

# 4Q 2021

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Earnings Conference Call  
January 27, 2022



# 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, and the impact of the COVID-19 pandemic and the related response of governments on global and regional market conditions. 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, 2020.

## 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: Adjusted 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. Kirby also uses free cash flow, which is defined as net cash provided by operating activities less capital expenditures, to assess and forecast cash flow and to provide additional disclosures on the Company's liquidity as a result of uncertainty surrounding the impact of the COVID-19 pandemic on global and regional market conditions. Free cash flow does not imply the amount of residual cash flow available for discretionary expenditures as it excludes mandatory debt service requirements and other non-discretionary expenditures. 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](http://www.kirbycorp.com) in the Investor Relations section under Financials.



# 4Q 2021 Overview

## Financial Summary

\$ millions except earnings (loss) per share	4Q 2021	4Q 2020	Variance	%	3Q 2021	Variance	%
Revenues	\$ 591.3	\$ 489.8	\$ 101.5	21%	\$ 598.9	\$ (7.6)	-1%
Operating income (loss)	31.6	24.8	6.8	27%	(316.9)	348.5	110%
Net earnings (loss) attributable to Kirby	11.0	22.2	(11.2)	-50%	(264.7)	275.7	104%
Earnings (loss) per share	0.18	0.37	(0.19)	-51%	(4.41)	4.59	104%
<b>Excluding one-time items:</b>							
Operating income <sup>2</sup>	31.6	24.8	6.8	27%	23.8	7.8	33%
Net earnings attributable to Kirby <sup>1,2</sup>	16.7	22.2	(5.5)	-25%	10.3	6.4	62%
Earnings per share <sup>1,2</sup>	0.27	0.37	(0.10)	-27%	0.17	0.10	59%

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](http://www.kirbycorp.com) in the Investor Relations section under Financials.

- 1 Fourth quarter 2021 net earnings attributable to Kirby and earnings per share exclude a deferred tax provision related to a change in Louisiana state tax law totaling \$5.7 million or \$0.09 per share.
- 2 Third quarter 2021 operating income, net earnings attributable to Kirby, and earnings per share exclude impairments of long-lived assets and goodwill related to coastal marine transportation totaling \$340.7 million before-tax, \$275.0 million after-tax, or \$4.58 per share.



# FY 2021 Overview

## Financial Summary

(\$ millions except earnings per share)	2021	2020	Variance	%
Revenues	\$ 2,246.7	\$ 2,171.4	\$ 75.3	3%
Operating loss	(258.1)	(420.8)	162.7	39%
Net earnings (loss) attributable to Kirby	(247.0)	(272.5)	25.5	9%
Earnings (loss) per share	(4.11)	(4.55)	0.44	10%
<b>Excluding one-time items:</b>				
Operating income <sup>1,2</sup>	82.6	140.5	(57.9)	-41%
Net earnings attributable to Kirby <sup>1,2</sup>	33.7	110.0	(76.3)	-69%
Earnings per share <sup>1,2</sup>	0.56	1.84	(1.28)	-70%

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](http://www.kirbycorp.com) in the Investor Relations section under Financials.

1 2021 operating income, net earnings attributable to Kirby, and earnings per share exclude the following one-time items:

- Impairments of long-lived assets and goodwill related to coastal marine transportation totaling \$340.7 million before-tax, \$275.0 million after-tax, or \$4.58 per share; and
- Deferred tax provision related to a change in Louisiana state tax law totaling \$5.7 million or \$0.09 per share

2 2020 operating income, net earnings attributable to Kirby, and earnings per share exclude the following one-time items:

- Income tax benefit related to 2018 and 2019 net operating loss carrybacks under the U.S. Coronavirus Aid, Relief, and Economic Security Act of \$50.8 million or \$0.85 per share; and
- Impairments of goodwill, intangible assets, fixed assets, and inventory related to distribution and services totaling \$561.3 million before-tax, \$433.3 million after-tax, or \$7.24 per share



