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 April 30, 2021

☐ **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	36-4904146
(State of Incorporation)	(I.R.S. Employer Identification No.)

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

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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 8,831,007 shares were outstanding as of June 4, 2021.

KLX Energy Services Holdings, Inc.
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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)
(Unaudited)

	April 30, 2021	January 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37.9	$ 47.1
Accounts receivable–trade, net of allowance of $5.9 and $6.5	70.2	67.0
Inventories, net	21.0	20.8
Other current assets	11.6	15.8
Total current assets	140.7	150.7
Property and equipment, net	188.5	203.7
Intangible assets, net	2.4	2.5
Other assets	5.4	5.8
Total assets	$ 337.0	$ 362.7
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 46.8	$ 39.4
Accrued interest	14.4	7.2
Accrued liabilities	25.8	29.2
Current portion of capital leases	1.9	1.9
Total current liabilities	88.9	77.7
Long-term debt	244.1	243.9
Long-term capital lease obligations	3.9	4.4
Other non-current liabilities	4.3	4.6
Commitments, contingencies and off-balance sheet arrangements (Note 11)		
Stockholders' equity (deficit):		
Common stock, $0.01 par value; 110.0 authorized; 9.1 and 8.6 issued	0.1	0.1
Additional paid-in capital	469.9	469.1
Treasury stock, at cost, 0.3 shares and 0.3 shares	(4.3)	(4.0)
Accumulated deficit	(469.9)	(433.1)
Total stockholders' equity (deficit)	(4.2)	32.1
Total liabilities and stockholders' equity (deficit)	$ 337.0	$ 362.7

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 amounts)
(Unaudited)

	Three Months Ended	
	April 30, 2021	April 30, 2020
Revenues	$ 90.8	$ 83.0
Costs and expenses:		
Cost of sales (exclusive of items shown separately below)	88.7	77.1
Depreciation and amortization	15.4	16.2
Selling, general and administrative	14.9	16.3
Research and development costs	0.1	0.3
Impairment and other charges	0.6	208.7
Operating loss	(28.9)	(235.6)
Non-operating expense:		
Interest expense, net	7.8	7.4
Loss before income tax	(36.7)	(243.0)
Income tax expense	0.1	0.1
Net loss	$ (36.8)	$ (243.1)
Net loss per share-basic [(1)]	$ (4.41)	$ (52.60)
Net loss per share-diluted [(1)]	$ (4.41)	$ (52.60)

(1) Basic and diluted net loss per share for the three months ended April 30, 2020 were retroactively adjusted for the Company’s 1-for-5 Reverse Stock Split effective July 28, 2020. See Note 1.

See accompanying notes to condensed consolidated financial statements.

KLX Energy Services Holdings, Inc.
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
Three Months Ended April 30, 2021 and 2020
(*In millions of U.S. dollars and shares*)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balance at January 31, 2021	8.6	$ 0.1	$ 469.1	$ (4.0)	$ (433.1)	$ 32.1
Restricted stock, net of forfeitures	0.5	—	0.8	—	—	0.8
Purchase of treasury stock	—	—	—	(0.3)	—	(0.3)
Net loss	—	—	—	—	(36.8)	(36.8)
Balance at April 30, 2021	9.1	$ 0.1	$ 469.9	$ (4.3)	$ (469.9)	$ (4.2)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at January 31, 2020	5.0	$ 0.1	$ 416.6	$ (3.6)	$ (100.9)	$ 312.2
Restricted stock, net of forfeitures	—	—	(0.7)	—	—	(0.7)
Purchase of treasury stock	—	—	—	(0.3)	—	(0.3)
Red Bone acquisition price shares reserved	0.1	—	—	—	—	—
Net loss	—	—	—	—	(243.1)	(243.1)
Balance at April 30, 2020	5.1	$ 0.1	$ 415.9	$ (3.9)	$ (344.0)	$ 68.1

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)

	Three Months Ended	
	April 30, 2021	April 30, 2020
Cash flows from operating activities:		
Net loss	$ (36.8)	$ (243.1)
Adjustments to reconcile net loss to net cash flows (used in) provided by operating activities		
Depreciation and amortization	15.4	16.2
Impairment and other charges	0.6	208.7
Non-cash compensation	0.8	(0.7)
Amortization of deferred financing fees	0.3	0.3
Provision for inventory reserve	—	0.7
Change in allowance for doubtful accounts	—	(0.6)
(Gain) loss on disposal of property, equipment and other	(1.8)	0.6
Changes in operating assets and liabilities:		
Accounts receivable	(3.2)	25.0
Inventories	(0.2)	(0.8)
Other current and non-current assets	2.8	1.2
Accounts payable	6.6	(3.2)
Other current and non-current liabilities	4.2	2.7
Net cash flows (used in) provided by operating activities	(11.3)	7.0
Cash flows from investing activities:		
Purchases of property and equipment	(2.2)	(4.8)
Proceeds from sale of property and equipment	6.1	0.2
Net cash flows provided by (used in) investing activities	3.9	(4.6)
Cash flows from financing activities:		
Purchase of treasury stock	(0.3)	(0.3)
Payments on capital lease obligations	(0.5)	—
Change to financed payables	(1.0)	—
Net cash flows used in financing activities	(1.8)	(0.3)
Net increase (decrease) in cash and cash equivalents	(9.2)	2.1
Cash and cash equivalents, beginning of period	47.1	123.5
Cash and cash equivalents, end of period	$ 37.9	$ 125.6
Supplemental disclosures of cash flow information:		
Cash paid during period for:		
Income taxes paid, net of refunds	$ (0.2)	$ —
Interest	0.2	0.1
Supplemental schedule of non-cash activities:		
Change in deposits on capital expenditures	—	(4.4)
Accrued capital expenditures	2.5	3.7

See accompanying notes to condensed consolidated financial statements.

KLX Energy Services Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited – In millions of U.S. dollars)

NOTE 1 - Description of Business and Basis of Presentation

Description of Business

KLX Energy Services Holdings, Inc. (the “Company”, “KLXE” or “KLX Energy Services”) 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 all of the active major basins throughout the United States. The Company delivers mission critical oilfield services focused on drilling, completion, production and intervention activities for the most 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, thru-tubing, hydraulic fracturing rentals, fishing, pressure control, wireline, rig-assisted snubbing, fluid pumping, flowback, testing, pressure pumping and well control services. KLXE’s primary rentals include hydraulic fracturing stacks, blow out preventers, tubulars, downhole tools, and accommodation units. KLXE's primary product offering includes a suite of proprietary dissolvable and composite plugs along with liner hangers, stage cementing tools, inflatables, and float/casing equipment.

On July 24, 2020, KLXE stockholders approved an amendment to the amended and restated certificate of incorporation of KLXE (the “Reverse Stock Split Amendment”) to effect a reverse stock split of KLXE common stock at a ratio within a range of 1-for-5 and 1-for-10 (the “Reverse Stock Split”), as determined by KLXE’s board of directors (the “Board”). The Board subsequently resolved to implement the Reverse Stock Split at a ratio of 1-for-5.

On July 28, 2020, KLX Energy Services, Krypton Intermediate, LLC, an indirect wholly owned subsidiary of KLXE, Krypton Merger Sub, Inc., an indirect wholly owned subsidiary of KLXE (“Merger Sub”), and Quintana Energy Services Inc. (“QES”) completed the previously announced acquisition of QES, by means of a merger of Merger Sub with and into QES, with QES surviving the merger as a subsidiary of KLXE (the “Merger”). On July 28, 2020, immediately prior to the consummation of the Merger, the Reverse Stock Split Amendment became effective and thereby effectuated the 1-for-5 Reverse Stock Split of the Company’s issued and outstanding common stock.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. All adjustments which, in the opinion of the Company’s management, are considered necessary for a fair presentation of the results of operations for the periods shown are of a normal recurring nature and have been reflected in the condensed consolidated financial statements. The results of operations for the periods presented are not necessarily indicative of the results expected for the full fiscal year 2021 or for any future period. The information included in these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s 2020 Annual Report on Form 10-K filed with the SEC on April 28, 2021.

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.

The accompanying unaudited condensed consolidated financial statements present the consolidated KLXE and QES financial position as of April 30, 2021 and January 31, 2021, and the condensed consolidated statements of operations and cash flows for the three months ended April 30, 2021 include an entire quarter of combined results for both legacy KLXE and legacy QES. The condensed consolidated statements of operations and cash flows for the three months ended April 30, 2020 does not include combined results for legacy QES.

