

REFINITIV

DELTA REPORT

10-Q

KLXE - KLX ENERGY SERVICES HOLDI
10-Q - MARCH 31, 2023 COMPARED TO 10-Q - SEPTEMBER 30, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	961
CHANGES	190
DELETIONS	350
ADDITIONS	421

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

☐ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For The Quarterly Period Ended **September 30, 2022** **March 31, 2023**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File No. 001-38609

KLX Energy Services Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

36-4904146
(I.R.S. Employer Identification No.)

**3040 Post Oak Boulevard, 15th Floor
Houston, TX 77056
(832) 844-1015**

(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$0.01 Par Value	KLXE	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☐

The registrant has one class of common stock, \$0.01 par value, of which **12,275,413** **16,407,421** shares were outstanding as of **November 4, 2022** **May 4, 2023**.

KLX Energy Services Holdings, Inc.
Form 10-Q
Table of Contents

<u>PART I - FINANCIAL INFORMATION</u>	<u>3</u>
Item 1. Condensed Consolidated Financial Statements (Unaudited)	3
Balance Sheets as of September 30, 2022, March 31, 2023 and December 31, 2021, December 31, 2022	3
Statements of Operations for the Three and Nine Months Ended September 30, 2022, March 31, 2023 and October 31, 2021, March 31, 2022	4
Statements of Stockholders' Equity (Deficit) for the Three and Nine Months Ended September 30, 2022, March 31, 2023 and October 31, 2021, March 31, 2022	5
Statements of Cash Flows for the Nine Three Months Ended September 30, 2022, March 31, 2023 and October 31, 2021, March 31, 2022	6
Notes to Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3. Quantitative and Qualitative Disclosures About Market Risk	31 30
Item 4. Controls and Procedures	31 30
<u>PART II - OTHER INFORMATION</u>	<u>31 30</u>
Item 1. Legal Proceedings	31 30
Item 1A. Risk Factors	32 31
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	32 31
Item 3. Defaults Upon Senior Securities	33 31
Item 4. Mine Safety Disclosures	33 31
Item 5. Other Information	34 32
Item 6. Exhibits	34 32
<u>SIGNATURES</u>	<u>35 33</u>

PART 1 – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

KLX Energy Services Holdings, Inc.
Condensed Consolidated Balance Sheets
(In millions of U.S. dollars and shares, except per share data)
(Unaudited)

		September 30, 2022	December 31, 2021	March 31, 2023	December 31, 2022
				(Unaudited)	
ASSETS					
Current assets:	Current assets:			Current assets:	
Cash and cash equivalents	Cash and cash equivalents	\$ 41.4	\$ 28.0	Cash and cash equivalents	\$ 39.6 \$ 57.4
Accounts receivable–trade, net of allowance of \$5.8 and \$6.2		142.8	103.2		
Accounts receivable–trade, net of allowance of \$5.9 and \$5.7				Accounts receivable–trade, net of allowance of \$5.9 and \$5.7	193.2 154.3
Inventories, net	Inventories, net	25.9	22.4	Inventories, net	27.2 25.7
Other current assets		14.9	11.1		
Prepaid expenses and other current assets				Prepaid expenses and other current assets	17.2 17.3

Total current assets	Total current assets	225.0	164.7	Total current assets	277.2	254.7
Property and equipment, net	Property and equipment, net	166.3	171.0	Property and equipment, net	197.5	168.1
Operating lease assets	Operating lease assets	40.5	47.4	Operating lease assets	34.7	37.4
Intangible assets, net	Intangible assets, net	2.0	2.2	Intangible assets, net	2.0	2.1
Other assets	Other assets	6.3	2.4	Other assets	4.5	3.6
Total assets	Total assets	<u>\$ 440.1</u>	<u>\$ 387.7</u>	Total assets	<u>\$ 515.9</u>	<u>\$ 465.9</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT						
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:	Current liabilities:			Current liabilities:		
Accounts payable	Accounts payable	\$ 84.6	\$ 72.1	Accounts payable	\$ 93.7	\$ 84.2
Accrued interest	Accrued interest	12.7	5.0	Accrued interest	11.7	4.8
Accrued liabilities	Accrued liabilities	36.1	24.1	Accrued liabilities	28.8	41.0
Current portion of operating lease obligations	Current portion of operating lease obligations	14.4	15.9	Current portion of operating lease obligations	14.3	14.2
Current portion of finance lease obligations	Current portion of finance lease obligations	8.7	5.6	Current portion of finance lease obligations	12.2	10.2
Total current liabilities	Total current liabilities	156.5	122.7	Total current liabilities	160.7	154.4
Long-term debt	Long-term debt	295.6	274.8	Long-term debt	283.6	283.4
Long-term operating lease obligations	Long-term operating lease obligations	26.0	31.5	Long-term operating lease obligations	20.1	22.8
Long-term finance lease obligations	Long-term finance lease obligations	17.5	9.1	Long-term finance lease obligations	23.3	20.3
Other non-current liabilities	Other non-current liabilities	0.4	1.0	Other non-current liabilities	0.7	0.8
Commitments, contingencies and off-balance sheet arrangements (Note 7)	Commitments, contingencies and off-balance sheet arrangements (Note 7)			Commitments, contingencies and off-balance sheet arrangements (Note 7)		
Stockholders' deficit:						
Common stock, \$0.01 par value; 110.0 authorized; 12.6 and 10.5 issued		0.1	0.1			
Stockholders' equity (deficit):				Stockholders' equity (deficit):		

Common stock, \$0.01 par value; 110.0 authorized; 16.8 and 14.3 issued				Common stock, \$0.01 par value; 110.0 authorized; 16.8 and 14.3 issued	0.1	0.1
Additional paid-in capital	Additional paid-in capital	490.2	478.1	Additional paid-in capital	551.9	517.3
Treasury stock, at cost, 0.4 shares and 0.3 shares		(4.6)	(4.3)			
Treasury stock, at cost, 0.4 shares and 0.4 shares				Treasury stock, at cost, 0.4 shares and 0.4 shares	(5.3)	(4.6)
Accumulated deficit	Accumulated deficit	(541.6)	(525.3)	Accumulated deficit	(519.2)	(528.6)
Total stockholders' deficit		(55.9)	(51.4)			
Total liabilities and stockholders' deficit		\$ 440.1	\$ 387.7			
Total stockholders' equity (deficit)				Total stockholders' equity (deficit)	27.5	(15.8)
Total liabilities and stockholders' equity (deficit)				Total liabilities and stockholders' equity (deficit)	\$ 515.9	\$ 465.9

See accompanying notes to condensed consolidated financial statements.

KLX Energy Services Holdings, Inc.
Condensed Consolidated Statements of Operations
(In millions of U.S. dollars, except per share data)
(Unaudited)

		Three Months Ended		Nine Months Ended			Three Months Ended	
		September 30, 2022	October 31, 2021	September 30, 2022	October 31, 2021		March 31, 2023	March 31, 2022
Revenues	Revenues	\$ 221.6	\$ 139.0	\$ 558.3	\$ 341.7	Revenues	\$ 239.6	\$ 152.3
Costs and expenses:	Costs and expenses:					Costs and expenses:		
Cost of sales	Cost of sales	168.8	120.7	454.7	308.5	Cost of sales	180.9	135.0
Depreciation and amortization	Depreciation and amortization	14.2	13.7	41.9	43.6	Depreciation and amortization	16.5	13.7
Selling, general and administrative	Selling, general and administrative	18.0	14.8	51.0	44.1	Selling, general and administrative	26.2	15.0
Research and development costs	Research and development costs	0.2	0.2	0.4	0.4	Research and development costs	0.3	0.1
Impairment and other charges		—	—	—	0.8			
Bargain purchase gain	Bargain purchase gain	—	—	—	0.5	Bargain purchase gain	(3.2)	—
Operating income (loss)	Operating income (loss)	20.4	(10.4)	10.3	(56.2)	Operating income (loss)	18.9	(11.5)
Non-operating expense:	Non-operating expense:					Non-operating expense:		

Interest expense, net	Interest expense, net	9.0	8.2	26.0	24.0	Interest expense, net	9.3	8.3
Net income (loss) before income tax	Net income (loss) before income tax	11.4	(18.6)	(15.7)	(80.2)	Net income (loss) before income tax	9.6	(19.8)
Income tax expense	Income tax expense	0.3	0.2	0.6	0.4	Income tax expense	0.2	0.1
Net income (loss)	Net income (loss)	\$ 11.1	\$ (18.8)	\$ (16.3)	\$ (80.6)	Net income (loss)	\$ 9.4	\$ (19.9)
Net income (loss) per share-basic	Net income (loss) per share-basic	\$ 0.96	\$ (2.19)	\$ (1.49)	\$ (9.60)	Net income (loss) per share-basic	\$ 0.66	\$ (1.98)
Net income (loss) per share-diluted	Net income (loss) per share-diluted	\$ 0.96	\$ (2.19)	\$ (1.49)	\$ (9.60)	Net income (loss) per share-diluted	\$ 0.65	\$ (1.98)

See accompanying notes to condensed consolidated financial statements.

KLX Energy Services Holdings, Inc.
Condensed Consolidated Statements of Stockholders' Deficit Equity (Deficit)
Nine Three Months Ended September 30, 2022 March 31, 2023 and October 31, 2021 March 31, 2022
(In millions of U.S. dollars and shares)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance at December 31, 2021	10.5	\$ 0.1	\$ 478.1	\$ (4.3)	\$ (525.3)	\$ (51.4)
Restricted stock, net of forfeitures	0.2	—	0.7	—	—	0.7
Purchase of treasury stock	—	—	—	(0.3)	—	(0.3)
Issuance of common stock, net of cost	0.7	—	3.7	—	—	3.7
Net loss	—	—	—	—	(19.9)	(19.9)
Balance at March 31, 2022	11.4	0.1	482.5	(4.6)	(545.2)	(67.2)
Restricted stock, net of forfeitures	—	—	0.8	—	—	0.8
Issuance of common stock, net of cost	0.9	—	4.6	—	—	4.6
Net loss	—	—	—	—	(7.5)	(7.5)
Balance at June 30, 2022	12.3	0.1	487.9	(4.6)	(552.7)	(69.3)
Restricted stock, net of forfeitures	—	—	0.7	—	—	0.7
Issuance of common stock, net of cost	0.3	—	1.6	—	—	1.6
Net income	—	—	—	—	11.1	11.1
Balance at September 30, 2022	12.6	\$ 0.1	\$ 490.2	\$ (4.6)	\$ (541.6)	\$ (55.9)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance at January 31, 2021	8.6	\$ 0.1	\$ 469.1	\$ (4.0)	\$ (433.1)	\$ 32.1
Adjustment to beginning period Retained Earnings as a result of Topic 842 adoption	—	—	—	—	1.6	1.6
Restricted stock, net of forfeitures	0.5	—	0.8	—	—	0.8
Purchase of treasury stock	—	—	—	(0.3)	—	(0.3)
Net loss	—	—	—	—	(36.8)	(36.8)
Balance at April 30, 2021	9.1	0.1	469.9	(4.3)	(468.3)	(2.6)
Restricted stock, net of forfeitures	—	—	1.0	—	—	1.0
Issuance of common stock, net of cost	0.1	—	—	—	—	—
Net loss	—	—	—	—	(25.0)	(25.0)

Balance at July 31, 2021	9.2	0.1	470.9	(4.3)	(493.3)	(26.6)
Restricted stock, net of forfeitures	—	—	0.9	—	—	0.9
Issuance of common stock, net of cost	1.0	—	4.8	—	—	4.8
Net loss	—	—	—	—	(18.8)	(18.8)
Balance at October 31, 2021	10.2	\$ 0.1	\$ 476.6	\$ (4.3)	\$ (512.1)	\$ (39.7)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2022	14.3	\$ 0.1	\$ 517.3	\$ (4.6)	\$ (528.6)	\$ (15.8)
Restricted stock, net of forfeitures	—	—	0.7	—	—	0.7
Purchase of treasury stock	—	—	—	(0.7)	—	(0.7)
Greene's acquisition	2.4	—	34.0	—	—	34.0
Issuance of common stock, net of cost	0.1	—	(0.1)	—	—	(0.1)
Net income	—	—	—	—	9.4	9.4
Balance at March 31, 2023	16.8	\$ 0.1	\$ 551.9	\$ (5.3)	\$ (519.2)	\$ 27.5

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance at December 31, 2021	10.5	\$ 0.1	\$ 478.1	\$ (4.3)	\$ (525.3)	\$ (51.4)
Adjustment to beginning period Retained Earnings as a result of Topic 326 adoption	—	—	—	—	(0.2)	(0.2)
Restricted stock, net of forfeitures	0.2	—	0.7	—	—	0.7
Purchase of treasury stock	—	—	—	(0.3)	—	(0.3)
Issuance of common stock, net of cost	0.7	—	3.7	—	—	3.7
Net loss	—	—	—	—	(19.9)	(19.9)
Balance at March 31, 2022	11.4	\$ 0.1	\$ 482.5	\$ (4.6)	\$ (545.4)	\$ (67.4)

See accompanying notes to condensed consolidated financial statements.

