



Second Quarter Fiscal 2021

November 6, 2020 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, 2020 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, 2020. Other risks and uncertainties include, but are not limited to, the following: the impact of the COVID-19 pandemic on the national and global economy, our business, suppliers, customers, and employees; the overall health and price-down focus of Modine's customers; our ability to successfully execute our strategic and operational plans, including our ability to successfully complete the pending sale of our liquid-cooled automotive business, including the receipt of governmental and third-party approvals and satisfaction of other closing conditions, and our ability to successfully exit our other automotive businesses; our ability to effectively and efficiently reduce our cost structure in response to sales volume declines and complete restructuring activities and realize benefits thereon; our ability to comply with the financial covenants in our credit agreements and to fund our global liquidity requirements efficiently, particularly in light of the volatility and negative impacts to the financial markets resulting from COVID-19; operational inefficiencies as a result of program launches, unexpected volume increases, product transfers, and delays or inefficiencies resulting from restrictions imposed in response to the COVID-19 pandemic; economic, social and political conditions, changes and challenges in the markets where Modine operates and competes, including foreign currency exchange rate fluctuations, tariffs (and potential trade war impacts resulting from tariffs or retaliatory actions), inflation, changes in interest rates or tightening of the credit markets, recession, restrictions associated with importing and exporting and foreign ownership, public health crises, and the general uncertainties about the impact of regulatory and/or policy changes, including those related to tax and trade, the COVID-19 pandemic and other matters, that have been or may be implemented in the U.S. or abroad, and continuing uncertainty regarding the impacts of “Brexit”; the impact on Modine of any significant increases in commodity prices, particularly aluminum, copper, steel and stainless steel (nickel) and other purchased components, and our ability to adjust product pricing in response to any such increases; 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.

Highlights



1

Strong 2Q; Significantly Higher Earnings, Margins, and Cash Flow

2

Major Step in Strategic Transformation; Automotive Sale Announcement

3

Authorization for Share Buyback Program

4

Final Phase of CEO Search

Transaction Overview



Modine entered into a definitive agreement to sell the liquid-cooled automotive business

Transaction Benefits

- Reallocates capital and resources to higher margin businesses with strong growth trends
- Eliminates significant restructuring liabilities, pension costs and future capital investments
- Lowers capital spending, increases cash flow profile of the remaining business

Transaction Details

- Includes seven manufacturing facilities and headquarters in Germany
- Transfers associated assets and liabilities, including approximately \$15M of pension
- Minimal cash proceeds upon closing due to liability transfer and required restructuring
- Leverage neutral for debt covenants
- Expect to close in the first half of calendar 2021, subject to regulatory approvals and customary closing conditions

Financial Overview



Removes a negative cash flow business and avoids required future cash investments

Liquid-Cooled Business

- Average annual revenue of approximately \$300M with lower current run rate
- Negative historical cash flow with capex offsetting cash earnings
- Significant cash restructuring expenses, both historical and forward looking
- Approximately \$140 million of net assets as of September 30, 2020

Air-Cooled Business

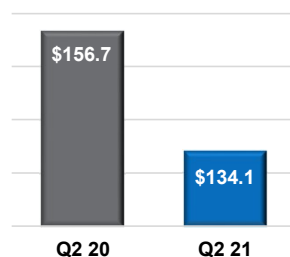
- Mostly focused on condensers; one plant each in Austria and Germany
- Approximately \$100M of revenue with approximately breakeven Adjusted EBITDA
- Minimal capex requirements
- Exploring alternatives with strategic partners to monetize valuable assets (equipment, facility, IP, order book) and fund remaining exit

CIS Summary



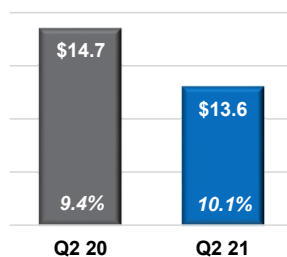
Net Sales

-14%



Adjusted EBITDA

-7%



(in millions)

