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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2020

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35159

**THERMON GROUP HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**27-2228185**

(I.R.S. Employer Identification No.)

**7171 Southwest Parkway, Building 300, Suite 200, Austin, Texas 78735**

(Address of principal executive offices) (zip code)

**(512) 690-0600**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	THR	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
 Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of August 5, 2020, the registrant had 33,168,454 shares of common stock, par value \$0.001 per share, outstanding.

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THERMON GROUP HOLDINGS, INC.  
QUARTERLY REPORT  
FOR THE QUARTER ENDED June 30, 2020  
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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Thermon Group Holdings, Inc.

Condensed Consolidated Balance Sheets  
(Dollars in Thousands, except share and per share data)

	June 30, 2020 (Unaudited)	March 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 48,229	\$ 43,237
Accounts receivable, net of allowances of \$824 and \$834 as of June 30, 2020 and March 31, 2020, respectively	72,827	92,478
Inventories, net	70,030	60,273
Contract assets	7,373	10,194
Prepaid expenses and other current assets	9,702	9,219
Income tax receivable	5,065	2,535
Total current assets	213,226	217,936
Property, plant and equipment, net of depreciation and amortization of \$47,650 and \$43,550 as of June 30, 2020 and March 31, 2020, respectively	72,957	72,542
Goodwill	202,789	197,978
Intangible assets, net	104,402	104,546
Operating lease right-of-use assets	16,039	16,637
Deferred income taxes	2,918	2,904
Other long-term assets	7,616	8,362
Total assets	\$ 619,947	\$ 620,905
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 20,827	\$ 25,070
Accrued liabilities	21,433	23,757
Current portion of long-term debt	2,500	2,500
Borrowings under revolving credit facility	3,669	—
Contract liabilities	3,408	4,538
Lease liabilities	3,780	3,553
Income taxes payable	51	1,217
Total current liabilities	55,668	60,635
Long-term debt, net of current maturities and deferred debt issuance costs and debt discounts of \$4,204 and \$4,447 as of June 30, 2020 and March 31, 2020, respectively	168,671	169,053
Deferred income taxes	22,552	22,245
Non-current lease liabilities	14,660	15,571
Other non-current liabilities	7,934	6,962
Total liabilities	269,485	274,466
Commitments and Contingencies (Note 11)		
<b>Equity</b>		
Common stock: \$.001 par value; 150,000,000 authorized; 33,115,268 and 32,916,818 shares issued and outstanding at June 30, 2020 and March 31, 2020, respectively	33	33
Preferred stock: \$.001 par value; 10,000,000 authorized; no shares issued and outstanding	—	—
Additional paid in capital	228,754	227,741
Accumulated other comprehensive loss	(54,799)	(63,894)
Retained earnings	176,474	182,559
Total equity	350,462	346,439
Total liabilities and equity	\$ 619,947	\$ 620,905

The accompanying notes are an integral part of these condensed consolidated financial statements

**Thermon Group Holdings, Inc.**

Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)  
*(Dollars in Thousands, except share and per share data)*

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Sales	\$ 56,848	\$ 91,712
Cost of sales	32,729	54,570
Gross profit	24,119	37,142
Operating expenses:		
Marketing, general and administrative and engineering	27,841	27,718
Amortization of intangible assets	3,033	4,433
Income (loss) from operations	(6,755)	4,991
Other income/(expenses):		
Interest income	25	51
Interest expense	(2,580)	(3,770)
Other income	732	233
Income (loss) before provision for income taxes	(8,578)	1,505
Income tax expense (benefit)	(2,493)	44
Net income (loss)	\$ (6,085)	\$ 1,461
Loss attributable to non-controlling interests	—	(10)
Net income (loss) available to Thermon Group Holdings, Inc.	\$ (6,085)	\$ 1,471
Comprehensive income (loss):		
Net income (loss) available to Thermon Group Holdings, Inc.	\$ (6,085)	\$ 1,471
Foreign currency translation adjustment	9,475	4,435
Other	(380)	—
Comprehensive income	\$ 3,010	\$ 5,906
Net income (loss) per common share:		
Basic	\$ (0.18)	\$ 0.05
Diluted	(0.18)	0.04
Weighted-average shares used in computing net income per common share:		
Basic	32,986,451	32,635,295
Diluted	32,986,451	33,051,923

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Thermon Group Holdings, Inc.**

Condensed Consolidated Statements of Equity (Unaudited)  
(Dollars in Thousands)

	Common Stock Outstanding	Common Stock	Additional Paid- in Capital	Retained Earnings (loss)	Accumulated Other Comprehensive Income (Loss)	Total
Balances at March 31, 2020	32,916,818	\$ 33	\$ 227,741	\$ 182,559	\$ (63,894)	\$ 346,439
Issuance of common stock in exercise of stock options	81,995	—	437	—	—	437
Issuance of common stock as deferred compensation to employees	39,458	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	63,477	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	13,520	—	—	—	—	—
Stock compensation expense	—	—	1,133	—	—	1,133
Repurchase of employee stock units on vesting	—	—	(557)	—	—	(557)
Net loss available to Thermon Group Holdings, Inc.	—	—	—	(6,085)	—	(6,085)
Foreign currency translation adjustment	—	—	—	—	9,475	9,475
Other	—	—	—	—	(380)	(380)
Balances at June 30, 2020	33,115,268	\$ 33	\$ 228,754	\$ 176,474	\$ (54,799)	\$ 350,462

	Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Non-controlling Interests	Accumulated Other Comprehensive Income (Loss)	Total
Balances at March 31, 2019	32,624,200	\$ 33	\$ 223,040	\$ 170,621	\$ 4,204	\$ (48,949)	\$ 348,949
Issuance of common stock in exercise of stock options	4,818	—	62	—	—	—	62
Issuance of common stock as deferred compensation to employees	39,139	—	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	32,621	—	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	4,253	—	—	—	—	—	—
Stock compensation expense	—	—	1,019	—	—	—	1,019
Repurchase of employee stock units on vesting	—	—	(784)	—	—	—	(784)
Net income available to Thermon Group Holdings, Inc.	—	—	—	1,471	—	—	1,471
Foreign currency translation adjustment	—	—	—	—	—	4,435	4,435
Remeasurement of non-controlling interest	—	—	(315)	—	315	—	—
Loss attributable to non-controlling interests	—	—	—	—	(10)	—	(10)
Balances at June 30, 2019	32,705,031	\$ 33	\$ 223,022	\$ 172,092	\$ 4,509	\$ (44,514)	\$ 355,142

*The accompanying notes are an integral part of these consolidated financial statements*

**Thermon Group Holdings, Inc.**

Condensed Consolidated Statements of Cash Flows (Unaudited)  
(Dollars in Thousands)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
<b>Operating activities</b>		
Net income (loss)	\$ (6,085)	\$ 1,461
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,762	6,885
Amortization of deferred debt issuance costs	258	296
Stock compensation expense	1,133	1,019
Deferred income taxes	(654)	(1,086)
Net, release of reserve for uncertain tax positions	—	(447)
Loss on long-term cross currency swap	1,805	909
Remeasurement gain on intercompany balances	(3,153)	(1,478)
Changes in operating assets and liabilities:		
Accounts receivable	21,248	7,311
Inventories	(7,914)	(4,069)
Contract assets	1,794	2,372
Other current and non-current assets	(903)	(2,492)
Accounts payable	(4,341)	394
Accrued liabilities and non-current liabilities	(1,801)	(6,893)
Income taxes payable and receivable	(3,797)	(783)
Net cash provided by operating activities	3,352	3,399
<b>Investing activities</b>		
Purchases of property, plant and equipment	(2,059)	(1,726)
Sale of rental equipment	6	126
Net cash used in investing activities	(2,053)	(1,600)
<b>Financing activities</b>		
Proceeds from revolving credit facility	37,189	10,000
Payments on long-term debt and revolving credit facility	(34,294)	(7,494)
Proceeds from exercise of stock options	437	62
Repurchase of employee stock units on vesting	(557)	(784)
Payments on finance leases	(74)	(27)
Net cash provided by financing activities	2,701	1,757
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,009	397
Change in cash, cash equivalents and restricted cash	5,009	3,953
Cash, cash equivalents and restricted cash at beginning of period	46,007	33,841
Cash, cash equivalents and restricted cash at end of period	\$ 51,016	\$ 37,794

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

## Thermon Group Holdings, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)  
(Dollars in Thousands, Except Share and Per Share Data)

### 1. Basis of Presentation and Accounting Policy Information

Thermon Group Holdings, Inc. and its direct and indirect subsidiaries are referred to collectively as “we,” “our,” or the “Company” herein. We are a provider of highly engineered industrial process heating solutions for process industries. Our core thermal solutions product - also referred to as heat tracing - provides an external heat source to pipes, vessels and instruments for the purposes of freeze protection, temperature and flow maintenance, environmental monitoring, and surface snow and ice melting. As a manufacturer, we offer a full suite of products (heating units, heating cables, tubing bundles and control systems) and services (design optimization, engineering, installation and maintenance services) required to deliver comprehensive solutions to complex projects. On October 30, 2017, we, through a wholly-owned subsidiary, consummated the acquisition of 100% of the equity interests of CCI Thermal Technologies Inc. (the “THS acquisition”), which was amalgamated with such subsidiary immediately after the closing of the acquisition to form Thermon Heating Systems, Inc. (“THS”), an indirect, wholly-owned subsidiary of the Company. THS is engaged in industrial process heating, focused on the development and production of advanced heating and filtration solutions for industrial and hazardous area applications. In addition to our thermal solution offerings, we offer temporary power products that are designed to provide a safe and efficient means of supplying temporary electrical power distribution and lighting at energy infrastructure facilities for new construction and during maintenance and turnaround projects at operating facilities.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the fiscal year ended March 31, 2020. In our opinion, the accompanying consolidated financial statements reflect all adjustments (consisting only of normal recurring items) considered necessary to present fairly our financial position at June 30, 2020 and March 31, 2020, and the results of our operations for the three months ended June 30, 2020 and 2019.

The recent COVID-19 pandemic and the measures being taken to address and limit the spread of the virus have adversely affected the economies and financial markets of many countries, resulting in an economic downturn that has negatively impacted, and may continue to negatively impact, global demand for our products and services. We may experience a decline in the demand of our products and services that could materially adversely impact our business, financial condition, results of operation and overall financial performance in future periods.

On April 11, 2020, the Canadian government officially enacted the Canadian Emergency Wage Subsidy (“CEWS”) for the purposes of assisting employers in financial hardship due to the COVID-19 pandemic and of reducing potential lay-offs of employees. The CEWS, which was made retroactive to March 1, 2020, generally provides “eligible entities” with a wage subsidy of up to 75% of “eligible remuneration” paid to an eligible employee per week, limited to a certain weekly maximum. On July 17, 2020, the Canadian government announced that the CEWS program would be extended until December 19, 2020. Our Canadian operations have benefited from such wage subsidies and have begun to receive distributions by the Canadian government during the three months ended June 30, 2020. We have recorded subsidies in the amount of \$2,417 for which we qualify, as an offset or reduction to the related underlying expenses and assets, accordingly.

#### *Use of Estimates*

Generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. While our management has based their assumptions and estimates on the facts and circumstances existing at June 30, 2020, actual results could differ from those estimates and affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the corresponding revenues and expenses as of the date of the financial statements. The operating results for the three months ended June 30, 2020 are not necessarily indicative of the results that may be achieved for the fiscal year ending March 31, 2021.

#### *Restricted Cash and Cash Equivalents*

The Company maintains restricted cash related to certain letter of credit guarantees and performance bonds securing performance obligations. The following table provides a reconciliation of cash, cash equivalents, restricted cash included in prepaid expenses and other current assets and restricted cash included in other long-term assets reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 48,229	\$ 35,269
Restricted cash included in prepaid expenses and other current assets	2,438	1,698
Restricted cash included in other long-term assets	349	827
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 51,016</u>	<u>\$ 37,794</u>

Amounts shown in restricted cash included in prepaid expenses and other current assets and other long-term assets represent those required to be set aside by a contractual agreement, which contain cash deposits pledged as collateral on performance bonds and letters of credit. Amounts shown in restricted cash in other long-term assets represent such agreements that require a commitment term longer than one year.

#### *Recent Accounting Pronouncements*

*Financial Instruments*- In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses* ("ASC Topic 326"), which amends the guidance on the impairment of financial instruments. The standard adds an impairment model, referred to as current expected credit loss, which is based on expected losses rather than incurred losses. The standard applies to most debt instruments, trade receivables, lease receivables, reinsurance receivables, financial guarantees and loan commitments. Under the guidance, companies are required to disclose credit quality indicators disaggregated by year of origination for a five-year period. The new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. We adopted this standard effective April 1, 2020, and it did not have a material impact on our consolidated financial statements.

*Intangibles*- In January 2017, the FASB issued Accounting Standards Update 2017-04 *Intangibles - Goodwill and other* ("ASC Topic 350"), which amends and simplifies the accounting for goodwill impairment by eliminating step 2 of the goodwill impairment test. Under the amended guidance, goodwill impairment will be measured as the excess of the reporting unit's carrying value over its fair value, not to exceed the carrying amount of goodwill for that reporting unit. The changes are effective for annual and interim periods beginning after December 15, 2019, and amendments should be applied prospectively. Early adoption is permitted for any impairment tests performed after January 1, 2017. We adopted this standard effective April 1, 2020, and it did not have a material impact on our consolidated financial statements.

## **2. Fair Value Measurements**

### *Fair Value*

We measure fair value based on authoritative accounting guidance, which defines fair value, establishes a framework for measuring fair value and expands on required disclosures regarding fair value measurements.

Inputs are referred to as assumptions that market participants would use in pricing the asset or liability. The uses of inputs in the valuation process are categorized into a three-level fair value hierarchy.

- Level 1 — uses quoted prices in active markets for identical assets or liabilities we have the ability to access.
- Level 2 — uses observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment.

Financial assets and liabilities with carrying amounts approximating fair value include cash, trade accounts receivable, accounts payable, accrued expenses and other current liabilities. The carrying amount of these financial assets and liabilities approximates fair value because of their short maturities. At June 30, 2020 and March 31, 2020, no assets or liabilities were valued using Level 3 criteria.

Information about our short-term debt and long-term debt that is not measured at fair value is as follows:

	June 30, 2020		March 31, 2020		Valuation Technique
	Carrying Value	Fair Value	Carrying Value	Fair Value	
<b>Financial Liabilities</b>					
Outstanding principal amount of senior secured credit facility	\$ 175,375	\$ 170,219	\$ 176,000	\$ 150,480	Level 2 - Market Approach
Outstanding borrowings from revolving line of credit	\$ 3,669	\$ 3,669	\$ —	\$ —	Level 2 - Market Approach

At June 30, 2020 and March 31, 2020, the fair value of our long-term debt is based on market quotes available for issuance of debt with similar terms. As the quoted price is only available for similar financial assets, the Company concluded the pricing is indirectly observable through dealers and has been classified as Level 2. The Company believes the decline in fair value as of June 30, 2020 and March 31, 2020 is temporary due to the COVID-19 pandemic. The fair value of our revolving line of credit as of June 30, 2020 approximates its carrying value as we pay interest based on the current market rate.

#### **Cross Currency Swap**

The Company has entered into a long-term cross currency swap to hedge the currency rate fluctuations related to a \$4,603 intercompany receivable at June 30, 2020 from our wholly-owned Canadian subsidiary, Thermon Canada Inc., maturing on October 30, 2022. Periodic principal payments are to be settled twice annually with interest payments settled quarterly through the cross currency derivative contract. We do not designate the cross-currency swap as a cash flow hedge under ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). At June 30, 2020, we recorded \$1,942 of unrealized mark-to-market loss on the cross-currency swap, which is reported as "Other income and expense", in the condensed consolidated statement operations and comprehensive income. Cross currency swap contracts are measured on a recurring basis at fair value and are classified as Level 2 measurements. Hedge assets in the amount of \$2,342 and \$4,011 were included in "Other long-term assets" in the condensed consolidated balance sheet as of June 30, 2020 and March 31, 2020, respectively. For the three months ended June 30, 2020, the loss on the long-term cross currency swap derivative contract was offset by unrealized gain on the intercompany note of \$2,208 for a net gain of \$266.

#### **Deferred Compensation Plan**

The Company provides a non-qualified deferred compensation plan for certain highly compensated employees where payroll contributions are made by the employees on a pre-tax basis. Included in "Other long-term assets" in the condensed consolidated balance sheet at June 30, 2020 and March 31, 2020 were \$3,797 and \$2,849, respectively, of deferred compensation plan assets held by the Company. Deferred compensation plan assets (mutual funds) are measured at fair value on a recurring basis based on quoted market prices in active markets (Level 1). The Company has a corresponding liability to participants of \$3,822 and \$2,886 included in "Other long-term liabilities" in the condensed consolidated balance sheet at June 30, 2020 and March 31, 2020, respectively. Deferred compensation expense included in marketing, general and administrative and engineering were \$530 and \$103 for the three months ended June 30, 2020 and 2019, respectively. Expenses and income from our deferred compensation plan were offset by unrealized gains and losses for the deferred compensation plan included in other expense on our condensed consolidated statements of comprehensive income. Our unrealized gains and losses on investments were gains of \$522 and \$95 for the three months ended June 30, 2020 and 2019, respectively.

#### **Trade Related Foreign Currency Forward Contracts**

We transact business in various foreign currencies and have established a program that primarily utilizes foreign currency forward contracts to offset the risk associated with the effects of certain foreign currency exposures. Under this program, increases or decreases in our foreign currency exposures are offset by gains or losses on the forward contracts, to mitigate foreign currency transaction gains or losses. These foreign currency exposures arise from intercompany transactions as well as third party accounts receivable or payable that are denominated in foreign currencies. Our forward contracts generally have terms of 30 days. We do not use forward contracts for trading purposes or designate these forward contracts as hedging instruments pursuant to ASC 815. We adjust the carrying amount of all contracts to their fair value at the end of each reporting period and unrealized gains and losses are included in our results of operations for that period. These gains and losses are designed to offset gains and losses resulting from settlement of receivables or payables by our foreign operations which are settled in currency other than the local transactional currency. The fair value is determined by quoted prices from active foreign currency markets (Level 2). The condensed consolidated balance sheets reflect unrealized gains within accounts receivable, net and unrealized losses within accrued liabilities. Our ultimate realized gain or loss with respect to currency fluctuations will

depend on the currency exchange rates and other factors in effect as the contracts mature. As of June 30, 2020 and March 31, 2020, the notional amounts of forward contracts were as follows:

	June 30, 2020	March 31, 2020
Russian Ruble	\$ 2,248	\$ 1,103
Euro	—	500
Canadian Dollar	2,000	1,500
South Korean Won	3,000	3,500
Mexican Peso	1,500	2,000
Australian Dollar	700	700
Great Britain Pound	500	500
Total notional amounts	<u>\$ 9,948</u>	<u>\$ 9,803</u>

The following table represents the fair value of our foreign currency forward contracts:

	June 30, 2020		March 31, 2020	
	Fair Value		Fair Value	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	\$ 42	\$ 47	\$ 140	\$ 49

Foreign currency gains or losses related to our forward contracts in the accompanying condensed consolidated statements of operations and comprehensive income were gains of \$91 and losses of \$42 in the three months ended June 30, 2020 and 2019, respectively. Gains and losses from our forward contracts were offset by transaction gains or losses incurred with the settlement of transactions denominated in foreign currencies. For the three months ended June 30, 2020 and 2019, our net foreign currency transactions were gains of \$182 and \$212, respectively.

### 3. Leases

In February 2016, the FASB issued ASC Topic 842, which amends the accounting guidance on leases. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance leases or operating leases as determined pursuant to ASC Topic 842, with classification affecting the pattern of expense recognition in the income statement. The FASB also subsequently issued amendments to the standard, including providing an additional and optional transition method to adopt the new standard, as well as certain practical expedients related to land easements and lessor accounting.

The Company adopted ASC Topic 842 and its amendments and applied the transition provisions as of April 1, 2019. The Company did not elect the package of practical expedients permitted under the transition guidance, which allows companies to carryforward historical assessments of: (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. In addition, the Company did not elect the hindsight practical expedient to determine the reasonably certain lease term for existing leases. The Company elected a policy of not recording leases on its condensed consolidated balance sheets when the leases have a term of 12 months or less and the Company is not reasonably certain to elect an option to purchase the leased asset. The Company recognizes payments on these leases within selling, administrative and other expenses on a straight-line basis over the lease term. Lease expense related to manufacturing facilities is included in overhead absorption rates and allocated to cost of sales. The Company elected the practical expedient to combine lease and non-lease components for all asset classes.

#### *Description of Leases*

The significant majority of our lease obligations are for real property. We lease numerous facilities relating to our operations, primarily for office, manufacturing and warehouse facilities, as well as both long-term and short-term employee housing. Leases for real property have terms ranging from month-to-month to ten years. We also lease various types of

equipment, including vehicles, office equipment (such as copiers and postage machines), heavy warehouse equipment (such as fork lifts), heavy construction equipment (such as cranes), medium and light construction equipment used for customer project needs (such as pipe threading machines) and mobile offices and other general equipment that is normally associated with an office environment. Equipment leases generally have terms ranging from six months to five years.

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We do not have any significant leases that have not yet commenced but that create significant rights and obligations for us.

