



THIRD QUARTER FISCAL 2023
FEBRUARY 2, 2023

NEIL BRINKER

President and Chief Executive Officer

MICK LUCARELI

Executive Vice President and Chief Financial Officer

KATHY POWERS

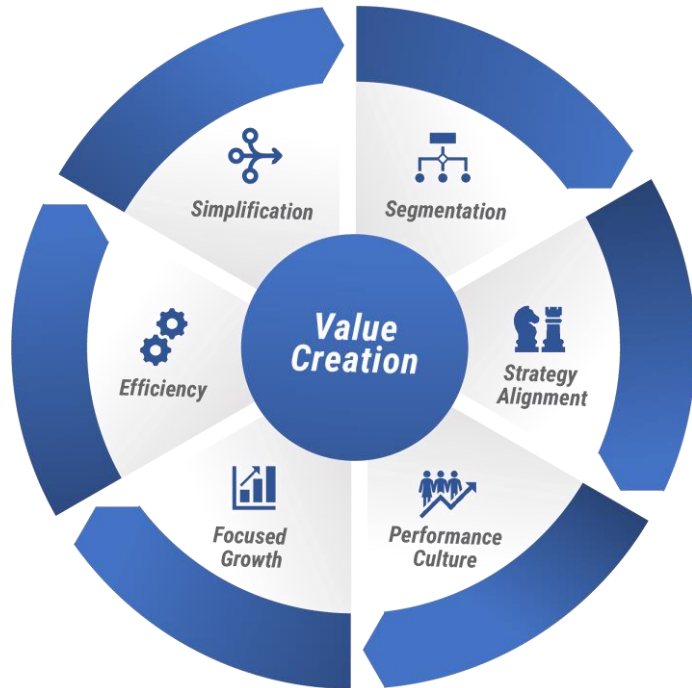
Vice President, Treasurer, and Investor Relations

Forward Looking Statement



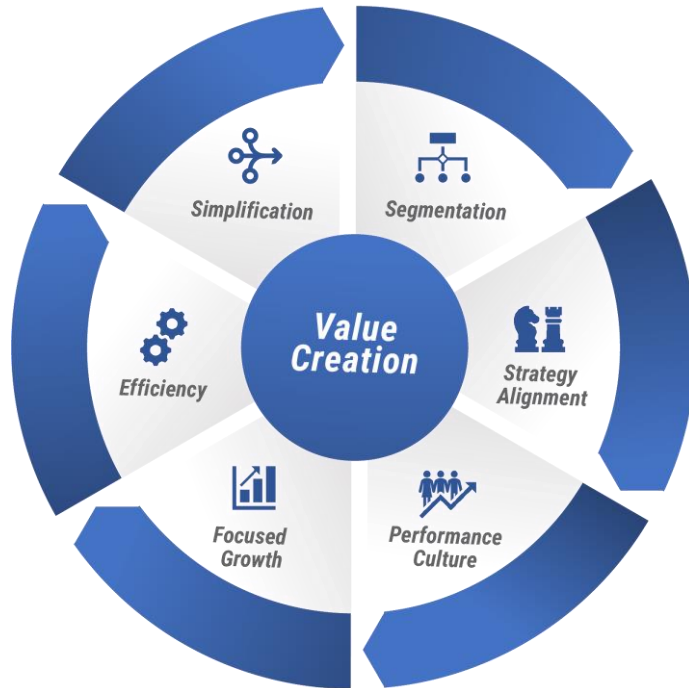
This presentation contains statements, including information about future financial performance and market conditions, accompanied by phrases such as “believes,” “estimates,” “expects,” “plans,” “anticipates,” “intends,” “projects,” and other similar “forward-looking” statements, as defined in the Private 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 quarters ended June 30, 2022 and September 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, 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.