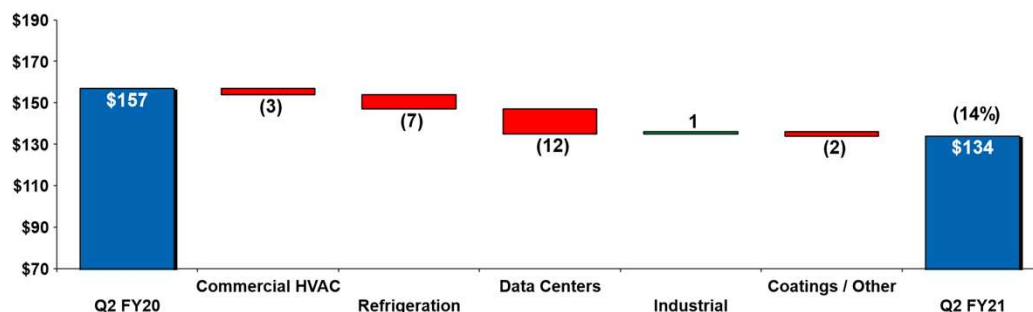
Sales Outlook

	FY2021
Commercial HVAC	-5%
Refrigeration	-12%
Data Centers	-40%
Industrial	+20%

* Year over year sales estimates

Q2 Sales Swing

(in millions)



* See Appendix for Non-GAAP reconciliations

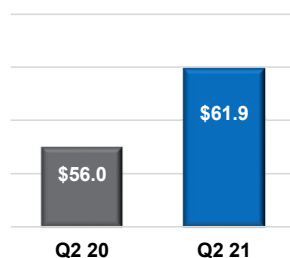
- COVID-related sales declines in commercial HVAC and refrigeration markets
- Lower data center sales continued due to the anticipated reduction in new construction with a major customer
- Continuing to invest in coating business; rolling out new processes
- Non-data center margins are improving based on pricing and cost reduction activities

BHVAC Summary



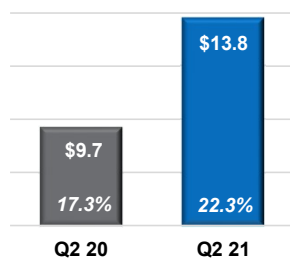
Net Sales

+11%



Adjusted EBITDA

+42%



(in millions)

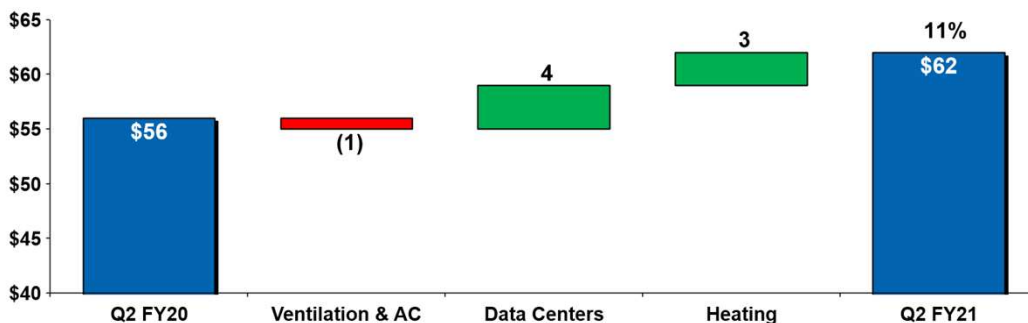
Sales Outlook

	FY2021
Ventilation & AC	-10%
Data Centers	+50%
Heating	+5%

* Year over year sales estimates

Q2 Sales Swing

(in millions)



