

**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 June 30, 2024

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:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
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 checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" 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 16,864,431 shares were outstanding as of July 31, 2024.

**KLX Energy Services Holdings, Inc.**  
**Form 10-Q**  
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**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)*

	June 30, 2024	December 31, 2023
	<i>(Unaudited)</i>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 86.9	\$ 112.5
Accounts receivable–trade, net of allowance of \$4.9 and \$5.5	118.1	127.0
Inventories, net	32.3	33.5
Prepaid expenses and other current assets	14.0	17.3
Total current assets	251.3	290.3
Property and equipment, net	215.3	220.6
Operating lease assets	19.6	22.3
Intangible assets, net	1.6	1.8
Other assets	3.4	4.8
Total assets	\$ 491.2	\$ 539.8
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 80.1	\$ 87.9
Accrued interest	4.6	4.6
Accrued liabilities	42.1	42.7
Current portion of operating lease obligations	7.0	6.9
Current portion of finance lease obligations	17.9	22.0
Total current liabilities	151.7	164.1
Long-term debt	284.9	284.3
Long-term operating lease obligations	13.6	16.0
Long-term finance lease obligations	30.9	36.2
Other non-current liabilities	0.3	0.4
Commitments, contingencies and off-balance sheet arrangements (Note 8)		
Stockholders' equity:		
Common stock, \$0.01 par value; 110.0 authorized; 17.3 and 16.9 issued	0.2	0.1
Additional paid-in capital	555.0	553.4
Treasury stock, at cost, 0.5 shares and 0.4 shares	(5.8)	(5.3)
Accumulated deficit	(539.6)	(509.4)
Total stockholders' equity	9.8	38.8
Total liabilities and stockholders' equity	\$ 491.2	\$ 539.8

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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Revenues</b>	\$ 180.2	\$ 234.0	\$ 354.9	\$ 473.6
<b>Costs and expenses:</b>				
Cost of sales	136.0	173.3	280.0	354.2
Depreciation and amortization	23.1	17.6	45.0	34.1
Selling, general and administrative	19.3	22.0	40.9	48.2
Research and development costs	0.3	0.3	0.6	0.6
Impairment and other charges	0.1	—	0.1	—
Bargain purchase gain	—	1.2	—	(2.0)
Operating income (loss)	1.4	19.6	(11.7)	38.5
Non-operating expense:				
Interest income	(0.6)	(0.2)	(1.3)	(0.2)
Interest expense	9.8	8.7	19.4	18.0
Net (loss) income before income tax	(7.8)	11.1	(29.8)	20.7
Income tax expense (benefit)	0.2	(0.3)	0.4	(0.1)
Net (loss) income	\$ (8.0)	\$ 11.4	\$ (30.2)	\$ 20.8
Net (loss) income per share-basic	\$ (0.49)	\$ 0.71	\$ (1.86)	\$ 1.38
Net (loss) income per share-diluted	\$ (0.49)	\$ 0.71	\$ (1.86)	\$ 1.37

See accompanying notes to condensed consolidated financial statements.

**KLX Energy Services Holdings, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**Six Months Ended June 30, 2024 and June 30, 2023**  
*(In millions of U.S. dollars and shares)*  
**(Unaudited)**

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2023	16.9	\$ 0.1	\$ 553.4	\$ (5.3)	\$ (509.4)	\$ 38.8
Restricted stock, net of forfeitures	—	—	0.8	—	—	0.8
Purchase of treasury stock	—	—	—	(0.5)	—	(0.5)
Issuance of common stock, net of cost	0.4	0.1	(0.1)	—	—	—
Net loss	—	—	—	—	(22.2)	(22.2)
Balance at March 31, 2024	17.3	\$ 0.2	\$ 554.1	\$ (5.8)	\$ (531.6)	\$ 16.9
Restricted stock, net of forfeitures	—	—	1.0	—	—	1.0
Issuance of common stock, net of cost	0.0	—	(0.1)	—	—	(0.1)
Net loss	—	—	—	—	(8.0)	(8.0)
Balance at June 30, 2024	17.3	\$ 0.2	\$ 555.0	\$ (5.8)	\$ (539.6)	\$ 9.8

	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
Restricted stock, net of forfeitures	—	—	0.8	—	—	0.8
Net income	—	\$ —	\$ —	\$ —	\$ 11.4	\$ 11.4
Balance at June 30, 2023	16.8	\$ 0.1	\$ 552.7	\$ (5.3)	\$ (507.8)	\$ 39.7

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)*

	<b>Six Months Ended</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (30.2)	\$ 20.8
Adjustments to reconcile net (loss) income to net cash flows provided by operating activities		
Depreciation and amortization	45.0	34.1
Impairment and other charges	0.1	—
Non-cash compensation	1.9	1.5
Amortization of deferred financing fees	0.9	0.8
Provision for inventory reserve	0.4	0.1
Change in allowance for doubtful accounts	(0.6)	0.5
Gain on disposal of property, equipment and other	(5.4)	(6.2)
Bargain purchase gain	—	(2.0)
Other	(0.4)	(0.4)
Changes in operating assets and liabilities:		
Accounts receivable	9.5	9.1
Inventories	0.7	(5.3)
Prepaid expenses and other current and non-current assets	6.9	9.0
Accounts payable	(17.0)	4.8
Other current and non-current liabilities	(0.4)	(15.4)
Net cash flows provided by operating activities	<u>11.4</u>	<u>51.4</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(28.8)	(26.5)
Proceeds from sale of property and equipment	6.6	8.5
Cash from acquisition	—	1.1
Net cash flows used in investing activities	<u>(22.2)</u>	<u>(16.9)</u>
<b>Cash flows from financing activities:</b>		
Purchase of treasury stock	(0.5)	(0.7)
Proceeds from stock issuance, net of costs	(0.2)	(0.1)
Payments on finance lease obligations	(10.2)	(6.4)
Payments of debt issuance costs	(0.5)	(0.3)
Change in financed payables	(3.4)	(2.3)
Net cash flows used in financing activities	<u>(14.8)</u>	<u>(9.8)</u>
Net change in cash and cash equivalents	(25.6)	24.7
Cash and cash equivalents, beginning of period	112.5	57.4
<b>Cash and cash equivalents, end of period</b>	<u>\$ 86.9</u>	<u>\$ 82.1</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during period for:		
Income taxes paid, net of refunds	\$ 0.8	\$ 0.6
Interest	18.7	17.4
<b>Supplemental schedule of non-cash activities:</b>		
Change in deposits on capital expenditures	\$ (1.7)	\$ 1.1
Change in accrued capital expenditures	8.9	4.5