We lease temporary power products produced by our Thermon Power Solutions Inc. (formerly known as Sumac Fabrication Co. Ltd.) (“TPS”) division to our customers on a short-term basis. Lease contracts associated with such rental of the temporary power products have historically been month-to-month contracts without purchase options. No lease contracts in which the Company was the lessor have had an initial term in excess of one year. As such, lease revenues for temporary power products recognized under ASC Topic 842 in the interim period did not materially differ from leases that would have been recorded under ASC Topic 840.

#### *Variable Lease Payments*

A majority of our lease agreements include fixed rental payments. A small number of our lease agreements include fixed rental payments that are adjusted periodically for changes in the Consumer Price Index (“CPI”). Payments based on an index or rate such as CPI are included in the lease payments based on the commencement date index or rate. Estimated changes to the index or rate during the lease term are not considered in the determination of the lease payments.

#### *Options to Extend or Terminate Leases*

Most of our real property leases include early termination options and/or one or more options to renew, with renewal terms that can extend the lease term for an additional one to five years or longer. The exercise of lease termination and renewal options is at our sole discretion. If it is reasonably certain that we will exercise such renewal options, the periods covered by such renewal options are included in the lease term and are recognized as part of our ROU assets and lease liabilities. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

#### *Discount Rate*

The Company's leases generally do not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease within a particular currency environment. A large concentration of the Company's operating lease liabilities are attributed to our North American operations. Many of our Europe, Middle East and Africa (“EMEA”) operations and Asia-Pacific operations borrow funds from the debt facilities maintained by our U.S. operating subsidiary and establish intercompany balances to account for these loans. This practice is due to the more preferential rates available to our U.S. operating subsidiary and/or the ease with which funds can be drawn from the debt facilities already established within the United States. With this in mind, the Company has utilized its U.S. credit facility rate as the worldwide incremental borrowing rate. The Company used incremental borrowing rates as of April 1, 2020 for operating leases that commenced prior to April 1, 2020 to establish the lease liabilities. For operating leases that commenced during the three months ended June 30, 2020, rates applicable at or close to the time of the inception of the lease were used to establish the new lease's ROU liabilities.

<b>Lease Term and Discount Rate</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>
<b>Weighted average remaining lease term</b>		
Operating	6.0	6.2
Finance	3.4	3.4
<b>Weighted average discount rate</b>		
Operating	4.81 %	4.82 %
Finance	6.96 %	6.98 %

Supplemental balance sheet information related to leases was as follows:

<b>Assets</b>	<b>Classification</b>	<b>June 30, 2020</b>		<b>March 31, 2020</b>	
Operating	Operating lease right-of-use assets	\$	16,039	\$	16,637
Finance	Property, plant and equipment		619		695
Total right-of-use assets		\$	16,658	\$	17,332
<b>Liabilities</b>					
Current					
Operating	Lease liabilities	\$	3,546	\$	3,352
Finance	Lease liabilities		234		201
Non-current					
Operating	Non-current lease liabilities		14,255		15,060
Finance	Non-current lease liabilities		405		511
Total lease liabilities		\$	18,440	\$	19,124

Supplemental statement of operations information related to leases was as follows:

<b>Lease expense</b>	<b>Classification</b>	<b>Three Months Ended June 30, 2020</b>		<b>Three Months Ended June 30, 2019</b>	
Operating lease expense	Marketing, general and administrative and engineering	\$	1,141	\$	808
Finance lease expense:					
Amortization of ROU assets	Marketing, general and administrative and engineering		77		59
Interest expense on finance lease liabilities	Interest expense		11		13
Short-term lease expense	Marketing, general and administrative and engineering		21		463
Net lease expense		\$	1,250	\$	1,343

Supplemental statement of cash flows information related to leases was as follows:

<b>Cash paid for amounts included in the measurement of lease liabilities</b>	<b>Three Months Ended June 30, 2020</b>		<b>Three Months Ended June 30, 2019</b>	
Operating cash used for operating leases	\$	1,168	\$	718
Operating cash flows used for finance leases		11		10
Financing cash flows used for finance leases		74		38

Future lease payments under non-cancellable operating leases as of June 30, 2020 were as follows:

Future Lease Payments	Operating Leases	Finance Leases
Twelve months ending June 30,		
2020	\$ 4,319	\$ 270
2021	3,935	159
2022	3,264	147
2023	2,196	104
2024	1,741	30
Thereafter	5,778	—
Total lease payments	\$ 21,233	\$ 710
Less imputed interest	(3,432)	(71)
Total lease liability	<u>\$ 17,801</u>	<u>\$ 639</u>

#### 4. Restructuring

During the three months ended June 30, 2020, we enacted certain restructuring initiatives to align our current cost structure with the present decline in demand for our products and services primarily due to COVID-19 and depressed oil prices. Moreover, the Company eliminated approximately 111 hourly and salaried positions and incurred \$2,921 in one-time severance costs during the three months ended June 30, 2020, which was recorded to marketing, general and administrative and engineering in our condensed consolidated statements of operations and comprehensive income.

Restructuring costs by reportable segment were as follows:

	Three Months Ended June 30, 2020
United States and Latin America	\$ 2,063
Canada	858
Europe, Middle East and Africa	—
Asia-Pacific	—
	<u>\$ 2,921</u>

Restructuring activity related to accrued severance recorded to accrued liabilities in the condensed consolidated balance sheets is summarized as follows for the three months ended June 30, 2020:

	June 30, 2020
Beginning balance	\$ —
Costs incurred	2,921
Less cash payments	(2,301)
Ending balance	<u>\$ 620</u>

#### 5. Net Income per Common Share

Basic net income per common share is computed by dividing net income available to Thermon Group Holdings, Inc. by the weighted average number of common shares outstanding during each period. Diluted net income per common share is computed by dividing net income available to Thermon Group Holdings, Inc. by the weighted average number of common shares and common share equivalents outstanding (if dilutive) during each period. The number of common share equivalents, which includes options and both restricted and performance stock units, is computed using the treasury stock method. With

regard to the performance stock units, we assumed that the associated performance targets will be met at the target level of performance for purposes of calculating diluted net income per common share.

The reconciliations of the denominators used to calculate basic and diluted net income (loss) per common share for the three months ended June 30, 2020 and 2019, respectively, are as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
<b>Basic net income per common share</b>		
Net income (loss) available to Thermon Group Holdings, Inc.	\$ (6,085)	\$ 1,471
Weighted-average common shares outstanding	32,986,451	32,635,295
Basic net income (loss) per common share	\$ (0.18)	\$ 0.05
<b>Diluted net income per common share</b>		
Net income (loss) available to Thermon Group Holdings, Inc.	\$ (6,085)	\$ 1,471
Weighted-average common shares outstanding	32,986,451	32,635,295
Common share equivalents:		
Stock options	—	208,220
Restricted and performance stock units	—	208,408
Weighted average shares outstanding – dilutive (1)	32,986,451	33,051,923
Diluted net income (loss) per common share (2)	\$ (0.18)	\$ 0.04

(1) For the three months ended June 30, 2020 and 2019, 283,612 and 13,074 equity awards, respectively, were not included in the calculation of diluted net income per common share, as they would have had an anti-dilutive effect.

(2) As the Company incurred a net loss for the three months ended June 30, 2020, there was no dilutive effect on net loss per common share as common share equivalents are antidilutive. Therefore, both basic and diluted net loss per common share were \$(0.18) for the three months ended June 30, 2020.

## 6. Inventories

Inventories consisted of the following:

	June 30, 2020	March 31, 2020
Raw materials	\$ 35,239	\$ 31,300
Work in process	6,248	5,317
Finished goods	30,261	25,701
	71,748	62,318
Valuation reserves	(1,718)	(2,045)
Inventories, net	\$ 70,030	\$ 60,273

## 7. Goodwill and Other Intangible Assets

The carrying amount of goodwill by operating segment as of June 30, 2020 is as follows:

	United States and Latin America	Canada	Europe, Middle East and Africa	Asia-Pacific	Total
Balance as of March 31, 2020	\$ 62,725	\$ 107,739	\$ 18,890	\$ 8,624	\$ 197,978
Foreign currency translation impact	—	4,419	392	—	4,811
Balance as of June 30, 2020	\$ 62,725	\$ 112,158	\$ 19,282	\$ 8,624	\$ 202,789

Goodwill is tested for impairment on an annual basis and between annual tests if indicators of potential impairment exist. We perform a qualitative analysis to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If required, we also perform a quantitative analysis using the income approach, based on discounted future cash flows, which are derived from internal forecasts and economic expectations, and the market approach based on market multiples of guideline public companies. The most significant inputs in the Company's quantitative goodwill impairment tests are projected financial information, the weighted average cost of capital and market multiples for similar transactions. Our annual impairment test is performed during the fourth quarter of our fiscal year.

During fiscal 2020, revenue from our operations decreased, year over year, by approximately 7% compared to revenues generated in fiscal 2019. Lower crude oil prices, which management attributes to the COVID-19 pandemic, have had a significant adverse impact on customer capital spending, which in turn resulted in the decline in our revenues.

We considered the decline in our business, during fiscal 2020, to be an indicator of potential asset impairments in our reporting units. During the fourth quarter of fiscal 2020, we performed a goodwill and intangible asset impairment assessment of all of our reporting units utilizing the income approach, based on discounted future cash flows, which were derived from internal forecasts and economic expectations, and the market approach, based on market multiples of guideline public companies. Based on the results of our goodwill impairment assessment, the estimated fair value of the reporting units exceeded the carrying value. As such, there was no impairment of our reporting units' goodwill or intangible assets during fiscal 2020. We continue to monitor our reporting units' goodwill and intangible asset valuations and perform qualitative assessments at each interim reporting period. Changes in estimates and assumptions used to determine whether impairment exists or future declines in actual and forecasted operating results and/or market conditions, especially in energy markets, could indicate a need to reevaluate the fair value of our reporting units and may ultimately result in an impairment to goodwill and/or indefinite-lived intangible assets of our reporting units in future periods.

No triggering events were identified during the three month period ended June 30, 2020 which would indicate that the fair value of any of our reporting units was less than its carrying amount.

Our total intangible assets consisted of the following:

	Gross Carrying Amount at June 30, 2020	Accumulated Amortization	Net Carrying Amount at June 30, 2020	Gross Carrying Amount at March 31, 2020	Accumulated Amortization	Net Carrying Amount at March 31, 2020
Products	\$ 61,129	\$ 16,302	\$ 44,827	\$ 58,722	\$ 14,193	\$ 44,529
Trademarks	44,522	1,346	43,176	43,865	1,273	42,592
Developed technology	9,712	4,951	4,761	9,564	4,758	4,806
Customer relationships	107,565	96,369	11,196	105,912	93,729	12,183
Certifications	442	—	442	436	—	436
Total	\$ 223,370	\$ 118,968	\$ 104,402	\$ 218,499	\$ 113,953	\$ 104,546

## 8. Accrued Liabilities

Accrued current liabilities consisted of the following:

	June 30, 2020	March 31, 2020
Accrued employee compensation and related expenses	\$ 9,916	\$ 12,542
Accrued interest	694	782
Customer prepayment	1,103	357
Warranty reserve	514	477
Professional fees	1,901	2,086
Sales tax payable	1,815	2,423
Other	5,490	5,090
Total accrued current liabilities	<u>\$ 21,433</u>	<u>\$ 23,757</u>

## 9. Long-Term Debt

Long-term debt consisted of the following:

	June 30, 2020	March 31, 2020
Variable Rate Term Loan, due October 2024, net of deferred debt issuance costs and debt discounts of \$4,204 and \$4,447 as of June 30, 2020 and March 31, 2020, respectively	\$ 171,171	\$ 171,553
Less current portion	(2,500)	(2,500)
Total long-term debt	<u>\$ 168,671</u>	<u>\$ 169,053</u>

### Senior Secured Credit Facility

On October 30, 2017, Thermon Group Holdings, Inc., as a credit party and a guarantor, Thermon Holding Corp. (the "US Borrower") and Thermon Canada Inc. (the "Canadian Borrower"), as borrowers, entered into a credit agreement with several banks and other financial institutions or entities from time to time party thereto (the "Lenders") and JPMorgan Chase Bank, N.A. as administrative agent (the "Agent"), which provides for a \$250,000 seven-year term loan B facility (the "term loan B facility") made available to the US Borrower and a \$60,000 five-year senior secured revolving credit facility made available to the US Borrower and the Canadian Borrower (the "revolving credit facility" and together with the term loan B facility, the "credit facility"). The proceeds of the term loan B facility were used to (1) pay in full \$70,875 principal and interest on a previously issued term loan due April 2019; (2) repay \$6,000 in unpaid principal and interest on the US Borrower's revolving line of credit; (3) to fund approximately \$201,900 CAD of the purchase price of the THS acquisition and certain related real estate assets for approximately \$64,900; and (4) pay certain transaction fees and expenses in connection with the THS acquisition and the credit facility.

*Interest rates and fees.* The US Borrower will have the option to pay interest on the term loan B facility at a base rate, plus an applicable margin, or at a rate based on LIBOR, (subject to a floor of 1.00%), plus an applicable margin. The applicable margin for base rate loans is 275 basis points and the applicable margin for LIBOR loans is 375 basis points. The US Borrower may borrow revolving loans in US dollars and the Canadian Borrower may also borrow revolving loans in Canadian dollars. Borrowings under the revolving credit facility (a) made in US dollars will bear interest at a rate equal to a base rate, plus an applicable margin of 225 basis points or at a rate based on LIBOR, plus an applicable margin of 325 basis points and (b) made in Canadian dollars will bear interest at a rate equal to a Canadian base rate, plus an applicable margin of 225 basis points or at a rate based on Canadian Dollar Offered Rate, plus an applicable margin of 325 basis points; provided, that since the completion of the fiscal quarter ended March 31, 2018, the applicable margins in each case have been determined based on a leverage-based performance grid, as set forth in the credit agreement. In addition to paying interest on outstanding principal under the revolving credit facility, the US Borrower is required to pay a commitment fee in respect of unutilized revolving commitments of 0.50% per annum based on a leverage-based performance grid.

*Maturity and repayment.* The revolving credit facility terminates on October 28, 2022. The scheduled maturity date of the term loan facility is October 30, 2024. Commencing on April 1, 2018, the term loan B facility began amortizing in equal quarterly installments of 0.25% of the \$250,000 term loan B facility, with the payment of the balance at maturity. The US Borrower may voluntarily prepay the principal of the term loan B facility without penalty or premium (subject to breakage fees) at any time in whole or in part. The US Borrower is required to repay the term loan B facility with certain asset sale and insurance proceeds, certain debt proceeds and, commencing with the fiscal year ended March 31, 2019, 50% of excess cash flow (reducing to 25% if the Company's leverage ratio is less than 4.0 to 1.0 but greater than or equal to 3.5 to 1.0, and reducing to 0% if the Company's leverage ratio is less than 3.5 to 1.0). As of June 30, 2020, the Company's leverage ratio was

less than 3.5 to 1.0. The Company is required to make quarterly principal payments of the term B loan facility of \$625 through July 31, 2024. The remaining balance will be due at maturity of the term loan B facility on October 30, 2024.

*Accordion.* The credit facility allows for incremental term loans and incremental revolving commitments in an amount not to exceed \$0,000 and an unlimited additional amount that would not cause the consolidated secured leverage ratio to exceed 4.0 to 1.0 (or, if less, the maximum consolidated leverage ratio permitted by the revolving credit facility on such date).

At June 30, 2020, we had \$3,669 outstanding borrowings under our revolving credit facility for the Canadian Borrower line of credit and no outstanding borrowings for the US Borrower line of credit. The interest rate on outstanding revolving credit facility borrowings under our Canadian Borrower line of credit on June 30, 2020 was 3.95%. As of June 30, 2020, we had \$53,236 of available borrowing capacity under our revolving credit facility after taking into account the borrowing base, outstanding borrowings and letters of credit outstanding. The variable rate term loan bears interest at the LIBOR rate plus an applicable margin dictated by our leverage ratio (as described above). The interest rate on the variable rate term loan on June 30, 2020 was 4.75%.

*Guarantees; security.* The term loan is guaranteed by Thermon Group Holdings, Inc. and all of its current and future wholly-owned domestic material subsidiaries (the "US Subsidiary Guarantors"), subject to certain exceptions. Obligations of the US Borrower under the revolving credit facility are guaranteed by Thermon Group Holdings, Inc. and the US Subsidiary Guarantors. The obligations of the Canadian Borrower under the revolving credit facility are guaranteed by Thermon Group Holdings, Inc., the US Borrower, the US Subsidiary Guarantors and each of the wholly-owned Canadian material subsidiaries of the Canadian Borrower, subject to certain exceptions. The term loan B facility and the obligations of the US Borrower under the revolving credit facility are secured by a first lien on all of Thermon Group Holdings, Inc.'s assets and the assets of the US Subsidiary Guarantors, including 100% of the capital stock of the US Subsidiary Guarantors and 65% of the capital stock of the first tier material foreign subsidiaries of Thermon Group Holdings, Inc., the US Borrower and the US Subsidiary Guarantors, subject to certain exceptions. The obligations of the Canadian Borrower under the revolving credit facility are secured by a first lien on all of Thermon Group Holdings, Inc.'s assets, the US Subsidiary Guarantors' assets, the Canadian Borrower's assets and the assets of the material Canadian subsidiaries of the Canadian Borrower, including 100% of the capital stock of the Canadian Borrower's material Canadian subsidiaries.

*Financial covenants.* The term loan is not subject to any financial covenants. The revolving credit facility requires the Company, on a consolidated basis, to maintain certain financial covenant ratios. The Company must maintain a consolidated leverage ratio on the last day of the following periods: 4.5:1.0 for December 31, 2019 through September 30, 2020; and 3.75:1.0 for December 31, 2020 and each fiscal quarter thereafter. On June 18, 2020, our revolving credit lenders agreed to an amendment whereby the debt within the leverage ratio may be reduced by cash in excess of \$20,000. In addition, on the last day of any period of four fiscal quarters, the Company must maintain a consolidated fixed charge coverage ratio of not less than 1.25:1.0. As of June 30, 2020, we were in compliance with all financial covenants of the credit facility.

*Restrictive covenants.* The credit agreement governing our facility contains various restrictive covenants that, among other things, restrict or limit our ability to (subject to certain negotiated exceptions): incur additional indebtedness; grant liens; make fundamental changes; sell assets; make restricted payments; enter into sales and leasebacks; make investments; prepay certain indebtedness; enter into transactions with affiliates; and enter into restrictive agreements.

## 10. Related Party Transactions

In connection with the acquisition of Thermon Power Solutions Inc. (formerly known as Sumac Fabrication Co. Ltd.) ("TPS"), one of the former TPS principals (the "Minority Shareholder") retained 25% of the ownership of the entities holding the TPS business unit. During the fiscal year ended March 31, 2017, this individual, together with the two other former principals of TPS, were paid \$5,805 in the aggregate in full satisfaction of the Company's obligations under the \$5,905 non-interest bearing performance-based note issued in connection with the TPS transaction.

On April 2, 2018, the Minority Shareholder provided the Company notice that he was exercising his option to sell one-half (2.5%) of his remaining equity interest in the entities holding the TPS business unit to the Company, and such sale was completed and effective as of July 20, 2018. The terms of the April 2015 TPS purchase agreement prescribed a valuation formula for such a sale based on TPS's financial results for the 12 months ended March 31, 2018. During the first quarter of the fiscal year ended March 31, 2019, the Company paid \$5,665 to purchase the 12.5% non-controlling interest.

Similarly, on April 2, 2019, the Minority Shareholder provided the Company notice in order to exercise his option to sell the entirety of his remaining equity interest (12.5% of the entities holding the TPS business unit) to the Company. The terms of the April 2015 TPS purchase agreement prescribed a valuation formula for such a sale based on TPS's financial results for the fiscal year ended March 31, 2019. The Company paid \$4,508 to purchase the remaining 12.5% non-controlling interest on August 1, 2019.

## 11. Commitments and Contingencies

At June 30, 2020, the Company had in place letter of credit guarantees and performance bonds securing certain performance obligations of the Company. These arrangements totaled approximately \$10,306. Of this amount, \$2,787 is secured by cash deposits at the Company's financial institutions and an additional \$3,095 represents a reduction of the available amount of the Company's short-term and long-term revolving lines of credit. Our Indian subsidiary also has \$4,806 in customs bonds outstanding to secure the Company's customs and duties obligations in India.

We are involved in various legal and administrative proceedings that arise from time to time in the ordinary course of doing business. Some of these proceedings may result in fines, penalties or judgments being assessed against us, which may adversely affect our financial results. In addition, from time to time, we are involved in various disputes, which may or may not be settled prior to legal proceedings being instituted and which may result in losses in excess of accrued liabilities, if any, relating to such unresolved disputes. Expenses related to litigation and other such proceedings or disputes reduce operating income as period expense when incurred. As of June 30, 2020, management believes that adequate reserves have been established for any probable and reasonably estimable losses. We do not believe that the outcome of any of these proceedings or disputes would have a significant adverse effect on our financial position, long-term results of operations, or cash flows. It is possible, however, that charges related to these matters could be significant to our results of operations or cash flows in any one accounting period.

As of June 30, 2020, the Company has accrued \$3,698 as estimated additional cost related to the operational execution of projects.

In addition to the legal proceedings described above, in January 2020, the Company received service of process in a class action application in the Province of Quebec, Canada related to certain heating elements previously manufactured by THS and incorporated into portable construction heaters sold by certain manufacturers. The Company believes this claim is without merit and intends to vigorously defend itself against the claim. The Company continues to evaluate the facts and circumstances of this claim; however, due to the current uncertainty of the basis for the claim, the Company is unable to establish an amount of an accrual for this claim at this time.