KLX Energy Services Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions of U.S. dollars)
(Unaudited)

		Nine Months Ended			Three Months Ended	
		September 30, 2022	October 31, 2021		March 31, 2023	March 31, 2022
Cash flows from operating activities:	Cash flows from operating activities:			Cash flows from operating activities:		
Net loss	\$	(16.3)	\$ (80.6)			
Adjustments to reconcile net loss to net cash flows used in operating activities						
Net income (loss)				Net income (loss)	\$ 9.4	\$ (19.9)
Adjustments to reconcile net income (loss) to net cash flows used in operating activities				Adjustments to reconcile net income (loss) to net cash flows used in operating activities		
Depreciation and amortization	Depreciation and amortization	41.9	43.6	Depreciation and amortization	16.5	13.7
Impairment and other charges		—	0.8			

Non-cash compensation	Non-cash compensation	2.2	2.7	Non-cash compensation	0.7	0.7
Amortization of deferred financing fees	Amortization of deferred financing fees	1.1	0.9	Amortization of deferred financing fees	0.4	0.3
Provision for inventory reserve	Provision for inventory reserve	2.4	0.6	Provision for inventory reserve	—	0.1
Change in allowance for doubtful accounts		(0.1)	0.4			
Gain on disposal of property, equipment and other	Gain on disposal of property, equipment and other	(8.7)	(7.1)	Gain on disposal of property, equipment and other	(4.4)	(2.0)
Bargain purchase gain	Bargain purchase gain	—	0.5	Bargain purchase gain	(3.2)	—
Other		(0.1)	—			
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:			Changes in operating assets and liabilities:		
Accounts receivable	Accounts receivable	(39.6)	(36.3)	Accounts receivable	(22.0)	(3.8)
Inventories	Inventories	(6.0)	(2.5)	Inventories	(1.5)	(2.0)
Other current and non-current assets		11.3	3.0			
Prepaid expenses and other current and non-current assets				Prepaid expenses and other current and non-current assets	3.7	4.2
Accounts payable	Accounts payable	7.4	22.8	Accounts payable	2.4	(1.5)
Other current and non-current liabilities	Other current and non-current liabilities	8.4	8.0	Other current and non-current liabilities	(10.7)	4.0
Net cash flows provided by (used in) operating activities		3.9	(43.2)			
Other				Other	0.1	—
Net cash flows used in operating activities				Net cash flows used in operating activities	(8.6)	(6.2)
Cash flows from investing activities:	Cash flows from investing activities:			Cash flows from investing activities:		
Purchases of property and equipment	Purchases of property and equipment	(26.1)	(7.5)	Purchases of property and equipment	(10.3)	(5.8)
Proceeds from sale of property and equipment	Proceeds from sale of property and equipment	11.8	13.7	Proceeds from sale of property and equipment	5.0	2.6
Net cash flows (used in) provided by investing activities		(14.3)	6.2			
Cash from acquisition				Cash from acquisition	1.7	—
Net cash flows used in investing activities				Net cash flows used in investing activities	(3.6)	(3.2)
Cash flows from financing activities:	Cash flows from financing activities:			Cash flows from financing activities:		
Purchase of treasury stock	Purchase of treasury stock	(0.3)	(0.3)	Purchase of treasury stock	(0.7)	(0.3)
Borrowings on ABL Facility		20.0	30.0			

Proceeds from stock issuance, net of costs	Proceeds from stock issuance, net of costs	9.9	4.8	Proceeds from stock issuance, net of costs	(0.1)	3.0
Payments on finance lease obligations	Payments on finance lease obligations	(5.5)	(2.0)	Payments on finance lease obligations	(3.1)	(1.5)
Payments of debt issuance costs		(0.3)	—			
Proceeds from finance lease refinancing		1.4	—			
Change in financed payables	Change in financed payables	(1.4)	(1.8)	Change in financed payables	(1.7)	(0.4)
Net cash flows provided by financing activities		23.8	30.7			
Net increase (decrease) in cash and cash equivalents		13.4	(6.3)			
Net cash flows (used in) provided by financing activities				Net cash flows (used in) provided by financing activities	(5.6)	0.8
Net change in cash and cash equivalents				Net change in cash and cash equivalents	(17.8)	(8.6)
Cash and cash equivalents, beginning of period	Cash and cash equivalents, beginning of period	28.0	47.1	Cash and cash equivalents, beginning of period	57.4	28.0
Cash and cash equivalents, end of period	Cash and cash equivalents, end of period	\$ 41.4	\$ 40.8	Cash and cash equivalents, end of period	\$ 39.6	\$ 19.4
Supplemental disclosures of cash flow information:	Supplemental disclosures of cash flow information:			Supplemental disclosures of cash flow information:		
Cash paid during period for:	Cash paid during period for:			Cash paid during period for:		
Income taxes paid, net of refunds	Income taxes paid, net of refunds	\$ 0.6	\$ 0.2	Income taxes paid, net of refunds	\$ (0.1)	\$ —
Interest	Interest	17.2	15.4	Interest	2.0	0.7
Supplemental schedule of non-cash activities:	Supplemental schedule of non-cash activities:			Supplemental schedule of non-cash activities:		
Accrued capital expenditures		\$ 1.0	\$ 3.5			
Change in deposits on capital expenditures				Change in deposits on capital expenditures	\$ 0.9	\$ —
Change in accrued capital expenditures				Change in accrued capital expenditures	3.9	1.3

See accompanying notes to condensed consolidated financial statements.

KLX Energy Services Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited – U.S. dollars in millions, except per share data)

NOTE 1 - Description of Business and Basis of Presentation

Description of Business

KLX Energy Services Holdings, Inc. (the "Company", "KLXE", "KLX Energy Services", "we", "us" or "our") is a growth-oriented provider of diversified oilfield services to leading onshore oil and natural gas exploration and production ("E&P") companies operating in both conventional and unconventional plays in major active basins throughout the United States. The Company delivers mission critical oilfield services focused on drilling, completion, production and intervention activities for technically demanding wells in over 60 service and support facilities located throughout the United States.

The Company offers a complementary suite of proprietary products and specialized services that is supported by technically skilled personnel and a broad portfolio of innovative in-house manufacturing, repair and maintenance capabilities. KLXE's primary services include coiled tubing, directional drilling, fishing, flowback, fluid pumping, hydraulic fracturing rentals, pressure control, pressure pumping, rig-assisted snubbing, special situation services, thru-tubing and wireline. KLXE's primary rentals include accommodation units, blow out preventers, downhole tools, hydraulic fracturing stacks and tubulars. KLXE's primary product offering includes a suite of proprietary dissolvable and composite plugs along with casing equipment, float equipment, inflatables, liner hangers and stage cementing tools.

On March 8, 2023, KLXE acquired all of the equity interests of Greene's Energy Group, LLC ("Greene's"), including \$1.7 in cash remaining with Greene's, in an all-stock transaction. Greene's is a leading provider of wellhead protection, flowback and well testing services. The acquisition of Greene's, which is expected to be accretive to KLX in 2023, augments the KLX frac rental and flowback offering, providing KLX with a broader presence in the Permian and Eagle Ford basins. See Note 2 - Business Combinations.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. All adjustments which, in the opinion of the Company's management, are considered necessary for a fair presentation of the results of operations for the periods shown are of a normal recurring nature and have been reflected in the condensed consolidated financial statements. The results of operations for the periods presented are not necessarily indicative of the results expected for the full fiscal year 2022 2023 or for any future period. The information included in these condensed consolidated financial statements should be read in conjunction with the condensed consolidated financial statements and accompanying notes included in the Company's 2021 Transition 2022 Annual Report on Form 10-K filed with the SEC on March 14, 2022 March 9, 2023.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

NOTE 2 - Recent Accounting Pronouncements Business Combinations

Accounting Standard Updates not yet Adopted On March 8, 2023, KLXE acquired all of the equity interests of Greene's, including \$1.7 in cash remaining with Greene's, in an all-stock transaction. The total consideration for the acquisition consisted of the issuance of approximately 2.4 million shares of KLXE common stock, par value \$0.01 per share (the "Common Stock"), subject to customary post-closing adjustments, with an implied enterprise value of approximately \$30.3 based

In June 2016,

on a 30-day volume weighted average price as of March 7, 2023 and less acquired cash. Following the closing of the transaction, former shareholders of Greene's hold approximately 14.7% of the fully diluted Common Stock of the Company.

This transaction was accounted for as a purchase under Financial Accounting Standards Board ("FASB") issued Accounting Standards Update Codification Topic 805, Business Combinations ("ASU" ASC 805) 2016-13, *Financial Instruments - Credit Losses ("Topic 326"): Measurement*. The results of Credit Losses operations for the acquisition are included in the accompanying condensed consolidated statements of operations from the respective date of acquisition.

Under the acquisition method of accounting, we allocate the fair value of purchase consideration transferred to the tangible assets and intangible assets acquired, if any, and liabilities assumed based on Financial Instruments. their estimated fair values on the date of the acquisition. The fair values assigned, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants, are based on estimates and assumptions determined by management. The estimated fair value of the assets acquired, net of liabilities assumed, exceeds the purchase consideration, resulting in a bargain purchase gain. This ASU is intended has been presented as a separate line item on the consolidated statement of operation for the three months ended March 31, 2023.

The fair values assigned to update certain assets acquired and liabilities assumed in relation to the measurement of credit losses Company's acquisition have been prepared on financial instruments. This update improves financial reporting by requiring earlier recognition of credit losses on financing receivables a preliminary basis with information currently available and other financial assets in scope by using the Current Expected Credit Losses ("CECL") model. This guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. The new accounting standard introduces the CECL methodology for estimating allowances for credit losses. are subject to change. The Company is an oilfield service company expects to finalize its analysis by the first quarter of 2024. The following table summarizes the fair values of assets acquired and as liabilities assumed in the acquisition in accordance with ASC 805:

	Greene's
Cash	\$ 1.7
Accounts receivable-trade	17.1
Other current and non-current assets	0.2
Property and equipment	23.1
Accounts payable	(3.2)
Accrued liabilities	(1.1)
Other current and non-current liabilities	(0.6)
Bargain purchase	(3.2)
Total purchase price ⁽¹⁾	\$ 34.0

⁽¹⁾ The total consideration of September 30, 2022, had a third-party accounts receivable balance, net the acquisition was approximately \$34.0, which was comprised of allowance, 2.4 million shares of \$142.8. Topic 326 is not expected to have a material impact on the Company's condensed consolidated financial statements, Company's Common Stock.

Recently Adopted Accounting Standard Updates Since March 8, 2023, the acquisition date of Greene's, stand-alone revenues for Greene's were \$4.7 and operating income was \$0.6.

In March 2020, FASB issued ASU 2020-04, Reference Rate Reform ("Topic 848"): Facilitation Unaudited Supplemental Pro Forma Information

The unaudited supplemental pro forma financial information has been provided for illustrative purposes only and does not purport to be indicative of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides optional guidance actual results that would have been achieved by combining the companies for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting and, particularly, the risk of cessation periods presented, or of the London Interbank Offered Rate ("LIBOR"). The amendments results that may be achieved by the combined companies in this ASU are elective and apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, the future. Further, actual results may vary significantly from the results reflected in the following unaudited supplemental pro forma financial information because of future events and transactions, as well as other factors. The unaudited supplemental pro forma financial information does not include adjustments to reflect the impact of other cost savings or synergies that reference LIBOR or another reference rate expected may result from the acquisition.

On a pro forma basis to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments in this ASU are effective for all entities, if elected, through December 31, 2022. In September 2022, we entered into a Third Amendment to our ABL Facility (as defined below), which, among other things, replaced LIBOR as the benchmark rate with CME Term Secured Overnight Financing Rate ("Term SOFR") as administered by CME Group Benchmark Administration, Ltd. See Note 5 for further discussion regarding our ABL Facility. In connection with the Amendment, we adopted the above standard in the third quarter of fiscal year 2022 and have elected the optional expedients for contracts under the scope of Topic 470, Debt. We have concluded that the modification give effect to the ABL Facility is not substantial. This adoption did not acquisition, as if it occurred on January 1, 2022, revenues and net income (loss) for the three months ended March 31, 2023 and March 31, 2022 would have a material impact on the Company's condensed consolidated financial statements, been as follows:

	Unaudited Pro Forma	
	Three Months Ended	
	March 31, 2023	March 31, 2022
Revenues	\$ 251.9	\$ 167.4
Net income (loss)	9.4	(18.7)

NOTE 3 - Inventories, Net

Inventories consisted of the following:

		September 30, 2022	December 31, 2021		March 31, 2023	December 31, 2022
Spare parts	Spare parts	\$ 17.9	\$ 14.7	Spare parts	\$ 19.1	\$ 17.9
Plugs	Plugs	6.3	6.0	Plugs	6.3	6.3
Consumables	Consumables	3.1	2.4	Consumables	3.5	3.2
Other	Other	2.6	2.0	Other	2.6	2.7
Subtotal	Subtotal	29.9	25.1	Subtotal	31.5	30.1
Less: Inventory reserve	Less: Inventory reserve	(4.0)	(2.7)	Less: Inventory reserve	(4.3)	(4.4)
Total inventories		\$ 25.9	\$ 22.4			

Total inventories, net	Total inventories, net	\$ 27.2	\$ 25.7
------------------------	------------------------	---------	---------

Inventories are made up of spare parts, composite and dissolvable plugs, consumables (including thru-tubing accessory tools, chemicals and consumables cement) and other (including fluid ends) used to perform services for customers. The Company values inventories at the lower of cost or net realizable value. Inventories are reported net of inventory reserve of \$4.0 \$4.3 and \$2.7 \$4.4 as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively.

NOTE 4 - Property and Equipment, Net

Property and equipment consisted of the following:

		Useful Life (Years)			September 30, 2022	December 31, 2021		Useful Life (Years)			March 31, 2023	December 31, 2022
Land, buildings and improvements	Land, buildings and improvements	1	—	40	\$ 33.2	\$ 38.9	Land, buildings and improvements	1	—	40	\$ 35.5	\$ 33.1
Machinery	Machinery	1	—	20	214.6	211.4	Machinery	1	—	20	227.5	216.2
Furniture and equipment	Furniture and equipment	1	—	15	190.6	179.9						
Equipment and furniture	Equipment and furniture	1	—	15			Equipment and furniture	1	—	15	212.1	194.5
ROU assets - finance leases	ROU assets - finance leases	1	—	20	32.9	16.5	ROU assets - finance leases	1	—	20	50.0	39.9
Total property and equipment	Total property and equipment				471.3	446.7	Total property and equipment				525.1	483.7
Less: Accumulated depreciation	Less: Accumulated depreciation				(309.7)	(280.1)	Less: Accumulated depreciation				(336.3)	(320.8)
Add: Construction in progress	Add: Construction in progress				4.7	4.4	Add: Construction in progress				8.7	5.2
Property and equipment, net	Property and equipment, net				\$ 166.3	\$ 171.0						
Total property and equipment, net	Total property and equipment, net						Total property and equipment, net				\$ 197.5	\$ 168.1

Depreciation expense related to owned non-leased fixed assets was \$12.2 \$13.4 and \$12.7 \$12.1 for the three months ended September 30, 2022 March 31, 2023 and October 31, 2021, respectively, and \$36.7 and \$41.8 for the nine months ended September 30, 2022 and October 31, 2021 March 31, 2022, respectively. Finance lease amortization expense was \$1.9 \$3.1 and \$0.9 \$1.5, respectively, for the three months ended September 30, 2022 March 31, 2023 and October 31, 2021, and \$5.0 and \$1.6, respectively, for the nine months ended September 30, 2022 and October 31, 2021 March 31, 2022.

Assets Held for Sale

As of September 30, 2022 March 31, 2023, the Company's condensed consolidated balance sheet included assets classified as held for sale of \$4.9. The assets held for sale are reported within prepaid expenses and other current assets on the condensed consolidated balance sheet and represent the value of three two operational facilities, land and select equipment. These assets were being actively marketed for sale as of September 30, 2022 March 31, 2023 and are recorded at the lower of their carrying value or fair value less costs to sell.

