



THIRD QUARTER FISCAL 2022

February 3rd, 2022, 8:00 AM CDT

NEIL BRINKER

President and Chief Executive Officer

MICK LUCARELI

Executive Vice President and Chief Financial Officer

KATHY POWERS

Vice President, Treasurer, Corporate Communications and IR

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, 2021 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 quarters ended June 30, 2021 and September 30, 2021. 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 80/20 strategy; our ability to effectively and efficiently modify our cost structure in response to sales volume increases or decreases 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; operational inefficiencies as a result of program launches, unexpected volume increases or decreases, 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, inflation, tariffs (and potential trade war impacts resulting from tariffs or retaliatory actions), supply chain disruptions and supplier constraints, including semiconductor chip shortages and logistic and transportation challenges, 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 related costs, 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; Modine's ability to recruit and maintain talent in managerial, leadership, operational 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.

Strategic Updates



- Applying 80/20 across all businesses to optimize margins and cash flows, including implementing responsible pricing activities, simplifying product line offerings and driving operational efficiencies
- Managing vehicular business differently, focusing on technology and reprioritizing resources to support growth of EV systems
 - Leveraging thermal expertise focusing on last mile delivery, school and transit bus and specialty vehicles
 - Developing industry-leading thermal systems to improve battery range and life
- Working on restructuring plans to improve profit margins across all business segments, with significant reductions in Automotive
 - Targeting annualized savings of approximately \$20 million
 - Estimated cost range of \$20 to \$25 million
 - Will provide more precise estimates once plans are finalized



Business Highlights



- Managing a very challenging business environment
 - Rapidly adjusting prices to offset significant cost increases
 - Addressing supply chain challenges through organizational changes and increased focus on critical suppliers
 - Labor shortages and COVID impacts appear to be improving
- Building HVAC
 - Strong demand for Heating, Indoor Air Quality (IAQ) and Data Centers products
 - Inflationary margin pressures being addressed with commercial actions
 - Increasing data center capacity in North America, beginning to receive orders
- CIS
 - Focusing on pricing, supply chain management and reducing backlog
 - Coils team using 80/20 to take targeted pricing actions and improve operational efficiency by maximizing set ups and eliminating bottlenecks
- HDE and Automotive
 - Improving future profitability by applying new business filters and guidelines
 - EV systems team increasing content per vehicle and evaluating new markets
- Engineering a cleaner, healthier world by providing trusted systems and solutions to improve air quality and conserve natural resources



Third Quarter Financial Summary



- ◆ Net Sales Change: \$18M
 - \$31M of positive pricing
 - FX negatively impacted sales by \$5M
 - Underlying pure volume decline of \$8M



Key Drivers of \$7M Adjusted EBITDA Decrease



- ◆ Volume Impact: \$3 million
 - Higher sales in BHVAC, CIS and HDE offset by a large decline in Auto



- ◆ Manufacturing Efficiency: \$3 million
 - Favorable overhead, labor and other savings more than offset economic increases



- ◆ Higher Net Supply Chain Costs: \$10 million
 - Approximately \$39M of YOY cost increases driven by higher commodities and logistic costs (freight/packaging)
 - Partially offset by \$29M of material pass-through agreements and other pricing actions

