

2Q 2018

Earnings Conference Call

July 26, 2018



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, 2017 and in Kirby's subsequent filing on Form 10-Q for the quarter ended March 31, 2018.



2Q Overview

Financial Summary

(\$ millions except earnings per share)	2Q 2018 ¹	2Q 2017	Variance	%	1Q 2018 ²	Variance	%
Revenues	\$ 802.7	\$ 473.3	\$ 329.4	70%	\$ 741.7	\$ 61.0	8%
Operating income	55.9	47.3	8.6	18%	50.7	5.2	10%
Net earnings attributable to Kirby	28.6	25.8	2.8	11%	32.5	(3.9)	-12%
Earnings per share (GAAP)	0.48	0.48	-	0%	0.54	(0.06)	-11%
Earnings per share: Guidance range (GAAP)	\$0.30 - \$0.50						
One-time charges ^{1,2}	0.30	-	0.30		0.13	0.17	
Earnings per share (excluding charges)	0.78	0.48	0.30	63%	0.67	0.11	16%
Earnings per share: Guidance range (excl. charges)	\$0.60 - \$0.80						

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

² 1Q 2018 earnings per share include \$10.1 million of before-tax charges or \$0.13 per share as follows:

- Higman Marine acquisition fees and expenses of \$3.3 million before-tax, or \$0.04 per share
- Expenses related to an amendment to the employee stock plan of \$3.9 million before-tax, or \$0.05 per share
- Severance expenses of \$2.9 million before-tax, or \$0.04 per share



2Q Overview – Marine Transportation

■ Inland market

- Strong sequential and year-on-year improvement in revenue and operating income
- Favorable contribution to 2Q earnings from Higman Marine and Targa pressure barges
- Summer operating efficiencies softened overall utilization to around 90%
- Spot market rates unchanged sequentially
- Term contracts renewed higher in the low single digits on average

■ Coastal market

- Market fundamentals remained challenging, but stable sequentially
- Utilization improved into the low to mid-80% range
- Purchased a new 155,000 barrel ATB which was under construction for a competitor



2Q Overview – Distribution & Services

- **Strong sequential and year-on-year improvement in revenue and operating income**
- **Oil and gas market**
 - Record volumes of new pressure pumping units delivered into the market despite continued vendor delays
- **Commercial and industrial market**
 - Marine engine overhauls and service demand remained robust
 - Increased demand for generator rentals and back-up power systems
 - Nuclear power generation business stable year-on-year



Marine Transportation

2Q 2018 Financial Summary

\$ millions	2Q 2018	2Q 2017	Variance	%	1Q 2018 ¹	Variance	%
Revenue	\$ 378.2	\$ 331.3	\$ 46.9	14%	\$ 340.4	\$ 37.8	11%
Operating income	38.2	35.6	2.6	7%	16.2	22.0	136%
Operating margin	10.1%	10.7%	-0.6%		4.8%	5.3%	

■ Inland market

- Contributed 76% of marine transportation revenues
- Term contracts represented ~65% of revenue with 62% attributed to time charters
- Term contracts renewed higher in the low single digits on average
- Spot market rates unchanged versus 1Q, but up 10% to 15% year-on-year
- Operating margin improved to the mid-teens

■ Coastal market

- Contributed 24% of marine transportation revenues
- Term contracts represented ~80% of revenue
- Pricing down 10% to 15% year-on-year but stable compared to 1Q
- Operating margin improved to the negative low single digits

¹ 1Q 2018 operating income included \$8.3 million of charges including Higman Marine acquisition fees and expenses of \$3.3 million, severance expenses of \$2.6 million, and expenses related to an amendment to the employee stock plan of \$2.4 million.



Barge Construction and Retirements

2Q 2018 Update and FY 2018 Outlook

Inland	2Q 2018		FY 2018 (Estimate)	
	Barges	Barrels	Barges	Barrels
(barrels in millions)				
Beginning of period	993	21.9	841	17.3
Additions:				
Higman Marine			161	4.7
Pressure barges	16	0.3	18	0.3
New construction	1	0.0	2	0.1
Anticipated			1	0.0
Retirements:				
Completed	(20)	(0.5)	(32)	(0.6)
Anticipated			(6)	(0.1)
End of period	990	21.7	985	21.7

Coastal	2Q 2018		FY 2018 (Estimate)	
	Barges	Barrels	Barges	Barrels
(barrels in millions)				
Beginning of period	55	5.2	56	5.4
Additions:				
Anticipated - new 155,000 bbl ATB			1	0.2
Retirements:				
Completed			(1)	(0.2)
Anticipated			(3)	(0.4)
End of period	55	5.2	53	5.0



Distribution & Services

2Q 2018 Financial Summary

\$ millions	2Q 2018	2Q 2017	Variance	%	1Q 2018 ¹	Variance	%
Revenue	\$ 424.5	\$ 142.1	\$ 282.4	199%	\$ 401.3	\$ 23.2	6%
Operating income	40.2	16.3	23.9	147%	37.0	3.2	9%
Operating margin	9.5%	11.5%	-2.0%		9.2%	0.3%	

■ Oil and gas market

- Manufacturing delivers record number of new pressure pumping units
- Strong demand for new and overhauled transmissions
- Represented ~72% of segment revenue
- Operating margin in the low double digits

■ Commercial and industrial market

- Increased year-on-year demand for marine engine overhauls and service in the inland barge market
- Power generation stable year-on-year but mixed sequentially
- Represented ~28% of segment revenue
- Operating margin in the mid-to high single digits

¹ 1Q 2018 operating income included \$1.2 million of expenses related to an amendment to the employee stock plan.

3Q and FY 2018 Guidance

Financial Summary

	3Q 2018	FY 2018
Earnings per share (GAAP)	\$0.50 to \$0.70	\$2.15 to \$2.55
One-time charges:		
Executive Chairman's retirement ¹ (2Q)	-	\$0.30
Stock plan amendment ² (1Q)	-	\$0.05
Earnings per share (excluding one-time charges)	\$0.50 to \$0.70	\$2.50 to \$2.90
Earnings per share mid-point	\$0.60	\$2.70
Capital expenditures (\$ millions)		\$265 to \$295

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

² 1Q 2018 earnings per share include \$3.9 million of before-tax charges or \$0.05 per share related to an amendment to the employee stock plan



Guidance – Marine Transportation

- Inland utilization in the low to mid-90% range for the remainder of 2018
- Anticipate inland term contract pricing continues to move modestly higher
- Tightening labor market to negatively impact H2 2018 inland earnings by \$0.05 per share (included in updated annual guidance)
- Coastal utilization remains into the low to mid-80% range
- Stabilized pricing in coastal for the remainder of the year
- FY 2018 marine transportation operating income flat to up slightly vs. FY 2017



Guidance – Distribution & Services

- Oil and gas revenue and operating income to decline in 3Q and 4Q compared to 2Q
 - Vendor supply chain constraints delaying completion of new pressure pumping units
 - Infrastructure issues in the oilfield contributing to near-term temporary reduction in orders for new pressure pumping units and equipment
 - Remanufacturing and maintenance activities remain strong
- Commercial and industrial expected to be in-line with 2Q
 - Marine engine overhauls and service demand to decline due to timing of projects
 - Increased demand for generator rentals and back-up power systems
- FY 2018 segment revenues expected to range from \$1.45 billion to \$1.65 billion with operating margins in the high single digits