* See Appendix for Non-GAAP reconciliations

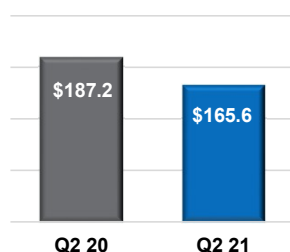
- Successfully driving rapid data center growth in Europe
- Heating sales up with stronger preseason orders
- Ventilation and AC sales negatively impacted by COVID, especially in the hospitality market
- Shifting focus for ventilation to school and healthcare market opportunities
- Earnings improvement due to higher sales volume and favorable product mix

HDE Summary



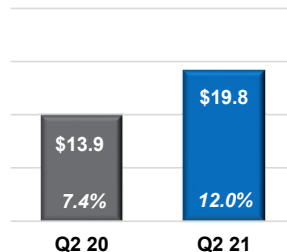
Net Sales

-12%



Adjusted EBITDA

+42%



(in millions)

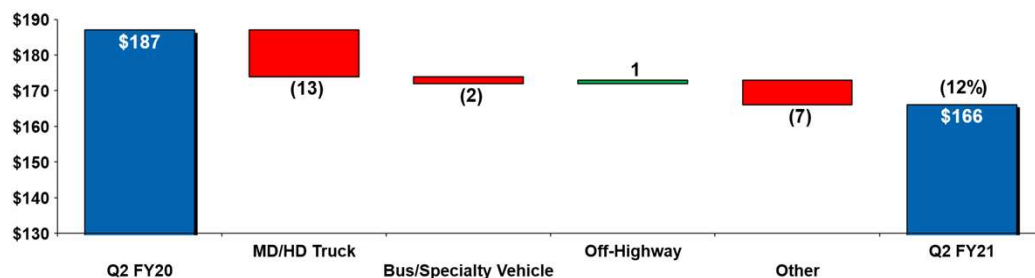
Sales Outlook

	FY2021
Medium/Heavy Truck	-20%
Bus/Specialty Vehicle	-12%
Off-Highway	+2%

* Year over year sales estimates

Q2 Sales Swing

(in millions)



* See Appendix for Non-GAAP reconciliations

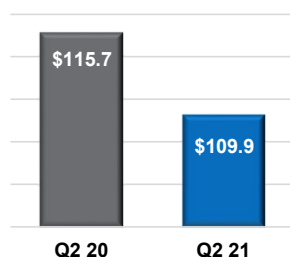
- Revenue down from prior year, significant improvement from Q1 as markets have stabilized
- Higher sales in Asia partially offset by decreases in North America
- Strong earnings and margin improvement resulting from cost reductions and operational performance
- Cautiously optimistic about further market recoveries, while managing higher material costs and recent tariffs

Automotive Summary



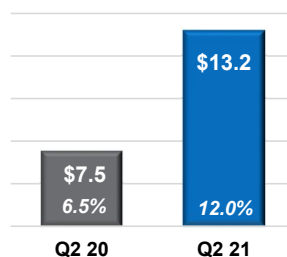
Net Sales

-5%



Adjusted EBITDA

+76%



(in millions)

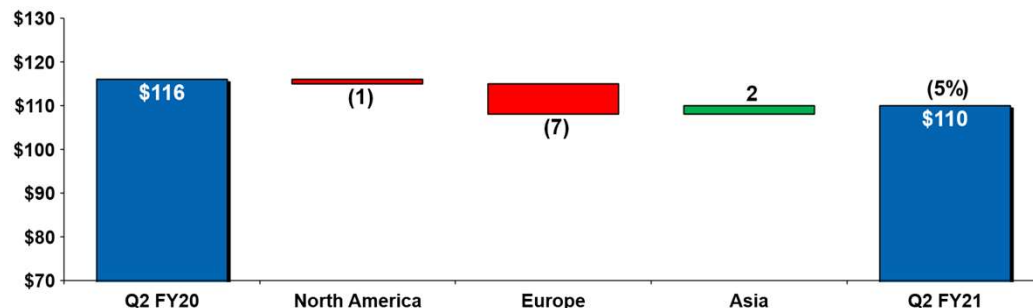
Sales Outlook

	FY2021
North America	-1%
Europe	-10%
Asia	+20%

* Year over year sales estimates

Q2 Sales Swing

(in millions)