NOTE 5 - Long-Term Debt

Outstanding long-term debt consisted of the following:

		September 30, 2022	December 31, 2021		March 31, 2023	December 31, 2022
Senior Secured Notes	Senior Secured Notes	\$ 250.0	\$ 250.0	Senior Secured Notes	\$ 237.3	\$ 237.3
ABL Facility	ABL Facility	50.0	30.0	ABL Facility	50.0	50.0
Total principal outstanding	Total principal outstanding	300.0	280.0	Total principal outstanding	287.3	287.3

Unamortized debt issuance costs	4.4	5.2		
Total debt, net	\$ 295.6	\$ 274.8		
Less: Unamortized debt issuance costs			3.7	3.9
Total debt			\$ 283.6	\$ 283.4

As of September 30, 2022 March 31, 2023, long-term debt consisted of \$250.0 \$237.3 principal amount of 11.5% senior secured notes due 2025 (the "Notes" "Senior Secured Notes") offered pursuant to Rule 144A under the Securities Act of 1933 (as amended, the "Securities Act") and to certain non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. On a net basis, after taking into consideration unamortized debt issuance costs for the Senior Secured Notes, total debt related to the Senior Secured Notes as of September 30, 2022 March 31, 2023 was \$245.6, \$233.6. The Senior Secured Notes bear interest at an annual rate of 11.5%, payable semi-annually in arrears on May 1 and November 1. Accrued interest related to the Senior Secured Notes was \$12.0 \$11.5 as of September 30, 2022 March 31, 2023.

As of September 30, 2022 March 31, 2023, the Company also had a \$100.0 asset-based revolving credit facility pursuant to a senior secured credit agreement dated August 10, 2018 (as, as amended by the ABL Amendment (as defined below) and other amendments the (the "ABL Facility"). The ABL Facility became effective on September 14, 2018 and matures in September 2024. On October 22, 2018, the ABL Facility was amended primarily to permit the Company to issue the Notes and acquire Motley Services, LLC ("Motley") and the definition of the required ratio (as defined in the ABL Facility) was also amended as a result of the issuance of \$250.0 of Notes on October 31, 2018.

On September 22, 2022, the Company entered into a Third Amendment to the ABL Facility, with certain of its subsidiaries party thereto, as guarantors, with JPMorgan Chase Bank, N.A., as administrative agent and an issuing lender, and the other lenders and issuing lenders party thereto from time to time (the "Amendment" "ABL Amendment").

The ABL Amendment, among other things, (i) extends the maturity date of the ABL Facility by a year from September 14, 2023 to September 15, 2024, (ii) increases the applicable margin by 0.50%, (iii) replaces LIBOR London Inter-Bank Offered Rate ("LIBOR") as the benchmark rate with Term SOFR, Secured Overnight Financing Rate ("Term SOFR"), (iv) provides the Company with the ability to redeem, repurchase, defease or otherwise satisfy its outstanding Senior Secured Notes using proceeds of equity issuances or by converting or exchanging Senior Secured Notes for equity, (v) resets consolidated EBITDA solely for purposes of calculating the springing fixed charge coverage ratio ("FCCR") to be annualized beginning with the fiscal quarter ended as of June 30, 2022 until the fourth fiscal quarter ended thereafter (provided that fixed charges will continue to be calculated on a trailing-twelve month trailing-twelve-month basis), (vi) requires that, after giving effect to any borrowing and the use of proceeds thereof, the Company not have more than \$35.0 in excess cash on its balance sheet and (vii) increases the availability trigger for a cash dominion event.

The ABL Facility is tied to a borrowing base formula and has no maintenance financial covenants as long as the minimum level of borrowing availability is maintained. The ABL Facility is secured by, among other things, a first priority lien on the Company's accounts receivable and inventory and contains customary conditions precedent to borrowing and affirmative and negative covenants.

The ABL Facility includes a springing financial covenant which requires the Company's consolidated FCCR to be at least 1.0 to 1.0 if availability falls below the greater of \$15.0 or 20.0% of the line cap. At all times during the nine three months ended September 30, 2022 March 31, 2023, availability exceeded this threshold, and the Company was not subject to this financial covenant. As of September 30, 2022 March 31, 2023, the FCCR was above 1.0 to 1.0, and the Company was in full compliance with its ABL Facility.

Borrowings outstanding under the ABL Facility were \$50.0 as of September 30, 2022 March 31, 2023 and bear interest at a rate equal to SOFR plus the applicable margin (as defined in the ABL Facility). The effective interest rate under the ABL Facility was approximately 8.3% 7.7% on September 30, 2022 March 31, 2023. Total letters of credit outstanding under the ABL Facility were \$5.0 \$5.6 both at September 30, 2022 March 31, 2023 and at December 31, 2021 December 31, 2022. Accrued interest under the ABL Facility was \$0.7 \$0.2 as of September 30, 2022 March 31, 2023.

The financial services industry and market participants continue to work towards transitioning away from Interbank Offered Rate ("IBOR"), including the LIBOR, which are in the process of being phased out. The Amendment to the ABL Facility, among other terms, replaces LIBOR with Term SOFR. See Note 2 for further discussion on the adoption of the related accounting standard ASU 2020-04.

We have funds available under the ABL Facility of \$45.0 each \$44.4 on the September 30, 2022 March 31, 2023 borrowing base certificate.

NOTE 6 - Fair Value Information

All financial instruments are carried at amounts that approximate estimated fair value. The fair value is the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. Assets measured at fair value are categorized based upon the lowest level of significant input to the valuations.

Level 1 – quoted prices in active markets for identical assets and liabilities.

Level 2 – quoted prices for identical assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 – unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The carrying amounts of cash and cash equivalents, accounts receivable-trade and accounts payable represent their respective fair values due to their short-term nature. There was \$50.0 debt outstanding under the ABL Facility as of September 30, 2022 March 31, 2023. The fair value of the ABL Facility approximates its carrying value as of September 30, 2022 March 31, 2023.

The following tables present the placement in the fair value hierarchy of the Senior Secured Notes, based on market prices for publicly traded debt, as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022:

		Fair value measurements at reporting date using						Fair value measurements at reporting date using			
		September 30, 2022	Level 1	Level 2	Level 3			March 31, 2023	Level 1	Level 2	Level 3
Senior Secured Notes, 11.5 Percent Due 2025	Senior Secured Notes, 11.5 Percent Due 2025	\$ 177.5	\$ —	\$ 177.5	\$ —	Senior Secured Notes, 11.5 Percent Due 2025		\$ 223.1	\$ —	\$ 223.1	\$ —
Total Senior Secured Notes	Total Senior Secured Notes	\$ 177.5	\$ —	\$ 177.5	\$ —	Total Senior Secured Notes		\$ 223.1	\$ —	\$ 223.1	\$ —

		Fair value measurements at reporting date using						Fair value measurements at reporting date using			
		December 31, 2021	Level 1	Level 2	Level 3			December 31, 2022	Level 1	Level 2	Level 3
Senior Secured Notes, 11.5 Percent Due 2025	Senior Secured Notes, 11.5 Percent Due 2025	\$ 136.3	\$ —	\$ 136.3	\$ —	Senior Secured Notes, 11.5 Percent Due 2025		\$ 213.5	\$ —	\$ 213.5	\$ —
Total Senior Secured Notes	Total Senior Secured Notes	\$ 136.3	\$ —	\$ 136.3	\$ —	Total Senior Secured Notes		\$ 213.5	\$ —	\$ 213.5	\$ —

The following tables present the placement in the fair value hierarchy of Assets Held for Sale, as disclosed in Note 4, based on sales contracts and comparative price quotes, as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022:

		Fair value measurements at reporting date using			
		September 30, 2022	Level 1	Level 2	Level 3
Assets Held for Sale		\$ 2.3	\$ —	\$ 2.3	\$ —
Total Assets Held for Sale		\$ 2.3	\$ —	\$ 2.3	\$ —

		Fair value measurements at reporting date using			
		March 31, 2023	Level 1	Level 2	Level 3
Assets Held for Sale		\$ 2.3	\$ —	\$ 2.3	\$ —
Total Assets Held for Sale		\$ 2.3	\$ —	\$ 2.3	\$ —

		Fair value measurements at reporting date using						Fair value measurements at reporting date using			
		December 31, 2021	Level 1	Level 2	Level 3			December 31, 2022	Level 1	Level 2	Level 3

Assets Held for Sale	Assets Held for Sale	\$	1.9	\$	—	\$	1.9	\$	—	Assets Held for Sale	\$	2.3	\$	—	\$	2.3	\$	—
Total Assets Held for Sale	Total Assets Held for Sale	\$	1.9	\$	—	\$	1.9	\$	—	Total Assets Held for Sale	\$	2.3	\$	—	\$	2.3	\$	—

During the three and nine months ended September 30, 2022 March 31, 2023 and March 31, 2022, the there was no before-tax loss (gain) related to Assets Held for Sale was \$0.1 and \$(0.3), respectively. During the three and nine months ended October 31, 2021, the before-tax loss related to Assets Held for Sale was \$0.5 and \$1.0, respectively, Sale.

NOTE 7 - Commitments, Contingencies and Off-Balance-Sheet Arrangements

Environmental Regulations & Liabilities

The Company is subject to various federal, state and local environmental laws and regulations that establish standards and requirements for the protection of the environment. The Company continues to monitor the status of these laws and regulations. However, the Company cannot predict the future impact of such laws and regulations, as well as standards and requirements, on its our business, which are subject to change and can have retroactive effectiveness. Currently, the Company has not been fined, cited or notified of any environmental violations or liabilities that would have a material adverse effect on its condensed consolidated financial statement position, results of operations, liquidity or capital resources. However, management does recognize that by the very nature of its business, material costs could be incurred in the future to maintain compliance. The amount of such future expenditures is not determinable due to several factors, including the unknown magnitude of possible regulation or liabilities, the unknown timing and extent of the corrective actions that may be required, the determination of the Company's liability in proportion to other responsible parties and the extent to which such expenditures are recoverable from insurance or indemnification.

Litigation

The Company is at times either a plaintiff or a defendant in various legal actions arising in the normal course of business, the outcomes of which, in the opinion of management, neither individually nor in the aggregate are likely to result in a material adverse effect on the Company's condensed consolidated financial statements.

On March 9, 2021, the Company filed claims in the District Court of Harris County, Texas against Magellan E&P Holdings, Inc. ("Magellan"), Redmon-Keys Insurance Group, Inc. and certain underwriters at Lloyd's ("Underwriters") to recover \$4.6 owed on invoices duly issued by the Company for services rendered on behalf of the defendants in response to an offshore well blowout near Bob Hall Pier in Corpus Christi, Texas. Magellan did not dispute the invoices but alleged an inability to pay prior to obtaining funding from Underwriters under Magellan's Owner's Extra Expense Policy. On March 19, 2021, Underwriters filed a declaratory judgment action in the United States District Court for the Southern District of Texas seeking a declaration that certain blowout related expenses fall outside of policy coverage. On March 30, 2021, Magellan filed for bankruptcy pursuant to Chapter 7 of the U.S. bankruptcy code. The bankruptcy proceedings are ongoing. We expect that During the trustee will continue to pursue claims against Underwriters as well as preference and other claims to maximize the value of the Chapter 7 estate for the benefit of trade creditors, including KLXE. During the fiscal year ended January 31, 2021, the Company reserved the full amount of its invoices totaling \$4.6 as a prudent action in light of the Chapter 7 filing.

Indemnities, Commitments and Guarantees

During its ordinary course of business, the Company has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, as well as indemnities to other parties to certain acquisition agreements. The duration of these indemnities, commitments and guarantees varies and, in certain cases, is indefinite. Many of these indemnities, commitments and guarantees provide for limitations on the maximum potential future payments the Company could be obligated to make. However, the Company is unable to estimate the maximum amount of liability related to its indemnities, commitments and guarantees because such liabilities are contingent upon the occurrence of events that are not reasonably determinable. Management believes that any liability for these indemnities, commitments and guarantees would not be material to the accompanying condensed consolidated financial statements. Accordingly, no significant amounts have been accrued for indemnities, commitments and guarantees.

NOTE 8 - Stockholders' Deficit

Equity (Deficit)

Equity Distribution Agreement

On June 14, 2021, the Company entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") with Piper Sandler & Co. as sales agent (the "Agent"). Pursuant to the terms of the Equity Distribution Agreement, the Company may sell from time to time through the Agent (the "ATM Offering") the Company's common stock, Common Stock, par value \$0.01 per share, having an aggregate offering price of up to \$50.0 \$50.0. On November 16, 2022, the Company entered into Amendment No. 1 to the Equity Distribution Agreement (the "Common Stock" "EDA Amendment"). Among other things, the EDA Amendment allows for debt-for-equity exchanges in accordance with Section 3(a)(9) of the Securities Act.

Any Common Stock offered and sold in the ATM Offering will may be issued pursuant to the Company's shelf registration statement on Form S-3 (Registration No. 333-256149) filed with the SEC on May 14, 2021 and declared effective on June 11, 2021 (the "Registration Statement"), the prospectus supplement relating to the ATM Offering filed with the SEC on June 14, 2021 and any applicable additional prospectus supplements related to the ATM Offering that form a part of the Registration Statement. Sales of Common Stock under the Equity Distribution Agreement may be made in any transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act.

The Equity Distribution Agreement contains customary representations, warranties and agreements by the Company, indemnification obligations of the Company and the Agent, including for liabilities under the Securities Act, other obligations of the parties and termination provisions. Under the terms of the Equity Distribution Agreement, the Company will pay the Agent a commission equal to 3.0% of the gross sales price of the Common Stock sold.

The Company plans to use the net proceeds from the ATM Offering, after deducting the Agent's commissions and the Company's offering expenses, for general corporate purposes, which may include, among other things, paying or refinancing all or a portion of the Company's then-outstanding indebtedness, and funding acquisitions, capital expenditures and working capital.

During the three and nine months ended September 30, 2022 March 31, 2023 and March 31, 2022, the Company sold 241,551 zero and 1,826,199 shares of Common Stock, respectively, for gross proceeds of approximately \$1.7 and \$10.1, respectively, and paid legal and administrative fees of \$0.1 and \$0.2, respectively. During the three and nine months ended October 31, 2021, the Company sold 1,070,000 and 1,130,216 695,377 shares of Common Stock, respectively, in exchange for gross proceeds of approximately \$4.9 \$0.0 and \$5.5, \$3.7, respectively, and paid fees to the sales agent and other incurred legal and accounting administrative fees of \$0.1 and \$0.7, respectively, to establish the ATM Offering, \$0.1, respectively.

Stock-Based Compensation

The Company has a Long-Term Incentive Plan ("LTIP") under which the compensation committee of the Board of Directors (the "Board") of the Company (the "Compensation Committee") has the authority to grant stock options, stock appreciation rights, restricted stock, restricted stock units or other forms of equity-based or equity-related awards. Compensation cost for the LTIP grants is generally recorded on a straight-line basis over the vesting term of the shares based on the grant date value using the closing trading price.

On February 12, 2021, the stockholders of KLXE approved the KLX Energy Services Holdings, Inc. Long-Term Incentive Plan (Amended and Restated as of December 2, 2020) (the "Amended and Restated LTIP"), which, among other things, increased the total number of shares of Company Common Stock, par value \$0.01 per share, and reserved for issuance under the Amended and Restated LTIP by 632,051 shares. A description of the Amended and Restated LTIP is included in the Company's proxy statement, filed with the SEC on January 11, 2021.

