

# Capital Allocation Strategy

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Analyst Day 2018

Bill Harvey – Executive VP and CFO



# Kirby's Capital Allocation Strategy

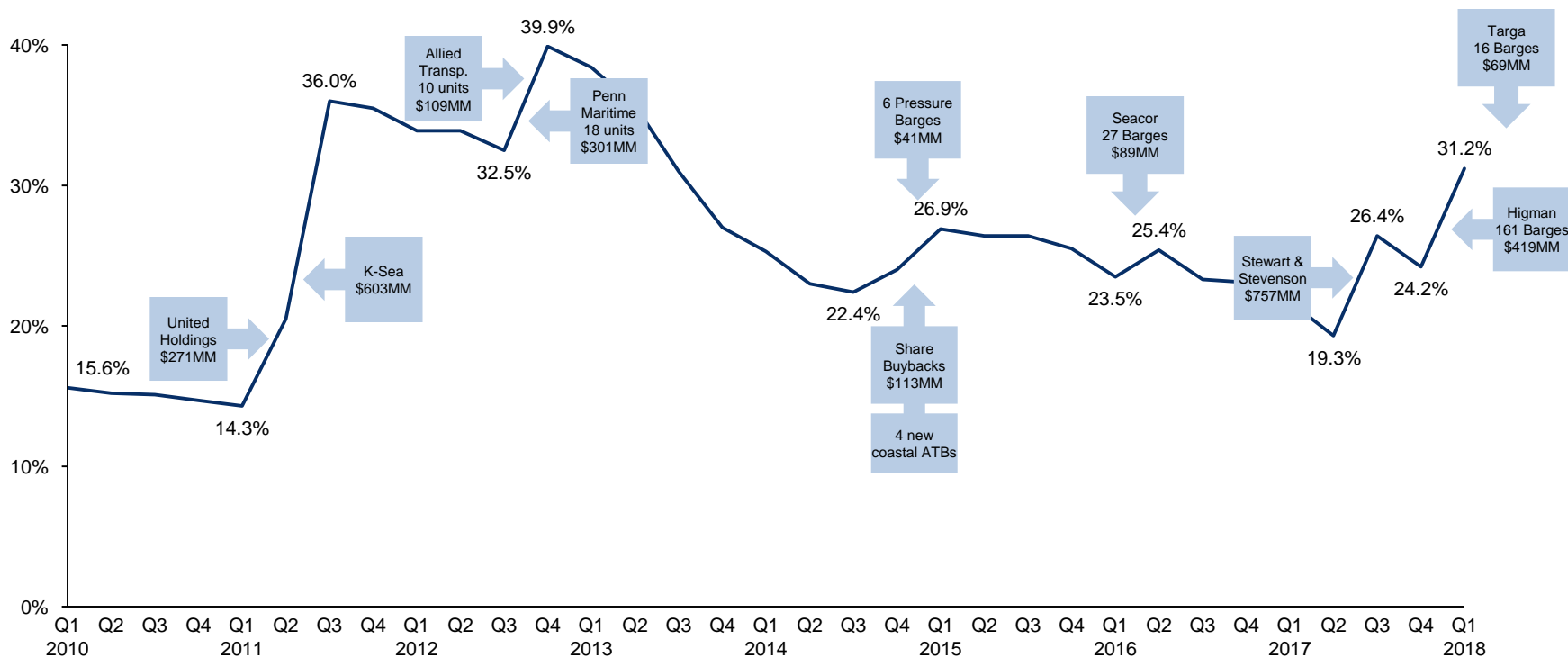
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- Intense focus on earning cost of capital
  - Disciplined investment approach
  - Prudent risk management (safety, environmental, and insurance)
  - Protect the balance sheet
    - Opportunities tend to emerge counter cyclically
  - Invest to preserve Kirby's existing franchise
  - Expand in core business through counter cyclical M&A
    - Timing of acquisitions is critical
- Countercyclical investing in the business creates shareholder value



