



FOURTH QUARTER FISCAL 2022

May 26th, 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, and Investor Relations

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, September 30, 2021 and December 31, 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 pricing focus of Modine's customers; our ability to successfully execute our strategic and operational plans, including applying 80/20 principals to our business; 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, 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, inflation, tariffs and sanctions (and potential trade war impacts resulting from tariffs, sanctions or retaliatory actions), supply chain disruptions and supplier constraints, including semiconductor 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, the military conflict in Ukraine and other matters, that have been or may be implemented in the U.S. or abroad; 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.

Reorganizing to Simplify and Focus the Business

Performance Technologies



Air-Cooled Applications



Air-cooled heat exchangers for vehicular, stationary power, and industrial applications



Liquid-Cooled Applications



Liquid-cooled heat exchangers for engine, stationary power, and industrial applications



Advanced Solutions



*Factory-applied coatings & aftermarket solutions
EV Systems & Comp. Spec. Vehicle Cooling Systems*



Heat Transfer Products



Heat Exchangers for HVAC & Refrigeration applications



HVAC & Refrigeration



*Heating Products
Indoor Air Quality
Refrigeration & Industrial Coolers*



Data Centers



*Data Center Cooling Systems, Chillers, Air Handlers
Maintenance & Service*

Business Highlights



- Strong earnings growth driven by higher revenues in key markets and early 80/20 benefits
 - Inflationary pressures in materials and logistics services have been a key challenge
 - In response, we strengthened commercial organizations, implemented pricing adjustments and used 80/20 to simplify and improve processes
- Building HVAC
 - Strong demand for Heating, Indoor Air Quality (IAQ) and Data Centers products
 - Market share gains through superior product availability and shorter lead times
 - Dedicating additional resources for school products; benefiting from major infrastructure spending
 - Heating sales benefiting from new distributors and targeted marketing campaigns
 - Data center business experiencing strong demand and backlog, good progress on new production facility in Virginia



Business Highlights



- CIS
 - Strong quarter with significant revenue and earnings growth driven by volume gains and pricing improvements
 - Benefiting from 80/20 actions taken earlier in the year including order entry filters and minimum order quantities
- HDE and Automotive
 - Improving future profitability through price realization and cost reduction
 - Demand in HDE remains strong, but still dealing with cost inflation and supply chain issues, particularly in Automotive business
 - COVID in China resulted in production shutdowns
 - Launched EVantage™ battery thermal systems that improve battery performance, range and life
 - Reallocating engineering, commercial and operational resources to this team



Fourth Quarter Financial Summary



- ◆ Net Sales Change: \$60M
 - \$33M of positive pricing
 - Volume improved \$41M
 - FX negatively impacted sales by \$14M



Key Drivers of \$15M Adjusted EBITDA Increase



- ◆ Volume Impact: \$9 million
 - Higher sales in BHVAC, CIS and HDE offset by a large decline in Auto



- ◆ Manufacturing Efficiency: \$3 million
 - Favorable labor and overhead more than offset the negative impact of inflation



- ◆ Lower Net Supply Chain Costs: \$1 million
 - Higher commodity and logistic costs resulting in a YoY increase of \$32M
 - Fully offset by \$33M of material pass-through agreements and other pricing actions

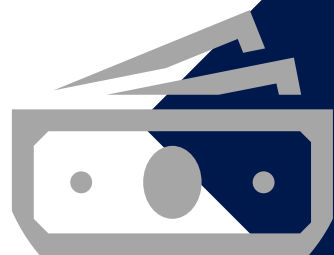
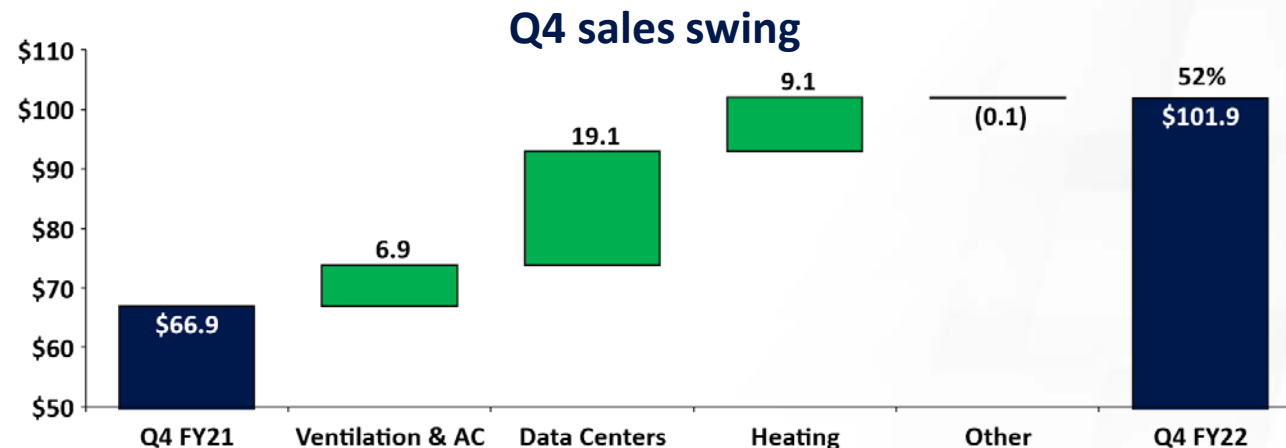