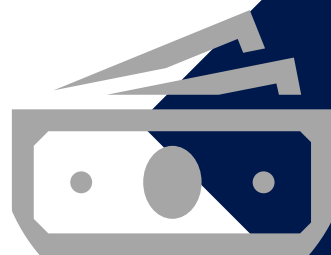
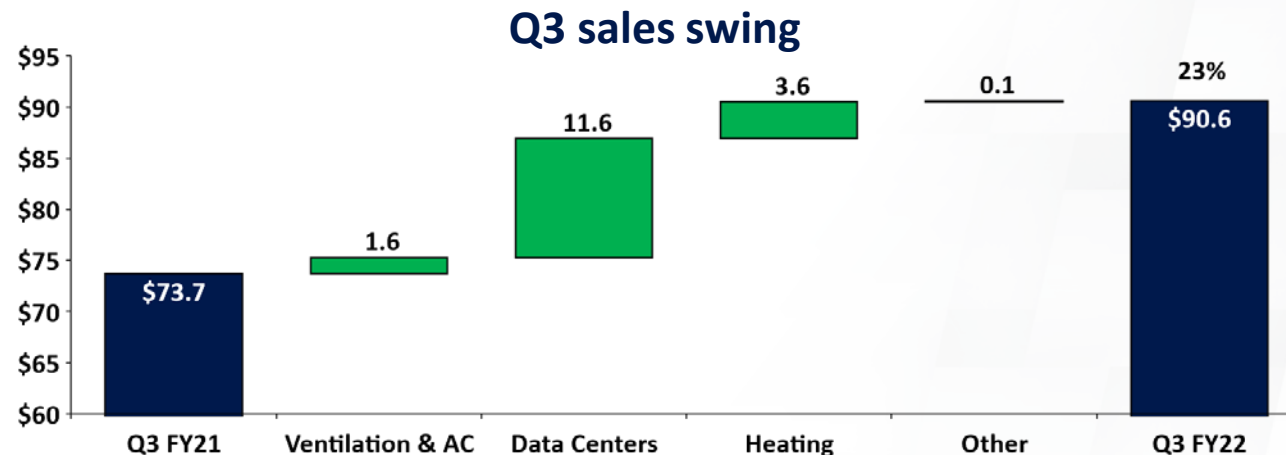


- ◆ SG&A Decrease: \$3 million
 - Decrease due to lower employee compensation expense and improved developmental costs, offsetting lack of COVID related savings in the PY

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



Net Sales
\$90.6 million
↑ 23% YoY



Adjusted
EBITDA*
\$15.8 million
↓ 3% YoY
17.4% margin

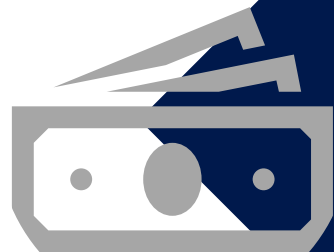
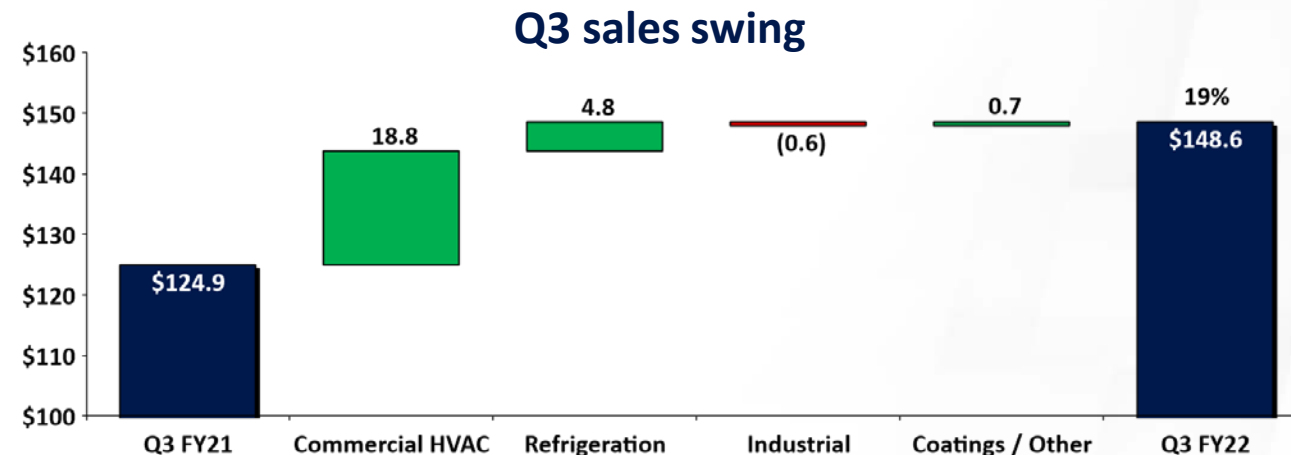
Highlights

