



MODINE MANUFACTURING

Caliper Equity Research



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COMPANY OVERVIEW

Modine Manufacturing Company is a global leader in thermal management, providing trusted products and technologies that heat, cool, and ventilate to improve performance, efficiency, and reliability for its customers

COMPANY BACKGROUND

Since late fiscal 2021, Modine has been undergoing a strategic transformation, applying 80/20 principles to focus resources on markets with high sustainable growth opportunities, such as data centers and indoor air quality. In January 2026, Modine announced a definitive agreement to spin off its Performance Technologies segment and combine it with Gentherm. This transaction is intended to establish Modine as a "pure-play" climate solutions company focused on its Data Centers and Commercial HVAC segments.

BUSINESS SEGMENTS

Effective April 1, 2026 (fiscal 2027), Modine reorganized into three primary business segments:

- **Data Centers:** Provides sustainable cooling solutions for data center markets, including precision air conditioning units, computer room air handlers (CRAH), fan walls, chillers, and liquid cooling solutions (coolant distribution units and immersion).
- **Commercial HVAC:** Comprised of Heat Transfer Solutions (heat exchanger coils, anti-corrosion coatings, and power generation cooling) and HVAC Technologies (commercial/residential heating and indoor air quality products like unit ventilators for schools).
- **Performance Technologies:** Focuses on Heavy-Duty Equipment (heat exchangers for off-highway markets like agriculture and construction) and On-Highway Applications (cooling systems for commercial vehicle and automotive customers, including zero-emission/hybrid solutions).

OPERATING STRENGTH AND ASSET BASE

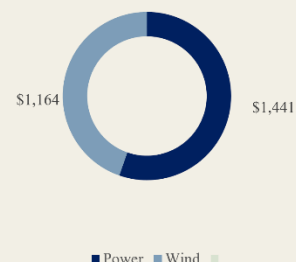
As of fiscal 2026, the Data Centers business continues to drive significant revenue growth and margin expansion, fueled by global digital infrastructure and artificial intelligence (AI) trends. Performance Technologies volume is being strategically rationalized as the company exits traditional automotive markets. Modine also carries deep expertise and innovation; leveraging more than 100 years of expertise in thermal management, Modine maintains state-of-the-art technology centers globally to provide highly engineered, mission-critical solutions. Modine maintains long-term relationships with global market leaders, often secured through multi-year sales agreements that typically average three to five years in duration.

REVENUE AND GEOGRAPHIC EXPOSURE

Revenue Split: In fiscal 2025, total net sales reached \$2,583.5 million. The segment split was:

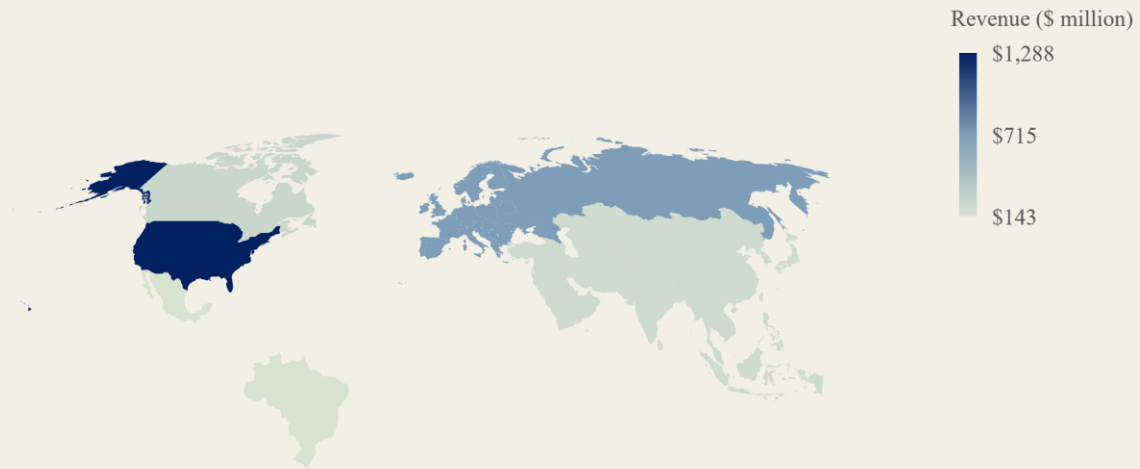
- Climate Solutions: \$1,440.8 million (~55%).
- Performance Technologies: \$1,163.5 million (~45%)