Depreciation and Amortization

The Company changed its presentation of depreciation and amortization expense in the first quarter of 2021. Depreciation and amortization expense is presented separately from cost of sales and selling, general, and administrative expenses. Prior period results have been reclassified to conform with current presentation.

Segment Reporting

During the third quarter of 2020, the Company changed its presentation of reportable segments related to the allocation of corporate overhead costs to reflect the presentation used by the Company's chief operational decision-making group ("CODM") to make decisions about resources to be allocated to the Company’s reportable segments and to assess segment performance. Historically, and through July 31, 2020, the Company’s total corporate overhead costs were allocated and reported within each reportable segment. Starting in the third quarter of 2020, the Company changed the corporate overhead allocation methodology to only include corporate costs incurred on behalf of its operating segments, which includes accounts payable, accounts receivable, insurance, audit, supply chain, health, safety and environmental and others. The remaining unallocated corporate costs are reported as a reconciling item in the Company’s segment reporting disclosures. See Note 14 for additional information. As a result of the change in presentation, the total corporate overhead costs allocated for the three months ended April 30, 2020 to the Company’s three reportable segments decreased $8.8.

The Company also changed its presentation of service offering revenues. Historically, and through July 31, 2020, the Company’s service offering revenues included revenues from the completion, production and intervention market types within segment reporting. During the third quarter of 2020, the Company changed the presentation of its service offering revenues by separately reporting a drilling market type revenue, which includes directional drilling, drilling accommodation units and related drilling support services. The reclassifications are retroactively reported in the Company’s segment reporting disclosures to reflect the drilling revenue change and use of the information by the Company’s CODM. For the three months ended April 30, 2020, the total drilling revenues reported within segment reporting was $6.8.

These changes in the Company’s corporate allocation method and service offering revenue disclosures have no net impact to the condensed consolidated financial statements. The change better reflects the CODM’s philosophy on assessing performance and allocating resources as well as improves the Company’s comparability to its peer group.

NOTE 2 - Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform ("Topic 848"): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting and, particularly, the risk of cessation of the London Interbank Offered Rate ("LIBOR"). The amendments in this ASU are elective and apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments in this ASU are effective for all entities, if elected, through December 31, 2022. While the exact impact of this standard is not known, the guidance is not expected to have a material impact on the Company's condensed consolidated financial statements.

In December 2019, FASB issued ASU 2019-12, Income Taxes ("Topic 740"): Simplifying the Accounting for Income Taxes. This ASU is intended to simplify aspects of income tax approach for intraperiod tax allocations when there is a loss from continuing operations and income or a gain from other items, and to provide a general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. Topic 740 also provides guidance to simplify how an entity recognizes a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, and evaluations of when step ups in the tax basis of goodwill should be considered part of a business combination. Companies should also reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The guidance is effective for the Company for the fiscal year beginning February 1, 2022. While the exact impact of this standard is not known, the guidance is not expected to have a material impact on the Company's condensed consolidated financial statements.

In June 2016, FASB issued ASU 2016-13, Financial Instruments - Credit Losses ("Topic 326"): Measurement of Credit Losses on Financial Instruments. This ASU is intended to update the measurement of credit losses on financial instruments. This update improves financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope by using the Current Expected Credit Losses ("CECL") model. This guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. The new accounting standard introduces the CECL methodology for estimating allowances for credit losses. The Company is an oilfield service company and as of April 30, 2021 had a third-party accounts receivable balance, net of allowance, of $70.2. Topic 326 is not expected to have a material impact on the Company's condensed consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, Leases ("Topic 842"), which supersedes ASC Topic 840, Leases. Topic 842 requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The update also expands the required quantitative and qualitative disclosures surrounding leases. Topic 842 will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In November 2019, FASB deferred the effective date for implementation of Topic 842 by one year and, in June 2020, FASB deferred the effective date by an additional year. The guidance under Topic 842 is effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Earlier adoption is permitted. To assess the impact of this guidance, the Company has established a cross functional implementation project team and is currently in the process of accumulating and evaluating all the necessary information required to properly account for its lease portfolio under the new standard. The Company is in the process of developing its new accounting policies and determining the potential aggregate impact this guidance is likely to have on its condensed consolidated financial statements as of its adoption date.

NOTE 3 - Business Combinations

QES Merger

On July 28, 2020, the Company completed the Merger with QES, a diversified provider of oilfield services to onshore oil and natural gas E&P companies operating in the United States. The Merger purchase price was approximately $44.4 with cash paid to settle QES debt, comprised of 3.4 million shares of the Company's common stock. Based on the Company's preliminary purchase price allocation, the purchase price was less than the fair value of the identifiable assets acquired, which resulted in a $40.3 bargain purchase gain being recorded in fiscal 2020. In connection with the closing of the Merger, $9.7 in outstanding borrowings and associated fees and expenses of QES's five-year asset-based revolving credit agreement (the "QES ABL Facility") were paid off. In addition, the Company assumed certain QES compensation agreements, including restricted stock units ("RSU"), with an estimated fair value of $2.0. Based on the service period related to the period prior to the acquisition date, $0.4 was allocated to the purchase price, and $1.6 relating to post-acquisition services will be recorded as operating expenses over the remaining requisite service periods. As of the Merger date, each unvested QES RSU was converted into a KLXE RSU award at a conversion rate of 0.0969 and valued on July 28, 2020.

The Merger was accounted for as a purchase under FASB ASC 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.

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 expects to finalize its analysis during the second quarter of 2021. The following table summarizes the fair values of assets acquired and liabilities assumed in the Merger in accordance with ASC 805:

	QES
Cash	$ 8.7
Accounts receivable-trade	12.2
Inventories	11.8
Other current and non-current assets	7.4
Property and equipment	84.5
Accounts payable	(27.1)
Other current and non-current liabilities	(12.8)
Bargain purchase	(40.3)
Total purchase price [(1)]	$ 44.4

(1) The total consideration of the Merger was approximately $44.4, which was comprised of 3.4 million shares of the Company's common stock and cash paid to settle QES debt.

The Company has substantially integrated portions of the QES business and, as a result, it is not practicable to report stand-alone revenues and operating (loss) earnings of the QES business since the Merger date.

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, 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 Merger.

On a pro forma basis to give effect to the Merger, as if it occurred on February 1, 2020, revenues, net loss and loss per diluted share for the three months ended April 30, 2020 would have been as follows:

	Unaudited Pro Forma Three Months Ended April 30, 2020	
Revenues	$	158.2
Net loss		(264.4)
Loss per diluted share		(33.47)

NOTE 4 - Merger and Integration Costs

Merger and integration costs were recorded separately from the acquisition of assets and assumptions of liabilities in the Merger. Merger costs consist of legal and professional fees and accelerated stock compensation expense. Integration costs consist of expenses to relocate corporate headquarters, integrate the QES business, reduce headcount, and consolidate service and support facilities.

Merger and integration costs totaled $1.8 for the three months ended April 30, 2021. $1.1 was recorded to cost of sales in the interim condensed consolidated statements of operations for the three months ended April 30, 2021. $0.1 was recorded to selling, general and administrative in the interim condensed consolidated statements of operations for the three months ended April 30, 2021. Lease termination costs of $0.6 was recorded to impairment and other charges in the interim condensed consolidated statements of operations for the three months ended April 30, 2021.

As the Company continues to integrate the QES business, there will be further charges in future periods relating to, among other things, fixed assets, facilities, workforce reductions and other assets.

As of April 30, 2021 and January 31, 2021, accrued lease termination costs were:

Beginning balance as of January 31, 2021	$	3.4
Charged (credited) to costs and expenses		0.6
Deductions		(0.9)
Ending balance as of April 30, 2021	$	3.1

The following table presents Merger and integration costs that were recorded for the three months ended April 30, 2021 in the interim condensed consolidated statements of operations (in millions of U.S. dollars):

	Three Months Ended April 30, 2021	
Merger costs	$	—
Integration costs		1.8
Total Merger and Integration Costs	$	1.8

NOTE 5 - Inventories, net

Inventories consisted of the following:

	April 30, 2021	January 31, 2021
Spare parts	$ 14.2	$ 13.5
Plugs	4.5	4.6
Consumables	2.6	2.8
Other	2.1	2.3
Subtotal	23.4	23.2
Inventory reserve	(2.4)	(2.4)
Total inventories	$ 21.0	$ 20.8

Inventories are made up of composite and dissolvable plugs, spare parts and consumables used to perform services for customers. The Company values inventories at the lower of cost or net realizable value. Inventory reserves were approximately $2.4 and $2.4 as of April 30, 2021 and January 31, 2021, respectively.

