

3Q 2020

Earnings Conference Call

October 29, 2020



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, 2019 and in subsequent quarterly filings on Form 10-Q.

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. 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 in the Investor Relations section under Financials.



3Q Overview

Financial Summary

\$ millions except earnings (loss) per share	3Q 2020	3Q 2019	Variance	%	2Q 2020	Variance	%
Revenues	\$ 496.6	\$ 666.8	\$ (170.2)	-26%	\$ 541.2	\$ (44.6)	-8%
Operating income (loss)	29.9	77.9	(48.0)	-62%	34.3	(4.4)	-13%
Net earnings (loss) attributable to Kirby	27.4	48.0	(20.6)	-43%	25.0	2.4	10%
Earnings (loss) per share	0.46	0.80	(0.34)	-43%	0.42	0.04	10%



Marine Transportation – 3Q Overview

Market Overview

- Reduced barge volumes particularly for refined products, crude, and black oil
- Refinery utilization averaged 78% compared to prior 5-year average of 93%
- Average chemical plant utilization of 74%
- Limited spot market requirements
- Pricing pressure during the quarter



Hurricane Impact

- Significant hurricane season along the East Coast and Gulf Coast
- 20 named storms including three hurricanes and one tropical storm making landfall along the Texas and Louisiana coasts during the third quarter
- Extensive disruptions and prolonged closures of customer plants, waterways, and certain docks

Kirby Barge Utilization

- Inland in the low 70% range
- Coastal in the mid-70% range

Distribution & Services – 3Q Overview

Overall

- Significant sequential cost reductions
- Activity increased as economy started to recover, lockdowns eased, and oilfield activity resumed
- Revenue up 10% sequentially with operating profit slightly above breakeven



Commercial and Industrial

- On-highway and power generation experienced sequential improvement
- Marine repair activity declined due to lower engine sales, but activity remained solid

Oil and Gas

- U.S. frac activity recovering off the bottom with active frac crews back above 100 by quarter end, but still significantly below 2019 levels of ~300
- Increased manufacturing activity including the sale of new pressure pumping units

Marine Transportation

3Q 2020 Financial Summary

\$ millions	3Q 2020	3Q 2019	Variance	%	2Q 2020	Variance	%
Revenue	\$ 320.6	\$ 412.7	\$ (92.1)	-22%	\$ 381.0	\$ (60.4)	-16%
Operating income	32.4	72.7	(40.3)	-55%	51.4	(19.0)	-37%
Operating margin	10.1%	17.6%	-7.5%		13.5%	-3.4%	

■ Inland

- Contributed 77% of marine transportation revenues with average barge utilization in the low 70% range
- Term contracts represented ~70% of revenue with ~67% attributed to time charters
- Term contracts renewed lower in the low single digits
- Spot market rates declined approximately 10% sequentially and year-on-year
- Operating margin in the mid-teens

■ Coastal

- Contributed 23% of marine transportation revenues with average barge utilization in the mid-70% range
- Term contracts represented ~85% of revenue with ~90% attributed to time charters
- Term contracts renewed lower in the mid-single digits; spot market rates stable
- Negative mid-single digit operating margin



Barge Construction and Retirements

3Q 2020 Update and FY 2020 Outlook

Inland <small>(barrels in millions)</small>	3Q 2020		FY 2020 (Projected)	
	Barges	Barrels	Barges	Barrels
Beginning of period	1,131	25.6	1,053	23.4
Additions:				
Savage Inland Marine	-	-	92	2.5
Reactivations	-	-	10	0.3
Purchases	1	-	5	0.1
Reductions:				
Retirements	(47)	(1.1)	(80)	(2.0)
Transfer to Coastal	(1)	-	(1)	-
Charters returned	-	-	(1)	-
End of period	1,084	24.5	1,078	24.3

