

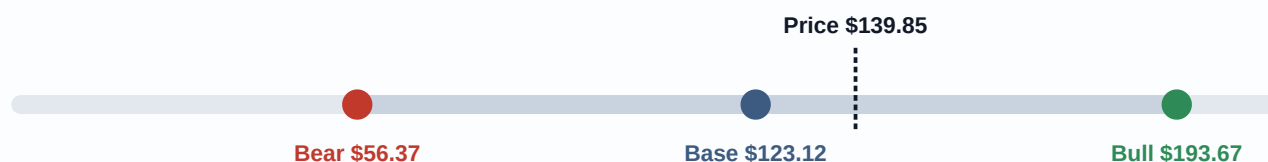
Initiated 2026-10-06 · Price \$139.85 (as of 2026-10-05 close, stockanalysis) · Mkt cap \$7.38bn · Industrials / marine shipping (inland and coastal tank barges) plus engine and power-generation distribution · Model: verified

Rating: Hold — Conviction: Low

Kirby is the dominant US inland tank-barge operator, and the cycle is good: utilization is in the low 90s, spot and term pricing are rising, and power-generation demand from data centers is lifting Distribution & Services. The stock has re-rated with it (+69% in 52 weeks, 11.0x trailing EBITDA on stockanalysis' lease-inclusive basis against 9.3x at the end of FY2025), so the price already assumes the upcycle holds and that a ~10x multiple survives it. The base path sits a little below the price and the downside if inland utilization slips back to the mid-80s is much larger than the upside, but nothing is breaking yet, so this is a Hold, not a Sell.

Conviction tests (3a-v-c): T1 fail (Hold → Sell at +1pp: base -20%; -2% at -1pp) · T2 fail (Gordon -23% reads Sell; exit-multiple -1% reads Hold) · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Kirby moves petrochemicals, black oil, refined products and agricultural chemicals by tank barge on the Mississippi system and Gulf Intracoastal Waterway (inland) and along US coasts (coastal), and it distributes and services engines, transmissions and power-generation equipment. Marine Transportation was \$1,935mm of FY2025's \$3,364mm revenue (58%) and earned a 19.3% operating margin; Distribution & Services (D&S) was \$1,429mm at 9.2%. In Q2 2026, D&S was ~40% power generation, ~50% commercial and industrial, ~10% oil and gas. Three variables drive earnings: inland barge utilization (it sets spot rates and the next round of term renewals), the fuel-cost lag before contract escalators reset, and power-generation order flow.

Competition

Inland tank barging is concentrated at the top and fragmented below. Kirby ran 1,066 of 3,817 inland tank barges in 2019 (28%), ahead of American Commercial Lines (11%), Canal Barge (8%), Hardin Street Marine (7%) and Ingram (6%); that share datapoint is seven years old, and Kirby's active fleet has since grown to 1,134 barges (Q2 2026). Every material competitor is private or captive, so pressure would show first in spot rates and term renewals when new-build barges arrive, not in share. The Jones Act, which keeps foreign vessels out, was checked against its current state: DHS has waived it for oil, gas and fertilizer coastwise moves since March 2026, now extended to 2026-11-15. That touches coastal tankers far more than inland barges. In power generation, Kirby competes with OEM dealer networks and packagers. The nearest listed comparable, Jones Act carrier Matson, trades at 13.2x forward earnings against Kirby's 18.1x.

Bull case

- 1. **The inland upcycle extends.** Utilization in the low 90s, spot rates up low-to-mid single digits sequentially and term renewals up low single digits in Q2 2026 let pricing compound for two more years, and margin climbs past FY2025's 23.2% as fuel escalators catch up. Plays out if chemical volumes hold and few new barges are delivered. *Model: seg:Marine:growth, ebitda_margin*
- 2. **Power generation becomes a growth business.** Power-gen revenue rose 8% and its operating income 27% in Q2 2026, on behind-the-meter and backup orders for data centers. D&S grows at a double-digit rate in 2027–28. Plays out if data-center construction keeps its pace. *Model: seg:DS:growth*
- 3. **The market keeps paying a mid-cycle-plus multiple.** More contracted, less cyclical earnings hold the multiple near 12x EBITDA instead of drifting toward the historical average. *Model: exit_ev_ebitda*

