



First Quarter Fiscal 2024

August 3, 2023





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,” “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, 2023 and under Forward-Looking Statements in Item 7 of Part II of that same report. 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, 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 or recovery therefrom, restrictions associated with importing and exporting and foreign ownership, public health crises, and the general uncertainties, including the impact on demand for our products and the markets we serve, from regulatory and/or policy changes, including those related to tax and trade, climate change, COVID-19 or future public health threats, the military conflict in Ukraine and other matters, that have been or may be implemented in the U.S. or abroad; the overall health and pricing focus of our customers; our ability to successfully realize further anticipated benefits, including improved profit margins and cash flow, from our strategic initiatives and our application of 80/20 principles across our businesses; our ability to accelerate growth organically and through acquisitions and successfully integrate acquired businesses; our ability to effectively and efficiently manage our operations in response to sales volume changes, including maintaining adequate production capacity to meet demand in our growing businesses while also completing restructuring activities and realizing benefits thereof; 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 product or 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; 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 the increasing emphasis on environmental, social and corporate governance matters; 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.

Outstanding Quarter, Record Revenues

- Sales up 15%, Adjusted EBITDA up 91% to \$80.4 million, Adjusted EBITDA margin of 12.9%
- Completed acquisition of Napps Technology, Jetson brand in early July
 - Small chiller range complements Modine's indoor air quality product line
 - In line with growth strategy to invest in differentiated technologies in key growth verticals
- Making great progress towards our financial targets, planting seeds for future growth



Scroll Water-Cooled Chillers



Modular Water-Cooled Chillers



Water-Cooled Condensing Unit



Packaged Air-Cooled Chillers



Modular Air-Cooled Chillers



Air-Cooled Condensing Units





Climate Solutions



- **Revenue up 11% and Adjusted EBITDA margin of 18.3%**
- Data center sales of \$68 million, more than double prior year
 - Raising outlook to growth of 60-70% this fiscal year
 - Expect global data center revenue of over \$270 million
 - Strong backlog and pipeline including both colocation and hyperscale
- Strong technology drivers to support high performance computing creates opportunities
 - Considering both organic and inorganic approaches
 - We are actively monitoring and assessing the landscape
- Diversification of portfolio mitigating impact of down markets
 - Heating market remains challenged; down 30-40%
 - Heat Transfer Product sales down 7%
- Margin improvement due to lower material and freight costs and operational efficiencies





Performance Technologies



- **Revenue up 18% and Adjusted EBITDA margin of 11.2%**
- Top and bottom line benefiting from improving commercial terms
 - Recapturing margin lost to inflation over past several years
 - Winning incremental business in targeted markets with accretive margins
- Benefiting from early 80/20 work
 - Eliminated 73 SKUs in liquid-cooled business, over \$20 million of low margin revenue
 - Excellent growth opportunities in the back-up power (genset) market, driven by a conversion to new heat exchanger, providing improved performance and lower cost
- Strong ramp up in EV Systems business
 - Managing temporary delays due to supply chain constraints
 - Four new program wins in Q1, including two for fuel cell products
 - Total of 25 programs wins, over \$150M of revenue at mature volume



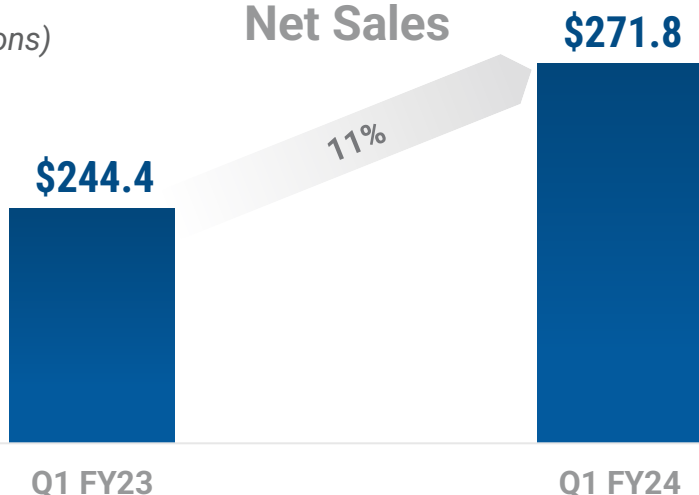


Climate Solutions



(In millions)