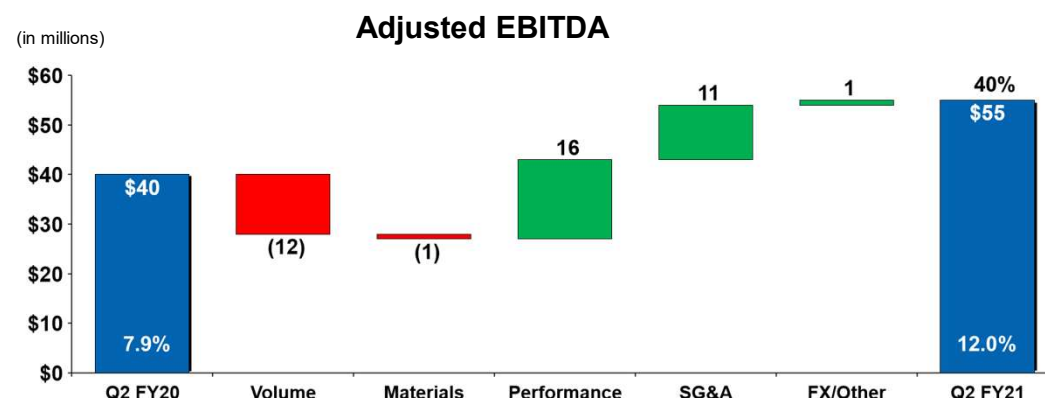
* See Appendix for Non-GAAP reconciliations

- Significant sequential improvement from Q1 despite lower year-over-year sales
- Lower sales in North America and Europe partially offset by higher sales in Asia
- Earnings improvement mostly due to cost reductions and other temporary COVID-related savings
- We expect the recently announced transaction will not change automotive segment reporting for earnings

Financial Information



(In millions)	Q2 2021	Q2 2020
Net Sales	\$461.4	\$500.2
Gross Profit	80.8	75.7
% of net sales	17.5%	15.1%
SG&A expenses	50.8	67.4
% of net sales	11.0%	13.5%
Adjusted Op Income*	36.1	20.2
% of net sales	7.8%	4.0%
Adjusted EBITDA*	55.4	39.6
% of net sales	12.0%	7.9%
Interest Expense	5.2	5.8
Adj. Provision for Income Taxes*	8.4	6.7
Adjusted Tax Rate*	28%	52%
Adjusted EPS*	\$0.43	\$0.13



- Sales declined \$38.8M or 8% from lower sales in CIS, HDE and Automotive due economic conditions related to the ongoing pandemic
- 2Q benefitted from better than anticipated market recoveries, combined with heavy cost cutting, both temporary and permanent
- Gross profit margin improved 240 bps on lower sales
- 25% reduction in SG&A costs due to lower automotive strategy costs, lower compensation related expenses
- Adjusted EBITDA increased \$15.8M, resulting in a 12% margin

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

Cash Flow & Net Debt



(In millions)	Q2 YTD 2021	Q2 YTD 2020
Operating cash flow	\$87.3	\$17.5
Capital expenditures	(14.6)	(41.4)
Free cash flow	\$72.7	(\$23.9)
Adj. Free cash flow*	\$86.3	(\$3.1)

(In millions)	9/30/20	3/31/20
Cash	\$62.5	\$70.9
Total debt	404.4	482.4
Net debt	\$341.9	\$411.5
Leverage Ratio	2.2x	2.4x

