



FIRST QUARTER FISCAL 2023

AUGUST 4, 2022

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President and Chief Executive Officer

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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. 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 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 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 we operate and compete, 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; 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



Climate Solutions

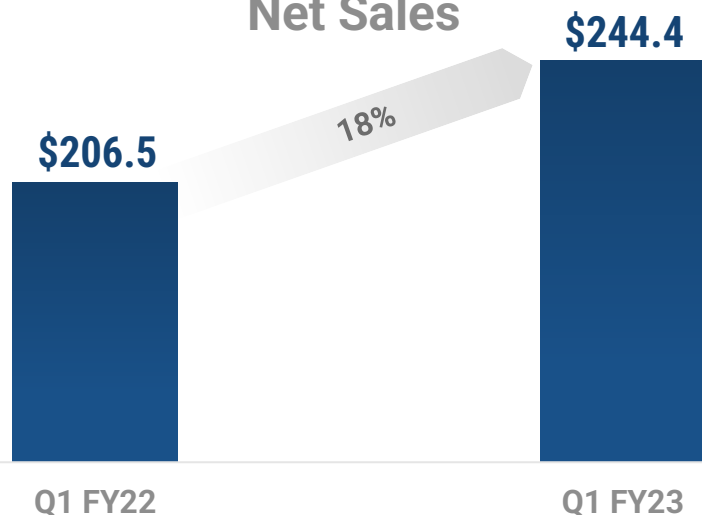
- Significant progress towards goals, including organizational structure and resource allocation
- Strong demand for heating products for warehousing, distribution and greenhouses, preseason stocking orders up >10%
- IAQ team focused on product development to support increasing regulations
- Data center orders remain strong, continuing to make progress on North American expansion
- Heat Transfer Products benefiting from significant margin expansion due to 80/20 strategies and strong European heat pump market

Performance Technologies

- Implementing a phased 80/20 roll-out plan, segmenting business and organizational structure to support product groups
- Restructuring is well underway, targeting approximately \$20 million in annual cost savings
- Strong development work in Advanced Solutions for zero emission mobility
- Focusing on operational improvements; including scrap reduction, packaging costs, and plant throughput in response to supply chain disruptions and labor shortages

(In millions)

Net Sales



40% Data Centers

- Sustained growth in hyperscale and colocation



11% HVAC&R

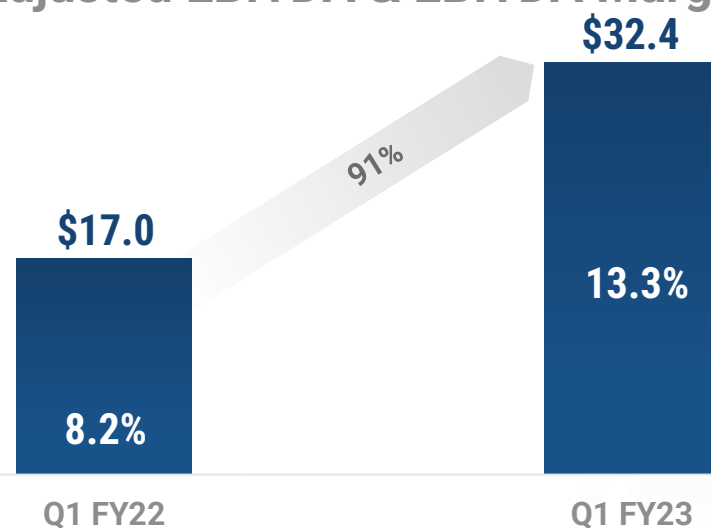
- Strong demand for heating and school products