Revenue by Segment



Geographic Exposure: Modine operates in 16 countries across four continents. 2025 revenue by the location of the selling unit was:

- United States: \$1,287.5 million.
- Europe: \$711.7 million.
- Canada: \$241.7 million.
- Asia: \$199.2 million.
- Other: \$143.4 million (primarily Brazil and Mexico)



MAJOR CUSTOMERS

Modine serves a diverse global customer base including:

- Data Center Operators: Large colocation, cloud service providers, and tech "hyperscalers" requiring advanced cooling for high-performance computing.
- Commercial & Institutional: K-12 school systems and healthcare facility operators.
- Industrial & Agricultural OEMs: Manufacturers of Gensets, construction equipment, and agriculture machinery (e.g., Caterpillar, Deere).
- Vehicular OEMs: Leading commercial and specialty vehicle manufacturers (e.g., Volvo, Stellantis, Volkswagen).

INDUSTRY ANALYSIS

Modine Manufacturing Company operates as a global leader in the thermal management industry, with more than 100 years of expertise providing mission-critical solutions that heat, cool, and ventilate. The company's performance is currently shaped by a strategic transformation into a "pure-play" climate solutions entity, driven by mega-trends in high-performance computing and global decarbonization.

DRIVERS OF THERMAL MANAGEMENT DEMAND AND AI DATA CENTERS

The surge in AI-driven data centers is a primary catalyst for Modine's growth, as high-performance computing significantly increases heat loads. This trend creates a commensurate need for advanced, high-density cooling solutions, including liquid cooling, coolant distribution units (CDUs), fan walls, and immersion technology. Modine's Data Centers segment is benefiting directly from this trend, specifically serving hyperscale and colocation customers who require sustainable cooling to meet environmental targets. In the first quarter of fiscal 2027, the Data Centers segment saw 90 per cent revenue growth, largely driven by these North American hyperscale demands.

DECARBONIZATION AND INDOOR AIR QUALITY INFRASTRUCTURE

Global shifts toward low-carbon energy and more stringent environmental standards are driving demand for cleaner thermal management. Modine is capturing this growth through its Commercial HVAC segment, which provides energy-efficient systems for indoor air quality (IAQ) and heat transfer. The market for IAQ products, particularly in K-12 schools and healthcare facilities, is supported by available federal and local government funding for ventilation improvements. Additionally, the adoption of heat pump technology in Europe serves as a long-term driver for the company's heat exchanger coils.

ENERGY TRANSITION: ELECTRIFICATION AND HIGH-EFFICIENCY HEATING

EV Thermal Management: Modine's Advanced Solutions business focuses on zero-emission and hybrid vehicles, providing battery thermal management systems and electronics cooling for commercial and off-highway OEMs. While uncertainty in U.S. federal funding caused a temporary slowdown in late fiscal 2025, the long-term transition to alternative powertrains remains a key driver. Also, increasingly stringent energy efficiency and emission regulations, such as those targeting the elimination of fluorinated gases (F-gases), are shifting investments toward natural gas and carbon dioxide cooling solutions in mature markets.

SEGMENT CHALLENGES: VEHICULAR MARKET HEADWINDS

Despite the high demand for climate solutions, Modine's Performance Technologies segment remains its weakest link in terms of sales volume. The business faces significant headwinds from weakness in North American and European vehicular markets, as well as declines in global agriculture markets due to interest rates and geopolitical conflicts. Furthermore, Modine is undergoing a "strategic business rationalization" to exit lower-margin business lines, most notably traditional automotive products. In January 2026, Modine announced a definitive agreement to spin off the entire Performance Technologies segment and combine it with Gentherm to focus exclusively on climate solutions.

