

Marine Transportation

Analyst Day 2018

Christian O'Neil – President, Marine Transportation



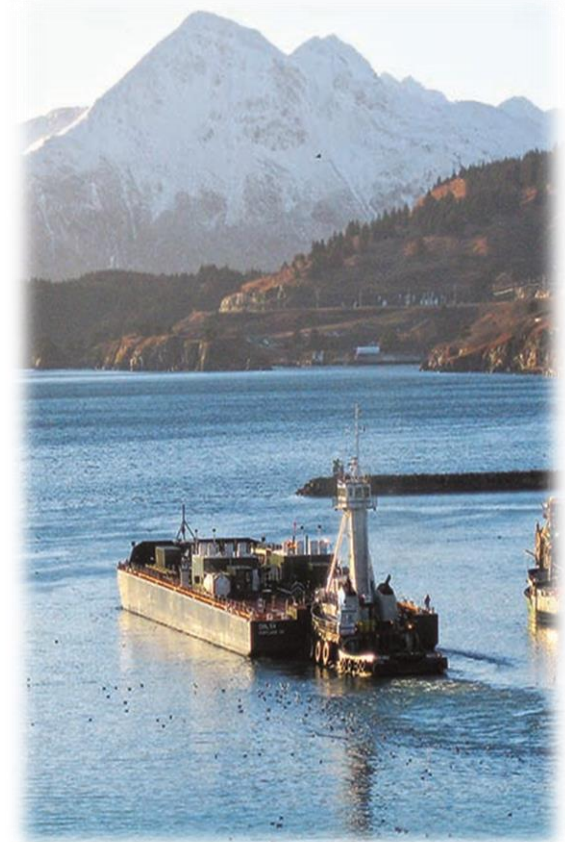
Cautionary Statement

Statements contained in this presentation 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 the timing, magnitude and the number of acquisitions made by Kirby. Forward-looking statements are based on currently available information and Kirby assumes no obligation to update 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 March 31, 2018.



Industry Leader Well Positioned for Continued Growth

- The U.S. barge industry serves the Inland Waterways, U.S. Coastal ports, Alaska and Hawaii
- Kirby is principally in the liquid cargo transportation business
 - Inland share (barge count): **27%**
 - Coastal share (capacity): **25%***
- No competition from foreign companies due to a U.S. law known as the Jones Act
- Barges are mobile, carry wide range of cargoes and service different geographic markets
- Water transportation plays a vital role in the U.S. economy
- Barges are an environmentally friendly mode of transportation



*Barges with 195K bbl. of capacity or less



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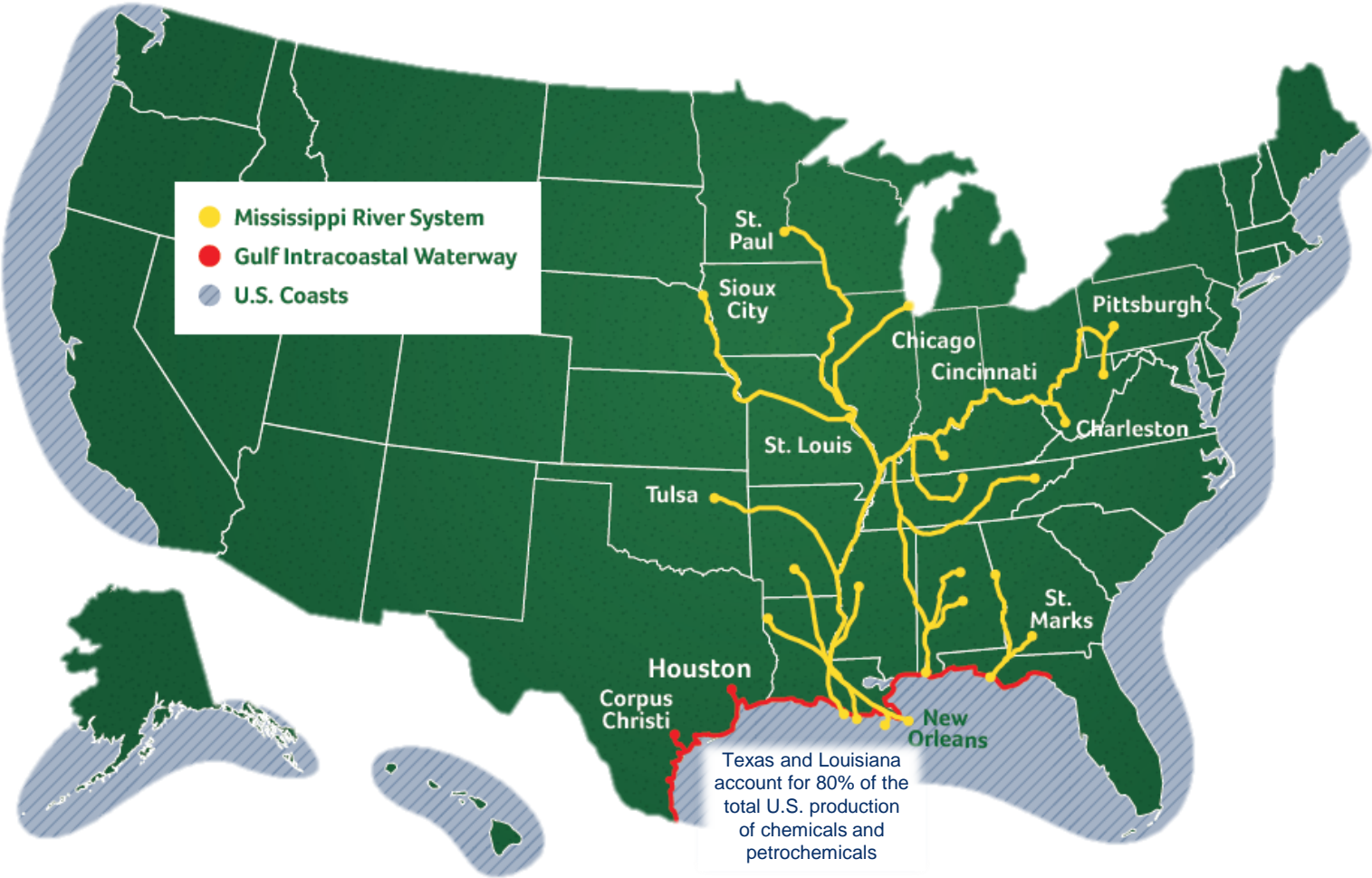


United Holdings



Waterways are a Crucial Link between U.S & Global Trade

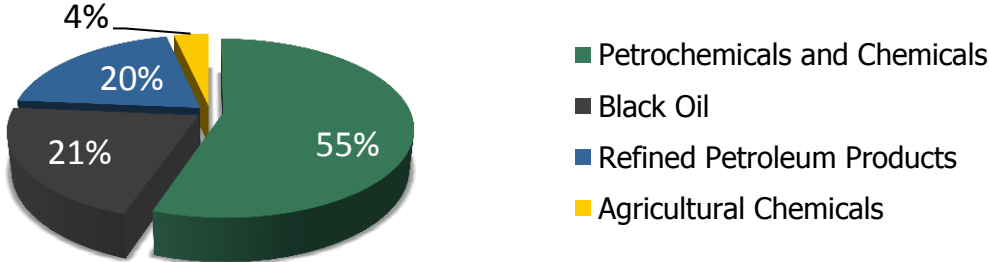
Kirby operates on 12,000 miles of navigable US waterways











Marine Revenues Driven by Stable and Growing Demand

Inland & Offshore Drivers

Revenue by Product¹



Markets and Products Moved	Products	Drivers
 Petrochemicals and Chemicals	Benzene, Styrene, Methanol, Naphtha, Acrylonitrile, Xylene, Caustic Soda, Butadiene, Propylene	 70% Consumer Non-Durables 30% Consumer Durables
 Black Oil	Residual Fuel Oil, Coker Feedstock, Vacuum Gas Oil, Asphalt, Carbon Black Feedstock, Crude Oil, Natural Gas Condensate, Ship Bunkers	 Fuel for Power Plants and Ships, Feedstock for Refineries, Road Construction
 Refined Petroleum Products	Gasoline, No. 2 Oil (Heating Oil, Diesel Oil), Jet Fuel, Ethanol	 Vehicle Usage, Air Travel, Weather, Refinery Utilization
 Agricultural Chemicals	Anhydrous Ammonia, Nitrogen-based Liquid Fertilizer, Industrial Ammonia	 Corn, Cotton, Wheat Production, Chemical Feedstock Usage

