



Second Quarter Fiscal 2019

October 31, 2018 8:00 am CDT



Forward-Looking Statements



This presentation contains statements, including information about future financial performance and market conditions, accompanied by phrases such as “believes,” “estimates,” “expects,” “plans,” “anticipates,” “intends,” and other similar “forward-looking” statements, as defined in the Private Securities Litigation Reform Act of 1995. Modine's actual results, performance or achievements may differ materially from those expressed or implied in these statements because of certain risks and uncertainties, including, but not limited to those described under “Risk Factors” in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended March 31, 2018 and under Forward-Looking Statements in Item 7 of Part II of that same report, and in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018. Other risks and uncertainties include, but are not limited to, the following: Modine's ability to realize the anticipated synergies associated with the Luvata HTS acquisition and to achieve projected cash flows sufficient to maintain a desirable leverage ratio; the overall health and price-down focus of Modine's customers; uncertainties regarding the costs and benefits of Modine's restructuring activities; operational inefficiencies as a result of program launches, unexpected volume increases and product transfers; economic, social and political conditions, changes and challenges in the markets where Modine operates and competes, including foreign currency exchange rate fluctuations (particularly the value of the euro, Brazilian real and British pound relative to the U.S. dollar), tariffs, inflation, changes in interest rates, recession, restrictions associated with importing and exporting and foreign ownership, and the general uncertainties about the impact of regulatory and/or policy changes, including those related to tax and trade, that have been or may be implemented in the U.S. or by its trade partners, and continuing uncertainty regarding “Brexit”; the impact on Modine of any significant increases in commodity prices, particularly aluminum, copper, steel and stainless steel (nickel), and our ability to pass increasing prices on to customers; Modine's ability to successfully execute its strategic and operational plans; the nature of and Modine's significant exposure to the vehicular industry and the dependence of this industry on the health of the economy; the concentration of sales within our CIS segment attributed to one customer; Modine's ability to recruit and maintain managerial and leadership talent; Modine's ability to protect its proprietary information and intellectual property from theft or attack; the impact of any substantial disruption or material breach of our information technology systems; costs and other effects of environmental investigation, remediation or litigation; and other risks and uncertainties identified by the Company in public filings with the U.S. Securities and Exchange Commission. The Company does not assume any obligation to update any forward-looking statements.

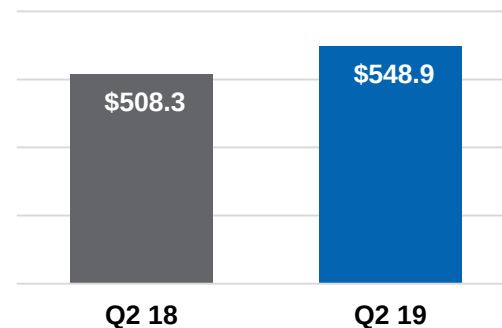
Q2 FY 2019 Highlights



- Record second quarter sales, increased 10% on a constant currency basis
- Significant sales and earnings growth in the CIS segment
- VTS segment margins impacted by cost pressures from higher material costs and operational inefficiencies
- Planning for another record year, with solid sales and earnings growth
- Board of Directors approved a two-year, \$50 million share repurchase program

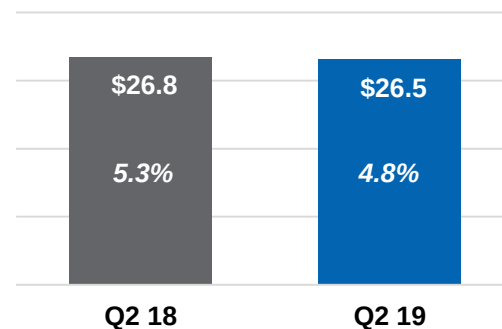
Net Sales

+8%



Adjusted Operating Income

-1%



(in millions)



