First Quarter Fiscal 2021

August 5, 2020 8:00 am CDT

MODINE
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Forward-Looking Statements

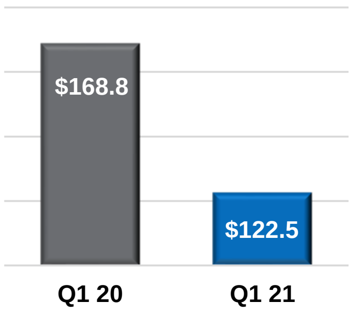
This presentation contains statements, including information about future financial performance and market conditions, accompanied by phrases such as “believes,” “estimates,” “expects,” “plans,” “anticipates,” “intends,” and other similar “forward-looking” statements, as defined in the Private Securities 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, 2020 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 price-down focus of Modine’s customers; our ability to successfully execute our strategic and operational plans, including our ability to successfully exit the automotive business; our ability to effectively and efficiently reduce our cost structure in response to sales volume declines 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, particularly in light of the volatility and negative impacts to the financial markets resulting from COVID-19; operational inefficiencies as a result of program launches, unexpected volume increases, product transfers, and delays or inefficiencies resulting from restrictions imposed in response to the COVID-19 pandemic; economic, social and political conditions, changes and challenges in the markets where Modine operates and competes, including foreign currency exchange rate fluctuations, tariffs (and potential trade war impacts resulting from tariffs or retaliatory actions), inflation, 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 and other matters, that have been or may be implemented in the U.S. or abroad, and continuing uncertainty regarding the impacts of “Brexit”; the impact on Modine of any significant increases in commodity prices, particularly aluminum, copper, steel and stainless steel (nickel) and other purchased component inventory, 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; the concentration of sales within our CIS segment attributed to one customer; Modine’s ability to recruit and maintain talent in managerial, leadership, 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.

Business Update

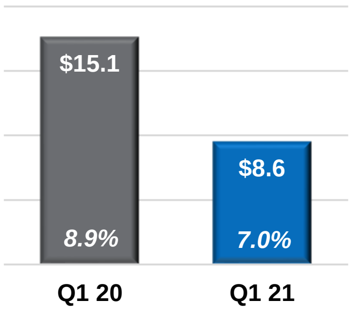
- **Strong cash flow; revenue and earnings in line with expectations**
- **Operations update**
  - All plants open since late May, but most running at reduced capacity
  - All locations following strict health and safety protocols
  - Consolidating CIS manufacturing operations in China
  - Tightly controlling Capex spend to improve cash flow; targeting 25% overall reduction this year
- **Strategy Update**
  - Moving forward with Automotive exit strategy
    - Process taking longer than expected due to the current business environment
    - Reengaged with interested parties
    - No set timeline, but remains a strategic priority
  - Data Center market expansion
    - Leverage strong UK position and existing products and customer relationships
    - Goal to provide lower cost of ownership by maximizing system efficiency
    - Strong right to win with full system solution capability and global manufacturing footprint

CIS Summary

Net Sales



Adjusted EBITDA



(in millions)

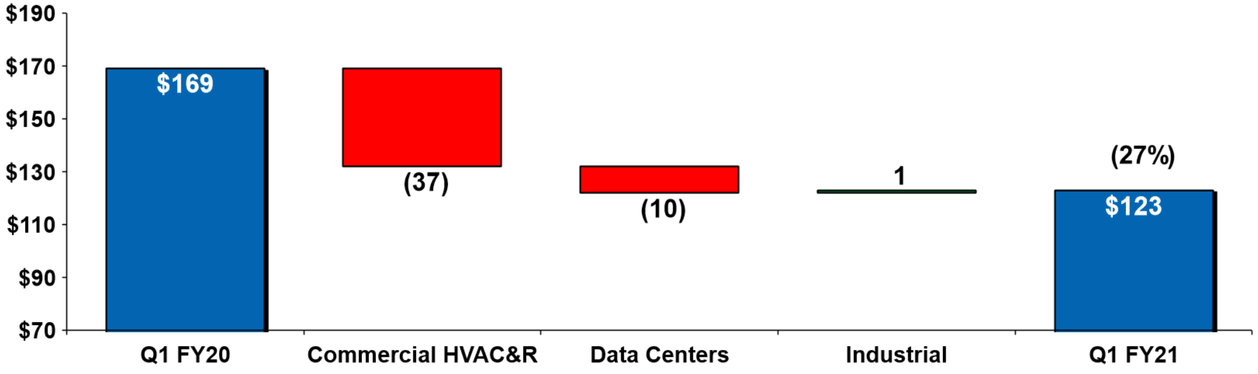
Market Outlook

	FY2021
Commercial HVAC&R	-10% to -20%
Data Centers	0% and above
Industrial	0% to -10%