NOTE 6 - Property and Equipment, Net

Property and equipment consisted of the following:

	Useful Life (Years)	April 30, 2021	January 31, 2021
Land, buildings and improvements	1 — 40	$ 40.9	$ 43.7
Machinery	1 — 20	217.2	221.8
Furniture and equipment	1 — 15	183.7	183.2
Total property and equipment		441.8	448.7
Less accumulated depreciation		253.3	245.0
Property and equipment, net		$ 188.5	$ 203.7

Depreciation expense was $15.3 and $15.2 for the three months ended April 30, 2021 and 2020, respectively.

Assets Held for Sale

As of April 30, 2021, the Company's condensed consolidated balance sheet includes assets classified as held for sale of $2.7. The assets held for sale are reported within other current assets on the condensed consolidated balance sheet and represent the value of three operational facilities and select equipment. In light of the current market environment and as part of the ongoing integration of the QES business, the Company has consolidated operations within certain geographies rendering these locations unnecessary to support the efficient operations of the Company. These assets are being actively marketed for sale as of April 30, 2021 and are recorded at the lower of their carrying value or fair value less costs to sell.

NOTE 7 - Goodwill and Intangible Assets, Net

Goodwill and indefinite life intangible assets are tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of the asset has decreased below its carrying value. The oilfield service industry experienced an abrupt deterioration in demand during the second half of 2019, which continued into 2020. During the first quarter of 2020, the novel coronavirus ("COVID-19") pandemic emerged and applied significant downward pressure on the global economy and oil demand and prices, leading North American operators to announce significant cuts to planned 2020 capital expenditures. The combination of the COVID-19 pandemic and supply concerns drove a steep drop in oil prices, leading to decreases in demand for the Company's services and lower current and expected revenues for the Company.

Based on the impairment indicators above, the Company performed a goodwill and long-lived asset impairment analysis during the three months ended April 30, 2020. The results of the impairment analysis

concluded that the carrying amount of the long-lived assets exceeded the relative fair values of two of the reporting units' asset groups. As a result, the Company recorded a $180.4 long-lived asset impairment charge, $39.2 related to intangible assets and $141.2 related to property and equipment, which is included in the condensed consolidated statements of operations for the three months ended April 30, 2020. This charge reflects $91.3 and $89.1 of the long-lived assets attributable to the Southwest and Northeast/Mid-Con segments, respectively.

Determining fair value requires the use of estimates and assumptions. Such estimates and assumptions include revenue growth rates, operating profit margins, weighted average cost of capital, terminal growth rates, future market share and future market conditions, among others. The Company's cash flow projections were a significant input into the April 30, 2020 fair values. See Note 10 for additional information regarding the fair value determination. If the Company continues to be unable to achieve projected results or long-term projections are adjusted downward, it could negatively impact future valuations of the Company's long-lived assets.

The valuation of the Company and its reportable segments' goodwill impairment test was estimated using the guideline public company analysis and the discounted cash flow analysis, which were equally weighted in the fair value analysis. See Note 10 for additional information regarding the fair value determination. The results of the goodwill impairment test as of April 30, 2020 indicated that goodwill was impaired because the carrying value of the Rocky Mountains reporting unit exceeded its relative fair value. Accordingly, the Company recorded a $28.3 goodwill impairment charge, which is included in the condensed consolidated statements of operations for the three months ended April 30, 2020. This charge reflects the full value of the goodwill attributable to the Rocky Mountains segment, leaving the Company with no goodwill as of April 30, 2020.

No impairment indicators were identified for the quarter ended April 30, 2021.

NOTE 8 - Accrued Liabilities

Accrued liabilities consisted of the following:

	April 30, 2021	January 31, 2021
Accrued salaries, vacation and related benefits	$ 13.8	$ 14.3
Accrued property taxes	2.1	1.8
Accrued incentive compensation	0.2	1.9
Accrued lease termination costs	3.1	3.4
Other accrued liabilities	6.6	7.8
Total accrued liabilities	$ 25.8	$ 29.2

NOTE 9 - Long-Term Debt

As of April 30, 2021, long-term debt consisted of $250.0 principal amount of 11.5% senior secured notes due 2025 (the "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 Notes, total debt as of April 30, 2021 was $244.1. The Notes bear interest at an annual rate of 11.5%, payable semi-annually in arrears on May 1 and November 1. Accrued interest as of April 30, 2021 was $14.4.

As of April 30, 2021, the Company also had a $100.0 asset-based revolving credit facility pursuant to a senior secured credit agreement dated August 10, 2018 (the "ABL Facility"). The ABL Facility became effective on September 14, 2018 and matures in September 2023. On October 22, 2018, the ABL Facility was amended primarily to permit the Company to issue the Notes and acquire Motley Services, LLC ("Motley") and the definition of the required ratio (as defined in the ABL Facility) was also amended as a result of the Notes issuance.

Borrowings under the ABL Facility bear interest at a rate equal to LIBOR plus the applicable margin (as defined in the ABL Facility). There were no outstanding amounts under the ABL Facility as of April 30, 2021.

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 $10.0 or 15% of the borrowing base. At all times during the three months ended April 30, 2021, availability exceeded this threshold, and the Company was not subject to this financial covenant. As of April 30, 2021, the FCCR was below 1.0 to 1.0. The Company was in full compliance with its credit facility as of April 30, 2021.

Availability under the ABL Facility, net of $10.0 FCCR holdback, was $41.4 based on the April 30, 2021 borrowing base certificate.

Total letters of credit outstanding under the ABL Facility were $6.6 at April 30, 2021.

Capital Lease Obligations

The Company acquired QES's long-term capital lease agreements in the Merger. The leases are for a manufacturing and office facility supporting completion operations in Oklahoma City, Oklahoma and Elk City, Oklahoma. The capital lease for the facility in Oklahoma City, Oklahoma commenced in December 2006 and is payable monthly in amounts ranging from $28 to $35 thousand over the 20 year lease term. The lease for the facility in Elk City, Oklahoma commenced in April 2007 and is payable monthly in amounts ranging from $25 to $30 thousand over the 20 year lease term.

The Company leases certain vehicles, machinery and service equipment under capital leases. The capital lease obligations for these assets have lease terms ranging from 36 months to 55 months, and the interest rates range between 3.0% to 7.0%.

Capital lease obligations were $5.8 as of April 30, 2021.

NOTE 10 - Fair Value Information

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

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

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

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

The carrying amounts of cash and cash equivalents, accounts receivable-trade and accounts payable represent their respective fair values due to their short-term nature. There was no debt outstanding under the ABL Facility as of April 30, 2021. The fair value of the Notes, based on market prices for publicly traded debt, which the Company classifies as Level 2 inputs, was $155.0 and $132.5 as of April 30, 2021 and January 31, 2021, respectively.

During the three months ended April 30, 2020, goodwill and long-lived assets, including certain property and equipment and purchased intangibles subject to amortization, were impaired as a result of the first quarter 2020 interim goodwill and long-lived asset impairment tests. The goodwill Level 3 fair value was determined using the average of the guideline public company analysis and the discounted cash flow analysis, both of which were unobservable. The long-lived asset Level 3 fair value was determined using the discounted cash flow analysis using the market and income approaches, both of which were unobservable.

Fair value is measured as of the impairment date. The carrying value and fair values of the impaired assets as of April 30, 2020 was $194.0 and $52.8 for property and equipment, net, $28.3 and $0.0 for goodwill, and $39.2 and $0.0 for intangible assets, net, respectively. See Note 7 for a discussion of the changes in goodwill and long-lived asset values due to impairment charges recorded during the three months ended April 30, 2020.

NOTE 11 - Commitments, Contingencies and Off-Balance-Sheet Arrangements

Lease Commitments

The Company finances its use of certain facilities and equipment under committed lease arrangements provided by various institutions. Since the terms of these arrangements meet the accounting definition of operating lease arrangements, the aggregate sum of future minimum lease payments is not reflected on the consolidated balance sheets. At April 30, 2021, future minimum lease payments under these arrangements approximated $66.3 of which $19.6 is related to long-term real estate leases and $27.4 is related to long-term coiled tubing unit leases.