COMPETITIVE LANDSCAPE

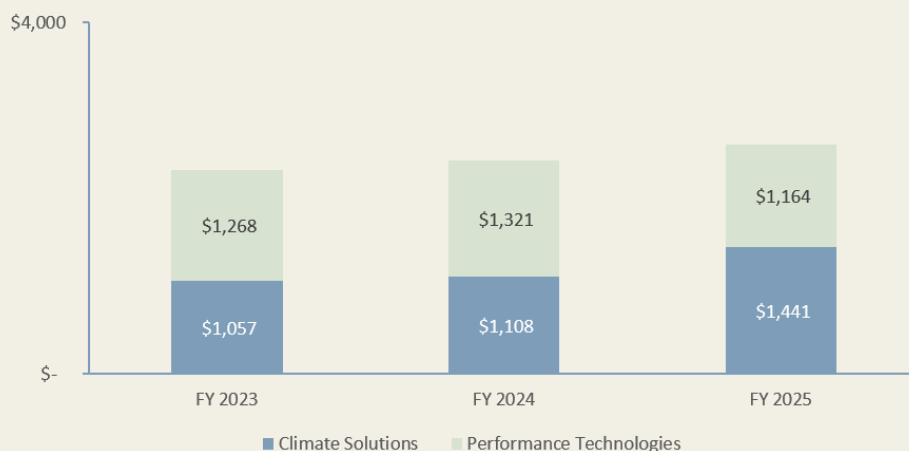
Modine competes with several global manufacturers and specialized thermal management firms across its segments:

Vertiv / Stulz	Primary rivals in Data Center Cooling. These firms, along with Modine, provide mission-critical cooling for hyperscalers.
Carrier / Trane	Major competitors in Commercial HVAC and IAQ. They maintain global manufacturing footprints and compete directly in school and healthcare markets.
Johnson Controls	A leader in building technologies; competes on digital and energy-efficient climate solutions.
Schneider Electric	A key competitor in the Data Center space, providing integrated cooling and IT infrastructure.
Eaton	Competes in the thermal management market, particularly focused on power and data center infrastructure.

In summary, Modine is positioned to benefit from a historic surge in high-density cooling demand, but its long-term success depends on successfully executing the strategic spin-off of its Performance Technologies segment while scaling its liquid cooling and sustainable HVAC technologies to meet the specific thermal requirements of the AI era.

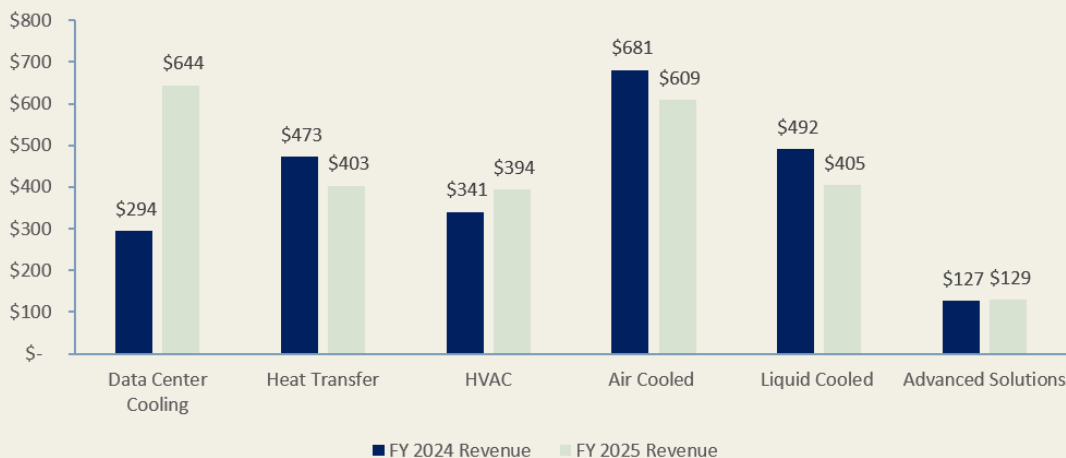
FINANCIAL ANALYSIS

Modine's revenue trajectory demonstrates a consistent shift toward the Climate Solutions segment, which now accounts for the majority of total sales. Net sales grew by 12% in fiscal 2023 and 7% in fiscal 2025, driven by a deliberate pivot toward high-growth markets like data centers



(All numbers expressed in Millions)

This period was marked by a significant shift in business mix as the company applied 80/20 principles to prioritize high-growth markets like data centers while strategically exiting lower-margin automotive and vehicular lines.



(All numbers expressed in Millions)

Data Center Cooling more than doubled (+119%) in fiscal 2025, cementing its position as the company's primary growth engine. HVAC&R also saw healthy growth (+16%) from institutional demand and strategic acquisitions. The decreases in Liquid-Cooled (-18%) and Heat Transfer (-15%) were largely deliberate, resulting from portfolio pruning (80/20 principles) and the divestiture of non-core automotive assets in Germany. Instead, Air-Cooled products faced significant volume pressure (-11%) due to broader cyclical downturns in the North American and European agricultural sectors. Lastly, advanced Solutions (EV/hybrid systems) remained flat as high demand early in the year was countered by market uncertainty regarding government funding for zero-emission vehicles.