Vehicular Thermal Solutions

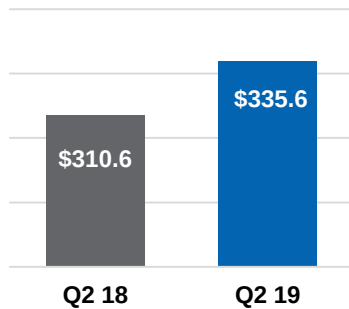


VTS Summary



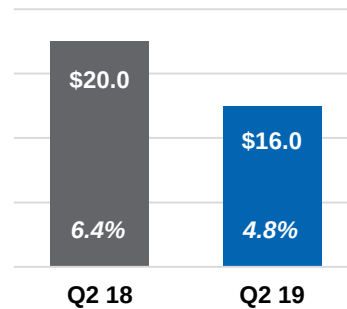
Net Sales

+8%



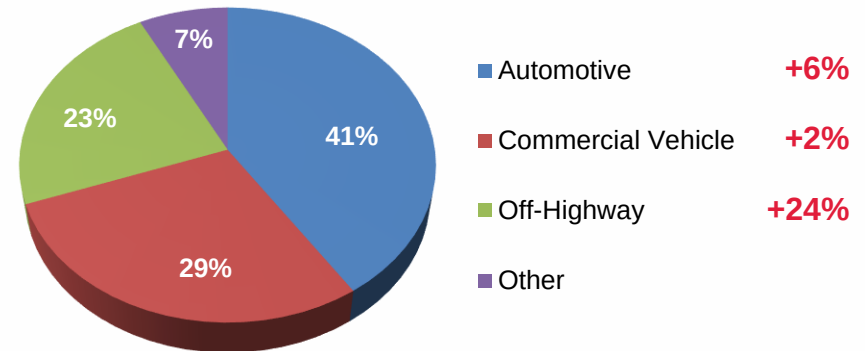
Adjusted Operating Income

-20%

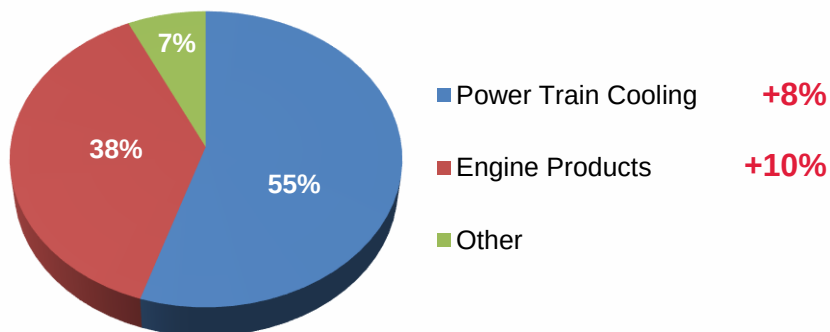


(in millions)

Sales by End Market

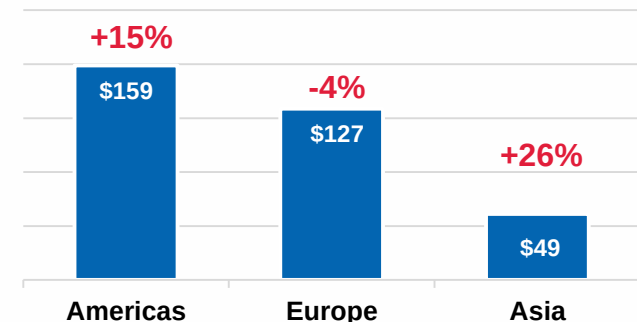


Sales by Product



* See Appendix for Non-GAAP reconciliations

Sales by Region



(in millions)



