

4Q 2019

Earnings Conference Call

January 30, 2020



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, 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 2019	4Q 2018	Variance	%	3Q 2019	Variance	%
Revenues	\$ 655.9	\$ 721.5	\$ (65.6)	-9%	\$ 666.8	\$ (10.9)	-2%
Operating income (loss)	16.2	(19.2)	35.4	184%	77.9	(61.7)	-79%
Net earnings (loss) attributable to Kirby	2.8	(24.4)	27.2	111%	48.0	(45.2)	-94%
Earnings (loss) per share	0.05	(0.41)	0.46	112%	0.80	(0.75)	-94%
Excluding one-time items:							
Operating income ^{1,2}	56.5	68.6	(12.1)	-18%	77.9	(21.4)	-27%
Net earnings attributable to Kirby ^{1,2}	34.5	44.9	(10.4)	-23%	48.0	(13.5)	-28%
Earnings per share ^{1,2}	0.58	0.75	(0.17)	-23%	0.80	(0.22)	-28%

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 4Q 2019 operating income, net earnings attributable to Kirby, and earnings per share exclude \$40.3 million of before-tax charges or \$0.53 per share as follows:
- Inventory write-downs of \$35.5 million before-tax, or \$0.47 per share
 - Severance and early retirement expense of \$4.8 million before-tax, or \$0.06 per share
- ² 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



2019 Overview

Financial Summary

(\$ millions except earnings per share)	2019	2018	Variance	%
Revenues	\$ 2,838.4	\$ 2,970.7	\$ (132.3)	-4%
Operating income	242.0	155.3	86.7	56%
Net earnings attributable to Kirby	142.3	78.5	63.8	81%
Earnings per share	2.37	1.31	1.06	81%
Excluding one-time items:				
Operating income ^{1,2}	282.3	268.4	13.9	5%
Net earnings attributable to Kirby ^{1,2}	174.0	171.4	2.6	2%
Earnings per share ^{1,2}	2.90	2.86	0.04	1%

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 2019 operating income, net earnings attributable to Kirby, and earnings per share exclude \$40.3 million of before-tax charges or \$0.53 per share as follows:

- Inventory write-downs of \$35.5 million before-tax, or \$0.47 per share
- Severance and early retirement expense of \$4.8 million before-tax, or \$0.06 per share

² 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
- Higman 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



Recent Kirby Acquisitions

Favorable acquisitions to increase Kirby's future earnings power



- Purchase price - \$278 million and assumption of leases
- Inland tank barge operator primarily operating unit tows on the Mississippi River System and Gulf Intracoastal Waterway
- Operates a significant ship bunkering business in New Orleans and fleet operations on Gulf Coast
- 90 barges and 46 towboats
- Expected to close late Q1 2020



- Fleet operation in Lake Charles, Louisiana
- Lake Charles area experiencing significant petrochemical expansion
- Improves Kirby inland fleet operations in this critical Gulf Coast port
- Closed in October 2019



- Purchase price - \$40 million
- Supplier of Thermo-King refrigeration equipment, service, and parts
- Primary distributor in North Texas, East Texas, and Colorado
- Significantly expands Kirby's current geographic territory for Thermo-King OEM
- Closed on January 3, 2020

4Q Overview – Marine Transportation

■ Inland

- Revenues and operating income decline sequentially
- Poor weather conditions contribute to a 33% sequential increase in delay days
- Lower refinery and chemical plant utilization
- Planned barge maintenance results in higher operating expenses

■ Coastal

- Barge utilization in the mid-80% range
- Tight market conditions drive higher pricing on expiring term contracts
- Several spot market barges placed onto new term contracts
- Quarter negatively impacted by increased shipyard maintenance activities

4Q Overview – Distribution & Services

- Revenues and earnings decline sequentially
- Reduced activity and customer spending in the oil and gas market
- Oil and gas distribution business experienced significant demand reductions for new transmissions and overhauls, parts and service
- Manufacturing experienced lack of new orders and weak remanufacturing demand
- Initiated additional workforce reductions and wrote-down certain oilfield and pressure pumping related inventory to align with current market conditions



4Q 2019 One-Time Items

One-time charges total \$40.3 million before tax, or \$0.53 per share

Inventory Write-downs

- \$35.5 million or \$0.47 per share
- Oilfield and pressure pumping related
- Includes write-down of rigs constructed by Stewart & Stevenson prior to the 2017 acquisition

Severance and Retirement Expense

- \$4.8 million or \$0.06 per share
- Included in segment results
- Distribution and Services - \$3.3 million
- Marine Transportation - \$1.5 million

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.



Marine Transportation

4Q 2019 Financial Summary

\$ millions	4Q 2019	4Q 2018	Variance	%	3Q 2019	Variance	%
Revenue	\$ 402.0	\$ 382.5	\$ 19.5	5%	\$ 412.7	\$ (10.7)	-3%
Operating income	54.5	44.5	10.0	22%	72.7	(18.2)	-25%
Operating margin	13.6%	11.6%	2.0%		17.6%	-4.0%	

■ Inland

- Contributed 78% of marine transportation revenues
- Term contracts represented ~60% of revenue with 62% attributed to time charters
- Term contracts renewed higher in the low to mid-single digits
- Spot market rates increased approximately 5% year-on-year
- Operating margin in the mid-teens and impacted by \$1.1 million of one-time severance and early retirement expense