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 50 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”), in an all-stock transaction (the “Greene’s Acquisition”), including \$1.7 in cash, which was subsequently adjusted to \$1.1 due to a \$0.6 working capital adjustment. Greene’s is a leading provider of wellhead protection, flowback and well testing services. The Greene’s Acquisition augments the KLXE frac rental and flowback offering, providing KLXE with a broader presence in the Permian and Eagle Ford basins. See Note 3 - 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 year 2024 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 2023 Annual Report on Form 10-K filed with the SEC on March 8, 2024.

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**

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, Segment Reporting (Topic 280). This ASU is intended to enhance reportable segment disclosures by adopting a number of provisions currently in Regulation S-X and Regulation S-K upon the provisions' removal from these regulations. The guidance is effective for the Company for the fiscal year beginning January 1, 2024 and is not expected to have a material impact on the Company's consolidated financial statements.

In December 2023, FASB issued ASU 2023-09, Income Taxes (Topic 740). This ASU includes specific requirements for the rate reconciliation, income taxes paid and other tax-related disclosures. The guidance is effective for the Company for the fiscal year beginning January 1, 2025 and is not expected to have a material impact on the Company's consolidated financial statements.

**NOTE 3 - Business Combinations**

On March 8, 2023, KLXE consummated the Greene's Acquisition. The total consideration for the acquisition consisted of the issuance of approximately 2.4 million shares of our common stock, par value \$0.01 per share (“Common Stock”) subject to customary post-closing adjustments, with an implied enterprise value of approximately \$30.3 based on a 30-day volume weighted average price as of March 7, 2023 less acquired cash. Following the closing of the transaction, former shareholders of Greene's held approximately 14.7% of the fully diluted Common Stock of the Company, as of March 8, 2023. The integration was complete in the third quarter of 2023.

This transaction was accounted for as a purchase under FASB Accounting Standards Codification Topic 805, Business Combinations (“ASC 805”). The results of 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 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 has been presented as a separate line item on the consolidated statements of operations for the three and six months ended June 30, 2023.

The fair values assigned to certain assets acquired and liabilities assumed in relation to the Company's acquisition have been prepared on a preliminary basis with information currently available and are subject to change. The Company has finalized its analysis in the first quarter of 2024. The following table summarizes the fair values of assets acquired and liabilities assumed in the acquisition in accordance with ASC 805:

	<b>Greene's</b>
Cash	\$ 1.1
Accounts receivable-trade	17.1
Other current and non-current assets	0.2
Property and equipment	23.1
Accounts payable	(3.2)
Accrued liabilities	(1.2)
Other current and non-current liabilities	(1.2)
Bargain purchase, net of deferred taxes	(1.9)
Total purchase price	<u>\$ 34.0</u>

*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 actual results that would have been achieved by combining the companies for the periods presented, or of the results that may be achieved by the combined companies in 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 may result from the acquisition.

On a pro forma basis to give effect to the acquisition, as if it occurred on January 1, 2023, revenues and net (loss) income for the three and six months ended June 30, 2024 and June 30, 2023 would have been as follows:

	Unaudited Pro Forma			
	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenues	\$ 180.2	\$ 234.0	\$ 354.9	\$ 485.9
Net (loss) income	(8.0)	11.4	(30.2)	20.8

#### NOTE 4 - Inventories, Net

Inventories consisted of the following:

	June 30, 2024	December 31, 2023
Spare parts	\$ 21.4	\$ 21.9
Plugs	9.1	8.3
Consumables	4.3	4.1
Other	2.3	3.7
Subtotal	37.1	38.0
Less: Inventory reserve	(4.8)	(4.5)
Total inventories, net	\$ 32.3	\$ 33.5

Inventories are made up of spare parts, composite and dissolvable plugs, consumables (including thru-tubing accessory tools, chemicals and cement) and other (including coiled tubing strings and wireline spools) 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 \$4.8 and \$4.5 as of June 30, 2024 and December 31, 2023, respectively.

#### NOTE 5 - Property and Equipment, Net

Property and equipment consisted of the following:

	Useful Life (Years)	June 30, 2024	December 31, 2023
Land, buildings and improvements	1 — 40	\$ 36.5	\$ 36.0
Machinery	1 — 20	280.9	259.4
Equipment and furniture	1 — 15	229.6	215.2
ROU assets - finance leases	1 — 20	84.4	84.2
Total property and equipment		631.4	594.8
Less: Accumulated depreciation		(423.1)	(382.2)
Add: Construction in progress		7.0	8.0
Total property and equipment, net		\$ 215.3	\$ 220.6

Depreciation expense related to non-leased fixed assets was \$17.0 and \$14.1 for the three months ended June 30, 2024 and 2023, respectively, and \$32.9 and \$27.5 for the six months ended June 30, 2024 and 2023, respectively. Finance lease amortization expense was \$5.9 and \$3.4 for the three months ended June 30, 2024 and 2023, respectively, and \$11.7 and \$6.5 for the six months ended June 30, 2024 and 2023, respectively.