* Year over year market estimates

Q1 Revenue Swing

(in millions)

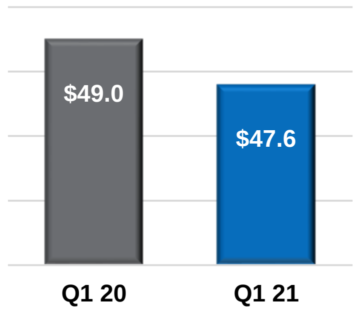


* See Appendix for Non-GAAP reconciliations

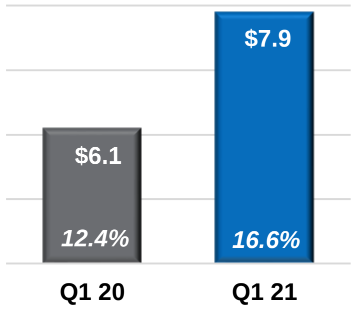
- **Decrease in sales due to COVID related plant closures**
  - Drop in data center sales due to construction pull back by major customer
- **Implementing action plans to drive future margin improvement**
  - Cost reductions at manufacturing facilities
  - Improving pricing models
- **Introduced antimicrobial coating product to compliment existing anticorrosive properties**

BHVAC Summary

Net Sales



Adjusted EBITDA



(in millions)

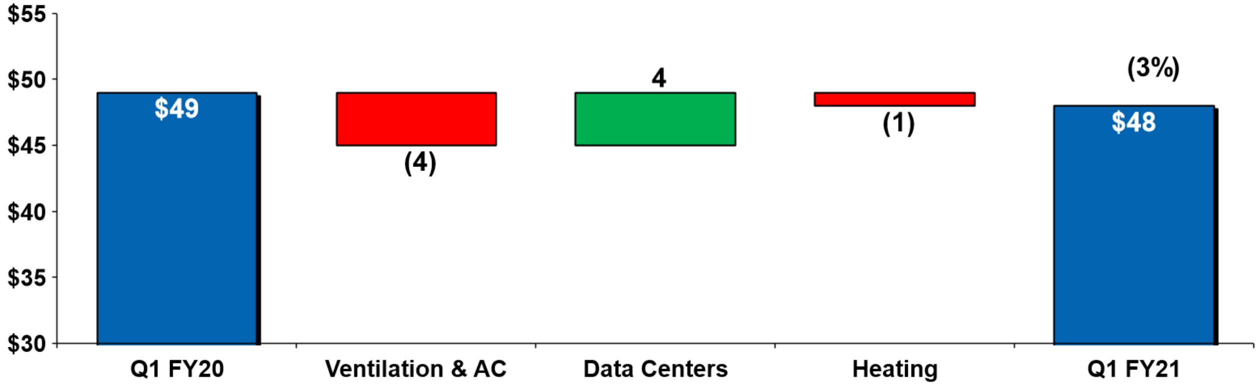
Market Outlook

	FY2021
Ventilation & AC	0% to -10%
Data Centers	0% and above
Heating	0% to -10%

* Year over year market estimates

Q1 Revenue Swing

(in millions)

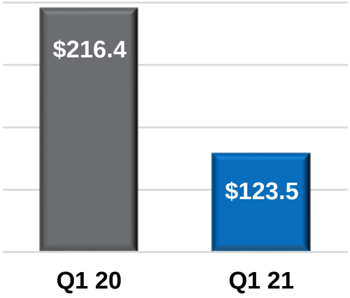


* See Appendix for Non-GAAP reconciliations

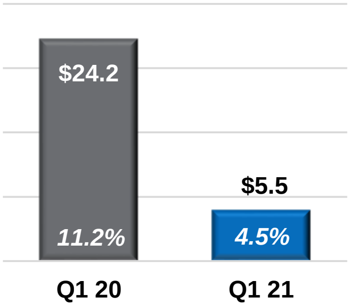
- **Strong earnings improvement on improved pricing and lower material and labor costs**
- **Anticipating continued growth in Data Center sales**
  - Strong order book
  - NA heating and ventilation expected to be flat this year
- **Expect that cost savings actions will continue to drive earnings improvements**