MARGIN ANALYSIS

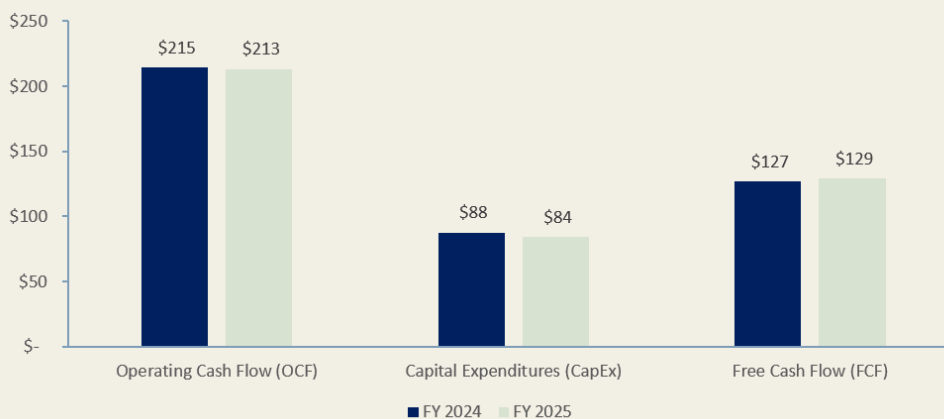
Transformative "80/20" initiatives have led to consistent margin expansion across the consolidated business.

Margin Type	FY 2023	FY 2024	FY 2025
Gross Margin	16.9%	21.8%	24.9%
Operating Margin	6.5%	10.0%	11.0%
EBITDA Margin	8.9%	12.3%	14.0%

Gross Margin Improved by 800 basis points over two years due to higher average selling prices, favorable product mix (more data center cooling), and improved operating efficiencies from 80/20 principles. In regard to the Operating Margin Expansion was partially offset by higher incentive compensation and SG&A expenses from acquired businesses, but overall profitability reached record levels by FY 2025.

CASHFLOW ANALYSIS

Modine has transitioned into a cash-generative industrial company, using its improved earnings to fund aggressive expansion in cooling technologies.



(All numbers expressed in Millions)

Insight into Cashflow Analysis:

- **Operating Cash Flow:** Remained stable in FY 2025 as higher earnings were offset by a decrease in customer deposits and higher incentive payments.
- **Capital Expenditures:** Spending has nearly doubled since FY 2022 to support manufacturing capacity expansion in the U.S. and Europe for data center cooling products.
- **Free Cash Flow:** Has increased significantly, providing the capital necessary for acquisitions (Napps, Scott Springfield) and debt reduction.

BALANCE SHEET AND LIQUIDITY

The company maintains a strong balance sheet with declining leverage and substantial available liquidity.

Balance Sheet Item	FY 2025 Value	Description
Total Debt	\$350.8 M	Includes \$2.7M in finance lease obligations; total debt decreased \$81M year-over-year primarily due to repayments.
Cash & Equivalents	\$71.6 M	Includes \$0.3M of restricted cash; approximately \$59M of the total is held by non-U.S. subsidiaries.
Net Debt	\$279.2 M	Calculated as total outstanding indebtedness minus cash and equivalents.
Total Assets	\$1,917.6 M	Growth from \$1,851.5M in FY 2024 driven by higher net PP&E and trade accounts receivable.
Liquidity	\$310.4 M	Total of \$71.6M cash and \$238.8M in available borrowing capacity under the multi-currency Revolving Credit Facility.

Highlights from Balance Sheet and Liquidity:

- **Indebtedness:** The company's total debt of \$350.8 million is comprised of \$9.3 million in short-term debt, a \$44.8 million current portion of long-term debt, and \$296.7 million in long-term debt. Proactive repayments during fiscal 2025 reduced the total debt position significantly from the \$431.6 million reported at the end of the prior year.
- **Liquidity Position:** Modine maintains a strong liquidity profile. In July 2025 (early fiscal 2026), the company further strengthened this by executing an amended credit agreement that increased the revolving credit facility to \$400.0 million.
- **Asset Growth:** The increase in total assets was supported by strategic investments in manufacturing capacity, particularly for the Data Center Cooling business, which saw net property, plant and equipment rise to \$390.5 million.