#### *Assets Held for Sale*

As of June 30, 2024, the Company's condensed consolidated balance sheet included assets classified as held for sale of \$2.3. 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 one operational facility and select equipment. These assets were being actively marketed for sale as of June 30, 2024 and are recorded at the lower of their carrying value or fair value less costs to sell.

#### **NOTE 6 - Long-Term Debt**

Outstanding long-term debt consisted of the following:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Senior Secured Notes	\$ 237.3	\$ 237.3
ABL Facility	50.0	50.0
Total principal outstanding	287.3	287.3
Less: Unamortized debt issuance costs	(2.4)	(3.0)
Total debt	<u>\$ 284.9</u>	<u>\$ 284.3</u>

As of June 30, 2024, long-term debt consisted of \$237.3 principal amount of 11.5% senior secured notes due 2025 (the "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 June 30, 2024 was \$234.9. 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 \$4.6 as of June 30, 2024.

As of June 30, 2024, the Company also had a \$120.0 asset-based revolving credit facility pursuant to a senior secured credit agreement dated August 10, 2018, as amended by the ABL Amendment (as defined below) and other amendments (the "ABL Facility"). The ABL Facility matures on the ABL Maturity Date (as defined below) in 2025.

On June 20, 2023, the Company entered into a Fourth Amendment to the ABL Facility, with certain of its subsidiaries party thereto, as guarantors, with JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and an issuing lender, and the other lenders and issuing lenders party thereto from time to time (the "ABL Amendment").

The ABL Amendment, among other things, (i) extended the maturity date of the ABL Facility from September 15, 2024 to the earlier of (A) September 15, 2025 or (B) August 1, 2025, if the Company's Senior Secured Notes are still outstanding as of such date (the earlier of the foregoing item (A) or item (B), the "ABL Maturity Date") and (ii) increased the revolving credit commitment from \$100.0 to \$120.0.

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 fixed charge coverage ratio ("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 three months ended June 30, 2024, availability exceeded this threshold, and the Company was not subject to this financial covenant. As of June 30, 2024, the FCCR was at least 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 June 30, 2024 and bear interest at a rate equal to Term SOFR (as defined in the ABL Facility) plus the Applicable Margin (as defined in the ABL Facility). The effective interest rate under the ABL Facility was approximately 8.4% on June 30, 2024. Total letters of credit outstanding under the ABL Facility were \$5.4 at June 30, 2024 and \$6.4 at December 31, 2023. Accrued interest under the ABL Facility was \$0.0 as of June 30, 2024.

We have funds available under the ABL Facility of \$34.1 on the June 30, 2024 borrowing base certificate.

#### NOTE 7 - Fair Value Information

All financial instruments are carried at amounts that approximate estimated fair value. The fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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 June 30, 2024. The fair value of the ABL Facility approximates its carrying value as of June 30, 2024.

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 June 30, 2024 and December 31, 2023:

	June 30, 2024	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Senior Secured Notes, 11.5 Percent Due 2025	\$ 232.6	\$ —	\$ 232.6	\$ —
Total Senior Secured Notes	\$ 232.6	\$ —	\$ 232.6	\$ —

  

	December 31, 2023	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Senior Secured Notes, 11.5 Percent Due 2025	\$ 233.7	\$ —	\$ 233.7	\$ —
Total Senior Secured Notes	\$ 233.7	\$ —	\$ 233.7	\$ —

The following tables present the placement in the fair value hierarchy of Assets Held for Sale, as disclosed in Note 5 - Property and Equipment, Net, based on sales contracts and comparative price quotes, as of June 30, 2024 and December 31, 2023:

	June 30, 2024	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Assets Held for Sale	\$ 2.3	\$ —	\$ 2.3	\$ —
Total Assets Held for Sale	\$ 2.3	\$ —	\$ 2.3	\$ —

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

During the three and six months ended June 30, 2024 and 2023, there was no before-tax loss (gain) related to Assets Held for Sale.

## NOTE 8 - 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 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.

### *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 9 - Stockholders' Equity**

### *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, having an aggregate offering price of up to \$50.0. On November 16, 2022, the Company entered into Amendment No. 1 to the Equity Distribution Agreement (the "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. 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.

Shares of Common Stock offered and sold in the ATM Offering were 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. The Registration Statement expired on June 11, 2024 pursuant to Rule 415(a)(5) under the Securities Act. Sales under the ATM Offering program may restart when and if the Company files a prospectus supplement under a successor registration statement.

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 six months ended June 30, 2024, the Company did not sell any shares of Common Stock and incurred legal and administrative fees of \$0.1 and \$0.2, respectively.

During the three and six months ended June 30, 2023, the Company did not sell any shares of Common Stock and incurred legal and administrative fees of \$— and \$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 May 10, 2023, the stockholders of KLXE approved the Second Amended and Restated KLX Energy Services Holdings, Inc. Long-Term Incentive Plan, amended and restated as of March 8, 2023 (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, for issuance by 1,200,000 shares, resulting in an increase of the total number of shares of our Common Stock reserved for issuance to 1,256,289, and extended the expiration date to March 8, 2033. A description of the Amended and Restated LTIP is included in the Company's proxy statement, filed with the SEC on March 28, 2023.