## 12. Stock-Based Compensation Expense

Our board of directors has adopted and the shareholders have approved two stock option award plans. The 2010 Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plan ("2010 Plan") was approved on July 28, 2010. The 2010 Plan authorized the issuance of 2,767,171 stock options or restricted shares (on a post-stock split basis). On April 8, 2011, the board of directors approved the Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan ("2011 LTIP"). The 2011 LTIP made available 2,893,341 shares of the Company's common stock that may be awarded to employees, directors or non-employee contractors as compensation in the form of stock options, restricted stock awards or restricted stock units. At the Company's 2020 annual general meeting of stockholders held on July 22, 2020, the Company's stockholders approved the Thermon Group Holdings, Inc. 2020 Long-Term Incentive Plan (the "2020 LTIP"), which had previously been approved by the Company's board of directors, subject to stockholder approval. The 2020 LTIP made available 1,400,000 shares of the Company's common stock that may be awarded to employees, directors or nonemployee contractors as compensation in the form of stock options, restricted stock awards or restricted stock units.

Stock compensation expense for the three months ended June 30, 2020 and 2019, was \$1,133 and \$1,019, respectively.

At June 30, 2020, there were 153,639 options outstanding. During the three months ended June 30, 2020, 71,780 options were granted to certain members of senior management. The stock options were valued by using a Black Scholes option pricing model. We arrived at a total fair value for the option awards of \$439 by applying a volatility assumption of 41.1%, a risk free rate of 1.22%, expected term of 6.66 years and no expected dividend. The fair value of these options will be expensed on a straight line basis over three years. The right to purchase shares under the options vests over a five to ten-year period, beginning on the date of grant. Stock options must be exercised within ten years from date of grant. Stock options were issued with an exercise price that was equal to the market price of our common stock at the grant date. We estimate potential

forfeitures of stock grants and adjust compensation cost recorded accordingly. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in future periods.

During the three months ended June 30, 2020, 177,295 restricted stock units were issued to our employees with an aggregate grant date fair value as determined by the closing price of our stock on the respective grant dates of \$2,532. The awards will be expensed on a straight-line basis over the three-year service period. At each anniversary of the applicable grant dates for the restricted stock units, a proportionate number of stock units will become vested for the employees and the shares will become issued and outstanding.

We maintain a plan to issue our directors awards of fully vested common stock every three months for a total award over a 12 month period of approximately \$60. The number of shares issued each period is subject to the fair market value of the stock price at the time of the award. During the three months ended June 30, 2020, 13,520 fully vested common shares were granted in the aggregate to our directors. The aggregate grant date fair value as determined by the closing price of our common stock on the grant date was \$190 for the three months ended June 30, 2020. The fair value of the awards is expensed on each grant date.

During the three months ended June 30, 2020, a target amount of 49,716 performance stock units were issued to certain members of our senior management that had a total grant date fair value of \$1,060. The performance indicator for these performance stock units is based on the market performance of our stock price from the date of grant through March 31, 2023, relative to the market price performance of a pre-determined peer group of companies. Since the performance indicator is market-based, we used a Monte-Carlo valuation model to calculate the probable outcome of the performance measure to arrive at the fair value. The requisite service period required to earn the awards is through March 31, 2023. We will expense the fair value of the performance stock units over the service period on a straight-line basis whether or not the stock price performance condition is met. At the end of the performance period, the performance stock units will be evaluated with the requisite number of shares being issued. The possible number of shares that could be issued ranges from zero to 99,432 in the aggregate. Shares that are not awarded at the measurement date will be forfeited.

In addition to the market-based performance stock units issued to certain members of senior management, we also granted these individuals, during the three months ended June 30, 2020, a target amount of 86,634 performance stock units based on the Company's Adjusted EBITDA performance over three separate one year performance periods beginning with the period ending March 31, 2021 and continuing for subsequent one year periods ending on March 31, 2022 and 2023. The performance goal for these shares has not been determined. As such, the total grant date fair value is indeterminable. However, we have estimated stock compensation expense based on current share price and will adjust for stock compensation expense as the performance goal is determined for the initial measurement period ending March 31, 2021. At each reporting period, we will estimate how many awards senior management may earn and adjust our stock compensation expense accordingly. At the end of each performance period, the performance stock units will be evaluated with the requisite number of shares issued. The possible number of shares that could be issued under such performance stock units ranges from zero to 173,268 in the aggregate. Shares that are not awarded after the end of the measurement period will be forfeited.

### **13. Revenue**

#### *Disaggregation of Revenue*

We disaggregate our revenue from contracts with customers by geographic location, revenues recognized at point in time and revenues recognized over time as we believe these best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Disaggregation of revenues from contracts with customers for the three months ended June 30, 2020 and 2019 is as follows:

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Revenues recognized at point in time	Revenues recognized over time	Total	Revenues recognized at point in time	Revenues recognized over time	Total
United States and Latin America	\$ 8,275	\$ 10,368	\$ 18,643	\$ 18,314	\$ 22,113	\$ 40,427
Canada	13,647	5,666	19,313	22,844	4,408	27,252
Europe, Middle East and Africa	6,814	2,653	9,467	8,891	4,448	13,339
Asia-Pacific	4,085	5,340	9,425	4,700	5,994	10,694
Total revenues	\$ 32,821	\$ 24,027	\$ 56,848	\$ 54,749	\$ 36,963	\$ 91,712

#### Performance obligations

At June 30, 2020, revenues associated with our open performance obligations totaled \$109,859, representing our combined backlog and deferred revenue. Within this amount, approximately \$16,490 will be earned as revenue in excess of one year. We expect to recognize the remaining revenues associated with unsatisfied or partially satisfied performance obligations within 12 months.

#### Contract Assets and Liabilities

As of June 30, 2020 and March 31, 2020, contract assets were \$7,373 and \$10,194, respectively. The \$2,821 decrease in contract assets from March 31, 2020 to June 30, 2020 was attributable to the completion of certain large projects in the United States and Latin America resulting in contract assets being invoiced to the customer. There were no impairment losses recognized on our contract assets for the nine months ended June 30, 2020 and 2019. As of June 30, 2020 and March 31, 2020, contract liabilities were \$3,408 and \$4,538, respectively. The majority of contract liabilities at March 31, 2020 were recognized as revenue as of June 30, 2020.

#### 14. Income Taxes

Our effective income tax, after discrete tax events, was a 29.1% benefit against our loss before provision for taxes and 2.9% of tax expense for the three months ended June 30, 2020 and 2019, respectively. Excluding the discrete items of the impact and the release of reserves for uncertain tax positions, the Company estimates that the effective tax rate will be 30.7% for the fiscal year ending March 31, 2021. The estimated effective income tax rate represents the weighted average of the estimated tax expense over our global income before tax.

On July 20, the IRS released updated rules with regard to Global intangible low-taxed income or ("Gilti tax"). Under the new regulations, Thermon will be able to reduce its Gilti tax under the high tax exception rules. Since the change occurred after June 30, 2020, GAAP guidance requires that the Company implement the impact during the three months ended September 30, 2020. The Gilti tax reduction is retroactive, therefore we expect a discrete reversal of a portion of previously recorded tax on implementation.

As of June 30, 2020, we have established a long-term liability for uncertain tax positions in the amount of \$42. As of June 30, 2020, the tax years for the fiscal years ended March 31, 2015 through March 31, 2020 remain open to examination by the major taxing jurisdictions to which we are subject.

#### 15. Segment Information

We operate in four reportable segments based on four geographic countries or regions in which we operate: (i) United States and Latin America ("US-LAM"), (ii) Canada, (iii) Europe, Middle East and Africa ("EMEA") and (iv) Asia-Pacific ("APAC"). Within our four reportable segments, our core products and services are focused on thermal solutions primarily related to the electrical heat tracing industry. Each of our reportable segments serves a similar class of customers, including engineering, procurement and construction companies, international and regional oil and gas companies, commercial sub-contractors, electrical component distributors and direct sales to existing plant or industrial applications. Profitability within our segments is measured by operating income. Profitability can vary in each of our reportable segments based on the competitive environment within the region, the level of corporate overhead, such as the salaries of our senior executives, and the level of

research and development and marketing activities in the region, as well as the mix of products and services. Since March 2015, we acquired THS, Unitemp Close Corporation ("Unitemp"), Industrial Process Insulators, Inc. ("IPI") and TPS. THS (formerly known as CCI Thermal Technologies Inc.) develops and produces advanced industrial heating and filtration solutions for industrial and hazardous area applications that closely align with Thermon's core business and serves similar end markets in North America. As such, we have elected to report THS's operations through our US-LAM and Canada reportable segments. Both Unitemp and IPI offer thermal solutions and have been included in our EMEA and US-LAM reportable segments, respectively. TPS provides temporary power products that differ from our core thermal solutions business. As we anticipate that our full year operating results from TPS will comprise less than 10% of our total sales and operating income, TPS has been aggregated in our Canada segment. For purposes of this note, revenue is attributed to individual countries or regions on the basis of the physical location and jurisdiction of organization of the subsidiary that invoices the material and services.

Total sales to external customers, inter-segment sales, depreciation expense, amortization expense, income from operations, property, plant and equipment, net and total assets for each of our four reportable segments are as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
<b>Sales to External Customers:</b>		
United States and Latin America	\$ 18,643	\$ 40,427
Canada	19,313	27,252
Europe, Middle East and Africa	9,467	13,339
Asia-Pacific	9,425	10,694
	<u>\$ 56,848</u>	<u>\$ 91,712</u>
<b>Inter-Segment Sales:</b>		
United States and Latin America	\$ 11,273	\$ 9,741
Canada	1,492	1,124
Europe, Middle East and Africa	695	561
Asia-Pacific	173	288
	<u>\$ 13,633</u>	<u>\$ 11,714</u>
<b>Depreciation Expense:</b>		
United States and Latin America	\$ 1,538	\$ 1,499
Canada	1,032	760
Europe, Middle East and Africa	112	139
Asia-Pacific	47	54
	<u>\$ 2,729</u>	<u>\$ 2,452</u>
<b>Amortization Expense:</b>		
United States and Latin America	\$ 676	\$ 1,438
Canada	1,897	2,402
Europe, Middle East and Africa	364	327
Asia-Pacific	96	266
	<u>\$ 3,033</u>	<u>\$ 4,433</u>
<b>Income (Loss) from Operations:</b>		
United States and Latin America	\$ (8,728)	\$ 1,003
Canada	2,159	3,495
Europe, Middle East and Africa	352	357
Asia-Pacific	997	1,570
Unallocated:		
Stock compensation	(1,133)	(1,019)
Public company costs	(402)	(415)
	<u>\$ (6,755)</u>	<u>\$ 4,991</u>

	<u>June 30, 2020</u>	<u>March 31, 2020</u>
<b>Property, Plant and Equipment, Net:</b>		
United States and Latin America	\$ 39,866	\$ 39,815
Canada	29,060	28,703
Europe, Middle East and Africa	3,270	3,246
Asia-Pacific	761	778
	<u>\$ 72,957</u>	<u>\$ 72,542</u>
<b>Total Assets:</b>		
United States and Latin America	\$ 225,781	\$ 239,751
Canada	280,819	270,055
Europe, Middle East and Africa	73,990	73,334
Asia-Pacific	39,357	37,765
	<u>\$ 619,947</u>	<u>\$ 620,905</u>

Capital expenditures by geographic area were as follows:

	<u>Three Months Ended June 30, 2020</u>	<u>Three Months Ended June 30, 2019</u>
<b>Capital Expenditures:</b>		
United States and Latin America	\$ 1,793	\$ 1,162
Canada	233	388
Europe, Middle East and Africa	20	169
Asia-Pacific	13	7
	<u>\$ 2,059</u>	<u>\$ 1,726</u>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Introduction and Special Note Regarding Forward-Looking Statements

Management's discussion and analysis of our financial condition and results of operations is provided as a supplement to the unaudited interim condensed consolidated financial statements and accompanying notes thereto for the three months ended June 30, 2020 and 2019 to help provide an understanding of our financial condition, changes in our financial condition and results of our operations. In this quarterly report, we refer to the three month periods ended June 30, 2020 and 2019 as "YTD 2021" and "YTD 2020," respectively. The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our unaudited condensed consolidated financial statements and related notes included in Item 1 above.

This quarterly report includes forward-looking statements within the meaning of the U.S. federal securities laws in addition to historical information. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding our industry, business strategy, plans, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words "anticipate," "assume," "believe," "budget," "continue," "contemplate," "could," "should," "estimate," "expect," "intend," "may," "plan," "possible," "potential," "predict," "project," "will," "would," "future" and similar terms and phrases are intended to identify forward-looking statements in this quarterly report.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial condition, results of operations and cash flows. The statements include but are not limited to statements regarding: (i) our plans

to strategically pursue emerging growth opportunities, including strategic acquisitions, in diverse regions and across industry sectors; (ii) our plans to secure more new facility, or Greenfield (as defined below), project bids; (iii) our ability to generate more facility maintenance, repair and operations or upgrades or expansions, or MRO/UE (as defined below), revenue from our existing and future installed base; (iv) our ability to timely deliver backlog; (v) our ability to respond to new market developments and technological advances; (vi) our expectations regarding energy consumption and demand in the future and its impact on our future results of operations; (vii) our plans to develop strategic alliances with major customers and suppliers; (viii) our expectations that our revenues will increase; (ix) our belief in the sufficiency of our cash flows to meet our needs for the next year; (x) our ability to integrate acquired companies; (xi) our ability to successfully achieve synergies from acquisitions; and (xii) our ability to make required debt repayments.

Actual events, results and outcomes may differ materially from our expectations due to a variety of factors. Although it is not possible to identify all of these factors, they include, among others, (i) the outbreak of the novel strain of coronavirus (COVID-19); (ii) general economic conditions and cyclicality in the markets we serve; (iii) future growth of energy, chemical processing and power generation capital investments; (iv) our ability to operate successfully in foreign countries; (v) our ability to deliver existing orders within our backlog; (vi) our ability to effectively integrate THS product lines into our existing sales and market channels; (vii) the imposition of certain operating and financial restrictions contained in our debt agreements; (viii) tax liabilities and changes to tax policy; (ix) our ability to bid and win new contracts; (x) our ability to successfully develop and improve our products and successfully implement new technologies; (xi) competition from various other sources providing similar heat tracing and process heating products and services, or alternative technologies, to customers; (xii) our revenue mix; (xiii) our ability to acquire smaller value added companies; (xiv) changes in relevant currency exchange rates; (xv) impairment of goodwill and other intangible assets; (xvi) our ability to attract and retain qualified management and employees, particularly in our overseas markets; (xvii) our ability to protect our trade secrets; (xviii) our ability to protect our intellectual property; (xix) our ability to protect data and thwart potential cyber-attacks; (xx) a material disruption at any of our manufacturing facilities; (xxi) our dependence on subcontractors and third-party suppliers; (xxii) our ability to profit on fixed-price contracts; (xxiii) our ability to achieve our operational initiatives; (xxiv) potential liability related to our products as well as the delivery of products and services; (xxv) our ability to comply with foreign anti-corruption laws; (xxvi) export control regulations or sanctions; (xxvii) changes in U.S. and foreign government administrative policy; (xxviii) geopolitical instability in Russia and Ukraine and related sanctions by the U.S. government; (xxix) our ability to comply with the complex and dynamic system of laws and regulations applicable to domestic and international operations, including U.S. government tariffs; (xxx) environmental and health and safety laws and regulations as well as environmental liabilities; and (xxxi) climate change and related regulation of greenhouse gases. See also Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the Securities and Exchange Commission (the "SEC") on June 1, 2020 and in any subsequent Quarterly Reports on Form 10-Q that we have filed or may file with the SEC for information regarding the additional factors that have impacted or may impact our business and operations. Any one or a combination of these factors could materially affect our future results of operations and could influence whether any forward-looking statements contained in this quarterly report ultimately prove to be accurate.

Our forward-looking statements are not guarantees of future performance, and actual results and future performance may differ materially from those suggested in any forward-looking statements. We do not intend to update these statements unless we are required to do so under applicable securities laws.

## Overview

We are one of the largest providers of highly engineered industrial process heating solutions for process industries. For over 65 years, we have served a diverse base of thousands of customers around the world in diverse markets including: oil & gas, chemical processing, power generation, mining and other industrial markets. We are a global leader and one of the few thermal solutions providers with a global footprint. We offer a full suite of products (heating units, heating cables, temporary power solutions and tubing bundles) and services (engineering, installation and maintenance services) and software (design optimization and control systems) required to deliver comprehensive solutions to some of the world's largest and most complex projects. We serve our customers through a global network of sales and service professionals and distributors in more than 30 countries and through our ten manufacturing facilities on three continents. These global capabilities and longstanding relationships with some of the largest multinational oil & gas, chemical processing, power and EPC companies in the world have enabled us to diversify our revenue streams and opportunistically access high growth markets worldwide. During YTD 2021 and YTD 2020, approximately 67% and 56% of our revenues were generated from outside of the United States, respectively. Since March 2015, we have acquired four companies, Thermon Heating Systems, Inc. (formerly known as CCI Thermal Technologies Inc.) ("THS"), Unitemp Close Corporation ("Unitemp"), Thermon Power Solutions Inc. (formerly known as Sumac Fabrication Co. Ltd.) ("TPS") and Industrial Process Insulators, Inc. ("IPI"), that offer complementary

products and services to our core thermal solution offerings. We actively pursue both organic and inorganic growth initiatives that serve to advance our corporate strategy.

**Revenue.** Our revenues are derived from providing customers with a full suite of innovative and reliable process heating solutions, including electric and steam heat tracing, tubing bundles, control systems, design optimization, engineering services, installation services and portable power solutions. Additionally, THS offers a suite of advanced heating and filtration solutions for industrial and hazardous area applications. Historically, our sales are primarily to industrial customers for petroleum and chemical plants, oil and gas production facilities and power generation facilities. Our petroleum customers represent a significant portion of our business. We serve all three major categories of customers in the petroleum industry upstream exploration/production, midstream transportation and downstream refining. Overall, demand for industrial heat tracing solutions falls into two categories: (i) new facility construction, which we refer to as “Greenfield” projects, and (ii) recurring maintenance, repair and operations and facility upgrades or expansions, which we refer to as “MRO/UE”. Greenfield construction projects often require comprehensive heat tracing solutions. We believe that Greenfield revenue consists of sales revenues by a customer in excess of \$1 million annually (excluding sales to resellers), and typically includes most orders for projects related to facilities that are new or that are built independent of existing facilities. We refer to sales revenues by a customer of less than \$1 million annually as MRO/UE revenue, as we believe such revenues are typically derived from MRO/UE. Based on our experience, we believe that \$1 million in annual sales is an appropriate threshold for distinguishing between Greenfield revenue and MRO/UE revenue. However, we often sell our products to intermediaries that subcontract our services; accordingly, we have limited visibility into how our products or services may ultimately be used and can provide no assurance that our categorization may accurately reflect the sources of such revenue. Furthermore, our customers do not typically enter into long-term forward maintenance contracts with us. In any given year, certain of our smaller Greenfield projects may generate less than \$1 million in annual sales, and certain of our larger plant expansions or upgrades may generate in excess of \$1 million in annual sales, though we believe that such exceptions are few in number and insignificant to our overall results of operations. THS has been excluded from the Greenfield and MRO/UE calculations as substantially all of THS's revenue would be classified as MRO/UE under these definitions.

We believe that our pipeline of planned projects, in addition to our backlog of signed purchase orders, provides us with visibility into our future revenue. Historically, we have experienced few order cancellations, and the cancellations that have occurred in the past have not been material compared to our total contract volume or total backlog. The small number of order cancellations is attributable in part to the fact that a large portion of our solutions are ordered and installed toward the end of Greenfield project construction. Our backlog at June 30, 2020 was \$109.9 million, as compared to \$105.4 million at March 31, 2020. The timing of recognition of revenue out of backlog is not always certain, as it is subject to a variety of factors that may cause delays, many of which are beyond our control (such as customers' delivery schedules and levels of capital and maintenance expenditures). When delays occur, the recognition of revenue associated with the delayed project is likewise deferred.

**Cost of sales.** Our cost of sales includes primarily the costs of raw material items used in the manufacturing of our products, costs of ancillary products that are sourced from external suppliers and construction labor cost. Additional costs of revenue include contract engineering costs directly associated to projects, direct labor costs, shipping and handling costs, and other costs associated with our manufacturing/fabrication operations. The other costs associated with our manufacturing/fabrication operations are primarily indirect production costs, including depreciation, indirect labor costs, and the costs of manufacturing support functions such as logistics and quality assurance. Key raw material costs include polymers, copper, stainless steel, insulating material, and other miscellaneous parts related to products manufactured or assembled as part of our heat tracing solutions. Historically, our primary raw materials have been readily available from multiple suppliers. Raw material costs have been stable and we have been generally successful with passing along raw material cost increases to our customers. Therefore, increases in the cost of key raw materials of our products have not generally affected our gross margins. We cannot provide any assurance that we may be able to pass along such cost increases, including the potential impacts of tariffs, to our customers in the future, and if we are unable to do so, our results of operations may be adversely affected.

**Operating expenses.** Our marketing, general and administrative and engineering expenses are primarily comprised of compensation and related costs for sales, marketing, pre-sales engineering and administrative personnel, as well as other sales related expenses and other costs related to research and development, insurance, professional fees, the global integrated business information system, provisions for bad debts and warranty expense.