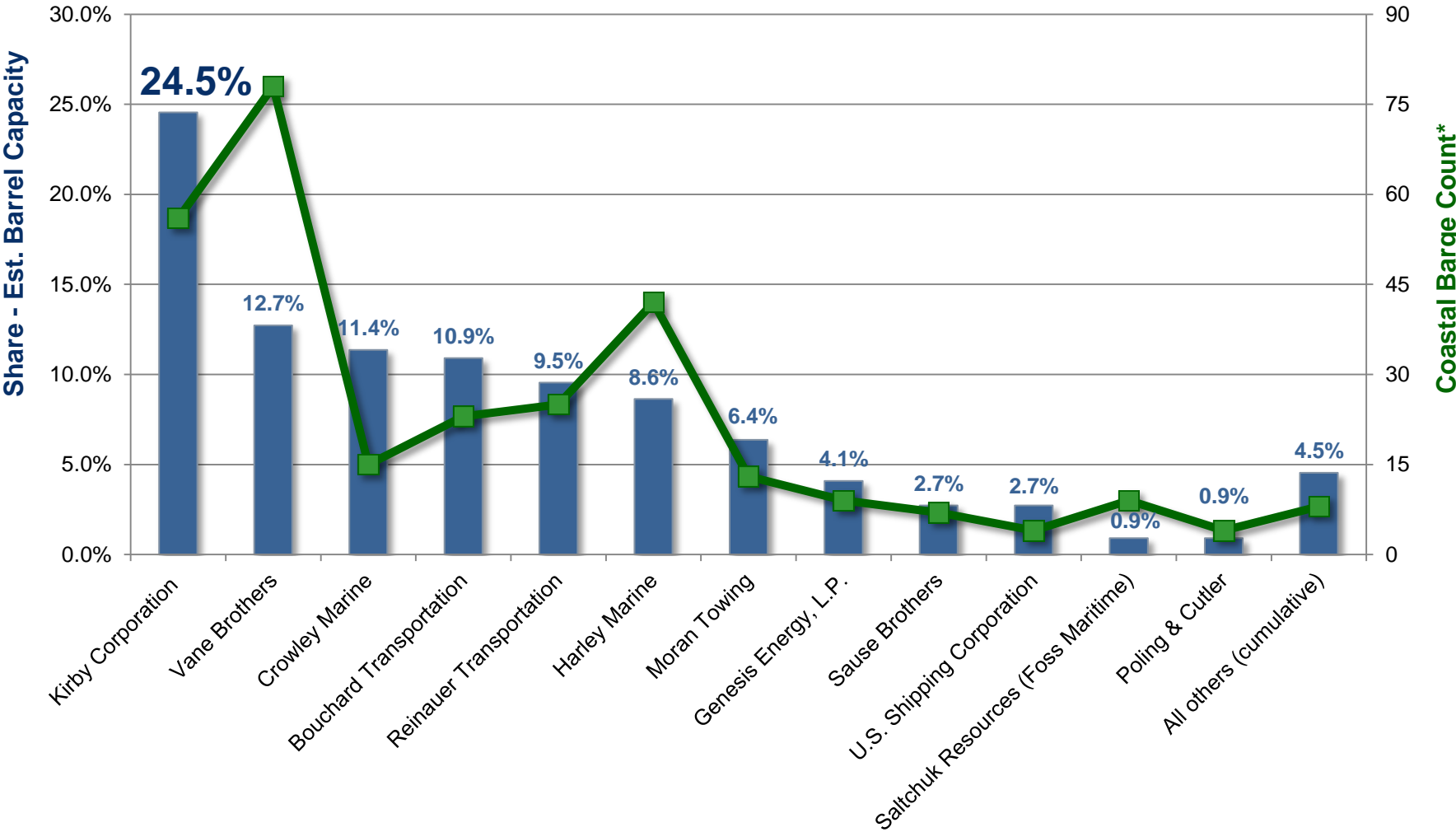
¹ YTD as of March 31, 2018

Kirby Marine Transportation

Coastal Division



Largest Coastal Operator & Positioned for Growth

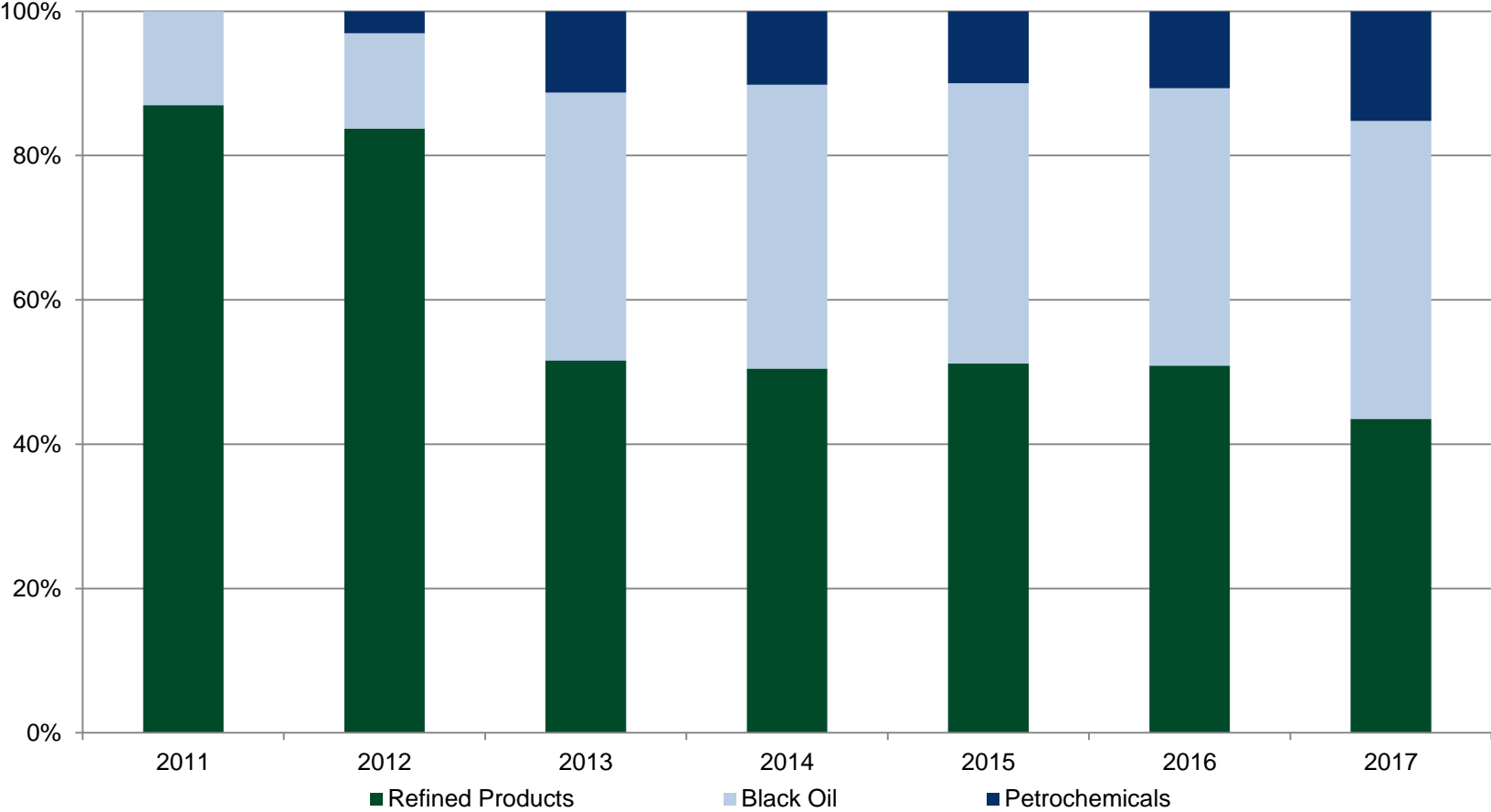


* Tank barges with 195,000 barrels capacity or less as of March 31, 2018



Diversified Product Mix, Growing Chemicals and Black Oil Niche

Offshore Product Mix by Revenue



Well Positioned, Even Against Difficult Backdrop

Scale

- Largest operator of coastal tank barges and towing vessels

Diversification

- U.S. East, West , Gulf Coasts, and Alaska, Hawaii and Great Lakes moves
 - Refined products, black oil, and petrochemicals