Compensation cost recognized during the three and six months ended June 30, 2024 and June 30, 2023 was related to grants of restricted stock as approved by the Compensation Committee. Stock-based compensation was \$1.0 and \$0.8 for the three months ended June 30, 2024 and 2023, respectively, and \$1.9 and \$1.5 for the six months ended June 30, 2024 and 2023, respectively. Unrecognized compensation cost related to restricted stock awards made by the Company was \$6.1 at June 30, 2024 and \$4.2 at December 31, 2023.

**NOTE 10 - Income Taxes**

Income tax expense was \$0.2 and \$0.4 for the three and six months ended June 30, 2024, respectively, and was comprised primarily of state and local taxes. Income tax benefit was \$0.3 and \$0.1 for the three and six months ended June 30, 2023, respectively, and was comprised primarily of state and local taxes, offset by a deferred tax benefit recognized from a reduction in the valuation allowance related to the Greene's Acquisition. The Company has a valuation allowance against its deferred tax balances and, as a result, it was unable to recognize a federal tax benefit on its year-to-date losses.

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

**NOTE 11 - 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 revenues and operating income (loss) and make requests for capital expenditures and acquisition funding (all of which are used to measure segment performance) to the Company's chief operational decision-making 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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Revenues</b>				
Rocky Mountains	\$ 61.4	\$ 66.4	\$ 107.0	\$ 134.3
Southwest	69.9	86.3	139.3	159.7
Northeast/Mid-Con	48.9	81.3	108.6	179.6
<b>Total revenues</b>	<b>180.2</b>	<b>234.0</b>	<b>354.9</b>	<b>473.6</b>
<b>Operating income (loss)</b>				
Rocky Mountains	10.5	11.9	9.3	21.7
Southwest	2.6	8.1	1.9	12.9
Northeast/Mid-Con	(2.5)	12.6	(0.1)	31.3
Corporate and other	(9.2)	(13.0)	(22.8)	(27.4)
<b>Total operating income (loss)</b>	<b>1.4</b>	<b>19.6</b>	<b>(11.7)</b>	<b>38.5</b>
Interest income	(0.6)	(0.2)	(1.3)	(0.2)
Interest expense	9.8	8.7	19.4	18.0
<b>Net (loss) income before income tax</b>	<b>\$ (7.8)</b>	<b>\$ 11.1</b>	<b>\$ (29.8)</b>	<b>\$ 20.7</b>

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

	Three Months Ended							
	June 30, 2024				June 30, 2023			
	Rocky Mountains	Southwest	Northeast /Mid-Con	Total	Rocky Mountains	Southwest	Northeast /Mid-Con	Total
Drilling	\$ 5.2	\$ 17.9	\$ 14.9	\$ 38.0	\$ 6.1	\$ 27.3	\$ 24.4	\$ 57.8
Completion	33.7	33.1	25.8	92.6	38.6	41.6	45.2	125.4
Production	16.2	10.6	3.9	30.7	15.3	8.6	4.7	28.6
Intervention	6.3	8.3	4.3	18.9	6.4	8.8	7.0	22.2
<b>Total revenues</b>	<b>\$ 61.4</b>	<b>\$ 69.9</b>	<b>\$ 48.9</b>	<b>\$ 180.2</b>	<b>\$ 66.4</b>	<b>\$ 86.3</b>	<b>\$ 81.3</b>	<b>\$ 234.0</b>

	Six Months Ended							
	June 30, 2024				June 30, 2023			
	Rocky Mountains	Southwest	Northeast /Mid-Con	Total	Rocky Mountains	Southwest	Northeast /Mid-Con	Total
Drilling	\$ 8.9	\$ 39.1	\$ 32.0	\$ 80.0	\$ 15.7	\$ 53.4	\$ 49.6	\$ 118.7
Completion	60.6	65.7	59.7	186.0	76.0	72.9	106.5	255.4
Production	27.2	18.7	8.0	53.9	29.9	16.6	9.9	56.4
Intervention	10.3	15.8	8.9	35.0	12.7	16.8	13.6	43.1
<b>Total revenues</b>	<b>\$ 107.0</b>	<b>\$ 139.3</b>	<b>\$ 108.6</b>	<b>\$ 354.9</b>	<b>\$ 134.3</b>	<b>\$ 159.7</b>	<b>\$ 179.6</b>	<b>\$ 473.6</b>

The following table presents total assets by segment:

	June 30, 2024		December 31, 2023	
Rocky Mountains	\$	122.5	\$	135.8
Southwest		173.6		174.3
Northeast/Mid-Con		108.2		117.2
Total		404.3		427.3
Corporate and other		86.9		112.5
Total assets	\$	491.2	\$	539.8

The following table presents cash capital expenditures by reportable segment:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Rocky Mountains	\$ 2.1	\$ 4.5	\$ 6.3	\$ 6.1
Southwest	6.0	4.2	9.5	7.3
Northeast/Mid-Con	7.1	7.5	12.8	13.1
Corporate and other	0.1	—	0.2	—
Total capital expenditures	\$ 15.3	\$ 16.2	\$ 28.8	\$ 26.5

#### NOTE 12 - Net (Loss) Income Per Common Share

Basic net (loss) income per common share is computed using the weighted average common shares outstanding during the period. Diluted net (loss) income 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 June 30, 2024 and 2023, 0.7 and 0.4 million shares of the Company's Common Stock, respectively, and for the six months ended June 30, 2024 and 2023, 0.4 and 0.0 million shares of the Company's Common Stock, respectively, were excluded from the determination of diluted net (loss) income per common share because their effect would have been anti-dilutive. The computations of basic and diluted net (loss) income per share for the three and six months ended June 30, 2024 and 2023 are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net (loss) income	\$ (8.0)	\$ 11.4	\$ (30.2)	\$ 20.8
(Shares in millions)				
Basic weighted average common shares	16.2	16.0	16.2	15.1
Effect of dilutive securities - dilutive securities	—	0.1	—	0.1
Diluted weighted average common shares	16.2	16.1	16.2	15.2
Basic net (loss) income per common share	\$ (0.49)	\$ 0.71	\$ (1.86)	\$ 1.38
Diluted net (loss) income per common share	\$ (0.49)	\$ 0.71	\$ (1.86)	\$ 1.37