- ◆ SG&A Decrease: \$2 million
 - Decrease due to lower employee compensation expense that more than offset higher commission expense

Building HVAC



Net Sales
\$101.9 million
↑ 52% YoY



Adjusted
EBITDA*
\$17.4 million
↑ 58% YoY
17.1% margin

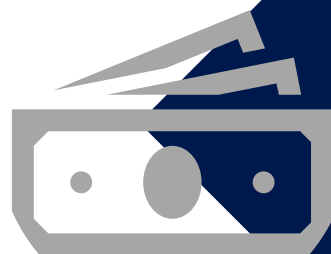
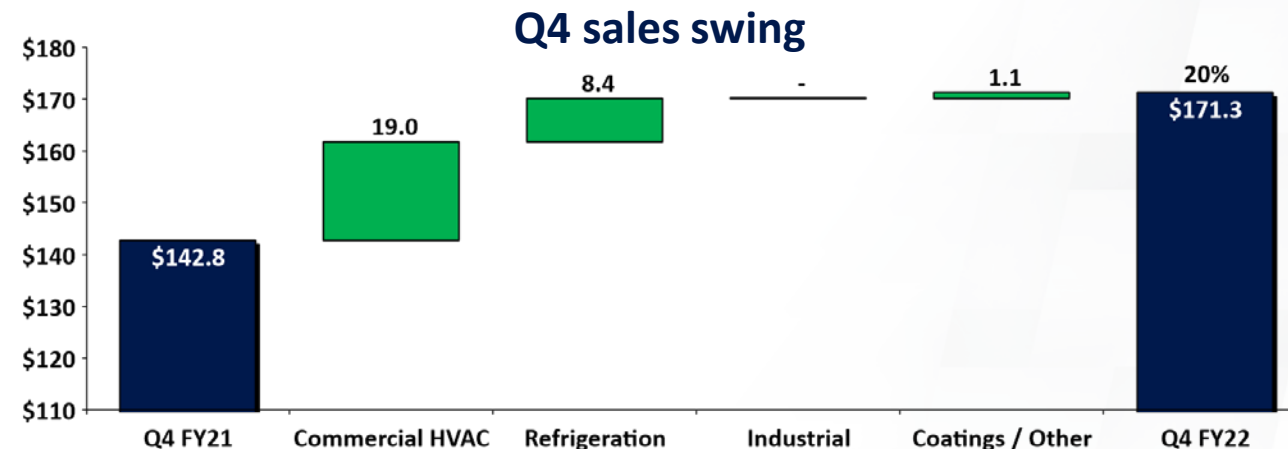
Highlights

- Strong data center volume improvement, with sales up over 100%
- Heating sales increased from prior year by 32%
- Commercial ventilation & AC was higher than prior year by 35%
- Strong volume partially offset employee compensation and commissions
- Adjusted EBITDA margin improvement of 70 bps and 58% growth over the prior year

