

4Q 2018

Earnings Conference Call
January 31, 2019



Disclosures

Forward Looking Statements

Statements contained in this conference call with respect to the future are forward-looking statements. These statements reflect management's reasonable judgment with respect to future events. Forward-looking statements involve risks and uncertainties. Actual results could differ materially from those anticipated as a result of various factors, including cyclical or other downturns in demand, significant pricing competition, unanticipated additions to industry capacity, changes in the Jones Act or in U.S. maritime policy and practice, fuel costs, interest rates, weather conditions and timing, magnitude and number of acquisitions made by Kirby. Forward-looking statements are based on currently available information and Kirby assumes no obligation to update any such statements. A list of additional risk factors can be found in Kirby's annual report on Form 10-K for the year ended December 31, 2017 and in Kirby's subsequent filing on Form 10-Q for the quarter ended September 30, 2018.

Non-GAAP Financial Measures

This conference call may refer to certain non-GAAP or adjusted financial measures. Kirby uses certain non-GAAP financial measures to review performance including: EBITDA; operating income, excluding one-time items; earnings before taxes on income, excluding one-time items; net earnings attributable to Kirby, excluding one-time items; and diluted earnings per share, excluding one-time items. Management believes that the exclusion of certain one-time items from these financial measures enables it and investors to assess and understand operating performance, especially when comparing those results with previous and subsequent periods or forecasting performance for future periods, primarily because management views the excluded items to be outside of the company's normal operating results. These non-GAAP financial measures are not calculations based on generally accepted accounting principles and should not be considered as an alternative to, but should only be considered in conjunction with Kirby's GAAP financial information. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are included in our earnings press release, and are also available on our website at www.kirbycorp.com in the Investor Relations section under Financials.



4Q Overview

Financial Summary

(\$ millions except earnings per share)	4Q 2018	4Q 2017	Variance	%	3Q 2018	Variance	%
Revenues	\$ 721.5	\$ 708.1	\$ 13.4	2%	\$ 704.8	\$ 16.7	2%
Operating income	(19.2)	(52.6)	33.4	63%	68.0	(87.2)	-128%
Net earnings attributable to Kirby	(24.4)	231.3	(255.7)	-111%	41.8	(66.2)	-158%
Earnings per share	(0.41)	3.87	(4.28)	-111%	0.70	(1.11)	-159%
Excluding one-time items:							
Operating income ^{1,2}	68.6	53.1	15.5	29%	68.0	0.6	1%
Net earnings attributable to Kirby ^{1,2,3}	44.9	28.9	16.0	55%	41.8	3.1	7%
Earnings per share ^{1,2,3}	0.75	0.48	0.27	56%	0.70	0.05	7%
Earnings per share - Guidance range	\$0.55 - \$0.75						

Note: For more information, see the Reconciliation of GAAP to Non-GAAP Financial Excluding One-Time Items on Kirby's website at www.kirbycorp.com in the Investor Relations section under Financials.

¹ 4Q 2018 operating income, net earnings attributable to Kirby, and earnings per share exclude \$87.8 million of before-tax charges or \$1.16 per share as follows:
 - Impairment and lease cancellation charges related to coastal vessels of \$85.1 million before-tax, or \$1.12 per share
 - Goodwill impairment charges of \$2.7 million before-tax, or \$0.04 per share

² 4Q 2017 operating income, net earnings attributable to Kirby, and earnings per share exclude one-time before-tax impairment charges related to coastal vessels of \$105.7 million, or \$1.12 per share

³ 4Q 2017 net earnings attributable to Kirby and earnings per share exclude a one-time benefit related to US tax reform and deferred tax liability remeasurement of (\$269.4) million, or (\$4.51 per share)



2018 Overview

Financial Summary

(\$ millions except earnings per share)	2018	2017	Variance	%
Revenues	\$ 2,970.7	\$ 2,214.4	\$ 756.3	34%
Operating income	155.3	93.6	61.7	66%
Net earnings attributable to Kirby	78.5	313.2	(234.7)	-75%
Earnings per share	1.31	5.62	(4.31)	-77%
Excluding one-time items:				
Operating income ^{1,2}	268.4	199.3	69.1	35%
Net earnings attributable to Kirby ^{1,2,3}	171.4	110.8	60.6	55%
Earnings per share ^{1,2,3}	2.86	1.99	0.87	44%

Note: For more information, see the Reconciliation of GAAP to Non-GAAP Financial Measures Excluding One-Time Items on Kirby's website at www.kirbycorp.com in the Investor Relations section under Financials.