Flexibility

- 195,000 barrel or smaller barges can access ports inaccessible to larger vessels, while still delivering large volumes

Foresight

- Sized fleet for future requirements, eliminated older vessels, focused on ATB's
- Improving fleet reliability with new tugboat construction

At the Bottom with Conditions Slowly Improving

- Over last 4 years pricing has decreased approximately 30%
 - Reducing operating margins from 18% to -10% (approximately)
- Recent spot market stability
 - Increases in mid-range tankers (330k bbl.) spot rates
- 80% of revenue under term contracts with all 2018 exposed contracts renewed
- New opportunities in specialty chemical & black-oil fleets
 - Supply/demand are more aligned in these fleets than others
- Right sizing cost structure
- Expected upswing drivers – next 12 to 18 months
 - Wider Brent/WTI spreads
 - Projected increase in mid-range tanker contract rates
 - Anticipated capacity reduction is approximately 4.5 mm bbl. across industry
 - Impending regulatory changes – ballast water treatment
 - Expected increase in crude pricing

The Path Back to Balance

Significant capacity is expected to come out of the market over next 2 years

Jones Act ATBs/Ships (barges 80K/bbl. or greater) over 30 years old:

ATB's			SHIPS		
OSG-192	175,000	B-1979	Chemical Pioneer	213,000	B-1969
OSG-209	205,000	B-1980	Seabulk Challenger	290,000	B-1981
OSG-214 (R)	205,000	B-1975	Seabulk Trader	290,000	B-1981
OSG-243	237,000	B-1982	Houston	240,000	B-1985
OSG-244	235,000	B-1971	Seakay Spirit	525,000	B-1978
OSG-252 (R)	250,000	B-1972			
OSG-254	250,000	B-1970			
Bouchard 255	158,000	B-1979			
Bouchard 265	158,000	B-1979			
Bouchard 275	158,000	B-1981			
Poseidon (R)	95,000	B-1973			
RTC-502	120,000	B-1976			
RTC-120	120,000	B-1972			
Massachusetts	135,000	B-1982			
Everglades (R)	180,000	B-1980			
ATC-23 (R)	170,000	B-1978			
ATC-25	156,000	B-1981			
Total ATB Capacity: 3,007,000 bbl.			Total Ship Capacity: 1,558,000 bbl.		

(R) = Already Retired

TOTAL OLDER JONES ACT CAPACITY – 4,565,000 BBLs

Source: Kirby Offshore Marine linehaul barrel estimates.



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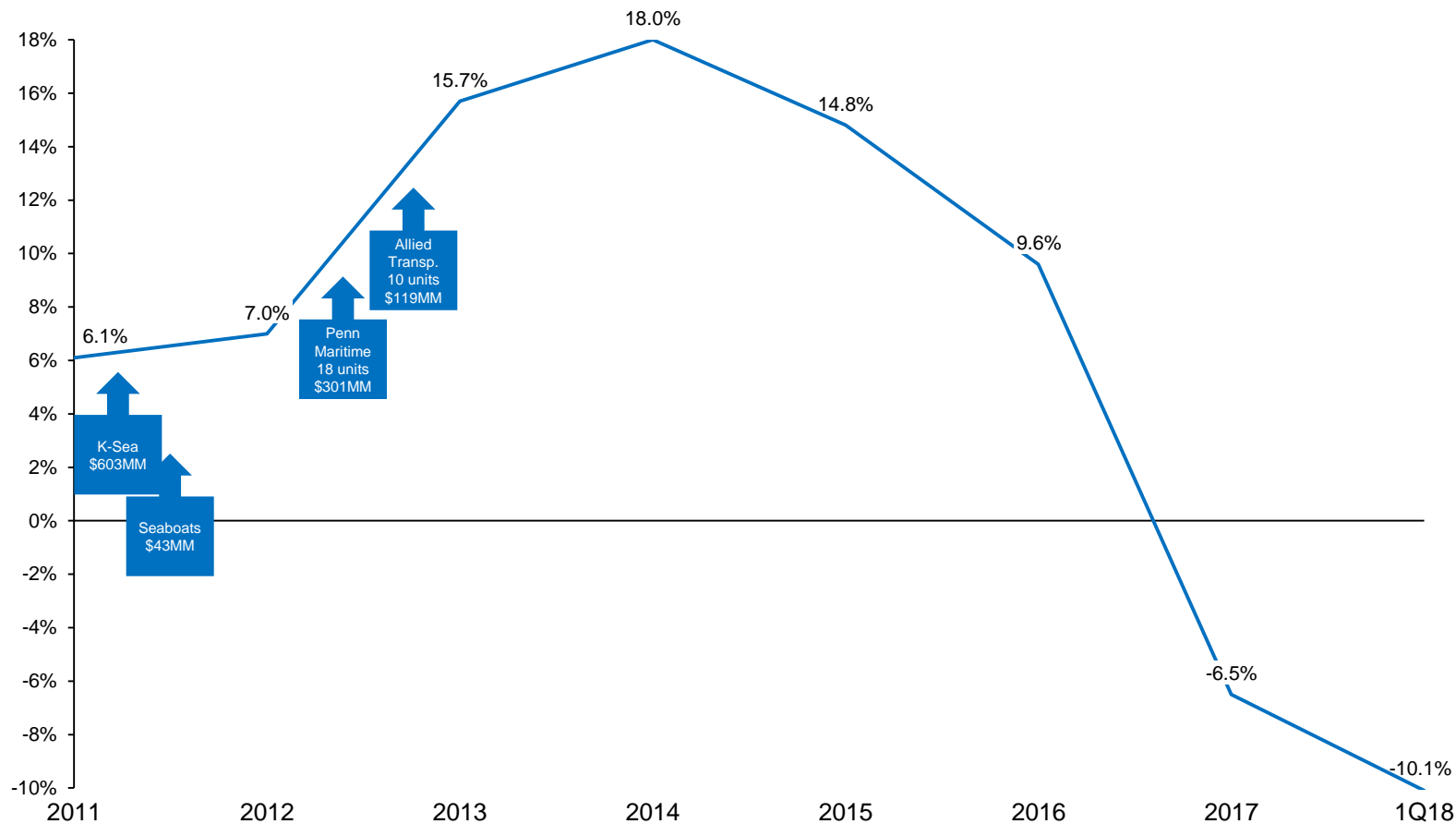


United Holdings



Margins at a cyclical low – significant upside as market improves

Operating Margin vs. Timing of Acquisitions



Note: Excludes assets purchased from leases. Margins exclude one-time adjustments.



Differentiators for Kirby's Coastal Business

What makes Kirby stand out amongst competitors?

- Inland company key relationships
 - Working for blue chip refiners
- Younger, more efficient fleet
- Hawaii Operations
- Focus on transporting black oil and chemicals
- Kirby Ocean Transport
 - Long term coal contracts – 40 year relationship
- Counter cyclical investments