Climate Solutions



- Well along on 80/20 journey
 - Expanding NA footprint for Data Center products
 - Sharpening commercial acumen
 - Developing relationships with top sales prospects
 - Providing exceptional service to drive brand loyalty
 - Strengthening distribution model
 - Simplifying product offering through SKU reduction
 - Improving Heat Transfer Products (HTP) margin profile
 - Reducing SKUs and improved pricing model
 - Expanding capacity for growing European heat pump market
- Implementing 80/20 throughout the organization
 - Creating focused factories
 - Rationalize low-margin product lines to increase capacity
 - Renew focus on new product development

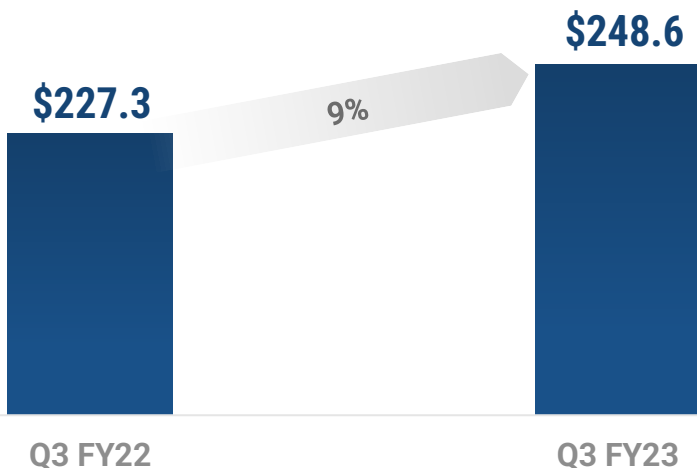
Performance Technologies



- Launched 80/20 in the latter half of 2022
 - Well along in training the workforce
 - Leadership team in place and working on segmentation
 - Focused on pricing to offset inflationary pressures
 - Negotiated cost recovery with key customers
 - Improved EBITDA margins incrementally for past two quarters
 - Building order book in Advanced Solutions/EV Systems
 - Implementing 80/20 throughout the organization
 - Improving commercial terms where possible
 - Rationalizing product lines
 - Improving cost structure through supply chain optimization
 - Sharpening quoting filters for new programs
- Expect to see incremental benefits from 80/20 actions in FY24

(In millions)

Net Sales



68% **Data Centers**

- Strong demand in chillers including NA expansion



3% **HVAC&R**

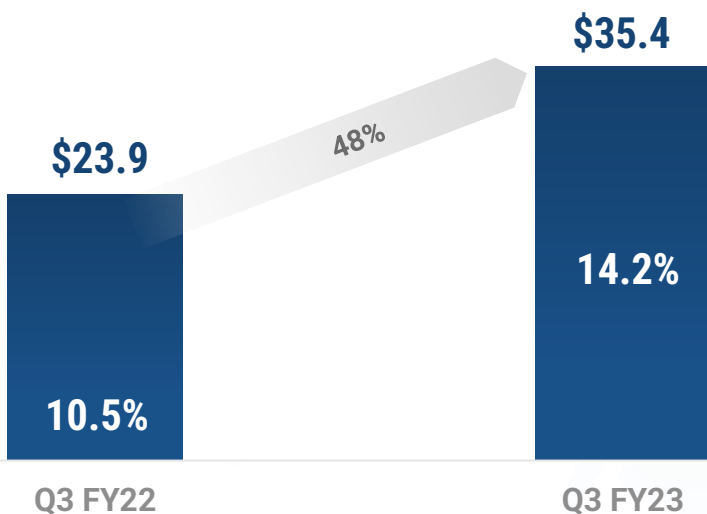
- Higher sales to school and commercial refrigeration markets, partially offset by 80/20 product rationalization



2% **Heat Transfer Products**

- Modest growth across global markets, with some softness in residential markets

Adjusted EBITDA & EBITDA Margin*

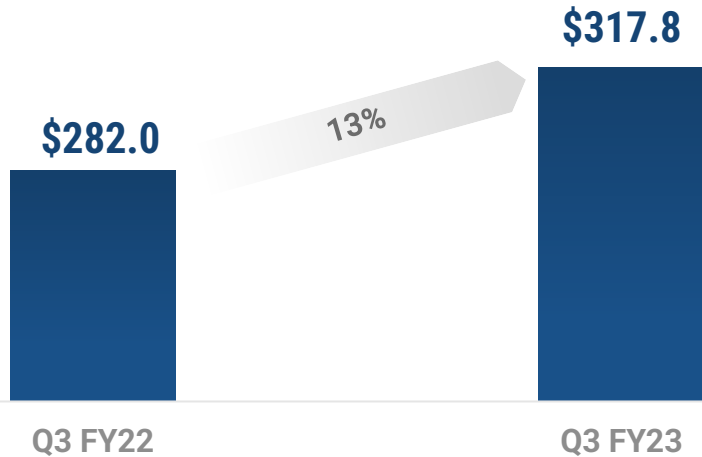


- Excellent earning conversion on the higher sales
- 370 bps margin improvement driven by higher revenues in our key markets and 80/20 initiatives
- Lower SG&A as a percentage of sales, reduced 50 bps
- Data centers and HVAC&R markets remain strong
- Anticipating further weakness in Q4 across residential heating and HVAC markets