- **Strong cash flow in Q2; resulting in \$73 million of YTD free cash flow**
 - Lower spending on automotive exit strategy
 - Favorable changes in working capital
 - Minimal capital spending
- **Leverage ratio of 2.2x declined to pre-pandemic levels**
 - Made significant debt repayments in the quarter, increasing available liquidity
 - Ratio significantly improved from Q1 and within pre-pandemic target
- **Cash preservation remains a focus for the second half**
 - Cash flow projected to be significantly higher than prior year
 - Current estimate of \$70-\$80M of free cash flow
 - Anticipating higher cash spending in the second half
 - \$20M of pension funding and payroll tax deferrals
 - Increased capital expenditures
 - Higher working capital on sales increase

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

Fiscal 2021 Outlook



(In millions)	Guidance	Comments
Net sales	\$1,738 to \$1,837	-12% to -7%
Adjusted EBITDA*	\$155 to \$165	-11% to -5% (+10 to +20 bps)

• Key assumptions

- Estimated interest expense of \$21 million
- Provision for income taxes of approximately \$22 to \$26 million
- Depreciation and amortization expense of approximately \$78 to \$80 million

• Anticipating moderate recovery in most markets through the remainder of FY21

- Relatively stable outlook through calendar year-end
- Good preseason heating growth and a strong data center order book
- Asia a bright spot in end-market recovery for Auto and HDE
- Remaining cautious regarding limited visibility in Q4 (early 2021), especially in the broader industrial markets

• Improved outlook for the second half, but not able to sustain the extraordinary 2Q earnings and margins levels

- Reversal of temporary cost saving measures, primarily related to employee salaries and benefits
- Metal prices rising and a negative impact from newly announced US tariffs

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



Appendix



Q2 GAAP Income Statement



(In millions, except per share amounts)

	Q2 2021	Q2 2020	Change
Net sales	\$ 461.4	\$ 500.2	\$ (38.8)
Cost of sales	380.6	424.5	(43.9)
Gross profit	80.8	75.7	5.1
Selling, general & administrative expenses	50.8	67.4	(16.6)
Restructuring expenses	1.5	2.3	(0.8)
Operating income	28.5	6.0	22.5
Interest expense	(5.2)	(5.8)	0.6
Other expense - net	(0.5)	(1.3)	0.8
Earnings (loss) before income taxes	22.8	(1.1)	23.9
Provision for income taxes	(13.9)	(3.7)	(10.2)
Net earnings (loss)	8.9	(4.8)	13.7
Net (earnings) loss attributable to noncontrolling interest	(0.3)	0.1	(0.4)
Net earnings (loss) attributable to Modine	8.6	(4.7)	13.3
Net earnings (loss) per share attributable to Modine shareholders - diluted	\$ 0.17	\$ (0.09)	\$ 0.26

Non-GAAP Reconciliations



Adjusted financial results

(In millions, except per share amounts)

	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
Net earnings (loss)	\$ 8.9	\$ (4.8)	\$ 0.5	\$ 3.4
Interest expense	5.2	5.8	10.6	11.7
Provision for income taxes	13.9	3.7	13.7	6.6
Depreciation and amortization expense	19.3	19.4	37.9	38.3
Other expense - net	0.5	1.3	0.5	2.4
Restructuring expenses ^(a)	1.5	2.3	6.1	4.1
Automotive separation and strategy costs ^(b)	0.6	11.9	1.1	20.2
CEO transition costs ^(c)	5.5	-	5.5	-
Environmental charges ^(d)	-	-	-	0.1
Adjusted EBITDA	\$ 55.4	\$ 39.6	\$ 75.9	\$ 86.9
Net earnings (loss) per share attributable to Modine shareholders - diluted	\$ 0.17	\$ (0.09)	\$ -	\$ 0.06
Restructuring expenses ^(a)	0.03	0.04	0.10	0.08
Automotive separation and strategy costs ^(b)	0.01	0.18	0.02	0.30
CEO transition costs ^(c)	0.09	-	0.09	-
Tax valuation allowance ^(e)	0.13	-	0.13	-
Adjusted earnings per share	\$ 0.43	\$ 0.13	\$ 0.34	\$ 0.44

^(a) Restructuring expenses primarily consist of employee severance expenses related to targeted headcount reductions and plant consolidation activities. The tax benefit related to restructuring expenses during both the second quarter of fiscal 2021 and fiscal 2020 was \$0.1 million. The tax benefit related to these expenses during the first six months of fiscal 2021 and 2020 was \$0.9 million and \$0.3 million, respectively.