#### 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 Securities and Exchange Commission (the “SEC”), in particular those discussed under the headings “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 and in this Quarterly Report, including the following factors:

- general economic conditions, such as inflation and government efforts to reduce inflation or a recession;
- 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 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;
- overall domestic and global political and economic conditions and developments, including the outcome of the U.S. presidential election and the imposition of tariffs or trade or other economic sanctions, and political instability or armed conflict, including the ongoing conflicts in Ukraine, the Israel-Gaza region and elsewhere in the Middle East, including rising tensions with Iran;
- 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;
- our credit profile and our ability to renew or refinance our indebtedness;
- 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 market environment and impacts resulting from a global pandemic, like the novel coronavirus (“COVID-19”) pandemic and subsequent variants;
- the inability to successfully consummate or integrate our 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 Annual Report on Form 10-K for the year ended December 31, 2023. 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 six months ended June 30, 2024, as compared to our results of operations for the three and six months ended June 30, 2023. 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. The Company continued to selectively acquire regional and product line specific businesses through 2019 to expand our service capabilities and broaden our geographic presence. Once the acquisitions were completed, we undertook a comprehensive integration of these businesses to align our services, our people and our assets across all the geographic regions where we maintain a presence. We acquired Quintana Energy Services, Inc. (“QES”) during the second quarter of 2020 and, by doing so, helped establish KLXE as an industry leading provider of asset-light 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 “QES Merger”) provided increased scale to serve a blue-chip customer base across the onshore oil and gas basins in the United States. The QES 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, resulting in KLXE becoming a leading diversified provider of drilling, completions and production services, with market leadership positions in coiled tubing and fishing services. After closing the QES Merger, the Company integrated personnel, facilities, processes and systems across all functional areas of the organization.

On March 8, 2023, KLXE acquired all of the equity interests of Greene’s Energy Group, LLC (“Greene’s”), in an all-stock transaction (the “Greene’s Acquisition”), including \$1.7 in cash remaining at Greene’s, which was subsequently adjusted to \$1.1 due to a \$0.6 working capital adjustment.

Looking ahead, the Company expects to continue to pursue opportunistic strategic, accretive 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 50 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 and 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 38 patents and 9 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. The oil and gas industry experienced significant increases in activity in late 2021 and 2022 due to the recovery from the COVID-19 pandemic and increasing demand for oil and gas. Furthermore, sanctions and import bans on Russian oil have been implemented by various countries in response to the ongoing war in Ukraine, further impacting global oil supply. While oil prices declined in the first half of 2023 from their 2022 highs, oil prices rebounded in the third quarter of 2023 due to stronger than anticipated economic growth and sustained production cuts from Saudi Arabia and Russia, followed by oil price decreases in the fourth quarter of 2023 due to a decrease in demand as the overall economy declined. Natural gas prices also declined in the fourth quarter of 2023. Oil and natural gas prices have been, and may remain, volatile, which impacts demand for our business. West Texas Intermediate's ("WTI") average daily price per barrel increased by approximately 4.2%, to \$81.81 per Bbl during the three months ended June 30, 2024, compared to the WTI average daily price per barrel of \$78.53 per Bbl during the three months ended December 31, 2023. As of June 30, 2024, U.S. land rig count stood at 560, a decrease of 7.0% compared to December 31, 2023, when the U.S. rig count was 602.

Despite the decrease in commodity prices during the fiscal year ended December 31, 2023, 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 (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.

Looking ahead to the year ending December 31, 2024, assuming economic activity holds at the recent level and commodity prices remain volatile, we anticipate that our customers will continue to cautiously allocate capital and operating expense spending. So far in the year ending December 31, 2024, WTI prices have noted a slight increase, as demand for oil and gas products persists. Currently, global oil inventories supplied from OPEC and its allies ("OPEC+") and other oil producing nations are expected to transition to inventory decreases throughout the majority of 2024 from inventory builds during 2023. This persisting demand and expectation of decreased inventory is balanced against weather-related challenges across the country as well as a cautious approach to drilling expansion, as evidenced by the U.S. rig count marking a slight decline through mid-July 2024.

In the medium term, we anticipate demand for oil and gas products to hold and even expand, as demand for energy generated from oil and gas grows across the United States. Per S&P Global, nearly 50GW of electricity generation capacity is expected to be added to the U.S. grid by 2028 to support the operations of datacenters. Per the Electric Reliability Council of Texas, generation capacity in the state is set to almost double by 2030, citing increased demand from AI data centers and crypto-mining. In addition to domestic electricity generation, there are indications of higher demand for natural gas for export, with S&P Global projecting that feedgas demand could more than double by 2032. These and other expected developments point to increased demand for the products our services help to extract.

Oil and natural gas prices may fluctuate with changes in demand due to, among other things, the ongoing war in Ukraine, the Israel-Hamas conflict, rising tensions with Iran, international sanctions, speculation as to future actions by OPEC+, gas prices, interest rates, inflation and government efforts to reduce inflation, and possible changes in the overall health of the global economy, including a perceived economic recovery or any increased volatility in financial and credit markets or a recession. To what extent these and other external factors (such as government action with respect to climate change regulation) ultimately impact our future business, liquidity, financial condition, and results of operations is highly uncertain and dependent on numerous factors, including future developments, that are not within our control and cannot be accurately predicted.