- Significant data center volume improvement, with sales up 92%
- Heating and Ventilation & AC were higher than prior year by 9% and 8%, respectively
- Adjusted EBITDA margin improving, up 260 bps sequentially from Q2
- Ongoing cost increases continue to impact YOY margin comparisons, including higher labor, commodities metals, and purchased parts
- Anticipating further Adjusted EBITDA margin improvement in Q4

Commercial & Industrial Solutions



Net Sales
\$148.6 million
↑ 19% YoY



Adjusted
EBITDA*
\$10.1 million
↑ 87% YoY
6.8% margin

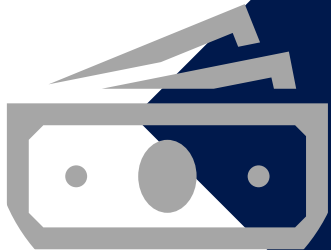
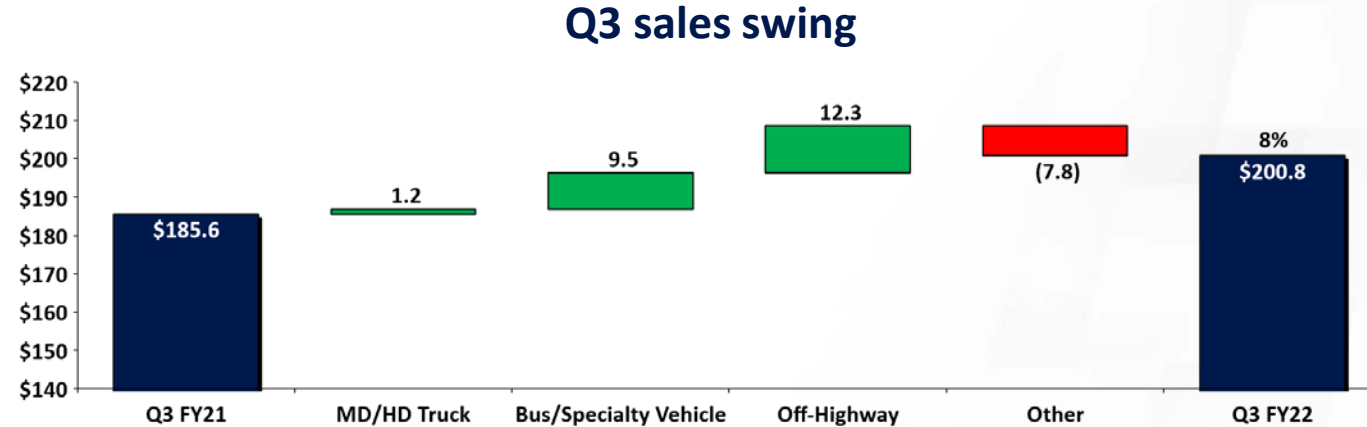
Highlights

- Strong year-over-year earnings and margin improvements
- Sales increased due to higher sales in Commercial HVAC (30%), refrigeration (14%) and coatings (10%)
- Approximately 50% of the \$24M revenue growth was driven by pricing and metals pass-throughs
- Adjusted EBITDA margin improved 250 bps versus the prior year
- \$5M Adjusted EBITDA improvement due to higher volumes, operating efficiency and favorable pricing
- Anticipating further Adjusted EBITDA margin improvement in Q4