KEY FINANCIAL RATIOS (FY 2025)

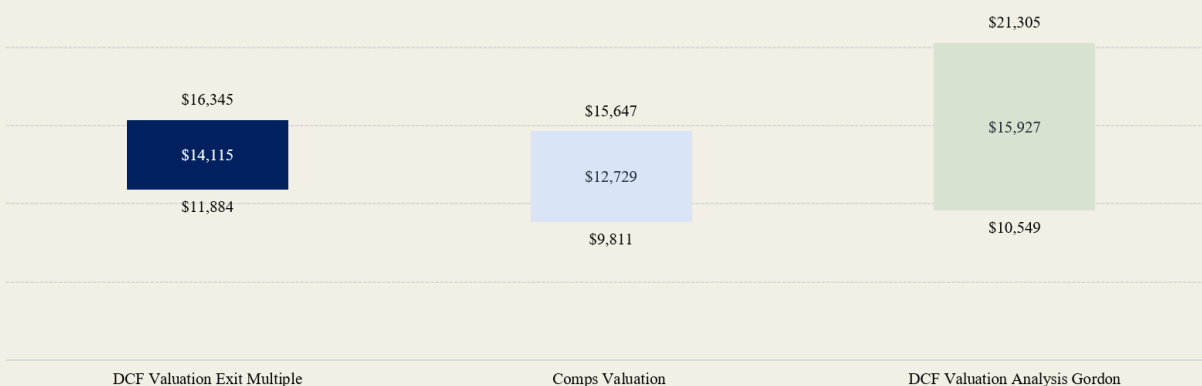
Ratio	FY 2025 Value	Note
Revenue Growth	7.3%	Driven by 30% growth in Climate Solutions, led by data center demand.
Adj. EBITDA Margin	14.0%	Up from 12.3% in fiscal 2024; calculated as Operating Income plus D&A.
ROE (Return on Equity)	20.2%	Net income \$184.0M / Modine Shareholders' Equity \$910.2M.
ROIC (Return on Invested Cap.)	~17.7%	Calculated using NOPAT \$224.0M / (Total Debt \$350.8M + Total Equity \$918.2M).
FCF Margin	5.0%	FCF \$129.3M / Total net sales \$2,583.5M.

Highlights for 2025:

- **Revenue Performance:** Consolidated net sales reached \$2.6 billion, supported by the acquisition of Scott Springfield Manufacturing and organic growth in the hyperscale data center market.
- **Margin Expansion:** The Adjusted EBITDA margin improved significantly, reflecting the success of the 80/20 strategy and a shift toward higher-margin climate cooling technologies.
- **Cash Generation:** Modine generated \$129.3 million in free cash flow, even while increasing capital expenditures to expand manufacturing capacity for data center products in the U.S. and Europe.
- **Return Profiles:** The strong ROE and ROIC underscore the company's transition into a more capital-efficient "pure-play" climate solutions entity

VALUATION

Enterprise Value Based on Methods



(All numbers expressed in Millions)

VALUATION METHODS

To estimate Modine Manufacturing intrinsic value, two complementary valuation methods were employed: a discounted cash flow (DCF) model and a relative valuation using trading multiples. The DCF estimates the company's intrinsic value based on projected future cash flows, while the peer multiple approach assesses how the market values comparable industrial companies.

DCF FORECAST ASSUMPTIONS

	2026F	2027F	2028F	2029F	2030F	Term
Sales Volume Growth Climate Solutions	22.0%	14.0%	9.0%	9.0%	9.0%	9.0%
Sales Volume Growth Technology Perf.	-3.0%	1.0%	5.0%	5.0%	5.0%	5.0%
COGS % Growth Climate Solutions	19.0%	8.0%	5.0%	2.0%	1.0%	1.0%
COGS % Growth Technology Perf.	-7.0%	-3.0%	1.0%	2.0%	2.0%	2.0%
Capital Expenditure	83	85	87	89	91	93
Inflation Rate	3.0%	2.5%	2.2%	2.0%	2.0%	2.0%
Working Capital:						
Accounts Receivable Days	65	64	63	62	61	61
Inventory Days	67	66	65	64	63	63
Accounts Payable Days	59	59	59	59	59	59

The discounted cash flow (DCF) valuation is based on Modine Manufacturing recent financial performance, management's long-term strategic objectives, and prevailing industry trends. The principal forecasting assumptions are discussed below.