19% Heat Transfer Products

- Broad strength across N.A. markets
- European Heat Pump market driving growth

Adjusted EBITDA & EBITDA Margin*

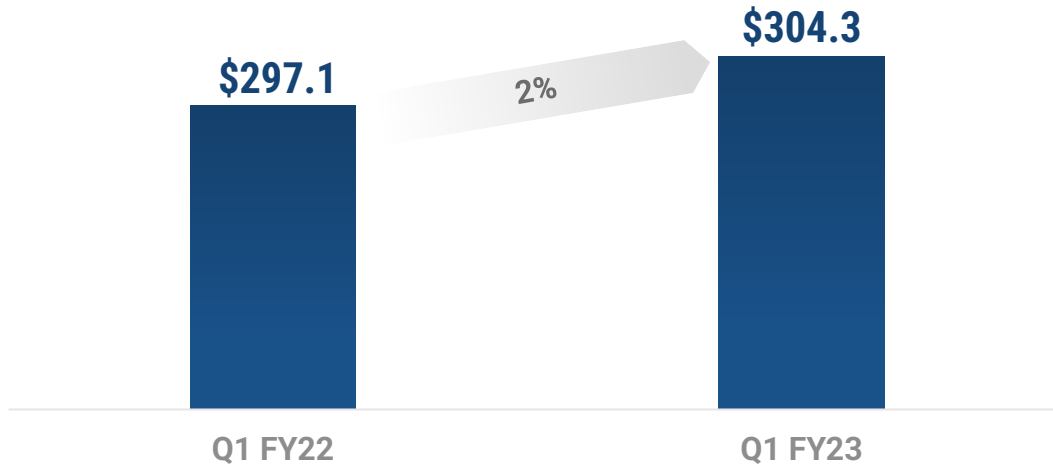


- Strong earnings growth driven by higher revenues in our key markets and early 80/20 benefits
- Favorable commercial pricing initiatives
- Operational efficiencies driven by improved labor and overhead performance
- Lower SG&A as a percentage of sales, reduced 90 bps

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

(In millions)