# Marine Transportation – 4Q Overview

## Inland

- Improved market conditions and volumes
  - Barge utilization in the mid-to high 80% range with rates near 90% for much of December
  - Spot market rates increased sequentially and year-on-year
  - Term contract rates renewed higher for the first time since the start of the pandemic
- Poor weather contributed to a 55% sequential increase in delay days
- COVID-19 Omicron variant negatively impacted operations in December
  - Crewing challenges contributed to lost revenue and increased costs
  - Total impact to the fourth quarter of \$0.01 to \$0.02 per share
- Significant revenue growth with operating margins approaching 10%



## Coastal

- Market conditions were stable
- Barge utilization improved into the 90% range aided by the 3Q retirement of idled tank barges
- Exited the Hawaii market as of December 31, 2021
- Smaller, more efficient, and cost-competitive fleet of 31 barges going forward

# Distribution & Services – 4Q Overview

## Oil and Gas

- Favorable oil and gas market with increased rig counts
- Strong demand for new transmissions
- Manufacturing backlog continued to increase with new orders for environmentally friendly pressure pumping and power generation equipment for e-frac
- Supply chain issues contributed to sequentially lower manufacturing revenue



## Commercial and Industrial

- Reduced Thermo King product sales and service demand following the peak summer season
- Lower utilization in the power generation rental fleet following hurricane season
- Marine repair impacted by seasonality which was mostly offset by increased parts sales

## e-Daptive Acquisition

- Acquired the assets of a small energy storage systems (ESS) company based in Austin, Texas
- Key partner in the development of new power generation solutions for electric fracturing equipment
- Important for future development of new ESS solutions for the oilfield and commercial and industrial applications

# Marine Transportation

## 4Q 2021 Financial Summary

\$ millions	4Q 2021	4Q 2020	Variance	%	3Q 2021	Variance	%
Revenue	\$ 350.6	\$ 299.4	\$ 51.2	17%	\$ 338.5	\$ 12.1	4%
Operating income	25.7	29.2	(3.5)	-12%	16.9	8.8	52%
Operating margin	7.3%	9.7%	-2.4%		5.0%	2.3%	

### ■ Inland

- Contributed 77% of marine transportation revenues with average barge utilization in the mid-to high 80% range
- Term contracts represented ~65% of revenue with ~57% attributed to time charters
- Spot market rates increased in the mid-single digits sequentially and high single digits year-on-year
- Term contracts renewed higher by approximately 10% on average
- Operating margin approaching 10% despite the impact of the COVID-19 Omicron variant

### ■ Coastal

- Contributed 23% of marine transportation revenues with average barge utilization in the 90% range
- Term contracts represented ~80% of revenue with ~85% attributed to time charters
- Term contracts and spot market rates stable
- Operating margin near breakeven



# Barge Construction and Retirements

## 4Q 2021 Update and FY 2022 Outlook

<b>Inland</b>	4Q 2021		FY 2021		FY 2022 (estimated)	
(barrels in millions)	Barges	Barrels	Barges	Barrels	Barges	Barrels
Beginning of period	1,036	23.2	1,066	24.1	1,025	22.9
Additions:						
Reactivations	-	-	-	-	3	0.1
Reductions:						
Retirements	(10)	(0.3)	(36)	(1.1)	-	-
Charters returned	(1)	-	(5)	(0.1)	-	-
End of period	1,025	22.9	1,025	22.9	1,028	23.0

<b>Coastal</b>	4Q 2021		FY 2021		FY 2022 (estimated)	
(barrels in millions)	Barges	Barrels	Barges	Barrels	Barges	Barrels
Beginning of period	35	3.4	44	4.2	31	3.1
Reductions:						
Retirements	-	-	(9)	(0.8)	-	-
Sold (Hawaii)	-	-	(4)	(0.3)	-	-
Chartered (Hawaii)	(4)	(0.3)	-	-	-	-
End of period	31	3.1	31	3.1	31	3.1