¹ 2018 operating income, net earnings attributable to Kirby, and earnings per share exclude \$113.1 million of before-tax charges or \$1.55 per share as follows:

- Impairment and lease cancellation charges related to coastal vessels of \$85.1 million before-tax, or \$1.12 per share
- Goodwill impairment charges of \$2.7 million before-tax, or \$0.04 per share
- Non-tax deductible charges of \$18.1 million related to the retirement of Kirby's Executive Chairman, or \$0.30 per share
- Highman Marine acquisition fees and expenses of \$3.3 million before-tax, or \$0.04 per share
- Expenses related to an amendment to the employee stock plan of \$3.9 million before-tax, or \$0.05 per share

² 2017 operating income, net earnings attributable to Kirby, and earnings per share exclude one-time before-tax impairment charges related to coastal vessels of \$105.7 million, or \$1.20 per share

³ 2017 net earnings attributable to Kirby and earnings per share exclude a one-time benefit related to US tax reform and deferred tax liability remeasurement of (\$269.4) million, or (\$4.83 per share)



4Q Overview – Marine Transportation

■ Inland

- Strong activity levels with barge utilization in the low to mid-90% range
- Spot market rates increased in the mid-to high single digit range sequentially
- Seasonal wind and fog increase delay days, reducing operating efficiencies
- CGBM barge acquisition closed in December
- Inland operating margins remain in the mid-to-high teens

■ Coastal

- Market fundamentals continue to show signs of improvement with small pricing gains
- New 155,000 barrel ATB delivered in December
- Impaired 4 coastal ATBs and one leased barge due to uneconomic ballast water treatment requirements



4Q Overview – Distribution & Services

- Sequential improvement in segment revenue and operating profit
- Vendor supply chain issues abate, resulting in increased deliveries of new pressure pumping equipment
- Demand for pressure pumping remanufacturing remained strong
- New pressure pumping equipment orders improve manufacturing backlog as compared to 3Q 2018 – will provide stable activity levels well into 2Q 2019



Marine Transportation

4Q 2018 Financial Summary

\$ millions	4Q 2018	4Q 2017	Variance	%	3Q 2018	Variance	%
Revenue	\$ 382.5	\$ 330.4	\$ 52.1	16%	\$ 382.0	\$ 0.5	0%
Operating income	44.5	28.6	15.9	56%	48.5	(4.0)	-8%
Operating margin	11.6%	8.6%	3.0%		12.7%	-1.1%	

■ Inland

- Contributed 75% of marine transportation revenues
- Term contracts represented ~65% of revenue with 59% attributed to time charters
- Term contracts generally renewed higher
- Spot market rates increased mid-to-high single digits sequentially and significantly year-on-year
- Operating margin remained in the mid-to-high teens

■ Coastal

- Contributed 25% of marine transportation revenues
- Term contracts represented ~80% of revenue
- Spot pricing increased in the low to mid-single digits sequentially and significantly year-on-year
- Operating margin in the negative mid-single digits and impacted by planned shipyard maintenance



Barge Construction and Retirements

4Q 2018 Update and FY 2019 Outlook

Inland <small>(barrels in millions)</small>	4Q 2018		FY 2018		FY 2019 (Estimated)	
	Barges	Barrels	Barges	Barrels	Barges	Barrels
Beginning of period	981	21.6	841	17.3	1,003	21.8
Additions:						
Higman Marine	-	-	161	4.7	-	-
Pressure barges	-	-	18	0.3	-	-
CGBM	27	0.3	27	0.3	-	-
Specialty barge	1	0.0	1	0.0	-	-
New construction	1	0.0	3	0.1	-	-
Cenac Marine	-	-	-	-	63	1.9
Retirements:						
Completed	(7)	(0.1)	(48)	(0.9)	-	-
Anticipated	-	-	-	-	(8)	(0.1)
End of period	1,003	21.8	1,003	21.8	1,058	23.6

