



Third Quarter Fiscal 2019

February 1, 2019 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 Reports on Form 10-Q for the quarters ended June 30, 2018 and September 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; the outcome of our evaluation of strategic alternatives for our automotive business within our VTS segment; 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 talent in managerial, leadership, and administrative functions; 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. Forward-looking statements are as of the date of this presentation, and the Company does not assume any obligation to update any forward-looking statements.

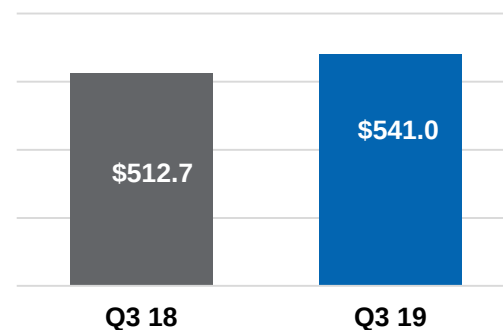
Q3 FY 2019 Highlights



- Third quarter sales increased 8% on a constant currency basis
- Sales growth in each segment led by the off-highway, data center and commercial HVAC markets
- Adjusted operating income up 29%, with strong performances from CIS and BHVAC segments
- Gross margin in VTS segment was negatively impacted by tariffs and tariff-related cost increases

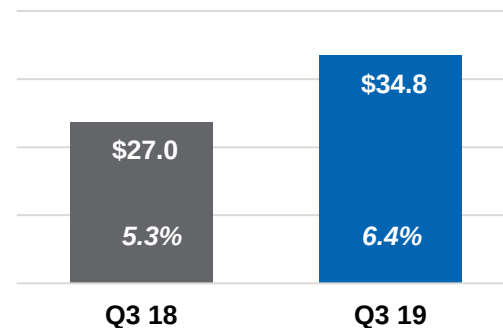
Net Sales

+6%



Adjusted Operating Income

+29%



(in millions)

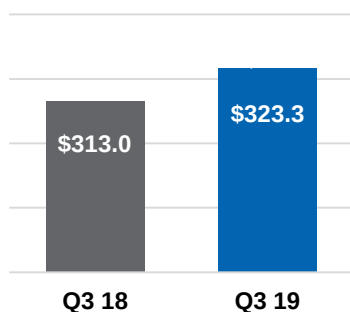


VTS Summary



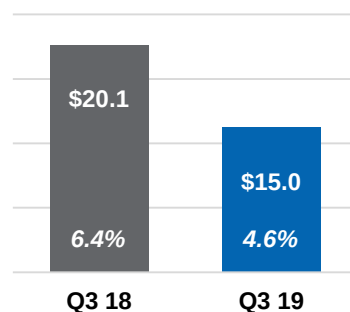
Net Sales

+3%



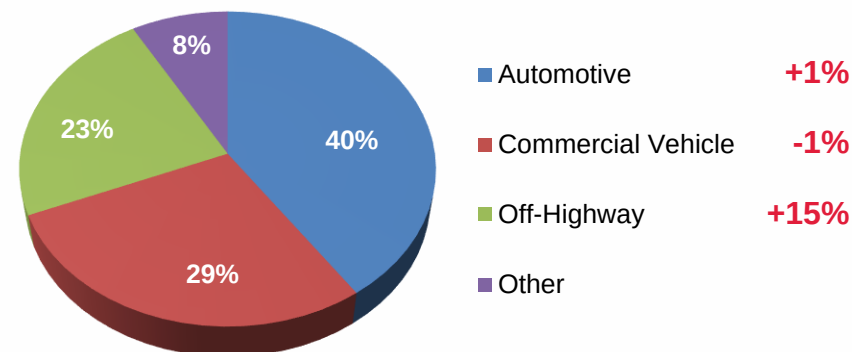
Adjusted Operating Income

-25%

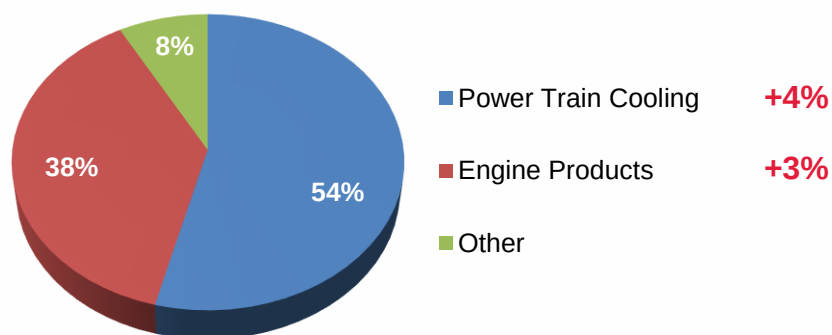


(in millions)