# Distribution & Services

## 4Q 2021 Financial Summary

\$ millions	4Q 2021	4Q 2020	Variance	%	3Q 2021	Variance	%
Revenue	\$ 240.7	\$ 190.4	\$ 50.3	26%	\$ 260.4	\$ (19.7)	-8%
Operating income	7.5	(2.9)	10.4	359%	11.0	(3.5)	-32%
Operating margin	3.1%	-1.5%	4.6%		4.2%	-1.1%	

### ■ Commercial and industrial

- Revenues up 2% year-on-year due to improved demand in on-highway and power generation
- Revenues down 1% sequentially due to seasonality in Thermo King and the power generation rental fleet
- Marine repair was stable year-on-year and sequentially
- Represented 63% of segment revenue
- Operating margin in the mid-single digits

### ■ Oil and gas

- Revenues up 110% year-on-year due to increased demand for transmissions, parts, and service in distribution, as well as increased manufacturing orders for environmentally friendly pressure pumping equipment
- Revenues down 16% sequentially due to supply chain issues in manufacturing
- Represented 37% of segment revenue
- Operating margin in the low single digits



# Balance Sheet, Capital Expenditures, and Liquidity

## Strong Liquidity and Free Cash Flow Position

As of December 31, 2021

Total  
Debt

**\$1.16B**

Cash and  
Cash Equivalents

**\$35M**

Available  
Liquidity

**\$888M**

- **4Q / FY 2021 results:**

- Net cash provided by operating activities: 4Q – \$41 million / FY 2021 – \$322 million
- Capital expenditures: 4Q – \$26 million / FY 2021 – \$98 million
- Debt repayments: 4Q – \$45 million / FY 2021 – \$305 million

- **2022 guidance:**

- 2022 cash flow from operations expected to be \$400 million to \$480 million
- 2022 capital expenditures expected to be \$170 to \$190 million
- 2022 tax rate expected to range between 26% and 28%

**Free cash flow\* generation of \$210 to \$310 million expected in 2022**

\* Free cash flow is defined as net cash provided by operating activities less capital expenditures



# Marine Transportation – FY 2022 Outlook

## A strong inland barge market is expected to significantly improve financial results

### ▪ COVID-19 Omicron Variant

- Inland and coastal have experienced heightened crewing challenges, lost revenue, and costs in 1Q 2022
- Expect Omicron could impact 1Q 2022 results by \$0.05 to \$0.10 per share

### ▪ Inland

- Expecting a strong market driven by economic growth, increased volumes, and minimal new barge construction
- Barge utilization expected to be between the high-80% to low 90% range
- Term contracts are expected to continue to reset to reflect improved market conditions
- Full year revenue growth of 10% to 15%
- 1Q revenue growth more modest in the low single digits (vs. 4Q 21) due seasonality and COVID
- Operating margins are expected to range in the low double digits to the mid-teens during the year

### ▪ Coastal

- Market expected to modestly improve but remain challenged by underutilized industry capacity and a weak pricing environment
- Barge utilization expected to be in the 90% range
- Revenues are expected to decline in the mid-single digits due to the Hawaii exit and reduced coal shipments
- Operating margins expected to range between the negative low single digits to near breakeven



# Distribution & Services – FY 2022 Outlook

Anticipate strong markets will lead to material growth in revenue and operating income

- **Commercial and industrial**

- Expect strong markets will drive revenue growth for on-highway, power generation, and marine repair
- Full year revenue growth in the low double digit percentage range
- Expected to be ~50% of segment revenues

- **Oil and gas**

- Favorable oil prices expected to drive continued improvement in U.S. rig and frac activity
- Robust demand for new transmissions, parts, and service
- Strong manufacturing backlog driven by increased demand for new environmentally friendly equipment
- Supply chain issues expected to persist in the near-term with equipment deliveries ramping up through the year
- Expected to be ~50% of segment revenues

- **Segment Outlook**

- Revenues expected to increase 30% to 40% year-on-year
- Operating margins expected to improve into the mid-single digits as the year progresses
- 1Q revenues and operating margins expected to be the lowest of 2022 due to timing of projects and supply chain issues