Commercial & Industrial Solutions

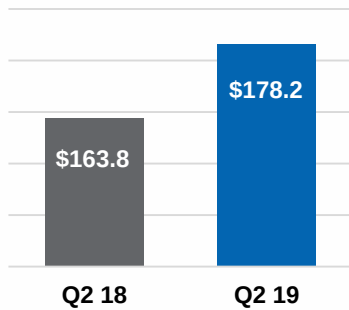


CIS Summary



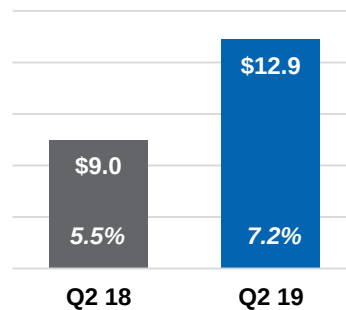
Net Sales

+9%



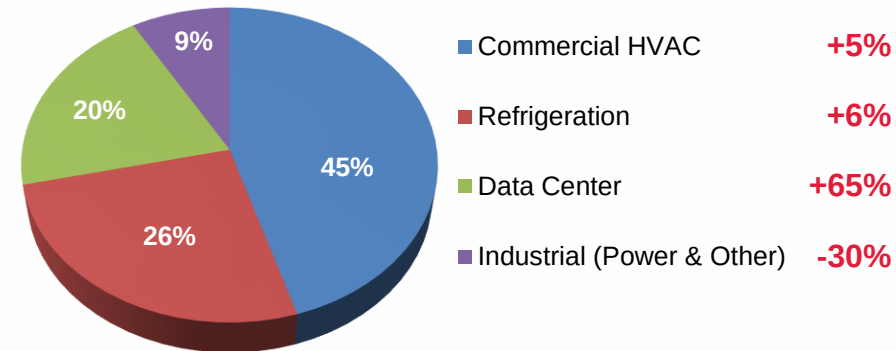
Operating Income

+43%

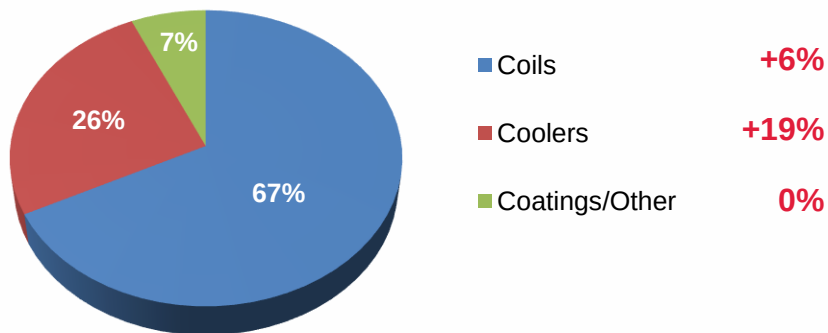


(in millions)

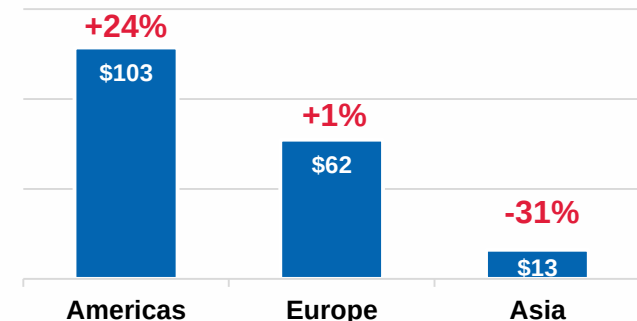
Sales by End Market



Sales by Product



Sales by Region



(in millions)