**Key drivers affecting our results of operations.** Our results of operations and financial condition are affected by numerous factors, including those described under the caption “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the SEC on June 1, 2020 and elsewhere in this quarterly report and those described below. These factors include:

- *Timing of Greenfield projects.* Our results of operations in recent years have been impacted by the various construction phases of large Greenfield projects. On our large Greenfield projects, we are typically designated as the heat tracing provider of choice by the project owner. We then engage with multiple contractors to address incorporating various heat tracing solutions throughout the overall project. Our largest Greenfield projects may generate revenue for several quarters. In the early stages of a Greenfield project, our revenues are typically realized from the provision of engineering services. In the middle stages, or the material requirements phase, we typically experience the greatest demand for our heat tracing cable, at which point our revenues tend to accelerate. Revenues tend to decrease gradually in the final stages of a project and are generally derived from installation services and demand for electrical panels and other miscellaneous electronic components used in the final installation of heat tracing cable, which we frequently outsource from third-party manufacturers. Therefore, we typically provide a mix of products and services during each phase of a Greenfield project, and our margins fluctuate accordingly.
- *Cyclicality of end-users' markets.* Demand for our products and services depends in large part upon the level of capital and maintenance expenditures of our customers and end users, in particular those in the energy, chemical processing and power generation industries, and firms that design and construct facilities for these industries. These customers' expenditures historically have been cyclical in nature and vulnerable to economic downturns. Greenfield projects, and in particular large Greenfield projects (*i.e.*, new facility construction projects generating in excess of \$5 million in annual sales), historically have been a substantial source of revenue growth, and Greenfield revenues tend to be more cyclical than MRO/UE revenues. A sustained decrease in capital and maintenance spending or in new facility construction by our customers could have a material adverse effect on the demand for our products and services and our business, financial condition and results of operations.
- *Acquisition strategy.* In recent years, we have begun executing on a strategy to grow the Company through the acquisition of businesses that are either in the heat tracing solutions industry or provide complementary products and solutions for the markets and customers we serve. Since March 2015, we have acquired four companies that offer complementary products and services to our core thermal solution offerings: THS, Unitemp, TPS and IPI. We actively pursue both organic and inorganic growth initiatives that serve to advance our corporate strategy.
- *Impact of product mix.* Typically, both Greenfield and MRO/UE customers require our products as well as our engineering and construction services. The level of service and construction needs will affect the profit margin for each type of revenue. We tend to experience lower margins from our design optimization, engineering, installation and maintenance services than we do from sales of our heating cable, tubing bundle and control system products. We also tend to experience lower margins from our outsourced products, such as electrical switch gears and transformers, than we do from our manufactured products. Accordingly, our results of operations are impacted by our mix of products and services.

We estimate that Greenfield and MRO/UE related revenues have each made the following contribution as a percentage of total revenue in the periods listed:

	Three Months Ended June 30,*	
	2020	2019
Greenfield	32 %	49 %
MRO/UE	68 %	51 %

\* THS has been excluded from the table above. Substantially all of THS's revenue would be classified as MRO/UE under the current definitions.

We believe that our analysis of Greenfield and MRO/UE is an important measure to explain the trends in our business to investors. Greenfield revenue is an indicator of both our ability to successfully compete for new contracts as well as the economic health of the industries we serve. Furthermore, Greenfield revenue is an indicator of potential MRO/UE revenue in future years. THS has been excluded from MRO/UE calculations to enhance comparability across periods as most of THS's revenue would be classified as MRO/UE.

For MRO/UE orders, the sale of our manufactured products typically represents a higher proportion of the overall revenues associated with such orders than the provision of our services. Greenfield projects, on the other hand, require a higher level of our services than MRO/UE orders and often require us to purchase materials from third party vendors. Therefore, we typically realize higher margins from MRO/UE revenues than Greenfield revenues.

- *Large and growing installed base.* Customers typically use the incumbent heat tracing provider for MRO/UE projects to avoid complications and compatibility problems associated with switching providers. As new Greenfield projects are completed, our installed base continues to grow, and we expect that such installed base will continue to generate ongoing high margin MRO/UE revenues. For YTD 2021 and YTD 2020, MRO/UE sales (excluding THS) comprised approximately 68% and 51% of our consolidated revenues, respectively. A sustained decline in Greenfield projects could slow the growth in our installed base and reduce demand for our MRO/UE business and have a material adverse effect on our business, financial condition and results of operations.
- *Seasonality of MRO/UE revenues.* MRO/UE revenues for the legacy heat tracing business are typically highest during the second and third fiscal quarters, as most of our customers perform preventative maintenance prior to the winter season. However, revenues realized from MRO/UE orders tend to be less cyclical than Greenfield projects.

**Recent Developments - COVID-19 Pandemic.** The recent COVID-19 pandemic and the measures being taken to address and limit the spread of the virus have adversely affected the economies and financial markets of many countries, resulting in an economic downturn that has negatively impacted, and may continue to negatively impact, global demand for our products and services. See part Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the SEC on June 1, 2020, for further discussion. The Company has taken the following precautionary measures in light of current macroeconomic uncertainty resulting from the COVID-19 pandemic:

- Limiting discretionary spending across the organization;
- Decreasing payroll expense, including temporarily decreasing salaries for certain officers and implementing a reduction in force initiative that will reduce ongoing personnel cost by approximately \$8.0 million in the fiscal year ending March 31, 2021; and
- Reducing the budget for capital expenditures in the fiscal year ending March 31, 2021 to approximately \$4.0 million, a reduction of \$6.9 million as compared to fiscal 2020.

During fiscal 2020, revenue from our operations decreased, year over year, by approximately 7% compared to revenues generated in fiscal 2019. Lower crude oil prices, which management largely attributes to the COVID-19 pandemic, have had a significant adverse impact on customer capital and maintenance related spending, which in turn resulted in the decline in our revenues. We believe that the revenue decline in our reporting units is cyclical in nature and that our long-term business model is sound. We cannot, however, provide any assurances regarding a recovery in the financial performance of our operations.

During the three months ended June 30, 2020, we completed a reduction in force initiative (described above) in which we reduced approximately 10% of our global workforce and limited discretionary spending across the organization. The employee severance and office closure costs totaled approximately \$2.9 million. These spending reductions are intended to align the expected cost structure with future expected revenue levels. The Company estimates that total cost reductions as a result of the reduction in force will contribute \$8.0 million in cost reductions for fiscal year ended March 31, 2021.

Changes in estimates and assumptions used to determine whether impairment exists or future declines in actual and forecasted operating results and/or market conditions, especially in energy markets, could indicate a need to reevaluate the fair value of our reporting units and may ultimately result in an impairment to goodwill and/or indefinite-lived intangible assets of our reporting units in future periods.

During fiscal 2020, we considered the decline in our business to be an indicator of potential asset impairments in our reporting units. During in the fourth quarter of fiscal 2020, we performed a goodwill and intangible asset impairment assessment of all of our reporting units utilizing the income approach, based on discounted future cash flows, which were derived from internal forecasts and economic expectations, and the market approach, based on market multiples of guideline public companies. Based on the results of our goodwill impairment assessment, the estimated fair value of the reporting units exceeded the carrying value. As such, there was no impairment of our reporting units' goodwill or intangible assets during fiscal 2020. No triggering events were identified during the three month period ended June 30, 2020 which would indicate that the fair value of any of our reporting units was less than its carrying amount. We will continue to monitor our reporting units' goodwill and intangible asset valuations and perform qualitative assessments at each interim reporting period.

## Results of Operations (Three-month periods ended June 30, 2020 and 2019)

The following table sets forth our unaudited consolidated statements of operations for the three months ended June 30, 2020 and 2019, respectively, and indicates the amount of change and percentage change between periods.

	Three Months Ended		Increase/(Decrease)	
	June 30,			
	(dollars in thousands)			
	2020	2019	\$	%
Consolidated Statements of Operations Data:				
Sales	\$ 56,848	\$ 91,712	\$ (34,864)	(38)%
Cost of sales	32,729	54,570	(21,841)	(40)%
Gross profit	\$ 24,119	\$ 37,142	\$ (13,023)	(35)%
Gross margin %	42.4 %	40.5 %		
Operating expenses:				
Marketing, general and administrative and engineering	\$ 26,708	\$ 26,699	\$ 9	— %
Stock compensation expense	1,133	1,019	114	11 %
Amortization of intangible assets	3,033	4,433	(1,400)	(32)%
Income (loss) from operations	\$ (6,755)	\$ 4,991	\$ (11,746)	(235)%
Interest expense, net:				
Interest income	25	51	(26)	(51)%
Interest expense	(2,322)	(3,474)	1,152	(33)%
Amortization of debt costs	(258)	(296)	38	(13)%
Interest expense, net	(2,555)	(3,719)	1,164	(31)%
Other income	732	233	499	214 %
Income (loss) before provision for income taxes	\$ (8,578)	\$ 1,505	\$ (10,083)	(670)%
Income tax expense (benefit)	(2,493)	44	(2,537)	(5,766)%
Net income (loss)	\$ (6,085)	\$ 1,461	\$ (7,546)	(516)%
Income (loss) attributable to non-controlling interests (1)	—	(10)	10	(100)%
Net income (loss) available to Thermon Group Holdings, Inc.	\$ (6,085)	\$ 1,471	\$ (7,556)	(514)%

(1) Represents income attributable to the 12.5% non-controlling equity interest in the TPS business that was retained by sellers in the TPS transaction. Subsequent to August 1, 2019, income attributable to non-controlling equity interest is 0%. (See Note 10, "Related Party Transactions" to our unaudited condensed consolidated financial statements for additional information).

## Three Months Ended June 30, 2020 ("YTD 2021") Compared to the Three Months Ended June 30, 2019 ("YTD 2020")

**Revenues.** Revenues for YTD 2021 were \$56.8 million, compared to \$91.7 million for YTD 2020, a decrease of \$34.9 million or 38% which management attributes to lower crude oil prices in connection with the global COVID-19 pandemic (which has had a significant adverse impact on customer capital spending). Our sales mix (excluding THS) in YTD 2021 was 32% Greenfield and 68% MRO/UE, as compared to 49% Greenfield and 51% MRO/UE in YTD 2020. Greenfield revenue is typically near 40% of our total revenue. In YTD 2021, revenues declined in all reportable segments. These decreases were primarily related to a decline in demand for our products and services in connection with the COVID-19-driven economic downturn in both Greenfield and MRO/UE.

**Gross profit and margin.** Gross profit totaled \$24.1 million in YTD 2021, compared to \$37.1 million in YTD 2020, a decrease of \$13.0 million primarily due to a decline in revenues. Gross margins were 42.4% and 40.5% in YTD 2021 and YTD 2020, respectively. The higher gross margin in YTD 2021 is attributable to considerably higher sales of higher margin MRO/UE revenue relative to lower margin Greenfield revenues. In addition, our gross margins were positively impacted by the Canadian Emergency Wage Subsidy, through which we received subsidies with respect to our Canadian manufacturing operations. Please see Note 1, "Basis of Presentation and Accounting Policy Information" in our financial statements, for more information on the Canadian Emergency Wage Subsidy.

**Marketing, general and administrative and engineering.** Marketing, general and administrative and engineering costs were \$26.7 million in YTD 2021, compared to \$26.7 million in YTD 2020. During YTD 2021, we incurred one-time severance costs of \$2.9 million related to reduction in force that will reduce ongoing personnel cost to address the COVID-19 economic downturn. We estimate that reductions in headcount as part of the Company's reduction in force initiative will result in a forward expense reduction of \$8.0 million on an annual basis. The severance related charges were partially offset by the wage subsidy credits mentioned above. The Company proportionally allocated the subsidy between marketing, general and administrative and engineering wages and cost of sales wages in a similar manner in which the wage relief was intended to offset.

**Amortization of intangible assets.** Amortization of intangible assets was \$3.0 million in YTD 2021 and \$4.4 million in YTD 2020, a decrease of \$1.4 million. The decrease in amortization expense is attributable to certain intangible assets that became fully amortized during fiscal 2020.

**Interest expense net.** Interest expense, net, was \$2.6 million in YTD 2021, compared to \$3.7 million in YTD 2020, a decrease of \$1.1 million. The decrease in interest expense is due to voluntary principal prepayments of \$41.8 million during fiscal 2020 on both the revolving credit facility and the term loan B credit facility. (see Note 9, "Long-Term Debt", to our unaudited condensed consolidated financial statements for additional information on our long-term debt).

**Other income.** Other income was \$0.7 million and income of \$0.2 million in YTD 2021 and YTD 2020, respectively, an increase in other income of \$0.5 million. Changes in other income and expense primarily relate gains and losses associated with our deferred compensation plan for certain highly compensated employees and, to a lesser extent, transactional foreign exchange gains and losses.

**Income taxes.** Income tax was a \$2.5 million benefit in YTD 2021 on pre-tax loss of \$8.6 million compared to an income tax expense of \$0.0 million in YTD 2020 on pre-tax net income of \$1.5 million, a change of \$2.5 million. Our effective tax rate was 29.1% and 2.9% in YTD 2021 and YTD 2020, respectively. Discrete tax adjustments reduced our tax expense by \$0.1 million and \$0.4 million in YTD 2021 and YTD 2020, respectively.

On July 20, the IRS released updated rules with regard to Global intangible low-taxed income or ("Gilti tax"). Under the new regulations, Thermon will be able to reduce its Gilti tax under the high tax exception rules. Since the change occurred after June 30, 2020, GAAP guidance requires that the Company implement the impact during the three months ended September 30, 2020. The Gilti tax reduction is retroactive; therefore, we expect a discrete reversal of a portion of previously recorded tax upon implementation.

Our anticipated annual effective income tax rate before discrete events is 30.7% in fiscal 2021. The anticipated annual effective tax rate is established by estimating anticipated tax rates in each of the countries where we earn taxable income as adjusted for known differences as well as our ability to apply any jurisdictional tax losses to prior or future periods. See Note 14, "Income Taxes," to our unaudited condensed consolidated financial statements included elsewhere in this quarterly report for further detail on income taxes.

**Net loss available to Thermon.** Net loss available to the Company, was \$6.1 million in YTD 2021 as compared to income of \$1.5 million in YTD 2020, a decrease of \$7.6 million. The decrease in YTD 2021 net income is primarily due to (i) a \$13.0 million decrease in gross profit, offset in part by (ii) a \$1.4 million decrease in amortization of intangibles due to certain intangibles that became fully amortized in YTD 2021 (iii) a \$1.1 million decrease in net interest expense (iv) a \$0.5 million increase in miscellaneous income and (v) a \$2.5 million decrease in income tax expense.

## Contractual Obligations and Contingencies

**Contractual Obligations.** The following table summarizes our significant contractual payment obligations as of June 30, 2020 and the effect such obligations are expected to have on our liquidity position assuming all obligations reach maturity.

	TOTAL	Payment due by period			
		(dollars in thousands)			
		Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Variable rate term loan(1)	\$ 175,375	\$ 2,500	\$ 5,000	\$ 167,875	\$ —
Interest payments on variable rate term loan(2)	36,073	8,532	16,697	10,844	—
Borrowings under revolving credit facility(3)	3,669	3,669	—	—	—
Operating lease obligations(4)	21,401	4,509	7,036	4,051	5,805
Information technology services agreements(5)	1,769	1,641	128	—	—
Total	\$ 238,287	\$ 20,851	\$ 28,861	\$ 182,770	\$ 5,805

(1) Consists of quarterly scheduled principal payments under our new term loan B credit facility of \$0.6 million through July 31, 2024, with the remaining principal balance being settled with a lump-sum payment of \$164.8 million due at maturity in October 2024. Please see Note 9, "Long-Term Debt" in our financial statements, for more information on our new term loan B credit facility.

(2) Consists of estimated future term loan interest payments under our credit facility based on our current interest rate as of June 30, 2020.

(3) Consists of borrowings under our revolving line of credit facility. As of June 30, 2020, the interest rate on outstanding borrowings was 3.95%.

(4) We enter into operating leases in the normal course of business. Our operating leases include the leases on certain of our manufacturing and warehouse facilities and offices.

(5) Represents the future annual service fees associated with certain information technology service agreements with several vendors.

**Contingencies.** We are involved in various legal and administrative proceedings that arise from time to time in the ordinary course of doing business. Some of these proceedings may result in fines, penalties or judgments being assessed against us, which may adversely affect our financial results. In addition, from time to time, we are involved in various disputes, which may or may not be settled prior to legal proceedings being instituted and which may result in losses in excess of accrued liabilities, if any, relating to such unresolved disputes. As of June 30, 2020, management believes that adequate reserves have been established for any probable and reasonably estimable losses. Expenses related to litigation reduce operating income as period expense when incurred. We do not believe that the outcome of any of these proceedings or disputes would have a significant adverse effect on our financial position, long-term results of operations, or cash flows. It is possible, however, that charges related to these matters could be significant to our results of operations or cash flows in any one accounting period.

See Note 11 "Commitments and Contingencies" to our unaudited interim condensed consolidated financial statements included above in Part I, Item 1. Financial Statements (Unaudited) of this quarterly report, which is hereby incorporated by reference into this Item 2.

## Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and funds available under our revolving credit facility and other revolving lines of credit. Our primary liquidity needs are to finance our working capital, capital expenditures, debt service needs and potential future acquisitions.

During the three months ended June 30, 2020, we drew down under our revolving credit facility as a precautionary measure in order to increase our cash position and preserve financial flexibility in light of current macroeconomic uncertainty resulting from the COVID-19 pandemic and volatility in commodity markets. We made several draws on our revolving credit facility, resulting in a total of \$41.2 million (including \$4.0 million in letters of credit) in outstanding borrowings and approximately \$18.6 million of remaining borrowing capacity (subject to the borrowing base) under our revolving credit facility, in each case as of April 30, 2020. Subsequent to April 30, 2020, we made repayments on our revolving credit facility in the amount of \$33.7 million which offsets the previously mentioned draw down resulting in outstanding borrowings of \$3.7 million as of June 30, 2020.

**Cash and cash equivalents.** At June 30, 2020, we had \$48.2 million in cash and cash equivalents. We maintain cash and cash equivalents at various financial institutions located in many countries throughout the world. Approximately \$14.1 million, or 29%, of these amounts were held in domestic accounts with various institutions and approximately \$34.1 million, or 71%, of these amounts were held in accounts outside of the United States with various financial institutions.

**Senior secured credit facility.** In October 2017, we entered into a new credit agreement that provides for (i) a seven-year \$250.0 million variable rate senior secured term loan B facility and (ii) a five-year \$60.0 million senior secured revolving credit facility. See Note 9, "Long-Term Debt—Senior Secured Credit Facility" to our unaudited interim condensed consolidated financial statements and accompanying notes thereto included above in Item 1. Financial Statements (Unaudited) of this quarterly report for information on our senior secured term loan and revolving credit facility, which is hereby incorporated by reference into this Item 2. At June 30, 2020, we had outstanding borrowings under our revolving credit facility of \$3.7 million and \$53.2 million of available capacity thereunder, after taking into account the borrowing base, outstanding borrowings and \$3.1 million of outstanding letters of credit. From time to time, we may choose to utilize our revolving credit facility to fund operations, acquisitions or other investments despite having cash available within our consolidated group in light of the cost, timing and other business considerations.

As of June 30, 2020, we had \$175.4 million of outstanding principal on our term loan B facility. We are required to make quarterly principal payments of the term loan of \$0.6 million through July 31, 2024. Thereafter, the remaining principal balance will be settled with a lump-sum payment of \$164.8 million due at maturity of the term loan in October 2024.

**Guarantees; security.** The term loan is guaranteed by Thermon Group Holdings, Inc. and all of its current and future wholly-owned domestic material subsidiaries (the "US Subsidiary Guarantors"), subject to certain exceptions. Obligations of Thermon Group Holdings, Inc. under the revolving credit facility are guaranteed by Thermon Group Holdings, Inc. and the US Subsidiary Guarantors. The obligations of Thermon Canada Inc. (the "Canadian Borrower") under the revolving credit facility are guaranteed by the Company, Thermon Holding Corp. (the "US Borrower"), the US Subsidiary Guarantors and each of the wholly-owned Canadian material subsidiaries of the Canadian Borrower, subject to certain exceptions. The term loan B facility and the obligations of the US Borrower under the revolving credit facility are secured by a first lien on all of the Company's assets and the assets of the US Subsidiary Guarantors, including 100% of the capital stock of the US Subsidiary Guarantors and 65% of the capital stock of the first tier material foreign subsidiaries of the Company, the US Borrower and the US Subsidiary Guarantors, subject to certain exceptions. The obligations of the Canadian Borrower under the revolving credit facility are secured by a first lien on all of the Company's assets, the US Subsidiary Guarantors' assets, the Canadian Borrower's assets and the assets of the material Canadian subsidiaries of the Canadian Borrower, including 100% of the capital stock of the Canadian Borrower's material Canadian subsidiaries.

**Financial covenants.** The term loan is not subject to any financial covenants. The revolving credit facility requires the Company, on a consolidated basis, to maintain certain financial covenant ratios. The Company must maintain a consolidated leverage ratio on the last day of the following periods: 4.5:1.0 for December 31, 2019 through September 30, 2020; and 3.8:1.0 for December 31, 2020 and each fiscal quarter thereafter. In addition, on the last day of any period of four fiscal quarters, the Company must maintain a consolidated fixed charge coverage ratio of not less than 1.3:1.0. As of June 30, 2020, we were in compliance with all financial covenants of the credit facility.