Compensation cost recognized during the three and nine months ended September 30, 2022 March 31, 2023 and October 31, 2021 March 31, 2022 was related to grants of restricted stock as approved by the Compensation Committee. Stock-based compensation was \$0.7 and \$0.9 \$0.7 for the three months ended September 30, 2022 March 31, 2023 and October 31, 2021 March 31, 2022, respectively, and \$2.2 and \$2.7 for the nine months ended September 30, 2022 and October 31, 2021,

respectively. Unrecognized compensation cost related to restricted stock awards made by the Company was \$4.9 \$5.8 at September 30, 2022 March 31, 2023 and \$4.2 at December 31, 2022.

NOTE 9 - Income Taxes

Income tax expense was \$0.3 \$0.2 and \$0.6 \$0.1 for the three and nine months ended September 30, 2022 March 31, 2023 and March 31, 2022, respectively, and was comprised primarily of state and local taxes, compared to \$0.2 and \$0.4 for the three and nine months ended October 31, 2021, respectively. taxes. The Company has a valuation allowance against its deferred tax balances and, as a result, it was unable to recognize a any tax benefit expense on its year-to-date losses.

In response to the coronavirus pandemic ("COVID-19"), many governments have enacted measures to provide aid and economic stimulus. These measures include deferring the due dates of tax payments or other changes to their income and non-income-based tax laws. The Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020 in the United States, includes measures to assist companies, including temporary changes to income and non-income-based tax laws. The Company has deferred the employer portion of FICA tax payments of \$2.0 through September 30, 2022. This deferral is included on the condensed consolidated balance sheet in accrued liabilities. The payment is due by December 31, 2022. income.

The Company continues to monitor additional guidance issued by the U.S. Treasury Department, the Internal Revenue Service and others.

NOTE 10 - Segment Reporting

The Company is organized on a geographic basis. The Company's reportable segments, which are also its operating segments, are comprised of the Rocky Mountains Region (the Bakken, Williston, DJ, Uinta, Powder River, Piceance and Niobrara basins), the Southwest Region (the Permian Basin and the Eagle Ford Shale) and the Northeast/Mid-Con Region (the Marcellus and Utica Shale as well as the Mid-Continent STACK and SCOOP and Haynesville Shale). The segments regularly report their results of operations and make requests for capital expenditures and acquisition funding to the Company's chief operational decision-making group ("CODM"), group. As a result, the Company has three reportable segments.

The following table presents revenues and operating income (loss) by reportable segment:

		Three Months Ended		Nine Months Ended			Three Months Ended	
		September 30, 2022	October 31, 2021	September 30, 2022	October 31, 2021		March 31, 2023	March 31, 2022
Revenues	Revenues					Revenues		
Rocky Mountains	Rocky Mountains	\$ 66.5	\$ 36.5	\$ 162.9	\$ 94.4	Rocky Mountains	\$ 67.9	\$ 43.3
Southwest	Southwest	68.5	45.8	180.4	126.8	Southwest	73.4	51.9
Northeast/Mid-Con	Northeast/Mid-Con	86.6	56.7	215.0	120.5	Northeast/Mid-Con	98.3	57.1
Total revenues	Total revenues	221.6	139.0	558.3	341.7	Total revenues	239.6	152.3
Operating income (loss)	Operating income (loss)					Operating income (loss)		
Rocky Mountains	Rocky Mountains	11.7	(1.7)	14.9	(11.1)	Rocky Mountains	9.8	(0.8)
Southwest	Southwest	5.2	(4.1)	6.8	(15.3)	Southwest	4.8	(0.4)
Northeast/Mid-Con	Northeast/Mid-Con	17.2	1.7	23.7	(8.9)	Northeast/Mid-Con	18.7	(0.8)
Corporate and other	Corporate and other	(13.7)	(6.3)	(35.1)	(20.9)	Corporate and other	(14.4)	(9.5)
Total operating income (loss)	Total operating income (loss)	20.4	(10.4)	10.3	(56.2)	Total operating income (loss)	18.9	(11.5)
Interest expense, net	Interest expense, net	9.0	8.2	26.0	24.0	Interest expense, net	9.3	8.3
Net income (loss) before income tax	Net income (loss) before income tax	\$ 11.4	\$ (18.6)	\$ (15.7)	\$ (80.2)	Net income (loss) before income tax	\$ 9.6	\$ (19.8)

The following table presents revenues by service offering by reportable segment:

		Three Months Ended									Three Months Ended							
		September 30, 2022				October 31, 2021					March 31, 2023				March 31, 2022			
		Rocky		Northeast		Rocky		Northeast			Rocky		Northeast		Rocky		Northeast	
		Mountains	Southwest	/Mid-Con	Total	Mountains	Southwest	/Mid-Con	Total		Mountains	Southwest	/Mid-Con	Total	Mountains	Southwest	/Mid-Con	Total
Drilling	Drilling	\$ 7.3	\$ 28.9	\$ 20.8	\$ 57.0	\$ 3.5	\$ 19.8	\$ 15.4	\$ 38.7	Drilling	\$ 9.6	\$ 26.1	\$ 25.2	\$ 60.9	\$ 3.7	\$ 23.6	\$ 19.5	\$ 46.8
Completion	Completion	36.5	25.9	53.2	115.6	17.8	15.4	34.5	67.7	Completion	37.4	31.3	61.3	130.0	25.5	17.5	53.0	94.0
Production	Production	15.2	7.4	4.7	27.3	10.2	6.2	3.1	19.5	Production	14.6	8.0	5.2	27.8	9.0	5.7	14.7	29.4
Intervention	Intervention	7.5	6.3	7.9	21.7	5.0	4.4	3.7	13.1	Intervention	6.3	8.0	6.6	20.9	5.1	5.1	10.7	16.2
Total revenues	Total revenues	\$ 66.5	\$ 68.5	\$ 86.6	\$ 221.6	\$ 36.5	\$ 45.8	\$ 56.7	\$ 139.0	Total revenues	\$ 67.9	\$ 73.4	\$ 98.3	\$ 239.6	\$ 43.3	\$ 51.9	\$ 65.9	\$ 157.1

		Nine Months Ended							
		September 30, 2022				October 31, 2021			
		Rocky Mountains	Southwest	Northeast /Mid-Con	Total	Rocky Mountains	Southwest	Northeast /Mid-Con	Total
Drilling		\$ 17.7	\$ 80.3	\$ 53.9	\$ 151.9	\$ 6.8	\$ 52.9	\$ 35.7	\$ 95.4

Completion	89.2	64.2	130.9	284.3	50.8	46.1	66.9	163.8
Production	36.1	19.1	12.0	67.2	23.9	15.9	8.3	48.1
Intervention	19.9	16.8	18.2	54.9	12.9	11.9	9.6	34.4
Total revenues	\$ 162.9	\$ 180.4	\$ 215.0	\$ 558.3	\$ 94.4	\$ 126.8	\$ 120.5	\$ 341.7

The following table presents capital expenditures by reportable segment:

		Three Months Ended		Nine Months Ended			Three Months Ended	
		September 30, 2022	October 31, 2021	September 30, 2022	October 31, 2021		March 31, 2023	March 31, 2022
Rocky Mountains	Rocky Mountains	\$ 3.6	\$ 0.4	\$ 6.9	\$ 2.3	Rocky Mountains	\$ 1.6	\$ 1.6
Southwest	Southwest	3.6	0.7	7.5	2.6	Southwest	3.1	1.6
Northeast/Mid-Con	Northeast/Mid-Con	5.3	0.7	11.7	2.5	Northeast/Mid-Con	5.6	2.6
Corporate and other	Corporate and other	—	—	—	0.1	Corporate and other	—	—
Total capital expenditures	Total capital expenditures	\$ 12.5	\$ 1.8	\$ 26.1	\$ 7.5	Total capital expenditures	\$ 10.3	\$ 5.8

The following table presents total assets by segment:

		September 30, 2022	December 31, 2021		March 31, 2023	December 31, 2022
Rocky Mountains	Rocky Mountains	\$ 138.0	\$ 127.7	Rocky Mountains	\$ 142.9	\$ 133.0
Southwest	Southwest	143.9	134.4	Southwest	191.9	152.2
Northeast/Mid-Con	Northeast/Mid-Con	117.2	97.6	Northeast/Mid-Con	141.3	123.3
Total	Total	399.1	359.7	Total	476.1	408.5
Corporate and other	Corporate and other	41.0	28.0	Corporate and other	39.8	57.4
Total assets	Total assets	\$ 440.1	\$ 387.7	Total assets	\$ 515.9	\$ 465.9

NOTE 11 - Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed using the weighted average common shares outstanding during the period. Diluted net income (loss) per common share is computed by using the weighted average common shares outstanding, including the dilutive effect of restricted shares based on an average share price during the period. For the three months ended **September 30, 2022** **March 31, 2023** and **October 31, 2021** **March 31, 2022**, 0.5 and 0.5 million shares of the Company's common stock, respectively, and for the **nine months ended September 30, 2022 and October 31, 2021**, 0.5 **0.0** and 0.4 million shares of the Company's common stock, **Common Stock**, respectively, were excluded from the determination of diluted net income (loss) per common share because their effect would have been anti-dilutive. The computations of basic and diluted net income (loss) per share for the three and nine months ended **September 30, 2022** **March 31, 2023** and **October 31, 2021** **March 31, 2022** are as follows:

		Three Months Ended		Nine Months Ended			Three Months Ended	
		September 30, 2022	October 31, 2021	September 30, 2022	October 31, 2021		March 31, 2023	March 31, 2022
Net income (loss)	Net income (loss)	\$ 11.1	\$ (18.8)	\$ (16.3)	\$ (80.6)	Net income (loss)	\$ 9.4	\$ (19.9)
(Shares in millions)	(Shares in millions)					(Shares in millions)		
Basic weighted average common shares	Basic weighted average common shares	11.5	8.6	11.0	8.4	Basic weighted average common shares	14.2	10.1

Effect of dilutive securities - dilutive securities	Effect of dilutive securities - dilutive securities	—	—	—	—	Effect of dilutive securities - dilutive securities	0.2	—
Diluted weighted average common shares	Diluted weighted average common shares	11.5	8.6	11.0	8.4	Diluted weighted average common shares	14.4	10.1
Basic net income (loss) per common share	Basic net income (loss) per common share	\$ 0.96	\$ (2.19)	\$ (1.49)	\$ (9.60)	Basic net income (loss) per common share	\$ 0.66	\$ (1.98)
Diluted net income (loss) per common share	Diluted net income (loss) per common share	\$ 0.96	\$ (2.19)	\$ (1.49)	\$ (9.60)	Diluted net income (loss) per common share	\$ 0.65	\$ (1.98)

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information to investors. This Quarterly Report on Form 10-Q (this “Quarterly Report”) includes forward-looking statements that reflect our current expectations and projections about our future results, performance and prospects. Forward-looking statements include all statements that are not historical in nature or are not current facts. When used in this Quarterly Report, the words “believe,” “expect,” “plan,” “intend,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “may,” “might,” “should,” “could,” “will” or the negative of these terms or similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events.

These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause our actual results, performance and prospects to differ materially from those expressed in, or implied by, these forward-looking statements. Factors that might cause such a difference include those discussed in our filings with the SEC, Securities and Exchange Commission (the “SEC”), in particular those discussed under the headings “Risk Factors” in our [Transition Annual Report](#) on Form 10-K for the [fiscal year ended December 31, 2021](#) [December 31, 2022](#) and in this Quarterly Report, including the following factors:

- ongoing volatility in national and global crude oil demand and crude oil prices;
 - uncertainty regarding our future operating results;
 - our credit profile and our ability to renew or refinance our indebtedness;
 - legislative or regulatory changes and potential liability under federal and state laws and regulations;
 - general economic conditions, such as inflation and government efforts to reduce inflation, including increases in interest rates, or a prolonged recession;
 - the market environment and impacts resulting from the novel coronavirus (“COVID-19”) pandemic and subsequent variants, including the global supply chain disruptions and the government interventions into the financial market and economy, among other factors;
 - persistent volatility in national and global crude oil demand and crude oil prices;
 - increased costs and other changes in supply, demand and costs of equipment;
-
- the market environment and impacts resulting from COVID-19, including the global supply chain disruptions and the government interventions into the financial markets and economy, among possibility of inefficiencies, curtailments or shutdowns in our customers’ operations whether in response to reductions in demand or other factors;
 - uncertainty regarding our future operating results;
 - regulation of and dependence upon the energy industry;
 - the cyclical nature of the energy industry;
 - fluctuations in market prices for fuel, oil and natural gas;
 - our credit profile and our ability to renew or refinance our indebtedness;
 - overall domestic and global political and economic conditions, including the imposition of tariffs or trade or other economic sanctions, political instability or armed conflict, including the ongoing conflict in Ukraine;
 - the possibility of inefficiencies, curtailments or shutdowns in our customers’ operations, whether due to COVID-19 repercussions in the workforce or in response to reductions in demand;
 - our ability to maintain acceptable pricing for our services;

- competitive conditions within the industry;
- the loss of or interruption in operations of one or more key suppliers;
- legislative or regulatory changes and potential liability under federal and state laws and regulations;
- decreases in the rate at which oil and/or natural gas reserves are discovered and/or developed;
- the impact of technological advances on the demand for our products and services;
- customers' delays in obtaining permits for their operations;
- hazards and operational risks that may not be fully covered by insurance;
- the write-off of a significant portion of intangible assets;
- the need to obtain additional capital or financing, and the availability and/or cost of obtaining such capital or financing;
- limitations originating from our organizational documents, debt instruments and U.S. federal income tax obligations may impact our financial flexibility, our ability to engage in strategic transactions or our ability to declare and pay cash dividends on our common stock; Common Stock;
- oilfield anti-indemnity provisions;
- seasonal and adverse weather conditions that can affect oil and natural gas operations;
- reliance on information technology resources and the inability to implement new technology and services;
- the possibility of international conflicts, terrorist or cyber-attacks and the consequences of any such events;
- increased labor costs or our ability to employ, or maintain the employment of, a sufficient number of key employees, technical personnel, and other skilled and qualified workers;
- the inability to successfully consummate acquisitions or inability to manage potential growth; and
- our ability to remediate any material weakness in, or to maintain effective, internal controls over financial reporting and disclosure controls and procedures.

In light of these risks and uncertainties, you are cautioned not to put undue reliance on any forward-looking statements in this Quarterly Report. These statements should be considered only after carefully reading this entire Quarterly Report. Except as required under the federal securities laws and rules and regulations of the SEC, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additional risks that we may currently deem immaterial or that are not presently known to us could also cause the forward-looking events discussed in this Quarterly Report not to occur.