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 flow to select targeted opportunities, with the potential to deliver high returns that we believe offer superior margins over the long-term and short payback periods. Our services generally require equipment that is less expensive to maintain and is operated by a smaller staff than many other oilfield services providers. 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 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 may 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 capital expenditures for both maintenance of existing assets and ultimately growth when economic returns justify the spending. Our required maintenance capital expenditures tend to be lower than other oilfield service providers due to the generally asset-light nature of our services, the lower average age of our assets and our ability to charge back a portion of asset maintenance to customers for a number of our assets.

## Results of Operations

### Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

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

	Three Months Ended		
	June 30, 2024	June 30, 2023	% Change
<b>Revenue:</b>			
Rocky Mountains	\$ 61.4	\$ 66.4	(7.5)%
Southwest	69.9	86.3	(19.0)%
Northeast/Mid-Con	48.9	81.3	(39.9)%
Total revenue	<u>\$ 180.2</u>	<u>\$ 234.0</u>	<u>(23.0)%</u>

	Three Months Ended		
	June 30, 2024	June 30, 2023	% Change
<b>Revenue:</b>			
Drilling	\$ 38.0	\$ 57.8	(34.3)%
Completion	92.6	125.4	(26.2)%
Production	30.7	28.6	7.3 %
Intervention	18.9	22.2	(14.9)%
Total revenue	<u>\$ 180.2</u>	<u>\$ 234.0</u>	<u>(23.0)%</u>

For the quarter ended June 30, 2024, revenues were \$180.2, a decrease of \$53.8, or 23.0%, as compared with the prior year period. The overall decrease in revenues reflects a decline in activity during the quarter, leading to lower demand for our services. Lower weighted average price contributed to approximately 19% of the \$53.8 decrease, and lower weighted average volume contributed to the remaining approximately 81%. On a segment basis, Rocky Mountains segment revenue decreased by \$5.0 or 7.5%. This decrease was driven entirely by a decrease in weighted average volume. Southwest segment revenue decreased by \$16.4 or 19.0%. This decrease was driven entirely by a decrease in weighted average volume. Northeast/Mid-Con segment revenue decreased by \$32.4 or 39.9%. Lower weighted average price contributed to approximately 38% of the dollar decrease, and lower weighted average volume contributed to the remaining approximately 62%.

**Cost of sales.** For the quarter ended June 30, 2024, cost of sales were \$136.0, or 75.5% of sales, as compared to the three months ended June 30, 2023 of \$173.3, or 74.1% of sales. Cost of sales as a percentage of revenues increased primarily due to a decrease in revenue days which led to lower leverage of fixed costs during the quarter. The two largest components of cost of sales are labor and repair & maintenance. Although cost of sales as a percentage of revenues increased, labor costs per employee decreased by 15.0% as compared with the three months ended June 30, 2023. Repair & maintenance costs as a percentage of revenues increased by 13.3% as compared to the three months ended June 30, 2023, due to the lower revenues during the quarter.

**Selling, general and administrative expenses (“SG&A”).** For the quarter ended June 30, 2024, SG&A expenses were \$19.3, or 10.7% of revenues, as compared with \$22.0, or 9.4% of revenues, in the prior year period. The increase in percentage of revenues is due to the lower revenues and lower leverage of fixed costs during the quarter, as SG&A has decreased on a dollar basis compared to the three months ended June 30, 2023.

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

	Three Months Ended		
	June 30, 2024	June 30, 2023	% Change
<b>Operating income (loss):</b>			
Rocky Mountains	\$ 10.5	\$ 11.9	(11.8)%
Southwest	2.6	8.1	(67.9)%
Northeast/Mid-Con	(2.5)	12.6	NM
Corporate and other	(9.2)	(13.0)	29.2 %
Total operating income	<u>\$ 1.4</u>	<u>\$ 19.6</u>	<u>(92.9)%</u>

For the quarter ended June 30, 2024, operating income was \$1.4 compared to operating income of \$19.6 in the prior year period, due to a reduction in activity and pricing.

The operating results across our three geographic segments declined as a function of lower revenues compared to the prior year period. Rocky Mountains segment operating income was \$10.5, Southwest segment operating income was \$2.6, and Northeast/Mid-Con segment operating loss was \$2.5 for the three months ended June 30, 2024. The operating loss for the Corporate and other segment decreased slightly due to non-recurring costs related to the Greene's Acquisition in the prior year.

**Income tax expense (benefit).** For the quarter ended June 30, 2024, income tax expense was \$0.2, as compared to income tax benefit of \$0.3 in the prior year period, and was comprised primarily of state and local taxes. The Company did not recognize a federal tax benefit on its year-to-date losses because it has a valuation allowance against its deferred tax balances.

**Net (loss) income.** For the quarter ended June 30, 2024, net loss was \$8.0, as compared to net income of \$11.4 in the prior year period, decreasing primarily as a result of lower revenues as discussed above.