Environmental Regulations & Liabilities

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

Litigation

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

On March 9, 2021, the Company filed claims in the District Court of Harris, County Texas against Magellan E&P Holdings, Inc. ("Magellan"), Redmon-Keys Insurance Group, Inc. ("Redmon") and certain underwriters at Lloyd's ("Underwriters") to recover $4.6 owed on invoices duly issued by the Company for services rendered on behalf of defendants in response to an offshore well blowout near Bob Hall Pier in Corpus Christi, Texas. Magellan did not dispute the invoices or the charges therein but alleged an inability to pay prior to obtaining funding from Underwriters under Magellan's Owner's Extra Expense ("OEE") policy. An OEE policy is an industry norm to provide insurance coverage in the event of a blowout. Magellan's OEE policy has a limit of $20. We believe that total invoices issued to Magellan by its blowout vendors total $14.3 and are within policy limits. The Company's Texas court action includes claims against Magellan and as an additional insured

under the OEE policy and also against Redmon-Keys as Magellan's broker who issued the additional insured certificate to the Company.

On March 19, 2021, Underwriters filed a declaratory judgment action in the United States District Court for the Southern District of Texas seeking a declaration that approximately $7.4 of the total $14.3 in blowout related expenses fall outside of policy coverage referencing a date on which they believe coverage ceased to apply. The Company disputes Underwriters' allegations on coverage and will likely litigate the issue in one or more court actions. Nonetheless, we note here that approximately $2.3 or half of the Company's total $4.6 in invoice to Magellan relate to services rendered and materials provided prior to the coverage dispute date alleged by Underwriters. In its declaratory judgment action, Underwriters further alleged that it had made some payments to Magellan. As Magellan had not made onward payments to the Company, the Company filed a request for a Temporary Restraining Order ("TRO") against Magellan in its Texas state court lawsuit. On March 30, 2021, hours before the TRO hearing, Magellan filed for bankruptcy pursuant to Chapter 7 of the U.S. bankruptcy code.

The Company believes that the OEE policy is now an asset of the Chapter 7 estate. The bankruptcy proceedings are in their initial stages. During the year ended January 31, 2021, the Company reserved the full amount of its invoices totaling $4.6 as a prudent action in light of the Chapter 7 filing. These invoices remain fully reserved as of April 30, 2021. However, we believe that the proceeds from the OEE policy will ultimately be allocated to the blowout creditors and KLXE will be offering our support to the U.S. Trustee in its pursuit of full recovery under the OEE policy from Underwriters.

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 12 - Accounting for Stock-Based Compensation

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

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

Compensation cost recognized during the three months ended April 30, 2021 and 2020 related to grants of restricted stock granted as approved by the Compensation Committee. Stock-based compensation was $0.8

and $(0.7) for the three months ended April 30, 2021 and 2020, respectively. Share based compensation was negative during the three months ended April 30, 2020 due to modifications of awards, which resulted in reversal of unvested stock compensation and determination of new grant date fair value. Unrecognized compensation cost related to restricted stock awards made by the Company was $9.0 at April 30, 2021.

As of the date of the QES acquisition, each unvested QES restricted stock unit award was converted into a replacement 0.0969 KLXE restricted stock unit award. Approximately 2.0 million shares of QES common stock subject to awards outstanding were converted to 0.2 million shares of common stock assumed by KLXE.

The Company also has a qualified Employee Stock Purchase Plan (the "ESPP"), the terms of which allow for qualified employees (as defined in the ESPP) to participate in the purchase of designated shares of the Company's common stock at a price equal to 85% of the closing price on the last business day of each semi-annual stock purchase period. The fair value of the employee purchase rights represents the difference between the closing price of the Company's shares on the date of purchase and the purchase price of the shares. Because the ESPP did not have enough shares reserved to satisfy outstanding options to purchase during the offering period ended June 30, 2020, the Company refunded participants' contributions. In addition, the Company agreed with QES to suspend the ESPP due to the Merger. Accordingly, compensation cost was $0.0 for the three months ended April 30, 2021 and 2020, respectively. The Company's shareholders approved an amendment to the ESPP at the Company's annual meeting on July 24, 2020, for an increase of 0.3 million shares to the ESPP's share reserve.

NOTE 13 - Income Taxes

Income tax expense was $0.1 and $0.1 for the three months ended April 30, 2021 and April 30, 2020, respectively, and was comprised primarily of state and local taxes. The Company has a valuation allowance against its deferred tax balances, and as a result, it was unable to recognize a tax benefit at the federal statutory rate of 21% on its year to date losses.

In response to the COVID-19 pandemic, many governments have enacted or are contemplating measures to provide aid and economic stimulus. These measures may include deferring the due dates of tax payments or other changes to their income and non-income-based tax laws. The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted on March 27, 2020 in the United States, includes measures to assist companies. Under the CARES Act, the Company has deferred the employer portion of FICA tax payments of $3.8 as of April 30, 2021. This deferral is included on the condensed consolidated balance sheet. Accrued and other non-current liabilities each had a balance of $1.9 as of April 30, 2021. These payments are due in two installments: half on December 31, 2021; and half on December 31, 2022.

The American Rescue Plan Act of 2021 (the "ARP") enacted on March 11, 2021, by the United States, includes measures to assist eligible individuals by providing a 100% subsidy under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") for any period of coverage beginning on or after April 1, 2021 and ending on September 20, 2021. The ARP allows a refundable tax credit against the Medicare payroll tax equal to premium amounts not paid by the eligible individuals. The Company may be entitled to the refundable tax credit in future quarters of 2021.

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

NOTE 14 - 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 Southwest Region (the Permian Basin and the Eagle Ford Shale), the Rocky Mountains Region (the Bakken, Williston, DJ, Uinta, Powder River, Piceance and Niobrara basins) and the Northeast/Mid-Con Region (the Marcellus and Utica Shale as well as the Mid-Continent STACK and SCOOP and Haynesville Shale). The segments regularly report their results of operations and make requests

for capital expenditures and acquisition funding to the CODM. As a result, the Company has three reportable segments.

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

	Three Months Ended	
	April 30, 2021	April 30, 2020
Revenues		
Rocky Mountains	$ 24.3	$ 33.8
Southwest	38.0	24.4
Northeast/Mid-Con	28.5	24.8
Total revenues	90.8	83.0
Operating loss [1]		
Rocky Mountains	(7.1)	(34.0)
Southwest	(7.5)	(98.1)
Northeast/Mid-Con	(6.8)	(94.7)
Corporate and other [1]	(7.5)	(8.8)
Total operating loss	(28.9)	(235.6)
Interest expense, net	7.8	7.4
Loss before income tax	$ (36.7)	$ (243.0)

(1) Historically, and through July 31, 2020, the Company's total corporate overhead costs were allocated and reported within each reportable segment. During the third quarter of 2020, the Company changed the corporate overhead allocation methodology to include corporate costs incurred on behalf of its operating segments, which includes accounts payable, accounts receivable, insurance, audit, supply chain, health, safety and environmental and others. The remaining unallocated corporate costs are reported as a reconciling item. The change will better reflect the CODM's philosophy on assessing performance and allocating resources, as well as improve comparability to the Company's peer group.

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

	Three Months Ended							
	April 30, 2021				April 30, 2020			
	Rocky Mountains	Southwest	Northeast /Mid-Con	Total	Rocky Mountains	Southwest	Northeast /Mid-Con	Total
Drilling	$ 1.1	$ 14.5	$ 9.2	$ 24.8	$ 0.1	$ 1.5	$ 5.2	$ 6.8
Completion	14.2	16.1	14.4	44.7	20.6	15.4	11.7	47.7
Production	5.6	4.0	2.4	12.0	8.9	3.0	3.9	15.8
Intervention	3.4	3.4	2.5	9.3	4.2	4.5	4.0	12.7
Total revenues	$ 24.3	$ 38.0	$ 28.5	$ 90.8	$ 33.8	$ 24.4	$ 24.8	$ 83.0

The following table presents total assets by segment:

	April 30, 2021	January 31, 2021
Rocky Mountains	$ 131.5	$ 121.1
Southwest	98.6	91.6
Northeast/Mid-Con	64.7	98.1
Total	294.8	310.8
Corporate and other	42.2	51.9
Total assets	$ 337.0	$ 362.7

The following table presents capital expenditures by reportable segment:

	Three Months Ended	
	April 30, 2021	April 30, 2020
Rocky Mountains	$ 0.7	$ 1.9
Southwest	0.8	1.3
Northeast/Mid-Con	0.7	1.0
Corporate and other	—	0.6
Total capital expenditures	$ 2.2	$ 4.8

NOTE 15 - Net Loss Per Common Share

On July 28, 2020, immediately prior to consummation of the Merger, the Reverse Stock Split Amendment became effective and thereby effectuated the 1-for-5 Reverse Stock Split of the Company’s issued and outstanding common stock.