Revenue Growth

The high initial growth in Climate Solutions is justified by the massive surge in Data Center Cooling demand, which saw 119 per cent growth in fiscal 2025. This is further bolstered by incremental sales from the acquisitions of AbsolutAire, L.B. White, and Climate by Design in early fiscal 2026. The long-term 9.0% rate reflects stabilized organic demand from hyperscale and colocation customers as AI infrastructure matures. Moving forward to Performance Technologies the near-term decline is driven by the deliberate "strategic business rationalization" where Modine is exiting low-margin automotive lines. Volume is also pressured by current weakness in global agricultural and vehicular markets. The long-term recovery to 5.0% assumes the stabilization of high-margin "Advanced Solutions" (EV/hybrid) and heavy-duty equipment after the segment is spun off.

Cost of Goods Sold

The high initial cost growth for Climate Solutions reflects "temporary operating inefficiencies" associated with the rapid expansion of manufacturing capacity in the U.S. and Europe to meet AI demand. The dramatic decline to 1.0% is justified by the long-term application of 80/20 principles, which focus on high-margin products and production efficiency improvements as new facilities reach operational maturity. Regarding Performance Technologies (-7.0% in 2026F, stabilizing at 2.0% Term), significant near-term cost reductions are supported by aggressive restructuring, including headcount reductions in Europe and North America and the closure of a technical service center in Germany. Costs stabilize long-term as the segment prunes non-core assets.

Capital Expenditure

This assumption is consistent with Modine's recent spending (\$84.0M in FY 2025). The upward trend is justified by management's commitment to invest \$100.0 million over 12 months specifically to expand U.S. data center manufacturing capacity. This spending also covers ongoing tooling for new customer programs in Performance Technologies.

Working Capital

Accounts Receivable (65 to 61 Days) & Inventory (67 to 63 Days): The improving trends are justified by the company's 80/20 strategy, which involves simplifying product lines (reducing SKUs) and focusing on the most profitable 20 per cent of customers and products. This simplification naturally reduces inventory complexity and improves collection cycles. Accounts Payable (Flat at 59 Days): This is supported by Modine's established supplier finance program, which remits payments based on original terms typically ranging from 60 to 120 days.

Inflation Rate

While Modine faces inflationary pressures on labor and materials, it mitigates these through contractual price adjustment provisions (with a three-month to one-year lag) and direct commercial pricing settlements. The assumption aligns with the company's expectation that the severe supply chain and inflationary conditions of 2023-2024 have generally improved.

Items	Value
WACC	8.5%
Terminal Growth	2.5%
Terminal EBITDA Multiple	12x
Tax Rate	21.0%

Weighted Average Cost of Capital (WACC)

An 8.5 per cent WACC is justified by Modine's improving risk profile and stable capital structure. As of March 31, 2025, Modine's weighted-average interest rate for its term loans was 5.4 per cent. This reflects a relatively low cost of borrowing for a mid-cap company. The company is strategically exiting the volatile and lower-margin automotive market. By pivoting to a "pure-play" climate solutions company focused on high-moat sectors like Data Centers, Modine is likely to see a stabilization in its cost of equity as cyclicalities decreases. Manageable Leverage: Modine's total debt decreased by \$81 million in fiscal 2025. With a leverage ratio well within its covenant limits (limiting indebtedness to 3.25x Adjusted EBITDA), the company maintains a healthy balance between debt and equity.

Terminal Growth Rate

A terminal growth rate of 2.5 per cent is a reasonable, conservative assumption for a company aligned with long-term secular trends such as the expansion of digital infrastructure and artificial intelligence (AI). These drivers provide long-term demand for high-density cooling solutions that typically outpaces general GDP growth.

Terminal EBITDA Multiple

A 12x multiple is justified by Modine's transition from a traditional manufacturer to a specialized technology-cooling leader. Pure-play climate and data center cooling companies typically command higher multiples than diversified industrial or vehicular firms. As Modine executes the spin-off of its Performance Technologies segment (expected to close by late 2026), its valuation should re-rate to align with peers in the HVAC and Data Center sectors. Margin Expansion: Through the application of 80/20 principles, Modine's EBITDA margin improved to 14.0% in fiscal 2025 [Financial Analysis model response]. Higher sustained margins justify a double-digit exit multiple.

Tax Rate

The 21.0 per cent assumption is directly supported by the sources as the benchmark for U.S. operations. The sources explicitly state that the U.S. federal statutory tax rate is 21.0 per cent.