## Results of Operations

### Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

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

	Six Months Ended		
	June 30, 2024	June 30, 2023	% Change
<b>Revenue:</b>			
Rocky Mountains	\$ 107.0	\$ 134.3	(20.3)%
Southwest	139.3	159.7	(12.8)%
Northeast/Mid-Con	108.6	179.6	(39.5)%
Total revenue	<u>\$ 354.9</u>	<u>\$ 473.6</u>	<u>(25.1)%</u>

	Six Months Ended		
	June 30, 2024	June 30, 2023	% Change
<b>Revenue:</b>			
Drilling	\$ 80.0	\$ 118.7	(32.6)%
Completion	186.0	255.4	(27.2)%
Production	53.9	56.4	(4.4)%
Intervention	35.0	43.1	(18.8)%
Total revenue	<u>\$ 354.9</u>	<u>\$ 473.6</u>	<u>(25.1)%</u>

For the six months ended June 30, 2024, revenues were \$354.9, a decrease of \$118.7, or 25.1%, as compared with the prior year period. The overall decrease in revenues reflects a decline in activity during the quarter, leading to lower demand for our services. Lower weighted average price contributed to approximately 28% of the \$118.7 decrease, and lower weighted average volume contributed to the remaining approximately 72%. On a segment basis, Rocky Mountains segment revenue decreased by \$27.3 or 20.3%. Lower weighted average price contributed to approximately 19% of the dollar decrease, and lower weighted average volume contributed to the remaining approximately 81%. Southwest segment revenue decreased by \$20.4 or 12.8%. This decrease was driven entirely by a decrease in weighted average volume. Northeast/Mid-Con segment revenue decreased by \$71.0 or 39.5%. Lower weighted average price contributed to approximately 51% of the dollar decrease, and lower weighted average volume contributed to the remaining approximately 49%.

**Cost of sales.** For the six months ended June 30, 2024, cost of sales were \$280.0, or 78.9% of sales, as compared to the six months ended June 30, 2023 of \$354.2, or 74.8% of sales. Cost of sales as a percentage of revenues increased primarily due to a decrease in revenue days which led to lower leverage of fixed costs during the quarter. The two largest components of cost of sales are labor and repair & maintenance. Although cost of sales as a percentage of revenues increased, labor costs per employee decreased by 15.0% as compared with the six months ended June 30, 2023. Repair & maintenance costs as a percentage of revenues increased by 21.1% as compared to the six months ended June 30, 2023, due to the lower revenues during the quarter.

**Selling, general and administrative expenses (“SG&A”).** For the six months ended June 30, 2024, SG&A expenses were \$40.9, or 11.5% of revenues, as compared with \$48.2, or 10.2% of revenues, in the prior year period. The increase in percentage of revenues is due to the lower revenues and lower leverage of fixed costs during the quarter, as SG&A has decreased on a dollar basis compared to the six months ended June 30, 2023.

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

	Six Months Ended		
	June 30, 2024	June 30, 2023	% Change
<b>Operating (loss) income:</b>			
Rocky Mountains	\$ 9.3	\$ 21.7	(57.1)%
Southwest	1.9	12.9	(85.3)%
Northeast/Mid-Con	(0.1)	31.3	NM
Corporate and other	(22.8)	(27.4)	16.8 %
Total operating (loss) income	<u>\$ (11.7)</u>	<u>\$ 38.5</u>	<u>(130.4)%</u>

For the six months ended June 30, 2024, operating loss was \$11.7 compared to operating income of \$38.5 in the prior year period, due to a reduction in activity and pricing.

The operating results across our three geographic segments declined as a function of lower revenues compared to the prior year period. Rocky Mountains segment operating income was \$9.3, Southwest segment operating income was \$1.9, and Northeast/Mid-Con segment operating loss was \$0.1 for the six months ended June 30, 2024. The operating loss for the Corporate and other segment decreased slightly due to non-recurring costs related to the Greene's Acquisition in the prior year.

**Income tax expense (benefit).** For the six months ended June 30, 2024, income tax expense was \$0.4, as compared to income tax benefit of \$0.1 in the prior year period, and was comprised primarily of state and local taxes. The Company did not recognize a federal tax benefit on its year-to-date losses because it has a valuation allowance against its deferred tax balances.

**Net (loss) income.** For the six months ended June 30, 2024, net loss was \$30.2, as compared to net income of \$20.8 in the prior year period, decreasing primarily as a result of lower revenues as discussed above.

## 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 noteholders, borrowings under the Company's asset-based revolving credit facility, as amended by the ABL Amendment (as defined below) and other amendments (the "ABL Facility") and cash flows from operations. At June 30, 2024, we had \$86.9 of cash and cash equivalents and \$34.1 available on the June 2024 ABL Facility Borrowing Base Certificate, which resulted in an available liquidity position of \$121.0.

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 8 - Leases" of Item 8 in our 2023 Annual Report on Form 10-K filed with the SEC on March 8, 2024 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 QES Merger, issuing equity under our ATM 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, ongoing volatility in commodity prices and increased inflation continue to affect our financial results. We believe that based on our current forecasts, our cash on hand, together with our operating 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 June 30, 2024, we had total outstanding long-term indebtedness of \$284.9 under our ABL Facility and 11.5% senior secured notes due 2025 (the "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, and other financial and business factors, many of which are beyond our control.

Our ABL Facility and our Senior Secured Notes mature in 2025. 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. We may, at any time and from time to time, seek to retire or purchase 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 on the ABL Maturity Date (as defined below) in 2025. 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 in the ABL Facility). The ABL Facility is tied to a borrowing base formula and the ABL Facility 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 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 June 30, 2024. The effective interest rate under the ABL Facility was approximately 8.4% on June 30, 2024.

On June 20, 2023, the Company entered into a Fourth Amendment to the ABL Facility, with certain of its subsidiaries party thereto, as guarantors, with JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and an issuing lender, and the other lenders and issuing lenders party thereto from time to time (the "ABL Amendment").

The ABL Amendment, among other things, (i) extended the maturity date of the ABL Facility from September 15, 2024 to the earlier of (A) September 15, 2025 or (B) August 1, 2025, if the Company's Senior Secured Notes are still outstanding as of such date (the earlier of the foregoing item (A) or item (B), the "ABL Maturity Date") and (ii) increased the revolving credit commitment from \$100.0 to \$120.0.