Heavy Duty Equipment



Net Sales
\$200.8 million
↑ 8% YoY



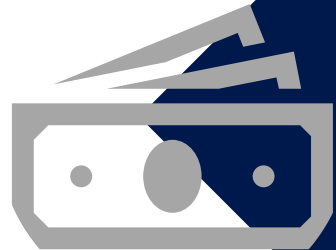
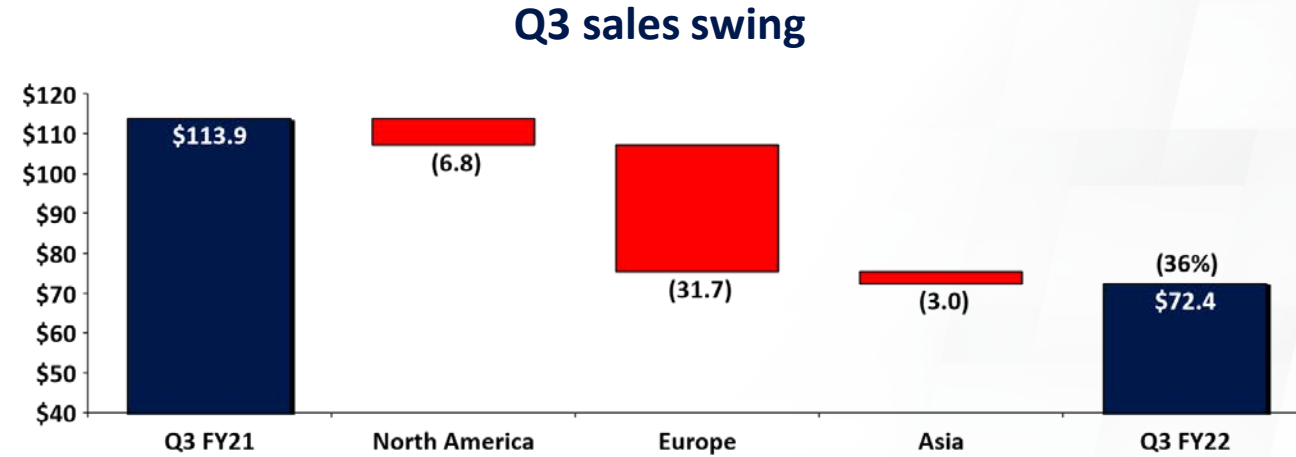
Adjusted
EBITDA*
\$16.1 million
↓ 18% YoY
8.0% margin

Highlights

- Sales increased in all key markets despite supply chain obstacles and labor shortages
- Excluding material pricing increases and FX, volume was up approximately 3% or \$6M
- Negative \$9M net impact from material cost inflation; significant improvement from the previous quarter
- Adjusted EBITDA declined \$4M, mostly due to the negative impacts of materials and logistics, partially offset by volume and lower SG&A
- Anticipating further margin improvement in Q4



Net Sales
\$72.4 million
↓ 36% YoY



Adjusted
EBITDA*
\$(0.8) million
↓ 107% YoY
(1.1%) margin

Highlights

- Lower sales primarily due to semiconductor chip shortages
- Prior year EU sales included \$18M related to our Austrian air-cooled business that was divested earlier this year
- NA down 46% and Asia down 17%
- Adjusted EBITDA declined \$13M, mostly related to fixed cost absorption on lower volumes, along with higher material costs
- Launched profit improvement plans, including headcount reductions and commercial pricing initiatives

Cash Flow & Net Debt



YTD Free Cash Flow*

(\$23) million

- Positive Q3 free cash flow of \$16M from improved cash earnings and working capital
- Difficult year-over-year comparatives due to the lack of benefits from prior year pandemic actions and current supply chain challenges
- YTD free cash flow includes \$14M of restructuring and reorganization cash impacts

Net Debt (as of Dec 31)*

\$330 million

- Net Debt decreased \$3M during the third quarter
- Quarter-end cash balance of \$61M

Leverage Ratio (as of Dec 31)