**Restrictive covenants.** The credit agreement governing our credit facility contains various restrictive covenants that, among other things, restrict or limit our ability to (subject to certain negotiated exceptions): incur additional indebtedness; grant liens; make fundamental changes; sell assets; make restricted payments; enter into sales and leasebacks; make investments; repay certain indebtedness; enter into transactions with affiliates; and enter into restrictive agreements.

**Repatriation considerations.** Given the significant changes resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Act") and potential opportunities to repatriate cash tax free, we will no longer assert a permanent reinvestment position in most of our foreign subsidiaries. We expect to repatriate certain earnings, which will be subject to withholding taxes. These additional withholding taxes are being recorded as an additional deferred tax liability associated with the basis difference in such jurisdictions. The uncertainty related to the taxation of such withholding taxes on distributions under the Tax Act and finalization of the cash repatriation plan makes the deferred tax liability a provisional amount.

**Future capital requirements.** Our future capital requirements will depend on a number of factors. We believe that, based on our current level of operations, cash flow from operations and available cash, together with available borrowings under our revolving credit facility, will be adequate to meet our liquidity needs for the next twelve months. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our indebtedness, including our credit facility borrowings, or to fund our other liquidity needs. In addition, upon the occurrence of certain events, such as a change of control, we could be required to repay or refinance our indebtedness. We cannot assure you that we will be able to refinance any of our indebtedness, including our credit facility, on commercially reasonable terms or at all.

For the remainder of fiscal year 2021, we estimate that we will invest approximately \$2.0 million in property, plant and equipment for our thermal solutions business and will continue to make investments in TPS's rental equipment business (based on market demand). In order to preserve liquidity in response to the current macroeconomic uncertainty resulting from the COVID-19 pandemic, we reduced the budget for capital expenditures in the fiscal year ending March 31, 2021 by approximately \$6.9 million as compared to fiscal 2020. Key investments for fiscal 2021 include the purchase of capital equipment used in our manufacturing facilities, land and building improvements and continued investments in our enterprise resource planning software upgrade. During YTD 2021, we invested \$0.2 million in TPS for temporary power products that were or are expected to be deployed to our customers on a rental basis throughout Canada and the United States.

**Net cash provided by operating activities** totaled \$3.4 million and \$3.4 million in YTD 2021 and YTD 2020, respectively. During YTD 2021 as compared to YTD 2020, working capital accounts provided an increase in cash of \$8.4 million, net income represents a decrease in cash provided of \$7.5 million and non-cash reconciling items represents a decrease in cash provided of \$0.9 million.

Our working capital assets in accounts receivable, inventory, contract assets and other current assets represented a source of cash of \$14.2 million and \$3.1 million in YTD 2021 and YTD 2020 respectively, an increase in the source of cash of \$11.1 million in YTD 2021. During YTD 2021 and YTD 2020, accounts receivable decreased due to a decline in revenues and strong collections efforts, representing a source of cash of \$21.2 million and \$7.3 million, respectively. Contract assets represented a source of cash of \$1.8 million and \$2.4 million in YTD 2021 and YTD 2020, respectively, which is primarily attributed to timing of billings on our projects. In YTD 2021 and YTD 2020 our inventory increased due to a decline in incoming order rates, representing a use of cash of \$7.9 million and \$4.1 million, respectively.

Our combined balance of accounts payable, accrued liabilities and other non-current liabilities represented a use of cash of \$6.1 million and \$6.5 million in YTD 2021 and YTD 2020, respectively, a decrease in the use of cash of \$0.4 million. The change in accounts payable and accrued liabilities is primarily due to the timing of vendor payments and our annual incentive program accrual. Changes in our income taxes payable and receivable balances represented a use of cash of \$3.8 million and \$0.8 million in YTD 2021 and YTD 2020, respectively.

**Net cash used in investing activities** totaled \$2.1 million and \$1.6 million for YTD 2021 and YTD 2020, respectively, a comparative increase in the use of cash for investing activities of \$0.5 million. Net cash used in investing activities relates to the purchase of capital assets primarily to maintain the existing operations of the business.

**Net cash provided by financing activities** totaled \$2.7 million and \$1.8 million in YTD 2021 and YTD 2020, respectively, a comparative increase in the use of cash from financing activities of \$0.9 million. Cash proceeds in financing activities are primarily short-term borrowings net of contractual and principal payments on our outstanding long-term debt and revolving credit facility.

#### **Off-Balance Sheet Arrangements**

As of June 30, 2020, we do not have any off balance sheet arrangements. In addition, we do not have any interest in entities referred to as variable interest entities, which include special purpose entities and other structured finance entities.

### **Effect of Inflation**

While inflationary increases in certain input costs, such as wages, have an impact on our operating results, inflation has had minimal net impact on our operating results during the last three years, as overall inflation has been offset by price increases of our products. We cannot assure you, however, that we will not be affected by general inflation in the future.

### **Critical Accounting Policies**

See Part I, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the SEC on June 1, 2020 for a discussion of the Company’s critical accounting policies and estimates.

### **Recent Accounting Pronouncements**

See Note 1, “Basis of Presentation and Accounting Policy Information” to our unaudited interim condensed consolidated financial statements and accompanying notes thereto included above in Item 1. Financial Statements (Unaudited) of this quarterly report for information on recent accounting pronouncements, which is hereby incorporated by reference into this Item 2.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Our primary market risk exposures are the effect of fluctuations in foreign exchange rates, interest rates and commodity prices.

**Foreign currency risk relating to operations.** We transact business globally and are subject to risks associated with fluctuating foreign exchange rates. Approximately 67% of our YTD 2021 consolidated revenue was generated by sales from our non-U.S. subsidiaries. Our non-U.S. subsidiaries generally sell their products and services in the local currency, but obtain a significant amount of their products from our manufacturing facilities located elsewhere, primarily the United States, Canada and Europe. Significant changes in the relevant exchange rates could adversely affect our margins on foreign sales of products. Our non-U.S. subsidiaries incur most of their expenses (other than intercompany expenses) in their local functional currency. These currencies include the Canadian dollar, Euro, British Pound, Russian Ruble, Australian Dollar, South Korean Won, Chinese Renminbi, Indian Rupee, Mexican Peso, Japanese Yen and South African Rand.

During YTD 2021, our largest exposures to foreign exchange rates consisted primarily of the Canadian Dollar and the Euro against the U.S. dollar. The market risk related to the foreign currency exchange rates is measured by estimating the potential impact of a 10% change in the value of the U.S. dollar relative to the local currency exchange rates. The rates used to perform this analysis were based on a weighted average of the market rates in effect during the relevant period. A 10% appreciation of the U.S. dollar relative to the Canadian dollar would result in a net decrease in net income of \$0.1 million for YTD 2021. Conversely, a 10% depreciation of the U.S. dollar relative to the Canadian dollar would result in a net increase in net income of \$0.1 million for YTD 2021. A 10% appreciation of the U.S. dollar relative to the Euro would result in a net increase in net income of approximately \$18 thousand for YTD 2021. Conversely, a 10% depreciation of the U.S. dollar relative to the Euro would result in a net decrease in net income of approximately \$22 thousand for YTD 2021.

The geographic areas outside the United States in which we operate are generally not considered to be highly inflationary. Nonetheless, these foreign operations are sensitive to fluctuations in currency exchange rates arising from, among other things, certain intercompany transactions that are generally denominated in U.S. dollars rather than their respective functional currencies. The net impact of foreign currency transactions on our condensed consolidated statements of operations were gains of \$0.2 million in YTD 2021 and YTD 2020.

As of June 30, 2020, we had approximately \$9.9 million in notional forward contracts to reduce our exposure to foreign currency exchange rate fluctuations. These forward contracts were in place to offset in part the foreign currency exchange risk to intercompany payables due from our foreign operations to be settled in U.S. dollars. See Note 2, “Fair Value Measurements” to our unaudited interim condensed financial statements included above in Item 1. Financial Statements (Unaudited) of this quarterly report for further information regarding our foreign currency forward contracts.

Because our consolidated financial results are reported in U.S. dollars, and we generate a substantial amount of our sales and earnings in other currencies, the translation of those results into U.S. dollars can result in a significant increase or decrease in the amount of those sales and earnings. In addition, fluctuations in currencies relative to the U.S. dollar may make it

more difficult to perform period-to-period comparisons of our reported results of operations. We estimate that our sales were negatively impacted by \$2.4 million in YTD 2021 when compared to foreign exchange translation rates that were in effect in YTD 2020. Foreign currency impact on revenue is calculated by comparing actual current period revenue in U.S. dollars to the theoretical U.S. Dollar revenue we would have achieved based on the weighted-average foreign exchange rates in effect in the comparative prior periods for all applicable foreign currencies. In YTD 2020, we were mostly impacted by the appreciation of the U.S. dollar relative to the Canadian Dollar and the Euro. At each balance sheet date, we translate our assets and liabilities denominated in foreign currency to U.S. dollars. The balances of our foreign equity accounts are translated at their historical value. The difference between the current rates and the historical rates are posted to our currency translation account and reflected in the shareholders' equity section of our condensed consolidated balance sheets. The unrealized effects of foreign currency translations were gains of \$9.5 million and \$4.4 million in YTD 2021 and YTD 2020, respectively, representing a comparative increase in foreign currency translation gains of \$5.1 million. The comparative increase in YTD 2021 foreign currency translation gains is primarily due to the strengthening of the Canadian dollar and Euro relative to the U.S. dollar at a more accelerated rate as compared to YTD 2020. Foreign currency translation gains or losses are reported as part of comprehensive income or loss which is after net income in the condensed consolidated statements of comprehensive income (unaudited). As discussed above, foreign currency transactions gains and losses are the result of the settlement of payables and receivables in foreign currency. These gains or losses are included in net income or loss as part of other income and expense in the condensed consolidated statements of comprehensive income (unaudited).

**Foreign currency risks related to intercompany notes.** The Company has entered into a cross currency swap for the purposes of mitigating potential exposures to currency rate fluctuations related to an intercompany note of \$54.6 million with our wholly-owned Canadian subsidiary. See Note 2, "Fair Value Measurements" to our unaudited interim condensed financial statements included above in Item 1. Financial Statements (Unaudited) of this quarterly report for further information regarding our cross currency swap.

**Interest rate risk and foreign currency risk relating to debt.** Borrowings under both our variable rate term loan B credit facility and revolving credit facility incur interest expense that is variable in relation to the LIBOR rate. As of June 30, 2020, we had \$175.4 million of outstanding principal under our variable rate LIBOR-based term loan B credit facility. The interest rate for borrowings under our term loan B credit facility was 4.75% as of June 30, 2020. Based on the outstanding borrowings, a one percent change in the interest rate would result in a \$1.7 million increase or decrease in our annual interest expense. As of June 30, 2020, we had \$3.7 million of outstanding principal under our revolving credit facility for the Canadian revolving credit line and no outstanding principal under our revolving credit facility for the U.S. revolving credit line. As of June 30, 2020, the interest rate on outstanding borrowings was 3.95% for our Canadian revolving credit line. Based on the outstanding borrowings under our Canadian revolving credit line, a 1% change in the interest rate would not result in a significant increase or decrease in our annual interest expense. We cannot provide any assurances that historical revolver borrowings (if any) will be reflective of our future use of the revolving credit facility.

**Commodity price risk.** We use various commodity-based raw materials in our manufacturing processes. Generally, we acquire such components at market prices and do not typically enter into long-term purchase commitments with suppliers or hedging instruments to mitigate commodity price risk. As a result, we are subject to market risks related to changes in commodity prices and supplies of key components of our products. Historically, the costs of our primary raw materials have been stable and readily available from multiple suppliers. Typically, we have been able to pass on raw material cost increases to our customers. We cannot provide any assurance, however, that we may be able to pass along such cost increases to our customers or source sufficient amounts of key components on commercially reasonable terms or at all in the future, and if we are unable to do so, our results of operations may be adversely affected.

#### **Item 4. Controls and Procedures**

##### **Controls and Procedures**

##### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report, these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

***Changes in Internal Control Over Financial Reporting***

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of under Exchange Act) that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II**  
**OTHER INFORMATION**

**Item 1. Legal Proceedings**

See Note 11 “Commitments and Contingencies” to our unaudited interim condensed consolidated financial statements included above in Part I, Item 1. Financial Statements (Unaudited) of this quarterly report, which is hereby incorporated by reference into this Item 1.

**Item 1A. Risk Factors**

There have been no material changes from the risk factors previously disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the SEC on June 1, 2020.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

There were no unregistered sales of our equity securities during the three months ended June 30, 2020.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable

**Item 5. Other Information**

None.

**Item 6. Exhibits**

See Exhibit Index below for a list of exhibits filed as part of this quarterly report, which Exhibit Index is incorporated herein by reference.

## EXHIBIT INDEX

Exhibit Number	Description
10.1†	<a href="#">Form of Employee Restricted Stock Unit Award Agreement under the Thermon Group Holdings, Inc. Amended and Restated 2011 Long-Term Incentive Plan*</a>
10.2†	<a href="#">Form of Employee Relative TSR Performance Stock Unit Award Agreement under the Thermon Group Holdings, Inc. Amended and Restated 2011 Long-Term Incentive Plan*</a>
10.3†	<a href="#">Form of Employee Adjusted EBITDA Performance Stock Unit Award Agreement under the Thermon Group Holdings, Inc. Amended and Restated 2011 Long-Term Incentive Plan*</a>
10.4†	<a href="#">Form of Employee Stock Option Award Agreement under the Thermon Group Holdings, Inc. Amended and Restated 2011 Long-Term Incentive Plan*</a>
31.1	<a href="#">Certification of Bruce Thames, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</a>
31.2	<a href="#">Certification of Jay Peterson, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</a>
32.1	<a href="#">Certification of Bruce Thames, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</a>
32.2	<a href="#">Certification of Jay Peterson, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</a>
101	Interactive Data Files formatted in Inline eXtensible Business Reporting Language (iXBRL) pursuant to Rule 405 of Regulation S-T: (i) the cover page, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Operations and Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements*
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)*

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\* Filed herewith

† Management contract and compensatory plan or arrangement



**Thermon Group Holdings, Inc.**  
**Amended and Restated 2011 Long-Term Incentive Plan**

**Restricted Stock Unit Award Agreement**

Thermon Group Holdings, Inc., a Delaware corporation (the “Company”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the date set forth in the Award Notice (the “Grant Date”), pursuant to the provisions of the Amended and Restated Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (the “Plan”), a restricted stock unit award (the “Award”) with respect to the shares of the Company’s common stock, par value \$0.001 per share (“Stock”), calculated pursuant to the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the “Agreement”). Capitalized terms not defined herein shall have the meanings specified in the Plan. For purposes of this Agreement, “Company Group” shall mean the Company and any Subsidiary thereof, collectively and individually. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless the Holder accepts this Agreement by executing it in the space provided on the Award Notice and returning such execution copy to the Company or, if required by the Company, electronically accepting this Agreement within the Company’s stock plan administration system according to the procedures then in effect.

2. Rights as a Stockholder. The Holder shall not be entitled to any privileges of ownership with respect to the shares of Stock subject to the Award unless and until, and only to the extent, such shares become vested pursuant to Section 3 hereof and the Holder becomes a stockholder of record with respect to such shares of Stock. As of each date on which the Company pays a cash dividend to record owners of shares of Stock (a “Dividend Date”), then the number of shares subject to the Award shall increase by (a) the product of the total number of shares subject to the Award immediately prior to such Dividend Date multiplied by the dollar amount of the cash dividend paid per share of Stock by the Company on such Dividend Date, divided by (b) the Fair Market Value of one share of Stock on such Dividend Date. Any such additional shares shall be subject to the same vesting conditions and payment terms set forth herein as the shares to which they relate.

3. Restriction Period and Vesting.

3.1. Service-Based Vesting Condition. Subject to the remainder of this Section 3, the Stock shall vest pursuant to the terms of this Agreement in accordance with the Vesting Schedule set forth in the Award Notice, provided that the Holder remains in continuous employment with the Company through the respective Vest Dates set forth in the Award Notice. The period of time prior to vesting shall be referred to herein as the “Restriction Period.”

3.2. Change in Control. Upon a Change in Control, the Award shall be subject to Section 5.8 of the Plan.

3.3. Termination of Employment

(a) If Holder is party to an employment or other similar agreement or subject to a severance plan that sets forth the treatment of a restricted stock unit award upon termination of employment, then the treatment of this Award will be as set forth in such employment or other similar agreement or severance plan.

(b) If Holder is not party to an employment or other similar agreement or subject to a severance plan that sets forth the treatment of a restricted stock unit award upon termination of employment or if Holder is party to an employment or other similar agreement or a severance plan that does not set forth the treatment of a restricted stock unit award upon termination of employment, then the treatment of this Award will be as follows:

- (i) Termination of Employment by the Company Group Other than for Cause or due to death or Disability. If the Holder's employment with the Company Group terminates prior to the end of the Restriction Period by reason of the Company Group's termination of the Holder's employment other than for Cause or the Holder's death or Disability, then in any such case, the portion of the Award that was not vested immediately prior to such termination of employment (the "Termination Date") shall immediately vest on a pro-rata basis as determined by applying the following formula: (1) the product of the total number of shares of Stock subject to the Award on the Grant Date multiplied by the total number of days Holder was employed during the Restriction Period prior to the Termination Date, (2) divided by the total number of days during the Restriction Period, (3) rounded down to the nearest whole share, and (4) less the number of shares of Stock that vested prior to the Termination Date. The remainder of the Award shall be immediately forfeited by the Holder and cancelled by the Company Group.
- (ii) Termination of Employment by the Company Group for Cause or by the Holder. If the Holder's employment with the Company Group terminates prior to the end of the Restriction Period by reason of the Company Group's termination of the Holder's employment for Cause or the Holder's resignation from employment for any reason, then the portion of the Award that was not vested immediately prior to such termination of employment shall be immediately forfeited by the Holder and cancelled by the Company Group.

(c) Disability. For purpose of this Award, "Disability" shall mean the Holder's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(d) Cause. For purposes of this Award, "Cause" shall have the meaning set forth in the employment agreement, if any, between the Holder and the Company Group or any severance plan applicable to the Holder; provided that if Holder is not a party to an employment agreement or subject to a severance plan that contains such definition, then "Cause" shall mean any of the following, as reasonably determined, in good faith, by the Board: (i) the prosecution via information or indictment, or, if Holder has waived any requirement of prosecution by indictment, the charge, of Holder for a felony; (ii) the theft, conversion, embezzlement or misappropriation by Holder of funds or other assets of the Company Group or any other act of fraud or dishonesty with respect to the Company Group (including facilitating or accepting any bribes or kickbacks or other acts of self-dealing); (iii) the intentional, grossly negligent or unlawful misconduct by Holder, but only to the extent that such actions or inactions (a) actually cause material harm to the Company Group; and (b) were engaged in by the Holder with knowledge that they would cause material harm to the Company Group; (iv) the violation by Holder of any law regarding employment discrimination or sexual harassment; (v) the failure by Holder to comply with any material policy generally applicable to Company Group employees, which failure is not cured in all material respects within 30 days after notice to Holder; (vi) the repeated failure by Holder to follow the reasonable directives of any supervisor or the Board, which failure is not cured in all material respects

within 30 days after notice to Holder; (vii) the unauthorized dissemination by Holder of confidential information in violation of any agreement between the Company Group and Holder; (viii) any material misrepresentation or materially misleading omission in any resume or other information regarding Holder (including Holder's work experience, academic credentials, professional affiliations or absence of criminal record) provided by or on behalf of Holder when applying for employment with the Company Group; (ix) the Company Group's discovery that, prior to Holder's employment with the Company Group, Holder engaged in conduct of the type described in clauses (i) through (iv) above (it being understood that, in the case of clause (iii) above, such harm having impacted Holder's prior employer or the Company Group); or (x) any other material breach by Holder of this Agreement that is not cured within 30 days after notice to Holder.

4. Delivery of Certificates. Subject to Section 7, as soon as practicable (but no later than sixty (60) days) after the vesting of the Award, in whole or in part, the Company shall deliver or cause to be delivered (i) one or more certificates issued in the Holder's name (or such other name as is acceptable to the Company and designated in writing by the Holder) representing the number of vested shares, or (ii) the number of vested shares to the Holder's stock plan brokerage account that has been previously approved by the Company in its sole discretion. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such delivery, except as otherwise provided in Section 7. Prior to the issuance to the Holder of the shares of Stock subject to the Award, the Holder shall have no direct or secured claim in any specific assets of the Company or in such shares of Stock, and will have the status of a general unsecured creditor of the Company.

#### 5. Transfer Restrictions and Investment Representation.

5.1. Nontransferability of Award. The Award may not be transferred by the Holder other than by will or the laws of descent and distribution or pursuant to the designation of one or more beneficiaries on the form prescribed by the Company. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

5.2. Investment Representation. The Holder hereby represents and covenants that (a) any share of Stock acquired upon the vesting of the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such acquisition has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, the Holder shall submit a written statement, in form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of vesting of any shares of Stock hereunder or (y) is true and correct as of the date of any sale of any such share, as applicable. As a further condition precedent to the delivery to the Holder of any shares of Stock subject to the Award, the Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Board shall in its sole discretion deem necessary or advisable.