Sales by End Market

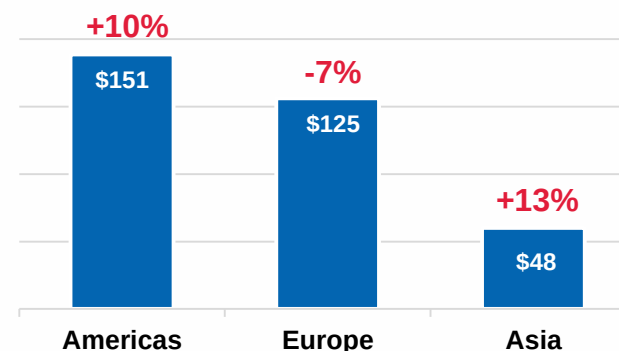


Sales by Product



* See Appendix for Non-GAAP reconciliations

Sales by Region



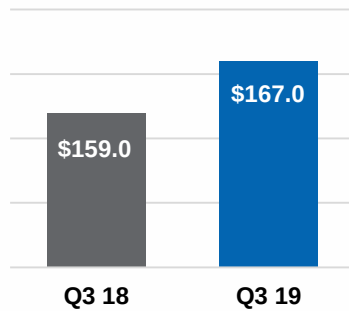
(in millions)

CIS Summary



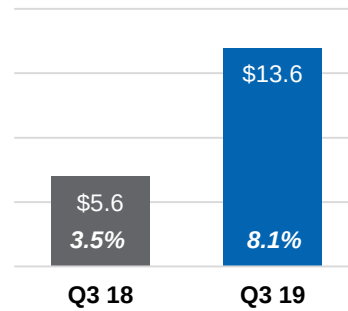
Net Sales

+5%



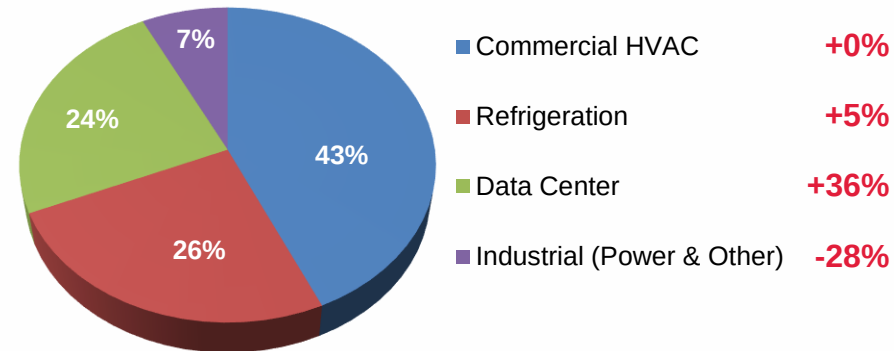
Adjusted Operating Income

+143%

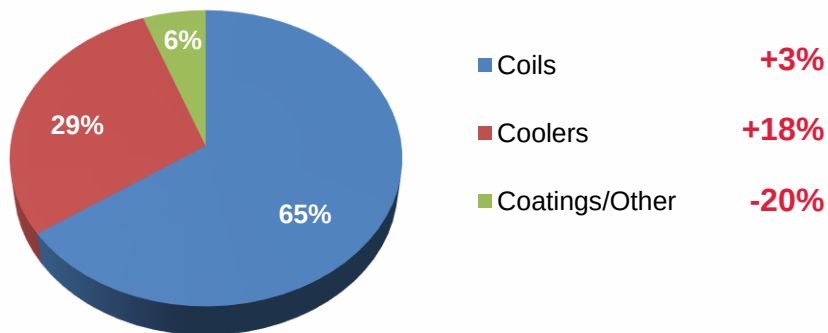


(in millions)