All forward-looking statements, expressed or implied, included in this Quarterly Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statement that we or persons acting on our behalf may issue.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (U.S. dollars in millions, except per share data)

The following discussion and analysis should be read in conjunction with the historical condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report as well as our Transition Annual Report on Form 10-K for the fiscal year ended December 31, 2021 December 31, 2022. This discussion contains forward-looking statements reflecting our current expectations and estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the sections entitled "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" appearing elsewhere in this Quarterly Report.

The following discussion and analysis addresses the results of our operations for the three and nine months ended September 30, 2022 March 31, 2023, as compared to our results of operations for the three and nine months ended October 31, 2021 March 31, 2022. In addition, the discussion and analysis addresses our liquidity, financial condition and other matters for these periods.

Company History

KLX Energy Services was initially formed from the combination of seven private oilfield service companies acquired during 2013 and 2014. Each of the acquired businesses was regional in nature and brought one or two specific service capabilities to KLX Energy Services. Once the acquisitions were completed, we undertook a comprehensive integration of these businesses to align our services, people and assets across all the geographic regions where we maintain a presence. In November 2018, we expanded our completion and intervention service offerings through the acquisition of Motley Services, LLC ("Motley"), a premier provider of large diameter coiled tubing services in the Permian Basin, further enhancing our completions business. We successfully completed the integration of the Motley business during fiscal 2018. On March 15, 2019, the Company acquired Tecton Energy Services ("Tecton"), a leading provider of flowback, drill-out and production testing services, operating primarily in the greater Rocky Mountains. In March 2019, the Company acquired Red Bone Services LLC ("Red Bone"), a premier provider of oilfield services primarily in the Mid-Continent region, providing fishing, non-hydraulic fracturing high pressure pumping, thru-tubing and certain other services. We successfully completed the integration of the Tecton and Red Bone businesses during fiscal 2019. We acquired Quintana Energy Services ("QES") during the second quarter of 2020 and, by doing so, helped establish KLXE as an industry leading provider of diversified oilfield solutions across the full well lifecycle to the major onshore oil and gas producing regions of the United States.

The merger of KLXE and QES (the "Merger") provided increased scale to serve a blue-chip customer base across the onshore oil and gas basins in the United States. The Merger combined two strong company cultures comprised of highly talented teams with shared commitments to safety, performance, customer service and profitability. The combination leveraged two of the largest fleets of coiled tubing and wireline assets, with KLXE becoming a leading provider of large diameter coiled tubing and wireline services and one of the largest independent providers of directional drilling to the U.S. market.

After closing the Merger, the Company has integrated personnel, facilities, processes and systems across all functional areas of the organization. Additional synergies may be realized as management continues to rationalize operational facilities and align common roles, processes and systems throughout each function and region. The Merger also enhanced the Company's ability to effect further industry consolidation.

On March 8, 2023, KLXE acquired all of the equity interests of Greene's Energy Group, LLC ("Greene's"), including \$1.7 in cash remaining with Greene's, in an all-stock transaction. See Note 2 - Business Combinations.

Looking ahead, the Company expects to continue to evaluate pursue opportunistic strategic, accretive consolidation opportunities acquisitions that would be expected to further strengthen the Company's competitive positioning and capital structure and drive efficiencies, accelerate growth and create long-term stockholder value.

Company Overview

We serve many of the leading companies engaged in the exploration and development of onshore conventional and unconventional oil and natural gas reserves in the United States. Our customers are primarily large independent and major oil and gas companies. We currently support these customer operations from over 60 service facilities located in the key major shale basins. We operate in three segments on a geographic basis, including the Rocky Mountains Region (the Bakken, Williston, DJ, Uinta, Powder River, Piceance and Niobrara basins), the Southwest Region (the Permian Basin, Eagle Ford Shale and the Gulf Coast as well as in industrial and petrochemical facilities) and the Northeast/Mid-Con Region (the Marcellus and Utica Shale as well as the Mid-Continent STACK and SCOOP and Haynesville Shale). Our revenues, operating earnings and identifiable assets are primarily attributable to these three reportable geographic segments. While we manage our business based upon these geographic groupings, our assets and our technical personnel are deployed on a dynamic basis across all of our service facilities to optimize utilization and profitability.

These expansive operating areas provide us with access to a number of nearby unconventional crude oil and natural gas basins, both with existing customers expanding their production footprint and third parties acquiring new acreage. Our proximity to existing and prospective customer activities allows us to anticipate or respond quickly to such customers' needs and efficiently deploy our assets. We believe that our strategic geographic positioning will benefit us as activity increases in our core operating areas. Our broad geographic footprint provides us with exposure to the ongoing recovery in drilling, completion, production and intervention related service activity and will allow us to opportunistically pursue new business in basins with active drilling environments.

We work with our customers to provide engineered solutions across the lifecycle of the well by streamlining operations, reducing non-productive time and developing cost effective solutions and customized tools for our customers' challenging service needs, including their technically complex extended reach horizontal wells. We believe future revenue growth opportunities will continue to be driven by increases in the number of new customers served and the breadth of services we offer to existing and prospective customers.

We offer a variety of targeted services that are differentiated by the technical competence and experience of our field service engineers and their deployment of a broad portfolio of specialized tools and proprietary equipment. Our innovative and adaptive approach to proprietary tool design has been employed by our in-house research and development ("R&D") organization and, in selected instances, by our technology partners to develop tools covered by 30 32 patents and 5 7 pending patent applications, which we believe differentiates us from our regional competitors and also allows us to deliver more focused service and better outcomes in our specialized services than larger national competitors that do not discretely dedicate their resources to the services we provide.

We utilize contract manufacturers to produce our products which, in many cases, our engineers have developed from input and requests from our customers and customer-facing managers, thereby maintaining the integrity of our intellectual property while avoiding manufacturing startup and maintenance costs. This approach leverages our technical strengths, as well as those of our technology partners. These services and related products are modest in cost to the customer relative to other well construction expenditures but have a high cost of failure and are, therefore, critical to our customers' outcomes. We believe our customers have come to depend on our decades of field experience to execute on some of the most challenging problems they face. We believe we are well positioned as a company to service customers when they are drilling and completing complex wells, and remediating both newer and older legacy wells.

We invest in innovative technology and equipment designed for modern production techniques that increase efficiencies and production for our customers. North American unconventional onshore wells are increasingly characterized by extended lateral lengths, tighter spacing between hydraulic fracturing stages, increased cluster density and heightened proppant loads. Drilling and completion activities for wells in unconventional resource plays are extremely complex, and downhole challenges and operating costs increase as the complexity and lateral length of these wells increase. For these reasons, E&P companies with complex wells increasingly prefer service providers with the scale and resources to deliver best-in-class solutions that evolve in real-time with the technology used for extraction. We believe we offer best-in-class service execution at the wellsite and innovative downhole technologies, positioning us to benefit from our ability to service technically complex wells where the potential for increased operating leverage is high due to the large number of stages per well.

We endeavor to create a next generation oilfield services company in terms of management controls, processes and operating metrics, and have driven these processes down through the operating management structure in every region, which we believe differentiates us from many of our competitors. This allows us to offer our customers in all of our geographic regions discrete, comprehensive and differentiated services that leverage both the technical expertise of our skilled engineers and our in-house R&D team.

Recent Trends and Outlook

Demand for services in the oil and natural gas industry is cyclical and subject to sudden and significant volatility. Market Over the last year, market demand for our services is has been experiencing a recovery from the lows of the last two three years that were heavily impacted by COVID-19. The ongoing conflict in Ukraine has contributed to a growing price resurgence for crude oil and is was a major factor behind the increased demand for drilling, completion and production activities in 2022.

Also, the impact of COVID-19 on the global economy has lessened significantly in 2022 although and early 2023. However, recent inflation has put pressure on and is expected to continue to negatively impact global demand.

So far in 2022, 2023, West Texas Intermediate ("WTI") prices have increased/decreased by 43.1%/9.6% from January 1 to June 30/March 31, and decreased by 25.8% from July 1 to September 30, however, commodity prices throughout have retreated from the highest prices in 2022, although they are still remain at significantly higher levels than the lowest prices in 2020 and 2021. In of the last three years. As an initial response to the rising oil prices in 2022 and as a response to the energy crisis resulting from the ongoing conflict in Ukraine, the United States has continued to increase drilling and completion activity levels, levels, although the United States has moderated the pace of increase in the first quarter of 2023, following the decrease in prices noted above. As of September 30, 2022/March 31, 2023, U.S. rig count was up to 765, an increase 755, a decrease of 30.5%/3.1% since December 31, 2021/December 31, 2022, according to a report from Baker Hughes.

As noted above, commodity prices have recently declined slightly from the highs experienced in the second quarter/prior year and the demand for commodities could decline further due to, among other things, uncertainty and volatility arising from the ongoing conflict in Ukraine, release of sanctions on Russia, increasing inflation and government efforts to reduce inflation, speculation as to future actions by OPEC+, a widespread resurgence of COVID-19, higher gas prices, or possible changes in the overall health of the global economy, including a prolonged recession. Although current forward strip for commodity prices indicate expectations of relatively high commodity prices over the next twelve months or longer, the current commodity price environment remains uncertain and the extent to which commodity prices and our operating and financial results of future periods will be impacted by the above-mentioned factors will depend largely on future developments, which are highly uncertain and cannot be accurately predicted.

There has been significant inflation across the cost of goods and services in 2022. During the quarter ended September 30, 2022/March 31, 2023, the Producer Price Index as measured by the Bureau of Labor Statistics decreased by 0.2%/0.1%. In spite of this minimal decrease in the third first quarter of 2022, 2023, we have experienced continued to experience higher costs for goods used in providing services to our customers. In addition, we face increased competition for labor, as turnover in the industry is still fairly high. We are spending more to attract and retain employees in the field, especially as we plan for continued growth for the remainder of this fiscal year. At the same time, we have seen increased demand for our services, which has allowed us to implement price increases with our customers across all regions, regions to offset these higher costs.

The Company remains focused on providing the highest level of customer service across our regions and different service offerings, which has allowed us to make meaningful positive impacts to our revenue, operating margins, cash flows and Adjusted EBITDA and cash flows, (as defined below). We are taking steps to hire essential personnel and increase capital expenditures as activity rebounds, but we are measured in our growth and focused on returns.

We believe our diverse product and service offerings uniquely position KLXE to respond to a rapidly evolving marketplace where we can provide a comprehensive suite of engineered solutions for our customers with one call and one master services agreement.

How We Generate Revenue and the Costs of Conducting Our Business

Our business strategy seeks to generate attractive returns on capital by providing differentiated services and prudently applying our cash flows/flow to select targeted opportunities, with the potential to deliver high returns that we believe offer superior margins over the long-term. Our services generally require equipment that is less expensive to maintain/long-term and is operated by a smaller staff than many other oilfield service providers, short payback periods. As part of our returns-focused approach to capital spending, we are focused on efficiently utilizing capital to develop new products. We support our existing asset base with targeted investments in R&D, which we believe allows us to maintain a technical advantage over our competitors providing similar services using standard equipment.

Demand for services in the oil and natural gas industry is cyclical and subject to sudden and significant volatility. We remain focused on serving the needs of our customers by providing a broad portfolio of product service lines across the all major basins, while preserving a solid balance sheet, maintaining sufficient operating liquidity and prudently managing our capital expenditures.

We believe we have strong management systems in place, which will allow us to manage our operating resources and associated expenses relative to market conditions. Historically, we believe our services have generated margins superior to our competitors based upon the differential quality of our performance, and that these margins would contribute to future cash flow generation. The required investment in our business includes both working capital (principally for accounts receivable, inventory and accounts payable growth tied to increasing activity and revenues) and capital expenditures for both maintenance of existing assets and ultimately growth when economic returns justify the spending.

How We Evaluate Our Operations

Key Financial Performance Indicators

We recognize required maintenance capital expenditures tend to be lower than other oilfield service providers due to the highly cyclical generally asset-light nature of our business and services, the need for metrics to (1) best measure the trends in our operations and (2) provide baselines and targets to assess the performance/lower average age of our managers, assets and our ability to charge back a portion of asset maintenance to customers for a number of our assets.

The measures we believe most effective to achieve the above stated goals include:

- **Revenue**

- **Adjusted Earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"):** Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. Adjusted EBITDA is not a measure of net earnings or cash flows as determined by GAAP. We define Adjusted EBITDA as net earnings (loss) before interest, taxes, depreciation and amortization, further adjusted for (i) goodwill and/or long-lived asset impairment charges, (ii) stock-based compensation expense, (iii) restructuring charges, (iv) transaction and integration costs related to acquisitions and (v) other expenses or charges to exclude certain items that we believe are not reflective of ongoing performance of our business.

- **Adjusted EBITDA Margin:** Adjusted EBITDA Margin is defined as Adjusted EBITDA, as defined above, as a percentage of revenue.

We believe Adjusted EBITDA is useful because it allows us to supplement the GAAP measures in order to evaluate our operating performance and compare the results of our operations from period to period without regard to our financing methods or capital structure. We exclude the items listed above in arriving at Adjusted EBITDA (Loss) because these amounts can vary substantially from company to company within our industry depending upon accounting methods, book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net (loss) earnings as determined in accordance with GAAP, or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Results of Operations

Three Months Ended **September 30, 2022** **March 31, 2023** Compared to Three Months Ended **October 31, 2021** **March 31, 2022**

Revenue. The following is a summary of revenue by segment: segment and product line for the periods indicated:

		Three Months Ended							Three Months Ended		
		September 30, 2022	October 31, 2021	% Change			March 31, 2023	March 31, 2022	% Change		
Revenue:	Revenue:				Revenue:						
Rocky Mountains	Rocky Mountains	\$ 66.5	\$ 36.5	82.2 %	Rocky Mountains	\$ 67.9	\$ 43.3	56.8 %			
Southwest	Southwest	68.5	45.8	49.6 %	Southwest	73.4	51.9	41.4 %			
Northeast/Mid-Con	Northeast/Mid-Con	86.6	56.7	52.7 %	Northeast/Mid-Con	98.3	57.1	72.2 %			
Total revenue	Total revenue	\$ 221.6	\$ 139.0	59.4 %	Total revenue	\$ 239.6	\$ 152.3	57.3 %			

		Three Months Ended		
		March 31, 2023	March 31, 2022	% Change
Revenue:				
Drilling	\$	60.9	\$ 42.9	42.0 %
Completion		130.0	76.9	69.1 %
Production		27.8	17.9	55.3 %
Intervention		20.9	14.6	43.2 %
Total revenue	\$	239.6	\$ 152.3	57.3 %

For the quarter ended **September 30, 2022** **March 31, 2023**, revenues were **\$221.6**, **\$239.6**, an increase of **\$82.6**, **\$87.3**, or **59.4%** **57.3%**, as compared with the prior year period. The overall increase in revenues reflects the recovery in economic activity and increase in WTI prices during the year, leading to increased demand for our services and a positive pricing environment. Increased weighted average price contributed to approximately 63% of the \$87.3 increase, and increased weighted average volume contributed to the remaining approximately 37%. On a segment basis, Rocky Mountains segment revenue increased by **\$30.0**, **\$24.6** or **82.2%**, **56.8%**. Increased weighted average price contributed to approximately 46% of the dollar increase, and increased weighted average volume contributed to the remaining approximately 54%. Southwest segment revenue increased by **\$22.7**, **\$21.5** or **49.6%**, **41.4%**. Increased weighted average price contributed to approximately 39% of the dollar increase, and increased weighted average volume contributed to the remaining approximately 61%. Northeast/Mid-Con segment revenues revenue increased by **\$29.9**, **\$41.2** or **52.7%** **72.2%**. The increased weighted average price contributed to approximately 64% of the dollar increase, in Rocky Mountains revenue was driven by an increase in activity and pricing across service lines, most prominently in coiled tubing, wireline, rentals, tech services and directional drilling. The increase in Southwest revenue was primarily driven by a similar increase in activity and pricing across service lines, with directional drilling and coiled tubing experiencing the largest increases. The increase of Northeast/Mid-Con revenue was primarily due to increases in pressure pumping, accommodations and tech services activity and pricing in the region.