Basic net loss per common share is computed using the weighted average common shares outstanding during the period. Diluted net loss per common share is computed by using the weighted average common shares outstanding, including the dilutive effect of restricted shares based on an average share price during the period. For the three months ended April 30, 2021 and 2020, 0.4 and 0.5 million shares of the Company’s common stock, respectively, were excluded from the determination of diluted net loss per common share because their effect would have been anti-dilutive. The computations of basic and diluted net loss per share for the three months ended April 30, 2021 and 2020 are as follows:

	Three Months Ended	
	April 30, 2021	April 30, 2020
Net loss	$ (36.8)	$ (243.1)
(Shares in millions) [2]		
Basic weighted average common shares	8.3	4.6
Effect of dilutive securities - dilutive securities	—	—
Diluted weighted average common shares	8.3	4.6
Basic net loss per common share [1] [2]	$ (4.41)	$ (52.60)
Diluted net loss per common share [1] [2]	$ (4.41)	$ (52.60)

(1) On July 28, 2020, each issued and outstanding share of QES common stock was automatically converted into the right to receive 0.0969 shares of KLXE common stock, which reflects adjustment for the 1-for-5 Reverse Stock Split of the KLXE common stock effected immediately prior to the consummation of the Merger.

(2) Shares and per share data have been retroactively adjusted to reflect the Company’s 1-for-5 Reverse Stock Split effective July 28, 2020.

NOTE 16 - Subsequent Event

On May 14, 2021, we filed a shelf registration statement on Form S-3 with the SEC. If and when the shelf registration statement is declared effective by the SEC, we will be able to, from time to time, offer and sell, in one or more offerings, up to a total dollar amount of $75.0 of common stock described in the shelf registration statement or a related prospectus supplement. Additionally, if and when declared effective by the SEC, the

shelf registration statement will register for resale shares of the Company's common stock by certain stockholders, pursuant to the Company's contractual obligations under the Registration Rights Agreement, dated May 3, 2020, between the Company and certain of its stockholders (the "Registration Rights Agreement").

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

- the extraordinary market environment and impacts resulting from the COVID-19 pandemic and related swift and material decline, as well as increased volatility, in national and global crude oil demand and crude oil prices;
- the possibility of inefficiencies, curtailments or shutdowns in our customers' operations, whether due to COVID-19 repercussions in the workforce or in response to reductions in demand;
- uncertainty regarding our future operating results;
- regulation of and dependence upon the energy industry;
- the cyclical nature of the energy industry;
- fluctuations in market prices for fuel, oil and natural gas;
- our ability to maintain acceptable pricing for our services;
- competitive conditions within the industry;
- 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 have on our financial flexibility, our ability to engage in strategic transactions or our ability to declare and pay cash dividends on our common stock;
- general economic conditions;
- our credit profile;
- changes in supply, demand and costs of equipment;
- 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 terrorist or cyberattacks and the consequences of any such attacks;

- increased labor costs or our ability to employ, or maintain the employment of, a sufficient number of key employees, technical personnel, and other skilled and qualified workers;
- the inability to successfully consummate acquisitions or inability to manage potential growth; and
- our ability to remediate any material weakness in, or to maintain effective, internal controls over financial reporting and disclosure controls and procedures.

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

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (In millions of U.S. dollars and shares)

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 on Form 10-Q ("Quarterly Report") as well as our Annual Report on Form 10-K for the fiscal year ended January 31, 2021. 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 months ended April 30, 2021, as compared to our results of operations for the three months ended April 30, 2020. In addition, the discussion and analysis addresses our liquidity, financial condition and other matters for these periods. The previously announced merger of Krypton Merger Sub, Inc., an indirect wholly owned subsidiary of KLXE ("Merger Sub"), with and into QES, with QES surviving the merger as a subsidiary of KLXE (the "Merger") closed on July 28, 2020. Unless otherwise noted or the context requires otherwise, references herein to KLX Energy Services with respect to time periods prior to July 28, 2020 include KLX Energy Services and its consolidated subsidiaries and do not include QES and its consolidated subsidiaries, while references herein to KLX Energy Services with respect to time periods from and after July 28, 2020 include QES and its consolidated subsidiaries.

Company History

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

On July 26, 2020, the Company's Board approved a 1-for-5 Reverse Stock Split. On July 28, 2020, we successfully completed the all-stock Merger with QES. At the time of the closing, the holders of QES common stock received 0.0969 shares of KLXE common stock in exchange for each share of QES common stock held. KLXE and QES stockholders owned approximately 59% and 41%, respectively, of the equity of the combined company on a fully-diluted basis.

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

After closing the Merger, the Company has been focused on integrating personnel, facilities, processes and systems across all functional areas of the organization.

By the end of first quarter of 2021, the Company implemented approximately $46.0 of annualized cost savings. We are diligently focused on generating additional cost savings from the Merger and to date have realized such savings through eliminating KLXE's legacy corporate headquarters in Wellington, Florida, rationalizing associated corporate functions to Houston, and capturing operational synergies in the areas of personnel, facilities and rolling stock.

During the first quarter of 2021, we consolidated corporate offices in Houston, Texas and identified $4.4 million of additional annualized fixed cost savings associated with headcount, facilities, changes to management processes and reduction in the size of the board from nine directors to seven directors. A portion of the cost reductions were accomplished in the first quarter. We expect these cost savings to be fully implemented by the end of the second quarter and realize the full benefit beginning in the third quarter.

Additional synergies may be realized as management continues to rationalize operational facilities and align common roles, processes and systems throughout each function and region. The Merger also enhances the Company’s ability to effect further industry consolidation. Looking ahead, the Company expects to pursue strategic, accretive consolidation opportunities that 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 Southwest Region (the Permian Basin, Eagle Ford Shale and the Gulf Coast as well as in industrial and petrochemical facilities), the Rocky Mountains Region (the Bakken, Williston, DJ, Uinta, Powder River, Piceance and Niobrara basins) and the Northeast/Mid-Con Region (the Marcellus and Utica Shale as well as the Mid-Continent STACK and SCOOP and Haynesville Shale). Our revenues, operating earnings and identifiable assets are primarily attributable to these three reportable geographic segments. While we manage our business based upon these geographic groupings, our assets and our technical personnel are deployed on a dynamic basis across all of our service facilities to optimize utilization and profitability.

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

28 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, mission 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 the most 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.

Depreciation and Amortization

The Company changed its presentation of depreciation and amortization expense in the first quarter of 2021. Depreciation and amortization expense is presented separately from cost of sales and selling, general, and administrative expenses. Prior period results have been reclassified to conform with current presentation.

Segment Reporting

During the third quarter of 2020, the Company changed its presentation of reportable segments related to the allocation of corporate overhead costs to reflect the presentation used by the Company's chief operational decision-making group ("CODM") to make decisions about resources to be allocated to the Company's reportable segments and to assess segment performance. Historically, and through July 31, 2020, the Company's total corporate overhead costs were allocated and reported within each reportable segment. Starting in the third quarter of 2020, the Company changed the corporate overhead allocation methodology to only include corporate costs incurred on behalf of its operating segments, which includes accounts payable, accounts receivable, insurance, audit, supply chain, health, safety and environmental and others. The remaining unallocated corporate costs are reported as a reconciling item in the Company's segment reporting disclosures. See Note 14 to the condensed consolidated financial statements for additional information. As a result of the change in presentation, the total corporate overhead costs allocated for the three months ended April 30, 2020 to the Company's three reportable segments decreased $8.8.