2.5x

- Expecting a slightly lower leverage ratio by fiscal year end

**Anticipating further
free cash flow
improvement in Q4**

- Expecting higher operating cash flow in Q4
- Working to reduce order backlog and lower global inventory levels in Q4

Fiscal 2022 Outlook



(in millions)	Guidance	Comments
Net sales	\$1,989 to \$2,098	+10% to +16%
Adjusted EBITDA*	\$145 to \$160	(12%) to (3%)

FY22 Sales by Market Outlook	Global
BHVAC	+25% – 30%
CIS	+15% – 20%
HDE	+20% - 25%
Automotive	-25% - 20%

Maintaining full-year outlook for revenue and Adjusted EBITDA

- Sequential revenue and adjusted EBITDA growth in Q4
- Inflation has not abated, ongoing volatility between labor and materials costs
- Additional commercial cost recovery actions to help offset economic pressures

Key Assumptions

- Estimated interest expense of \$15 – \$16 million
- Adjusted tax rate percentage of 20% – 25%
- Depreciation and amortization expense of approximately \$55 – \$58 million

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

APPENDIX

Q3 GAAP Income Statement



(In millions)

	Q3 2022	Q3 2021
Net sales	\$ 502.2	\$ 484.3
Cost of sales	427.6	401.6
Gross profit	74.6	82.7
Selling, general & administrative expenses	50.3	56.1
Restructuring expenses	2.1	0.9
Impairment charges (reversals) - net	(57.2)	134.4
Operating income (loss)	79.4	(108.7)
Interest expense	(3.8)	(4.6)
Other expense - net	(1.1)	(0.5)
Earnings (loss) before income taxes	74.5	(113.8)
Provision for income taxes	(0.1)	(81.6)
Net earnings (loss)	74.4	(195.4)
Net earnings attributable to noncontrolling interest	(0.3)	(0.3)
Net earnings (loss) attributable to Modine	\$ 74.1	\$ (195.7)

Non-GAAP Reconciliations



Adjusted financial results

(In millions, except per share amounts)

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Net earnings (loss)	\$ 74.4	\$ (195.4)	\$ 77.8	\$ (194.9)
Interest expense	3.8	4.6	11.8	15.2
Provision for income taxes	0.1	81.6	7.4	95.3
Depreciation and amortization expense	13.8	16.3	40.4	54.2
Other expense – net	1.1	0.5	1.6	1.0
Restructuring expenses ^(a)	2.1	0.9	3.0	7.0
Impairment charges (reversals) – net ^(b)	(57.2)	134.4	(55.7)	134.4
Loss on sale of assets ^(c)	-	-	6.6	-
Automotive separation and exit strategy costs ^(d)	0.3	3.0	2.5	4.1
Strategic reorganization costs ^(e)	0.9	0.4	3.1	5.9
Environmental charges ^(f)	-	0.4	3.6	0.4
Adjusted EBITDA	\$ 39.3	\$ 46.7	\$ 102.1	\$ 122.6
Net earnings (loss) per share attributable to Modine shareholders - diluted	\$ 1.41	\$ (3.81)	\$ 1.46	\$ (3.82)
Restructuring expenses ^(a)	0.04	0.02	0.05	0.12
Impairment charges (reversals) – net ^(b)	(1.01)	1.88	(0.94)	1.88
Loss on sale of assets ^(c)	-	-	0.13	-
Automotive separation and exit strategy costs ^(d)	0.01	0.04	0.05	0.06
Strategic reorganization costs ^(e)	0.02	0.01	0.06	0.10
Environmental charges ^(f)	-	0.01	0.07	0.01
Tax valuation allowances ^(g)	(0.16)	2.13	(0.22)	2.27
Adjusted earnings per share	\$ 0.31	\$ 0.28	\$ 0.66	\$ 0.62