#### 6. Restrictive Covenants.

6.1. Confidential Information. The Company Group's employment of Holder has resulted and will result in Holder's exposure and access to confidential and proprietary information, including the Company Group's formulas, processes, administration and accounting systems, computer software,

customer lists, vendor lists, due diligence files, financial information, technology, business strategies, business track record, and personal information about the Company Group's owners, directors, officers, and employees which Holder did not have access to prior to his or her employment with the Company Group and which information is of great value to the Company Group, their owners, directors, officers, and employees. Holder shall not, other than on the Company Group's behalf, at any time during Holder's employment with the Company Group and thereafter, make available, divulge, disclose, or communicate in any manner whatsoever to anyone including, but not limited to, any person, firm, corporation, investor, member of the media, or entity, any such confidential or proprietary information, or use any such confidential or proprietary information for any purpose other than on the Company Group's behalf, unless authorized to do so in writing by the Chairman of the Board, required by law or court order, or such information has become publicly available other than by reason of a breach by Holder of this Section 6.1 or of another individual's or entity's violation of an obligation not to disclose such information, which obligation is known to Holder. Should Holder be required by law or court order to disclose such confidential or proprietary information, Holder shall give the Company's General Counsel reasonable notice so as to allow the Company Group sufficient opportunity to challenge such application of the law or court order, or to otherwise attempt to limit the scope of such disclosure. This Agreement applies to all confidential and proprietary information of the Company Group, regardless of when such information is or was disclosed to Holder.

6.2. Non-Competition; Non-Solicitation. During Holder's employment with the Company Group and for a period of two (2) years thereafter Holder shall not, directly or indirectly, other than on the Company Group's behalf:

(a) Engage in any capacity in the Business in any country in which (i) Holder resides or has resided during the Restriction Period and (ii) any other geographic area (1) where the Company Group manufactures, markets, distributes or sells its products or renders services and (2) in which Holder provided services or support to the Company Group during the Restriction Period, within the twenty-four (24) month period ending on the last day on which Holder is in the employment of the Company Group or otherwise actively involved in the operation or management of the Business (the "Termination Date"), including as an owner, employee, partner, investor, or independent contractor, provided that nothing in this Section 6.2(a) shall prevent Holder from owning less than five percent (5%) of any class of publicly traded securities of any such business so long as such investment is passive and Holder has no other involvement with the issuer of such securities;

(b) Induce or assist in the inducement of any employee or independent contractor, including sales representatives or agents, to terminate or otherwise limit their relationship with the Company Group; or

(c) Solicit any customer or potential customer of the Company Group with respect to the Business. For purposes of this Section 6.2(c), a customer means any individual or entity to which the Holder had contact within the twenty-four (24) month period immediately preceding the Termination Date. For purposes of this Section 6.2(c), potential customer means any individual or entity to which the Company Group solicited in writing within the twelve (12) month period that immediately preceded the Termination Date.

6.3. Non-Disparagement. At no time shall Holder, directly or indirectly, make (or cause to be made) to any person any disparaging, derogatory or other negative or false statement about or with respect to the Company Group (including its products, services, policies, practices, operations, employees, sales representatives, agents, officers, members, managers, partners or directors).

6.4. Patents, Copyrights, Trademarks and Other Property Rights. Any and all inventions, improvements, discoveries, formulas, technology, business strategies, management, administration, and

accounting systems, processes, and computer software relating to the Company Group's business (whether or not patentable), discovered, developed, or learned by Holder during his or her employment with the Company Group are the sole and absolute property of the Company Group and are "works made for hire" as that term is defined in the copyright laws of the United States. The Company Group is the sole and absolute owner of all patents, copyrights, trademarks, and other property rights to those items and Holder will fully assist the Company Group, at the Company Group's cost and expense, to obtain the patents, copyrights, trademarks, or other property rights to all such inventions, improvements, discoveries, formulas, technology, business strategies, management, administration, and accounting systems, processes, or computer software. Holder has been notified by the Company Group and understands that the foregoing provisions of this [Section 6.4](#) do not apply to an invention for which no equipment, supplies, facilities, confidential, proprietary, or trade secret information of the Company Group was used and which was developed entirely on Holder's own time, unless the invention: (a) relates directly to the business of the Company Group; (b) relates directly to the Company Group's actual or demonstrably anticipated research and development, or (c) results from any work performed by Holder for the Company Group.

6.5. **Protected Rights.** Nothing contained in this Agreement or otherwise limits Holder's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("**Government Agencies**"). This Agreement does not limit Holder's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit Holder's ability under applicable U.S. federal law to (a) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (b) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

6.6. **Scope of Covenants.** Holder hereby acknowledges and agrees that the covenants and the territorial, time, activity and other limitations set forth in this [Section 6](#) (or the lack thereof, as the case may be) are commercially reasonable and are properly required to protect the Company Group and its members' respective businesses. If any such territorial, time or activity limitation (or the lack thereof) is determined to be unreasonable or otherwise unenforceable by a court or other tribunal or competent jurisdiction, the parties agree to the reduction of such territorial, time or activity limitations (including the imposition of such a limitation if it is missing) to such an area, period, scope of activity or other limitation as said court or other tribunal shall deem reasonable and enforceable under the circumstances. Also, if any member of the Company Group seeks partial enforcement of this [Section 6](#) as to only a territory, time, scope of activity or other limitation that is reasonable, then such member of the Company Group shall be entitled to such reasonable partial enforcement. If such reduction or (if any member of the Company Group seeks partial enforcement) such partial enforcement is not possible, or if a court or other tribunal of competent jurisdiction declines for any or no reason to grant such reduction or partial enforcement, as applicable, then the unenforceable provision or portion thereof shall be severed as provided in [Section 7.13](#), without affecting the remaining provisions of this Agreement.

6.7. **Tolling.** The period of time in which Holder is required to act, or refrain from acting, pursuant to this [Section 6](#) shall be tolled (shall not run) for so long as Holder is in breach of any of Holder's obligations hereunder.

6.8. **Business.** For purposes of this [Section 6](#), "**Business**" shall mean the business activities conducted by or planned to be undertaken by the Company Group while Holder is a holder of any

Common Stock acquired pursuant to this Award or while Holder is employed by the Company Group, including any business involving (i) the design, engineering, manufacture or sale of heat tracing systems (for example, products involving the application of external heat to pipes, vessels, instruments or other equipment for the purposes of freeze protection, process temperature maintenance, environmental monitoring or surface snow and ice melting, heat tracing equipment, heat tracing tubing bundles, and heat tracing control systems), heat tracing system consultation, heat tracing system installation, heat tracing system maintenance, heat tracing insulation, (ii) the design, engineering, manufacture or sale of heating and filtration equipment for industrial and commercial applications (for example, products and services involving space and environmental heating, transportation heating, industrial process heating and gas and liquid filtration systems), and (iii) the design, engineering, manufacture, fabrication or sale of temporary power solutions and power distribution for industrial applications, and any other products sold or services provided by the Company Group and the provision of related services.

#### 7. Additional Terms and Conditions of Award.

7.1. Withholding Taxes. (a) As a condition precedent to the delivery of the Stock upon the vesting of the Award, the Holder shall pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If the Holder shall fail to advance the Required Tax Payments, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to the Holder.

(b) The Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (i) a cash payment to the Company, (ii) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Stock having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the "Tax Date"), equal to the Required Tax Payments, (iii) authorizing the Company to withhold whole shares of Stock which would otherwise be delivered to the Holder having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments or (iv) any combination of (i), (ii) and (iii). Shares of Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by the Holder or deducted from any amount then or thereafter payable by the Company to the Holder. No Stock shall be delivered until the Required Tax Payments have been satisfied in full.

7.2. Recoupment; Compensation Subject to Recovery. The Holder acknowledges that he or she has read the Company's Policy on Recoupment of Incentive Compensation (the "Clawback Policy"). In consideration of the grant of the Award, the Holder agrees to abide by the Company's Clawback Policy and any determinations of the Board or the Compensation Committee pursuant to the Clawback Policy or any similar clawback or recoupment policy which the Company may adopt from time to time to the extent the Board determines in good faith that the adoption and maintenance of such policy is necessary to maintain corporate governance best practices and/or comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or is otherwise required by applicable law. The Holder acknowledges and agrees that the Award received by the Holder pursuant to this Agreement shall be subject to forfeiture, recovery by the Company or other action pursuant to the Clawback Policy or any such other clawback or recoupment policy. This Section 7.2 shall survive the termination of the Holder's employment for any reason. The foregoing remedy is in addition to and separate from any other relief available to the Company due to the Holder's misconduct or fraud. Any determination by the Board or the Compensation Committee with respect to the foregoing shall be final, conclusive and binding upon the Holder and all persons claiming through the Holder.

7.3. Adjustment. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Stock other than a regular cash dividend, the number and class of securities subject to the Award shall be equitably adjusted by the Committee. If any adjustment would result in a fractional security being subject to the Award, the Company shall pay the Holder in connection with the first vesting, in whole or in part, occurring after such adjustment, an amount in cash determined by multiplying such fraction (rounded to the nearest hundredth) by the Fair Market Value of such security on the vesting date as determined by the Committee. The decision of the Committee regarding any such adjustment and the Fair Market Value of any fractional security shall be final, binding and conclusive.

7.4. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares of Stock subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the shares of Stock subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

7.5. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement or the Plan, give or be deemed to give the Holder any right to continued employment by the Company, Group or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time.

7.6. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Holder or by the Company forthwith to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on all parties.

7.7. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon the Holder and his or her heirs, executors, administrators, successors and assigns.

7.8. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Thermon Group Holdings, Inc., Attn: General Counsel, 7171 Southwest Parkway, Building 300 Suite 200, Austin, Texas 78735, and if to the Holder, to the last known mailing address of the Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

7.9. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

7.10. Personal Information. The Company may utilize a third party system to administer the Award. Holder hereby consents to the Company transmitting Holder's personal information, including but not limited to name, date of birth, address, social security number or tax or other identification number for the purpose of facilitating the administration of the Award and to create a stock plan brokerage account in Holder's name to receive Stock in settlement of the Award. The Company currently utilizes E\*TRADE for equity administration purposes, but may change providers at any time and in its sole discretion.

7.11. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan, including Section 5.8 relating to a Change in Control, and shall be interpreted in accordance therewith. The Holder hereby acknowledges receipt of a copy of the Plan.

7.12. Entire Agreement. The Award Notice, this Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Holder with respect to the subject matter hereof, and may not be modified adversely to the Holder's interest except by means of a writing signed by the Company and the Holder.

7.13. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

7.14. Amendment and Waiver. The provisions of this Agreement may be amended or waived only by the written agreement of the Company and the Holder, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

7.15. Counterparts and Electronic Delivery. The Award Notice may be executed in two counterparts each of which shall be deemed an original and both of which together shall constitute one and the same instrument. Delivery of an executed counterpart of the Award Notice by facsimile, electronic mail or other electronic transmission, including electronic acceptance within Holder's stock plan brokerage account, shall be deemed as effective delivery of an originally executed counterpart.

7.16. Section 409A. This Agreement is intended to be exempt from Section 409A of the Code ("Section 409A") as a "short-term deferral" within the meaning of Treasury Regulations promulgated under Section 409A, or in the alternative to comply with Section 409A, and each settlement hereunder shall be considered a separate payment. This Agreement shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Holder on account of non-compliance with Section 409A.

### RTSR Performance Unit Award Agreement

Thermon Group Holdings, Inc., a Delaware corporation (the “Company”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the date set forth in the Award Notice (the “Grant Date”), pursuant to the provisions of the Amended and Restated Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (the “Plan”), a performance unit award (the “Award”) with respect to the shares of the Company’s common stock, par value \$0.001 per share (“Stock”), calculated pursuant to the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the “Agreement”). Capitalized terms not defined herein shall have the meanings specified in the Plan. For purposes of this Agreement, “Company Group” shall mean the Company and any Subsidiary thereof, collectively and individually. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless the Holder accepts this Agreement by executing it in the space provided on the Award Notice and returning such execution copy to the Company or, if required by the Company, electronically accepting this Agreement within the Company’s stock plan administration system according to the procedures then in effect.

2. Rights as a Stockholder. The Holder shall not be entitled to any privileges of ownership with respect to the shares of Stock subject to the Award unless and until, and only to the extent, such shares become vested pursuant to Section 3 hereof and the Holder becomes a stockholder of record with respect to such shares of Stock. As of each date on which the Company pays a cash dividend to record owners of shares of Stock (a “Dividend Date”), then the number of shares subject to the Award shall increase by (a) the product of the total number of shares subject to the Award immediately prior to such Dividend Date multiplied by the dollar amount of the cash dividend paid per share of Stock by the Company on such Dividend Date, divided by (b) the Fair Market Value of one share of Stock on such Dividend Date. Any such additional shares shall be subject to the same vesting conditions and payment terms set forth herein as the shares to which they relate.

### 3. Restriction Period and Vesting.

3.1. Performance-Based and Service-Based Vesting Conditions. Subject to the remainder of this Section 3, the Stock shall vest pursuant to the terms of this Agreement and the Plan based on the achievement of the Performance Conditions, as specified in the Award Notice, over the performance period set forth in the Award Notice (the “Performance Period”), provided that the Holder remains in continuous employment with the Company in accordance with the Vesting Schedule set forth in the Award Notice. The period of time prior to vesting shall be referred to herein as the “Restriction Period.” Attainment of the Performance Condition shall be determined and certified by the Committee in writing prior to the settlement of the Award.

3.2. Change in Control. Upon a Change in Control, the Award shall be subject to Section 5.8 of the Plan.

### 3.3. Termination of Employment

(a) Termination of Employment by the Company Group Other than for Cause or due to death or Disability. If the Holder’s employment with the Company Group terminates prior to the end of the Restriction Period by reason of the Company Group’s termination of the Holder’s employment other than for Cause or the Holder’s death or Disability, then in any such case, the Holder shall vest on a pro-rata basis based on actual performance during the Performance Period and pro-rated based on (i) the

total number of days the Holder was employed during such Restriction Period, divided by (ii) the total number of days during the Restriction Period, which total amount shall be rounded down to the nearest whole share. The remainder of the Award shall be immediately forfeited by the Holder and cancelled by the Company Group.

(b) Termination of Employment by the Company Group for Cause or by the Holder. If the Holder's employment with the Company Group terminates prior to the end of the Restriction Period by reason of (i) the Company Group's termination of the Holder's employment for Cause or (ii) the Holder's resignation from employment for any reason, then the portion of the Award that was not vested immediately prior to such termination of employment shall be immediately forfeited by the Holder and cancelled by the Company Group.

(c) Definitions.

(i) Disability. For purpose of this Award, "Disability" shall mean the Holder's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(ii) Cause. For purposes of this Award, "Cause" shall have the meaning set forth in the employment agreement, if any, between the Holder and the Company Group or any severance plan applicable to the Holder; provided that if Holder is not a party to an employment agreement that contains such definition or subject to a severance plan, then "Cause" shall mean any of the following, as reasonably determined, in good faith, by the Board: (i) the prosecution via information or indictment, or, if Holder has waived any requirement of prosecution by indictment, the charge, of Holder for a felony; (ii) the theft, conversion, embezzlement or misappropriation by Holder of funds or other assets of the Company Group or any other act of fraud or dishonesty with respect to the Company Group (including facilitating or accepting any bribes or kickbacks or other acts of self-dealing); (iii) the intentional, grossly negligent or unlawful misconduct by Holder, but only to the extent that such actions or inactions (a) actually cause material harm to the Company Group; and (b) were engaged in by Holder with knowledge that they would cause material harm to the Company Group; (iv) the violation by Holder of any law regarding employment discrimination or sexual harassment; (v) the failure by Holder to comply with any material policy generally applicable to Company Group employees, which failure is not cured in all material respects within 30 days after notice to Holder; (vi) the repeated failure by Holder to follow the reasonable directives of any supervisor or the Board, which failure is not cured in all material respects within 30 days after notice to Holder; (vii) the unauthorized dissemination by Holder of confidential information in violation of any agreement between the Company Group and Holder; (viii) any material misrepresentation or materially misleading omission in any resume or other information regarding Holder (including Holder's work experience, academic credentials, professional affiliations or absence of criminal record) provided by or on behalf of Holder when applying for employment with the Company Group; (ix) the Company Group's discovery that, prior to Holder's employment with the Company Group, Holder engaged in conduct of the type described in clauses (i) through (iv) above (it being understood that, in the case of clause (iii) above, such harm having impacted Holder's prior employer or the Company Group); or (x) any other material

breach by Holder of this Agreement that is not cured within 30 days after notice to Holder.

4. Delivery of Certificates. Subject to Section 7 and except as otherwise provided for in Section 3, as soon as practicable after the end of the Restriction Period and subject to the Committee's determination and certification of the attainment of the Performance Condition, the Company shall deliver or cause to be delivered (i) one or more certificates issued in the Holder's name (or such other name as is acceptable to the Company and designated in writing by the Holder) representing the number of vested shares, or (ii) the number of vested shares to the Holder's stock plan brokerage account that has been previously approved by the Company in its sole discretion; provided, however, any vested shares of Stock shall be settled no later than 60 days following the completion of the Restriction Period. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such delivery, except as otherwise provided in Section 7. Prior to the issuance to the Holder of the shares of Stock subject to the Award, the Holder shall have no direct or secured claim in any specific assets of the Company or in such shares of Stock, and will have the status of a general unsecured creditor of the Company.

5. Transfer Restrictions and Investment Representation.

5.1. Nontransferability of Award. The Award may not be transferred by the Holder other than by will or the laws of descent and distribution or pursuant to the designation of one or more beneficiaries on the form prescribed by the Company. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

5.2. Investment Representation. The Holder hereby represents and covenants that (a) any share of Stock acquired upon the vesting of the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such acquisition has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, the Holder shall submit a written statement, in form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of vesting of any shares of Stock hereunder or (y) is true and correct as of the date of any sale of any such share, as applicable. As a further condition precedent to the delivery to the Holder of any shares of Stock subject to the Award, the Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Board shall in its sole discretion deem necessary or advisable.

6. Restrictive Covenants.

6.1. Confidential Information. The Company Group's employment of Holder has resulted and will result in Holder's exposure and access to confidential and proprietary information, including the Company Group's formulas, processes, administration and accounting systems, computer software, customer lists, vendor lists, due diligence files, financial information, technology, business strategies, business track record, and personal information about the Company Group's owners, directors, officers, and employees which Holder did not have access to prior to his or her employment with the Company Group and which information is of great value to the Company Group, their owners, directors, officers, and employees. Holder shall not, other than on the Company Group's behalf, at any time during Holder's employment with the Company Group and thereafter, make available, divulge, disclose, or communicate

in any manner whatsoever to anyone including, but not limited to, any person, firm, corporation, investor, member of the media, or entity, any such confidential or proprietary information, or use any such confidential or proprietary information for any purpose other than on the Company Group's behalf, unless authorized to do so in writing by the Chairman of the Board, required by law or court order, or such information has become publicly available other than by reason of a breach by Holder of this Section 6.1 or of another individual's or entity's violation of an obligation not to disclose such information, which obligation is known to Holder. Should Holder be required by law or court order to disclose such confidential or proprietary information, Holder shall give the Company's General Counsel reasonable notice so as to allow the Company Group sufficient opportunity to challenge such application of the law or court order, or to otherwise attempt to limit the scope of such disclosure. This Agreement applies to all confidential and proprietary information of the Company Group, regardless of when such information is or was disclosed to Holder.

6.2. Non-Competition; Non-Solicitation. During Holder's employment with the Company Group and for a period of two (2) years thereafter Holder shall not, directly or indirectly, other than on the Company Group's behalf:

(a) Engage in any capacity in the Business in any country in which (i) Holder resides or has resided during the Restriction Period and (ii) any other geographic area (1) where the Company Group manufactures, markets, distributes or sells its products or renders services and (2) in which Holder provided services or support to the Company Group during the Restriction Period, within the twenty-four (24) month period ending on the last day on which Holder is in the employment of the Company Group or otherwise actively involved in the operation or management of the Business (the "Termination Date"), including as an owner, employee, partner, investor, or independent contractor, provided that nothing in this Section 6.2(a) shall prevent Holder from owning less than five percent (5%) of any class of publicly traded securities of any such business so long as such investment is passive and Holder has no other involvement with the issuer of such securities;

(b) Induce or assist in the inducement of any employee or independent contractor, including sales representatives or agents, to terminate or otherwise limit their relationship with the Company Group; or

(c) Solicit any customer or potential customer of the Company Group with respect to the Business. For purposes of this Section 6.2(c), a customer means any individual or entity to which the Company Group sold products or services within the twenty-four (24) month period immediately preceding the Termination Date. For purposes of this Section 6.2(c), potential customer means any individual or entity to which the Company Group solicited in writing within the twelve (12) month period that immediately preceded the Termination Date.

6.3. Non-Disparagement. At no time shall Holder, directly or indirectly, make (or cause to be made) to any person any disparaging, derogatory or other negative or false statement about or with respect to the Company Group (including its products, services, policies, practices, operations, employees, sales representatives, agents, officers, members, managers, partners or directors).

6.4. Patents, Copyrights, Trademarks and Other Property Rights. Any and all inventions, improvements, discoveries, formulas, technology, business strategies, management, administration, and accounting systems, processes, and computer software relating to the Company Group's business (whether or not patentable), discovered, developed, or learned by Holder during his or her employment with the Company Group are the sole and absolute property of the Company Group and are "works made for hire" as that term is defined in the copyright laws of the United States. The Company Group is the sole and absolute owner of all patents, copyrights, trademarks, and other property rights to those items and Holder will fully assist the Company Group, at the Company Group's cost and expense, to obtain the

patents, copyrights, trademarks, or other property rights to all such inventions, improvements, discoveries, formulas, technology, business strategies, management, administration, and accounting systems, processes, or computer software. Holder has been notified by the Company Group and understands that the foregoing provisions of this Section 6.4 do not apply to an invention for which no equipment, supplies, facilities, confidential, proprietary, or trade secret information of the Company Group was used and which was developed entirely on Holder's own time, unless the invention: (a) relates directly to the business of the Company Group; (b) relates directly to the Company Group's actual or demonstrably anticipated research and development, or (c) results from any work performed by Holder for the Company Group.