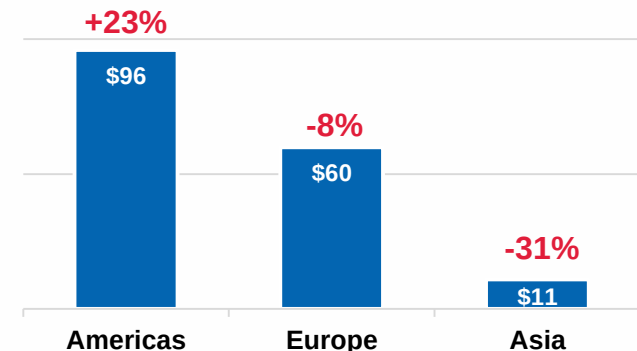
Sales by End Market



Sales by Product



Sales by Region



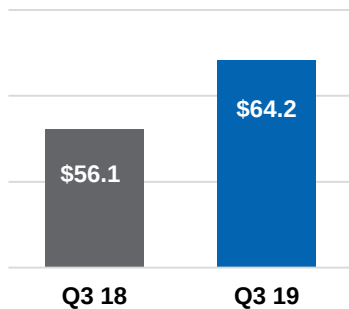
(in millions)

BHVAC Summary



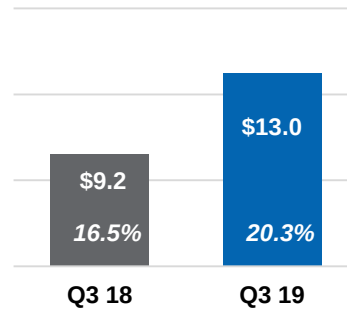
Net Sales

+14%



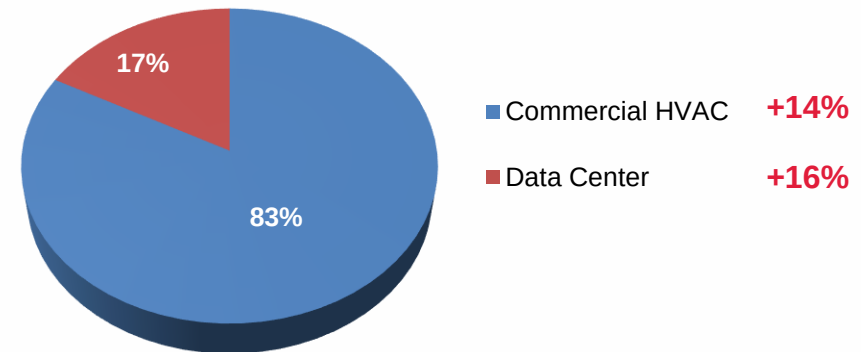
Operating Income

+41%

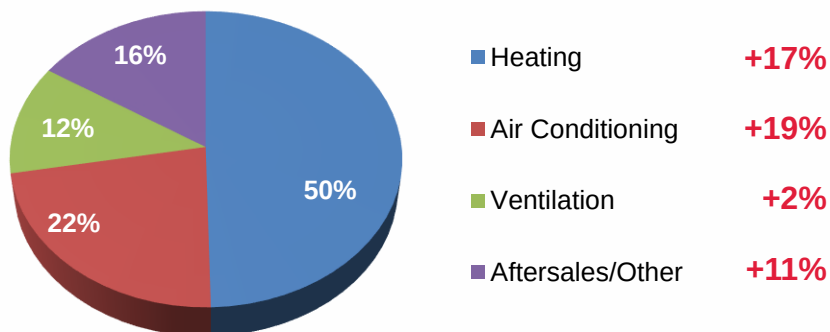


(in millions)

