



SECOND QUARTER FISCAL 2023

NOVEMBER 3, 2022

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 Statement



This presentation contains statements, including information about future financial performance and market conditions, accompanied by phrases such as “believes,” “estimates,” “expects,” “plans,” “anticipates,” “intends,” “projects,” 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, 2022 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, 2022. Other risks and uncertainties include, but are not limited to, the following: the impact of potential adverse developments or disruptions in the global economy and financial markets, including impacts related to inflation, including rising energy costs, along with supply chain challenges or supplier constraints, tariffs, sanctions and other trade issues or cross-border trade restrictions; the impact of other economic, social and political conditions, changes and challenges in the markets where we operate and compete, including foreign currency exchange rate fluctuations, increases 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 of the COVID-19 pandemic on the national and global economy, our business, suppliers, customers, and employees; the overall health and pricing focus of our customers; our ability to successfully execute our strategic and operational plans, including applying 80/20 principles 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 fund our global liquidity requirements efficiently and comply with the financial covenants in our credit agreements; operational inefficiencies as a result of program launches, unexpected volume increases or decreases, and product transfers; 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; our ability to recruit and maintain talent in managerial, leadership, operational and administrative functions and to mitigate increased labor costs; our ability to protect our 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 in our public filings with the U.S. Securities and Exchange Commission. Forward-looking statements are as of the date of this presentation, and we do not assume any obligation to update any forward-looking statements.

Unlocking Value: Transforming for a Sustainable Future



*Expand Margin Profile and
Build Growth Engine*

- Focus the Organization
 - 80/20 at the core
 - Build a high-performance organization
 - Simplify and segment the business
- Perform and Deliver
 - Drive results through disciplined management processes
 - Maximize share of key markets while simplifying our product offering
- Accelerate Profitable Growth to Deliver Financial Targets

Activities and Accomplishments



FOCUS THE ORGANIZATION

- 80/20 driving significant growth and margin improvement
- Leadership team firmly in place, focused on profitability and growth
- Business segmentation complete, strategies deployed, refining data and implementing daily management tools



PERFORM AND DELIVER

- Accelerating growth in coolers, indoor air quality (IAQ), heating and data centers; reallocating resources to these attractive businesses
- Building relationships with key customers, consultants, distributors and sales representatives; product line simplification increasing speed by reducing complexity



ACCELERATE PROFITABLE GROWTH

- Full solutions systems provider in Data Centers and IAQ
- First chillers shipped from new Rockbridge facility, key to N.A. market expansion
- Building M&A pipeline and identifying actionable targets



Activities and Accomplishments



FOCUS THE ORGANIZATION

- 80/20 training underway across the organization
- Onboarding new leaders, culture change underway, particularly for commercial team
- Further business segmentation in process, examining the data to simplify operations



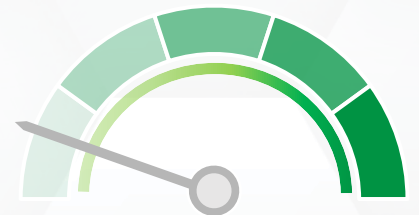
PERFORM AND DELIVER

- Product simplification and exit strategies underway, filters in place for new orders to emphasize profitability
- Advanced Solutions focusing on new product development and commercial excellence to capture value; recent order with Shift

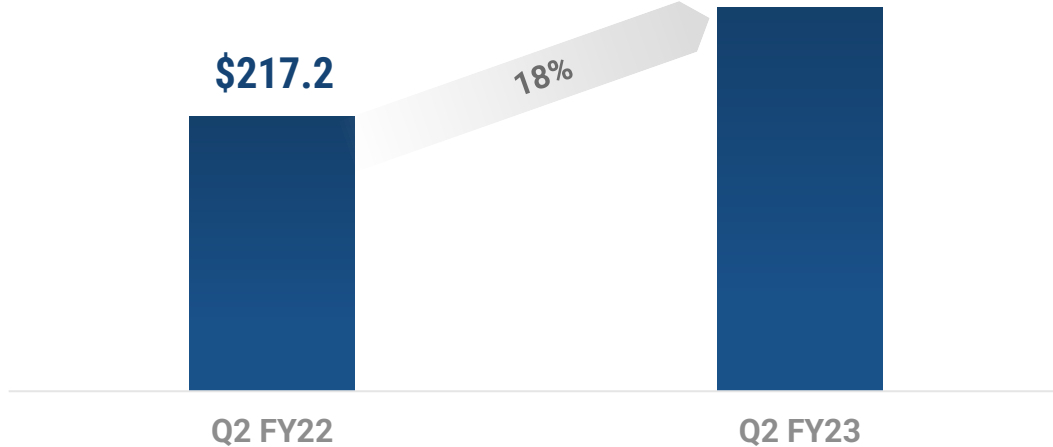


ACCELERATE PROFITABLE GROWTH

- Step up technology staircase – emphasizing next generation systems and services
- Promoting geographic expansion – Advanced Solutions
- Will evaluate future acquisitions to strengthen the product and technology portfolio