The Company also changed its presentation of service offering revenues. Historically, and through July 31, 2020, the Company's service offering revenues included revenues from the completion, production and

intervention market types within segment reporting. During the third quarter of 2020, the Company changed the presentation of its service offering revenues by separately reporting a drilling market type revenue, which includes directional drilling, drilling accommodation units and related drilling support services. The reclassifications are retroactively reported in the Company's segment reporting disclosures to reflect the drilling revenue change and use of the information by the Company's CODM. For the three months ended April 30, 2020, the total drilling revenues reported within segment reporting was $6.8.

These changes in the Company's corporate allocation method and service offering revenue disclosures have no net impact to the condensed consolidated financial statements. The change better reflects the CODM's philosophy on assessing performance and allocating resources as well as improves the Company's comparability to its peer group.

Recent Trends and Outlook

Demand for services in the oil and natural gas industry is cyclical and subject to sudden and significant volatility. Market demand for our services during 2020 was challenged due to the COVID-19 pandemic and macro supply and demand concerns. While the extent and duration of the continued global impact of the COVID-19 pandemic is unknown, economic activity has increased from the April 2020 lows, and signs of a potential global economic recovery in fiscal 2021 have emerged, driven by the rollout of COVID-19 vaccines, fiscal and monetary stimulus policies, and pent-up demand for goods and services.

Despite the market headwinds experienced in 2020, the Company remained focused on building a leaner and more profitable set of service offerings, which allowed us to make meaningful positive impacts to our revenue, operating margins, cash flows and Adjusted EBITDA. We have taken, and are continuing to take, steps to reduce costs, including reductions in capital expenditures, as well as other workforce rightsizing and ongoing cost initiatives.

In February of 2021, we experienced a material slow down due to the unprecedented North American Winter Storm Uri, the costliest winter storm in U.S. history. As a result of the storm conditions, our customers shut-in wells and delayed work, causing us at least seven days of lost revenue, primarily in the Permian and the Mid-continent regions. Additionally, customer scheduling and well issues in the Rockies left us with unexpected white space on our calendar.

So far in fiscal 2021, WTI prices have increased an incremental 21.7% from February 1 to April 30. In response, the United States has continued to increase drilling and completion activity levels relative to where the market exited 2020. As of April 30, 2021, U.S. rig count was up to 440, an increase of 14.6% since January 31, 2021. However, we have continued to see U.S. shale operators consolidate within certain basins, particularly the Permian, and many operators have announced that they are targeting oil and gas production at the end of 2021 to be consistent with production levels at year end 2020.

Excluding the period impacted by the winter storm, we saw a moderate increase in overall activity throughout the first quarter of 2021, as commodity prices remained constructive. Looking ahead to the remainder of fiscal 2021, provided that the impact of the COVID-19 pandemic lessens, economic activity continues to increase, and commodity prices remain strong, we expect to increase activity.

We believe our diverse product and service offerings uniquely positions 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 service 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 all major basins, while preserving a solid balance sheet, maintaining sufficient operating liquidity and prudently managing our capital expenditures.

We believe our operating cost structure is now materially lower than during historical financial reporting periods and the realization of the $46.0 of expected cost synergies associated with the Merger has further reduced our cost structure and afforded us greater flexibility to respond to changing industry conditions. The implementation of integrated, company-wide management information systems and processes provides more transparency to current operating performance and trends within each market where we compete and helps us more acutely scale our cost structure and pricing strategies on a market-by-market basis. The potential for further cost savings remains as we continue to refine and optimize the business moving forward. We believe our ability to differentiate ourselves on the basis of quality provides an opportunity for us to gain market share and increase our share of business with existing customers.

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 believed our services generated margins superior to our competitors based upon the differential quality of our performance, and that these margins would contribute to future cash flow generation. The required investment in our business includes both working capital (principally for accounts receivable, inventory and accounts payable growth tied to increasing activity and revenues) and capital expenditures for both maintenance of existing assets and ultimately growth when 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 average age of our assets and our ability to charge back a portion of asset maintenance to customers for a number of our assets.

How We Evaluate Our Operations

Key Financial Performance Indicators

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

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

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

We believe Adjusted EBITDA is useful because it allows us to supplement the GAAP measures in order to evaluate our operating performance and compare the results of our operations from period to period without

regard to our financing methods or capital structure. We exclude the items listed above in arriving at Adjusted EBITDA (Loss) because these amounts can vary substantially from company to company within our industry depending upon accounting methods, book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net (loss) earnings as determined in accordance with GAAP, or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Results of Operations

Three Months Ended April 30, 2021 Compared to Three Months Ended April 30, 2020

Revenue.

	Three Months Ended		
	April 30, 2021	April 30, 2020	% Change
Revenue:			
Rocky Mountains	$ 24.3	$ 33.8	(28.1)%
Southwest	38.0	24.4	55.7 %
Northeast/Mid-Con	28.5	24.8	14.9 %
Total revenue	$ 90.8	$ 83.0	9.4 %

For the quarter ended April 30, 2021, revenues were $90.8, an increase of $7.8, or 9.4%, as compared with the prior year period. Rocky Mountains segment revenue decreased by $9.5, or 28.1%, Southwest segment revenue increased $13.6, or 55.7%, and Northeast/Mid-Con segment revenues increased by $3.7, or 14.9%. The decrease in Rockies revenue was largely driven by a reduction in completion and production activity associated with customer schedule and well issues. The increase in Southwest revenue was primarily driven by an increase in drilling activity largely attributable to the Merger. The increase in Northeast/Mid-Con revenue was driven by increased completion and drilling activity, largely attributable to the Merger, and partially offset by decreased intervention and production activity as a result of decreased demand during the pandemic.

On a product line basis, drilling, completion, production and intervention services contributed approximately 27.3%, 49.3%, 13.2% and 10.2%, respectively, to revenue for the three months ended April 30, 2021. On a product line basis, drilling revenues increased by $18.0, or 264.7%, due to the incremental drilling service revenues acquired in the Merger with QES. Completion, production and intervention services revenues decreased by approximately $3.0, $3.8 and $3.4, respectively, as compared to the same period in the prior year.

Cost of sales. For the quarter ended April 30, 2021, cost of sales were $88.7, or 97.7% of sales, as compared to the prior year period of $77.1, or 92.9% of sales. Cost of sales as a percentage of revenues increased primarily due to integration costs incurred related to consolidating operating facilities.

Selling, general and administrative expenses. For the quarter ended April 30, 2021, selling, general and administrative ("SG&A") expenses were $14.9, or 16.4% of revenues, as compared with $16.3, or 19.6% of revenues, in the prior year period due to cost reduction initiatives resulting in lower headcount and fixed costs, as compared to the prior year period.

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

	Three Months Ended		
	April 30, 2021	April 30, 2020	% Change
Operating loss:			
Rocky Mountains	$ (7.1)	$ (34.0)	79.1 %
Southwest	(7.5)	(98.1)	92.4 %
Northeast/Mid-Con	(6.8)	(94.7)	92.8 %
Corporate and other	(7.5)	(8.8)	14.8 %
Total operating loss	$ (28.9)	$ (235.6)	87.7 %

For the quarter ended April 30, 2021, operating loss was $28.9 compared to operating loss of $235.6 in the prior year period, due to a decrease in impairment and other charges of $208.1.

Rocky Mountains segment operating loss was $7.1, Southwest segment operating loss was $7.5, and Northeast/Mid-Con segment operating loss was $6.8 for the three months ended April 30, 2021, in each case primarily driven by lower impairment and other charges.

Income tax expense. For the quarter ended April 30, 2021, income tax expense was $0.1, as compared to income tax expense of $0.1 in the prior year period, and was comprised primarily of state and local taxes. The Company did not recognize a tax benefit on its year-to-date losses because it has a valuation allowance against its deferred tax balances.

Net loss. For the quarter ended April 30, 2021, net loss was $36.8, as compared to $243.1 in the prior year period, primarily due to a decrease in impairment and other charges of $208.1.

Liquidity and Capital Resources

We require capital to fund ongoing operations, including maintenance expenditures on our existing fleet and equipment, organic growth initiatives, investments and acquisitions. Our primary sources of liquidity to date have been capital contributions from our equity and note holders and borrowings under the Company’s ABL Facility and cash flows from operations. At April 30, 2021, we had $37.9 of cash and cash equivalents and $41.4 available on the April 30, 2021 ABL Facility Borrowing Base Certificate, net of $10.0 FCCR holdback, which resulted in a total liquidity position of $79.3.