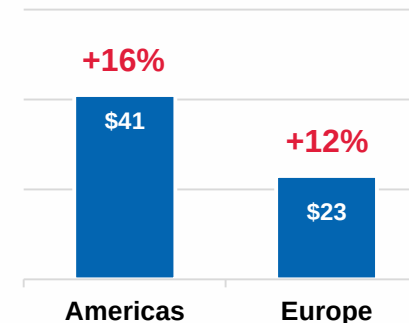
Sales by End Market



Sales by Product



Sales by Region

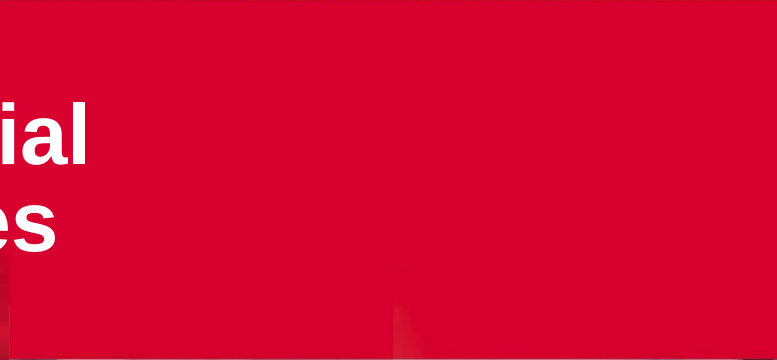


(in millions)

* See Appendix for Non-GAAP reconciliations



Financial Updates



Select Income Statement Items



Sales increased \$28.3M or 6%

- On a constant currency basis, sales up 8%

Gross profit increased 7%; margin positively impacted by the CIS and BHVAC segments

- Excellent quarter for our Industrial segments
- The increased sales volume in VTS was more than offset by higher material expense; mainly due to tariff and tariff-related costs
- Other incremental costs related to volume increases, program launches and facility expansion
- Tightly managing SG&A; while leveraging the topline growth

Adjusted operating income up \$7.8M or 29%

Reported income taxes heavily impacted by U.S. tax reform

- Low adjusted tax rate in prior year due to Hungary development credits

(In millions)	Q3 2019	Q3 2018
Net Sales	\$541.0	\$512.7
Gross Profit	91.7	85.4
<i>Margin</i>	16.9%	16.7%
SG&A expenses	57.2	60.8
<i>% of net sales</i>	10.6%	11.9%
Adjusted Op Income*	34.8	27.0
<i>Margin</i>	6.4%	5.3%
Interest Expense	6.2	6.3
Provision for Income Taxes	8.6	35.2
Adjusted Tax Rate*	23%	9%
Adjusted EPS*	\$0.42	\$0.35

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

Cash Flow & Net Debt



Solid free cash flow in Q3 of \$9.9M*

- YTD free cash flow lower than the prior year, primarily due to a soft start in Q1
- Higher inventory levels related to tariffs and program launches
- Slightly higher capital spending of \$3.7M
- Expect full-year free cash flow to be positive

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

Share repurchase program

- Purchased 50,000 shares
- Committed to de-lever the balance sheet and keeping the leverage ratio within our target range

(In millions)	Q3 YTD 2019	Q3 YTD 2018
Operating cash flow	\$67.4	\$106.0
Capital expenditures	(58.7)	(55.0)
Free cash flow	\$8.7	\$51.0

(In millions)	12/31/18	3/31/18
Cash	\$30.7	\$39.3
Total debt	467.4	479.4
Net debt	\$436.7	\$440.1
Leverage Ratio	2.2x	2.4x

* See Appendix for Non-GAAP reconciliations

Fiscal 2019 Guidance



(In millions)	Guidance	Comments
Net sales	\$2,166 to \$2,250	+3% to +7% growth across most end-markets; Low single-digit organic growth, impacted by the wind-down of multiple truck programs
Adjusted operating income*	\$128 to \$134	+7% to +12% (+20 to +30bps); Reflects materials cost increases year-over-year
Adjusted EPS*	\$1.50 to \$1.60	\$24M of annual interest expense; Assumes current foreign exchange rates; Significant changes to income tax expense

Adjusting fiscal 2019 outlook based on the most recent quarter, along with increased tariff and tariff-related costs

- Anticipating revenue growth from VTS off-highway and targeted industrial markets in CIS and BHVAC
- Lowering adjusted operating income guidance based on the tariff situation and associated cost challenges within the supply chain
- Full year sales growth of 3 to 7%, and adjusted operating income growth of 7 to 12%
- An opportunity to deliver another record year of sales and earnings