(In millions)

Net Sales**81% Data Centers**

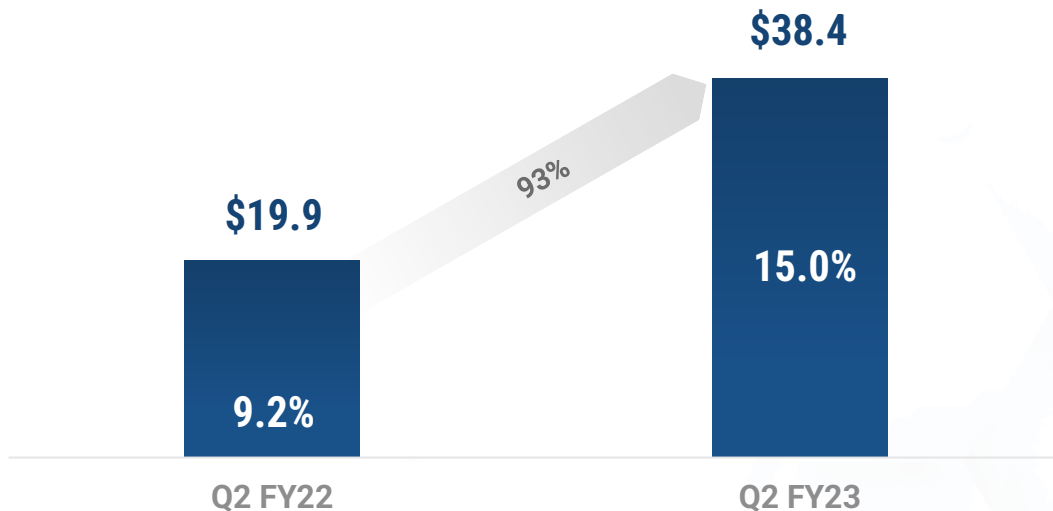
- Sustained growth in hyperscale and colocation

**11% HVAC&R**

- Strong demand for heating and school products

**13% Heat Transfer Products**

- Broad strength across N.A. markets
- European heat pump market driving growth

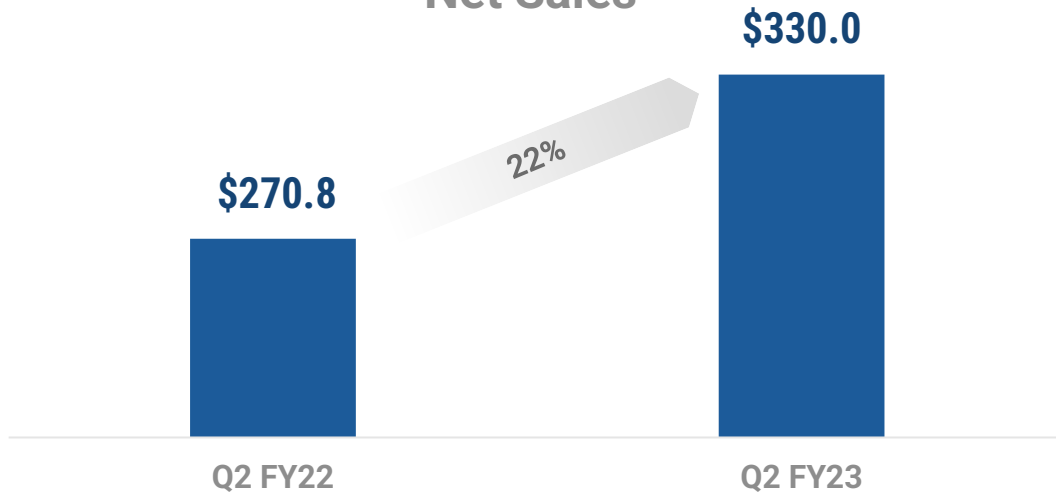
Adjusted EBITDA & EBITDA Margin*

- Excellent conversion with EBITDA nearly doubling
- 580 bps margin improvement; well ahead of the transformation plan
- Strong earnings growth driven by higher revenues in our key markets and 80/20 benefits
- Higher sales volume and favorable commercial pricing initiatives
- Lower SG&A as a percentage of sales, reduced 50 bps

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

(In millions)