Building HVAC Systems

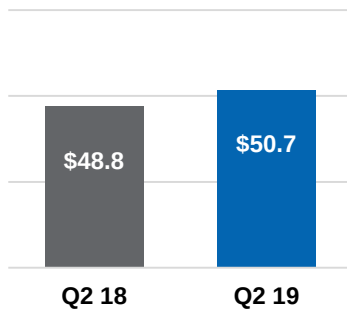


BHVAC Summary



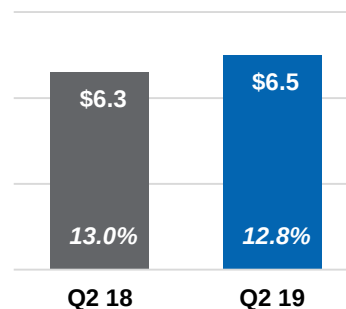
Net Sales

+4%



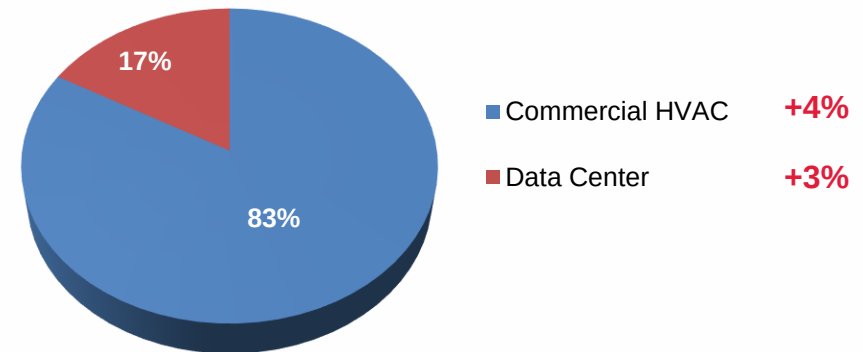
Adjusted Operating Income

+3%

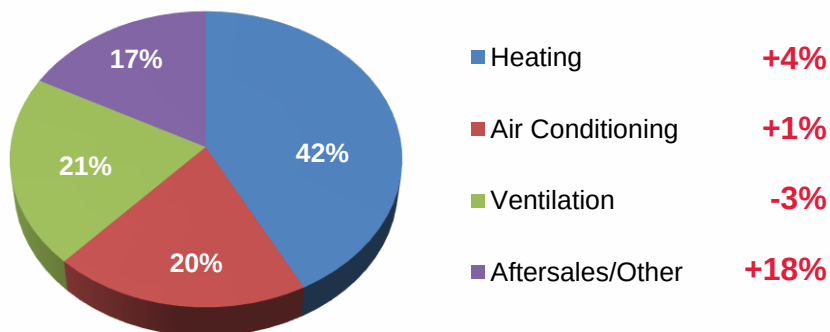


(in millions)

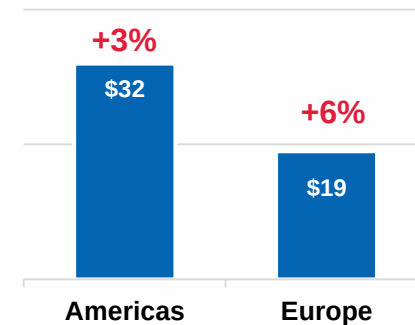
Sales by End Market



Sales by Product



Sales by Region



(in millions)

* See Appendix for Non-GAAP reconciliations

Select Income Statement Items



Sales increased \$40.6M or 8%

- On a constant currency basis, sales were up 10%

Gross profit increased 2%; margin negatively impacted by the VTS segment

- Higher material costs and production inefficiencies in our VTS segment
- Tightly managing SG&A; while leveraging the topline growth

Adjusted operating income down \$0.3M or 1%

Recorded significant tax benefits in Q2

- Related to tax reform and foreign tax credits
- Excluded from the Adjusted EPS calculation

(In millions)	Q2 2019	Q2 2018
Net Sales	\$548.9	\$508.3
Gross Profit	87.9	86.1
<i>Margin</i>	16.0%	17.0%
SG&A expenses	63.4	62.2
<i>% of net sales</i>	11.5%	12.2%
Adjusted Op Income*	26.5	26.8
<i>Margin</i>	4.8%	5.3%
Interest Expense	6.5	6.6
Benefit for Income Taxes	22.9	0.5
Adjusted Tax Rate*	5%	4%
Adjusted EPS*	\$0.35	\$0.36

* See Appendix for the full GAAP income statement and Non-GAAP reconciliations

Cash Flow & Net Debt



Significant improvement in Q2

- YTD remains below the prior year due to a soft start in Q1
- Higher sales volume resulting in increased working capital, offsetting improved cash earnings
- Expect full-year cash flow to be in-line with the prior year

Leverage remains within target range of 1.5 to 2.5 net debt to Adjusted EBITDA

Board of Directors authorized share repurchase program

- Plan to balance repurchases with investments in diversification and growth
- Committed to keeping leverage within our target range

(In millions)	Q2 YTD 2019	Q2 YTD 2018
Operating cash flow	\$36.7	\$72.8
Capital expenditures	(37.9)	(36.8)
Free cash flow	(\$1.2)	\$36.0

(In millions)	9/30/18	3/31/18
Cash	\$35.8	\$39.3
Total debt	479.9	479.4
Net debt	\$444.1	\$440.1
Leverage Ratio	2.4x	2.4x

Fiscal 2019 Guidance



(In millions)	Guidance	Comments
Net sales	\$2,166 to \$2,271	+3% to +8% growth across most end-markets; Low single-digit organic growth, impacted by the wind-down of multiple truck programs
Adjusted operating income*	\$130 to \$140	+8% to +17% (+30 to +50bps); Reflects materials cost increases year-over-year
Adjusted EPS*	\$1.50 to \$1.65	\$24M of annual interest expense; Assumes current foreign exchange rates; Significant changes to income tax expense

