

1Q 2019

Earnings Conference Call

May 2, 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, 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.



1Q Overview

Financial Summary

(\$ millions except earnings per share)	1Q 2019	1Q 2018	Variance	%	4Q 2018	Variance	%
Revenues	\$ 744.6	\$ 741.7	\$ 2.9	0%	\$ 721.5	\$ 23.1	3%
Operating income	72.1	50.7	21.4	42%	(19.2)	91.3	476%
Net earnings attributable to Kirby	44.3	32.4	11.9	37%	(24.4)	68.7	282%
Earnings per share	0.74	0.54	0.20	37%	(0.41)	1.15	280%
Excluding one-time items:							
Operating income ^{1,2}	72.1	57.9	14.2	25%	68.6	3.5	5%
Net earnings attributable to Kirby ^{1,2}	44.3	37.9	6.4	17%	44.9	(0.6)	-1%
Earnings per share ^{1,2}	0.74	0.63	0.11	17%	0.75	(0.01)	-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 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 1Q 2018 operating income, net earnings attributable to Kirby, and earnings per share exclude \$7.2 million of before-tax charges or \$0.09 per share as follows:

- 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



1Q Overview – Marine Transportation

■ Inland

- Results heavily impacted by 82% increase in delay days year-on-year
- Increased delays contributed to a negative earnings impact of ~\$0.05 per share
- Strong customer demand with barge utilization in the mid-90% range
- Closed Cenac marine transportation asset purchase in mid-March

■ Coastal

- Market fundamentals continue to show signs of improvement with pricing gains
- Barge utilization increases into the low 80% range
- Quarter results negatively impacted by shipyard maintenance and weather



1Q Overview – Distribution & Services

- Sequential improvement in segment revenue and operating profit
- Increased manufacturing deliveries of new oilfield equipment compared to 4Q 2018
- Reduced sales of new engines, transmissions and parts to oilfield customers
- Power generation revenue and operating income increased
- Marine sector experienced higher product volumes and service levels



Marine Transportation

1Q 2019 Financial Summary

\$ millions	1Q 2019	1Q 2018	Variance	%	4Q 2018	Variance	%
Revenue	\$ 368.1	\$ 340.4	\$ 27.7	8%	\$ 382.5	\$ (14.4)	-4%
Operating income	35.4	16.2	19.2	119%	44.5	(9.1)	-20%
Operating margin	9.6%	4.8%	4.8%		11.6%	-2.0%	

■ Inland

- Contributed 77% of marine transportation revenues
- Term contracts represented ~65% of revenue with 62% attributed to time charters
- Term contracts renewed higher in the mid-single digits
- Spot market rates increased mid-to-high single digits sequentially and more than 20% year-on-year
- Operating margin in the low to mid-teens

■ Coastal

- Contributed 23% of marine transportation revenues
- Term contracts represented ~80% of revenue
- Spot pricing increased in the mid-single digits sequentially and 10-15% year-on-year
- Operating margin in the negative low to mid-single digits

Barge Construction and Retirements

1Q 2019 Update and FY 2019 Outlook

Inland	1Q 2019		FY 2019 (Estimated)	
	Barges	Barrels	Barges	Barrels
(barrels in millions)				
Beginning of period	1,003	21.8	1,003	21.8
Additions:				
Cenac Marine	63	1.9	63	1.9
Retirements:				
Completed	(5)	(0.1)	(5)	(0.1)
Anticipated	-	-	(4)	(0.1)
End of period	1,061	23.6	1,057	23.5

Coastal	1Q 2019		FY 2019 (Estimated)	
	Barges	Barrels	Barges	Barrels
(barrels in millions)				
Beginning of period	53	5.1	53	5.1
Additions:				
None	-	-	-	-
Retirements:				
Completed	(2)	(0.2)	(2)	(0.2)
Anticipated	-	-	(1)	(0.1)
End of period	51	4.9	50	4.8

Distribution & Services

1Q 2019 Financial Summary

\$ millions	1Q 2019	1Q 2018	Variance	%	4Q 2018	Variance	%
Revenue	\$ 376.5	\$ 401.3	\$ (24.8)	-6%	\$ 339.0	\$ 37.5	11%
Operating income	37.6	37.0	0.6	2%	28.2	9.4	33%
Operating margin	10.0%	9.2%	0.8%		8.3%	1.7%	

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 pressure pumping units and international oilfield equipment
- Represented ~60% of segment revenue
- Operating margin in the low double digits

Commercial and industrial

- Results improved year-on-year and sequentially due to improved marine demand and increased power generation activity
- Represented ~40% of segment revenue
- Operating margin in the mid-to-high single digits



FY 2019 Guidance

Financial Summary

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



Guidance – Marine Transportation

Inland

- Inland utilization in the mid-90% range with strong demand anticipated for the remainder of 2019
- Second quarter:
 - Operations challenged by near-term delays in the Houston Ship Channel and high water on the Mississippi River
 - Sequential revenue improvement in the high single to low double digit percentage range
 - Operating margins projected to be in the mid-to-high teens

Coastal

- Coastal utilization to range the low to mid-80% range for the remainder of 2019
- Expect sequential improvement in revenue and operating income in 2Q
- 2Q operating margins expected to be around breakeven

Guidance – Distribution & Services

Oil and Gas

- Manufacturing backlog has declined since year end
- Some new pressure pumping units could be delayed into the third quarter resulting in a sequential reduction in manufacturing revenue and operating income
- Demand for new engines, transmissions and parts from oilfield customers expected to decline slightly

Commercial and Industrial

- Growth driven by increased demand for back-up power generation systems and specialty equipment rentals
- Commercial marine is expected to be stable compared to 2018

Overall Outlook

- Second quarter:
 - Distribution & Services revenue expected to be flat to down slightly compared to 1Q 2019
 - Reduced manufacturing output offset by increased power generation activity
 - Operating margins decline into the mid-to-high single digits driven by unfavorable product mix
- Full year results dependent on oilfield recovery in the second half of 2019