Kirby Marine Transportation

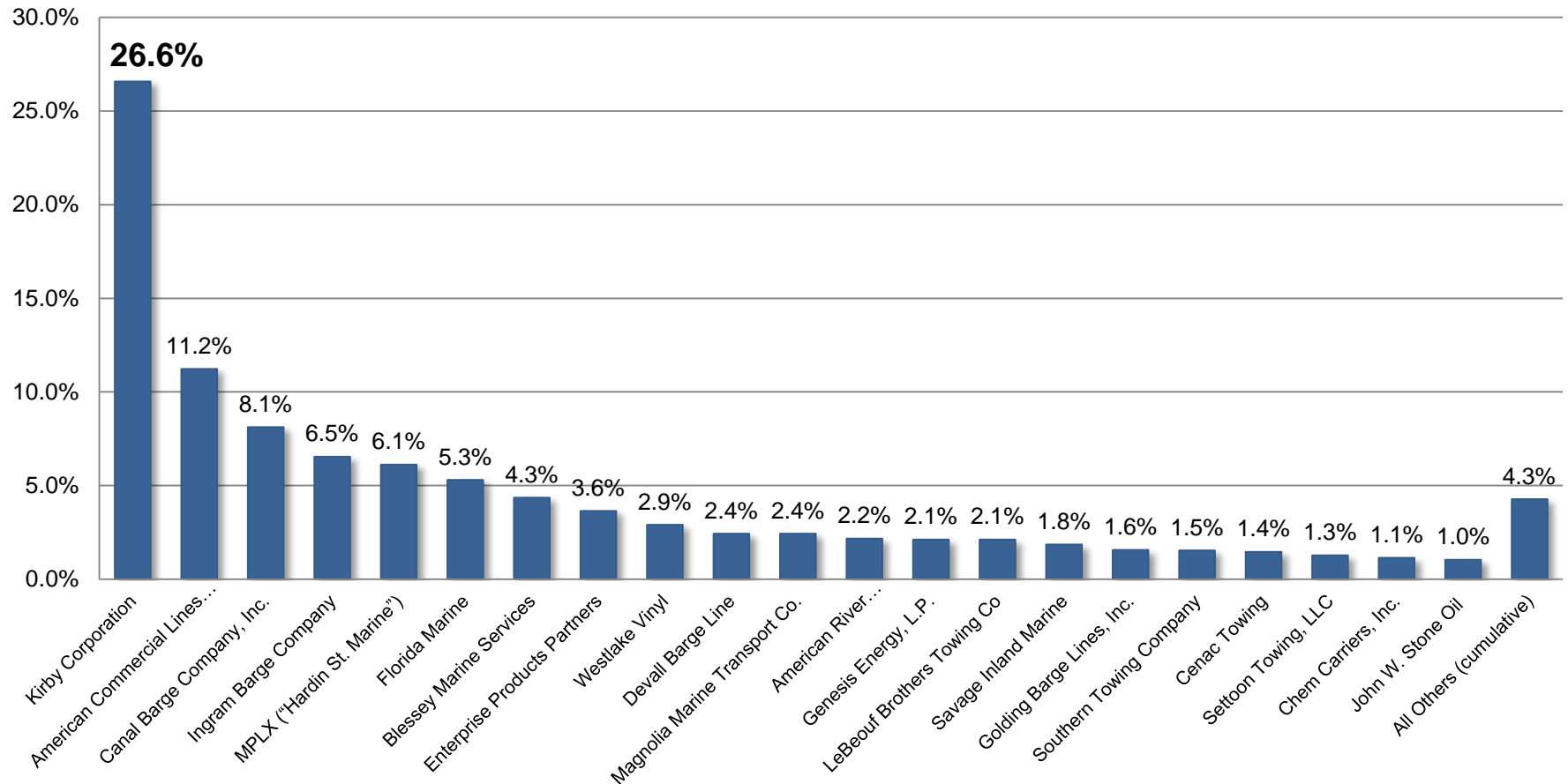
Inland Division



Scale Allows Better Customer Service – The Kirby Advantage

Largest inland tank barge operator

- 1,009 inland tank barges and 302 towboats* - 27% share
- 70% of inland revenues under term contracts, of which approximately 50% are under time charters



* As of May 10, 2018



Flexible Fleet Size Keeps Utilization High

Better asset utilization through scale advantages

Tank Barge Fleet

- Large fleet facilitates better asset utilization
 - More backhaul opportunities
 - Faster barge turnarounds
 - Diversity of barge products and spot opportunities
 - Less cleaning



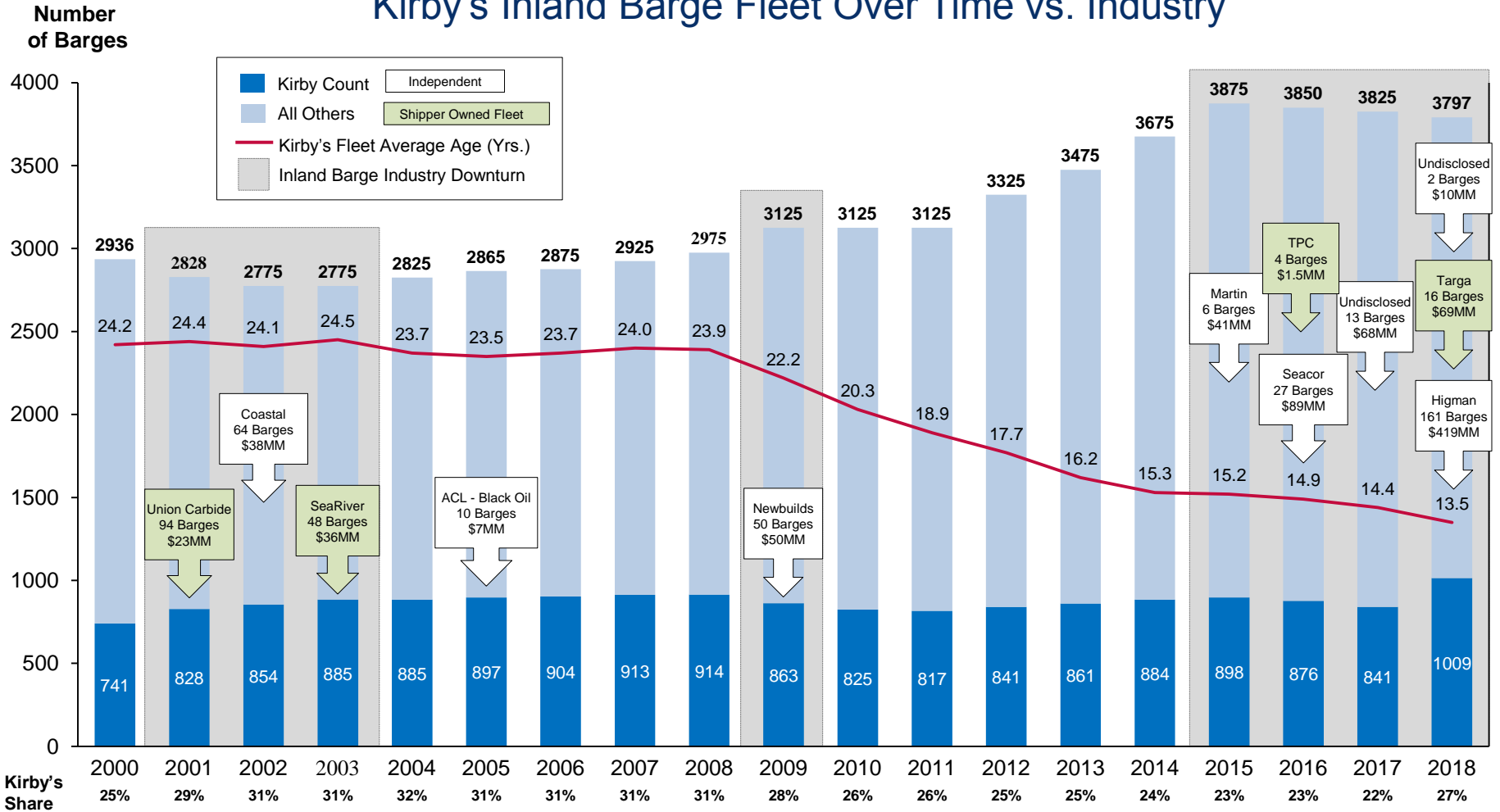
Towboat Fleet

- Currently operating 302 towboats
- Chartered towboats used to balance horsepower with demand
 - Provides added flexibility



Growth through Counter Cyclical Acquisitions while Strategically Decreasing the Average Age of Equipment

Kirby's Inland Barge Fleet Over Time vs. Industry



Note: Excludes assets purchased from leases and Florida bunkering business.



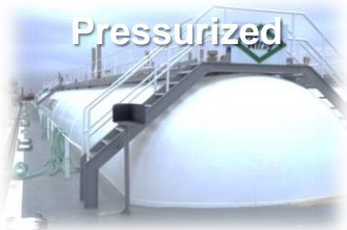
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United Holdings



New Volume Coming to the Waterways



Product List:

- **Crude Oil**
- Asphalt
- Fuel Oil
- Carbon Black
- Vacuum Gas Oil
- Vacuum Tower Bottoms
- Bunker Fuel
- Residual Fuel
- Etc.