6.5. Protected Rights. Nothing contained in this Agreement or otherwise limits Holder's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). This Agreement does not limit Holder's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit Holder's ability under applicable U.S. federal law to (a) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (b) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

6.6. Scope of Covenants. Holder hereby acknowledges and agrees that the covenants and the territorial, time, activity and other limitations set forth in this Section 6 (or the lack thereof, as the case may be) are commercially reasonable and are properly required to protect the Company Group and its members' respective businesses. If any such territorial, time or activity limitation (or the lack thereof) is determined to be unreasonable or otherwise unenforceable by a court or other tribunal or competent jurisdiction, the parties agree to the reduction of such territorial, time or activity limitations (including the imposition of such a limitation if it is missing) to such an area, period, scope of activity or other limitation as said court or other tribunal shall deem reasonable and enforceable under the circumstances. Also, if any member of the Company Group seeks partial enforcement of this Section 6 as to only a territory, time, scope of activity or other limitation that is reasonable, then such member of the Company Group shall be entitled to such reasonable partial enforcement. If such reduction or (if any member of the Company Group seeks partial enforcement) such partial enforcement is not possible, or if a court or other tribunal of competent jurisdiction declines for any or no reason to grant such reduction or partial enforcement, as applicable, then the unenforceable provision or portion thereof shall be severed as provided in Section 7.14, without affecting the remaining provisions of this Agreement.

6.7. Tolling. The period of time in which Holder is required to act, or refrain from acting, pursuant to this Section 6 shall be tolled (shall not run) for so long as Holder is in breach of any of Holder's obligations hereunder.

6.8. Business. For purposes of this Section 6, "Business" shall mean the business activities conducted by or planned to be undertaken by the Company Group while Holder is a holder of any Common Stock acquired pursuant to this Award or while Holder is employed by the Company Group, including any business involving (i) the design, engineering, manufacture or sale of heat tracing systems (for example, products involving the application of external heat to pipes, vessels, instruments or other equipment for the purposes of freeze protection, process temperature maintenance, environmental monitoring or surface snow and ice melting, heat tracing equipment, heat tracing tubing bundles, and heat tracing control systems), heat tracing system consultation, heat tracing system installation, heat tracing

system maintenance, heat tracing insulation, (ii) the design, engineering, manufacture or sale of heating and filtration equipment for industrial and commercial applications (for example, products and services involving space and environmental heating, transportation heating, industrial process heating and gas and liquid filtration systems), and (iii) the design, engineering, manufacture, fabrication or sale of temporary power solutions and power distribution for industrial applications, and any other products sold or services provided by the Company Group and the provision of related services.

#### 7. Additional Terms and Conditions of Award.

7.1. Withholding Taxes. (a) As a condition precedent to the delivery of the Stock upon the vesting of the Award, the Holder shall pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If the Holder shall fail to advance the Required Tax Payments, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to the Holder.

(b) The Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (i) a cash payment to the Company, (ii) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Stock having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the "Tax Date"), equal to the Required Tax Payments, (iii) authorizing the Company to withhold whole shares of Stock which would otherwise be delivered to the Holder having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments or (iv) any combination of (i), (ii) and (iii). Shares of Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by the Holder or deducted from any amount then or thereafter payable by the Company to the Holder. No Stock shall be delivered until the Required Tax Payments have been satisfied in full.

7.2. Adjustment. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Stock other than a regular cash dividend, the number and class of securities subject to the Award shall be equitably adjusted by the Board. If any adjustment would result in a fractional security being subject to the Award, such amount shall be disregarded and the adjusted number of shares subject to the Award shall be rounded down to the nearest whole share. The decision of the Board regarding any such adjustment shall be final, binding and conclusive.

7.3. Recoupment: Compensation Subject to Recovery. The Holder acknowledges that he or she has read the Company's Policy on Recoupment of Incentive Compensation (the "Clawback Policy"). In consideration of the grant of the Award, the Holder agrees to abide by the Company's Clawback Policy and any determinations of the Board or the Compensation Committee pursuant to the Clawback Policy or any similar clawback or recoupment policy which the Company may adopt from time to time to the extent the Board determines in good faith that the adoption and maintenance of such policy is necessary to maintain corporate governance best practices and/or comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or is otherwise required by applicable law. The Holder acknowledges and agrees that the Award received by the Holder pursuant to this Agreement shall be subject to forfeiture, recovery by the Company or other action pursuant to the Clawback Policy or any such other clawback or recoupment policy. This Section 7.3 shall survive the termination of the Holder's employment for any reason. The foregoing remedy is in addition to and separate from any other relief available to the Company due to the Holder's misconduct or fraud. Any

determination by the Board or the Compensation Committee with respect to the foregoing shall be final, conclusive and binding upon the Holder and all persons claiming through the Holder.

7.4. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares of Stock subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the shares of Stock subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

7.5. Section 409A. This Agreement is intended to be exempt from Section 409A of the Code (“Section 409A”) as a “short-term deferral” within the meaning of Treasury Regulations promulgated under Section 409A, or in the alternative to comply with Section 409A. This Agreement shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Holder on account of non-compliance with Section 409A.

7.6. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement or the Plan, give or be deemed to give the Holder any right to continued employment by the Company, Group or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time.

7.7. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Holder or by the Company forthwith to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on all parties.

7.8. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon the Holder and his or her heirs, executors, administrators, successors and assigns.

7.9. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Thermon Group Holdings, Inc., Attn: General Counsel, 7171 Southwest Parkway Building 300, Suite 200 Austin TX 78735, and if to the Holder, to the last known mailing address of the Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

7.10. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be

governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

7.11. Personal Information. The Company may utilize a third party system to administer its equity awards. Holder hereby consents to the Company transmitting Holder's personal information, including but not limited to name, date of birth, address, social security number or tax or other identification number for the purpose of facilitating the administration of its equity award program and to create a stock plan brokerage account on behalf of Holder to receive the deposit of shares in settlement of the Award. The Company currently utilizes E\*TRADE for equity administration purposes, but may change providers at any time and in the Company's sole discretion.

7.12. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan, including Section 5.8 relating to a Change in Control, and shall be interpreted in accordance therewith. The Holder hereby acknowledges receipt of a copy of the Plan.

7.13. Entire Agreement. The Award Notice, this Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Holder with respect to the subject matter hereof, and may not be modified adversely to the Holder's interest except by means of a writing signed by the Company and the Holder.

7.14. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

7.15. Amendment and Waiver. The provisions of this Agreement may be amended or waived only by the written agreement of the Company and the Holder, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

7.16. Counterparts and Electronic Delivery. The Award Notice may be executed in two counterparts each of which shall be deemed an original and both of which together shall constitute one and the same instrument. Delivery of an executed counterpart of the Award Notice by facsimile, electronic mail or other electronic transmission, including electronic acceptance within Holder's stock plan brokerage account, shall be deemed as effective delivery of an originally executed counterpart.

### Performance Unit Award Agreement

Thermon Group Holdings, Inc., a Delaware corporation (the “Company”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the date set forth in the Award Notice (the “Grant Date”), pursuant to the provisions of the Amended and Restated Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (the “Plan”), a performance unit award (the “Award”) with respect to the shares of the Company’s common stock, par value \$0.001 per share (“Stock”), calculated pursuant to the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the “Agreement”). Capitalized terms not defined herein shall have the meanings specified in the Plan. For purposes of this Agreement, “Company Group” shall mean the Company and any Subsidiary thereof, collectively and individually. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless the Holder accepts this Agreement by executing it in the space provided on the Award Notice and returning such execution copy to the Company or, if required by the Company, electronically accepting this Agreement within the Company’s stock plan administration system according to the procedures then in effect.

2. Rights as a Stockholder. The Holder shall not be entitled to any privileges of ownership with respect to the shares of Stock subject to the Award unless and until, and only to the extent, such shares become vested pursuant to Section 3 hereof and the Holder becomes a stockholder of record with respect to such shares of Stock. As of each date on which the Company pays a cash dividend to record owners of shares of Stock (a “Dividend Date”), then the number of shares subject to the Award shall increase by (a) the product of the total number of shares subject to the Award immediately prior to such Dividend Date multiplied by the dollar amount of the cash dividend paid per share of Stock by the Company on such Dividend Date, divided by (b) the Fair Market Value of one share of Stock on such Dividend Date. Any such additional shares shall be subject to the same vesting conditions and payment terms set forth herein as the shares to which they relate.

#### 3. Restriction Period and Vesting.

3.1. Performance-Based and Service-Based Vesting Conditions. Subject to the remainder of this Section 3, the Stock shall vest pursuant to the terms of this Agreement and the Plan based on the achievement of the Performance Conditions, as specified in the Award Notice, over the performance period set forth in the Award Notice (the “Performance Period”), provided that the Holder remains in continuous employment with the Company in accordance with the Vesting Schedule set forth in the Award Notice. The period of time prior to vesting shall be referred to herein as the “Restriction Period”. Attainment of the Performance Conditions shall be determined and certified by the Committee in writing prior to the settlement of the Award.

3.2. Change in Control. Upon a Change in Control, the Award shall be subject to Section 5.8 of the Plan.

#### 3.3. Termination of Employment

(a) Termination of Employment by the Company Group Other than for Cause or due to death or Disability. If the Holder’s employment with the Company Group terminates prior to the end of the Restriction Period by reason of the Company Group’s termination of the Holder’s employment other than for Cause or the Holder’s death or Disability, then in any such case, the portion of the Award that was not vested immediately prior to such termination of employment shall vest as determined in

accordance with the Award Notice. The remainder of the Award shall be immediately forfeited by the Holder and cancelled by the Company Group.

(b) Termination of Employment by the Company Group for Cause or by the Holder. If the Holder's employment with the Company Group terminates prior to the end of the Restriction Period by reason of (i) the Company Group's termination of the Holder's employment for Cause or (ii) the Holder's resignation from employment for any reason, then the portion of the Award that was not vested immediately prior to such termination of employment shall be immediately forfeited by the Holder and cancelled by the Company Group.

(c) Definitions.

(i) Disability. For purpose of this Award, "Disability" shall mean the Holder's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(ii) Cause. For purposes of this Award, "Cause" shall have the meaning set forth in the employment agreement, if any, between the Holder and the Company Group or any severance plan applicable to the Holder; provided that if Holder is not a party to an employment agreement that contains such definition or subject to a severance plan, then "Cause" shall mean any of the following, as reasonably determined, in good faith, by the Board: (i) the prosecution via information or indictment, or, if Holder has waived any requirement of prosecution by indictment, the charge, of Holder for a felony; (ii) the theft, conversion, embezzlement or misappropriation by Holder of funds or other assets of the Company Group or any other act of fraud or dishonesty with respect to the Company Group (including facilitating or accepting any bribes or kickbacks or other acts of self-dealing); (iii) the intentional, grossly negligent or unlawful misconduct by Holder, but only to the extent that such actions or inactions (a) actually cause material harm to the Company Group; and (b) were engaged in by the Holder with knowledge that they would cause material harm to the Company Group; (iv) the violation by Holder of any law regarding employment discrimination or sexual harassment; (v) the failure by Holder to comply with any material policy generally applicable to Company Group employees, which failure is not cured in all material respects within 30 days after notice to Holder; (vi) the repeated failure by Holder to follow the reasonable directives of any supervisor or the Board, which failure is not cured in all material respects within 30 days after notice to Holder; (vii) the unauthorized dissemination by Holder of confidential information in violation of any agreement between the Company Group and Holder; (viii) any material misrepresentation or materially misleading omission in any resume or other information regarding Holder (including Holder's work experience, academic credentials, professional affiliations or absence of criminal record) provided by or on behalf of Holder when applying for employment with the Company Group; (ix) the Company Group's discovery that, prior to Holder's employment with the Company Group, Holder engaged in conduct of the type described in clauses (i) through (iv) above (it being understood that, in the case of clause (iii) above, such harm having impacted Holder's prior employer or the Company Group); or (x) any other material breach by Holder of this Agreement that is not cured within 30 days after notice to Holder.

4. Delivery of Certificates. Subject to Section 7 and except as otherwise provided for in Section 3, as soon as practicable after the end of the Restriction Period (or, if earlier, following the Holder's death or termination due to Disability or without Cause) and subject to the Committee's determination and certification of the attainment of the Performance Conditions, the Company shall deliver or cause to be delivered (i) one or more certificates issued in the Holder's name (or such other name as is acceptable to the Company and designated in writing by the Holder) representing the number of vested shares, or (ii) the number of vested shares to the Holder's stock plan brokerage account that has been previously approved by the Company in its sole discretion; provided, however, any vested shares of Stock shall be settled no later than 60 days following the completion of the Restriction Period (or, if earlier, following the Holder's death or termination due to Disability). The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such delivery, except as otherwise provided in Section 7. Prior to the issuance to the Holder of the shares of Stock subject to the Award, the Holder shall have no direct or secured claim in any specific assets of the Company or in such shares of Stock, and will have the status of a general unsecured creditor of the Company.

5. Transfer Restrictions and Investment Representation.

5.1. Nontransferability of Award. The Award may not be transferred by the Holder other than by will or the laws of descent and distribution or pursuant to the designation of one or more beneficiaries on the form prescribed by the Company. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

5.2. Investment Representation. The Holder hereby represents and covenants that (a) any share of Stock acquired upon the vesting of the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such acquisition has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, the Holder shall submit a written statement, in form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of vesting of any shares of Stock hereunder or (y) is true and correct as of the date of any sale of any such share, as applicable. As a further condition precedent to the delivery to the Holder of any shares of Stock subject to the Award, the Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Board shall in its sole discretion deem necessary or advisable.

6. Restrictive Covenants.

6.1. Confidential Information. The Company Group's employment of Holder has resulted and will result in Holder's exposure and access to confidential and proprietary information, including the Company Group's formulas, processes, administration and accounting systems, computer software, customer lists, vendor lists, due diligence files, financial information, technology, business strategies, business track record, and personal information about the Company Group's owners, directors, officers, and employees which Holder did not have access to prior to his or her employment with the Company Group and which information is of great value to the Company Group, their owners, directors, officers, and employees. Holder shall not, other than on the Company Group's behalf, at any time during Holder's employment with the Company Group and thereafter, make available, divulge, disclose, or communicate

in any manner whatsoever to anyone including, but not limited to, any person, firm, corporation, investor, member of the media, or entity, any such confidential or proprietary information, or use any such confidential or proprietary information for any purpose other than on the Company Group's behalf, unless authorized to do so in writing by the Chairman of the Board, required by law or court order, or such information has become publicly available other than by reason of a breach by Holder of this Section 6.1 or of another individual's or entity's violation of an obligation not to disclose such information, which obligation is known to Holder. Should Holder be required by law or court order to disclose such confidential or proprietary information, Holder shall give the Company's General Counsel reasonable notice so as to allow the Company Group sufficient opportunity to challenge such application of the law or court order, or to otherwise attempt to limit the scope of such disclosure. This Agreement applies to all confidential and proprietary information of the Company Group, regardless of when such information is or was disclosed to Holder.

6.2. Non-Competition; Non-Solicitation. During Holder's employment with the Company Group and for a period of two (2) years thereafter Holder shall not, directly or indirectly, other than on the Company Group's behalf:

(a) Engage in any capacity in the Business in any country in which (i) Holder resides or has resided during the Restriction Period and (ii) any other geographic area (1) where the Company Group manufactures, markets, distributes or sells its products or renders services and (2) in which Holder provided services or support to the Company Group during the Restriction Period, within the twenty-four (24) month period ending on the last day on which Holder is in the employment of the Company Group or otherwise actively involved in the operation or management of the Business (the "Termination Date"), including as an owner, employee, partner, investor, or independent contractor, provided that nothing in this Section 6.2(a) shall prevent Holder from owning less than five percent (5%) of any class of publicly traded securities of any such business so long as such investment is passive and Holder has no other involvement with the issuer of such securities;

(b) Induce or assist in the inducement of any employee or independent contractor, including sales representatives or agents, to terminate or otherwise limit their relationship with the Company Group; or

(c) Solicit any customer or potential customer of the Company Group with respect to the Business. For purposes of this Section 6.2(c), a customer means any individual or entity to which the Company Group sold products or services within the twenty-four (24) month period immediately preceding the Termination Date. For purposes of this Section 6.2(c), potential customer means any individual or entity to which the Company Group solicited in writing within the twelve (12) month period that immediately preceded the Termination Date.

6.3. Non-Disparagement. At no time shall Holder, directly or indirectly, make (or cause to be made) to any person any disparaging, derogatory or other negative or false statement about or with respect to the Company Group (including its products, services, policies, practices, operations, employees, sales representatives, agents, officers, members, managers, partners or directors).

6.4. Patents, Copyrights, Trademarks and Other Property Rights. Any and all inventions, improvements, discoveries, formulas, technology, business strategies, management, administration, and accounting systems, processes, and computer software relating to the Company Group's business (whether or not patentable), discovered, developed, or learned by Holder during his or her employment with the Company Group are the sole and absolute property of the Company Group and are "works made for hire" as that term is defined in the copyright laws of the United States. The Company Group is the sole and absolute owner of all patents, copyrights, trademarks, and other property rights to those items and Holder will fully assist the Company Group, at the Company Group's cost and expense, to obtain the

patents, copyrights, trademarks, or other property rights to all such inventions, improvements, discoveries, formulas, technology, business strategies, management, administration, and accounting systems, processes, or computer software. Holder has been notified by the Company Group and understands that the foregoing provisions of this Section 6.4 do not apply to an invention for which no equipment, supplies, facilities, confidential, proprietary, or trade secret information of the Company Group was used and which was developed entirely on Holder's own time, unless the invention: (a) relates directly to the business of the Company Group; (b) relates directly to the Company Group's actual or demonstrably anticipated research and development, or (c) results from any work performed by Holder for the Company Group.

6.5. Protected Rights. Nothing contained in this Agreement or otherwise limits Holder's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). This Agreement does not limit Holder's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit Holder's ability under applicable U.S. federal law to (a) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (b) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

6.6. Scope of Covenants. Holder hereby acknowledges and agrees that the covenants and the territorial, time, activity and other limitations set forth in this Section 6 (or the lack thereof, as the case may be) are commercially reasonable and are properly required to protect the Company Group and its members' respective businesses. If any such territorial, time or activity limitation (or the lack thereof) is determined to be unreasonable or otherwise unenforceable by a court or other tribunal or competent jurisdiction, the parties agree to the reduction of such territorial, time or activity limitations (including the imposition of such a limitation if it is missing) to such an area, period, scope of activity or other limitation as said court or other tribunal shall deem reasonable and enforceable under the circumstances. Also, if any member of the Company Group seeks partial enforcement of this Section 6 as to only a territory, time, scope of activity or other limitation that is reasonable, then such member of the Company Group shall be entitled to such reasonable partial enforcement. If such reduction or (if any member of the Company Group seeks partial enforcement) such partial enforcement is not possible, or if a court or other tribunal of competent jurisdiction declines for any or no reason to grant such reduction or partial enforcement, as applicable, then the unenforceable provision or portion thereof shall be severed as provided in Section 7.14, without affecting the remaining provisions of this Agreement.

6.7. Tolling. The period of time in which Holder is required to act, or refrain from acting, pursuant to this Section 6 shall be tolled (shall not run) for so long as Holder is in breach of any of Holder's obligations hereunder.

6.8. Business. For purposes of this Section 6, "Business" shall mean the business activities conducted by or planned to be undertaken by the Company Group while Holder is a holder of any Common Stock acquired pursuant to this Award or while Holder is employed by the Company Group, including any business involving (i) the design, engineering, manufacture or sale of heat tracing systems (for example, products involving the application of external heat to pipes, vessels, instruments or other equipment for the purposes of freeze protection, process temperature maintenance, environmental monitoring or surface snow and ice melting, heat tracing equipment, heat tracing tubing bundles, and heat tracing control systems), heat tracing system consultation, heat tracing system installation, heat tracing

system maintenance, heat tracing insulation, (ii) the design, engineering, manufacture or sale of heating and filtration equipment for industrial and commercial applications (for example, products and services involving space and environmental heating, transportation heating, industrial process heating and gas and liquid filtration systems), and (iii) the design, engineering, manufacture, fabrication or sale of temporary power solutions and power distribution for industrial applications, and any other products sold or services provided by the Company Group and the provision of related services.

#### 7. Additional Terms and Conditions of Award.

7.1. Withholding Taxes. (a) As a condition precedent to the delivery of the Stock upon the vesting of the Award, the Holder shall pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If the Holder shall fail to advance the Required Tax Payments, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to the Holder.

(b) The Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (i) a cash payment to the Company, (ii) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Stock having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the "Tax Date"), equal to the Required Tax Payments, (iii) authorizing the Company to withhold whole shares of Stock which would otherwise be delivered to the Holder having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments or (iv) any combination of (i), (ii) and (iii). Shares of Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by the Holder or deducted from any amount then or thereafter payable by the Company to the Holder. No Stock shall be delivered until the Required Tax Payments have been satisfied in full.

7.2. Adjustment. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Stock other than a regular cash dividend, the number and class of securities subject to the Award shall be equitably adjusted by the Board. If any adjustment would result in a fractional security being subject to the Award, such amount shall be disregarded and the adjusted number of shares subject to the Award shall be rounded down to the nearest whole share. The decision of the Board regarding any such adjustment shall be final, binding and conclusive.