HDE Summary

Net Sales



Adjusted EBITDA



(in millions)

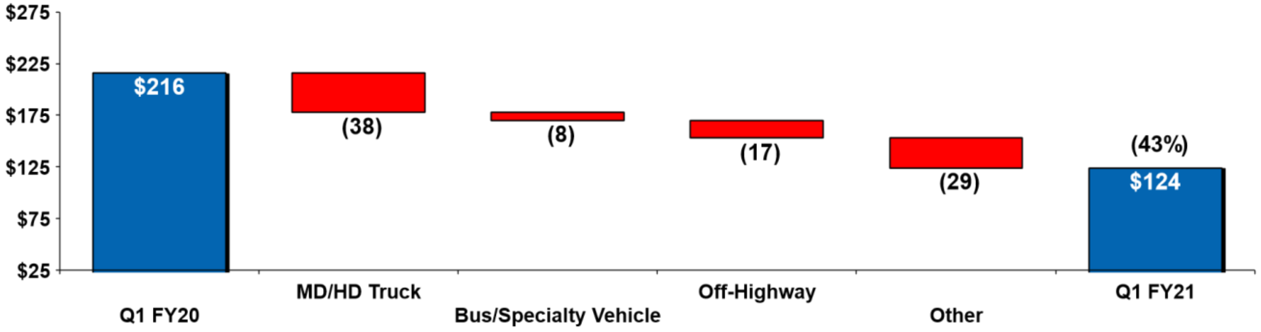
Market Outlook

	FY2021
Medium/Heavy Truck	-20% to -30%
Bus/Specialty Vehicle	-20% to -30%
Agriculture	-10% to -20%
Construction	-10% to -20%

* Year over year market estimates

Q1 Revenue Swing

(in millions)

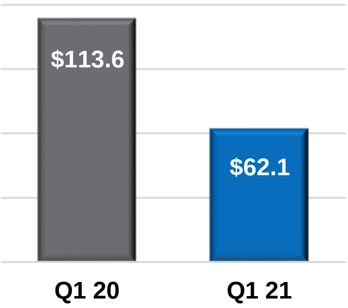


- New segment comprised of commercial vehicle, off-highway and specialty truck and bus businesses
- Sales decline in line with expectations due to market downturn and COVID-19
- Improving customer outlook and confidence
- Strengthening customer relationships and controlling costs, including SG&A and capital spending

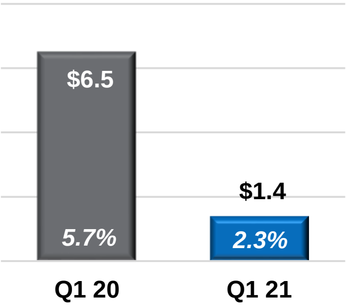
* See Appendix for Non-GAAP reconciliations

AUTO Summary

Net Sales



Adjusted EBITDA



(in millions)

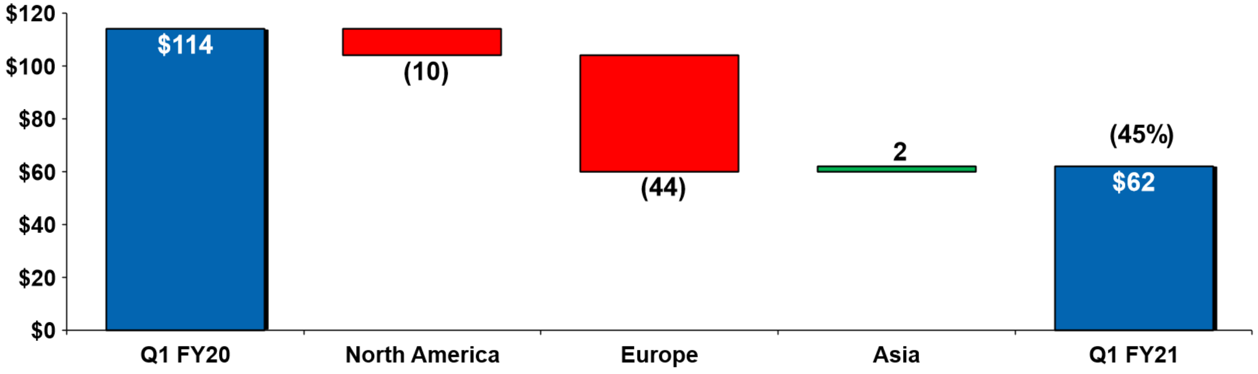
Region Outlook

	FY2021
North America	-10% to -20%
Europe	-10% to -20%
Asia	0% and above

* Year over year market estimates

Q1 Revenue Swing

(in millions)