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

(In millions)

Net Sales



↑ 17% **Advanced Solutions**

- Growing product sales to electric vehicles

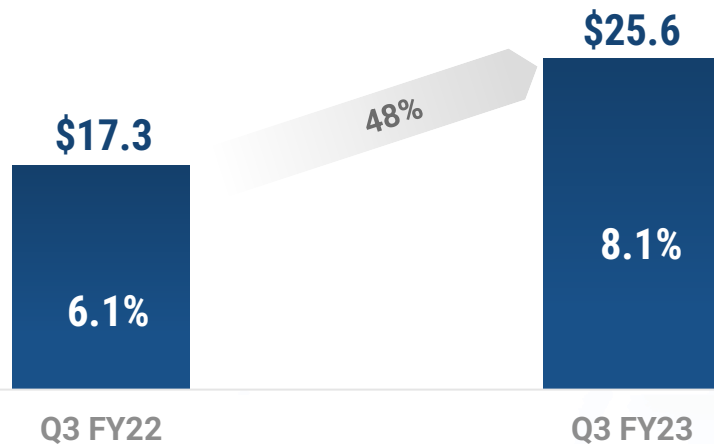
↑ 10% **Liquid-Cooled Applications**

- Higher sales to commercial vehicle customers partially offset by ongoing challenges in China

↑ 15% **Air-Cooled Applications**

- Strong demand in off-highway and commercial vehicle markets

Adjusted EBITDA & EBITDA Margin*



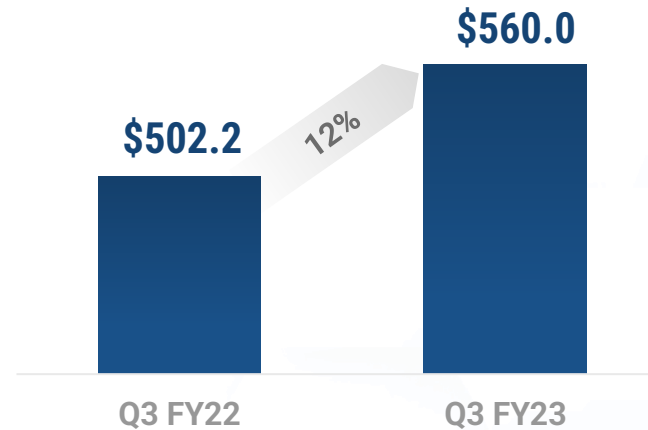
- 48% Adjusted EBITDA growth, including a 200 bps margin improvement
- Earnings growth driven primarily by higher revenues and commercial pricing; partially offset by inflationary factors
- Lower SG&A as a percentage of sales, reduced 30 bps
- Anticipating further margin improvements and higher volume across our end markets next quarter

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

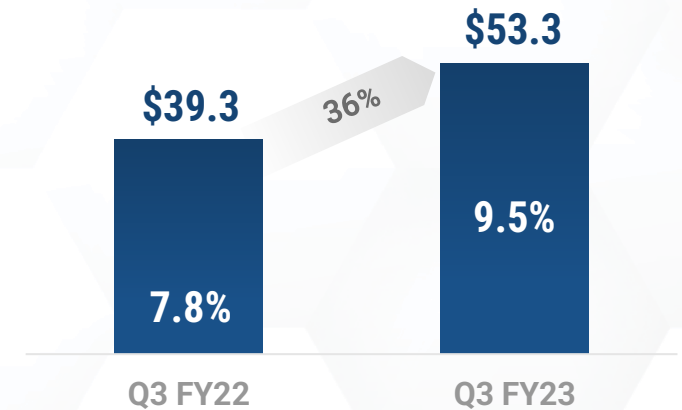
<i>(In millions)</i>	Q3 FY23	Q3 FY22
Net Sales	\$560.0	\$502.2
Gross Profit	97.6	74.6
<i>% of net sales</i>	17.4%	14.9%
SG&A expenses	58.0	50.3
<i>% of net sales</i>	10.3%	10.0%
Operating Income	39.5	79.4
<i>% of net sales</i>	7.1%	15.8%
Adjusted EBITDA*	53.3	39.3
<i>% of net sales</i>	9.5%	7.8%
Adjusted EPS*	\$0.48	\$0.31

