

3Q 2019

Earnings Conference Call

October 25, 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.



3Q Overview

Financial Summary

(\$ millions except earnings per share)	3Q 2019	3Q 2018	Variance	%	2Q 2019	Variance	%
Revenues	\$ 666.8	\$ 704.8	\$ (38.0)	(5)%	\$ 771.0	\$ (104.2)	(14)%
Operating income	77.9	68.0	9.9	15%	75.8	2.1	3%
Net earnings attributable to Kirby	48.0	41.8	6.2	15%	47.3	0.7	1%
Earnings per share	0.80	0.70	0.10	14%	0.79	0.01	1%



3Q Overview – Marine Transportation

■ Inland

- Operating conditions improve resulting in a 31% sequential reduction in delay days
- Stable customer demand with barge utilization in the low 90% range
- Term contracts renew higher in the low to mid-single digits
- Operating margins of approximately 20%

■ Coastal

- Operating margins in the high single digits
- Barge utilization in the mid-80% range with tight supply in large capacity vessels
- Price increases on term contract renewals in the mid-single digits



3Q Overview – Distribution & Services

- Results impacted by widespread reductions in oil and gas spending
- Limited remanufacturing activities and reduced transmission sales and overhauls
- Pent-up demand building, but the timing of a recovery remains unclear
- Further cost reductions implemented in oil and gas businesses



Marine Transportation

3Q 2019 Financial Summary

(\$ millions)	3Q 2019	3Q 2018	Variance	%	2Q 2019	Variance	%
Revenue	\$ 412.7	\$ 382.0	\$ 30.7	8%	\$ 404.3	\$ 8.4	2%
Operating income	72.7	48.5	24.2	50%	53.2	19.5	37%
Operating margin	17.6%	12.7%	4.9%		13.2%	4.4%	

▪ Inland

- Contributed 77% of marine transportation revenues
- Term contracts represented ~65% of revenue with 61% attributed to time charters
- Term contracts renewed higher in the low to mid-single digits
- Spot market pricing up approximately 15% higher year-on-year
- Operating margin of approximately 20%

▪ Coastal

- Contributed 23% of marine transportation revenues
- Term contracts represented ~80% of revenue with 85% attributed to time charters
- Term contracts renewed higher in the mid-single digits
- Spot market pricing up approximately 20% year-on-year
- Operating margin in the high single digits

Barge Construction and Retirements

3Q 2019 Update and FY 2019 Outlook

Inland <small>(barrels in millions)</small>	3Q 2019		FY 2019 (Estimated)	
	Barges	Barrels	Barges	Barrels
Beginning of period	1,067	23.7	1,003	21.8
Additions:				
Cenac Marine	-	-	63	1.9
Reactivations	2	0.1	6	0.2
Charters	-	-	2	0.0
Retirements:				
Completed	(4)	(0.1)	(9)	(0.2)
Anticipated	-	-	(5)	(0.1)
End of period	1,065	23.7	1,060	23.6

Coastal <small>(barrels in millions)</small>	3Q 2019		FY 2019 (Estimated)	
	Barges	Barrels	Barges	Barrels
Beginning of period	49	4.7	53	5.1
Additions:				
None	-	-	-	-
Retirements:				
Completed	-	-	(4)	(0.4)
Anticipated	-	-	-	-
End of period	49	4.7	49	4.7

Distribution & Services

3Q 2019 Financial Summary

(\$ millions)	3Q 2019	3Q 2018	Variance	%	2Q 2019	Variance	%
Revenue	\$ 254.1	\$ 322.8	\$ (68.7)	(21)%	\$ 366.7	\$ (112.6)	(31)%
Operating income	9.1	23.9	(14.8)	(62)%	23.1	(14.0)	(61)%
Operating margin	3.6%	7.4%	(3.8)%		6.3%	(2.7)%	

■ Oil and gas

- Results down year-on-year and sequentially due to reduced oilfield activity and lower demand for pressure pumping equipment, maintenance, and parts
- Represented ~45% of segment revenue
- Operating margin in the negative low single digits

■ Commercial and industrial

- Results improved year-on-year due to increased marine repair and power generation activity
- Results declined sequentially due to reduced installations of back-up power systems and marine repair activity
- Represented ~55% of segment revenue
- Operating margin in the high single digits



FY 2019 Guidance

Financial Summary

	FY 2019
Earnings per share	\$2.80 to \$3.00
Capital expenditures (in millions)	\$225 to \$245



4Q Guidance – Marine Transportation

Inland

- Inland utilization in the low 90% range with stable customer demand
- Operating efficiencies to decline with the onset of winter weather and temporary lock closures
- Increased barge maintenance levels to result in higher operating expenses
- Revenue stable sequentially with operating margins in the high teens

Coastal

- Barge utilization expected to be in the mid-80% range
- Significant regulatory shipyard activity scheduled in the fourth quarter
- Sequential 5 to 10% revenue decline with negative low single digit operating margins

4Q Guidance – Distribution & Services

Oil and Gas

- Operations expected to be challenged by continued weak market conditions
- Increased pressure pumping equipment deliveries sequentially, but some at risk of delaying to 1Q 2020
- Engine, transmission, parts, and service sales expected to be soft and decline sequentially

Commercial and Industrial

- Revenue expected to decline due to seasonally lower utilization in the power generation rental fleet
- Stable marine repair activity

Distribution and Services

- Revenue flat to modestly down sequentially
- Operating margins breakeven to slightly positive in the low single digits