Our cash flow used in operations for the three months ended April 30, 2021 was approximately $11.3 in cash flows. In response to declining customer activity and commodity price instability, in the third quarter of 2020 we implemented actions to achieve our previously announced annualized run-rate cost synergies. By the end of first quarter of 2021, the Company implemented approximately $46.0 of annualized cost savings and also identified an additional $4.4 of annualized cost savings. However, there is no certainty that cash flow will improve or that we will have positive operating cash flow for a sustained period of time. Our operating cash flow is 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. The COVID-19 pandemic and the related significant decrease in the price of oil resulted in a decrease in demand for our services in the last part of the first quarter through the third quarter of 2020. We started to see a moderate increase in overall activity throughout the first quarter of 2021, which we expect to continue into the second quarter. Additionally, should our customers experience financial distress due to the current market conditions, they could default on their payments owed to us, which would affect our cash flows and liquidity. As of April 30, 2021, we have $4.7 of trade accounts receivable reserved for customers in bankruptcy, inclusive of $4.6 due from Magellan. See Part II, Item 1 "Legal Proceedings" for more information regarding the amount due from Magellan.

Our primary use of capital resources has been for funding working capital and investing in property and equipment used to provide our services. We actively manage our capital spending and are focused on required maintenance spending. In addition, we regularly monitor potential sources of capital, including equity and debt financings, in an effort to meet our planned capital expenditure and liquidity requirements. The COVID-19 pandemic, coupled with the global crude oil supply and demand imbalance and resulting decline in crude oil prices, has significantly affected the value of our common stock, which, without a viable recovery and uptick in the demand for our services, may reduce our ability to access capital in the bank and capital markets, including through equity or debt offerings.

At April 30, 2021, we had $37.9 of cash and cash equivalents. Cash on hand at April 30, 2021 decreased by $9.2, as compared with $47.1 cash on hand at January 31, 2021 as a result of $11.3 of cash flows used by operating activities and $3.9 of cash flows provided by investing 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:

	Three Months Ended	
	April 30, 2021	April 30, 2020
Net cash (used in) provided by operating activities	$ (11.3)	$ 7.0
Net cash provided by (used in) investing activities	3.9	(4.6)
Net cash used in financing activities	(1.8)	(0.3)
Net change in cash	(9.2)	2.1
Cash balance end of period	$ 37.9	$ 125.6

Net cash (used in) provided by operating activities

Net cash used in operating activities was $11.3 for the three months ended April 30, 2021, as compared to net cash provided by operating activities of $7.0 for the three months ended April 30, 2020. The decrease in operating cash flows was primarily attributable to the decrease in revenues across most service and related product lines driven by the current slowdown and market headwinds. In addition, the overall cash collected from the reduction in working capital could not offset the decline in operating leverage, and thus, the Company incurred an operating loss for the three months ended April 30, 2021.

Net cash provided by (used in) investing activities

Net cash provided by investing activities was $3.9 for the three months ended April 30, 2021, as compared to net cash used in investing activities of $4.6 for the three months ended April 30, 2020. The cash flow provided by investing activities for the three months ended April 30, 2021 was primarily driven by sales of facilities, trucks and other idle assets resulting from the cost reduction initiatives offset by critical maintenance capital spending tied to the operation of our existing asset base.

Net cash used in financing activities

Net cash used in financing activities was $1.8 for the three months ended April 30, 2021, compared to net cash used in financing activities of $0.3 for the three months ended April 30, 2020. During the three months ended April 30, 2021, $1.0 was paid on financed payables, $0.5 was paid on capital lease obligations, and $0.3 was paid for treasury shares in connection with the settlement of income tax and related benefit withholding obligations arising from vesting of restricted stock grants under the Company's long-term incentive program.

Financing Arrangements

We entered into a $100.0 ABL Facility on August 10, 2018. The ABL Facility became effective on September 14, 2018 and is scheduled to mature in September 2023. Borrowings under the ABL Facility bear interest at a rate equal to the London Interbank Offered Rate ("LIBOR") (as defined in the ABL Facility) plus the applicable margin (as defined). Availability under the ABL Facility is tied to a borrowing base formula and the ABL Facility has no maintenance financial covenants as long as we maintain a minimum level of borrowing availability. During the three months ended April 30, 2021, the Company included the acquired QES current asset collateral into the borrowing base formula used to calculate the KLXE borrowing availability. 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. No amounts were outstanding under the ABL Facility as of April 30, 2021. The effective interest rate under the ABL Facility would have been approximately 2.69% on April 30, 2021.

The ABL Facility includes a springing financial covenant which requires the Company's consolidated FCCR to be at least 1.0 to 1.0 if availability falls below the greater of $10.0 or 15% of the borrowing base. At all times during the three months ended April 30, 2021, availability exceeded this threshold, and the Company was not subject to this financial covenant. As of April 30, 2021, the FCCR was below 1.0 to 1.0. The Company was in full compliance with its credit facility as of April 30, 2021.

In conjunction with the acquisition of Motley in 2018, we issued $250.0 principal amount of 11.5% senior secured notes due 2025 (the "Notes") 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 Notes, total debt as of April 30, 2021 was $244.1. The Notes bear interest at an annual rate of 11.5%, payable semi-annually in arrears on May 1 and November 1. Accrued interest as of April 30, 2021 was $14.4.

We believe our cash on hand, along with $41.4 of availability based on our April 30, 2021 borrowing base certificate under our $100.0 undrawn ABL Facility, net of $10.0 FCCR holdback, provides us with the ability to fund our operations, make planned capital expenditures, repurchase our debt or equity securities, meet our debt service obligations and provide funding for potential future acquisitions.

Capital Requirements and Sources of Liquidity

Our capital expenditures were $2.2 during the three months ended April 30, 2021, compared to $4.8 in the three months ended April 30, 2020. We expect to incur between $14.0 and $16.0 in capital expenditures for the year ending January 31, 2022, based on current industry conditions. 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. We expect to fund future capital expenditures from cash on hand, the ABL Facility availability and cash flow from operations. We have funds available from our $100.0 ABL Facility (under which the amount of availability depends in part on a borrowing base tied to the aggregate amount of our accounts receivable and inventory satisfying specified criteria and our compliance with a minimum fixed charge coverage ratio), none of which was drawn at April 30, 2021.

Our ability to satisfy our liquidity requirements depends on our future operating performance, which is 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, the continuation of the COVID-19 pandemic, and financial and business and other factors, many of which are beyond our control. We believe based on our current forecasts, our cash on hand, the ABL Facility availability, together with our cash flows, will provide us with the ability to fund our operations and make planned capital expenditures for at least the next 12 months.

The Company also continues to assess various sources and options including public and private financings to bolster its liquidity and believes that, given current market conditions, it has opportunities to do so.

On May 14, 2021, we filed a shelf registration statement on Form S-3 with the SEC. If and when the shelf registration statement is declared effective by the SEC, we will be able to, from time to time, offer and sell, in one or more offerings, up to a total dollar amount of $75.0 of common stock described in the shelf registration statement or a related prospectus supplement. Additionally, if and when declared effective by the SEC, the shelf registration statement will register for resale shares of the Company’s common stock by certain stockholders, pursuant to the Company’s contractual obligations under the Registration Rights Agreement, dated May 3, 2020, between the Company and certain of its stockholders.

Contractual Obligations

As a smaller reporting company, we are not required to provide the disclosure required by Item 303(a)(5)(i) of Regulation S-K.

Off-Balance Sheet Arrangements

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.

Lease Commitments

The Company finances its use of certain facilities and equipment under committed lease arrangements provided by various institutions. Since the terms of these arrangements meet the accounting definition of operating lease arrangements, the aggregate sum of future minimum lease payments is not reflected on the consolidated balance sheets. At April 30, 2021, future minimum lease payments under these arrangements approximated $66.3 of which $19.6 is related to long-term real estate leases and $27.4 is related to long-term coiled tubing unit leases.

The lease of a corporate aircraft expired April 30, 2021. The lease burdened cash flow by approximately $0.7 during the quarter ended April 30, 2021.

Critical Accounting Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We believe that our critical accounting policies are limited to those described in the Critical Accounting Policies section of Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our 2020 Annual Report on Form 10-K filed with the SEC on April 28, 2021.

Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures that are designed to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the Commission’s 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 April 30, 2021, 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 April 30, 2021.