(In millions)

Net Sales



Adjusted EBITDA & EBITDA Margin*



- Sales growth of 18%, excluding a negative \$30M FX impact; driven by volume and pricing
- Gross profit margin improved 250 bps on favorable volume and pricing, partially offset by ongoing inflationary factors
- SG&A up mostly due to higher incentive compensation, professional services, and certain variable costs
- Prior year Operating Income included \$57M impairment reversals
- 36% adjusted EBITDA growth; a 170 bps margin improvement
- Solid adjusted EPS growth, up 55% year-over-year

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

Cash Flow and Metrics	Q3 FY23 YTD
Free Cash Flow	\$32.7 million
Net Debt (as of December 31)	\$307.6 million
Leverage Ratio (as of December 31)	1.6x
Capital Expenditures	\$35.2 million

Modine Maintains Strong Balance Sheet & Liquidity

- Free cash flow in the quarter was relatively flat (negative \$0.4M), primarily due to higher levels of working capital
- Continued with the anti-dilutive share repurchase plan; with 100,000 shares purchased this quarter and 300,000 on a year-to-date basis
- Net debt decreased \$25M YTD; increased \$7M during the quarter including a negative FX impact
- Cash balance of \$82M
- Leverage ratio improved to 1.6x; 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%

Holding the Full Year Revenue and Adjusted EBITDA Outlook

- Holding guidance after a solid Q3; balancing earnings tailwinds with ongoing economic uncertainties
- Slightly reduced outlook for HVAC&R due to weaknesses in products sold into the residential market
- Anticipating ongoing sequential Adjusted EBITDA and margin improvements in Q4

Key Assumptions:

- Estimated interest expense of \$20 - \$21 million
- Estimated capex of \$60 - \$65 million
- Adjusted tax rate percentage in the mid 20s
- Depreciation and amortization expense of approximately \$55 - \$57 million

FY23 Global Sales Outlook

Climate Solutions	
Data Centers	+50% – 60%
HVAC & Refrigeration	+0% – 5%
Heat Transfer Products	+0% – 5%

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

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

APPENDIX

(In millions)

	Q3 2023	Q3 2022
Net sales	\$ 560.0	\$ 502.2
Cost of sales	462.4	427.6
Gross profit	97.6	74.6
Selling, general & administrative expenses	58.0	50.3
Restructuring expenses	0.1	2.1
Impairment charges (reversals) – net	-	(57.2)
Operating income	39.5	79.4
Interest expense	(5.9)	(3.8)
Other expense - net	(0.4)	(1.1)
Earnings before income taxes	33.2	74.5
Provision for income taxes	(8.5)	(0.1)
Net earnings	24.7	74.4
Net earnings attributable to noncontrolling interest	(0.2)	(0.3)
Net earnings attributable to Modine	\$ 24.5	\$ 74.1

Modine Manufacturing Company
Adjusted financial results (unaudited)

(In millions, except per share amounts)

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Net earnings	\$ 24.7	\$ 74.4	\$ 63.3	\$ 77.8
Interest expense	5.9	3.8	14.7	11.8
Provision for income taxes	8.5	0.1	19.8	7.4
Depreciation and amortization expense	13.4	13.8	40.7	40.4
Other expense – net	0.4	1.1	4.1	1.6
Restructuring expenses ^(a)	0.1	2.1	2.2	3.0
Impairment charges (reversals) – net ^(b)	-	(57.2)	-	(55.7)
Loss on sale of assets ^(c)	-	-	-	6.6
Environmental charges ^(d)	0.3	-	1.8	3.6
Strategic reorganization and automotive exit costs ^(e)	-	1.2	-	5.6
Adjusted EBITDA	\$ 53.3	\$ 39.3	\$ 146.6	\$ 102.1
Net earnings per share attributable to Modine shareholders - diluted	\$ 0.46	\$ 1.41	\$ 1.20	\$ 1.46
Restructuring expenses ^(a)	-	0.04	0.04	0.05
Impairment charges (reversals) – net ^(b)	-	(1.01)	-	(0.94)
Loss on sale of assets ^(c)	-	-	-	0.13
Environmental charges ^(d)	0.01	-	0.03	0.07
Strategic reorganization and automotive exit costs ^(e)	-	0.03	-	0.11
Debt amendment costs ^(f)	0.01	-	0.01	-
Tax valuation allowances ^(g)	-	(0.16)	-	(0.22)
Adjusted earnings per share	\$ 0.48	\$ 0.31	\$ 1.28	\$ 0.66