Commercial & Industrial Solutions



Net Sales
\$171.3 million
↑ 20% YoY



Adjusted
EBITDA*
\$24.1 million
↑ 98% YoY
14.1% margin

Highlights

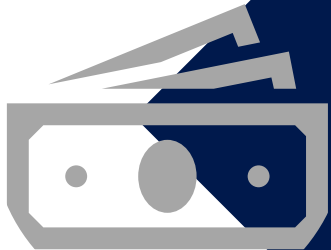
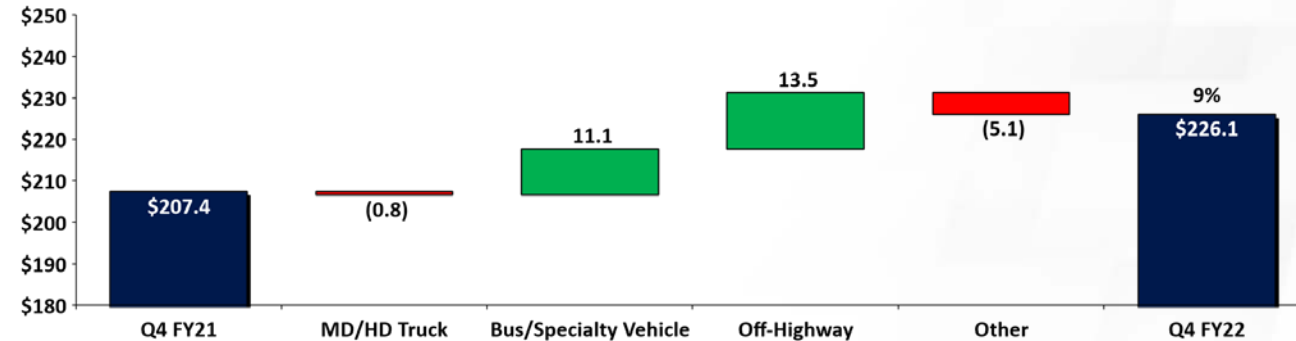
- Strong quarter for CIS, with early signs of 80/20 benefits
- Sales increased in all markets including commercial HVAC (27%), refrigeration (21%) and coatings (20%)
- Substantial year-over-year earnings growth of \$12 million or 98%
- Adjusted EBITDA margin improvement of over 500 bps; driven by higher volumes, commercial pricing and operational efficiencies

Heavy Duty Equipment



Net Sales
\$226.1 million
↑ 9% YoY

Q4 sales swing



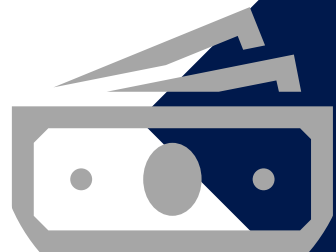
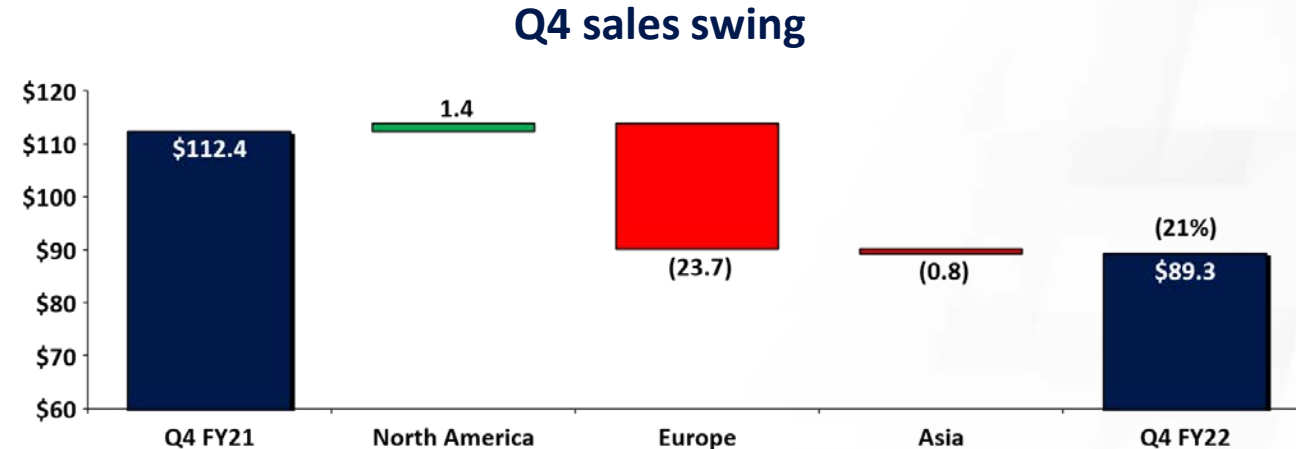
Adjusted
EBITDA*
\$15.6 million
↓ 25% YoY
6.9% margin

Highlights

- Sales increased in off-highway (17%) and bus/specialty (69%) markets while commercial vehicle sales were relatively flat, due in part to supply chain disruptions
- Approximately 50% of revenue growth tied to volume increases; balance due to material pricing
- Adjusted EBITDA declined \$5M, mostly due to higher manufacturing costs and the time lag on materials cost recoveries



