2Q 2020
Earnings Conference Call
July 30, 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.
2Q Overview

## Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>2Q 2020</th>
<th>2Q 2019</th>
<th>Variance</th>
<th>%</th>
<th>1Q 2020</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 541.2</td>
<td>$ 771.0</td>
<td>($229.8)</td>
<td>-30%</td>
<td>$ 643.9</td>
<td>($102.7)</td>
<td>-16%</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>34.3</td>
<td>75.8</td>
<td>(41.5)</td>
<td>-55%</td>
<td>(509.7)</td>
<td>544.0</td>
<td>107%</td>
</tr>
<tr>
<td>Net earnings (loss) attributable to Kirby</td>
<td>25.0</td>
<td>47.3</td>
<td>(22.3)</td>
<td>-47%</td>
<td>(347.2)</td>
<td>372.2</td>
<td>107%</td>
</tr>
<tr>
<td>Earnings (loss) per share</td>
<td>0.42</td>
<td>0.79</td>
<td>(0.37)</td>
<td>-47%</td>
<td>(5.80)</td>
<td>6.22</td>
<td>107%</td>
</tr>
</tbody>
</table>

**Excluding one-time items:**

<table>
<thead>
<tr>
<th></th>
<th>2Q 2020</th>
<th>2Q 2019</th>
<th>Variance</th>
<th>%</th>
<th>1Q 2020</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income¹</td>
<td>34.3</td>
<td>75.8</td>
<td>(41.5)</td>
<td>-55%</td>
<td>51.5</td>
<td>(17.2)</td>
<td>-33%</td>
</tr>
<tr>
<td>Net earnings attributable to Kirby¹</td>
<td>25.0</td>
<td>47.3</td>
<td>(22.3)</td>
<td>-47%</td>
<td>35.3</td>
<td>(10.3)</td>
<td>-29%</td>
</tr>
<tr>
<td>Earnings per share¹</td>
<td>0.42</td>
<td>0.79</td>
<td>(0.37)</td>
<td>-47%</td>
<td>0.59</td>
<td>(0.17)</td>
<td>-29%</td>
</tr>
</tbody>
</table>

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 1Q 2020 operating income, net earnings attributable to Kirby, and earnings per share exclude the following one-time items:

- 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; and
- Income tax benefit related to 2018 and 2019 net operating loss carrybacks under the U.S. Coronavirus Aid, Relief, and Economic Security ("CARES") Act of $50.8 million or $0.85 per share
Marine Transportation Overview

Overall
- Barge markets significantly impacted by COVID-19
- Refinery utilization in the high 60% to mid-70% range
- Chemical plant utilization declined to ~70%
- Significant cost reductions contributed to improved operating margins

Inland
- Sharp decline in barge utilization from the low 90% range to the mid-70% range by the end of June
- Delay days sequentially improved 37%
- Competitive spot market
- Term contract pricing was stable

Coastal
- Significant decline in spot market activity
- Barge utilization declined from the low 80% range to the low 70% range by the end of June
- Pricing was stable during the quarter
Distribution & Services Overview

Overall
- Activity significantly impacted by low commodity prices, reduced economic activity, and stay-at-home orders
- Aggressive cost reductions implemented – expect to be fully realized in the third quarter
- Severance of $0.02 per share

Oil and Gas
- Oil and gas activity dramatically declines
  - U.S. rig count down 50%
  - Frac activity down ~80%
- Minimal demand for pressure pumping equipment, parts and service
- Large customer files bankruptcy resulting in $0.04 per share of bad debt expense

Commercial and Industrial
- Significant activity reductions in on-highway and power generation
- Marine repair and Thermo King refrigeration activity declined, but activity remained solid
2Q 2020 Financial Summary

<table>
<thead>
<tr>
<th>$ millions</th>
<th>2Q 2020</th>
<th>2Q 2019</th>
<th>Variance</th>
<th>%</th>
<th>1Q 2020</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$ 381.0</td>
<td>$ 404.3</td>
<td>$ (23.3)</td>
<td>-6%</td>
<td>$ 403.3</td>
<td>$ (22.3)</td>
<td>-6%</td>
</tr>
<tr>
<td>Operating income</td>
<td>51.4</td>
<td>53.2</td>
<td>(1.8)</td>
<td>-3%</td>
<td>50.7</td>
<td>0.7</td>
<td>1%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>13.5%</td>
<td>13.2%</td>
<td>0.3%</td>
<td></td>
<td>12.6%</td>
<td>0.9%</td>
<td></td>
</tr>
</tbody>
</table>

**Inland**
- Contributed 80% of marine transportation revenues with average barge utilization in the mid-80% range
- Term contracts represented ~65% of revenue with ~68% attributed to time charters
- Term contracts stable
- Spot market rates declined approximately 5% to 10% sequentially and year-on-year
- Operating margin in the mid-to high teens