On a product line basis, drilling, completion, production and intervention services increased weighted average volume contributed approximately 25.7%, 52.2%, 12.3% and 9.8%, respectively, to revenue for the three months ended September 30, 2022. Drilling, completion, production and intervention services revenues increased by approximately \$18.3, \$47.9, \$7.8 and \$8.6, respectively, as compared to the three months ended October 31, 2021 remaining approximately 36%.

Cost of sales. For the quarter ended September 30, 2022 March 31, 2023, cost of sales were \$168.8, \$180.9, or 76.2% 75.5% of sales, as compared to the three months ended October 31, 2021 March 31, 2022 of \$120.7, \$135.0, or 86.8% 88.6% of sales. Cost of sales as a percentage of revenues decreased primarily due to improvement in pricing that outpaced the increasing cost of labor during the quarter. Additionally, The two largest components of cost of sales are labor and repair & maintenance. Although cost of sales as a percentage of revenues decreased, labor costs per employee increased by 15.7% as compared with the Company experienced inflationary pressures in raw materials and finished goods, but price increases partially offset three months ended March 31, 2022. Repair & maintenance costs as a percentage of revenues decreased by 9.6% as compared to the inflationary pressures, three months ended March 31, 2022.

Selling, general and administrative expenses ("SG&A"). For the quarter ended September 30, 2022 March 31, 2023, selling, general and administrative ("SG&A") &A expenses were \$18.0, \$26.2, or 8.1% 10.9% of revenues, as compared with \$14.8, \$15.0, or 10.6% 9.8% of revenues, in the prior year period. The reduction increase in percentage of revenues and dollar amount is mainly due to strong operating leverage facilitating minimal SG&A increases incentive bonuses as revenue increased 59.4% well as professional fees and other costs related to the Greene's acquisition incurred in the three months ended September 30, 2022 March 31, 2023 as compared to the three months ended October 31, 2021 March 31, 2022.

Operating income (loss). The following is a summary of operating income (loss) by segment:

		Three Months Ended			Three Months Ended			
		October 31,			March 31,			
		September 30, 2022	2021	% Change	March 31, 2023	March 31, 2022	% Change	
Operating income (loss):	Operating income (loss):				Operating income (loss):			
Rocky Mountains	Rocky Mountains	\$ 11.7	\$ (1.7)	788.2 %	Rocky Mountains	\$ 9.8	\$ (0.8)	NM
Southwest	Southwest	5.2	(4.1)	226.8 %	Southwest	4.8	(0.4)	NM
Northeast/Mid-Con	Northeast/Mid-Con	17.2	1.7	911.8 %	Northeast/Mid-Con	18.7	(0.8)	NM
Corporate and other	Corporate and other	(13.7)	(6.3)	(117.5) %	Corporate and other	(14.4)	(9.5)	(51.6) %
Total operating income (loss)	Total operating income (loss)	\$ 20.4	\$ (10.4)	296.2 %	Total operating income (loss)	\$ 18.9	\$ (11.5)	NM

For the quarter ended September 30, 2022 March 31, 2023, operating income was \$20.4 \$18.9 compared to operating loss of \$10.4 \$11.5 in the prior year period, due to improvements in activity and pricing.

Each operating segment's operating results improved significantly compared to the prior year period. Rocky Mountains segment operating income was \$11.7, \$9.8, Southwest segment operating income was \$5.2, \$4.8, and Northeast/Mid-Con segment operating income was \$17.2 \$18.7 for the three months ended September 30, 2022 March 31, 2023. The driving factor for the improvement in each case was higher pricing and activity during the period. Note that operating loss for Corporate and other increased due to non-recurring costs related to the Greene's acquisition.

Income tax expense. For the quarter ended September 30, 2022 March 31, 2023, income tax expense was \$0.3, \$0.2, as compared to income tax expense of \$0.2 \$0.1 in the prior year period, and was comprised primarily of state and local taxes. The Company did not recognize a tax benefit expense on its year-to-date losses income because it has a valuation allowance against its deferred tax balances.

Net income (loss). For the quarter ended September 30, 2022 March 31, 2023, net income was \$11.1, \$9.4, as compared to net loss of \$18.8 \$19.9 in the prior year period, increasing primarily as a result of improving industry conditions, operating income as discussed above.

Results of Operations

Nine Months Ended September 30, 2022 Compared to Nine Months Ended October 31, 2021

Revenue. The following is a summary of revenue by segment:

		Nine Months Ended		
		September 30, 2022	October 31, 2021	% Change
Revenue:				
Rocky Mountains	\$	162.9	\$ 94.4	72.6 %
Southwest		180.4	126.8	42.3 %
Northeast/Mid-Con		215.0	120.5	78.4 %

Total revenue	\$	558.3	\$	341.7	63.4 %
---------------	----	-------	----	-------	--------

For the nine months ended September 30, 2022, revenues were \$558.3, an increase of \$216.6, or 63.4%, as compared with the prior year period. Rocky Mountains segment revenue increased by \$68.5, or 72.6%, Southwest segment revenue increased by \$53.6, or 42.3%, and Northeast/Mid-Con segment revenues increased by \$94.5, or 78.4%. The increase in Rocky Mountains revenue was driven by an increase in activity and pricing across service lines, most prominently in wireline, coiled tubing, rentals, tech services and directional drilling. The increase in Southwest revenue was primarily driven by a similar increase in activity and pricing across service lines, with directional drilling, coiled tubing and wireline experiencing the largest increases. The increase of Northeast/Mid-Con revenue was primarily due to increases in pressure pumping, accommodations, tech services, directional drilling and coiled tubing activity and pricing in the region.

On a product line basis, drilling, completion, production and intervention services contributed approximately 27.3%, 50.9%, 12.0% and 9.8%, respectively, to revenue for the nine months ended September 30, 2022.

Drilling, completion, production and intervention services revenues increased by approximately \$56.5, \$120.5, \$19.1 and \$20.5, respectively, as compared to the nine months ended October 31, 2021.

Cost of sales. For the nine months ended September 30, 2022, cost of sales were \$454.7, or 81.4% of sales, as compared to the nine months ended October 31, 2021 of \$308.5, or 90.3% of sales. Cost of sales as a percentage of revenues decreased primarily due to improvement in pricing that outpaced the increasing cost of labor during the nine months ended September 30, 2022. Additionally, the Company experienced inflationary pressures in raw materials and finished goods, but price increases partially offset the inflationary pressures.

Selling, general and administrative expenses. For the nine months ended September 30, 2022, SG&A expenses were \$51.0, or 9.1% of revenues, as compared with \$44.1, or 12.9% of revenues, in the prior year period. The reduction in percentage of revenues is mainly due to strong operating leverage facilitating minimal SG&A increases as revenue increased 63.4% in the nine months ended September 30, 2022 as compared to the nine months ended October 31, 2021.

Operating income (loss). The following is a summary of operating income (loss) by segment:

	Nine Months Ended		
	September 30, 2022	October 31, 2021	% Change
Operating income (loss):			
Rocky Mountains	\$ 14.9	\$ (11.1)	234.2 %
Southwest	6.8	(15.3)	144.4 %
Northeast/Mid-Con	23.7	(8.9)	366.3 %
Corporate and other	(35.1)	(20.9)	(67.9)%
Total operating income (loss)	\$ 10.3	\$ (56.2)	118.3 %

For the nine months ended September 30, 2022, operating income was \$10.3 compared to operating loss of \$56.2 in the prior year period, due to improvements in activity and pricing.

Each segment's operating results improved significantly compared to the prior year period. Rocky Mountains segment operating income was \$14.9, Southwest segment operating income was \$6.8, and Northeast/Mid-Con segment operating income was \$23.7 for the nine months ended September 30, 2022. The driving factor for the improvement in each case was higher pricing and activity during the period.

Income tax expense. For the nine months ended September 30, 2022, income tax expense was \$0.6, as compared to income tax expense of \$0.4 in the prior year period, and was comprised primarily of state and local taxes. The Company did not recognize a tax benefit on its year-to-date losses because it has a valuation allowance against its deferred tax balances.

Net loss. For the nine months ended September 30, 2022, net loss was \$16.3, as compared to a net loss of \$80.6 in the prior year period, primarily as a result of improving industry conditions, driving improved revenue and margins.

Liquidity and Capital Resources

Overview

We require capital to fund ongoing operations, including maintenance expenditures on our existing fleet and equipment, organic growth initiatives, debt service obligations, investments and acquisitions. Our primary sources of liquidity to date have been capital contributions from our equity and note holders, borrowings under the Company's asset-based revolving credit facility, as amended by the ABL Facility Amendment (as defined below) and other amendments (the "ABL Facility") and cash flows from operations. At September 30, 2022 March 31, 2023, we had \$41.4 \$39.6 of cash and cash equivalents and \$45.0 \$44.4 available on the September 30, 2022 March 2023 ABL Facility Borrowing Base Certificate, which resulted in an available liquidity position of \$86.4 \$84.0.

Our material cash commitments from known contractual and other obligations consist primarily of obligations for long-term debt and related interest as well as leases for property and equipment and purchase obligations as part of normal operations. See below "— ABL Facility" and "— Senior Secured Notes" for information regarding scheduled maturities of our long-term debt. See "Note 10 7 - Leases" of Item 8 in our 2021 Transition 2022 Annual Report on Form 10-K filed with the SEC on March 14, 2022 March 9, 2023 for information regarding scheduled maturities of our operating and financing leases.

We have taken several actions to continue to improve our liquidity position, including closing our Florida legacy headquarters and relocating all key functions to Houston, eliminating redundancies and duplicative functions throughout our operations following the merger with QES, issuing equity under our ATM program Offering, executing debt for equity exchanges that have reduced our interest burden and monetizing non-core and obsolete assets. We actively manage our capital spending and are focused primarily on required maintenance spending. Additionally, despite ongoing volatility in commodity prices and increased inflation, increasing continued higher oil prices over 2022 and 2023 relative to those over 2020 and 2021 have resulted in an increase in demand for our services and an improvement in our operating cash flows in the nine three months ended September 30, 2022 March 31, 2023 as compared to the nine three months ended October 31, 2021 March 31, 2022. We believe based on our current forecasts, our cash on hand, continued draws under the ABL Facility, together with our cash flows, will provide us with the ability to fund our operations, including planned capital expenditures, for at least the next twelve months. Based on current trends, we believe that our liquidity beyond the next twelve months will increase as our operational results continue to improve. However, we are unable to quantify or guarantee this increase, and there can be no certainty that current trends will continue and that our liquidity and financial position will continue to improve.

We have substantial indebtedness. As of September 30, 2022 March 31, 2023, we had total outstanding long-term indebtedness of \$295.6 \$283.6 under our ABL Facility and Senior Secured Notes as described in greater detail under "— ABL Facility" and "— Senior Secured Notes" below. Our ability to pay the principal and interest on our long-term debt and to satisfy our other liabilities will depend on our future operating performance and ability to refinance our debt as it becomes due. Our future operating performance and ability to satisfy our liquidity requirements and refinance such indebtedness will be affected by prevailing economic and political conditions, the level of drilling, completion, production and intervention services activity for North American onshore oil and natural gas resources and related pricing for our services, increasing inflation and government efforts to reduce inflation, the willingness of capital providers to lend to our industry, the continuation of the COVID-19 pandemic, and other financial and business factors, many of which are beyond our control.

Our ABL Facility matures in September 2024 and our Senior Secured Notes mature in 2025. 2025 (as defined below). Our ability to refinance or restructure our debt will depend on the condition of the public and private debt markets and our financial condition at such time, among other things. Any refinancing of our debt could be at higher interest rates and may require us to comply with covenants, which could further restrict our business operations.

A rising interest rate environment could have an adverse impact on the price of our shares, or our ability to issue equity or incur debt to refinance our existing indebtedness, for acquisitions or other purposes. In addition, incurring additional debt in excess of our existing outstanding indebtedness would result in increased interest expense and financial leverage, and issuing common stock, par value \$0.01, of the Company ("Common Stock") may result in dilution to our current stockholders.

In light of our substantial leverage position and the uncertainty regarding future market conditions, availability of capital and our financial performance, as market conditions warrant and subject to our contractual restrictions, liquidity position and other factors, we may explore various alternatives to recapitalize, refinance or otherwise restructure our capital structure. We may accomplish this through open market or privately negotiated transactions, which may include, among other things, a mix of refinancings, private or public equity or debt raises and rights offerings, repurchases of our outstanding Senior Secured Notes, debt-for-debt or debt-for-equity exchanges or conversions that if successful could result in the dilution of ownership by existing stockholders.

Some of these alternatives may require the consent of current lenders, stockholders or noteholders, and there is no assurance that we will be able to execute any of these alternatives on acceptable terms, or at all. As noted below, our recent ABL Amendment provides us with the ability to redeem, repurchase, defease or otherwise satisfy the outstanding Senior Secured Notes using proceeds of equity issuances or by converting or exchanging Senior Secured Notes for equity. In November and December 2022, we consummated debt-for-equity exchanges for \$4.0 \$12.8 aggregate principal amount of the Senior Secured Notes. We may, at any time and from time to time, seek to retire or purchase additional outstanding Senior Secured Notes in open-market purchases, privately negotiated transactions or otherwise, or convert or exchange Senior Secured Notes for equity, depending on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

ABL Facility

We entered into a \$100.0 ABL Facility on August 10, 2018. The ABL Facility became effective on September 14, 2018 and is scheduled to mature in September 2024. Borrowings under the ABL Facility bear interest at a rate equal to Term SOFR (as defined in the ABL Facility) plus the applicable margin (as defined). Availability under the The ABL Facility is tied to a borrowing base formula and the ABL Facility has no maintenance financial covenants as long as we maintain a the minimum level of borrowing availability. availability is maintained. The ABL Facility is secured by, among other things, a first priority lien on our accounts receivable and inventory and contains customary conditions precedent to borrowing and affirmative and negative covenants. \$50.0 was outstanding under the ABL Facility as of September 30, 2022 March 31, 2023. The effective interest rate under the ABL Facility was approximately 8.3% 7.7% on September 30, 2022 March 31, 2023.

