the exception of the three month period ending January 31, 2017 which is calculated at the year-end rate. The three and twelve month periods ended January 31, 2018 excludes the approximate $43 million non-cash tax charge

[5] For purposes of this calculation, tax benefit of goodwill deduction is limited to income tax at current effective rate (excluding approximate $43 milllion non-cash tax charge)

Reconciliation of Non-GAAP Measures

RECONCILIATION OF CONSOLIDATED OPERATING EARNINGS TO ADJUSTED OPERATING EARNINGS AND ADJUSTED EBITDA (In Millions)

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2018	January 31, 2017	January 31, 2018	January 31, 2017
Operating earnings	$ 54.9	$ 35.2	$ 216.3	$ 129.4
Costs as Defined [1]	6.2	0.8	6.2	0.8
Adjusted operating earnings	61.1	36.0	222.5	130.2
Depreciation and amortization	16.6	16.3	66.1	66.9
Non-cash compensation [2]	6.1	5.5	25.4	20.2
Adjusted EBITDA	$ 83.8	$ 57.8	$ 314.0	$ 217.3

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2018	January 31, 2017	January 31, 2018	January 31, 2017
ASG operating earnings	$ 57.3	$ 54.1	$ 238.5	$ 220.6
Costs as Defined [1]	2.6	0.8	2.6	0.8
Adjusted ASG operating earnings	59.9	54.9	241.1	221.4
Depreciation and amortization	8.0	7.6	31.8	30.4
Non-cash compensation	3.2	3.0	13.9	11.2
Adjusted EBITDA	$ 71.1	$ 65.5	$ 286.8	$ 263.0

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2018	January 31, 2017	January 31, 2018	January 31, 2017
ESG operating loss	$ (2.4)	$ (18.9)	$ (22.2)	$ (91.2)
Costs as Defined [1]	3.6	-	3.6	-
Adjusted ESG operating earnings (loss)	1.2	(18.9)	(18.6)	(91.2)
Depreciation and amortization	8.6	8.7	34.3	36.5
Non-cash compensation [2]	2.9	2.5	11.5	9.0
Adjusted EBITDA (loss)	$ 12.7	$ (7.7)	$ 27.2	$ (45.7)

[1] Costs and expenses related to review of strategic alternatives, transitioning to ASG's global distribution and operations center, and a restructuring of the Eagle Ford Geo region
[2] Excludes approximately $1 million of ESG restructuring costs that are included in Costs as Defined

Reconciliation of Non-GAAP Measures

KLX

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

	THREE MONTHS ENDED		YEAR ENDED	
	January 31, 2018	January 31, 2017	January 31, 2018	January 31, 2017
Net cash flow provided by operating activities	$ 66.1	$ 11.8	$ 206.6	$ 150.9
Capital expenditures	(27.3)	(1.6)	(84.9)	(35.5)
Free cash flow	$ 38.8	$ 10.2	$ 121.7	$ 115.4

Reconciliation of Non-GAAP Measures

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	$ 147
Amortization expense	19
Non-cash compensation	21
Income taxes	50
New facility transition costs	20
Adjusted earnings before tax expense	257
Income taxes at estimated effective tax rate	65
Less: impact of goodwill deduction *	28
Adjusted income taxes	37
Adjusted net earnings	$ 220
Adjusted net earnings per diluted share	$ 4.30
Diluted weighted average shares	51.2

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

Reconciliation of Non-GAAP Measures

KLX INC.
RECONCILIATION OF 2018 OUTLOOK; CONSOLIDATED OPERATING EARNINGS TO ADJUSTED OPERATING EARNINGS AND ADJUSTED EBITDA
(In Millions)

	2018 Outlook (Approximate Amounts)	
Operating earnings	$	273
New facility transition costs		20
Adjusted operating earnings		293
Depreciation and amortization		76
Non-cash compensation		21
Adjusted EBITDA	$	390

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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Fourth Quarter 2017

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