

3Q 2018

Earnings Conference Call

October 26, 2018



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 June 30, 2018.



3Q Overview

Financial Summary

(\$ millions except earnings per share)	3Q 2018	3Q 2017	Variance	%	2Q 2018	Variance	%
Revenues	\$ 704.8	\$ 541.3	\$ 163.5	30%	\$ 802.7	\$ (97.9)	-12%
Operating income	68.0	52.9	15.1	29%	55.9	12.1	22%
Net earnings attributable to Kirby	41.8	28.6	13.2	46%	28.6	13.2	46%
Earnings per share (GAAP)	0.70	0.52	0.18	35%	0.48	0.22	46%
Earnings per share: Guidance range (GAAP)	\$0.50 - \$0.70						
One-time charge ¹	-	-	-		0.30	(0.30)	
Earnings per share (excluding charge)	0.70	0.52	0.18	35%	0.78	(0.08)	-10%
Earnings per share: Guidance range	\$0.50 - \$0.70						

¹ 2Q 2018 earnings per share include \$18.1 million of non-tax deductible charges or \$0.30 per share related to the retirement of Kirby's Executive Chairman



3Q Overview – Marine Transportation

■ Inland market

- Continued improvement from the downturn
- Utilization increased to mid-90% range by end of the quarter
- Spot market rates increased 3% to 5% sequentially
- Term contracts renewed higher in mid-single digits
- Inland operating margins improved significantly

■ Coastal market

- Market fundamentals improving
- Several term contracts renewed modestly higher
- Widening Brent/WTI spread could generate additional activity for the coastal fleet



3Q Overview – Distribution & Services

- **Oil and gas market**

- Vendor issues delayed deliveries of new pressure pumping units as expected
- Temporary oilfield challenges reduced orders for oilfield equipment and service
- Demand for pressure pumping unit remanufacturing remained strong

- **Commercial and industrial market**

- Increased utilization for specialty equipment rentals during hurricane season
- Commercial marine business stable compared to 2Q despite seasonal reductions for inland towboat maintenance
- Increased sales of new marine diesel engines



Marine Transportation

3Q 2018 Financial Summary

\$ millions	3Q 2018	3Q 2017	Variance	%	2Q 2018	Variance	%
Revenue	\$ 382.0	\$ 318.8	\$ 63.2	20%	\$ 378.2	\$ 3.8	1%
Operating income	48.5	35.6	12.9	36%	38.2	10.3	27%
Operating margin	12.7%	11.2%	1.5%		10.1%	2.6%	

■ Inland market

- Contributed 75% of marine transportation revenues
- Term contracts represented ~65% of revenue with 58% attributed to time charters
- Term contracts renewed higher in the mid-single digits
- Spot market rates increased 3% to 5% sequentially and more than 20% year-on-year
- Operating margin improved to the mid-to-high teens

■ Coastal market

- Contributed 25% of marine transportation revenues
- Term contracts represented ~80% of revenue
- Spot pricing generally unchanged, but a few term contracts renewed higher
- Operating margin improved to breakeven



Barge Construction and Retirements

3Q 2018 Update and FY 2018 Outlook

Inland <small>(barrels in millions)</small>	3Q 2018		FY 2018 (Estimate)	
	Barges	Barrels	Barges	Barrels
Beginning of period	990	21.7	841	17.3
Additions:				
Higman Marine			161	4.7
Pressure barges			18	0.3
New construction			2	0.1
Anticipated			1	0.0
Retirements:				
Completed	(9)	(0.1)	(41)	(0.8)
Anticipated			(3)	(0.0)
End of period	981	21.6	979	21.6

Coastal <small>(barrels in millions)</small>	3Q 2018		FY 2018 (Estimate)	
	Barges	Barrels	Barges	Barrels
Beginning of period	55	5.2	56	5.4
Additions:				
Anticipated - new 155,000 bbl ATB			1	0.2
Retirements:				
Completed	(1)	(0.1)	(2)	(0.3)
Anticipated			(2)	(0.3)
End of period	54	5.1	53	5.0

Distribution & Services

3Q 2018 Financial Summary

\$ millions	3Q 2018	3Q 2017	Variance	%	2Q 2018	Variance	%
Revenue	\$ 322.8	\$ 222.5	\$ 100.3	45%	\$ 424.5	\$ (101.7)	-24%
Operating income	23.9	21.9	2.0	9%	40.2	(16.3)	-41%
Operating margin	7.4%	9.9%	-2.5%		9.5%	-2.1%	

Oil and gas market

- Activity down sequentially due to timing of new pressure pumping unit deliveries
- Softer oilfield activity for key customers reduced demand for new and overhauled transmissions
- Represented ~60% of segment revenue
- Operating margin in the mid-to-high single digits

Commercial and industrial market

- Commercial marine improved year-on-year, but stable sequentially with lower service activity on inland towboats offset by higher sales of new engines
- Power generation stable year-on-year, but higher sequentially on seasonal increases in equipment rentals
- Represented ~40% of segment revenue
- Operating margin in the mid-to-high single digits



4Q and FY 2018 Guidance

Financial Summary

	4Q 2018	FY 2018
Earnings per share (GAAP)	\$0.55 to \$0.75	\$2.27 to \$2.47
One-time charges:		
Higman acquisition fees and expenses (1Q) ¹	-	\$0.04
Severance (1Q) ¹	-	\$0.04
Stock plan amendment (1Q) ¹	-	\$0.05
Executive Chairman's retirement (2Q) ²	-	\$0.30
Capital expenditures (in millions)		\$275 to \$290

¹ 1Q 2018 earnings per share include \$10.1 million of before-tax charges or \$0.13 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
- Severance expenses of \$2.9 million before-tax, or \$0.04 per share

² 2Q 2018 earnings per share include \$18.1 million of non-tax deductible charges or \$0.30 per share related to the retirement of Kirby's Executive Chairman

4Q Guidance – Marine Transportation

- Inland utilization in the low to mid-90% range
- Anticipate inland pricing continues to move higher
- Efficiencies on inland contracts of affreightment decline with winter weather
- Overall, inland revenue and operating income flat to up slightly compared to 3Q
- Coastal utilization remains in the 80% range with stable pricing
- Planned shipyards for several large capacity coastal vessels to negatively impact 4Q



4Q Guidance – Distribution & Services

- Oil and gas:
 - Remanufacturing activities remain strong
 - Many new pressure pumping units expected to deliver 4Q, but some units could be delayed into 1Q 2019
 - Temporary reductions in oilfield activity expected to result in lower demand for new and overhauled transmissions in 4Q
- Commercial and industrial:
 - Seasonal reductions in equipment rentals and Thermo-King refrigeration sales