Coastal <small>(barrels in millions)</small>	3Q 2020		FY 2020 (Projected)	
	Barges	Barrels	Barges	Barrels
Beginning of period	47	4.5	49	4.7
Additions:				
Transfer from Inland	1	-	1	-
Reductions:				
Retirements	(1)	(0.2)	(4)	(0.4)
Charters returned	-	-	(1)	(0.1)
End of period	47	4.3	45	4.2

Distribution & Services

3Q 2020 Financial Summary

\$ millions	3Q 2020	3Q 2019	Variance	%	2Q 2020	Variance	%
Revenue	\$ 176.0	\$ 254.1	\$ (78.1)	-31%	\$ 160.2	\$ 15.8	10%
Operating income (loss)	1.1	9.1	(8.0)	-88%	(14.1)	15.2	108%
Operating margin	0.6%	3.6%	-3.0%		-8.8%	9.4%	

Commercial and industrial

- Improved sequential activity in on-highway and power generation
- Solid demand in the marine repair business, but results sequentially down due to lower engine sales
- Represented ~72% of segment revenue
- Operating margin in the mid-single digits

Oil and gas

- Results sequentially improved with modest increases in parts and service demand and the sale of pressure pumping equipment
- Represented ~28% of segment revenue
- Negative operating margins in the low double digits



Balance Sheet and Liquidity

Strong Liquidity and Free Cash Flow Position

As of September 30, 2020

Total
Debt

\$1.58B

Cash and
Cash Equivalents

\$120M

Available
Liquidity

\$613M

- Third quarter results:
 - \$117.7 million of net cash provided by operating activities
 - \$36.6 million of capital expenditures
 - \$64.5 million reduction in total debt
- 2020 capital expenditures expected to be ~\$150 million, a reduction of ~40% year-on-year
- No debt maturities until 2023

Free cash flow* generation of \$300 to \$350 million expected in 2020

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



Marine Transportation – 4Q Outlook

Activity has bottomed, but a material improvement is not expected until sometime in 2021

▪ Inland

- Slight increase in barge utilization with refineries and chemical plants recovering from recent hurricanes and improved economic activity, provided new COVID lockdowns are not implemented
- Increased activity with Illinois River reopening
- Inland market expected to remain challenging in the absence of a material economic recovery
- Pricing likely to remain under pressure in the near-term
- Seasonal weather will adversely impact operating efficiencies and profitability
- Revenues and operating margins expected to be flat to slightly down compared to third quarter

▪ Coastal

- Spot market demand expected to remain low for refined products and black oil
- Long-term contracts stable with minimal renewal exposure through the end of the year
- Fourth quarter expected to modestly benefit from reduced hurricane delays
- Revenues expected to be flat sequentially with negative operating margins in the low single digits

Distribution & Services – 4Q Outlook

Seasonality and reduced oilfield spending expected to impact 4Q results

- **Commercial and industrial**

- On-highway and marine to modestly benefit from improving economy
- Seasonal sequential reductions for marine and power generation
 - Reduced overhauls and service in marine repair during the dry cargo harvest
 - Lower utilization in the power generation rental fleet with the end of hurricane season

- **Oil and gas**

- Activity will be limited through the fourth quarter despite recent incremental frac activity
- Expect E&Ps and customers to constrain spending and focus on free cash flow at year-end
- Rationalization of excess pressure pumping capacity will limit a material recovery in the near-term

- Segment revenues expected to modestly decline with operating margins at a small loss

- Expected to be cash flow positive in the fourth quarter



Final Thoughts

The long-term outlook for Kirby remains positive

- Activity has bottomed across Kirby's businesses
- Fourth quarter is expected remain challenging in both segments
- Kirby is in a strong position to recover once a material economic recovery occurs
- Provided COVID-19 is contained, Kirby expects activity will begin to rebound more meaningfully in 2021
- Marine transportation supply is not a major threat with limited new barge construction
- An improved economy will drive increased demand for D&S parts and service
- Kirby's position as a leading provider of remanufacturing services and environmentally friendly oilfield equipment expected to result in increased activity as the oil and gas markets recover in 2021
- Strong free cash flow generation expected to continue