TRADING COMPARABLE INPUTS

Peer Companies	Ticker	Price	Value	EBITDA	EBITDA	EBITDA Growth		EPS	P / E
		USD/sh		LTM	LTM	FY+1	FY+2	LTM	LTM
Modine Manufacturing	GEV	202.53	10,777	335	32.2x	28%	41%	3.86	52.4x
Vertiv Holdings	VRT	241.57	95,000	2,400	39.6x	22%	19%	4.51	53.6x
AAON	AAON	138.83	11,700	330	35.5x	19%	17%	1.41	98.7x
Comfort Systems	FIX	1,676.51	57,420	1,960	29.3x	25%	20%	40.65	41.2x

As Modine executes the spin-off of its Performance Technologies segment, its valuation is increasingly tied to the high-growth Data Centers and Commercial HVAC markets. The selected peers represent the leaders and market drivers in these specific sectors. The equity valuation derived from this model was \$237.70

Vertiv Holdings (VRT): Data Center Cooling Alignment

Vertiv is the most direct peer for Modine's rapidly expanding Data Centers segment, which saw 90 per cent revenue growth in early fiscal 2027. Modine explicitly identifies Vertiv as a primary competitor in its legal filings regarding thermal management. Both companies provide mission-critical, high-density cooling solutions (including liquid cooling and CDUs) to hyperscale and colocation customers. Lastly, Vertiv's valuation reflects the "AI era" surge in digital infrastructure demand, a trend Modine is now capturing through organic growth and the acquisition of Scott Springfield Manufacturing.

AAON (AAON): Specialized Commercial HVAC Alignment

AAON is a premier peer for Modine's Commercial HVAC segment, particularly in the area of highly engineered, customized air handling. Modine lists AAON / BASX (AAON's high-performance data center cooling brand) as a key competitor. Both companies specialize in premium indoor air quality (IAQ) products, such as chillers, air handlers, and dehumidification technology. It is also noteworthy to point out that AAON and Modine both heavily target the K-12 school and healthcare markets, which are currently supported by federal and local funding for ventilation improvements.

Comfort Systems USA (FIX): Industry Ecosystem Alignment

While Comfort Systems is a mechanical contractor rather than a manufacturer, it is a vital peer because it represents the demand and installation side of the commercial HVAC and data center cooling markets. Comfort Systems' performance is a "bellwether" for the construction and retrofit projects that drive sales for Modine's Commercial HVAC products. FIX is a leader in complex mechanical installations for data centers, mirroring the scale and technical requirements of Modine's largest technology customers. As Modine applies 80/20 principles to achieve industrial "commercial excellence," FIX provides a benchmark for the high-margin, service-oriented side of the climate solutions industry.

SENSITIVITY TABLES

The following tables present the sensitivity of the DCF valuation to changes in the key terminal assumptions. Under the best-case assumptions of a 8.5% WACC, a 12.0x terminal EV/EBITDA multiple, and a 2.5% terminal growth rate, the implied equity values are \$264.73 and \$260.96 per share, for the Perpetuity and the Terminal Growth methods respectively. As expected, the valuation increases with lower discount rates and higher terminal assumptions, while higher WACC assumptions reduce the estimated equity value. Overall, the analysis indicates that Modine Manufacturing valuation remains robust under a range of reasonable assumptions.

Equity Value per Share Perpetuity

	Terminal Growth Rate				
	2.0%	2.3%	2.5%	2.8%	3.0%
WACC					
7.0%	328.64	343.99	361.03	380.06	401.44
7.8%	282.49	293.72	306.01	319.51	334.43
8.5%	247.01	255.52	264.73	274.73	285.64
9.3%	218.89	225.52	232.63	240.29	248.56
10.0%	196.07	201.35	206.98	213.00	219.44

Equity Value per Share Terminal Growth

	Terminal Multiple				
	11.0x	11.5x	12.0x	12.5x	13.0x
WACC					
6.5%	267.09	277.00	286.91	296.82	306.73
7.5%	254.71	264.14	273.56	282.99	292.41
8.5%	243.03	252.00	260.96	269.93	278.90
9.5%	232.00	240.53	249.07	257.60	266.13
10.5%	221.57	229.70	237.83	245.95	254.08

INVESTMENT THESIS

Modine Manufacturing Company is positioned at the epicenter of a global "thermal management supercycle," serving as a critical infrastructure play for the dual imperatives of high-performance computing and energy efficiency. Following a multi-year strategic transformation, the company is transitioning into a pure-play climate solutions leader through the pending spin-off of its vehicular-focused Performance Technologies segment, a move designed to focus capital on its high-growth, high-margin data center cooling and commercial HVAC businesses.