Product List:

- LPG
- Propane
- Butadiene
- Isobutane
- **Propylene**
- Ethylene
- Butane
- Raffinate
- Natural Gasoline
- Etc.

Product List:

- **Methanol**
- **Ethanol**
- Reformate
- Naphtha
- Ethylene
- Propylene Oxide
- **Monoethylene Glycol**
- Vinyl Acetate Monomer
- Benzene
- Ethyl Benzene
- Toluene
- Xylene
- Paraxylene
- Styrene
- Caustic Soda
- Acrylonitrile
- Etc.

Product List:

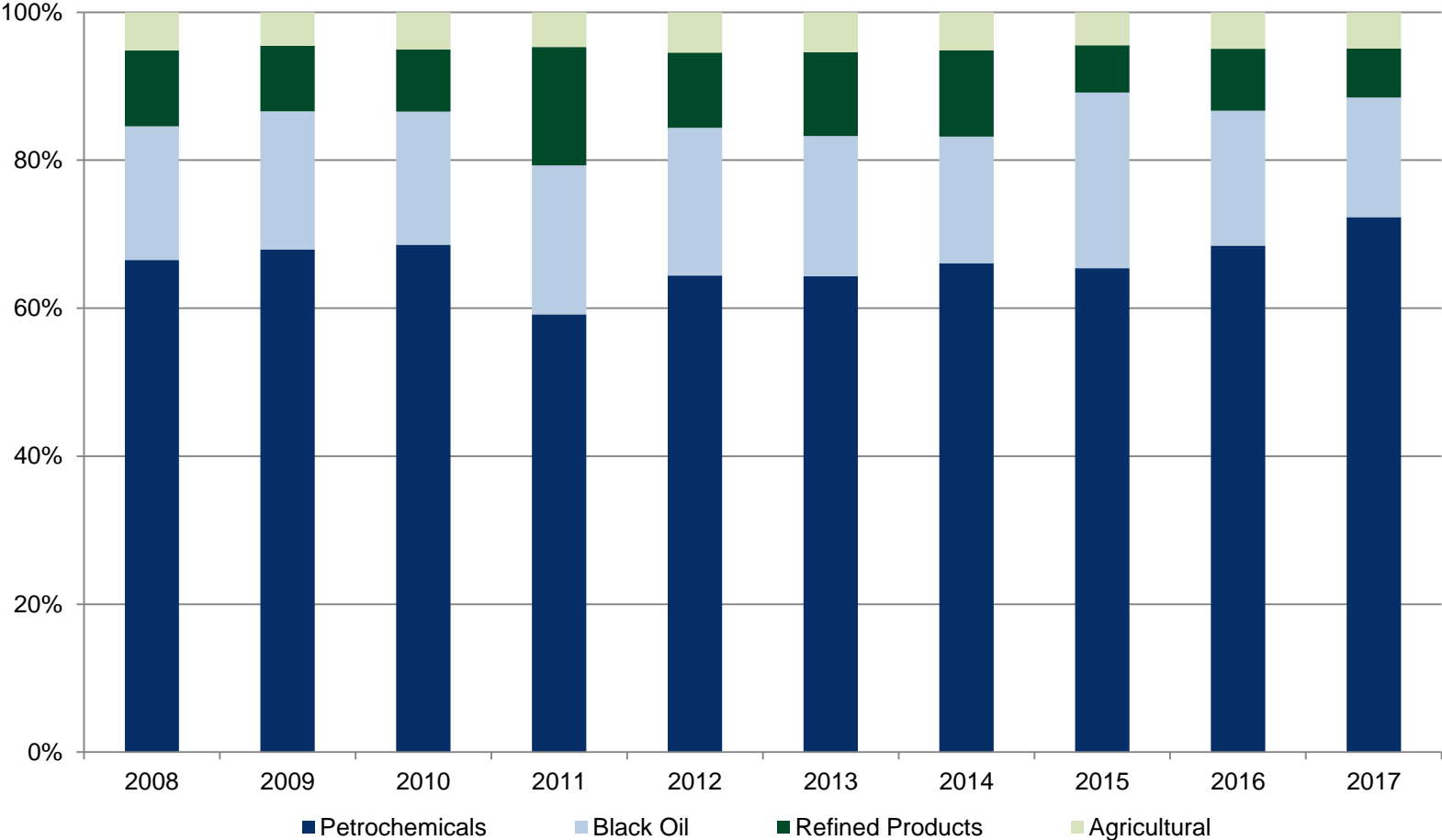
- Kerosene/Jet Fuel
- Gasoline
- No. 2 Oil
 - Diesel Oil
 - Heating Oil
- Lube Oil
- Etc.

Product List:

- **Ammonia**
- Ammonium Thiosulfate
- Urea Ammonium Nitrate (UAN)
- Etc.

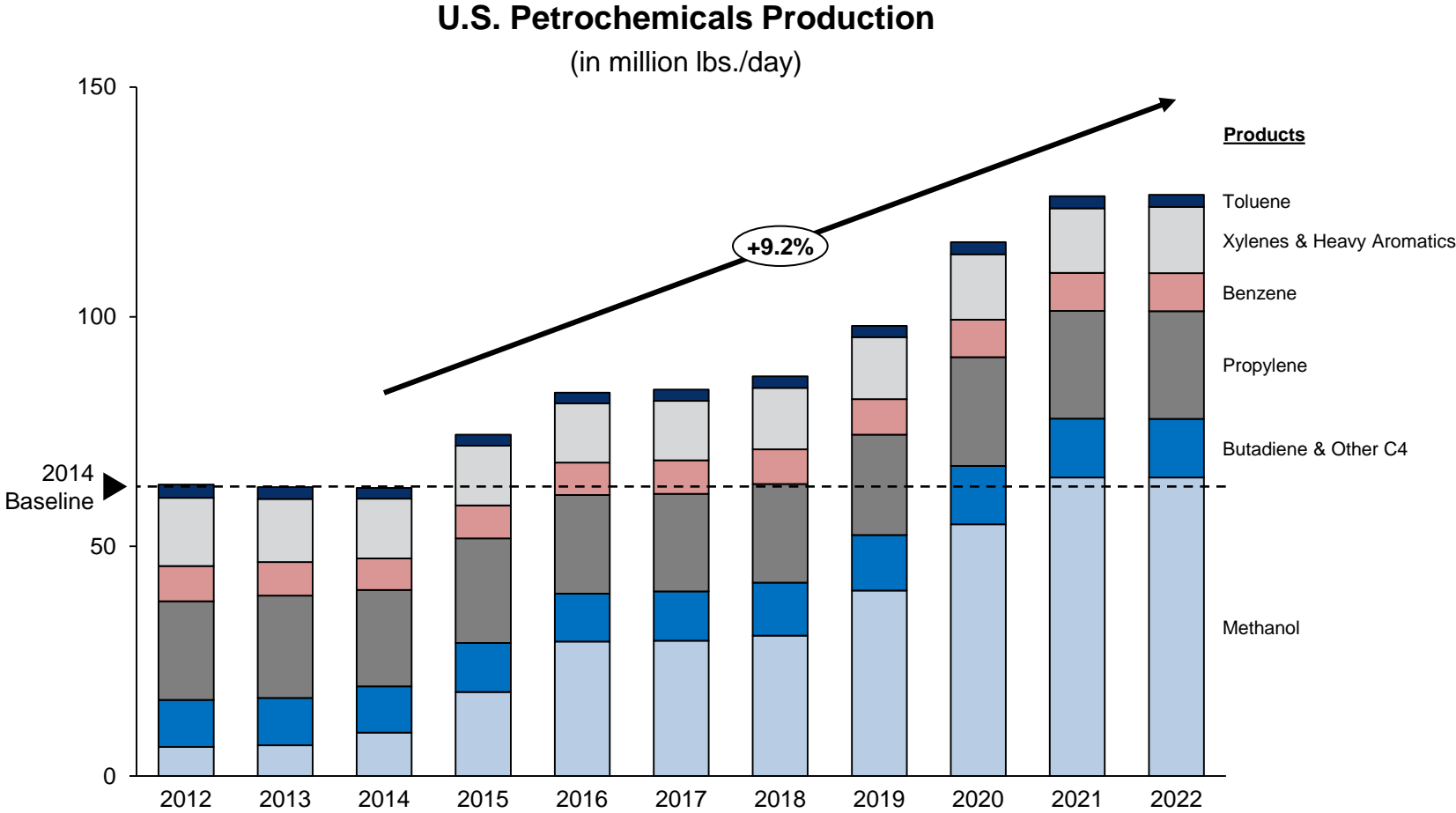
Diversified Product Mix with a Growing Focus on Petrochemicals