^(b) Automotive separation and strategy costs consist of costs directly associated with the Company's review of strategic alternatives for the Automotive segment's business operations, including costs to separate and prepare the underlying businesses for potential sale. With the exception of \$0.4 million of costs in the first six months of fiscal 2021 associated with program and equipment transfers recorded as costs of sales, these costs were recorded as SG&A expenses at Corporate and primarily related to accounting, legal, and IT professional services. The tax benefit related to these costs during the second quarter of fiscal 2021 and fiscal 2020 was \$0.1 million and \$3.0 million, respectively. The tax benefit related to these costs during the first six months of fiscal 2021 and 2020 was \$0.2 million and \$5.0 million, respectively.

^(c) In August 2020, Thomas A. Burke stepped down from his position as President and Chief Executive Officer ("CEO") and the Board of Directors has launched a search for his successor. As a result of Mr. Burke's departure and in connection with the search for a new CEO, the Company recorded costs totaling \$5.5 million during the second quarter of fiscal 2021. These costs, which were recorded as SG&A expenses at Corporate, primarily consisted of severance and benefit-related expenses based upon the terms of Mr. Burke's separation agreement and costs directly associated with the CEO search, partially offset by the impact of Mr. Burke's forfeited stock-based compensation awards. The Company's tax benefit related to these costs was \$0.8 million.

^(d) Environmental charges, including related legal costs, are recorded as SG&A expenses and relate to a previously-owned U.S. manufacturing facility in the Heavy Duty Equipment segment.

^(e) During the second quarter of fiscal 2021, the Company increased its valuation allowance on deferred tax assets in the U.S. As a result, the Company recorded an income tax charge of \$6.6 million.

Non-GAAP Reconciliations



Adjusted operating income

(In millions)

	Three months ended September 30,	
	2020	2019
Operating income	\$ 28.5	\$ 6.0
Restructuring expenses ^(a)	1.5	2.3
Automotive separation and strategy costs ^(a)	0.6	11.9
CEO transition costs ^(a)	5.5	-
Adjusted operating income	<u>\$ 36.1</u>	<u>\$ 20.2</u>

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

Non-GAAP Reconciliations



Segment adjusted EBITDA and margin

(In millions)

	Three months ended September 30,	
Commercial and Industrial Solutions	2020	2019
Operating income	\$ 5.6	\$ 8.5
Depreciation and amortization expense	6.5	5.8
Restructuring expenses ^(a)	1.5	0.4
Adjusted EBITDA	\$ 13.6	\$ 14.7
Net sales	\$ 134.1	\$ 156.7
Adjusted EBITDA margin	10.1%	9.4%

Building HVAC Systems

	Three months ended September 30,	
	2020	2019
Operating income	\$ 13.1	\$ 8.8
Depreciation and amortization expense	0.7	0.9
Adjusted EBITDA	\$ 13.8	\$ 9.7
Net sales	\$ 61.9	\$ 56.0
Adjusted EBITDA margin	22.3%	17.3%

	Three months ended September 30,	
Heavy Duty Equipment	2020	2019
Operating income	\$ 13.3	\$ 7.1
Depreciation and amortization expense	6.5	6.4
Restructuring expenses ^(a)	-	0.4
Adjusted EBITDA	\$ 19.8	\$ 13.9
Net sales	\$ 165.6	\$ 187.2
Adjusted EBITDA margin	12.0%	7.4%

Automotive

	Three months ended September 30,	
	2020	2019
Operating income	\$ 8.0	\$ 0.4
Depreciation and amortization expense	5.2	5.6
Restructuring expenses ^(a)	-	1.5
Adjusted EBITDA	\$ 13.2	\$ 7.5
Net sales	\$ 109.9	\$ 115.7
Adjusted EBITDA margin	12.0%	6.5%