Net Sales



↑ 18% Advanced Solutions

- Coatings and electric vehicle products growth

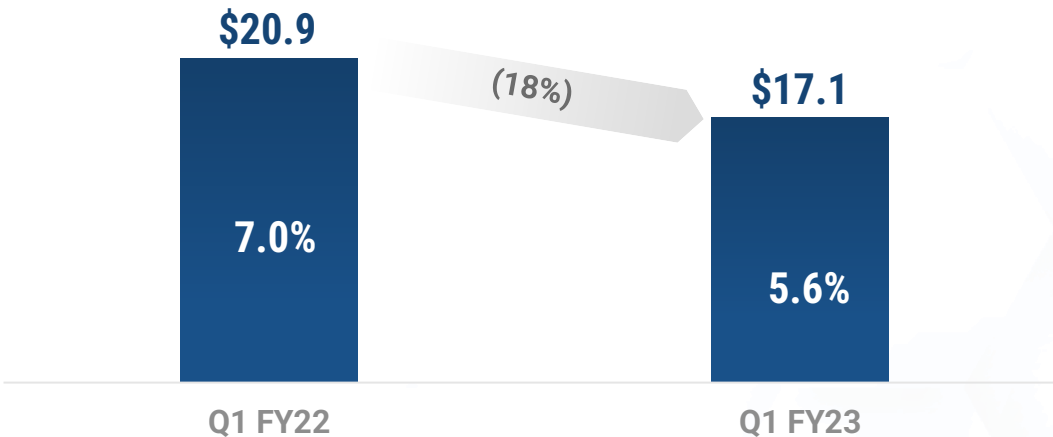
↓ (7%) Liquid-Cooled

- COVID lock-downs in China and negative FX

↑ 8% Air-Cooled

- Strong demand in off-highway market

Adjusted EBITDA & EBITDA Margin*

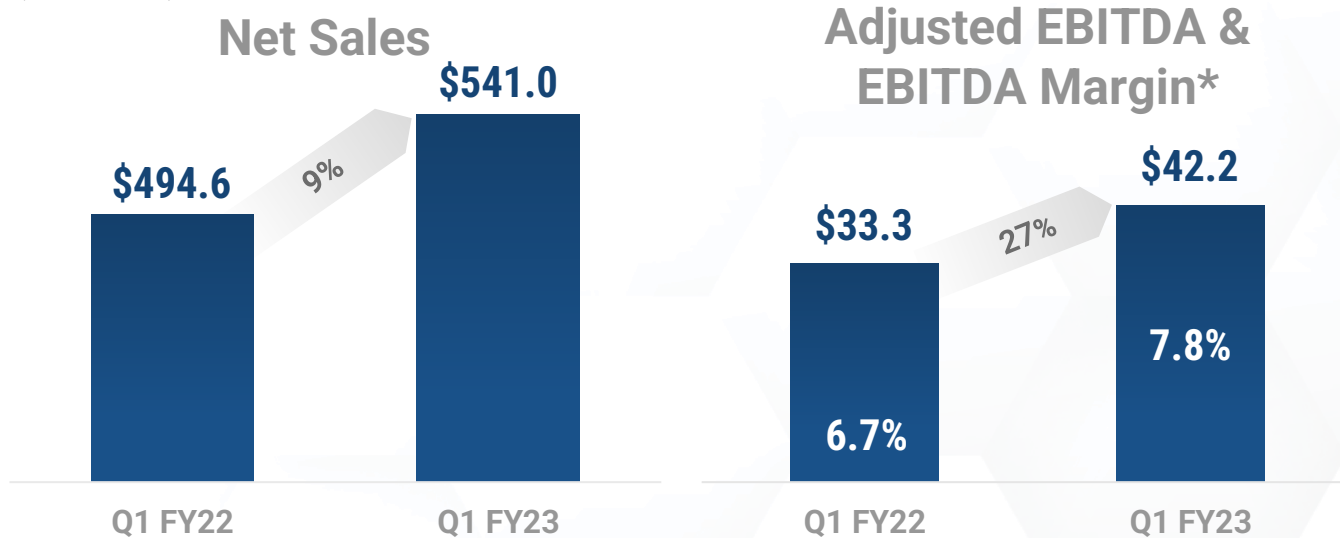


- Earnings temporarily impacted by higher material and supply chain costs
- 1Q23 materials significantly higher than the prior year; encouraged by the recent downtrend
- Other cost headwinds in labor and overhead, including freight and packaging
- Managing controllable costs; SG&A decreased \$2 million
- Anticipating sequential improvement due to material pass through pricing and lower commodity metal costs

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

(In millions)	Q1 FY23	Q1 FY22
Net Sales	\$541.0	\$494.6
Gross Profit	83.4	73.2
% of net sales	15.4%	14.8%
SG&A expenses	56.3	59.4
% of net sales	10.4%	12.0%
Operating Income	25.6	8.7
% of net sales	4.7%	1.8%
Adjusted EBITDA*	42.2	33.3
% of net sales	7.8%	6.7%
Adjusted EPS*	\$0.32	\$0.20

(In millions)



- Benefiting from 80/20 actions in support of the strategic transformation
- Sales growth of 15%, excluding a negative \$26.6M of FX impact
- 27% adjusted EBITDA growth, a 110 bps margin improvement
- Gross profit margin improved 60 bps on favorable volume and pricing, offsetting higher material costs and economic headwinds
- SG&A costs decreased 5% driven by lower environmental charges, less strategic reorganization and automotive exit costs and favorable FX
- Strong adjusted EPS growth, up 60% year-over-year

Cash Flow and Metrics	Q1 FY23
Free Cash Flow	\$4.1 million
Net Debt	\$329.5 million
Leverage Ratio	2.1x
Capital Expenditures	\$10.4 million

Modine Maintains Strong Balance Sheet & Liquidity

- Positive Q1 free cash flow of \$4.1 million; mainly due to higher operating earnings and improved working capital
- Share repurchase plan restarted; 100,000 shares this quarter
- Net debt improved \$3 million during the first quarter
- Cash balance of \$59 million
- Expecting a reduction in the leverage ratio during the fiscal year

(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

- Double-digit revenue increases expected across most product groups
- Anticipating sequential Adjusted EBITDA earnings and margin improvements
- Maintaining guidance after a strong Q1; balancing earnings tailwinds with ongoing economic uncertainties

Key Assumptions:

- Estimated interest expense of \$18 - \$19 million
- Estimated capex of \$60 - \$70 million
- Adjusted tax rate percentage in the mid 20's
- Depreciation and amortization expense of approximately \$58 - \$62 million

FY23 Global Sales Outlook

Climate Solutions

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

Performance Technologies

Advanced Solutions	+50% – 60%
Liquid-Cooled Applications	+10% – 20%
Air-Cooled Applications	+5% – 10%

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

APPENDIX

(In millions)

	Q1 2023	Q1 2022
Net sales	\$ 541.0	\$ 494.6
Cost of sales	457.6	421.4
Gross profit	83.4	73.2
Selling, general & administrative expenses	56.3	59.4
Restructuring expenses	1.5	0.3
Impairment charges (reversals) - net	-	(1.8)
Loss on sale of assets	-	6.6
Operating income	25.6	8.7
Interest expense	(4.1)	(4.2)
Other (expense) income - net	(2.3)	0.2
Earnings before income taxes	19.2	4.7
Provision for income taxes	(4.9)	(1.9)
Net earnings	14.3	2.8
Net earnings attributable to noncontrolling interest	-	(0.5)
Net earnings attributable to Modine	\$ 14.3	\$ 2.3