Inland Product Mix by Revenue



Petrochemical Buildout – Projected Production

Select products that can be transported by barge



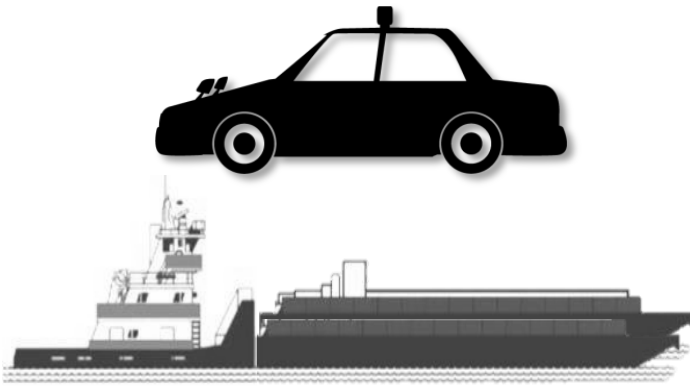
Sources: Petral Consulting Company and Thomson Reuters Eikon - GlobalData



Kirby's Flexibility Advantage

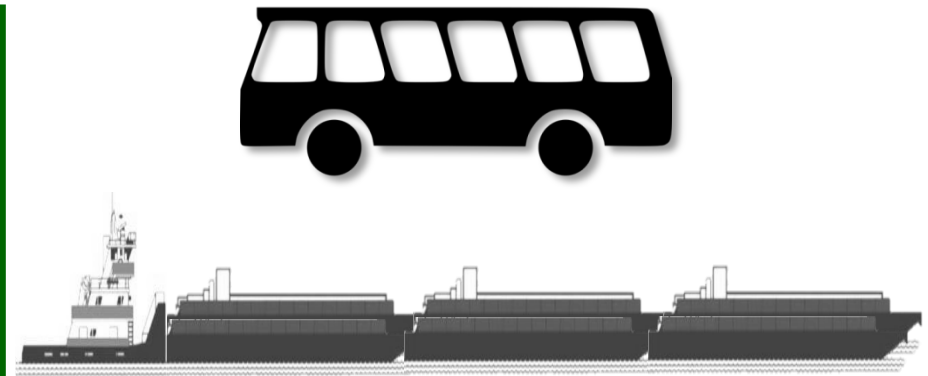
Unit Tow vs. Linehaul Model

Unit –Tow Model



- Non-Stop Transit
- Dedicated Boat
- Dedicated Barges
- **Route Flexibility**
- **Quicker Delivery**

Linehaul Model



- Stop-and-Go Transit
- Shared Boat
- Pre-determined Route
- Slower Delivery
- **Lower Cost**

Safety, Experience, and Efficiency: A Look at Waterway Navigation

- Video



Flexible Boat Model Equals Higher Utility and Less Cost to the Customer

Vessel



30K Barge

Capital Costs

\$2.1 – \$3.0 million

Operating Costs

\$\$

- Lower Maintenance & Repair Cost
- Paint
- Insurance/Tax



Boat

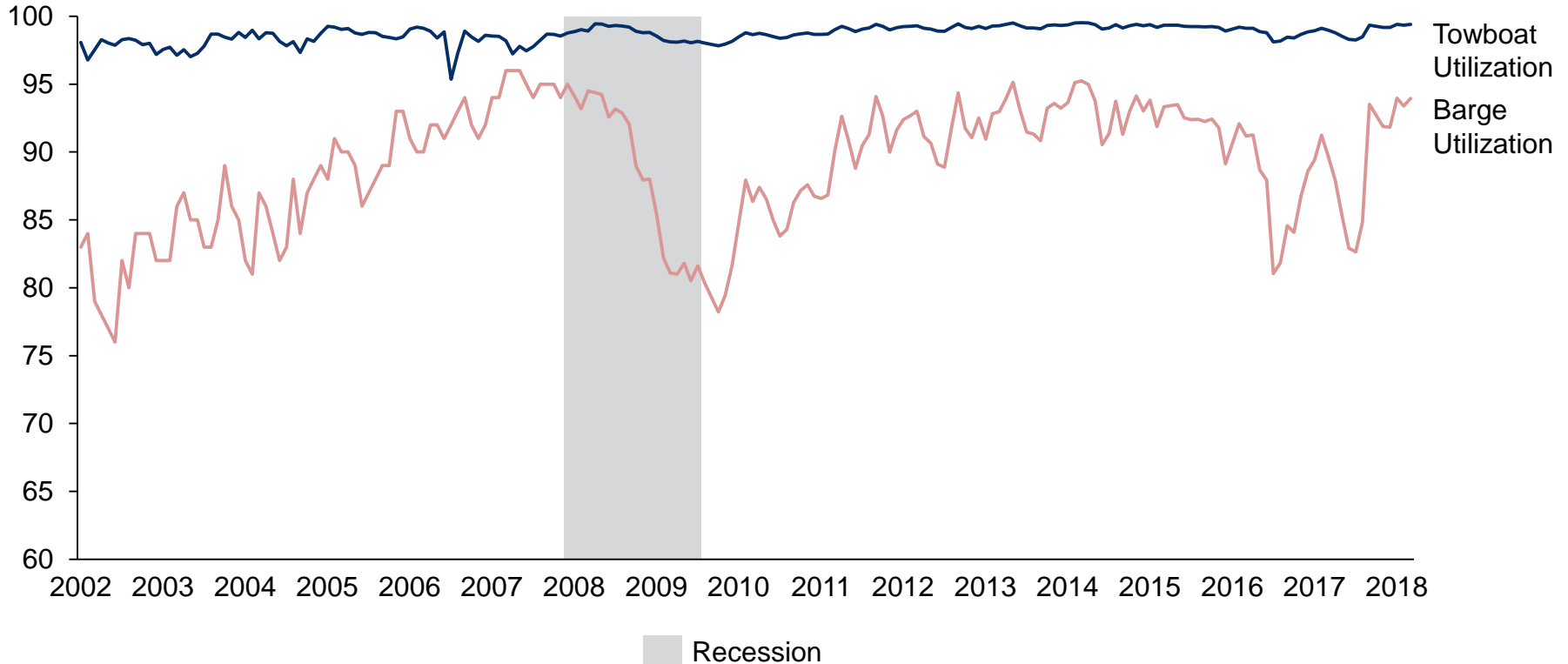
\$4.0 – \$5.5 million

\$\$\$\$

- Crew
- Maintenance & Repair
- Supplies
- Technology
- Fuel/Lubes
- Paint
- Insurance/Tax

