

2Q 2019

Earnings Conference Call

July 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.



2Q Overview

Financial Summary

(\$ millions except earnings per share)	2Q 2019	2Q 2018	Variance	%	1Q 2019	Variance	%
Revenues	\$ 771.0	\$ 802.7	\$ (31.7)	-4%	\$ 744.6	\$ 26.4	4%
Operating income	75.8	55.9	19.9	36%	72.1	3.7	5%
Net earnings attributable to Kirby	47.3	28.7	18.6	65%	44.3	3.0	7%
Earnings per share	0.79	0.48	0.31	65%	0.74	0.05	7%
Excluding one-time items:							
Operating income ¹	75.8	73.9	1.9	3%	72.1	3.7	5%
Net earnings attributable to Kirby ¹	47.3	46.8	0.5	1%	44.3	3.0	7%
Earnings per share ¹	0.79	0.78	0.01	1%	0.74	0.05	7%

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 in the Investor Relations section under Financials.

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



2019 Guidance Update

- FY 2019 earnings per share guidance reduced to \$2.80 to \$3.20 per share

- **Distribution & Services**
 - New orders, maintenance activities, and parts sales have slowed considerably
 - Oil and gas customers are focused on cash flow and operating with minimal spending
 - Slowdown is creating pent-up demand for future new and remanufactured pressure pumping equipment

- **Marine Transportation**
 - Significant impact from poor operating conditions year-to-date
 - Ice, fog, prolonged high-water conditions, lock maintenance, Houston Ship Channel closures have impacted operations
 - 86% increase in delay days in FY 2019 compared to the first six months of 2018
 - Year-to-date impact of ~\$0.10 per share



2Q Overview – Marine Transportation

■ Inland

- Strong customer demand with barge utilization in the mid-90% range
- More than 30% improvement in operating income compared to the 2019 first quarter
- Challenging operating conditions nearly double the number of delay days year-on-year
- Increased delays contributed to a negative earnings impact of ~\$0.05 per share

■ Coastal

- Positive operating income
- Barge utilization increased into the mid-80% range
- Pricing increased on term contract renewals



2Q Overview – Distribution & Services

- Results impacted by widespread reductions in oil and gas spending
- Sequential decline from limited orders, minimal maintenance, and reduced parts sales
- Back-up power generation revenue and operating income increased
- Marine sector remained stable during the quarter



Marine Transportation

2Q 2019 Financial Summary

\$ millions	2Q 2019	2Q 2018	Variance	%	1Q 2019	Variance	%
Revenue	\$ 404.3	\$ 378.2	\$ 26.1	7%	\$ 368.1	\$ 36.2	10%
Operating income	53.2	38.2	15.0	39%	35.4	17.8	50%
Operating margin	13.2%	10.1%	3.1%		9.6%	3.6%	

■ Inland

- Contributed 77% of marine transportation revenues
- Term contracts represented ~65% of revenue with 63% attributed to time charters
- Term contracts renewed higher in the mid-to high single digits
- Spot market rates increased low to mid-single digits sequentially and approximately 15% year-on-year
- Operating margin in the mid-teens including negative impact from increased delay days

■ Coastal

- Contributed 23% of marine transportation revenues
- Term contracts represented ~80% of revenue with 85% attributed to time charters
- Spot pricing unchanged sequentially, but up 10-15% year-on-year
- Operating margin slightly positive

Barge Construction and Retirements

2Q 2019 Update and FY 2019 Outlook

Inland <small>(barrels in millions)</small>	2Q 2019		FY 2019 (Estimated)	
	Barges	Barrels	Barges	Barrels
Beginning of period	1,061	23.6	1,003	21.8
Additions:				
Cenac Marine	-	-	63	1.9
Reactivations	4	0.1	4	0.1
Charters	2	0.0	2	0.0
Retirements:				
Completed	-	-	(5)	(0.1)
Anticipated	-	-	(4)	0.0
End of period	1,067	23.7	1,063	23.7

Coastal <small>(barrels in millions)</small>	2Q 2019		FY 2019 (Estimated)	
	Barges	Barrels	Barges	Barrels
Beginning of period	51	4.9	53	5.1
Additions:				
None	-	-	-	-
Retirements:				
Completed	(2)	(0.2)	(4)	(0.4)
Anticipated	-	-	-	-
End of period	49	4.7	49	4.7

Distribution & Services

2Q 2019 Financial Summary

\$ millions	2Q 2019	2Q 2018	Variance	%	1Q 2019	Variance	%
Revenue	\$ 366.7	\$ 424.5	\$ (57.8)	-14%	\$ 376.5	\$ (9.8)	-3%
Operating income	23.1	40.2	(17.1)	-43%	37.6	(14.5)	-39%
Operating margin	6.3%	9.5%	-3.2%		10.0%	-3.7%	

■ Oil and gas

- Results down year-on-year and sequentially due to reduced oilfield activity and demand for pressure pumping equipment, maintenance, and parts
- Represented ~55% of segment revenue
- Operating margin in the mid-single digits

■ Commercial and industrial

- Results improved year-on-year and sequentially due to increased power generation activity
- Represented ~45% of segment revenue
- Operating margin in the mid single digits



FY 2019 Guidance

Financial Summary

	FY 2019
Earnings per share	\$2.80 to \$3.20
Capital expenditures (in millions)	\$225 to \$245



Guidance – Marine Transportation

Inland

- Inland utilization in the mid-90% range with strong demand anticipated for the remainder of 2019
- Third quarter:
 - Operations challenged by high water conditions on the Mississippi River until mid-August and hurricane
 - Modest sequential revenue and operating margin improvement

Coastal

- Utilization to range the low to mid-80% range for the remainder of 2019
- 3Q revenues and operating margins expected similar to second quarter
- 4Q reduced revenue and operating income due to seasonal end in Alaska and increased shipyard activity

Marine Transportation - FY 2019

- Full year segment revenue expected to increase in the mid-to high single digits vs. 2018
- Segment operating margin expected to be in the low double digits to mid-teens range

Guidance – Distribution & Services

Commercial and Industrial

- Q3 revenue decline due to reduced installations of large power generation systems
- Reduced service in marine repair due to improved inland waterway conditions
- Power generation rental fleet activity improves with summer storm season

Overall Outlook

- Third quarter:
 - Segment revenue expected to decline in the mid-teens percentage range compared to 2Q 2019
 - Reduced deliveries of pressure pumping and back-up power generation equipment
 - Operating margins slightly down compared to 2Q
- Full year:
 - Segment revenue expected to decline in high single digit percentage range compared to FY 2018
 - Oil and gas represents ~55% of revenue; Commercial and industrial represents ~45% of revenue
 - Segment operating margins in the lower end of the mid-to high single digits range

