



## Bull Takes a Shot in Kirby Bottoming

Ticker/Price: KEX (\$75.35)

### Analysis:

**Kirby (KEX)** with an unusual trade on 2/5 as 1500 March \$75 calls bought to open up to \$2.95, a name that still has 2500 February \$85 and \$80 puts in open interest. KEX reported results on 1/30 missing expectations and guiding FY20 below the consensus citing significant uncertainty in oil & gas as well as manufacturing activity. On the selling pressure post-earnings KEX shares have moved to four year trend support and trying to hold above August 2019 lows near \$70. The \$4.55B operator of tank barges trades 17.85X Earnings, 11X EV/EBITDA, and with a 6.9% FCF yield. Forecasts currently see 7% EBITDA growth in 2020 and 11.5% growth in 2021. KEX operates in two segments, Marine Transportation with is 54% of Revenues and Distribution/Services which is 46%, the latter making oilfield service equipment and providing rental equipment in various industrial markets. The U.S. barge industry serves the inland waterways, U.S. coastal ports, Alaska and Hawaii. Kirby is principally in the liquid cargo transportation business with Petrochemicals and Chemicals 54%, Black Oil 23%, and Refined Petroleum 19%. It sees the US Ethylene capacity additions as a positive growth driver and Petrochemical production in the US with an 11.5% CAGR through 2022. Kirby is one of the largest distribution and services providers to the land-based oil services market, the leading provider of non-captive manufacturing and remanufacturing of oilfield equipment used in the hydraulic fracturing of shale formations. Analysts have an average target of \$85.50 on shares and short interest is elevated at 6.8% of the float but near a three-year low. Jefferies cut shares to Hold last week on underwhelming 2020 guidance, an \$85 target, noting D&S business remains weak due to ongoing equipment cannibalization and lack of new orders while the outlook for the marine business is slightly more subdued than previous expectations. BAML also cut to Neutral with an \$84 target, and sees KEX rebuilding a base-line the next few months and returning to growth in FY21. Stifel also cut to Hold but did note the potential KEX makes another material acquisition in the marine segment to drive shares higher. KEX announced a deal for Savage for \$278M last week, an inland tank barge fleet. Hedge Fund ownership was down 4.2% in Q3 filings, Samlyn Capital adding to a position while top concentrated holders include Atlanta Capital, Diamond Hill, King Luther, and Slate Path.

### Hawk Vision:



**Hawk's Perspective:** KEX was an interesting name to research and has some attractive qualities, but its exposure to Energy makes it quite risky in the current environment and a tough name to trust.

**Confidence Ranking:** \$\$