* See next slide for footnotes regarding these adjustments

Non-GAAP Reconciliations



- ^(a) Restructuring expenses primarily consist of employee severance expenses related to targeted headcount reductions and plant consolidation activities and equipment transfer costs. The tax benefit related to restructuring expenses during the third quarter of fiscal 2022 and fiscal 2021 was \$0.2 million and \$0.1 million, respectively. The tax benefit related to restructuring expenses during the first nine months of fiscal 2022 and fiscal 2021 was \$0.3 million and \$1.0 million, respectively.
- ^(b) The net impairment reversals during fiscal 2022 primarily relate to the Company's liquid-cooled automotive business within the Automotive segment. During the third quarter of fiscal 2022, the Company mutually agreed with Dana Incorporated to terminate an agreement for the sale of the liquid-cooled automotive business. The Company remeasured the previously impaired long-lived assets of the liquid-cooled automotive business to the lower of (i) carrying value, had held for sale classification never been met, or (ii) fair value. As a result, the Company recorded a \$57.2 million impairment reversal during the third quarter of fiscal 2022. On a year-to-date basis, this impairment reversal was partially offset by net impairment charges related to assets held for sale. The tax charges related to the net impairment reversals during the third quarter and first nine months of fiscal 2022 were \$4.3 million and \$6.1 million, respectively. The fiscal 2021 impairment charges also primarily related to the liquid-cooled automotive business. Upon being classified as held for sale in the third quarter of fiscal 2021, the Company impaired the long-lived assets within the disposal group. The tax benefit related to the fiscal 2021 impairment charges was \$37.7 million.
- ^(c) The Company's sale of its air-cooled automotive business closed on April 30, 2021. As a result of the sale, the Company recorded a \$6.6 million loss on sale at Corporate during the first quarter of fiscal 2022. There was no tax impact associated with this transaction.
- ^(d) Automotive separation and exit strategy costs consist of costs directly associated with the Company's review of strategic alternatives for the liquid-cooled and air-cooled automotive businesses, including costs to separate and prepare the underlying businesses for sale. With the exception of \$0.2 million and \$0.5 million of costs in the first nine months of fiscal 2022 and fiscal 2021, respectively, 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 first nine months of fiscal 2022 and fiscal 2021 was \$0 and \$0.9 million, respectively.
- ^(e) Strategic reorganization costs, recorded as SG&A expenses at Corporate, primarily consist of severance-related expenses and professional service fees for recruiting key senior management positions and the Company's implementation of its 80/20 strategy. The fiscal 2022 costs include recruiting fees for new segment vice presidents and business unit general managers and severance-related expenses for the outgoing executives as part of the transition. The fiscal 2021 costs include severance and benefit-related expenses associated with Thomas A. Burke's separation agreement and costs directly associated with the search for his successor. There was no tax benefit related to the fiscal 2022 costs. The tax benefit related to these costs in fiscal 2021 was \$0.9 million.
- ^(f) Environmental charges, including related legal costs, are recorded as SG&A expenses and relate to a previously-owned U.S. manufacturing facility.
- ^(g) During fiscal 2022, the Company reversed valuation allowances on deferred tax assets in Italy, China, and the Netherlands. These reversals were partially offset by a valuation allowance established on other deferred tax assets in China. As a result, the Company recorded net income tax benefits totaling \$8.2 million and \$11.4 million during the three and nine months ended December 31, 2021, respectively. During fiscal 2021, the Company increased its valuation allowance on deferred tax assets in the U.S. and in foreign jurisdictions. As a result, the Company recorded income tax charges totaling \$109.9 million and \$116.5 million during the three and nine months ended December 31, 2020, respectively.