* See Appendix for Non-GAAP reconciliations

Q3 FY 2019 Conclusion



- Strengthen, Diversify and Grow strategy is driving focus on areas targeted for growth, as well as areas to strategically deemphasize
- Considering strategic alternatives for our automotive business, expanding scope from the \$200 million of automotive powertrain cooling business discussed last quarter
 - Automotive sales account for approximately 25 percent of total company revenues
 - Goal to find the most successful path to best serve our customers and provide the greatest return to our shareholders
- Remain committed to the commercial vehicle and off-highway markets within VTS segment, which share many characteristics with industrial portfolio
- Focused on growing market leading positions in our industrial market segments, building on momentum and success of CIS and BHVAC segments
- Will continue to provide updates as information is available



Appendix



Q3 GAAP Income Statement



(In millions, except per share amounts)

	Q3 2019	Q3 2018	Better (Worse)
Net sales	\$ 541.0	\$ 512.7	\$ 28.3
Cost of sales	449.3	427.3	(22.0)
Gross profit	91.7	85.4	6.3
SG&A expenses	57.2	60.8	3.6
Restructuring expenses	0.5	9.4	8.9
Impairment charges	0.4	1.3	0.9
Operating income	33.6	13.9	19.7
Interest expense	(6.2)	(6.3)	0.1
Other expense - net	(0.5)	(0.3)	(0.2)
Earnings before income taxes	26.9	7.3	19.6
Provision for income taxes	(8.6)	(35.2)	26.6
Net earnings (loss)	18.3	(27.9)	46.2
Net earnings attributable to noncontrolling interest	(0.3)	(0.4)	0.1
Net earnings (loss) attributable to Modine	\$ 18.0	\$ (28.3)	\$ 46.3
Net earnings (loss) per share - diluted	\$ 0.35	\$ (0.57)	\$ 0.92

Non-GAAP Reconciliations



Modine Manufacturing Company

Adjusted financial results (unaudited)

(In millions, except per share amounts)

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Operating income	\$ 33.6	\$ 13.9	\$ 91.2	\$ 65.0
Environmental charges ^(a)	(0.9)	0.2	1.9	1.1
Loss on sale of assets ^(b)	-	-	1.7	-
Strategy consulting fees ^(c)	1.2	1.2	1.2	2.8
Restructuring expenses ^(d)	0.5	9.4	0.7	11.5
Impairment charges ^(e)	0.4	1.3	0.4	1.3
Acquisition and integration costs ^(f)	-	1.0	0.2	3.7
Adjusted operating income	\$ 34.8	\$ 27.0	\$ 97.3	\$ 85.4
Net earnings (loss) per share attributable to Modine shareholders - diluted	\$ 0.35	\$ (0.57)	\$ 1.53	\$ 0.09
Environmental charges ^(a)	(0.01)	-	0.03	0.01
Loss on sale of assets ^(b)	-	-	0.03	-
Strategy consulting fees ^(c)	0.02	0.02	0.02	0.04
Restructuring expenses ^(d)	0.01	0.15	0.01	0.18
Impairment charges ^(e)	0.01	0.03	0.01	0.03
Acquisition and integration costs ^(f)	-	0.02	-	0.05
U.S. tax reform ^(g)	0.04	0.70	(0.43)	0.70
Tax valuation allowances ^(h)	-	-	(0.02)	-
Adjusted earnings per share	\$ 0.42	\$ 0.35	\$ 1.18	\$ 1.10