* 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 both the first nine months of fiscal 2023 and fiscal 2022 was \$0.3 million.
- (b) The net impairment reversals during fiscal 2022 primarily relate to the Company's liquid-cooled automotive business. During the third quarter of fiscal 2022, the Company and the prospective buyer terminated an agreement for the sale of the business and the Company remeasured its previously impaired long-lived assets 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.
- (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 nine months of fiscal 2022, the Company recorded SG&A expenses totaling \$3.1 million related to recruiting new senior management and the Company's implementation of 80/20. In addition, the Company recorded \$2.5 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 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 nine months of fiscal 2022.
- (f) In October 2022, the Company amended and extended its primary debt agreement in the U.S. that provides for a five-year revolving credit facility and term loans. In connection with the credit agreement modification, the Company recorded \$0.7 million of costs as interest expense during the third quarter of fiscal 2023. There was no tax benefit associated with these costs.
- (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.

Segment Adjusted EBITDA and margin

(In millions)

	Three months ended December 31,	
	2022	2021
Climate Solutions		
Operating income	\$ 30.2	\$ 16.8
Depreciation and amortization expense	5.2	5.6
Restructuring expenses ^(a)	-	1.5
Adjusted EBITDA	<u>\$ 35.4</u>	<u>\$ 23.9</u>
Net sales	\$ 248.6	\$ 227.3
Adjusted EBITDA margin	14.2%	10.5%

	Three months ended December 31,	
	2022	2021
Performance Technologies		
Operating income	\$ 17.4	\$ 66.1
Depreciation and amortization expense	8.1	7.8
Restructuring expenses ^(a)	0.1	0.6
Impairment charges (reversals) - net ^(a)	-	(57.2)
Adjusted EBITDA	<u>\$ 25.6</u>	<u>\$ 17.3</u>
Net sales	\$ 317.8	\$ 282.0
Adjusted EBITDA margin	8.1%	6.1%

^(a) See the adjusted financial results on slides 13 and 14 for additional information regarding these adjustments.

Free cash flow (unaudited)

(In millions)

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 11.8	\$ 26.4	\$ 67.9	\$ 7.4
Expenditures for property, plant and equipment	(12.2)	(10.3)	(35.2)	(30.7)
Free cash flow	\$ (0.4)	\$ 16.1	\$ 32.7	\$ (23.3)

Net debt (unaudited)

(In millions)

	December 31, 2022	September 30, 2022	March 31, 2022
Debt due within one year	\$ 30.9	\$ 36.2	\$ 29.4
Long-term debt	358.9	334.4	348.4
Total debt	389.8	370.6	377.8
Less: cash and cash equivalents	82.2	70.1	45.2
Net debt	\$ 307.6	\$ 300.5	\$ 332.6

Net sales - constant currency (unaudited)

(In millions)

	Three months ended December 31,			
	2022		2021	
	Net Sales	Effect of Exchange Rate Changes	Net Sales - Constant Currency	Net Sales
Climate Solutions	\$ 248.6	\$ 13.7	\$ 262.3	\$ 227.3
Performance Technologies	317.8	16.5	334.3	282.0
Segment total	566.4	30.2	596.6	509.3
Corporate and eliminations	(6.4)	-	(6.4)	(7.1)
Net sales	\$ 560.0	\$ 30.2	\$ 590.2	\$ 502.2

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 \$20 to \$21 million, a provision for income taxes of approximately \$27 to \$31 million, and depreciation and amortization expense of approximately \$55 to \$57 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 nine months of fiscal 2023 are presented on slide 13. 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.