POSITIVES

Modine is a primary beneficiary of the massive heat loads generated by AI-driven data centers, which require advanced cooling technologies. Its Data Centers segment sees explosive demand for liquid cooling, coolant distribution units (CDU), and fan walls, resulting in 90 per cent revenue growth in the first quarter of fiscal 2027. Furthermore, the acquisitions of Scott Springfield Manufacturing, L.B. White, and Climate by Design International have transformed Modine into a leader in customized air handling and specialty heating. These additions contributed \$240 million in incremental sales in fiscal 2025 alone. Also, by applying 80/20 principles, Modine has achieved record profitability, improving its gross margin by 800 basis points over two fiscal years (from 16.9% in FY23 to 24.9% in FY25). This discipline focuses resources on high-return markets while shedding complex, low-margin vehicular product lines. Lastly, Modine maintains deep, multi-year relationships with global market leaders including hyperscale data center operators, major school systems, and institutional healthcare providers. Its top ten customers account for 43 per cent of net sales, providing significant visibility into long-term demand.

RISKS

The Performance Technologies segment remains a drag on total sales volume, with revenue decreasing by 12 per cent in fiscal 2025 due to widespread weakness in North American and European commercial vehicle and agricultural markets. Rapid expansion in the Data Centers segment has led to temporary operating inefficiencies and production schedule disruptions due to supplier capacity constraints for key components, which negatively impacted gross margins in early fiscal 2027. Moving on to raw material and inflationary volatility, Modine operates in a material-intensive environment, facing persistent challenges in the cost of aluminum, copper, and steel. While contractual price adjustments mitigate this, there is often a three-month to one-year lag before cost increases can be fully recovered from customers. Also, changes in federal funding for electric vehicles and shifting global energy efficiency standards (such as F-gas regulations) introduce demand volatility, particularly in the Advanced Solutions and residential heat pump markets.

CATALYSTS

The pending combination of the Performance Technologies segment with Gentherm, expected to close by late 2026, will yield \$210.0 million in cash proceeds to repay debt and establish Modine as a higher-multiple "pure-play" climate company. Management has also committed to investing an incremental \$100.0 million over 12 months specifically to expand U.S. manufacturing capacity for data center products, providing the necessary runway to capture unmet demand from hyperscale customers. Effective April 2026, Modine reorganized into independent Data Centers and Commercial HVAC segments to better deploy its 80/20 strategy and optimize profit margins in its highest-growth verticals. Lastly, the launch of proprietary liquid cooling distribution units and immersion technology positions Modine to meet the extreme thermal requirements of next-generation AI hardware, serving as a long-term catalyst as data center power densities continue to rise.

CONCLUSION

Based on the valuation and fundamental analysis, Modine Manufacturing Company is assigned a Buy recommendation. The company is exceptionally well-positioned to benefit from long-term structural growth driven by the expansion of global digital infrastructure, increasingly stringent indoor air quality (IAQ) regulations, and the transition to high-density cooling solutions. Its strategic transformation into a "pure-play" climate solutions leader, supported by deep thermal management expertise and a refined 80/20 operating model, provides strong earnings visibility and supports sustainable long-term margin expansion.

The current valuation reflects the market's positive response to Modine's pivot away from volatile vehicular markets, yet further appreciation is supported by the pending Reverse Morris Trust spin-off of the Performance Technologies segment. This transaction is expected to yield \$210.0 million in cash proceeds to de-lever the balance sheet while providing shareholders with a 40 per cent equity stake in a scaled thermal leader combined with Gentherm. While the Data Centers segment faces near-term execution risks from supplier capacity constraints and temporary operating inefficiencies, the underlying organic demand from hyperscale and colocation customers remains robust, evidenced by 90 per cent revenue growth in the first quarter of fiscal 2027.

In addition, several external factors serve as powerful catalysts for future growth. Demand for mission-critical thermal management is increasingly linked to AI-driven data center expansion, creating a specialized need for Modine's proprietary liquid cooling distribution units (CDUs) and immersion technologies. Furthermore, federal and local institutional funding for school ventilation improvements and global shifts toward more environmentally friendly natural gas and CO2 cooling solutions provide a stable growth "floor" for the Commercial HVAC segment.