**Coastal**
- Contributed 20% 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 and spot market rates stable
- Breakeven operating margin
## Barge Construction and Retirements

### 2Q 2020 Update and FY 2020 Outlook

#### Inland

<table>
<thead>
<tr>
<th></th>
<th>2Q 2020</th>
<th>FY 2020 (Estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Barges</td>
<td>Barrels</td>
</tr>
<tr>
<td>Beginning of period</td>
<td>1,065</td>
<td>23.7</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savage Inland Marine</td>
<td>92</td>
<td>2.5</td>
</tr>
<tr>
<td>Reactivations</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchases</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Reductions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirements</td>
<td>(25)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Sold / Charters returned</td>
<td>(2)</td>
<td>-</td>
</tr>
<tr>
<td>End of period</td>
<td>1,131</td>
<td>25.6</td>
</tr>
</tbody>
</table>

#### Coastal

<table>
<thead>
<tr>
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<th>2Q 2020</th>
<th>FY 2020 (Estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Barges</td>
<td>Barrels</td>
</tr>
<tr>
<td>Beginning of period</td>
<td>49</td>
<td>4.7</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reductions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirements</td>
<td>(2)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Charters returned</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>End of period</td>
<td>47</td>
<td>4.5</td>
</tr>
</tbody>
</table>
## Distribution & Services

### 2Q 2020 Financial Summary

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<tr>
<th></th>
<th>$ millions</th>
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<th>2Q 2019</th>
<th>Variance</th>
<th>%</th>
<th>1Q 2020</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$ 160.2</td>
<td>$ 366.8</td>
<td>$ (206.6)</td>
<td>-56%</td>
<td>$ 240.7</td>
<td>$ (80.5)</td>
<td>-33%</td>
<td></td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(14.1)</td>
<td>23.1</td>
<td>(37.2)</td>
<td>-161%</td>
<td>3.7</td>
<td>(17.8)</td>
<td>-481%</td>
<td></td>
</tr>
<tr>
<td>Operating margin</td>
<td>-8.8%</td>
<td>6.3%</td>
<td>-15.1%</td>
<td></td>
<td>1.5%</td>
<td>-10.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Oil and gas
- Results declined due to low oil prices, significant reductions in rig counts, and limited fracturing activity
- Represented ~19% of segment revenue
- Negative operating margins with results impacted by $3.3 million of bad debt expense related to a large customer’s bankruptcy and $1.4 million of severance

### Commercial and industrial
- Significant reductions in equipment, parts, and service demand in on-highway and power generation
- Solid demand in the marine repair business, but results down due to lower overhauls and engine sales
- Represented ~81% of segment revenue
- Operating margin in the low single digits
Balance Sheet and Liquidity

Strong Liquidity and Free Cash Flow Position

- Second quarter results:
  - $170.6 million of net cash provided by operating activities
  - $43.6 million of capital expenditures
  - $59.7 million reduction in total debt
- $279 million of cash used to purchase Savage Inland Marine’s assets in April
- 2020 capital expenditures expected to be ~$150 million, a reduction of ~40% year-on-year
- No debt maturities until 2023 and significant room available under debt covenants

Free cash flow* generation of $250 to $350 million expected in 2020

* Free cash flow is defined as net cash provided by operating activities less capital expenditures
Activity appears to have bottomed, but timing of a full recovery remains uncertain

- Inland
  - Barge utilization appears to have stabilized and bottomed as refinery and chemical plant activity has improved; however, a material recovery is not expected until general economic activity rebounds
  - Third quarter average barge utilization expected to be sequentially lower
  - Spot market pricing likely to remain under pressure in the near-term
  - Cost control will remain a key focus
  - Revenues and operating income expected to sequentially decline in the third quarter

- Coastal
  - Long-term contracts have minimal renewal exposure for the remainder of the year
  - Third quarter expected to benefit from reduced shipyard maintenance
  - Revenues and operating income expected to modestly improve sequentially in the third quarter
Oil and gas
- Activity will be extremely challenged through 2020 despite incremental frac activity
- Unutilized pressure pumping capacity across the industry will limit a material recovery in new construction, maintenance, and parts
- Expect only slight activity improvements in the coming quarters

Commercial and industrial
- Positive activity trends materializing in the on-highway and power generation sectors
- Seasonal improvements for the power generation rental fleet and Thermo King in the third quarter
- Marine repair is expected to be stable in the third quarter but seasonally decline in the fourth quarter

Expect recent cost reduction efforts to be realized in the third quarter

Third quarter operating margins expected to improve but remain below breakeven

Expect full year segment operating margins at a loss

Expected to be cash flow positive for the full year