Net Sales



↑ 124%

Data Centers

- Strong growth across customer base in NA, the UK and Western Europe, including US chiller production



-2%

HVAC&R

- Mostly driven by lower heating sales due to market softness; offset by a strong quarter for IAQ sales

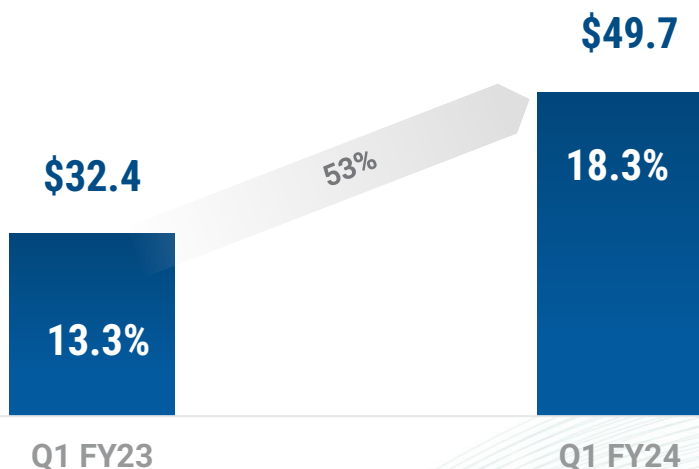


-7%

Heat Transfer Products

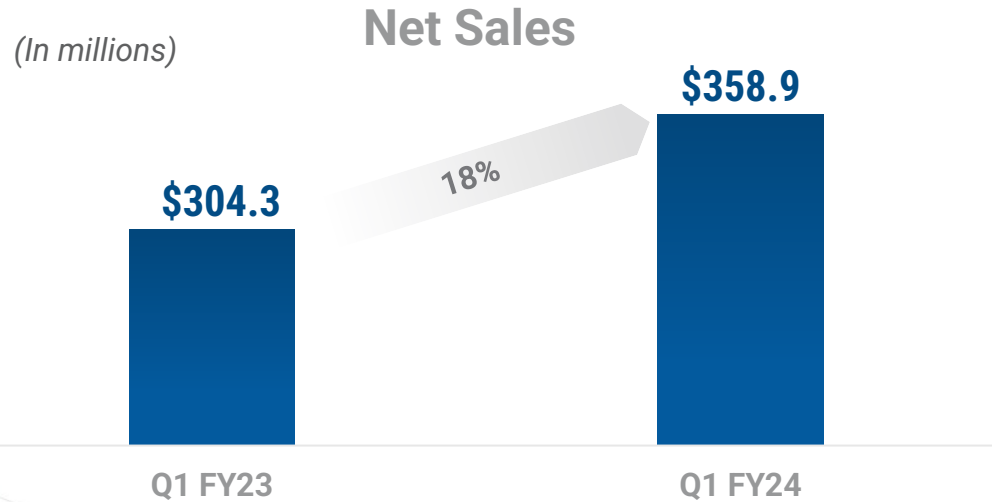
- Softening commercial refrigeration and residential markets along with 80/20 product rationalization