Optimizing Horsepower Utilization to Maximize Operating Efficiencies

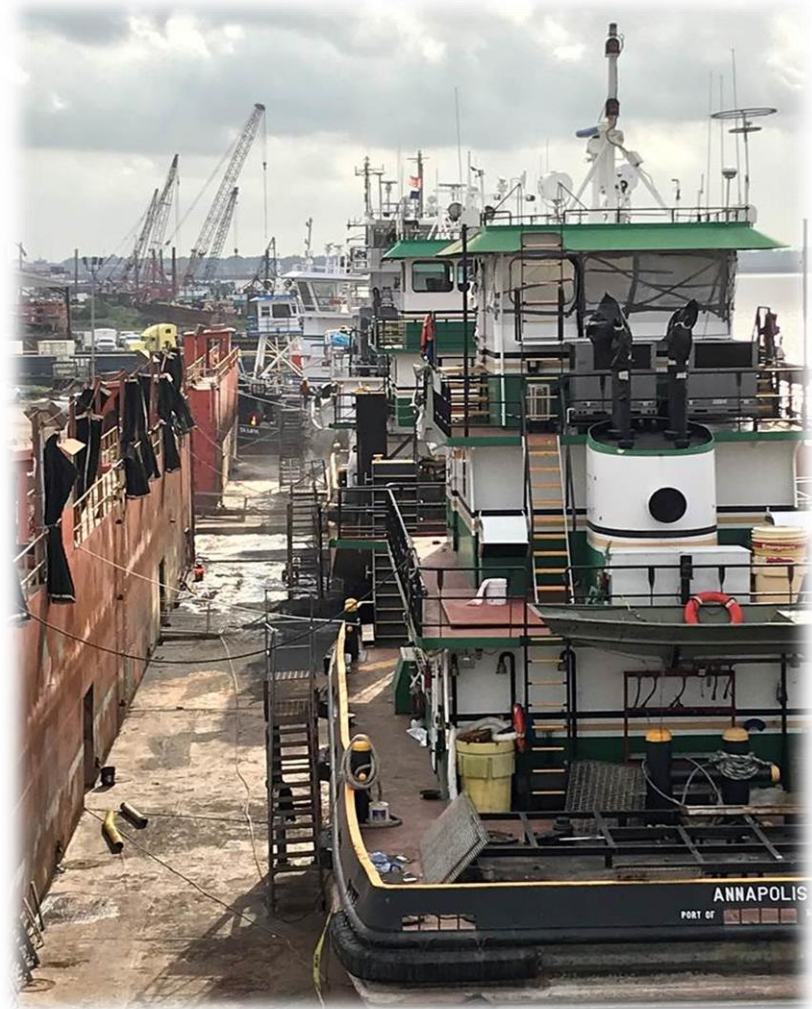
Boat vs. Barge Utilization



- Kirby is able to maximize horsepower utilization even as barge utilization changes

The Successful Integration of Higman

- \$419 million purchase price
 - \$10-\$12 million in cost synergies (originally)
- Equipment purchased:
 - 75 boats – 7.3 years (avg. age)
 - 163 barges – 8.0 years (avg. age)
- Leveraging the best of both Kirby and Higman
- Team dedicated to Higman integration
- Phased integration approach in all departments
- Communication with customers, vendors, and staff for continuous involvement
- Focused on **Quickly Realizing Synergies**
 - Higman examples:
 - Significantly decreased avg. age of fleet
 - Additional horsepower leverage
 - M&R savings with equipment swaps
 - Shipyard savings
 - Preferred vendor pricing (fuel, lube oil, tankering services, etc.)
 - Insurance premium savings
 - Fleeting savings
 - Facilities reduction
 - Smart allocation of capital



Targa Pressure Barges – Opportunistic and Accretive Acquisition

- Kirby purchased Targa's inland barge business for \$69.3 million
 - Announced May 3, 2018
 - Closed May 10, 2018
- 16 pressure barges with 258,000 barrel capacity
 - Carrying products such as LPG and ethylene plant co-products like propylene & butadiene
- Many barges come with long-term multi-year contracts
- Benefits of specialty barges
 - Commensurate margins with the complexity
 - Higher utilization
 - Good niche (requires high level of experience)



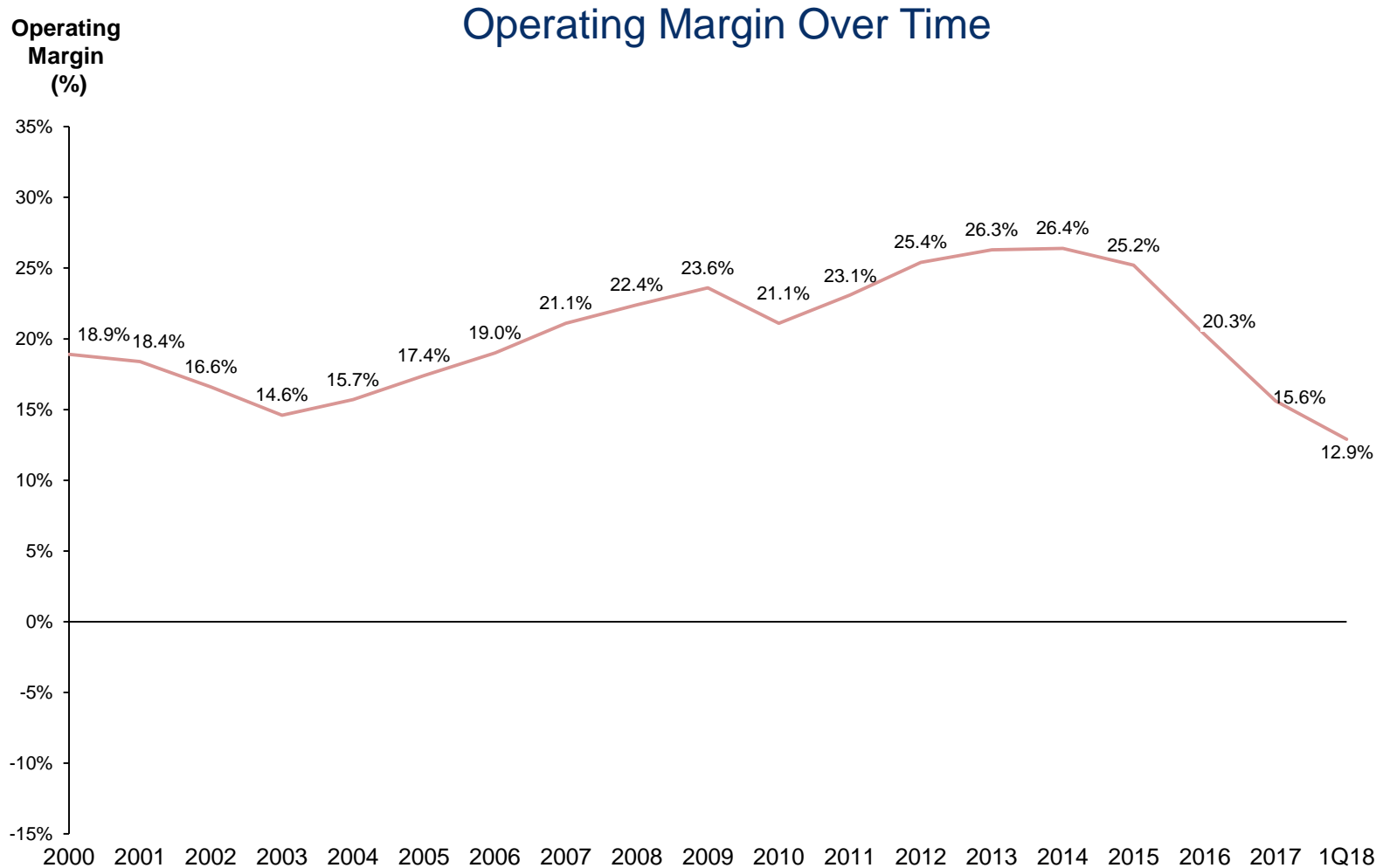
Kirby's Infrastructure Advantage

Fleeting & facilities imprint

- 22 fleets – including locations along the Mississippi River, Intracoastal, Houston, Baton Rouge, etc.
 - Capacity – over 800 mixed barge spots
- Tankering services (major operational areas: Houston, Corpus Christi, Beaumont, Baton Rouge, New Orleans, Charleston, Ashland)
 - Over 100 shore tankermen
- Kirby Cleaning Facility (Houston, Corpus Christi)
- Fueling Dock (Houston, Freeport, Corpus Christi)
- San Jac Marine Shipyard
 - Includes fleeting



Inland Margins at Cyclical Low – Significant Upside as Market Improves



Note: Margins exclude one-time adjustments



Kirby Inland Marine Differentiators

What makes Kirby stand out amongst competitors?