^(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 September 30,	
	2020	2019
Earnings (loss) before income taxes	\$ 22.8	\$ (1.1)
Restructuring expenses ^(a)	1.5	2.3
Automotive separation and strategy costs ^(a)	0.6	11.9
CEO transition costs ^(a)	5.5	-
Adjusted earnings before income taxes	<u>\$ 30.4</u>	<u>\$ 13.1</u>
Provision for income taxes	\$ 13.9	\$ 3.7
Taxes on adjustments above ^(a)	1.1	3.0
Tax valuation allowance ^(a)	(6.6)	-
Adjusted provision for income taxes	<u>\$ 8.4</u>	<u>\$ 6.7</u>
GAAP tax rate	61%	-336%
Adjusted tax rate	28%	52%

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

Non-GAAP Reconciliations



Free cash flow and adjusted free cash flow

(In millions)

	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
Net cash provided by operating activities	\$ 75.0	\$ 17.0	\$ 87.3	\$ 17.5
Expenditures for property, plant and equipment	(5.5)	(21.1)	(14.6)	(41.4)
Free cash flow	\$ 69.5	\$ (4.1)	\$ 72.7	\$ (23.9)
Payments for restructuring activities, automotive separation and strategy costs, and certain other expenses ^(a)	6.2	7.6	13.6	20.8
Adjusted free cash flow	\$ 75.7	\$ 3.5	\$ 86.3	\$ (3.1)

^(a) These payments primarily related to the Company's review of strategic alternatives for the Automotive segment's business operations, including costs to separate and prepare the underlying businesses for potential sale, and restructuring activities, including severance.

During the second quarter and first six months of fiscal 2021, the Company made payments totaling \$1.6 million and \$6.0 million, respectively, related to its review of strategic alternatives for its automotive businesses. In addition, the Company paid \$4.6 million and \$7.6 million for restructuring activities and certain other expenses during the second quarter and first six months of fiscal 2021, respectively.

During the second quarter and first six months of fiscal 2020, the Company made payments totaling \$4.9 million and \$13.5 million, respectively, related to its review of strategic alternatives for its automotive businesses. In addition, the Company paid \$2.7 million and \$7.3 million for restructuring activities and certain other expenses during the second quarter and first six months of fiscal 2020, respectively.

Non-GAAP Reconciliations



The Company's fiscal 2021 guidance includes Adjusted EBITDA, as defined above, which is a non-GAAP financial measure. The full-year fiscal 2021 guidance for Adjusted EBITDA is based upon the Company's estimates for interest expense of approximately \$21.0 million, a provision for income taxes of approximately \$22.0 million to \$26.0 million, and depreciation and amortization expense of approximately \$78.0 million to \$80.0 million. Adjusted EBITDA also excludes certain cash and non-cash expenses or gains. These expenses and gains may be significant and include items such as restructuring expenses (including severance costs and plant consolidation and relocation expenses), costs associated with the review of strategic alternatives for the automotive business, impairment charges and certain other items. These expenses and gains for the first six months of fiscal 2021 are presented on slide 15. Estimates of these expenses and gains for the remainder of fiscal 2021 are not available due to the low visibility and unpredictability of these items. In connection with the recently-announced definitive agreement to sell its liquid-cooled automotive business, the Company expects to record a non-cash impairment charge of approximately \$120.0 million to \$130.0 million during the third quarter of fiscal 2021 related to long-lived assets of the liquid-cooled automotive business. The Company also expects to record a loss on sale when the transaction is completed related to other net assets and cumulative foreign currency translation adjustments attributable to the liquid-cooled automotive business, net working capital adjustments, and costs to sell. As the Company has not yet finalized its analysis, the impairment charge recorded could differ materially from the preliminary estimate. In addition, the timing and estimated amount of the loss on sale are not yet known.