Coastal <small>(barrels in millions)</small>	4Q 2018		FY 2018		FY 2019 (Estimated)	
	Barges	Barrels	Barges	Barrels	Barges	Barrels
Beginning of period	54	5.1	56	5.4	53	5.1
Additions:						
New 155,000 bbl ATB	1	0.2	1	0.2	-	-
Retirements:						
Completed	(2)	(0.2)	(4)	(0.5)	-	-
Anticipated	-	-	-	-	(3)	(0.3)
End of period	53	5.1	53	5.1	50	4.8



Distribution & Services

4Q 2018 Financial Summary

\$ millions	4Q 2018	4Q 2017	Variance	%	3Q 2018	Variance	%
Revenue	\$ 339.0	\$ 377.7	\$ (38.7)	-10%	\$ 322.8	\$ 16.2	5%
Operating income	28.2	34.5	(6.3)	-18%	23.9	4.3	18%
Operating margin	8.3%	9.1%	-0.8%		7.4%	0.9%	

Oil and gas

- Results down year-on-year due to reduced oilfield activity and demand for pressure pumping equipment
- Sequential improvement due to increased deliveries of new and remanufactured pressure pumping units
- Represented ~65% of segment revenue
- Operating margin in the high single digits

Commercial and industrial

- Commercial marine improved year-on-year, but partially offset by reduced hurricane demand for power generation equipment rentals
- Results declined sequentially due to seasonal reductions for power generation equipment rentals and sales of Thermo-King refrigeration units
- Represented ~35% of segment revenue
- Operating margin in the high single digits



Cenac Marine Services Acquisition

Founded in 1927, Cenac is a leading provider of inland marine tank barge operator with operations on the lower Mississippi River, its tributaries, and the Gulf Intracoastal Waterway

The company transports petrochemicals, refined products, and black oil, including crude oil, residual fuels, feedstocks and lubricants

Fleet comprised of 63 barges, 34 inland towboats and 2 offshore tugboats, all of which are U.S. flagged

Size (Type)	Qty
30,000 Bbl Clean	48
30,000 Bbl Black Oil	14
30,000 ABS Ocean Going	1
Total	63

Average age of barge fleet is 4 years

Type	Qty
1800 – 2400 HP Towboats	26
2800 – 3900 HP Towboats	5
Z-Drive Towboats	3
3200 HP Offshore Tugs	2
Total	36

Average age of towboat/tugboat fleet is 6 years

Customer base includes a diverse, blue-chip set of major oil companies and refineries



Cenac Acquisition Overview



Purchase Price

- ~\$244 million in total consideration
- Acquiring Cenac's marine transportation fleet including 63 barges, 34 towboats and 2 offshore tugboats

Value Created

- EPS neutral to slightly positive over first-twelve-months
- Accretive in 2020 as existing contracts expire and synergies are realized

Financing

- All cash purchase
- To be financed through additional borrowings

Timing

- Signed purchase and sale agreement on January 29, 2019
- Closing expected late in the first quarter subject to regulatory approvals

FY 2019 Guidance

Financial Summary

	FY 2019
Earnings per share	\$3.25 to \$3.75
Capital expenditures (in millions)	\$225 to \$245

- Capital expenditures down year-on-year ~20%
- New marine transportation vessels ~\$45 million
- Capital upgrades of existing marine transportation equipment ~\$155 million to \$165 million (includes ~\$25 million for ballast water treatment systems on coastal vessels)
- Distribution & Services ~\$30 million

2019 Guidance – Marine Transportation

- Inland utilization in the low to mid-90% range
- Anticipate inland demand continues to grow
- Coastal utilization improves into the low to mid-80% range
- Segment revenues are expected to increase in the high single digits to low teens range year-on-year
 - Inland growth of 10 to 15% (including Cenac), Coastal up slightly
- Inland operating margins expected to range between the mid and high teens
- Coastal operating margins breakeven or slightly positive



2019 Guidance – Distribution & Services

- Oil and gas:
 - Reductions in oilfield activity expected to result in lower year-on-year demand for new and overhauled transmissions, engines and parts
 - Manufacturing backlog will provide sustained levels of activity in the first half of 2019
 - Demand for additional pressure pumping units and international projects expected to continue into the second half of 2019
 - Remanufacturing activities expected to increase year-on-year
- Commercial and industrial:
 - Year-on-year increases overall driven by increased demand for back-up power generation systems and equipment rentals
 - Commercial marine and nuclear power generation are expected to be stable compared to 2018
- Segment revenues expected to be flat to up mid-single digits year-on-year with operating margins in the high single digits