- Safety culture
- High quality customer portfolio
- Heavily engrained in the supply chain of many blue chip companies
 - Acquired Lyondell, Dow, and SeaRiver's captive fleets
- Horsepower management
- Largest tank barge fleet – scale matters
 - Facilitates better asset utilization
 - Creates backhaul opportunities
 - Faster turnarounds
 - Diversity of barge products for spot opportunities
 - Reduced cleanings
- USCG accredited training center
- San Jac Marine - Kirby owned shipyard
- Site representatives
- Disciplined capital expenditures
- Countercyclical investments



Key Takeaways

- Safety focused
- Capital discipline
- Industry consolidator
- Invest in the long run
- Provide essential services both Inland & Coastal
- Coastal – at the bottom
- Inland – on the upswing

Questions

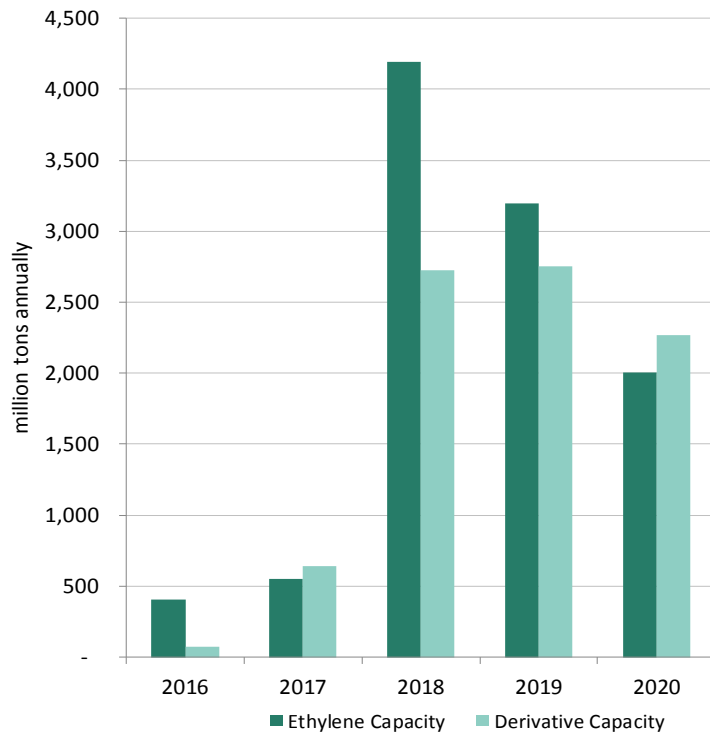


Appendix

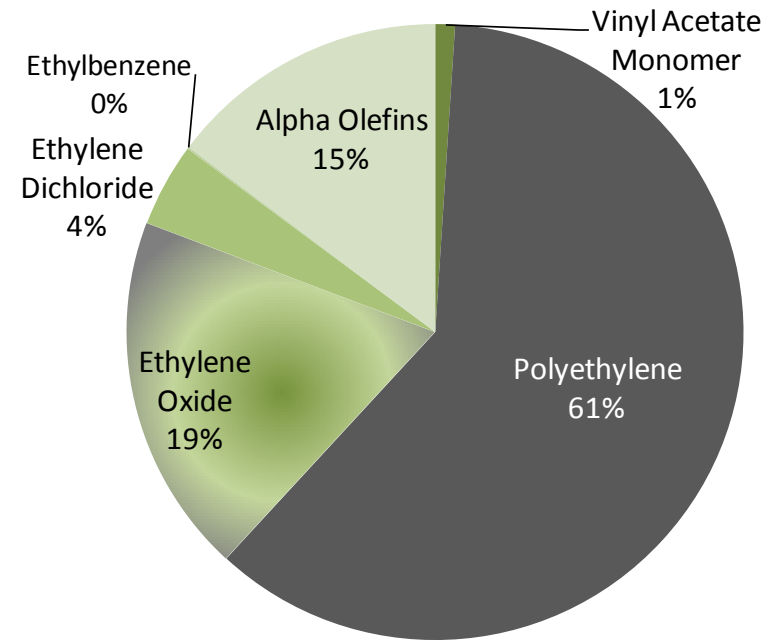


Near-Term U.S. Ethylene and Derivative Capacity Additions

U.S. ethylene derivative capacity is expected to expand ~30% over the next 5 years



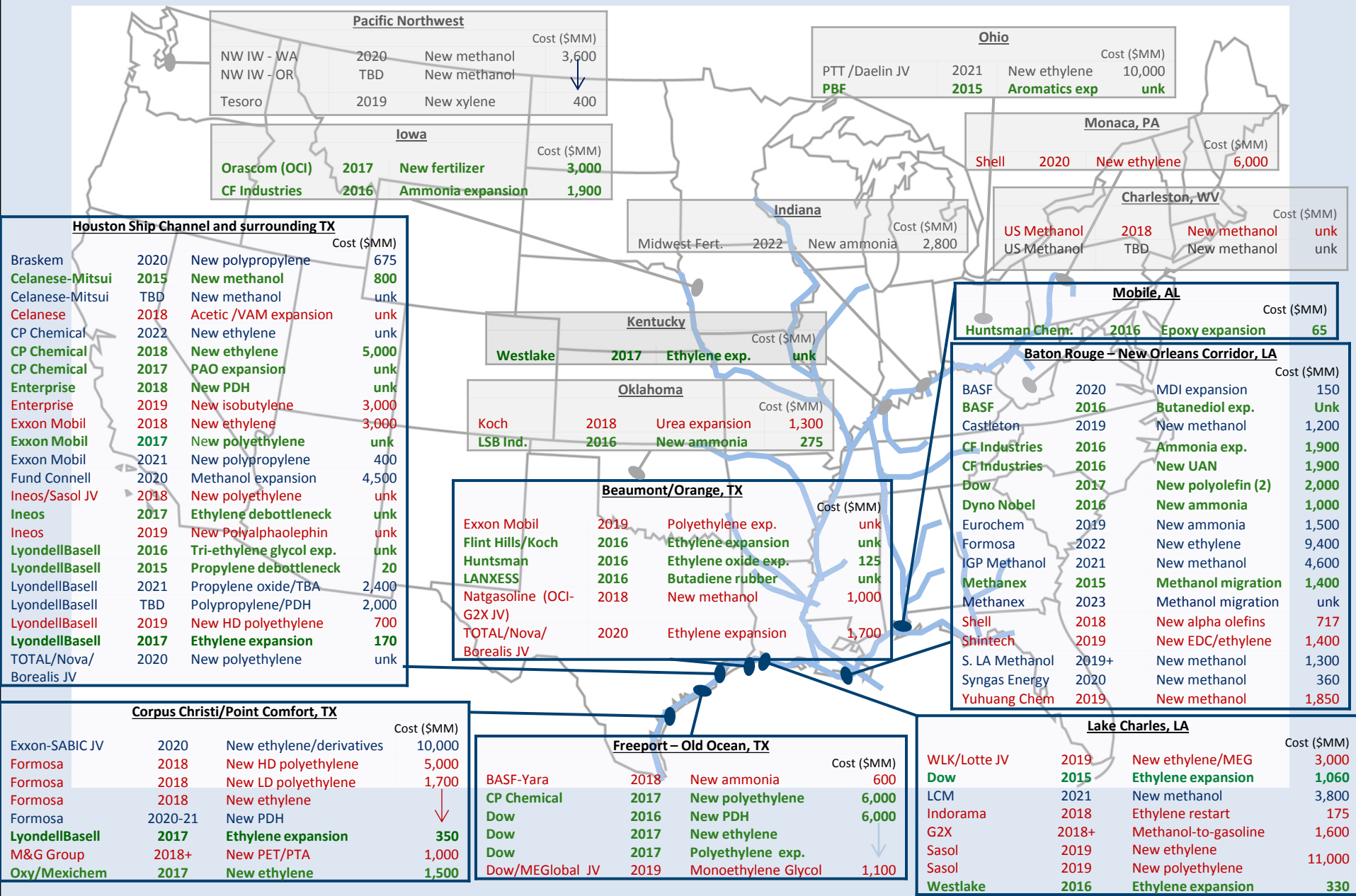
~40% of new derivatives are products that are moved by water



Notes: Ethylbenzene – 99% used to make styrene; ethylene dichloride – a key feedstock in the production of PVC; ethylene oxide is a gas used as a raw material for innumerable applications, including cosmetics, fibers, lubricants, paint thinners and plasticizers and, while not carried by barge, the derivatives, such as ethylene glycol are; alpha olefins are building block chemicals; vinyl acetate monomer is used as a feedstock chemical for glues, fabrics, gels, insulation, paints, safety glass and certain plastics

Source: Bernstein Research

\$135+ Billion of U.S. Petrochemical Investments*



*Notes: Date reflects anticipated year in-service, red font reflects construction in progress, green online, unk=unknown

Sources: ICIS, Company announcements, Kirby Corp.