7.3. Recoupment; Compensation Subject to Recovery. The Holder acknowledges that he or she has read the Company's Policy on Recoupment of Incentive Compensation (the "Clawback Policy"). In consideration of the grant of the Award, the Holder agrees to abide by the Company's Clawback Policy and any determinations of the Board or the Compensation Committee pursuant to the Clawback Policy or any similar clawback or recoupment policy which the Company may adopt from time to time to the extent the Board determines in good faith that the adoption and maintenance of such policy is necessary to maintain corporate governance best practices and/or comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or is otherwise required by applicable law. The Holder acknowledges and agrees that the Award received by the Holder pursuant to this Agreement shall be subject to forfeiture, recovery by the Company or other action pursuant to the Clawback Policy or any such other clawback or recoupment policy. This Section 7.3 shall survive the termination of the Holder's employment for any reason. The foregoing remedy is in addition to and separate from any other relief available to the Company due to the Holder's misconduct or fraud. Any

determination by the Board or the Compensation Committee with respect to the foregoing shall be final, conclusive and binding upon the Holder and all persons claiming through the Holder.

7.4. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares of Stock subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the shares of Stock subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

7.5. Section 409A. This Agreement is intended to be exempt from Section 409A of the Code (“Section 409A”) as a “short-term deferral” within the meaning of Treasury Regulations promulgated under Section 409A, or in the alternative to comply with Section 409A. This Agreement shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Holder on account of non-compliance with Section 409A.

7.6. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement or the Plan, give or be deemed to give the Holder any right to continued employment by the Company, Group or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time.

7.7. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Holder or by the Company forthwith to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on all parties.

7.8. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon the Holder and his or her heirs, executors, administrators, successors and assigns.

7.9. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Thermon Group Holdings, Inc., Attn: General Counsel, 7171 Southwest Parkway Building 300, Suite 200 Austin TX 78735, and if to the Holder, to the last known mailing address of the Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

7.10. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be

governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

7.11. Personal Information. The Company may utilize a third party system to administer its equity awards. Holder hereby consents to the Company transmitting Holder's personal information, including but not limited to name, date of birth, address, social security number or tax or other identification number for the purpose of facilitating the administration of its equity award program and to create a stock plan brokerage account on behalf of Holder to receive the deposit of shares in settlement of the Award. The Company currently utilizes E\*TRADE for equity administration purposes, but may change providers at any time and in the Company's sole discretion.

7.12. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan, including Section 5.8 relating to a Change in Control, and shall be interpreted in accordance therewith. The Holder hereby acknowledges receipt of a copy of the Plan.

7.13. Entire Agreement. The Award Notice, this Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Holder with respect to the subject matter hereof, and may not be modified adversely to the Holder's interest except by means of a writing signed by the Company and the Holder.

7.14. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

7.15. Amendment and Waiver. The provisions of this Agreement may be amended or waived only by the written agreement of the Company and the Holder, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

7.16. Counterparts and Electronic Delivery. The Award Notice may be executed in two counterparts each of which shall be deemed an original and both of which together shall constitute one and the same instrument. Delivery of an executed counterpart of the Award Notice by facsimile, electronic mail or other electronic transmission, including electronic acceptance within Holder's stock plan brokerage account, shall be deemed as effective delivery of an originally executed counterpart.

**Thermon Group Holdings, Inc.****2011 Long-Term Incentive Plan****Stock Option Agreement**

Thermon Group Holdings, Inc., a Delaware corporation (the "Company"), hereby grants to the individual ("Optionee") named in the award notice attached hereto (the "Award Notice") as of the date set forth in the Award Notice (the "Option Date"), pursuant to the provisions of the Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (the "Plan"), an option to purchase from the Company the number and class of shares of stock set forth in the Award Notice at the price per share set forth in the Award Notice (the "Exercise Price") (the "Option"), upon and subject to the terms and conditions set forth below, in the Award Notice and in the Plan. For purposes of this Agreement, "Company Group" shall mean the Company and any Subsidiary thereof, collectively and individually. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Option Subject to Acceptance of Agreement. The Option shall be null and void unless Optionee shall accept this Agreement by executing the Award Notice in the space provided below and returning such execution copy to the Company, electronically accepting this Agreement within the Company's stock plan administration system according to the procedures then in effect or otherwise accepting this Agreement as may be directed by the Company.

2. Time and Manner of Exercise of Option.

2.1. Maximum Term of Option. In no event may the Option be exercised, in whole or in part, after the expiration date set forth in the Award Notice (the "Expiration Date").

2.2. Vesting and Exercise of Option. The Option shall become vested and exercisable in accordance with the vesting schedule set forth in the Award Notice (the "Vesting Schedule"). The Option shall be vested and exercisable following a termination of Optionee's employment according to the following terms and conditions:

(a) Termination as a Result of Optionee's Death or Disability. If Optionee's employment with the Company Group terminates by reason of Optionee's death or Disability, then the Option, to the extent vested on the effective date of such termination of employment, may thereafter be exercised by Optionee or Optionee's executor, administrator, legal representative, guardian or similar person until and including the earlier to occur of (i) the date which is one year after the date of such termination of employment and (ii) the Expiration Date.

(b) Termination by the Company Group Other than for Cause, Death or Disability. If Optionee's employment with the Company Group is terminated by the Company Group for any reason other than for Cause, death or Disability, the Option, to the extent vested on the effective date of such termination of employment, may thereafter be exercised by Optionee until and including the earlier to occur of (i) the date which is ninety (90) days after the date of such termination of employment and (ii) the Expiration Date.

(c) Termination by Company Group for Cause or by Optionee. If Optionee's employment with the Company Group terminates by reason of (i) the Company Group's termination of Optionee's employment for Cause or (ii) Optionee's resignation from employment for any reason, then the Option, whether or not vested, shall terminate immediately upon such termination of employment.

(d) Disability. For purpose of this Option, “Disability” shall mean the Optionee’s inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(e) Cause. For purposes of this Option, “Cause” shall have the meaning set forth in the employment agreement, if any, between the Optionee and the Company Group or any severance plan applicable to Optionee, provided that if Optionee is not a party to an employment agreement that contains such definition or subject to a severance plan, then “Cause” shall mean any of the following, as reasonably determined, in good faith, by the Board: (i) the prosecution via information or indictment, or, if Optionee has waived any requirement of prosecution by indictment, the charge, of Optionee for a felony; (ii) the theft, conversion, embezzlement or misappropriation by Optionee of funds or other assets of the Company Group or any other act of fraud or dishonesty with respect to the Company Group (including acceptance of any bribes or kickbacks or other acts of self-dealing); (iii) the intentional, grossly negligent or unlawful misconduct by Optionee, but only to the extent that such actions or inactions (a) actually cause material and significant harm to the Company Group; and (b) were engaged in by the Optionee with knowledge that they would cause material and significant harm to the Company Group; (iv) the violation by Optionee of any law regarding employment discrimination or sexual harassment; (v) the failure by Optionee to comply with any material policy generally applicable to Company Group employees, which failure is not cured in all material respects within 30 days after notice to Optionee; (vi) the repeated failure by Optionee to follow the reasonable directives of any supervisor or the Board, which failure is not cured in all material respects within 30 days after notice to Optionee; (vii) the unauthorized dissemination by Optionee of confidential information in violation of any agreement between the Company Group and Optionee; (viii) any material misrepresentation or materially misleading omission in any resume or other information regarding Optionee (including Optionee’s work experience, academic credentials, professional affiliations or absence of criminal record) provided by or on behalf of Optionee when applying for employment with the Company Group; (ix) the Company Group’s discovery that, prior to Optionee’s employment with the Company Group, Optionee engaged in conduct of the type described in clauses (i) through (iv) above (it being understood that, in the case of clause (iii) above, such harm having impacted Optionee’s prior employer or the Company Group); or (x) any other material breach by Optionee of this Agreement that is not cured within 30 days after notice to Optionee.

2.3. Method of Exercise. Subject to the limitations set forth in this Agreement, the Option may be exercised by Optionee (a) by delivering to the Company an exercise notice in the form prescribed by the Company specifying the number of whole shares of Common Stock to be purchased and by accompanying such notice with payment therefor in full (or by arranging for such payment to the Company’s satisfaction) either (i) in cash, (ii) by delivery to the Company (either actual delivery or by attestation procedures established by the Company) of shares of Common Stock having an aggregate Fair Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable pursuant to the Option by reason of such exercise, (iii) by authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the date of exercise, equal to the amount necessary to satisfy such obligation, (iv) except as may be prohibited by applicable law, in cash by a broker-dealer acceptable to the Company to whom Optionee has submitted an irrevocable notice of exercise or (v) by a combination of (i), (ii) and (iii), and (b) by executing such documents as the Company may reasonably request. Any fraction of a share of Common Stock which would be required to pay such purchase price shall be disregarded and the remaining amount due shall be paid in cash by Optionee. No certificate representing a share of Common Stock shall be issued or delivered until the full purchase price therefor and any withholding taxes thereon, as described in Section 4.3, have been paid.

2.4. Termination of Option. In no event may the Option be exercised after it terminates as set forth in this Section 2.4. The Option shall terminate, to the extent not earlier terminated pursuant to Section 2.2 or exercised pursuant to Section 2.3, on the Expiration Date. Upon the termination of the Option, the Option and all rights hereunder shall immediately become null and void.

### 3. Restrictive Covenants.

3.1. Confidential Information. The Company Group's employment of Optionee has resulted and will result in Optionee's exposure and access to confidential and proprietary information, including the Company Group's formulas, processes, administration and accounting systems, computer software, customer lists, vendor lists, due diligence files, financial information, technology, business strategies, business track record, and personal information about the Company Group's owners, directors, officers, and employees which Optionee did not have access to prior to his or her employment with the Company Group and which information is of great value to the Company Group, their owners, directors, officers, and employees. Optionee shall not, other than on the Company Group's behalf, at any time during Optionee's employment with the Company Group and thereafter, make available, divulge, disclose, or communicate in any manner whatsoever to anyone including, but not limited to, any person, firm, corporation, investor, member of the media, or entity, any such confidential or proprietary information, or use any such confidential or proprietary information for any purpose other than on the Company Group's behalf, unless authorized to do so in writing by the Chairman of the Board, required by law or court order, or such information has become publicly available other than by reason of a breach by Optionee of this Section 3.1 or of another individual's or entity's violation of an obligation not to disclose such information, which obligation is known to Optionee. Should Optionee be required by law or court order to disclose such confidential or proprietary information, Optionee shall give the Chairman of the Board reasonable notice so as to allow the Company Group sufficient opportunity to challenge such application of the law or court order, or to otherwise attempt to limit the scope of such disclosure. This Agreement applies to all confidential and proprietary information of the Company Group, regardless of when such information is or was disclosed to Optionee.

3.2. Non-Competition; Non-Solicitation. During Optionee's employment with the Company Group and for a period of two (2) years thereafter Optionee shall not, directly or indirectly, other than on the Company Group's behalf:

(i) Engage in any capacity in the Business in the continental United States or in any other geographic area where the Company Group manufactures, markets, distributes or sells its products or renders services within the twenty-four (24) month period ending on the last day on which Optionee is in the employment of the Company Group or otherwise actively involved in the operation or management of the Business (the "Termination Date"), including as an owner, employee, partner, investor, or independent contractor, provided that nothing in this Section 3.2(i) shall prevent Optionee from owning less than five percent (5%) of any class of publicly traded securities of any such business so long as such investment is passive and Optionee has no other involvement with the issuer of such securities;

(ii) Induce or assist in the inducement of any employee or independent contractor, including sales representatives or agents, to terminate or otherwise limit their relationship with the Company Group; or

(iii) Solicit any customer or potential customer of the Company Group with respect to the Business. For purposes of this Section 3.2(iii), a customer means any individual or entity to

which the Company Group sold products or services within the twenty-four (24) month period immediately preceding the Termination Date. For purposes of this Section 3.2(iii), potential customer means any individual or entity to which the Company Group solicited in writing within the twelve (12) month period that immediately preceded the Termination Date.

3.3. Non-Disparagement. At no time shall Optionee, directly or indirectly, make (or cause to be made) to any person any disparaging, derogatory or other negative or false statement about or with respect to the Company Group (including its products, services, policies, practices, operations, employees, sales representatives, agents, officers, members, managers, partners or directors).

3.4. Patents, Copyrights, Trademarks and Other Property Rights. Any and all inventions, improvements, discoveries, formulas, technology, business strategies, management, administration, and accounting systems, processes, and computer software relating to the Company Group's business (whether or not patentable), discovered, developed, or learned by Optionee during his or her employment with the Company Group are the sole and absolute property of the Company Group and are "works made for hire" as that term is defined in the copyright laws of the United States. The Company Group is the sole and absolute owner of all patents, copyrights, trademarks, and other property rights to those items and Optionee will fully assist the Company Group, at the Company Group's cost and expense, to obtain the patents, copyrights, trademarks, or other property rights to all such inventions, improvements, discoveries, formulas, technology, business strategies, management, administration, and accounting systems, processes, or computer software. Optionee has been notified by the Company Group and understands that the foregoing provisions of this Section 3.4 do not apply to an invention for which no equipment, supplies, facilities, confidential, proprietary, or trade secret information of the Company Group was used and which was developed entirely on Optionee's own time, unless the invention: (i) relates directly to the business of the Company Group; (ii) relates directly to the Company Group's actual or demonstrably anticipated research and development, or (iii) results from any work performed by Optionee for the Company Group.

3.5. Protected Rights. Nothing contained in this Agreement or otherwise limits Optionee's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). This Agreement does not limit Optionee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit Optionee's ability under applicable U.S. federal law to (a) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (b) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

3.6. Scope of Covenants. Participant hereby acknowledges and agrees that the covenants and the territorial, time, activity and other limitations set forth in this Section 3 (or the lack thereof, as the case may be) are commercially reasonable and are properly required to protect the Company Group and its members' respective businesses. If any such territorial, time or activity limitation (or the lack thereof) is determined to be unreasonable or otherwise unenforceable by a court or other tribunal or competent jurisdiction, the parties agree to the reduction of such territorial, time or activity limitations (including the imposition of such a limitation if it is missing) to such an area, period, scope of

activity or other limitation as said court or other tribunal shall deem reasonable and enforceable under the circumstances. Also, if any member of the Company Group seeks partial enforcement of this Section 3 as to only a territory, time, scope of activity or other limitation that is reasonable, then such member of the Company Group shall be entitled to such reasonable partial enforcement. If such reduction or (if any member of the Company Group seeks partial enforcement) such partial enforcement is not possible, or if a court or other tribunal of competent jurisdiction declines for any or no reason to grant such reduction or partial enforcement, as applicable, then the unenforceable provision or portion thereof shall be severed as provided in Section 5.4, without affecting the remaining provisions of this Agreement.

3.7. Tolling. The period of time in which Optionee is required to act, or refrain from acting, pursuant to this Section 3 shall be tolled (shall not run) for so long as Optionee is in breach of any of Optionee's obligations hereunder.

3.8. Business. For purposes of this Section 3, "Business" shall mean the business activities conducted by or planned to be undertaken by the Company Group while Optionee is a holder of any Common Stock acquired pursuant to the exercise of this Option or while Optionee is employed by the Company Group, including any business involving the design, engineering, manufacture or sale of heat tracing systems (for example, products involving the application of external heat to pipes, vessels, instruments or other equipment for the purposes of freeze protection, process temperature maintenance, environmental monitoring or surface snow and ice melting, heat tracing equipment, heat tracing tubing bundles, and heat tracing control systems), heat tracing system consultation, heat tracing system installation, heat tracing system maintenance and any other products sold or services provided by the Company Group and the provision of related services.

#### 4. Additional Terms and Conditions of Option.

4.1. Nontransferability of Option. The Option may not be transferred by Optionee other than by will or the laws of descent and distribution or pursuant to the designation of one or more beneficiaries on the form prescribed by the Company. Except to the extent permitted by the foregoing sentence, (i) during Optionee's lifetime the Option is exercisable only by Optionee or Optionee's legal representative, guardian or similar person and (ii) the Option may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Option, the Option and all rights hereunder shall immediately become null and void.

4.2. Investment Representation. Optionee hereby represents and covenants that (a) any shares of Common Stock purchased upon exercise of the Option will be purchased for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such purchase has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, Optionee shall submit a written statement, in a form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of any purchase of any shares hereunder or (y) is true and correct as of the date of any sale of any such shares, as applicable. As a further condition precedent to any exercise of the Option, Optionee shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or

delivery of the shares and, in connection therewith, shall execute any documents which the Board or the Committee shall in its sole discretion deem necessary or advisable.

4.3. Withholding Taxes. (a) As a condition precedent to the issuance of Common Stock upon exercise of the Option, Optionee shall, upon request by the Company, pay to the Company in addition to the purchase price of the shares, such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to such exercise of the Option. If Optionee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Optionee.

(b) Optionee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Company, (2) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Common Stock having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments, (3) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered to Optionee upon exercise of the Option having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments, (4) except as may be prohibited by applicable law, a cash payment by a broker-dealer acceptable to the Company to whom Optionee has submitted an irrevocable notice of exercise or (5) any combination of (1), (2) and (3). Shares of Common Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Common Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by Optionee or deducted from any amount then or thereafter payable by the Company to the Holder. No certificate representing a share of Common Stock shall be issued or delivered until the Required Tax Payments have been satisfied in full.

4.4. Adjustment. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a regular cash dividend, the number and class of securities subject to the Option and the Exercise Price shall be equitably adjusted by the Committee and in accordance with Section 409A of the Code. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive. If any such adjustment would result in a fractional security being subject to the Option, the Company shall pay Optionee, in connection with the first exercise occurring after such adjustment, an amount in cash determined by multiplying (i) the fraction of such security (rounded to the nearest hundredth) by (ii) the excess, if any, of (A) the Fair Market Value on such date over (B) the Exercise Price of the Option.

4.5. Change in Control. In the event of a Change in Control, the Option shall be subject to Section 5.8 of the Plan.

4.6. Compliance with Applicable Law. The Option is subject to the condition that if the listing, registration or qualification of the shares subject to the Option upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the purchase or issuance of shares hereunder, the Option may not be exercised, in whole or in part, and such shares may not be issued, unless such listing, registration, qualification, consent, approval or other action shall have been effected or

obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

4.7. Issuance or Delivery of Shares. Upon the exercise of the Option, in whole or in part, the Company shall issue or deliver, subject to the conditions of this Section 4, the number of shares of Common Stock purchased against full payment therefor. Such issuance shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance, except as otherwise provided in Section 4.3.

4.8. Option Confers No Rights as Stockholder. Optionee shall not be entitled to any privileges of ownership with respect to shares of Common Stock subject to the Option unless and until such shares are purchased and issued upon the exercise of the Option, in whole or in part, and Optionee becomes a stockholder of record with respect to such issued shares. Optionee shall not be considered a stockholder of the Company with respect to any such shares not so purchased and issued.

4.9. Option Confers No Rights to Continued Employment. In no event shall the granting of the Option or its acceptance by Optionee, or any provision of this Agreement or the Plan, give or be deemed to give Optionee any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time.

#### 5. Miscellaneous Provisions.

5.1. Decisions of Board or Committee. The Board or the Committee shall have the right to resolve all questions which may arise in connection with the Option or its exercise. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

5.2. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of Optionee, acquire any rights hereunder in accordance with this Agreement or the Plan.

5.3. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Thermon Group Holdings, Inc., Attn. General Counsel, 7171 Southwest Parkway, Building 300 Suite 200, Austin, Texas 78735, and if to Optionee, to the last known mailing address of Optionee contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

5.4. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not effect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

5.5. Governing Law. This Agreement, the Option and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

5.6. Personal Information. The Company may utilize a third party system to administer its equity awards. Holder hereby consents to the Company transmitting Holder's personal information, including but not limited to name, date of birth, address, social security number or tax or other identification number for the purpose of facilitating the administration of its equity award program and to create a stock plan brokerage account on behalf of Holder to receive the deposit of shares in settlement of the Award. The Company currently utilizes E\*TRADE for equity administration purposes, but may change providers at its sole discretion.

5.7. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

5.8. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan, and shall be interpreted in accordance therewith. Optionee hereby acknowledges receipt of a copy of the Plan, and by signing and returning the Award Notice to the Company, at the address stated herein, he or she agrees to be bound by the terms and conditions of this Agreement, the Award Notice and the Plan.

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Bruce Thames, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Thermon Group Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

By: /s/ Bruce Thames  
Name: Bruce Thames  
Title: President and Chief Executive Officer

## CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Jay Peterson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Thermon Group Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

By: /s/ Jay Peterson

Name: Jay Peterson

Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO SECTION 1350  
OF CHAPTER 63 OF TITLE 18 UNITED STATES CODE**

In connection with the Quarterly Report on Form 10-Q of Thermon Group Holdings, Inc. (the "Company") for the quarterly period ended June 30, 2020 (the "Report"), I, Bruce Thames, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2020

By: /s/ Bruce Thames  
Name: Bruce Thames  
Title: President and Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 1350  
OF CHAPTER 63 OF TITLE 18 UNITED STATES CODE**

In connection with the Quarterly Report on Form 10-Q of Thermon Group Holdings, Inc. (the "Company") for the quarterly period ended June 30, 2020 (the "Report"), I, Jay Peterson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2020

By: /s/ Jay Peterson  
Name: Jay Peterson  
Title: Chief Financial Officer