# Capital Structure

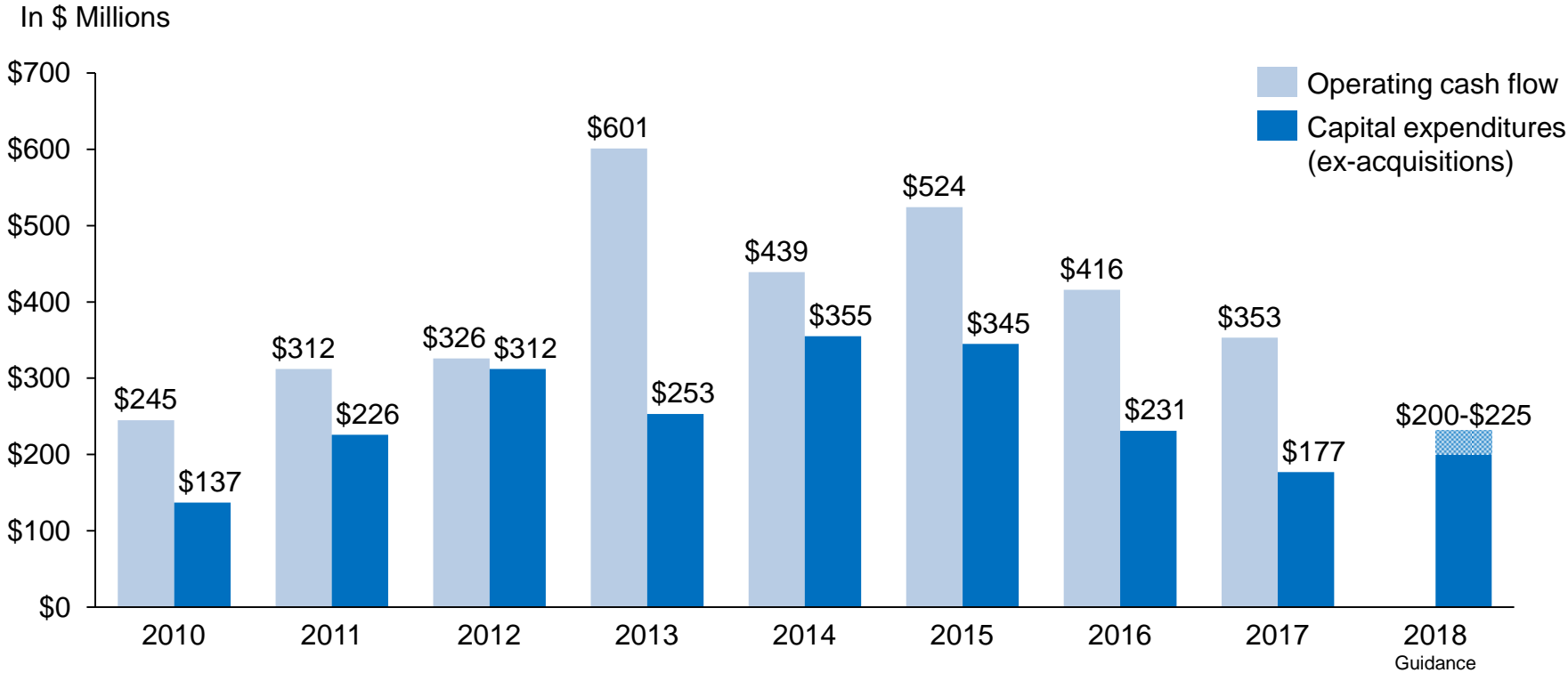
## 2010 – 2018 Debt-to-Total Capital



- Managing the balance sheet to take advantage of strategic opportunities

# Substantial Cash Generation Capability

Kirby consistently generates free cash flow



■ Focus on directing near term cash flow to debt reduction

(1) Based on Kirby's most recently published earnings guidance in the April 25, 2018 press release announcing Q1 2018 earnings. That guidance is shown for convenience only and does not constitute confirming or updating the guidance, which will only be done by public disclosure.