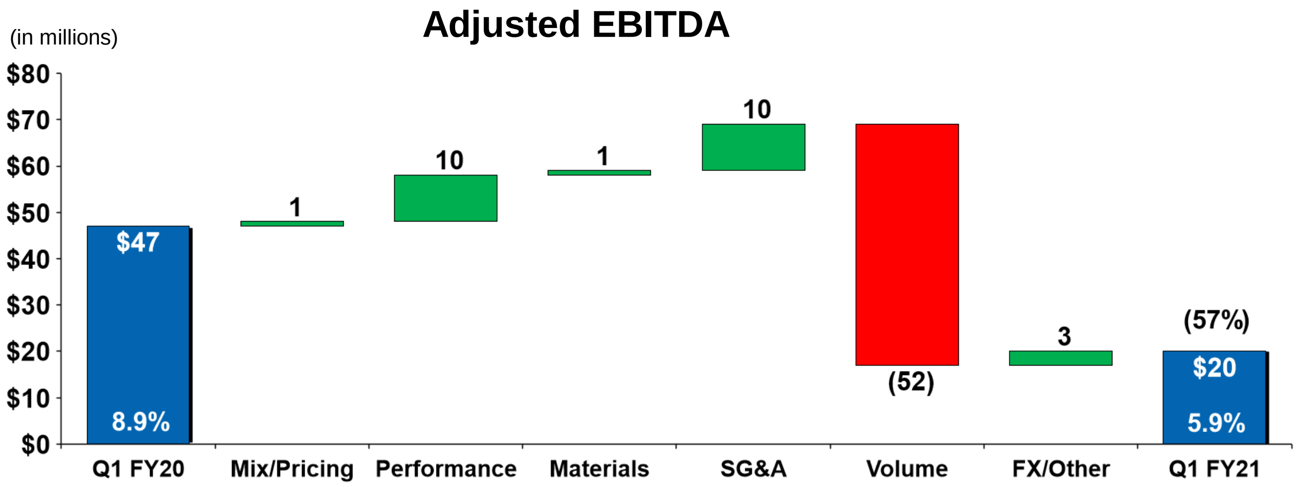


* See Appendix for Non-GAAP reconciliations

- **Segment margins and cash flow remain challenged; focused on capital re-allocation**
- **Sales impacted by COVID-related customer shutdowns**
  - All plants were closed at some point during the crisis, but were reopened by the end of May
- **Strong focus on cost control and capex**
  - Reallocating capital to higher growth and margin businesses
  - Focused on maximizing cash flow

Financial Information

(In millions)	Q1 2021	Q1 2020
Net Sales	**$347.8**	**$529.0**
Gross Profit	46.1	83.4
% of net sales	*13.3%*	*15.8%*
SG&A expenses	44.7	63.5
% of net sales	*12.9%*	*12.0%*
Adjusted Op Income*	**1.9**	**28.4**
% of net sales	*0.5%*	*5.4%*
Adjusted EBITDA*	**20.5**	**47.3**
% of net sales	*5.9%*	*8.9%*
Interest Expense	5.4	5.9
Adj. Provision for Income Taxes*	0.6	5.2
Adjusted Tax Rate*	(17%)	24%
Adjusted EPS*	**($0.09)**	**$0.31**



- **Sales declined $181.2M or 34% primarily due to lower sales in CIS, HDE and Automotive resulting from COVID-19 impacts**
  - As anticipated, difficult markets and economies resulted in unfavorable volumes
- **Good downside conversion from better performance along with labor cost reductions**
- **SG&A was $18.8M or 30% lower than PY due to lower automotive strategy costs, salary reductions and short-week provisions**
  - Continuing to reduce expenses until a clear recovery is more certain
- **Adjusted EBITDA declined $26.8M, driven by anticipated volume reductions, partially offset by favorable performance and SG&A**