Net Sales
\$89.3 million
 ↓ 21% YoY



Adjusted EBITDA*
\$3.6 million
 ↓ 39% YoY
 4.0% margin

Highlights

- European sales down as the prior year included \$18 million related to the divestiture of the Austrian air-cooled business in April
- North America and Asia were relatively flat for the quarter; impacted by continued semi-conductor shortages
- Adjusted EBITDA declined \$2 million, mostly driven by the decline in sales volume
- Targeting \$20 million in SG&A savings from cost savings initiatives

YTD Free Cash Flow*

(\$29) million

- Slightly negative free cash flow of \$6M in Q4; mainly due to higher working capital
- Difficult year-over-year comparatives due to the lack of benefits from prior year pandemic actions and ongoing supply chain challenges
- YTD free cash flow included \$20M primarily of restructuring and reorganization cash impacts
- Anticipating positive cash flow in the new year from improved earnings and better working capital

Net Debt (as of Mar 31)*

\$333 million

- Net Debt increased \$3M during the fourth quarter
- Year-end cash balance of \$45M

Leverage Ratio (as of Mar 31)

2.3x

- Expecting a further reduction in the leverage ratio over the next fiscal year

Fiscal 2023 Outlook



(in millions)	Guidance	Comments
Net sales	\$2,170 to \$2,300	+6% to +12%
Adjusted EBITDA*	\$180 to \$195	+13% to +23%

Outlook improvement in revenue and adjusted EBITDA next year

- Sales increase expected across most businesses
- EBITDA improvement driven by volume, favorable mix, material recovery and other pricing actions
- Anticipating a challenging first quarter due to headwinds in HDE/Auto; including supply chain issues, China/COVID lockdown and the Ukraine conflict
- Remaining quarters expected to show improvement year-over-year

Key assumptions

- Estimated interest expense of \$16 – \$17 million, capex \$60 - \$70 million
- Adjusted tax rate percentage in the mid 20's
- Depreciation and amortization expense of approximately \$58 - \$62 million

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

FY23 Sales by Market Outlook	Global
BHVAC	+15% – 20%
• Overall market tailwinds along with market share gains in Data Center and Heating	
CIS	(5%) – Flat
• Planned revenue reductions through rationalization efforts under 80/20	
HDE	+10% – 15%
• Sales growth driven by pricing and growing EV business	
Automotive	+10% – 15%
• Anticipating growth beyond the market due to the impact of pricing	

APPENDIX

Q4 GAAP Income Statement



(In millions)

	Q4 2022	Q4 2021
Net sales	\$ 574.4	\$ 514.9
Cost of sales	479.2	431.1
Gross profit	95.2	83.8
Selling, general & administrative expenses	53.5	59.3
Restructuring expenses	21.1	6.4
Impairment charges	-	32.4
Operating income (loss)	20.6	(14.3)
Interest expense	(3.8)	(4.2)
Other expense - net	(0.5)	(1.2)
Earnings (loss) before income taxes	16.3	(19.7)
(Provision) benefit for income taxes	(7.8)	5.1
Net earnings (loss)	8.5	(14.6)
Net earnings attributable to noncontrolling interest	(0.1)	(0.4)
Net earnings (loss) attributable to Modine	\$ 8.4	\$ (15.0)

Non-GAAP Reconciliations



Adjusted financial results

(In millions, except per share amounts)

	Three months ended March 31,		Twelve months ended March 31,	
	2022	2021	2022	2021
Net earnings (loss)	\$ 8.5	\$ (14.6)	\$ 86.3	\$ (209.5)
Interest expense	3.8	4.2	15.6	19.4
Provision (benefit) for income taxes	7.8	(5.1)	15.2	90.2
Depreciation and amortization expense	14.4	14.4	54.8	68.6
Other expense – net	0.5	1.2	2.1	2.2
Restructuring expenses ^(a)	21.1	6.4	24.1	13.4
Impairment charges (reversals) – net ^(b)	-	32.4	(55.7)	166.8
Loss on sale of assets ^(c)	-	-	6.6	-
Automotive separation and exit strategy costs ^(d)	0.1	2.5	2.6	6.6
Strategic reorganization costs ^(e)	0.3	0.8	3.4	6.7
Environmental charges ^(f)	0.2	-	3.8	0.4
Adjusted EBITDA	\$ 56.7	\$ 42.2	\$ 158.8	\$ 164.8
Net earnings (loss) per share attributable to Modine shareholders - diluted	\$ 0.16	\$ (0.29)	\$ 1.62	\$ (4.11)
Restructuring expenses ^(a)	0.40	0.12	0.45	0.24
Impairment charges (reversals) – net ^(b)	-	0.62	(0.94)	2.51
Loss on sale of assets ^(c)	-	-	0.13	-
Automotive separation and exit strategy costs ^(d)	-	0.05	0.05	0.11
Strategic reorganization costs ^(e)	0.01	0.01	0.07	0.11
Environmental charges ^(f)	-	-	0.07	0.01
Tax valuation allowances ^(g)	-	-	(0.22)	2.27
Adjusted earnings per share	\$ 0.57	\$ 0.51	\$ 1.23	\$ 1.14