On September 22, 2022, the Company entered into a Third Amendment to the ABL Facility, with certain of its subsidiaries party thereto, as guarantors, JPMorgan Chase Bank, N.A., as administrative agent and an issuing lender, and the other lenders and issuing lenders party thereto from time to time (the "Amendment" "ABL Amendment").

The ABL Amendment, among other things, (i) extends the maturity date of the ABL Facility by a year from September 14, 2023 to September 15, 2024, (ii) increases the applicable margin by 0.50%, (iii) replaces LIBOR as the benchmark rate with Term SOFR, (iv) provides the Company with the ability to redeem, repurchase, defease or otherwise satisfy its outstanding Senior Secured Notes using proceeds of equity issuances or by converting or exchanging Senior Secured Notes for equity, (v) resets consolidated EBITDA solely for purposes of calculating the springing fixed charge coverage ratio ("FCCR") to be annualized beginning with the fiscal quarter ended as of June 30, 2022 until the fourth fiscal quarter ended thereafter (provided that fixed charges will continue to be calculated on a trailing-twelve month basis), (vi) requires that, after giving effect to any borrowing and the use of proceeds thereof, the Company not have more than \$35.0 in excess cash on its balance sheet and (vii) increases the availability trigger for a cash dominion event. See Note 2 for further discussion on the adoption of the related accounting standard ASU 2020-04.

The ABL Facility includes a springing financial covenant which requires the Company's consolidated FCCR to be at least 1.0 to 1.0 if availability falls below the greater of \$15.0 or 20.0% of the line cap. borrowing base. At all times during the nine three months ended September 30, 2022 March 31, 2023, availability exceeded this threshold, and the Company was not subject to this financial covenant. As of September 30, 2022 March 31, 2023, the FCCR was above 1.0 to 1.0, and the Company was in full compliance with the ABL Facility.

The ABL Facility includes financial, operating and negative covenants that limit our ability to incur indebtedness, to create liens or other encumbrances, to make certain payments and investments, including dividend payments, to engage in transactions with affiliates, to engage in sale/leaseback transactions, to guarantee indebtedness and to sell or otherwise dispose of assets and merge or consolidate with other entities. It also includes a covenant to deliver annual audited financial statements that are not qualified by a "going concern" or like qualification or exception. A failure to comply with the obligations contained in the ABL Facility could result in an event of default, which could permit acceleration of the debt, termination of undrawn commitments and enforcement against any liens securing the debt.

Senior Secured Notes

In conjunction with the acquisition of Motley in 2018, we issued \$250.0 principal amount of 11.5% senior secured notes due 2025 (the "Notes" "Senior Secured Notes") offered pursuant to Rule 144A under the Securities Act of 1933 (as amended, the "Securities Act") and to certain non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. On a net basis, after taking into consideration the debt issuance costs for the Senior Secured Notes, total debt related to the Senior Secured Notes as of September 30, 2022 March 31, 2023 was \$245.6. \$233.6. The Senior Secured Notes bear interest at an annual rate of 11.5%, payable semi-annually in arrears on May 1 and November 1 and mature in 2025. Accrued interest related to the Senior Secured Notes was \$12.0 \$11.5 as of September 30, 2022 March 31, 2023.

The indenture contains customary affirmative and negative covenants restricting, among other things, the Company's ability to incur indebtedness and liens, pay dividends or make other distributions, make certain other restricted payments or investments, sell assets, enter into restrictive agreements, enter into transactions with the Company's affiliates, and merge or consolidate with other entities or sell substantially all of the Company's assets.

The indenture also contains customary events of default including, among other things, the failure to pay interest for 30 days, failure to pay principal when due, failure to observe or perform any other covenants or agreement in the indenture subject to grace periods, cross-acceleration to indebtedness with an aggregate principal amount in excess of \$50.0, material impairment of liens, failure to pay certain material judgments and certain events of bankruptcy.

Indemnities, Commitments and Guarantees

In the normal course of our business, we make certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These indemnities include indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease and indemnities to other parties to certain acquisition agreements. The duration of these indemnities, commitments and guarantees varies and, in certain cases, is indefinite. Many of these indemnities, commitments and guarantees provide for limitations on the maximum potential future payments we could be obligated to make. However, we are unable to estimate the maximum amount of liability related to our indemnities, commitments and guarantees because such liabilities are contingent upon the occurrence of events that are not reasonably determinable. Our management believes that any liability for these indemnities, commitments and guarantees would not be material to our financial statements. Accordingly, no significant amounts have been accrued for indemnities, commitments and guarantees.

We have employment agreements with certain key members of management expiring on various dates. Our employment agreements generally provide for certain protections in the event of a change of control. These protections generally include the payment of severance and related benefits under certain circumstances in the event of a change in control.

Capital Expenditures

Our capital expenditures were \$26.1 \$10.3 during the nine three months ended September 30, 2022 March 31, 2023, compared to \$7.5 \$5.8 in the nine three months ended October 31, 2021 March 31, 2022. We now Based on current industry conditions and our significant investments in capital expenditures over the past several years, we expect to incur between \$30.0 \$60.0 and \$35.0 \$70.0 in total capital expenditures for the year ending December 31, 2022 December 31, 2023, based on current industry conditions. We have no material commitments out of which \$45.0 to \$50.0 for maintenance capital expenditures beyond the next twelve months. spending. The nature of our capital expenditures is comprised of a base level of investment required to support our current operations and amounts related to growth and Company initiatives. Capital expenditures for growth and Company initiatives are discretionary. We continually evaluate our capital expenditures, and the amount we ultimately spend will depend on a number of factors, including expected industry activity levels and Company initiatives.

Equity Distribution Agreement

On June 14, 2021, the Company entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") with Piper Sandler & Co. as sales agent (the "Agent"). Pursuant to the terms of the Equity Distribution Agreement, the Company may sell from time to time through the Agent (the "ATM Offering") the

Company's common stock, Common Stock, par value \$0.01 per share, having an aggregate offering price of up to \$50.0 \$50.0.

On November 16, 2022, the Company entered into Amendment No. 1 to the Equity Distribution Agreement (the "Common Stock" "EDA Amendment"), with the Agent. Among other things, the EDA Amendment allows for debt-for-equity exchanges in accordance with Section 3(a)(9) of the Securities Act.

Any Common Stock offered and sold in the ATM Offering will may be issued pursuant to the Company's shelf registration statement on Form S-3 (Registration No. 333-256149) filed with the SEC on May 14, 2021 and declared effective on June 11, 2021 (the "Registration Statement"), the prospectus supplement relating to the ATM Offering filed with the SEC on June 14, 2021 and any applicable additional prospectus supplements related to the ATM Offering that form a part of the Registration Statement. Sales of Common Stock under the Equity Distribution Agreement may be made in any transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act.

The Equity Distribution Agreement contains customary representations, warranties and agreements by the Company, indemnification obligations of the Company and the Agent, including for liabilities under the Securities Act, other obligations of the parties and termination provisions. Under the terms of the Equity Distribution Agreement, the Company will pay the Agent a commission equal to 3.0% of the gross sales price of the Common Stock sold.

The Company plans to use the net proceeds from the ATM Offering, after deducting the Agent's commissions and the Company's offering expenses, for general corporate purposes, which may include, among other things, paying or refinancing all or a portion of the Company's then-outstanding indebtedness, and funding acquisitions, capital expenditures and working capital.

In the fiscal year ended December 31, 2022, COVID-19 coupled with the ongoing conflict in Ukraine have caused global crude oil supply shocks and continued volatility in oil prices, and rising inflation coupled with government efforts to reduce its effects have increased fear of recession and resulted in significant volatility in global markets, both of which have significantly affected the value of our common stock, Common Stock, which, even amid ongoing recovery in our industry and increasing demand for our services, may reduce our ability to access capital in the bank and capital markets, including through equity or debt offerings. However, the effects and the future risks are waning.

During the three and nine months ended September 30, 2022 March 31, 2023 and March 31, 2022, the Company sold 241,551 zero and 1,826,199 shares of Common Stock, respectively, for gross proceeds of approximately \$1.7 and \$10.1, respectively, and paid legal and administrative fees of \$0.1 and \$0.2, respectively. During the three and nine months ended October 31, 2021, the Company sold 1,070,000 and 1,130,216 695,377 shares of Common Stock, respectively, in exchange for gross proceeds of approximately \$4.9 \$0.0 and \$5.5, \$3.7, respectively, and paid fees to the sales agent and other incurred legal and accounting administrative fees of \$0.1 and \$0.7, respectively, to establish the ATM Offering. \$0.1, respectively.

Cash Flows

Our cash flows provided by operating activities for the nine months ended September 30, 2022 were approximately \$3.9 as compared to approximately \$43.2 used in operating activities for the nine three months ended October 31, 2021 March 31, 2023 were approximately \$8.6 as compared to approximately \$6.2 used in operating activities for the three months ended March 31, 2022. Our operating cash flows are sensitive to many variables, the most significant of which are utilization and profitability, the timing of billing and customer collections, payments to our vendors, repair and maintenance costs and personnel, any of which may affect our available cash. Additionally, should our customers experience financial distress for any reason, they could default on their payments owed to us, which would affect our cash flows and liquidity.

At September 30, 2022 March 31, 2023, we had \$41.4 \$39.6 of cash and cash equivalents. Cash on hand at September 30, 2022 increased March 31, 2023 decreased by \$13.4, \$17.8, as a result of \$23.8 of cash flows provided by financing activities and \$3.9 of cash flows provided by operating activities offset by \$14.3 \$8.6 of cash flows used in operating activities, \$3.6 of cash flows used in investing activities and \$5.6 used in financing activities. Our liquidity requirements consist of working capital needs, debt service obligations and ongoing capital expenditure requirements. Our primary requirements for working capital are directly related to the activity level of our operations.

The following table sets forth our cash flows for the periods presented below:

	Nine Months Ended	
	September 30, 2022	October 31, 2021
Net cash flows provided by (used in) operating activities	\$ 3.9	\$ (43.2)
Net cash flows (used in) provided by investing activities	(14.3)	6.2
Net cash flows provided by financing activities	23.8	30.7
Net change in cash	13.4	(6.3)
Cash balance end of period	\$ 41.4	\$ 40.8

	Three Months Ended	
	March 31, 2023	March 31, 2022
Net cash flows used in operating activities	\$ (8.6)	\$ (6.2)
Net cash flows used in investing activities	(3.6)	(3.2)
Net cash flows (used in) provided by financing activities	(5.6)	0.8
Net change in cash	(17.8)	(8.6)
Cash balance end of period	\$ 39.6	\$ 19.4

Net cash provided by (used in) used in operating activities

Net cash provided by used in operating activities was \$3.9 \$8.6 for the nine three months ended September 30, 2022 March 31, 2023, as compared to net cash used in operating activities of \$43.2 \$6.2 for the nine three months ended October 31, 2021 March 31, 2022. The improvement in negative operating cash flows was primarily were attributable to the increase increased investment in revenues across most service accounts receivable due to slow payments from customers, early payment of vendor invoices in preparation for a system implementation project and related product lines driven by an increase one incremental payroll in activity. As operational performance improved during the quarter, overall operating cash flows became positive for the nine months ended September 30, 2022, 2023.

Net cash (used in) provided by used in investing activities

Net cash used in investing activities was \$14.3 \$3.6 for the nine three months ended September 30, 2022 March 31, 2023, as compared to net cash provided by used in investing activities of \$6.2 \$3.2 for the nine three months ended October 31, 2021 March 31, 2022. The cash flows used in investing activities for the nine three months ended September 30, 2022 March 31, 2023 were primarily driven by maintenance capital spending tied to the operation of our existing asset base offset by sales of facilities, trucks and other idle assets resulting from the cost reduction initiatives, assets.

Net cash (used in) provided by financing activities

Net cash provided by used in financing activities was \$23.8 \$5.6 for the nine three months ended September 30, 2022 March 31, 2023, compared to net cash provided by financing activities of \$30.7 \$0.8 for the nine three months ended October 31, 2021 March 31, 2022. During the nine three months ended September 30, 2022 March 31, 2023, \$20.0 in cash was received as borrowings under the ABL facility, \$9.9 was received as proceeds on ATM Offering sales, \$1.4 was received as proceeds from finance lease refinancing, \$5.5 \$3.1 was paid on finance lease obligations, \$1.4 \$1.7 was paid on financed payables, \$0.3 \$0.1 was paid for debt issuance costs in legal and \$0.3 administrative fees related to our ATM Offering and \$0.7 was paid for treasury shares in connection with the settlement of income tax and related benefit withholding obligations arising from vesting of restricted stock grants under the Company's long-term incentive program.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of our financial statements. We Other than the critical accounting policy included below, we believe that our critical accounting policies are limited to those described in the Critical Accounting Estimates section of

Management's Discussion and Analysis of Financial Condition and Results of Operations included in our **2021 Transition 2022 Annual** Report on Form 10-K filed with the SEC on **March 14, 2022** **March 9, 2023**.

Business Combinations

We completed our acquisition of Greene's on March 8, 2023. Greene's results of operations have been included in our financial results for the period subsequent to the acquisition date.

Under the acquisition method of accounting, we allocate the fair value of purchase consideration transferred to the tangible assets and intangible assets acquired, if any, and liabilities assumed based on their estimated fair values on the date of the acquisition. The fair values assigned, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants, are based on estimates and assumptions determined by management. The estimated fair value of the assets acquired, net of liabilities assumed, exceeds the purchase consideration, resulting in a bargain purchase gain.

When determining the fair value of assets acquired and liabilities assumed, we make significant estimates and assumptions. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

During the measurement period, not to exceed one year from the date of acquisition, we may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to bargain purchase gain if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the consolidated statements of operations. Acquisition costs, such as legal and consulting fees, are expensed as incurred.

Recent Accounting Pronouncements

See Note 2 "Recent Accounting Pronouncements." We continue to **our condensed consolidated financial statements for a discussion of** evaluate any recently issued accounting pronouncements, pronouncements for future adoption. As an "emerging growth company" under the Jumpstart Our Business Startups Act (the "JOBS Act"), we are offered an opportunity to use an extended transition period for the adoption of new or revised financial accounting standards. We operate under the reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards, until we are no longer an emerging growth company. Our election to use the phase-in periods permitted by this election may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the longer phase-in periods under Section 107 of the JOBS Act and who will comply with new or revised financial accounting standards. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

How We Evaluate Our Operations

Key Financial Performance Indicators

We recognize the highly cyclical nature of our business and the need for metrics to (1) best measure the trends in our operations and (2) provide baselines and targets to assess the performance of our managers.