The ABL Facility includes a springing financial covenant which requires the Company's FCCR to be at least 1.0 to 1.0 if availability falls below the greater of \$15.0 or 20.0% of the borrowing base. At all times during the three months ended June 30, 2024, availability exceeded this threshold, and the Company was not subject to this financial covenant. As of June 30, 2024, the FCCR was at least 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 the 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 June 30, 2024 was \$234.9. 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 \$4.6 as of June 30, 2024.

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 \$28.8 during the six months ended June 30, 2024, compared to \$26.5 in the six months ended June 30, 2023. Based on current industry conditions and our significant investments in capital expenditures over the past several years, we expect to incur between \$50.0 and \$55.0 in total capital expenditures for the year ending December 31, 2024, out of which approximately 80% is budgeted for maintenance capital 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, having an aggregate offering price of up to \$50.0. On November 16, 2022, the Company entered into Amendment No. 1 to the Equity Distribution Agreement (the "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. 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.

Shares of Common Stock offered and sold in the ATM Offering were 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. The Registration Statement expired on June 11, 2024 pursuant to Rule 415(a)(5) under the Securities Act. Sales under the ATM Offering program may restart when and if the Company files a prospectus supplement under a successor registration statement.

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 six months ended June 30, 2024, the Company did not sell any shares of Common Stock and incurred legal and administrative fees of \$0.1 and \$0.2, respectively.

During the three and six months ended June 30, 2023, the Company did not sell any shares of Common Stock and incurred legal and administrative fees of \$— and \$0.1, respectively.

#### *Cash Flows*

Our cash flows provided by operating activities for the six months ended June 30, 2024 were approximately \$11.4 as compared to approximately \$51.4 provided by operating activities for the six months ended June 30, 2023. 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 June 30, 2024, we had \$86.9 of cash and cash equivalents. Cash on hand at June 30, 2024 decreased by \$25.6, as a result of \$11.4 of cash flows provided by operating activities, \$22.2 of cash flows used in investing activities and \$14.8 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:

	Six Months Ended	
	June 30, 2024	June 30, 2023
Net cash flows provided by operating activities	\$ 11.4	\$ 51.4
Net cash flows used in investing activities	(22.2)	(16.9)
Net cash flows used in financing activities	(14.8)	(9.8)
Net change in cash	(25.6)	24.7
Cash balance end of period	\$ 86.9	\$ 82.1

#### ***Net cash provided by operating activities***

Net cash provided by operating activities was \$11.4 for the six months ended June 30, 2024, as compared to net cash provided by operating activities of \$51.4 for the six months ended June 30, 2023. The lower operating cash flows were attributable to the change from a net income to a net loss position, partially offset by higher depreciation and amortization in 2024.

#### ***Net cash used in investing activities***

Net cash used in investing activities was \$22.2 for the six months ended June 30, 2024, as compared to net cash used in investing activities of \$16.9 for the six months ended June 30, 2023. The cash flows used in investing activities for the six months ended June 30, 2024 were primarily driven by maintenance capital spending tied to the operation of our existing asset base offset by sales of property and equipment.

#### ***Net cash used in financing activities***

Net cash used in financing activities was \$14.8 for the six months ended June 30, 2024, compared to net cash used in financing activities of \$9.8 for the six months ended June 30, 2023. During the six months ended June 30, 2024, there were no additional borrowings under our ABL Facility and no sales under our ATM 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. 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 2023 Annual Report on Form 10-K filed with the SEC on March 8, 2024.

### **Recent Accounting Pronouncements**

We continue to evaluate any recently issued accounting pronouncements for future adoption. See Note 2 - Recent Accounting Pronouncements above for upcoming adoptions of new accounting pronouncements.

### **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*
- *Operating income*
- *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 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 June 30, 2024, 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 June 30, 2024.

#### **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.

### **ITEM 1A. RISK FACTORS**



In addition to the information set forth in this Quarterly Report, you should carefully consider the risk factors previously described in Part I, Item IA. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

## 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 that we repurchased during the three months ended June 30, 2024:

Period	Total number of shares purchased <sup>(1)</sup>	Average price paid per share <sup>(2)</sup>	Total number of shares purchased as part of publicly announced plans or programs <sup>(3)</sup>	Approximate dollar value of shares that may yet be purchased under the plans or programs
April 1, 2024 - April 30, 2024	974	\$ 7.60	—	\$ 48,859,603
May 1, 2024 - May 31, 2024	—	\$ —	—	\$ 48,859,603
June 1, 2024 - June 30, 2024	—	\$ —	—	\$ 48,859,603
Total	974		—	

(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 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 having an aggregate purchase price up to \$50.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

<b>ITEM 6.</b>	<b>EXHIBITS</b>
3.1	<a href="#">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).</a>
3.2	<a href="#">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).</a>
31.1*	<a href="#">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.</a>
31.2*	<a href="#">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.</a>
32.1**	<a href="#">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.</a>
32.2**	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	XBRL Instance Document
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, Chief Executive Officer and Director*

Date: August 8, 2024

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

Date: August 8, 2024

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

Date: August 8, 2024

**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 June 30, 2024 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: August 8, 2024

/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 June 30, 2024 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: August 8, 2024

/s/ Keefer M. Lehner

Keefer M. Lehner

Executive Vice President and Chief Financial Officer

**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 June 30, 2024, 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: August 8, 2024

/s/ Christopher J. Baker

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Christopher J. Baker  
President and Chief Executive Officer  
(Principal Executive Officer)

**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 June 30, 2024, 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: August 8, 2024

/s/ Keefer M. Lehner

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Keefer M. Lehner

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)