- ^(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 ("VTS") segment. During the third quarter of fiscal 2019, the Company recovered \$1.1 million of environmental investigation costs from a prior owner of one of these facilities and recorded the recovery within SG&A expenses.
- ^(b) The Building HVAC Systems segment sold its operations in South Africa and, as a result, recorded a loss of \$1.7 million during the second quarter of fiscal 2019. 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) During the first nine months of fiscal 2019 and 2018, the Company recorded \$1.2 million and \$2.8 million of third-party strategy advisory fees, respectively, as SG&A expenses at Corporate. The fiscal 2019 fees relate to the Company's ongoing evaluation of strategic alternatives for its automotive business.
- ^(d) Fiscal 2019 restructuring expenses primarily relate to restructuring activities in the VTS and Commercial and Industrial Solutions ("CIS") segments, including targeted headcount reductions. Fiscal 2018 restructuring amounts primarily relate to employee severance expenses, largely resulting from the closure of a manufacturing facility in Austria within the CIS segment, and equipment transfer and plant consolidation costs.
- ^(e) During the third quarter of fiscal 2018, the Company closed an Austrian manufacturing facility within the CIS segment and, as a result, recorded a \$1.3 million impairment charge. During the third quarter of fiscal 2019, the Company recorded an additional impairment charge of \$0.4 million related to this closed facility.
- ^(f) 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 CIS segment. The tax benefit related to acquisition and integration costs for the nine months ended December 31, 2017 was \$1.2 million.
- ^(g) During the third quarter of fiscal 2018, as a result of U.S. tax reform legislation enacted in December 2017, the Company recorded income tax charges totaling \$35.7 million related to the reduction in the U.S. federal tax rate and foreign earnings not previously taxed in the U.S. During the first nine months of fiscal 2019, the Company recorded income tax benefits totaling \$22.2 million, which were primarily related to these transition tax obligations and the recognition of tax assets for foreign tax credits.
- ^(h) 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 December 31,	
	2018	2017
Vehicular Thermal Solutions		
Operating income	\$ 15.5	\$ 18.7
Environmental charges ^(a)	(0.9)	0.2
Restructuring expenses ^(a)	0.4	1.2
Adjusted operating income	<u>\$ 15.0</u>	<u>\$ 20.1</u>
Net sales	\$ 323.3	\$ 313.0
Adjusted operating margin	4.6%	6.4%

	Three months ended December 31,	
	2018	2017
Commercial and Industrial Solutions		
Operating income	\$ 13.1	\$ (3.9)
Restructuring expenses ^(a)	0.1	8.2
Impairment charges ^(a)	0.4	1.3
Adjusted operating income	<u>\$ 13.6</u>	<u>\$ 5.6</u>
Net sales	\$ 167.0	\$ 159.0
Adjusted operating margin	8.1%	3.5%

^(a) See the adjusted financial results on slide 15 for additional information regarding these adjustments.

Non-GAAP Reconciliations



Adjusted tax rate

(In millions)

	Three months ended December 31,	
	2018	2017
Earnings before income taxes	\$ 26.9	\$ 7.3
Environmental charges ^(a)	(0.9)	0.2
Strategy consulting fees ^(a)	1.2	1.2
Restructuring expenses ^(a)	0.5	9.4
Impairment charges ^(a)	0.4	1.3
Acquisition and integration costs ^(a)	-	1.0
Adjusted earnings before income taxes	\$ 28.1	\$ 20.4
Provision for income taxes	\$ 8.6	\$ 35.2
Taxes on adjustments above	0.1	2.4
U.S. tax reform ^(a)	(2.2)	(35.7)
Adjusted provision for income taxes	\$ 6.5	\$ 1.9
GAAP tax rate	32%	482%
Adjusted tax rate	23%	9%

^(a) See the adjusted financial results on slide 15 for additional information regarding these adjustments.

Non-GAAP Reconciliations



Net sales - constant currency (unaudited)

(In millions)

Three months ended December 31,				
2018			2017	
	Net Sales	Effect of Exchange Rate Changes	Net Sales - Constant Currency	Net Sales
Vehicular Thermal Solutions	\$ 323.3	\$ 9.3	\$ 332.6	\$ 313.0
Commercial and Industrial Solutions	167.0	2.8	169.8	159.0
Building HVAC Systems	64.2	0.7	64.9	56.1
Segment total	554.5	12.8	567.3	528.1
Corporate and eliminations	(13.5)	-	(13.5)	(15.4)
Net sales	<u>\$ 541.0</u>	<u>\$ 12.8</u>	<u>\$ 553.8</u>	<u>\$ 512.7</u>

Free cash flow (unaudited)

(In millions)

Three months ended December 31,				Nine months ended December 31,	
	2018	2017		2018	2017
Net cash provided by operating activities	\$ 30.7	\$ 33.2	\$	67.4	\$ 106.0
Expenditures for property, plant and equipment	(20.8)	(18.2)		(58.7)	(55.0)
Free cash flow	<u>\$ 9.9</u>	<u>\$ 15.0</u>	<u>\$</u>	<u>8.7</u>	<u>\$ 51.0</u>

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 nine months of fiscal 2019 are presented on slide 15 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.