The measures we believe most effective to achieve the above stated goals include:

- **Revenue**
- **Adjusted Earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"):** Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. Adjusted EBITDA is not a measure of net earnings or cash flows as determined by GAAP. We define Adjusted EBITDA as net earnings (loss) before interest, taxes, depreciation and amortization, further adjusted for (i) goodwill and/or long-lived asset impairment charges, (ii) stock-based compensation expense, (iii) restructuring charges, (iv) transaction and integration costs related to acquisitions and (v) other expenses or charges to exclude certain items that we believe are not reflective of ongoing performance of our business.
- **Adjusted EBITDA Margin:** Adjusted EBITDA Margin is defined as Adjusted EBITDA, as defined above, as a percentage of revenue.

We believe Adjusted EBITDA is useful because it allows us to supplement the GAAP measures in order to evaluate our operating performance and compare the results of our operations from period to period without regard to our financing methods or capital structure. We exclude the items listed above in arriving at Adjusted EBITDA (Loss) because these amounts can vary substantially from company to company within our industry depending upon accounting methods, book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net (loss) earnings as determined in accordance with GAAP, or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and

assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by Item 305 of Regulation S-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures that are designed to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Commission's SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers (who are our Chief Executive Officer and Chief Financial Officer, respectively), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met.

In connection with the preparation of this Quarterly Report for the quarter ended September 30, 2022 March 31, 2023, an evaluation was performed under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that its disclosure controls and procedures were effective as of September 30, 2022 March 31, 2023.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that have materially affected or, are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is at times either a plaintiff or a defendant in various legal actions arising in the normal course of business, the outcomes of which, in the opinion of management, neither individually nor in the aggregate are likely to result in a material adverse effect on the Company's financial condition, cash flows and results of operations.

On March 9, 2021, the Company filed claims in the District Court of Harris County, Texas against Magellan E&P Holdings, Inc. ("Magellan"), Redmon-Keys Insurance Group, Inc. and the Underwriters certain underwriters at Lloyd's to recover \$4.6 owed on invoices duly issued by the Company for services rendered on behalf of the defendants in response to an offshore well blowout near Bob Hall Pier in Corpus Christi, Texas. Magellan did not dispute the invoices but alleged an inability to pay prior to obtaining funding from Underwriters under Magellan's Owner's Extra Expense Policy. On March 19, 2021, Underwriters filed a declaratory judgment action in the United States District Court for the Southern District of Texas seeking a declaration that certain blowout related expenses fall outside of policy coverage. On March 30, 2021, Magellan filed for bankruptcy pursuant to Chapter 7 of the U.S. bankruptcy code. The bankruptcy proceedings are ongoing. We expect that During the trustee will continue to pursue claims against Underwriters as well as preference and other claims to maximize the value of the Chapter 7 estate for the benefit of trade creditors. During the fiscal year ended January 31, 2021, the Company reserved the full amount of its invoices totaling \$4.6 as a prudent action in light of the Chapter 7 filing.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this report, Quarterly Report, you should carefully consider the risk factors previously described in Part I, Item 1A. "Risk Factors" in our Transition Annual Report on Form 10-K for the fiscal year ended December 31, 2021 December 31, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table presents the total number of shares of our common stock Common Stock that we repurchased during the three months ended September 30, 2022 March 31, 2023:

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share ⁽²⁾	Total number of shares purchased as part of publicly announced plans or programs ⁽³⁾	Approximate dollar value of shares that may yet be purchased under the plans or programs
July 1, 2022 - July 31, 2022	—	\$ —	—	\$ 48,859,603
August 1, 2022 - August 31, 2022	—	\$ —	—	\$ 48,859,603
September 1, 2022 - September 30, 2022	—	\$ —	—	\$ 48,859,603
Total	—	—	—	—

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share ⁽²⁾	Total number of shares purchased as part of publicly announced plans or programs ⁽³⁾	Approximate dollar value of shares that may yet be purchased under the plans or programs
January 1, 2023 - January 31, 2023	3,681	\$ 12.95	—	\$ 48,859,603
February 1, 2023 - February 28, 2023	49,849	\$ 13.79	—	\$ 48,859,603
March 1, 2023 - March 31, 2023	—	\$ —	—	\$ 48,859,603
Total	53,530	—	—	—

(1) Includes shares purchased from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting of restricted stock grants under the Company's Amended and Restated LTIP.

(2) The average price paid per share of common stock Common Stock repurchased includes commissions paid to the brokers.

(3) In August 2019, our Board authorized a share repurchase program for the repurchase of outstanding shares of the Company's common stock Common Stock having an aggregate purchase price up to \$50.

Debt for Equity Exchanges

During the period from October 1, 2022 through the date of this report, we entered into debt for equity exchange agreements (the "Exchange Agreements" and each, an "Exchange Agreement") with certain holders (the "Noteholders") of our Notes. Pursuant to the Exchange Agreements, the Noteholders exchanged \$4.0 in aggregate principal amount of the Company's outstanding Notes for an aggregate of 235,281 shares of our common stock (the "Exchanges" and each, an "Exchange").

The Company's shares of common stock issued in connection with the Exchanges were not registered under the Securities Act of 1933, as amended (the "Securities Act"), and were issued to existing holders of the Company's securities without commission in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act.

The Notes exchanged represent approximately 1.6% of the outstanding principal amount of outstanding Notes prior to the Exchanges. Following the Exchanges, approximately \$246.0 in aggregate principal amount of Notes will remain outstanding.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Appointment of Director

On November 8, 2022, at the recommendation of the Nominating and Corporate Governance Committee of the Board of Directors (the "Board") of KLX Energy Services Holdings, Inc. (the "Company"), the Board increased the size of the Board to seven by appointing Christopher J. Baker, President and Chief Executive Officer of the Company, to the Board, effective immediately. The Board designated Mr. Baker as a Class I Director to serve until the Company's 2025 Annual Meeting of Stockholders or his earlier resignation, retirement or other termination of service. Mr. Baker will not serve on any committee. As President and Chief Executive Officer of the Company, Mr. Baker is not independent.

Except for Mr. Baker's role as President and Chief Executive Officer of the Company and his compensation from the Company in that capacity, which is described in the Company's Definitive Proxy Statements filed with the Securities and Exchange Commission ("SEC") on April 18, 2022, under the heading "Executive Compensation," there are no arrangements

or understandings between Mr. Baker and any other persons pursuant to which he was named as a director of the Company and Mr. Baker is not a party to any transaction, or series of transactions, required to be disclosed pursuant to Item 404(a) of Regulation S-K. Mr. Baker will not receive any additional compensation in his role as director. Not applicable.

ITEM 6. EXHIBITS

1.1*	Amendment No. 1 to Equity Distribution Agreement, dated November 16, 2022, by and between the Company and Piper Sandler & Co.
2.1	Purchase and Sale Agreement, dated as of March 8, 2023, between the Company and Greene's Holding Corporation (incorporated by reference to Exhibit 2.1 of KLX Energy Services Holdings, Inc.'s Annual Report on Form 10-K, filed on March 9, 2022, File No. 001-38609).
3.1	Amended and Restated Certificate of Incorporation of KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 3.1 of KLX Energy Services Holdings, Inc.'s Quarterly Report on Form 10-Q, filed on September 8, 2020, File No. 001-38609).
3.2	Fourth Amended and Restated Bylaws of KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 3.1 of KLX Energy Services Holdings, Inc.'s Current Report on Form 8-K, filed on September 9, 2021, File No. 001-38609).
10.1 10.1¥	Third Amendment, dated as of September 22, 2022, to Credit Registration Rights Agreement and Lock-Up Agreement, dated as of August 10, 2018 March 8, 2023, by between the Company and among KLX Energy Services Holdings, Inc., the Subsidiary Guarantors party thereto, the several Lenders and JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent Greene's Holding Corporation (incorporated by reference to Exhibit 10.1 10.23 of KLX Energy Services Holdings, Inc.'s Current's Annual Report on Form 8-K, 10-K, filed on September 28, 2022 March 9, 2022, File No. 001-38609).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Executive Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

¥Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC on request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KLX ENERGY SERVICES HOLDINGS, INC.

By: /s/ Christopher J. Baker
Christopher J. Baker
President, **and Chief Executive Officer** **and Director**

Date: **November 10, 2022** May 11, 2023

By: /s/ Keefer M. Lehner
Keefer M. Lehner
Executive Vice President and Chief Financial Officer

Date: **November 10, 2022** May 11, 2023

By: /s/ Geoffrey C. Stanford
Geoffrey C. Stanford
Senior Vice President and Chief Accounting Officer

Date: **November 10, 2022** May 11, 2023

35 33

Exhibit 1.1

KLX ENERGY SERVICES HOLDINGS, INC.

AMENDMENT NO. 1 TO EQUITY DISTRIBUTION AGREEMENT

November 16, 2022

PIPER SANDLER & CO.
U.S. Bancorp Center
800 Nicollet Mall
Minneapolis, Minnesota 55402

Ladies and Gentlemen:

Reference is made to the Equity Distribution Agreement (the "Agreement"), dated as of June 14, 2021, by and between KLX Energy Services Holdings, Inc., a Delaware corporation (the "Company"), and you, as sales agent. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement.

In connection with the foregoing, the parties hereto wish to amend the Agreement through this Amendment No. 1 to Equity Distribution Agreement (this "Amendment") to make certain changes to the Agreement with effect on and after the date hereof (the "Effective Date").

SECTION 1. Amendments to the Agreement. The parties hereto agree, from and after the Effective Date, that:

(a) Section 3(i) of the Agreement is hereby amended and restated in its entirety to read as follows:

"(i) **Restrictions on Future Sales.** During the term of this Agreement, the Company will not, offer for sale, sell, contract to sell, pledge, grant any option for the sale of, enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition of Common Stock (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by

the Company or any affiliate, or otherwise issue or dispose of, directly or indirectly (or publicly disclose the intention to make any such offer, sale, pledge, grant, issuance or other disposition), any Common Stock or any securities convertible into or exchangeable for, or any options or rights to purchase or acquire, Common Stock, or permit the registration under the Securities Act of any Common Stock, such securities, options or rights, except for: (i) the registration of the Shares and the sales through the Agent pursuant to this Agreement, (ii) any transaction as to which the Agent is a participant or acting as the Company's advisor or agent; (iii) sales of shares through any dividend reinvestment and stock purchase plan of the Company, (iv) the filing of registration statements on Form S-8; (v) sales of shares of restricted stock, performance units, restricted stock units and options granted pursuant to Specified Equity Plans, and the Common Stock issuable upon the exercise of such outstanding options or vesting of such restricted stock units, (vi) the issuance of shares pursuant to the exercise of warrants, and (vii) the issuance of shares in connection with an exchange or exchanges of debt-for-equity effected in accordance with Section 3(a)(9) of the Securities Act and the interpretations thereunder, in the case of each of (ii) and (iii), without giving the Agent at least three business days' prior written notice specifying the nature of the proposed sale and the date of such proposed sale, so as to permit the Agent to suspend activity under this Agreement for such period of time as requested by the Company."

(a) The last sentence of Section 2(a)(iii) of the Agreement is hereby amended and restated in its entirety to read as follows:

"(iii) Notwithstanding any other provision of this Agreement, during any period in which the Company is in possession of material non-public information, the Company and the Agent agree that (i) no sale of Shares will take place, (ii) the Company shall not request the sale of any Shares, (iii) the Agent shall not be obligated to sell or offer to sell any Shares and (iv) if any Placement Notice is in effect, the Company will instruct the Agent by telephone (confirmed promptly by email) to stop the sale of Shares."

SECTION 2. No Other Amendments; References to Agreements. Except as set forth in this Amendment, all other terms and provisions of the Agreement shall continue in full force and effect. All references to the Agreement in the Agreement or in any other document executed or delivered in connection therewith shall, from the date hereof, be deemed a reference to the Agreement as amended by this Amendment. Notwithstanding anything to the contrary contained herein, this Amendment shall not have any effect on offerings or sales of the Securities prior to the Effective Date or on the terms of the Agreement and the rights and obligations of the parties thereunder, insofar as they relate to such offerings or sales, including, without limitation, the representations, warranties and agreements (including the indemnification and contribution provisions) contained in the Agreement.

SECTION 3. Applicable Law. This Amendment will be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

SECTION 4. Construction. The section and exhibit headings herein are for convenience only and shall not affect the construction hereof. References herein to any law, statute, ordinance, code, regulation, rule or other requirement of any governmental authority shall be deemed to refer to such law, statute, ordinance, code, regulation, rule or other requirement of any governmental authority as amended, reenacted, supplemented or superseded in whole or in part and in effect from time to time and also to all rules and regulations promulgated thereunder.

SECTION 5. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile or electronic mail (including, without limitation, "pdf", "tif" or "jpg") and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Amendment and any certificate, agreement or other document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. For the purpose of this Section 5, "Electronic Signature" means any electronic

symbol or process (including, without limitation, DocuSign and AdobeSign) attached to, or associated with, a contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

(Signature Pages Follow)

2

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement by and among the parties hereto in accordance with its terms.

Very truly yours,

KLX ENERGY SERVICES HOLDINGS, INC.

By: /s/ Max L. Bouthillette

Name: Max L. Bouthillette

Title: Executive Vice President, General

Counsel and Chief Compliance Officer

Signature Page to Amendment No. 1 to Equity Distribution Agreement

CONFIRMED AND ACCEPTED, as of the date first above written:

PIPER SANDLER & CO.

By: /s/ Terry Padden

Name: Terry Padden

Title: Managing Director

4

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Christopher J. Baker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 March 31, 2023 of KLX Energy Services Holdings, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2022 May 11, 2023

/s/ Christopher J. Baker

Christopher J. Baker

President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Keefer M. Lehner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 March 31, 2023 of KLX Energy Services Holdings, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2022 May 11, 2023

/s/ Keefer M. Lehner

Keefer M. Lehner

Executive Vice President and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the Quarterly Report of KLX Energy Services Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022 March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Christopher J. Baker, as President and Chief Executive Officer of the Company, hereby certify that:

- (1) the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2022 May 11, 2023

/s/ Christopher J. Baker

Christopher J. Baker

President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the Quarterly Report of KLX Energy Services Holdings, Inc. (the "Company") on Form 10-Q for the period ended **September 30, 2022** **March 31, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Keefer M. Lehner, as Executive Vice President and Chief Financial Officer of the Company, hereby certify that:

- (1) the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 10, 2022** **May 11, 2023**

/s/ Keefer M. Lehner

Keefer M. Lehner

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All rights reserved. Patents Pending.