Adjusted EBITDA & EBITDA Margin*



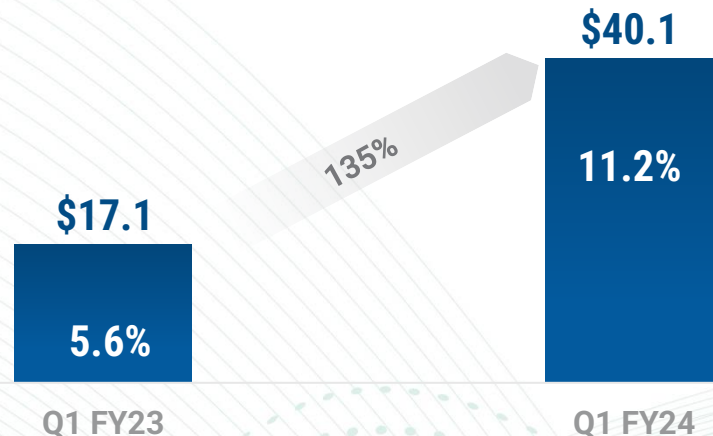
- Stronger than anticipated Q1 revenue due to timing of data center orders
- Excellent earnings conversion on higher sales, resulting in a 500 bps margin improvement
- Segment is off to a strong start to the fiscal year; Data Centers sales benefiting from a robust backlog
- Maintaining a cautious second half outlook for heating and heat transfer products

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



- ↑ **31% Advanced Solutions**
 - Higher sales for EV systems and components
- ↑ **21% Liquid-Cooled Applications**
 - Strong demand from automotive, commercial vehicle and off-highway customers
- ↑ **13% Air-Cooled Applications**
 - Improved sales to off-highway customers, including genset growth

Adjusted EBITDA & EBITDA Margin*



- Sales growth across all end markets, with volume accounting for \$37M or 12% sales growth
- Excellent earnings growth, with a 135% increase in Adjusted EBITDA and 560 bps of margin improvement
- Strong conversion on sales volume and improved material margins, as 80/20 initiatives are providing earlier than expected benefits
- Anticipating ongoing market demand, partially offset by potential 80/20 product rationalization

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

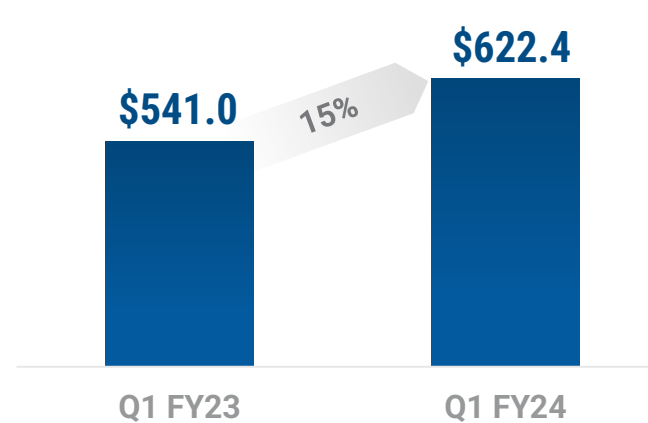
Financial Review



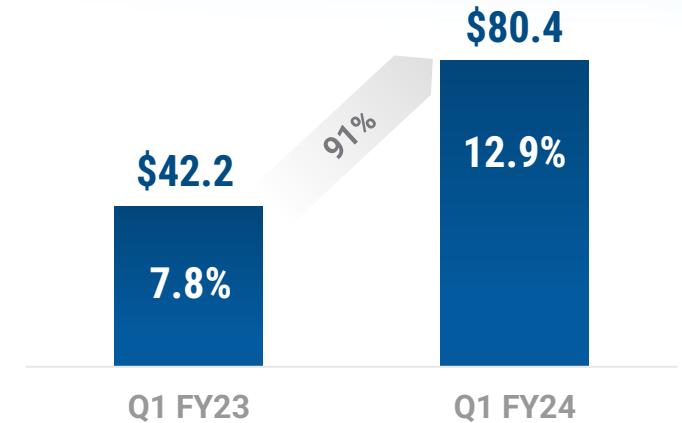
(In millions)

(In millions)	Q1 FY24	Q1 FY23
Net Sales	\$622.4	\$541.0
Gross Profit	127.9	83.4
% of net sales	20.6%	15.4%
SG&A expenses	61.4	56.3
% of net sales	9.9%	10.4%
Operating Income	66.5	25.6
% of net sales	10.7%	4.7%
Adjusted EBITDA*	80.4	42.2
% of net sales	12.9%	7.8%
Adjusted EPS*	\$0.85	\$0.32