Changes in Internal Control over Financial Reporting

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

On March 9, 2021, the Company filed claims in the District Court of Harris, County Texas against Magellan E&P Holdings, Inc. ("Magellan"), Redmon-Keys Insurance Group, Inc. ("Redmon") and certain underwriters at Lloyd's ("Underwriters") to recover $4.6 owed on invoices duly issued by the Company for services rendered on behalf of defendants in response to an offshore well blowout near Bob Hall Pier in Corpus Christi, Texas. Magellan did not dispute the invoices or the charges therein but alleged an inability to pay prior to obtaining funding from Underwriters under Magellan's Owner's Extra Expense ("OEE") policy. An OEE policy is an industry norm to provide insurance coverage in the event of a blowout. Magellan's OEE policy has a limit of $20. We believe that total invoices issued to Magellan by its blowout vendors total $14.3 and are within policy limits. The Company's Texas court action includes claims against Magellan and as an additional insured under the OEE policy and also against Redmon-Keys as Magellan's broker who issued the additional insured certificate to the Company.

On March 19, 2021, Underwriters filed a declaratory judgment action in the United States District Court for the Southern District of Texas seeking a declaration that approximately $7.4 of the total $14.3 in blowout related expenses fall outside of policy coverage referencing a date on which they believe coverage ceased to apply. The Company disputes Underwriters allegations on coverage and will likely litigate the issue in one or more court actions. Nonetheless, we note here that approximately $2.3 or half of the Company's total $4.6 in invoice to Magellan relate to services rendered and materials provided prior to the coverage dispute date alleged by Underwriters. In its declaratory judgment action, Underwriters further alleged that it had made some payments to Magellan. As Magellan had not made onward payments to the Company, the Company filed a request for a Temporary Restraining Order ("TRO") against Magellan in its Texas state court lawsuit. On March 30, 2021, hours before the TRO hearing, Magellan filed for bankruptcy pursuant to Chapter 7 of the U.S. bankruptcy code.

The Company believes that the OEE policy is now an asset of the Chapter 7 estate. The bankruptcy proceedings are in their initial stages. At this time, the Company has reserved the full amount of its invoices totaling $4.6 as a prudent action in light of the Chapter 7 filing. However, we believe that the proceeds from the OEE policy will ultimately be allocated to the blowout creditors and will be offering our support to the U.S. Trustee in its pursuit of full recovery under the OEE policy from Underwriters.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this report, you should carefull consider the risk factors previously described in Part I, Item IA. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021.

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 April 30, 2021:

Period	Total number of shares purchased[(1)]	Average price paid per share[(2)]	Total number of shares purchased as part of publicly announced plans or programs[(3)]	Approximate dollar value of shares that may yet be purchased under the plans or programs
February 1, 2021 - February 28, 2021	22,168	$ 12.47	—	$ 48,859,603
March 1, 2021 - March 31, 2021	—	$ —	—	$ 48,859,603
April 1, 2021 - April 30, 2021	173	$ 10.40	—	$ 48,859,603
Total	22,341		—	

(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 Long-Term Incentive Plan.

(2) The average price paid per share of common stock repurchased under the share repurchase program 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

Not applicable.

ITEM 6. EXHIBITS

3.1	Amended and Restated Certificate of Incorporation of KLX Energy Services Holdings, Inc. (incorporated by reference to Exhibit 3.1 of KLX Energy Services Holdings, Inc's Quarterly Report on Form 10-Q, filed on September 8, 2020, File No. 001-38609).
3.2	Third 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 December 8, 2020, File No. 001-38609).
4.1*	Third Supplemental Indenture, dated August 25, 2020, among KLX Energy Services Holdings, Inc., as the issuer, the Guaranteeing Subsidiaries named therein and Wilmington Trust, National Association, as trustee and collateral agent.
10.1	KLX Energy Services Holdings, Inc. Long-Term Incentive Plan (Amended and Restated as of December 2, 2020) (incorporated by reference to Exhibit 10.1 of KLX Energy Services Holdings, Inc's Current Report on Form 8-K, filed on February 16, 2021, File No. 001-38609).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

KLX ENERGY SERVICES HOLDINGS, INC.

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

Date: June 10, 2021

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

Date: June 10, 2021

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

Date: June 10, 2021

Exhibit 4.1
EXECUTION VERSION

THIRD SUPPLEMENTAL INDENTURE

This Third Supplemental Indenture (this "*Supplemental Indenture*"), dated as of August 25, 2020, among Krypton Intermediate, LLC, a Delaware limited liability company, Krypton HoldCo, LLC, a Delaware limited liability company, Quintana Energy Services Inc., a Delaware corporation, Quintana Energy Services LLC, a Delaware limited liability company, Centerline Trucking, LLC, a Delaware limited liability company, Great White Well Control LLC, a Delaware limited liability company, Consolidated OWS Management, Inc., a Delaware corporation, Q Directional MGMT, Inc., a Delaware corporation, QES Directional Drilling, LLC, a Delaware limited liability company, QES Management LLC, a Delaware limited liability company, QES Pressure Control LLC, an Oklahoma limited liability company, QES Pressure Pumping, LLC, a Delaware limited liability company, QES Wireline LLC, a Texas limited liability company, Twister Drilling Tools, LLC, a Delaware limited liability company (the "*Guaranteeing Subsidiaries*"), subsidiaries of KLX Energy Services Holdings, Inc., a Delaware corporation (the "*Company*"), the Company and Wilmington Trust, National Association, as trustee (the "*Trustee*") and notes collateral agent (the "*Collateral Agent*").

W I T N E S S E T H

WHEREAS, each of the Issuer and the Guarantors (as defined in the Indenture referred to below) has heretofore executed and delivered to the Trustee an indenture, dated as of October 31, 2018 (as amended through the date hereof, the "*Indenture*"), providing for the issuance of an unlimited aggregate principal amount of 11.500% Senior Secured Notes due 2025 (the "*Notes*");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiaries shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiaries shall unconditionally Guarantee all of the Issuer's Obligations under the Notes and the Indenture on the terms and conditions set forth herein and under the Indenture; and

WHEREAS, pursuant to Section 9.1 of the Indenture, the Trustee and the Collateral Agent are authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Guarantor. The Guaranteeing Subsidiaries hereby agree to be Guarantors under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including Article XI thereof.

3. Governing Law. THIS SUPPLEMENTAL INDENTURE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

4. Waiver of Jury Trial. EACH OF THE GUARANTEEING SUBSIDIARIES AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS SUPPLEMENTAL INDENTURE, THE INDENTURE, THE NOTES, THE GUARANTEES OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Headings. The headings of the Sections of this Supplemental Indenture have been inserted for convenience of reference only, are not to be considered a part of this Supplemental Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

KRYPTON INTERMEDIATE, LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

QUINTANA ENERGY SERVICES INC.

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

QUINTANA ENERGY SERVICES LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

CENTERLINE TRUCKING, LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

GREAT WHITE WELL CONTROL LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

CONSOLIDATED OWS MANAGEMENT, INC.

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

Q DIRECTIONAL MGMT, INC.

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

QES DIRECTIONAL DRILLING, LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

QES MANAGEMENT LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

QES PRESSURE CONTROL LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

QES PRESSURE PUMPING LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

QES WIRELINE LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

TWISTER DRILLING TOOLS, LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

KRYPTON HOLDCO, LLC

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

KLX ENERGY SERVICES HOLDINGS, INC., as Issuer

By: /s/ Keefer Lehner
Name: Keefer Lehner
Title: Vice President

WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee and Collateral Agent

By: /s/ Barry D. Somrock

Name: Barry D. Somrock

Title: Vice President

[Signature Page to Third Supplemental Indenture]

Exhibit 31.1

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 April 30, 2021 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: June 10, 2021

/s/ Christopher J. Baker
Christopher J. Baker
President and Chief Executive Officer

Exhibit 31.2

**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 April 30, 2021 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: June 10, 2021

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

Exhibit 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the Quarterly Report of KLX Energy Services Holdings, Inc. (the "Company") on Form 10-Q for the period ended April 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Christopher J. Baker, as Chief Executive Officer, President and Director 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: June 10, 2021

/s/ Christopher J. Baker
Christopher J. Baker
President and Chief Executive Officer

Exhibit 32.2

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the Quarterly Report of KLX Energy Services Holdings, Inc. (the “Company”) on Form 10-Q for the period ended April 30, 2021, 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: June 10, 2021

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