■ Coastal

- Contributed 22% of marine transportation revenues
- Term contracts represented ~85% of revenue
- Term contracts renewed higher in the 5% to 15% range year-on-year
- Spot pricing increased approximately 10% year-on-year
- Operating margin in the mid-to high single digits and impacted by \$0.4 million of one-time severance and early retirement expense

Barge Construction and Retirements

4Q 2019 Update and FY 2020 Outlook

Inland <small>(barrels in millions)</small>	4Q 2019		FY 2019		FY 2020 (Estimated)	
	Barges	Barrels	Barges	Barrels	Barges	Barrels
Beginning of period	1,065	23.7	1,003	21.8	1,053	23.4
Additions:						
Cenac Marine	-	-	63	1.9		
Savage Inland Marine	-	-	-	-	90	2.5
Reactivations	-	-	8	0.2		
Charters	-	-	2	0.1		
Reductions:						
Sold	(6)	(0.2)	(6)	(0.2)		
Retirements	(6)	(0.1)	(17)	(0.4)	(4)	(0.1)
End of period	1,053	23.4	1,053	23.4	1,139	25.8

Coastal <small>(barrels in millions)</small>	4Q 2019		FY 2019		FY 2020 (Estimated)	
	Barges	Barrels	Barges	Barrels	Barges	Barrels
Beginning of period	49	4.7	53	5.1	49	4.7
Additions:						
None	-	-	-	-	-	-
Reductions:						
Retirements	-	-	(2)	(0.3)	(4)	(0.5)
Retirements Anticipated	-	-	-	-	-	-
Charters Returned	-	-	(2)	(0.1)	(1)	(0.1)
End of period	49	4.7	49	4.7	44	4.1



Distribution & Services

4Q 2019 Financial Summary

\$ millions	4Q 2019	4Q 2018	Variance	%	3Q 2019	Variance	%
Revenue	\$ 253.9	\$ 339.0	\$ (85.1)	-25%	\$ 254.1	\$ (0.2)	0%
Operating income (loss)	(2.7)	28.2	(30.9)	-110%	9.1	(11.8)	-130%
Operating margin	-1.1%	8.3%	-9.4%		3.6%	-4.7%	

Oil and gas

- Results down year-on-year due to reduced oilfield activity and demand for pressure pumping equipment
- Represented ~47% of segment revenue
- Operating margin in the negative mid-to high single digits and was impacted by \$3.3 million of one-time severance and early retirement expense

Commercial and industrial

- Revenues improved year-on-year in power generation, commercial marine, and on-highway
- Revenues modestly declined sequentially due to seasonal reductions for power generation equipment rentals and sales of Thermo-King refrigeration units, partially offset by higher sales of new marine engines
- Represented ~53% of segment revenue
- Operating margin in the mid-single digits



Savage Acquisition



Savage Inland Marine is a tank barge operator with operations primarily on the Mississippi River, its tributaries, and the Gulf Intracoastal Waterway. The company primarily transports petrochemicals, refined products, and crude oil.

Fleet comprised of 90 barges with 2.5 million barrels of capacity and 46 inland towboats, all of which are U.S. flagged.

Savage has a significant ship bunkering business in the Port of New Orleans as well as fleetling services along the Gulf Coast.

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

Barge Size and Type	Qty
30,000 Bbl Clean	59
30,000 Bbl Heated	13
10,000 Bbl Clean	6
Bunkering	12
Total	90

Towboat HP and Use	Qty
< 2000 HP Towboats	11
2000 – 2600 HP Towboats	15
> 2600 HP Towboats	7
Bunkering Towboats	7
Fleeting Towboats	6
Total	46



Savage Acquisition Overview



Purchase Price

- ~\$278 million in total consideration and assumption of lease obligations
- Acquiring Savage's inland marine transportation fleet including 90 barges and 46 towboats

Value Created

- EPS modestly positive in 2020
- Accretive in 2021 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, 2020
- Closing expected late in the first quarter subject to regulatory approvals



FY 2020 Guidance

Financial Summary

	FY 2020
Earnings per share	\$2.60 to \$3.40
Capital expenditures (in millions)	\$155 to \$175

Capital Expenditures Summary

- Capital expenditures down year-on-year ~30% to 40%
- New marine transportation vessels ~\$25 million to \$30 million
- Capital upgrades of existing marine transportation equipment ~\$110 million to \$120 million
- Distribution & Services and Corporate ~\$20 million to \$25 million

2020 Guidance – Marine Transportation

- Strong inland demand with barge utilization in the low to mid-90% range
- Coastal utilization in the mid-to high 80% range, but retirements of four tank barges and lower coal shipments expected to negatively impact full year results
- Segment revenues are expected to increase in the high single digits to low teens range year-on-year
 - Inland growth in the low double digits to mid-teens, including Savage contribution
 - Coastal flat to modestly higher
- Inland operating margins expected to be in the high teens
- Coastal operating margins in the low to mid-single digits



2020 Guidance – Distribution & Services

- Oil and gas
 - Activity levels expected to remain limited in the near-term
 - Minimal manufacturing activity for new and remanufactured pressure pumping units
 - Oil and gas distribution activities are expected to improve from 4Q 2019 levels as the year progresses
 - Represents ~35% of segment revenue
- Commercial and industrial
 - Growth anticipated in on-highway and industrial markets, including the acquisition of Convoy Servicing Company (Thermo-King distributor)
 - Represents ~65% of segment revenue
- Segment revenues expected to be down 12% to 17% year-on-year with operating margins in the low to mid-single digits