Adjusted financial results (unaudited)

(In millions, except per share amounts)

	Three months ended June 30,	
	2022	2021
Net earnings	\$ 14.3	\$ 2.8
Interest expense	4.1	4.2
Provision for income taxes	4.9	1.9
Depreciation and amortization expense	13.9	13.5
Other expense (income) – net	2.3	(0.2)
Restructuring expenses ^(a)	1.5	0.3
Impairment charges (reversals) – net ^(b)	-	(1.8)
Loss on sale of assets ^(c)	-	6.6
Environmental charges ^(d)	1.2	3.5
Strategic reorganization and automotive exit costs ^(e)	-	2.5
Adjusted EBITDA	\$ 42.2	\$ 33.3
Net earnings per share attributable to Modine shareholders - diluted	\$ 0.27	\$ 0.04
Restructuring expenses ^(a)	0.03	-
Loss on sale of assets ^(c)	-	0.13
Environmental charges ^(d)	0.02	0.07
Strategic reorganization and automotive exit costs ^(e)	-	0.05
Tax valuation allowance ^(f)	-	(0.09)
Adjusted earnings per share	\$ 0.32	\$ 0.20

* See next slide for footnotes regarding these adjustments

- (a) Restructuring expenses primarily consist of employee severance expenses related to targeted headcount reductions. There was no tax benefit associated with the restructuring expenses.
- (b) The net impairment reversal primarily relates to the Company's liquid-cooled automotive business. During the first quarter of fiscal 2022, the Company and the prospective buyer modified the transaction perimeter to exclude certain manufacturing operations. As a result, the Company evaluated the long-lived assets of these businesses and reversed \$7.4 million of previously-recorded impairment charges. This impairment reversal was partially offset by \$5.6 million of impairment charges recorded during the first quarter of fiscal 2022 related to other assets held for sale. The tax charge related to the net impairment reversal was \$1.8 million.
- (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 quarter of fiscal 2022, the Company recorded \$0.6 million of costs as SG&A expenses related to recruiting new senior management and the Company's implementation of 80/20. In addition, the Company recorded \$1.9 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 quarter of fiscal 2022.
- (f) As of June 30, 2021, 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.

Segment Adjusted EBITDA and margin

(In millions)

	Three months ended June 30,	
	2022	2021
Climate Solutions		
Operating income	\$ 27.0	\$ 10.7
Depreciation and amortization expense	5.4	6.0
Impairment charge ^(a)	-	0.3
Adjusted EBITDA	<u>\$ 32.4</u>	<u>\$ 17.0</u>
Net sales	\$ 244.4	\$ 206.5
Adjusted EBITDA margin	13.3%	8.2%

	Three months ended June 30,	
	2022	2021
Performance Technologies		
Operating income	\$ 7.4	\$ 15.7
Depreciation and amortization expense	8.2	7.0
Restructuring expenses ^(a)	1.5	0.3
Impairment charges (reversals) – net ^(a)	-	(2.1)
Adjusted EBITDA	<u>\$ 17.1</u>	<u>\$ 20.9</u>
Net sales	\$ 304.3	\$ 297.1
Adjusted EBITDA margin	5.6%	7.0%

^(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 June 30,	
	2022	2021
Net cash provided by (used for) operating activities	\$ 14.5	\$ (10.1)
Expenditures for property, plant and equipment	(10.4)	(11.4)
Free cash flow	\$ 4.1	\$ (21.5)

Net debt (unaudited)

(In millions)

	June 30, 2022	March 31, 2022
Debt due within one year	\$ 28.0	\$ 29.4
Long-term debt	360.2	348.4
Total debt	388.2	377.8
Less: cash and cash equivalents	58.7	45.2
Net debt	\$ 329.5	\$ 332.6

Net sales - constant currency (unaudited)

(In millions)

Three months ended June 30,				
2022			2021	
	Net Sales	Effect of Exchange Rate Changes	Net Sales - Constant Currency	Net Sales
Climate Solutions	\$ 244.4	\$ 13.4	\$ 257.8	\$ 206.5
Performance Technologies	304.3	13.2	317.5	297.1
Segment total	548.7	26.6	575.3	503.6
Corporate and eliminations	(7.7)	-	(7.7)	(9.0)
Net sales	<u>\$ 541.0</u>	<u>\$ 26.6</u>	<u>\$ 567.6</u>	<u>\$ 494.6</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 \$18 to \$19 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. These expenses for the first three 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.