# Kirby Marine Progression (2014 – 2018)

	<b>Q1 2014</b>	<b>Q1 2018</b>	<b>Change</b>
Number of Inland Barges	878	1,009	+15.0% ▲
Number of Coastal Barges	72	55	-23.6%
Total Number of Barges	950	1,064	+12.0% ▲
Inland Bbl Capacity (MM Bbls)	17.4	22.2	+27.3% ▲
Coastal Bbl Capacity (MM Bbls)	6.0	5.2	-13.3%
Total Capacity	23.4	27.4	+17.1% ▲
Inland Average Barge Age	15.2	13.5	-1.7 years ▼
Coastal Average Barge Age	16.9	14.8	-2.1 years ▼
Total Average Barge Age	15.3	13.6	-1.7 years ▼
Total Marine Assets (\$ Millions)	\$3,166	\$4,022	+27.0% ▲

- Significant growth while improving asset quality
  - Increase in operating leverage

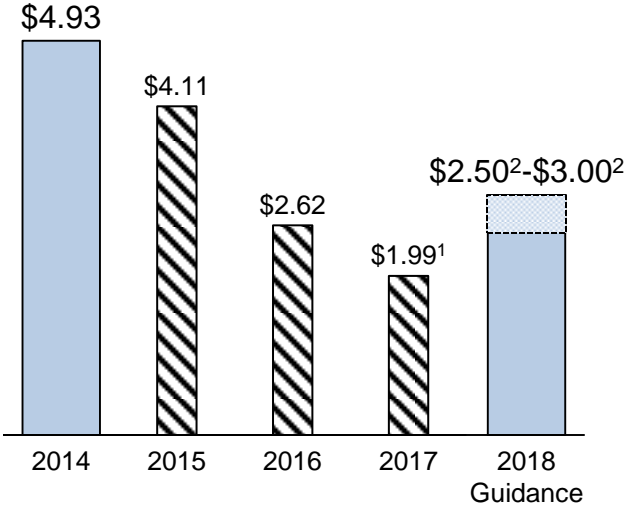
# Kirby Distribution & Services Transformation (2014 – 2018)

	Q1 2014	Q1 2018	Change
D&S Quarterly Revenues	\$153 MM	\$401 MM	+162.1% ▲
D&S Quarterly Margins	8.4%	9.6%	+1.2% ▲
D&S Quarterly Operating Income	\$13 MM	\$37 MM	+186.0% ▲
Total D&S Assets	\$573 MM	\$1,631 MM	+184.6% ▲

- Kirby has created a major national distribution & service engine and transmission franchise
  - Business streamlining underway
  - Significant earnings potential with low ongoing capital needs

# Substantial Increase in Earnings Power (2014-2018)

Increase in Marine Bbl Capacity	+17.1%
Increase in D&S Revenues	+162%
Increase in D&S Margins	+3%
Change in Tax Rate	37% → 25%
Change in Shares (millions)	56.8 → 59.8



(1) 2017 earnings per share exclude a one-time deferred tax revaluation benefit of \$4.83 per share, and non-recurring after-tax charges including impairments of marine vessels of \$1.20 per share.

(2) Based on Kirby's most recently published earnings guidance in the April 25, 2018 press release announcing Q1 2018 earnings. Estimates exclude one-time costs of \$0.30 per share associated with the Executive Chairman's retirement and \$0.05 per share related to an amendment to the employee stock plan. That guidance is shown for convenience only and does not constitute confirming or updating the guidance, which will only be done by public disclosure.



# Why Invest in Kirby?



- Two strong franchises
  - Marine Transportation
  - Distribution and Services
- Proven growth ability
- Strong outlook in both core businesses
  - Pricing momentum in key areas
  - Robust demand outlook in the near future
- Conservative financial management
  - Strong balance sheet
  - Investment-grade rating
- Financial discipline
  - Return on capital driven investment decisions
  - Proven acquisition strategy
- Dramatic increase in EPS potential