Net Sales



21% Advanced Solutions

- Product growth for electric vehicles



23% Liquid-Cooled

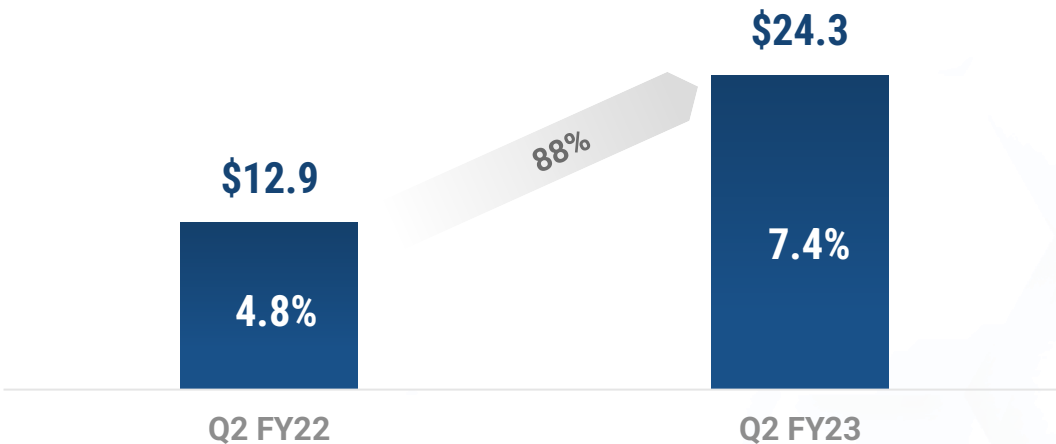
- Improvement in the light duty market along with favorable prior year comparisons



24% Air-Cooled

- Strong demand in off-highway and commercial vehicle markets

Adjusted EBITDA & EBITDA Margin*



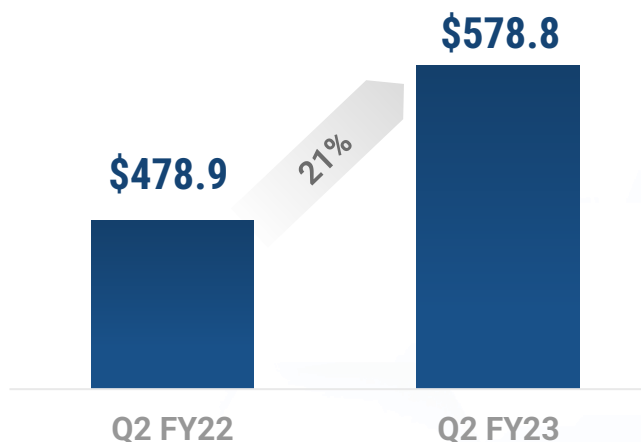
- 88% EBITDA growth, including a 260 bps margin improvement
- Earnings growth driven primarily by higher revenues and favorable price adjustments
- Material costs more than offset by our various pricing mechanisms
- Ongoing inflationary pressure on labor, energy and other supply related costs
- Managing controllable costs; SG&A decreased \$1 million

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

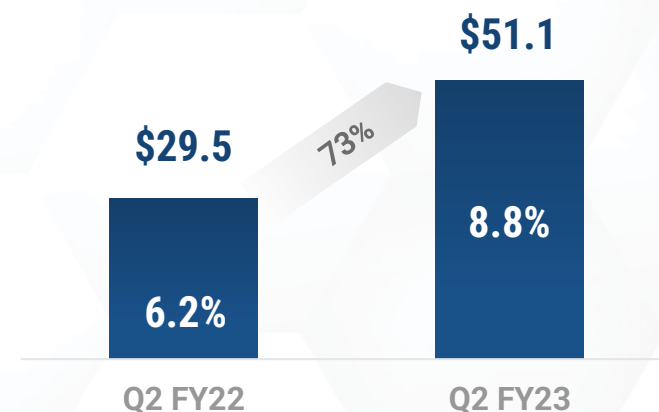
(In millions)	Q2 FY23	Q2 FY22
Net Sales	\$578.8	\$478.9
Gross Profit	96.2	66.3
% of net sales	16.6%	13.8%
SG&A expenses	58.8	51.9
% of net sales	10.1%	10.8%
Operating Income	36.8	10.5
% of net sales	6.4%	2.2%
Adjusted EBITDA*	51.1	29.5
% of net sales	8.8%	6.2%
Adjusted EPS*	\$0.48	\$0.15

(In millions)