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

Cash Flow & Net Debt

(In millions)	Q1 2021
Operating cash flow	$12.3
Capital expenditures	(9.1)
Free cash flow	**$3.2**
Adj. Free cash flow*	**$10.6**

(In millions)	6/30/20	3/31/20
Cash	$77.2	$70.9
Total debt	486.7	482.4
Net debt	**$409.5**	**$411.5**
Leverage Ratio	**2.9x**	**2.4x**

- **Positive free cash flow and $23 million better than the prior year**
  - Lower spending on automotive exit strategy
  - Good working capital management
  - Lower capital spending
- **Net debt of $410M and leverage ratio of 2.9x; comfortably within covenant limits**
- **Strong balance sheet with ample liquidity to run the business and execute strategies**

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

Fiscal 2021 Outlook

- **Based on the uncertainty surrounding the current global economic environment, we are not issuing guidance for fiscal 2021 at this time**
- **Planning for difficult market conditions, especially in vehicular markets, throughout FY21 with slow recovery in second half of fiscal year**
  - No major changes to market outlooks since last quarter
  - Data center market continues to provide a slightly favorable outlook
  - Anticipating BHVAC to continue its annual growth
- **Continuing to offset negative volumes with cost reductions**
  - Salary reductions, employee furloughs, shortened work weeks where appropriate
  - Aggressively manage cash through lower capital spending and working capital management
- **Maintaining strong balance sheet and preserving cash remain a high priority**
  - Anticipating positive free cash flow in FY21



Appendix


Q1 GAAP Income Statement

(In millions, except per share amounts)

	Q1 2021	Q1 2020	Change
Net sales	**$ 347.8**	**$ 529.0**	**$ (181.2)**
Cost of sales	301.7	445.6	(143.9)
Gross profit	**46.1**	**83.4**	**(37.3)**
Selling, general & administrative expenses	44.7	63.5	(18.8)
Restructuring expenses	4.6	1.8	2.8
Operating (loss) income	**(3.2)**	**18.1**	**(21.3)**
Interest expense	(5.4)	(5.9)	0.5
Other expense - net	-	(1.1)	1.1
(Loss) earnings before income taxes	**(8.6)**	**11.1**	**(19.7)**
Benefit (provision) for income taxes	0.2	(2.9)	3.1
Net (loss) earnings	**(8.4)**	**8.2**	**(16.6)**
Net earnings attributable to noncontrolling interest	(0.2)	(0.2)	-
Net (loss) earnings attributable to Modine	**(8.6)**	**8.0**	**(16.6)**
Net (loss) earnings per share attributable to Modine shareholders - diluted:	$ (0.17)	$ 0.16	$ (0.33)

Non-GAAP Reconciliations

Adjusted financial results

(In millions, except per share amounts)

	Three months ended June 30, 2020	2019
Net (loss) earnings	**$ (8.4)**	$ 8.2
Interest expense	**5.4**	5.9
(Benefit) provision for income taxes	**(0.2)**	2.9
Depreciation and amortization expense	**18.6**	18.9
Other expense - net	**-**	1.1
Restructuring expenses [a]	**4.6**	1.8
Automotive separation and strategy costs [b]	**0.5**	8.4
Environmental charges [c]	**-**	0.1
Adjusted EBITDA	**$ 20.5**	$ 47.3
Net (loss) earnings per share attributable to Modine shareholders - diluted	**$ (0.17)**	$ 0.16
Restructuring expenses [a]	**0.07**	0.03
Automotive separation and strategy costs [b]	**0.01**	0.12
Adjusted (loss) earnings per share	**$ (0.09)**	$ 0.31

[a] Restructuring expenses primarily consist of employee severance expenses related to targeted headcount reductions and plant consolidation activities. The tax benefit related to restructuring expenses during the first quarter of fiscal 2021 and fiscal 2020 was $0.8 million and $0.2 million, respectively.

[b] During the first quarter of fiscal 2021 and 2020, the Company recorded $0.5 million and $8.4 million, respectively, of costs at Corporate directly associated with the review of strategic alternatives for its automotive business, including costs to separate and prepare the business for a potential sale. With the exception of $0.2 million of costs in the first quarter of fiscal 2021 associated with program and equipment transfers recorded as costs of sales, these costs were recorded as SG&A expenses and primarily related to accounting, legal, and IT professional services. The tax benefit related to these costs during the first quarter of fiscal 2021 and 2020 was $0.1 million and $2.0 million, respectively.