Adjusting fiscal 2019 guidance by lowering adjusted operating income, while holding sales and Adjusted EPS

- Anticipating ongoing revenue growth from global off-highway and targeted industrial markets
- Lowering adjusted operating income guidance based on the Q2 operations issues and further materials cost increases
- Expecting stronger second half due to VTS operational improvements and seasonal BHVAC sales
- Holding adjusted EPS due to favorable tax assumptions

* See Appendix for Non-GAAP reconciliations

Q2 FY 2019 Conclusion



- Executing on Modine's Strengthen, Diversify and Grow strategy
- Focusing on organic growth drivers across all segments
 - Electrification of specialty vehicles, trucks, buses and off-highway equipment
 - Global expansion of data centers and thermal management needs
 - Energy efficiency and indoor industrial growing
- Inorganic growth focused on CIS and Building HVAC opportunities
- Plans in place to improve returns on VTS business
 - Operational improvements are gaining momentum
 - Leveraging strong commercial vehicle, off-highway and automotive engine positions
 - Evaluating approximately \$200M of underperforming automotive business



Appendix



Q2 GAAP Income Statement



(In millions, except per share amounts)

	Q2 2019	Q2 2018	Better (Worse)
Net sales	\$ 548.9	\$ 508.3	\$ 40.6
Cost of sales	461.0	422.2	(38.8)
Gross profit	87.9	86.1	1.8
SG&A expenses	63.4	62.2	(1.2)
Restructuring expenses	-	0.4	0.4
Loss on sale of assets	1.7	-	(1.7)
Operating income	22.8	23.5	(0.7)
Interest expense	(6.5)	(6.6)	0.1
Other expense - net	(0.5)	(1.1)	0.6
Earnings before income taxes	15.8	15.8	-
Benefit for income taxes	22.9	0.5	22.4
Net earnings	38.7	16.3	22.4
Net earnings attributable to noncontrolling interest	(0.2)	(0.4)	0.2
Net earnings attributable to Modine	\$ 38.5	\$ 15.9	\$ 22.6
Net earnings per share - diluted	\$ 0.75	\$ 0.31	\$ 0.44

Non-GAAP Reconciliations



Modine Manufacturing Company

Adjusted financial results (unaudited)

(In millions, except per share amounts)

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	2018	2017
Operating income	\$ 22.8	\$ 23.5	\$ 57.6	\$ 51.1
Environmental charges ^(a)	1.9	0.7	2.8	0.9
Loss on sale of assets ^(b)	1.7	-	1.7	-
Restructuring expenses ^(c)	-	0.4	0.2	2.1
Acquisition and integration costs ^(d)	0.1	1.2	0.2	2.7
Strategy consulting fees ^(e)	-	1.0	-	1.6
Adjusted operating income	\$ 26.5	\$ 26.8	\$ 62.5	\$ 58.4
Net earnings per share attributable to Modine shareholders - diluted	\$ 0.75	\$ 0.31	\$ 1.18	\$ 0.65
Environmental charges ^(a)	0.03	0.01	0.04	0.01
Loss on sale of assets ^(b)	0.03	-	0.03	-
Restructuring expenses ^(c)	-	0.01	-	0.03
Acquisition and integration costs ^(d)	-	0.02	-	0.04
Strategy consulting fees ^(e)	-	0.01	-	0.02
U.S. tax reform ^(f)	(0.47)	-	(0.47)	-
Tax valuation allowances ^(g)	0.02	-	(0.02)	-
Adjusted earnings per share	\$ 0.35	\$ 0.36	\$ 0.76	\$ 0.75

^(a) Environmental charges, including related legal costs, are recorded as SG&A expenses and relate to previously-owned U.S. manufacturing facilities in the Vehicular Thermal Solutions segment.

^(b) The Building HVAC Systems segment sold its operations in South Africa and, as a result, recorded a loss of \$1.7 million. Annual sales for this disposed business were less than \$2.0 million. There was no tax benefit associated with this transaction based upon the capital loss tax treatment in the applicable jurisdiction.