Net Sales



Adjusted EBITDA & EBITDA Margin*



- Sales growth of 15%; driven by strong volume in both segments and favorable commercial pricing
- Strong earnings conversion resulted in 520 bps gross margin improvement
- Higher SG&A primarily due to employee compensation costs, but lower as a percent of sales
- 91% Adjusted EBITDA growth and a 510 bps margin improvement; 6th consecutive quarter of YoY improvement
- Significant Adjusted EPS growth, up 166% year-over-year

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

Cash Flow and Metrics



Cash Flow and Metrics	Q1 FY24
Free Cash Flow	\$27 million
Net Debt (as of June 30)	\$265 million
Leverage Ratio (as of June 30)	1.1x
Capital Expenditures	\$15 million

Modine Maintains Strong Balance Sheet & Liquidity

- Strong free cash flow in the quarter; \$27M, primarily due to higher earnings, partially offset by higher working capital and incentive compensation payments
- Net debt decreased \$20M in the first quarter
- The corresponding leverage ratio improved from 1.4x to 1.1x
- Balance sheet remains strong to support both organic growth and potential acquisitions

Fiscal 2024 Outlook



Metrics	Guidance	Comments
Net Sales	+6% to +11%	\$2.4B to \$2.6B
Adjusted EBITDA*	\$280M to \$295M	+32% to +39%

Raising Revenue and Adjusted EBITDA Outlook After a Strong First Quarter

- Outlook benefiting from accelerated timing of 80/20 benefits in Performance Technologies and higher data center orders
- Maintaining a cautious stance on the second half for heating and heat transfer products, along with ongoing 80/20 product rationalization efforts and general economic uncertainty
- After a strong Q1, now projecting quarterly earnings to be more level-loaded, versus the previous plan for a sequential ramp up
- Anticipating strong free cash flow, within a targeted 3-5% of sales, and capex at \$70 million
- Outlook remains strong and in-line with transformation; rapidly moving towards the long-term financial targets

FY24 Modine Global Sales Outlook

Climate Solutions¹

Data Centers	+60% – 70%
HVAC & Refrigeration	+2% – 5%
Heat Transfer Products	(8%) – Flat

Performance Technologies

Advanced Solutions	+25% – 35%
Liquid-Cooled Applications	+1% – 5%
Air-Cooled Applications	+2% – 10%

¹ Fiscal 2023 Climate Solutions sales have been recast based on how the segment is aligned and managed. Please see the appendix for the quarters and full-year table.

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



APPENDIX

GAAP Income Statement



Modine Manufacturing Company
Consolidated statements of operations (unaudited)
(In millions, except per share amounts)

	Three months ended June 30,	
	2023	2022
Net sales	\$ 622.4	\$ 541.0
Cost of sales	494.5	457.6
Gross profit	127.9	83.4
Selling, general & administrative expenses	61.4	56.3
Restructuring expenses	-	1.5
Operating income	66.5	25.6
Interest expense	(5.9)	(4.1)
Other expense – net	(0.6)	(2.3)
Earnings before income taxes	60.0	19.2
Provision for income taxes	(14.7)	(4.9)
Net earnings	45.3	14.3
Net earnings attributable to noncontrolling interest	(0.5)	-
Net earnings attributable to Modine	\$ 44.8	\$ 14.3

Non-GAAP Reconciliations



Modine Manufacturing Company
Adjusted financial results (unaudited)
(In millions, except per share amounts)

	Three months ended June 30,	
	2023	2022
Net earnings	\$ 45.3	\$ 14.3
Interest expense	5.9	4.1
Provision for income taxes	14.7	4.9
Depreciation and amortization expense	13.7	13.9
Other expense – net	0.6	2.3
Restructuring expenses ^(a)	-	1.5
Environmental charges ^(b)	0.2	1.2
Adjusted EBITDA	\$ 80.4	\$ 42.2
Net earnings per share attributable to Modine shareholders - diluted	\$ 0.85	\$ 0.27
Restructuring expenses ^(a)	-	0.03
Environmental charges ^(b)	-	0.02
Adjusted earnings per share	\$ 0.85	\$ 0.32

^(a) The fiscal 2023 restructuring expenses primarily consist of employee severance expenses related to targeted headcount reductions. There was no tax benefit associated with the restructuring expenses.