Net Sales



Adjusted EBITDA & EBITDA Margin*



- 2Q results reflect ongoing 80/20 progress and other initiatives as part of the strategic transformation
- Sales growth of 28%, excluding a negative \$36M of FX impact; driven by both volume and pricing
- Gross profit margin improved 280 bps on favorable volume and pricing, offsetting inflationary factors and slightly higher materials
- 73% adjusted EBITDA growth, including a 260 bps margin improvement
- Strong adjusted EPS growth, up 220% year-over-year

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

Cash Flow and Metrics	Q2 FY23 YTD
Free Cash Flow	\$33.1 million
Net Debt (as of Sept 30)	\$300.5 million
Leverage Ratio (as of Sept 30)	1.7x
Capital Expenditures	\$23.0 million

Modine Maintains Strong Balance Sheet & Liquidity

- \$29 million of positive free cash flow in the quarter, driven by the higher operating earnings and improved working capital
- Share repurchase plan continued; another 100,000 shares this quarter
- Net debt improved \$32 million during the first half of the year
- Cash balance of \$70 million
- Leverage ratio declined to 1.7x; anticipating a further reduction by fiscal year-end

(In millions)	Guidance	Comments
Net sales	\$2,170 to \$2,300	+6% to +12%
Adjusted EBITDA*	\$190 to \$200	+20% to +26%

Increasing the Full Year Adjusted EBITDA Outlook

- Raising guidance after a strong Q2; balancing earnings tailwinds with ongoing economic uncertainties
- Double-digit revenue increases expected across most product groups
- Anticipating further Adjusted EBITDA earnings and margin improvements in the second half

Key Assumptions:

- Estimated interest expense of \$19 - \$20 million
- Estimated capex of \$60 - \$70 million
- Adjusted tax rate percentage in the mid 20s
- Depreciation and amortization expense of approximately \$55 - \$59 million

FY23 Global Sales Outlook

Climate Solutions	
Data Centers	+50% – 60%
HVAC & Refrigeration	+5% – 10%
Heat Transfer Products	(5%) – +5%

Performance Technologies	
Advanced Solutions	+15% – 25%
Liquid-Cooled Applications	+5% – 15%
Air-Cooled Applications	+10% – 20%

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

APPENDIX

(In millions)

	Q2 2023	Q2 2022
Net sales	\$ 578.8	\$ 478.9
Cost of sales	482.6	412.6
Gross profit	96.2	66.3
Selling, general & administrative expenses	58.8	51.9
Restructuring expenses	0.6	0.6
Impairment charges	-	3.3
Operating income	36.8	10.5
Interest expense	(4.7)	(3.8)
Other expense - net	(1.4)	(0.7)
Earnings before income taxes	30.7	6.0
Provision for income taxes	(6.4)	(5.4)
Net earnings	24.3	0.6
Net loss (earnings) attributable to noncontrolling interest	0.1	(0.2)
Net earnings attributable to Modine	\$ 24.4	\$ 0.4

Modine Manufacturing Company
Adjusted financial results (unaudited)

(In millions, except per share amounts)

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
Net earnings	\$ 24.3	\$ 0.6	\$ 38.6	\$ 3.4
Interest expense	4.7	3.8	8.8	8.0
Provision for income taxes	6.4	5.4	11.3	7.3
Depreciation and amortization expense	13.4	13.1	27.3	26.6
Other expense – net	1.4	0.7	3.7	0.5
Restructuring expenses ^(a)	0.6	0.6	2.1	0.9
Impairment charges – net ^(b)	-	3.3	-	1.5
Loss on sale of assets ^(c)	-	-	-	6.6
Environmental charges ^(d)	0.3	0.1	1.4	3.6
Strategic reorganization and automotive exit costs ^(e)	-	1.9	-	4.4
Adjusted EBITDA	\$ 51.1	\$ 29.5	\$ 93.2	\$ 62.8
Net earnings per share attributable to Modine shareholders - diluted	\$ 0.46	\$ 0.01	\$ 0.74	\$ 0.05
Restructuring expenses ^(a)	0.01	0.01	0.03	0.02
Impairment charges – net ^(b)	-	0.06	-	0.06
Loss on sale of assets ^(c)	-	-	-	0.13
Environmental charges ^(d)	0.01	-	0.03	0.07
Strategic reorganization and automotive exit costs ^(e)	-	0.04	-	0.08
Tax valuation allowance ^(f)	-	0.03	-	(0.06)
Adjusted earnings per share	\$ 0.48	\$ 0.15	\$ 0.80	\$ 0.35