^(c) Restructuring expenses primarily relate to equipment transfer and plant consolidation costs and employee severance expenses.

^(d) These costs, recorded as SG&A expenses at Corporate, relate to the Company's acquisition and integration of the Luvata Heat Transfer Solutions business, which the Company operates as its Commercial and Industrial Solutions segment. The tax benefit related to acquisition and integration costs for the six months ended September 30, 2017 was \$1.0 million.

^(e) During the first six months of fiscal 2018, the Company recorded \$1.6 million of third party strategy advisory fees as SG&A expenses at Corporate.

^(f) During the second quarter of fiscal 2019, the Company recorded income tax benefits totaling \$24.4 million, which were primarily related to transition tax obligations associated with tax reform legislation in the U.S. that was enacted in December 2017 and the recognition of tax assets for foreign tax credits.

^(g) During fiscal 2019, the Company adjusted its valuation allowances on deferred tax assets related to two separate subsidiaries in China. As a result, the Company recorded a \$2.0 million income tax benefit in the first quarter of fiscal 2019 and an income tax charge of \$1.0 million in the second quarter of fiscal 2019.

Non-GAAP Reconciliations



Segment adjusted operating income and margin

(In millions)

Three months ended September 30,

Vehicular Thermal Solutions

	2018	2017
Operating income	\$ 14.1	\$ 18.9
Environmental charges	1.9	0.7
Restructuring expenses	-	0.4
Adjusted operating income	\$ 16.0	\$ 20.0
Net sales	\$ 335.6	\$ 310.6
Adjusted operating margin	4.8%	6.4%

Three months ended September 30,

Building HVAC Systems

	2018	2017
Operating income	\$ 4.8	\$ 6.3
Loss on sale of assets	1.7	-
Adjusted operating income	\$ 6.5	\$ 6.3
Net sales	\$ 50.7	\$ 48.8
Adjusted operating margin	12.8%	13.0%

Non-GAAP Reconciliations



Adjusted tax rate

(In millions)

Three months ended September 30,

	<u>2018</u>	<u>2017</u>
Earnings before income taxes	\$ 15.8	\$ 15.8
Environmental charges ^(a)	1.9	0.7
Loss on sale of assets ^(a)	1.7	-
Restructuring expenses ^(a)	-	0.4
Acquisition and integration costs ^(a)	0.1	1.2
Strategy consulting fees ^(a)	-	1.0
Adjusted earnings before income taxes	<u>\$ 19.5</u>	<u>\$ 19.1</u>
Benefit for income taxes	\$ (22.9)	\$ (0.5)
Taxes on adjustments above	0.5	1.2
U.S. tax reform ^(a)	24.4	-
Tax valuation allowance ^(a)	(1.0)	-
Adjusted provision for income taxes	<u>\$ 1.0</u>	<u>\$ 0.7</u>
GAAP tax rate	-145%	-3%
Adjusted tax rate	5%	4%

^(a) See the adjusted financial results on page 16 for additional information regarding these adjustments.

Non-GAAP Reconciliations



Net sales - constant currency (unaudited)

(In millions)

Three months ended September 30,				
2018			2017	
	Net Sales	Effect of Exchange Rate Changes	Net Sales - Constant Currency	Net Sales
Vehicular Thermal Solutions	\$ 335.6	\$ 6.7	\$ 342.3	\$ 310.6
Commercial and Industrial Solutions	178.2	1.5	179.7	163.8
Building HVAC Systems	50.7	0.1	50.8	48.8
Segment total	564.5	8.3	572.8	523.2
Corporate and eliminations	(15.6)	-	(15.6)	(14.9)
Net sales	\$ 548.9	\$ 8.3	\$ 557.2	\$ 508.3

Non-GAAP Reconciliations



Our fiscal 2019 guidance includes adjusted operating income and adjusted earnings per share. These are non-GAAP measures, which exclude certain cash and non-cash charges or gains. These charges and gains may be significant and include items such as restructuring expenses (including severance costs and plant consolidation and relocation expenses), acquisition and integration costs, impairment charges and certain other items. These adjustments for the first six months of fiscal 2019 are presented on slide 16 of this presentation. Estimates of these adjustments for the remainder of fiscal 2019 are not available due to the low visibility and unpredictability of these items.