Non-GAAP Reconciliations



Segment Adjusted EBITDA and margin

(In millions)

	Three months ended December 31,	
	2021	2020
Building HVAC Systems		
Operating income	\$ 14.4	\$ 14.9
Depreciation and amortization expense	1.4	1.4
Adjusted EBITDA	\$ 15.8	\$ 16.3
Net sales	\$ 90.6	\$ 73.7
Adjusted EBITDA margin	17.4%	22.1%

Commercial and Industrial Solutions

Operating income (loss)	\$ 3.4	\$ (0.7)
Depreciation and amortization expense	4.8	5.6
Restructuring expenses ^(a)	1.9	0.5
Adjusted EBITDA	\$ 10.1	\$ 5.4
Net sales	\$ 148.6	\$ 124.9
Adjusted EBITDA margin	6.8%	4.3%

Three months ended December 31,

	2021	2020
Operating income (loss)	\$ 3.4	\$ (0.7)
Depreciation and amortization expense	4.8	5.6
Restructuring expenses ^(a)	1.9	0.5
Adjusted EBITDA	\$ 10.1	\$ 5.4
Net sales	\$ 148.6	\$ 124.9
Adjusted EBITDA margin	6.8%	4.3%

Heavy Duty Equipment

	Three months ended December 31,	
	2021	2020
Operating income	\$ 10.3	\$ 12.8
Depreciation and amortization expense	5.6	6.5
Restructuring expenses ^(a)	0.2	-
Environmental charges ^(a)	-	0.4
Adjusted EBITDA	\$ 16.1	\$ 19.7
Net sales	\$ 200.8	\$ 185.6
Adjusted EBITDA margin	8.0%	10.6%

Automotive

Operating income (loss)	\$ 55.0	\$ (124.9)
Depreciation and amortization expense	1.4	2.4
Restructuring expenses ^(a)	-	0.4
Impairment charges (reversals) - net ^(a)	(57.2)	134.4
Adjusted EBITDA	\$ (0.8)	\$ 12.3
Net sales	\$ 72.4	\$ 113.9
Adjusted EBITDA margin	(1.1%)	10.8%

Three months ended December 31,

	2021	2020
Operating income (loss)	\$ 55.0	\$ (124.9)
Depreciation and amortization expense	1.4	2.4
Restructuring expenses ^(a)	-	0.4
Impairment charges (reversals) - net ^(a)	(57.2)	134.4
Adjusted EBITDA	\$ (0.8)	\$ 12.3
Net sales	\$ 72.4	\$ 113.9
Adjusted EBITDA margin	(1.1%)	10.8%

^(a) See the adjusted financial results on slides 15 and 16 for additional information regarding these adjustments.

Non-GAAP Reconciliations



Free cash flow

(In millions)

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 26.4	\$ 59.2	\$ 7.4	\$ 146.5
Expenditures for property, plant and equipment	(10.3)	(9.1)	(30.7)	(23.7)
Free cash flow	\$ 16.1	\$ 50.1	\$ (23.3)	\$ 122.8

Non-GAAP Reconciliations



Net debt (In millions)

	December 31, 2021	September 30, 2021
Debt due within one year	\$ 21.8	\$ 22.0
Long-term debt	368.8	366.9
Total debt	390.6	388.9
Less: cash and cash equivalents	61.1	56.0
Net debt	\$ 329.5	\$ 332.9

Non-GAAP Reconciliations



The Company's fiscal 2022 guidance includes adjusted EBITDA, which is a non-GAAP financial measure. The full-year fiscal 2022 guidance for adjusted EBITDA is based upon the Company's estimates for interest expense of approximately \$15 to \$16 million, a provision for income taxes of approximately \$15 to \$18 million, and depreciation and amortization expense of approximately \$55 to \$58 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, strategic reorganization activities, impairment charges and certain other items. These expenses and gains for the first nine months of fiscal 2022 are presented on slide 15. In connection with upcoming restructuring actions, the Company expects to record approximately \$20.0 million to \$25.0 million of restructuring expenses during either the fourth quarter of fiscal 2022 or early in fiscal 2023. Beyond these restructuring expenses which may be recorded during the fourth quarter, estimates of these expenses and gains for the remainder of fiscal 2022 are not available due to the low visibility and unpredictability of these items.