Bear case

- 1. **Inland utilization rolls over.** It averaged the mid-to-high 80s only three quarters ago (Q4 2025). A softer chemical cycle sends it back there, spot rates fall and term renewals reprice lower, and margin returns toward FY2023's 18.0%, at a trough multiple. Plays out if Gulf Coast petrochemical output slows. *Model: seg:Marine:growth, ebitda_margin, exit_ev_ebitda*
- 2. **Costs and reinvestment catch up.** Fuel ran \$4.23/gal in Q2 2026 against \$2.35 a year earlier and cut the marine margin to 16.4% from 20.1%. Capex guided at \$220–260mm is below D&A (\$264mm in FY2025), and replacement barges cost more than the ones they replace. *Model: ebitda_margin, capex_pct_rev*
- 3. **The data-center order book stalls.** Power generation is ~40% of D&S; an order air-pocket would reverse the segment's growth while oil and gas (~17% y/y in Q2) stays weak. *Model: seg:DS:growth*
- 4. **Jones Act erosion.** If the coastwise waiver is extended again or made permanent, coastal pricing weakens. *Model: not in the value range — coastal is a minority of marine revenue and the waiver's lasting effect isn't quantifiable from retrieved data.*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (mkt cap – cash + funded debt + NCI; FY2025 EBITDA, ex-leases)	10.7x	—	—	model; FY2025 release; Q2 10-Q
EV/EBITDA trailing (stockanalysis, lease-inclusive)	11.0x	9.3–12.8x (FY2022–25 year-ends)	MATX 11.1x · GATX 15.0x (lessor; EV carries fleet debt) · GNRC 21.8x	stockanalysis, 2026-10-05
Forward P/E (stockanalysis consensus)	18.1x	trailing 16.9–31.5x (FY2022–25)	MATX 13.2x · GATX 16.7x · GNRC 20.8x	stockanalysis, 2026-10-05
FCF yield (stockanalysis, TTM)	6.5%	3.0–6.8% (FY2022–25)	MATX 1.6% · GATX negative (fleet capex) · GNRC 3.0%	stockanalysis, 2026-10-05

Model-implied value range (from `model-summary.json` ; generic segment module, DCF (Gordon) and DCF (exit multiple), midpoints): Bear \$56.37 · Base \$123.12 · Bull \$193.67 per share, i.e. implied returns of –60% / –12% / +38% vs \$139.85. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits above Base and below Bull: the market is paying for roughly the bull case's margin path at today's multiple. Re-rating: the Base exit of 10.0x is a 7% de-rating from today's 10.7x model-basis multiple. Gordon (\$107.71) sits 22% below exit (\$138.53), so the Gordon method embeds a lower implied terminal multiple; the exit method alone puts value at about today's price. No tail sensitivity was run: no customer, product or contract reaches 50% of revenue, and the bear case is a cyclical break, not a plateau.

Balance sheet: net leverage 1.28x and coverage 18.3x (FY2025 EBITDA against 2026-06-30 debt of \$1,041mm and cash of \$39mm). Liquidity \$565.9mm, \$515mm of it undrawn revolver (matures 2031-03). Nearest material maturity: \$500mm of 4.2% senior notes due 2028-03. Ratings: n/a (unverified); none retrieved this session dated after 2018.

Model note: verified (LibreOffice matched all 3,531 formula cells). Unverified inputs: none. Assumptions without basis: none. No scenario consistency CHECKs. EBITDA is Kirby's reported EBITDA (FY2021 adds back \$340.7mm of impairments). NWC is current assets minus cash minus current liabilities; the small current portion of debt (\$7.4mm at FY2025) isn't stripped out. Shares are the 52.8mm on the 10-Q cover (2026-08-04), below Q2's 53.7mm weighted diluted count. Base Y1 EPS of \$7.07 is 1.6% above the \$6.96 midpoint of 2026 guidance (+5–15% on \$6.33), in line with management's "upper end" steer. Base Y2 is \$8.37. WACC 9.45% is CAPM at a 5.31% 10Y and a judgment beta of 1.0 against the reported 0.84.