[c] Environmental charges, including related legal costs, are recorded as SG&A expenses and relate to previously-owned U.S. manufacturing facilities in the Heavy Duty Equipment segment.

Non-GAAP Reconciliations

Adjusted operating income

(In millions)

	Three months ended June 30,	
	2020	2019
Operating (loss) income	**$ (3.2)**	$ 18.1
Restructuring expenses [a]	**4.6**	1.8
Automotive separation and strategy costs [a]	**0.5**	8.4
Environmental charges [a]	**-**	0.1
Adjusted operating income	**$ 1.9**	$ 28.4

[a] See the adjusted financial results on slide 13 for additional information regarding these adjustments.

Non-GAAP Reconciliations

Segment adjusted EBITDA and margin
(In millions)

Commercial and Industrial Solutions	Three months ended June 30, 2021	Three months ended June 30, 2020
Operating income	$ -	$ 9.0
Depreciation and amortization expense	6.2	5.9
Restructuring expenses [(a)]	2.4	0.2
Adjusted EBITDA	$ 8.6	$ 15.1
Net sales	$ 122.5	$ 168.8
Adjusted EBITDA margin	7.0%	8.9%

Building HVAC Systems	Three months ended June 30, 2021	Three months ended June 30, 2020
Operating income	$ 7.1	$ 5.3
Depreciation and amortization expense	0.8	0.8
Adjusted EBITDA	$ 7.9	$ 6.1
Net sales	$ 47.6	$ 49.0
Adjusted EBITDA margin	16.6%	12.4%

Heavy Duty Equipment	Three months ended June 30, 2021	Three months ended June 30, 2020
Operating (loss) income	$ (2.5)	$ 17.3
Depreciation and amortization expense	6.1	6.4
Restructuring expenses [(a)]	1.9	0.4
Environmental charges [(a)]	-	0.1
Adjusted EBITDA	$ 5.5	$ 24.2
Net sales	$ 123.5	$ 216.4
Adjusted EBITDA margin	4.5%	11.2%

Automotive	Three months ended June 30, 2021	Three months ended June 30, 2020
Operating loss	$ (3.8)	$ -
Depreciation and amortization expense	5.0	5.3
Restructuring expenses [(a)]	0.2	1.2
Adjusted EBITDA	$ 1.4	$ 6.5
Net sales	$ 62.1	$ 113.6
Adjusted EBITDA margin	2.3%	5.7%

[(a)] See the adjusted financial results on slide 13 for additional information regarding these adjustments.

Non-GAAP Reconciliations

Adjusted tax rate
(In millions)

	Three months ended June 30,			
		2021		**2020**
(Loss) earnings before income taxes	$	(8.6)	$	11.1
Restructuring expenses [a]		4.6		1.8
Automotive separation and strategy costs [a]		0.5		8.4
Environmental charges [a]		-		0.1
Adjusted (loss) earnings before income taxes	$	(3.5)	$	21.4
(Benefit) provision for income taxes	$	(0.2)	$	2.9
Taxes on adjustments above [a]		0.8		2.3
Adjusted provision for income taxes	$	0.6	$	5.2
GAAP tax rate		2%		26%
Adjusted tax rate		**-17%**		**24%**

[a] See the adjusted financial results on slide 13 for additional information regarding these adjustments.

Non-GAAP Reconciliations

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Free cash flow and adjusted free cash flow

(In millions)

	Three months ended June 30,	
	2020	2019
Net cash provided by operating activities	**$ 12.3**	$ 0.5
Expenditures for property, plant and equipment	**(9.1)**	(20.3)
Free cash flow	**$ 3.2**	$ (19.8)
Payments for restructuring activities, automotive separation and strategy costs, and certain other expenses [a]	**7.4**	13.2
Adjusted free cash flow	**$ 10.6**	$ (6.6)

[a] During the first quarter of fiscal 2021, the Company made payments totaling $4.4 million related to its review of strategic alternatives for its automotive business, including costs to separate and prepare the business for a potential sale. In addition, the Company paid $2.8 million for restructuring activities, including severance, and $0.2 million for environmental charges. During the first quarter of fiscal 2020, the Company made payments totaling $8.6 million related to its review of strategic alternatives for its automotive business, $4.4 million for restructuring activities, and $0.2 million for environmental charges.