* 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 restructuring expenses recorded in the fourth quarter of fiscal 2022 primarily relate to targeted headcount reductions in Europe within the Automotive segment. The tax benefit related to restructuring expenses during the fourth quarter of fiscal 2022 and fiscal 2021 was \$0 and \$0.4 million, respectively. The tax benefit related to restructuring expenses during fiscal 2022 and fiscal 2021 was \$0.3 million and \$1.4 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 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. This impairment reversal was partially offset by other net impairment charges related to assets held for sale. The tax charges related to the net impairment reversals during fiscal 2022 totaled \$6.1 million. The fiscal 2021 impairment charges also primarily related to the liquid-cooled automotive business in connection with it being classified as held for sale in fiscal 2021. 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 \$0.6 million of costs in 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 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 \$11.4 million during fiscal 2022. 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 \$116.5 million during fiscal 2021.

Non-GAAP Reconciliations



Segment Adjusted EBITDA and margin

(In millions)

	Three months ended March 31,	
	2022	2021
Building HVAC Systems		
Operating income	\$ 15.6	\$ 9.6
Depreciation and amortization expense	1.5	1.4
Restructuring expenses ^(a)	0.3	-
Adjusted EBITDA	\$ 17.4	\$ 11.0
Net sales	\$ 101.9	\$ 66.9
Adjusted EBITDA margin	17.1%	16.4%

Commercial and Industrial Solutions

	Three months ended March 31,	
	2022	2021
Operating income	\$ 18.6	\$ 5.8
Depreciation and amortization expense	5.3	5.6
Restructuring expenses ^(a)	0.2	0.8
Adjusted EBITDA	\$ 24.1	\$ 12.2
Net sales	\$ 171.3	\$ 142.8
Adjusted EBITDA margin	14.1%	8.5%

Heavy Duty Equipment

	Three months ended March 31,	
	2022	2021
Operating income	\$ 9.6	\$ 13.2
Depreciation and amortization expense	5.5	6.5
Restructuring expenses ^(a)	0.5	1.1
Adjusted EBITDA	\$ 15.6	\$ 20.8
Net sales	\$ 226.1	\$ 207.4
Adjusted EBITDA margin	6.9%	10.0%

Automotive

	Three months ended March 31,	
	2022	2021
Operating (loss)	\$ (18.2)	\$ (30.2)
Depreciation and amortization expense	1.7	0.5
Restructuring expenses ^(a)	20.1	3.2
Impairment charges ^(a)	-	32.4
Adjusted EBITDA	\$ 3.6	\$ 5.9
Net sales	\$ 89.3	\$ 112.4
Adjusted EBITDA margin	4.0%	5.2%

^(a) See the adjusted financial results on slides 16 and 17 for additional information regarding these adjustments.

Non-GAAP Reconciliations



Free cash flow

(In millions)

	Three months ended March 31,		Twelve months ended March 31,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 4.1	\$ 3.3	\$ 11.5	\$ 149.8
Expenditures for property, plant and equipment	(9.6)	(9.0)	(40.3)	(32.7)
Free cash flow	\$ (5.5)	\$ (5.7)	\$ (28.8)	\$ 117.1

Non-GAAP Reconciliations



Net debt (In millions)

	March 31, 2022	December 31, 2021	March 31, 2021
Debt due within one year	\$ 29.4	\$ 21.8	\$ 23.3
Long-term debt	348.4	368.8	311.2
Total debt	377.8	390.6	334.5
Less: cash and cash equivalents	45.2	61.1	37.8
Net debt	<u>\$ 332.6</u>	<u>\$ 329.5</u>	<u>\$ 296.7</u>

Non-GAAP Reconciliations



The Company's fiscal 2023 guidance includes adjusted EBITDA, which is a non-GAAP financial measure. The full-year fiscal 2023 guidance for adjusted EBITDA is based upon the Company's estimates for interest expense of approximately \$16 to \$17 million, a provision for income taxes of approximately \$24 to \$28 million, and depreciation and amortization expense of approximately \$58 to \$62 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), impairment charges and certain other items. Estimates of these expenses and gains for fiscal 2023 are not available due to the low visibility and unpredictability of these items.