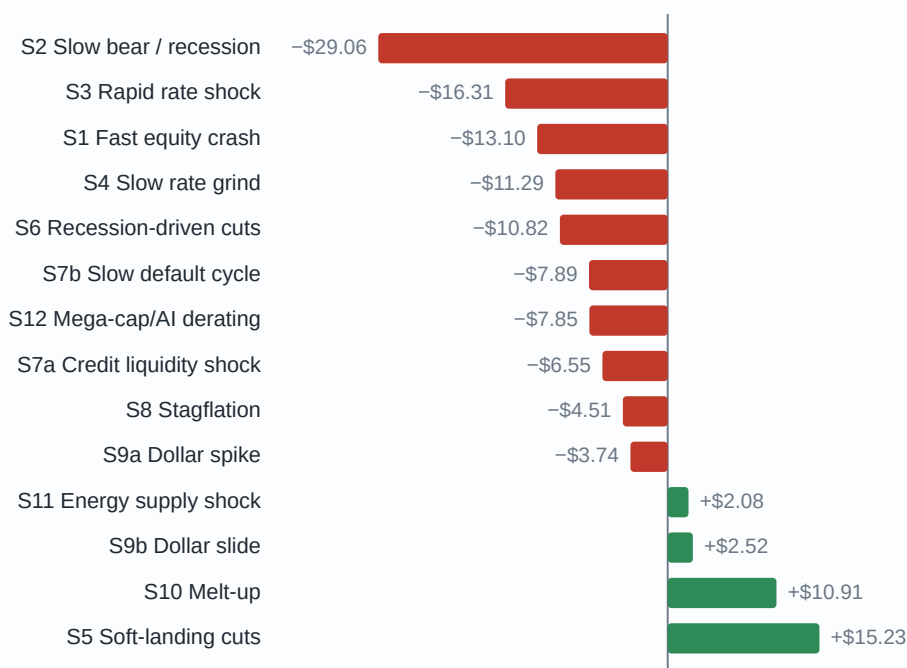
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	De-rating with no change to barge demand	Med	–\$13.10
S2 Slow bear / recession	–	Petrochemical volumes fall, utilization and spot rates drop, D&S C&I and oil & gas fall. Milder than Base – Bear (\$66.75) because it is a two-year hit, not a permanent margin reset at a trough multiple	High	–\$29.06
S3 Rapid rate shock	–	Higher discount rate on a long-lived fleet; floating revolver reprices	Med	–\$16.31
S4 Slow rate grind	–	Grinding financing cost, slower industrial activity	Med	–\$11.29
S5 Soft-landing cuts	+	Cheaper money, steady chemical demand	Med	+\$15.23
S6 Recession-driven cuts	–	Volume and pricing loss outweighs lower rates	Med	–\$10.82
S7a Credit liquidity shock	–	Modest leverage; sentiment-only de-rating	Med	–\$6.55
S7b Slow default cycle	–	Stress at smaller chemical and oil & gas customers	Med	–\$7.89
S8 Stagflation	–	Fuel and labor costs reset faster than term contracts; escalators lag	Low	–\$4.51
S9a Dollar spike	–	Gulf Coast petrochemical exports less competitive, fewer barge moves	Low	–\$3.74
S9b Dollar slide	+	Export-led volume tailwind	Low	+\$2.52
S10 Melt-up	+	Multiple expansion	Med	+\$10.91
S11 Energy supply shock	±	Fuel spike compresses inland margin until escalators reset (seen in Q2 2026); refined-product demand and surcharges lift revenue	Low	+\$2.08
S12 Mega-cap/AI derating	–	Data-center capex pullback slows power-gen orders and removes the AI-adjacent premium	Med	–\$7.85

Currently active/on watch per the playbook: S3 partially active; S8, S10, S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: the price falls toward the base range while inland utilization holds in the low 90s and term renewals keep rising, or D&S shows power-gen growth sustained above ~15% with margins moving into double digits. **Downgrades if:** inland utilization drops into the 80s for a full quarter, term renewals turn negative, or marine margin fails to recover above ~18% in Q3 2026 as escalators reset.

Watch items

- **W1:** Inland marine operating margin rebounds as fuel escalators reset — back into the high-teens or better — Q3 2026 release — 2026-10-28 — *Model: ebitda_margin*
- **W2:** Inland utilization and pricing — stays in the low-90% range with term renewals up — Q3 2026 release and call — 2026-10-28 — *Model: seg:Marine:growth*
- **W3:** Power-generation revenue growth and order commentary — growth ≥ high-single-digit y/y — Q3 2026 release — 2026-10-28 — *Model: seg:DS:growth*
- **W4:** Jones Act coastwise waiver — lapses on 2026-11-15 rather than extended — DHS/CBP notice — 2026-11-15 — *Model: none*

Sources

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.