^(b) Environmental charges, including related legal costs, are recorded as SG&A expenses at Corporate and relate to a previously-owned U.S. manufacturing facility.

Non-GAAP Reconciliations



Modine Manufacturing Company

Segment adjusted financial results (unaudited)

(In millions)

	Three months ended June 30, 2023				Three months ended June 30, 2022			
	Climate Solutions	Performance Technologies	Corporate and eliminations	Total	Climate Solutions	Performance Technologies	Corporate and eliminations	Total
Operating income	\$ 44.3	\$ 32.0	\$ (9.8)	\$ 66.5	\$ 27.0	\$ 7.4	\$ (8.8)	\$ 25.6
Depreciation and amortization expense	5.4	8.1	0.2	13.7	5.4	8.2	0.3	13.9
Restructuring expenses ^(a)	-	-	-	-	-	1.5	-	1.5
Environmental charges ^(a)	-	-	0.2	0.2	-	-	1.2	1.2
Adjusted EBITDA	\$ 49.7	\$ 40.1	\$ (9.4)	\$ 80.4	\$ 32.4	\$ 17.1	\$ (7.3)	\$ 42.2
 Net sales	 \$ 271.8	 \$ 358.9	 \$ (8.3)	 \$ 622.4	 \$ 244.4	 \$ 304.3	 \$ (7.7)	 \$ 541.0
Adjusted EBITDA margin	18.3%	11.2%		12.9%	13.3%	5.6%		7.8%

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

Non-GAAP Reconciliations



Modine Manufacturing Company

Free cash flow (unaudited)

(In millions)

	Three months ended June 30,	
	2023	2022
Net cash provided by operating activities	\$ 41.7	\$ 14.5
Expenditures for property, plant and equipment	(15.1)	(10.4)
Free cash flow	\$ 26.6	\$ 4.1

Net debt (unaudited)

(In millions)

	June 30, 2023	March 31, 2023
Debt due within one year	\$ 27.7	\$ 23.4
Long-term debt	330.0	329.3
Total debt	357.7	352.7
Less: cash and cash equivalents	92.5	67.1
Net debt	\$ 265.2	\$ 285.6

Non-GAAP Reconciliations



The Company's fiscal 2024 guidance includes Adjusted EBITDA, which is a non-GAAP financial measure. The full-year fiscal 2024 guidance for Adjusted EBITDA is based upon the Company's estimates for interest expense of approximately \$23 to \$25 million, a provision for income taxes of approximately \$49 to \$55 million, and depreciation and amortization expense of approximately \$56 to \$60 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 three months of fiscal 2024 are presented on slide 14. Estimates of these expenses and gains for the remainder of fiscal 2024 are not available due to the low visibility and unpredictability of these items.

Climate Solutions Sales Recast



Climate Solutions

Recast net sales by product group (unaudited) ^(a)

(In millions)

	Three months ended				Twelve months ended
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	March 31, 2023
Product groups:					
Heat transfer	\$ 134.7	\$ 126.3	\$ 113.7	\$ 122.0	\$ 496.7
HVAC & refrigeration	79.0	93.2	89.8	79.0	341.0
Data center cooling	30.5	36.3	45.1	61.9	173.8
Inter-segment sales	0.2	0.1	-	0.1	0.4
Climate Solutions net sales	<u>\$ 244.4</u>	<u>\$ 255.9</u>	<u>\$ 248.6</u>	<u>\$ 263.0</u>	<u>\$ 1,011.9</u>

^(a) In connection with our strategic transformation and continued application of 80/20 principles, we have refined our reporting of disaggregated revenue for the Climate Solutions segment based on how segment management has aligned its teams around its three market-based verticals. Accordingly, we have recast Climate Solutions net sales for fiscal 2023 to be comparable to the refined fiscal 2024 presentation.