* See next slide for footnotes regarding these adjustments

- (a) Restructuring expenses primarily consist of employee severance expenses related to targeted headcount reductions and equipment transfer costs. The tax benefit related to restructuring expenses during the first six months of fiscal 2023 and fiscal 2022 was \$0.2 million and \$0.1 million, respectively.
- (b) The net impairment charges in fiscal 2022 primarily relate to the Company's liquid-cooled automotive business. The Company recorded \$3.3 million and \$8.9 million of impairment charges during the second quarter and first six months of fiscal 2022, respectively, related to assets held for sale. The year-to-date impairment charges were partially offset by a \$7.4 million reversal of previously-recorded impairment charges during the first quarter of fiscal 2022. The tax charge related to the net impairment reversal during the first quarter of fiscal 2022 was \$1.8 million. There was no tax benefit associated with the impairment charges recorded during the second quarter of fiscal 2022.
- (c) The Company's sale of its air-cooled automotive business in Austria 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) Environmental charges, including related legal costs, are recorded as SG&A expenses at Corporate and relate to a previously-owned U.S. manufacturing facility.
- (e) The fiscal 2022 amounts include costs recorded at Corporate associated with the Company's strategic reorganization and automotive exit strategy. During the first six months of fiscal 2022, the Company recorded SG&A expenses totaling \$2.2 million related to recruiting new senior management and the Company's implementation of 80/20. In addition, the Company recorded \$2.2 million of costs associated with its review of strategic alternatives for its automotive businesses, including costs to prepare the businesses for sale. These costs were primarily recorded as SG&A expenses and primarily consisted of accounting, legal, and IT professional services. There were no tax benefits related to the strategic reorganization or automotive exit strategy costs during the first six months of fiscal 2022.
- (f) During the first quarter of fiscal 2022, the Company reversed a valuation allowance on its deferred tax assets in Italy and, as a result, recorded an income tax benefit of \$4.8 million. During the second quarter of fiscal 2022, the Company established a valuation allowance on deferred tax assets in China and, as a result, recorded an income tax charge of \$1.6 million.

Segment Adjusted EBITDA and margin

(In millions)

	Three months ended September 30,	
	2022	2021
Climate Solutions		
Operating income	\$ 32.7	\$ 13.9
Depreciation and amortization expense	5.4	5.8
Restructuring expenses ^(a)	0.3	0.2
Adjusted EBITDA	<u>\$ 38.4</u>	<u>\$ 19.9</u>
Net sales	\$ 255.9	\$ 217.2
Adjusted EBITDA margin	15.0%	9.2%

	Three months ended September 30,	
	2022	2021
Performance Technologies		
Operating income	\$ 16.3	\$ 2.1
Depreciation and amortization expense	7.7	7.1
Restructuring expenses ^(a)	0.3	0.4
Impairment charges ^(a)	-	3.3
Adjusted EBITDA	<u>\$ 24.3</u>	<u>\$ 12.9</u>
Net sales	\$ 330.0	\$ 270.8
Adjusted EBITDA margin	7.4%	4.8%

^(a) See the adjusted financial results on slides 14 and 15 for additional information regarding these adjustments.

Free cash flow (unaudited)

(In millions)

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
Net cash provided by (used for) operating activities	\$ 41.6	\$ (8.9)	\$ 56.1	\$ (19.0)
Expenditures for property, plant and equipment	(12.6)	(9.0)	(23.0)	(20.4)
Free cash flow	\$ 29.0	\$ (17.9)	\$ 33.1	\$ (39.4)

Net debt (unaudited)

(In millions)

	September 30, 2022	March 31, 2022
Debt due within one year	\$ 36.2	\$ 29.4
Long-term debt	334.4	348.4
Total debt	370.6	377.8
Less: cash and cash equivalents	70.1	45.2
Net debt	\$ 300.5	\$ 332.6

Net sales - constant currency (unaudited)

(In millions)

		Three months ended September 30,			
		2022		2021	
	Net Sales	Effect of Exchange Rate Changes	Net Sales - Constant Currency		Net Sales
Climate Solutions	\$ 255.9	\$ 16.5	\$ 272.4	\$	217.2
Performance Technologies	330.0	19.9	349.9		270.8
Segment total	585.9	36.4	622.3		488.0
Corporate and eliminations	(7.1)	(0.1)	(7.2)		(9.1)
Net sales	<u>\$ 578.8</u>	<u>\$ 36.3</u>	<u>\$ 615.1</u>	<u>\$</u>	<u>478.9</u>

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 \$19 to \$20 million, a provision for income taxes of approximately \$26 to \$30 million, and depreciation and amortization expense of approximately \$55 to \$59 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. These expenses for the first six months of fiscal 2023 are presented on slide 14. Estimates of these expenses and gains for the remainder of fiscal 2023 are not available due to the low visibility and unpredictability of these items.